

# Corporate Governance Report 2021

The statement of joint-stock company Attīstības Finanšu Institūcija Altum (Development Finance Institution Altum, hereinafter – Altum), unified registration No. 50103744891, *On corporate governance in 2021* 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, hereinafter – the Code*). 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 (environmental, social and corporate governance) 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 mobilisation of private capital and financial resources. Subsidiaries of Altum (individual venture capital funds) are part of Altum Group as long as Altum controls these companies. As a result of the annual control or significant influence assessment, subsidiaries of Altum are not considered subsidiaries as at 31 December 2021. See the Annual Report for more information.

## Strategy 2019 - 2021

On 30 May 2019, Altum Council approved and on 11 March 2021 amended and enhanced Altum's *Medium-Term Operational Strategy 2019-2021*. 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.

As at 31 December 2021, Altum Group's gross aid instruments portfolio was EUR 978.2 million (31 December 2020: EUR 872.3 million), including the gross financial instruments portfolio of EUR 895.8 million that consisted of 30,978 projects (31 December 2020: EUR 803.5 million and 26,578 projects). Since March 2020, pursuant to the Strategy and as delegated by the government, Altum has engaged actively in mitigating the adverse impact of Covid-19 pandemic on SME and Midcaps in Latvia. The Group takes pillar role for providing Covid-19 financial instruments (excl. standstill grants) – loans and guarantees in Latvia. In order to continue providing support for companies affected by the Covid-19 pandemic, Covid-19 crisis support programmes have been extended until 30 June 2022.

In order to support overcoming the impact of Covid-19, alternative investment fund Altum Capital Fund was established in the spring of 2020. Its aim is to support well-managed, perspective Mid-cap companies 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, expanding to new export markets, thereby fostering their growth. As at 31 December 2021, total assets of Altum Capital Fund managed by Altum amounted to EUR 31 million. The Fund's investment period has been extended until 30 June 2022 along with the terms of other Covid-19 support programmes.

Altum continues to strengthen its role as the key partner for the government in implementing financial instrument programmes co-financed by the European Union (hereinafter – the EU), including through the new Recovery and Resilience Facility (RRF), aimed to mitigate the economic and social impact of the Covid-19 pandemic, stimulate recovery of Europe, finance climate change mitigation projects, and protecting and creating jobs. In 2021, preparatory work commenced to provide financial instrument support programmes as part of the new EU Cohesion Policy 2021-2027. In total, financing in the amount of at least EUR 650 million will be made available as financial instruments under the Recovery and Resilience Facility (RRF) and the EU Cohesion Policy for the programming period 2021-2027.

In 2021, the terms and conditions for four new support programmes were developed in co-operation with the Ministry of Economics, under which the following funding will be available from RRF already in 2022: funding for improving energy efficiency of apartment buildings (EUR 57 million); for improving energy efficiency of companies and transition to technologies using renewable energy (EUR 81 million); for digital transformation (EUR 45 million) and for financing affordable housing (EUR 43 million).

## Corporate Governance Report 2021 (cont'd)

### Strategy 2019 - 2021 (cont'd)

In order to prepare for implementation of the European Union's new InvestEU Programme, preparations undertaken in 2019 for pillar assessment of the Group were continued.

Altum is planning to apply for InvestEU implementation partner role, thus increasing the scope of new specialized and customized financial instruments to the corporates in Latvia. An application on the InvestEU pillar assessment was prepared in Q3 2021 to ensure further progress of the project. A positive assessment by the responsible DG of the European Commission on Altum's legal and financial compliance was received in early March 2022, allowing to proceed with its actual pillar assessment.

The following strategic development directions and long-term objectives were set according to Altum *Medium-Term Operational Strategy 2019-2021*:

<ul style="list-style-type: none"> <li>Major financial objective in implementation of the state aid programmes – positive return on Altum's capital.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>Major non-financial objective is to support and promote availability of finances to the business and development of the national economy.</li> </ul>	<ul style="list-style-type: none"> <li>Main target segments: support for entrepreneurs, energy efficiency, support for farmers, support for specific categories of persons, management of the Latvian Land Fund.</li> </ul>

Detailed information on implementation of financial objectives is disclosed in the Consolidated and Separate Annual Report for the year ended 31 December 2021 (hereinafter – the Annual Report), Management Report and in the Annual Report Other Notes.

On achievement of non-financial objectives set in the Strategy for 2021, which were included in the *Medium-Term Operational Strategy 2019-2021*, see below.

- **Contribution to economy by Altum volumes issued** in 2021 reaches **EUR 792 million** (+EUR 5 million/+1% vs projection in the Strategy).
- **Volume of support programmes funding (excl. grants) per employee** is **EUR 4.0 million** (+EUR 0.1 million/+3% vs projection in the Strategy).
- **Employee turnover** is **7%**, which is less than projected in the Strategy (<10%), +4% vs 2020.
- Annual **number of trained employees** reaches **96%**, which is more than projected in the Strategy (>60%), +1% vs 2020.
- **Volumes issued (excl. grants)** in 2021 reaches **EUR 268 million** (-EUR 76 million/-22% vs projection in the Strategy, -EUR 50 million/-16% vs 2020). Lower volumes issued triggered mainly by (i) considerably lower demand than expected by the banking industry leading to no new volumes for Large Enterprises Loan Programme and Guarantee Programme for Large Enterprises and (ii) lower demand for Covid-19 crises support products due to better economic situation when increased volumes of ordinary products didn't compensate the decrease for Covid-19 crises support products.
- **Gross portfolio** as at end of 2021 is **EUR 896 million** (-EUR 115 million/-11% vs projection in the Strategy, +EUR 92 million/+11% vs 2020).
- **Credit rating assigned by Moody's** projected in the Strategy, not more than two niches below the sovereign rating of Latvia (A3 by Moody's), actual for 2021 (same for 2020) is Baa1 (one niche below the sovereign rating of Latvia), better than projected.

Deviations of individual indicators from the projections in the amended and enhanced Strategy (11 March 2021) are insignificant, and they have not adversely affected implementation of the key objectives and strategy of Altum.

