

Corporate Governance Report 2020

The statement of joint-stock company Attīstības Finanšu Institūcija Altum (Development Finance Institution Altum, hereinafter – Altum), unified registration No. 50103744891, *On corporate governance in 2020* is prepared in accordance with the requirements of Section 56.2 Paragraph three of the *Financial Instruments Market Law* and based on the good corporate governance recommendations for capital companies in Latvia, developed by the Corporate Governance Advisory Council (*Corporate Governance Code*, January 2021). The recommendations have been developed taking into consideration the requirements set for companies in the laws and regulations of the Republic of Latvia, as well as good governance recommendations of the Organization for Economic Co-operation and Development. The Corporate Governance Report also covers ESG aspects based on the Nasdaq ESG Reporting Guide 2.0 (May 2019).

Altum Group (Altum and the total of companies included in the consolidation group, hereinafter referred as the Group) parent company is a Latvia state-owned company ensuring access of enterprises and households to the financing resources by means of support financial instruments - loans, guarantees, investments in venture capital funds - in areas defined as important and to be supported by the state, thus developing national economy and by such way enhancing mobilization of private capital and financial resources.

Strategy 2019 - 2021

On 30 May 2019, Altum Council approved Altum's *Medium-Term Operational Strategy 2019-2021*.

Since March 2020, as delegated by the government, Altum has engaged actively in mitigating the adverse impact of Covid-19 pandemic on SME and Midcaps in Latvia by developing new financial support instruments. Altum takes pillar role for providing Covid-19 financial instruments (excl. standstill grants) – loans and guarantees in Latvia. In co-operation with the Ministry of Economics new financial support instruments were developed effective as of 25 March 2020 and already co-ordinated with the European Commission.

In spring another financial instrument alternative investment fund "Altum Capital Fund" was created with the aim to support well-managed, perspective Mid-cap companies to overcome the effect of Covid-19 that as a result of the virus impact are ready to adjust their operations by changing their business model, adjusting product development, introducing new technology and expanding to new export markets.

Total capital injection in Specific Reserve capital to ensure Covid-19 financial instruments to SME and Midcaps reached EUR 145 million during 2020 for respective funding needs and expected credit loss.

Therefore the *Medium-Term Operational Strategy 2019-2021* was amended to determine new projected performance indicators by implementing additional state aid programmes to mitigate the impact of Covid-19 on SME and Midcap in Latvia, which were not previously included in the strategy. Furthermore, the risk coverage for these financial instruments is arranged by transferring funds to Altum's special reserve capital, which provides for an increase in equity, while programme expenses, including credit risk provisions in accordance with IFRS requirements, as well as programme revenues affect the financial results for the reporting period. On 11 March this year, Altum Council approved these amendments to Altum's *Medium-Term Operational Strategy 2019-2021*.

The following strategic development directions and long-term objectives are set in the approved JSC Development Finance Institution Altum *Medium-Term Operational Strategy 2019-2021*:

<ul style="list-style-type: none"> Major financial objective in implementation of the state aid programmes – positive return on Altum's capital. 	<ul style="list-style-type: none"> Priority directions of Altum are: issuing of guarantees and their servicing, venture capital investments, implementation of energy efficiency programmes with regard to both – heat insulation of apartment buildings and corporate segment, development of the Latvian Land Fund as well as initiation of new projects by expanding the range of the financial instruments offered.
<ul style="list-style-type: none"> Major non-financial objective is to support and promote availability of finances to the business and development of the national economy. 	<ul style="list-style-type: none"> Main target segments: support for entrepreneurs, energy efficiency, support for farmers, support for specific categories of persons, management of the Latvian Land Fund.

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Detailed information on implementation of financial objectives is disclosed in the Consolidated and Separate Annual Report for the year ended 31 December 2020 (hereinafter - the Annual Report), Management Report and in the Annual Report Other Notes. On achievement of non-financial objectives set in the Strategy for 2020, which were included in the original version of the *Medium-Term Operational Strategy 2019-2021* and in the amended Strategy, taking into consideration the additional financial instruments utilized by Altum to mitigate the effects of Covid-19 on the SME and Midcap segment in Latvia, see below.

- **Contribution to economy by Altum volumes issued** in 2020 reaches **EUR 696 million** (+EUR 73 million/+12% vs original projection in the Strategy (30.05.2019); +EUR 11 million/+2% vs projection in the amended Strategy (11.03.2021); +EUR 164 million/+31% vs 2019).
- **Volume of support programmes funding (excl. grants) per employee** is **EUR 3.8 million** (+EUR 0.3 million/+9% vs original projection in the Strategy; +EUR 0.2 million/+6% vs projection in the amended Strategy; +EUR 0.8 million/+27% vs 2019).
- **Employee turnover** is **3%**, which is less than projected in the original and the amended versions of the Strategy (<10%), -4% vs 2019.
- Annual **number of trained employees** reaches **95%**, which is more than projected in the original and the amended versions of the Strategy (>60%), +11% vs 2019.
- **Volumes issued (excl. grants)** in 2020 reaches **EUR 318 million** (+EUR 111 million/+54% vs original projection in the Strategy, with minor deviation of -EUR 17 million/-5% vs projection in the amended Strategy, +EUR 130 million/+69% vs 2019).
- **Gross portfolio** as at end of 2020 is **EUR 804 million** (+EUR 147 million/+22% vs original projection in the Strategy, with minor deviation of -EUR 24 million/-3% vs projection in the amended and enhanced Strategy, +EUR 187/+30% vs 2019).
- **Credit rating assigned by Moody's** projected, both in the original and in the amended and enhanced Strategy, not more than two niches below the sovereign rating of Latvia (A3 by Moody's), actual for 2020 (same for 2019) is **Baa1** (one niche below the sovereign rating of Latvia), better than projected.

