



AS “AUGSTSPRIEGUMA TĪKLS” CORPORATE GOVERNANCE REPORT

2024

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The Corporate Governance Report of AS “Augstsprieguma tīkls” (“AST” or “the Company”) for 2024 has been prepared under Section 56.² of the Financial Instrument Market Law (“FIML”), having regard to the Corporate Governance Code of Latvia “Good Corporate Governance Recommendations for Companies in Latvia” (“Corporate Governance Code”) approved by Regulation No. 175 of the Cabinet of the Republic of Latvia, and the recommendations of the European Union (“EU”) and the Organisation for Economic Co-operation and Development (“OECD”) for the corporate governance of capital companies.

Corporate governance at AS “Augstsprieguma tīkls” is implemented having regard to the laws and regulations of the Republic of Latvia, the recommendations of the EU and the OECD for the corporate governance of capital companies, in compliance with the Law on Governance of Capital Shares of a Public Person and Capital Companies (“Governance Law”) and the Corporate Governance Code.

Further information on corporate governance can be found in the consolidated sustainability report of the Augstsprieguma tīkls Group. The Corporate Governance Report is publicly available on the AST website: <https://www.ast.lv/lv/content/korporativas-parvaldibas-modelis>.



ON COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

The Management Board of AS “Augstsprieguma tīkls” has evaluated the Company’s adherence to the corporate governance principles outlined in the Corporate Governance Code. After reviewing the governance system and its compliance with these principles in 2024, the Management Board believes that AS “Augstsprieguma tīkls” has complied, in all material respects, with the applicable corporate governance principles.

Under Section 56.² of the FIML, the Company must disclose the main elements of its internal control and risk management framework applied in the preparation of the financial statements in the Corporate Governance Report.

The Company has implemented an effective internal control system that, among other functions, supervises the financial reporting process. The control environment incorporates both preventive and detective measures to ensure the timely identification and correction of errors or inaccuracies. Preventive controls include the establishment of approved internal documents that define the Company’s activities and processes, such as the “four-eyes” principle, regular internal management reporting, and the segregation of duties.

The internal control function is carried out by the Company’s Management Board and is overseen by the Internal Audit Unit, the Audit Committee, and the supervisory body – the Council. Both internal and external controls of the Company’s activities are conducted under the established procedures, ensuring consistent and independent oversight.

The auditor of the Company’s financial statements is prohibited from providing services that impair or could potentially impair their independence. The selection of the auditor is based on the following key criteria: an in-

ternationally recognised audit firm that has not provided financial statement audit services to the Company in recent years, applying the lowest price criterion.

The Company and its subsidiary are required to obtain prior approval from the AST Audit Committee for receiving any services provided by the sworn auditor or the firm responsible for auditing the Company’s financial statements and sustainability report. The Company ensures that the term of office of any external auditor is limited to a maximum of five (5) years.

The Company’s Audit Committee supervises the preparation and audit of the Company’s individual and consolidated financial statements.

The Corporate Governance Report for 2024 of AS “Augstsprieguma tīkls” was approved by the Management Board in Riga on 25 April 2025.

Designations:

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

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 Council is involved in the strategy development process and approves the strategy at a Council meeting.
- The Council monitors the implementation of the strategy.
- The Company’s Management Board implements the strategy and regularly reports to the Council 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 Augstsprieguma tīkls Group operations for 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 financial and non-financial targets, as well as performance indicators, are outlined in its Medium-Term Operational Strategy. The medium-term performance objectives detailed in the strategy are further incorporated into a subordinate document, the Annual Action Plan, which is approved concurrently with the Company’s budget for the upcoming year. This plan includes an analysis of potential risks and allocates the necessary resources to achieve the objectives.
- The implementation process of the Medium-Term Operational Strategy is ensured to be continuous, including the timely initiation of the strategy planning process for the next period.

