

## **Remuneration Policy for the Management Board and Supervisory Board Members of Latvenergo AS**

### **1. PURPOSE**

The purpose of the Policy is to ensure remuneration that is justified and proportionate, motivating and competitive, and linked to the sector-specific nature of the capital company and the strategic objectives of Latvenergo Group.

### **2. SCOPE OF APPLICATION**

This Policy (hereinafter – the Policy) sets out the principles, criteria and structure of remuneration for the Management Board and Supervisory Board members of Latvenergo AS, the components and limits of the fixed and variable parts of remuneration, the conditions for severance pay, as well as the procedure for monitoring and reviewing monthly remuneration, in compliance with the Law on Governance of Capital Shares of a Public Person and Capital Companies, other applicable laws and binding legal acts issued pursuant to law.

This Policy does not duplicate the technical coefficients, limits or categories included in Cabinet of Ministers Regulation No. 392 of 25 June 2025, Procedure for Determining the Number and Remuneration of Management Board and Supervisory Board Members in the Management of Capital Shares of a Public Person (hereinafter – the Cabinet Regulation), and they shall apply directly in accordance with the binding provisions of the Cabinet Regulation.

### **3. MAIN PRINCIPLES OF THE POLICY**

This Policy is based on the following principles:

- 3.1. Proportionality and fairness – the amount of remuneration is proportionate to the size of the capital company, its financial and operational performance indicators, as well as to the level of responsibility, professional performance and contribution of Management Board and Supervisory Board members to achieving the strategic objectives of the capital company and the Group.
- 3.2. Competitiveness in the labour market – the remuneration is determined on the basis of market practice in private-sector capital companies of a similar size in the Group's domestic markets in the same or a similar sector, the economic situation, and taking into account the remuneration of other senior employees of the capital company.
- 3.3. Sustainability and observance of the interests of the capital company – it promotes the long-term development and increase in value of the capital company and the Group, while balancing the interests of the capital company and the public entity as shareholder.
- 3.4. Accountability and linkage to results – the granting of the variable part is directly linked to the operational results of the capital company and the Group and to the achievement of strategic objectives.
- 3.5. Transparency and compliance with legal acts – this Policy is applied and reviewed in accordance with the requirements of the legal acts in force and the principles of good corporate governance, ensuring the prevention of conflicts of interest and a transparent remuneration award process.
- 3.6. Oversight – the Supervisory Board oversees and decides on the total remuneration of the Management Board members of Latvenergo AS and the granting of benefits and their amount within Latvenergo Group.

#### **4. REMUNERATION COMPONENTS AND BASIC CRITERIA FOR MANAGEMENT BOARD MEMBERS**

- 4.1. In accordance with the Latvenergo Group's Corporate Governance Policy, the composition of the Management Board is based on a functional principle – each Management Board member also serves as a chief officer. Chief officer level positions for specific business lines ensure operational management within the company in business and/or administrative areas.
- 4.2. Total remuneration consists of:
  - 4.2.1. The fixed part of remuneration: the monthly remuneration of a Management Board member (remuneration before tax; it does not include bonuses, insurance incorporated in the authorisation agreement, or severance pay) in the amount specified in the Cabinet Regulation.
  - 4.2.2. The variable part of remuneration: bonuses for the operational results of the reporting year.
  - 4.2.3. The social guarantees applicable to the position of a Management Board member (such as insurance, severance pay, and support for work-life balance).
- 4.3. When determining the amount of monthly remuneration in order to attract and retain highly qualified and professional Management Board members, the following principles and factors shall be taken into account:
  - 4.3.1. The remuneration must ensure competitiveness with the private sector.
  - 4.3.2. The level of remuneration does not exceed the average fixed remuneration of management in comparable private-sector capital companies of equivalent scale (by sector of operation, net turnover, balance sheet total and number of employees). For the purposes of this Policy, the sector shall be deemed to include energy, telecommunications, RIS3, as well as areas of activity not mentioned here but consistent with Latvenergo Group's Medium-Term Operational Strategy.
  - 4.3.3. To determine the remuneration, reliable and representative external remuneration surveys of top-level executives of qualified merchants are used, within which, according to the relative value of the position in the Management Board, expressed in points or another comparable value, the remuneration level considered is that which, in the survey, corresponds simultaneously to the following combination of criteria – number of employees, turnover, scope of responsibility and geographical coverage; sector statistical sources are used no less frequently than once a year, as well as, in a narrower scope, remuneration reports on the top management of capital companies operating in the sectors referred to in Clause 4.3.2.
  - 4.3.4. The remuneration is linked to the achievement of the objectives set in the Medium-Term Operational Strategy and in the long term (as expressed in the Shareholder's Letter of Expectations).
  - 4.3.5. In addition, the involvement of Management Board members in the implementation of particularly significant tasks is assessed, such as the creation and advancement of new initiatives and/or innovations to improve the Group's operational results, the management of significant risks, the management of changes (reorganisation) material to the capital company, or the implementation of strategic projects of national and international scale, as well as the additional workload and responsibility involved in carrying out previously unplanned projects or tasks.
- 4.4. In implementing the oversight principle (Clause 3.6), the Human Resources Committee of the Supervisory Board reviews the total remuneration of the Management Board members once a year, after approval of the capital company's annual report and evaluation of the operational results of the reporting year, prepares a remuneration assessment and submits it to the Supervisory Board for decision-making.
- 4.5. Determination of bonuses for Management Board members:
  - 4.5.1. The criteria for evaluating the performance of the Management Board derive from the priorities and expected results set by the Shareholders' Meeting and the Supervisory Board.