The achieved non-financial targets' deviations from the original projections in the Strategy (30.05.2019) are positive. Deviations of individual indicators from the projections in the amended and enhanced Strategy (11.03.2021) are insignificant, and they have not adversely affected implementation of the key objectives and strategy of Altum.

Information on the key elements of the internal control and risk management system of Altum that are applied in the preparation of the financial statements

Internal control

The purpose of the internal control system is to provide a reasoned assurance that the assets of Altum and the Group are secured against loss and unauthorised management and use, the operational risks are identified and managed on an ongoing basis, the amount of capital is adequate to cover the identified risks inherent in the operation of Altum and the Group, the transactions are performed in line with the procedures established by Altum and the Group, Altum and the Group operate reasonably, prudently and efficiently in compliance with the requirements of laws and regulations, and the drawbacks identified in the management of Altum and the Group are fixed in due time.

The management of Altum and the Group bears responsibility for establishing a comprehensive internal control system (ICS) and its effective functioning. With respect to preparing the financial statements and the truthfulness, impartiality, clarity and completeness of the information disclosed therein, this responsibility is materialized by selecting adequate accounting methods that are described in internal regulatory documents.

The Internal Audit Division, being an independent body subordinated to Altum's Council with its head appointed based on the decision of Altum shareholders' meeting, supervises the internal control system at Altum and the Group and assesses its adequacy and efficiency. Every year the shareholders' meeting approves the annual action plan for the internal audit about which the Internal Audit Division reports to the Council. The Council supervises how the Board provides for establishment of the internal control system and its efficient operation. The reports on the results of the internal audits and functioning of the management and control system produced by the Internal Audit Division are submitted to the Council. At least once a year the Internal Audit Division drafts and submits to the Shareholders' meeting a report on the accomplished audits and major problems identified, gives its assessment of ICS efficiency and opinion on the measures to be undertaken to improve the operation of the internal control system. An Audit Committee has been established in Altum and the Group, which, inter alia,

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monitors the efficiency of the internal control and risk management system, in as much as it pertains to maintaining the credibility and impartiality of annual reports and consolidated annual reports. The Audit Committee, in line with the requirements of Law on the Financial Instruments Market, monitors the process of the preparation of financial statements of Altum and the Group, and performs other duties assigned to it by laws and regulations. The Internal Audit Division performs its duties in accordance with the applicable laws and regulations, the international standards for the professional practice in internal auditing and the internal regulations of Altum and the Group.

An Accounting Policy and Policy on Establishment of Provisions have been developed in Altum and the Group, the purpose of which is to define principles, methods and rules for the accounting, assessment and disclosure of transactions, facts, events and items in financial statements. The management of Altum and the Group has established an accounting policy that ensures that the financial statements provide information that is reliable and useful for the users of such statements in decision-making. The applied Accounting Policy and Policy on Establishment of Provisions ensure that the information disclosed in the statements of Altum and the Group is true, comparable, timely, significant, explicit, relevant and complete. Altum and the Group have developed internal regulatory documents defining the procedure of preparing the financial statements.

Risk management

For risk management, Altum and the Group have developed a risk management system that takes into account the size, structure and operational characteristics of Altum and the Group, as well as restricted options for management of certain risks. Altum and the Group manage the risks affecting their operations in compliance with the risk management internal regulatory documents approved by Altum and the Group that detail and establish the aggregate of measures used in management of the risks inherent to their operations.

The following major risk management principles are followed:

- Risk management is a component of every-day functions;
- Altum and the Group identify and assess the probable risks before launching of new products or services;
- While assuming the risks, Altum and the Group are capable of long-term pursuit of the delegated aims and assignments;
- Altum and the Group do not enter into transactions, operations, etc. entailing risks that endanger their operational stability or may result in substantial damage to their reputation.

In their risk management Altum and the Group make use of various risk analysis methods and instruments as well as establish risk limits and restrictions.

Information about the key elements of the risk management system of enterprises involved in consolidation, applied in preparation of consolidated financial statements, is provided in Annual Report.

Annual Report is publicly available in the premises of Altum at 4 Dome Square, Riga and in electronic form – on the website www.altum.lv, in INVESTORS section under FINANCIAL INFORMATION sub-section and in ABOUT ALTUM section under FINANCIAL INFORMATION sub-section.

