



AS AUGSTSPRIEGUMA TĪKLS **CORPORATE GOVERNANCE POLICY**

2025

The Corporate Governance Policy of Joint Stock Company Augstsprieguma tīkls has been drawn up, in accordance with the legislation of the Republic of Latvia and the European Union, the recommendations of the Organisation for Economic Co-operation and Development regarding the corporate governance of a capital company, Latvia's Corporate Governance Code "Good Corporate Governance Recommendations for Companies in Latvia"¹, and collating the corporate governance practice implemented by AS Augstsprieguma tīkls and within the Augstsprieguma tīkls Group.



¹ The Latvian Corporate Governance Code "Good Corporate Governance Recommendations for Companies in Latvia" is applicable in accordance with Cabinet Regulation No.175 of 15 March 2022 "Regulations Regarding Corporate Governance Recommendations Applicable to the Capital Company of a Public Person and to a Public Private Capital Company".

CONTENT

1. Terminology.....	4	9. Identification of conflicts of interest in the activity of members of the Board and Supervisory Board of AST Group companies, and that of members of the AST Audit Committee.....	8
2. Policy objective.....	4	10. AST shareholdings in companies.....	8
3. Operating scope of the policy.....	5	11. Information disclosure and exchange.....	9
4. Corporate values.....	5	12. Internal control and risk management.....	9
5. AST organisational structure and governance.....	5	13. Sustainability governance.....	9
6. Strategic objective and operating strategy.....	6	14. Cooperation with affiliated parties and stakeholders.....	10
7. Corporate governance instruments.....	7	15. Policy maintenance.....	10
8. Remuneration policy.....	7	16. Related documents.....	10

AS AUGSTSPRIEGUMA TĪKLS CORPORATE GOVERNANCE POLICY

1. TERMINOLOGY

The following terminology is used in the policy:

AST, capital company – Joint Stock Company Augstsprieguma tīkls;

AST Group – conglomerate comprised of the parent company: Joint Stock Company Augstsprieguma tīkls and its subsidiary company Joint Stock Company Conexus Baltic Grid;

Cabinet of Ministers – Cabinet of Ministers of the Republic of Latvia;

Climate and Energy Ministry – Climate and Energy Ministry of the Republic of Latvia;

Coordinating body – State Chancellery;

PUC – Public Utilities Commission;

Law on Governance – Law on Governance of Capital Shares of a Public Entity and Management of Capital Companies Thereof;

Corporate Governance Code – Latvia's Corporate Governance Code "Good Corporate Governance Recommendations for Companies in Latvia";

Company – a capital company in which AST owns capital shares/stocks, including:

- a company in which AST owns capital shares/stocks and the referred to shareholding does not confer the status of a subsidiary company or dependent company according to the Law on Governance;
- subsidiary company – a capital company in which AST has acquired a direct decisive influence on the basis of its shareholding according to the Law on Holding Companies;
- dependent company – a company in which AST has acquired all capital shares or voting shares.

Policy – AS Augstsprieguma tīkls Corporate Governance Policy.

2. POLICY OBJECTIVE

To determine uniform principles, in accordance with which AST implements corporate governance, fostering ethical, responsible and transparent corporate governance practice.



AS AUGSTSPRIEGUMA TĪKLS CORPORATE GOVERNANCE POLICY

3. OPERATING SCOPE OF THE POLICY

3.1. This policy applies to AST, as well as to AST Group Companies, taking the restrictions stipulated in this Policy into account.

3.2. In regard to Companies in which AST does not have a direct decisive influence on the basis of its shareholding according to the Law on Group Companies, AST applies the provisions of this Policy in conformity with the rights conferred by the volume of its voting rights.

3.3. As the parent company, AST promotes adherence to the basic principles of this Policy within AST Group subsidiary companies, especially in relation to strategic planning, risk management, ethics, sustainability integration and internal control.

