

AS "AUGSTSPRIEGUMA TĪKLS" SUSTAINABILITY REPORT 2021



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FOREWORD

Despite the pandemic constraints, 2021 was a year of dynamic development for the Latvian electricity transmission system operator AS "Augstsprieguma tikls" (AST). The most important event was the listing of the green bonds issued by AST, which completed several years of preparation by AST, as the first of the Baltic transmission system operator to successfully launch on the securities market by refinancing the loans taken for the development of the transmission system.

On October 13, 2021, AST placed a 5.25-year EUR 100 million green bond with a fixed annual interest rate (coupon) of 0.5% and a yield of 0.527%, the first AST bond issue with a planned total value of EUR 160 million. Investors showed great interest in AST bonds, and the amount subscribed more than doubled. AST is currently the only Baltic transmission system operator issuing green bonds on the securities market.

The high level of investor confidence was based on the credit rating: at the beginning of 2021, the international rating agency S&P Global Ratings gave AST a long-term credit rating of BBB +, which is a very high rating for a company that has not been rated before. After the bond issue, the credit rating was upgraded to A- with stable outlook.

Since July 2020, with the acquisition of a decisive influence on the gas transmission system operator. AS "Conexus Baltic Grid" is part of AS "Augstsprieguma tīkls" consisting of a trading company over which the parent company AS "Augstsprieguma tīkls has a decisive influence and which includes the subsidiary AS "Conexus Baltic Grid". The Group's high-voltage grid thus includes both electricity transmission and natural gas transmission and storage as core business areas. In the initiative AST "TOP101 most valuable companies in Latvia" it is rated as the third most valuable among state-owned corporations, but ranks 7th among all Latvian companies included...

Intensive work continued on the Baltic Power Grid Synchronization Project with Europe to prepare the transmission grid for synchronous operation with Europe by the end of 2025, while pursuing plans to integrate large amounts of renewable energy sources into the Latvian energy system to support the Latvia's and Europe's strategy to create a carbonneutral, resilient, and innovative energy system. A brand new challenge will be the introduction of frequency regulation using new technologies that have not yet been used in the Baltics, including highcapacity batteries and synchronous compensators.

The digital transformation was continued, integrating digital technologies into all business areas and operational processes, i.e., not the "digitization" of existing processes, but the transformation of processes through the use digital technologies,



the collection, analysis, and use of quality data in daily processes and decision-making. Digital transformation is also linked to a change in internal corporate culture that allows for experimentation, the introduction of innovative solutions, a willingness to question proven methods, and a willingness to accept failure. A modern, flexible and secure IT infrastructure, structured, accessible, accurate and up-to-date data, and modern governance based on a balanced culture of innovation are the cornerstones of digital transformation.

The general goals of AST:

- Implement the sustainable management of strategically important energy supply assets for the country
- Promote their integration into the European Union's internal energy market
- To ensure the security of Latvia's energy supply To provide a continuous, high-quality and affordable energy transmission service

The main strategic direction of the Augstsprieguma Tikls Group is focused on:

- FINANCIAL STABILITY to ensure optimal return on public investment, financial risk management
- ENERGY SECURITY synchronization and integration with the trans-European transmission networks, including electricity and ancillary services markets
- GREAT QUALITY ENERGY SUPPLY focused on innovation at the lowest possible tariff SOCIAL RESPONSIBILITY – safe working environment, employee involvement, and social responsibility toward society
- SUSTAINABLE AND EFFECTIVE GOVERNANCE – Continuous efficiency improvement, advanced and transparent governance

ABOUT THE REPORT

102-50	Accounting period	01.01.2021-31.12.2021 No changes were made to the previous period's report
102-49		
102-48 102-52	Reporting frequency	The fourth report of AS Augstsprieguma tikls based on international GRI guidelines. It is planned to continue to prepare annual sustainability reports in accordance with the standards. No changes have been made to the previous period's report.
102-51	Date of publishing	
102-54	Global Reporting Initiative	The 2021 Sustainability Report has been prepared in accordance with the requirements of the GRI Standards Basic Core Guidelines and includes the European Parliament and Council Directive 2014/95/EU
	Reporting framework	The report discloses information on AS "Augstsprieguma tīkls" (see section "Briefly about AST").
102-46	Principles for defining report content	The report provides complete information on the general information on the performance of AST in accordance with the core requirements.
		The process of preparing the report is described in the section "Identification of the most important aspects of sustainability".
102-56	External assurance	The same selection criteria were applied for the selection of the auditor of the sustainability report as for the selection of the auditor of the annual financial statements. A limited assurance report on the 2021 Sustainability Report has been provided by PricewaterhouseCoopers SIA.
	Report format	The PDF version of the report is available on: the AST website www.ast.lv (in Latvian and English)
102-53	Contacts	E-mail address for proposals regarding the Sustainability Report: ast@ast.lv

GRI INDICATORS

GRI INDICATOR CONTENT INDEX

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PROFILE OF AST

The business model of AST is a joint stock company 102-1 operating in accordance with the Statutes, the Law on Governance of Capital Shares of a Public 102-2 Person and Capital Companies, the Commercial Law and other applicable laws and regulations. The 102-6 owner of all AST shares is the Ministry of Finance of the Republic of Latvia (100%). The report 102-45 provides information about the parent company AS "Augstsprieguma tīkls". The Sustainability Report of the subsidiary AS "Conexus Baltic Grid" is available at www.conexus.lv 102-5

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AST's legal address is 86 Dārzciema Street, Riga, LV-1073, however, the Company's structural units are also located elsewhere in Riga and Latvia (including 102-10 Jelgava, Liepāja, Ventspils, Daugavpils, Rēzekne, etc.). AST is an independent Transmission System Operator of the Republic of Latvia (hereinafter - TSO), which provides transmission system services and ensures balancing and stability in the transmission system.

According to the issued licence No. E12001, Section 11, Paragraph 1 of the Electricity Market Law, AST is the only TSO in Latvia, and its licence area is the entire territory of Latvia.

The Company owns 68.46% of the shares of AS Conexus Baltic Grid and has a decisive influence in the company. In 2021, there were no changes in commercial activities, participation in other companies ir ownership structure of AS Augstsprieguma tīkls



THE OVERALL STRATEGIC GOAL

In accordance with the Cabinet of Ministers (hereinafter – **CM**) of the Republic of Latvia (hereinafter – **LR**) Order No. 308 of 10 July 2018:

 Implement the sustainable management of energy supply assets of strategic importance to the country

Promote their integration into the European

- Ensure the security of Latvia's energy supply
- Provide a continuous, high-quality, and affordable energy transmission service

Union's internal energy market

VISION

To become the leading transmission system operator in the region, which operatively and successfully implements developmentorientated changes. ASI

CORE VALUES

A quality policy has been developed in the Company, that, based on the Energy Law, the Electricity Market Law and the Network Code, defines the Company's core values:

 $\Delta \underline{\tilde{l}} \Delta$

TRUST

HONESTLY

Independent, ethical, and transparent action towards anyone and everyone WISDOM

Effectively. Looking forward. Long-term thinking



RESPONSIBLY

Deliberate action. With high responsibility towards people, work, and nature We join forces to achieve more. Strong team that encourages and challenges

TOGETHER

TEAM

MISSION

Fnsure a

continuous,

secure, and

sustainably

efficient

supply

entenergy

throughout Latvia

The Company has developed, implemented, and maintains the management system of the company in accordance with the requirements of ISO 9001:2015 (quality), ISO 14001:2015 (environment), ISO 45001:2018 (occupational safety), and ISO 50001:2018 (energy management) standards.

The implemented Integrated Management System ensures the efficient operation of AS Augstsprieguma tīkls, observing internationally accepted operating mechanisms regarding quality, energy management, environment protection and occupational health management, ensuring correct compliance with regulatory requirements, promoting the identification and fulfilment of expectations of the customer, and interested parties, taking the view of the Company's processes into account.

AST participates in the Business Sustainability Council organized by Swedbank, in the initiative "Familyfriendly workplace", in the movement "Diversity has the power", in the competition "The safest company's parking lot" and "The Golden helmet".



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THE FACTS 2021



KEY EVENTS



AST has made a successful debut in the capital market by issuing € 100 million in green bonds

In October 2021, the Latvian transmission system operator AS Augstsprieguma tikls successfully debuted in the capital market, implementing the placement of green bonds in the amount of 100 million euros. With this bond issue, AST becomes the first Baltic transmission system operator to issue green bonds. This step of AST is in line with the company's mission to ensure uninterrupted, secure and sustainably efficient electricity transmission throughout Latvia and will promote the progress of the Latvian power system towards zero emissions, while promoting the development of the Baltic market.



The transmission system development plan forthe period from 2022 to 2031 has been approved

The Public Utilities Commission has approved the transmission system development plan for 2022-2031 developed by AST. In total, it is planned to invest almost 401 million euros over 10 years, a large part of which is intended to strengthen the security of the system and synchronize it with the European networks. Synchronization of the Baltic States with the European electricity transmission networks is not only a strategic goal of Latvia, but also of Europe, which is confirmed by the co-financing of 75% of the European Union funds.



Europe grants € 170 million for the second phase of the second round of the synchronization project

The transmission system operators of the Baltic States and Poland will receive co-financing of the CEF (Connecting Europe Facility) of EUR 170 million from the total costs of the second phase of the synchronisation of the Baltic electricity networks. The total request for funding of all operators was submitted in autumn 2021 and at the beginning of 2022, AST was granted the requested EUR 37 million, or a maximum possible co-financing of 75%.

The synchronization of the Baltic networks with continental Europe will increase the security of electricity supply in the region, while promoting the development of the European internal energy market and creating new business opportunities.

Investment in equipment and technology is also one of the preconditions for the secure connection of large-scale renewable energy sources to the transmission network and for meeting the objectives of the European Green Course.

Obtained an investment grade credit rating of A-

In the re – evaluation process, International credit rating agency S&P Global Ratings granted to the Latvian transmission system operator AS Augstsprieguma tīkls long-term credit rating A-.







The price of electricity is rising significantly

In 2021, the average electricity price in the Latvian trade area reached 88.78 EUR per megawatt hour (MWh), which is 161% more than in 2020, when the average electricity price was 34.05 EUR / MWh. One of the most important factors behind the rise in the price of electricity is the rising prices of energy resources, including natural gas and carbon allowances.

The amount of electricity transmitted to consumers in Latvia is 6% higher than in the previous year

In 2021, AS Augstsprieguma tīkls transmitted 6,312 GWh of electricity to users in Latvia, which is 6% more than in the previous year (5,961 GWh).

top^{101.lv}

AST has become one of the TOP 3 most valuable companies in the country

AS Augstsprieguma tīkls has been ranked as the third most valuable among the state capital companies in the initiative "TOP101 of the Most Valuable Companies in Latvia", but it ranks 7th among all Latvian companies included in the top, showing an increase of 14 positions compared to last year. The annual assessment has been carried out by Prudentia and Nasdaq Riga since 2005.



A joint Baltic electricity system coordination center will be established

The three Baltic electricity transmission system operators (TSOs) – Elering in Estonia, Litgrid in Lithuania and AS Augstsprieguma tīkls (AST) have agreed to establish a joint Baltic Regional Coordination Center (RCC) in Tallinn, whose main task will be to coordinate the development of electricity systems planning, as well as to coordinate the daily activities of certain operators in order to guarantee the security of electricity supply. The center is scheduled to open in July 2022.

GOVERNANCE AND STRUCTURE OF THE COMPANY

An appropriate and transparent organisational structure is established for the size indicators of AST, for strategic development and for the effective management of operational risks.

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SHAREHOLDER AND SHAREHOLDERS' MEETING

The owner of all AST shares is the Ministry of Finance of the Republic of Latvia (100%). The Cabinet of Ministers exercises the competence of AST's Shareholder. The shareholder implements the governance of AST together with the Shareholders' Meeting, the Board and the Supervisory Board within the competence specified in the Law on Governance of Capital Shares of a Public Person and Capital Companies. The representative of the State's share makes decisions within the competence of the AST Shareholders' Meeting.

In 2021, 4 shareholders' meetings were held, where several important decisions were made related to the approval of the 2020 report, the use of the 2020 profit, the election of the auditor for the audit of 2021, the establishment of the AST Audit Committee and the election of the Audit Committee. as well as the AST bond issue.



SUPERVISORY BOARD

The AST Supervisory Board represents the interests of the Shareholder between the Shareholders' Meetings and supervises the activities of the AST Board, participates in the strategic development of AST, as well as in the supervision of the financial and risk management system.

The operating principles of the AST Supervisory Board, as well as its main responsibilities are set out in the Statutes and the regulations of the Supervisory Board. The tasks and responsibilities of the AST Supervisory Board are subject to the laws and regulations.

During the reporting period, Kaspars Āboliņš, Chairman of the Supervisory Board, Olga Bogdanova, Deputy Chair of the Supervisory Board, Madara Melne, Armands Eberhards and Aigars ērmanis, Members of the Supervisory Board, continued to work in the AST Supervisory Board. The term of office of the Supervisory Board members will expire on 30 December 2024.

In 2021, 19 AST Council meetings took place, in which more than 100 agenda items were considered and 63 AST Council decisions were adopted. In accordance with the tasks specified in the Law on Governance of Capital Shares of a Public Person and Capital Companies, the AST Supervisory Board has participated in the examination of several important issues, including:

- Ensuring and electing the selection process for the AST Chairperson and Board Member (Development);
- The development of the AS "Conexus Baltic Grid" share management model;
- Approval of the AST medium-term performance strategy;
- Issue of AST bonds;
- monitoring the implementation of the capital investment plan in the transmission system assets; Establishment of the Audit Committee of AS Augstsprieguma tikls and election of the members of the Audit Committee;
- Issues of establishment of the Baltic Regional Coordination Center;
- Updating the efficiency and digital transformation issues of AST, etc.

https://www.ast.lv/en/content/supervisory-board

102-26

AUDIT COMMITTEE

AST has an Audit Committee of three members, two independent members and one dependent member of the AST Board. The Audit Committee shall be accountable to the AST Board for its activities and the performance of its tasks.

The main role of the AST Audit Committee is to ensure the protection of the interests of the shareholder and the general meeting regarding the preparation of the annual accounts, their audit and the effectiveness of the internal control, risk management and internal audit system as far as the reliability and objectivity of the annual accounts are concerned.

> In 2021, 2 meetings of the Audit Committee were held, in which 2 decisions were made.

The objectives and tasks of the AST Audit Committee, its operating principles, rights and responsibilities are defined in the Statutes of the AST Audit Committee.

During the reporting period of 2021, the AST Audit Committee consisted of Andris Puriņš, Independent Chairman of the Audit Committee, Ivars Blumbergs, an independent member of the Audit Committee, and Madara Melne, a member of the Audit Committee who is dependent of the AST Supervisory Board. However, on 26 January 2022, Madara Melne left the AST Council and the Audit Committee and was replaced by Aigars Ģērmanis.

https://www.ast.lv/en/content/audit-committee

THE BOARD

The day-to-day management of AST shares, jointly managing and representing AST, is carried out by its executive body, the Management Board.

The AST Management Board organises its work according to the functional principle: each board member is responsible for a certain field of activity according to their professional knowledge, experience, and competencies in the respective area of responsibility: the chairman – management, and members of the board – system management, development, support, and operation.

The tasks and responsibility of the AST Board are subject to the laws and regulations. The operating principles of the AST Board, as well as its main responsibilities are set out in the Statutes and the Statutes of the Board.

All members of the Board are independent in their activities and the members of the Board have no participation in the capital of cooperation partners or affiliated companies. The AST Board consists of five members, who are elected by the AST Supervisory Board for a term of five years, after assessing the adequacy of the required competencies, experience, and planned area of responsibility.

During the 2021 reporting period, the composition of the AST Management Board changed. Work on the AST Management Board was started on 15.07.2021 by Gunta Jēkabsone, Chairman of the Board, and Arnis Daugulis, Member of the Board regarding Development issues, while Imants Zviedris, Member of the Board, continued his previous work. Board members Gatis Junghns and Mrcis Kauliņš were elected for a new term.

https://www.ast.lv/en/content/board

In 2021, 62 AST board meetings were held, during which 375 agenda items were considered and more than 243 decisions were made.



REMUNERATION POLICY OF THE SUPERVISORY BOARD AND THE BOARD

The salaries of the chairman and members of the AST Supervisory Board and the Board are determined in accordance with the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulations issued on its basis, and the guidelines issued by the Cross-Sectoral Coordination Centre. Legislation establishes a unified regulation for the remuneration of members of the council and board of a public company. The amount of remuneration is determined by evaluating the criteria characterising the size and operating results of the capital company. The amount of the monthly remuneration of the Chairman of the Council and the Management Board is linked to the amount of the average monthly earnings of employees in the previous year published in the official statistical bulletin of the Central Statistical Bureau of the Republic of Latvia to which a coefficient determined in accordance with the criteria characterizing capital companies is applied (turnover, assets, number of employees).

The monthly remuneration of a member of the Supervisory Board and the Management Board

may not exceed 90% of the monthly remuneration of the Chairman of the Supervisory Board or the Management Board. A member of the Council who is also a member of a committee (Audit Committee) shall not be remunerated for the work of that committee. Once a year, after approving the annual report, the Supervisory Board may decide on the payment of bonuses to the members of the Management Board. The determination of the bonus takes into account the performance of the capital company, the implementation of the strategy and the achievement of the set objectives. The amount of the bonus may not exceed two monthly salaries of a member of the Management Board.

Members of the AST Supervisory Board and Board are not covered by the Collective Bargaining Agreement of AST. Authorisation agreements have been concluded with the members of the Supervisory Board and the Board, which stipulate, among other things, that in the case of removal from the Supervisory Board, the member of the Supervisory Board does not receive severance pay or any other compensation; in turn, a member of the Board receives severance pay in the amount of remuneration for three fixed months if he or she is removed from office before the end of the term, including reorganisation or liquidation, and the reason for the revocation is not related to a breach of authority, failure to perform or improper performance of duties, inability to manage the capital company, damage to the public interest or distrust expressed

by the Supervisory Board. If, after a comprehensive inspection, the Company receives an opinion from the law enforcement authorities of the Republic of Latvia that a member of the Board does not comply with the requirements of Section 9 of the Law on Official Secret, i.e., the authorised person is denied access to confidential, secret or top secret state objects, the authorised person is removed from the position of member of the Board, therefore, and severance pay shall not be paid.

Remuneration for 2021 for AST Supervisory Board: Chairman Kaspars Āboliņš is 33 390 EUR, Deputy of Chair Olga Bogdanova 30 048 EUR, Member of Supervisory Board Madara Melne 30 048 EUR, Member of Supervisory Board Armands Eberhards 30 048 EUR, Member of Supervisory Board Aigars Ērmanis 30 048 EUR.

Remuneration for 2021 for the Chairman of the Board of AST Gunta Jēkabsone (from 15.07.2021) - EUR 56,450 EUR, member of the Board (development), from 15.07.2021. - EUR 46 288, member of the board (operation) - EUR 118 807, member of the board (support) - EUR 118 807, member of the board (system management) -EUR 118 807, to the AST chairman of the board Varis

Bokas (until 31.03. 2021.) – 26 856 EUR, for a member of the Board (development), until 07.04.2021. – EUR 25 376.

INTERNAL AUDIT

The purpose of the AST internal audit is to assess and help improve the effectiveness of risk management, internal control, and governance processes by contributing to AST objectives and adding value.

The internal audit is functionally supervised by the AST Supervisory Board, and administratively it is subordinated to the Chairman of the AST Board.

Based on the risk assessment performed, a strategic and annual internal audit plan is prepared, which is reviewed by the AST Board and approved by the AST Supervisory Board.

DIVIDEND POLICY

Considering the fact that AST is a state-owned capital company, the share of dividends to be disbursed is determined in accordance with Cabinet Regulation of the Republic of Latvia of 22 December 2015 No. 806 "Procedures by which State Capital Companies and Public Private Capital Companies in which the State is a Participant (Shareholder) Estimate and Determine the Share of Profit to be Disbursed in Dividends, and Make Payments to the State Budget for the Use of State Capital". hereinafter referred to as Regulation No. 806). Inaccordance with Article 28 of the Law on the State Budget for 2022, the amount of dividends from the profit of 2021 is set at 50%, but not less than The prepared internal audit reports are submitted to the AST Board and Supervisory Board. The internal audit complies with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

In the activity report for 2021, the internal auditor confirmed the independence and objectivity of his activities and gave an overall opinion on the effectiveness of AST internal control and risk management systems.

29 143 118 euros, when calculating and paying corporate income tax in accordance with the legislation. In the following years, in accordance with Regulation No. 806, the amount of dividends is set at 64%, with corporate income tax being calculated and paid in accordance with the law. The decision on the amount of dividends is made by the AST Shareholders' Meeting.

The part of AST's profits which is paid out in dividends is paid into the State budget, thus benefiting society as a whole. During the last five years, dividends of 13 881 thousand EUR have been paid to the state budget

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AST SUPERVISORY BOARD



KASPARS ĀBOLIŅŠ Chairman of the Supervisory Board

Term of office: 30.12.2019. - 30.12.2024.