# Corporate Governance Report 2021 (cont'd)

## Strategy 2019 - 2021 (cont'd)

Upon endorsing Altum's business plan and budget for 2022, the shareholders' meeting approved the following major goals and objectives for Altum in 2022 in accordance with the draft medium-term strategy 2022-2024:

Main objective – implementation of the state aid programmes to ensure an increase in Altum's portfolio, positive return on capital and efficiency.

### Goals and objectives:

1. Launch of new programmes financed under the Recovery and Resilience Facility (RRF), where the main directions to be supported include climate change mitigation solutions, digitisation of companies and construction of affordable rental housing, as well as investment loans with capital rebate that will be financed from the state budget.
2. Work on the development and launch of fifth-generation venture capital funds.
3. Undergoing the Pillar Assessment so that Altum could qualify as an InvestEU implementation partner in 2023.
4. Assessment and integration of environmental, social and corporate governance (ESG) aspects in funding decisions and in Altum credit risk management procedures.

In 2021, active work was under way on the Group's medium-term strategy 2022-2024 and a draft Strategy was prepared, emphasizing the importance of sustainable financing and ESG aspects, both on the product level and in full integration of ESG aspects into Altum credit risk management practices. After the Group's *Medium-Term Operational Strategy 2022-2024* was harmonised with the parties involved, the Strategy was endorsed by the Council on 9 March 2022.

## Strategy 2022 - 2024

Altum will strengthen its role as **the key partner for the government in implementation of financial instrument programmes**. Altum, together with the relevant ministries, will continue to be actively **involved in the development of new financial instrument programmes**.

Already in 2022, four new programmes will become available with funding from RRF, which will focus on areas that need special support: **climate change mitigation** – improving energy efficiency of apartment buildings and transition to renewable energy technologies, improving energy efficiency for businesses, as well as implementation of company **digitisation** projects and **construction of affordable housing**.

In the new strategy period, **loans with capital rebate will be issued for large investment projects**, work on the development and **launch of fifth-generation venture capital funds** will continue, as well as other programmes to be financed from the EU in the new programming period (2021-2027). Existing support programmes for entrepreneurs will be continued and brand new ones will commence to support business **productivity, research and innovation**. The EU funds will be used to continue supporting improvement of energy efficiency in both apartment buildings and private homes. Transition funding from the European Agricultural Fund for Rural Development (EAFRD) will be provided to ensure additional financing for the Farmers' Guarantee Programme and the Small Loans for Rural Areas programme, while financing from the Common Agricultural Policy Strategic Plan 2023-2027 will be used to introduce a new measure: loans with a capital rebate for small rural entrepreneurs.

Altum will also continue to implement other existing state support programmes in the areas identified by the state as a priority, ensuring access to finance for companies in different stages of development and for specific target groups.

Altum will watch out for changes in the demand in financial market and the current market shortcomings, upgrading and adapting state support instruments in accordance with the needs of customers and co-operation partners, as well as the priorities of the national economic policy.

In addition to investments from the EU, provided as financial instruments under the Cohesion Policy, **Altum intends to secure guarantees under the European Commission's InvestEU programme**.

Pillar Assessment will be carried out in 2022 so that Altum could qualify for InvestEU implementation partner status in 2023.

**Major non-financial objective** of Altum is to support and promote availability of finances to the business and development of the national economy.

# Corporate Governance Report 2021 (cont'd)

## Strategy 2022 - 2024 (cont'd)

**The strategy anticipates a moderate increase in the volume of new transactions**, with the volume of new transactions growing by 3.24% by 2024.

**Altum's gross financial instruments portfolio is projected to grow by 10% annually on the average**, and the total portfolio is projected to amount to EUR 1.3 billion by the end of 2024.

Contribution to the economy by volumes issued by Altum characterises a projected increase in Altum's impact on economic development by facilitating mobilisation of private capital and financial resources in the priority areas.

Altum's **major financial objective** in implementation of the state aid programmes is to ensure positive return on Altum's capital.

During the strategy implementation period, return on equity (ROE) is projected at over 1.3%.

Equity financial projection is expected to have positive dynamics at the end of the reporting year.

In order to ensure financial efficiency of Altum, the expenditure-revenue ratio will be limited to up to 65%.

**Altum will pay particular attention to environmental, social and corporate governance (ESG) assessment**, both in taking financing decisions and in upgrading Altum's internal procedures. ESG criteria and achievable sustainability indicators will be introduced for the projects financed in order to integrate them into credit monitoring, revise the customer portfolio by analysing each client, as well as phase out financing of projects that do not meet the ESG criteria set by Altum.

Altum's operations will be based on standardisation of solutions, further optimization of internal procedures and modernisation of IS.

Altum will also continue to ensure that credit rating assigned by Moody's is as high as possible and not more than two niches below the sovereign rating of Latvia.

## 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 ensure efficient, sustainable and successful operation of the company, accuracy of information provided, and compliance with the relevant laws and regulations and operating principles.

The internal control system of Altum has been designed to ensure efficient, sustainable and effective operation of the company, accuracy of information provided, and compliance with the relevant laws and regulations 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 materialised 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 Division 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. In 2021, the Internal Audit Division prepared 8 audit reports in accordance with the action plan, which provided an assessment of the operation of the process management and control system and were communicated to Altum Council. During the reporting period, 66 audit recommendations were issued, of which 51 were implemented in 2021. The audit reports provide assurance to Altum's management regarding business procedures, programmes such as state support for the purchase of farmland for agricultural production, energy efficiency improvements in apartment buildings, working capital loans for farmers,

## Corporate Governance Report 2021 (cont'd)

### 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 (cont'd)

#### Internal control (cont'd)

Reverse Land Lease of the Latvian Land Fund, as well as support procedures such as personnel management, customer relations and attraction management, and other audits. The internal audit department performs its duties in accordance with the applicable regulatory enactments, following the international standards of professional practice of internal audit, Altum and the Group's internal regulatory enactments. 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. 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 was established in Altum and the Group on 1 December 2017, which, inter alia, 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.

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

The purpose of risk management is to identify, assess, manage and control potential events and situations in order to provide assurance on the achievement of the company's strategic goals.

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.

In order to improve the risk management system, in 2021, inter alia, the model for calculation of the actual value of guarantees was validated with the aim of examining on a regular basis in the future the correctness of the selection of data used in the calculation, as well as correctness and accuracy of the model calculation.