- In 2021, the Company developed the Augstsprieguma tīkls Group Medium-Term Operational Strategy 2021–2025 (“the Strategy”) in compliance with the requirements of the Law on Governance of Capital Shares of a Public Person and Capital Companies, and following the “Guidelines for the Development of Medium-Term Operational Strategy for State Capital Companies” issued by the Coordination Centre for State Capital Companies (“Coordination Centre”). The draft Strategy was approved by resolutions of the Company’s Management Board of 28 July 2021 and Council of 2 August 2021. After incorporating the feedback from the Coordination Centre and the relevant Ministry, the Strategy was formally approved under the resolution of the Company’s Council on 21 December 2021.
- The Strategy outlines the financial and non-financial targets, as well as performance indicators, for the Augstsprieguma tīkls Group from 2021 to 2025.
- Based on the objectives defined in the Strategy, the Company’s Management Board develops and the Council approves the Company’s goals for the current year. By the decision of the AST Management Board on 11 December 2024, the AST Action Plan, objectives, and performance indicators for 2025 were approved, which was confirmed by the resolution of the AST Council on 20 December 2024.
- The Company ensures regular monitoring of objective achievement, reviewing the progress of objective achievement at the Management Board meetings quarterly, as well as submitting reports to the Council.
- In January 2025, work began on developing the medium-term strategy for the next period starting in 2026.

INTERNAL CULTURE AND ETHICAL BEHAVIOUR

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 Council defines the Company’s core values.
- The Management Board prepares and the Council 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 Council has approved the corporate values and Ethics Code. In 2024, the Company’s Ethics Code (“the Code”) was revised and approved by the decisions of the AST Management Board and Council in November 2024.
- The purpose of the Code is to establish a unified set of ethical standards within the Company and to enhance the Company’s internal culture, business practices, and reputation. This is achieved by outlining the fundamental principles of ethics and internal organizational measures, based on the Company’s core values, while also fostering a safe and inclusive work environment.
- To ensure fair and objective resolution of disputes arising from the Code, the Company has established an Ethics Commission, which also includes a representative of the trade union of AST.
- The Code of Ethics of AS “Augstsprieguma tīkls” is available on the Company’s website <https://www.ast.lv/lv/content/etikas-kodekss>.

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 Council

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 continuously improves its internal control system (including internal audit) and risk management framework.
- Since the end of 2002, AST has implemented, certified, maintained, and developed an Integrated Management System. Currently, the Integrated Management System is maintained under the requirements of the ISO 9001, ISO 14001, ISO 45001, and ISO 50001 standards and the Company's priorities. Information regarding the implemented quality management system is available on the AST website: <https://www.ast.lv/lv/content/kvalitates-sistema>.
- The implemented Integrated Management System ensures the effective operation of AST, in compliance with internationally recognised operational mechanisms concerning quality, occupational health and safety, energy efficiency, and environmental protection management. It guarantees the identification and fulfillment of regulatory requirements, promotes the recognition and fulfillment of customer and stakeholder expectations, and views the Company's processes through the lens of risk management and process optimisation.
- The oversight of the effectiveness of the Company's internal control, risk management, operational compliance systems, and Internal Audit functions is provided by the Council. The Audit Committee oversees this process to ensure that the annual financial statements and consolidated financial statements are truthful and fair.

