

JSC DEVELOPMENT FINANCE INSTITUTION ALTUM

Corporate Governance Report for the year ended 31 December 2023

(the 10th reporting period)

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General information

The Corporate Governance Report 2023 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). ESG risk management principles and reflected information are based on ECB (European Central Bank) guidelines and TCFD ([Task Force on Climate-related Financial Disclosures](#)) Recommendations.

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 in a unified team together with our customers and partners, thereby creating and implementing effective state aid programmes that are relevant to our client's needs.



EXCELLENCE

Making use of our experience and creative perspective, we strive for excellence in everything we do. We constantly develop ourselves. We take on the complicated, yet finish with simplicity. We look at things and challenges creatively.



RESPONSIBILITY

We strive to reach our goals, pursue everyday work with efficiency, fairness and respect.

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.

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 was launched in February 2023.

In the Strategy period the following took place: loans with capital rebate for large investment projects started in December 2022 and continued throughout 2023, in Q4 2024, programmes to be financed from the EU funds during the new programming period (2021-2027) were launched. Setting up and launching of the 5th generation venture capital funds are planned. 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 order to prepare for the implementation of the EU InvestEU programme, a Pillar Assessment was carried out in the first half of 2023 in cooperation with the selected independent auditor. 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. The first phase of the assessment was completed in November 2023 submitting a draft report to the European Commission. Once the draft report agreed upon with the European Commission, the key recommendations to be implemented by ALTUM will be identified. The evaluation is expected to be finalised in 2024, after the European Commission has sufficient assurance on the execution of the recommendations, based on the information provided by ALTUM and the auditors' opinion. A decision on the submission of the application to become the InvestEU Implementing Partner has not yet been made.

Following strategic development directions and long-term objectives are set in the approved 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, investments in venture capital funds in various growth stages, 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 2023 non-financial targets set out in the Strategy:

New transaction volumes (incl. grants) reached EUR 289 million in 2023, which is by EUR 42 million less (-13%) than the targeted EUR 331 million in the Strategy for 2023. Reaching the indicator set in the Strategy was affected by smaller new transaction volumes in new support programmes – in investment loans' programme for the Midcaps with a capital discount (-13 million EUR) and in support programmes under the Resilience and Recovery Fund (-31 million EUR), in several existing support programmes, such as housing guarantee programmes (-10 million EUR) and in the guarantees' programme for Midcaps (-11 million EUR), which in turn was affected by the high interest rates, which continued to rise since the end of 2022 also in the first half of 2023, as well as in the Covid-19 support programmes (-20 million EUR), in which there were no new transactions in 2023, as the support programmes ended at the end of 2022 due to lack of demand. The volume of new transactions (-9 million EUR) was smaller than planned in the Strategy, also in grant programmes.

- **At the end of 2023, the gross portfolio (incl. grants)** amounted to **EUR 1,102 million** which is by EUR 93 million less (-8%) than the targeted EUR 1,194 million in the Strategy for 2023. The largest impact on the gross portfolio of support instruments (incl. grants) was left by the grant portfolio, which at the end of 2023 was by EUR 61 million less (-47%) compared to the one set in the Strategy (EUR 129 million) and the loan portfolio (excluding reverse rent transactions, which are included in the portfolio of the Land Fund), which at the end of 2023 was by EUR 49 million less (-12%) compared to the Strategy (409 million EUR), as well as the portfolio of venture capital instruments, which at the end of 2023 was by EUR 20 million less (-17%) compared to the Strategy (117 million EUR). Smaller portfolio volumes at the end of 2023 were affected by lower volumes of new transactions, which in turn were affected by high interest rates, inflation and the wait-and-see attitude of entrepreneurs and individuals towards taking on new credit obligations. Despite the unfavourable economic conditions, which also affected the guarantees' portfolio and the portfolio of the Land Fund, at the end of 2023 the guarantees' portfolio and the portfolio of the Land Fund were by EUR 30 million (+7%) and EUR 7 million (+7%) respectively higher than the one specified in the Strategy (EUR 450 million and EUR 90 million, respectively).

Financial and non-financial targets (cont'd)

By segment, the largest portfolio is formed by SMEs and Midcaps - 32.3% (31 December 2022: 35.1%), followed by Individuals - 31.5% (31 December 2022: 29.2%), Agriculture - 26.7% (31 December 2022: 26.2%) and Financial Intermediaries - 9.5% (31 December 2022: 9.4%).

- **Moody's credit rating** in the Strategy is set two notches below the Moody's rating assigned to the Latvian state. On 2 February 2024, Moody's reaffirmed ALTUM's **Baa1** long-term credit rating with a stable outlook, at the same level as that assigned on 16 December 2022 (and accordingly also in 2023). According to Moody's updated Government-Related Issuers Methodology published on 25 January 2024, Moody's no longer classifies ALTUM as a government-related issuer and has withdrawn its Baseline Credit Assessment of baa3. Henceforth, ALTUM's credit rating is assessed solely on the basis of Moody's Finance Companies Methodology. As of 2 February 2024, ALTUM has a standalone credit assessment that replaces the withdrawn Baseline Credit Assessment.

ALTUM is one notch below the rating assigned to the Latvian state, which at the end of 2023 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 2023** totalled **EUR 946 million**, which is by EUR 156 million more (+20%) than the targeted in the Strategy for 2023 (EUR 790 million).
- **The volume of the state support programmes (incl. grants) per employee** amounted to **EUR 4.5 million**, which is by EUR 0.6 million less (-8%) than the targeted in the Strategy for 2023 (EUR 5.1 million).
- **Voluntary employee turnover** was **8%**, which is below the indicator targeted in the Strategy (<10%) and above the same indicator of 2022 (+0.7%).
- **The number of trained employees** reached **96%**, exceeding the number targeted in the Strategy (>70%) and below the same indicator of 2022 (-2%).



In 2023, 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 2023 financial targets set out in the Strategy:

- In 2023, **Return on Equity ROE** was **4.7%**, which was above the indicator targeted in the Strategy ($\geq 1.3\%$, + 1.8% in absolute terms compared to 2022);
- **The profit of EUR 17.8 million** exceeded the indicator targeted in the Strategy for 2023 (EUR 8.9 million, +EUR 6.3 million compared to 2022);
- **Equity (at the end of the year) totalled EUR 390 million** (EUR 414 million was targeted in the Strategy for 2023, - EUR 6 million compared to 2022). Lower equity at the end of 2023 compared to the one set in the Strategy can be explained by the reallocation of funding from specific reserve capital, intended to cover the risk of the Covid-19 support programmes, to liabilities for investment loans' programmes to Midcaps with a capital rebate, increasing the volume of the programme and keeping the same nature of the funding, i.e. funding to implement a new support programme and to cover expected losses.
- **Cost-to-Income Ratio** was **26%** which was below the targeted in the Strategy ($\leq 65\%$, -12% in absolute terms compared to 2022);
- **The 6-month liquidity ratio of 402%** was higher than the targeted ratio ($\geq 100\%$, + 36% in absolute terms compared to 2022). In 2023, ALTUM received funding from several EU funds - at the beginning of 2023, funding from the the Resilience and Recovery Fund, and at the end of 2023, funding from the new EU funds' period 2021-2027, as well as funding from the EU funds' period 2014-2020 throughout 2023, which increased ALTUM's liquid assets. ALTUM maintained high liquidity;
- **Tangible common equity (TCE) / Total tangible managed assets (TMA)** was **23%**, which was above the indicator targeted in the Strategy ($\geq 20\%$). Compared to 2022, this ratio decreased by 4% in absolute terms due to the change in equity (see the commentary to the indicator "Equity (year-end)"). In 2023, ALTUM's total assets under management

Financial and non-financial targets (cont'd)

increased by EUR 217 million (+ 20%), which also reduced this ratio. The above ratio shows that ALTUM has sufficient own funds to cover the risks associated with its operations.



In 2023, 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 2023 - the Management Report and Other Notes to the Annual Report.

Approving ALTUM's business plan and budget for 2024, the Shareholders' Meeting, in line with the Strategy, set the following key goals and objectives for ALTUM in 2024:

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:

		
Cautious and wait-and-see attitude of entrepreneurs towards new investments and credit commitments, influenced by the high cost of resources, is expected to continue in 2024, therefore, ALTUM plans to be more involved in direct lending in areas where lending is scanty. At the same time, ALTUM plans to maintain its focus on launching programmes for the new EU programming period 2021-2027 as well as to continue implementing the Recovery and Resilience Facility (RRF) programmes and the programme for large investment loans with capital rebate.	To facilitate access to finance and make the granting of loans even more efficient and faster, an automated review process is planned for loan applications up to EUR 100 thousand.	Enhancing the role of venture capital instruments by introducing the 5th generation venture capital funds; it will play an important role in supporting the growth and development of innovative, technological and high growth potential companies as well as the IPO Fund to encourage both participation and activity in the capital markets.

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.

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



In 2023: EUR 946 million

In 2022: EUR 766 million

In 2021: EUR 792 million

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 2023, the Internal Audit Division prepared 12 (2022: 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, 47 (2022:63) 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., Loan Programme for Companies Affected by the Economic Consequences of Russia's Military Aggression against Ukraine, Investment Loans with Capital Rebate for Midcaps, Compliance of the Internal Control System with the Regulatory Requirements Regarding ML/TPF Risk Prevention and Meeting Sanctions Requirements and Effectiveness of its Operation at AS Atfīstības finanšu institūcija ALTUM, Personal Data Protection, Support for Social Entrepreneurship, Follow-up of the Investment Process in Venture Capital, Assessment of the Implementation of Audit Recommendations and its Impact on Process Change, 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. In 2023 9 audit committee meetings were held and a total of 12 issues were discussed (2022: 10 committee meetings and 13 issues discussed).

