



Joint Stock Company  
“mogo”

Corporate Governance Report for 2022

Riga, 2023

## INTRODUCTION

The Corporate Governance Report of JSC „mogo” (henceforth – “mogo”) for the year 2021 is prepared based on requirements of the Financial Instruments Market Law part 3 of article 56.2 and Code of Corporate Governance issued by the Corporate Governance Advisory Board of the Ministry of Justice of the Republic of Latvia, developed in 2020.

The Report is prepared by the board of “mogo” and reviewed by the council.

“mogo” has complied with most of the principles of good corporate governance contained in the Corporate Governance Code. The principles that “mogo” has not complied with, including partially, are included in the report, explaining the reasons for “mogo” actions for incomplete or non-compliance.

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Riga, April 5, 2023

Krisjanis Zhotins, Chairman of the board

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## PRINCIPLES OF GOOD CORPORATE GOVERNANCE

### Company strategy

Company strategy is an essential tool for setting company objectives and progress towards long term value creation

#### Principle Nr 1

The company has an up-to-date strategy that sets out the company's objectives and progress towards long-term value creation

- The company has an up-to-date strategy, the draft of which is developed by the management board

**“mogo” applies this principle**

- The supervisory board is involved in the strategy development process and approves the strategy at the supervisory board meeting

**“mogo” partially applies this principle. Strategy is discussed with supervisory board and reviewed periodically, while not approved in supervisory board meeting**

- The supervisory board monitors the implementation of the strategy

**“mogo” applies this principle**

- The company management board implements the strategy and reports to the supervisory board on its implementation on a regular basis

**“mogo” applies this principle**

### Internal culture and ethical behaviour

The basic principles of the company's internal culture and ethical behaviour and the values on which they are based are a precondition for the successful long-term development of the company

#### Principle Nr 2

The company develops an internal culture and ethics code which serves as a standard of conduct for the company's management and employees

- The supervisory board defines the company's core values

**“mogo” applies this principle, values are defined by management board and approved by supervisory board**

- The management board prepares and the supervisory board approves the code of internal culture and ethics

**“mogo” applies this principle.**

- The management board ensures compliance with the company’s internal culture and ethics code on a daily basis and reacts if there is a breach of the code

**“mogo” applies this principle.**

### Internal control system, risk management and internal audit

The purpose of the internal control system is to ensure the efficient, sustainable and successful operation of the company, the veracity of the information provided and compliance with the relevant regulatory enactments and operating principles

The purpose of risk management is to identify, assess, manage and control potential events or situations to provide assurance regarding the achievement of the company’s strategic objectives

Internal audit helps the company accomplish its objectives by bringing systematic processes to evaluate and improve the effectiveness of risk management, internal control and governance processes

#### Principle Nr 3

The company has an internal control system, the effectiveness of which is monitored by the supervisory board

- The company has a documented internal control system, the establishment of which is the responsibility of the management board

**“mogo” applies this principle partially. Internal control system covers anti money laundering and General data protection questions. Internal control system policy is being developed and is expected to be approved by supervisory board during 2023.**

- The internal audit evaluates the effectiveness of the internal control system at least once a year, taking into account pre-defined criteria and reporting the results of the evaluation to the supervisory board.

**“mogo” applies this principle partially. Compliance officer evaluates internal control system efficiency on quarterly basis and reports results of evaluation.**

- The supervisory board, at least once a year, evaluates the provided evaluation of the effectiveness of the internal control system

**“mogo” does not apply this principle. It is planned to be implemented during 2023.**

#### Principle Nr 4

The company identifies, assesses and monitors the risks associated with its operations

- The management board develops and the supervisory board approves the company's risk management policy

**“mogo” partially applies this principle. Management board monitors risks level associated with its operations. Risk management policy is being developed and is expected to be approved by supervisory board during 2023.**

- Based on the identified risk assessment, the management board implements risk management measures

**“mogo” partially applies this principle. Management board monitors risks level associated with its operations. Risk management policy is being developed and is expected to be approved by supervisory board during 2023.**

- At least once a year, the supervisory board reviews the management board's reports on risk management measures and the implementation of the risk management policy

**“mogo” partially applies this principle. Management board reports operational results, including identified risks to supervisory board on monthly basis.**

#### Principle Nr 5

An internal audit has been established in the company, it evaluates the company's operations independently and objectively

- The company has an internal auditor who is functionally independent of the management board and reports to the supervisory board

**“mogo” does not apply this principle. Supervisory board performs direct companies operations evaluation on regular basis.**

- The supervisory board approves the internal auditor

**“mogo” does not apply this principle as there is no internal auditor position.**

- The internal auditor develops a risk-based internal audit plan, which is approved by the supervisory board

**“mogo” does not apply this principle as there is no internal auditor position.**

- The internal auditor informs the management board and supervisory board on the implementation of the internal audit plan, audit results and recommended actions to address deficiencies, if any

**“mogo” does not apply this principle as there is no internal auditor position.**

## External auditor

The company has an independent external auditor

### Principle Nr 6

An internal audit has been established in the company, it evaluates the company's operations independently and objectively