- The implementation of the Company's internal control, risk management, and operational compliance systems is ensured by the Management Board, while the independent and objective assessment of these systems is conducted by the Internal Audit Function.
- The Internal Audit Function develops the internal audit plan for the next year, which is approved by the AST Council, as well as the strategic internal audit plan for the next five (5) years. The internal audit plan for 2025 and the strategic internal audit plan for 2025–2029 were approved by the AST Council's decision of 20 December 2024.
- Under the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, the Internal Audit Function of AST provides a report on the internal audit activities to the Company's Council and Audit Committee at least once a year. It also provides a general assessment of the effectiveness of AS "Augstsprieguma tīkls" internal control and risk management systems.
- The general assessment of the effectiveness of the internal control and risk management framework of AS "Augstsprieguma tīkls" includes an evaluation of the effectiveness of the internal control activities implemented by AST, as well as providing recommendations for the further improvement of the internal control system.
- The general assessment provided by the Internal Audit Function regarding the effectiveness of the internal control and risk management framework of AS "Augstsprieguma tīkls" in 2024 ("Assessment") was reviewed by the Council of AS "Augstsprieguma tīkls" at the meeting of 28 March 2025. According to the assessment, the internal control activities implemented by AST are sufficiently effective to ensure the achievement of the goals set out in the AST strategy and to manage the strategic risks.
- The AST Council supervises the implementation of the AST Internal Audit Policy. The Internal Audit Function regularly provides reports to the Council on the progress of implementing and fulfilling the approved audit recommendations.

4. The Company identifies, assesses, and monitors the risks associated with its activities

Criteria:

- The Management Board develops, and the Council approves the enterprise risk management policy.
- Based on the identified risks, the Management Board implements risk management measures.
- At least once a year, the Council 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.
- In 2024, AST’s risk management focused particularly on the synchronisation of the electricity transmission network with continental Europe and security risks. The improvement of risk management in 2024 was implemented through additional training on synchronization and security issues, simulating practical threat scenarios, and identifying improvement opportunities during the execution of practical tasks. In 2024, nearly all of AST’s unit managers (33 unit managers) were involved in risk management. At the end of 2024, work began on improving the risk management process, reviewing risk assessment criteria and risk indicators, which will continue into 2025.
- The risk management of AS “Augstsprieguma tīkls” is governed 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 significant risks, AST’s Management Board is regularly (quarterly) reported on the management of AST’s key risks, assessing compliance with risk appetite and risk indicators. The list of AST’s significant risks includes those with the highest residual risk values across all risk areas.
- The Company ensures regular risk monitoring, with reports prepared for the Management Board on the results of periodic or ad-hoc risk reviews in each area. Once a year, a report is prepared for the Management Board and subsequently for the Council on risk management for the respective year.

THE INTERNAL CONTROL SYSTEM, RISK MANAGEMENT, AND INTERNAL AUDIT

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 Council.
- The internal auditor is approved by the Council.
- 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 Council of the implementation of the internal audit plan, the results of the audit, and the recommended actions to remedy deficiencies, if any.

Facts:

- The Company has established Internal Audit Function. In carrying out its operations, the Company’s Internal Audit Function 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 Function is functionally supervised by the Council and the Audit Committee of AS “Augstsprieguma tīkls”, whereas administratively it reports to the Chairman of AST’s Management Board.
- The Council of the Company participates in the internal auditor selection procedure by taking decision on the evaluation of the required probationary period at the AST Council meeting.
- Based on the conducted risk assessment, a strategic and annual internal audit plan is prepared, reviewed by the AST Management Board and the Audit Committee, and approved by the AST Council.
- The Head of the Internal Audit Function informs the Management Board and the Council 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 Function prepares and submits to the Council, 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.

6. The Company has an independent external auditor

Criteria:

- The Council 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.
- The audit of AST’s annual report is conducted by an internationally recognised audit firm with a presence in Latvia, ensuring the provision of highly qualified services.
- The AST Audit Committee oversees the independence and objectivity of the external auditors of AST’s financial statements, including agreeing on the auditor selection criteria within the procurement procedure.
- The sworn auditor is prohibited from providing services that would impair or could impair their independence. AST and its subsidiaries must obtain prior approval from the AST Audit Committee for any services provided by the sworn auditor and the audit firm conducting the audit of 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 IESBA 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 IESBA Code;
- based on the knowledge and assurance 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 service not related to the audit, the auditor submits a letter addressed to the Audit Committee with detailed information regarding the planned service and the evaluation of independence aspects. Before starting the service, the auditor must obtain written permission from the AST Audit Committee for the provision of such a service. In the context of the 2024 report, the AST Audit Committee granted permission for a specific non-audit-related service provided by SIA “KPMG Baltics” – the evaluation of the management model for the Company’s investment in AS “Conexus Baltic Grid.”
- The Company ensures that the term of office of any external auditor does not exceed five (5) years. SIA “KPMG Baltics” has been appointed the auditor for the Company’s 2024–2026 financial statements. The auditor for the Company’s 2021–2023 financial statements was SIA “PricewaterhouseCoopers”. From 2018 to 2020 (3 years), the auditor of the Company’s financial statements was SIA “Deloitte Audits Latvia”.