3.4. In regard to capital companies registered abroad of which AST is a member or shareholder, the Policy is applied in so far as this does not violate the laws of the relevant country, and in conformity with the rights conferred by the volume of its voting rights.

3.5. This Policy does not apply to the shareholdings held by AST in pension funds, investment funds, trusts and foundations.

4. CORPORATE VALUES

4.1. Within AST and AST Group companies, corporate values as well as high standards are set in regard to professional conduct and ethics, ensuring that they directed against corruption, and towards prevention of situations entailing conflicts of interest within day-to-day operations, unlawful use of internal information and other unlawful and unethical conduct.

4.2. The mission, vision and values of AST are determined in conformity with its strategic objective and the role of AST as the transmission system operator within the Latvian economy.

4.3. Within AST Group companies, the principles stipulated in codes of ethics are adhered to, and corresponding measures are implemented to foster the introduction of these principles in day-to-day operations.

4.4. Effective, confidential and easily accessible whistleblowing mechanisms have been established within AST Group companies, which make it possible to report corruption and other violations stipulated in the Whistleblowing Law safely.

4.5. Within AST Group companies, corporate social responsibility directions are defined at policy level in conformity with the objectives and values of each company.

5. AST ORGANISATIONAL STRUCTURE AND GOVERNANCE

5.1. 100% of shares in AST are owned by the State, and their custodian is the Republic of Latvia's Climate and Energy Ministry.

5.2. Governance of AST is implemented by the shareholder, shareholders' meeting, Board and Supervisory Board.

5.3. The AST shareholder's competence is fulfilled by the Cabinet of Ministers.

5.4. Decisions subject to the competence of the AST shareholders' meeting are made by the representative of the custodian of the State's capital shares.

5.5. The AST Supervisory Board is the company's supervisory body, which represents the shareholder's interests in between shareholders' meetings and performs oversight of the functioning of the Board in conformity with the provisions stipulated in binding legislation, AST Articles of Association and the Supervisory Board By-law. The AST Supervisory Board does not make decisions on matters that are subject to the competence of the AST Board.

5.6. The AST Board is the company's executive body, which manages and represents AST jointly, in conformity with the provisions laid down in binding legislation, AST Articles of Association and the Board By-law.

5.7. The AST Board organises its work according to a functional principle: each board member is responsible for a certain operational function in conformity with his professional knowledge, experience and skillset in the relevant area of responsibility: Chairman of the Board (management), Board Member (system management), Board Member (development), Board Member (legal, support and compliance), Board Member (operations).

5.8. Subject to evaluation of considerations of practicality and effectiveness, permanent committees may be formed within AST, with by-laws specifying the relevant committee's role, responsibility and tasks, as well as its composition and the way in which it shall fulfil its duties.

5.9. AST has an established and functioning audit committee, which performs supervisory functions to ensure the credibility and objectivity of both the AST Group's annual report and the AST annual report.

5.10. The composition of the AST Board, Supervisory Board and Audit Committee is configured so as to provide all the necessary skillsets, along with a sufficiently critical and independent attitude to the evaluation and making of decisions. The nomination process for AST Board, Supervisory Board and Audit Committee members conforms to the principles of good corporate governance, ensuring the open, fair and professional selection of Board and Supervisory Board members, thus promoting the formation of professional and competent capital company governance bodies.

5.11. A clear organisational structure has been formed within AST commensurate with AST's operational metrics, strategic development and the effective management of its operating risks.

6. STRATEGIC OBJECTIVE AND OPERATING STRATEGY

6.1. The rationale for the State's shareholding in AST is determined in accordance with a decree from the Cabinet of Ministers, approving AST's overall strategic objective.

6.2. AST's shareholders' meeting approves the letter of expectations that details AST developmental directions, overall strategic, financial and non-financial objectives, as well as provides an explanation regarding the aspirations of the public person, which it wishes to fulfil through its shareholding in AST over a certain period of time.