EDUCATION

1996–1999	University of Latvia, Faculty of Economics and Management, Master's degree in Social Sciences and Company Management
1992–1996	University of Latvia, Faculty of Economics and Management, Bachelor's degree in Business Management

WORK EXPERIENCE			
2019 — Present	AS Augstsprieguma tīkls, Chairman of the Supervisory Board		
2018 — V	AS Conexus Baltic Grid, Chairman of the Council		
2016-2018	"Ziemeļu Investīciju banka", Chairman of the Board of Directors (as part of a rotation procedure)		
2015 — Present	AS Air Baltic Corporation, Member of the Council		
2014	AS Attīstības finanšu institūcija, Restructuring Manager		
2013-2015	AS Reverta, Member of the Council		
2012	VAS Valsts nekustamie īpašumi, Chairman of the Board		
2011-2019	"Ziemeļu Investīciju banka", Member of the Board		
2008-2010	AS Parex banka, Member of the Council		
2008-2011	"Ziemeļu Investīciju banka", Deputy Member of the Board		
2006 – Present	The Treasury of the Republic of Latvia (orig. Valsts kase), Treasurer		
2003–2010	SIA BO Ziemeļvidzemes atkritumu apsaimniekošanas organizācija, Councillor		
2001-2006	Ministry of Finance of the Republic of Latvia, Ugāle Parish financial stabilisation procedure supervisor		
2000-2002	Ministry of Finance of the Republic of Latvia, Chairman of the Council of Municipal Loans and Securities Control and Supervision		
1997–2000	Ministry of Finance, Member of the Council of Municipal Loans and Securities Control and Supervision		
1999–2001	Ministry of Finance of the Republic of Latvia, Head of the Municipal Financial Stabilisation Control and Supervision Council		
1997–2006	The Treasury of the Republic of Latvia, Director of the Financial Risk Management Department		
1996-1997	Ministry of Finance of the Republic of Latvia, Head of the Loan Forecasting and Analysis Section, External Debt Management Department		
1994–1996	Ministry of Finance of the Republic of Latvia, Senior expert of the Loan Forecasting and Analysis Section, External Debt Management Department		



OLGA BOGDANOVA Deputy Chair of the Supervisory Board

Term of office: 18.10.2016. - 30.12.2024.

EDUCATION		WORK EXPERIENCE		
2007–2012 Riga Technical University, doctoral degree in Economic at the International Business and Custor	Riga Technical University, doctoral	2021. – Present	Chairman of the Steering Committee of the World Energy Council's Future Energy Leaders Program in Latvia	
	degree in Economics at the International Business and Customs	2021. – Present	Associate Professor at the Faculty of Business, Management and Economics (University of Latvia)	
	Institute of the Faculty of Engineering	2019 – Present	AS Augstsprieguma tīkls, Deputy Chairperson of the Supervisory Board	
	Management	2016-2019	AS Augstsprieguma tīkls, Member of the Supervisory Board	
2003-2006	Riga Technical University, master's degree in Management	2018 — Present	Ministry of Finance of the Republic of Latvia, Head of the Tax Administration and Public Interest Policy Department	
	Science, Management of International	2018 – Present	World Energy Council, expert, participant in the Future Energy Leadership project	
	honours)	2017-2020	Latvian Science Council, expert	
2004-2005	Pforzheim Fachhochschule,	2016-2018	Ministry of Economics of the Republic of Latvia, Head of the Energy Market, and Infrastructure Department	
	Germany, International Management Programme, advanced vocational training diploma	2016 – Present	Riga Technical University, lecturer at the International Business and Customs Institute of the Faculty of Engineering Economics and Management	
		2016	Ministry of Economics of the Republic of Latvia, acting deputy state secretary in energy affairs	
2003–2006	Riga Technical University, Institute of Humanities, additional studies in Teaching Science, with a speciality in teaching	2014–2016	Ministry of Economics of the Republic of Latvia, Deputy head of the Energy Market and Infrastructure Department, Head of the Energy Market Section	
		2013-2014	Ministry of Economics of the Republic of Latvia, Head of the Energy Market, and Infrastructure Section	
2000–2003 Riga Tec Universi	Riga Technical University, bachelor's degree in Management Science, Management of International Economics (with honours)	2010-2013	Ministry of Economics of the Republic of Latvia, senior consultant at the EU Commodity and Service Market Section, Internal Market Department (reorganised section deputy head position, with additional deputy head duties)	
		2006–2010	Ministry of Economics of the Republic of Latvia, Deputy head of the EU Commodity and Service Market Section, Internal Market Department	
		2006	Ministry of Economics of the Republic of Latvia, senior consultant at the EU Commodity and Service Market Section, Internal Market Department	
		2005	Ministry of Economics of the Republic of Latvia, senior consultant of the Section for EU Affairs administration, Department of International Economics	
		2005–2014	Riga Technical University, guest lecturer at the International Business and Customs Institute of the Faculty of Engineering Economics and Management	



ARMANDS EBERHARDS

Member of the Supervisory Board

Term of office: 30.12.2019. - 30.12.2024.

EDUCATION		WORK EX	WORK EXPERIENCE		
2005–2006 London School of Economics and Political Science (LSE) (UK), MSc Politics of the World Eco (Merit)	London School of Economics and	2019 – Present	AS Augstsprieguma tīkls, Member of the Supervisory Board		
	Political Science (LSE) (UK), MSc Politics of the World Eco (Merit)	2019 – Present	European Investment Fund (EIB group) (Luxembourg), Deputy director, board of directors (<i>Alternate Director</i>)		
1998-1999	EHSAL Management School (Belgium).	2011 – Present	Ministry of Finance, Deputy State Secretary for ESSFKF affairs		
International MBA (Cum Laude)	2014 – Present	European Investment Bank (Luxembourg), Director/Member of the Board			
1993–1994 University of Latvia, master's degree in Environmental Studies and Management	2018	OECD/SIGMA (Melnkalne), consultant			
	2011-2012	AS Hipotēku un zemes banka, Deputy Chairman of the Council			
1990–1994	University of Latvia, bachelor's degree in	2004-2011	Central Finance and Agreement Agency, Director		
2000-2003 Riga Technical	2010-2012	Hulla&Co. Hyman Dynamics TTSIB EuropeAid/ 130480/C/SER/ MD; ECO 3, BE SATTO Project, Contract 200-049 (Moldova, Armenia), consultant			
	bachelor's degree in Management Science, Management of International Economics	1998–2004	Central Finance and Contract Unit, Director		
		1995–1998	Ministry of Finance, Head of the International Aid Coordination Department		
(with honours)		1994–1995	Ministry of Finance, Head of the International Aid Coordination Section		



AIGARS ĢĒRMANIS Member of the Supervisory Board

Term of office: 30.12.-2019. – 30.12.2024.

EDUCATION		
1998–2000	University of Latvia, master's degree in Management Science	
1993–1997	University of Latvia, bachelor's degree in Business Management	

WORK EXPERIENCE		
2019 – Present	AS Augstsprieguma tīkls, Member of the Supervisory Board	
2010 – Present	SIA CRC Consulting, Chairman of the Board	
2018-2019	IMMER GROUP (Ukraine), Development Director	
2014–2018	AMBER BEVERAGE GROUP, Member of the Board, Commercial Director	
2009–2013	SANITEX GROUP (Latvia/Estonia), Chairman of the Board	
2004–2009	PROCTER & GAMBLE Marketing Latvia (responsible for the Baltic market), Chairman of the Board	



MADARA MELNE Member of the Supervisory Board (until 26.01.2022.)

Term of office: 30.12.2019. – 26.01.2022.

EDUCATIC	N	WORK EXP	PERIENCE
2006-2010	2006–2010 University of Latvia, professional bachelor's degree in Economics, with the qualification as head of a unit for international affairs	2019 - 2022	AS Augstsprieguma tīkls, Member of the Supervisory Board
		2014 – Present	SIA CatchSmart, Strategy Director
		2012-2014	Fridberg Nordic Timber Ltd, Executive Director
2007 ESC Ti Cham of Mai (Franc degree Admin Intern	ESC Troyes – Champagne School	2009 – Present	SIA Baltic Transport Lines, Executive Director
	of Management (France), bachelor's degree in Business Administration (BBA), International Business	2008-2009	Riga Wood France Ltd (France), assistant sales manager
		2007-2009	AS Latvijas Finieris, Assistant Sales Manager

AUDIT COMMITTEE



ANDRIS PURIŅŠ

Independent chairman of the Audit Committee

Period of entrustment: from 22 September 2022 to 1 February 2025 (inclusive).

EDUCATION

WORK EXPERIENCE

2016. — 2017.	University of London, Master of Professional Accounting
2016.	Associations of Chartered Accountants (<i>Association of</i> <i>Chartered Certified</i> <i>Accountants,</i> ACCA) member, FCCA or senior member since 2021
2004. – 2008.	Riga School of Economics, bachelor's degree in economics and business management
2005. — 2006.	University of Southampton, Certificate in Higher Education in Economics

2022. – Present	Member of the Council of Vidzemes Augstskola
2020. – Present	VAS Latvijas Pasts, Chief Financial Officer
2019. — 2019.	VAS Latvijas Pasts, Director of Internal Audit
2011. — 2019.	AS KPMG Baltics, Associate Director and other positions
2010. — 2011.	AS Air Baltic Corporation Controller of corporate reports
2008. – 2010.	SIA Riga Capital, Senior analyst
2007. — 2008.	SIA Tet, Corporate Development Analyst



IVARS BLUMBERGS Independent member of the Audit Committee

Period of entrustment: from 22 September 2022 to 1 February 2025 (inclusive).

EDUCAT	ION
2011.	Stockholm School of Economics in Riga, Professional master's degree in Business Administration (EMBA)
1998.	University of Latvia, master's degree in economics

WORK EXF	PERIENCE
2021. –	VAS Latvijas Pasts,
Present	member of the council
2021. –	AS Virši — A,
Present	member of the council
2021 –	SIA Naftimpeks,
Present	Director of Product Distribution in the Internal Market
2021 –	SIA PARS Termināls,
Present	Director of Product Distribution in the Internal Market
2005. —	SIA ORLEN Latvija,
2020.	company manager, board member
2014. —	SIA ORLEN Eesti,
2020.	member of the council
2018. —	Latvian Fuel Traders Association,
2021.	Member of the Board
2004	SIA ORLEN Latvija,
2005.	Finance Director
2001. —	SIA Tele 2,
2003.	Finance Director
1996. — 2001.	Sworn auditor



AIGARS ĢĒRMANIS Member of the Audit Committee dependent on the AST Board

Period of entrustment: from 2 February 2022 to 1 February 2025 (inclusive)

EDUCATION

1998 – 2000	University of Latvia, master's degree in Management Science
1993 - 1997	University of Latvia, master's degree in Management Science

2019 – Present	AS Augstsprieguma tīkls, Member of the Supervisory Board	
2010 – Present	SIA CRC Consulting, Chairman of the Board	
2018 – 2019	IMMER GROUP (Ukraine), Development Director	
2014 – 2018	AMBER BEVERAGE GROUP, Member of the Board, Commercial Director	
2009 - 2013	SANITEX GROUP (Latvia/Estonia), Chairman of the Board	
2004 - 2009	PROCTER & GAMBLE Marketing Latvia (responsible for the Baltic market), Chairman of the Board	



MADARA MELNE Member of the Audit Committee (until 26.01.2022)

Period of entrustment: From 22 September 2021 to 22 February 2022 (inclusive).

EDUCATIC	N	WORK EX	PERIENCE
2006–2010 University of Latvia professional bachelor's degree in Economics, with the qualification as	University of Latvia professional	2019 - 2022	AS Augstsprieguma tīkls, Member of the Supervisory Board
	2014 – Present	SIA CatchSmart, Strategy Director	
	head of a unit for international affairs	2012-2014	Fridberg Nordic Timber Ltd., Executive Director
2007 ESC Cha of M (Frai degi Adm Inter	ESC Troyes – Champagne School	2009 – Present	SIA Baltic Transport Lines, Executive Director
	of Management (France), bachelor's degree in Business Administration (BBA), International Business	2008-2009	Riga Wood France Ltd (France), assistant sales manager
		2007-2009	AS Latvijas Finieris, Assistant Sales Manager

AST BOARD



GUNTA JĒKABSONE Chairman of the Board

Period of entrustment: 15.07.2021. – 14.07.2026.

EDUCATION

2001–2003	RISEBA, master's degree in business
1995-2001	University of Latvia, bachelor's degree, lawyer's qualification

WORK EXPERIENCE		
2021 – Present	AS Augstsprieguma tīkls, Chairman of the Board	
2017–2021	FICIL — Council of Foreign Investors in Latvia, Member of the Board and Chairman of the Board	
2015-2021	SIA Circle K Latvia, executive director	
2008-2015	SIA Latvija Statoil, Director of the Finance and Control Department	
2002–2008	SIA Latvija Statoil, Internal auditor	



VARIS BOKS Chairman of the Board

Period of entrustment: 01.04.2016. – 31.03.2021.

EDUCATION		WORK EXPERIENCE		
1982–1989 Pelše Institute of Technology in Riga, Speciality: Electrical Drive and Industrial Equipme Automation; Qualifications: Electrical Engineer	Pelše Institute of Technology in	2011 - 31.03.2021.	AS Augstsprieguma tīkls, Chairman of the Board	
	Riga, Speciality: Electrical Drive and	2005-2011	AS Augstsprieguma tīkls, Member of the Board	
	Automation; Qualifications:	2000-2005	AS Latvenergo branch Augstsprieguma tīkls, System Management Director – Chief Dispatcher	
	Electrical Engineer	2000-2000	SJSC to be privatised Latvenergo, Deputy Executive Director of the Central Dispatcher Service	
		1996-2000	AS Latvenergo, Deputy Director of the Central Dispatcher Service	
		1996–1996	Member of the Board of AS Rīgas siltums, Head of the Dispatcher Service	

State Company Latvenergo,

Cogeneration Department

Chief Power Engineer

AS Dambis,

RA VEF,

Head of the Dispatcher Service of Latvenergo's

Office of the Chief Power Engineer, Engineer-designer

1993–1996

1992-1993

1988-1992



ARNIS DAUGULIS Member of the Board

Period of entrustment:

15.07.2021. – 14.07.2026.

EDUCATION		
1995. — 1998.	Stockholm Royal Institute of Technology (Kungl Tekniska Hogskolan, KTH), Sweden, ongingering licencoo	
	engineering licensee	
1990. — 1995.	Riga Technical university, master of electrical sciences	

WORK EXPERIENCE			
2021. –	AS Augstsprieguma tīkls,		
Present	Member of the Board		
2016. —	AS Augstsprieguma tīkls,		
2021.	Head of Information Technology Department		
2015. —	State Chancellery,		
2016.	Consultant in the Public Administration Policy Department		
2012. — 2015.	Ministry of Environmental Protection and Regional Development, Deputy State Secretary for Information and Communication Technologies		
2011. — 2011.	AS Latvenergo, board consultant		
2006. — 2011.	AS Latvenergo, Member of the Board (Information Technology and Telecommunications)		
2000. —	AS "Latvenergo",		
2006.	Head of Information Technology Department		



ARNIS STALTMANIS

Member of the Board

Period of entrustment: 08.04.2016. - 07.04.2021.

EDUCATION		WORK EXPERIENCE		
2003–2005	Riga Technical University, Faculty of Engineering Economics and Management (in cooperation with Buskerud University College in Norway), Master of Business	2011 - 2021	AS Augstsprieguma tīkls, Member of the Board	
		2009-2011	AS Augstsprieguma tīkls, Head of the International Development Projects Service	
		2006-2008	AS Augstsprieguma tīkls, Head of the System Protection Service	
		2001–2006	SIA Baltijas energosistēmu dispečeru centrs, Head of the System Protection Service	
1994–1996	Administration Riga Technical University, Faculty of Power and Electrical Engineering, Master's of Electric Power	1999–2001	SIA Baltijas energosistēmu dispečeru centrs, Electrical Mode and Relay Service Engineer	
		1997–1999	National Grid plc. (Great Britain), Power Plant Connection Management, Testing and Modelling Engineer	
	Processes	1993–1997	SIA Baltijas energosistēmu dispečeru centrs, Electrical Mode	
1996	Royal Institute of Technology and ABB System Control (Sweden), 4-month internship and development of a Master's Thesis			
1993–1994	Riga Technical University, Faculty of Electric Power Engineering, Engineer – electrical stations and networks			
1990–1993	Riga Technical University, Faculty of Electric Power Engineering, Bachelor's degree – electrical stations and networks			



GATIS JUNGHĀNS Member of the Board

Period of entrustment: 25.04.2016. - 24.04.2026.

EDUCATION		WORK EXPERIENCE		
2012-2018	Riga Business School, Master of Business	2016 – Present	AS Augstsprieguma tīkls, Member of the Board	
2008-2010	Administration Stockholm School of Economics in Riga, Master of Business Administration	2017 – Present	Riga Technical University, Associate Professor	
		2015-2016	Elektrum Lietuva UAB (Lithuania), Member of the Council	
2003–2008	Riga Technical University, Faculty of Power Engineering, Doctor of Engineering	2008-2015	Elektrum Lietuva UAB (Lithuania), Chairman and CEO, Member of the Board	
		2015-2016	Elektrum Eesti OÜ (Estonia), Member of the Council	
2001–2003	Technical University, Faculty of Power Engineering, Master's degree in Engineering	2007–2015	Elektrum Eesti OÜ (Estonia), Member of the Management Board	
		2006-2014	JSC Nordic Energy Link (Estonia), Member of the Council	
1997-2001	Riga Technical University, Faculty of Power Engineering, Bachelor's degree in Engineering	2007-2016	AS Latvenergo, Head of the Sales Department	
		2005-2007	AS Latvenergo, Project Manager	
		2003-2005	AS Augstsprieguma tīkls, Electrical Engineer, Sector Manager	
		2000-2003	AS Sadales tīkls (former structural unit Rīgas Elektrotīkls of SJSC Latvenergo), Electrical Engineer	



EDUCATION

1999-2005

University of Latvia, Faculty of Law, Professional study programme of law, Master's degree in Law

MĀRCIS KAULIŅŠ Member of the Board

Period of entrustment: 01.05.2016. - 30.04.2026.

WORK EXPERIENCE				
2016 – Present	AS Augstsprieguma tīkls, Member of the Board			
2015–2016	AS Latvenergo, Legal Advisor			
2011-2015	AS Latvijas elektriskie tīkli, Member of the Management Board			
2010-2011	Procurator of North Hub Cleaning Services Ltd			
2004–2009	Metro Capital Management Ltd, Lawyer			
2002-2003	University of Latvia, public procurement specialist			


IMANTS ZVIEDRIS Board Member

Period of entrustment: 09.02.2015. – 17.12.2024.

EDUCATION		WORK EXPERIENCE			
1993–1996	Riga Technical University, Power	2015 — Present	AS Augstsprieguma tīkls, Member of the Board		
	Supply, Engineer- electrician	2017-2018	AS Conexus Baltic Grid, Member of the Council		
1986–1990	Riga Polytechnic Institute, ECM (Flaatria computing	2014-2015	AS Latvijas elektriskie tīkli, Technical Director		
	machines) Equipment and	2011-2015	AS Latvijas elektriskie tīkli, Member of the Management Board		
	Devices, Technician- electrician	2011-2011	AS Latvijas elektriskie tīkli, Chairman of the Management Board		
		2005–2011	AS Augstsprieguma tīkls, Chairman of the Board		
		2000-2005	AS Latvenergo branch Augstsprieguma tīkls, Technical Director		
		1998–2000	SJSC to be privatised Latvenergo branch Augstsprieguma tīkls, Head of Operation and Safety Equipment Monitoring Service		
		1996–1998	SJSC to be privatised Latvenergo branch Augstsprieguma tīkls, Head of Operation and Safety Equipment Monitoring Service		
		1995–1996	VAS Latvenergo branch Augstsprieguma tīkls, Technician of the Dispatcher Service		

102-11

102-30

102-33

102-34

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

INTERNAL CONTROL SYSTEM

To ensure the implementation of the AST work plan and the achievement of its objectives, successful monitoring and efficiency, AST has established and is constantly improving its internal control system. It is designed in accordance with the requirements of the ISO 9001; ISO 14001; ISO 50001 and ISO 45001 standards, including binding regulatory enactments. (more at https://www.ast.lv/lv/content/kvalitatessistema). Internal processes of AST and the effectiveness of existing controls are regularly evaluated by the Integrated Management System Audit, the supervisory audit performed by the certification body DNV GL and the Internal Audit Department.

The certification supervisory audit was performed by the certification body DNV GL Latvia SIA, nno non-conformities were identified, 3 observations, 1 improvement opportunity and 15 positive conclusions were recorded. Overall rating – five (5) in 5 point system. The management system is recognized as efficient and compliant with standards. In 2020, during the implementation of the Integrated Management System Internal Audit programme,

- 15 category II non-conformities, (does not jeopardize certification),
- 94 observations,
- $_{\odot}$ 13 recommendations and
- 38 positive observations were recorded.

AST promotes fair business, ethical compliance, and takes the necessary steps to prevent the risks of corruption and fraud and to promote the improvement of the control environment.

