

## Corporate Governance Report 2022

The Corporate Governance Report 2022 of the joint-stock company Attīstības Finanšu Institūcija Altum (Development Finance Institution Altum, hereinafter – Altum), unified registration No. 50103744891, is prepared in accordance with the requirements of Article 56(2)(3) of the [Financial Instrument Market Law](#) and based on the good corporate governance recommendations for capital companies in Latvia [Corporate Governance Code](#) (January 2021) (hereinafter – the Code) developed by the [Corporate Governance Advisory Council](#). The recommendations were developed taking into consideration the requirements for companies provided in the legislation of the Republic of Latvia as well as corporate governance recommendations of the Organization for Economic Co-operation and Development. Besides, the Corporate Governance Report covers environmental, social and corporate governance (hereinafter – ESG) considerations based on [the Nasdaq ESG Reporting Guide 2.0](#) (May 2019).

Altum is a Latvia state-owned company ensuring to enterprises and households access to financing resources by means of financial support 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 in such a way enhancing mobilisation of private capital and financial resources.

In its day-to-day operations in implementing the state-delegated functions to foster the development of national economy and taking voluntary company responsibility for impact on society and environment, Altum acts in compliance with the organization's strategy and values. Our values define our daily activities, are reflected in our operations and conduct, and fully permeate our positive attitude and openness to changes and innovation. Altum's value system is designed to provide a clear perception of Altum to our external partners and clients as well as to our employees.



### TEAM

We work professionally as a team with our clients and partners to design and implement effective state support programmes that meet our clients' needs



### EXCELLENCE

Using our experience and creativity, we strive for excellence in everything we do. We evolve constantly. We make the complicated simple. We look at things and challenges creatively



### RESPONSIBILITY

To achieve our goals, we act efficiently, with integrity and respect in our daily work

Altum is also the manager of the AIF "Altum capital fund" (hereinafter - the Fund) registered by the Financial and Capital Market Commission (integrated into the Bank of Latvia as of 1 January 2023) (hereinafter - FCMC). The fund was established in the spring of 2020 to support overcoming the impact of Covid-19. Its aim is to support well-managed, perspective large companies (Midcaps and large SMEs) that being under the virus impact are ready to adjust their operations by changing their business model, adjusting product development, introducing new technology, expanding into new export markets, thereby fostering their growth. The Fund's investment period was extended until 30 June 2022 along with the duration of other Covid-19 crisis related programmes. As at 31 December 2022, the total subscribed amount of the Fund's investments amounted to EUR 42 million. The total amount of the Fund's assets managed by Altum was EUR 31 million.

## Strategy 2022 – 2024

On 9 March 2022, the Supervisory Board of Altum approved [Altum's Medium-TERM Operational Strategy 2022-2024](#) (hereinafter – the Strategy), underlining the importance of sustainable financing and ESG considerations both at product level and their full integration into Altum's credit risk management.

Altum continues to strengthen its role as a key partner of the Government in the implementation of financial instrument programmes and is actively involved in the development of new financial instrument programmes together with the relevant ministries.

According to Altum's Strategy since Q4 2022, there are available new programmes funded from the [European Recovery and Resilience Facility](#) (hereinafter – RRF), which target specific areas of support: climate change mitigation solutions, namely, improving energy efficiency in multi-apartment buildings and switching to renewable energy technologies, improving energy efficiency in enterprises, and construction of rental houses, while a programme for digitisation projects in enterprises is available from February 2023.

The new Strategy period sees the launch of granting loans with capital rebate for large investment projects, the creation and launch of the 5th generation venture capital funds and other programmes to be financed from the EU funds during the new programming period (2021-2027). Support to the existing programmes for entrepreneurs as well as introducing brand new ones to promote business productivity, research and innovation are continued as well as supporting energy efficiency improvements in both multi-apartment buildings and private homes. Transitional funding from the [European Agricultural Fund for Rural Development](#) (EAFRD) is to provide additional funding for the Programme for Agricultural and rural development guarantees and the Programme for Loans for Enterprises for Rural Territories, while a new measure – loans with capital rebate for small rural businesses – is to be introduced with funding from the [Common Agricultural Policy Strategic Plan 2023-2027](#).

Altum also continues to implement other ongoing state support programmes in areas identified as the state supported and prioritised, ensuring access to finance for enterprises at different stages of development and for specific target groups of the population.

Altum follows the demand in the financial market and current market failures, improving and adapting state support instruments to the needs of clients and cooperation partners as well as to economic policy priorities.

In addition to the EU funds invested through financial instruments under the [Cohesion Policy](#), Altum plans to mobilise guarantees under the [European Commission's InvestEU](#) programme.

Following strategic development directions and long-term objectives are set in the approved JSC Development Finance Institution Altum Strategy for the period 2022 – 2024:

- the main financial objective in implementing the state support programmes is to ensure positive return on Altum's equity;
- the main non-financial objective is to support and facilitate availability of finances to business and to contribute to national economic development;
- Altum priority areas include issuing and servicing guarantees and loans, venture capital investments, solutions for climate change mitigation including implementation of energy efficiency programmes in both the residential building and corporate segment, initiation of new projects by expanding the range of the financial instruments offered, as well as the development of the Latvian Land Fund;
- the main target activities embrace support for entrepreneurs, farmers and certain categories of persons; energy efficiency; the management of the Latvian Land Fund;
- Altum will particularly focus on environmental, social and corporate governance (ESG) considerations, both in financing decisions and in Altum's internal processes.



Altum's objective is to continue ensuring the highest possible credit rating that is not more than two notches below the Latvian sovereign rating assigned by [Moody's Investors Service](#) (hereinafter – Moody's), the international credit rating agency.

## Financial and Non-Financial Targets

According to the Altum's Strategy, the following key financial targets on Altum's financial operations and non-financial targets driven by Altum strategic objectives, regulatory framework and policy planning documents in order to ensure the performance of functions assigned to public entity, were set:

- 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 portfolio of financial instruments is expected to grow at an average annual rate of 10%, reaching a total portfolio size of EUR 1.3 billion by the end of 2024;
- contribution to economy by Altum volumes issued characterises a projected increase in Altum's impact on economic development by facilitating mobilisation of private capital and financial resources in the priority areas. In 2024, this indicator is planned at EUR 773 million level;
- *Return on Equity* (ROE) is planned to remain above 1.3% during the Strategy implementation period;
- *Equity* at the end of the reporting year is expected to show positive dynamics;
- to ensure Altum's financial efficiency, the Cost-to-Income Ratio is planned to be no more than 65%.

### Information on achieving the 2022 non-financial targets set out in the Strategy:

- **new transaction volumes (incl. grants)** reached **EUR 358 million** in 2022, which is by EUR 15 million less (-4%) than the targeted EUR 373 million in the Strategy. Reaching the indicator set in the Strategy was affected by (i) lower volumes of Covid-19 crisis related support instruments (loans, equity investments) – the Strategy foresaw EUR 50 million in 2022, while the actual volume was only EUR 9 million due to a better economic situation in the country, (ii) smaller new transaction volumes in several new loan programmes, such as the Programme for Large Investment Loans with Capital Rebate for Midcaps (-EUR 20 million), launching of which and new transactions were planned in the first half of 2022, but the first loans were actually disbursed at the end of the year and (iii) 4<sup>th</sup> generation venture capital fund investments (-EUR 7 million). This decrease was offset by significantly higher than expected, as drawn up in the Strategy, new transaction volumes for the daily products - working capital guarantees in the SME segment and Guarantee and Grant Programmes for Improving Energy Efficiency in Multi-Apartment Buildings in the Individuals segment.

At the same time, new transaction volumes (incl. grants) are significantly higher compared to 2021 - +EUR 57 million (+19%). New transactions in financial instruments total EUR 275 million. Of these, 55.7% (EUR 153 million, +20.5% compared to 2021) were issued under guarantee programmes; 34.9% (EUR 96 million, -5.1% compared to 2021) in loan programmes; 2.7% (EUR 7 million, -30% compared to 2021) in the Land Fund transactions, 6.7% (EUR 19 million, -36.5% compared to 2021) in venture capital investments. Due to the nature of the business, guarantees for working capital and investment loans as well as bank guarantees require regular review and extension for existing clients; however, such transactions are not included in the amount of new guarantees issued, although their volumes are significant – in 2022, guarantees of EUR 69 million were extended. In 2022, Altum issued 1 504 grants for a total amount of EUR 83 million (2021: EUR 65 million) which was by EUR 50 million (+150%) more than in 2021.

- **at the end of 2022, the gross portfolio (incl. grants)** amounted to **EUR 1 065 million** (-EUR 47 million / -4% against EUR 1 112 million targeted in the Strategy, and +EUR 86 million / +9% against 2021).

At the end of 2022, the gross portfolio of financial instruments (excl. grants) was by EUR 69 million (-6%) less than targeted in the Strategy. This was due to a smaller amount of actual new transactions in 2022 (see the indicator *New transaction (incl. grants) volumes* above).

Overall, in 2022, the loan portfolio decreased by EUR 3.8 million (-1.2%) by volume. It was by EUR 32.3 million (-9%) less than targeted in the Strategy.

As of 25 February 2022, Altum stopped issuing new export guarantees to the Russian Federation (hereinafter - Russia) and the Republic of Belarus (hereinafter - Belarus), gradually reducing the exposure to these countries; as a result, at the end of 2022, Altum had no high-risk exposure- in case client counterparties were based in Russia or Belarus. At the end of 2022, the total export guarantee portfolio was by about EUR 6 million less than targeted in the Strategy.

## Financial and Non-Financial Targets (cont'd)

The guarantee portfolio, on the other hand, showed a significant increase, exceeding the amount targeted in the Strategy by EUR 46.6 million (+11%) at yearend. In 2022, the guarantee portfolio increased by EUR 66 million (+15.9%). This was slightly faster than in 2021, when the guarantee portfolio grew by EUR 55.4 million (+15.4% compared to the previous year). The guarantee portfolio exceeded considerably the one targeted in the Strategy: under the SME Guarantee Programme - by EUR 26.4 million (+30%), under the Guarantee Programme for Improving Energy Efficiency in Multi-Apartment Buildings - by EUR 17.1 million (+37%), under the Study and Student Portfolio Guarantee Programme - by EUR 9.4 million (+113%) and the Guarantee Programme for Clients of State Aid Accumulation, Grace Period and Large Economic Operators – by EUR 7.4 million (+57%).

Besides financial instruments, Altum also operates grant programmes to provide clients with easier access to support instruments. As at 31 December 2022, the grant portfolio totalled EUR 101.1 million which exceeded the amount targeted in the Strategy by EUR 22 million (+27.7%). This was because of a significant increase in new transactions, mainly under the Energy Efficiency Programme for Multi-Apartment Buildings (EEPMB).

In comparison with 2021, Altum's portfolio of financial instruments increased by EUR 67.8 million (+7.6%) by volume and by 2 998 (+9.7%) by the number of projects. As at 31 December 2022, Altum's gross portfolio of support instruments totalled EUR 1 064.7 million (31 December 2021: EUR 979.1 million) of which the gross portfolio of financial instruments amounted to EUR 963.6 million made of 33 976 projects (31 December 2021: EUR 895.8 million and 30 978 projects);

- **Moody's credit rating** in the Strategy is set two notches below the Moody's rating assigned to the Latvian state. On 16 December 2022, Moody's reaffirmed Altum's **Baa1** long-term credit rating with a stable outlook, at the same level as that assigned on 25 March 2019 (and accordingly also in 2021). Moody's long-term credit rating Baa1 assigned to Altum is one notch below the rating assigned to the Latvian state, which at the end of 2022 was A3, and was above the threshold set in the Strategy.

Altum's long-term credit rating Baa1 is one of the highest assigned to Latvian capital companies and allows Altum to better implement its long-term strategy of raising funds by being a regular capital market participant and issuing bonds;

- **total contribution to economy by Altum volumes issued in 2022** totalled **EUR 766 million** (-EUR 98 million /-11% against the targeted in the Strategy EUR 864 million);
- **the volume of the state support programmes (incl. grants) per employee** amounted to **EUR 4.7 million** (- EUR 0.1 million/-1% against targeted in the Strategy EUR 4.8 million);
- **voluntary employee turnover** was **7.3%**, which is below the indicator targeted in the Strategy (<10%) and above the same indicator of 2021 (+0.2%);
- **the number of trained employees** reached **98%**, exceeding the number targeted in the Strategy (>70%) while being the same (+0%) if compared to 2021.