Independent audit

An independent audit of the financial statements of Altum and the Group is performed by independent auditors who provide their opinion stating whether the financial statements of Altum and the Group give a true and fair view of the financial position, financial performance and cash flows of Altum and the Group in accordance with the International Financial Reporting Standards as adopted by the European Union. SIA Deloitte Audits Latvija has been approved the auditor of the financial statements of Altum and Group for years 2020-2022. Pursuant to the requirements of EU Regulation No 537/2014 regarding the appointment of statutory auditors or audit firms at public-interest entities, Altum Audit Committee was involved in the auditor selection process. The auditor was selected following the procedure established by the Public Procurement Law. The following qualification criteria were considered in selection of the auditor:

- in the last 3 (three) years (2017, 2018, 2019 and 2020 until the submission of the proposal) has had experience of at least 3 (three) audits performed on the annual reports of credit institutions, provided that the balance sheet value of the credit institution's loan portfolio is not less than EUR 200 million;
- holds a licence for provision of the services of sworn auditor;
- the auditor in charge holds the certificate of sworn auditor issued by Latvian Association of Sworn Auditors.
- the tenderer as well as any cooperation partner of the tenderer's network of audit firms (if the tenderer is a cooperation

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partner of a network of audit firms) has not provided Altum or companies it controls in the European Union with non-audit services prohibited under second subparagraph of paragraph 1 of Article 5 of EU Regulation No 537/2014 in the period referred to in first subparagraph of paragraph 1 of Article 5, and the tenderer meets the requirements referred to in Articles 4 and 5 of EU Regulation No 537/2014.

The following criteria were applied to selection of the auditor:

- the most economically feasible offer with the lowest price;
- performance of the contract involves an expert on International Financial Reporting.

ESG aspects - environmental, social and corporate governance.

In its day-to-day operations in implementing State-delegated functions to foster development of the national economy and voluntarily taking the responsibility for its impact on society and the environment, Altum acts in compliance with the organization's strategy and values (Team, Excellence, Responsibility).

Altum uses support financial instruments – loans, guarantees and investments in venture capital funds - to foster development of the national economy in areas defined as important and to be supported by the state, enhancing mobilization of private capital and financial resources. Altum has a long-term vision to attract financing for the purpose of ensuring the availability of resources to finance business projects important for the national economy.

Altum has identified and developed close cooperation with its stakeholders, being aware of Altum's special role in the national economy and the needs of its stakeholders. Altum is aware of and assesses the social, environmental and economic impact of its operations, and engages stakeholders in tackling matters important to both sides. In developing relations with the parties relevant, Altum organizes and is involved in consultations, establishes partnerships, organises informational and educational events.

The efficiency of Altum operations in the long term can only be ensured by adhering to the principle of sustainable business, which consists of three interrelated and equally important aspects of ESG – environmental, social and corporate governance.

Environmental aspect

Altum consistently pursues a continuous cycle of **environmental management** and performance improvement, including by revising long- and short-term environmental performance targets. Our environmental policy expresses our goals and commitment to implementing our activities with the least possible direct and indirect impact on the environment. Altum provides a broad range of support for citizens and businesses to improve energy efficiency. We profoundly believe that sustainability is the future for the people of Latvia, entrepreneurs and ourselves. Altum defines business sustainability as the creation of long-term value, taking into account economic, ethical, social and environmental considerations. Proper environmental management is a good business practice that must be implemented by Altum, our customers and cooperation partners.

Altum focuses on sustainable development and innovative solutions for ensuring financial stability.

Already In 2017 Altum issued bonds as series of notes quoted on Nasdaq Riga for the total face value of EUR 20 million being in compliance with the Green Bond Framework, becoming the first national development institution of the Central and Eastern European countries that has issued the green bonds. In order to assure investors that funding raised by green bonds will be used by ALTUM to invest in environment-friendly projects and help to reach specific environmental objectives, CICERO (Centre for International Climate and Environmental Research, Oslo) prepared an independent opinion on the Green Bond Framework of ALTUM. CICERO recognised that the system of financial management and reporting of the funds acquired as a result of the issue of the notes complied with high standards.

The funding attracted from the issue of the Green Bonds is used to fund sustainable business projects in the fields of energy efficiency, energy generation from renewable energy resources, green buildings and sustainable transportation, including energy service companies (ESCO) that provide services to the companies in these fields. In 2020 the loan volume issued to those projects was EUR 5.4 million, a decrease of EUR 1.3 million as compared to 2019. As the implementation of projects in all these four segments is very time consuming, financing is issued in 9-12 months after a decision is taken on granting the financing. 2020 was a special year because funding was allotted for the first projects in the sustainable transport segment – development of a car sharing fleet of electric vehicles in Latvia and conversion of passenger minibuses from fossil fuels to electric batteries for passenger transportation in one of the largest cities in Latvia. Also in 2020, funding was provided to the first ESCO in the field of renewable energy for the installation of solar panels. The largest share of loans is still issued in the energy efficiency segment that, in terms of the number of projects and financing, is ahead of the renewable energy, sustainable

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transport and green buildings segments, but as the activity in the three latter segments continues to increase, a better balance is likely to be struck. Energy efficiency investment projects are being implemented not only by companies but also in the municipal sector, where solutions for heating systems are mainly implemented. Several ESCO projects in the field of lighting and technology should also be highlighted as the number of such projects continued to rise in 2020. Slowly but irreversibly, Latvian companies are beginning to realize the need for green and sustainable investments, considering not only gains these investments bring to the mitigation of climate change but also to immediate financial benefits of the company by decreased consumption of energy resources and maintenance.