Also in 2021, an independent risk coverage adequacy assessment in implementation of state support programmes was performed for Altum, including an assessment of the expected loss estimation approach and examining risk coverage adequacy for certain state support programmes.

## Corporate Governance Report 2021 (cont'd)

### 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 (cont'd)

#### Risk management (cont'd)

As the impact of Covid-19 continued, additional measures were taken to assess the credit quality of Altum's portfolios and the required amount of provisions, including but not limited to an additional assessment of credit quality of loan and guarantee portfolios because of the impact of Covid-19 and an increase in provisions for possible expenditure compensation in the future, sectors affected the most by Covid-19 were identified and additional provisions were made for anticipated credit losses, and other measures were taken to identify an increase in credit risk in a timely manner.

As the situation in Ukraine escalated, in February 2022 Altum's current practices in work with Export Credit Guarantees was reviewed, restricting new business deals with customers, where the business partner is located in Russia or Belarus.

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.

Latvian and Russian versions of the 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](http://www.altum.lv), in INVESTORS section under FINANCIAL INFORMATION sub-section and in ABOUT ALTUM section under [FINANŠU INFORMĀCIJA](#) 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 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.

## Corporate Governance Report 2021 (cont'd)

### Contributing to sustainability

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.

The financial sector will play a key role in achieving the goals of the European Green Course, including the transition to a climate-neutral, climate-resilient, resource-efficient and equitable economy. Sustainability is a key part of Altum's business and strategy and is becoming an important strategic driver for the banking industry as well as for development finance institutions in Europe. Altum takes responsibility for the long-term impact of its daily economic, environmental and social activities and continuously works to reduce its impact upon the environment and with its sustainable strategy positively contributes to sustainable development and acting responsible in its business. Moreover, Altum intends to facilitate and support its clients' transition to a sustainable economy.

Altum's sustainability is based on the United Nations Sustainable Development Goals (SDG), which set out a global plan to eradicate poverty, combat inequality and tackle climate change by 2030.



The long-term efficiency of Altum 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.

Since the beginning of 2021, Altum's management has made the integration of sustainable financing and ESG aspects into credit risk management and business processes one of its priorities. It is planned to develop ESG criteria and achievable sustainability indicators for financed projects, to integrate them into credit monitoring, to review the existing client portfolio by performing their analysis, as well as to phase out the financing of projects that do not meet the ESG criteria set by Altum.

In order to move towards the implementation of the principles of sustainable financing and environmental, social and corporate governance (ESG), ALTUM will

- Expand the range of sustainable financial instruments,
- Improve the involvement of SMEs and MidCap in sustainability by providing them with adequate access to finance and certain incentives to achieve sustainability results,
- Increase financial sector and state support for the integrity of this sector,
- Develop internal processes for the establishment and monitoring of ESG,
- Improve the competence of employees in the evaluation of sustainable financing and ESG, as well as in risk management

## Corporate Governance Report 2021 (cont'd)

### Contributing to sustainability (cont'd)

Altum's level of ambition towards sustainable financing at Altum's portfolio level is undertaken voluntarily, mainly driven by (i) stakeholders', like investors, credit rating agencies, peer group of European development banks, international lenders, Nasdaq, expectations towards Altum as development financial institution with large impact upon Latvian economy, and (ii) eligibility requirements for public funding available from the EU Cohesion Policy and/or RRF contributing to Sustainable Europe Investment Plan/Green Deal Investment Plan where Altum takes pillar role for issue of financial instruments to SME's in Latvia. As additional trigger is sustainable financing regulatory framework already effective for part of ALTUM's portfolio as well as the coming Taxonomy alignment regulatory framework. Although not mandatory for ALTUM but following the international finance institution sector practise the EBA (European Banking Authority) guidance on integration of ESG aspects in credit risk management, including loan origination and monitoring, has been reviewed and assessed for further integration in ALTUM's credit risk management processes.

The state support programs implemented by Altum will facilitate the implementation of projects that will be able to provide a positive assessment of the social and environmental factors related to the sustainability of companies and their impact on society with measurable indicators. The implementation of the programs will be monitored to achieve the planned results and objectives.

All new programs for which funding will be available from the Recovery and Resilience Facility (RRF) are sustainable in terms of the activities to be supported, only in different aspects, and can be divided into (i) climate programs that meet the requirements of the Taxonomic Environmental Requirements, (ii) digital transition program to increase productivity, and (iii) a affordable rental housing program with a social objective - reducing inequality.

Altum has identified and works closely with the organisation's stakeholders, recognizing Altum's special role in the economy and the needs of stakeholder, and helping to solve them. Altum recognizes and evaluates the social, environmental and economic impact of its operations and engages stakeholders on issues of mutual concern. By building relationships with stakeholders, Altum organizes and engages in consultations, partnerships, as well as organizes informative and educational activities.

In order to compile the Altum sustainability materiality matrix and to define the level of ambition for sustainable financing in the loan portfolio, a stakeholder identification, mapping and survey was conducted in late 2021, which allowed the identification of key aspects to be included in the sustainability content. The survey addressed more than 620 respondents from a variety of stakeholder groups, including employees, shareholders, customers, capital market participants, commercial banks, financiers and the financial industry, sustainability experts, education and science representatives, suppliers, NGOs, policy makers, the media, professional associations, business support organizations and supervisory and control authorities.

The survey asked respondents to rate Altum's performance in environmental, social and corporate governance to date, and to express their expectations regarding Altum's sustainability in the business environment, day-to-day operations, public support and development, and Altum as an employer.

