
AS “AUGSTSPRIEGUMA TĪKLS”

GREEN BOND FRAMEWORK

AUGUST 2021





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FOREWORD

Green future is created today. Working towards sustainable and green future is not something that should be procrastinated until sometime in the next decade or left for future generation, the outlook of our future solely depends on the decisions and actions that are taken now. As a government owned and regulated company, we have a responsibility towards people in Latvia to lead by example and play our role in supporting the goal of Latvian government - to become carbon neutral by year 2050.

AS Augstsprieguma Tīkls (hereinafter - AST) is the sole independent electricity transmission system operator (hereinafter - TSO) of the Republic of Latvia and our mission is to ensure continuous, reliable and sustainably effective power transmission throughout Latvia.

Sustainable, prosperous future for the people of Latvia and European Union and availability of stable, clean electricity is vitally important. Our vision is to become the leading transmission system operator in the region that is implementing and developing changes in a timely and successful manner.

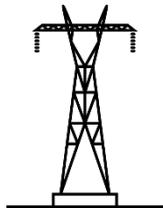
Long term strategic objectives of AST are aligned with the objectives set by the Sustainable Development Strategy of Latvia until 2030, the National Development Plan for 2021-2027, as well as the National Energy and Climate plan for 2021-2030. In upcoming years, until 2030, AST plans to invest 400 million EUR in various infrastructure projects - Baltic region electricity grid synchronization and further integration with Europe's network; reconstructions of existing substations and transmission lines to improve system efficiency, capacity and robustness; connections of planned renewable generation capacities to the network - to prepare for the further electrification of Latvia's economy and the challenges that comes with it.

By issuing Green Bonds, AST will acquire the necessary means to re-finance existing projects, realize new projects and give future oriented investors an opportunity to allocate their capital in a responsible, sustainable way that helps to build brighter and better future for tomorrow. We are proud to play such an important role in Latvia's green future and with this Green Bond Framework, we invite you to be part of our story.