- The supervisory board and the Audit Committee, (if established), determine the selection criteria for the external auditor

**“mogo” applies this principle, however, it is not formalized.**

- The company has an independent external auditor with appropriate qualifications

**“mogo” applies this principle.**

- The term of office of one external auditor does not exceed 5 years

**“mogo” applies this principle. The rule is not defined, however, the Company has never had same external auditor serving more than 5 years.**

## Election of supervisory board members

A competent and experienced supervisory board is a prerequisite for the efficient operation of the company and decision-making, which contributes to the long-term growth of the company's value. The supervisory board is working in the interests of all shareholders and the company

### Principle Nr 7

The company ensures transparent procedures for the election and removal of supervisory board members

- The company has approved the procedure for selection and removal of supervisory board members

**“mogo” applies this principle. Supervisory board charter have been formally approved in 2023.**

The company provides timely and sufficient information to the company's shareholders on the supervisory board members who are nominated for election or re-election

**“mogo” applies this principle.**

- The size of the supervisory board corresponds to the specifics of the company's operations

**“mogo” applies this principle.**

- A supervisory board member is elected for a term not exceeding 5 years

**“mogo” applies this principle.**

#### Principle Nr 8

Supervisory board members combined have relevant experience and competence

- The supervisory board as a whole has a set of skills, experience and knowledge, including on the sector concerned, to be able to perform their duties fully

**“mogo” applies this principle.**

- The principles of diversity are observed when forming the supervisory board

**“mogo” applies this principle.**

- Both sexes are represented in the supervisory board

**“mogo” applies this principle.**

- The management board develops an induction training programme and provides new supervisory board members with induction training

**“mogo” partially applies this principle. Induction training is provided to new supervisory board members, however no official training procedure is approved and implemented.**

#### Principle Nr 9

The company’s supervisory board has independent supervisory board members

- The company evaluates and the shareholders determine the proportion of independent supervisory board members

**“mogo” does not apply this principle. According to Company’s view, Company’s size and complexity do not require supervisory board extension with independent members.**

- At least half of the members of the board are independent

**“mogo” does not apply this principle. According to Company’s view, Company’s size and complexity do not require supervisory board extension with independent members.**

- Independent candidates for supervisory board membership make a declaration that they meet the independence criteria

**“mogo” does not apply this principle. According to Company’s view, Company’s size and complexity do not require supervisory board extension with independent members.**

- Prior to the election of the supervisory board, the company evaluates the independence of supervisory board members in accordance with the available information

**“mogo” does not apply this principle. According to Company’s view, Company’s size and complexity do not require supervisory board extension with independent members.**

## Principles of determining the remuneration for the supervisory board and the management board

Clearly defined remuneration principles for management board and supervisory board members facilitate transparency of the use of funds and effective risk management

### Principle Nr 10

The company has introduced a remuneration policy

- The company has introduced a remuneration policy, which has been developed by the management board, reviewed by the supervisory board and approved by the shareholders’ meeting

**“mogo” applies this principle.**

Once a year, the supervisory board determines the financial and non-financial goals to be achieved by the management board, their impact on the variable part of remuneration and controls their fulfilment.

**“mogo” applies this principle.**

- No variable part of remuneration is determined for supervisory board members, and no compensation is paid in case of removal or resignation from office

**“mogo” applies this principle. Supervisory board members receive no remuneration.**

- Once a year, the management board prepares a report on the remuneration granted to each current and former management board and supervisory board member

**“mogo” does apply the principle partially. Supervisory board members receive no remuneration. The total remuneration of the Management Board is reported at financial statements.**



## Organisation of the supervisory board's work and decision-making

A clear and understandable organisation of the work of the supervisory board and the availability of timely, high-quality and relevant information facilitates the effective performance of the supervisory board's tasks and full involvement of supervisory board members in decision-making

### Principle Nr 11

The company's supervisory board work organisation is clear and understandable

- The supervisory board organises its work in accordance with regulations of the supervisory board and the work calendar

**"mogo" applies this principle.**

- The supervisory board holds at least one separate supervisory board meeting per year to discuss the company's strategy and its implementation

**"mogo" applies this principle.**

- The company's budget provides the financing necessary to ensure the operation of the supervisory board

**"mogo" applies this principle. However supervisory board members work without remuneration.**

- Once a year the supervisory board conducts a self-assessment of the work of the supervisory board and reviews its results at the supervisory board meeting

**"mogo" does not apply this principle. It is planned to be implemented during 2023.**

- The supervisory board has evaluated the need to set up committees (if a committee has been set up, see principle # 12.1.)