As the development finance institution of Latvia, Altum's impact on the environment is mostly indirect and arises from implementation of customer support programmes. As a state capital company and a financial sector participant, Altum is aware of its important role in achieving the ambitious objectives of the National Energy and Climate Plan 2021-2030. Altum's credit policy, as well as cooperation with other players in the financial sector, is reviewed in line with these challenges.

Even though Altum, as a development finance institution, has a relatively small direct impact on the environment, Altum aims to further reduce its direct impact on the environment. In 2020, we generated 36.1% less CO₂ emissions than in 2018 and 22.4% less than in 2019. We achieved this by improving the energy efficiency of Altum offices, electricity consumption of appliances, renewing the ageing car fleet, as well as improving the daily work schedule so that increasingly more tasks could be performed remotely.

Altum pursues a continuous cycle of environmental management and performance improvement, including by revising long- and short-term environmental performance targets. Environmental management principles and performance in 2020 are available on the Altum website <https://www.altum.lv/lv/par-altum/vides-parvaldibas-principi/>.

Corporate governance

Adherence to the principles of **corporate governance** contributes to value growth of the company in the long term, effective management and transparency. The principles are applicable at all Altum levels, creating a successful system of mutual relations between the Shareholder, the Council, the Board, employees, customers and society. In its day-to-day operations, Altum is engaged in open and trustworthy communication with all involved parties, as well as ensures compliance with Latvian and international legal norms and ethical standards.

Information about management of Altum and Group, representatives of the holders of the capital shares, Audit Committee and administrative structure of Altum is available on Altum's home page www.altum.lv, under section ABOUT ALTUM, sub-section Management and Structure.

Effective 2021, Altum follows the Corporate Governance Recommendations included in the *Corporate Governance Code* (hereinafter – the Code), endorsed by the Corporate Governance Advisory Board of the Ministry of Justice. The Code is available on website https://www.tm.gov.lv/sites/tm/files/media_file/korporativas-parvaldibas-kodekss_0.pdf.

In assessing the compliance of Altum's corporate governance system with the corporate governance principles set out in the Code and observance of these principles in Altum's operations, Altum observes the main aspects of corporate governance principles applicable to its operations, except for the principle "Independent members of the company's council".

Pursuant to Section 7 of the *Law on Development Finance Institution*, the members of Altum Council and Board are subject to the requirements as are provided in the Credit Institution Law for the members of the council and of the board of a credit institution.

The composition and period of operation of Altum Council and Board are determined by the Law on Development Finance Institution. Altum Council is composed of three members. Each shareholder has the right to nominate one candidate for the position of a Council member. Chairperson of the Council is a member of the Council nominated by the Ministry of Finance. Altum Board may not have more than five members. The Council appoints the chairperson of the Board from among the members of the Board. The term of office for the members of the Council and the Board is three years.

The procedure for nominating members of the Board and the Council is provided in the Law on Governance of Capital Shares of a Public Person and Capital Companies.

The holder of State capital shares or the Council of the capital company establishes a nomination committee to evaluate the candidates for members of the Board or the Council. The nomination committee includes representatives nominated by the holder of State capital shares or the Council and the Cross-sectoral Coordination Centre, as well as independent experts and, if necessary, observers with advisory rights.

Potential candidates for Board and Council members are selected by organizing a public application procedure for

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candidates. Exceptions are allowed only in cases provided for by the law if a member of the Council or the Board is elected for a new term or the candidate cannot be nominated in a time period that would ensure the Council or the Board's capacity to act.

If a candidate cannot be nominated in a time period that would ensure the Council or the Board's capacity to act, such candidate is appointed as a member of the Council or the Board who complies with the relevant criteria of professionalism and competence. A person elected in accordance with this procedure fulfils the official duties until the moment when a Council or Board member is elected pursuant to the nomination procedure laid down in the law, but not longer than for one year.

The remuneration of the Council and the Board members is determined by the laws and regulations of the Republic of Latvia – *Law on Governance of Capital Shares of a Public Person and Capital Companies* and the Cabinet regulations issued on the basis thereof. The legal acts establish a unified regulation for the remuneration of members of the Council and the Board of a capital company of a public person. The *Cross-sectoral Coordination Centre's Guidelines for Determining the Remuneration of Members of the Board and Council of a Capital Company of a Public Person and a Public Private Capital Company* define the procedure for paying bonuses or variable remuneration to the Board after approving the annual account and evaluating the performance of the company, its Board and Council in the reporting year.