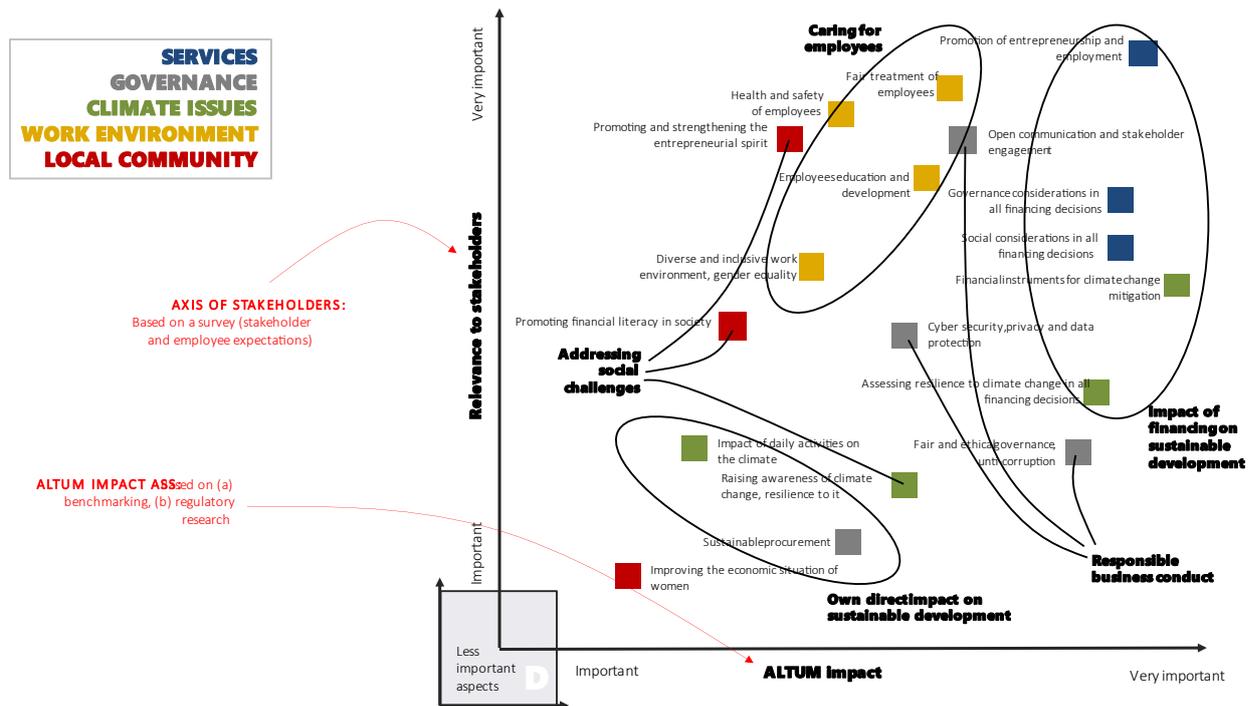
One of the most important questions in the stakeholder survey was related to Altum's level of ambition, where respondents were asked to choose 1 to 3 directions for sustainable financing. Taking into account the stakeholder pool on Altum's level of ambition for sustainable financing, the TOP3 priorities include: (i) improving access to sustainable financing for small and medium-sized enterprises, (ii) facilitating projects that can deliver positive environmental and social impacts, and (iii) expanding the range of sustainable financial instruments.

# Corporate Governance Report 2021 (cont'd)

## Contributing to sustainability (cont'd)

Consequently, in the future, even more attention will be paid to the areas of sustainability, both by expanding the set of sustainable financing and improving its availability to companies, as well making financing-related decisions and improving ALTUM's internal processes.

As a result of this process, the most significant interests of stakeholders were identified and summarized in this table.



Altum is committed to follow the best industry examples in Europe that have taken a strong stance in defining the targets to be achieved and the sectors and projects not to be supported, regardless of the source of funding and already now they are not financing fossil-fuel energy generation projects. Among other things, Altum commits to define the level of ambition where the Green Asset Ratio for new loans and the existing loan portfolio would be set for both the 3-year period and until 2030. The next steps in integrating sustainable financing and ESG aspects into credit risk management are as follows:

- In the first half of 2022, it is planned to mark the existing green / sustainable assets in the portfolio;
- In the first half of 2022, it is planned to approve the financial instruments of the Recovery and Resilience Facility;
- In December 2022, it is planned to review the existing programs, excluding toxic / brown projects. The "social" vs. "green" aspect will be assessed in the brown projects;
- In the first half of 2023, changes will be made in the regulatory enactments of the Cabinet of Ministers of the respective programs;
- In March 2023, it is planned to integrate ESG aspects into Altum credit risk management, covering all business and business support processes. Primarily the SME portfolio.

## Corporate Governance Report 2021 (cont'd)

### ESG – corporate governance

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 [here](#).

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.

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 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 procedure for nominating members of the Altum Council and Board achieves the objective of the Code's corporate governance recommendations and promotes good corporate governance within the company.

## Corporate Governance Report 2021 (cont'd)

### ESG – Corporate governance (cont'd)

#### Shareholder

Effective involvement of shareholders in decision-making helps to achieve the company's financial and non-financial goals, as well as ensures the company's sustainable operation.



Finanšu ministrija

The State Secretary of the Ministry of Finance **Baiba Bāne** continues to serve as a representative of Altum's shareholders



Ekonomikas ministrija

The State Secretary of the Ministry of Economics **Edmunds Valantis** continues to serve as a representative of Altum's shareholders



Zemkopības ministrija

**Raivis Kronbergs**, State Secretary of the Ministry of Agriculture, has taken over as representative of Altum's shareholders, approved by the Cabinet of Ministers as the State Secretary of the Ministry of Agriculture on January 3, 2022.

This after the previous State Secretary of the Ministry of Agriculture Dace Lucaua resigned on December 31, 2021.

#### Council and Board

A competent and experienced management is a prerequisite for a company's effective operations and decision-making, promoting the growth of the company's value in the long term.

The members of Altum Council have the necessary experience and competence, as well as a set of skills and knowledge, including on finance, business development management, as well as corporate strategy and financial management. The Council includes members of both sexes and upholds the principle of diversity.

Altum ensures a well-defined and comprehensible organisation of work and the availability of timely, high-quality and adequate information, which facilitates an effective performance of the Council's duties and council members' full involvement in decision-making. In 2021, the Council held 11 meetings, reviewing matters pertaining to Altum's supervision and management, as well as assessing the performance of the Audit Committee, the operation and independence of the Internal Audit Division, matters concerning the functioning of the Internal Control System, as well as the implementation and supervision of state support programmes. The Council took an active part in the development of the medium-term strategy for 2022-2024.