AST manages its risks in accordance with the precautionary principle and in accordance with its risk appetite.

A report on periodic or emergency revision of risks in each area is prepared for the Board. The area of strategic risks is within the competence of the Management Board. Once a year, a report is prepared for the Management Board and successively for the Supervisory Board on the risk management in the respective year.

RISK MANAGEMENT

To ensure sustainable operation and development, AST is constantly improving its risk management processes.

The risk management of AS Augstsprieguma tīkls is regulated by AS Augstsprieguma tīkls risk management policy (P-1-38) and concept (KON-1-1), as well as management regulations for individual risk areas. In total, ten (10) risk areas have been identified.

In 2021, a number of improvements were made to the risk management system of AS Augstsprieguma tīkls:

- 1. approved risk management policy;
- 2. the area of risks of capital investment projects has been created;
- 3. unified risk assessment and risk appetite scales have been developed;
- 4. list of the most significant risks has been established, within the framework of which a quarterly review of the existing risks has been established.
- In order to ensure more dynamic and efficient risk

management, it was decided in 2021 to establish a list of significant risks for AST. The list of significant risks for AST includes the risks with the highest residual risk values from all risk areas.

It is planned to manage significant risks more regularly than before, determining the period for monitoring significant risks at least once a quarter, assessing compliance with risk appetite and risk indicators. Risk review, assessment and ongoing risk monitoring measures (risk monitoring) are performed in a timely manner in all risk areas.

The risk assessment takes into account the risk control measures already in place and the existing risk management measures, after which the residual risk value is determined. In order to ensure full risk management, continuous risk monitoring and supervision (events, incidents, reports, etc.) is ensured between the periodic risk review measures.

If necessary, a review of the extraordinary risks may be encouraged. In general, it can be concluded that

the implemented risk management is adequate, the identified risks are well monitored, the implemented controls are mostly effective, which results in low levels of risk expression.

Risks with high potential are managed effectively, and measures are in place to reduce the risks to an acceptable level of risk.

Area of risk	Revised in 2021
Strategic risks	\checkmark
Financial risks	\checkmark
Technical risks	✓
System management risks	✓
Work environment risks	✓
Physical security risks	✓
Risks of fraud and corruption	✓

RISK ASSESSMENT IN 2021 REMAINING RISK VALUES TECHNOLOGY RISKS: risk monitoring is provided in 24/7 mode. (IS) security risk review is performed as appropriate IS risk assessment plan for 2021-2023. Cyber security risks are additionally considered as strategic risks.

ENVIRONMENTAL RISKS: A periodic risk review was performed in 2020, all necessary risk monitoring and control measures were taken in 2021, and the next periodic risk review is planned for 2023.

RISKS OF CAPITAL INVESTMENT PROJECTS: risk assessments have been performed for all major capital investment projects. Work is continuing to improve the area of such risk.

Employees of AS Augstsprieguma tikls are trained in risk management issues. Employees are required to report potential risks. All employees have the opportunity to get involved in the operation of the risk management system of AS Augstsprieguma tikls and get acquainted with the identified risks.



For risks that reach a medium or above medium level of risk, risk management measures are mandatory in order to reduce the level of risk to an acceptable risk.

Certain high-risk level risks have been identified in the areas of strategic, technical, systems management, environmental and physical security risks. Additional risk management measures are in place for all high-risk level risks. Critical risks are immediately prevented or mitigated.

In the area of strategic risks, the most significant risks are related with security and continuity of

electricity supply, adequacy of generating capacity, the impact of Covid-19, synchronization projects and geopolitical developments. In the field of technical and system management risks, the most significant risks are related to the security of electricity supply, risk mitigation measures have been taken in connection with 09.06.2020. event and intensified monitoring of these risks is still ongoing. Environmental risks are related to resource consumption, environmental risk management programs are implemented. Physical security risks with high potential are managed in accordance with the 37 procedures for organizing physical security. In addition to what is shown in the graph, there is also active work on work environment risk and IT risk management.

The management and supervision of work environment risks is ensured by the Safety Supervision Service. In 2021, the value of risks was low and insignificant. The identified risk controls are adequate and their effectiveness is constantly monitored.

Work environment risk information management is performed in the DAPS system. In 2021, work was done to obtain risk information from the DAPS system in a way that would allow risk information to be visualized similarly to other risk areas. It is planned to start in 2022. In turn, IT risk management is provided by the IT department together with the Security Manager of the Information Systems Security Department. In 2021, IS security risk management and cyber security risk management were ensured.

Within the framework of IS security risks, individual information systems are evaluated. In 2021, the IS evaluation plan for 2021-2023 was approved. In 2021, 6 IS were assessed. Overall, the risks are low and insignificant, but 14 medium risks have been identified for which risk management measures are in place.

Cyber security risks are assessed within the framework of strategic risks. Cyber security risks are included in the list of significant risks, therefore they are planned to be reviewed at least once a quarter.

PROCUREMENT

AST, as a public service provider, organises procurement procedures in accordance with the Law on the Procurement of Public Service Providers of the Republic of Latvia. It is essential for AST to ensure more transparent free competition between the market participants, equal treatment, efficient use of resources, therefore, one way to achieve it is to promote fair competition as much as possible. To carry on its business, AST performs the purchase of construction works, goods and services.

In addition to the above legal requirements, procurement procedures are organised in accordance with AST's internal procedures and policies, Cabinet of Ministers Regulation No. 108 of 28 February

2017 "Regulations Regarding Public Electronic Procurements", ensuring the transparency of procurement procedures and preventing the risk of corruption by strengthening cooperation between supervisory authorities.

In 2021, the interactive 'Sanctions Map' of the International and National Sanctions Law of the Republic of Latvia, which depicts the EU and UN sanctions regime, was considered in the organisation of the procurement. To meet the objective set out in the Law on International Sanctions and National Sanctions of the Republic of Latvia, before concluding a procurement contract with the potential winner of the tender, it shall be ascertained whether the contractor has been subject to sanctions that could affect the performance of the contract in accordance with the requirements of the above- mentioned law.

During the preparation stages of the Procurement Regulations, the requirements of the "Basic Regulations for the Procurement Procedures" and the requirements of the Law on Public Service Providers Procurement and European Union directives are observed.

In procurement procedures, AST shall, where possible, follow the principles of green procurement (in addition to the price of the goods or services, life-cycle costs or elements of the life-cycle costs are assessed, including, e.g., acquisition costs, operating costs (e.g., electricity and other resources), maintenance costs, end-of-life costs (e.g., collection and recovery costs).

AST complies with the groups of goods and services listed in Annex 1 to Cabinet Regulation of 20 June 2017 No. 353

"Requirements for Green Public Procurement and Procedures for its Application" to which green public procurement is mandatory.

The number of procurement contracts concluded in 2021 is 263, including 53 construction contracts, 142 service contracts and 68 supply contracts. Of these, 8 transformer contracts are defined as green procurement because life-cycle costs are calculated for them.

40

CORPORATE SOCIAL RESPONSIBILITY

Since 2017, the Company has developed and approved a corporate social responsibility (**CSR**) policy with the aim of promoting the sustainable development of the Company, achieving high customer satisfaction and loyalty, employee motivation and productivity, cooperation with the public and state institutions.

CSR policies have taken into account the ten core principles of the United Nations Global Compact and corporate social responsibility, which encourage organizations to respect human rights, ensure quality working conditions, protect the environment and fight corruption.

The key criteria for implementing CSR policies are to contribute to sustainable economic growth, focusing on the well- being of workers, their families and the surrounding society, including the protection of the environment.

In order to support good CSR practices and promote the well-being of society, AST pursues its CSR activities in the following **areas:**

SOCIETY

To support and make a positive contribution to the society and environment in which we operate

Participation in RTU Career Days

- Promoting the development of practical applications and creative solutions in final theses, AST announces a scholarship competition for students of higher education institutions to develop final theses. The amount of the scholarship for one applicant is up to 250 EUR per month, and it is granted for the period of elaboration of the final thesis, cash prizes can also be received by the supervisor.
- AST has announced applications for paid internships, offering students from universities, colleges and vocational schools the opportunity to consolidate their theoretical knowledge in practice. In total, AST offers 28 paid internships during the year.

EDUCATION AND SCIENC

To support education and science, thus fostering innovation-oriented development

Educationally motivating direction

- Intellectual seminar series "Energy Afternoon"
- Educational seminar series for managers "Leaders' Forum"
- Colleague Month
- Mind games
- "Get to know colleagues" activity

Active, healthy sports direction

- AST Health Month
- Sports activity cycle "Adventure Club"

Socially responsible direction

- Labor veterans, etc. honoring long- term employees
- Senior mixed choir "Volta"





EMPLOYEES

To inspire the growth and excellence of every employee, thus promoting the dynamic development of the Company

ENVIRONMENT, WORK PROTECTION

Gradually reduce the environmental impact of our operations while protecting and caring for the environment in the long term.

- Introduction of green procurement
- Negative effects continuous restriction and reduction of the environment by reducing the emission of pollutants
- Introduction and use of new, environmentally friendly technologies in electricity transmission and supply
- Reducing or eliminating the risk of the work environment by organizing a safe work environment for employees

Recognizing its role and contribution to sustainable development, AST pursues processes, products and services that contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). Three high-priority IAMs and five mediumpriority IAMs have been identified as priorities and in line with AST's core business. Through CSR activities, AST also contributes to the achievement of other MDGs.

HIGH PRIORITY OBJECTIVES

7 ATJAUNOJAMÁ ENERGIJA	ENSURE ACCESS TO AFFORDABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL AT AN AFFORDABLE PRICE	 Uninterrupted, high-quality and accessible provision of energy supply service Sustainable management of energy supply assets Promotion of electricity market development 		
9 INOVÁCIJAS UN INFRASTRUKTŪRA	BUILDING SUSTAINABLE INFRASTRUCTURE, PROMOTING INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND PROMOTING INNOVATION	 Maintenance and renewal of the transmission network, creation of a more efficient network structure Digitalisation of the transmission network, which promotes energy efficiency and cost reduction Involvement in international projects aimed at developing future technologies Synchronization with continental European transmission networks 		
13 planëtas Alzsardzība	TAKE URGENT MEASURES TO COMBAT CLIMATE CHANGE AND ITS IMPACT	 Reducing the environmental impact of energy supply assets Development of the energy supply system, adapting it to the needs of climate-neutral energy producers Reduction of energy losses 		
MEDIUM PRIORI	TIES We want to reduce the negative landscapes and land use. We foll	impact of the energy supply system on biodiversity, low environmentally friendly practices.		
8 LABS DARBS UN EKONOMIKAS IZAUGSME	We promote responsible and su	stainable business practices.		
5 DZIMUMU DIDITIESIBA	We believe that an inclusive cult	ure and gender equality drive innovation and growth.		
12 ATBILDIGS PATÉRINS	We ensure sustainable consumption and practices in our operations and strive to set an example for others. In our development projects, we mainly use the existing power line corridors. We recycle almost 100% of our waste.			



We combine our expertise and share our experience with transmission system operators around the world, engaging in research and development.

The Company donates, gifts, as well as transfers the property for free use in accordance with the abovementioned CSR guidelines.

The amount of funds that the Company directs from the profit to support public benefit projects is determined by the Law "On Prevention of Waste of State and Local Government Funds and Property". The medium-term operational strategy 2021-2025 intends to make donations of up to 5% per annum for the part of the profits that is not distributed in dividends to meet the objectives set out in CSR policy. The amount to be donated each year is decided by the company's shareholder - the Ministry of Finance.

Information on the Company's CSR policy, as well as the donations made, is published on the Company's website. https://www.ast.lv/lv/content/socialaatbildiba. In 2021, no donations were made.

CHANGE MANAGEMENT

Change management is an essential aspect of effective society. The company's management manages change by paying special attention to its employees, supporting and encouraging employees to accept change as an opportunity for development and growth. Managing change is also particularly important in the context of the dynamic development of society, the processes of integration into the EU internal electricity market, synchronization with the European electricity transmission networks, TSOs, and the digital transformation.

Recipients of the donation	Registration number	Donation	Amount in EUR
2021			
No donations were made in 2021			
2020			
Latvian Association of Power Engineers and Energy Builders	40008116388	For the creation of gravestone for the prominent Latvian electrician Dr sc. ing. Vinis Krēsliņš.	1 490
2019			
Association VHB Latvija	40008264800	Transfer of the gym to be used free of charge	1 373
Latvian Sitting Volleyball Association for Disabled Athletes	40008097814	Transfer of the gym to be used free of charge	5 491
2018			
Association VHB Latvija	40008264800	Transfer of the gym to be used free of charge	1 373
Latvian Sitting Volleyball Association for Disabled Athletes	40008097814	Transfer of the gym to be used free of charge	5 491
Ēdole Primary School	40003575567	Participation of two folk dance groups of Ēdole Primary School in the festival "Latvian children led the dance" in Jelgava.	600
Latvian Association of Power Engineers and Energy Builders	40008116388	Awards to the winners of the student final thesis competition	750
Association "Daiļrade"	40008202656	To the dance group Daiļrade to produce Nīca folk coats	1900
2017			
Latvian Association of Power Engineers and Energy Builders	40008116388	Awards to the winners of the student final thesis competition	750

AWARDS



COOPERATION WITH INTERESTED PARTIES

AST maintains a database of external stakeholders, which includes:

- Contract partners (designers, builders, construction supervisors, suppliers-service providers);
- Customers (transmission system users and traders);
- Other partners.

In order to find out the satisfaction of the stakeholders with the cooperation with AST, interviews are conducted according to the TRI * MTM Corporate Reputation method. While preparing Sustainability Report for 2021 in line with GRI standards, AST relied on both its views on key sustainability issues and its stakeholder assessment in a stakeholder survey. In the AST stakeholder survey, 54 respondents expressed their views.

Overall customer satisfaction has remained high over the last two years (2020 and 2021). The total satisfaction with the cooperation partners is 7.8 points.



EXTERNAL INTERESTED PARTIES

	External interested parties	Relevant topics/sustainability aspects			
Customers	 Transmission system users: AS Sadales tīkls SIA SCHWENK LatvijA VAS Latvijas Dzelzceļš 	 Quality of the Services provided Customer satisfaction with the Company, its services, servicing, availability of information and content Payment options and services Availability and 			
	SIA Vats	efficiency of the services			
	AS Latvenergo AS Rīgas Siltums	 Reducing the frequency and duration of unplanned outages Transparent, fair, and ethical marketing and communication practices 			
	 Electricity traders: SIA Enefit SIA Imlitex Latvija Inter RAO 	 Compliance with the regulatory requirements and fair competition Emergency Management Plans 			
Suppliers	• Construction companies:	 Clear and open tenders 			
	AS Empower SIA Latvijas energoceltnieks SIA Ditra networks SIA Energoremonts Rīga	 Development of electricity interconnections 			
Counterpar-	• Transfer system operator:	 Development of electricity interconnections 			
ties	AS Elering	 Involvement in energy policymaking 			
Trade union	 LAB Energija 	 Collective bargaining agreement, health and safe working environment, rights an responsibilities of the employer and emp 			
Alte		 Employee productivity and motivation, competencies, remuneration and well-be 			
		 Data security 			
Associations	 Latvian Association of Power Engineers and Energy Builders 	 Latvian and EU energy policy and regulatory environment 			
G P	 Latvian Association for People Management 	 Development trends and innovations in the energy sector 			
		 Compliance with the regulatory requirements and fair competition 			
Media	LETADienas Bizness	 Main activity and management of the Compa Topical issues of Latvian and EU energy poli Emergency Management Plans 			
		 Health and safety of employees 			
(<u></u>		 Availability and efficiency of the services 			
State institutions	 Public Utilities Commission (PUC) Ministry of Economics 	 Development of Latvian and EU energy policy and regulatory norms 			
\$ ₁ 4	 Ministry of Economics 	 Emergency Management Plans 			
		 Compliance with the requirements of laws and regulations 			
Educational institutions	○ RTU	 Education programmes that meet the requirements of the labour market Content of educational materials for children and youth 			
		 Contribution to public welfare and CSR activities 			
		 Involvement in energy policymaking Transparent, fair, and ethical marketing and communication practices 			
		Availability of information			

	External interested parties	Relevant topics/sustainability aspects
Local	 Salaspils 	 CSR activities
community - municipalities		 Environmental protection, plant modernisation and electricity network infrastructure projects
M		 Provision of services and problem solving

INTERNAL INTERESTED PARTIES

While preparing the Sustainability Report for 2021 in accordance with the GRI standard, AST management and staff were interviewed on important aspects of

sustainability, the environment, social responsibility and governance. A total of 210 respondents expressed their views in the survey.



Shareholder and Supervisory Board Ministry of Finance of the Republic of Latvia

Members of the Supervisory Board



The Board



Employees

Internal interested parties	Relevant topics/sustainability aspects
○ Council	 Strategy, governance, investment, and performance
 Audit Committee The Beard 	 Compliance with the regulatory requirements and fair competition
	 Involvement in energy policymaking
	 AST contribution to the national economy Contribution to public welfare and CSR activities Emergency Management Plans
• Employees	 Collective bargaining agreement, healthy and safe working environment, rights and responsibilities of the employer and employees
	 Employee productivity and motivation, competencies, remuneration and well-being
	 Data security
Internal interested parties	Key governance aspects
 Employees 	 Sustainable strategy
<u> </u>	 Fair business practice
	 Clearly defined goals and values
○ Management _ O O O	 Sustainable strategy

Management competence Clearly defined goals and values

Internal interested parties		Key environmental aspects
		Use of sustainable and secure solutions in development and operations (safe materials, sustainable technologies)
		Improving the efficiency of resource use (improving the use of resources and energy resources and reducing consumption)
		Compliance with regulatory and standard requirements
Management		Use of sustainable and secure solutions in development and operations (safe materials, sustainable technologies)
		Improving the efficiency of resource use (improving the use of resources and energy resources and reducing consumption)
		Towards the use of renewable resources
Internal interested parties		Key social responsibility aspects
 Employees O 		Employee health and safety (incl. Emotional and psychological well-being)
		Competent staff
re re		Availability and continuity of services
Management		Availability and continuity of services
		Employee health and safety (incl. Emotional and psychological well-being)
		Competent staff

ACTIVITIES IN INDUSTRY AND PUBLIC ORGANISATIONS

2009







LATLAB

ENTSOe

Membership in the Association of European Transmission System Operators provides an opportunity to participate in the development of legislation and policy documents at the European level. The association represents 36 countries and 43 transmission system operators. It aims to work on the liberalisation of the gas and electricity markets in the European Union.

Latvian Association for People Management

The Latvian Association for People Management (LPVA) was founded to promote the popularity of personnel management in Latvia, increase the competence of personnel specialists and managers, as well as the prestige of this position in the labour market to show the positive impact of effective personnel management on successful operations. AST has been its member since 2010.

LEEA

Membership in the association provides an opportunity to participate in the evaluation and improvement of legislation, policy documents and standards of electricity and energy construction, organisation of personnel certification and training programmes, conducting scientific research related to electricity and organising scientific and technical events, as well as to co-operate with educational institutions in the field of electricity.

Representatives of AST regularly participate in the meetings of the Latvian Association of Power Engineers and Energy Builders (LEEA) to ensure an exchange of views on current issues in the energy sector, including energy security.

Latvian Association of Testing Laboratories

To maintain quality, competence, and compliance with the requirements of international standards of the accredited AST chemistry laboratory, in May 2015, AST became a member of the Latvian Association of Testing Laboratories.

Institute of Corporate Sustainability and Responsibility

Since 2016, AST has been a corporate member of the institute and participates in its activities by participating in the annual Sustainability Index evaluation, improving its performance from year to year, as well as participating in good practice exchange events organised by the institute (seminars, training, Responsible Business Week).

Latvian National Committee of the World Energy Council

AST has been a member since August 2016. Membership in WEC LMC provides information on energy research, extraction, transport, transformation, and efficient use both nationally and internationally.

Association of European Certification Authorities

From 1 December 2020, in accordance with the Electricity Market Law, the issuing authority for Proofs of Origin in Latvia is AST. Circulation and marketing of guarantees of origin in Europe made possible by the Association of Issuing Bodies (AIB)

Swedbank Business Sustainability Council

AST has joined Swedbank's Business Sustainability Council to exchange knowledge, deepen its understanding of sustainability and create a more sustainable business environment in Latvia together with other companies.



ENERGY

201





2021





OPERATING SEGMENTS

ELECTRICITY TRANSMISSION

In accordance with the "Law on Regulators of Public Utilities", the regulation of public services is performed by the Public Utilities Commission (hereinafter – PUC) under the leadership of its council. PUC's tasks include representing the interests of users, approval of the methodology for calculating electricity transmission system

During the reporting period, the obligations imposed on the Transmission system operator by its licence were fulfilled through the following transmission networks: service tariffs (hereinafter – tariffs), setting tariffs, licensing public services, promotion of competition in regulated sectors, monitoring the transmission system operator's compliance with certification requirements and approval of the 10-year transmission system plan.

