

# Latvenergo AS Donation Strategy

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## 1. Purpose of the Donation Strategy

The Latvenergo AS Donation Strategy has been developed in order to create guidelines for allocating donations in accordance with the Law On Governance of Capital Shares of a Public Entity and Capital Companies, the Law On Prevention of Squandering of the Financial Resources and Property of a Public Person, the Public Capital Company Medium-Term Operational Strategy Development Guidelines of the Cross-Sectoral Coordination Centre (CSCC), the Latvenergo Group Medium-Term Strategy 2017-2022 (hereinafter – the Group Strategy), the Latvenergo AS policies, values and opinions of the stakeholders.

The Latvenergo Group views Donations as one of the main forms of Corporate Social Responsibility (CSR).



In order to ensure wider stakeholder engagement of the Group in social responsibility and to enhance transparency, Latvenergo AS donates financial resources to activities, which have been evaluated and selected through tenders administered by partner organisations.

Donation focus areas and the maximum amount of funds, which Latvenergo AS is allowed to donate from its profits, are stated in the Law On Prevention of Squandering of the Financial Resources and Property of a Public Person and in the Group Strategy. The Management Board of Latvenergo AS decides on the total sum to be donated each year.

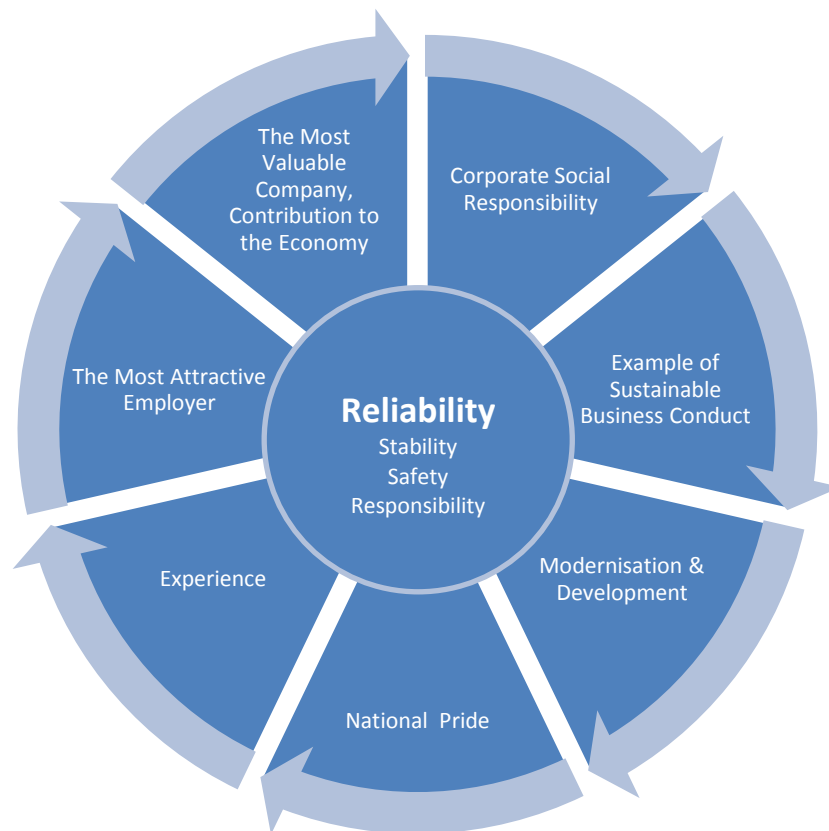
The Group Strategy, approved in 2016, defines the following responsible business objectives:

- ✓ Generate and supply energy in a socially responsible manner, and affirm the good governance practices of the Group by engaging in voluntary activities focused on sustainable economic growth, improved environmental status and public welfare;

- ✓ Support for education that encourages interest in engineering sciences, supports the education system in the exact sciences and promotes involvement of students and teaching staff in Group competency development;
- ✓ Through continuous work with stakeholders, engage them in the handling of important sustainability issues.

## 2. Positioning of the Latvenergo Brand

The task of the Latvenergo brand is to strengthen positioning of a reliable company by communicating topics important to society. Such topics include: contribution to the Latvian economy, social responsibility, experience and preservation of the environment as well as *green* energy or energy generated from renewable energy resources. In customer surveys, *Reliability* of the Latvenergo brand was evaluated as one the most positive aspects, which is important to the audience. Historically, this has been the strength of the Latvenergo brand standing out among other competitive brands. Therefore, strengthening of this positioning will increase the brand value.



