

INDEXO⁷

IPAS “Indexo”

Corporate governance report 2023

Management report

On compliance with corporate governance principles

Investment management joint-stock company "Indexo" (IPAS "Indexo" hereinafter - INDEXO or Company) Corporate governance report for the year 2023 (hereinafter – the Report) is prepared on the basis of the requirements of the section 56.2 of the Financial Instruments Market Act and «Code of Corporate Governance» issued by the Corporate Governance Advisory Board of the Ministry of Justice of the Republic of Latvia in 2020. Principles and criteria incorporated in the Code have been developed taking into consideration suggestions by the European Union and the Organization for Economic Cooperation and Development (OECD) on corporate governance of limited companies.

Evaluating compliance with the principles of the Code in the year 2023, the Company's Management Board concludes that the Company fully complies with 13 and partially complies with 4 of the principles incorporated in the «Code of Corporate Governance». The Company plans to make improvements that are significant to the Company's industry, size and mode of operation.

The Report is published simultaneously with INDEXO audited consolidated Financial Statements for the year 2023, as a part of the annual report, and is available on the [INDEXO webpage](#), [AS "Nasdaq Riga" webpage](#) and [The Central Storage of Regulated Information](#). The Report is prepared in English and Latvian languages.

The Report has been approved in a Management Board meeting on 26 February 2024.

The Report has been signed on behalf of the Company's Management Board by:

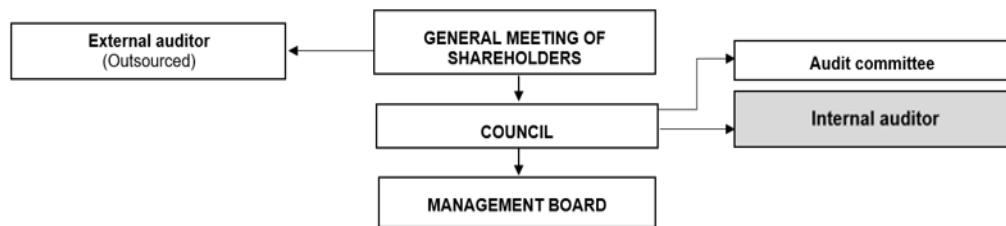
Valdis Siksnis, Chairman of the Management Board
Ieva Bauma, member of the Management Board
Henrik Karmo, member of the Management Board

THIS DOCUMENT IS ELECTRONICALLY SIGNED WITH SAFE ELECTRONICAL
SIGNATURE AND CONTAINS TIME STAMP

INDEXO governance structure

The Company's organizational structure is approved in a Company's Supervisory Council meeting and reviewed annually, assessing its compliance with the Company's operations and external environmental conditions. The Company's Management Board is responsible for the establishment, implementation and adherence to the Organizational structure.

Arrows in the Organizational structure scheme indicate subordination. Presented functions and job responsibilities can be performed by Members of the Board or by other employees, depending on the stage of development of the Company and amount of work. Starting November 2023 the Company has insourced internal auditor.



Members of the INDEXO Supervisory Council and their position:

- Valdis Vancovičs, Chairman of the Supervisory Council
- Svens Dinsdorfs, Deputy Chairman of the Supervisory Council
- Renāts Lokomets, member of the Supervisory Council
- Ivita Asare, member of the Supervisory Council
- Ramona Miglāne, member of the Supervisory Council

Members of the INDEXO Management Board and their position:

- Valdis Siksnis, Chairman of the Management Board
- Henrik Karmo, member of the Management Board
- Ieva Bauma, member of the Management Board

Further sections of this Report provide a detailed explanation on compliance with the Code of Corporate Governance principles and criteria, using such legend:

- Fully compliant with the criterion
- Partially compliant with the criterion
- Not compliant with the criterion
- Criterion not applicable

Company strategy

Principle #1




The company has an up-to-date strategy that sets out the company's objectives and progress towards long-term value creation.