Altum maintains social dialogue with employees and their representatives. The Collective Agreement provides additional guarantees for Altum employees, regulates rest time, remuneration, and matters that deal with occupational safety, as well as ensures the principles of fairness, mutual trust, understanding and transparency. The Collective Agreement applies to all Altum employees with an employment contract signed for an indefinite term or for a period of not less than twelve months, and whose probation period specified in the employment contract has expired. At the end of 2020, the Collective Agreement did not apply to 4.6% or 10 employees with fixed-term contracts shorter than 12 months and 1.4% or 3 employees who had not yet completed the probation period provided in their employment contracts.

Altum has zero tolerance for bribery and corruption and they are prohibited in any form, either direct or indirect. Altum does not engage in corrupt transactions and fully condemns such transactions. In order to ensure proper management of risks of corruption, bribery and conflicts of interest, Altum has established an internal control system that ensures preventive risk management and a control environment aimed at preventing corruption risks by precluding conflicts of interest, corrupt practices and bribery in decision-making and the work environment as a whole. By improving the professional competence of Altum employees and drawing their attention to the risks of corruption in the work environment, in 2020 Altum organized training of all employees concerning bribery and corruption prevention. Altum's ethical principles are laid down in the Ethical Code and are binding on all Altum employees.

Altum provides a number of secure and protected channels, including for whistleblowing, <https://www.altum.lv/lv/trauksmes-celsana/>, in order to detect any possible bribery or corruption activity, or any violation of anti-corruption laws and regulations. No complaints about corruption or whistleblower reports were received in 2020.

The principles of personal data processing implemented by Altum, including in personnel selection procedures, provide information on how Altum handles personal data through its internal resources, including information systems. Personal data means any information relating to an identified or identifiable natural person. Information about the processing of personal data is provided on the website <https://www.altum.lv/lv/privatuma-politika/> in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

At the Nasdaq Baltic stock exchanges' initiative *Nasdaq Baltic Awards 2021*, Altum scored 81.47 out of 100 in terms of transparency, sound corporate governance and excellence in investor relations. The awards honour the companies with the best investor relations and the best shareholder return as well as the best performing stock exchange member. They also highlight the most significant stock exchange events – those with the most impact on the Baltic capital market's development. Assessment of companies and members of the Baltic stock exchanges is done by local and international corporate governance and investor relations experts.

Social aspect

The social aspect refers to the trust and support of shareholders, employees, cooperation partners, customers and the public.

Altum cares for the well-being of its employees by providing opportunities for growth, adequate working conditions, as well as social guarantees and social security measures set out in the collective agreement. Altum pursues an organizational culture that values mutual respect, diversity, inclusive environment and the principle of equality, as well as creates conditions in which these values are respected, maintained and developed. The work environment and processes are designed so as to prevent

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the possibility of human rights being infringed upon or violated.

In order to attract qualified, professional and motivated personnel, Altum has been implementing and continues to implement personnel selection procedures based on clear principles. The laws and regulations of the Republic of Latvia contain extensive provisions that regulate non-discriminatory treatment, and Altum fully complies with these provisions. The existing staff has been built by matching professional competencies required by Altum with the labour market offer.

Employee turnover in 2020 was 3.3%, or comparatively low. Last year, applications for 19 vacancies were announced. All employees had the opportunity to participate in personnel selection competitions, and 42% of vacancies were filled by Altum employees. In 2020, there were no long-term vacancies, which points to a positive image of Altum as an employer and quality recruitment process.

Altum has observed that employees with different experiences and attitudes are able to respond more effectively to customers' needs, find innovative solutions, thereby increasing productivity and efficiency. Working with employees of different age groups, we successfully combine the enthusiasm of youth with many years of experience and knowledge.

The average number of employees in 2020 was 210 – 66% were women and 34% men. 9% of employees are younger than 30, 66.7% are between the ages of 31 and 50, 24.3% employees are over the age of 51. The average age of Altum employees was 42 years in 2020.

In 2020, Altum had 43 top and medium-level managers, of which 56% were women and 44% men. 2.3% of managers are 20 to 30 years old, 67.4% of managers are 31 to 50 years old, 30.3% of managers are older than 51 years. Altum employed 167 specialists in 2020, of which 68.3% were women and 31.7% men. 2.3% of these employees are aged 20 to 30, 67.4% of employees are aged 31 to 50, and 30.3% are older than 51 years.

Altum's Ethical Code prohibits discrimination. An Ethics Commission has been set up at the company and procedures have been introduced for reviewing ethical violations, complaints and proposals. No complaints of discrimination in the workplace were received in 2020.

All Altum employees have written employment contracts and official registration of employment relationships is provided to ensure that the relevant state institutions receive all the necessary information. In 2020, Altum employed an average of 186 employees with an open-ended employment contract and 24 employees with a fixed-term employment contract. In cooperation with higher education institutions, in 2020 Altum provided internships for students from 8 higher education institutions.

Working conditions, remuneration, benefits and other conditions are designed to ensure equal opportunities for all employees and also to facilitate the work-life balance and parental responsibilities. In 2020, Altum did not receive any complaints about violations of working hours, remuneration or absence that would constitute human rights violations.