6.3. In order to provide for AST's core operations, strategic, tactical and operating plans are drawn up for the transmission network, and a ten year plan is drawn up for the transmission system.

6.4. The strategic development of the operations of AST, its subsidiary companies and dependent companies is determined for a period of at least three years in a medium-term operating strategy, in addition to which procedures for its implementation and evaluation of the fulfilment of set goals is provided for. In drawing up a medium-term strategy, AST takes the goals specified in the letter of expectations into account, as well as sustainability aspects.

6.5. Targets for the management of the Company are set by AST once a year, after receiving information

about the Company's planned budget for the following year. AST's set targets for the management of the Company are approved by the Company's Supervisory Board. If necessary, targets may be amended or additional targets may be set during the evaluation period.

6.6. The medium-term operating strategy implementation process includes:

6.6.1. Review and formulation of the planning documents required for the attainment of set objectives;

6.6.2. Preparation of the annual budget and action plan for the next calendar year, the capital investment plan, as well as the long-term financial management plan;

6.6.3. Linking medium-term objectives to short-term objectives and tasks, setting targets to be achieved over the course of the calendar year, the achievement of which can be evaluated through specific performance indicators;

6.6.4. Regular monitoring of the fulfilment of cascaded goals set under the medium-term operating strategy;

6.6.5. Review of the medium-term operating strategy if significant changes have occurred in the operating environment or in the commercial activity of AST, its subsidiary companies or dependent companies;

6.6.6. Assessment of the previous period's results, and analysis of the commercial operating environment and anticipated changes.

6.7. Continuity is ensured for the process of implementing the medium-term operating strategy, including through the timely commencement of the strategy planning process for the next period.



AS AUGSTSPRIEGUMA TĪKLS CORPORATE GOVERNANCE POLICY

7. CORPORATE GOVERNANCE INSTRUMENTS

7.1. Corporate governance of AST and AST Group companies is implemented in accordance with laws and regulations, policies for the implementation of the capital company's operations and other planning documents.

7.2. Policies for implementation of the operations of AST and AST Group companies determine the principles on which the decisions necessary for commercial activity are based, in order to ensure/promote the useful and efficient use of resources, and restrict risks inherent to the relevant field².

7.3. In cases where AST policies need to be specified in the context of the operations of the relevant Company or if AST's policy has not been formulated in the relevant area of importance to this Company, the Company shall formulate its own policy.

7.4. The Company's policies are not in contradiction of AST policies. Introduction of the principles incorporated within this Policy within AST Group companies is ensured to such an extent as is commensurate with the volume of voting rights in the relevant Company. In the event that due to the specific nature of a company's commercial activity, it is not possible to stipulate a different regulation in individual matters, such departures shall be duly assessed by the Company's Supervisory Board and cleared with AST.

7.5. Policy formulation is organised and implemented by the Board, while key policies are approved by the Supervisory Board.

7.6. The AST Supervisory Board oversees the introduction of AST's most important policies, while the AST Board is responsible for the introduction of AST policies within the operations of AST.

7.7. AST and AST Group Company policies are reviewed as necessary, but at least once every three years.

7.8. The duty of the Company's officials to introduce and comply with AST policies is stipulated by the Board By-law of these Companies, the Supervisory Board By-law and the contracts concluded with officials regarding the performance of their official duties.

7.9. AST-nominated Company Supervisory Board Members shall notify the Company's Board in a timely and proper manner about AST policies, as well as promote the introduction of AST policies within the Company.

8. REMUNERATION POLICY

8.1. The remuneration policy of AST and AST Group companies is devised and improved in order to ensure the skillsets necessary for the attainment of objectives, to attract employees with the appropriate qualifications in the long-term and to motivate to do their jobs properly and to increase effectiveness, increase the level of employees' responsibility and initiative, as well as to use financial resources efficiently and rationally.

8.2. The remuneration of Supervisory Board and Board Members of AST and dependent companies is set in accordance with the Law on Governance, Cabinet regulations issued on the basis thereof, taking into account recommendations in the guidelines issued by the Coordinating body and the principles specified in the Corporate Governance Code.

