



**Joint stock company**  
**‘Siguldas ciltslietu un mākslīgās apsēklošanas stacija’**

**CORPORATE GOVERNANCE REPORT**  
**FOR 2023**

**SIGULDA**  
**2024**

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## INTRODUCTION

The Corporate Governance Report for 2023 of the Joint Stock Company 'Siguldas ciltslietu un mākslīgās apsēklošanas stacija' (hereinafter – the Company) has been prepared in accordance with the Corporate Governance Code developed by the Corporate Governance Advisory Board in December 2020.

The corporate governance report has been prepared by the Company's Management Board and reviewed by the Company's Supervisory Board. The corporate governance report is audited by a sworn auditor and is reviewed and approved by the shareholders' meeting together with other components of the annual report.

The Corporate Governance Report is published simultaneously with the audited annual report of the Company as a separate component of the annual report in Latvian and English on the Company's website: <https://www.sigmas.lv>, in the section 'For Investors', as well as on the Nasdaq Riga website: <https://www.nasdaqbaltic.com>.

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Nils Ivars Feodorovs

Chairman of the  
Management Board

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Sarmīte Arcimoviča

Member of the  
Management Board

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Valda Mālniece

Member of the  
Management Board

March 22, 2024

## COMPANY STRATEGY

### PRINCIPLE No. 1

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

#### Criteria

- **The company has an up-to-date strategy, the draft of which is developed by the management board**
- **The supervisory board is involved in the strategy development process and approves the strategy at the supervisory board meeting**
- **The supervisory board monitors the 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 Company has partially deviated from this principle. The Management Board and the Supervisory Board have not agreed on the development of the strategy and the documents subordinate to it for the implementation of the strategy. In 2023 the Management Board has agreed with the Supervisory Board on all significant strategic decisions for the Company's long-term value growth, as well as reported on the implementation of the strategy.

## INTERNAL CULTURE AND ETHICAL BEHAVIOUR

### PRINCIPLE No. 2

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

#### Criteria

- **The supervisory board defines the company's core values**
- **The management board prepares and the supervisory board approves the code of internal culture and ethics**
- **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**

The Company has partially deviated from this principle. The Company has not developed a code of internal culture and ethical conduct, but The Rules of Procedure, developed by the Company, include guidelines for employees in their daily dealings with colleagues, customers and business partners. They are easily accessible to everyone employed by the Company.

## INTERNAL CONTROL SYSTEM, RISK MANAGEMENT AND INTERNAL AUDIT

### PRINCIPLE No. 3

The company has an internal control system, the effectiveness of which is monitored by the supervisory board

#### Criteria

- **The company has a documented internal control system, the establishment of which is the responsibility of the management board**
- **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 supervisory board, at least once a year, evaluates the provided evaluation of the effectiveness of the internal control system**

The Company adheres to this principle. The Company has developed and operates a quality management system, the establishment of which is the responsibility of the Management Board. The Company's internal inspection is performed once a year through the audit mechanism of the integrated quality management system, which covers all areas of the Company. As a result of this audit, corrective actions are being developed to eliminate non-compliances and implement improvements.

### PRINCIPLE No. 4

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

#### Criteria

- **The management board develops and the supervisory board approves the company's risk management policy**
- **Based on the identified risk assessment, the management board implements risk management measures**
- **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 has partially deviated from this principle. The Company has not developed a risk management policy, but the Management Board ensures that the risk associated with it is assessed and risk management measures are implemented in the process of making any strategic decision. The Management Board informs the Supervisory Board about the risks affecting the Company's operations and their management measures.

## PRINCIPLE No. 5

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

### Criteria

- **The company has an internal auditor who is functionally independent of the management board and reports to the supervisory board**
- **The supervisory board approves the internal auditor**
- **The internal auditor develops a risk-based internal audit plan, which is approved by the 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**

The Company has deviated from this principle. The Company does not have an internal audit unit approved by the Supervisory Board, but a quality management system has been developed and is operational.

## EXTERNAL AUDITOR

### PRINCIPLE No. 6

The company has an independent external auditor

### Criteria

- **The supervisory board and the Audit Committee, (if established), determine the selection criteria for the external auditor**
- **The company has an independent external auditor with appropriate qualifications**
- **The term of office of one external auditor does not exceed 5 years**

The Company adheres to this principle. In the Company, the Supervisory Board performs the functions of the audit committee, incl. nominating the external auditor. At the regular shareholders' meeting on April 21, 2023, the sworn auditor Olga Kuzmiča, SIA 'Oriens Audit & Finance', was elected to perform the audit of the annual report for 2023 for the third year of office.

## ELECTION OF SUPERVISORY BOARD MEMBERS

### PRINCIPLE No. 7

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

### Criteria

- **The company has approved the procedure for selection and removal of supervisory board members**
- **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**

- **The size of the supervisory board corresponds to the specifics of the company's operations**
- **A supervisory board member is elected for a term not exceeding 5 years**

The Company has partially deviated from this principle. The procedure for selection and removal of Supervisory Board members has not been approved by the Company. Information about the members of the Supervisory Board who are nominated for election, as well as a short professional biography of these persons shall be published in the draft resolutions of the regular shareholders' meeting not later than 14 days before the meeting. The Supervisory Board is elected by five people for three years. A short professional biography of the members of the Supervisory Board is available on the Company's website: <https://www.sigmas.lv>, in the section 'For Investors', as well as on the website of the Nasdaq Riga Stock Exchange: <https://www.nasdaqbaltic.com>.

