

# Corporate governance report

This report, which is presented in accordance with the Accounting Act of the Republic of Estonia, provides an overview of the governance of AS LHV Group (LHV) and the compliance of governance with the recommendatory guidelines 'Corporate Governance Recommendations' (CGR) of the EFSA and Nasdaq Tallinn Stock Exchange. LHV complies with the CGR, unless indicated otherwise in this report. Additionally, this report includes information required under the Corporate Sustainability Reporting Directive (CSRD), with the majority of the ESRS G1 Business conduct disclosures marked with specific reference.

## 1. General Meeting<sup>12</sup>

LHV is a public limited company whose governing bodies are the General Meeting, the Supervisory Board, and the Management Board.

The General Meeting where shareholders exercise their rights is the highest governing body of LHV. The primary duties of the General Meeting include amending the Articles of Association, increasing and decreasing share capital, approving share option programmes, taking decisions on the issuance of convertible bonds, electing and extending the authorisation of Supervisory Board members, removing Supervisory Board members before the expiry of their term of office, approving the annual report and allocation of profit, determining the number of auditors, appointing and removing the auditor(s), designating a special audit, deciding on the conclusion of transactions which are beyond the scope of everyday economic activities with members of the Supervisory Board, deciding on the dissolution, merger, division or transformation of LHV and taking other decisions within the power of the General Meeting under the law and the Articles of Association.

A resolution on the amendment of the Articles of Association is adopted when at least two-thirds of the votes represented at the General Meeting are in favour. A resolution on the amendment of the Articles of Association and a new redaction of the Articles of Association enters into force at the time when the corresponding entry is made in the commercial register. The resolution of the General Meeting on the amendment of the Articles of Association and the new text of the Articles of Association are attached to the application filed with the commercial register.

A shareholder has the right to participate in the General Meeting, address the General Meeting regarding items on the agenda, ask reasoned questions and make proposals. Furthermore, the shareholders have additional rights as provided by law or specified in the Articles of Association.

The General Meeting is called by the Management Board, unless otherwise provided by law, the Annual General Meeting whose agenda includes the approval of the annual report is called at least once a year. The Management Board calls the Annual General Meeting within six months after the end of the financial year at the latest, unless otherwise provided by law. The Management Board gives at least three weeks' notice of Annual or Extraordinary General Meetings.

The agenda of the General Meeting, proposals of the Management Board and Supervisory Board, draft resolutions and other relevant materials are made available to the shareholders prior to the General Meeting. The materials are made available on LHV's website. The shareholders not wishing to participate in the meeting in person are granted the opportunity to vote on the draft resolutions on the agenda of the General Meeting prior to the General Meeting and to participate in the General Meeting electronically on the meeting website and to watch the meeting via video broadcast. Shareholders are given an opportunity to ask questions about items on the agenda before the General Meeting. The option to participate in the General Meeting and exercise the rights using electronic means without physically attending the General Meeting via secure electronic means is provided in the Articles of Association.

The list of shareholders entitled to participate in the General Meeting is determined based on the share register seven days before the General Meeting.

In 2024, the Annual General Meeting was held on 20 March 2024. The agenda included the approval of the annual report for 2023, the profit distribution for the 2023 financial year, and the payment of dividends; the approval of the change in decision-making competence for the Dividend Policy; and the recall and appointment of the Supervisory Board members. In addition, an overview was given of the financial results of the first two months of 2024 and the financial forecast for the next five years. No extraordinary General Meetings were held in 2024.

The Annual General Meeting in 2024 was held in Estonian and chaired by Daniel Haab, the Head of Legal of LHV Pank, who introduced the procedure for conducting the General Meetings and the procedure for asking the Management Board questions regarding the company's activities.

The Annual General Meeting was attended by Madis Toomsalu, the Chairman of the Management Board, and Rain Lõhmus, the Chairman of the Supervisory Board and members of the Management Board Meelis Paakspuu, Jüri Heero and Martti Singi and members of the Supervisory Board Raivo Hein, Sten Tamkivi and Tauno Tats. The

<sup>12</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5a, and covered with limited assurance engagement for Consolidated Sustainability Statement.

other members of the Supervisory Board participated in the Annual General Meeting using electronic means. The auditor, Eero Kaup (KPMG), and the candidate for new member of the Supervisory Board, Liisi Znatokov, were present as well.

No shareholders of LHV hold shares which would grant them special control or voting rights. LHV is not aware of any agreements between shareholders regarding coordinated exercise of shareholder rights.

The shareholders with significant influence are Rain Lõhmus and persons related to him, who hold 21.18% of share capital as of 31 December 2024 in aggregate and Andres Viisemann and persons related to him, who hold 11.04% of share capital as of 31 December 2024 in aggregate.

## 2. Management Board<sup>13</sup>

### 2.1 Composition and duties of Management Board

The Management Board is the governing body representing and managing LHV. The members of the Management Board are elected and removed by the Supervisory Board. To elect a member of the Management Board, the candidate's written consent is required. Only a person who has sufficient knowledge and experience to participate in the work of the Management Board and to fulfil the duties of a member of the Management Board and who meets the requirements arising from LHV's Articles of Association, Terms of Reference of the Management Board and other internal regulations, and legislation, may be appointed as a member of the Management Board. Before appointment, the suitability of the person for the position is assessed in accordance with LHV's Rules of Suitability Assessment of Management Body Members, Management Bodies and Key Function Holders and the suitability assessment guidelines of the European Central Bank (ECB) and the joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU, taking into account the specific nature of LHV's operations.

The Management Board members possess a diverse set of skills and experience, ensuring effective governance and leadership in business conduct matters. To maintain high standard, set for management bodies of credit institutions and listed companies, regular training sessions are organized, equipping members with the knowledge necessary to address the challenges of a constantly evolving business environment. These initiatives ensure that the Management Board remains well-prepared to fulfil its responsibilities and adapt to emerging trends. The expertise of the Management Board is assessed as both sufficient and up to date, reflecting its commitment to

continuous professional development, as evaluated through a suitability assessment conducted by LHV in compliance with applicable legal requirements. The Management Board combines strong expertise in banking and investments with extensive management experience and a deep understanding of credit institutions. They bring a global perspective and strengths in IT, financial outcomes, and risk management, including anti-money laundering and anti-financial crime, cybersecurity, ESG, compliance, and operational continuity. Their proven ability in capital raising and transparent communication builds trust among clients and investors, ensuring reliable leadership and alignment with LHV's strategic goals<sup>14</sup>. For more information on Management Board members professional profile please see section Governance of the Group above.

According to the Articles of Association of LHV, the Management Board has one to five members. A member of the Management Board is appointed for a term of up to five years. The extension of the term of office of a member of the Management Board may not be decided earlier than one year before the scheduled expiry of the term of office or for a period exceeding the maximum period permitted by law or the Articles of Association. If the Management Board of LHV has more than two members, the Supervisory Board appoints the chairman of the Management Board. The chairman of the Management Board organises the work of the Management Board. The Supervisory Board may remove a member of the Management Board regardless of the reason. A member of the Management Board may resign from the Management Board, regardless of the reason, by informing the Supervisory Board. The rights and obligations arising from a contract entered with a member of the Management Board expire in accordance with the contract.

Until 31 October 2022 LHV's Management Board had one member: Madis Toomsalu. From 1 November 2022, the Management Board had four members, and as of 18 November 2024, the Management Board consists of the following members: Madis Toomsalu (the Chairman of the Management Board, CEO), Meelis Paakspuu (responsible for financial management function, CFO), Kadri Haldre (responsible for risk management function, CRO) and Jüri Heero (responsible for IT operations, IT development and information security functions, CIO). Martti Singi was recalled from the Management Board as of 18 November 2024, and Kadri Haldre was appointed as a new member of the Management Board and the CRO of LHV, with her term commencing on 18 November 2024.