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.

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.

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.

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 ALTUM's business or which may significantly harm ALTUM's reputation.

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

As the impact of Covid-19 diminished, ALTUM continued to monitor the portfolios exposed to the impact of Covid-19. Transactions that received relief because of the impact of Covid-19 are able to meet their obligations after the end of the relief period and no significant increase in defaults has been observed. The size of the portfolio of Covid-19 support instruments has significantly decreased in 2023, reaching EUR 14 million at the end of 2023 (31.12.2022: EUR 48 million).

Following the Russian invasion of Ukraine in February 2022, ALTUM has restricted any cooperation with Russian and Belarusian nationals and related companies, including

Since Russia invaded Ukraine in February 2022, ALTUM has restricted any cooperation with Russian and Belarusian nationals and related companies; moreover, changes were made in the ALTUM 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. The Russian invasion of Ukraine led to imposing broad sanctions against Russia and Belarus and their legal entities and, to mitigate the sanctions risk, ALTUM imposed additional control measures during both the granting of financial instruments and the monitoring of the business relationship, and paid increased attention to the "Know Your Customer" approach, including an assessment of the customer's reputation, personal and business activities. ALTUM does not finance transactions aimed at the purchase of goods/services from persons registered in Russia or Belarus.

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 2023, ALTUM continued to take 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 provisions made. In 2023, ALTUM assessed the impact of rising interest rates on the clients' ability to service their debts in the face of increasing costs, and also established an adequate general provision.

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".

Risk management (cont'd)

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. [PricewaterhouseCoopers SIA](#) was the approved auditor of ALTUM's financial statements for 2023-2025. 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](#).

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

- the applicant is registered in accordance with the requirements of the laws and regulations of the country of registration or permanent residence.
The requirement also applies to a partnership and all members of the partnership (if the tender is submitted by a partnership) or all members of an association of suppliers (if the tender is submitted by an association of suppliers), and to subcontractors (if the tenderer intends to use subcontractors);
- performing of at least three (3) audits of the IFRS financial statements of EU credit institutions within the previous three (3) years (2020, 2021, 2022 and 2023 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;
- the applicant has no conflicts of interest to prevent from providing audit services;
- 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 any prohibited non-audit services referred to in Article 5(1)(2) of EU Regulation No 537/2014 of the European Parliament and of the Council during the period specified in Article 5(1)(1) 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
Climate issues	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	  
Governance	Fair and ethical governance, anti-corruption Open communication and stakeholder involvement Sustainable procurement Cybersecurity, right to privacy and data protection	 
Services	Promoting entrepreneurship, employment Governance decisions upon all financing issues Social considerations in all financing decisions	  
Working environment	Employee health and safety Fair treatment of employees Staff training and development Diverse and inclusive working environment, gender equality	  
Society	Fostering and strengthening the entrepreneurial spirit Promoting financial literacy in society Improving the economic status of women	   

Sustainable finance

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 aspects and steps towards sustainable finance included in the road map developed by ALTUM correspond to the road map developed by FCMC.

Sustainable finance (cont'd)



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 voluntarily 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](#) (previously ALTUM [Green Bond Financing Framework 2017](#))), 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

Contribution to sustainability (cont'd)

the international financial institutions sector in its day-to-day operations. Thus, the [EBA](#) (European Banking Authority) and ECB (European Central Bank) 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.

Guided by the detailed ESG road map 2022, covering the integration of ESG aspects into credit risk management for ALTUM's loan and guarantee portfolios in the SME, Midcaps and Agriculture segments, in the 2nd quarter of 2023, a methodology for analysing the materiality of ESG risks was developed and an assessment of the sensitivity of loan, collateral and guarantee portfolios of the SME, Midcaps and Agriculture segments to transition risks and various physical climate risks was made. It is the starting point for managing both transition risks and physical climate risks so that decisions can be data-driven. In addition, it promotes the development of new sustainable financing product offerings to facilitate companies' successful transition to a climate-neutral economy, as well as the ability to successfully operate in supply chains, considering the significant changes in the sustainability requirement of companies' value chains. In the second half of 2023, work on the development of the ESG risk assessment matrix, ESG scoring model and development of a customized customer questionnaire to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability key performance indicators (from now on: KPI's) data was completed.

The existing ALTUM's sustainable financing segments, defined by Green Bonds Framework 2021 - energy efficiency, renewable energy resources, passive housing, and sustainable transportation – are supplemented with a new segment - "facilitating the transition of companies towards climate-neutral economy". This segment comprises sustainable financing that facilitates the companies' resilience towards transition risks, strengthen competition and doesn't allow shrinking of market share and revenue challenged by value chains' sustainability requirements. "Sensitive" industries - industries with high consumption of fossil resources and/or highly exposed towards transition risks are of most focus. Sustainable financing solutions covers both the decarbonization of companies' supply chains and investments in the decarbonization of the company's product life cycle, as well as technologies ensuring lower CO₂ emissions for industrial operations requiring dedicated fossil-fired energy supply to achieve high temperatures, as well as investments to mitigate the effects of climate physical risks.

In the second half of 2023, the work on tagging current green/sustainable projects in the SME and Agriculture segments and the assessment of the CO₂ footprint of the loan portfolio of these segments continued.

In 2023 the tagging methodology for SME / Midcap and Agriculture segments' loan portfolio was developed in 2023. That will assist to label the projects within the following categories - (i) Taxonomy aligned, (ii) sustainable projects, (iii) eligible with Green bond Framework 2021, (iv) brown and (v) other projects.

The AIF "Altum Capital Fund" investments have been made, paying due attention to the ESG performance of the target company and the expected impact of related economic changes on the company's supply and value chains. In compliance with the requirements of The Sustainable Finance Disclosure Regulation, the Fund policy was published at the end of 2022, which reflects how the Company assesses the principal adverse effects of the Company's investment decisions on sustainability factors (Principal Adverse Impact report), in accordance with the requirements of Article 4 of SFDR. ALTUM identified principal adverse impact indicators that could be affected by ALTUM's investment decisions. In addition, ALTUM has identified material impact aspects – this allows ALTUM to mitigate any negative impact. At the beginning of 2024 principal adverse impact indicators of the Fund portfolio companies were summarised for the year 2023. Adverse impact indicators assess the adverse impact of investment decisions on sustainability factors. For note of record the principal adverse impact indicators of the Fund portfolio companies for the year 2023 do not imply adverse effects on sustainability factors caused by investment decisions.

ALTUM commits to following the best examples in the industry across Europe, which have expressed their firm stance by defining achievable goals and refusing to support unsustainable sectors and projects regardless of the source of funding. This includes refraining from financing energy production projects that rely on fossil fuels. Taking into consideration the outcome of materiality analyses of ESG risks carried out earlier in the 2023, the Sustainability strategy is under development planned to be approved in spring 2024. 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.

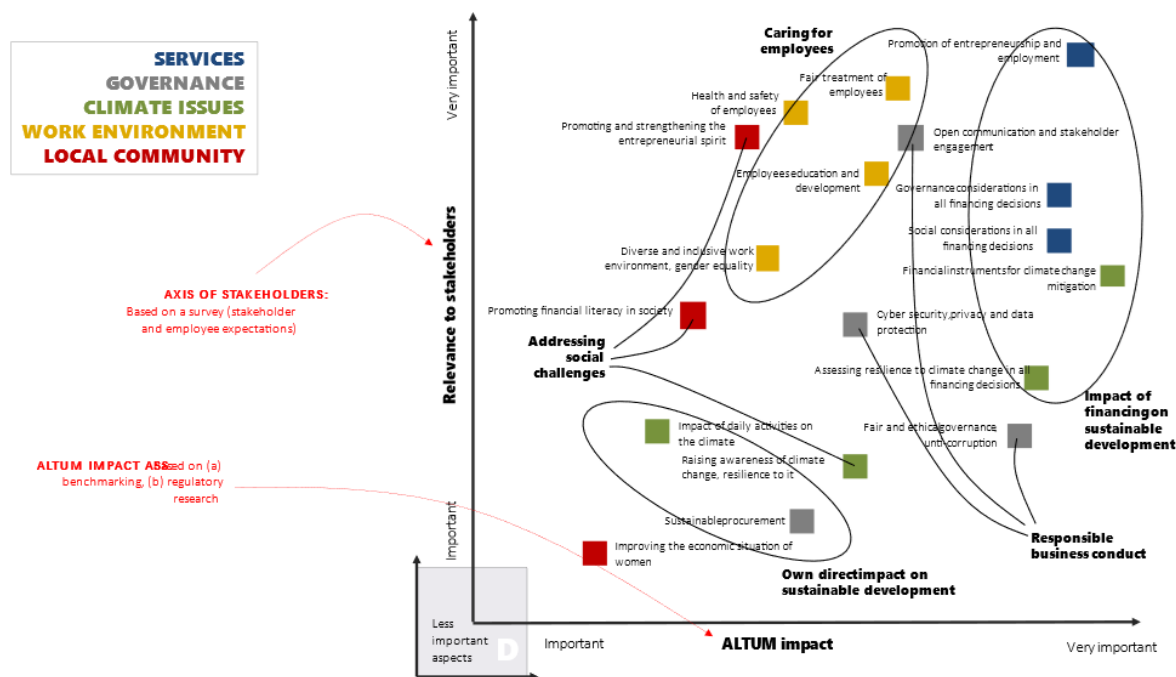
Double materiality matrix

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.

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

More information on ALTUM's double materiality matrix can be found [here](#).