In 2022, Altum met its main non-financial target as set out in the Strategy: **to support and facilitate availability of finances to business and to contribute to national economic development.**

### Information on achieving the 2022 financial targets set out in the Strategy:

- in 2022, **Return on Equity ROE** was **2.9%**, which was above the indicator targeted in the Strategy ( $\geq 1.3\%$ , -0.46% in absolute terms compared to 2021);
- **the profit of EUR 11.5 million** exceeded the indicator targeted in the Strategy (EUR 9.2 million, -EUR 2.3 million compared to 2021);
- **equity (at the end of the year) totalled EUR 396 million** (EUR 405 million was targeted in the Strategy, -EUR 45 million compared to 2021).

In 2022, the equity was reduced by EUR 58.6 million. In line with the Cabinet decision, the funding for the COVID-19 mitigation programmes was reduced and reallocated to Support programme funding in the liabilities for implementation of a new support Programme for Large Investment Loans with Capital Rebate for Midcaps. Thus, the nature of the funding was maintained, i.e., funding to implement a new support programme and to cover expected losses;

## Financial and Non-Financial Targets (cont'd)

- **cost-to-income Ratio was 38%** which was below the targeted in the Strategy ( $\leq 65\%$ , -1% in absolute terms compared to 2021);
- **the 6-month liquidity ratio of 366%** was higher than the targeted ratio ( $\geq 100\%$ , -152% in absolute terms compared to 2021). Altum maintained high liquidity;
- **tangible common equity (TCE) / Total tangible managed assets (TMA) was 27%**, which was above the indicator targeted in the Strategy ( $\geq 20\%$ ). However, compared to 2021, this ratio decreased by 7% in absolute terms due to the change in equity (see the commentary to the indicator "Equity (year-end)"). In 2022, Altum's total assets under management increased by 13%, which also reduced this ratio. The above ratio shows that Altum has sufficient own funds to cover the risks associated with its operations.



In 2022, Altum's main financial target as set out in the Strategy was met: **to deliver a positive return on Altum's equity through the state support programmes.**

The deviations of some indicators from the targets set in the Strategy were not significant and had no negative impact on achieving Altum's main objectives and the implementation of the Strategy.

Additional information on the achievement of non-financial and financial targets is available in Annual Report for the year ending 31 December 2022 - the Management Report and Other Notes to the Annual Report.

### Approving Altum's business plan and budget for 2023, the Shareholders' Meeting, in line with the Strategy, set the following key goals and objectives for Altum in 2023:

the main objective is to ensure, through the implementation of state support programmes, the growth of Altum's portfolio while maintaining a positive return on capital and efficiency;

goals and targets:



successful implementation of programmes under the Recovery and Resilience Facility (RRF), where the main areas to be supported are climate change mitigation solutions, digitisation of enterprises and construction of low-rent houses as well as investment loans with capital rebate, which will be financed from the state budget;



introducing financial instruments to mitigate the consequences of the Russian-launched war in Ukraine and prompt adjustment of programme terms and conditions in response to the changing external situation;



conducting a Pillar Assessment to qualify Altum as an InvestEU Implementing Partner in 2023;



focusing on environmental, social and corporate governance (ESG) considerations, both in financing decisions and in further improving Altum's internal processes.

## Contribution to Economy

Altum has a long-term vision for raising funding, with the aim of providing resources to finance business projects that are important to the national economy.

As at 31 December 2022, Altum's gross portfolio of support instruments totalled EUR 1 065 million (31 December 2021: EUR 979 million) of which the gross portfolio of financial instruments amounted to EUR 964 million made of 33 976 projects (31 December 2021: EUR 896 million and 30 978 projects).

### Total contribution to economy by ALTUM volumes issued in the reporting year:



As driven by the Strategy, in early 2022 the Programme for Large Investment Loans with Capital Rebate for Midcaps (ticket size up to EUR 10 million) opened for application. The rest of the funding for the investment project is to be raised from other sources. The new programme differs from previous business support programmes as it includes capital rebate, or full or partial cancellation of the principal amount of a loan, for which a company can qualify if the project's objectives and certain criteria are met. Overall, the number of interested applicants exceeded more than threefold the available funding. On 18 October 2022, the Cabinet decided to increase the programme funding to EUR 152.1 million from EUR 99.6 million. The additional funding was reallocation from the EUR 52.5 million earmarked but unused for Covid-19 crisis related support instruments. The first loan under this programme was issued in December 2022.

In autumn 2022, in cooperation with the Ministry of Economy, new loan and guarantee support programmes were developed to mitigate the economic effects of Russia's military aggression against Ukraine and to implement market reorientation which enabled to offer immediate support to businesses providing working capital and stabilising liquidity, while ensuring stability conditions on the part of the state for long-term development.

In total, at least EUR 650 million is available as financial instruments under the RRF and the EU Cohesion Policy programming period 2021-2027. Of this, EUR 224 million is earmarked for the new RRF support programmes. In 2022, four new RRF support programmes were developed in cooperation with the Ministry of Economy and approved by the Cabinet. The following programmes can avail of the RRF funding:

- the energy efficiency programme for corporates – EUR 81 million to companies for increasing energy efficiency and wider use of renewable energy technologies;
- the digitization programme for corporates – EUR 43 million for digital transformations of companies, i.e., for promotion of digitization, automation and robotization;
- the energy efficiency program for multi-apartment buildings – EUR 57 million to improve the energy efficiency of multi-apartment buildings and transition to the use of renewable energy technologies;
- affordable housing construction program – EUR 43 million for the construction of residential rental houses in regions to promote the availability of affordable housing that meets the construction standards and energy efficiency requirements.

To get ready for the implementation of the new EU InvestEU programme, the preparation, started in 2019, for Altum's Pillar Assessment, continues. The Pillar Assessment is a prerequisite for Altum to apply for the role of InvestEU Implementing Partner and, in the future, also for the role of Direct Cooperation Partner in the implementation of EU funds, thus increasing the offer of new specialised and appropriate financial instruments for Latvian companies. Altum is committed to carry out a compliance assessment of its operations – the application for the InvestEU Pillar Assessment was prepared in Q3 2021, the selected independent auditor to conduct the Pillar Assessment set to work in early 2023, while the decision on the submission of the application for the InvestEU Implementing Partner role has not yet been taken.

## Internal Control and Risk Management System

### Internal control

The purpose of the internal control system is to ensure the company efficient, sustainable and successful operation, 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 reasonable assurance that the assets of Altum are secured against loss and unauthorised management and use, 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, the transactions are performed in line with the procedures established by Altum, the company operates reasonably, prudently and efficiently in compliance with the legal requirements, and the drawbacks identified in the Altum management are timely eliminated.

The Altum management bears responsibility for establishing a comprehensive internal control system (ICS) and its effective functioning. Regarding the preparation of financial statements and veracity, impartiality, clarity and completeness of the information presented, this responsibility manifests as selecting adequate accounting methods, accordingly described in internal regulatory documents.

The **Internal Audit Division**, an independent body subordinated to Altum Supervisory Board, monitors Altum's internal control system and assesses its adequacy and efficiency. The Head of the Internal Audit Division is appointed by a decision of Altum's shareholders' meeting. The objective of the Internal Audit Division is to strengthen Altum's values and to help the Supervisory Board, Management Board and heads of business units to achieve their strategic and business objectives more effectively through independent and impartial assessment. Every year the shareholders' meeting approves the annual action plan of the Internal Audit Division, about the implementation of which the Internal Audit Division reports to the shareholders' meeting. The Supervisory Board supervises the Management Board in ensuring that the internal control system is established and operates effectively



In 2022, the Internal Audit Division prepared 11 audit reports in accordance with the agreed action plan, providing an assessment of the functioning of the process management and control system; they were presented to Altum Supervisory Board. During the reporting year, 63 audit recommendations were made, all recommendations are implemented where deadline has been incurred. Audit reports provide assurance to Altum management on business processes, e.g., SME Growth Loan Programme, Altum's Asset and Infrastructure Management, implementation of COVID-19 crises related programmes, Stressed assets Restructuring, Information System Management and other audits.

The Internal Audit Division performs its functions in accordance with the applicable laws and regulations, international standards for the professional practice of internal auditing, and Altum's internal regulations. The Internal Audit Division prepares and submits to the shareholders' meeting, at least once a year, a report on the audits performed, the main problems and drawbacks identified, assessing the effectiveness of the internal control system and giving an opinion on the measures to be taken to improve the functioning of the internal control system.

Since 1 December 2017, Altum has an **Audit Committee**; among other things, it monitors the effectiveness of the internal control and risk management to the extent it relates to financial reporting and impartiality. The Audit Committee monitors Altum's financial reporting process and performs other duties as required by [the Financial Instrument Market Law](#). The Audit Committee worked closely with the Internal Audit Division on the audits.

Altum has an Accounting Policy and a Provisioning Policy, the purpose of which is to set out the principles, methods and rules relating to the items for accounting, measuring and presenting transactions, facts and events in financial statements. Altum management has established financial accounting principles that ensure that the financial statements provide information that is reliable and useful for decision-making of users of the financial statements. The Accounting and Provisioning Policies applied ensure that the information presented in Altum's financial statements is true, comparable, timely, significant, understandable, relevant and complete. Altum has internal regulatory documents governing financial reporting.

### Risk management

Risk management aims to identify, assess, manage and control potential events and situations to provide assurance that the strategic objectives of the business are achieved.

## Internal Control and Risk Management System (cont'd)

Altum has a risk management framework, taking into account the Company size, structure and operational specificities as well as the limited capacity to manage individual risks. Altum manages risks affecting its operations in accordance with the Company approved internal regulations for risk management, which describe and define the measures used to manage risks inherent in its operations.

The following are the major risk management principles adhered to:

- risk management is part of day-to-day functions;
- Altum identifies and assesses potential risks before introducing new products or services;
- while assuming risks, Altum maintains its long-term capacity to meet its objectives and targets;
- Altum does not engage in transactions, activities, etc., which create risks that threaten the stability of its business or which may significantly harm its reputation.

Altum uses various risk analysis methods and tools to manage its risks, and sets risk limits and restrictions.

Although the impact of Covid-19 diminished in 2022, Altum continued to monitor the portfolios exposed to Covid-19. In 2022, it could be observed that the transactions that were granted relief due to Covid-19 impact were able to meet their obligations after the expiry of the relief period and there was no significant increase in defaults.

In view of the Russian invasion of Ukraine, as of February 2022, Altum already limited any cooperation with Russian and Belarusian residents and related companies.



As a result of the Russian invasion of Ukraine, the EU and the rest of the world imposed sanctions against Russia and Belarus and their legal entities. To mitigate the sanctions risk, Altum imposed additional control measures during both the granting of financial instruments and the monitoring of the business relationship; moreover, changes were made to the Company Policy for Prevention of Money Laundering and Terrorism and Proliferation Financing and Sanctions Compliance to the effect that Altum refrains from dealing with clients where the owners, ultimate beneficiaries or officials are Russian or Belarusian nationals.

Altum monitors the changes to sanctions on an ongoing basis and follows the situation in Ukraine closely and continuously. Altum takes appropriate measures to see that potential direct or indirect impact on its business because of events in Ukraine or sanctions against Russia and Belarus are minimised, including but not limited to additional monitoring of transactions with clients whose core business could be affected by both the above factors. As part of its sanctions risk management, Altum conducts an in-depth analysis of clients and their business partners concerning their links with countries known to be or likely to be involved in circumventing the sanctions imposed against Russia and Belarus.

Along with the above, in 2022, Altum took the necessary steps to identify potential clients in difficulty and to assess whether the increase in energy prices as well as the sanctions imposed against Russia and Belarus had directly or indirectly affected or might affect significantly clients' solvency as well as to ensure that direct and indirect effects were quantified and appropriate allowances made.

In managing the Fund, Altum follows the best practices of the private equity and venture capital industry: the Investment Committee includes independent industry experts carrying out investment appraisals and making investment decisions; reporting to the Fund's investors is carried out in accordance with [Invest Europe guidelines](#), and investment valuation is carried out according to an established internal procedure based on the [valuation guidelines approved by the IPEV Council](#).

