



## **Corporate governance principles**

The corporate governance principles of AS “Attīstības finanšu institūcija Altum” (hereinafter referred to as “Altum”) are developed by following the Corporate Governance Code of Latvia, recommendations of Organisation for Economic Cooperation and Development (Guidelines on Corporate Governance of State-Owned Enterprises, OECD, 2015), recommendations of Nasdaq OMX Riga on corporate governance matters as well as taking into account the regulatory enactments of the Republic of Latvia and reviewing and summarizing Altum’s applied practice in corporate governance.

### **1. The objective and the scope of the activity**

Agreed corporate governance principles help to implement a sustainable corporate governance, contributes to an ethical, responsible and transparent corporate governance practice.

As part of their activity, Altum have determined and follow agreed corporate governance principles in order to ensure growth of long-term value, responsibility and preconditions for achieving objectives in a strategy of an average-term activity, an effective management of these objectives and transparency of the activity that is relevant in all Altum’s scales creating a successful system of interactions between the Shareholder, Supervisory Board, Management Board, employees, clients and the rest of society.

### **2. Strategy**

- 2.1. In order to ensure the core activity of Altum, a development of strategies, activity plan and budget is carried out as well as development of normative documents in which a direction towards long-term value growth is determined.
- 2.2. The three-year strategic development of Altum’s activity is determined within the scope of a medium-term activity strategy as well as its implementation and evaluation process of the determined objective achievement is ensured.
- 2.3. A strategy of medium-term activity is developed and its development is ensured by the Management Board that regularly reports to the Supervisory Board on the strategy implementation process. The Supervisory Board takes part in the process of strategy development and conducts the approval in the Supervisory Board meeting as well as monitors the implementation of the strategy.
- 2.4. Continuity is ensured for the implementation process of the strategy of medium-term activity including an early initiation of the next period strategy planning process.

### **3. Internal culture and ethical behaviour**

- 3.1. At Altum the corporate values as well as high professional action and ethics standards are determined ensuring their usage against corruption and prevention

of interest conflict situations in day-to-day activities, unlawful usage of inside information and any other unlawful and unethical action.

- 3.2. The Management Board of Altum has approved the Code of Ethics in which ethical action and professional behaviour principles and guidelines for achieving and implementing them are determined. Any existing case of unethical nature is examined by the Ethics Commission whose members are independent at their work.

#### **4. Internal control, risk management and conformity**

- 4.1. An internal control system has been introduced at Altum. Activity risks are constantly identified, monitored and managed. The amount of the capital is sufficient for covering the identified risks which are relevant to Altum's activity. The monitoring of internal control, risk management and conformity system is ensured by the Supervisory Board, Audit Committee and Internal Audit Unit. The implementation of internal control, risk management and conformity system is ensured by the Management Board, the Committee of Assets, Liabilities and Risk Management.
- 4.2. An independent Internal Audit Unit that is subject to Altum's Management Board has been established at Altum and its Head has been appointed by a decision of Altum Shareholders' meeting. Every year the Shareholders' meeting approves the Internal Audit's annual activity plan. The reports on internal audit inspection results and management and control system functioning prepared by the Internal Audit Unit are submitted to the Management Board and Supervisory Board and at least once per year a survey on inspections carried out and main identified problems is submitted to the Shareholders' meeting evaluating the effectiveness of the internal control system and expressing opinion on measures to be carried out for the function improvement of the internal control system.
- 4.3. Altum implements the management of risks affecting Altum's activities according to Altum's risk management strategy that is approved by the Supervisory Board. Regarding other internal risk management normative documents, a risk management system has been created for Altum's risk management taking into account Altum's size, structure and specific nature of activities as well as taking into account the limited opportunities to manage individual risks. Every quarter the Supervisory Board examines the Management Board's reports on risk management measures and process of their implementation.
- 4.4. According to the decision of the Shareholders, Audit Committee has been established at Altum and its functions include monitoring of the effectiveness of the internal control and risk management system function as far as it is relevant to ensuring reliability of the financial reports and objectivity as well as it carries out other duties laid down in the regulatory enactments, Supervisory Board's decisions and Audit Committee's regulation.

#### **5. External auditor**

- 5.1. As part of their activity, Altum recruit an external auditor who carries out an independent inspection and delivers opinions and/or suggestions on whether Altum's financial reports are providing a reliable and clear view about the financial

situation, activity outcome and cash flow according to the International financial statement standards approved by the European Union.

- 5.2. The auditor is selected according to the procedure set by the Public Procurement Law by organizing a public tender. Audit Committee delivers an opinion on the selection of the auditor to the Shareholders' meeting.

## **6. Nomination and appointment of the Supervisory Board and Management Board members**

- 6.1. The procedure of nominating and appointing Altum's Management Board and Supervisory Board members as well as requirements of position compliance and qualification is determined by *the Law on Governance of Capital Shares of a Public Person and Capital Companies* (hereinafter referred to as "Governance Law"), *the Law On Development Financial Institution, Credit Institution Law*, as well as the relevant regulations of the Cabinet of Ministers and suggestions included in the guidelines of the Cross-Sectoral Coordination Centre.
- 6.2. The process of Management Board and Supervisory Board nominating meets the good practice principles of the corporate governance ensuring an open, fair and professional selection of Management Board and Supervisory Board members, thus supporting a creation of professional and competent capital company institution.
- 6.3. The composition and activity duration of Altum's Supervisory Board and Management Board is determined by *the Law On Development Financial Institution*.
- 6.4. Altum's Supervisory Board is composed of three members. Every Shareholder is empowered to nominate one candidate for the Supervisory Board member's position. The chairperson of the Supervisory Board is a Supervisory Board member nominated by the Ministry of Finance.
- 6.5. Altum's Management Board cannot be composed of more than five Board members. The Supervisory Board elects the chairperson of the Management Board from among the Board members.
- 6.6. The term of office of Altum's Supervisory Board and Management Board members is three years.
- 6.7. When working on the configuration of the Supervisory Board and Management Board, diversity principles are followed and both genders are represented.

