

INDEXO⁷

IPAS “Indexo”

Corporate governance report 2022

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 2022 (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.

INDEXO became a publicly listed company on 15 July 2022, and this is the first time the Company performs a corporate governance evaluation in accordance with the principles outlined in the «Code of Corporate Governance». Evaluating compliance with the principles of the Code in the year 2022, the Company's Management Board concludes that the Company fully complies with 9 and partially complies with 8 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 annual report for the year 2022, as a part of the annual report, and is available on the [INDEXO webpage](#), [Nasdaq Riga, AS 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 27 February 2023.

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

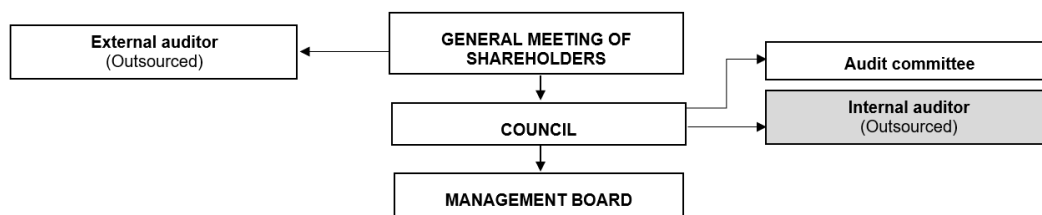
Valdis Siksnis, Chairman of the management board
Ieva Margeviča, Member of the management board

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

INDEXO governance structure

The Company's organizational structure is approved at the Company's supervisory board 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 the members of the board or by other employees, depending on the stage of development of the Company and amount of work.



Members of the INDEXO supervisory board and their position:

- Valdis Vancovičs, chairman of the supervisory board (from 14.06.2022)
- Svens Dinsdorfs, deputy chairman of the supervisory board (from 14.06.2022)
- Renāts Lokomets, member of the supervisory board (from 14.06.2022)
- Toms Kreicbergs, member of the supervisory board (from 14.06.2022)
- Tina Kukka, member of the supervisory board (from 14.06.2022 until 13.10.2022)
- Edgars Zālītis, member of the supervisory board (until 25.04.2022)
- Aleksejs Prokofjevs, member of the supervisory board (until 25.04.2022)

Members of the INDEXO management board and their position:

- Valdis Siksnis, chairman of the management board (re-appointed from 25.04.2022)
- Henrik Karmo, member of the management board (no 16.08.2018.)
- Ieva Margeviča, member of the management board (from 01.06.2022)
- Ilja Arefjevs, member of the management board (until 01.06.2022)



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.	In Q3 2021, INDEXO management board developed and INDEXO supervisory board approved the Company's medium-term strategy. The strategy anticipates continuous developments of main business segments, as well as raising additional capital, utilizing initial public offering, to establish a new commercial bank.
	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 board, 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 board, 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 board 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 board defines the company's core values.	<p>In collaboration with the Management Board, the Company's supervisory board 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 a group-level Code of ethics project. At the time of preparing this Report, the project has not yet been approved by the Company's supervisory board.
	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 board.

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 with the Company's supervisory board and reports about the progress made to the Company's supervisory board. It is planned to implement an evaluation of the effectiveness of the internal control system in the subsequent periods.
	The supervisory board, at least once a year, evaluates the provided evaluation of the effectiveness of the internal control system.	The Audit committee provides a summary once a year to the Company's supervisory board on performed internal audits, their results and improvements made to address the identified shortcomings. The Company's supervisory board reviews the summary provided by the Audit committee.

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 board: 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	In the Company, risks are identified on regular basis, performing operational activities, as well as in

	board implements risk management measures.	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 board 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.	The Company's internal audit function is outsourced to SIA "KPMG Baltics", reg. no. 40003235171. The internal audit function is independent of the Company's management board and reports to the Audit committee and to the supervisory board.
	The supervisory board approves the internal auditor.	The Company's supervisory board approves the external service provider of the Company's internal audit.
	The internal auditor develops a risk-based internal audit plan, which is approved by the supervisory board.	The Company's management board, in collaboration with the external service provider of the internal audit, develops a risk-based internal audit plan, which is approved by the Company's supervisory board.
	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 external service provider of the internal audit informs the Company's management board on the audit results and recommended actions. The Company's Audit committee and supervisory board are informed at least once a year of 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 board and Audit committee select an external auditor from the "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 2022 is "PricewaterhouseCoopers" SIA, Rīga, Krišjāņa Valdemāra street 21-21, License No. 5. Certified auditor 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 board members are determined by the 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 credit 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.	As of now, no supervisory board elections have been held since attaining the status of a publicly listed company. Before the next supervisory board elections, shareholders will receive timely and sufficient information on all the candidates who are nominated for a position in the supervisory board.

	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 board consists of five supervisory board 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 board is elected for a term not exceeding 5 years.

Principle #8





Supervisory board members combined have relevant experience and competence.