Highest voltage (kV)	Number of substations (pcs)	Number of autotransformers and transformers (pcs)	Installed power (MVA)	Overhead cable and cable PTL (km)
330 kV	17	27	4 000	1 742,13
110 kV	123	246	5 231	3 870,78
Total	140	273	9 231	5 612,91

EU3

The Company provides electricity transmission system services to 18 CUSTOMERS whose electrical installations are directly connected to the electricity transmission network, including



DURING THE REPORTING PERIOD, **6 312 GWh** OF ELECTRICITY WAS TRANSMITTED TO USERS IN LATVIA.



3 distribution network companies

MAINTAINING AND DEVELOPING THE ELECTRICITY MARKET

Latvia joined the European single electricity market on 3 June 2013, when the Latvian trading area was opened on the electricity exchange organized by the electricity market operator AS "Nord Pool". Thus, Latvia started operations initially in the next days (Day-ahead), but at the end of 2013 at the Intraday in the electricity markets. In Latvia, as in the other Baltic States, the opening of the electricity market took place in accordance with the strategic development document of the Baltic States "Baltic Energy Market Interconnection Plan" (BEMIP). In accordance with the laws of the Republic of Latvia in force, the electricity market in Latvia is organized by the Latvian electricity transmission system operator AS Augstsprieguma tīkls (AST) in cooperation with the electricity market operator AS Nord Pool, which is one of several European electricity market operators.

Insufficient transmission capacity of the power exchange price, structure of production sources and market supply and demand ratio due to electricity trading areas may vary. Transmission system operators are obliged to ensure the transmission of the required amount of electricity in the required amount and ensuring a continuous balance of the energy system.

Taking into account the expressed request of the national regulatory authorities of the Baltic States and the requests of the Latvian and Estonian

AVERAGE MONTHLY ELECTRICITY PRICES IN THE BALTICS AND INTERCONNECTED COUNTRIES

electricity market participants, from 1 January 2014 AS Augstsprieguma tikls together with the Estonian transmission system operator Elering AS ensures the allocation of interconnection capacity on the Estonian-Latvian trade , by organizing auctions of limited physical transfer rights with a resale obligation to the Estonian - Latvian trade zone in the direction of Latvia. By mutual agreement, from 1 January 2019, the functions of the organization of the auction platform of the two transmission system operators were taken over by the Joint Allocation Office.

> In 2021, the average electricity exchange price in the Latvian region increased to 88.78 EUR / MWh, which is 2.6 times higher than the average price in 2020. (source: AST Electricity market overview, https:// www.ast.lv/lv/ electricity-marketreview?year=2020&month=13)



AVERAGE ELECTRICITY PRICES IN THE BALTIC STATES AND THE NORDIC ELSPOT TRADE AREAS IN 2021, EUR/MWH In 2021, Latvia's total electricity consumption using local electricity generation sources was covered by 76%, which is a decrease of 1.3 percentage points compared to 2020.



COVERAGE OF NATIONAL CONSUMPTION USING LOCAL GENERATION IN 2021, %



INTERCONNECTIONS WITH NEIGHBOURING STATES



By comparing the monthly electricity hour price between Latvia and Estonia, it can be concluded that the prices were equal to 95% of the annual number of hours, while in 2021 the prices were equal to 94% of all the hours of the year.

Comparing the monthly electricity hour price between Latvia and Lithuania, it can be concluded that

in 2021, the prices were equal to 93% of all the hours of the year.

Since the Baltic states are integrated into the common European electricity market, Latvia, like any other European country, is not able to significantly influence the wholesale market electricity prices, as prices are based on the principles of a free, transparent electricity market.

Integration into the single European electricity market not only provides access to cheaper Nordic electricity, but also contributes to greater price volatility caused by weather conditions in other European countries.

DEVELOPMENT OF THE ELECTRICITY TRANSMISSION SYSTEM

The decision of the PUC Council of 14 October 2021 "On the Development Plan of the Electricity Transmission System" approved the development plan of the electricity transmission system developed by AST for the period from 2022 to 2031 (hereinafter – Development Plan).

THE DEVELOPMENT PLAN HAS BEEN DEVELOPED IN ACCORDANCE WITH AST'S STRATEGIC GOAL – strengthening Latvia's energy security by synchronising the Latvian electricity transmission network with the continental European network, observing compliance with the principles of security and costeffectiveness. The approved Development Plan determines the development of the transmission system and the necessary financial investments in the transmission infrastructure for the next 10 years, envisaging the INVESTMENT of EUR 401 million in the development of the electricity transmission system, including EU co-financing of EUR 128 million and EUR 42 million revenue from congestion charges. Both above sources of capital investment financing, which together account for 43% of the planned investments over the next 10 years, reduce the impact of realised capital investments on the electricity transmission tariff, as assets financed from EU co-financing or congestion fee revenues are not included in the calculation of electricity transmission tariffs.

DEVELOPMENT OF THE ELECTRICITY TRANSMISSION SYSTEM

To minimise the impact of the planned capital investments on electricity transmission tariffs, AST has successfully attracted EU co-financing for projects of common European interest included in the Development Plan, including:

• The Project "Synchronisation of the Baltic Power System with the Trans-European Network,

Phase 1" – EU co-financing of up to 75% of eligible costs, or EUR 57,750 thousand.

 Project "Synchronisation of the Baltic Electricity Transmission System with the European Network, Phase 2" – EU co-financing of 75% of the eligible costs or EUR 92,620 thousand has been attracted.



PROGRESS IN 2021 AND KEY DEVELOPMENT EVENTS IN THE NEXT TEN YEARS TO COME

Implementing the policy of the European Union regarding the single electricity market, the strategic direction of AS Augstsprieguma tikls is focused on the development of electricity and ancillary service markets and integration into European markets. Over the coming years, it is planned to continue working on the development and improvement of the single european day- ahead and intraday market. This will include new opportunities for participants in the European Union's internal electricity market, including Latvian and Baltic market participants. Currently, several projects are being launched, and upon their implementation market participants will have the opportunity to participate in the dayahead and intraday market with 15 minutes' time resolution and work with energy and transmission power inclusive products, like the current day-ahead market.

It is also planned to continue working on the establishment of the single European mFRR market platform and on the accession of the Baltic TSO to it, which will allow the Baltic balancing service providers to participate in the pan-European reserve market. To join the platform, several changes will have to be made to the operation of the pan-Baltic balancing model, the most important of which is to ensure the transition to the 15-minute balancing market period, which will allow electricity market participants to plan their operations more accurately and control system imbalances more effectively.

System Management and Electricity Market Development

The main challenges for the upcoming years will be related to the synchronisation of the baltic states with continental europe. On 28 June 2018, the Prime Ministers of the Baltic states and the President of the European Commission signed a synchronisation roadmap with the recommended next steps for synchronisation with continental Europe and desynchronisation with the Russian unified electricity system.

On 14 September 2018, the European Commission supported the synchronisation of the Baltic states at the political level and recommended the initiation of the procedure for the synchronisation of the Baltic states with continental Europe.

On 22 May 2019, AS Augstsprieguma tīkls signed an agreement on the conditions of the future interconnection of power system of Baltic states and power system of continental Europe.

Synchronisation of the Baltic states with continental Europe is expected by 2025. Synchronisation will result in the Baltic electric power transmission system becoming part of the European system, meaning more independence from Russia and a more reliable electric power supply.



SYSTEM MANAGEMENT AND ELECTRICITY MARKET DEVELOPMENT

203-1 203-2

> Carrying out the policy of the EU regarding the single electricity market, the Company's strategic goal to ensure Latvia's integration into the European electricity and ancillary services markets, AST is actively involved in the integration activities of European Union's internal electricity market in both the European Union and the Baltic region. The following is a summary of the most important activities and projects, in which AS Augstsprieguma tikls is involved.

Development of system management

Establishment of a Baltic load frequency control unit and conclusion of a contract

The objective of the project is to establish a common Baltic load frequency control unit to establish common principles in system management, to determine the required number of balancing reserves and common requirements for balancing capacity to the reserve suppliers. The project is planned to be implemented by the end of 2024.

Project for the harmonisation and adaptation of planning data to the requirements of continental Europe

The aim of the project is to establish common procedures for the Baltic TSOs in accordance with the planning policy to achieve the implementation of the necessary methodologies, including the development and implementation of methodologies for the calculation of cross-border capacity. To develop changes to the data exchange procedures and to create new processes in the local systems in line with EU regulations. Implementation of the project is planned for the period from 2020 to 2024.

Project for arranging and implementing accounting and settlement processes in accordance with the requirements of continental Europe

The aim of the project is to implement common continental European settlement rules for scheduled and unscheduled exchanges between synchronously connected TSOs in accordance with Articles 51 (1) and 50 (3) of the Electricity Balancing Guidelines, once this document has been developed by the continental European TSOs and approved by the relevant regulatory authorities. To ensure that all other relevant TSO – TSO, LFC areas and pan-European agreements comply with the requirements of continental European accounting and settlement processes. Implementation of the project is planned by 2024.

Project for arranging and implementing data exchange processes in accordance with the requirements of continental Europe

Establish the data exchange requirements in line with the key organisational requirements, roles, and responsibilities (KORRR) set out in a joint proposal developed by all TSOs in the European Union and approved by the European regulatory authorities. Implementation of the project is planned for the period from 2022 to 2024.

Adaptation of system emergency and recovery procedures to the requirements of continental Europe

The aim of the project is to streamline the emergency and recovery procedures of the system in accordance with the operational guidelines of the systems of continental Europe. The project is planned to be implemented by the end of 2024.

Conduct of the necessary research of the synchronisation agreement

The aim of the project is to carry out the research specified in the Synchronisation Agreement. The project is planned to be implemented by the end of 2023.

Implementation research activities in the system

The aim of the project is to implement the measures specified in the research into the operation of the system. Implementation of the project is planned for the period from 2022 to 2024.

Preparation of the Baltic states for the test period of synchronous operation with the continental European networks

The aim of the project is for the Baltic states to prepare for isolated operation after separation from BRELL and for synchronous operation with the continental European networks during the test period. The project is planned to be implemented by the end of 2024.

Ensuring the independent operation of the Baltic systems

The aim of the project is to prepare for the independent operation of the Baltic systems by preparing a procedure in the case of emergency desynchronisation, to prepare procedures for the receipt of assistance from the Nordic countries for the provision of frequency and active power on DC connections, and to prepare a plan of measures to ensure long-term isolated operation. The project is planned to be implemented by 2025.

TRANSMISSION AND STORAGE OF NATURAL GAS

When executing the protocol decision of the Cabinet of Ministers of the Republic of Latvia of 26 May 2020 (Protocol No. 36, Paragraph 38) "Regarding the Use of the Pre-emption Right in the Transaction of the Alienation of Shares of AS Conexus Baltic Grid, on 21 July 2020, AS Augstsprieguma tīkls acquired 34.1% of the shares of AS Conexus Baltic Grid, and accordingly as of 21 July 2020, the Company owns 68.46% of the shares of AS Conexus Baltic Grid and has a decisive influence in the company.

AS Conexus Baltic Grid is managed by AST in accordance with its Corporate Governance Policy, exercising its set of shareholder rights and obligations under the Law on Governance of Capital Shares of a Public Person and Capital Companies (hereinafter – PPKPL) and the Commercial Law, including appointing members of the supervisory board to represent shareholders' interests between shareholders' meetings and oversee the board.

The acquisition of participation in AS Conexus Baltic Grid will not negatively affect the tariffs of electricity transmission system services.

According to the AS Conexus Baltic Grid annual report of 2021, the profit of AS Conexus Baltic Grid for 2021 is EUR 13,216,732. In accordance with the decision of the Annual General Meeting of Shareholders of JSC "Conexus Baltic Grid" on April 28, 2022, it is planned to pay dividends of EUR 0.24 per share in 2022 from the profit of the previous years. Considering the number of JSC "Conexus Baltic Grid" shares owned by the Company, the Company will receive EUR 6,537 thousand in dividends.





PERFORMANCE INDICATORS

IDENTIFICATION OF THE KEY SUSTAINABILITY ASPECTS

The content of the AST Sustainability Report is based on the economic, environmental, and social aspects relevant to the company and its interested parties. The essential aspects are determined in accordance with the GRI guidelines. The identification of key aspects and indicators to be identified can be divided into four stages. The evaluation of AST performance identified the key aspects of economic performance, the environment, employment and the working environment, society and product responsibility were identified by the evaluation from the point of view of AST's internal and external interested parties.

THE METHODOLOGY USED TO DETERMINE THE MATERIALITY OF THE ASPECTS INVOLVES FIVE STEPS:



102-47

MATERIALITY MATRIX



ECONOMIC RESPONSIBILITY

MATERIALITY MATRIX. ECONOMIC DIMENSION



MANAGEMENT APPROACH AND CONTRIBUTION TO THE NATIONAL ECONOMY

AS Augstsprieguma tikls, as the only electricity transmission system operator in Latvia, makes a significant contribution to the growth of the Company and the economy both from the aspect of the volume of significant capital investment projects implemented and from the aspect of job creation.

In accordance with the assessment performed by Prudentia and Nasdaq Riga, in the TOP 101 of the most valuable companies in Latvia in 2021, AST is ranked 7th (in 2020 – 21st), and according to the corporate governance ratio – 2nd.

AST, as the only electricity transmission system operator in Latvia, shall ensure the long-term reliable, high-quality, and uninterrupted availability of electricity, thus taking due care of the adequacy of the transmission infrastructure by implementing sustainable and well-thought-out capital investment projects. To ensure the highest possible efficiency, AST actively attracts EU co-financing to finance its capital investments, as well as redirects the available resources such as income from the congestion charges, thus ensuring the smallest possible impact of the implemented capital investment projects on the transmission tariffs.

As a result of AST activities, 84% of the funding required for the implementation of the development projects included in the European Ten-year Development plan is covered by EU co-financing and congestion charge revenues, thus reducing the impact on electricity transmission system service tariffs.

Recognizing the public significance of the service provided by the Company, the Company's priority

is a high-quality and safe electricity transmission service at the lowest possible tariffs.

The focus of the society is on improving efficiency, which is a continuous process. To improve the efficiency of the company, reduce the costs of providing transmission services, AST aims to move towards digital transformation, the integration of digital technologies into all business lines and business processes.

As at 31 December 2021, the Company had 529 employees (as at 31 December 2020, 539 employees). The company takes care of its employees by providing contributions to the pension fund, as well as other benefits, thus contributing to the general welfare of society.

Taking into account the above, AS Augstsprieguma tikls has a significant impact on the development of the national economy.

Economic responsibility, the economic value created by the Company and the performance in the national economy were noted as a particularly important area of influence by all the representatives of the impact parties interviewed by the Company as well.

To promote both its own and the industry's development and to take care of the interests of the employees, in 2021, the Company continued to actively participate in non-governmental organisations such as: ENTSO-E, the Latvian National Committee of the World Energy Council, the Latvian Association of Power Engineers and Energy Builders (LEEA), and the Latvian Association for People Management.

ECONOMIC VALUE OF THE COMPANY AND PERFORMANCE IN THE NATIONAL ECONOMY

AST is one of the largest state-owned companies. The AST balance sheet value is EUR 909 million. AST provides jobs for more than 500 residents of Latvia (as of 31 December 2021 AST had 529 employees).

AST, as the only transmission system operator in Latvia, is a significant driver of industry development and a driver of the Latvian economy, creating both direct and indirect effects. The economic value of AST is reflected in its financial performance. In 2021, net turnover of AST was EUR 126 million and profit – EUR 55 million. Also, by promoting employee motivation and loyalty to the Company, in 2021, the average salary of employees was increased in accordance with inflation in the country.

In 2021, the economic value generated by AST is EUR 189.1 million and the distributed economic value is EUR 126.5 million (see table).

The increase in net profit in 2021 is related to the dividends received from the subsidiary AS "Conexus Baltic Grid". The amount of profit from electricity transmission in 2021 was negatively affected by the sharp increase in the price of electricity. Due to sharp rise in the price of electricity from May 2021, the costs associated with the provision of electricity transmission services have increased significantly in 2021. As the current electricity transmission service tariff, which was approved in November 2020, does not cover the increase in the mentioned costs, in 2021 the electricity transmission segment operated with a loss of 3,441 thousand EUR.

According to the methodology for calculating tariffs for electricity transmission system services, the increase in costs caused by changes in the price of electricity will be included in the next tariff calculation, compensating the company for these costs in the next regulatory period.

201-1

Thus, although the company's financial results are subject to short-term fluctuations, they are becoming stable over the medium term.

AST is a public service provider and is supervised by the Public Utilities Commission. The amount of the allowed profit for AST is determined in accordance with the Electricity Transmission System Tariff Calculation Methodology, with the rate of return on capital set by PUC. The amount of AST profit corresponds to the amount of the allowable profit set by PUC.

The undistributed value represents 33% of the value created by AST and is used to invest in AST assets.

2021 thousand EUR	2020 thousand EUR	2019 thousand EUR	2018 thousand EUR	2017 thousand EUR
189 083	154 154	189 232	198 859	159 237
130 790	148 197	184 993	193 986	159 200
7	352	44	20	38
58 286	5 605	4 194	4 853	0
126 476	114 995	182 270	196 363	157 727
78 751	89 136	164 158	176 527	143 444
16 461	16 711	16 230	15 667	13 764
29 143	8 000	1736	3 598	247
2 121	1 147	1	421	24
		145	148	247
			0	99
146	163	145	148	148
0	1	0	3	1
62 607	39 160	6 961	2 495	1 510
36 904	37 161	1630	1 417	1 295
25 703	1999	5 331	1 079	215
66.9%	74.6%	96.3%	98.7%	99.1%
33.1%	25.4%	3.7%	1.3%	0.9%
	2021 thousand EUR 189 083 130 790 7 58 286 126 476 78 751 16 461 29 143 2 121 16 461 29 143 2 121 16 461 25 703 66 904 25 703 66 9% 3 3.1%	2021 2020 thousand thousand 189 083 154 154 130 790 148 197 7 352 58 286 5 605 126 476 114 995 78 751 89 136 16 461 16 711 29 143 8 000 2 121 1147 146 163 0 1 62 607 39 160 36 904 37 161 25 703 1999 66.9% 74.6%	2021 2020 2019 thousand EUR thousand EUR thousand EUR 189 083 154 154 189 232 130 790 148 197 184 993 7 352 44 58 286 5 605 4 194 126 476 114 995 182 270 78 751 89 136 164 158 16 461 16 711 16 230 29 143 8 000 1736 29 143 8 000 1736 2121 1147 1 146 163 145 0 1 0 146 163 145 0 1 0 53 6904 37 161 1630 25 703 1999 5 331 66.9% 74.6% 96.3%	2021 thousand EUR2020 thousand EUR2019 thousand EUR2018 thousand EUR189 083154 154189 232198 859130 790148 197184 993193 9867352442058 2865 6054 1944 853126 476114 995182 270196 36378 75189 136164 158176 52716 46116 71116 23015 66729 1438 0001 7363 5982 1211 14714211451480101031461631451480103562 60739 1606 9612 49536 90437 16116301 41725 70319995 3311 07966.9%74.6%96.3%98.7%33.1%25.4%3.7%1.3%

Retained earnings correspond to the share of profit for the reporting period, for which it has been decided to transfer such to reserves, depreciation, and deferred tax.

COLLECTIVE AGREEMENT OBLIGATIONS

Contributing to employees by building a united, strong, andprofessional team is essential for caring for sustainable development. As a result of cooperation, a Collective Bargaining Agreement has been concluded between the Company and LAB Energija, which applies to all (100%) AST employees who have an employment relationship with AST. Understanding the importance of employees in achieving the Company's goals, in accordance with the provisions of the Collective Agreement, AST contributes to the pension fund for the benefit of employees upon retirement; a postemployment benefit is provided (for more information on the Collective Agreement, see "Employees and Work Environment"). In addition to the above-mentioned, AST takes care of the implementation of family-friendly principles in the Company – employees are paid an allowance when their children start school in first grade; in addition to the Labour Law, one additional week of leave is provided, employees with children are granted additional paid holidays, etc., thus not only promoting employee motivation and work ability, but also the general well-being of society.

By implementing equal treatment for all employees, the Company applies the conditions defined in the Collective Agreement, not only to the members of the trade union, but also to all (100%) employees of the Company.

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AST is a shareholder (1.9%) of the pension fund Pirmais slēgtais pensiju fonds. AST contributes to the pension fund for the benefit of its employees, which are the members of the pension scheme. The pension fund manages the contributions made. Contributions to the pension scheme are the operating expenses of AST and are covered by its operating income. Contributions in favour of employees are made in the amount of 6% of employees' salaries.

In 2021, AST made contributions to the Pension Fund for the benefit of its employees in the amount of EUR 654 thousand. In 2021, in accordance with the collective agreement, in addition to contributions to the Pension Fund, benefits were paid to employees in the amount of EUR 721 thousand.

Post-employment benefit applies to those employees who terminate their employment and are entitled to a state old-age or disability pension. The amount of the benefit depends on the length of time worked at AST – for each year of employment within the company, a benefit of one week's average salary is granted. In 2021, benefits were paid in the amount of EUR 326 thousand.