8.3. The remuneration of Supervisory Board and Board Members of AST Group companies and subsidiary companies is set in accordance with the principles incorporated within the Law on Governance, Cabinet regulations issued on the basis thereof, and the Corporate Governance Code, balancing remuneration with the scope of duties.

8.4. The remuneration of AST Audit Committee Members is determined taking into account the scope and complexity of the tasks entrusted to the Audit Committee Members, AST's operating results and strategic development, and in accordance with the provisions stipulated in laws and regulations. Remuneration is not paid

to a Supervisory Board Member who is a member of the AST Audit Committee for fulfilling the duties of an Audit Committee Member.

8.5. AST and AST Group company Board Members do not receive remuneration for fulfilling the duties of another paid office within the same Company (no unified monthly remuneration is set).

8.6. Agency agreements are concluded with Supervisory Board Members and Board Members, and Audit Committee Members of AST and its dependent companies, and such persons are not subject to the provisions of the Collective Labour Agreement.

8.7. Employment agreements are not concluded with Supervisory Board Members and Board Members of AST subsidiary companies, and nor are such persons subject to matters related to the Collective Labour Agreement.

8.8. In determining the bonuses of AST Board members, the legally permissible amount of the bonus is taken into account, as well as AST's operating results in the previous reporting year, the fulfilment of the strategy and work plan goals, as well as the results of individually set performance indicators to be achieved. In determining the bonuses of the Board Members of AST Group companies, the legally permissible amount of the bonus is taken into account, along with the operating results of the relevant AST Group companies in the previous reporting year and, and whether or not set goals have been achieved.

8.9. Bonuses are not paid to AST and AST Group Company Supervisory Board Members.

² AST Policy form

AS AUGSTSPRIEGUMA TĪKLS CORPORATE GOVERNANCE POLICY

9. IDENTIFICATION OF CONFLICTS OF INTEREST IN THE ACTIVITY OF MEMBERS OF THE BOARD AND SUPERVISORY BOARD OF AST GROUP COMPANIES, AND THAT OF MEMBERS OF THE AST AUDIT COMMITTEE

9.1. Board Members of AST Group companies, as well as AST-nominated Supervisory Board Members of AST Group companies, and AST Audit Committee Members are public officials according to the provisions of the Law on Prevention of Conflicts of Interest in the Activities of Public Officials. Accordingly, they must comply with the general and special restrictions applicable to combining public offices, as well as obtaining income, performing commercial activity, accepting gifts and donations, as well as other restrictions stipulated in the aforementioned law.

9.2. In their work, Board Members of AST Group companies shall comply with the restrictions stipulated in the Commercial Law on concluding transactions with affiliated persons, as well as the prohibition on competition and the restrictions laid down in the Law on Prevention of Conflicts of Interest in the Activities of Public Officials.

10. AST SHAREHOLDINGS IN COMPANIES

10.1. Companies are managed, in compliance with laws and regulations, and the provisions of this Policy and good corporate governance.

10.2. Primarily observing their duty of loyalty to the Company, AST as a shareholder/member and AST-nominated members of the Company's Supervisory Board and Board shall carry out their activities and exercise their voting rights in a manner that satisfied the broadest possible interests of AST and the implementation of the Company's set goals.

10.3. The functions of the Company's shareholder/member are fulfilled by the AST Board.

10.4. If the volume of shares/stocks owned by AST permits and unless the shareholders'/membership contract stipulates otherwise, the AST shall exercise its rights to participate in forming the Company's Supervisory Board proportional to the number of shares/stocks owned by AST.