Compliance	Criteria	Facts
	The supervisory board as a whole has a set of skills, experience and knowledge, including on the sector concerned, to be able to perform their duties fully.	The supervisory board members as a whole have the necessary competencies and experience, as well as knowledge of the financial sector and a flawless reputation. Information on the education and experience of INDEXO supervisory board members is available in the INDEXO initial public offering prospectus , which is published on the Company's website.
	The principles of diversity are observed when forming the supervisory board.	During the selection process for the supervisory board, the Company has attempted to comply with the principles of diversity, however, we are not satisfied with the fact that currently there is no female representation in the supervisory board. It is intended to address this shortcoming in the next supervisory board elections.
	Both sexes are represented in the supervisory board.	From 14.06.22 to 13.10.22 both sexes were represented in the Company's supervisory board, until Tina Kukka joined the INDEXO management team to participate in the realization of the bank project. It is intended to supplement the composition of the board in the near future, evaluating candidates' competencies and experience, as well following the principles of diversity.
	The management board develops an induction training programme and provides new supervisory board members with induction training	Members of the supervisory board are always introduced with the Company's history, current situation and strategic goals. The composition of the supervisory board so far has been very persistent, and the management board does not see any necessity for a formal

training program for the members of the supervisory board.

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 board members. The management board will propose to determine such a limit in the next meeting of the shareholders.
	At least half of the supervisory board members are independent.	Considering the Code's criteria on independent supervisory board members, the Company's management board has concluded that 3 out of 4 supervisory board members are independent.
	Independent candidates for supervisory board membership make a declaration that they meet the independence criteria.	This criterion is currently not complied with, as, up until now, the Company's management board has not received such declarations, and such practice will be introduced in the next supervisory board elections.
	Prior to the election of the supervisory board, the company evaluates the independence of supervisory board members in accordance with the available information.	Considering that up until now there has not been a limit on independent supervisory board members, such practice was not needed. This practice will be established after determining the proportion of independent supervisory board members.

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
	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.	The supervisory board, management board and employees' remuneration and personnel policy has been developed and approved in INDEXO. Its current version was approved in the Company's shareholders' meeting on 24 April 2022. The remuneration policy can be accessed on INDEXO webpage .


	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.	Every year the Company's financial and non-financial goals to be achieved are determined in INDEXO strategy and budget.
	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 board 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) regulations No. 113 and No. 154 and the section 59. ⁴ of the Financial Instruments Market Law.

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 board's work calendar with planned dates for the supervisory board's meetings is created. Additional supervisory board meetings can be held if necessary. In 2022, 14 INDEXO supervisory board meetings were held.
	The supervisory board holds at least one separate supervisory board meeting per year to discuss the company's strategy and its implementation.	On July 18 2022, the Company's supervisory board held a separate supervisory board meeting, which was devoted to discussing the Company's strategy and its implementation.
	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 board.
	Once a year the supervisory board conducts a self-	The criterion is not met. The Company's management board will propose to the

	assessment of the work of the supervisory board and reviews its results at the supervisory board meeting.	Company's supervisory board to conduct a self-assessment for the following periods and to consider the results at the supervisory board meeting.
	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 board. No other supervisory board committees have been established at this time.




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 board's meeting are distributed to members of INDEXO supervisory board 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 board members to request the necessary information are determined by the 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 board are reviewed in a discussion in the supervisory board 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 board meetings, decisions are made taking into consideration risks and impacts (including on the Company's reputation). An assessment of sustainability risks will be included in 2023.

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 regulation on the Company's Audit committee, in which tasks and work organization procedure of the committee are determined, has been approved by the shareholders' 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 board. 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 board, as well as informs the supervisory board of the work of the committee on a 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 board.
	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,	The Company's Prevention of the conflicts of interest policy specifies that members of the supervisory board 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 board, management board members or persons related to them.

	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 and members of the management board, as well as yearly training to all the employees and management board 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 deadlines, 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.	Following the statutory deadlines, the Company's shareholders receive draft decisions and the supporting documentation before the shareholders' 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 shareholders' 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 2022, shareholders' meetings were held in a hybrid mode, enabling the shareholders to choose between joining the meeting in-person or on-line. The time of the shareholders' 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 shareholders' meeting remotely.
	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.	The duration of the shareholders' meeting is planned taking into consideration the contents and the number of the questions on the agenda. In addition, shareholders are encouraged to express their opinions and ask questions.
	The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected time.	In 2022, there were no instances in which all the agenda items could not be considered due to a lack of time.
	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.	Based on the shareholder meeting's agenda, the auditor, members of the management board and of the supervisory board participated in the shareholders' meetings that took place in the year 2022. In 2022, no matters in which the participation of the internal auditor was deemed necessary were considered.
	The shareholders' meeting makes decisions in accordance with the previously announced draft decisions.	In all the shareholders' meetings that were convened during 2022, the decisions were made in accordance with the previously announced draft decisions.

Principle #16





The company develops and discusses the dividend policy with shareholders.

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

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 an issuer on 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 an issuer on a regulated market, INDEXO discloses information to all shareholders at the same time and to the same extent on the NASDAQ Baltic webpage , FCMC's 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.
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 board and management board				
Regulations of the management board and the supervisory board or another similar document	X			Articles of Association
Information on each supervisory board and management board member	X			
Information on independent supervisory board members	X			

Remuneration policy of the management board and supervisory board, and remuneration report	X			
Information on the selection (nomination) process of the management board and the supervisory board			X	
Information on supervisory board 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 2022
Announcements published by the company and relevant information for investors	X			
Contacts of the Investor Relations Officer	X			