RECEIVED EU FUNDING AND ITS IMPORTANCE

To implement capital investment projects important for strategic goals and transmission network development as efficiently as possible, while minimising their impact on the electricity transmission system service tariffs, AST actively attracts EU co-financing to finance the capital investment projects, as well as allocates additional income from congestion charges (see table).

Thus, the allocation of EU co-financing and income from congestion charges to the financing of capital investment projects contributes to the maintenance of the competitiveness of Latvian companies.

In accordance with Paragraphs 17 and 18 of the Electricity Transmission System Service Tariff Calculation Methodology, the part of the value of fixed assets financed from European Union financial support, as well as the received income from the congestion charges shall not be included in the transmission tariff calculation.

Within the framework of the Energy Sector of the Connecting Europe Facility (CEF) from 2014 to the end of 2021, financing agreements have

AS "AUGSTSPRIEGUMA TĪKLS" KAPITĀLIEGULDĪJUMU FINANSĒŠANAI NOVIRZĪTIE UZKRĀTIE PĀRSLODZES MAKSAS IEŅĒMUMI been concluded with the Innovation and Network Executive Agency (INEA) regarding the financing of 5 capital investment projects – "Kurzeme Ring", "Third Estonia – Latvia interconnection", 330 kV PTL Riga CHP 2 – Riga HPP, 1st and 2nd phase for the synchronisation of the Baltic states with continental Europe, envisaging total EU co-financing up to EUR 242 million (see table).

In addition, to finance these projects, it is planned to redirect the received congestion charge revenue of EUR 92 million.

As a result of the Company's activities, 84% of the financing required for the implementation of the development projects included in the European tenyear development plan is covered by EU co-financing and income from the congestion charges, thus reducing the impact on the electricity transmission system service tariffs.

AS Augstsprieguma tīkls has not received any other type of financial support to ensure its core business.

		Dies	Fataala	Sinl	6		
	Kurzeme Ring	Riga CHP-2 – RīgasHpp	Latvia inter- connection	Tartu (EE) – Valmiera (LV)	Tsirgulina (EE) – Valmiera (LV)	System syn- chronization and inertia equipment	Syncnro- nisation Phase 1
Planned year of implementation	2019	2020	2021	2023	2024	2025	2025
Approved total costs, including:	128 MEUR	15 MEUR	83 MEUR	23 MEUR	22 MEUR	32 MEUR	100 MEUR
EU co-financing	55 MEUR	7 MEUR	51 MEUR	17 MEUR	17 MEUR	24 MEUR	75 MEUR
Income from congestion charges	11 MEUR	7 MEUR	31 MEUR	6 MEUR	5 MEUR	7 MEUR	25 MEUR
Total length	214,3 km	13 km	180 km	49 km	49 km		

INDIRECT ECONOMIC IMPACT OF INFRASTRUCTURE DEVELOPMENT PROJECTS

The electricity transmission network is being developed in accordance with the Latvian electricity transmission system development plan and the European transmission system ten-year development plan. The European Ten-Year Development Plan includes those Latvian development projects that are strategically important not only nationally, but also in the Baltic Sea Region as a whole, and inclusion in the European Ten-Year Development Plan is one of the preconditions for the projects to be eligible for European co-financing (see section "Development of the electricity transmission system").

The European Ten-Year Development Plan includes projects that are closely related to strengthening Latvia's energy security by integrating into the EU electricity market (for a detailed description, see the section "Development of the electricity transmission system"). At the same time, the development of international connections is essential for the prevention of congestion of the transmission network on the Estonian – Latvian border, thus contributing to the reduction of the electricity exchange price in the Latvian trade area and the development of the Latvian economy and competitiveness.

The implementation of the projects included in the European Ten-Year Development Plan, as well as other projects included in the Development Plan, not only improves the quality and continuity of the electricity transmission system service, but also promotes the development of the national economy and regions of Latvia by creating additional jobs.



SIGNIFICANT DIRECT AND INDIRECT ECONOMIC IMPACT OF AST PROCUREMENTON OTHER COMPANIES, REGIONS AND THE ECONOMY AS A WHOLE, AS WELL AS THE PREVENTION OF CORRUPTION IN AST PROCUREMENTS

AST, as a public service provider, organises procurement procedures in accordance with the Law on the Procurement of Public Service Providers of the Republic of Latvia. It is essential for AST to ensure high cost-effectiveness, therefore, one way to achieve it is to maximise fair competition.

In addition to the above legal requirements, procurement procedures are organised in accordance with the internal procedures and arrangements of AST, ensuring the transparency of procurement procedures and preventing the risk of corruption.

In cases when procurement procedures are organised and the contract prices defined are not in accordance with the Cabinet of Ministers Regulation of 28 February 2017 No. 105 "Rules on the contract price limits for public procurement", the AST internal rules "Basic rules for procurement procedures" shall be applied.

In procurement procedures, AST shall, where possible, follow the principles of green procurement (in addition to the price of the goods or services, lifecycle costs or elements of the life-cycle costs are assessed, including, e.g., acquisition costs, operating costs (e.g., electricity and other resources), maintenance costs, end-of-life costs (e.g., collection and recovery costs). AST complies with Cabinet Regulation of 20 June 2017 No. 353 "Requirements for Green Public Procurement and Procedures for its Application". The groups of goods and services listed in Annex 1 to the Regulations, to which the green public procurement is mandatory.

Procurement organisation with the public service provider in accordance with the Public Procurement Law takes place in the electronic procurement system (EIS) of the State Regional Development Agency, in the e-tender subsystem www.eis.gov.lv.

As a result, the procurement regulations have been revised, with the main goal being to set the standard procurement regulations, effective coordination of tasks to be performed in the procurement processes, as well as optimising time resources for efficient use in the interests of AST, as well as improving the competence of the Procurement Commission.

At the national level, in 2021 the Company, together with the relevant public administration institutions, continued to work on the progress of amendments to various regulatory enactments in the field of energy. Together with the Ministry of Economics, work is continuing on drafting amendments to the Energy Law and the Electricity Market Law.

Also, together with the Public Utilities Commission, in 2021 work was started on the development of a new draft regulation on system connection rules for electricity producers in order to improve and simplify the connection installation process, as well as to ensure more efficient use of system capacity.

At EU level, AST, in fulfilling its obligation under the Electricity Market Act to promote electricity market integration, actively worked on the implementation of the European Network Code, developing both national rules and methodologies and fulfilling its responsibilities in the Baltic capacity calculation region by drafting relevant documents. AST also participated in the development of the relevant rules and methodologies in the framework of the ENTOS- E coordination. In addition, AST followed the European Union's initiatives.

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CONFIRMED CASES OF CORRUPTION AND MEASURES TAKEN

No cases of corruption were detected in AST during the reporting period. According to the results of the risk assessment, the risk of fraud and corruption in the company is adequately managed. Internal regulations, which govern the employees' activities and determine the scope of powers, as well as ensure that the risk of fraud and corruption is limited.

CORRUPTION RISK MANAGEMENT

Fraud, corruption, and conflict of interest risk management in AS Augstsprieguma tīkls takes place in accordance with the requirements of the operating regulations NOP-1-024 "Fraud and Corruption Risk Management Regulations". AS Augstsprieguma tīkls observes the principles of honesty very responsibly, which is confirmed by fraud, corruption, and conflict of interest risk management in the Company. The risk assessment process considers the employee's involvement in processes where the employee's misconduct may occur.

DEGREES OF THE RISKS OF FRAUD, CORRUPTION, AND CONFLICTS OF INTEREST IN 2021

Risks of fraud, corruption and conflicts of interest are assessed for all structural units of the Company, as well as for all positions. Risks are also grouped by function groups if the potential risks are commensurate.

In 2021, total of 42 structural units, 165 function groups, 804 risk expressions were assessed. No risks with a critical residual risk value have been identified.

The set of fraud, corruption, and conflict of interest risk monitoring measures, which includes declarations of conflicts of interest of AST employees for 2021, monitoring of AST employees'

DEGREES OF THE RISKS OF FRAUD, CORRUPTION,

AND CONFLICTS OF INTEREST IN 2021

data in Lursoft databases, monitoring of internal and external environment, indicates that AST employees comply with the requirements set by the Company in the field of fraud, corruption, and conflict of interest risk management.

In 2021, internal training on fraud, corruption, and conflicts of interest was implemented for all employees, using IT solutions that allowed remote access to the training materials.

Separate trainings were organized for the Board, inviting a KNAB specialist.



INNOVATION AND RESEARCH

In order to ensure the development of the Company, understanding the essential role of innovation in ensuring successful operation, the Company's representatives actively participate in the work of the ENTSO-E Research, Development and Innovation Committee.

Within the framework of the ENTSO-E Research, Development and Innovation Committee, activities are carried out aimed at changing the existing electricity systems and improving stability measures in order to achieve the goals set by the European Union.

ACTIVITIES ARE FOCUSED ON SIX DIRECTIONS



Innovation and research during integration into the EU electricity market

One of the most important Company's challenges and strategic goals is to strengthen the energy security of Latvia by synchronising with the continental European networks and integrating into the EU electricity market.

In pursuit of the above goal, the Company, in cooperation with Lithuanian and Estonian TSOs, carries out the following development and research activities:

- Transient stability analysis study with full dynamic model, including the latest validation results of the Baltic TSO stations, as well as a pan-European dynamic model;
- Oscillatory stability study with a full dynamic model;
- Island operation study of Baltic power systems; Study of development and implementation of the frequency stability assessment system – FSAS);
- Study to identify the technical specification of Load frequency controller (LFC) implementation).

The above-mentioned development and research activities carried out by the Company result from the agreement on the connection of the Baltic electricity systems concluded on 27 May 2019 between the Baltic and European TSOs, which identified the technical measures to be performed by the Baltic TSOs by 31 December 2025. The Company has been approved as the leading Baltic TSO in the implementation of these measures and is responsible for the organisational side of the research process.



In addition to the above-mentioned research related to the integration into the EU internal electricity market, AS Augstsprieguma tikls participates in three research and innovation projects with co-financing within the support programme Horizon 2020. (see also Chapter 3.6 of the Strategy):

- EU-SYSFLEX PROJECT, full title "European system with effectively coordinated use of flexibility to integrate more RES". The aim of the EU-SysFlex project is to develop a roadmap for the integration of various load management and demand response services in the European electricity market. By participating in the EU-SysFlex project, AS Augstsprieguma tikls will have the opportunity to use the deliverables developed during the project and to promote the improvement of the Company's employees' knowledge on data exchange and electricity flexibility resources (e.g., demand response).
- INTERRFACE PROJECT, in full title "TSO-SSO-end-user interconnection to promote innovative network services for an efficient energy system". The overriding objective of the INTERRFACE project is to develop a single pan-European IT architecture that will connect various electricity market platforms, involving all participants in the European electricity supply chain, and will ensure the coordinated use of ancillary services by transmission and distribution system operators. By participating in the INTERRFACE project, AS Augstsprieguma tīkls will have the opportunity to use the deliverables developed during the project, to try out the developed solution and to promote the improvement of the Company's employees' knowledge of common IT architecture, data exchange and electricity flexibility resources.
- O ONENET PROJECT, in full title "TSO-SSOend-user interconnection to promote innovative network services for an efficient energy system - one network for Europe". The overriding objective of the OneNet project is to develop a single pan-European IT architecture that will connect various electricity market platforms, involving all participants in the European electricity supply chain, and will create synergies, as well as will ensure the coordinated use of ancillary services by transmission and distribution system operators for efficient joint electricity management, thereby ensuring efficient overall electricity management and supporting the integration of renewable energy sources and the stability of the European electricity system. The project uses experience from other similar Horizon 2020 projects (EU- SysFlex, INTERRFACE, CoordiNet, etc.), thus developing an improved solution with the minimal level of technological development – 8. By participating in the OneNet project, AS Augstsprieguma tikls will have the opportunity to use the deliverables developed during the project, to try out the developed solution and to promote the improvement of the Company's employees' knowledge of common

IT architecture, data exchange and electricity flexibility resources.

Innovation and research in the operation of the transmission network

Following the strategic direction of the society towards digital transformation, introducing innovative technologies, the construction of a digital substation (pilot project) is planned.

Although no precise explanation of the term 'digital substation' is available, it is understood by most power companies and electrical equipment manufacturers as a substation where equipment exchanges information over a data network rather than a cable network.

By implementing the construction of a digital substation, it would be possible to reduce the construction costs of the equipment and reduce the maintenance costs of the equipment in the future.

In order to improve the indicators of work efficiency, it is planned to start research on:

- the use of unmanned aerial vehicles or aircraft during the inspection of the transmission network and emergency works, thus, the potential benefit is to increase the efficiency of service personnel; possibilities of using "hightemperature" wires, i.e., the potential benefits are the reduction of overhead line reconstruction costs, reduction of electricity losses in the line;
- use of more environmentally friendly highvoltage "green" equipment in the substations – it is planned to conduct research on the possible applicability of "green" equipment when constructing or rebuilding substations, potentially reducing the impact of substation equipment on the environment.

AST also cooperates with research institutions in Latvia, mainly Riga Technical University (RTU). Every year AST participates in RTU Career Days and other activities to attract potential employees to work at AST.



TRANSMISSION LOSSES AND RELIABILITY OF ELECTRICITY

INVESTMENTS IN REDUCING ELECTRICITY TRANSMISSION LOSSES

In order to improve the company's energy management, an energy management system has been implemented and certified in accordance with the requirements of the standard ISO 50001: 2018.

The Energy Efficiency Policy of the Company is aimed at continuously improving the Company's energy performance by reducing technical and technological losses, improving the operational energy consumption of the Company's facilities, and improving the Company's vehicle purchasing and utilisation strategy.

The main principles to be followed in addressing the Company's energy performance issues are:

- the Company shall identify all energy losses in the electricity transmission process and useless uses or solutions of electricity and purposefully reduce them, if it is economically justified;
- the company identifies stationary and variable factors affecting energy performance;
- the Company implements projects for the renewal and modernisation of the transmission equipment and facilities to ensure the reliability of electricity transmission and the required transmission volumes, considering the possibilities of optimising technological losses;

- the Company is constantly improving the energy efficiency indicators of economic activities and economic objects;
- the Company performs energy resource accounting and analysis to develop effective energy performance improvement measures;
- the company procures as a result of which the resulting products and / or services are energy efficient and improve the company's energy performance, taking into account the life cycle costs of the products and / or services where possible..

A lower share of losses and technological consumption also means lower costs and at the same time less impact on the electricity transmission system service tariffs.

TRANSMISSION LOSSES, SHARE OF THE TECHNOLOGICAL CONSUMPTION IN % OF ELECTRICITY RECEIVED IN THE NETWORK

One of the indicators characterizing the efficiency of the transmission segment is the percentage of electricity transmission losses in relation to the total energy received in the network. In 2021, this figure is 2.2% (see table).

	2021	2020	2019
Electricity received in the transmission network, MWh	9 408 398	8 709 831	9 741 621
Transmission losses, technological consumption, MWh	202 394	200 315	235 530
Proportion of losses, technological consumption, %	2,2%	2,3%	2,4%

The transmission losses attributed to Latvia and listed together (losses in the 110/330 kV network) in 2021 are 114 807 MWh, which in relation to the losses of 2020 (114 900 MWh) are 0,08% lower.

The total transit losses recorded in 2021 is 36068MWh, which is 13,3% more than the transit losses of 31 278 MWh in 2020.

Activities performed in 2021 within the framework of the Energy Management Programme:

 10 power transformers have been replaced in accordance with the ten-year development plan of the transmission network. The purchase of transformers was carried out in accordance with the principles of green procurement and in compliance with the requirements of Commission Regulation (EU) No. 548/2014. (implementing the requirements of the European Parliament and 2009/125 / EC and EU Regulation No 2019/1783 (implementing the European Parliament and 2009/125 / EC as regards small, medium and large power transformers)).

- The total energy savings over the life cycle of the transformers in 2021 are 2,463.87 MWh / year, which is 18% more than the energy savings of 1,978 MWh in 2020.
- Within the framework of energy efficiency measures in 2021, 9 transport units were purchased: 5 pcs. light commercial vehicles,
 1. pcs. trailer-based hoist, 3. pcs. quadricycles (without chains). When renewing and

replacing the vehicle fleet, the transport is selected according to the principles of green procurement in accordance with the guidelines of the Procurement Monitoring Bureau, which are available on the PMB website. Total energy savings in 2021 from transport changes during the life cycle is 8 960 MWh / year, which is 4% more than the energy savings of 8 603 MWh / year in 2020.

- Within the framework of energy efficiency measures in 2021, the number of lighting replaced at the facilities of AS Augstsprieguma tīkls is 29 units. (6 pcs. 72W to 36W; 9pcs. 60W to 9W; 14pcs. 60W to 13 pcs. 5.7W and one dismantled) it gave electricity savings of 0.73 MWh / year.
- Within the framework of energy efficiency measures, 12 energy efficiency measures of the NIS were implemented in 2021, the energy saving of these measures is 2 MWh / year.

Technological captive consumption (excluding consumption in shunt reactors and condensers):

 The total listed technological consumption for own use in substations in 2021 is 8,261 MWh, which is 8.85% more than the 7,530 MWh listed in 2020. The main reasons for the increase in consumption are the reconstruction of a/st, the increase in the volume of repair work, the decrease in the average outdoor air temperature by 20% compared to 2020. The workload of air conditioners in summer conditions is also increasing.

Economic consumption:

 The total listed economic own consumption of AST facilities in 2021 is 2 379 MWh, which is 9% more than the 2 121 MWh listed in 2020. The total listed economic own consumption at AST facilities (excluding AS Augstsprieguma tīkls at the administrative and technical base "Jāņciems" at Dārzciema Street 86, Riga) is 1,816 MWh in 2021, which is 35% more than the 1,174 MWh listed in 2020. . The main reasons for the increase in consumption are the increase in the presence of economic work and staff in 2021 compared to 2020.

Energy efficiency assessment of facilities.

In accordance with the 'AS Augstsprieguma tīkls Energy monitoring procedures' and 'AS Augstsprieguma tīkls Procedure for the assessment of the energy efficiency of technological and economic objects', in 2021, 44 substations were assessed, as well as all 13 administrative technical bases of the substation service group and 6 administrative technical bases of the line service (in Valmiera, Daugavpils, Brocēni, Krustpils, Grobiņa and Rīga) and Krustpils Street 15 (chemical laboratory and technical premises).
SOCIETY





MANAGEMENT APPROACH

Responsibility is one of the values of AST and the basic principles of corporate governance. Management and employees take responsibility for the tasks performed in accordance with the requirements of applicable laws and regulations as well as best practices. AST conducts transparent, ethical, secure, responsible, and fair business practices and informs and involves interested parties in the implementation of its activities.

In accordance with the Code of Ethics, fair and equal treatment of interested parties is ensured, preventing fraud and corruption. AST has published ethical principles for cooperation with contractors and requires adhering to equally honest principles of cooperation, and the impact of AST activities on society and the environment is assessed in its daily work and the implementation of new projects. Local people and other interested parties are regularly involved in public consultations of the projects.

Emergency and crisis management and prevention plans have been developed. AST informs interested parties regarding its activities and expresses its position on important topics for the Company and its interested parties in energy and related sectors.

RESTRICTION OF COMPETITION

The purpose of procurements is to establish common basic principles for procurement to ensure the economically efficient use of funds and sustainable business of the capital company.

For the organisation of procurement and evaluation of tenders, a Procurement Procedure Commission is established, which independently organises its work and is responsible for the procedures, develops procurement regulations, announces procurement procedures, evaluates applications submitted by the candidates and tenders, prepares motivated draft decisions for AST decision makers.

Each member of the procurement procedure commission shall evaluate the candidate's application or the tenderer's tender individually according to all the evaluation criteria specified in the procurement procedure documents, except for in the case when only the price is used for the comparison and evaluation of tenders. The most economically advantageous tender shall be the tender which has obtained the highest evaluation when summarising the individual evaluations.

The tax payment check is assessed as well, stipulating that the procurement commission does not review the candidate's application or tenderer's bid and does not grant the tenderer the right to enter into a procurement contract if, taking the information entered in the tax debtors public database of the State Revenue Service and the real estate tax administration system on the date of the last data update into account, it has been established that the candidate or tenderer has tax debts on the last day of the term for the submission of the application or tender or the tenderer, in respect of which a decision on the possible award has been made, in Latvia or in the country where they are registered or have their permanent residence, including debts for mandatory state social insurance contributions, which in total in one of the countries exceed FUR 150. The Procurement Commission obtains information on the conditions for the exclusion of a tenderer from the electronic procurement system.

The AST procurement regulations include a regulation of the procedure for evaluating an unreasonably cheap tender. There is a procedure that if the Procurement Procedure Commission has provided so in the procurement documentation or in the invitation to participate, it is entitled to check the average hourly tariff rates of the tenderer and its subcontractors. Significant differences from the national average hourly rates applied to the professions concerned may indicate price dumping and tax evasion. The Procurement Commission shall pay attention to this feature, as it may indicate an unreasonably cheap tender. The Procurement Procedure Commission will evaluate the tenderer's bids based on the tenderer's explanations. The tenderer and the subcontractor may have paid a lower average hourly rate than the average of other employers in the country for the respective professions, but the rate shall be based on economic activities performed in accordance with the requirements of regulatory enactments (including the field of taxation). The opinion of the State Revenue Service is not required in the evaluation made by the Procurement Procedure Commission. The Procurement Procedure Commission shall send the State Revenue Service the tenderer's explanations regarding the difference between the tenderer and the subcontractor indicated in its tender, the value of which is at least 10% (ten percent) of the value of the procurement contract, average hourly tariff rates for employees in occupational groups and data compiled by the State Revenue Service regarding average hourly tariff rates for employees in occupational groups.

