

Corporate Governance Principles of Latvenergo Group

The corporate governance principles and procedures are enshrined in the Corporate Governance Policy of Latvenergo Group, which has been approved by the Supervisory Board of Latvenergo AS (hereinafter referred to as the Supervisory Board) and for the supervision of which it is responsible. The implementation of the policy in the companies of Latvenergo Group (hereinafter also referred to as the Group) is the responsibility of the management boards of the respective companies.

In its operations, Latvenergo Group has determined and complies with the unified corporate governance principles in order to ensure the Group's sustainable strategic direction, integrity, responsibility and prerequisites for achieving the goals set in the Medium-Term Operational Strategy of the Group as well as maintaining and increasing the value of the Group.

The corporate governance principles of Latvenergo Group have been developed in accordance with the principles of the international best practices laid down in the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2015), recommendations of the Baltic Institute of Corporate Governance and Nasdaq Riga Corporate Governance Principles and Recommendations.

The key principles that are enshrined and implemented in the corporate governance of Latvenergo Group are as follows:

- The Supervisory Board

The Supervisory Board ensures supervision of the Group's strategic management. It approves the Medium-Term Strategy, the Corporate Governance Policy, the Remuneration Policy, the Risk Management Policy, the Internal Audit Policy and the Code of Ethics of Latvenergo Group. The Supervisory Board is responsible for overseeing the system of the internal control, risk management and compliance. The Group incorporates the Audit Committee, the Human Resources Committee and the Strategic Communication Committee.

- The Group on the market

The Group operates on the market in line with the equal competition principles and cooperates with all market participants on equivalent, non-discriminatory terms.

A company of the Group does not carry out transactions (with the exception of transactions arising from an employment contract and authorisation agreement) with the executives of the company of the Group (this principle does not apply to services provided by the company of the Group and goods traded within regular business operations).

The companies of the Group engage in transactions with other companies of the Group in accordance with the principles of transfer pricing, which require the application of a market price.

The companies of the Group maintain accounting of the transactions of related parties and the transactions carried out with them and publish the information on the carried out transactions in the financial statements of the company of the Group.

The companies of the Group ensure equal treatment of financial investors and lenders, including ensuring the same equal access to information.

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- Corporate Social Responsibility and relations with stakeholders

The Group carries out business activities in a responsible manner towards the environment, employees and society.

The cooperation of the Group with stakeholders is implemented on the basis of relevance, participation and response capacity.

The Group cooperates with stakeholders at the following levels of cooperation: consultations, negotiations, engagement and partnership.

The Group does not support activities with political and religious content.

- Transparency of the operations of the Group's companies and disclosure of information

The Group provides timely publication of verified, accurate and unambiguous essential financial and non-financial information (the Corporate Governance Report, the Sustainability Report, financial statements, information on the remuneration of the Supervisory Board and Management Board of Latvenergo AS, the Donation Strategy, etc.). All relevant publicly disclosed information is available on the website of the respective company of the Group.

The Sustainability Report is prepared in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS).

- Internal control, risk management and compliance

The Group has introduced an internal control system. The operational risks of the Group are constantly identified and managed.

Ensuring the supervision of the system of the internal control, risk management and compliance is the responsibility of Latvenergo AS Supervisory Board and the Audit Committee (which performs the task delegated by the Supervisory Board: monitoring the efficiency of internal control, risk management and internal revision system of the Group's company and making proposals for eliminating the deficiencies of the system concerned). The implementation of the system of the internal control, risk management and compliance is ensured by the Management Board, the Risk Management Committee, the Internal Audit and the Compliance Control of Latvenergo AS.

- Remuneration

The remuneration system is transparent and linked to the performance of the companies of the Group. The remuneration system and the principles for its determination in the companies of the Group are defined in detail in the Remuneration Policy of Latvenergo Group. The principles of remuneration of the Management Board and the Supervisory Board are laid down in external regulations.