The Supervisory Board has established the terms and condition and decided the conclusion of contracts with the Management Board members. The Supervisory Board determines inter alia the remuneration principles of the members of the Management Board and compensation for

<sup>13</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5a, and covered with limited assurance engagement for Consolidated Sustainability Statement.

<sup>14</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5b, and covered with limited assurance engagement for Consolidated Sustainability Statement.

early termination of the contract. The term of office of Madis Toomsalu expires on 31 March 2026 and the terms of office of Meelis Paakspuu and Jüri Heero expire on 31 March 2027, and Kadri Haldre's term expires on 18 November 2029.

The Management Board makes everyday management decisions at its own discretion and in the best interests of LHV and its shareholders, putting aside personal interests. The duties of a member of the Management Board include day-to-day management of LHV, representing the company, managing LHV's operations in foreign markets and communicating with investors, coordinating the development of LHV's strategy and implementing the strategy. The right of representation specification of the members of the Management Board resulting from the Articles of Association of LHV has also been entered in the Commercial Register: the chairman of the Management Board alone or two members of the Management Board jointly may represent LHV in transactions.

The Management Board ensures that LHV has risk management and internal control systems appropriate for its operations and business area. LHV's internal control system covers all activities carried out by LHV's Supervisory Board, management, and employees to ensure efficiency of operations, adequate risk management, reliability and accuracy of internal and external reporting and unconditional compliance with all laws and regulations. The internal control system covers all business, support, and control units.

The objectives of risk management within LHV are to identify, correctly quantify and manage risks. The wider objective of risk management is to increase the value of the company by minimising losses and reducing volatility of results.

LHV's risk management is based on a strong risk culture and follows the principle of three lines of defence. The first line of defence, i.e., represented mainly by the business lines, alongside other support functions, is responsible for risk-taking and daily risk management. The second line of defence, i.e., the risk management function and the compliance function, including the AFC compliance function, is responsible for ownership, continuous review, and implementation of a risk management framework. The third line of defence, i.e., the independent internal audit function, exercises supervision over the entire organisation, i.e., reviews, through conducting internal audits, the internal governance arrangements, processes, and mechanisms to ascertain that they are sound, effective, implemented and consistently applied.

The responsibilities of the Management Board members of LHV are clearly defined to ensure effective governance and operational success:

- Chief Executive Officer (CEO): Responsible for Business Development, Segment and Sales Management, Client

Service Standards, Brand, Communication, and Human Relations.

- Chief Risk Officer (CRO): Oversees Credit Risk Management, Risk Analytics, Market and Liquidity Risks, Stress Testing, Non-Financial Risks, AML Compliance, Compliance, and Regulatory Relations.
- Chief Financial Officer (CFO): Manages Treasury, Accounting, Analysis and Planning, Regulatory Reporting, Data Warehouse, Data Governance, Group Legal Affairs, and ESG management initiatives.
- Chief Information Officer (CIO): Focuses on IT Governance and Operations, Information Security, Technology, and Architecture.

These distinct areas of responsibility ensure that the Management Board operates efficiently and supports LHV's mission, vision, and strategic objectives<sup>15</sup>.

## 2.2 Principles of remuneration of the Management Board

The purpose of LHV's remuneration principles is to provide fair, motivating, transparent and lawful remuneration.

The authority to determine the remuneration principles and remuneration of the Management Board is vested in the Supervisory Board. The Remuneration Committee reviews the basis of the remuneration of the Management Board on an annual basis. In assessing the activities of the Management Board, the Remuneration Committee considers, above all, the duties and activities of the members of the Management Board as well as LHV's financial position, the status and outlook of business operations in comparison with other companies operating in the same sector.

The remuneration payable to a member of the Management Board, including the options programme, must motivate the person to act in the best interests of LHV and to avoid a situation of conflict of interest by refraining from acting in the personal or other interests. The basic salary and remuneration principles of the members of the Management Board are set forth in the Management Board member contracts concluded with them. The principles of remuneration of the members of the Management Board engaged in internal control and risk management must ensure their independence and objectivity in the performance of their risk management / internal control duties. The remuneration of those people must not depend on the results of the areas under their supervision. The goals set must be described at an individual level.

In setting the key quantitative and qualitative performance indicators and risk assessment metrics, LHV is governed by the following principles:

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- The performance criteria developed by LHV must not stimulate excessive risk-taking or sale of inappropriate products.
- The performance criteria must not consist only of performance efficiency indicators (e.g., profit, revenue, return, costs, and volume indicators) or market-based indicators (e.g., share price or bond yield) but must be adjusted for risk-based indicators (e.g., capital adequacy, liquidity).
- The criteria used for measuring risks and results must be as closely as possible related to the decisions of the member of the Management Board whose results are being appraised, and they should ensure that remuneration is determined in a way that has the desired impact on the Management Board member's behaviour.
- The performance criteria must be developed by ensuring a good balance between quantitative and qualitative as well as absolute and relative criteria.
- The quantitative criteria must cover a period that is sufficiently long to take into account the risks taken by the member of the Management Board or units they are responsible for, and they should be risk-adjusted and contain economic efficiency indicators.
- The examples of qualitative criteria include achievement of strategic objectives, customer satisfaction, adherence to the risk management policy, compliance with internal and external regulations, management skills, teamwork, creativity, motivation and cooperation with other business units and the internal control function.

LHV applies a long-term incentive plan (LTI plan), i.e., an option programme. The basic salaries of Management Board members, top management and key personnel included in the option programme (including staff members considered equal to Management Board members) are added an annual performance pay the amount and disbursement of which depend on the achievement of individual targets and LHV's targets. The lower limit of performance pay, approved by the shareholders, is EUR 0 and the upper limit is 200% of the annual remuneration. As a rule, if the financial plan is met, options will be granted to the extent of 2% of the total number of LHV shares. The bases for assigning performance pay through the options programme must be objective and justified and pre-determine the period for which performance pay is paid. The performance pay instruments consist fully of share options.

Severance compensation payable to members of the Management Board is related to their previous performance. No severance compensation is paid if this would damage the interests of LHV. The size of the severance compensation must correspond to the results achieved over time and to the remuneration received.

The Chairman of the Management Board of LHV, Madis Toomsalu was paid a monthly remuneration of EUR 16 thousand in January and February 2024, and a monthly

remuneration of EUR 19 thousand from March 2024, i.e., his annual remuneration in 2024 was EUR 222 thousand under his Management Board member contract. Management Board member Meelis Paakspuu was paid a monthly remuneration of EUR 13 thousand in January and February 2024, and a monthly remuneration of EUR 15 thousand from March 2024, i.e., his annual remuneration in 2024 was EUR 176 thousand under his Management Board member contract. Management Board Member Jüri Heero was paid a monthly remuneration of EUR 13 thousand in January and February 2024, and a monthly remuneration of EUR 14 thousand from March 2024, i.e. an annual remuneration in 2024 EUR 166 thousand under his Management Board member contract. Martti Singi was paid a monthly remuneration of EUR 13 thousand in January and February 2024 and a monthly remuneration of EUR 14 thousand from March 2024 until his recall on 18 November 2024, resulting in an annual remuneration in about EUR 145.3 thousand for 2024, under his Management Board member contract. Kadri Haldre was paid a monthly remuneration of EUR 12 thousand starting from her appointment on 18 November 2024, resulting in an annual remuneration of about EUR 17.7 thousand for 2024, under her Management Board member contract. The Management Board members are not entitled to any additional remuneration, bonuses or benefits for performing the duties of the Management Board members of LHV other than the LHV's Option Programme approved by the Annual General Meeting of Shareholders of LHV Group resolution on 13 March 2020, on the basis of which the pre-emptive right to subscribe new shares in LHV belongs to the management and equivalent staff as well as key employees of LHV and group companies designated by LHV's Supervisory Board, with whom LHV Group has concluded relevant options agreements.