## **7. Remuneration policy**

- 7.1. Altum's remuneration policy ensures the achievement of Altum's objectives, recruitment of long-term employees of the corresponding qualification, motivation of employees for implementation of high-quality work, increased responsibility and initiative level of employees as well as effectively and rationally used financial resources and encourages the employee development and loyalty to the company.
- 7.2. Altum's remuneration policy sets out agreed and fair principles to the employees and it is based on the strategic objectives and performance indicators. The financial motivation system of Altum's employees ensures that employees are systematically evaluated and remunerated according to work quality, initiative, work intensity and contribution.

- 7.3. The remuneration of Altum's Supervisory Board and Management Board members is determined according to *the Governance law* and the regulations of the Cabinet of Ministers issued on its basis as well as following the guidelines issued by the Cross-Sectoral Coordination Centre.
- 7.4. Altum's Management Board members do not receive remuneration for carrying out duties of other remunerated functions.
- 7.5. Agency contracts are concluded with Altum's Management Board members and the terms of the Collective Agreement do not apply to them.
- 7.6. The amount of Management Board's bonus is determined by *the Governance Law*. Altum's activity results of the previous accounting year, the achievement of the objectives of the strategy and work plan are taken into account when determining the bonus.

## **8. Management Board's and Supervisory Board's work organization and decision-making**

- 8.1. Altum's Management Board knows and manages Altum's activity as well as holds responsibility for the accounting that corresponds the regulatory enactments. The Management Board manages Altum's assets and handles its funds according to the regulatory enactments, statutes, decisions of the Supervisory Board and shareholders. The tasks and responsibility of the Management Board are regulated by the concluded agency contracts and other regulatory enactments. The Management Board's activity principles as well as main duties are determined by Altum's statutes and the terms of the Management Board.
- 8.2. Altum's Management Board represents Altum together. The Management Board members can authorise one or several Management Board members to enter into specific deals or deals of specific type.
- 8.3. The Supervisory Board represents the interests of Shareholders during intervals of the Shareholder meeting and monitors the Management Board's activity using robust and effective monitoring instruments: gets involved in Altum's strategic development as well as supervision of the financial and risk monitoring system, evaluates the effectiveness of the internal control system and carries out the activities set out in the regulatory enactments. When making informed and balanced decisions, a short-term and long-term effect on Altum's value, sustainability and responsible development is assessed.
- 8.4. The Supervisory Board's activity principles as well as main duties are determined by Altum's statutes, *the Law On Development Financial Institution* and the terms of the Supervisory Board. The tasks and responsibility of the Supervisory Board are regulated by the regulatory enactments.

## **9. Preventing conflict of interests**

- 9.1. Altum have zero tolerance for bribery and corruption activities and prohibits it in any form, directly and indirectly.
- 9.2. Altum do not get involved in corruptive dealings and utterly condemn them. In order to ensure a proper risk management of corruption, bribery and conflicts of interests, Altum have created an internal control system that ensures a preventive risk management and a control environment that is focused on preventing

corruption risks, prevents conflict of interests and corruptive dealings and bribery in decision taking and work environment in general.

- 9.3. Altum's Management Board and Supervisory Board members are public officials for the purposes of *the Law on Prevention of Conflict of Interest in Activities of Public Officials* and they must follow the general and special restrictions of combining public positions as well as obtaining of income, business activities, gift and donation acceptance and other restrictions determined in the above-mentioned law.
- 9.4. As part of their activity, the Supervisory Board and Management Board members follow the restrictions of concluding deals with the relevant persons laid down in *the Commercial Law* as well as non-compete obligation and restrictions laid down in *the Law on Prevention of Conflict of Interest in Activities of Public Officials*.
- 9.5. The Supervisory Board and Management Board members do not get involved in decision making on matters where the company interests come into conflict with the interests of the Supervisory Board, Management Board members or related persons.
- 9.6. The Supervisory Board and Management Board members regularly improve their knowledge by attending studies on matters of preventing conflict of interests.

## **10. Shareholders' meeting**

- 10.1. In Altum Shareholders' meeting the interests of the Shareholders are represented by the state secretaries of the Ministry of Finance, the Ministry of Economy and the Ministry of Agriculture or another public official of the ministry appointed by an order of the state secretary who has all the rights, duties and responsibility of the Shareholder's representative laid down in the regulatory enactments.
- 10.2. The Shareholders' meeting takes decisions within the scope of the competency of *the Governance Law, the Law On Development Financial Institution* as well as other regulatory enactments.

## **11. Transparency of Altum's activity**

- 11.1. Altum publish information on company's website according to the regulatory enactments ensuring that the published information is timely and provides a clear idea about the management, strategy, results of the economic activity and finances of the capital company.
- 11.2. All the deals with the related parties having significant effect on Altum are disclosed in the financial reports according to the amount and procedure laid down in the regulatory enactments. Altum ensures an equal attitude towards financial investors and creditors.
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