Qualification requirements in the procurement are set in accordance with the Law on the Procurement of Public Service Providers and for the personnel – in accordance with the Law on Regulated Professions and the Recognition of Professional Qualifications. Construction – reconstruction of an existing 110 kV or 330 kV electrical installation. This means that the work is performed in the operating electrical installations, in their protection zones or in their immediate vicinity. The performance of such works is closely related to the electrical safety issues, i.e., increased hazards for both the customer's and the contractor's personnel and others.

Execution of construction works, including the use of lifting and drilling mechanisms, is envisaged in the operating 110-330 kV electrical installations and in their immediate vicinity, as well as in intersections and crossings with lower voltage overhead

Considering the fact that the reconstruction of the 110 kV electrical installation is related to the electrical safety risk, AST, as the customer, sets qualification requirements for the tenderer (construction contractor) in the procurement regulations, which should exclude a possible risks to the health and life of the personnel of the tenderer, if the contractor erroneously fulfils the instructions and documentation given by the AST staff for the performance of the work intended for the admission of the contractor's team, as well as the instructions and documentation during the performance of the intended work.

The Company's many years of experience provide a clear understanding of the risks and consequences that may arise from the construction or organisation of work on, in the immediate vicinity of, or in the protection zones of the electrical installations of complex and large power plants by persons who are not professionally trained and qualified.

AST has gathered information and identified problems which may interfere in the construction process of the site or affect the safe performance of works. Therefore, given that the work is to be carried out in the immediate vicinity of high-risk sites, it is vital that workers understand the risks in the work environment, and thus, rule out any real danger to workers' health or life and the existing property that is under the management of AST or its customers.

AST stipulates in the procurement regulations that the tenderer's (contractor's) project managers and supervisors shall be appropriately competent and experienced to be able to anticipate and identify such risk situations in good time, i.e., the supervisor shall be familiar not only with electrical safety issues but also technologies and methods of performance of works, such as, but not limited to, principles of operation of lifting mechanisms or drilling equipment, permissible distances to currentcarrying parts from the most protruding parts of such equipment, principles of earthing of used equipment, etc.

Thus, AST ensures the participation of a qualified specialist in the construction process, considering the specific conditions of project implementation but not limited to:

- the works are performed simultaneously in several sections of the electrical installation to be rebuilt; the interchangeability and availability of specialists
- to the customer is ensured throughout the performance of the contract, and it is not affected by the observance of working hours and rest periods specified in the legislation, holidays, other provisions provided for in the legislation, including unplanned absences of personnel (e.g., incapacity for work, etc.);
- communication with the state institutions and local government institutions is ensured in the amount specified in the agreement;
- communication with landowners is provided in the amount and terms specified in the agreement;
- the presence of qualified specialists is ensured at all stages of the work to be performed simultaneously; continuous availability and interchangeability throughout the performance of the contract, and it is not affected by the observance of working hours and rest periods specified in the legislation, holidays, other provisions provided for in the legislation, including unplanned absences of personnel (e.g., incapacity for work, etc.) as well as possible staff turnover.

The certificate for the performance of construction works of 110 kV electrical installations confirms that the recipient thereof, in accordance with the requirements approved by the certification authority, can perform the construction of electrical installations qualitatively and professionally.

Certified employees, together with the supervisor, shall ensure high-quality performance of electrical work at the professional level and in compliance with the technical regulations existing in the Republic of Latvia in the performance of these works, ensuring these requirements in the operation and supervision of all team members.

EMERGENCY MANAGEMENT PLANS

The environment and human behavior in certain situations can be unpredictable, which can jeopardize the normal performance of AST tasks. AST emergency and crisis risks have been identified and a common approach to their management has been developed, which is part of AST emergency and crisis management system. The purpose of the system is to ensure the continuous and safe operation of AST or its rapid and efficient recovery. According to a specific emergency or crisis situation, co-operation with the State Energy Crisis Center, the State Fire and Rescue Service (SFRS), NATO, the NAF, electricity producers, AST co-operation partners and users is envisaged. Employees are regularly trained to increase their understanding of their responsibilities in emergency and crisis management. AST has a set of supporting documents governing the actions of staff in emergency and crisis situations. Exercises are conducted on a regular basis, with a play of different emergency or crisis scenarios. The training covers both the cooperation of AST staff and the cooperation of AST and external partners. After the training, their analysis is carried out, and the measures to be taken and preventive to improve the actions and mutual cooperation of each party are determined.

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INVOLVEMENT IN SECTORAL POLICYMAKING

AST is involved in the policymaking of the energy sector to promote the sustainable development of the Company, industry, and economy. In accordance with the goals and tasks set in the AST strategy, the representatives are involved in the development of positions and opinions on the Latvian and EU-wide research, guidelines, standards, policy documents and legislation in energy and related sectors. AST experts regularly provide recommendations for the development and improvement of various Latvian regulatory enactments. AST personnel is involved in shaping sectoral policies at the EU level as well. By participating in various forums, AST experts promote the exchange of views on topical issues of Latvian and EU energy policy, including energy in Latvia and the forthcoming changes in the sector, i.e., marketbased energy. The most significant conference

'Energy 2021' in 2021 was organised by the newspaper Dienas Bizness, as well as energy supply innovation forum "AC / DC Tech" organized by JSC "Sadales tīkls" and "WindWorks" conference organized by Latvian Wind Energy Association. On November 29 we invited all interested parties to a public online seminar while celebrating the green bond issue. Prime Minister Krišjānis Kariņš, Minister of Finance Jānis Reirs and other officials spoke about the role of green bonds in the implementation of important investment projects and the advantages of the capital market over other sources of financing.

IMPACT ON SOCIETY

AST seeks the views of the interested parties and involves the public in decision-making when the Company's activities involve potential harm or a risk of harm to the environment and society. Both clients and any other persons may express their views or submit a claim or application during the public consultation.

In 2021, 19 claims and complaints were received. 13 claims are not substantiated, 6 are substantiated, incl. 2 due to the fault of contractors.

Most of the claims are related to activities in the protection zones of power transmission lines. Some of the claims relate to the implementation of capital investment projects, Encumbrances and the calculation of compensation, which are closely monitored by AST.Some claims are related to noise in the immediate vicinity of a/st. As far as noise is concerned, account should be taken of the construction organisation at the time of the USSR, as well as of changes in construction organisation and responsibility (including the lack of availability of documentation on historical decisions on matters currently falling under the competence of municipalities and building states).

All claims have been reviewed, the specified actions have been taken, and the submitters have been provided with answers within the term specified in regulatory enactments. One claim regarding compensation issues related to the construction of the KP Kurzeme Ring is still being resolved.

PERFORMANCE INDICATORS

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

A publicly available reporting channel has been set up on the AST website to provide information

on cases of fraud and dishonesty in AST activities. Reporting is anonymous. In turn, those notifiers who want to be contacted by the responsible employees, can provide contact information in the notification form. There were no reports of fraud or dishonesty in 2021.

COMPLIANCE WITH THE REGULATORY REQUIREMENTS AND FAIR COMPETITION

AST has a Code of Ethics, which sets out corporate values and principles of professional conduct to ensure that employees perform their duties in good faith, are impartial, adhere to high ethical standards, and prevent fraud, corruption, illegal or dishonest conduct. AST also calls on contractors to adhere to equivalent ethical principles. AST has also developed and implemented Fraud and Corruption Risk Assessment Rules. They set out the basic principles for managing this risk, as well as the main tasks and responsibilities for the managers and employees at all levels. Along with the rules, several measures have been implemented to reduce the risk of fraud and corruption. These risks are assessed annually, corrective actions are planned, and risk mitigation measures are monitored quarterly. Employees who, in the performance of their duties, have been or may be subject to a conflict of interest, shall submit a declaration of conflict of interest once a year.

When starting an employment relationship and signing a certificate, new employees shall express understanding and readiness to avoid conflicts of interest in their activities.

DONATIONS TO POLITICAL ORGANISATIONS

In accordance with the requirements of the legislation of the Republic of Latvia, AST Corporate Social Responsibility Policy, the Company does not make financial and/or non-financial investments in political organisations.

NON-COMPLIANCE WITH SOCIAL AND ECONOMIC REGULATORY ENACTMENTS

In 2021, no penalties or non-financial sanctions were imposed for the non-compliance of AST activities with social or economic legislation.

MANAGEMENT APPROACH TO SHORT- AND LONG-TERM ELECTRICITY AVAILABILITY AND RELIABILITY

FREQUENCY OF POWER OUTAGES

AVERAGE DURATION OF ELECTRICITY OUTAGES

To ensure the reliable availability of the electricity in the short and long term, the Medium-Term Operational Strategy for 2021–2025. The Transmission System Development Guidelines for 2016–2020 were approved in 2021, and the Electricity Transmission System Development Plan for 10 years (hereinafter also – Development Plan), as well as the maintenance and repair plan for the current year.

To ensure a sustainable and well-thought-out amount of planned capital investments, the Company has developed and approved the Latvian 330/110 kV transmission system facility renovation and reconstruction evaluation criteria, which determine the critical age limits of equipment and the required renovation rates. Objects are included in the Development Plan after their evaluation in accordance with the above-mentioned criteria. The Development Plan is drawn up in such a way that the number of objects, for which the critical age limits of the equipment have been exceeded will decrease in the long term and will not be exceeded at all in the future.

Approximately EUR 2 million is allocated annually for the maintenance repairs of the transmission system in accordance with the periodicity of the technical maintenance and repairs of equipment developed by the Company, technical inspections of equipment and lines performed, evaluating the identified defects.

To ensure reliable access to electricity, AST has set the following objectives:

- to ensure that the average service availability index (ASAI) is higher than 99.5%; the objective set in 2021 was achieved (ASAI index is 100%);
- to ensure the Customer Average Interruption Duration Index (CAIDI) per substation ≤0.75 h. In 2021, the CAIDI index is 0.22h.

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	2021	2020	2019	2018	2017
SAIDI	0,83	9,4	31,2	80,4	124,2
SAIFI	0,07	0,3	1,1	1,8	2,5

The Company measures the duration and number of power outages to customers. For this purpose, we use the international standards SAIDI and SAIFI.

SAIFI - System Average Interruption Frequency Index SAIDI - System Average Interruption Duration Index

SAIDI – System Average Interruption Duration Index

ENVIRONMENTAL PROTECTION

MATERIALITY MATRIX. ENVIRONMENTAL CONCERNS



MANAGEMENT APPROACH

AST, like any other company, undeniably has an impact on the environment. A modern company, such as AS Augstsprieguma tīkls, can be recognised by its care for the environment and investments in environmental protection. As reliable partners we sincerely want to promote stability and confidence for tomorrow. We consider one of our main tasks to be the continuous improvement of the Company's operations in accordance with the requirements of environmental protection and the best available technologies and practices.

OVERVIEW OF GREEN BONDS

AST is the first electricity transmission system operator in the Baltic that has issued green bonds. Debuting in the bond market is an important step in the development of AST, including the issuance of green bonds, which goes along with the big capital investment projects of the coming period and the move towards the synchronisation of the Baltic electricity networks with the European networks. The bond issue program was launched in October 2021 with a first green bond issue of EUR 100 million.

The bonds of AS Augstsprieguma tīkls are included in the Baltic Debt Securities List and are listed on AS Nasdaq Riga.

Date of issue	Repayment date	Coupon rate	Profitability	ISIN	Use of	Process organizator
20 October 2021	20 January 2027	0,5%	0,527%	LV0000802528	According to the framework of green bonds	Bank: Luminor Consultant: Cobalt







The proceeds from the bonds were used to refinance the borrowed liabilities, ensuring an appropriate funding strategy for diversifying the borrowed capital according to its type and source of funding.

In preparation for the bond issue, in line with AST's mission to ensure uninterrupted, secure and sustainably efficient electricity transmission throughout Latvia, AST developed a framework for green bonds to ensure the use of borrowed funds in environmentally friendly projects, as well as their management and supervision.

The evaluation of the AST Green Bond Framework provided an opinion from an independent expert, Standard & Poor's Financial Services LLC, on its compliance with the International Capital Markets Association's 2021 Green Bond Principles.

The fundamental principles of the Green Bond set out voluntary guidelines in the form of four basic directions:

- Use of proceeds from the bond issue for sustainable development
- Selection process of the Green bonds
- Management of the proceeds of the bond issue
- Reporting arrangements

The funds raised under the green bonds are related to the refinancing of previous investments and significant capital investments for the connection of large-scale renewable energy producers to the Latvian power system and the synchronization of the Baltic electricity network with the European network.

As a result of the sale of he largest eligible projects such as Kurzeme Ring; the third Estonian-Latvian electricity network interconnection and the 330 kV electricity transmission line Riga TEC 2 - Riga HES, one of the benefits set by the projects for setting green targets is the possibility to accept electricity from renewable energy sources in the transmission network.

According to the Green Bond Framework, projects can be divided into three groups:

- Renewable Energy;
- Energy efficiency;
- Quality, security, and resilience of electricity transmission infrastructure.

ELIGIBLE PROJECTS OF THE GREEN BOND PROGRAM:

Eligible green projects	Project category according to the Green Bond Framework	Objectives and benefits	Indicator*	Financing from revenues from green bonds, thous. EUR	
330 kV EPL	Renewable energy	The infrastructure created by the project implementation provides the opportunity to receive electricity from renewable energy sources in the transmission grid.	The available capacity for green energy in 2021, 95.5% of the total capacity of EL	(0.407.0	
loks"	Continuous, secure and sustainable ef- ficient transmission of electricity	Reduction of power outages, security and continuity of electricity supply, in synchronisation with the continental European grid.	The average duration of the power outage at a substation, CAIDI (h)	- 60 493.8	
The third 330 kV intercon-	Renewable energy	The infrastructure created as a result of the project implementation provides opportunities to receive electricity pro- duced from renewable energy sources in the transmission network.	Capacity available for green energy, 77.1% of total EL capacity	3 137.3	
nector in Estonia and Latvia	Continuous, secure and sustainable ef- ficient transmission of electricity	Reduction of power outages, security and continuity of electricity supply, in synchronisation with the continental European grid.	The average duration of the power outage to a substation, CAIDI (h)		
330 kV Renewable ener		The infrastructure created as a result of the project implementation provides opportunities to receive electricity pro- duced from renewable energy sources in the transmission network.	Capacity available for green energy, 95.3% of total EL capacity	96.4	
TEC-2 - Riga HPP"	Continuous, secure and sustainable ef- ficient transmission of electricity	Reduction of power outages, security and continuity of electricity supply, in synchronisation with the continental European grid.	The average duration of the power outage to a substation, CAIDI (h)		
Trans- former replace- ment	Energy efficiency	Reduction of technical losses.	Energy gain in 2021 was 2,464MWh. Life cycle energy gain 83,093MWh CO ₂ saved in 2021 2,710 (tons / year)	7 634.6	
			Total	71 362.1	

* Allowed volume of green energy is presented for informative purposes, as calculation is based on the maximum technological capacity and actual (measured) capacity of the built electricity transmission line during the period. It does not take into account production volume of renewable energy produced, in respect of which AST has already issued technological requirements for establishing connection.

ENVIRONMENTAL POLICY

The aim of the environmental policy is to continuously improve the environmental performance of AS Augstsprieguma tikls by preventing or reducing harmful effects on the environment, rationally using natural resources and introducing the best available techniques in all operations of AS Augstsprieguma tikls

AST adheres to the following basic environmental principles:

- organises its activities and plans development in accordance with the basic principles of sustainable development, observing economic and environmental aspects and complying with the Latvian legislation in the field of environmental protection;
- identifies potential environmental risks and minimises their adverse effects on the environment in all areas of the Company's activities;
- introduces best available techniques, reduces emissions of pollutants into the environment, the impact on climate change and the amount of waste generated;
- promotes the continuous improvement of the environmental performance in each structural unit and the Company as a whole, promoting the efficient use of resources;
- when planning development, evaluates the impact of investment projects on the environment,

preventing damage to the environment and public interest, as well as ensuring the maximum reduction of damage to the environment during the construction, usage, and closure stages of the planned objects;

- maintains and improves the environmental management system in accordance with the requirements of the LVS EN ISO 14001 standard;
- takes care of and promotes the preservation of the biological diversity, evaluates, and controls the impact of the activities of the Company on specially protected nature territories, species, and habitats;
- ensures the competence of the responsible employees in the field of environment, promotes the formation of environmental awareness of employees in each workplace and informs employees regarding the essential environmental aspects of the Company's activities;
- regularly and openly informs the public and interested parties regarding the Company's environmental activities;
- acts in an environmentally friendly manner and calls on partners and the public to act in an environmentally friendly manner.

USE OF MATERIALS AND RAW MATERIALS

MATERIALS USED, BY WEIGHT OR VOLUME

AST's core business is the transmission of electricity and the maintenance of transmission assets, which cannot be determined in terms of the weight or volume of materials used in relation to AST's primary products or services.

At the same time, AST uses a large amount of insulating oil, equipment, consumables, etc. as materials. To work efficiently and environmentally friendly, we think and work to promote the circular economy, reuse materials and reduce waste.

In the procurement procedures, the company determines the necessary evaluation criteria that comply with the legislation and requirements set by the EU, which allows to evaluate the quality of materials, economic profitability and environmental factors. The supply of AST materials is mainly from EU Member States, subject to the requirements of the EU single product market and product safety.

AST has developed internal procedures for the extraction and sale of scrap, as well as procedures

for the management of oils.

The company recovers used oils that no longer meet the criteria - reprocessing the oils in a special facility to restore the oil's quality criteria (refining and restoring physico-chemical properties), thus reducing the amount of hazardous waste and increasing the amount of recyclable materials. The volumes of managed scrap metal are given in Section 306-2.

The insulation oil changed in the equipment is returned to our base at 86 Dārzciema Street, Riga, at the oil farm, evaluated and regenerated, regaining the original quality properties of the oil for reuse in the operation of the equipment. Oils with reduced quality criteria that cannot be used in AST's future operations are sold to an economic operator selected in the auction, who processes these oils into other products and returns them to the economy. Only a small amount (below 2%) of waste oil that is no longer used is treated as hazardous waste.

	2021	2020	2019	2018	
Volume of recovered oil (treated oil), t					
	53	53	56	67	
t CO ₂ ekv.,	/year				
	64	64	67	80	
Sale of oil	with reduced criteria (seco	ndary return to the market	:), t		
	293	125	222	77	
t CO ₂ ekv.,	/year				
	354	151	269	93	

TRANSFORMER OIL TREATED IN THE OIL RECOVERY PLANT FOR THE PERIOD FROM 2018. BY 2021. YEAR

ENERGY CONSUMPTION AND ENERGY EFFICIENCY OF THE COMPANY

The total electricity transmitted by AS Augstsprieguma tīkls (in the 110/330 kV network) in 2021 is 9 408 398 MWh.

TOTAL ELECTRICITY TRANSMITTED BY AST, kWh					
	2021	2020	2019	2018	
January	802 786 777	881 390 823	955 416 638	1 098 196 547	
February	781 511 716	840 935 467	770 416 518	942 886 711	
March	883 787 387	818 378 071	882 430 880	985 394 868	
April	867 246 473	627 156 392	811 369 542	1 007 413 156	
Мау	733 141 922	695 573 370	772 336 936	789 420 214	
June	680 429 852	726 176 233	844 018 368	703 263 330	
July	738 761 792	707 709 628	844 657 282	796 822 461	
August	719 212 688	660 703 903	821 778 422	864 804 000	
September	846 352 524	708 135 990	788 940 724	738 988 625	
October	759 264 214	663 237 468	707 729 092	803 545 101	
November	700 298 514	652 526 493	744 951 206	910 321 480	
December	895 603 759	727 907 338	797 575 032	902 860 631	
Total	9 408 397 618	8 709 831 176	9 741 620 640	10 543 917 124	

In November 2020, a natural gas heating plant was built in the administrative and technical base of the Grobina section of the AST Line Service, replacing obsolete and worn-out electric boilers. It became operational in December 2020.

AST administrative and technical bases at 86 Darzciema Street, Riga, and for the heat supply of the administrative and technical base of the Daugavpils section of the Line Service, AST uses the district heating utility networks.