The Annual Report is publicly available in Latvian and English at Altum's office at Doma laukums 4, Riga, and in an electronic form on the website <https://www.altum.lv/en/>, under "[FINANCIAL INFORMATION](#)" in the section "FOR INVESTORS" and under "ABOUT ALTUM" in the section "[FINANCIAL INFORMATION](#)".

### Independent audit

The financial statements of Altum are independently audited, and the independent auditors state whether, in their opinion, the financial statements give a true and fair view of Altum's financial position, performance and cash flows in accordance with [International Financial Reporting Standards](#) as adopted by the European Union. [Deloitte Audits Latvia](#) SIA was the approved auditor of Altum's financial statements for 2020-2022. In accordance with [EU Regulation No 537/2014](#) on specific requirements regarding statutory audit of public-interest entities, Altum Audit Committee was involved in the auditor selection process in open tendering, which procedure is laid down in the [Public Procurement Law](#).



## Internal Control and Risk Management System (cont'd)

The selection of the auditor was based on the following qualification criteria:

- performing of at least three (3) audits of the financial statements of credit institutions within the previous three (3) years (2017, 2018, 2019 and 2020 up to the tender submission date), where the carrying amount of the credit institution's loan portfolio was not less than EUR 200 million;
- a license for providing the services of certified auditors;
- the auditor in-charge holds a certificate of a certified auditor issued by the [Latvian Association of Certified Auditors](#);
- the applicant as well as any business partner of the applicant's network of audit firms (if the applicant is a business partner of a network of audit firms) has not provided to Altum or companies controlled by it in the European Union prohibited non-audit services referred to in Article 5 of EU Regulation No 537/2014 during the period specified in the same Article and meets the requirements of Articles 4 and 5 of Regulation No 537/2014 of the European Parliament and the Council.


The following criteria were applied for the auditor selection:

- the most economically advantageous proposal with the lowest price;
- involvement of an expert in International Financial Reporting Standards in the performance of the contract.

## Contribution to Sustainability

The financial sector has a crucial role to play in achieving the European Green Deal objectives, including the transition to a climate-neutral, climate-resilient, resource-efficient and fair economy. Sustainability is a key part of Altum's business and strategy and has become an important strategic driver for the banking sector as well as for development finance institutions in Europe. Altum takes responsibility for the long-term economic, environmental and social impact of its day-to-day activities and continuously works to ensure that the investment decisions it makes in building its portfolio contribute to sustainable development, do not adversely impact sustainability factors and facilitates its clients' transition towards a sustainable economy and encourage responsible business practices.

In support of the Global Shared Agenda to halt climate change, eradicate poverty and fight inequality by 2030, Altum follows those companies committed to contributing to sustainable development and has prioritised the [UN Sustainable Development Goals](#) (UN SDGs), which are closely linked to the company operations and strategic objectives. The UN SDGs have been identified based on a stakeholder survey and the Company influence, as shown in Altum's materiality matrix (see further on in this section).

Impact	Materiality aspect	UN SDGs
<b>Climate issues</b>	Financial instruments for climate change mitigation Climate resilience considered in all financing decisions Raising awareness of climate change improving climate resilience Impact of own daily activities on climate	  
<b>Governance</b>	Fair and ethical governance, anti-corruption Open communication and stakeholder involvement Sustainable procurement Cybersecurity, right to privacy and data protection	 
<b>Services</b>	Promoting entrepreneurship, employment Governance decisions upon all financing issues Social considerations in all financing decisions	  
<b>Working environment</b>	Employee health and safety Fair treatment of employees Staff training and development Diverse and inclusive working environment, gender equality	  
<b>Society</b>	Fostering and strengthening the entrepreneurial spirit Promoting financial literacy in society Improving the economic status of women	   

## Contribution to Sustainability (cont'd)

Altum's long-term performance can only be ensured by adhering to the principle of sustainable business, which consists of three interrelated and equally important ESG considerations - environmental, social and corporate governance.

Starting in early 2021, Altum's management stated as its priority sustainable financing and the integration of ESG considerations into credit risk management and business processes. This is also one of the objectives of Altum's Strategy 2022-2024 and was included as one of the five key targets in the Operational Plan 2022 approved by the shareholders' meeting.

In 2022, the [Financial and Capital Market Commission](#) developed a [roadmap for a sustainable financial sector](#) in Latvia with a view to clarifying the financial sector watchdog's expectations on the position and actions of financial and capital market participants in identifying and managing sustainability risks. The Roadmap aims to promote a common understanding of the steps to be taken by financial and capital market participants to identify and manage sustainability risks. The aspects and steps towards sustainable finance included in the road map developed by Altum correspond to the road map developed by FCMC.

Towards sustainable finance and the integration of sustainability into all Altum processes and disclosures related to sustainability in the financial services sector -



work is under way to expand the range of sustainable finance instruments;



SMEs and Midcaps are promoted to move towards sustainable development through appropriate access to finance and incentives;



overall, financial sector and public support is increased to accelerate the transition of businesses to a sustainable economy;



internal processes are reviewed to integrate ESG considerations in financing decisions and further portfolio monitoring;



staff competencies are developed in integrating sustainable finance and ESG considerations into risk management.

Altum's ambitions for sustainable finance are realised voluntary and are driven by (i) the expectations of stakeholders, such as investors, credit rating agencies, international lenders, [Nasdaq](#), for Altum to be a Latvian development finance institution with a highly significant impact on the Latvian economy, and (ii) eligibility requirements for public funding available from the EU Cohesion Policy and/or RRF instrument contributing to the Sustainable Europe Investment Plan/Green Deal Investment Plan, where Altum plays a critical role in the implementation of financial instruments in the SME sector in Latvia. The ambition level of Altum is also influenced by the sustainable financing framework already in place for part of Altum's portfolio (e.g., the portfolio financed under the [Altum Green Bond Financing Framework](#) 2021, taking into account the Green and Social Bond Principles published by the [International Capital Market Association](#) (ICMA)) and the [Taxonomy Regulation](#). Although not binding on Altum, the Company follows the practices of the international financial institutions sector in its day-to-day operations. Thus, the [EBA](#) (European Banking Authority) guidelines on the integration of ESG considerations in credit risk management, including lending and monitoring, are reviewed alongside with assessing their further integration into Altum's credit risk management processes, both when making financing decisions and improving Altum's internal processes.

State support programmes implemented by Altum will promote the execution of projects whose measurable indicators will contribute positively to the assessment of social and environmental factors related to the sustainability of enterprises and their impact on society. Monitoring the implementation of the programmes will ensure that the planned results and objectives are achieved.

## Contribution to Sustainability (cont'd)

All the new programmes available within the framework of RRF funding have a sustainability focus in terms of the activities to be supported, but they are of different types and fall into the following groups: (i) climate programmes that ensure compliant with DNSH for the specific environmental objective of the Taxonomy (ii) a digitisation programme aimed at increasing productivity, and (iii) a rental housing programme with the social objective of reducing inequalities.

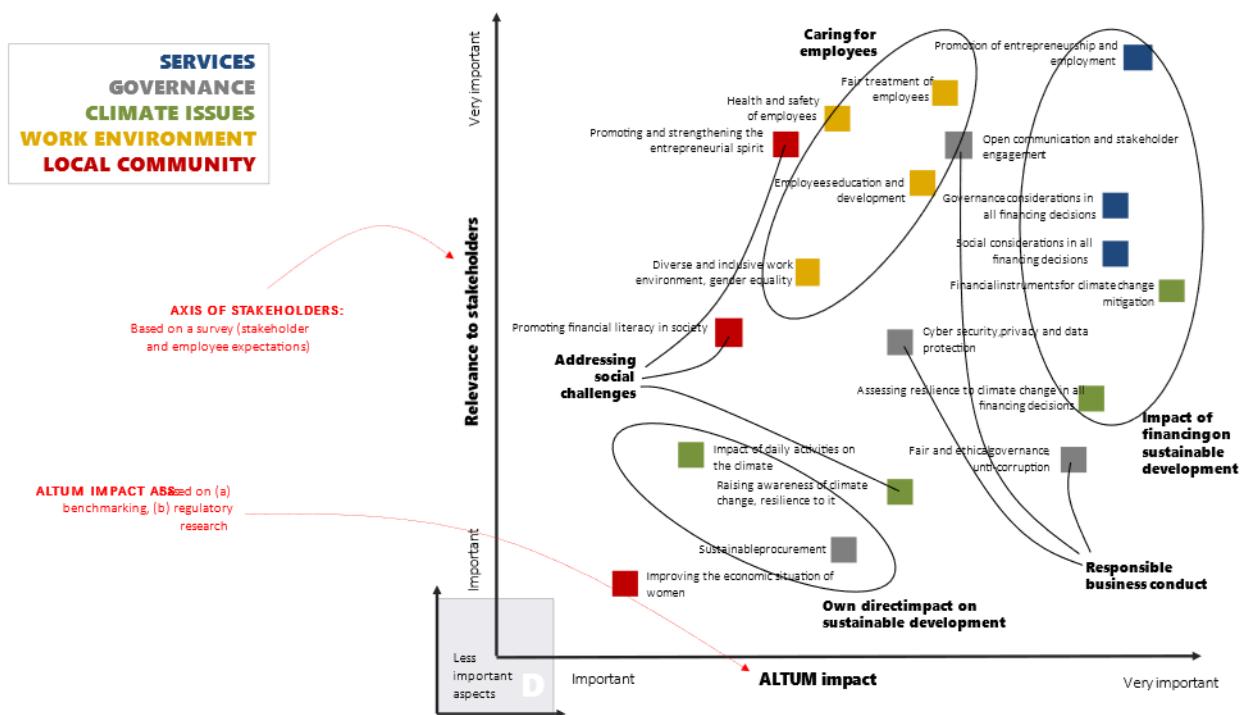
Altum works closely with its stakeholders, and recognising Altum's specific role in the national economy identified the needs of stakeholders and address them. Altum is aware of and assesses the social, environmental and economic impacts of its activities and involves stakeholders in solving issues of mutual concern. In building relationships with stakeholders, Altum organises and engages them in consultations, partnerships, informative and educational events.

To establish Altum's materiality matrix for sustainability and define the ambition level for sustainable finance in the loan portfolio, stakeholder identification, mapping and a survey were carried out at the end of 2021 to identify the material aspects to be included in the sustainability content. There were more than 620 respondents from a wide range of stakeholder groups, including employees, shareholders, clients, capital market participants, commercial banks, financiers, sustainability experts and representatives of such sectors as financial services, education and science, suppliers, NGO members, policy makers, media, professional associations, business support organisations and supervisory and control authorities. The survey questions covered such issues as requesting to give assessment of Altum's performance so far in the areas of environmental, social and corporate governance as well as their expectations of Altum in the areas of sustainability in the business environment, day-to-day operations, community support and development, as well as Altum as an employer.

One of the most important questions in the stakeholder survey related to Altum's ambition level, and respondents were asked to select 1-3 areas of sustainable financing. The stakeholder feedback on this issue highlighted the TOP3 priorities; they include (i) improving access to sustainable financing for SMEs, (ii) promoting projects that will have a positive environmental and social impact and (iii) expanding the sustainable set of financial instruments.

As a result, the focus on sustainability is further strengthened both by expanding the pool of sustainable financing and enabling better accessibility for companies as well as by improving Altum's internal processes in making financing decisions.

This process resulted in the identification of the most significant areas of impact and materiality aspects, reflected in the materiality matrix.



Spring 2022 saw the completion of a detailed Altum road map for sustainable finance and integration of ESG aspects in credit risk management in SMEs and Midcaps and Agriculture segments. The roadmap was developed as a detailed plan of activities in areas such as new product development and transforming existing products to sustainable financing, portfolio tagging, the integration of ESG considerations in loan monitoring and management of portfolio sustainability KPI's.

## Contribution to Sustainability (cont'd)

Based on the ESG road map, in the second half of the year work was started on activities of the ESG road map covering the integration of ESG aspects into credit risk management for Altum's loan and guarantee portfolios in the SME, Midcap and Agriculture segments –with a view to developing an ESG risk assessment matrix and scoring model, a tailored client ESG questionnaire to collect information for ESG risk assessment and clients' planned/actual sustainability KPI's data. Besides, work started on tagging current green/sustainable projects in the SME and Agriculture segments and the assessment of the CO<sub>2</sub> footprint of the loan portfolio of these segments.