In 2024, there are plans to update the Materiality Matrix to monitor changes in stakeholder expectations and to comply with the new European Sustainability Reporting Standards (ESRS) requirements, which will be binding for ALTUM from 2026 onwards.

Environmental and social impacts of ALTUM-funded projects

Environmental projects

In 2017 ALTUM issued bonds as series of notes quoted on Nasdaq Riga for the total face value of EUR 20 million, becoming the first national development institution of a Central and Eastern European country to issue green bonds.

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.

To ensure investors' confidence that ALTUM will invest green bond funding in environmentally friendly projects and achieve certain environmental goals, [CICERO](#) (the Center for International Climate and Environmental Research, Oslo, part of the credit rating agency S&P Global since 2022) provided an independent opinion on ALTUM's Green Bond Framework in September 2017 and received a [Medium Green assessment](#).



CICERO
Medium Green

In the second half of 2021, ALTUM's [Green Bond Framework 2021](#) was updated, taking into account the Green and Social Bond Principles published by the [International Capital Market Association](#) (ICMA) in June 2021. In December 2021, ALTUM received a renewed [Medium Green assessment](#) from CICERO.

Environmental and social impacts of ALTUM funded projects (cont'd)

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

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.

You can read more about programmes for business sustainability and energy efficiency [here](#), while more information on apartment building energy efficiency can be found [here](#).

ALTUM has developed energy efficiency competence centre. Team of experts consults companies on energy efficiency, energy audits, and technical documentation preparation for investment projects. Our team's expertise has been developed since 2017 when ALTUM issued Green Bonds to attract funds for financing sustainable projects. Our team's knowledge of energy efficiency solutions and market trends extends beyond standard solutions, providing additional value to our clients.

Over the course of four years, we have consulted on projects for various companies. If all the recommendations from energy audits were implemented, these projects would collectively contribute to saving 16,000 tons of CO₂e emissions annually. For more information about the Energy Grant, please see [here](#).

Social projects

As a development financial institution, ALTUM ensures diversity and equal opportunities not only within its organization but also on a much broader scale, with a positive and meaningful long-term impact on a significantly wider range of individuals and society as a whole.

By making a direct contribution to the development of Latvian society, ALTUM ensures equal access to financing for:

- (i) socially significant projects,
- (ii) socially vulnerable groups,
- (iii) business startups and development in rural areas regardless of profession or age, and
- (iv) social enterprises, fostering social entrepreneurship and integrating individuals into the workforce who might otherwise struggle to fully integrate into society.

By financing socially significant projects, ALTUM's positive impact on promoting diversity and equality extends far beyond the organization's boundaries. Social objectives are achieved through financial instruments such as loans, guarantees, and investments in venture capital funds, which provide financial resources to businesses and households. Funding is allocated to areas identified by the state as supportable and significant, thereby promoting economic development and facilitating the mobilization of private capital and financial resources. The total amount of ALTUM's social entrepreneurship program is 12.6 million EUR, supporting 206 projects.

Environmental and social impacts of ALTUM funded projects (cont'd)

One of the social impact projects funded by ALTUM and implemented in 2023 is the "Rūre" Social Care Centre in Liepāja, providing long-term social care, social rehabilitation, and medical services under one roof. The centre sets an example of integrated care and introduces a new service model that sets new standards for Latvia's social care industry.

For several years, ALTUM has been implementing the "Small Loans in Rural Areas" program, providing opportunities for starting businesses in rural regions. This initiative helps reduce inequality between urban and rural areas while emphasizing equal opportunities for starting a business regardless of profession or age. The small loans in rural areas are specifically targeted at rural territories (outside cities) where the availability of financing from the banking sector is significantly lower. With very accessible terms and low interest rates, entrepreneurs have been able to implement projects even in small villages and border areas. The annual volume of loans disbursed ranges from 7 to 9 million EUR, with an average loan size of approximately 30,000 EUR.

Below you can find an overview of ALTUM's new transactions promoting environmental and social goals over the past three years:

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 programme periods, which consequently stimulated a significant activity at the end of the respective programme. This resulted in significant volumes of new transactions in the Individuals segment, contributing to the achievement of the environmental objectives.



In the segment of multi-apartment building energy efficiency, 2023 was largely a transitional year, during which many potential participants of the new EU Recovery Fund program worked on developing project technical documentation and organizing the necessary decision-making by residents to start the project. This process was still influenced by the uncertainty caused by the global rise in interest rates and geopolitical events. It should be noted that in 2023, the implementation of projects from the previous EU planning period continued, affecting the capacity of authorized persons to simultaneously prepare and submit projects for the new Recovery Fund program. The first applications were submitted in 2023, and construction work on the first projects will begin in the 2024 construction season. Considering the relatively time-consuming process of project preparation, a faster increase in concluded transactions and completed projects is expected in the period from 2024 to 2026.



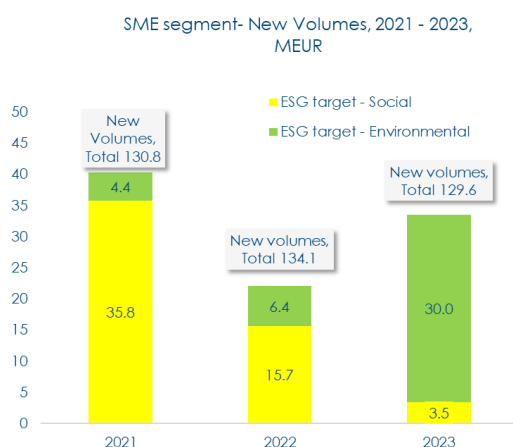
New transactions under the Energy Efficiency Programme for Multi-Apartment Buildings and Private houses in 2022 resulted in:

3089 tCO₂e reduction p.a.

(total expected impact of the projects)



Environmental and social impacts of ALTUM funded projects (cont'd)



Since Green Bond issuance in autumn 2017, ALTUM has initiated active work on financing sustainable projects and educating market participants.

The Covid-19 pandemic significantly slowed down the interest of SMEs in projects aimed at improving energy efficiency, renewable energy resources, and sustainable transportation. Caution persisted in 2022, especially with the onset of the Russia-Ukraine war. It was only with the energy crisis that entrepreneur activity resumed, albeit cautiously, hoping for a quicker start to the RRF Energy Efficiency Program. This explains the relatively small volumes disbursed in 2022. Since there is a considerable time gap between the allocation of funding and project implementation for such projects, the funding allocated in 2022 but not yet disbursed amounted to EUR 10.9 million.

However, thanks to active efforts and favourable financing rates available to clients, there was a significant increase in the volume of loans disbursed in the SME segment for the implementation of sustainable projects in 2023 - EUR 28.1 million (compared to EUR 6.4 million in 2022).

In 2023, the disbursed funding was predominantly in the Renewable Energy Resources segment (51%), followed by the Energy Efficiency segment (48%), with a very small volume in the Sustainable Transportation segment (1%).

The new disbursed volumes in 2023 were positively influenced by the RRF Energy Efficiency Program launched in the second half of 2023, offering capital discounts, with a disbursement volume of EUR 4.2 million. Additionally, it is worth noting that the loans disbursed in the SME segment in 2023 have a high intensity of CO₂ footprint reduction.

Impact from new volumes in 2023



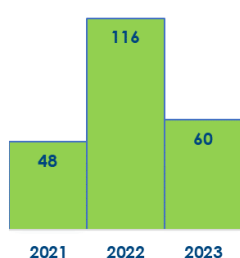
636 tCO₂e reduction p.a. per invested 1 MEUR
(total expected impact of the projects)

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:

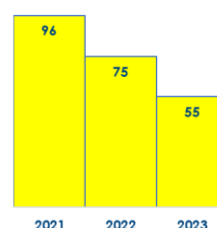
Providing guarantees for home purchase (Individuals segment) and a full range of state support financial instruments to companies to overcome the effects of the Covid-19 pandemic resulted in the following volumes of new transactions contributing to social objectives:

Below is a summary of new transactions in the Individual, Agricultural, and SME segments over the past three years.

New transactions contributing to reaching the environmental objectives 2021 - 2023, MEUR



New transactions contributing to reaching the social objectives 2021 - 2023, MEUR



ESG – Corporate 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 an 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.

Governance Structure

The nomination procedure for ALTUM Supervisory Board and Management Board members ensures the recommendations set in the Code of 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: 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.

Governance structure (cont'd)

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.

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 and sustainability management.

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 fili.

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

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, monitoring of client liabilities and human resources.

Term of office: 08.01.2026

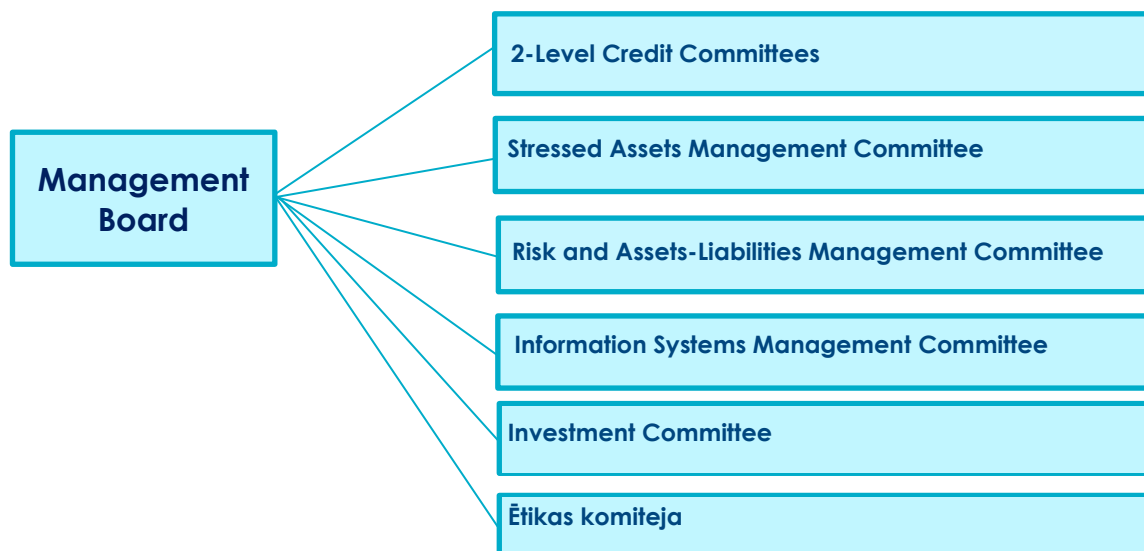
Governance structure (cont'd)

During the reporting period, there were changes in the Management Board as Juris Jansons was elected as its Member by the Supervisory Board on 9 January 2023.