According to the options agreements concluded under the Option Programme, Madis Toomsalu is entitled to subscribe, as performance pay, a total of 607,206 LHV shares. Meelis Paakspuu is entitled to subscribe, as performance pay, a total of 486,894 LHV shares. Jüri Heero is entitled to subscribe, as performance pay, a total of 390,171 LHV shares for the options granted in 2022, 2023 and 2024. Kadri Haldre, is entitled to subscribe, as performance pay, a total of 102,168 LHV shares for the options granted in 2022, 2023 and 2024.

### 2.3 Conflicts of interests

The Management Board submits a declaration of economic interests once a year. There have been no conflicts of interest; accordingly, no corrective measures have been applied.

Transactions between LHV and the Management Board, their close family members or persons related to them, and the terms of these transactions must be approved by the Supervisory Board prior to the transaction taking place. In 2024, there were no such transactions between

the members of the Management Board, their close family members, or related persons and LHV, nor are there any valid contracts of that nature from earlier periods. The Management Board members have no shareholdings above 5% in other companies who are LHV's business partners, suppliers, clients or other related companies.

None of the Management Board members of LHV are Management Board members or Supervisory Board members at any other company whose shares have been admitted to trading on a regulated market operating in Estonia. The Management Board members have not been granted the authority to issue or buy back shares of LHV.

### 3. Supervisory Board<sup>16</sup>

#### 3.1 Composition and duties of Supervisory Board

The Supervisory Board is a governing body of LHV which plans the activities of LHV, organises the management of LHV and conducts supervision over the activities of the Management Board. The Supervisory Board determines and regularly reviews LHV's strategy, the general action plan, risk management principles and the annual budget. The Supervisory Board has five to seven members. The members of the Supervisory Board are appointed for a term of up to three years. The members of the Supervisory Board elect from among themselves the chairman of the Supervisory Board, who organises the activities of the Supervisory Board. The authority to elect, recall and to extend the mandate of the Supervisory Board members is vested in the General Meeting.

Only a person who has sufficient knowledge and experience to participate in the work of the Supervisory Board and to fulfil the duties of a member of the Supervisory Board and who meets the requirements arising from the Articles of Association, Terms of Reference of the Supervisory Board and other internal regulations, and applicable legislation, may be elected as a member of the Supervisory Board. Before appointment, the suitability of the person for the position is assessed in accordance with LHV's Rules of Suitability Assessment of Management Body Members, Management Bodies and Key Function Holders and the suitability assessment guidelines of the European Central Bank (ECB) and the joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU, taking into account the specific nature of LHV's operations.

The Supervisory Board members bring a range of knowledge and expertise, enabling through oversight and governance of business conduct matters. To ensure their effectiveness and maintain a high standard set for management bodies of credit institutions and listed companies, members

participate in training sessions tailored to address emerging challenges and evolving governance standards. In 2024, the Supervisory Board members completed AFC training and crisis resolution training. These professional development activities help maintain and enhance the Supervisory Board's ability to provide effective supervision. The expertise of the Supervisory Board has been assessed by LHV through a suitability evaluation, confirming that it meets the required standards of sufficiency and relevance in compliance with applicable legal requirements. The Supervisory Board brings extensive expertise in banking, investment, and financial performance, along with a strong awareness of business risks. Members contribute individual vision, a commitment to transparency, entrepreneurial experience, IT knowledge, capital-raising success, and international perspectives. Regular meetings further strengthen their oversight<sup>17</sup>. For more information on Supervisory Board members' professional profile please see section Governance of the Group above.

The members of the Supervisory Board of LHV are Rain Lõhmus (the Chairman of the Supervisory Board), Andres Viisemann, Tiina Mõis, Heldur Meerits, Raivo Hein, Tauno Tats and Liisi Znatokov. The term of office of Supervisory Board members lasts until 29 March 2026, except for Liisi Znatokov, whose term of office will end on 20 March 2027. Sten Tamkivi was recalled from the Supervisory Board as of 20 March 2024, and Liisi Znatokov was appointed as a new member of the Supervisory Board, with her term commencing on 20 March 2024.

In 2024 the Supervisory Board had eleven ordinary meetings, one extraordinary meeting and on six occasions decisions were adopted electronically. During the year, four members of the Supervisory Board (Rain Lõhmus, Raivo Hein, Tiina Mõis, and Liisi Znatokov) participated in all Supervisory Board meetings and two members of the Supervisory Board (Andres Viisemann and Tauno Tats) were absent from two Supervisory Board meetings and one member of the Supervisory Board (Heldur Meerits) was absent from three Supervisory Board meetings. All the members of the Supervisory Board cast their vote electronically on all of the six occasions the Supervisory Board adopted their decisions electronically in 2024.

Four committees have been formed at the Supervisory Board level of LHV, which are responsible for advising the Supervisory Board in matters related to audit, remuneration, the suitability assessment of management board members and key function holders and risk and capital management as described in subsections 3.3–3.6 of Corporate governance report.

In the framework of its meetings in 2024, the Supervisory Board received regular overviews of the operating and financial results of LHV and its subsidiaries, including LHV Pank, LHV Bank, LHV Varahaldus, LHV Kindlustus, and

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<sup>17</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5b, and covered with limited assurance engagement for Consolidated Sustainability Statement.

LHV Paytech, and the activities, development, and results of the related areas. Quarterly updates on risk management, compliance, and audit activities, as well as in-depth reviews of key governance areas, were presented. The Supervisory Board reviewed the 2023 Resolvability Progress Report and approved the 2024 Resolvability Plan during its January meeting. Key areas of focus included increasing intra-group cross-selling and customer activity and discussing updates to the 5-year financial forecast under both standard and stress scenarios. In Q1 2024, the Supervisory Board approved the Annual Report for 2023, the associated profit distribution proposal, and the Remuneration Report. These documents, along with the Supervisory Board's own annual review, were submitted for approval to the General Meeting. The Supervisory Board also approved the dividend policy and a detailed product development roadmap for 2024. The proposals of the Nominating Committee on succession planning and the suitability assessments of the Supervisory Board and Management Board members were reviewed and endorsed. Share option pricing, the issuance of 2023 share options, and the exercise of options granted for previous years' results were approved, alongside capital increases related to the share option program (the LTI plan). In April, the Supervisory Board oversaw the successful issuance of new MREL bonds and approved the redemption of older series. Throughout the year, progress on strategic projects, including the acquisition of loan portfolio of AS TBB Pank was monitored. Further, significant emphasis was placed on updating risk policies, including the Liquidity and Funding Risk Policy, and approving changes to the Bail-in Playbook and Business Reorganization Play Analysis Report. During mid-year meetings, the Supervisory Board approved updates to the ICAAP and ILAAP results and reports, including capital and liquidity adequacy statements. The updated financial plan for 2024 was reviewed and validated in September. The Supervisory Board also discussed amendments to the ESG Policy and other key governance documents, such as the Supervisory Board's Terms of Reference and the Group Governance Policy. Toward the end of the year, decisions were made regarding the issuance of Tier 2 and covered bonds, in addition to amendments to internal policies such as the Prevention of Financial Crime Policy and the Group's Capital Management Policy. The outcomes of the ECB's Supervisory Review and Evaluation Process (SREP) were presented, and internal capital targets were set. At the last two meetings of the year, the Supervisory Board discussed the assumptions for next year's financial plans and the 5-year financial forecast of LHV and its subsidiaries. Throughout the year, the Supervisory Board continued its commitment to enhancing governance and oversight by conducting periodic reviews of the internal auditor's reports, Audit Committee updates, and compliance assessments. Additionally, updates on AFC/AML trends, employee surveys, and other internal initiatives were reviewed. These efforts were part of LHV's ongoing objective to maintain a robust organizational structure and governance framework, ensuring alignment with its strategic goals as a financial holding company.