## 3. Responsible Business Survey

Latvenergo AS conducts a corporate reputation survey on an annual basis to evaluate changes in the corporate reputation of Latvenergo AS in its different stakeholder groups, in order to compare reputation indicators with other companies and to analyse the factors affecting reputation. This includes questions concerning the Latvenergo Group corporate social responsibility focus areas as well as implemented activities.

The corporate reputation survey conducted by TNS Latvia SIA in 2016 shows that the majority of the Latvian population and field experts consider capital companies of the Latvenergo Group as a good example of responsible business conduct.

### Awareness of Latvenergo Group CSR focus areas among the Latvian population

The year 2016 saw an increase of inhabitants who were aware of or had heard of the following Latvenergo Group CSR focus areas: Education and Science (69%), Preservation of the Industrial Heritage (49%).

More than half of the population was also aware of the Culture and Sports (60%) and Energy Efficiency (54%) focus areas.

### Awareness of Latvenergo Group CSR focus areas among field experts

The Group has also learned the opinion of another important stakeholder group - the field experts. All surveyed field experts (100%) knew or had heard about the following Latvenergo Group CSR focus areas: Education and Science, Energy Efficiency as well as Culture and Sports.

Field experts are also well informed about Electrical Safety (95%), Preservation of the Industrial Heritage (89%) and Preservation of the Environment (89%).

### Opinion of the Latvian population concerning Latvenergo CSR focus areas to be supported further

58% of the Latvian population believe that Latvenergo Group should support Education and Science. The following focus areas were also positively approved: Preservation of the Environment (57% of the Latvian population), Electrical Safety, Culture and Sports (45% of the Latvian population).

### Opinion of field experts concerning Latvenergo CSR focus areas to be supported further

89% of field experts believe that Latvenergo Group should continue supporting Education and Science. The following focus areas were also positively approved: Energy Efficiency (68% of field experts) and Electrical Safety (54% of field experts).

## **4. Donation Criteria**

Donations by Latvenergo AS are evaluated according to the criteria and aspects stated in the Group CSR policy.

According to the CSR policy and the Group Strategy, the Group engages in CSR activities that meet one or more of the following criteria:

- comply with the Group long-term strategic objectives and contribute to their achievement;
- correspond to the Group business goals, raise public awareness of current events in the said goals;
- have a substantial long-term impact and provide social benefits;
- facilitate involvement of a wide range of groups in society ;
- ensure mutually rewarding long-term relationships with stakeholders;
- help to increase the brand value and improve the Group image.

When implementing CSR activities, the Group takes the following aspects into account:

- a large scale;
- direct relevance to electricity or human energy;
- focus on the long-term benefits to society;
- communication potential;
- within the framework of a single project, the reputation of organisers and other project supporters must not conflict with the values and character of the Group companies and brands;
- comparison of costs with the planned economic effect (short-term and long-term);
- existing activities and lasting effects (continuity and long-term relations).

The Group does not support:

- activities with the vaguely defined principles and / or questionable public importance;
- activities driven by selfish, mercantile interests;
- activities of religious and / or political content or activities that may be associated with such content.

## **5. Donation Focus Areas**

According to the Group's Strategy and results of corporate reputation survey, Latvenergo AS donates financial resources in the following focus areas:

- ✓ Science and Education;
- ✓ Culture;
- ✓ Social Support.

Based on experience in the administration of project tenders, administrative capacity, scope of activity, public awareness and reputation, and status of a public benefit organisation State Culture Capital Foundation is chosen as cooperation partner in the area of Culture and Ziedot.lv Fund in the area of Social Support. Cooperation partner in the area of Science and Education is in search.

## **6. Reports**

When a donation agreement is concluded with Latvenergo AS, it is prepared according to the standard donation agreement approved by the Cabinet of Ministers. The beneficiary of the donation (the partner organisation) then provides a report in reference to the funds spent in the specified period according to the purpose of the donation and the cost estimate, which is an integral part of the agreement. In each period, several donation agreements and their execution are audited on a selective basis by an external auditor at the behest of Latvenergo AS.

## **7. Publication of the Donation Strategy**

As per Paragraph 27.1 of the Public Capital Company Medium-Term Operational Strategy Development Guidelines of the Cross-Sectoral Coordination Centre, the Latvenergo AS Donation Strategy has been published on the Latvenergo AS website: [http://www.latvenergo.lv/lat/korporativa\\_sociala\\_atbildiba/ziedojumi/](http://www.latvenergo.lv/lat/korporativa_sociala_atbildiba/ziedojumi/)