Since the summer of 2021, investments were made in the Altum-managed the Fund, with due care towards target company's activities in ESG areas and the expected impact of related economic transitional changes on target company's target company's upstream and downstream value chains. Following requirements of the [Sustainable Finance Disclosure Regulation \(SFDR\)](#), the Fund policy was published at the end of 2022; Altum considers the principal adverse impacts of its investment decisions on sustainability factors (Principal Adverse Impact Report) in accordance with Article 4 of the SFDR.

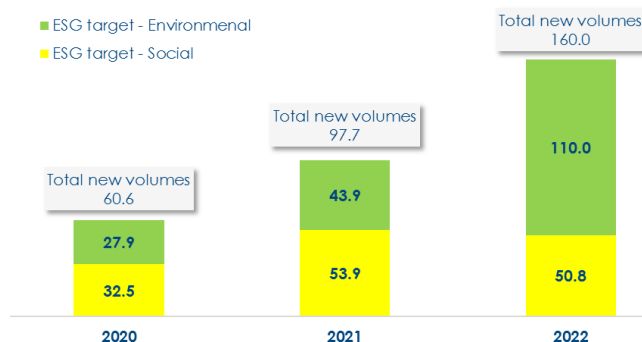
Altum is committed to follow the best industry practice in Europe with its strong stance in defining the targets to be achieved and the sectors and projects not to be supported regardless of the source of funding and those that already now do not finance fossil fuel power generation projects. An ambition level will be set later this year, where the Green Asset Ratio for new loans and the existing loan portfolio will be defined for both a 3-year period and up to 2030. Among other things, the existing client portfolio will be reviewed, stimulating clients to move towards sustainable development as well as phasing out the financing of projects that do not meet Altum ESG considerations in credit risk management.

### Environmental and Social Impacts of Altum-funded projects

Since 2016, Altum is actively involved in improving the energy efficiency of multi-apartment buildings. In recent years, client interest and use of support experienced rapid growth. It should be noted that in 2022, the increase in client activity coincided with the change of EU programmes due to the change of EU programming periods, which consequently stimulated a significant activity at the end of the current programme. This resulted in significant volumes of new transactions in the Individuals segment, contributing to the achievement of the environmental objectives.

In the new EU planning period, there was observed a consistently high level of interest and client activity relating to the new Energy Efficiency Programme for Multi-Apartment Buildings. Given the high level of activity and relevance to the Individuals segment, Altum will continue to focus on this area.

Individuals segment - New volumes, 2020 - 2022, MEUR

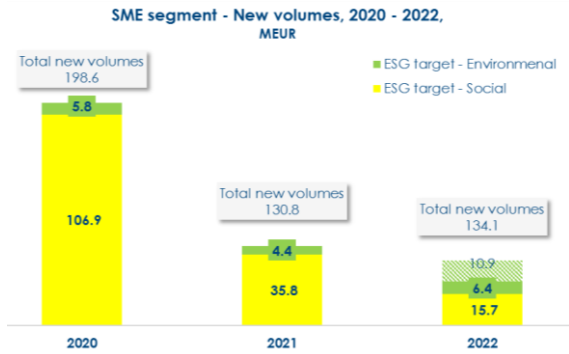


New transactions under the Energy Efficiency Programme for Multi-Apartment Buildings and Private houses in 2022 gave

**7,180 tCO<sub>2</sub>e reduction p.a.**

(total expected impact of the projects)





Already in autumn 2017, Altum issued Green Bonds of EUR 20 million in the capital markets which initiated the financing of sustainable projects and educating the market.

The Covid-19 pandemic significantly dampened the SME segment's interest in energy efficiency, renewable energy and sustainable transport projects. The cautious attitude continued in 2022 with the outbreak of Russia's war in Ukraine. Only with the energy crisis did business activity pick up, but rather tentatively, hoping for a faster start of the RRF energy efficiency programme. This explains the relatively low volumes of funding in 2022. It should be noted that for such projects there is a rather considerable time lag between the granting of the funding and the implementation of the project, which is why the funding granted but not yet disbursed is also shown as at the end of 2022.

It should be recognized that in 2022 the committed funding by Altum for implementation of SME projects contributing to environmental objectives had a very high CO<sub>2</sub> footprint reduction intensity, although the loan volume was relatively small.

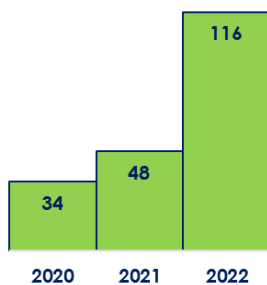


**1 158 tCO<sub>2</sub>e reduction p.a. per invested 1 MEUR**  
 (total expected impact of the projects)

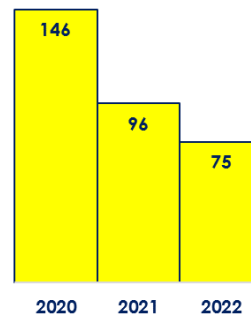
The above activities providing guarantees and grants under the programmes for improving energy in multi-apartment buildings and private houses in the Individuals segment and loans for sustainable projects in the SME segment resulted in the following volumes of new transactions contributing to reaching the environmental objectives:

Providing guarantees for home purchase (Individuals segment) and a full range of state support financial instruments to companies to overcome the effects of the Covid-19 pandemic resulted in the following volumes of new transactions contributing to social objectives:

**New transactions contributing to reaching the environmental objectives 2020 - 2022, MEUR**



**New transactions contributing to reaching the social objectives 2020 - 2022, MEUR**



## ESG - Governance

To ensure the achievement and sustainability of Altum's strategic objectives, a corporate governance model was elaborated and developed. Starting with 2021, Altum applies the Corporate Governance Recommendations, incorporated in the Code.

Adherence to the principles of corporate governance set out in the Code contributes to the value growth of the company in the long term, its effective management and transparency of its operations. The principles are applicable at all levels of Altum, creating a successful system of interrelationships between shareholders, the Supervisory Board, the Management Board, employees, clients and the rest of society. Altum's day-to-day activities include open and trustworthy communication with all stakeholders as well as 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 the compliance of Altum's activities with these principles, it can be concluded that Altum fully complies with them as set out in the Code, except the principle "Independent members of the Supervisory Board".

### Nomination and selection of the supreme governing bodies

Competent and experienced management is a precondition for effective business performance and decision-making that contributes to long-term value growth.

Altum's governance model is designed to follow good corporate governance practices, contained in the Code, separating strategic and operational management. The company has a three-tier governance structure. Altum is governed by a shareholders' meeting, the Supervisory Board and the Management Board. In the cases set out in the [Law on Governance of Capital Shares of a Public Person and Capital Companies](#), decisions are also taken by [the Cabinet of Ministers](#) as the supreme decision-making body. Under the [Commercial Law](#), both the Management Board and the Supervisory Board are jointly and severally liable.

Evaluating the compliance of Altum's corporate governance system with corporate governance principles set out in the Code and compliance with these principles in Altum's operations, Altum fully complies with the corporate governance principles defined in the Code, with exception of the principle "The Company's Supervisory Board has independent supervisory board members". The composition and terms of operation of Altum's Supervisory Board as well as the Management board are determined by the [Law on Development Finance Institution](#) (hereinafter - AFI Law)

According to Article 7 of the AFI Law, members of Altum Supervisory Board and Management Board are subject to the requirements set out in the [Credit Institution Law](#) for members of the Supervisory Board and the Management Board of a credit institution.

Altum Supervisory Board is composed of three members. Each shareholder is entitled to nominate one candidate for election to the Supervisory Board. Chairperson of the Supervisory Board is a member of the Supervisory Board nominated by the [Ministry of Finance](#). Altum Management Board is limited to five members. The Supervisory Board elects Chairperson of the Management Board from among its members. The term of office of the Supervisory Board and the members of the Management Board is three years.

The procedure for nominating members of the Management Board and the Supervisory Board is governed by the Law on Governance of Capital Shares of a Public Person and Capital Companies and Regulations of the Cabinet of Ministers "The procedure for nominating management board and supervisory board members in capital companies where capital shares are owned by the State or derived public person". The holder of the state capital shares or the Supervisory Board of the capital company establishes a Nomination Committee to evaluate the candidates for membership of the Management Board or the Supervisory Board. The Nomination Committee includes representatives nominated by the holder of the state capital shares or the Supervisory Board and the Cross-Sectoral Coordination Centre (from 1 March 2023 the Cross-Sectoral Coordination Department of the State Chancellery) (hereinafter - SCC) as well as independent experts and, if necessary, observers with advisory rights.

Potential candidates for the Management Board and the Supervisory Board are selected through a application procedure. An exception is made only in cases provided for by law where a member of the Supervisory Board or the Management Board is reappointed for a new term of office or it is not possible to nominate a person for a term of office that would ensure the capacity of the Supervisory Board or the Management Board.

If it is not possible to nominate a candidate for a member of the Supervisory Board or the Management Board within a time limit which would ensure the institution's legal capacity, a candidate meeting the relevant criteria of professionalism and competence shall be appointed as a member of the Supervisory Board or the Management Board. The person so elected holds office until a member of the Supervisory Board or of the Management Board is elected in accordance with the nomination procedure laid down by law, but for no longer than one year.

## ESG – Governance (cont'd)

The nomination procedure for Altum Supervisory Board and Management Board members ensures the recommendations set in the Code on Corporate Governance and promotes good corporate governance in the Company.

### Shareholders

Effective involvement of shareholders in decision-making helps to achieve the Company's financial and non-financial objectives and ensures its sustainability.



Finanšu ministrija

#### Baiba Bāne

[State Secretary of the Ministry of Finance.](#)

continues as a representative of Altum shareholders



Ekonomikas ministrija

#### Edmunds Valantis

[State Secretary of the Ministry of Economics.](#)

continues as a representative of Altum shareholders



Zemkopības ministrija

#### Raivis Kronbergs

[State Secretary of the Ministry of Agriculture.](#)

took up his post as a representative of Altum shareholders; he was approved by the Cabinet as the State Secretary of the Ministry of Agriculture on 3 January 2022

### Supervisory Board

The members of Altum Supervisory Board have relevant experience and expertise, and possess a range of skills and knowledge, including in the financial sector, business development management as well as corporate strategy and financial management. The Supervisory Board is gender-balanced and respects the principles of diversity.



Līga Kļaviņa

#### Chairperson of the Supervisory Board

Deputy State Secretary for Financial Policy at the [Ministry of Finance](#) of the Republic of Latvia. Prior to that, she held several senior positions in the Ministry of Finance, representing the interests of the Latvian State in state-owned companies as well as working for a long time in international financial institutions.

Holder of a Master's degree in Law from the Institute of International Affairs, University of Latvia.

Term of office: 26.12.2025



Ilze Baltābola

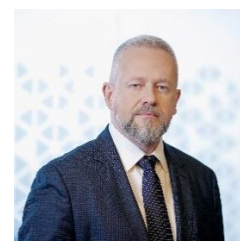
#### Member of the Supervisory Board

Experience in coordinating policies to improve the business environment and implementing business support programmes in Latvia.

Deputy Director of the Department of Entrepreneurship Competitiveness, [Ministry of Economics](#).

Graduated from the Faculty of Economics and Management at the University of Latvia with a Master's degree in European Studies.

Term of office: for the period until a candidate is selected in accordance with the procedure laid down in the Law on Governance of Capital Shares of a Public Person and Capital Companies.



Jānis Šnore

#### Member of the Supervisory Board

15 years' experience in financial management and planning, currently Deputy State Secretary at the [Ministry of Agriculture](#) of the Republic of Latvia.

Holder of a Master's degree in Agricultural Science from the Latvian University of Agriculture (now the Latvian University of Life Sciences and Technologies) and a diploma in International Economic Relations from the Institute of International Affairs, University of Latvia.

Term of office: 26.12.2025

Altum has a defined and comprehensible work organisation of the Supervisory Board and the availability of timely, high-quality

and relevant information that facilitates effective performance of the Supervisory Board's tasks and full involvement of the Supervisory Board members in decision-making. In 2022, the Supervisory Board held 13 meetings, which addressed issues related to the supervision and management of Altum's activities as well as the work of the Audit Committee, the performance and independence of the Internal Audit Division, the functioning of the Internal Control System, the implementation and monitoring of state support programmes. The Supervisory Board was actively involved in the Strategy development.