Compliance	Criteria	Facts
	The company has an up-to-date strategy, the draft of which is developed by the management board.	INDEXO Management Board developed and INDEXO Supervisory Council on July 21, 2023 approved INDEXO Strategy for years 2023-2027.
	The supervisory board is involved in the strategy development process and approves the strategy at the supervisory board meeting.	The Company's medium-term strategy's project was developed by INDEXO Management Board, it was improved in collaboration with the Supervisory Council, who also approved the final version of the strategy.
	The supervisory board monitors the implementation of the strategy.	INDEXO Management Board, who, encompassing the goals and paths defined in the strategy, regularly informs the Company's Supervisory Council, is responsible for implementation of the strategy.
	The company management board implements the strategy and reports to the supervisory board on its implementation on a regular basis.	The Supervisory Council is informed about the results of strategy implementation on a quarterly basis. The report contains status of achievement of financial and non-financial goals, information about the detected deviations and their causes.

Internal culture and ethical behavior

Principle #2




The company develops an internal culture and ethics code which serves as a standard of conduct for the company's management and employees.

Compliance	Criteria	Facts
	The Supervisory Council defines the company's core values.	<p>In collaboration with the Management Board, the Company's Supervisory Council has defined INDEXO core values:</p> <ul style="list-style-type: none"> • We are <u>proactive and action-oriented</u> in order to improve our surroundings; • We are <u>direct and sincere</u> in order to build trust and long-term relationships; • We are <u>passionate and loyal</u> in order to cultivate the local community; • We are <u>tolerant and fair</u> in order to give equal opportunity.
	The management board prepares and the supervisory board approves the code of internal culture and ethics.	The Company's Management Board has developed and Supervisory Council has approved a group-level Code of ethics. INDEXO Group Code of ethics is published on the Company's webpage.
	The management board ensures compliance with the company's internal culture and ethics code on a daily basis and reacts if there is a breach of the code.	To ensure circulation of information on ethics violations in daily operations, INDEXO employees have the opportunity to submit an anonymous report, which is reviewed by the Chief Risk Officer, the Chairman of the Management Board and an independent Audit committee representative.

Internal control system, risk management and internal audit



Principle #3

The company has an internal control system, the effectiveness of which is monitored by the Supervisory Council.

Compliance	Criteria	Facts
	The company has a documented internal control system, the establishment of which is the responsibility of the management board.	The Company has developed an internal regulatory framework (policies, procedures), which serves as a basis for ensuring achievement of the Company's strategic goals and for monitoring its operations, as well as for ensuring the safest, most organized and efficient Company's operations possible.
	The internal audit evaluates the effectiveness of the internal control system at least once a year, taking into account pre-defined criteria and reporting the results of the evaluation to the supervisory board.	The internal audit provides support for increasing the effectiveness of internal control system by performing audits in accordance with a previously agreed plan, once in a year performs assessment of effectiveness of internal controls and reports evaluation to the Supervisory Council.
	The supervisory board, at least once a year, evaluates the provided evaluation of the effectiveness of the internal control system.	Internal Audit provides a summary once a year to the Company's Audit Committee and Supervisory Council on evaluation of internal controls. The Supervisory Council assess evaluation provided by the Internal Audit.

Principle #4

The company identifies, assesses and monitors the risks associated with its operations.

Compliance	Criteria	Facts
	The management board develops and the supervisory board approves the company's risk management policy.	Risk management is integrated within all the Company's governance processes and is performed based on the policies developed by the Management Board and approved by the Supervisory Council: Financial risks and other significant operational risks management policy, Operational risk management policy and Compliance risk management policy.
	Based on the identified risk assessment, the management board implements risk management measures.	In the Company, risks are identified on regular basis, performing operational activities, as well as in the annual risk self-assessment process, and, based on the risk appetite, risk management measures are determined, implementation of which is ensured by the Company's Management Board.

■	At least once a year, the supervisory board reviews the management board's reports on risk management measures and the implementation of the risk management policy.	The Company's Management Board on quarterly basis prepares a report for the Supervisory Council on changes in risk assessments, as well as on the risk management measures implemented.
---	--	---

Principle #5

An internal audit has been established in the company, it evaluates the company's operations independently and objectively.