In early 2020, Altum developed a *Diversity, Equality and Inclusion Policy*, supporting diversity and equal rights in the selection, growth and development of personnel, without supporting or encouraging in any way discrimination against individuals on the grounds of race, religion, age, origin, sexual orientation, disability and other aspects.

In November, Altum joined *Latvian Diversity Charter*, becoming one of the official ambassadors for diversity in business and the workplace. *Latvian Diversity Charter* is a voluntary declaration striving for respect and inclusion of diversity groups. Altum strives for respect for diversity both in the workplace and in Latvian society as a whole. Involvement in the diversity movement is the next step in improving Altum employees' understanding of diversity management issues, promoting a positive attitude towards diversity and encouraging the ability of society to see diversity as an opportunity rather than a disadvantage.

Staff training and development is an important part of the staff management system. Altum, in accordance with its strategic goals, is involved in raising the qualification of employees, continuous development of their skills and knowledge, and the opportunity to gain diverse experience within the company. The aim of staff training is to improve job performance and efficiency, develop the skills needed for the job, provide additional skills for professional growth and prepare employees for new positions and responsibilities. The most suitable solutions for increasing professional development and competence are used in the organization of the training process.

Employee training and professional development in 2020 was organized in accordance with Altum's strategic goals and training needs identified in the annual professional assessment. In order to improve their professional competencies, 30% of employees participated in 36 outsourced seminars and courses, and 50% of employees improved their competencies at Altum's internal seminars. For the improvement and development of professional skills, employees were offered to participate in 29 different training activities (courses, seminars, training with tests, conferences), which were attended by 95% of employees, including 16 training activities for the development of leadership and management skills of department heads.

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In 2020, an annual competency-based job performance assessment system was introduced. An in-depth assessment of employees' competencies was carried out in Altum's regional customer service network, and individual employee development plans were created. An internal competency development model based on the employees' mutual experience transfer/mentoring within Competency Teams has been successfully introduced.

Altum's remuneration policy provides for uniform and fair principles for all employees, based on the strategic goals and performance indicators, which promotes employee development and loyalty to the company. Altum has implemented a financial motivation system for employees, which ensures that employees are systematically evaluated and remunerated in accordance with the quality of work they do, initiative, work intensity, and contribution.

Altum publishes information about the principles of remuneration policy alongside the fundamental principles of Altum's code of ethics, which are available at www.altum.lv, under section ABOUT ALTUM, sub-section Personnel/Vacancies.

Altum participates in the financial sector remuneration survey on a regular basis in order to ensure effective application of the remuneration policy, to balance the remuneration level with the remuneration level in the labour market, and to improve Altum's competitiveness in the labour market.

In the TOP Employer 2020 survey that the online recruitment company CV-Online Latvia carried out for the tenth year in a row in 2020, the title of TOP Employer in the financial sector was awarded to JSC Swedbank for the ninth consecutive year, while Altum was a newcomer to the Top 5. The TOP Employer survey traditionally identifies the best and most popular employers of the past year that employees would like to work for the most. In 2020, a record number of respondents, almost 15,000 people, took part in the survey.

Altum strengthens the team spirit and maintains a positive work atmosphere through internal communication fostering cooperation and team-building activities, encouraging active involvement of employees in areas of common interest. Due to the restrictions on gatherings, no traditional events were organized for the company's employees in 2020, but team-building and recreational events strengthening the team spirit were organized remotely in a virtual environment, and there were outdoor team-building events for different individual departments of Altum.

Tidy, comfortable and aesthetic work environment and working conditions suited to the condition of each employee are important to Altum. Altum promotes employees' awareness of occupational health and safety and preventive care for their health. Based on the opinions of employees, the work environment and technical equipment are constantly being improved with the aim of providing all workplaces with ergonomic equipment. In order to promote employee responsibility for the environment, Altum educates and informs employees about topics related to environmental protection and the company's environmental goals.

In 2020, Altum paid special attention to measures for safe and healthy work environment in connection with the spread of the Covid-19 virus. By taking timely and well-thought-out measures to limit the spread of the virus, including by providing teleworking opportunities, Altum has avoided an epidemic in the workplace and has been able to ensure uninterrupted and full-fledged work of the employees. Work organization at Altum and measures to prevent the spread of Covid-19 in the workplace are aimed at minimizing meetings between employees and third parties (both when travelling and meeting with customers or partners), providing for remote work opportunities, limiting in-person meetings, introducing distancing requirements and requirements for the use of respiratory protective equipment in the workplace, taking employees and visitors' temperature, not allowing employees who have returned from countries with mandatory self-isolation requirement upon arrival, sick employees, contacts of sick persons and employees with any typical symptoms to come to work.

Altum employees are provided with the necessary collective and individual protective equipment in their daily work, premises and workplaces are regularly disinfected. In order to support the emotional health and well-being of employees amidst the Covid-19 crisis, employees were offered educational online lectures on stress management and work-life balance.

In 2020, there were no accidents at work at Altum and no occupational diseases were detected, as well as no complaints about occupational safety were received.