## ESG – Governance (cont'd)

### Management Board



**Reinis Bērziņš**

#### Chairperson of the Management Board

Business management and finance professional with extensive experience in managing companies and institutions.

Holder of a Master's degree in International Finance and Banking from BA School of Business and Finance, a Master's degree in Business Administration from the Swiss Business School and a Master's degree in Law from the University of Latvia.

Main areas of responsibility: finance and resource management, sustainability management and human resources.

Member of the Supervisory Board of the Three Seas Initiative Investment Fund, an international investment fund, Chairman of the Advisers' Convention of BA School of Business and Finance. Chairman of the Supervisory Board of Riga Stradiņš University.

Managing Altum since 12 October 2015.

Term of office: 26.05.2024



**Jēkabs Krieviņš**

#### Member of the Management Board

Financial expert with more than 25 years of experience in the organisation and management of corporate lending, gained working in both the commercial banking and public financial institutions sectors.

Holder of a Master's degree in Business and Institutional Management from Riga Business School, a Certificate in Banking from BA School of Business and Finance and a Bachelor's degree in Economics from the Latvian University of Agriculture (now the Latvian University of Life Sciences and Technologies).

Main areas of responsibility: IT and technology development, Altum's customer and regional service centres, private housing guarantees, oversight of the Latvian Land Fund.

Member of the Board of the European Association of Guarantee Institutions (AECM)

Term of office: 26.05.2024



**Inese Zīle**

#### Member of the Management Board

20 years' experience in the financial sector, including more than 15 years managing various departments, as well as experience in the public sector.

Holder of a Master's degree in International Economics and Business from the University of Latvia.

Main areas of responsibility: development and implementation of Altum's state support programmes, energy efficiency in residential buildings, corporate client services, marketing and public relations.

Altum's representative on the Supervisory Board of the Finance Latvia Association. Member of the Supervisory Board of VAS Sadales tīkls.

Term of office: 26.05.2024



**Ieva Jansone-Buka**

#### Member of the Management Board

Experience in the financial sector, working in senior positions in both commercial and corporate banking.

Holder of a Professional Master's degree in business from the Stockholm School of Economics in Riga, a Bachelor's degree in Management and Political Science from the University of Latvia.

Main areas of responsibility: venture capital financial instruments, organisation and management of the lending process, export guarantees, implementation of the social entrepreneurship and energy efficiency programmes, compliance and monitoring of client liabilities.

Member of the Supervisory board of SIA Tet.

Term of office: 17.03.2024



**Juris Jansons**

#### Member of the Management Board

More than 20 years of experience in operational compliance, financial crime prevention and risk management, gained in senior positions in the commercial banking sector.

A Master's degree in Law from the University of Latvia. In addition to many years of experience in the field of anti-money laundering, holding CAMS certificate.

Main areas of responsibility: risk management, anti-money laundering and countering the financing of terrorism and proliferation, legal and administrative management.

Term of office: 08.01.2026

## ESG – Governance (cont'd)

On 31 March 2022, Aleksandrs Bimbirulis resigned from the Management Board of Development Finance Institution Altum. Juris Jansons, the new member of the Board, was selected through the nomination procedure set out in Article 31 of the Law on Governance of Capital Shares of a Public Person and Capital Companies and started his new position on 9 January 2023.

In 2023, the Management Board held 101 meetings.

Information on Altum management, Altum shareholder representatives, Altum Audit Committee and Altum governance is available on Altum's website [www.altum.lv](http://www.altum.lv), in the "ABOUT ALTUM" section under "[Corporate Governance](#)".

The remuneration of the Supervisory Board and the Management Board is determined by the legislation of the Republic of Latvia - the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulations issued on the basis thereof. The law establishes a uniform framework for the remuneration of the members of the Supervisory Board and the Management Board of state owned companies. SCC Guidelines for Determining the Remuneration of Members of the Management Board and the Supervisory Board of a Capital Company of a Public Person and a Public Private Capital Company define the procedure for payment of a bonus or variable remuneration to the Management Board after the approval of the annual report and assessing the performance of the company, its Management Board and Supervisory Board in the reporting year.

### Transparency of the Company's operations

Transparency is the foundation for effective investor relations and successful communication with shareholders and other stakeholders. Altum regularly and timely informs shareholders and other stakeholders about the company business activities, financial performance, governance and other relevant issues, disclosing accurate, complete, objective, up-to-date and reliable information. The Company's website publishes information on governance, the strategy and the lines of business, the annual report as well as the articles of association, the Code of Conduct guidelines, company key policies and the corporate governance report.

Disclosure is made within the time limits prescribed by law or immediately after the occurrence of an event requiring disclosure. The information is disclosed in Latvian and English.

Altum has its regulated information as well as internal and external communication procedures. On behalf of the company, authorized persons answer inquiries made by investors and stakeholders as well as communicate with the media. In October 2017, Altum started listing on [Nasdaq Riga](#), and regularly Altum discloses information in accordance with the "Procedure by which Nasdaq Riga OMX issuers disclose information" and Altum's internal rules.

### Organisational culture and ethical conduct

Altum has zero tolerance for bribery and corruption and prohibits it in any form, directly or indirectly. Altum does not engage in corrupt practices and fully condemns them. To ensure adequate management of corruption, bribery and conflict of interest risks, Altum has established an organizational control system that ensures preventive risk management and a control environment that aims to prevent corruption risks by preventing conflict of interest and corrupt practices and bribery in decision-making and in the working environment in general.

To improve the professional competence of Altum employees and the processes of preventing corruption and conflict of interest in the working environment, in 2022 a group of Altum employees participated in the webinar "Preventing Corruption as Part of Good Corporate Governance" and a declaration procedure in preventing conflict of interest situations at work was introduced.

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

Altum provides a number of secure and protected channels, among them for [raising an alarm](#), 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 2022.

Altum's principles on the processing of personal data, recruitment processes including, provide information on the way Altum handles personal data through its internal resources, including information systems. Personal data is any information relating to an identified or identifiable natural person. In order to provide information on the processing of personal data, Altum gives the above information on its website under the section "[Privacy Policy](#)" 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.

## ESG – Governance (cont'd)

### Highlights and achievements 2022



Long-term credit rating Baa1



3rd place winner in the nomination "Best Investor Relations in the Baltics among Bond Issuers"



Nomination "Risk Management Strategist"



Platinum category award in the Sustainability Index



Sustainability Code signed

On 16 December 2022, Moody's reaffirmed Altum's [long-term credit rating Baa1](#) with a stable outlook, the same level as the one assigned in March 2019. The baseline credit assessment was also reaffirmed at [baa3](#), together with the short-term rating at [P-2](#). Altum originally received a [Baa1](#) long-term credit rating from Moody's in 2017, which is one of the highest among Latvian corporates. The high rating allows Altum to better pursue its long-term strategy of raising funds by being a regular capital market participant and issuing bonds.

Altum was awarded 3rd place in the [Nasdaq Baltic Awards 2023](#) nomination "Best Investor Relations in the Baltics among Bond Issuers". To be awarded, the Nasdaq Baltic listed companies were judged on their achievements in transparency, investor relations and good corporate governance practices. Moreover, the companies trading activity was assessed, taking into account market analysts and investors' assessments.

Altum is one of the few state owned companies to have issued a bond. Participation in the stock exchange is also an advantage for employers and international funds, which entrust Altum to make significant investments for the Latvian economy to grow. The aim of the award is to highlight the companies with the best investor relations and share price growth on the exchange, as well as to honour the best performance of the exchange members and other significant events of the year that seriously influenced the development of the Baltic capital market. The Baltic Stock Exchanges companies and members are evaluated by local and international experts in corporate governance and investor relations.

In September 2022, Altum received the [Latvian Corporate Governance Award 2022](#) in the nomination "Risk Management Strategist", demonstrating Altum's ability to successfully identify, assess, manage and control potential risks, events or situations, showing confidence in achieving the Company's strategic objectives as well as successfully launching the priority medium-term strategy - sustainable financing and integration of ESG considerations into credit risk management and business processes. The award was created to strengthen the practical implementation of the Latvian Corporate Governance Code in Latvian companies, promoting the efficiency and long-term value growth of companies, as well as to reveal examples of good practice in the implementation of the Code. The competition was organised by the [Corporate Governance Advisory Board](#), which brings together private and public sector experts in the field of corporate governance: the Ministry of Justice; the Financial and Capital Market Commission; Nasdaq Riga; PricewaterhouseCoopers; Baltic Institute of Corporate Governance; Alphinox Quality; Wallcess; Cobalt; Baiba Strupiņa law firm and law firm Eversheds Sutherland Bitāns.

For the fourth year running, Altum participated in the [Sustainability Index](#) organised by the Institute for Corporate Sustainability and Responsibility, which assesses a Company's sustainability according to international requirements in all areas of corporate social responsibility, and in 2022, for the second consecutive year, the company received the high Platinum category award. The Sustainability Index score is one of the visible manifestations of the invisible day-to-day work that companies are doing to uphold the principles of corporate sustainability and responsibility, balancing the interests of shareholders, employees, customers, the environment, business partners and others with the conditions for sustainable performance, thereby becoming the leaders of tomorrow.

On 16 November 2022, Altum joined the Institute for Corporate Sustainability and Responsibility (ICSR) initiative and signed the [Sustainability Code](#). The Sustainability Code aims to promote reliable information, including the exclusion of greenwashing, thereby protecting consumer interests and promoting fair competition as well as reducing the negative impact of business towards environmental, social and governance aspects. The principles of this Sustainability Code apply to every company and its signatories declare their willingness to contribute to their implementation in order to promote the development of the business environment and the creation of shared value by respecting and promoting responsible and ethical behaviour. To date, a total of 18 organisations from across the country have signed the Sustainability Code.

## ESG – Environmental Considerations

Altum runs a continuous environmental management and operational improvement cycle, including the revision of 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. Altum's environmental policy defines its objectives and commitment to conduct its activities with the least possible negative impact on the environment, both directly and indirectly.

As the Latvian development finance institution, Altum's environmental impact is mostly indirect and comes from the support programmes it provides to its clients. Altum recognises its important role as a state owned company and a financial sector player in achieving the ambitious targets set out in the [National Energy and Climate Plan 2021-2030](#). Altum's credit policy as well as its cooperation with other financial sector actors are reviewed in line with these challenges.

Altum implements a continuous cycle of environmental management and performance improvement, including the review of long-term and short-term environmental performance targets. The Environmental Management Principles are available on Altum's website under "Corporate Governance and Sustainability" in the "[Environmental Management](#)" sub-section.

### Mitigation of direct impacts

Being a development finance institution, Altum has a relatively small direct impact on environment. Still the Company aims to further reduce its own environmental footprint.

One of the most widely used calculation frameworks worldwide for measuring CO<sub>2</sub> or GHG emissions is the [Greenhouse Gas Protocol](#) (GHGP), a voluntary accounting and reporting mechanism for GHG emissions. Altum uses it as a basis for voluntarily calculating, accounting for and later comparing the company CO<sub>2</sub> footprint and publicly reporting about the results. To make the data collection structured and comparable, the GHG Protocol is based on three Scopes:

- Scope 1      direct emissions or GHG emissions from company-owned and controlled resources. The scope covers GHGs emitted in the course of carrying out its business activities or in the production of its products;
- Scope 2      indirect GHG emissions from the consumption of purchased electricity, steam, heat and cooling;
- Scope 3      all other indirect emissions in the value chain, starting with logistics, suppliers, product use, etc. generated outside the company.

*Corporate Governance Report 2022* provides data on Scope 1 and Scope 2 emissions.

The CO<sub>2</sub> footprint is a measure of the total carbon dioxide emissions directly and indirectly caused by Altum activities. Altum measures its CO<sub>2</sub> footprint since 2018 and the calculations are made in accordance with Cabinet Regulation No 42 of 23 January 2018 "[Methodology for Calculating Greenhouse Gas Emissions](#)", which sets out the calculation methodology and CO<sub>2</sub> emission factors for transport fuels, district heating and electricity.