### 3.2 Principles of remuneration of the Supervisory Board and conflicts of interest

The size of the remuneration of the members of the Supervisory Board and remuneration procedure are decided by the General Meeting, which considers, among other things, the duties of the Supervisory Board and their scope as well as the members' participation in the meetings and the activities of the Supervisory Board as a governing body. A member of the Supervisory Board may be assigned additional remuneration for participation in the activities of the Audit Committee or another body of the Supervisory Board.

The General Meeting has resolved to provide members of the Supervisory Board with a gross remuneration of EUR 1,500 per each ordinary meeting of the Supervisory Board in which the member participates. The remuneration is paid out on the next working day following the Supervisory Board meeting at the latest. No separate additional or performance payments, bonuses or benefits have been established.

In 2024, the total amount of remuneration paid to LHV's Supervisory Board (including former member Sten Tamkivi) was EUR 114 thousand, including all taxes, out of which three members (Rain Lõhmus, Raivo Hein and Tiina Mõis) received EUR 18 thousand each (participated in all 12 meetings), three members (Andres Viisemann, Tauno Tats and Liisi Znatokov) received EUR 15 thousand each (participated in 10 meetings), Heldur Meerits received EUR 13.5 thousand (participated in 9 meetings), Sten Tamkivi (former Supervisory Board member) participated in one meeting and received EUR 1.5 thousand.

For reasons of clarity, LHV considers it important to note that for Supervisory Board member Andres Viisemann LHV applies the LTI plan, i.e., the option programme, based on his activity as the Head of Pension Funds at LHV's subsidiary LHV Varahaldus. The LTI instrument comprises fully of share options. Andres Viisemann is entitled to subscribe a total of 134,979 shares of LHV for the options issued in 2022, 2023 and 2024.

Once a year, the members of the Supervisory Board submit a declaration of economic interests and conflicts of economic interests. LHV did not conduct any significant transactions with its Supervisory Board members, their close family members or related parties in 2024, nor are there any valid contracts of that nature from earlier periods. There have been no conflicts of interest and accordingly, no corrective measures have been applied. The Supervisory Board members have no shareholdings above 5% in other companies who are LHV's business partners, suppliers, clients or other related companies.



### 3.3 Audit Committee<sup>18</sup>

The Audit Committee is an advisory body formed by the Supervisory Board for exercising oversight over the effectiveness of accounting and reporting (including the budgeting process), audit, risk and capital management, the internal control system and internal audit as well as legal and regulatory compliance. The Audit Committee is governed in its activities primarily by the Auditors Activities Act and the rules of procedure established by the Supervisory Board of LHV.

The Audit Committee is supported in its oversight activities by the internal audit unit, led by the Head of Internal Audit, who provides regular reports to the Audit Committee, with reports submitted on a quarterly basis. The responsibilities of the Head of Internal Audit include ensuring that the analysis and assessment of compliance of activities with the objectives, rules of procedure, applicable laws, other legal acts, the rules of the regulated market, precepts of authorities, and agreements are carried out.

One of the responsibilities of the Audit Committee is to monitor and analyse the processes which must ensure the accurate and efficient preparation of monthly reports and annual accounts, the efficiency of the audit of the group companies' annual accounts, the independence of the audit firm and the auditor representing the audit firm on the basis of the law, and the compliance of their activities with the requirements of the Auditors Activities Act.

The Audit Committee is responsible for making proposals to the Supervisory Board and providing recommendations for the appointment or removal of the audit firm, the appointment or removal of the internal auditor, prevention or elimination of problems and inefficiencies within the organisation and ensuring compliance with laws and regulations and with best practice.

The Audit Committee has at least three members. Members of the Audit Committee are appointed by the Supervisory Board for a term of three years in a manner that should ensure diversity of competences and independence of committee members. The persons selected for the Audit Committee must be sufficiently independent of LHV in order to fulfil their role effectively, and at least two of them must be experts in accounting, finance or law. LHV's employee, member of the Management Board, internal auditor, authorised signatory or audit service provider may not be a member of the Audit Committee. For the appointment of a member of the Audit Committee, the candidate's written consent is required. The size of remuneration paid to the members of the Audit Committee is decided by the Supervisory Board of LHV.

The members of the Audit Committee are Raivo Hein, Tauno Tats and Verner Uiibo (the Chairman). The term of office of the Audit Committee lasts until 31 March 2026. Further information on the members of the Audit Committee is presented in the section Governance of the Group above.

LHV's Audit Committee members are paid a monthly gross remuneration of EUR 500 and the chairman of EUR 1,000.

According to its rules of procedure, the Audit Committee meets at least quarterly, however, in 2024 the Audit Committee had eleven meetings. At seven meetings, representatives of the Risk Management Department provided the members of the Audit Committee with an overview of various risk management topics, bank and group risk exposures, and the indicators and measures used to monitor and manage them, including matters related to capital and solvency risk, credit risk management, financial crime risk, management of operational risk and specifically IT risks, ESG risk, management of liquidity and related risks, market risk (incl interest rate) risk and compliance control.

In most meetings, the topics discussed included issues raised by the internal audit, particularly those related to audit reports. The internal auditor gave an overview of the concluded audits. The Audit Committee has reviewed all internal audit reports, discussed the observations raised and formed an opinion on them. Similarly Audit Committee has been presented with and discussed Internal Audit memos regarding mitigation actions for regulatory findings. At the first meeting of the year, the internal audit work plan for 2024 was approved and at the last meeting held in December inputs and instructions for the internal audit work plan for 2025 were discussed. The plan was approved in January 2025. In January also the results of External Quality Assessment of Internal audit (being Generally Conforms) was presented to the Audit Committee.

One meeting was attended by leaving external auditor KPMG presenting the overview of the process and results of audit 2023 financial statements. Four meetings were attended by the new external auditor (PwC). In April PwC introduced the initial plan, audit team and results of the takeover and first quarterly review process. In October PwC provided an overview of the risk assessment, audit plan, team and schedule of the financial audit of 2024. As the new auditor has different view on IFRS17 treatment in Group financial statements, in November the discussion in Audit Committee was around the restatement to be made to the 2024 annual financial statements regarding the 2023 comparatives. The decision was made and taken to the Supervisory Board to approve making restatement and avoid qualified Audit Report. At the December meeting, the external auditor presented the findings raised during the interim audit.

During the year, the Audit Committee confirmed and approved specific additional services to be provided by the external auditor. No conflicts of interest were identified.

Group Audit Committee also held a session in November with the Chair of Audit Committee of LHV Bank Ltd to exchange information about the matters discussed and opinions on their agendas during the previous year.

<sup>18</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5a, and covered with limited assurance engagement for Consolidated Sustainability Statement.