#### PRINCIPLE No. 8

Supervisory board members combined have relevant experience and competence

##### Criteria

- **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 principles of diversity are observed when forming the supervisory board**
- **Both sexes are represented in the supervisory board**
- **The management board develops an induction training programme and provides new supervisory board members with induction training**

The Company has partially deviated from this principle. The Supervisory Board has general experience and knowledge in the Company's core business. On 21 April 2023, three women and two men were elected to the Supervisory Board. The Board does not develop an introductory training program and does not train new members of the Supervisory Board - it is performed by the existing members of the Supervisory Board, who are re-elected for the next term.

#### PRINCIPLE No. 9

The company's supervisory board has independent supervisory board members

##### Criteria

- **The company evaluates and the shareholders determine the proportion of independent supervisory board members**
- **At least half of the members of the board are independent**
- **Independent candidates for supervisory board membership make a declaration that they meet the independence criteria**
- **Prior to the election of the supervisory board, the company evaluates the independence of supervisory board members in accordance with the available information**

The Company has deviated from this principle. None of the members of the Supervisory Board elected on 21 April 2023 can be considered independent. In 2023, two of them, in addition to the remuneration of the Supervisory Board, received a basic

salary from the Company, one provided veterinary medical services to the Company. Three of them indirectly represent the Company's largest shareholder, which was founded by the Company's employees at the time.

## PRINCIPLES OF DETERMINING THE REMUNERATION FOR THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

### PRINCIPLE No. 10

The company has introduced a remuneration policy

#### Criteria

- **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**
- **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**
- **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**

The Company adheres to this principle. The Company has developed a remuneration policy for the members of the Management Board and the Supervisory Board, which was approved at the regular shareholders' meeting on April 24, 2020. During the reporting year the Supervisory Board did not set financial and non-financial targets to be achieved by the Management Board. The remuneration policy and report are published on the Company's website: <https://www.sigmas.lv>, in the section 'For Investors', as well as on the website of the Nasdaq Riga Stock Exchange: <https://www.nasdaqbaltic.com>.

## ORGANISATION OF THE SUPERVISORY BOARD'S WORK AND DECISION-MAKING

### PRINCIPLE No. 11

The company's supervisory board work organisation is clear and understandable

#### Criteria

- **The supervisory board organises its work in accordance with regulations of the supervisory board and the work calendar**
- **The supervisory board holds at least one separate supervisory board meeting per year to discuss the company's strategy and its implementation**
- **The company's budget provides the financing necessary to ensure the operation of the supervisory board**
- **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**

- **The supervisory board has evaluated the need to set up committees (if a committee has been set up, see principle # 12.1.)**

The Company adheres to this principle. At the meeting of the Supervisory Board of the Company on February 27, 2009, the Regulations of the Supervisory Board were approved, and they are published on the Company's website: <https://www.sigmas.lv>, in the section 'For Investors'. The Supervisory Board meets at least once a quarter. The Management Board provides the technical and financial support necessary for the work of the Supervisory Board. Due to the small size of the Company, there is no need to establish supervisory board committees.

#### PRINCIPLE No. 12

The supervisory board takes informed and well-balanced decisions

##### Criteria

- **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 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**
- **A supervisory board member analyses the information and prepares proposals for decisions to be adopted by the supervisory board**
- **When making decisions, the supervisory board assesses the risks, short-term and long-term impact on the company's value, sustainability and responsible development**

The Company adheres to this principle.

#### PRINCIPLE No. 12.1

A committee prepares proposals for supervisory board decision making

##### Criteria

- **The supervisory board determines the tasks and the procedures for organisation of work of the committee**
- **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 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 has deviated from this principle. Due to the small size of the Company, no supervisory board committee is established.

## PREVENTION OF THE CONFLICT OF INTERESTS

### PRINCIPLE No. 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

#### Criteria

- **The supervisory board defines the indications of a conflict of interest and identifies the conflict of interest prevention and management procedures**
- **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**
- **Persons subject to the conflict of interest obligation participate in training on dealing with conflicts of interest on a regular basis**

The Company adheres to this principle.

## SHAREHOLDERS' MEETING

### PRINCIPLE No. 14

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

#### Criteria

- **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**
- **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 informs the shareholders immediately of any additional draft decisions submitted**
- **The company provides shareholders with an opportunity to submit questions on the matters included in the agenda and draft decisions before the shareholders' meeting**
- **The draft decisions and the documents attached to them provide detailed, clear and complete information on the matter under consideration**

The Company adheres to this principle. The regular shareholders' meeting on April 21, 2023 was announced in accordance with the procedures and terms specified in legal acts. Shareholders had the opportunity to get acquainted with the full text of the draft resolution as of April 6, 2023.