**In 2022, the Company (Scope 1 and Scope 2) emitted 99 tCO<sub>2</sub>e, 54.2% less than in benchmarking 2018 (216 tCO<sub>2</sub>e):**

	fuel	31 tCO <sub>2</sub> e		electricity	20 tCO <sub>2</sub> e
	diesel	2 tCO <sub>2</sub> e		heat	46 tCO <sub>2</sub> e
<b>Total: 33 tCO<sub>2</sub>e</b>			<b>Total: 66 tCO<sub>2</sub>e</b>		

In order to achieve its intention for reduction of GHG emissions, an energy audit of the Company was also carried out in 2018, covering the analyses of natural gas, car fleet and electricity consumption and possible activities to improve energy efficiency. Based on the conclusions and recommendations of the energy audit, Altum annually implements targeted activities to increase the Company's energy efficiency: work is underway to improve the energy efficiency of operations and buildings, reduce business travel through remote meetings, teleworking and the transition to an energy-efficient car fleet for the company needs. Special emphasis is placed on educating employees, encouraging a change in their attitudes and increasing their commitment to reducing their individual environmental impact as well.

## ESG – Environmental Considerations (cont'd)



### Assessment of the intensity of CO<sub>2</sub> emissions:

**per one Altum employee** — while in 2018 these were 0.97 CO<sub>2</sub> emissions per employee, in 2022 these were 0.42 tCO<sub>2</sub> emissions (-56.7%);

**against Altum’s gross portfolio of financial instruments** — while in 2018 Altum produced 0.41 tCO<sub>2</sub> emissions per EUR 1 million portfolio of financial instruments, these were only 0.10 tCO<sub>2</sub> in 2022 (-75.6%). This was due to significantly increasing the portfolio of financial instruments (growth by 82.2% in 5 years) and by reducing CO<sub>2</sub> emissions.

The opinion on the greenhouse gas emission volumes was prepared by Altum and approved by the technical expert [SIA TUV NORD Baltic](#) on 13 March 2023.

Altum strives to minimise the amount of waste it produces, segregates waste, provides separate waste bins for batteries (hazardous waste) in offices, promotes recycling and reduces greenhouse gas emissions that are directly linked to Altum activities.

### Key actions:



Replacement and upgrading of the heating system in the central office



Replacement of the car fleet, significantly reducing fuel consumption and CO<sub>2</sub> emissions



LED lighting installed in offices, as well as motion sensors in certain areas



Waste sorting ensured



Digital document management system established



Reduced office paper consumption



Drinking water filters installed, PET bottles phased out



Cleaning service ensured, including the use of environmentally friendly products



Continuous recycling of waste paper



Bike parking and shower facilities installed

### Mitigation of indirect impacts

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 Latvian 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 mitigation of the impact of climate change. Altum initiated work on prevention of 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, its clients and cooperation partners.

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

Already In 2017 Altum issued bonds as series of notes quoted on Nasdaq Riga for the total face value of EUR 20 million being in compliance with the Green Bond Framework, becoming the first national development institution of a Central and Eastern European country to issue green bonds.

## ESG – Environmental Considerations (cont'd)



In the second half of 2021, Altum updated its [Green Bond Framework](#), taking into consideration the Green and Social Bond Principles published by [the International Capital Market Association](#) (ICMA) in June 2021. In order to assure investors that the funding raised by the green bonds are 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 Altum Green Bond Framework and graded the bonds [Medium Green](#), equivalent to the grading received in 2017.

The funding attracted from issuing 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) servicing companies in these fields.

To make sure the investors can follow Altum Green Bond 2021 investments and gain an insight into the funded projects, Altum published the annual [ALTUM Green Bonds Investor report](#) as at 30 June 2022.

As at 30 June 2022 Altum has committed a total of EUR 18.5 million and disbursed a total of EUR 17.3 million for green projects. Almost all funded projects have been completed and their contribution to sustainability has commenced during the reporting period generating annual reduction of GHG emissions corresponding to 7 963 tons CO<sub>2</sub>e per year. That in turn corresponds to an actual reduction of 430 tonnes CO<sub>2</sub>e p.a. per committed 1 million EUR boosted above average by projects of Energy Efficiency. Covid-19 pandemic restrictions leading to decrease of economic activities negatively affected actual sustainability KPI's that are slightly lower than originally estimated and reported last year. The largest share of sustainable loans, or 74%, was issued in the Energy Efficiency segment which by the number of projects and financing prevails over the Renewables, Sustainable Transportation and Green buildings segments, but as the activity in the three latter segments continues to increase, a better balance is likely to be struck.

Issuance of green bonds ensured Altum to become the first company from Latvia to join the [Nasdaq Sustainable Bond Network](#) globally in September 2021.

In autumn 2021, Altum embarked upon improving employees' competence in Green Deal areas, so they were able to promote and explain the essential role of sustainability and ESG considerations in clients' business development and the ability to successfully operate in supply chains. This type of training continued in 2022.

## ESG – Social Considerations

The social dimension refers to the trust and support of shareholders, employees, cooperation partners, clients and the general public.

### Collective Agreement

Altum maintains a social dialogue with employees and their representatives. Employees actively participated in the drafting and voting on the new version of the Collective Agreement, submitting their proposals, and in 2022 a new Collective Agreement was signed which provides additional guarantees for Altum employees, regulates rest period, pay and matters related to safety at work as well as ensures the principles of fairness, mutual trust, understanding and openness. The Collective Agreement applies to all Altum employees who have an employment contract for an indefinite period or for a period of not less than twelve months and whose probationary period under the employment contract has expired. At the end of 2022, the Collective Agreement was not binding to only 2.5% or six employees whose probationary period had not expired at that time.

The Collective Agreement is permanently accessible to all employees in Altum's document management system. Altum upholds social dialogue with the authorised representatives of Altum employees on a regular basis.

All employees are obliged to know the basic terms and conditions of their employment. They have the right to join or associate with various organisations and associations of their own free will, without any discriminatory restrictions, in order to defend their social, economic and professional rights and interests and to enjoy all the benefits they provide.

## ESG – Social Considerations (cont'd)

### Employees

Altum cares for the well-being of its employees by providing advancement opportunities, appropriate working conditions as well as the social guarantees and social security measures set out in the Collective Agreement. Altum has an organisational culture that values mutual respect, diversity, inclusiveness and equal treatment, and creates an environment in which these values are respected, nurtured and embedded. Work environment and processes are designed to avoid the possibility of infringing or violating the human rights of employees.



In April 2022, the Society Integration Foundation, implementing the national programme "[Family Friendly Workplace](#)", recognised Altum as an employer that cares for promoting family well-being and creating favourable conditions for the interaction of family and work life. The aim of the programme is to promote the development of a culture in Latvia that is empathetic, humane and understanding, while offering tools to assess the existing working environment.

To attract qualified, professional and motivated staff, Altum continues to pursue clear principles for their recruitment. The legislation of the Republic of Latvia contains extensive provisions regulating non-discriminatory treatment and Altum fully complies with them. The current staff composition is the one that matches Altum required professional competences with the offer in the labour market.

In 2022, the total staff turnover was 12.4%. Last year, 43 job positions were advertised. All employees had the opportunity to participate in 17 internal recruitment competitions; as a result, the three vacancies were filled from Altum staff. The vacancies advertised in 2022 were filled in a timely manner, communicating Altum as a positive employer brand and high quality of the recruitment process.

Altum everyday work shows that employees with different backgrounds and attitudes are able to respond more effectively to client needs and find innovative solutions, thereby increasing productivity and efficiency. Working with employees of different age groups, the enthusiasm of youth is successfully combined with years of experience and knowledge.

In 2022, the average number of employees was 234 or 67% women and 33% men. As to age groups: 10% aged under 30, 64% aged between 31 and 50, 26% over 51. In 2022, the average age of Altum employees was 47 years.

In 2022, Altum had 52 senior and middle managers, 67% of whom were women and 33% men. 77% of managers were between 31 and 50 years of age, 23% of managers were over 51 years of age. On the other hand, the number of professionals in 2022 was 182 employees, of which 68% were women and 32% men, where 13% of employees were under 30, 61% of employees were between 31 and 50 and 26% of employees were over 51. In terms of professional development, 9% or 21 staff members were promoted in 2022.

Altum's Code of Conduct prohibits discrimination. The company has an Ethics Committee and a procedure for handling ethical violations, complaints and proposals. No complaints from staff members were received by the Ethics Committee in 2022.

All Altum employees have written employment contracts and formal registration of employment relationships, providing all necessary information to the relevant authorities. In 2022, Altum employed on average 208 employees on open-end contracts and 26 on fixed-term contracts. In 2022, Altum provided internships for 10 students from six higher education institutions – [BA School of Business and Finance \(BASBF\)](#), [University of Latvia](#), [Riga Technical University](#), [Rēzekne Academy of Technology](#), [Stockholm School of Economics in Riga](#) and [RISEBA University of Applied Sciences](#).

Working conditions, pay, benefits and other terms and conditions are designed to ensure equal opportunities for all employees and also to make it easier to combine work, private life and parenthood. Altum has not received any complaints of working time, pay or absence violations that would qualify as human rights violations in 2022.

Altum operates in full compliance with the Latvian regulatory framework prohibiting forced and child labour, which is in line with the UN standards, and does not engage in forced or illegal employment of children. The Code of Conduct sets out the basic principles of fair treatment and prohibition of harassment, as well as describes guidelines for establishing working relationships between employees, desired attitudes and behaviours, and patterns of behaviour in the event of possible violations. In 2022, Altum received no complaints of forced or illegal child labour, workplace harassment, violations of employees' human rights or other ethical concerns.

## ESG – Social Considerations (cont'd)

### Diversity management

In accordance with its [Diversity, Equality and Inclusion Policy](#), Altum supports diversity and equal rights in the recruitment, development and advancement of staff, in no manner supporting or promoting discrimination against individuals on the basis of race, religion, age, origin, sexual orientation, disability, etc.



As a member of the [Latvian Diversity Charter](#), Altum is one of the official ambassadors of diversity in business and the workplace. The Diversity Charter is a voluntary agreement aimed at promoting respectful attitudes and inclusion of different groups in society. Altum strives to respect diversity in the workplace and in Latvian society as a whole.

In order to improve Altum employees' understanding of diversity management issues, increase positive attitudes towards diversity and promote the ability of Altum employees to see diversity as an opportunity rather than a disadvantage, several Altum managers and employees of various levels participated in the training events "[Skatu Punkti: Ieguvumi](#)" ("[Perspectives: Benefits](#)") and "[Skatu Punkti: Cienā](#)" ("[Perspectives: Respect](#)") organised by the Society Integration Foundation, the Institute for Corporate Sustainability and Responsibility and SIA Spring Valley, a corporate development centre. In 2022, Altum repeatedly shared its experience and practices in addressing diversity issues in the company.

The diversity, different needs and interests of Altum employees are constantly taken into account in the organisation of corporate events, training, workplace and work environment design and other day-to-day work processes.

### Staff training, competency development

Staff training and development is an important part of the staff management system. As the strategic goals set it, Altum's concern is raising the qualification of employees, continuous development of their skills and knowledge, and the opportunity of gaining 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 competency are used in the organization of the training process.

Employee training and professional development in 2022 was organized in accordance with Altum's strategic goals and training needs identified in the annual professional assessment. In 2022, remote learning became the dominating way for the development of professional skills and competencies; however, the practice of face-to-face training was also resumed. Altum staff participated in 95 different training events (lectures, courses, seminars, webinars), conferences and forums, with 98% of the staff attending. The training was completed with all Altum employees taking a final test on personal data protection and processing issues, and IT security issues. The most attended in-house training was on lending issues (21 training sessions). In 2022, a strong focus was placed on developing leadership and management skills for middle and senior managers and on effective working in hybrid work, covering 13 training topics, including how to conduct full-fledged growth development and appraisal interviews, managing effective remote and face-to-face meetings, building a sense of team in remote and hybrid work, team coaching and goal planning, employee motivation, etc.

To improve staff communication and dispute resolution skills and ensure a high level of customer service, the staff received training in customer service and respectful problem-solving.