### 3.4 Remuneration Committee<sup>19</sup>

The Remuneration Committee is a body established by the Supervisory Boards of LHV, LHV Pank, LHV Finance and LHV Kindlustus for the development, implementation, and supervision of a remuneration strategy for the employees and members of the Management Board of the companies. One of the tasks of the Remuneration Committee is to evaluate the impact of any remuneration-related decision on compliance with the requirements established for the management of risks, own funds, and liquidity.

The Remuneration Committee exercises oversight over the remuneration of the Management Board members and employees of LHV, LHV Pank, LHV Finance and LHV Kindlustus, evaluates the implementation of the remuneration policy at least annually and, where necessary, makes proposals for updating the remuneration principles and prepares the related draft resolutions for the Supervisory Board.

The Remuneration Committee has at least three members who are elected from among the common members of the Supervisory Boards of LHV Group and LHV Pank. The members of the Remuneration Committee are appointed and removed by the Supervisory Board of LHV. A member of the Remuneration Committee is appointed for a term of three years. Members of the Remuneration Committee can be re-elected, and their mandate extended unlimited times. A person elected to the Remuneration Committee must have sufficient relevant knowledge, expertise, and experience in the area of remuneration policy and practices, risk management and control. The size of remuneration payable to the members of the Remuneration Committee is decided by the Supervisory Board of LHV. It has been decided to pay EUR 1,000 to the Chair of the Remuneration Committee and EUR 500 to each Remuneration Committee member, for each committee meeting attended with the effect from 1 April 2023.

Members of LHV's Remuneration Committee are Tiina Mõis (the Chairman), Rain Lõhmus and Andres Viisemann, whose term of office lasts until 22 March 2026. Further information on the members of the Remuneration Committee is presented in the section Governance of the Group above.

In 2024, the Remuneration Committee met four times, in January, April, June and December. In January, the committee reviewed and updated the Terms of Reference of the Remuneration Committee, the Remuneration Policy, and the strategic principles of remuneration. The Remuneration Systems of LHV Pank and LHV Kindlustus, the Material Risk Takers List for 2024, and the 2023 Remuneration Report for the Management Board of LHV Group were discussed. The market comparison and planned positions for 2024, the Q12 employee survey summary, and annual targets and remuneration of Management Board members were also

examined. The committee proposed to the Supervisory Board the recipients and amounts of share options to be granted for the results of 2023 (the LTI plan) and approved the pricing of the share options. The committee also reviewed the ex-post risk adjustment process related to the exercise of share options granted in 2021 and approved the retention of options for employees whose contracts had been terminated or were known to terminate before the exercise date in 2024, allowing them to exercise their options in line with ex-post risk adjustment results. Additionally, the committee approved the exercise of share options for 2024. In April and June, the committee focused on discussions regarding the Remuneration Policy and its alignment with LHV's strategic objectives. At its December meeting, the committee conducted the annual review of its Terms of Reference and the Remuneration Policy, and examined updates to the compensation systems of LHV Pank, LHV Kindlustus, and LHV Finance. The committee also reviewed the updated long-term incentive proposals for LHV Bank and the "Bible of Principles," which sets cultural targets for employee performance. All recommendations and proposals from the Remuneration Committee were submitted to the Supervisory Board for approval, ensuring alignment with LHV Group's governance and strategic frameworks.

#### 3.4.1 Remuneration policy

The remuneration principles for LHV and its affiliated companies (Group companies) are described in the internal remuneration policy.

There are no regional differences in the remuneration principles of the Group companies. The most significant differences between the Group companies are that LHV Varahaldus has no remuneration committee and applies specific disclosure requirements and LHV Bank applies rules arising from its country of operations.

The purpose of the remuneration principles within the Group companies is to ensure fair, motivating, and transparent compensation in compliance with the law. A key objective is to attract employees with the skills, experience, and capabilities necessary to execute the company's strategy, while aligning the interests of employees and shareholders, motivating staff, and managing risks effectively as the business grows. LHV employee remuneration typically includes a base salary and a performance bonus. When hiring, the Group companies compare a new employee's salary with those in similar roles within the company and the market average for the relevant job group, ensuring competitive and fair compensation. The Group companies do not provide employer-funded contributions to third pillar pension funds or offer benefits like company cars, mobile phones, or laptops for personal use.

<sup>19</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5a, and covered with limited assurance engagement for Consolidated Sustainability Statement.



The general remuneration strategy is to ensure a motivating pay to achieve long-term goals, creating a strong link between remuneration and the financial results of the Group companies. When measuring the key quantitative and qualitative results and assessing the risk, the Group companies are governed by the following principles:

- The performance criteria are in line with sound and effective risk management principles. The performance criteria established must keep in mind the long-term interests of the Group companies and not stimulate excessive risk-taking or the sale of unsuitable products.
- The performance criteria must not merely contain performance efficiency indicators (e.g., profit, revenue, profitability, expenditure, and volume indicators) or market-based indicators (e.g., stock price or bond yield) but must also be adjusted with risk-based indicators (e.g., capital adequacy, liquidity).
- The criteria used for measuring risks and results must be as closely as possible related to the decisions of the staff member whose results are being appraised and should ensure that the process of determining the remuneration would have an appropriate impact on the staff member's professional behaviour. In the interest of long-term goals, the assessment and control of risk behaviour will take place at an individual employee level.
- A good balance of both quantitative and qualitative as well as absolute and relative criteria must be used for specifying the performance criteria.
- Quantitative criteria must cover a sufficient period to allow consideration of the risks taken by the staff members or business units. The criteria must be risk-adjusted and contain economic efficiency indicators.
- Examples of qualitative criteria include achievement of strategic objectives, customer satisfaction, adherence to the risk management policy, adherence to internal or external rules of procedure, management skills, creativity, motivation and cooperation with other business units and the internal control function.

The recruitment strategy is to find, engage and keep the best people in the labour market. In determining remuneration, the Group companies are willing to make exceptions rather than restrict its choices with strict remuneration intervals for a specific position, while keeping in mind fair pay for the role. In determining remuneration, the following is considered:

- employee dedication, results, and initiative;
- the possibility of replacing job positions with technological solutions;
- workload, quality, and intensity;
- scope of responsibility, required educational level, and critical importance of the position;

- management performance in accordance with the company's strategic objectives;
- the ability to use technology in managing the field;
- availability of additional benefits, labour market situation, and average salary level of the geographical location.

The determination of the amount of remuneration must be objective. The remuneration is paid according to the work done and its value, not according to the personality, gender, age, origin, etc. of the employee.

Employees should not transfer the downside risks, incl. malus and clawback, to a third party by any means, e.g. hedging and insurance. In the decisions concerning the remuneration policy, the financial situation and sustainability of the capital base of the Group companies are considered.

The Group companies carry out regular self-assessment, the purpose of which is to identify all employees whose professional activities affect or may significantly affect the risk profile of the Group companies. These specified groups of employees are listed in the table below together with ratios between basic and variable remuneration paid in 2024:

**Basic and variable remuneration ratio of group of employees who affect the Group's risk profile, as at 31 Dec 2024**

Senior management	0.71
Staff performing control functions	0.19
Employees with significant impact on the credit risk position (the nominal value of transactions made by the employee is at least 0.5% of LHV Tier 1 own funds and amounts to at least EUR 5 million)	0.62

Self-assessment is carried out once a year at the beginning of the financial year. The assessment covers the past period (including financial results, risk analysis) and considers the forthcoming financial year. The identified employees during the self-assessment are required, within a period of one calendar year after exercising the options, to maintain ownership of the relevant LHV shares, and not to transfer or encumber (including pledge) them in any form. The identified employees are forbidden to transfer the risk of impairment of shares to another party, for example, through insurance or certain types of financial instruments. The self-assessment takes account of the degree of responsibilities and decision-making power, as well as qualitative and quantitative performance indicators. The analysis is conducted by the management board of the Group company in the form of a discussion at a management board or board (LHV Bank) meeting. The self-assessment is initiated by the Human Resources Department, the compliance of the process and results are assessed by the Compliance Control Department, whose representative is also present at the self-assessment. The Remuneration Committee reviews annually the qualitative and quantitative

criteria related to the employee and the self-assessment process, which are used for decision-making. The results of the self-assessment are independently reviewed by the Internal Audit Department. The results are summarised and presented to the supervisory boards of the relevant Group companies.