Gunta Jēkabsone
Chairperson of AST Board



FACTS ABOUT AST



5'613 km

TRANSMISSION LINES

BBB+

LONG-TERM
CREDIT RATING

S&P Global Ratings



REGULATED
PUBLIC
SERVICE
PROVIDER



546

EMPLOYEES



906 million

IN ASSETS 2020



67 million

CAPEX 2020



SUSTAINABILITY
INDEX PLATINUM
AWARD



140

SUBSTATIONS



OWNED BY MINISTRY
OF FINANCE OF THE
REPUBLIC OF LATVIA

42.3 million

EBITDA 2020

8'710 GWh

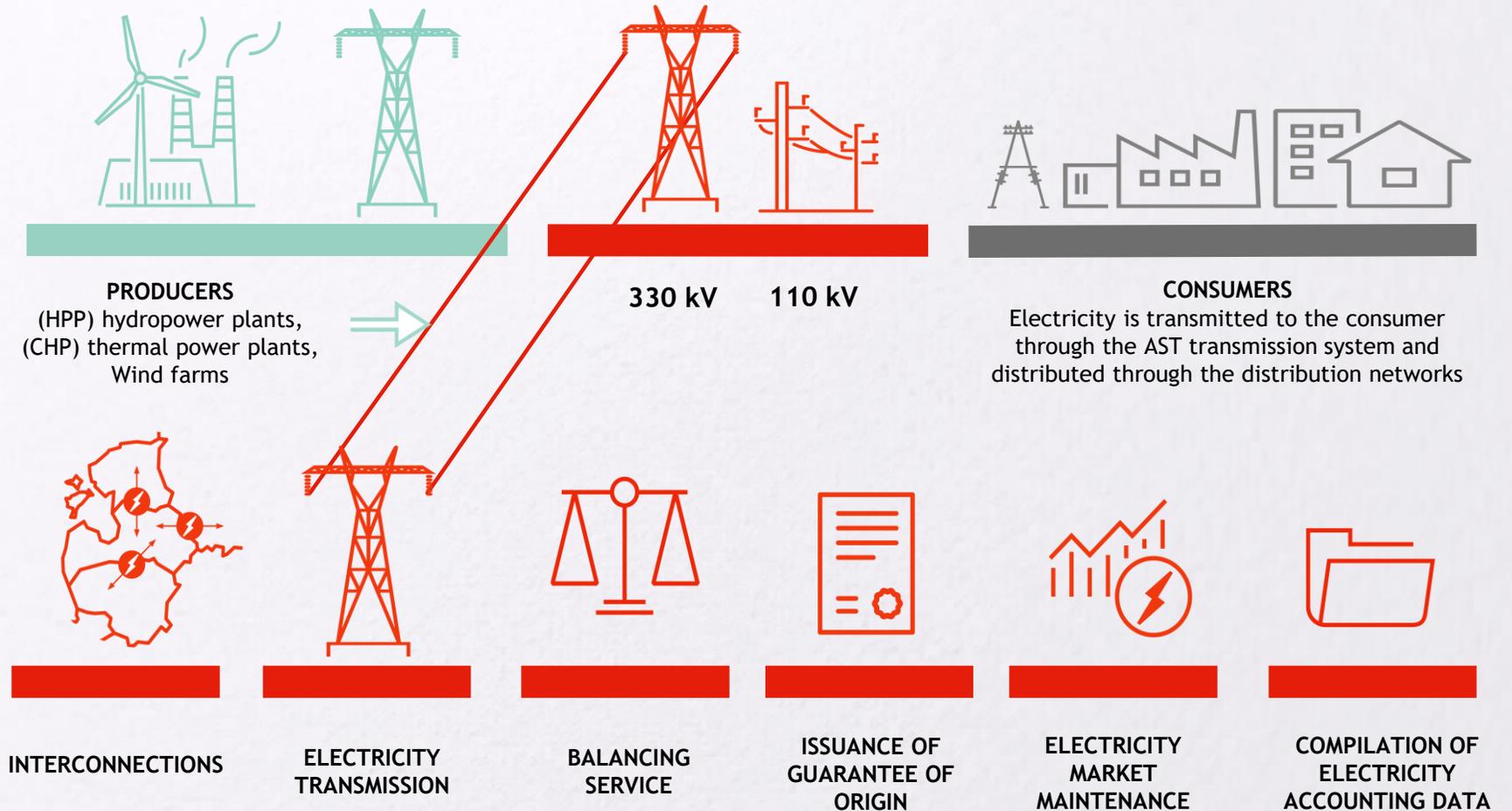
TRANSMITTED
ELECTRICITY 2020

WHAT WE DO

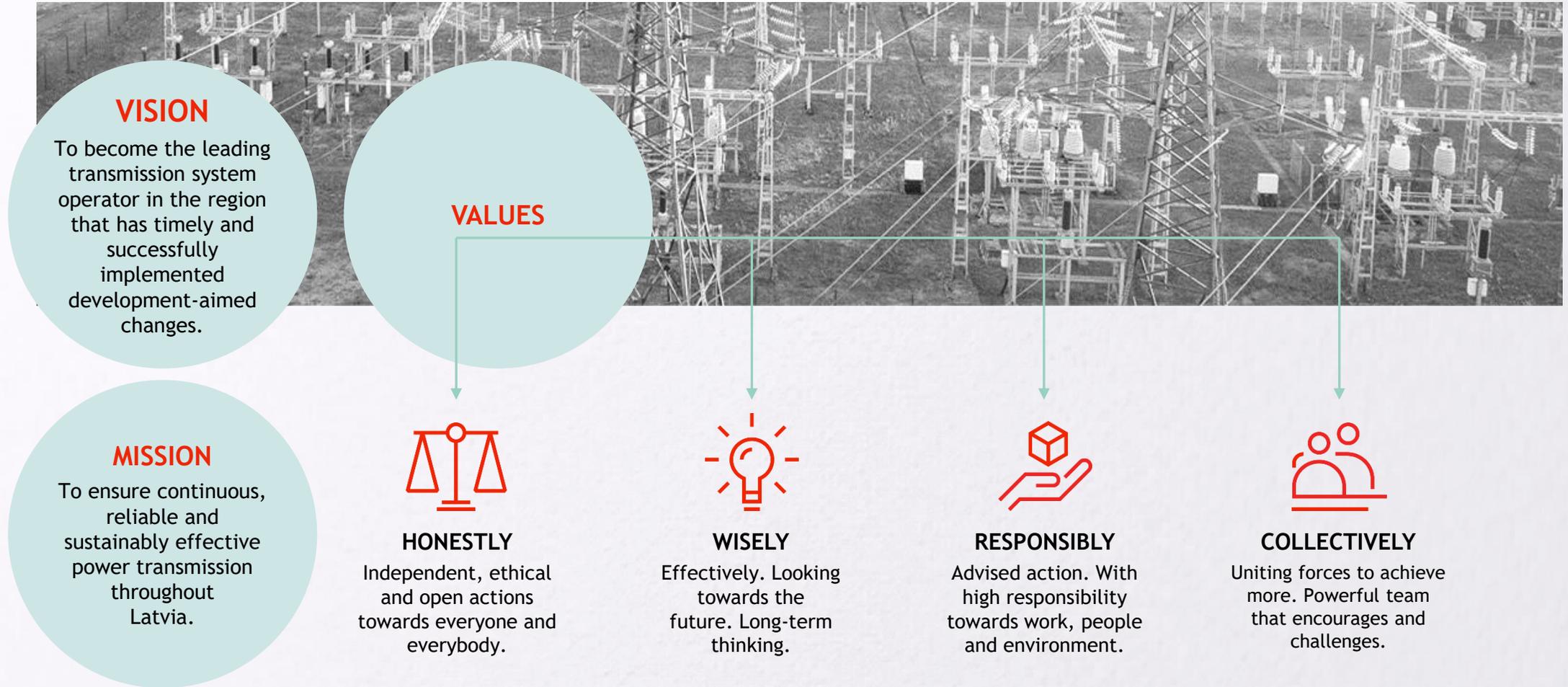
Overall strategic goals

To ensure the security of energy supply in Latvia, to provide a continuous, high-quality and affordable energy transmission service.

To implement sustainable management of energy transmission assets of strategic importance to the country and to facilitate their integration in the internal energy market of the European Union.



VISION, MISSION, VALUES



AST SUSTAINABILITY CONTRIBUTION – UN SDG ALIGNMENT

Latvia has a strategic goal to become carbon neutral by 2050 and having robust, high-capacity electricity transmission infrastructure is a key asset to achieve that goal. AST mission is to ensure the security of energy supply of Latvia, to provide a continuous, high-quality and affordable energy transmission service, also to implement sustainable management of energy supply assets of strategic importance to the country and to facilitate their integration in the internal energy market of the European Union - main pillars of achieving carbon neutrality in Latvia by 2050.

HIGH PRIORITY



Provide access to safe, sustainable, energy for affordable price:

- Provide continuous, stable, high quality energy transmission service without interruptions, connectivity to renewable electricity sources
- Sustainable, long-term oriented asset management
- Electricity market development, maintenance, optimization
- Continue investment to minimize loss of transmission and increase efficiency the overall grid
- Acquired ISO 9001 certificate



Develop sustainable infrastructure, accelerate sustainable industry and innovation development:

- Transmission infrastructure development, digitalization of systems that allows to increase its efficiency and cost reduction
- Participation in innovative international R&D projects
- Synchronization with continental Europe and promote electricity trading between countries and provide electricity to Rail Baltica



Act proactively, to counter climate changes:

- Acquired ISO 14001 and ISO 50001 certificate
- Providing infrastructure for renewable energy production
- Disconnection plans from Russia, Belarus fossil intensive energy sector and focusing on Nordic renewable energy production
- Transmission network efficiency investments, lowering consumed resources for operative purposes

MEDIUM PRIORITY



Balanced consumption:

- Recycling of used oil in electric transformers (52 m3 in 2020)
- Recycling of used materials wherever it is possible or proper utilization of them to minimize the consumed resources
- Active communication with society about price changes in the electricity market



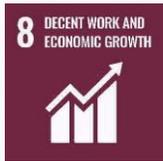
Equal treatment and opportunity availability within the company:

- AST believes in equality of opportunity and attitude, inclusion of culture and gender, helps to bring innovation and growth for the company and society.