* On 25 January 2024, the Supervisory Board re-approved Ieva Jansone-Buka as a Member of the Management Board for a new term of office from 18 March 2024 to 17 March 2027.

In 2023, the Management Board held 71 meetings.

Committees were established by a decision of the ALTUM Management Board. Their main tasks, rights and responsibilities, principles of operation as well as the rights and obligations of the members of the Committees are set out in the Committee Regulations.



Information on ALTUM management, ALTUM shareholder representatives, ALTUM Audit Committee and ALTUM governance is available on ALTUM's website 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.

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.

Stakeholder management

Regular and meaningful communication with stakeholders is an important tool in identifying and addressing issues relevant for each stakeholder group. ALTUM stakeholders have been identified while recognising ALTUM's specific role in the national economy. As a development finance institution, ALTUM ensures access to finance for defined groups of entrepreneurs and private individuals. This support provides a positive and meaningful long-term impact on the society. To ensure effective cooperation ALTUM communication practices are tailored for the needs of each stakeholder group.

- **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.

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 use electronic signatures.

For the second year, 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.

- **Employees**

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. Employees' views are sought periodically through employee surveys, in cooperation with their authorised representatives, working groups, hackathons, etc.

- **Shareholders and supervisory board**

Shareholders

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.

Shareholder involvement in decision-making contributes to achieving company's financial and non-financial objectives and ensures its sustainability.

Supervisory board

Supervisory board represents interests of the shareholders, oversees work of the management board, participates in strategic development of JSC ALTUM and supervises its financial and risk management. ALTUM has defined procedure for organisation of work of the supervisory board and the availability of high-quality information. This allows for an effective performance of supervisory board members and their inclusion into decision-making process..

More information on JSC ALTUM's shareholders and supervisory board can be found [here](#).

- **Investors**

Sound financial, risk and corporate governance is a prerequisite for well-organised and successful investor relations. Regular bond emissions on NASDAQ Riga since 2017 have strengthened ALTUM's position as an active member of the capital

markets. Investor road show and consistent communication is an integral part of preparation for bond emission. Provision of high-quality quarterly financial and operational information and stock market notifications on significant operational events at ALTUM are an inherent part of investor relations. ALTUM carries out these activities with highest responsibility and diligence.

- **Financial sector**

For the assessment of collaboration partners, specifically banks, ALTUM conducts an annual survey where bank employees provide feedback on the services provided by ALTUM, employee competence, and evaluate past collaborations.

- **Policy makers, governmental or regulatory institutions**

ALTUM collaborates with ministries of Republic of Latvia to identify priorities and needs of policy-makers as well as problems facing their industries. This allows for an efficient cooperation between institutions in development of support instruments for respective industries.

- **Suppliers**

ALTUM works on development of supplier code of conduct to ensure collaboration compliant with environmental, social and governance aspects.

- **Professional associations and educational institutions**

To promote scientific and entrepreneurial cooperation, youth involvement in scientific research, quality research and commercialisation of innovative ideas, ALTUM cooperates with [Latvia University of Life Sciences and Technologies](#), [BA school of Business and Finance](#), [Rezekne Academy of Technologies](#) and [Vidzeme University of Applied Sciences](#).

ALTUM promotes innovative agricultural practices and their real-life application by providing financial support to the best scientific research from Latvian academy of Agriculture and Forestry. Collaboration with BA School of Business and Finance ensures involvement of new finance professionals in developing research on availability and effectiveness of financial instruments. This allows new professionals to link their academic studies with development and current practices of financial sector.

- **Non-Governmental organisations, experts and professional associations**

ALTUM cooperates with industry experts and organisations to align financial product development with interests of entrepreneurs and other parties involved. ALTUM is open to advice of experts and professional organisation in creating new and improving current financial products.

Highlights and achievements 2023



Long-term credit
rating Baa1

Best Investor relations
in the Baltics among
Bond Issuers

2nd place in "Fair Pay
2023" organised by
Figure Baltic Advisory

"Employer Open to
Diversity 2023" by
Society Integration
Foundation

Platinum category
award in the
Sustainability Index

On February 2, 2024, Moody's reaffirmed **ALTUM's long-term credit rating at Baa1 with a stable outlook**, which is the same level as confirmed on December 16, 2022. According to Moody's updated Government-Related Issuers Methodology published on January 25, 2024, ALTUM is no longer classified as a government-related issuer, and its baseline credit assessment (baa3) has been withdrawn. As of February 2, 2024, ALTUM has been assigned a separate standalone credit assessment at the previous baa3 level, replacing the withdrawn baseline credit assessment. ALTUM initially received the Baa1 long-term credit rating in 2017, which is one of the highest among Latvian state-owned enterprises. This high rating allows ALTUM to successfully implement its long-term financing strategy by regularly issuing bonds. Financial market resource mobilization ensures ALTUM's financing source diversification, promotes sustainability and self-sufficiency in financing mobilization, while also fostering the development of the Baltic capital markets.

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.

In 2023, ALTUM received high acclaim for its fair and equitable approach to determining compensation. In the "Fair Pay 2023" study conducted by the compensation research and management consulting firm Figure Baltic Advisory (formerly known as "Fontes"), ALTUM obtained the second place in the category of small and medium-sized enterprises. Several aspects were evaluated when analyzing companies: internal fairness (compensation for equivalent or similar-value positions within the company), external fairness (company-paid compensation relative to similar positions in the labor market), and social fairness (the gap between male and female compensation for equivalent positions). Among the criteria considered was the gender ratio in leadership positions, starting from middle-level management.

Similarly, in 2023, ALTUM's efforts in promoting diversity were recognized. In the evaluation by the Society Integration Foundation's "Employer Open to Diversity 2023" assessment, ALTUM was awarded bronze status, affirming its dedication to implementing diversity principles and its commitment to fostering an inclusive work environment. The award was designed to promote tolerance towards diversity in Latvian businesses and the job market, as well as to enhance societal understanding of the concept of diversity, while also sharing examples of best practices.

For the third 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. In 2022 for the second consecutive year, the company received the 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.

ESG - Environment

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 frequently reviewed in line with these challenges.

ESG risk management

The term of environment, social and governance (ESG) comprises approach that drives adequate business pattern of the organisation. In recent years the importance of ESG has increased significantly since the policy makers, finance sector and the society draw more and more attention towards companies impact upon society and their contribution towards climate change mitigation. Upon realisation of any ESG risk, negative impact on credit risk, assets, financial and profit indicators or reputation of ALTUM might occur.

In 2023 the methodology for analyses of materiality of ESG risks upon ALTUM was developed and the materiality assessment of ESG risks was carried out. The materiality assessment of ESG risks primary represents the risks that might impact the ALTUM's credit exposure portfolio (loan portfolio, collateral portfolio and guarantee portfolio) triggered by its customers' business operations industry, financed project's industry and geographical location of the client or the financed project. Within materiality analyses of ESG risks ALTUM credit exposure portfolio per loan, collateral and guarantee portfolios of the SME / Midcaps and Agriculture segments towards climate risks - transition risks and various physical climate was assessed. In light of the amortisation structure of ALTUM loan portfolio the climate risks are assessed in the following time scale – (i) until the year 2025, (ii) 2026 – 2040, (iii) after the year 2040.

The Transition risks substantially impact the economic activities of the companies with further direct effect upon ALTUM by the companies' debt service capacity or maintenance the market value of the collateral. Transition risks might be directly or indirectly developed by transition process of the customers towards low carbon emission and more sustainable economy. The transition risk might increase, for example, if it arises from new climate and environment regulatory requirements, such as a reduction in emissions of GHG or competitors' technology progress or change of behaviour of the market and customers and is significantly depending on the customer's capacity to bear the necessary investment costs of transition project and its timely realisation.

The methodology for analyses of ESG risks' materiality for assessment of Transition risks is based on ECB guidance, ECB climate risk stress test reports and UNEP FI methodology strongly rooted in the Recommendations of the Task force on Climate-related Financial Disclosures (TCFD). Following the said methodology the transition risk level of each project is assessed at segment/sector bases (NACE code, 4 digit) on a scale of five risk levels Low – Very High.