### Share options

In 2020 LHV shareholders approved the result-based share option programme for the Management Boards and equivalent staff as well as key employees of LHV and the group companies to be implemented from 2020 until 2024. In 2024 the recipients and amounts of share options to be granted for the results for 2023 were determined based on this programme.

Share options are a form of performance-based compensation, and their granting is based on long-term interests and the achievement of agreed-upon results. The objectives must take into account capital requirements, liquidity, and risk management, including sustainability criteria. Performance compensation is paid only when objectives are met, and no compensation is paid for below-expectation results.

The objectives of the programme are:

- ensure competitive remuneration to be attractive in the labour market;
- retain and motivate key personnel by creating a sense of ownership;
- align the interests of shareholders and employees;
- increase company value through performance management;
- promote sound and effective risk management, including the consideration of sustainability risks.

The instruments of performance pay under the option programme are 100% equity options. The term of share options is at least 3 years from the moment the options were granted. An additional criterion applies to options issued to Management Board members – they are not allowed to sell these shares for another year after executing the rights under option. The at least three-year vesting period before issuance of shares gives the opportunity to evaluate the results in the long run. It is not possible to receive the specified amount in cash in lieu of share options. Share options are issued annually as a percentage of the total number of LHV Group shares, as specified in the share option programme approved by the general meeting of LHV Group shareholders. LHV has the right to refuse to exercise and issue equity options to the entitled person, in whole or in part, if:

- LHV General Meeting or the Supervisory Board under instructions from the General Meeting does not adopt the decision on the increase of LHV share capital and issuance of shares;

- the Management Board member agreement or the employment relationship of the person entitled to receive options has ceased at the initiative of the person entitled to receive options or pursuant to § 88 of the Employment Contracts Act or, if the Employment Contracts Act is amended, on an analogous basis. However, based on the decision of the Supervisory Board it is possible to make exceptions to the applicability of this paragraph;
- the financial results of LHV or its relevant subsidiary have substantially deteriorated compared to the previous period;
- the person entitled to receive options no longer meets the performance criteria or does not meet the requirements imposed by law on the management or employees of a credit institution or a fund management company;
- LHV or its relevant subsidiary no longer meets the prudential regulations or the company's business risks are not adequately covered by own funds;
- the issuance of options has been determined based on information which has proven to be materially misstated or incorrect.

The share options have been issued annually from 2015 to 2024. In 2024, the options issued in 2021 were fully exercised. The next share options issue could be in 2025 based on the General Meeting's and the Supervisory Board's decisions. The company entered into share option agreements with the members of the Management Boards and employees for a three-year term for the issue of share options.

The issuance and amount of share options were dependent upon the successful achievement of operational targets of the overall company and the targets of individual Management Board members and employees. In 2024, share options were granted to 227 people in the amount of EUR 6,236 thousand. In 2023, share options were granted to 181 people in the amount of EUR 5,963 thousand. In 2022, share options were granted to 167 people in the amount of EUR 7,727 thousand.

The share options issued in 2022 can be exercised between the period from 1 April 2025 to 30 April 2025 and shares with the nominal value of EUR 0.1 can be acquired for EUR 2.182 per share. The share options issued in 2023 can be exercised between the period from 1 April 2026 to 30 April 2026 and shares with the nominal value of EUR 0.1 can be acquired for EUR 1.70 per share. The share options issued in 2024 can be exercised between the period from 1 April 2027 to 30 April 2027 and shares with the nominal value of EUR 0.1 can be acquired for EUR 1.74 per share.

Expenses related to share option program in 2024 amounted to EUR 6,807 thousand (2023: EUR 5,584 thousand).

### 3.5 Nomination Committee<sup>20</sup>

The purpose of the Nomination Committee is to support the Supervisory Boards of LHV, LHV Pank and LHV Finance in matters related to the selection process and eligibility requirements for the members of the Management Boards, Supervisory Boards and the key function holders (if applicable) of the mentioned companies. The responsibilities of the Nomination Committee include individual assessment of the suitability of candidates for members of governing bodies and key function holders, collective suitability assessment of governing bodies, assessment of the composition, structure and activities of the governing bodies, continuous monitoring of the decision-making process by the governing bodies, periodical review and decision-making on the content, format and frequency of the risk information received, ensuring the involvement of Risk Management, Compliance, Internal Audit and other department managers where appropriate in relevant matters. Inter alia, the Nomination Committee is guided by the Diversity Policy in its activities, which relies on overarching principles stated with the ECB's guide to fit and proper assessments and EU directive on gender balance on corporate boards. As a result, it has been concluded that Tiina Mõis is a member of the Supervisory Board of LHV, also the Chairman of the Remuneration Committee and the Nomination Committee, Liisi Znatokov is a member of the Supervisory Board and Chair of the Risk and Capital Committee and Relika Mell is a key function holder as the Head of Internal Audit in LHV, in addition LHV's Estonian subsidiaries employ a total of 159 middle-level managers of whom 83 are women; and there are 12 Management Board members including 5 women.

The Nomination Committee is comprised of at least three members, who are selected from among the common members of the Supervisory Boards of LHV and LHV Pank. The persons elected to the Nominating Committee must have, individually and collectively, sufficient and relevant knowledge, expertise, and experience in the area of the selection process and eligibility requirements, including knowledge of the requirements provided in the EBA and ESMA guidelines for assessing the suitability of members of management bodies and key function holders. The responsibilities, rights and operating principles of the committee and the remuneration of committee members are decided by the Supervisory Board of LHV.

Tiina Mõis (the Chairman), Rain Lõhmus and Andres Viisemann are the members of the Nomination Committee, and their term of office lasts until 22 March 2026. Further information on the members of the Nominating Committee is presented in the section Governance of the Group above. The size of remuneration payable to the members of the Nominating Committee is decided by the Supervisory Board of LHV. It has been decided to pay EUR 1,000 to

the Chairman of the Nominating Committee and EUR 500 to the Nominating Committee member, for each committee meeting attended with the effect from 1 April 2023.

Four meetings of the Nomination Committee were held, and one resolution was adopted electronically in 2024. In January, the committee reviewed and updated the Terms of Reference of the Nomination Committee and assessed the individual and collective suitability of the Management Board, Supervisory Board, and key function holders of LHV Group, LHV Pank, and LHV Finance. The succession policy and planning were also reviewed and submitted for approval to the Supervisory Board. In April, the Nomination Committee focused on the recall of the Chief Risk Officer (CRO) and the subsequent election process for a new CRO, including the development of a profile and list of candidates. The Rules of Suitability Assessment were also reviewed. In July, the committee assessed the individual and collective suitability of the prospective new members of the Management Boards of AS LHV Group and AS LHV Pank, including Kadri Haldre, and approved the new compositions of both boards. The suitability assessments and election processes were carried out to ensure compliance with regulatory requirements and alignment with LHV's strategic objectives. In December, the annual review of the Nomination Committee's Terms of Reference and the Diversity Policy was conducted. The committee also finalized updates to succession planning frameworks to strengthen LHV's management continuity and leadership pipeline. All suitability assessments, updates, and proposals were forwarded to the Supervisory Board for approval, ensuring robust governance and alignment with LHV Group's long-term goals.