In 2022, the customer service network focused on building staff competency in sustainability and sustainable business. As Altum expanded its range of support programmes, for example in the areas of energy efficiency and digitisation, the customer service staff had to acquire increasingly specific knowledge, becoming experts in these areas at the Latvian level. The Competency Teams, operating effectively already for three years, are excellent means for reaching this purpose. In close cooperation, employees acquire new knowledge in their respective specialisations, improve existing competencies by sharing practical experience in projects, mentor new employees, develop new programmes, adapt them to the needs of customer segments, and participate in the improvement of customer service and lending processes.

### Remuneration

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

Altum publishes information about the principles of remuneration policy alongside the fundamental principles of Altum's code of professional ethics, available at [www.altum.lv](http://www.altum.lv), under the section ABOUT ALTUM, sub-section "[Personnel/Vacancies](#)".



## ESG – Social Considerations (cont'd)

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 that 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.

In 2022, the structural units actively used the opportunity provided by Altum to organise team-building events. It was particularly important in 2022 to bring the staff closer together after the long period of remote working due to COVID-19 constraints and to renew a team spirit. Employees also participated in corporate employee events and activities organised by Altum, both in person and remotely.

### Working environment, safety, well-being

Altum is committed to a tidy, comfortable and aesthetically pleasing working environment and to working conditions that are suitable for the health of every employee. Altum promotes employee awareness of occupational health and preventive care. Employees feel heard and the working environment and its technical equipment are constantly improved, thus ergonomic equipment in all workplaces was introduced. To promote environmental responsibility, Altum educates and informs employees on topics related to both environmental protection and the Company's environmental objectives.

Although the restrictions on the spread of COVID-19 were eased or lifted completely in 2022, Altum continued to focus on safe and healthy working environment concerning the spread of the Covid-19 virus, among other things providing remote working opportunities. In this way, Altum avoided an epidemic in the workplace and was able to ensure uninterrupted and full functioning all the time. Altum employees are provided with the necessary collective and personal protective equipment for their daily work.

In order to focus on mental health and well-being issues, including the specificities of remote working, in 2022, there was organised staff training on stress management and well-being and the Health Month project was implemented. This included a webinar for the staff on time management and emotions in times of crisis. Twice-weekly there were offered online sports sessions and practical tips and techniques to reduce stress and anxiety, to strengthen back muscles and to promote well-being. Exercise and fresh air when working remotely are important preconditions, they were not forgotten either. Altum organised a competition where employees challenged one another, competing in kilometres run and steps taken during walks. At the end of the Health Month, employees went together for a hike along one of the trails in Latvia.

In 2022, the staff was also given access to the Life Balance Forum. Its agenda covered topics about promoting balance between different areas of life and focusing on individual's needs and preferences.

The well-being of employees is monitored periodically through a survey of employees on well-being issues in the working environment, including remote working.

Altum aims to ensure and continuously improve a safe and healthy working environment by preventing conditions that impair workers' health and by supporting measures that promote well-being. In 2022, significant improvements were made to Altum's administrative buildings at Doma laukums 4 and Doma laukums 3, undergoing the renovation and betterment of 780 m<sup>2</sup> of office space. The courtyard pavement of the Altum building was renovated on an area of 370 m<sup>2</sup>.

The Company's safe system of work is in line with the general principles of ensuring safety at work, including an organisational structure, internal monitoring of the working environment, risk assessment, consultation with workers and their involvement in improving the existing system.

A staff survey was organised to identify the risks of workplace safety and near misses. This gave employees the opportunity to express their views on workplace issues, as well as to renew attention to practical safety measures such as the location of the medical kit, evacuation instructions and fire safety requirements.

In 2022, Altum had no accidents at work, no occupational diseases, no complaints about safety at work and no critical remarks from supervisory authorities.

## ESG – Social Considerations (cont'd)

### Internal communication and engagement

A communication channel is set up in the MS Office environment to ensure direct day-to-day communication with the staff. Altum's internal communication channels also include email, phone, WhatsApp groups, meetings, employee surveys and direct communication with their line manager.

In 2022, the Management Board held an online meeting with employees on the MS Team platform, during which the management presented the new Strategy, updates, operational data and results, planned work, as well as offered the opportunity to ask questions to the management. 211 employees took part in the online discussions with the management.

Regular face-to-face and online meetings were increasingly organised within departments, involving departmental staff in the discussion of progress, plans and other issues, thus providing and receiving mutual support.

Employees' views are sought periodically through employee surveys, in cooperation with their authorised representatives, working groups, hackathons, etc. Employee involvement is essential for the improvement of Altum's working environment, safety, training processes, etc., as well as for the development of new Altum business lines, the creation, implementation and improvement of support programmes.

### Clients

Altum's client service network is subordinated to the Company's main non-financial objective to promote access to finance for business. This is achieved by maximising the availability of staff advice to all customer segments, both face-to-face and remotely.

Clients are offered face-to-face consultations in all regions of Latvia, and employees regularly visit clients to get to know their business better. There is also an efficient customer service system for clients who wish to communicate remotely. Altum offers fully remote customer service starting with a consultation and loan application to the decision-making. In order to improve remote servicing and reduce the need for paper, the staff encourages clients to increasingly use electronic signatures.

In 2022, several aspects of the usability of the customer portal [mans.altum.lv](https://mans.altum.lv) were significantly improved, which was welcomed by customers through feedback in the customer satisfaction survey.

### Client satisfaction

Altum carried out its annual partner survey as a part of the engagement assessment of its cooperation partners, i.e., banks, in which very good results were once again achieved in 2022: 94% of bank employees in this year's online survey indicated that they had used Altum loan guarantees in 2022.



Highlights of the cooperation with Altum in the area of credit guarantees, where the following were highly rated:

- ease of communication with Altum;
- Altum's clear assessment criteria;
- prompt decision making.

Feedback received to conduct additional training of bank staff on #Esfondi guarantees to closer acquaint new-hires about the issue. Altum, for its part, approached bank product managers with an offer to deliver the respective training. The same as last year, bank staff believes that Altum guarantees allow the execution of transactions otherwise (85%) not taking place. In 2022, 83% of bank representatives considered Altum's reputation to be excellent and very high, compared to 82% in 2021 and 72% in 2020.

For the second year running, client satisfaction was measured by their feedback to an on-line survey. All clients of our lending services were requested to complete it. The survey asked clients to comment on the simplicity and clarity of the processes, the competence and responsiveness of the staff, the performance of the client portal, the speed of decision-making and other important aspects of client service.

Overall, the client evaluation 2022 did not reveal significant changes compared to the one of the previous year. The biggest increase of positive feedback related the question "Is the process of submitting documents to [mans.altum.lv](https://mans.altum.lv) simple, easy and understandable?". The overall positive rating (satisfactory, good and very good) increased from 92% to 95% in 2022 compared to 2021, and from 85% to 91% for remote client service. The score increase shows that clients positively evaluated the improvements made to the functionality of [mans.altum.lv](https://mans.altum.lv).

## ESG – Social Considerations (cont'd)

A decrease in positive ratings was observed about the question "Is the speed of transaction processing what you had imagined?", which decreased from 92% (2021) to 87% (2022). The downgrade was due to the introduction of a more thorough analysis of the documents submitted by clients, ensuring meeting the requirements of sanctions compliance relating to the Russian invasion of Ukraine. To reduce the impact of the increase in internal workload on the speed of transaction processing, there is ongoing improving of the lending processes.

The consistently high level of positive ratings was maintained for issues related to the attitude and competence of the client service staff. 96% of client rated the service level and knowledge of the staff positively.

The majority of clients (93%) valued their experience with Altum and are willing to recommend Altum to their family, friends and acquaintances.

### Complaints

Client complaints or dissatisfaction about issues within Altum's remit or the actions of its employees open an opportunity to improve the services provided, enhance cooperation with clients and develop the Company's internal processes.

In 2022, there were no complaints related to breaches of client privacy and the processing of personal data, nor were there any cases related to the loss, leakage or theft of client data.

### Client education

Altum regularly organises informational and educational events for different client groups and other stakeholders. The year 2022 was notable for the launch of several new state support programmes for different client segments, ranging from support for energy efficiency of private houses to an ambitious large investment loan programme and SME energy efficiency improvement programme. For all programmes, Altum organised informative, well-attended online, face-to-face and hybrid events independently or together with the Ministry of Economics and other partners.



Twenty partners from the public, private and non-governmental sectors, including Altum, have signed a Memorandum of Cooperation to implement the [Financial Literacy Strategy 2021-2027](#). The partners commit to work together to increase the financial literacy of the Latvian people by improving their competencies, creating a sustainable culture of financial literacy, ensuring a quality financial environment and developing a strategic and collaborative institutional approach to improving financial literacy. In the Memorandum, the partners commit to work towards the three objectives set out in the Strategy: developing sustainable financial literacy and competences; ensuring the quality of the financial environment; and increasing the impact of strategic financial literacy planning by linking it to national strategic planning documents and involving stakeholders more broadly and effectively.

The employees of ALTUM client service network carry out several educational activities on a daily basis with the aim of increasing the financial literacy of the Latvian population, in particular would-be entrepreneurs. Altum staff participates in seminars/webinars organised by Altum and its partners, improving entrepreneurs' financial literacy and their ability to use finance to build their/Company's financial well-being for the future. Common topics include creating a viable business plan, cash flow planning, risk management.

Lectures on these topics are given in many Latvian educational institutions, such as the Latvian University of Life Sciences and Technologies, Ventspils University of Applied Sciences, University of Latvia, Albert College, RISEBA, Turība University, Riga Technical College, Riga Stradiņš University, etc.



Altum joined the [Memorandum of Cooperation](#) between the Ministry of Economics, public administration institutions, non-governmental organisations and state capital companies, the main objective of which is to provide access to information on opportunities for renovation, conversion and energy efficiency improvement of buildings (residential, public and industrial).

In 2022, a major focus of outreach activities was on various aspects of energy efficiency improvement in multi-apartment buildings to facilitate both the most efficient completion of projects under the programming period 2016-2022 and the opening of the RRF and informing residents about the opportunities of the new state support programme. In cooperation with the Ministry of Economics and the Latvian Investment and Development Agency (hereinafter – LIAA), a series of informational events were also held in Latvian regions to inform entrepreneurs about all current state support programmes. To promote the visibility and wider use of venture capital financing, there were organised a series of broadcasts in cooperation with an industry association for the first time.

## ESG – Social Considerations (cont'd)

### Accessibility for people with disabilities

In order to ensure accessibility to Altum HQ premises, in June 2022 a contract was concluded with SIA "Arhitektoniskās izpētes grupa" for architectural research and surveying work in the historical building Doma laukums 4 (1st-3rd floors) to determine the feasibility of constructing a passenger lift. In December, a contract was concluded with SIA "Arhitekta J. Pogas birojs" for the development of a construction design and already in February 2023 a contract was concluded with SIA "Būvziniešu konstruktoru birojs" for geological work, at the same time preparing the procurement documents for the design and construction of a specialised lift.

Regional centres provide access to counselling for people with disabilities. Where office space is difficult to access, agreements are signed with local authorities for the use of accessible space.

In 2022, Altum pursued targeted outcomes when participating in the activities of the Accessibility Working Group of the Finance Latvia Association together with governmental, non-governmental organizations and other industry partners. On 17 April 2019, Directive (EU) 2019/882 of the European Parliament and of the Council on [the accessibility requirements for products and services was adopted](#). In order to transpose the requirements of the Directive, the Ministry of Welfare, in cooperation with other ministries, drafted a new law, the Accessibility of Goods and Services Law. The draft law was adopted by the Cabinet at its meeting on 14 July 2022 and is still to be discussed and voted on by the Saeima. The law will enter into force on 28 June 2025. Consequently, from that date, in the internal market of the European Union, including Latvia, only [goods and services that are accessible](#) (i.e., usable through more than one sensory channel) [can be distributed and provided](#) in certain areas). Within the Accessibility Working Group, GUIDELINES ON ACCESSIBILITY OF FINANCIAL SERVICES (DEVELOPMENT, TECHNOLOGIES, RESPONSIBILITY) of the Finance Latvia Association are developed.