ELECTING THE COUNCIL MEMBERS

7. The Company ensures transparent procedure for the election and removal of its Council members

Criteria:

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

Facts:

- The AST Council 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 framework.
- The tasks and principles of operation of the AST Council, 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 Council Regulations, which are available on AST's website:
<https://www.ast.lv/lv/content/padome>
<https://www.ast.lv/lv/content/korporativas-parvaldibas-modelis>.
- The Council is composed of five (5) members (in 2025: three Council members), elected for a 5-year term, <https://www.ast.lv/lv/content/korporativas-parvaldibas-modelis>.

- The members of the AST Council are selected in an open competition. The current AST Council, consisting of the Chairman of the Council Kaspars Āboliņš, deputy Chairwoman Olga Bogdanova, and members of the Council Aigars Ģērmanis and Armands Eberhards were elected by a resolution of the Extraordinary Shareholders's Meeting of AST on 30 December 2019. On 26 January 2022, Council member Madara Melne resigned from AST's Council. During the reporting period, the AST Council continued its work with a composition of four Council members. The term of office of the Council expired on 30 December 2024.
- In 2024, 15 Council meetings were held, during which 55 decisions were made.

8. The members of the Council collectively have the relevant experience and expertise

Criteria:

- The Council 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 Council is based on the principles of diversity.
- Both genders are represented on the Council.
- The Council shall develop an induction training programme and provide induction training for new Council members.

Facts:

- The AST Council is elected as a result of a competition aimed at attracting highly qualified professionals, and a description of the Council members' education and work experience is available on the AST website.
- The members of AST's Council are elected under the provisions of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof and the Cabinet Regulation No. 20 of 7 January 2020 "Nomination Procedure for Members of the Management Board and Council 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 Council, all candidates are given equal opportunities, and no discrimination is tolerated based on gender, age, religion, or other characteristics.
- In the reporting year, the AST Council was represented by both genders.

- The current composition of the Council was elected by the decision of the Extraordinary Shareholders' Meeting of AST on 30 December 2019. Upon the election of new Council members and the commencement of their duties, the Management Board ensured that the Council received the necessary information about the key aspects of AST's operations. The Council was also provided with information regarding the current AST Medium-Term Operational Strategy, the annual budget, the capital expenditure plan, and the Action Plan, as well as an informational report on the completed efficiency audit of AST's operations.
- Continuing to improve the corporate governance processes of AST, work was carried out in 2024 on developing several key implementation policies, as well as on creating an introductory training programme for the AST Management Board and the Council. This programme aims to consolidate and formalise the previously implemented practices for training new members of the AST executive and supervisory bodies.

9. The Council is composed of independent members

Criteria:

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

Facts:

- The nomination and appointment of the current AST Council members, as well as the requirements for the candidates, were determined under the Law on Governance of Share Capital of Public Entity and Management of Capital Companies Thereof (before amendments taking effect 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 Council member Madara Melne resigned from the AST Council on 26 January 2022, during the reporting period, the composition of the board included one independent Council member, Aigars Ģermanis, whose independence requirements were evaluated before his appointment, following the regulations in effect at the time.
- The nomination process for the members of the AST Council was organised by the then-current 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 Council members, thus contributing to the establishment of a professional and competent supervisory body of the capital Company. The composition of the AST five (5) Council mem-

bers was designed to ensure all the necessary competencies and a sufficiently critical and independent position in assessing decisions and making them.