In 2020, the economic activity of AST was curtailed due to the Covid-19 pandemic. In 2021, adjusting to the situation, economic activities were resumed. It should be noted that the buildings are not in a 2021 2020 good technical condition, the technologies and work organization have changed over time, the 8 The energy efficiency at was originally planned ne improvements doors, replacement

	premises are no longer ideal. The energy efficiency
8	of buildings is in line with what was originally planned
7	during construction, with some improvements (replacement of windows and doors, replacement
8	of lighting with more efficient ones). Due to these
8	considerations, it is planned to completely rebuild the entire AST administrative and technical base
1	block at 86 Dārzciema Street, adapting the buildings
5	significantly improving the energy efficiency of the
1	buildings. Design work is currently underway, and the reconstruction is expected to be completed in 2025.
3	
5	

NATURAL GAS CONSUMPTION IN THE ADMINISTRATIVE AND TECHNICAL BASE OF THE GROBINA SECTION, MWH

8

12

75

12

12

January

February

March

April

May

June

July

August

September

October November

December

Total

HEAT CONSUMPTION IN THE ADMINISTRATIVE AND TECHNICAL BASES IN RIGA AND DAUGAVPILS, MWh

	2021	2020	2019	2018
January	426	344	459	437
February	424	319	351	475
March	337	317	353	445
April	239	202	181	204
Мау	93	38	37	49
June	32	28	31	27
July	29	36	33	32
August	31	33	30	30
September	73	34	75	30
October	209	159	209	206
November	301	278	298	310
December	449	369	350	391
Total	2 641	2 156	2 407	2 638

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REDUCTION OF ENERGY CONSUMPTION

Technological and economic electricity own consumption is monitored and consumption dynamics are analyzed on a monthly basis. If the deviations are greater than the specified criteria, the reasons are analyzed, corrective measures are identified, if necessary.

AST's technological and economic electricity consumption is gradually being reduced through planned energy efficiency measures, the replacement of obsolete high- power transformers with more energy-efficient ones, the replacement of lighting with LED technology, and the introduction of heating, ventilation and air conditioning automation.

In 2021, both technological and economic consumption increased, as in 2020, due to the Covid-19 pandemic, economic activity was significantly reduced, focusing more on ensuring the operability of the transmission network. In 2021, AST adapted to the new situation and resumed its economic activities (repairs, capital investment, etc.). It should be noted that in 2021 the average air temperature was also 1.8°C lower than in 2020. (colder winters and hotter summers), which also affected consumption growth.

	2021	2020	2019	2018
January	1 054 558	895 804	1145 925	1 141 350
February	1 013 320	822 710	911 895	1 132 145
March	861 358	787 953	864 327	1 093 905
April	626 603	618 855	603 315	622 880
Мау	501 735	480 387	492 953	452 848
June	442 760	435 458	445 657	415 040
July	454 850	444 467	431 535	458 174
August	430 070	443 533	434 798	434 468
September	466 276	426 578	454 940	446 755
October	585 459	539 574	576 965	603 455
November	749 470	685 717	769 184	808 443
December	1 074 882	949 044	907 556	1 048 796
Total	8 261 341	7 530 079	8 039 050	8 658 259

LISTED CONSUMPTION FOR OWN USE, KWH

LISTED ECONOMIC CONSUMPTION FOR OWN USE, kWh

	2021	2020	2019	2018
January	235 050	204 169	291 891	294 705
February	228 910	157 996	238 615	296 178
March	210 508	166 234	201 765	287 982
April	145 430	116 671	105 258	127 859
Мау	103 556	69 753	50 273	44 644
June	74 375	28 198	24 326	29 016
July	83 084	22 546	26 979	27 752
August	82 732	20 599	22 799	23 154
September	202 244	30 965	42 945	32 827
October	28 189	70 479	101 630	114 553
November	167 137	112 780	157 809	184 584
December	255 275	173 597	195 684	254 583
Total	1 816 490	1 173 987	1 459 974	1 717 845

SIGNIFICANT IMPACT OF ACTIVITY, PRODUCTS OR SERVICES ON BIODIVERSITY

When maintaining power transmission lines (PTL), their geographical location is considered: nature reserves, nature parks, Natura 2000, etc.

When choosing methods for clearing PTL from overgrowth or planned maintenance works, they are coordinated with the responsible state institutions. The timing of the work is also harmonised (for example, regarding bird nesting and associated restrictions).

When implementing transmission network development projects, as well as performing active maintenance and modernisation measures, AST informs the environmental protection institutions about the planned activities in accordance with the requirements of the regulatory enactments. If necessary, an environmental impact assessment of projects is performed, and experts are attracted. The most significant development projects, for which an environmental impact assessment (EIA) has been performed are "Kurzeme Ring" and "Third Estonia - Latvia interconnection", however, for the planned operation "Construction of 330 kV power transmission line with a total length of 13 km in Salaspils municipality" and "Reconstruction of 330 kV lines - Valmiera-Tartu and Valmiera-Tsirgulina", the State Environmental Monitoring Bureau decided not to apply the environmental impact assessment procedure.

The Company considers the proposals of environmental experts provided during the EIA, the requirements of the environmental authorities, and informs the contractors, as well as monitors compliance with these requirements during the construction process. Within the framework of the project "Kurzeme Ring", at the request of AST, the experts of the Latvian Ornithological Society conducted a study on possible collisions of migratory birds and black storks with the power transmission line in the Kemeri National Park region. Following the recommendations of environmental experts and the evaluation of the EIA conditions for the reconstruction of the power line, it was decided to choose a solution where trees would be cut and the environment affected as little as possible, as well as bird diversions for a length of 2 km were installed on the Ventspils – Grobiņa line.

Bird diversions are also located on the "Kurzeme Ring" line Ventspils – Tume – Imanta in a 15 km long section.

In this respect, AST regularly evaluates information on the experience of other countries (Estonia, Lithuania).

The Company has procedures in place to determine, in which cases it is permissible to remove a white stork's nest or disturb an individual to prevent significant harm to the economy or public security interests, as well as to protect the population of white storks. To reduce the adverse effects of the white stork on the power transmission lines, while promoting the protection of the white stork, AST has introduced and maintains technical protection measures for the transmission lines (support "caps" and "grinders"). AST receives an annual permit from the Nature Conservation Agency for the acquisition of non-hunted species, as well as maintains active communication and cooperation with the Nature Conservation Agency on a regular basis.

In accordance with the Ten-year Development Plan, in substations, AST renovates transformer

oil collection pits and underground oil catchment pits, as well as installs oil separators to comply with Latvian legislation and regulations on environmental protection, LEK 002 requirements and to reduce potential environmental pollution at AST substations in the case of transformer damage with possible oil leaks.

WASTE MANAGEMENT AND ENVIRONMENTAL IMPACT

AST waste management is performed in compliance with the laws and regulations of the Republic of Latvia (Law on Pollution, Waste Management Law, Cabinet Regulation No. 703 of 13 September 2011 'Regulations Regarding the Procedures for Issuing and Cancelling of a Permit for Collection, Transport, Reloading, Sorting or Storage of Waste, as well as Regarding the State Fee and the Procedures for Payment Thereof', Cabinet Regulation No. 302 of 19 April 2011 Regulations Regarding Waste Classification and Properties Rendering Waste Hazardous, contractual requirements and requirements defined by AST.

The management and administration of municipal waste and construction debris is organised and performed by the AST Real Estate Management Department together with the Quality System Department.

A centralised Hazardous Waste Management System has been developed in AST. Hazardous waste containers are located at the places where

VOLUMES OF THE MOST SIGNIFICANT WASTE GENERATED AND MANAGED BY THE COMPANY IN 2018–2020 waste is generated (Substation group bases, Line service stations and many other places). When the containers are full, they are transferred to the Procurement Department of the Company, at 86 Dārzciema Street, Riga for further management (by forming an internal movement consignment note for the control of actions).

Hazardous waste in the Company is managed by attracting contractors who have hazardous waste management permits issued by the relevant Regional Environmental Boards for the specific type of waste. When concluding a contract for hazardous waste management, one of the requirements is to attach a copy of the waste management permit to the contract as an annex to the contract.

The annual waste volumes are not comparable, because AST, unlike the production companies, is the Company that maintains the assets of the Transmission System, and the works vary from year to year with the specifics and volume of equipment repair and operation depending on the periodicity.

Waste management	2021 (t)	2020 (t)	2019 (t)	2018 (t)
Unsorted municipal waste	176,4	175,9	176,5	200,1
Sorted municipal waste (plastic, glass, paper / cardboard, bio)	28,8	0,9	0,0	0,0
Construction waste	32,2	128,8	86,8	62,4

In order to reduce the amount of unsorted municipal waste generated, separate waste management (PET, paper, glass) has been introduced in the administrative and technical base at Dārzciema Street 86, Riga, and a separate container for biological waste management has been located.

AST also sorts municipal waste at substation group bases and line service stations. Increasingly, company documents are managed electronically, saving paper and resources.

METALS, YEAR / t

Waste management	2021	2020	2019	2018
	(t)	(t)	(t)	(t)
Mixed metals	1 110,7	1 030,5	1 676,8	1 323,6

HAZARDOUS WASTE, YEAR / T

Waste management	2021 (t)	2020 (t)	2019 (t)	2018 (t)
Electronics	1,35	0,66	1,28	0,40
Batteries and accumulators	0,18	0,13	0,00	0,09
Oily water	40,52	176,20	149,40	98,51
Soil containing dangerous substances	100,56	2,02	66,56	0,00
Asbestos - containing construction materials	2,22	0,00	0,00	0,09
Absorbent, rags, paper oily	1,68	0,99	2,75	1,51
Packaging containing residues of dangerous substances	0,53	0,20	0,45	1,03

SELECTION OF NEW SUPPLIERS IN ACCORDANCE WITH THE CRITERION OF ENVIRONMENTAL ATTITUDE

AST applies environmentally friendly or green procurement requirements to certain product groups such as transformers, auto-transformers, transport, and construction.

The number of procurement contracts concluded in 2021 is 263, including 53 construction contracts, 142 service contracts and 68 supply contracts. Of these, 8 transformer contracts are defined as green procurement because life-cycle costs are calculated for them.

Recommendations of the Procurement Monitoring Bureau are used for transport procurements, life-cycle loss costs are assessed for transformers (according to the formula indicated in the procurement procedure statement) both from the point of view of environmental aspects and from the point of view of energy efficiency. During the procurements of vehicles, the impact of their operation on energy and the environment is considered as well as assessed energy consumption and emissions of carbon dioxide, nitrogen oxides, non-methane hydrocarbons, and particulate matter.

The life-cycle loss costs are evaluated during the transformer procurements. The completed procurement is evaluated both from the point of view of environmental aspects and from the point of view of energy efficiency

GREENHOUSE GAS EMISSIONS AND WATER POLLUTION

The European Union's Green Course sets targets for achieving climate neutrality by 2050. To this end, the goal is divided into several stages: to achieve 50–55% climate neutrality by 2030, and to be completely climate-neutral by 2050.

The long-term climate goals of Latvia and the longterm climate goals of AS Augstsprieguma tikls are successively subordinated. Therefore, it is currently important to look at the emissions generated by AS Augstsprieguma tīkls, both direct and indirect. According to the new requirements, emissions are allocated to scope III.

AS Augstsprieguma tikls has identified the total emissions and emissions in each scope as far as possible.

Year	Scope I	Scope II	Scope III
2018	242,05	1 431,04	-173,47
2019	193,23	1 468,12	-336,21
2020	125,95	1 246,07	-214,90
2021	398,82	1 315,51	-418,12

Note * - Due to the lack of a methodology, emissions from waste management are not included in the calculation of emissions, but we have compiled the data and the calculation will be possible as soon as a reliable and objective methodology is available.

Analysis of emissions generated by AS Augstsprieguma tīkls in the period from 2018 to 2021 are inclusive of: The decrease in emissions in 2019 compared to 2018 is 11.78%. The reduction in emissions in 2020 compared to 2019 is 12.60%. In turn, in 2021, a leak of elegase SF6 took place at the substation. No. 20 from the power switch

Scope 1

Scope I Emissions shall consist of greenhouse gas emissions, emissions from heating installations and emissions from transport, machinery and diesel generators.

SCOPELO		
SCOPEICO	EMISSIONS	

AT-302 "C" phase (13kg SF6), the used heat energy has increased by 18.4% in the quarter of Dārzciema Street, Riga. For these reasons, emissions in 2021 will increase by 10.58% in 2021 compared to 2020.

TOTAL CO, EMISSIONS OR ECOLOGICAL FOOT OF AST



Year	SF ₆	Refrigerants	Natural gas	Transport and mechanisms	Diesel generators
2018	38,54	100,81	0,00	102,70	0,00
2019	90,24	0,00	0,00	102,99	0,00
2020	32,90	0,00	2,52	90,52	0,01
2021	305,50	5,18	15,13	72,46	0,55

II Scope 2

Although electricity consumption does not cause direct CO_2 emissions, depending on the composition and volume of the region's total electricity generation, part of the electricity is generated in a CO_2 -emitting way.

With regard to heat energy, in Latvia it is produced in thermal power plants and boiler houses, then fed into the municipal networks of cities and villages.

Depending on the composition and volume of the generation, the CO_2 emissions of the district heating networks of the respective city and village depends.

SCOPE II CO, EKV.T EMISSIONS

Year	Transmission losse	Heat supply	
2018	1 144,37	286,66	
2019	1 241,41	226,72	
2020	1 049,63	196,44	
2021	1 074,87	240,64	

It should be noted that the CO2 calculation factor in Latvia is decreasing and this is a positive trend, which shows that the heat produced in Latvia reduces emissions and negative impact on the environment every year. Currently, a project for the reconstruction of AS Augstsprieguma tikls the administrative and technical quarter at Dārzciema Street 86, Riga is being developed. As a result of the reconstruction, buildings and premises suitable for the operation and working environment of AS Augstsprieguma tikls will be acquired, they will be significantly more energy efficient, office buildings and premises are

III Scope 3

This scope includes information on waste generated by the company's operations, metal and waste scrap, oil leakage, oil recovery and the sale of oil with reduced quality criteria, returning it to the circular economy.

SCOPE III

Year	Filled and changed oil in electrical equipment	Sale of oil with reduced criteria	Oil leakage
2018	-80,44	-93,04	0,00
2019	-67,41	-268,84	0,03
2020	-64,41	-150,65	0,17
2021	-64,36	-353,85	0,09

AS "Augstsprieguma tīkls" savām vajadzībām veic ekspluatācijā esošo eļļu reģenerāciju, atjaunojot eļļas kvalitātes kritērijus un atkārtoti izmanto eļļas pildīto iekārtu ekspluatācijā.

WATER CONSUMPTION

The amount of water varies depending on the scope and profile of the work. In the process of water management, the company monitors water consumption, as well as measures to reduce water consumption. Water is used only for economic activity purposes.

As the volumes of operation and development work vary from year to year, water consumption varies according to the type and volume of work.

Compliance of water supply and wastewater from utility networks with the criteria of regulatory enactments is the responsibility of these utilities. planned as almost zero energy buildings. The project is planned to be implemented by the end of 2025.

darba videi piemērotas ēkas un telpas, tās būs būtiski energoefektīvākās, biroju ēkas un telpas tiek paredzētas kā gandrīz nulles enerģijas ēkas. Projektu plānots realizēt līdz 2025. gada beigām.

AS "Augstsprieguma tīkls" regenerates the operating oils for its own needs, renewing the oil quality criteria and reusing the oil-filled equipment in operation. Oil with reduced quality criteria, which is not necessary for the further operation of AS Augstsprieguma tīkls, is sold as a result of an auction procedure to a certain merchant who uses this oil for the production of other goods and this oil is thus returned to the Latvian economy. Due to these considerations, the potential emissions from these oil volumes are deducted ("-") from the emissions from AS Augstsprieguma tīkls.)

Materials and methodologies used:

- Cabinet Regulation No. 42 of 23 January 2018 "Methodology for Calculating Greenhouse Gas Emissions" is mainly used for CO₂ calculations. According to these regulations, calculations are made for transport and natural gas heating.
- CO₂ emission factors from the MEPRD website have been used to convert heat from district heating networks and electricity to CO₂.
- Equipment manufacturers' guidelines have been used for other CO₂ calculations.

AST follows and fulfills the terms of the contract with regard to AST's obligations, uses water resources rationally.

With regard to the production of AST water and the preparation of drinking water, the volumes are small and no permit (s) from the environmental authorities is required. Nevertheless, AST monitors drinking water by periodically testing the water criteria and ensuring that they are appropriate. In accordance with the principle of cooperation, in some places we provide drinking water to the nearby residential infrastructure.

CONSUMPTION VOLUME OF WATER RESOURCES FROM CONTRACT ORGANISATIONS

Accounting period		2021	2020	2019	2018
Consumption volume of water resources from contrac organisations, m ³	ct	5 508	7835	8 005	10 438
Consumption volume of water resources from the wel AS Augstsprieguma tīkls, m ³	ls of	975	1347	986	974
	Total	6 483	9182	8 991	11 412
For the needs of AS Augstsprieguma tīkls, m³		5 608	8452	8 506	10 576
Water supply to the population, m ³		875	730	485	836

In 2021, the amount of water from artesian wells has decreased by 28% compared to 2020. This is due to the pandemic in the country, as much of the work is organized remotely. In turn, the amount of water from contract organizations has decreased by 30% compared to 2020.

In accordance with the plan of environmental monitoring and environmental protection measures for 2021, analyzes of drinking water were performed for the water used in substations, which complied with Cabinet Regulation No. 671 "Mandatory Safety and Quality Requirements for Drinking Water, Monitoring and Control Procedures", and groundwater analysis in an oil farm at 86 Dārzciema Street, Riga, where the limit value of the hydrocarbon index of petroleum products was not exceeded.

In addition to the plan, disinfection and flushing of water supply systems, verification of the operation of drinking water abstraction and supply facilities and the addition of reagents to 3 AST substations were ensured.

WASTEWATER DISCHARGED BY THE COMPANY IN THE PERIOD FROM 2017 TO 2020

Wastewater is generated by the company's economic activity. The amount of wastewater varies from year to year due to the company's workload and profile, water consumption and atmospheric precipitation.

Due to the volume, wastewater treatment in AST biological treatment plants does not require permits from environmental authorities, but we take care of the compliance of the treated wastewater with regulations and, where possible, try to use utility connections. In accordance with the principle of cooperation, in some places we provide wastewater services to the nearby residential infrastructure. Due to the change in management habits and the pandemic, the load on biological facilities has decreased, which is currently causing us some concerns.

Discharge place	2021. gads	2020. gads	2019. gads	2018. gads
Wastewater discharged to the contract organizations (in accordance with the contract), m ³	8946 (including 4 702 rainwater)	11 241 (including 4 702 rainwater)	11 498 (including 4 582 rainwater)	12 766 (including 4 626 rainwater)
Wastewater treated in AS Augstsprieguma tīkls treatment plants, m³	1 107	2 168	1 958	1 911
Total	10 053	13 409	13 456	14 677
Provision of wastewater service to contract organizations (residents, companies), m ³	852	1043	887	876

The reduction in wastewater from biological waste water treatment plants in 2021 was 49%, while for contract organizations in 2021 the transfer of wastewater was 20% lower as part of AST's employees work remotely during the pandemic. The amount of wastewater transferred to contract organizations (residents, companies) has increased by 1%.

The amount of rainwater to be transferred to SIA "Rīgas ūdens" has not changed significantly.

In accordance with the Environmental Monitoring and Environmental Protection Plan for 2021, 6 wastewater analyzes and operational inspections and / or maintenance of wastewater treatment plants were performed at 5 substations, plus maintenance of wastewater oil products and particulate traps (pre-filter) in 6 AST car washes.

SELECTION OF NEW SUPPLIERS IN ACCORDANCE WITH THE CRITERION OF ENVIRONMENTAL ATTITUDE

AST applies environmentally friendly or green procurement requirements to certain product groups such as transformers, auto-transformers and transport.

In 2021, procurements were concluded for the purchase of 7 transformers and 1 purchase of autotransformers, which are defined as green

procurements ~ 2.26%, because life cycle costs are calculated for them.

Life cycle loss costs are estimated in transformer purchases. The completed procurement is evaluated from the point of view of both environmental aspects and energy efficiency.

EMPLOYEES AND THE WORK ENVIRONMENT

MATERIALITY MATRIX. EMPLOYEES AND THE WORK ENVIRONMENT



MANAGEMENT APPROACH

AST is driven by development and the key to success is a team of more than 500 professional and responsible employees who take care of electricity transmission and development. AST's management is aware that employees with different competencies

Because you can bring more enthusiasm, joy of life and positive energy into the room than anyone else. and diversity are a value that enables the Company to develop and achieve new goals. We respect the right of employees to choose whether they are represented by a trade union in relation to a collective agreement.

Be that energy!

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PERSONNEL MANAGEMENT POLICY AND FUNDAMENTAL PRINCIPLES

Given that the achievement of AST's long-term strategic and management style in the Company, work short-term goals is ensured by a team of professionals, to environment, work process, growth promote efficiency and productivity, while taking care of each employee's motivation and loyalty to AST, in 2021, an employee satisfaction and involvement survey was conducted to analyse employees' opinion in several aspects – the company's image and reputation, management,

opportunities and development, work team and remuneration. In 2021, an employee involvement index of 75% was obtained, which has remained consistently high compared to 2020.

The above-mentioned aspects are important to find out the general mood in the Company and the attitude towards the factors influencing the work environment, to gain confidence that the strategic goals are achieved through successful interaction between departments and employees and that the work environment, related processes, work equipment and interpersonal relationships help to perform work responsibilities and achieve the set goals effectively daily.