Making sure to minimize negative effect on environment:

- Whenever possible, utilize already existing overhead line pathways to minimize affected land/forest area
- Use of underground cables in highly urban areas, to minimize the impact on the scenery and architecture
- Legacy pollution in substations is cleared out from any oil product contamination, asbestos, replacing with cleaner solutions
- Bird protection policy to avoid loss of life



Provide safe, productive environment to work and succeed:

- Requesting good, sustainable work conditions from all the suppliers working with AST
- Acquired ISO 45001 certificate
- Ministry of Welfare awarded AST with Family-Friendly Merchant status
- Awarded as Top50 Employer in Latvia 2020 by CV-Online competition



Transparent relationships:

- Openness and collaboration between stakeholder countries
- Participation in international energy sector related projects
- Company policy is to address all involved stakeholders with respect and equality, trying to match their needs as best as possible

BASIS OF AST GREEN BOND FRAMEWORK

In line with AST's mission to ensure continuous, secure, and sustainably efficient electricity transmission throughout Latvia, we have established Green Bond Framework in alignment with four core components of the International Capital Markets Association ("ICMA") **Green Bond Principles ("GBP") 2021**¹. The aim of this Green Bond Framework (the "Framework") is to define a clear process and disclosure for the issuance of Green Bonds which investors, banks, second party opinion providers, external auditors, arrangers, and others may use to understand the scope of any given Green Bonds issued by AST.

The International Capital Markets Association Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green financing instruments. The AST Green Bond Framework follows the ICMA Green Bond Principles 2021 edition, which provides guidelines in the form of four core components:

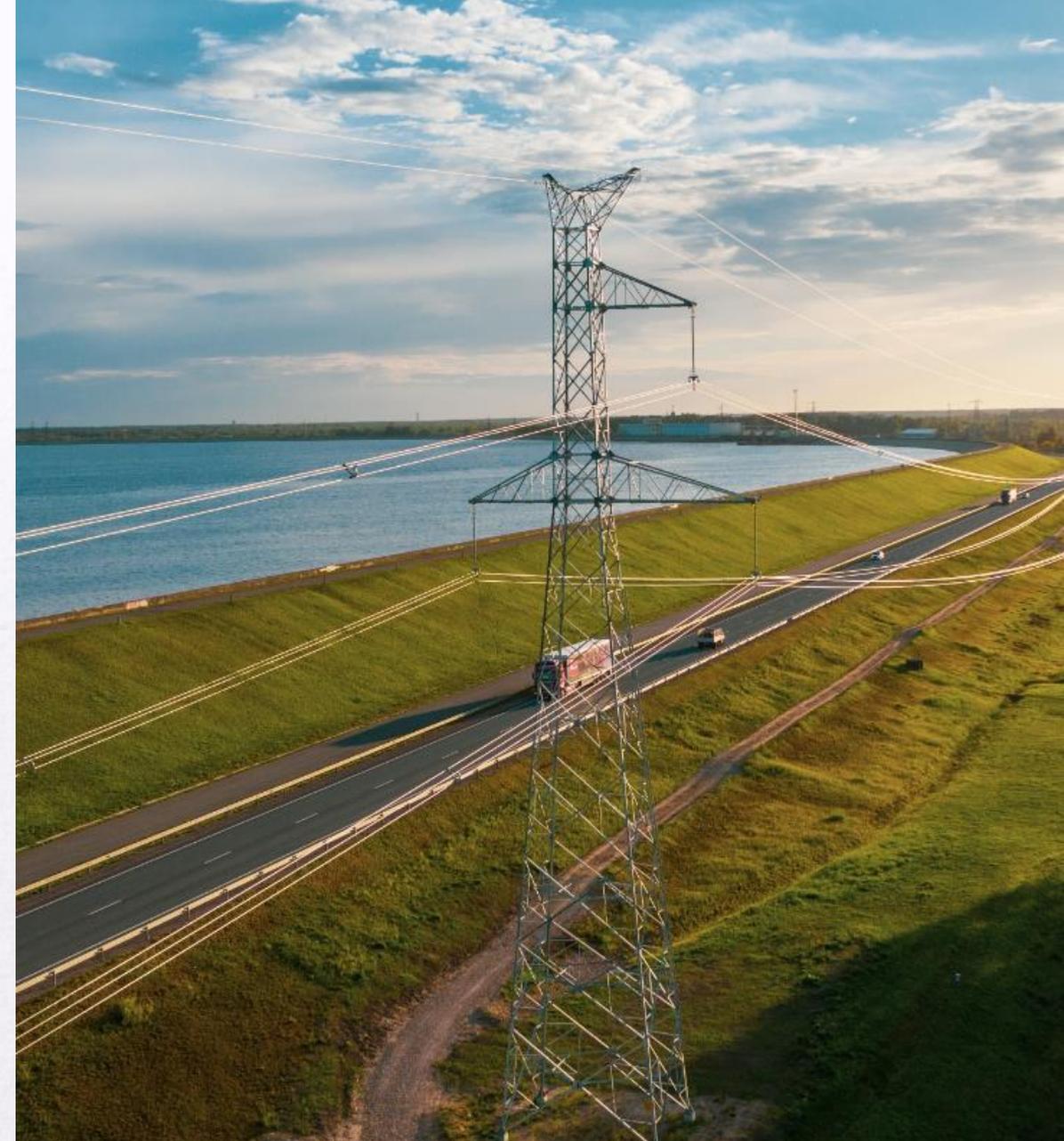
1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

AST hereby assures to adopt abovementioned four core components of GBP when issuing Green Bonds to finance and / or refinance projects promoting environmental development. In addition, the Framework also follows the recommendations of the GBP regarding External Review.

The Framework is conducted with the intention to continuously follow developments in EU Taxonomy, EU Green Bond Standards, and other Industry standards. Therefore, this Framework may be in the future subsequently amended or updated as regulations and green finance standards continue to evolve.

AST will use this Framework as a basis document until all the Green Bonds have matured or fully paid back to the noteholders. AST may also amend this Framework from time to time to include additional Project Categories for future issuances. Any future updated version that may exist will be re-assessed by the external review provider(s) and will maintain or improve the current disclosures.

¹ [Green Bond Principles Voluntary Process Guidelines for Issuing Green Bonds, June 2021](#)



CORE COMPONENTS OF GREEN BOND FRAMEWORK

Use of proceeds

An amount equivalent to the net proceeds from AST's Green Bonds will be used to finance or re-finance, in part or in full, Eligible Green Projects providing distinct environmental benefits in accordance with the below defined main categories:

Eligible Green Project Category	Description of Eligible Projects	EU Taxonomy Environmental Objectives	UN SDGs
Renewable Energy	Kurzemes Ring 330 kV transmission line in west side of Latvia allows to connect future wind generation capacity. 3 rd EE-LV connection allows higher capacity import from renewable intensive SE/NO region	<p>Climate change mitigation</p> <p>The transition to circular economy</p>	  
Energy Efficiency	330 kV lines are more power efficiency than 110 kV lines, especially when using higher capacity conductors. Renovated substations increase the grids efficiency and reduce technological losses	<p>Pollution prevention and control</p> <p>Climate change adaptation</p> <p>Climate change mitigation</p>	  
Quality, security and resiliency of electricity transmission Infrastructure	EU synchronization project allows to increase robustness for the system, being less vulnerable to any sudden spikes or drops in electricity supply, allowing to disconnect from BRELL network by 2025	<p>Climate change adaptation</p> <p>The transition to circular economy</p>	   

Exclusion

The net proceeds of AST's Green Bond issuances will not be used to finance fossil fuel energy generation and nuclear energy generation.