10.5. AST shall nominate the Supervisory Board of the dependent company, or – in the event that a Supervisory Board has not been established – the members of the Board in accordance with the Law on Governance and the Cabinet regulations issued on the basis thereof. The members of the Supervisory Board of the subsidiary company, or – in the event that a Supervisory Board has not been established – the members of the Board shall be nominated, taking into account the principles or the procedures for combining positions set out in the

Law on Governance and the Cabinet of Ministers' regulations issued on its basis, by delegating AST employees to perform the functions of the Supervisory Board or the Board. The involvement of the coordinating body in the nomination process takes place in conformity with the tasks and functions stipulated in legislation.

10.6. In the process of nominating AST Group company Supervisory Board Members and Board Members, AST adheres to the principles of good corporate governance practice, ensuring an open, fair and professional selection of Supervisory Board members, which contributes to the creation of a professional and competent capital company management body.

10.7. Supervisory Board members nominated by AST are AST's trusted persons who, in their activities, observe the duty of loyalty to the interests of AST.

10.8. The Company's Supervisory Board conducts its operations independently. AST-nominated Supervisory Board Members or, as the case may be, Board Members shall report to the AST Board on all particularly important matters on the Supervisory Board's agenda, or if such an agenda has not been established, on the Board's agenda, providing their assessment regarding the compatibility of possible decisions with the interests of AST. Matters which are considered particularly important are those that:

- are to be considered at the meeting of shareholders/participants of the Company;
- affect the Company's medium-term operating strategy;
- change the composition of the Company's Board;
- affect the tariffs of publicly regulated services;

- approval of the Company's interim quarterly reports;
- other matters that the AST has deemed to be particularly important, including, but not limited to, approving matters referred to in the Company's Articles of Association that significantly affect risk management, ethics, sustainability integration and internal control.

10.9. AST-nominated Supervisory Board members shall conduct a self-assessment of their activities once a year, provide an assessment of the activities of the Audit Committees (if such has been established) and include it in the Supervisory Board's report to the Company's shareholders' meeting regarding the Company's annual report.

AS AUGSTSPRIEGUMA TĪKLS CORPORATE GOVERNANCE POLICY

11. INFORMATION DISCLOSURE AND EXCHANGE

11.1. AST and AST Group companies publish information on their websites in accordance with legislative requirements, ensuring that the published information is timely, up-to-date, complete and objective, and provides a clear picture of the capital company's governance, commercial operations, financial results and sustainability.

11.2. AST ensures that all financial investors and lenders are treated equally, ensuring the effective operation of the mandatory internal information circulation system, establishing internal procedures and rules for the management of internal information. AST's mandatory internal information also includes events in the activities of AST subsidiary companies.

11.3. Once a year, AST prepares and publishes a corporate governance report and includes a consolidated sustainability report in the management report of the AST Group in accordance with the requirements of the Sustainability Disclosure Law and in conformity with the European Union's sustainability reporting standards.

11.4. The financial reports of AST and AST Group companies are drawn up in accordance with International Financial Reporting Standards, and their audits are carried out in accordance with International Standards on Auditing.

12. INTERNAL CONTROL AND RISK MANAGEMENT

12.1. An internal control (including internal audit) and risk management system has been established within AST Group companies and is improved on a continual basis.

12.2. The Supervisory Board is responsible for oversight of internal control, risk management, and the effective functioning of the operational compliance system and internal audit structural unit. The Audit Committee (if one has been established) is responsible for ensuring oversight to the extent that this applies to ensuring the credibility and objectiveness of annual reports and consolidated annual reports.

12.3. The Board is responsible for the functioning of the internal control, risk management and operational compliance system within AST Group companies, while the internal audit structural unit is responsible for its independent and objective evaluation.

12.4. In their operations, AST and AST Group Companies hire external auditors that perform audits in specific fields and provide opinions and/or recommendations.

12.5. Auditing of the financial reports of AST and AST Group Companies is performed by an independent sworn auditor. Preparation and auditing of the AST's annual report and consolidated annual report are overseen by the AST Audit Committee.

12.6. The AST Audit Committee oversees the independence and objectivity of the sworn auditor of AST's financial reports, including approving the provision of services not connected to auditing. It is prohibited for the sworn auditor to provide services that compromise or could compromise its independence.