In 2021, Kristaps Soms resigned as a member of the Council, and an extraordinary shareholders' meeting on 22.03.2021 appointed Ilze Baltābola as an interim member of the Council until a candidate is selected in accordance with the nomination procedure stipulated in Section 31 of the Law on Governance of Capital Shares of a Public Person and Capital Companies.

Ieva Jansone - Buka was appointed a member of the Board from March 18, 2021. Ieva Jansone - Buka was selected for the post in a public tender for a three-year term.

## Corporate Governance Report 2021 (cont'd)

### ESG – Corporate governance (cont'd)

#### Council and Board (cont'd)

In 2021, the office term of three Board members ended, and on 27.05.2021 the Council decided to elect Reinis Bērziņš, Jēkabs Krieviņš and Inese Zīle to Altum Board for a new three-year term. The Council elected Reinis Bērziņš Chairman of the Board of JSC Development Finance Institution Altum. A new candidate for a member of the Board will be selected in accordance with the nomination procedure stipulated in Section 31 of the Law on Governance of Capital Shares of a Public Person and Capital Companies.

In 2021, the Board convened for 122 board meetings.

Information on Altum managers, who are also the managers of the Group, representatives of Altum shareholders, Altum Audit Committee and Altum's management is available on Altum's website [www.altum.lv](http://www.altum.lv) in the subsection Corporate Governance and Sustainability of the section ABOUT ALTUM.

The remuneration of members of the Council and the Board 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.

#### Transparency of the company's operations

The transparency of a company's operations is the basis of effective investor relations and successful communication with shareholders and other interested parties. Altum regularly and timely informs shareholders and other interested parties about the company's business operations, financial results, management and other current matters, disclosing precise, full, objective, updated and true information. On its website the company publishes information on management, strategy and business areas, annual reports, as well as regulations, guidelines of the ethical code, the company's key policies and the corporate governance report.

Information is disclosed in accordance with the time limits stipulated by law or immediately after an event that requires the disclosure of the information. Information is published in the Latvian and English language.

Altum has developed and adjusted information regulations, as well as regulations for internal and external communication. On behalf of the company, authorized persons answer inquiries made by investors and other interested parties, as well as communicate with the media. Since in October 2017 Altum started listing on Nasdaq Riga, Altum disclose information on a regular basis in accordance with the "Procedure by which Nasdaq Riga, AS issuers disclose information" and Altum's internal rules.

#### Collective agreement

Altum maintains social dialogue with employees and their representatives. *The Collective Agreement* provides additional guarantees to Altum employees, regulates rest time, remuneration and matters related to work safety, as well as upholds 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.

## Corporate Governance Report 2021 (cont'd)

### ESG – Corporate governance (cont'd)

#### Internal culture and ethical conduct

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 2021 Altum arranged for a group of employees to undergo the training "Bribery of Foreign Officials" and hear the lecture "Prevention of Money Laundering and Terrorism and Proliferation Financing: complying with personal data protection requirements" organized by the Corruption Prevention Bureau. Improving procedures for the prevention of corruption and conflicts of interest, a uniform normative document was drawn up – *Rules for the Prevention of Corruption and Conflicts of Interest*, which provides a reporting procedure for employees to prevent conflicts of interests at work.

Altum's ethical principles are laid down in the Ethical Code and serve as the standard of conduct for Altum's management and all employees. The Ethical Code comprises guidelines for employees' day-to-day communication with colleagues, customers, business partners, which helps create a responsible, safe and comfortable working environment, which in turn promotes loyalty and ethical conduct among the employees, thus ensuring the attainment of the company's long-term goals.

Altum provides a number of secure and protected channels, including for [whistleblowing](#), in order to detect any possible bribery or corruption activity, or any violation of anti-corruption laws and regulations. No complaints about corruption or whistleblowing reports were received in 2021.

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 Altum's [website](#) 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.

#### Events 2021

**International credit ratings agency Moody's Investors Service** (Moody's) on August 12, 2021 published an updated analytical report on the company's credit assessment. On March 25, 2019 Moody's Investors Service (Moody's) affirmed the long-term issuer rating of the company (the Group's parent company) at Baa1, raising baseline credit assessment (BCA) from Ba2 to Baa3. The short-term issuer rating has been affirmed at P-2. The long-term rating has a stable outlook. Moody's first assigned the long-term issuer rating Baa1 to the company in June 2017. The long-term issuer rating Baa1 assigned to the company by Moody's is one of the highest assigned to a Latvian company. The high rating enables a more successful implementation of the Group's long-term investment attraction strategy of being a regular participant of the capital market and issuing bonds.

**In Nasdaq Baltic stock exchanges' initiative "Nasdaq Baltic Awards 2021"** Altum scored 81.47 out of 100 points in transparency, sound governance and investor relations excellence. 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. The Baltic stock exchanges' companies and members are assessed by local and international corporate governance and investor relations experts.