Altum operates in full compliance with Latvia's laws and regulations, which are in line with the UN standards on forced and child labour, and does not engage in forced or illegal child labour. The Ethical Code sets out the basic principles of fair treatment and prohibition of harassment, as well as provides the guidelines for the development of employment relationships between employees, the desired attitude and conduct, as well as the course of action in case of possible violations. In 2020, Altum received no complaints about forced or illegal child labour, harassment in the workplace, violations of employees' human rights or other ethical issues.

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By organizing customer satisfaction surveys and evaluating the results thereof, the service availability process is improved every year.

At the beginning of 2020, significant changes were made in the regional customer service structure, increasing the specialization of employees within different customer segments. These changes made it possible to increase the productivity of the existing staff twofold as crisis programmes were launched in March.

The improved customer service process proved efficient in a particularly challenging time from March to May when demand for loans under the crisis support programmes increased significantly, while the strict quarantine restrictions made the traditional customer service far more complicated. Recognizing Altum's important role in supporting entrepreneurship during the crisis, loan servicing under the Covid-19 support programme takes 5 days (from the moment an application is received to the moment a decision is taken), including weekends and public holidays.

Efficient and successful customer service during the crisis greatly depends on the ability to serve customers remotely. Altum offers fully remote customer service from consulting and loan applications to making a decision.

In promoting cooperation between science and business, youth involvement in research, quality of research and commercialization of innovative ideas, Altum cooperates with Latvian University of Life Sciences and Technologies, fostering the emergence and implementation of innovative agricultural solutions, and with BA School of Business and Finance to achieve more meaningful connection between studies and the development of the financial sector.

Altum's operations are very important for the country's economic growth. That is why, by engaging in community support activities and supporting organizations, projects and programmes, Altum focuses on initiatives that encourage entrepreneurial activity, improve public well-being and foster environmental protection. Altum does not make donations, but supports projects, financially and with the help of volunteers, that help promote and foster entrepreneurship, innovation, education, meaningful use of the available state aid instruments, and other activities that promote Latvia's economic growth.

When considering engaging in specific community support activities, Altum's decisions are based on the objectives, policies and values it has defined as a state-owned company, while involved in the implementation of support activities are Altum employees and the general public. The way of involvement and the amount of funding that Altum mobilizes for community support projects are determined by Altum's operating strategy and budget, which is decided by the company's Management Board and shareholders.

Initiatives supported in 2020:

Innovation, infrastructure	<i>5G Techritory</i>	Promoting the Baltic Sea Region countries' cooperation in digital infrastructure
	<i>Three Seas Initiative Investment Fund (3SIIF)</i>	Promoting a new financing initiative to support transport, energy and digital infrastructure projects in Central and Eastern Europe, contributing to the region's economic development and quality infrastructure
	<i>Investor of the Year</i>	Popularization of venture capital investments and their positive effect on the national economy of Latvia, highlighting the most successful private and corporate investment deals
	<i>Techcill</i>	Fostering the development of the Baltic start-up ecosystem
Development of business environment	<i>Employers and business support leaders' think tanks Business Trends 2020</i>	Promoting an exchange of views on matters important to the business environment by joining forces with partners – Latvian Employers' Confederation and the European Commission
	<i>Business experience days</i>	Promoting sharing of knowledge among entrepreneurs for successful business development in cooperation with partners – LCCI and Swedbank

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	<i>Seminar A Practical Guide to Taxation and Securing Financing for Newcomers to Business</i>	In order to reduce potential risks related to inadequate tax and financial planning, Altum in cooperation with the State Revenue Service
	<i>Countryside Will Be! competition (Laukiem būt)</i>	Promotion of entrepreneurial activity in rural areas by involving young people, fostering the development of their competencies and involvement in rural entrepreneurship in cooperation with the Latvian Rural Advisory and Training Centre, while promoting a more balanced regional development in Latvia
Effect upon environment, green thinking	<i>Living Warmer campaign and Most Energy Efficient Building in Latvia project</i>	Promoting energy-efficient practices in households and business environment, emphasizing both financial and environmental benefits thereof
	<i>Forum What Happens After We Get Through Covid? Company Survival Kit for the Next 3 Years</i>	The forum is organized by the Ministry of Economics and Altum in cooperation with newspaper Dienas Bizness. Industry experts comment on a variety of practical solutions to improve energy efficiency and make business more effective.
Education	<i>Higher education (Latvia University of Life Sciences and Technologies, BA School of Business and Finance)</i>	Promoting cooperation between science and business, youth involvement in research, commercialization of research quality and innovative ideas
	<i>Discussion of BA School of Business and Finance graduates on challenges at a time of change in higher education</i>	A series of discussions about the development strategy and future objectives of BA School of Business and Finance, as well as improving and diversifying cooperation between BA School of Business and Finance and graduates. Participating in the discussions were the heads of BA School of Business and Finance and Altum, graduates, students and representatives of the Senate.
Education	<i>Latvian student companies' events #CitsBazārs</i>	Educating a new generation of entrepreneurs and industry experts by linking, in the learning process, theoretical knowledge with practice, through participation in the Junior Achievement Latvia programme Student Company (Skolēnu mācību uzņēmums - SMU)
Public welfare, demography	<i>Social Entrepreneurship Association</i>	Promotion of the idea of social entrepreneurship so that Latvia would have increasingly more enterprises with a clear social purpose and positive social impact
	<i>Competition And Grow It Will (Tā labam būs augt)</i>	The aim is to promote the development of the existing social enterprises and new social entrepreneurship ideas, as well as to tell about these ideas and show them to the people of Latvia. The competition is organized by the Social Entrepreneurship Association of Latvia in cooperation with the British Council in Latvia. The competition is supported by SEB Banka, Development Finance Institution Altum, newspaper Dienas Bizness and RISEBA Architecture and Media Centre H2O6.
	<i>Think tank on remigration issues</i>	The objective of the think tank is to bring together the parties involved in the remigration process in order to jointly analyze the current situation and consider proposals on how to improve the remigration process. Promoting the availability of information on state support for starting a business by remigrants and support for housing purchases by residents returning to Latvia.