- For information on the candidate evaluation process and the decisions taken for the positions of the AST Council members:
<https://www.fm.gov.lv/lv/media/2159/download>;
<https://www.ast.lv/lv/events/iecelti-jauni-ast-pa-domes-locekli>.
- Under the recommendations of the independent nomination committee established by the Ministry of Finance and composed of representatives of the Latvian Trade Union “Enerģija”, the AST Shareholders’ Meeting elected the AST Council 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 were represented on the AST Council in 2024.
- The term of office of the members of the AST Council expired on 30 December 2024.
- In continuing efforts to streamline the operations of AST, its shareholder, the Ministry of Climate and Energy, decided on 27 December 2024 to further reduce the count of AST Management Board members. Although the Articles of Association stipulate a Management Board composition of five (5) members, during the reporting year, the AST Management Board successfully performed oversight of the management’s activities with a reduced composition of four members. Consequently, starting from 31 December 2024, the AST Management Board will consist of three members. In addition to the reduction in the count of Management Board members, following good governance principles, the Shareholders’ Meeting decided to organise an open competition for the vacant Council member positions.

PRINCIPLES FOR DETERMINING THE REMUNERATION OF THE COUNCIL 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 Council, and approved by the shareholders' meeting.
- The Council 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 Council, 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 Council.

Facts:

- The remuneration policy of the Management Board and the Council 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 Council.
- The fundamental principles of the Company's remuneration policy, including the remuneration policy of the Management Board and the Council, are set out in the Company's Corporate Governance Policy.
- According to the Cabinet Regulation, the remuneration of the Management Board and the Council in state capital companies is determined by assessing the indicators characterising the size of the capital Company: turnover, total assets, 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 Capital Shares of Public Entity and Management of Capital Companies Thereof, the variable remuneration for a member of the Management Board shall not exceed the equivalent of two (2) months salary.
- When approving the budget for the following year, the Council approves the Company's financial and non-financial targets for the following year and the performance indicators to be achieved. In addition, the Council 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 2024 were approved at the Council meeting on 7 December 2023. Additionally, by the decision of the AST Council of 15 March 2024, the individual performance indicators for the CEO and members of the Management Board for 2024 were established. The Company's Management Board reports to the Council every quarter on progress towards the targets.
- In determining whether to award a bonus to a member of the Management Board, the Council evaluates AST's performance in the previous reporting year, the fulfillment of the Company's financial and non-financial goals, as well as the individual targets set for each member of the Management Board.
- The members of the Company's Council 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 forms a part of sustainability report in the consolidated financial statements of Augstsprieguma tīkls. The report on the 2024 remuneration policy is included in the sustainability report of the consolidated 2024 financial statements of Augstsprieguma tīkls, available on the AST website: <https://www.ast.lv/lv/content/ilgtspejas-parskati>.

11. The organisation of the work of the Council is defined and understood

Criteria:

- The Council organises its work under its rules of procedure and work calendar.
- The Council 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 Council.
- The Council shall conduct an annual self-evaluation of its work, the results of which shall be examined at the Council meeting.
- The Council has assessed the need for the establishment of committees.

Facts:

- The AST Council organises its work under the Council’s Rules of Procedure, which are available on the AST website: <https://www.ast.lv/lv/content/padome>.
- Meetings of the AST Council are held in accordance with the calendar schedule approved by the Council.
- In 2021, the AST Council approved the Augstsprieguma tīkls Group’s Medium-Term Operational Strategy for 2021–2025 (“the Strategy”). In 2024, the Council had quarterly meetings 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 Council.
- To manage the objectives, progress is regularly tracked: the objectives outlined in the Medium-Term Operational Strategy are reviewed annually, while the achievement of the calendar year objectives is monitored on a quarterly basis.
- Once a year, concurrently with the approval of the previous year’s financial statements, the Council conducts a self-evaluation of the Council’s performance and submits the results to the AST Shareholders’ Meeting for consideration. The Council’s self-assessment will be considered at the AST Shareholders’ Meeting on 26 April 2024.
- The AST Audit Committee was established by a resolution of the AST Shareholders’ Meeting of 22 September 2021. There are no other AST Committees except for the Audit Committee.