# Corporate Governance Report 2021 (cont'd)

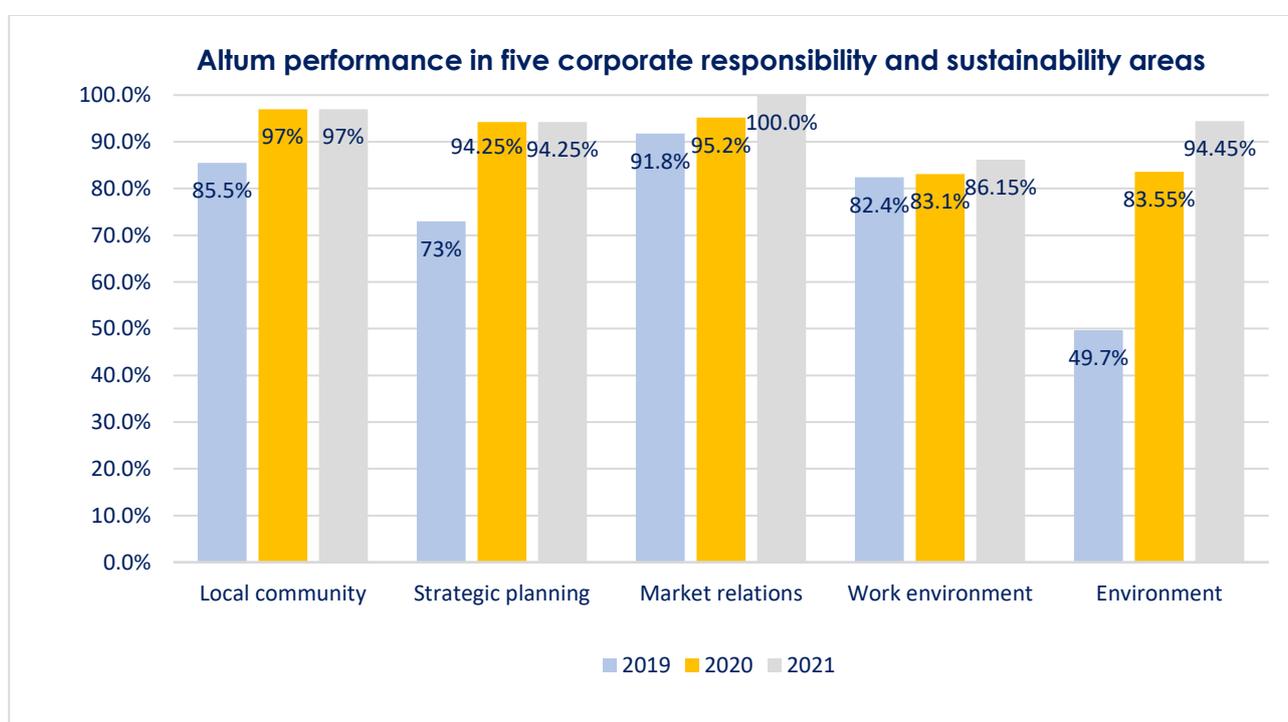
## ESG – Corporate governance (cont'd)

### Events 2021 (cont'd)



In 2021 Altum received the **Platinum or highest-category award of the Sustainability Index** evaluating companies' sustainability against international standards in all areas of corporate social responsibility. 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 assessment of the Sustainability Index is one of the most obvious reflections of the invisible day-to-day work companies do, adhering to the principles of corporate sustainability and responsibility, balancing interests of shareholders, employees, customers, environment, business partners and other parties with sustainability rules, this becoming leaders of the future.



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.

## ESG – Environmental aspect

Altum runs a continuous environmental management and operational improvement cycle, including by revising its long-term and short-term environmental targets to find a balance between efficiency of business operations and their impact on the environment and quality of life.

Altum is aware of its impact on climate change, as well as the impact of climate change on Altum's operations. Our environmental policy defines our goals and commitment to pursue our operations, leaving as little negative impact on the environment as possible both directly and indirectly.

## Corporate Governance Report 2021 (cont'd)

### ESG – Environmental aspect (cont'd)

As the Latvian development finance institution, Altum's impact on the environment is mostly indirect and is caused by providing support programmes to customers. As a state capital company and participant of the financial sector, Altum is aware of its high significance for attaining the ambitious goals of the National Energy and Climate Plan 2021-2030. Altum's credit policy and cooperation with other participants of the financial sector is reviewed in line with these challenges.

Altum provides a wide range of support to individual and corporate customers for improving energy efficiency. We have come to a strong conviction that sustainability is the future of Latvia's residents, entrepreneurs and ourselves. Altum defines business sustainability as the creation of long-term value, taking into account economic, ethical, social and environmental considerations. We have taken notice of the latest laws and regulations and their requirements promoting the supervision and reduction of the impact of climate change. Altum has started work to prevent ESG related risks in credit risk management and business processes. A correct management of ESG risks is a sound 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.



CICERO  
Medium Green

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 a Central and Eastern European country to issue green bonds.

In the 2<sup>nd</sup> half of 2021, the Green Bond Framework was updated, taking into consideration the Green and Social Bond Principles published by the International Capital Market Association in June 2021. In order to assure investors that the funding raised by the green bonds will be used by Altum to invest in environment-friendly projects and help reach specific environmental objectives, CICERO (Centre for International Climate and Environmental Research, Oslo) prepared an independent opinion on the Green Bond Framework and graded the bonds **Medium Green**, which is equivalent to the grading received in 2017.

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.

To make sure the investors can follow Altum's Green Bond investments and gain an insight into the supported projects, in September 2021 Altum published an annual report to investors. The report is available at [webpage](#).

As of the date the report to investors was prepared, the amount of loans granted since the launch of the energy efficiency program reached EUR 18.1 million, of which EUR 15.7 million had been disbursed. Since the implementation projects in all four segments is very time-consuming, financing is disbursed with a 9-12 month delay after the financing is granted.

The planned reduction of CO<sub>2</sub> emissions for projects finances via green bonds is 7945 tons of CO<sub>2</sub> per year, or 0.44 kg of CO<sub>2</sub> emissions per EUR 1 loaned.

The largest share of loans, or 75%, have been issued in the energy efficiency segment, which by the number of projects and financing, is ahead of the renewable energy, sustainable transport and green building segment, but, 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. 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.

In September 2021, Altum became the first company from Latvia to join the **Nasdaq Sustainable Bond Network** with its green bond issue.

In the autumn of 2021 Altum started improving employees' competence in Green Deal areas, so they could be able to promote and explain the essential role of sustainability and ESG aspects in business customers' development and ability to successfully operate in supply chains. Work on educating the employees will continue in 2022.

## Corporate Governance Report 2021 (cont'd)

### ESG – Environmental aspect (cont'd)

#### Reducing own impact

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. Altum makes sure it produces as little waste as possible, sorts waste, provides separate containers for batteries (hazardous waste) at its offices, promotes recycling and reducing of greenhouse gas emissions that are directly related to Altum's operations.

To meet the environmental commitments, work is ongoing to improve the energy efficiency of operations and buildings, reduce the number of business trips by using remote meetings format, and to make a transition to an energy efficient transportation fleet for the company's needs.