12.7. AST Group companies must receive prior approval from the AST Audit Committee for the receipt of any services from the sworn auditor or commercial firms of sworn auditors (if the sworn auditor or commercial firm of sworn auditors is a cooperation partner of a network of commercial auditing companies – approval must also be obtained from any cooperation partner of this network of commercial auditing companies) that carry out auditing of AST's financial reports and sustainability reports.

13. SUSTAINABILITY GOVERNANCE

13.1. Sustainability is an integral part of the strategic development, risk management and day-to-day operations of the AST Group. AST Group companies adhere to sustainable governance principles in financial, environmental and social realms, ensuring responsible and sustainable commercial operations.

13.2. In their operations, AST Group companies promote progress towards climate neutrality, sustainable infrastructure development and governance, secure employment, strengthening stakeholder engagement

and compliance with the principles of good corporate governance.

13.3. In accordance with AST's overall strategic objective, the AST shareholders' meeting is responsible for setting high-level financial and non-financial goals, including sustainability objectives in the letter of expectations. Shareholders' meetings are responsible for approving the annual report, which includes the sustainability report.

13.4. The AST Supervisory Board is responsible for overseeing the realm of sustainability within the scope of its competence, including:

- Approving AST's medium-term operating strategy including sustainability goals;
- Before the review of the AST annual report, which includes the sustainability report, at the shareholders' meeting, the Supervisory Board shall review its and provide its opinion regarding it;
- Once quarterly, reviewing and evaluating a report on the fulfilment of AST's sustainability goals, which is included in the report on the fulfilment of AST's action plan;
- Approving AST's annual goals, which include AST annual goals in the realm of sustainability, as well as including them in the Board's individually attainable operating performance indicators.

13.5. AST Board is responsible for AST's sustainability performance, implementation of sustainability procedures and attainment of sustainability goals.

13.6. The AST Board approves the assessment of sustainability impacts, risks and opportunities, as well as important aspects of sustainability and informs the AST

AS AUGSTSPRIEGUMA TĪKLS CORPORATE GOVERNANCE POLICY

Council about such. The Board approves the objectives of structural units in regard to aspects of sustainability that are important to AST, including them in the performance indicators to be achieved by the structural units, as well as ensuring the preparation of the AST sustainability report and the provision of regular information to the AST Supervisory Board about the implementation of objectives.

13.7. The Sustainability Governance Committee is responsible for governance of AST's sustainability processes, and the coordination of goals to be achieved and the fulfilment thereof.

14. COOPERATION WITH AFFILIATED PARTIES AND STAKEHOLDERS

14.1. AST and AST Group companies maintain a fair and equal attitude in interactions with stakeholders, not permitting situations entailing conflicts of interest, fraud or corruption. Ethical principles are published in regard to cooperation with contractual partners, which are encouraged to adhere to equally honest cooperation principles.

14.2. AST and AST Group companies organise effective identification and engagement of stakeholders, using corresponding methods, adhering to the company's principles of engagement and the requirements stipulated in laws and regulations that promote prudent and transparent decision-making.

14.3. All transactions with affiliated parties, which have a significant impact on AST are disclosed in financial reports to the extent and in accordance with the procedures stipulated in laws and regulations.

15. POLICY MAINTENANCE

15.1. The office of the AST Board is responsible for maintaining and updating this policy at least once every three years.

15.2. The Policy and its amendments shall come into force after it has been approved by the AST Supervisory Board.

15.3. After they have been approved, the Policy and its amendments shall be published on the AST website.

16. RELATED DOCUMENTS

16.1. AST Articles of Association.

16.2. AST Supervisory Board By-law.

16.3. AST Board By-law.

16.4. AST Audit Committee By-law.

16.5. AST Code of Ethics.

16.6. AST Corporate Social Responsibility Policy.

16.7. AST Sustainability Governance Procedures.



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