Compliance	Criteria	Facts
■	The company has an internal auditor who is functionally independent of the management board and reports to the supervisory board.	In 2023 the Company's internal audit function was outsourced to SIA "KPMG Baltics", reg. no. 40003235171. However, in November 2023, the Supervisory Council approved an in-house internal auditor. The internal audit function is independent of the Company's Management Board and reports to the Audit committee and to the Supervisory Council.
■	The supervisory board approves the internal auditor.	The Company's Supervisory Council approves the external service provider of the Company's internal audit as well as the in-house internal auditor.
■	The internal auditor develops a risk-based internal audit plan, which is approved by the supervisory board.	Internal auditor develops internal audit plan that is approved by the Supervisory Council.
■	The internal auditor informs the management board and supervisory board on the implementation of the internal audit plan, audit results and recommended actions to address deficiencies, if any.	After each completed audit project, the Internal Auditor informs the Company's Management Board on the audit results and recommended actions. The Company's Audit committee and Supervisory Council are informed at least once a year on the audit results, recommended actions and implemented improvements in a summarized form.

External auditor

Principle #6

The company has an independent external auditor.





Compliance	Criteria	Facts
■	The supervisory board and the Audit Committee (if established) determine the selection criteria for the external auditor.	The Company's Supervisory Council and Audit committee select an external auditor from "big four". At the beginning of cooperation, offers (price of the service and other parameters) from at least two companies are evaluated. The external auditor is chosen for one year.

	The company has an independent external auditor with appropriate qualifications.	The external auditor of INDEXO annual report for the year 2023 is "PricewaterhouseCoopers" SIA, Rīga, Krišjāņa Valdemāra street 21-21, License No. 5. Ilandra Lejiņa, Certified auditor certificate No. 168.
	The term of office of one external auditor does not exceed 5 years.	The term of office of one external auditor is complied with and does not exceed 5 years.

Election of supervisory board members


Principle #7




The company ensures transparent procedures for the election and removal of supervisory board members.

Compliance	Criteria	Facts
	The company has approved the procedure for selection and removal of supervisory board members.	The procedures for nomination, suitability assessment, confirmation in office and removal of the Company's Supervisory Council members are determined by Republic of Latvia Commercial Law, as well as by all the contributing Bank of Latvia and EU regulations that are applicable to the Company as a financial institution, which is licensed and supervised by the Bank of Latvia.
	The company provides timely and sufficient information to the company's shareholders on the supervisory board members who are nominated for election or re-election.	Shareholders receive timely and sufficient information on all the candidates who are nominated for a position in the Supervisory Council.
	The size of the supervisory board corresponds to the specifics of the company's operations.	It has been determined in the Company's Articles of association that the Company's Supervisory Council consists of five Supervisory Council members, which is an optimal number, considering the current development stage of the Company.
	A supervisory board member is elected for a term not exceeding 5 years.	A member of the Company's Supervisory Council is elected for a term of 5 years.

Principle #9

The company's supervisory board has independent supervisory board members.



Compliance	Criteria	Facts
	The company evaluates and the shareholders determine the proportion of independent supervisory board members.	At the time of preparing this Report, the Company has not determined the proportion of independent Supervisory Council members.

	<p>At least half of the supervisory board members are independent.</p>	<p>According to the definition mentioned in the Corporate Governance Code, the Management Board according to the available information and knowledge about the council members has concluded that all Supervisory Council members are independent. However, we indicate this criteria as partially fulfilled, as the Company has not obtained declarations of independence from the council members confirming the Companies conclusions.</p>
	<p>Independent candidates for supervisory board membership make a declaration that they meet the independence criteria.</p>	<p>This criterion is currently not complied with. Such practice will be introduced in the next Supervisory Council elections.</p>
	<p>Prior to the election of the supervisory board, the company evaluates the independence of supervisory board members in accordance with the available information.</p>	<p>Considering that up until now there has not been a limit on independent Supervisory Council members, such practice was not needed. This practice will be established after determining the limit on independent Supervisory Council members.</p>

Principles of determining the remuneration for the supervisory board and the management board

Principle #10

The company has introduced a remuneration policy.