- 4.5.2. Bonuses for Management Board members are the variable part of remuneration, applied in order to motivate and recognise work results or a significant contribution to the development of the capital company:
  - 4.5.2.1. The annual objectives and the objectives set in the Medium-Term Operational Strategy have been achieved or exceeded.
  - 4.5.2.2. Strategically significant projects for the capital company have been successfully implemented.
  - 4.5.2.3. Risks or problems material to the capital company have been averted, ensuring its sustainable operation.
  - 4.5.2.4. Significant changes or innovations have been managed and implemented that were not provided for in the initial authorisation agreement or in the priorities of the relevant year.
- 4.5.3. Criteria for awarding bonuses:
  - 4.5.3.1. The operational results of the capital company in the previous reporting year (budget implementation).
  - 4.5.3.2. Implementation of the Medium-Term Operational Strategy and the annual results of the capital company in accordance with the defined financial and non-financial objectives.
  - 4.5.3.3. The Management Board member's individual objectives.
- 4.5.4. The maximum achievable bonus amount and the weighting of the criteria set out in Clause 4.5.3 for the respective year shall be determined by the Supervisory Board when setting the annual objectives.
- 4.5.5. The amount of the bonus shall be determined in proportion to the time worked (calendar months) during the reporting year.
- 4.5.6. For the calculation of the bonus, the amount of monthly remuneration in force on 31 December of the previous reporting year shall be used.
- 4.6. Non-award, deferral, and adjustment of bonuses.
  - 4.6.1. A bonus shall not be paid, shall be adjusted, or shall be deferred:
    - 4.6.1.1. If the capital company operates at a loss during the reporting period.
    - 4.6.1.2. If the planned dividend target has not been achieved.
    - 4.6.1.3. If breaches by a Management Board member are identified that have caused financial losses or reputational risks to the capital company.
  - 4.6.2. The decision on the deferral of a bonus (for a maximum period until the end of the current calendar year) or its adjustment shall be taken by the Supervisory Board, with the considerations for such a decision being documented.

## **5. REMUNERATION COMPONENTS AND BASIC CRITERIA FOR SUPERVISORY BOARD MEMBERS**

- 5.1. Supervisory Board members' remuneration consists of monthly remuneration (before the payment of taxes; it does not include insurance incorporated into the authorisation agreement or the severance payment).
- 5.2. When determining the amount of Supervisory Board members' monthly remuneration, the following factors shall be taken into account:
  - 5.2.1. The monthly remuneration amount for the Chairperson of the Supervisory Board and the Supervisory Board members does not exceed the maximum limits set out in the Cabinet Regulation for the respective category of capital company.
  - 5.2.2. The scope of the Supervisory Board's duties and responsibilities – work intensity, the level of supervisory and strategic responsibility, the impact of decisions to be taken on the capital company's sustainability and the public interest, the required competencies and experience, and work results.
- 5.3. The amount of the monthly remuneration for the Chairperson of the Supervisory Board shall be set at up to 30 % of the Chairperson of the Management Board's monthly remuneration.
- 5.4. No bonuses shall be paid to Supervisory Board members.

- 5.5. The holder of the capital shares shall review the amount of Supervisory Board members' monthly remuneration once a year after approval of the capital company's annual report and evaluation of the operating results of the reporting year, by assessing the Supervisory Board members' individual annual work reports.