In 2021 we produced:



**48.7% less CO2 emissions** than in 2018, 22.4% less than in 2019 and 19.7% less than in 2020.

113 tonnes of CO2 emissions, **or 0.51 tonnes per Altum employee** (220 tonnes, or 0.99 tonnes of CO2 per employee in 2018)

Evaluation of **the intensity of CO2 emissions against Altum's gross portfolio of financial instruments** shows that while in 2018 Altum produced 0.42 tonnes of CO2 emissions per EUR 1 million portfolio of financial instruments, **in 2021 these were only 0.12 tonnes of CO2 emissions per EUR 1 million portfolio of financial instruments**. This has been achieved by significantly increasing the portfolio of financial instruments (in 4 years it has grown by 69.3%) and reducing CO2 emissions (in 4 years CO2 emissions have decreased by 48.7%).

CO2 emissions are calculated for the consumed electricity, thermal energy and fuel. We achieved this by improving the energy efficiency of Altum's offices, electricity consumption of appliances, upgrading the outdated transportation fleet, as well as improving work arrangements so that more and more tasks could be performed remotely.



After introducing in 2019 a new document and process management system, which ensures a fully digital workflow of documents, including the coordination, approval and publication of normative documents in ALTUM Normative Base, preparation and signing of instructions, as well as the workflow of incoming and outgoing documents, **we reduced paper consumption threefold in 2021**.

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 are available on the Altum [website](#).

### ESG – Social aspect

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

#### Employees

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 the possibility of human rights being infringed upon or violated.

## Corporate Governance Report 2021 (cont'd)

### ESG – Social aspect (cont'd)

#### Employees(cont'd)

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 2021 was 7.1%. Last year, applications for 33 vacancies were announced. All employees had the opportunity to participate in personnel selection competitions, and two vacancies were filled by Altum employees. In 2021, 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 2021 was 223 – 65% were women and 35% men. 8% of employees are younger than 30, 66% are between the ages of 31 and 50, 26% employees are over the age of 51. The average age of Altum employees was 44 years in 2021.

In 2021, Altum had 43 top and medium-level managers, of which 56% were women and 44% men. 77% of managers are 31 to 50 years old, 23% of managers are older than 51 years. Altum employed 180 specialists in 2021, of which 67.8% were women and 32.2% men. 10% of these employees are aged 20 to 30, 65% of employees are aged 31 to 50, and 25% 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. One employee complaint was received in 2021, in line with the procedures of the Ethics Commission.

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 2021, Altum employed an average of 196 employees with an open-ended employment contract and 27 employees with a fixed-term employment contract. In cooperation with higher education institutions, in 2021 Altum provided internships for students from 3 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 2021, Altum did not receive any complaints about violations of working hours, remuneration or absence that would constitute human rights violations.

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 2021, Altum received no complaints about forced or illegal child labour, harassment in the workplace, violations of employees' human rights or other ethical issues.

#### Diversity management

In line with the Diversity, Equality and Inclusion Policy, Altum supports 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.

As a member of the Latvian Diversity Charter, Altum is one of the official ambassadors for diversity in business and the workplace. Altum strives for respect for diversity both in the workplace and in Latvian society as a whole. In order to improve Altum employees' understanding of diversity management issues, promote a positive attitude towards diversity and encourage the ability of society to see diversity as an opportunity rather than a disadvantage, in 2021, several Altum employees participated in training "[Skatu Punkti: Ievuguvmi](#)" ("[View Points: Benefits](#)") organized by the Society Integration Fund, the Institute of Corporate Sustainability and Responsibility and organization development centre Spring Valley.

## Corporate Governance Report 2021 (cont'd)

### ESG – Social aspect (cont'd)

#### Staff training, competence development

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 2021 was organized in accordance with Altum's strategic goals and training needs identified in the annual professional assessment. In 2021, remote learning has become the dominating way for development of professional skills and competencies. Altum employees were offered to participate in 129 different training activities (courses, seminars, training with tests, conferences, etc.), which were attended by 98% of employees. [A training on protection and processing of personal data with a concluding test was organised for all employees](#). Most of the employees participated in internal training on lending issues (31 training activities), lectures and discussions on promoting well-being (20 activities), use of IT systems (2 lectures). For development of leadership and management skills, medium-level and top managers participated in 19 different training activities.

Raising of employees' competencies on sustainability and sustainable business had been in the focus of customer service network in 2021. Considering that in 2022, Altum is significantly expanding its support programs which in turn sets the need for more detailed specialisation of regional employees, customers' demands promote improvement of client service and lending processes that require closer engagement of employees in the improvement of these processes, the principles of the Competency Teams have been improved. One of the main tasks of the Competency Teams is to increase competence levels within team profiles and share knowledge and practical experience among regional colleagues in cooperation with Competency Teams leaders and program owners.

#### Remuneration

Altum's remuneration policy provides for uniform and fair principles for all employees, based on the strategic goals and performance indicators, and 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](http://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.

#### Team-building

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 in person, no traditional events were organized for the company's employees in 2021, 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.

## Corporate Governance Report 2021 (cont'd)

### ESG – Social aspect (cont'd)

#### Work environment, safety, well-being

Tidy, comfortable and aesthetic work environment and working conditions suited to the health 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 2021, 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 mental health of employees and draw their attention to well-being matters, and considering the specifics of the remote work and the growing work load due to development of Covid-19 support programme and customer service, in 2021 employees were offered educational online lectures on stress management and well-being, and a project "Health month" was implemented. Employees are periodically surveyed about their well-being, working environments, etc. during remote work to monitor their well-being level.

In 2021, there were no accidents at work in Altum and no occupational diseases were detected, as well as no complaints about occupational safety were received. In order to learn about the working environment safety and cases of near accidents, employee survey was organised. Employees were able to share their opinion about the working environment, and their attention could be repeatedly drawn to practical safety measures, for example, the location of the medical emergency kit, evacuation signs and fire safety rules.

#### Customers

Improvement of availability of Altum services is closely related with results of customer satisfaction survey. In 2021, an on-line customer survey was introduced for all lending services. In a year, an especially good assessment was received on how customers evaluate knowledge and professionalism of Altum employees. The highest assessments "good" and "very good" was given by 18% and 72% of customers respectively, which together accounts for 92%.

Asked whether the customer would recommend Altum services to his/her family, friends and acquaintances, 24% of customers responded "likely", 70% said "definitely, yes", and the overall positive assessment reached 94%.

Efficient and successful customer service during the crisis significantly depends on the ability to serve customers remotely. Altum offers fully remote customer service, starting from consultations and loan application to decision making.