Table 1: Transition risk heatmap - high and very high transition risk exposure in individual economic sectors as at period-end

	31.12.2023		31.12.2022	
	'000 EUR	% of total credit exposure	'000 EUR	% of total credit exposure
Agriculture	29 854	6%	30 731	8%
Wood and paper production	49 913	10%	27 664	7%
Food and beverage production	11 540	2%	11 434	3%
Chemicals	12 249	3%	4 126	1%
Construction materials	6 425	1%	4 947	1%
Metals and mining	5 031	1%	13 829	3%
Consumer goods	1 310	0.3%	1 115	0.3%
Logistics	940	0.2%	1 522	0.4%
Other	1 863	0.4%	3 901	1%
Transition risk at high / very high label:	119 125	25%	99 269	25%
Total credit exposure*:	477 576	100%	400 166	100%

*Total credit exposure: gross credit portfolio and loan commitments

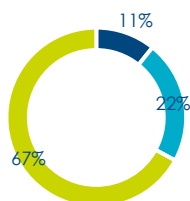
ESG risk management (cont'd)

Following types of climate physical risks are distinguished - Heatwaves/ Droughts, Floods, Heavy Precipitation, Sea level rise and Snow decrease. The methodology for assessment of climate physical risks is based on ECB guidance and Recommendations of TCFD.

In order to assess the risk level of climate Physical risk, each project is assessed in light of project industry as well as geographical location of the project. Within the analyses of ESG risks materiality a set of defined industries is labelled as High risk level for climate Physical risk. For the assessment, data on client's project address (geographical location) and project industry (NACE code) are used. The impact of climate Physical risks upon project industry is assessed taking into consideration the impact of each type of climate Physical risks upon particular industry and followed by SASB Climate Risk Technical Bulletin. The impact of climate Physical risks upon geographical location is assessed by applying the LVGMC Climate Change Analyses Tool and the Flood maps (in GIS format) developed by LVGMC based upon RCP 4.5 scenario described by IPCC (Intergovernmental Panel on Climate Change) as an interim scenario for expected temperature change between 2 – 3 degree Celsius by 2100. Following the said methodology the impact of each climate Physical risk type is assessed upon each and particular project based on its geographical location and project industry within scale of 3 risk levels Low – High. If a specific type of climate physical risk is not associated with a high degree of risk for the industry's operations, it is not mapped and classified as Practically Non-existent. However, for climate physical risk types such as floods and sea level rise, the specific degree of climate physical risk is determined based on the geographic location associated with the project, as described above, regardless of the related industry.

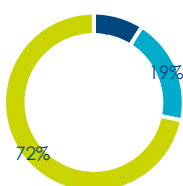
Below is the sensitivity analysis (distribution of risk levels) for each of the climate physical risks in the Loan Portfolio as of December 31, 2022. Currently, a sensitivity analysis of climate physical risks for the loan portfolio as of December 31, 2023 is being conducted, which will be published in ALTUM's interim financial reports in Q1 2024.

Heatwaves/Droughts



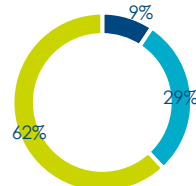
■ High ■ Medium ■ Low

Heavy precipitation



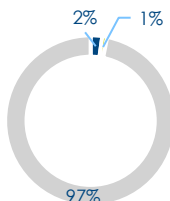
■ High ■ Medium ■ Low

Snow decrease



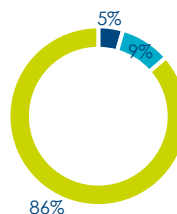
■ High ■ Medium ■ Low

Sea level rise



■ High ■ Medium ■ Low ■ No impact

Flood

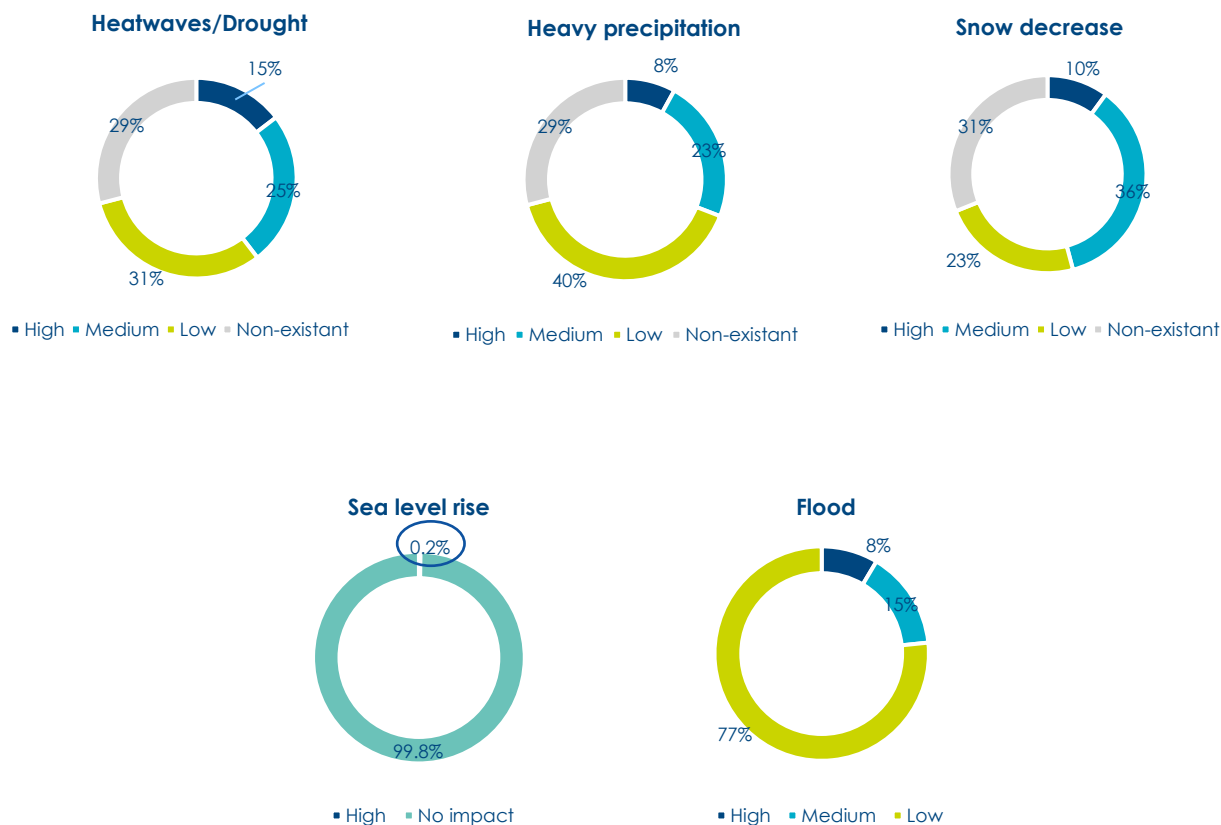


■ High ■ Medium ■ Low

ESG risk management (cont'd)

Approach for the assessment of physical climate risks is based on the type of the collateral and geographical location. Flood and sea level rise risks impact any type of collateral, however risks of Heatwaves / Droughts, Heavy Precipitation and Snowfall changes impact only those collateral types related with affected industries.

The sensitivity analysis of climate physical risks for the loan collateral portfolio as of December 31, 2023 will be published in ALTUM's interim financial reports in Q1 2024.



Based on outcome of analyses of materiality of ESG risks upon ALTUM later in the year 2023 ESG scoring model is developed to be used in loan origination process above particular materiality threshold, as well as in monitoring of existing portfolio and collateral valuation in SME/Midcap and Agriculture segments. ESG scoring model will enable to assess the level of Transition risk at individual deal level. The implementation of ESG scoring model will be step-by-step and start in 2024. It will take into consideration the customers' ability to fulfil the unified banking sector ESG questionnaire to obtain information for the assessment of ESG risks and regarding the planned/actual customer sustainability KPI's data.

Mitigation of direct impact

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 CO₂ 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 CO₂ 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 2023 provides data on Scope 1 and Scope 2 emissions.

The CO₂ footprint is a measure of the total carbon dioxide emissions directly and indirectly caused by ALTUM activities. ALTUM measures its CO₂ 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 CO₂ emission factors for transport fuels, district heating and electricity.

In 2023, the total emissions (Scope 1 and Scope 2) amounted to 89 tCO₂e, (2022: 99 tCO₂e), representing a decrease of 58.6% compared to 2018 (216 tCO₂e). Compared to 2022, there has been a 10% reduction in the emissions generated by Scope 1 and Scope 2.



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.



Assessment of the intensity of CO₂ emissions:

In 2023, **emission generated per employee amounted to 0.42 tCO₂** (the indicator remained unchanged since 2022), which is 57% less than in 2018 (2018: 0.97 tCO₂e).

In 2023, ALTUM **generated 0.08 tCO₂ per EUR 1 million of gross financial instrument portfolio**, which is 20% less than in 2022 (2022: 0.1 tCO₂ emissions per EUR 1 million of financial instrument portfolio). Since 2018, there has been an 80% reduction in emissions (2018: 0.41 tCO₂ emissions per EUR 1 million of financial instrument portfolio). Since 2018, ALTUM has not only reduced emissions but also increased the size of its gross credit portfolio.

The opinion on the greenhouse gas emission volumes was prepared by ALTUM and approved by the technical expert [SIA TUV NORD Baltic](#) in February 2024.

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.

Mitigation of direct impact (cont'd)

Key actions:



Replacement and upgrading of the heating system in the central office



Replacement of the car fleet, significantly reducing fuel consumption and CO2 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 and continuous recycling of waste paper



Drinking water filters installed, PET bottles phased out



Cleaning service ensured, including the use of environmentally friendly products



Roof insulation works, significantly reducing heat loss.