To find out the opinion of AST's employees on various issues related to the work environment, in 2021, 17 employee surveys were conducted using the survey tool available on AST's intranet (ASTe).

At the same time, AST participates in the general remuneration survey every two years to ensure

the full application of AST's remuneration policy and to design and maintain remuneration in such a way so as to balance remuneration with the labour market. In 2021, AST received the award "The Fairest Remuneration Payers in Latvia in 2021" from the consulting company Fontes.

To implement the efficient use of human resources to improve AST's performance and achieve the Company's goals, in accordance with the annual employee evaluation and development negotiation procedure approved by AST, annual employee evaluation and development interviews were conducted in the first and second quarter of 2021.

AST constantly pays attention to employees' views on the safety of the work environment. To update the work environment assessment, in 2021, the employee satisfaction and involvement survey included questions on safety of work environment, and in general, the work environment of AST is highly valued, i.e., the work environment is safe and sufficiently well equipped.

Labour protection measures are provided not only to the employees of the Company, but also to the employees of the service providers. All employees of the contractors are instructed and trained on safe work performance. Procedures for work organization have been established for work in electrical installations and their protection zones, which is publicly available on the AST website www.ast.lv. The contractors manage their human resources and AST monitors their activities on site.

Employees and managers of AST are professionals in their field, who build both their relationships with each other and with the interested parties of AST core business based on the following values:



HONESTLY

Independent, ethical, and transparent action towards anyone and everyone

	/
- (~) –
\rightarrow	

WISELY

Effective. Looking forward. Long- term thinking



RESPONSIBLY

Deliberate action. With high responsibility towards work, people, and nature



TOGETHER

We join forces to achieve more. Strong team that encourages and challenges

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The following basic principles apply to the personnel management of AST:

- A safe and non-discriminatory working environment, equal employment conditions and treatment of all AST employees.
- Employees form a team that provides motivating, flexible, loyal, and professional activities in the interests of AST.
- Employees are professionals in their field, who are constantly improving their professional skills and competencies, helping new colleagues to join the team by sharing their professional experience and practice with them.
- Personnel is open to change, taking responsibility for the quality of delegated tasks to ensure that the objectives of AST are met.
- Employees maintain a positive reputation of the Company and the brand in communication with interested parties.
- Mutual relations are formed based on general ethical principles, honesty, mutual respect and avoiding situations of a conflict of interest.

The remuneration policy of AST is developed and maintained with the aim to provide the

competencies necessary to achieve the Company's objectives by attracting suitably qualified employees in the long term, motivating employees to perform quality work, to increase their productivity and achieve goals, as well as to increase the level of responsibility and initiative of the employees, and to use financial resources efficiently and rationally.

In all areas of activity, AST respects the fundamental human rights enshrined in the Constitution of the Republic of Latvia, laws and international agreements binding on Latvia. The work environment and processes are designed to prevent the human rights of the employees of AST and its subcontractors from being violated or abused.

AST maintains the social dialogue with employees and their representatives, thus, in addition to the legal provisions, the new version of the AS Augstsprieguma tikls Collective Agreement concluded between AST and the Latvian trade union (Energija) that entered into force on 1st January 2018, which is valid until 31 December 2022 or until the conclusion of a new collective agreement, if no new collective agreement is concluded by the end of its term.

The Collective Agreement concluded by AST provides additional guarantees for all AST's

SAFE WORK ENVIRONMENT

AST pays special attention to create a safe working environment. By performing internal supervision of the work environment and observing the requirements of the regulatory enactments of the Republic of Latvia, an occupational safety plan is developed, which is aimed at maintaining a safe work environment. AST provides employees with jobs, personal protective equipment, and technical resources that meet their needs, as well as trains employees on occupational safety issues and safe working practices. In 2021, a roadmap for a safe work environment was developed, which intends various engaging activities until 2025 to increase employee safety.

AST's occupational health and safety management system complies with the requirements of ISO 45001 and allows one to purposefully reduce the Company's occupational health and safety risks.

EDUCATION AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

Although AST has a relatively low staff turnover and the average length of service in the company is 17 years, it is considered that the operation of the AST transmission system requires highly qualified personnel, whose education and qualifications complies with the requirements specified in the legislation of the Republic of Latvia, and it corresponds to the work duties to be performed by the personnel and the specifics of the work.

Training and development of the personnel is an essential part of the Personnel Management System of AST and aims to improve staff knowledge, skills, and relationships so that they can ensure the long-term success of AST's operations and create satisfaction with the work done.

AST invests in the training and development of its employees in accordance with its strategic goals and the individual contribution of its employees to their achievement.

The Personnel Department, in cooperation with the heads of the structural units, plans and forecasts professional development and career development opportunities for employees, consults personnel on training and career development issues, plans and conducts professional training for the employees, and plans personnel development discussions.

The personnel department, in cooperation with the heads of the structural units, plans the succession of employees. As part of the succession process, the knowledge and skills accumulated and developed by experienced staff are passed on to new staff with the aim of maintaining AST's high level of professionalism. In the context of succession planning, staff who are planning to retire or terminate their employment with AST are involved in the implementation of traineeship programs for new staff.

The annual staff training plan provides for the training necessary for the development of work competencies and professional training of employees. All of AST's personnel have equal training and development opportunities. Evaluating the need and opportunities, the Company's annual investment in the training of personnel in 2021 compared to 2020 has increased by 32%

	2021	2020	2019	2018
Personnel training costs, thousand EUR	165	125	141	86

Criteria for the education, qualifications and competence of AST's personnel are defined, considering the specific nature of the work and the scope of the Company.

Electrical engineer and equivalent electrical systems engineers of AST are included on the list of regulated professions in the field of energy. The education and qualification of the personnel working in these professions shall comply with the education and qualification requirements specified in the "Law on the Regulated Professions and the Recognition of Professional Qualifications". AST employs a total of 77 members of the regulated professions, of which 70 men, 7 women.

For other positions, education and qualification requirements are defined in the job description of each employee, considering the specifics of the work of the structural units and the direction of activity.

AST employees are granted various rights from the point of view of occupational safety, the operation of energy installations and control of the Company's operations, which are determined by the applicable standards for requirements for energy companies. Since the energy standards determine the organisational measures for training and maintaining the competence of personnel

for work in energy transmission, ensuring and maintaining the qualification of AST's personnel for works for which requirements are specified in the laws and regulations of the Republic of Latvia, the Cabinet of Ministers Regulations and Latvian Standards, various types of training are performed in the competent institutions. In 2021, compulsory training was performed for 239 employees.

Compulsory training	2021	2020	2019	2018
Number of employees	239	170	294	420

The training system and process is aimed at the safe application of work methods in daily work, as well as the fulfilment of work duties at an appropriate, professional level. As part of the development of vocational training, while considering AST's strategic objectives, the individual goals and objectives of the Company's departments and personnel, AST has provided 111 external trainings (courses, seminars, conferences) in 2021, attended by a total of 322 employees.

PERFORMANCE INDICATORS

The organisational structure of AST is based on

functional principle, creating separate structural units, which are established in accordance with the common goals of the organisation, to promote employee cooperation for the more effective achievement of individual, structural and short-term strategic goals.

The responsibilities of the AST Board are defined by clearly defined areas of responsibility, subordinate bodies, and decision-making according to the organisation's strategy: chairman (management), board member (system management), board member (development), board member (support), and board member (operation).

The percentage distribution of the main occupational groups is considered optimal to balance the quality assurance of administrative, practical and engineering work.



The average number of employees of AST in 2021 was 534. In AST, 97% of contracts are full-time and openended. Of these, 15% are women and 85% are men. In 2021, AST has employed 3% of all AST staff on a full-time and fixed-term basis. Of these, 39% are women and 61% are men. In 2021, one employee (female) will be employed on a part-time and indefinite basis.

In the Company, the total length of service of 327 employees is more than 10 years.

AST regularly informs employees and trade union representatives about current events related to the

company's economic activities, development, and planned changes in the organisational structure.

The average age of AST employees is 46 years old, therefore, AST pays attention to the timely planning of the know-how transfer process and raising the professional skills and competencies of the required personnel.

AST maintains a balanced succession and generational change according to the specifics of the job.

BREAKDOWN OF PERSONNEL INTO OPERATING SEGMENTS OF AST

Direction	2021	2020	2019	2018
System management	54	57	56	57
Development	49	44	23	20
Support	43	42	41	38
Operation	341	355	369	377
Management	33	31	52	52
Board and Council	14	10	10	9
TOTAL	534	539	551	553

Direction	2021	Including men	Including women
System management	54	47	7
Development	49	44	5
Support	43	25	18
Operation	341	312	29
Management	33	10	23
Board and Council	5+5	4+3	1+2
Audit Committee	2	2	0
Internal Audit Department	2	1	1
TOTAL	534	448	86

Corporate groups	Retirement in the next 5 years (2022–2026) *		Retirement in the next 10 years (2022–2031) *	
	Women	Men	Women	Men
Managers	0%	8%	0%	17%
Specialists	20%	7%	13%	11%
Qualified workers	0%	15%	0%	12%
Other professions	50%	50%	16%	16%
TOTAL	10%	18%	12%	9%

* To the total number of employees of the respective occupational group by gender

MINIMUM NOTICE PERIOD(S) FOR CHANGES IN OPERATIONS

AST regularly informs employees and the trade union regarding the company's economic activities, current events, developments, and planned changes in the structure. The Collective Agreement stipulates that the employer shall inform the trade union no later than one month prior to submitting a request for consent to terminate an employment contract. Whereas the trade union shall be consulted on the planned collective redundancies no later than one month prior to submitting the notification to the State Employment Agency of Latvia. Employees shall be informed of changes in the structure resulting from redundancies no later than five (5) days after the decision.

TYPES OF ACCIDENTS AND INCIDENTS, OCCUPATIONAL DISEASES, INDICATORS OF DAYS LOST AND ABSENCE

During the reporting period, one accident related to the risk of infection (tick infestation) was detected.

Taking into account the specifics of the company's operations, in order to prevent the possible risk of infection, the company provides vaccination of employees against tick-borne encephalitis.

Vaccination is covered by the employee health insurance provided by AST. In addition, AST also pays for the vaccination of employees outside the health insurance policy on the basis of supporting documents.

The Company also monitors near-accidents, and during the reporting period, four near-accidents were identified. An assessment has been made in all cases.

In 2021, there were no work-related deaths in the company. Accidents are listed and investigated in accordance with the laws and regulations of the Republic of Latvia. Appropriate additional training for employees is also provided.

In accordance with the Order "On the Results of Occupational Risk Assessment and the Plan of

Labour Protection Measures", in 2021 the following measures have been taken to the extent envisaged:

The company maintains a labor protection system based on national legislation and ISO 45001 requirements. Employees are regularly trained, instructed, as well as regular knowledge tests are performed for employees who work in electrical equipment. Employees are regularly subjected to mandatory health examinations and vaccinations. Employees are provided with the necessary personal protective equipment and the necessary equipment for safe work. The risks of the work environment in the company are regularly assessed, taking into account the accidents that have occurred, as a result of which measures are taken to reduce the risks of the work environment by continuously improving the safety of employees at work and the work environment.

The company has developed procedures for the investigation, registration and reporting of accidents and work environment incidents, according to which the obligation to provide information on work environment incidents, as well as to stop work if it may cause an accident. In addition, it is possible to provide information on various types of risks identified through the company's website.

Accidents	2021	2020	2019	2018
Number of accidents (tick infection)	1	2	3	1
Number of accidents (not serious)	0	3	2	2
Number of accidents (fatal)	0	0	1	0

Allocating by gender no female was injured in 2021.

Every year, AST develops and approves an occupational safety plan to prevent occupational

risks. After the mandatory health examinations, measures are taken to ensure the working environment. The necessary equipment for limiting occupational risks is purchased.

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The AST Collective Bargaining Agreement covers labour protection issues and cooperation in resolving these issues:

 the employer, the trade union and the employees have confirmed their responsibility related to the improvement of the labour protection system, including the assessment of occupational risks and minimisation of the impact of risks;

The company carries out internal monitoring of the working environment, including work environment risk assessment, in order to guarantee a safe and healthy working environment. The assessment of the working environment is performed by occupational safety specialists, involving the heads of the structural units and responsible employees, trustees, as well as those employees who work in the specific premises / workplaces or perform the relevant work. Once a year, the results of the work environment risk assessment are compiled and a plan of labor protection measures for the prevention or reduction of the work environment risk is drawn up;

At the request of a trusted person or a professional organization, if deterioration of conditions in the work environment or non-compliance with the requirements specified in regulatory enactments is established, a repeated assessment of work environment risks shall be performed. Regular employees and trustees are informed about the risks of the work environment, about the labor protection measures, about the results of the measurements of the risk factors of the work environment and consultations are held with the employees and trustees in order to involve them in the improvement of labor protection;

Support is provided to trade unions and trustees in the performance of their duties and trustees are trained in occupational safety and health;

- AST regularly informs employees and trade union representatives about current events related to the Company's economic activities, development, and planned changes in the organisational structure;
- includes an agreement on the term of election of trustees, which is five years, as well as the involvement of trustees in the improvement of labour protection;
- the obligations of the employer are also indicated in the case that an accident at work has occurred.

PERCENTAGE OF ALL PARTNERS AND THEIR SUBCONTRACTORS WHOSE EMPLOYEES HAVE RECEIVED HEALTH AND SAFETY TRAINING

AST conducts briefing and training of all (i.e. 100%) contractors' personnel for the safe performance of work, as required by Latvian legislation, Latvian energy standards and mutual agreements.

Instructions and binding documents on work environment risks and safe performance of work are also available electronically and must be read by the contractor's staff.



INDEPENDENT AUDITOR'S REPORT



Independent Limited Assurance Report

To the Management of AS "Augstsprieguma tīkls"

Introduction

We have been engaged by the Management of AS "Augstsprieguma tīkls" (hereinafter – the "Company") to provide limited assurance on the Selected infromation described below and included in the Sustainability report 2021 of AS "Augstsprieguma tīkls" (hereinafter – the "Sustainability report 2021") on pages 3 to 97. The Sustainability report 2021 represents information related to the Company.

Selected information

We assessed the qualitative and quantitative information, that is disclosed in the Sustainability report 2021 and referred to or included in the GRI Content Index (hereinafter – the "Selected Information"). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (Core option), published by the Global Reporting Initiative (GRI).

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2021. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability report 2021 and, therefore, do not express any conclusion thereon.

Reporting criteria

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards (hereinafter – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the Management of the Company

The Management of the Company is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

PricewaterhouseCoopers SIA Kr. Valdemara street 21-21, Riga, LV-1010, Latvia, LV40003142793 T: +371 6709 4400, F:+371 6783 0055, www.pwc.lv



Our responsibilitities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company's Management.

This report, including our conclusion, has been prepared solely for the Company's Management in accordance with the agreement between us, to assist Management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Sustainability report 2021, which will be published on the Company's website¹, to assist Management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have fulfilled our other ethical responsibilities in accordance with IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

¹ The maintenance and integrity of the Company's website is the responsibility of Management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.



Summary of the Work Performed

Our procedures included examination, on a test basis, of evidence relevant to the Sustainability report 2021. It also included an assessment of the significant estimates and judgements made by the Management in the preparation of the Sustainability report 2021 in accordance with the GRI guidelines.

Our work consisted of:

- Interviewing the Management and senior executives to evaluate the application of the GRI guidelines and to obtain an understanding of the control environment related to sustainability reporting;
- Obtaining an understanding of the relevant processes for collecting, processing and presenting data included in the Sustainability report 2021;
- Comparing data from selected information to internal documentation to corroborate statements of Management and senior executives in our interviews;
- Comparing the financial data included in the Sustainability report 2021 to the financial statements 2021 of the Company; and
- Evaluating the overall format and content of the Sustainability report 2021, taking into account the compliance of the disclosed information with the applicable criteria.

Reporting and measurement methodologies

Under the GRI Standards there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by Management as described in the Sustainability report 2021, and for which the Company is solely responsible.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

PricewaterhouseCoopers SIA Certified audit company Licence No. 5

Ilandra Lejiņa Certified auditor in charge Certificate No. 168

Riga, Latvia 29 June 2022

INDEPENDENT LIMITED ASSURANCE REPORT IS SIGNED ELECTRONICALLY WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP.

EU TAXONOMY

The European Green Course is Europe's new strategy for sustainable and efficient growth. Focusing investments on sustainable projects and activities is crucial to achieving the EU's climate and energy goals.

The taxonomy regulation is a key component of the European Commission's action plan to shift capital flows towards a more sustainable economy. This is an important step towards achieving carbon neutrality by 2050 in line with the EU's climate goals, as taxonomy is the classification system for environmentally sustainable economic activities.

EU taxonomy is one of the cornerstones of Europe's Green Course. Taxonomy is a common classification system for sustainable economic activities that identifies for each sector a set of economic activities that are considered sustainable and make a significant contribution to one or more of the six environmental objectives of climate change mitigation, adaptation, sustainable use of water and marine resources, and protection, the transition to a circular economy, prevention and control of pollution, restoration and protection of biodiversity and ecosystems.

In accordance with Article 10 (2) of EU Regulation 2021/2178, AS Augstsprieguma tīkls discloses quantitative information on the proportion of

QUANTITATIVE INFORMATION

economic activities belonging to the taxonomy and non-taxonomy in each of the three set indicators (KPI) - turnover, capital investment and operating costs.

As part of sustainability reporting, including taxonomy, AST includes information about the parent company, not including the subsidiary AS Conexus Baltic Grid. The parent company AS Augstsprieguma tīkls of the AST Group divides its operations into one main operating segment - electricity transmission.

For 2021, the reporting requirements only apply to the ownership of the economic activity by the Taxonomy. Activities recognized as belonging to this reporting period do not necessarily mean that these activities will be recognized as Taxonomy in future reports.

The following steps were taken to identify whether AST's business in 2021 belonged to Taxonomy:

- Business activities of AST identified in the financial year 2021;
- An assessment of the economic activity has been carried out to determine whether it is linked to the activities published in Regulation 2021/2139 and to be identified as economic activities belonging to the taxonomy.

	Polongs to a taxonomy	Notintoxonomy	
	Belongs to a taxonomy	Not in taxonomy	
Turnover, thsd EUR	125 787	0	
	100%	0%	
Capital investment, thsd EUR	33 848	0	
	100%	0%	
Operating expenses, thsd EUR	95 212	0	
	100%	0%	

TURNOVER

According to the issued license, AS Augstsprieguma tīkls is the only electricity transmission system operator in Latvia. Electricity transmission is a regulated public service, the respective revenues and profits of AST are generated in accordance with the "Methodology for Calculating Tariffs for Electricity Transmission System Services" (Methodology). According to the Methodology, the transmission system operator uses a cost allocation model approved by the Public Utilities Commission (hereinafter - PUC), the company's profit consists of the allowed revenues that cover the economically justified costs related to the transmission services. According to the cost allocation model agreed with PUC, all the Company's cost and revenue items are included in the electricity transmission tariff, respectively, all the Company's revenue and operating costs are attributed to electricity transmission services.

Electricity transmission (NACE code 35.12) is included in the taxonomy and technical examination criteria have been developed for it, thus the economic activity of AS Augstsprieguma tikls is a taxonomic activity (100%) in accordance with Regulation 2021/2139 (clause 4.9).

The turnover belonging to the taxonomy is determined in accordance with the amount of

CAPITAL INVESTMENT

TheCompanymakescapitalinvestmentsintheassetsof theelectricitytransmissionsysteminaccordancewith thedevelopmentplanapprovedbythePublicUtilities Commissionforaperiodof10years.In 2021, investments in the transmission system were made in accordance with the "Electricity Transmission System Development Plan 2022-2031", which has been approved by the decision of the Public Utilities Council of 14 October 2021 and the annual capital investment plan approved by the Company's Board and Council. Detailed information on the Company's investments is available in the Management Report of the Company's financial statements for 2021, as well as on the Company's website

https://www.ast.lv/lv/content/elektroenergijas-

OPERATING COSTS

Operating costs reflect our costs necessary to provide the functions of the electricity transmission system operator. Operating expenses cover noncapitalized costs related to the maintenance and servicing of the company's assets and are necessary for the efficient and sustainable provision of the transmission service.

The operating costs related to the taxonomy have been determined in accordance with the Company's financial statements for 2021 and are necessary for the efficient and sustainable provision of the transmission service.

The operating costs related to the taxonomy have been determined in accordance with the Company's financial statements for 2021 revenue in the Company's 2021 financial statements. Detailed information on the Company's accounting policies for revenue recognition in accordance with International Financial Reporting Standards is provided in the Company's 2021 financial statements in Note no. 2.11.

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The amount of capital investments belonging to the taxonomy has been determined in accordance with the amount of investments in 2021 specified in Notes 10.1 and 10.2 to the Company's 2021 financial statements.

Capital investment includes capitalized borrowing and project management costs. Detailed information on the Company's accounting policy for accounting for capital investments in accordance with International Financial Reporting Standards is provided in the Company's 2021 financial statements in Note no. 2.3.