In 2022, Altum migrated to a new website platform that ensures accessibility requirements in line with Cabinet Regulation No 455 "[Procedures for Publishing Information on the Internet by Institutions](#)", dated 14 July 2020. The new functionality allows for the four basic principles of accessibility, which require digital content to be:

- perceivable - accessibility to alternative display of images, multimedia content and other digital content;
- operable - the ability to access and use digital content freely - not only with a computer mouse, but also with the so-called assistive technologies such as the TAB key;
- understandable - presenting digital content in plain language so that it can be understood by all users, including people with different perceptual limitations, including the ability to change text size, contrast;
- robust - the ability to align digital content with different types of devices such as screen readers, virtual voice assistants for smartphones, etc.)

## Membership in Professional Associations and Partnerships

### Altum internationally:

Altum is an investor in the [Three Seas Initiative Investment Fund](#). The fund was established to support transport, energy and digital infrastructure projects in the Central and Eastern Europe, boosting the region's economic development and bringing infrastructure up to high standards. Reinis Bērziņš, Chairman of the Management Board, is a member of the Supervisory Board.

In June 2022, the Company successfully co-organised the [Three Seas Summit and Business Forum](#) as well as holding the meeting of the Supervisory Board of the Three Seas Initiative Investment Fund at Altum.

## Membership in Professional Associations and Partnerships (cont'd)

Altum is a member of the following bodies:



ELTI - [European Long Term Investors Association](#). It brings together development finance institutions from Central and Eastern Europe. ELTI aims to develop a common position in order to participate in EU institutions and, in cooperation with them, to act as a single interlocutor, mainly by acting as a negotiator on behalf of its members in their dealings with EU institutions and organisations.



NEFI - [Network of European Financial Institutions for SMEs](#). The network brings together European financial institutions that share a common government mandate to facilitate SMEs access to finance by offering financial services and expertise.



AECM - [European Association of Guarantee Institutions](#). The aim of the Association is to represent its members in EU institutions, to promote the exchange of knowledge between AECM members and to develop the guarantee instrument. Jēkabs Krieviņš, Board Member of Altum Management Board, is an AECM Board Member.



Invest Europe - [European Venture Capital Association](#). It represents the European private equity, venture capital and infrastructure sector

Altum cooperates with the [European Commission Representation in Latvia](#); Altum has also agreements on fundraising with the [European Investment Bank](#) (EIB), the [Nordic Investment Bank](#) (NIB) and the [European Investment Fund](#) (EIF).

### Altum in Latvia:



Altum is a member of the [Finance Latvia Association](#), where, in cooperation with public, non-governmental and other cross-sectoral partners, it targets improvement of business and financial services environment in Latvia and enhances the international reputation and competitiveness of Latvian financial sector. The Association's objectives in the priority areas are pursued through committees, sub-committees and working groups, together with the participation of Altum. The committees are tasked with promoting the strategic development of the area and implementing concrete measures.

Altum is a member of the following organisations representing the interests of industry, economic development and entrepreneurs:

- LDDK – [Employers' Confederation of Latvia](#);
- LTRK – [Latvian Chamber of Commerce and Industry](#);
- LVCA – [Latvian Private Equity and Venture Capital Association](#).

Altum representatives are also members of regional organisations representing the interests of entrepreneurs, thus contributing not only to the development of Altum, but also to business in general.

For more information on the principles and projects of Altum community support activities, please visit [www.altum.lv](http://www.altum.lv).

## Community Support, Contribution to the 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 correlation 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 financially and through volunteering, supports projects that help promote and foster entrepreneurship, innovation, education, meaningful use of the available state support 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 in the implementation of support activities Altum employees and the general public are involved. 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 Management Board and shareholders.

### Initiatives implemented in 2022:

<b>Innovations, infrastructure</b>	Three Seas Initiative Investment Fund (3SIIF)	Promoting a new financing initiative to support transport, energy and digital infrastructure projects in Central and Eastern Europe, boosting the region's economic development and fostering infrastructure compliance with high standards. In June 2022, Altum co-organised the <a href="#">Three Seas Initiative Summit and Business Forum in Riga</a> , attended by leaders from 12 countries.
	Investor of the Year Award	<a href="#">Investor of the Year 2022 Award</a> for the most significant investments in Latvia last 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.
	Investor Talks podcast series	<a href="#">Pragmatic interviews</a> with influential industry players on alternative financing for scalable ideas: new concepts, experience stories and lessons to be learned for entrepreneurs and investors to assess the vast industry opportunities.
<b>Development of business environment</b>	Large Investment Loans with Capital Rebate for Midcaps	Public announcement of the programme and a call for tenders event alongside <a href="#">a workshop for entrepreneurs</a> .
	New product - loans for low-rent housing construction with capital rebate	A public <a href="#">event for local government leaders and industry stakeholders</a> on the new support programme for regional municipalities, boosting regional housing affordability and retaining and attracting labour resources.
	Latvian Capital Market Forum 2022	Participation in <a href="#">a discussion on the state opportunities</a> for the capital market development.
	Competition "Laukiem būt!" (Countryside to Be!)	<a href="#">Promotion of entrepreneurial activity in rural areas</a> 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.

	Strategy for developing the start-up ecosystem	By approving the <a href="#">Strategy for the Development of the Startup Ecosystem 2022-2025</a> , the Ministry of Economics, the Investment and Development Agency of Latvia and the Development Finance Institution Altum and organisations representing the interests of startups operating in Latvia - the foundation TechChill, the Latvian Private Equity and Venture Capital Association, the Latvian Startup Association, Riga Technical University, the foundation TechHub, the Latvian Business Angels Network 2022, on 7 September 2012 signed a Memorandum of Cooperation on the implementation of the Strategy.
	"#Support for Entrepreneurs - Impetus for a New Breakthrough" series of forums in all regions of Latvia	In cooperation with the organisers, the Ministry of Economics and the LIAA, a visit to the State cities and major towns with a pragmatic <a href="#">programme</a> on all state support opportunities for entrepreneurs. The aim of the forums is to start a discussion on the planned support for business to promote exports and competitiveness.
	Seminar for French entrepreneurs operating in Latvia	In cooperation with the <a href="#">Embassy of France</a> , participation in a seminar for French entrepreneurs on national and EU support opportunities as well as the planned financial opportunities under the Recovery and Resilience Facility.
	Support for business start-ups What (NOT) to do when starting and growing your own business?	In cooperation with Citadele, SEB and Swedbank, <a href="#">four experts</a> tell their stories on how to be confident of oneself that everything has been noticed, anticipated, thought of and one is ready to go further in developing one's business. How to grow with the help of commercial banks and state support, and how to avoid mistakes when making calculations regarding fundraising.
<b>Environmental impact, green thinking, sustainability</b>	The campaign "Let's live warmer!" and the contest "The Most Energy Efficient Building in Latvia"	Promoting energy-efficient practices in households and business environment, emphasizing both their financial and environmental benefits. The aim of the contest " <a href="#">The Most Energy Efficient Building in Latvia</a> " is to promote good practice in energy efficiency and sustainability of buildings through energy efficient construction, renovation and conversion/rebuild thereby reducing greenhouse gas emissions into the atmosphere and raising public awareness about the thermal performance of buildings, indoor microclimate and the importance and potential of reducing greenhouse gas emissions to create high quality, architecturally expressive living spaces.
	Energy Efficiency in Multi-Apartment Buildings - new programme under the Renewal and Resilience Facility	A <a href="#">pre-launch seminar</a> for the interested about expectation management to be better prepared for the programme and ready for its opening. A public seminar dedicated to the launch of the programme, explaining in simple and detailed terms to the new project managers how to embark on the programme promptly.
	Renewal and Resilience Facility application	<a href="#">RRF Business Programmes</a> : digitization and energy efficiency of companies opening cycle, which included publicity events, opening events, as well as practical seminars.
	Energy efficiency of private homes	<a href="#">A series of seminars</a> about launching the programme and educating the general public.

	Conversation <a href="#">Festival Lampa</a>	Typical mistakes made by entrepreneurs when planning and implementing energy efficiency projects. Discussion. Summary of lessons learned. Workshop face-to-face and remotely.
	Spring and autumn <a href="#">seminars</a> for clients on home insulation, absorption of the ERDF and RRF funding	A compendium of good practices and recommendations to help the public and project managers move towards energy-efficient home renovation easily and simply.
	Energy forum 2022 - the largest energy efficiency conference in the Baltic States for entrepreneurs	Best practices, state and EU support solutions for entrepreneurs, client experience stories - <a href="#">a full-day forum</a> for stakeholders, entrepreneurs and media.
	Forum Sustainability	Participation in the Forum <a href="#">Sustainability</a> which aims to ensure a sustainable future. In a period of climate change, having a major impact on human well-being, the economy and security as well as putting great pressure on business operations, solutions are sought to achieve economic benefits through sustainable and environmentally, socially and human-friendly activities.
	Improving energy efficiency in business (including a shift to renewable energy technologies for heating)	In cooperation with the Ministry of Economics, Altum invites entrepreneurs to participate in <a href="#">webinars</a> on the new Recovery Fund support programme in November 2022. At the event, experts provide information not only about the possibilities to attract support for energy efficiency, the introduction of renewable energy sources and the purchase of electric vehicles, but also about biogas, heat pumps and about the regulatory framework for construction.
<b>Education</b>	Higher education ( <a href="#">Agricultural Science from the Latvian University of Agriculture</a> (now the Latvian University of Life Sciences and Technologies), <a href="#">BA School of Business and Finance</a> )	Promoting science-business cooperation, youth participation in scientific research, quality of research and commercialisation of innovative ideas.
	Latvian Student Company Festival #CitsBazārs	Educating a new generation of entrepreneurs and industry experts by linking theoretical knowledge <a href="#">with practice</a> through the Junior Achievement Latvia programme "Skolēnu mācību uzņēmums" (SMU) (Student Company).
<b>Public welfare, demography</b>	Social Entrepreneurship Association	<a href="#">Popularizing the idea</a> of social entrepreneurship to promote the growth of businesses with a clear social aim and positive impact in Latvia.
	Competition "Tam labam būs augt" (What is good will grow)	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 <a href="#">competition</a> 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, the newspaper <i>Dienas Bizness</i> and RISEBA Architecture and Media Centre H2O6.



<b>Financial sector development</b>	Finance Latvia Association	Promoting the sustainable development of the <a href="#">financial sector</a> by developing in-depth group work with commercial banks on credit development, human resources, communication, legal and other issues and to facilitate exchange of views and decision-making in the interests of the people of Latvia.
	Development of bankers' handbook on ERDF propositions	Development of <a href="#">guarantee training</a> and participation in the writing of <a href="#">bankers'</a> training handbooks. Video. Overall, in 2022, the bank activity was significantly higher in raising new loan guarantees compared to previous years. This trend once again demonstrates that cooperation between banks and Altum is a successful way to provide financing to companies in various sectors and to contribute to the development of the national economy.
<b>Export</b>	Export and Innovation <a href="#">Award</a>	Promoting the production of new and exportable products, promoting the performance of Latvian entrepreneurs and expressing appreciation for providing the market with high-quality domestic products, introducing innovations and developing industrial design. Altum special award in the <a href="#">Safe Exporter</a> category.
	Seminar together with LIAA	In cooperation with LIAA, we train the <a href="#">heads of representative offices abroad</a> all over the world to build competences on how exporters can protect their businesses with state support from international risks (client and country solvency risks).

## Corporate Social Responsibility

#STAND  
WITH  
UKRAINE

In 2022, Altum employees were involved in charity activities organised by the charity organisation [ziedot.lv](#) and the association "[Tavi draugi](#)" (Your Friends) to support Ukrainian citizens and refugees.

To promote the values of an inclusive and equal society, Altum employees were also involved in the activities of the participation and mutual aid platform "[Dod iespēju](#)" (Give an Opportunity) organised by the Society Integration Foundation, which aims to encourage society to be more supportive towards people with disabilities and more inclusive of this group in the labour market and in social life as well as organising charity activities themselves to support children in social care centres.

The twice-yearly *Donor Days* of the [State Blood Donor Centre](#) organised at Altum premises by the Ministry of Finance and actively supported by Altum staff is a tradition.

*Corporate Governance Report 2022 is publicly available in Latvian and English at Altum's premises at Doma laukums 4, Riga and in electronic form – on the website [www.altum.lv](#), in the section ABOUT ALTUM/CORPORATE GOVERNANCE AND SUSTAINABILITY under [Corporate Governance](#) sub-section.*



Reinis Bērziņš  
 Chairperson of the Board

29 March 2023