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 we want to be a part of. 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 to ensure financial stability. For more information on ALTUM's indirect impact mitigation, please refer to the section "**ALTUM's Project Impact on Environmental and Social Aspects.**"

ESG - Social

Human resources management

ALTUM's Personnel Policy sets out the basic principles of sustainable personnel management. Its aim is to ensure unified, effective personnel management to attract, retain, and develop qualified, professional, and motivated employees to achieve high operational efficiency, as well as to ensure compliance with legal norms in labor relations, improve work organization, and promote employee development and loyalty to ALTUM.

Diversity, inclusive work environment, and human rights

In accordance with ALTUM's [Diversity, Equality, and Inclusion Policy](#), ALTUM supports diversity and equal rights in personnel selection, growth, and development, in no way endorsing or promoting discrimination based on race, religion, age, ethnicity, sexual orientation, disability, and other aspects.

ALTUM aims for long-term employment relationships and is pleased with the relatively low turnover rate among employees, as well as the significant tenure of many of our employees in the company. **In 2023, the natural turnover of employees (voluntary resignations) was 8% (2022: 12.4%). The average length of employment in the company is 9 (2022: 10 years) years, with the longest tenure being 30 years.**

ALTUM is characterized by diversity, equality, and a non-discriminatory approach. Our goal is to create an inclusive work environment where employees can fully realize their potential. Respect and fairness are fundamental principles outlined in ALTUM's Code of Ethics. ALTUM's approach to inclusion, diversity, and human rights issues, as well as the whistleblowing mechanism, are defined in the Code of Ethics. In 2023, no reports (2022: no reports) were received through the Code of Ethics reporting mechanism.

ALTUM provides an inclusive work environment that supports diversity and prohibits discrimination based on ethnicity, age, gender, disability, sexual orientation, religion, political opinion, marital status, social background, or similar characteristics. ALTUM's internal culture is focused on cooperation, support, and respect, thus implementing one of ALTUM's values – "team".

ALTUM monitors diversity and inclusion indicators in various areas. This helps analyze the current situation and address challenging areas, including gender pay gaps, gender balance, and age indicators.

The diversity of ALTUM employees is of significant value, as their unique professional and life experiences contribute to growth and development to the company. ALTUM is a participant in the Latvian Diversity Charter – we work on creating an inclusive environment within the company and support the activities of the charter. We have also joined the "Strength in Diversity" movement initiated by the Society Integration Fund, aiming to support and share experiences on diversity management and learn to practice diversity management.

In 2023, ALTUM received the "Diversity-Friendly Employer" bronze status for its positive contribution to the implementation of diversity principles and its commitment to excellence in creating an inclusive work environment.

ALTUM has been awarded the status of "Family-Friendly Company" by the Society Integration Fund.

The average number of employees in 2023 was 250, with 70% being female and 30% male. ALTUM encompasses a wide age range among its employees, with 11% aged up to 30 years, 66% aged between 31 and 50 years, and 23% being over 51 years old. The youngest employee at ALTUM in 2023 was 21 years old, while the oldest was 70 years old. The average age of ALTUM employees is 46 years.

In 2023, ALTUM had 51 employees in senior and mid-level management positions, with 68% being female and 33% male:

- 71% of managers were aged between 31 and 50 years old.
- 29% of managers were over 51 years old.

The number of specialists in 2023 was 199, with 72% being female and 28% male:

- 14% of employees were aged up to 30 years old.
- 63% of employees were aged between 31 and 50 years old.
- 23% of employees were over 51 years old.

ALTUM values professional growth of the employees, with vacancies initially assessed based on the potential of existing employees. Last year, 35 positions were advertised, and in 2023, all advertised vacancies were promptly filled, indicating a positive image of ALTUM as an employer and a high-quality personnel selection process. All ALTUM employees had the opportunity to participate in 10 internal recruitment competitions, with 4 positions filled by candidates from within ALTUM. Assessing professional growth, 28 employees, or 11%, received promotions in 2023.

In 2023, all ALTUM employees had written employment contracts, ensuring official registration of labor relations and providing all necessary information to the relevant state institutions.

Human resource management (cont'd)

On average, ALTUM employed 232 (2022: 208) permanent employees and 26 fixed-term employees in 2023. ALTUM's work environment allows for both full-time and part-time employment, with flexible working hours and remote work options (hybrid work).

The working conditions, remuneration, benefits, and other terms of employment are designed to provide equal opportunities for all employees and facilitate the balance between work, private life, and parental duties. Complaints regarding working hours, remuneration, or absence violations that would constitute human rights violations were not received in 2023.

ALTUM's remuneration system ensures equal pay for work of equal value for both women and men, regardless of age. It is based solely on competency, market conditions, and the evaluation of required skills. To ensure competitive remuneration aligned with the company's financial capabilities, ALTUM utilizes qualitative data on remuneration in the labour market and conducts remuneration surveys. Every year, ALTUM participates in the Figure Baltic Advisory (formerly Fontes) remuneration survey to assess employee remuneration against the labour market.

ALTUM's remuneration system consists of wages, various additional benefits, and bonuses. The criteria and procedures for remuneration and the allocation of additional benefits are specified in the company's internal regulations in accordance with labour laws. All permanent ALTUM employees have a Collective Bargaining Agreement, which forms the basis for ALTUM's additional benefits and bonuses, designed to support and care for our employees.

ALTUM supports its employees in significant life events and offers additional days off that employees can use according to their discretion and needs—for family care, religious holidays, relaxation, health promotion, or other purposes. ALTUM continually works to reduce gender pay gaps. In 2023, ALTUM ranked 3rd in the category of small and medium-sized enterprises in the "Fair Pay Employers" list established by the human resources consulting and research company Figure Baltic Advisory, receiving recognition for its efforts in gender equality in the field of remuneration.

ALTUM's public information on remuneration policy principles, as well as the main principles of ALTUM's professional ethics, are available on the ALTUM website at www.ALTUM.lv, under the section "ABOUT ALTUM" in the subsection "[Personnel/Vacancies](#)."

In 2023, 7 (2022: 5) employees were on parental leave, all of whom were women. All female employees on parental leave returned to their professional duties at the company.

To attract new talent in the future and provide a methodological basis for students to acquire practical skills in various specialties, ALTUM offers internship opportunities. These internships provide valuable experience in finance, risk management, communication, energy efficiency, implementation of state support programs, information technology, marketing, and other fields.

In collaboration with the largest state-accredited universities, in 2023 ALTUM provided internship opportunities for 6 students from 5 higher education institutions: the [BA School of Finance](#), the [University of Latvia](#), [Riga Technical University](#), [Ventspils University](#), and [Michigan State University](#) (USA). Interns worked in various fields including information technology, energy efficiency, project management, risk management, and venture capital. Following the internship period, employment relations were established with two interns.

Human resource management (cont'd)

Employee health, safety, and well-being

Ensuring the health and well-being of employees is one of ALTUM's priorities. ALTUM provides health insurance to all permanent employees immediately upon the end of the probationary period. It provides access to both - outpatient and a wide range of inpatient care services, partial reimbursement of medication costs, and the opportunity to receive consultations from various specialists, including psychologists and psychotherapists. All employees are insured against accidents from the first day of work.

In 2023, ALTUM continued to pay special attention to the mental health and well-being of its employees. Within the annual "Health Month" project, training sessions were organized on psychology, healthy lifestyle habits, and practices. In autumn, employees had access to the "Life Balance" forum, where 14 renowned experts in Latvia spoke on topics such as "Work-Life Balance," "Family Balance," and "Peace with Oneself." In support of employees with children, ALTUM offered lectures on the topic of "Children. Pedagogy. Upbringing," providing insights on how to help children grow into intelligent, independent, and positive individuals and offering quality support in their school years. To enhance employees' understanding of diversity issues and create an inclusive work environment, training sessions on "Diversity and Diversity Competencies. Why is it important in the workplace?" were organized.

To promote a healthy and active lifestyle in previous years and also in 2023, ALTUM employees had the opportunity to join the company team and participate in the Riga Marathon and the World Running Championship. By equipping ALTUM's main locations with secure bicycle racks and showers, ALTUM supports cycling as a means of daily transportation.

Employees are regularly briefed on occupational safety requirements. In accordance with legal requirements, introductory training, initial on-the-job instructions, recurring unplanned instructions, as well as targeted and specific thematic training, are provided. Depending on the job, workplace risk assessments, and legal requirements, employees are sent for mandatory health check-ups. Every year, ALTUM assesses workplace risks and develops a plan for occupational safety measures, specifying the specific actions to be taken in the respective year. Regular workplace inspections are also conducted at ALTUM, during which discussions with employees take place to identify risk factors as quickly as possible and promote cooperation and employee involvement in improving the work environment. In 2023, a survey of employees was conducted on workplace organization issues, including almost-occurred accidents in the workplace.

ALTUM organizes vaccination promotion events and collective vaccinations in October (before the autumn virus season) and March (vaccination against tick-borne encephalitis). ALTUM provides employees with individual protective equipment and technical resources. COVID-19 antigen self-tests are available to employees, and hand sanitization and temperature measurement devices are provided.

All ALTUM employees have access to energy-efficient workspaces that support modern work practices, including digital capabilities. ALTUM continuously improves the work environment every year. In 2023, new modern and energy-efficient office spaces were acquired by the Liepaja Regional Center (Jelgavas Street 41, Liepaja), Valmiera Regional Center (Cesu Street 2, Valmiera), and Central Regional Center (Delu Street 2, Riga).

In 2023, ALTUM employees participated in voluntary work, donating their working hours to various public initiatives. In 2023, we shared our professional knowledge and experience by participating in the evaluation of students' scientific work projects, serving as members of evaluation commissions in community project competitions, actively donating blood, and supporting social enterprises' work with useful materials through charity initiatives.