Compliance	Criteria	Facts
	<p>The company has introduced a remuneration policy, which has been developed by the management board, reviewed by the supervisory board and approved by the shareholders' meeting.</p>	<p>A Supervisory Council, Management Board and employees' remuneration and personnel policy has been developed and approved in INDEXO. Its current version was approved at the Company's shareholder meeting on 24 April 2022. The remuneration policy can be accessed on INDEXO webpage. The Company has developed a new Group level Remuneration Policy taking into consideration upcoming Bank requirements, which is planned to be approved during 2024.</p>
	<p>Once a year, the supervisory board determines the financial and non-financial goals to be achieved by the management board, their impact on the variable part of remuneration, and controls their fulfilment.</p>	<p>Every year the Company's financial and non-financial goals to be achieved are determined in INDEXO strategy and budget.</p>

■	No variable part of remuneration is determined for supervisory board members, and no compensation is paid in case of removal or resignation from office.	In accordance with the remuneration policy, no variable part of remuneration is determined for Supervisory Council members and no compensation is paid in case of removal or resignation from office.
■	Once a year, the management board prepares a report on the remuneration granted to each current and former management board and supervisory board member.	Once a year, the Company's Management Board prepares and publishes a report on employees' remuneration in accordance with the Financial and Capital Market Commission's (FCMC) regulatory provisions No. 154 and Financial Instrument Market Law section 59.4.

Organization of the supervisory board's work and decision-making

Principle #11

The company's supervisory board work organization is clear and understandable.

Compliance	Criteria	Facts
■	The supervisory board organizes its work in accordance with regulations of the supervisory board and the work calendar.	In the beginning of a new calendar year, the Supervisory Council's work calendar with planned dates for the Supervisory Council's meetings is created. An additional Supervisory Council meeting can be held if necessary.
■	The supervisory board holds at least one separate supervisory board meeting per year to discuss the company's strategy and its implementation.	On May 8 2023, the Company's Supervisory Council held a meeting to discuss the Company's strategy and its implementation, on July 21, 2023 INDEXO Strategy for 2023-2027 was approved.
■	The company's budget provides the financing necessary to ensure the operation of the supervisory board.	INDEXO budget provides the financing necessary to ensure the remuneration and operation of the Supervisory Council.
■	Once a year the supervisory board conducts a self-assessment of the work of the supervisory board and reviews its results at the supervisory board meeting.	Starting from year 2023, the Supervisory Council is performing annual self-assessment.
■	The supervisory board has evaluated the need to set up committees (if a committee has been set up, see principle # 12.1).	See principle # 12.1 for information on the Audit committee, which has been established by the Company's Supervisory Council. There are no other Council Committees.

Principle #12

The supervisory board takes informed and well-balanced decisions.

Compliance	Criteria	Facts
■	The supervisory board has access to information prepared by the management board necessary for decision-making in a timely manner and in sufficient amount.	The Company's Management Board ensures that materials on the content included in the Supervisory Council's meeting are distributed to members of INDEXO Supervisory Council in a timely manner.
■	The supervisory board determines the procedure for the circulation of information, including the right of the supervisory board to request from the management board information, which the supervisory board needs to make decisions.	The rights of the Supervisory Council members to request the necessary information are determined by the regulation of Supervisory Council and regulation on INDEXO organizational structure.
■	A supervisory board member analyses information and prepares proposals for decisions to be adopted by the supervisory board.	Proposals and opinions of the members of the Company's Supervisory Council are reviewed in a discussion in the Supervisory Council meeting.
■	When making decisions, the supervisory board assesses the risks, short-term and long-term impact on the company's value, sustainability and responsible development.	In the Company's Supervisory Council meetings, decisions are made taking into consideration risks and impacts (including on the Company's reputation and sustainability).

Principle #12.1.




A committee prepares proposals for supervisory board decision making.