### 3.6 Risk and Capital Committee<sup>21</sup>

The purpose of the Risk and Capital Committee is to perform supervision over the implementation of the risk management policy and the capital management policy on the LHV Group consolidated level, which includes the assessment of the aspects of risk, capital, liquidity and the probability and timing of revenue as well as the consideration of the business model and the risk management principles. The Risk and Capital Committee is responsible for the review of the reports prepared by the risk management department and the review and approval of all the risk limits, including the review of the company's internal liquidity adequacy assessment process (ILAAP), the internal capital adequacy assessment process (ICAAP), the recovery plan (RCP) and crisis resolution plan (RRP), and other significant risk related policies and for proposing these to the Supervisory Board for approval. The competence of the Risk and Capital Committee also includes the performance of supervision regarding LHV's investments, risks and capital management.

<sup>20</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5a, and covered with limited assurance engagement for Consolidated Sustainability Statement.

<sup>21</sup> Disclosed in line with the disclosure requirement related to ESRS G1 GOV-1, paragraph 5a, and covered with limited assurance engagement for Consolidated Sustainability Statement.



The members of the Risk and Capital Committee are selected from among the members of LHV's Supervisory Board. The persons elected to the Risk and Capital Committee must have the necessary knowledge, skills and experience to understand and continuously monitor the risk management principles and risk tolerance. The responsibilities, rights and operating principles of the committee and the remuneration of committee members are decided by the Supervisory Board of LHV.

Liisi Znatokov (the Chairman), Rain Lõhmus, Heldur Meerits and Andres Viisemann are the members of the Risk and Capital Committee, and their term of office lasts until 31 March 2026, except for Liisi Znatokov, whose term lasts until 20 March 2027. Further information on the members of the Risk and Capital Committee is presented in the section Governance of the Group above. The size of remuneration payable to the members of the Risk and Capital Committee is decided by the Supervisory Board of LHV. It has been decided to pay EUR 1,000 to the Chair of the Risk and Capital Committee and EUR 500 to the Risk and Capital Committee member, for each committee meeting attended, considering the difference stipulated regarding the common remuneration with the Risk and Capital Committee formed at the Supervisory Board level of LHV Pank.

Nine meetings of the Risk and Capital Committee were held in 2024, and one written resolution was adopted. The committee placed significant focus on the Risk Appetite Framework (RAF), implementing substantial revisions and updates, including credit risk limits, operational risk metrics, and an action plan for future developments. In February, the committee reviewed updates to key risk policies, including the Risk Management Policy, Compliance Policy, and the Policy on Prevention of Financial Crime, as well as ICAAP/ILAAP processes and the MLRO and Compliance Reports for 2023. March and June meetings emphasized RAF enhancements, such as credit risk appetite limits, breaches of operational risk appetite metrics, and updates to recovery plan indicators. The ICAAP/ILAAP scenarios and preliminary SREP findings were also reviewed. In the latter half of the year, the committee continued updates to the RAF, approved the updated ICAAP/ILAAP scenarios, and key policies like the Capital Management Policy and the Policy on Prevention of Financial Crime. Feedback from the ECB and updates to AML measures, instant payments, and covered bond volumes were incorporated. The committee also provided oversight on regulatory and operational risk issues, including separability analysis reports (SAR) and the asset quality review (AQR) Operational Act, ensuring robust risk management practices. All proposals and updates discussed by the Risk and Capital Committee were forwarded to the Supervisory Board for approval, ensuring robust governance and alignment with LHV Group's strategic goals. The committee's efforts reinforced LHV Group's commitment to robust risk management practices and compliance with evolving regulatory requirements.

<sup>22</sup> Disclosed in line with the disclosure requirements related to ESRS G1 G1-1, paragraphs 9 and 10g, and covered with limited assurance engagement for Consolidated Sustainability Statement.

#### 4. Cooperation between the Management Board and the Supervisory Board and the Corporate Culture

##### 4.1 Cooperation between the Management Board and Supervisory Board

The Management Board and Supervisory Board work in close cooperation to best protect the interests of LHV. The cooperation is, above all, based on an open exchange of views between and within the Management Board and the Supervisory Board.

The Management Board and the Supervisory Board collaborate in developing the goals and strategy of LHV. In managing LHV, the Management Board observes the strategic instructions of the Supervisory Board. The Management Board discusses strategic management issues with the Supervisory Board regularly, honestly, and openly. The Management Board is invited to participate in the monthly meetings of the Supervisory Board.

The Management Board regularly informs the Supervisory Board of all significant circumstances related to LHV's business planning, operations and performance, risk exposures and risk management.

There were no conflicts of interest in the financial year 2024 and accordingly, no corrective measures have been applied.

##### 4.2 Corporate Culture and Ethical Governance<sup>22</sup>

LHV's corporate culture embodies its mission to improve access to financial services and capital, and its vision to inspire individuals and businesses to think ambitiously, explore innovative ideas, and take bold actions to achieve their goals. Anchored in its core values—simple, supportive, and effective—LHV establishes and nurtures its corporate culture through clear value-driven strategies and policies. The Human Resources Policy and value package for LHV employees play a central role in fostering employee growth, satisfaction, and alignment with organizational goals. These initiatives emphasize professional development, recognition, and a supportive work environment.

The governing bodies are responsible for establishing policies, including the Code of Ethics, which are mandatory for all employees. These policies are reviewed yearly, and if necessary, discussions are held in this regard to ensure they remain relevant and effective in promoting a strong corporate culture. Through this process, the Management and Supervisory Boards provide clear guidance to foster and uphold the organization's values and ethical standards.

All managers (and employees) of LHV must behave ethically and responsibly and following the Code of Ethics is mandatory. LHV's Code of Ethics is the foundation of LHV's various internal regulations, including the Group

Governance Policy and other procedures governing the specifics of adherence to the Code of Ethics. LHV also has an ESG Policy which clearly states and explains LHV's responsibility and commitment to social and environmental issues.

The organizational and operational setup of LHV is transparent, clear, and always current, to manage the group efficiently. This is ensured through clearly defined responsibilities, regular internal and external audits, periodic reviews of policies to maintain relevance, and continuous investment in training and development to ensure awareness of best practices and regulatory requirements. This approach ensures that internal control is separate from business operations, with enough division of responsibilities and the right resources for effective performance.

To promote its culture, LHV ensures that its values are integrated into daily operations, communications, and investor interactions. The organization consistently communicates its commitment to transparency, sustainability, and ethical conduct, reinforcing these principles across all levels of the company.

LHV evaluates its corporate culture through regular employee feedback (including satisfaction surveys), performance metrics, and alignment with strategic objectives. Satisfaction surveys gather insights into employees' views on the organization, management, their work, and personal motivation. This approach ensures that its culture evolves in response to internal and external changes, fostering long-term success for employees, clients, and shareholders while maintaining strong governance and adherence to ethical standards.

LHV's training policy, as outlined in the Human Resources Policy, emphasizes developing employees' competencies through planned training processes. Training targets all employees, with its scope and frequency determined by annual training plans that align with departmental needs and employee development goals. Training formats include in-house, outsourced, and e-learning options, ensuring flexibility and relevance.