12. The Council takes informed and balanced decisions

Criteria:

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

Facts:

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

ORGANISATION OF THE WORK OF THE COUNCIL AND DECISION-MAKING

12.1. The Committee prepares proposals for decisions by the Council

Criteria:

- The Council shall determine the tasks of the Committee and the arrangements for organizing its activities.
- The Council shall establish a Committee of at least three (3) Council 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 Council, and informs the Council of its work.

Facts:

- The AST has a three-member Audit Committee, consisting of two (2) independent members and one (1) member dependent on the AST Council. The Audit Committee reports to the AST Council on its activities and the performance of its tasks.
- On 9 February 2024, Ivars Blumbergs, a member of the AST Audit Committee, submitted his resignation from the position of Audit Committee member. An open competition was announced for the vacant position on the Audit Committee, with the selection committee including a representative from the Ministry of Climate and Energy, as well as members of the Council. Based on the results from the three selection rounds, which also included an evaluation of educational background, qualifications, and professional experience, and the recommendation from the selection committee, Inga Liepa was selected for the position of Audit Committee member.

- On 14 May 2024, at the AST Shareholders' Meeting, the Audit Committee was re-elected with a new composition of three members, including two (2) independent Audit Committee members. Inga Liepa was a newly elected member, along with the re-election of the previous committee members, Roberts Ikauņieks and Aigars Ģērmanis.
- 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 report, 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 Council to ensure the reliability and objectivity of the annual report and the consolidated annual report.
- The selection process for Audit Committee members ensures that the members possess the requisite knowledge and experience. Information about the knowledge and experience of the Audit Committee members in the relevant field is provided on the AST website: <https://www.ast.lv/lv/content/revizijas-komiteja>.
- The goals and objectives, operating principles, rights, and responsibilities of the AST Audit Committee are defined in the AST Audit Committee Regulations, available on the AST website: <https://www.ast.lv/lv/content/revizijas-komiteja>.
- The Audit Committee's report on its activities during the previous reporting period was reviewed at the AST Council meeting on 23 April 2024.

PREVENTING CONFLICTS OF INTEREST

13. Members of the Management Board and Council 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 Council defines the indications of a conflict of interest and establishes procedures for the prevention and management of conflicts of interest.
- The members of the Council or the Management Board do not take part in decisions on matters where the interests of the Company conflict with the interests of the Council, 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 Council, and the members of the Audit Committee are public officials within the meaning of the Law On Prevention of Conflict of Interest in 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 Council to combine their positions, while Council members require the prior consent of the shareholder. The members of AST's Management Board and Council file declarations as public officials.
- In carrying out their activities, the members of the AST Management Board comply with the restrictions on transactions with related parties set out in the Commercial Law, as well as the prohibition of competition and the restrictions set out in the Law On Prevention of Conflict of Interest in 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 materials and a knowledge test 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/lv/content/atbildiga-uznemejdarbiba>.

SHAREHOLDERS' MEETING

14. The Company provides shareholders with timely information on the proceedings of the Shareholders' 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 shareholders' meeting.
- Draft decisions and accompanying documents provide detailed, clear, and complete information on the matter under consideration.