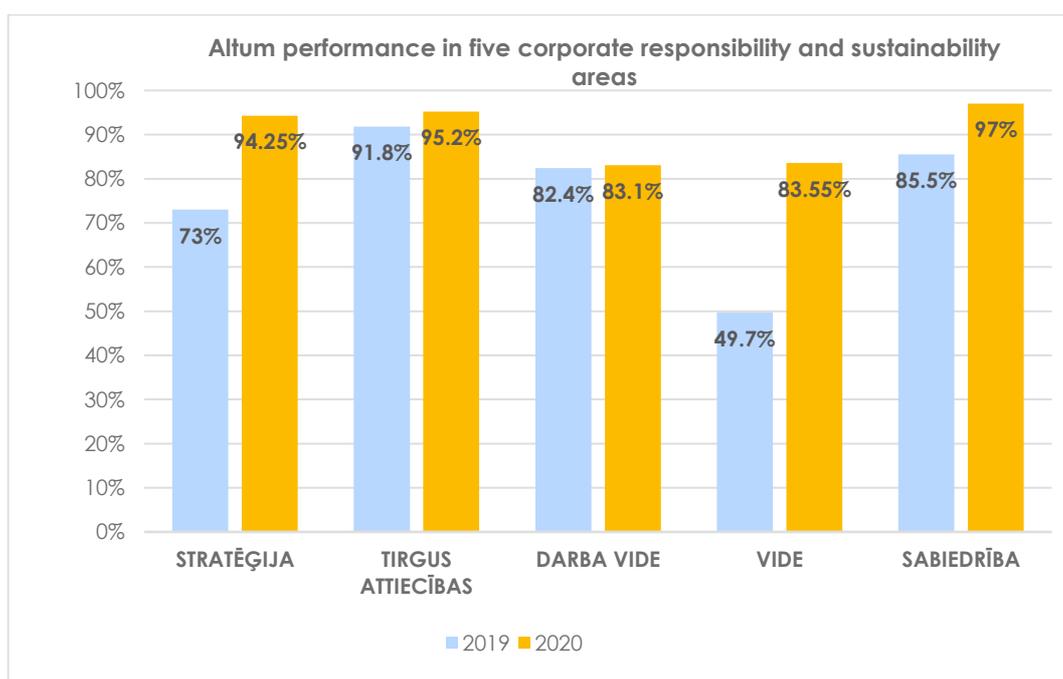
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Financial sector development	<i>Finance Latvia association</i>	Promotion of sustainable development of the financial sector by focusing, in cooperation with commercial banks, on the development of lending, personnel, communication, legal and other matters, and encouraging exchange of opinions and decision making in Latvia's public interest;
Export	<i>The Red Jackets</i>	Popularization of export-viable companies' experience and excellence in promoting export culture and positive economic impact;
	<i>Competition Export and Innovation Award</i>	Promotion of the production of new products with high export potential by popularizing the performance of Latvian companies and commending the manufacture of quality domestic products for the market, introduction of innovations and development of industrial design

More information about Altum principles for implementation of public support activities and support projects is available on website www.altum.lv.



In 2019 for the first time Altum applied for the Sustainability Index maintained by the Institute for Corporate Sustainability and Responsibility and scored Silver Category, while already in 2020, Altum significantly improved its positions, scoring Gold Category. The Sustainability Index is a strategic management tool that helps companies assess their performance in five key areas: strategic planning, market relations, work environment, environment and local community. The assessment methodology has been developed by experts from the Institute for Corporate Sustainability and Responsibility, and the criteria are based on international experience and principles so as to provide an objective view of companies' approach to risk and process management. Further information about the leading experts in each assessment category is available on the website of the Institute for Corporate Sustainability and Responsibility, www.incsr.eu/par-mums/eksperti.



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Corporate Governance Report 2020 is publicly available at Altum's premises at 4 Dome Square, Riga and in electronic form – on the website www.altum.lv, in INVESTORS section under FINANCIAL INFORMATION sub-section.



Reinis Bērziņš
Chairman of the Board

31 March 2021