



CORPORATE GOVERNANCE REPORT 2022

Prepared in accordance with Article 56² of the Financial Instruments Market Law

2023, Riga

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STATEMENT BY THE MANAGEMENT BOARD

JSC VEF (hereinafter referred to as VEF) The Corporate Governance Report for 2022 (hereinafter referred to as “the Report”) is prepared on the basis of the requirements of Section 56 ² of the Law on the Markets in Financial Instruments and in line with the “Corporate Governance Code” issued by the Advisory Board of the Ministry of Justice in 2020.

The principles of corporate governance are applied to the activities of VEF, and the management of the company is guided by them. The report shall provide information on the principles that the company complies with in its activity in full, in part or in part, and the circumstances justifying it.

The report is published in the financial statement audited by the VEF for 2022 as part of the annual report and is available on the website of the VEF, as well as on the website of Nasdaq Riga and in the centralized storage system of information regulated by the FCMC.

The report was approved at the Board meeting on 24 March 2023.

Chairman of the Board

Gints Fenuks

Member of the Board

Tamara Kampane

Member of the Board

Martins Cauna

MANAGEMENT STRUCTURE

Management structure of JSC VEF

- Shareholder meeting (elects the Council)
- Council (elects the Board)
- Board (manages the Company)

The Council also performs the function of the Audit Committee in accordance with the decision of the shareholders' meeting.

MANAGEMENT REGULATORY DOCUMENTS

The establishment and operation of JSC VEF administrative institutions is regulated by:

- Articles of Association
- Council regulations
- Regulations of the Board

ENTERPRISE STRATEGY

Principle # 1

The Company's Management Board develops an annual development strategy, which sets out the company's tasks, which promotes the company's capital growth and further development, which is monitored by the Council.

INTERNAL CULTURE AND ETHICAL BEHAVIOUR

Principle # 2

The company has adopted and implemented a standard of internal cultural and ethical behavior, as well as external communication, which serves as behavioral and communication guidelines for the management and employees of the company, supervised by the Board and the Council.

INTERNAL CONTROL SYSTEM, RISK MANAGEMENT AND INTERNAL AUDIT

Principle # 3

VEF internal control system is provided by the Management Board, which is supervised by the Council.

The Council, once a year, evaluates the effectiveness of the internal control system.

Principle # 4

The Executive Board of the company identify, assess and monitor the risks associated with its activities, in cooperation with the Council of the Company.

On the basis of an assessment of the identified risks, the Management Board implements risk management measures.

Once a year, or as required, the Supervisory Board reviews the Board's reports on risk management measures.

Principle # 5

The Council of VEF carry out an internal audit function which evaluates the company operation of the undertaking independently and objectively.

The auditor shall inform the Board and the Council of the results of the audit and recommended actions for the correction of deficiencies, if any.

EXTERNAL AUDITOR

Principle # 6

The company has an independent external auditor with the appropriate qualification.

The period of engagement of one auditor with the company doesn't exceed seven years.

ELECTION OF MEMBERS OF THE COUNCIL

Principle # 7

The company shall ensure transparent procedures for the election and removal of board members.

The company shall provide timely information to the company's shareholders for board members directed for election.

A member of the VEF Council shall be elected for a period of not more than three years.

Principle # 8

The members of the Council have appropriate experience and competence.

The members of the Council as a whole have the skills, experience and knowledge, including, but not limited to, the sector concerned, in order to fully fulfil their duties.

Both sexes are represented in the Council.

Principle # 9

Taking into account the VEF shareholder structure, the Governing Council of the Company shall not be independent members of the Council.

Before the Governing Council elections, an evaluation of the independence of the members of the Council shall be carried out from a conflict-of-interest point of view, in accordance with the information available.

PRINCIPLES FOR DETERMINING THE REMUNERATION OF THE COUNCIL AND THE MANAGEMENT BOARD

Principle # 10

The remuneration policy has been implemented in the company

The VEF has a remuneration policy developed by the Governing Board, reviewed by the Council and approved by the shareholders' meeting.

In 2020, the company has developed and approved remuneration policy for the members of the Governing Board and the Council. It was approved at the

Company shareholders meeting on 27 July 2020. The remuneration policy is available on the Nasdaq site of AS and in the centralized storage system of the information regulated by the FCMC.

The amount of the remuneration is determined by assessing the characteristics of companies - turnover, assets and number of employees.

Members of the Council shall not be remunerated or shall not pay any compensation in the event of withdrawal or leaving office.

The company does not foresee remuneration systems in which shares or their options are to be remunerated.

The Management Board prepares annually report on the remuneration allocated to each existing and former member of the Management Board.

The remuneration report shall be prepared as an annex to the annual accounts of the Company and shall be submitted for evaluation and approval at the Company shareholders meeting. After its approval, it is published together with the annual report on the website of AS Nasdaq, as well as in the centralized storage system of the information regulated by the FCMC.