Human resource management (cont'd)

Education and training

ALTUM's goal is to promote a culture of learning and knowledge exchange focused on employee growth, engagement, and collaboration, ensuring high performance and company competitiveness. Both internal and external training opportunities are provided within the company, offering training for individuals as well as teams. Employees can improve their skills and knowledge based on both managerial recommendations and their own initiatives.

In line with strategic objectives, ALTUM is committed to enhancing employee qualifications, continuous skill and knowledge development, and providing opportunities for diverse experiences within the company. The objective of personnel training is to improve work performance and efficiency, develop necessary job skills, provide additional skills for professional growth, and prepare employees for new roles and responsibilities.

In 2023, employees participated in more than 124 different training events, seminars, conferences, and knowledge-sharing sessions. On average, one employee devoted approximately 16 hours per year to knowledge enhancement.

The most appropriate solutions for professional development and competency enhancement are utilized in organizing the training process. A training hour on Fridays has been introduced within the company, during which industry specialists, process owners, and employees themselves share their experiences in line with business needs. During training, employees are informed about current affairs, changes in regulatory documents are explained, and any unclear issues related to the respective work processes are addressed. This is an opportunity for document developers to receive feedback from users and apply it to process improvement.

All employees are required to participate in training on fire safety and occupational health, data protection and processing issues, and information technology security matters. In 2023, knowledge on corruption prevention and risk management basics, sustainable lending, and ESG topics, among others, was updated. Several training sessions concluded with employees having to demonstrate their acquired knowledge in a test.

One of the important priorities is the company's digital transformation and the development of employees' digital skills. In 2023, training sessions were organized on the safe use of digital tools, their functions, and the possibilities that employees can apply to enhance work processes. The MS Teams platform is used not only as a communication and news dissemination site but also as a learning repository. The "ALTUM Academy" section of MS Teams aggregates various format digital training materials, including webinar recordings, presentations, audio recordings, video training, etc. The interactive format promotes employee engagement in learning, thereby improving their ability to consolidate and apply newly acquired knowledge in practice. This platform is particularly important for employees who choose to work remotely, allowing them to acquire new knowledge at their convenience.

The "Welcome to ALTUM!" section of MS Teams contains essential information for new ALTUM employees. This allows new employees to receive not only ongoing mentor consultations and a learning plan but also the opportunity to independently gain competence and new information to integrate successfully into the company.

Seminars, coaching sessions, discussions, and working groups for middle and senior-level managers are organized to develop leadership and management skills and to organize work effectively. For example, to improve the development and evaluation review process, training sessions were organized for managers before and after performance evaluation discussions, focusing on obtaining feedback.

Employees improve their knowledge and skills through public training groups, in-house training groups, and specially tailored training programs. Various training opportunities are organized for employees using public training platforms such as "Open." ALTUM financially supports the improvement of English language skills, the acquisition of additional specialties in professional continuing education programs organized by state-accredited educational institutions with co-financing from the European Union funds. ALTUM believes that acquiring such knowledge provides additional benefits for effective job performance in core areas of responsibility and is part of the employee benefits package.

Stakeholder evaluation

Bank employee 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 2023: 88% 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.

Following the conclusion drawn from the previous year that the importance of easy communication between banks and ALTUM is increasing, in 2023 ALTUM implemented several measures to promote employee accessibility and communication - more details are provided in the subsection "Client Satisfaction".

The same as last year, bank staff believes that ALTUM guarantees allow the execution of transactions otherwise (88%) not taking place. In 2023, 79% of bank representatives considered ALTUM's reputation to be excellent and very high, compared to 83% in 2022 and 82% in 2021.

Client satisfaction

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.

In 2023, client ratings remained high. The majority of clients (92%) highly appreciate their collaboration with ALTUM and are willing to recommend ALTUM to family, friends, and acquaintances.

However, significant criticism was received regarding the volume of necessary documents and the time required to prepare them. This can largely be explained by the implementation of programs funded by the EU Recovery Fund, which have a more complex implementation process. The increase in critical reviews is evident in responses to the question "Does the speed of processing transactions meet your expectations?" and the highest number of negative responses came from clients in the regions. In 2023, ALTUM implemented several measures to improve the loan application review process. For example, the process for reviewing loan applications up to 50,000 EUR was made more efficient, reducing the average processing time to 11 business days by the end of 2023. In 2023, 25% of the approved loans (compared to 24% in 2022) were evaluated remotely, without involving regional employees in the application review process, thus freeing up regional employee capacity to support more complex assistance programs.

Assessing the attitude and competence of ALTUM employees, the number of positive responses remained high in 2023.

Client service

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.

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 2023, 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 service (cont'd)

Client education

ALTUM regularly organises informational and educational events for different client groups and other stakeholders. For all programmes, ALTUM organised informative, well-attended online, face-to-face and hybrid events independently or together with various 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 society 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.

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.

Lectures on these topics are given in many Latvian educational institutions, such as the University of Latvia, Turība University, Riga Technical College, Riga Stradiņš University among others.

In 2023, ALTUM informed clients and potential clients about the latest developments in all support programs, with particular emphasis on the new EU Recovery Fund programs to clarify the opportunities and conditions for receiving support. For instance, there was a significant number of activities for the Digitalization Loan Program - in collaboration with the Ministry of Economics and the European Digital Innovation Center, an opening event was held for the program, and throughout the year, a series of regional events were organized by both ALTUM and partner organizations (in Rēzekne, Liepāja, Smiltene, Saldus among others.). Additionally, online webinars dedicated to the digitalization program were conducted. Extensive information activities also took place for the EU Recovery Fund program for business energy efficiency, where ALTUM continued to inform clients about opportunities for improving energy efficiency, available support for renewable energy, and support for electric vehicle purchases, including organizing opening events for the next rounds of projects. Furthermore, throughout the year, ALTUM experts participated in various seminars and conferences related to business energy efficiency, continuing to work on ensuring the availability and promotion of sustainable financing. ALTUM representatives also participated in conferences related to sustainability and ESG aspects, furthering the efforts to make sustainable financing more accessible.

In 2023, the information campaign continued to inform potential clients about the multi-apartment building energy efficiency program. ALTUM organized events to inform clients about the availability of financing, project preparation, and participated in the "Māja" exhibition. ALTUM representatives also took part in informational events organized by partner organizations (such as the "Mājoklis" conference or an event organized by Rīgas Namu Pārvaldnieks on house insulation, among others). Informational events also took place in the venture capital field, notably highlighted by ALTUM's informational seminar "Selection of 5th Generation Pre-Seed and Seed Capital Fund Managers," which garnered significant participant interest. In terms of venture capital opportunities in 2023, ALTUM representatives shared the latest information at various public events, including the Latvia Fintech Forum 2023, Baltic Capital Markets Conference, as well as in various online webinars and podcasts.

More about events organized by ALTUM and those organized by partner organizations can be found in the subsection "**Public Support, Investment in Local Community Development**".

Accessibility

Digital accessibility

ALTUM works to promote digital accessibility. ALTUM's website was migrated to a 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.)

Physical accessibility

To promote accessibility and sustainability, in 2023, three regional centers of ALTUM (in Liepāja, Valmiera, and Riga) began operating in new premises. The main criteria for choosing premises were physical accessibility, energy efficiency of the premises, and individually adjustable and controllable utilities indicators. Consultation accessibility for people with mobility impairments is ensured in the regional centers.

In 2023, the Central Region office in Riga was relocated to the ZEISS OFFICE complex, which has a BREEAM "Excellent" certification, confirming the building's construction according to the highest sustainability standards. The rooftops of the office buildings host the largest solar panel power station in Riga, providing green energy to the tenants of the center, as well as lower heating costs. The office features individually adjustable underfloor ventilation and cooling systems, a CO2-responsive ventilation system, sound-absorbing full-glass partitions, and water taps with low water consumption per minute. Meanwhile, in ALTUM's central employee building, an open-plan office was introduced in 2023, work began on the implementation of a specialized passenger elevator project, and insulation work on the roof and upper floor cabinet exteriors was completed in the ALTUM central office building on Doma Square, ensuring higher long-term energy efficiency.

Services accessibility

In 2023, the Finance Latvia Association published the developed GUIDELINES ON ACCESSIBILITY OF FINANCIAL SERVICES (DEVELOPMENT, TECHNOLOGIES, RESPONSIBILITY). ALTUM experts also participated in the Accessibility Working Group and the development of guidelines. These guidelines will provide support to participants in the financial industry to ensure compliance with client needs, regardless of disability or functional limitations.

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).

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. 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



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

ALTUM partners:

- EIB - [European Investment Bank](#)
- EIF - [European Investment Fund](#)

ALTUM maintains close cooperation with financial institutions worldwide

- European Bank of Reconstruction and Development ([EBRD](#))
- NIB - ([Nordic Investment Bank](#)).
- Poland Development Bank ([BGK](#))
- Estonian Business and Innovation Agency ([KREDEX](#))
- Lithuanian state established financial institution ([INVEGA](#))
- Public Investment Bank of France ([BPI France](#))
- [RCIA Interreg Europe](#)
- KfW Development Bank ([KFW](#))
- Stock Exchange [NASDAQ](#)

Expert Organisations

- Credit Rating Agency [Moody's](#)
- [Shades of Green](#) (CICERO, Center for International Climate and Environmental Research Oslo, since 2022. a part of credit rating agency S&P Global)

Associations and non-governmental institutions



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.