Improving the remote service and taking care of reducing circulation of paper documents, motivating training of employees on use of electronic signature, signing cooperation documents with customers, were organised throughout the year. In a year we observed growing awareness among employees and customers that resulted in a significantly bigger share of electronically signed documents.

Also, use of several customer service instruments were improved, for example, usability of customer portal [mans.altum.lv](https://mans.altum.lv), customer-friendly loan application format was introduced.

## Corporate Governance Report 2021 (cont'd)

### ESG – Social aspect (cont'd)

#### Community support, contribution to development of local community

In promoting cooperation between science and business, youth involvement in research, quality of research and commercialization of innovative ideas, Altum cooperates with the 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 welfare 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 public welfare, environment protection and 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 mobilises for community support projects are determined by Altum's operating strategy and budget, which is approved by the company's Management Board and shareholders.

Initiatives supported in 2021:

Innovations, infrastructure	5G Techritory	Promoting the Baltic Sea Region countries' cooperation in digital infrastructure
	Three Seas Initiative Investment Fund (3SIIF)	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
	Investor of the Year	Popularization of venture capital investments and their positive effect on the national economy of Latvia, highlighting the most successful private and corporate investment deals
Development of business environment	Culture support program during Covid era	In order to ensure uninterrupted operations of the culture industry and respectively organization of events important for the community, we organized seminars about the support instruments for this sector with a goal to ensure planning and organization of these events after the Covid restrictions are lifted
	Business experience days	Promoting sharing of knowledge among entrepreneurs for successful business development in cooperation with partners – LCCI and Swedbank
	Countryside Will Be! competition (Laukiem būt)	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
	Financial Literacy training for business representatives who plan to apply for EU and state aid	Set of seminars "Status of companies experiencing difficulties" on how to organise the accountancy and legal liabilities in order to attract EU funds and state aid easily and simply
Effect upon environment, green thinking,	Living Warmer campaign and Most Energy Efficient Building in Latvia project	Promoting energy-efficient practices in households and business environment, emphasizing both financial and environmental benefits thereof

sustainability	Large-scale CO2 seminar – management of pandemic and energy efficiency risks	Altum takes on the leading role and educates business and public sectors on how to reduce the CO2 impact, spread of the pandemic, and increase energy efficiency in public premises. Risk capital community, the State Construction Control Bureau of Latvia, Altum energy efficiency and private sector experts participated in preparing information.
	Energy efficiency of private homes	Launch of the programme and a set of seminars to educate the community
	Project to support SSE EMBA term paper “Why do business representatives not care about energy efficiency and who should take care of it?”	Project with engagement of Latvian and Estonian large corporate managers who, within the framework of a strategy course, studied and presented recommendations for management of energy efficiency in order to promote energy efficiency literacy for business representatives and public sector
	Customer spring and autumn seminars on insulation of residential houses, absorption of the ERDF	Collection of good practices and recommendation to promote the society and project managers to perform renovation of energy efficient residential houses easily and simply
	Online conference “Impact of the Green Course on agricultural economy”	Webinar in which, together with other agriculture partners, organizations were explained the Green Course, opportunities for farmers during the transition and the abilities to adapt and develop
	Expert discussion “Risks – opportunities or obstacles for development?”	Cycle of discussions for better corporate governance, participation in expert discussion “Risks – opportunities or obstacles for development?” that was the fifth event in a cycle of six discussions on different aspects in improving corporate governance. Organised by FCMC, the Ministry of Justice and Nasdaq Riga
	Latvian Capital Market Forum 2021	Participation in a discussion on the opportunities of the state in development of the capital market
	Responsible Idea Market within the framework of Responsible Business Week 2021	#PasakasParDarbu – ATJAUTĪGAIS JĒKABS UN ĻAUNAIS BURVIS (#FairyTalesAboutWork –WITTY JĒKABS AND EVIL WIZARD ) Sharing experience about promoting employee well-being and involvement – in the attached video Atbildīgu ideju tirgus 2021
Education	Higher education (Latvia University of Life Sciences and Technologies, BA School of Business and Finance)	Promoting cooperation between science and business, youth involvement in research, commercialization of research quality and innovative ideas
	Latvian student companies' events #CitsBazārs	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	Social Entrepreneurship Association	Promotion of the idea of social entrepreneurship so that Latvia would have increasingly more enterprises with a clear social purpose and positive social impact

	Competition And Grow It Will (Tam labam būs augt)	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.
	Conference "Housing availability for families with children"	Conference was organised by the Association of Organizations for Large Families in cooperation with the Cooperation Platform of the Cross-Sectoral Coordination Centre, the Demographic Affairs Centre, the Economics Ministry, the State Development Financial Institution ALTUM and local governments. Discussions were held on support steps that are needed to improve availability of housing that meets the needs of families with children, and the minimum living space standards guaranteed for children by the state or local governments.
	Think tank on remigration issues	The objective of the think tank is to bring together the parties involved in the remigration process in order to jointly analyse 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.
Financial sector development	Finance Latvia association	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
	Development of bankers' training materials on ERDF propositions	Development of guarantee trainings and integration in bankers' training handbook. Video
Export	The Red Jackets	Popularization of export-viable companies' experience and excellence in promoting export culture and positive economic impact
	Competition Export and Innovation Award	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
	Seminar LIAA	In cooperation with heads of LIAA representations across the world, we train and thus develop competencies on how exporters with the state aid can protect their business from international risks (customer and country solvency risks)
	Seminar "What support is available for export"	For ALTUM cooperation partners, employees of state institutions and state capital companies who work with exporters

## Corporate Governance Report 2021 (cont'd)

### ESG – Social aspect (cont'd)

More information about Altum principles for implementation of public support activities and support projects is available on website [www.altum.lv](http://www.altum.lv).

*Corporate Governance Report 2021 is publicly available in Latvian and English at Altum's premises at 4 Dome Square, Riga and in electronic form – on the website [www.altum.lv](http://www.altum.lv), in section ABOUT ALTUM/CORPORATE GOVERNANCE AND SUSTAINABILITY under [CORPORATE GOVERNANCE](#) sub-section.*



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Reinis Bērziņš  
Chairman of the Board

30 March 2022