Project evaluation and selection

AST is committed to high standards in environmental and social matters. AST selection and evaluation of Eligible Green Projects is aligned with AST Environmental Policy and Corporate Social Responsibility Policy which are included in Company's Sustainability Report and published annually.

As such, all of AST Eligible Projects are subject to internal environmental and social risk assessment procedures. AST may additionally examine the environmental and social risks with the help of external independent specialist firms in order to be aligned with applicable EU environmental and social policies.

The evaluation and selection process for Eligible Green Projects is a key process in ensuring that an amount equivalent to the net proceeds from Green Bonds is allocated to assets and activities which meet the criteria in the Framework.

All expenditures and capital investments are approved in accordance with the general policies of the Company. Until full allocation of proceeds from Green Bonds, in accordance with the internal procedure on implementation of the Framework, the Quality Management department together with the Treasury department once a quarter will analyze the projects of the Company and recommend projects that comply with Eligible Green Projects criteria and thus shall be financed from proceeds of the Green Bond. The quarterly list of the Eligible Green Projects will be approved by a Member of the Board.

A list of allocated Eligible Green Projects is kept by the Treasury Department, and AST's Treasurer is responsible for keeping this list up to date. The list of Eligible Green Projects is monitored on a regular basis during the term of the Green Bond to ensure that the proceeds are fully allocated to Eligible Green Projects.

CORE COMPONENTS OF GREEN BOND FRAMEWORK

Management of Proceeds

All Green Bonds issued by AST will be managed on a portfolio level. This means that a Green Bond will not be linked directly to any predetermined Eligible Green Projects. The company will keep track and ensure there are sufficient Eligible Green Projects in the portfolio. Projects can, whenever needed, be removed or added to/from the Eligible Green Projects portfolio. Net proceeds from AST's Green Bonds will be credited to a designated sub-account in order to be tracked in an appropriate manner. Any unallocated proceeds temporary held by AST will be placed in liquidity reserves.

Reporting

To be fully transparent towards the Green investors and other stakeholders, AST commits to report on allocation of proceeds from Green Bonds and associated impact metrics on an annual basis until no Green Bonds are outstanding. Green Bond report will be published as part of Sustainability and Annual Report and will be made available on the company's website. The Green Bond report will include: (i) Total amount of Green Bonds issued; (ii) Share of proceeds used for financing/refinancing; (iii) Share of proceeds used for categories described in Use of Proceeds Share of allocated proceeds; (iv) Examples of the relevant Eligible Green Project.

Where feasible, AST will intend to report environmental metrics associated with the Eligible Green Projects. Examples of criteria that may be used:

1. Energy Transmission Efficiency:

1. Estimated MW saved annually
2. Estimated tCO² saved annually

2. Renewable Energy

1. Access to or newly made connections to Renewable generation capacity (MW)

3. Quality, security and resilience of electricity transmission Infrastructure

1. Number of disconnections with a goal to minimize it
2. Frequency stability (incidents when out of normal)



CORE COMPONENTS OF GREEN BOND FRAMEWORK

Second Party Opinion

On August 4th, 2021, AST appointed Standard & Poor's Financial Services LLC (S&P) to provide Sustainable Finance External Opinion on its Green Bond Framework. S&P Green Bond Framework Alignment Opinion provides a second opinion on alignment of a green Bond framework with the International Capital Markets Association's (ICMA's) "Green Bond Principles 2021". The Second Party Opinion is available to investors on AST website.

Verification

In order to provide high level of transparency, AST may request on an annual basis, starting one year after issuance and until maturity of the Bonds, a limited assurance report on the allocation of the Bond proceeds, provided by its external auditor or other third party.



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