- LTRK – [Latvian Chamber of Commerce and Industry](#);
- LVCA – [Latvian Private Equity and Venture Capital Association](#).
- LLKA – [Association of Agricultural Cooperatives](#)
- [Farmers' Parliament](#)
- [The Latvian Association of Local and Regional Governments](#)

Other ALTUM's collaboration partners include various representatives from the public sector (Ministry of Finance, Ministry of Economics, Ministry of Agriculture, Ministry of Defense, Ministry of Welfare, Ministry of Culture, Ministry of Justice, Investment and Development Agency of Latvia, and the Latvian Chamber of Commerce and Industry (LCCI)). Additionally, ALTUM collaborates with representatives from the financial sector (SEB, Swedbank, Citadele, Luminor, BluOr Bank, BigBank, Rietumu Bank, PayRay, SIGNET Bank, INDUSTRA Bank, Regional Investment Bank, Latvijas Pasta Banka, OP Bank, ZGI Capital, FlyCap, BaltCap, Imprimatur Capital, Buildit, Overkill Ventures, Commercialization Reactor, and Expansion Capital).

Public support, investment in local community development

ALTUM's management and employees actively engage in public education activities throughout the year, focusing on various initiatives aimed at business development, promoting societal well-being, contributing to climate change mitigation efforts, and fostering long-term economic growth. The leadership and staff of ALTUM primarily share their expertise in the following areas: sustainable financing, corporate governance, capital market development, meaningful utilization of financial instruments, including funding for green projects and digitization, as well as energy efficiency projects in both corporate and private segments. In total, ALTUM's management and employees dedicated 738 hours to public education activities in 2023, participating in over 170 different conferences, expert discussions, and seminars aimed at both professional and general entrepreneurial audiences, and in some cases, private individuals.

Initiatives implemented in 2023:

Innovations, infrastructure	Three Seas Initiative Investment Fund (3SIIF)	Promoting a new financing initiative to support transport, energy and digital infrastructure projects in Central and Eastern Europe, boosting the region's economic development and fostering infrastructure compliance with high standards. In June 2022, ALTUM co-organised the Three Seas Initiative Summit and Business Forum in Riga , attended by leaders from 12 countries.
	Investor of the Year Award	Investor of the Year 2023 Award 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.
Development of business environment	Venture capital: 5th generation program	<p>On August 15, 2023, the Cabinet of Ministers approved a new European Union Structural Funds support program for venture capital investments in entrepreneurship, with a total available public funding of EUR 93 million, aimed at promoting the establishment and development of new, innovative businesses with high growth and productivity potential in Latvia.</p> <p>To ensure the successful implementation and uptake of the program, ALTUM announced a procurement for the selection of pre-seed and seed fund managers in 2023, allocating a total of EUR 55.8 million in public funding to three fund managers. Additionally, in December 2023, ALTUM announced a procurement for the selection of managers for the startup growth fund, with available public funding of EUR 12.4 million, and the growth fund, with available public funding of EUR 24.8 million, with the aim of selecting one fund manager for each.</p> <p>The selection of fund managers is planned to be completed by May 2024.</p> <p>To inform about the criteria of the fund manager selection, ALTUM organized an educational seminar in 2023, where ALTUM representatives explained the rules, selection criteria, and answered questions.</p>
	Seminars about digitalisation programme	<p>In 2023, in collaboration with the Ministry of Economics and the European Center for Digitalization and Innovation, ALTUM organized an event to unveil the RRF Digitalization Program.</p> <p>Several webinars were held on the Recovery and Resilience Facility programs, support availability for digitalization in businesses, and loans with capital discounts for digitalization. Educational events in 2023 were conducted both online and in-person in regions such as Rzekne and Liepaja. ALTUM representatives also shared information on digitalization funding</p>

		availability in partnership events held in Smiltene, Ungurpils, and Saldus.
	<i>Seminars about loans with capital discount</i>	ALTUM organized a webinar on large investment loans with capital rebate . The loan is intended for medium and large enterprises planning to invest at least 10 million EUR in the company's growth.
	<i>Competition "Laukiem būt!"</i>	Promotion of entrepreneurial activity in rural areas by involving young people, fostering the development of their competencies and involvement in rural entrepreneurship in cooperation with the Latvian Rural Advisory and Training Centre, while promoting a more balanced regional development in Latvia.
	<i>"Business Pride" award of the year</i>	In 2023, ALTUM supported the "Business Pride 2023" award. The competition honoured the most successful and innovative companies that, in 2022, were able to create innovative products and found their true business idea and niche, which they successfully developed in both local and foreign markets.
	<i>III Risk Management Conference</i>	Participation in the panel discussion "Management of Business Continuity Risks"
	<i>Latvian Capital Market Forum 2022</i>	Latvian Capital Market Forum – Participation in expert panel discussion "The Role of Capital Markets in Financing Sustainable Economies".
Environmental impact, green thinking, sustainability	<i>Seminars on energy efficiency loans with capital rebate</i>	Event "30 Years of the Single Market - Future Opportunities for Entrepreneurs in Latvia" held in collaboration with the EU House. Seminar on European and national support programs for residents and entrepreneurs in regions. Organized in cooperation with members of the Latvian Association of Municipal Executives. Sharing opportunities for fund utilization that can promote growth in each municipality.
	<i>Recovery and Resilience Facility</i>	RRF Funding Program : 2nd Round Launch Event/Webinar
	<i>Informational events on the insulation of apartment buildings and improving energy efficiency.</i>	Seminar "How to Successfully Prepare a Project for the RRF Apartment Building Energy Efficiency Program" ALTUM's participation in the "Home 2023" conference on the topic "What state support is available for improving and renovating #energyefficiency in apartment buildings?" Participation in the "Home" exhibition on house insulation with EU support. Participation in on-site events and webinars organized by partner organizations on the renovation of apartment buildings with EU support, the necessary steps, and funding availability. Participation in events on house insulation in regions - in Jūrmala, Valmiera, Limbaži, and Dobeles.
	<i>Nordic Investment Bank stakeholder discussions</i>	ALTUM representatives' participation in the expert panel discussion "Future Financing: Unlocking Green Opportunities in Latvia."

	<i>Latvia 2030 High-Level Expert Conference on "Sustainable Urban Development"</i>	ALTUM representatives' participation in the Latvia 2030 High-Level Expert Conference on "Sustainable Urban Development: Creating a Green Investment-Based Modern and Smart Living Environment." The focus was on attracting "green" investments for innovative urban environments (utilizing new technologies, sustainable materials, implementing digital transformations, etc.).
	<i>The third national roundtable discussion</i>	ALTUM representatives' participation in a roundtable discussion. Next steps in attracting private funding for energy efficiency financing, "SME sustainability and development - if funding for energy efficiency is available, what else can we improve?"
	<i>Forum "Longevity"</i>	Participation in the Sustainability Forum, which aims to ensure a sustainable future. In the midst of climate change, which significantly impacts human well-being, the economy, and security, and puts pressure on business operations, solutions are sought to achieve economic benefits through sustainable and environmentally friendly practices. In 2023, ALTUM's Chairman of the Board, Reinis Bērziņš, delivered a presentation titled "Adapting Step by Step to the New Decarbonization Requirements in Supply Chains" at the forum.
	<i>Participation in webinars related to energy efficiency.</i>	Participation of ALTUM representatives in Elektrum webinars "Power up your business with solar energy" and "Energy Efficiency Guide for Business", as well as in the "Solar Solutions Conference" organized by the ELKO group on AER financing. Participation in the European Investment Bank (EIB) organized meeting "Elena contractors meeting 2023".
	<i>Expert discussion organized by Latvijas Banka, Nasdaq, and the Corporate Governance Advisory Board: "Sustainability - a contemporary component of corporate governance and growth".</i>	Participation of ALTUM representatives in the panel discussion "ESG affects all company processes, from risk management to new products and investor relations. How to integrate it into the company with vertical management processes?"
	<i>Training series organized by LTRK on ALTUM programs</i>	A series of educational events on energy efficiency and sustainability-related programs, including visits in two companies, which have received funding from ALTUM.
Education	<i>Education and Science Ministry's conference on governance of universities</i>	ALTUM representatives' participation in an expert panel discussion on corporate governance and university boards.
	<i>Latvian Student Company Festival #CitsBazārs</i>	Educating a new generation of entrepreneurs and industry experts by linking theoretical knowledge with practice through the Junior Achievement Latvia programme "Skolēnu mācību uzņēmums" (SMU) (Student Company).

	<i>Lectures for university students</i>	<p>ALTUM representatives gave lectures in environmental engineering to students at Riga Technical University. Lectures on business plan development were delivered at RISEBA, Riga Technical College, Tuība University, and Rīga Stradiņš University. Lectures on current issues in building insulation were given at Riga Construction College.</p> <p>In 2023, ALTUM employees also participated as volunteer trainers in the MOT program.</p>
Public welfare, demography	<i>The opening of the "Rūre" Care and Health Center.</i>	With ALTUM support, a modern social care and health center "Rūre" has been established in Liepāja. The event marked the conclusion of the project, unveiling a significant social care, rehabilitation, and palliative care center for the residents of the Kurzeme region, which is the first of its kind in Latvia.
	<i>Competition "Tam labam būs augt" (What is good will grow)</i>	The aim is to promote the development of the existing social enterprises and new social entrepreneurship ideas as well as to tell about these ideas and show them to the people of Latvia. The competition is organized by the Social Entrepreneurship Association of Latvia in cooperation with the British Council in Latvia together with Luminor Bank.
Financial sector development	<i>Finance Latvia Association</i>	Promoting the sustainable development of the financial sector 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.
Export	<i>Export and Innovation Award</i>	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 Safe Exporter category.

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/SUSTAINABILITY AND GOVERNANCE under [Corporate Governance](#) sub-section.

Reinis Bērziņš
Chairperson of the Board

29 March 2023