Compliance	Criteria	Facts
■	The supervisory board determines the tasks of the committee and the procedure for organizing its activities.	The tasks and work organization procedure of the Company's Audit committee are determined by shareholder meeting.
■	The supervisory board establishes a committee of at least 3 supervisory board members with appropriate experience and expertise in the field of work of the committee (remuneration, nomination, audit or other field).	The regulation on the Company's Audit committee determines that the committee consists of three members, of which no more than two can also be members of the Supervisory Council. In the near future, it is not planned to change the current procedure.
■	The committee analyses the information and makes proposals for decisions by the supervisory board, as well as informs the supervisory board of the work of the committee.	The Company's Audit committee was established on 24 March 2022. The committee analyzes the information and prepares proposals for decisions by the Supervisory Council, as well as formally informs the Supervisory Council of the work of the committee on yearly basis.

Prevention of the conflict of interests

Principle #13

Management board and supervisory board members are clearly aware of the manifestations of conflicts of interest and are informed of the action to be taken in the event of a conflict of interest.

Compliance	Criteria	Facts
	The supervisory board defines the indications of a conflict of interest and determines the procedures for the prevention and management of conflicts of interest.	Conflicts of interest in the Company are managed by applying the policy on Prevention of the conflicts of interest, which has been approved by the Supervisory Council.
	Supervisory board or management board members do not participate in decision-making on matters in which the company's interests conflict with the interests of the supervisory board, management board members or persons related to them.	The Company's Prevention of the conflicts of interest policy specifies that members of the Supervisory Council or the Management Board do not participate in decision-making on matters in which the Company's interests conflict with the interests of the Supervisory Council, Management Board members or persons related to them.
	Persons subject to the obligation to prevent a conflict of interest regularly participate in training on dealing with conflicts of interest	The Company provides training to new employees, members of the Management Board and the Supervisory Council, as well as yearly training to all the employees, Management Board and Supervisory Council members.

Shareholder's meeting

Principle #14





The company provides shareholders with timely information on conduction of shareholders' meetings providing all the information necessary for decision-making.

Compliance	Criteria	Facts
■	The company informs shareholders in a timely manner about the agenda, course and voting procedures of the shareholders' meeting, as well as about any related changes.	Following the statutory time limit of 21 calendar day, the Company's shareholders are informed about the agenda, course and voting procedures of the shareholders' meeting before the meeting, as well as about any related changes.
■	Simultaneously with the announcement of the meeting, the company provides an opportunity for the shareholders to get acquainted with the draft decisions, which are initially planned to be voted on at the meeting. The company immediately informs the shareholders of any additional draft decisions submitted.	At least 21 calendar days ahead, the Company's shareholders receive draft decisions and the supporting documentation before the shareholder meeting. Information about additional agenda topics are sent not later than 14 calendar days before the meeting.
■	The company provides shareholders with an opportunity to submit questions on the matters included in the agenda and draft decisions before the shareholders' meeting.	Before the shareholder meeting, the Company's shareholders have an opportunity to submit questions.
■	The draft decisions and the documents attached to them provide detailed, clear and complete information on the matter under consideration.	The shareholders receive complete information package that enables them to make quality decisions.

Principle #15



The company promotes effective involvement of shareholders in decision-making and the largest possible participation of shareholders in shareholder meetings.

Compliance	Criteria	Facts
■	The shareholders' meeting is convened and held at a place and time easily accessible to the shareholders.	In 2023, shareholder meetings were held in a hybrid mode, enabling the shareholders to choose between voting in-person or on-line. The time of the shareholder meeting is announced in a timely manner.
■	The company provides shareholders with the opportunity to participate in the shareholders' meeting remotely.	The shareholders had the opportunity to join the shareholder meeting remotely.