ORGANISATION OF THE COUNCIL'S WORK AND DECISION-MAKING

Principle # 11

The company has a clear and understandable organization of the work of the council

The Council organizes its work in accordance with the rules of the Council and the working calendar.

The Council shall hold at least 4 meetings of the Council per year, one of which shall be the meeting of the Council on the strategy of the undertaking and its implementation, as well as on the self-assessment of the work of the Council.

Principle # 12

The Council makes well-considered and balanced decisions

Information prepared by the Governing Board for decision-making pursuant to the Rules of Procedure of the Council, full information relating to matters to be discussed at the Council meeting, shall be prepared and transmitted by the Governing Board in good time before the Council meetings.

The Council shall determine the procedures for access to information, as well as the right to request information from the Management Board necessary for the adoption of decisions by the Council.

The Council's Rules of Procedure lay down the procedures for access to information and the right to request full information from the Governing Board.

The Council, makes decisions assessing the risks and their impact on the value, sustainability and development of the company, based on short - and long-term objectives, for their optimal achievement.

PREVENTION OF CONFLICT OF INTEREST

Principle # 13

The members of the Executive Board and the Governing Council shall be aware of the signs of a conflict of interest and shall be informed of the necessary action to avoid a conflict of interest.

The Council of VEF has defined the characteristics indicating a conflict of interest in the undertaking and shall define the prevention of a conflict of interest.

The specific members of the Council and/or the Governing Board shall not take part in decision-making on matters in which the interests of the undertaking are contrary to the interests of the Council or of the members of the Governing Board or of the persons concerned.

In the event of a conflict of interest established, the person concerned shall be required to refrain from participating in the examination of the specific issue and taking the decision. This condition is included in the activities of the Executive Board and the Governing Council.

An undertaking must assess each situation by taking a documented decision, if necessary.

So far, no reports have been received suggesting a potential conflict of interest situation in the company.

SHAREHOLDER MEETING

Principle # 14

The company shall provide shareholders with full information on the convening and conduct of the shareholders' meeting on time, in accordance with the procedures prescribed by law and regulatory enactments.

The company shall provide the shareholders with information on the dates, time, place, agenda and voting procedures of the shareholders' meeting, as well as on any related changes, if any, after the initial announcement, in accordance with the procedures and terms prescribed by law.

With the announcement of a general meeting of shareholders, the company shall provide shareholders with full information on the conduct of the meeting and the planned issues for consideration and approval, draft decisions to be voted on at the meeting, and shall inform the shareholders of any additional draft decisions submitted, if any, from the individual shareholders.

Shareholders have the opportunity to submit questions on the issues included in the agenda and draft resolutions before the shareholders' meeting.

Principle # 15

The VEF supports the involvement of shareholders in decision-making and the maximum participation of shareholders in shareholder meetings.

The annual meeting of shareholders shall be convened and held in a place accessible to shareholders, at the premises of the company, at the exact time announced.

Annual shareholder meetings shall be convened and held following audits of the company's previous annual financial results report by an independent auditor and approval by the company's Board.

An extraordinary shareholder meeting may be convened and held if necessary.

The company shall provide remote arrangements for the organization and conduct of the shareholder meeting, with the possibility of a written vote, prior to the meeting.

In view of the circumstances of the Covid-19 pandemic, shareholders, their representatives, members of the Management Board, the Council and the Audit Committee, as well as the representatives of the auditor, attended the

general meetings in 2020 and 2021. Shareholders were given a written vote before the meeting.

By setting the agenda for a shareholder meeting, the company enables shareholders to express their views during the meeting, ask and receive information, for decision-making.

The VEF ensures the availability of draft decisions at least 14 days before the meeting in both Latvian and English, this information is published on the websites of the company, AS Nasdaq and FCMC.

Shareholders may also receive information prior to the meeting, contact information, receipt of information, available on the company's home page and published material.

An auditor, members of the Governing Board and the Council have participated in the regular meeting.

The current shareholder meeting takes decisions in line with the draft decisions announced in the past.

At the company's shareholder meetings, decisions have been taken in accordance with the previously announced draft decisions, these decisions being made publicly available.

Principle # 16

The company has not developed a dividend policy, because according to the concluded credit agreements, the payment of dividends is not planned in the medium term.

TRANSPARENCY OF THE BUSINESS

Principle # 17

The company regularly informs shareholders about the company's business results, current management issues and other significant issues.

VEF timely discloses accurate and objective information to all shareholders simultaneously and to the same extent.

As a long-term regulated market participant, the VEF shall ensure the simultaneous publication of information on the websites of Nasdaq and Company, as well as in the information system maintained and regulated by the FCMC, by publishing current information in Latvian and English, informing each quarter of the company's financial position and management topics.

Where necessary, reports shall be made more frequently in compliance with regulatory requirements.

The company fully provides equal opportunities for all shareholders, none of the shareholders has any special control rights or voting rights restrictions.