Facts:

- In 2024, 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 had all the rights, duties, and responsibilities of a shareholder's representative provided for in the laws and regulations.
- The AST Shareholders' Meeting adopts decisions within the competence set out in the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof.
- In 2024, four (4) Shareholders' Meetings were held, at which several key decisions were taken, related to the election of members of the AST Audit Committee, the approval of the consolidated and AST 2023 annual report of Augstsprieguma tīkls Group, the application of the 2023 profit, the fulfilment of the AST 2023 Action Plan and objectives, the election of an auditor to audit AST's 2024 annual financial statements, consolidated financial statements and the sustainability report, the increase of AST's share capital, and amendments to the Articles of Association.
- The agenda and resolutions of the Shareholders' Meetings are available on the AST website: <https://www.ast.lv/lv/content/akcionars-un-akcionaru-sapulce>.

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

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 Council, the candidates for election to the Council, 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 are 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.
- AST's Extraordinary and Ordinary Shareholders' Meetings 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 a 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 relevant agenda matters.

- Individuals who are directly involved in the agenda matters to be reviewed and who can provide reasoned answers to the questions of the shareholder representative may be invited to AST Shareholders' Meetings, subject to the permission of the shareholder's 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/lv/content/akcionars-un-akcionaru-sapulce>.
- To date, all AST Shareholders' Meetings have successfully addressed the agenda matters within the scheduled time. However, if reviewing the agenda matters was not possible within the allocated time, a new Shareholders' Meeting would be convened to ensure that all necessary matters are reviewed. If needed, the shareholder has the option to 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: ○ The Augstsprieguma tīkls Group's Medium-Term Operational Strategy for 2021-2025, approved by the AST Council on 12 December 2021, includes the Company's dividend policy. ○ The Company's dividend policy was reviewed 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 the 2023 profit in dividends in 2024. ○ In 2024, under Augstsprieguma tīkls the provisions of Article 25 of the Law "On the State Budget for 2024 and the Budget Framework for 2024, 2025, and 2026" the decision of the AST shareholders' meeting on 26 April 2024, stipulates that from the 2023 profit, dividends of EUR 10,117,120 will be distributed, representing 90% of the 2023 profit, while the remaining profit portion of EUR 1,105,196 will be allocated to increase AST's share capital and fund necessary investments, including those for implementing the synchronisation with the Continental European grid project.	○ Section 27 of the Law on the State Budget for 2024 and the Budgetary Framework for 2025, 2026, and 2027 stipulates that AST must remit to the State budget the dividend payment for 2025 (for the 2024 reporting year) in the amount of 70% of the profit for the reporting year, but not less than EUR 10,391,040. Similarly, for 2026 (for the 2025 reporting year), AST shall remit 70% of the profit for the reporting year, but not less than EUR 5,308,160. ○ The Company's dividend policy is published on AST's website: https://www.ast.lv/lv/content/merkis-un-strategija.
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TRANSPARENCY OF THE COMPANY’S OPERATIONS

17. The Company regularly and timely informs shareholders and other stakeholders about the Company’s business, financial performance, governance, and other relevant issues

Criteria:

- The Company discloses complete, accurate, objective, up-to-date, and 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 sustainability report for 2024 has been prepared in accordance with the European sustainability reporting standards, replacing the previous reporting approach, which was conducted in accordance with the Global Reporting Initiative (GRI) standards. The sustainability report is reviewed by an independent auditor.
- In 2024, AS “Augstsprieguma tīkls” was awarded the Platinum category in the Latvian Sustainability Index.
- In 2024, 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 subsidiary publish quarterly interim financial statements under the announced Financial Calendar.

ANNEX NO. 1: INFORMATION TO BE PUBLISHED ON THE COMPANY’S WEBSITE

Company		
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 Business conduct policy and corporate culture section of the Sustainability Report
Shareholders and beneficial owners		
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	✓	
Council board and Management Board		
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 Integration of sustainability-related performance in incentive schemes section 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 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
Financial and non-financial reports and information		
Company’s financial statements and reports	✓	
The Company’s non-financial reports	✓	
Corporate governance reports	✓	
Company’s financial calendar	✓	
Information for shareholders and investors		
Information on the planned shareholder meetings	✓	The issues to be considered during the meeting and decisions are published after the Shareholders’ 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	✓	

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