	<p>The company determines the appropriate duration of the shareholders' meeting and provides the shareholders with the opportunity to express their opinions during the meeting and obtain the necessary information for decision-making.</p>	<p>The duration of the shareholders' meeting is planned taking into consideration the contents and the number of the questions in agenda. In addition, shareholders are encouraged to express their opinions and ask questions.</p>
	<p>The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected time.</p>	<p>In 2023, there were no instances in which all the agenda items could not be considered due to a lack of time.</p>
	<p>The company invites management board and supervisory board members, candidates for supervisory board members, auditors and internal auditors, as well as other persons to participate in the shareholders' meeting in accordance with the matters to be considered at the meeting.</p>	<p>Based on the shareholder meeting's agenda, the auditor, members of the Management Board and of the Supervisory Council participated in the shareholder meetings that took place in the year 2023.</p>
	<p>The shareholders' meeting makes decisions in accordance with the previously announced draft decisions.</p>	<p>In all of the shareholder meetings that were convened during 2023 the decisions were made in accordance with the previously announced draft decisions.</p>

Principle #16





The company develops and discusses the dividend policy with shareholders.

Compliance	Criteria	Facts
	<p>The company has developed and published an up-to-date dividend policy.</p>	<p>The dividend policy of INDEXO has been developed and approved. It was approved in a shareholder meeting on 24 April 2022. The dividend policy was published on the Company's webpage on 12 January 2023 https://indexo.lv/.</p>
	<p>The dividend policy has been discussed with the shareholders during the shareholders' meeting.</p>	<p>Before its approval the Dividend policy of INDEXO was discussed with the shareholders during the shareholders' meeting.</p>

Transparency of company operations

Principle #17

The company informs shareholders and other stakeholders on a regular basis and in a timely manner of business operations, financial results, management and other relevant issues of the company.

Compliance	Criteria	Facts
	The company discloses complete, accurate, objective, up-to-date and true information in a timely manner.	INDEXO discloses extensive and complete information on the Company's management and operations in accordance with the requirements for a participant of a regulated market.
	The company discloses information to all shareholders at the same time and to the same extent.	In accordance with the requirements for a participant of a regulated market, INDEXO discloses information to all shareholders at the same time and to the same extent on the NASDAQ Baltic webpage , the Bank of Latvia Central Storage of Regulated Information and INDEXO webpage .
	The company discloses information about the company's management, strategy or lines of business on the website and publishes financial statements as well as other information in accordance with Annex No. 1.	See Annex No. 1 "Information to be published on the company's website".
	The company provides information both in Latvian and at least one other language that is understandable to most of the company's foreign shareholders and other stakeholders.	Information is published in Latvian and English languages. To ensure investor feedback, contact details have been published on the Company webpage's "For Investors" section, where investors and other interested parties can inquire if they have questions.

Annex No. 1: Information to be published on the company's website

Company				
Category/ criteria	Complied with	Not applicable	Not complied with	Explanation
Information about the company	X			
Information about the company's strategic objectives	X			
Articles of association of the company	X			
Information on the corporate governance structure of the company			X	
Company Code of Internal Culture and Ethics	X			
Key company policies	X			Remuneration policy, Market abuse policy, Personal data processing policy, Cookies policy, Dividend policy, INDEXO Group Code of Ethics
Shareholders and beneficial owners				
Information on the company's shareholders holding at least 5% of the company's share capital	X			
Information on the beneficial owners of the company		X		
Number of company's issued, paid-up and voting shares, bonds or other financial instruments	X			
Supervisory Council and Management Board				
Regulations of the Management Board and the Supervisory Council or another similar document	X			Articles of Association
Information on each Supervisory Council and Management Board member	X			
Information on independent Supervisory Council members			X	

Category/ criteria	Complied with	Not applicable	Not complied with	Explanation
Remuneration policy of the Management Board and Supervisory Council, and remuneration report	X			
Information on the selection (nomination) process of the Management Board and the Supervisory Council			X	
Information on Supervisory Council committees and the Audit committee			X	
Financial and non-financial reports and information				
Financial statements and reports of the company for at least the last 3 financial years	X			
Non-financial reports of the company			X	
Corporate governance reports	X			
The company's financial calendar or other calendar of significant and planned communication events	X			
Information for shareholders and investors				
Information on the planned shareholder's meetings	X			
Information on held shareholder's meetings	X			
Company's dividend policy and information on dividends paid	X			
Information on transactions of related parties	X			Published in the Annual report for the year 2023
Announcements published by the company and relevant information for investors	X			
Contacts of the Investor Relations Officer	X			