#### PRINCIPLE No. 15

The company promotes effective shareholder involvement in decision-making and a participation in shareholders' meetings

##### Criteria

- **The shareholders' meeting is convened and held at a place and time easily accessible to the shareholders**
- **The company provides shareholders with the opportunity to participate in 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 information necessary for decision-making**
- **The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected 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**
- **The shareholders' meeting makes decisions in accordance with the previously announced draft decision**

The Company adheres to this principle.

#### PRINCIPLE No. 16

The company develops and discusses dividend policy with shareholders

##### Criteria

- **The company has developed and published an up-to-date dividend policy**
- **The dividend policy has been discussed with the shareholders during the shareholders' meeting**

The Company has deviated from this principle. As the Management Board and the Supervisory Board have not received any proposals from the Company's shareholders regarding the distribution of profits, the Company has not developed a dividend policy. The Management Board is obliged to prepare and submit a profit distribution project to the Supervisory Board for approval before the regular shareholders' meeting. This information is available to shareholders in the published draft resolution of the meeting.

## TRANSPARENCY OF COMPANY OPERATIONS

### PRINCIPLE No. 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

#### Criteria

- **The company discloses complete, accurate, objective, up-to-date and true information in a timely manner**
- **The company discloses information to all shareholders at the same time and to the same extent**
- **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**
- **The company provides information both in Latvian and in at least one other language that is understandable to most of the company's foreign shareholders and other stakeholders**

The Company adheres to this principle. On the Company's website: <https://www.sigmas.lv>, in the section 'For Investors', in Latvian and English, there is available a complete information mentioned in Annex No. 1, with the exception of those essential policies mentioned in Annex 2, which are included in the principles of corporate governance or mentioned in the corporate governance code, but which are not developed by the Company.

## **Information to be published on the company website**

### **Company**

- ✓ Information about the company – history of its establishment and operation, registration data, address, description of the industry, main types of business, place of the company in the group structure (if applicable)
- ✓ Information about the company's strategic objectives
- ✓ Articles of association of the company
- ✓ Information on the corporate governance structure of the company (interaction between shareholders' meeting, supervisory board, its committees, management board, auditors, internal auditors, audit committee, etc.)
- ✓ Company Code of Internal Culture and Ethics
- ✓ Key company policies (Information Disclosure, Circulation and Privacy Policy, Conflict of Interest Prevention Policy, Risk Management Policy, etc.) in accordance with Annex No. 2

### **Shareholders and beneficial owners**

- ✓ Information on the company's shareholders holding at least 5% of the company's share capital (indicating the date on which this information was prepared)
- ✓ Information on the beneficial owners of the company (indicating the date when this information was prepared)
- ✓ Number of company's issued, paid-up and voting shares, bonds or other financial instruments

### **Supervisory board and management board**

- ✓ Regulations of the management board and the supervisory board or another similar document
- ✓ Information on each supervisory board and management board member:
  - term of office;
  - position and area of responsibility (if applicable/assigned);
  - professional work experience and education;
  - up-to-date information on positions in other companies;
  - up-to-date information on the company's shares;
  - statistics on attendance of supervisory board meetings.
- ✓ Information on independent supervisory board members:
  - which supervisory board members are considered independent;
  - according to what criteria the independence of a supervisory board member is determined;
  - annual evaluation of dependence of supervisory board members.
- ✓ Remuneration policy of the management board and the supervisory board and remuneration report
- ✓ Information on the selection (nomination) process of the management board and the supervisory board
- ✓ Information on supervisory board committees and the audit committee:
  - committee regulations;
  - information on committee members.

## **Financial and non-financial reports and information**

- ✓ Company's financial statements and reports for at least 3 last financial years:
- annual reports (including consolidated reports, if any) and auditor's reports (if any);
- interim reports and quarterly reports.
- ✓ The company's non-financial reports (on the company's environmental impact, social and employee aspects, respect for human rights and anti-corruption measures, including the sustainability report) for at least 3 last financial years
- ✓ Corporate governance reports
- ✓ Company's financial calendar or other calendar of significant and planned communication events

## **Information for shareholders and investors**

- ✓ Information on the planned shareholders' meetings:
- notices on convention of shareholders' meetings;
- draft decisions.
- ✓ Information on held shareholders' meetings:
- information on the decisions adopted at the shareholders' meetings
- ✓ Company's dividend policy and information on dividends paid (on at least 10 last years of the company's operations)
- ✓ Information on transactions of related parties
- ✓ Announcements published by the company and relevant information for investors, including presentations for investors, videos of events for investors, forecasts, if any, etc.
- ✓ Contacts of the investor relations person (if any)

## **Annex No. 2**

### **Key company policies**

#### **Key policies included in corporate governance principles or criteria:**

Risk Management Policy  
Remuneration Policy  
Dividend Policy

#### **Other key policies mentioned in the corporate governance code:**

Internal Audit Policy  
Conflict and Interest Prevention Policy  
Information Disclosure, Circulation and Privacy Policy