## **6. MEASURES FOR THE PREVENTION OF CONFLICTS OF INTEREST**

- 6.1. In order to ensure a transparent remuneration-setting process, the following measures for the prevention of conflicts of interest shall be ensured:
  - 6.1.1. The Supervisory Board shall decide on the amount of remuneration and the conditions for its application to the Chairperson of the Management Board and the Management Board members. Management Board members shall not participate in decision-making regarding their own remuneration and shall not influence the process for determining it.
  - 6.1.2. The Shareholders' Meeting shall decide on the amount of remuneration and the conditions for its application to the Chairperson of the Supervisory Board and the Supervisory Board members. Supervisory Board members shall not participate in decision-making regarding their own remuneration and shall not influence the process for determining it.

## **7. SEVERANCE PAYMENT**

- 7.1. A severance payment is a payment granted to a Management Board member in the event of termination of the contract, subject to the maximum amount laid down in laws and regulations, if:
  - 7.1.1. The term of authorisation is terminated before the specified term through no fault of the Management Board member, and no breaches of principles of conflict of interest or good governance have been identified.
  - 7.1.2. It is necessary to impose non-compete employment restrictions (in this case, the severance payment shall be paid in instalments: for a minimum period of two months and a maximum period of five months).
- 7.2. The decision on the payment of a severance payment to a Management Board member and its amount shall be taken by the Supervisory Board, in accordance with the limits laid down in legal acts.

## **8. RESPONSIBILITY FOR MAINTAINING THE POLICY**

- 8.1. The Management Board has a duty to regularly monitor both the capital company's situation and the general economic situation and, if necessary, update the Policy to ensure its compliance with laws and regulations and the principles of good corporate governance.
- 8.2. The Policy shall be reviewed by the Supervisory Board's Human Resources Committee, which shall initiate amendments when necessary.
- 8.3. The Policy shall be approved by the Shareholders' Meeting no less frequently than once every 4 (four) years.

## 9. ANNEXES TO THE DOCUMENT

### Annex No. 1

#### Conditions and Weighting of Criteria for Awarding a Bonus and Determining Its Amount

##### 1. General Conditions

The amount of the Management Board members' bonus shall be up to 2 monthly remuneration payments.

- If the overall assessment is 90–100%, performance shall be rated as 'Very good', and the bonus amount shall be 100%.
- If the overall assessment is 80–90%, performance shall be rated as 'Good', and the bonus amount shall be 90%.
- If the overall assessment is 70–80%, performance shall be rated as 'Almost good', and the bonus amount shall be 80%.
- If the overall assessment is 60–70 %, performance shall be rated as 'Satisfactory', and the bonus amount shall be 70%.
- If the overall assessment is below 60%, performance shall be rated as 'Unsatisfactory', and no bonus shall be paid.

##### 2. Criteria for awarding bonuses and their weighting

2.1. The capital company's operating results in the previous reporting year (budget implementation)	30%*
2.2. Achievement of the medium-term operational strategy and the capital company's results against defined financial and non-financial objectives	40%*
2.3. Individual objectives of a Management Board member/Chief Officer. They are set in three areas: 2. 3.1. Business objectives. 2. 3.2. Organisational development and sustainability objectives. 2. 3.3. Self-development and competence enhancement.	30%*

\*The Supervisory Board, when setting the objectives for the following year, may change the weighting of the criteria.

##### 3. Assessment Matrices

###### 3.1. The capital company's operating results in the previous reporting year (budget implementation)

Performance assessment matrix	Bonus amount
90–100%	100%
80–89%	90%
70–79%	80%
60–69%	70%
50–59%	60%
< 50%	0%

###### 3.2. Achievement of the Medium-Term Operational Strategy and the results of the capital company against defined financial and non-financial objectives (assessment by the Supervisory Board following the shareholders' final evaluation in accordance with the laws and regulations under which the operational results and financial indicators of a capital company in which the State has a decisive influence are assessed)

<b>Performance assessment matrix</b>	<b>Bonus amount</b>
Very good	100%
Good	80%
Satisfactory	50%
Unsatisfactory	0%

3.3. In the section on individual objectives, a different weighting may be assigned to each Management Board member depending on experience and the annual priorities. Discussions on the review of individual objectives and tasks are planned at least once every six months, with the possibility of changing priorities.

Achievement of individual objectives below the 70% threshold shall be considered non-fulfilment.

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