**"mogo" applies this principle. No need for committees, except audit committee has been identified.**

### Principle Nr 12

The supervisory board takes informed and well-balanced decisions

- The supervisory board has access to information prepared by the management board necessary for decision-making in a timely manner and in sufficient amount

**"mogo" applies this principle.**

- The supervisory board determines the procedure for the circulation of information, including the right of the supervisory board to request from the management board information, which the supervisory board needs to make decisions

**“mogo” applies this principle.**

- A supervisory board member analyses the information and prepares proposals for decisions to be adopted by the supervisory board

**“mogo” applies this principle.**

- When making decisions, the supervisory board assesses the risks, short-term and long-term impact on the company’s value, sustainability and responsible development

**“mogo” applies this principle.**

#### Principle Nr 12.1

A committee prepares proposals for supervisory board decision making

- The supervisory board determines the tasks and the procedures for organisation of work of the committee

**“mogo” does not apply this principle.**

- The supervisory board establishes a committee of at least 3 supervisory board members with appropriate experience and expertise in the field of work of the committee (remuneration, nomination, audit or other field)<sup>6</sup>

**“mogo” applies this principle partially. The Company’s supervisory board consists of 3 members whereas 2 members form the Audit committee.**

- The committee analyses the information and makes proposals for decisions by the supervisory board, as well as informs the supervisory board of the work of the committee.

**“mogo” applies this principle partially.**

#### Prevention of the conflict of interests

Identification and management of potential conflict of interest situations reduces a company’s financial and reputational risks

#### Principle Nr 13

Management board and supervisory board members are clearly aware of the manifestations of conflicts of interest and are informed of the action to be taken in the event of a conflict of interest

- The supervisory board defines the indications of a conflict of interest and identifies the conflict of interest prevention and management procedures

**“mogo” applies this principle.**

- Supervisory board or management board members do not participate in decision-making on matters in which the company’s interests conflict with the interests of the supervisory board, management board members or persons related to them

**“mogo” applies this principle.**

- Persons subject to the conflict of interest obligation participate in training on dealing with conflicts of interest on a regular basis

**“mogo” applies this principle.**

## Shareholders’ meeting

Effective involvement of shareholders in decision-making helps to achieve the company’s financial and non-financial goals, as well as ensures the company’s sustainable operation

### Principle Nr 14

The company provides shareholders with timely information on conduction of shareholders’ meetings providing all the information necessary for decision-making

- The company informs shareholders in a timely manner about the agenda, course and voting procedures of the shareholders’ meeting, as well as about any related changes

**“mogo” applies this principle partially. The procedures applied are sufficient to serve the interests of the existing shareholder’s structure.**

- Simultaneously with the announcement of the meeting, the company provides an opportunity for the shareholders to get acquainted with the draft decisions, which are initially planned to be voted on at the meeting. The company informs the shareholders immediately of any additional draft decisions submitted

**“mogo” applies this principle partially. The procedures applied are sufficient to serve the interests of the existing shareholder’s structure.**

- The company provides shareholders with an opportunity to submit questions on the matters included in the agenda and draft decisions before the shareholders’ meeting

**“mogo” applies this principle partially. The procedures applied are sufficient to serve the interests of the existing shareholder’s structure.**

- The draft decisions and the documents attached to them provide detailed, clear and complete information on the matter under consideration

**“mogo” applies this principle partially. The procedures applied are sufficient to serve the interests of the existing shareholder’s structure.**

#### Principle Nr 15

The company promotes effective shareholder involvement in decision-making and a participation in shareholders' meetings

- The shareholders' meeting is convened and held at a place and time easily accessible to the shareholders

**“mogo” applies this principle.**

- The company provides shareholders with the opportunity to participate in the shareholders' meeting remotely

**“mogo” applies this principle.**

- The company determines the appropriate duration of the shareholders' meeting and provides the shareholders with the opportunity to express their opinions during the meeting and obtain the information necessary for decision-making

**“mogo” applies this principle.**

- The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected time

**“mogo” applies this principle.**

- The company invites management board and supervisory board members, candidates for supervisory board members, auditors and internal auditors, as well as other persons to participate in the shareholders' meeting in accordance with the matters to be considered at the meeting

**“mogo” applies this principle.**

- The shareholders' meeting makes decisions in accordance with the previously announced draft decision

**“mogo” applies this principle.**

#### Principle Nr 16

The company develops and discusses dividend policy with shareholders

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

**“mogo” does not apply this principle. Dividend policy is not developed.**

- The dividend policy has been discussed with the shareholders during the shareholders' meeting

**“mogo” does not apply this principle. Dividend policy is not developed.**

## Transparency of company operations

Transparency of company operations is the basis for effective investor relations and successful communication with shareholders and other stakeholders

### Principle Nr 17

The company informs shareholders and other stakeholders on a regular basis and in a timely manner of business operations, financial results, management and other relevant issues of the company

- The company discloses complete, accurate, objective, up-to-date and true information in a timely manner

**“mogo” applies this principle.**

- The company discloses information to all shareholders at the same time and to the same extent

**“mogo” applies this principle.**

- The company discloses information about the company's management, strategy or lines of business on the website and publishes financial statements as well as other information

**“mogo” does not apply this principle, however, the major developments related to Company are disclosed in the Eleving Group website.**

- The company provides information both in Latvian and in at least one other language that is understandable to most of the company's foreign shareholders and other stakeholders

**“mogo” applies this principle.**