Throughout the year, members of the Management Board of LHV group companies deliver on-site presentations as part of the quarterly overview on financial topics, including LHV's goals and objectives. Additionally, LHV also arranges quarterly informational briefings, strategic discussions, and activity overviews led by area managers of LHV group companies. These sessions aim to provide employees with a comprehensive understanding of the company's culture, strategy, and performance. All such events can be attended in person, remotely, or accessed later via recordings.

All potential cases of conflicts of interest, bribery, financial crimes, unlawful activities, and corruption are carefully and responsibly managed. To encourage the sustainability

mindset across all management levels and the organization, LHV:

- maintains a flat, non-hierarchical organizational structure to emphasize the importance of employees taking individual responsibility;
- continuously enhances the integration of ESG factors into everyday work, management style, recruitment processes, and strategy building;
- focuses on engagement and cooperation;
- recognizes the integration of ESG factors into business processes as a change management effort and understand the importance of collaboration to achieve our goals;
- works toward better analysing and reporting the ESG activities and progress and appropriately disclosing our metrics and achievements to regulators, partners, and the public;
- in order to ensure a transparent management culture, follows the 'Corporate Governance Recommendations' developed by the EFSA and the Nasdaq Tallinn Stock Exchange;
- fulfils the reporting requirements of the UNEP FI Principles of Responsible Banking;
- has integrated sustainability goals as part of the annual targets into the result-based share option programme for the Management Board and equivalent staff as well as key employees.

LHV does not engage in lobbying activities and does not directly or indirectly support any political organization<sup>23</sup>.

#### 4.2.1 Whistleblowing Channel<sup>24</sup>

LHV group companies have established an internal whistleblowing channel accessible through the intranet, enabling employees to confidentially report legal violations, unethical conduct, or behaviour that conflicts with internal rules, such as the Code of Ethics or other. The channel supports anonymous submissions, and all reports are directed to the Compliance department for impartial review and appropriate action.

The whistleblowing mechanism ensures the protection of employees who report in good faith, including anonymity if requested by the employee, and protection against discrimination and unfair treatment. Violations are handled comprehensively and objectively, with law enforcement and supervisory authorities being informed if necessary, and employees have been informed of their right to report outside the organization. Although specific training on

<sup>23</sup> Disclosed in line with the disclosure requirement related to ESRS G1 G1-5 covered with limited assurance engagement for Consolidated Sustainability Statement.

<sup>24</sup> Disclosed in line with the disclosure requirements related to ESRS G1 G1-1, paragraphs 10a, 10c and 10e, and covered with limited assurance engagement for Consolidated Sustainability Statement.

whistleblowing has not been offered, LHV group companies highlight the availability of the whistleblowing channel during introductory compliance training sessions. Information on the whistleblowing mechanism, including relevant documentation, is easily accessible to all employees via the intranet, supported by clear banners and links. In accordance with the content of the reported violation, investigations are also conducted in compliance with the Internal Fraud Prevention Procedure where discovery and handling processes are clearly defined. Investigations are managed independently by the internal control function, a second-line compliance function that operates separately from the management chain.

The outcomes of investigations, where applicable, are reported to the relevant governing bodies, ensuring transparency and accountability in the handling of such matters. This comprehensive framework supports LHV's commitment to ethical business practices.

#### 4.2.2 Prevention and Detection of Corruption and Bribery<sup>25</sup>

LHV has established processes to prevent, detect, investigate, and address potential incidents of corruption or bribery, governed by mandatory internal rules accessible on the intranet. Employees are contractually obligated to review and adhere to these rules, with updates promptly communicated and confirmed through a dedicated system. New employees must also review and confirm their understanding of these rules upon joining.

While LHV does not have a specific anti-corruption or anti-bribery training program, the relevant topics are addressed within internal policies, which are mandatory for all employees.

LHV ensures transparency and integrity through detailed gift acceptance rules and established policies that uphold ethical behaviour, prevent conflicts of interest, and ensure the responsible use of LHV's resources. These policies have not been formally assessed against the United Nations Convention against Corruption, as there is no practical necessity for such an evaluation within the finance sector's rigorous regulatory framework, nor is there currently any plan to conduct such an assessment.

The whistleblowing mechanism, in accordance with the process described in the previous section, enables the reporting of any suspected incidents (including corruption and bribery), ensuring a structured process for identifying such cases.

LHV has not identified areas or functions within the organization that present a risk of corruption or bribery. The Conflict-of-Interest Policy, along with other internal policies,

ensures robust oversight and governance, minimizing the potential for unethical practices across all functions. Additionally, a procedure has been established to prevent, detect, and resolve internal fraud, further strengthening LHV's commitment to ethical operations.

LHV has no confirmed incidents related to corruption or bribery.

## 5. Disclosure of information

### 5.1 Commitment to transparency and investor relations excellence

LHV treats all shareholders equally and notifies all shareholders of significant circumstances equitably, ensuring quick and equal access to relevant information. Information is disclosed in accordance with the rules established for publicly traded companies.

LHV contributes actively to the development of good relations with the investor community and to raising the awareness of investors. LHV has set up an investor relations website, where it makes all documents and information available to shareholders in accordance with the CGR and legal requirements. LHV publishes monthly financial results as well as next-year and five-year financial forecasts. The website of LHV includes the financial calendar for the current and the next year, which outlines the publication dates of the annual report and interim reports and the date of the Annual General Meeting. The disclosed information is available on the website in Estonian, English and Russian. LHV also discloses its annual plans and monthly results in its stock exchange announcements. LHV's credit institution subsidiary, LHV Pank, is registered in the EU Transparency Register under the identification number 449511822591-64. None of the members of LHV's administrative, management, or supervisory bodies appointed during the reporting period held comparable positions in public administration (including regulators) in the 2 years preceding their appointment. Any such connections, if they arise, will be disclosed in future reports<sup>26</sup>.

LHV organises quarterly investor meetings and webinars, the summaries of which are available on LHV's website. Additional meetings with analysts and presentations and press conferences for analysts, investors or institutional investors are arranged when needed and if requested by stakeholder groups. On its website, LHV explains its goals, directions and opinions about possible trends and changes in the regulatory and business environment. LHV strives to be approachable, transparent, and accountable to investors. In 2019, 2020 and 2023 LHV was named the winner of the Nasdaq Baltic Awards – an award which recognises the best-performing Nasdaq Baltic-listed companies,

<sup>25</sup> Disclosed in line with the disclosure requirements related to ESRS G1 G1-1 (paragraphs 10a, 10b, 10g and 10h), G1-3 (paragraphs 18a, 18b, 18c, 20, 21a, 21b, 21c), G1-4 (paragraph 24a), and covered with limited assurance engagement for Consolidated Sustainability Statement.

<sup>26</sup> Disclosed in line with the disclosure requirements related to ESRS G1 G1-5, paragraphs 29d and 30, and covered with independent practitioner's limited assurance report on AS LHV Group Consolidated Sustainability Statement.



considering the quality of investor relations and return on equity – in the main category Best Investor Relations. In 2023, AS LHV Pank was named the Stock Exchange Member of the Year, for the eighth time, for most actively contributing to capital market development initiatives.

## 5.2 Dividend policy

LHV's dividend policy, available on LHV's website, sets out the dividend distribution principles, according to which the key precondition for dividend distribution is sustainable compliance with both external and internal regulatory capital requirements. Depending on its growth and/or investment plans, LHV may decide not to pay a dividend. Provided the preconditions are met, LHV will distribute 25% of profit before taxes, attributable to LHV shareholders as dividends, income tax included.

## 6. Financial reporting and auditing

LHV publishes an annual report, which is audited, approved by the Supervisory Board and ultimately approved by the General Meeting.

The number of auditors is determined, and the auditors are appointed by the General Meeting, which also determines the auditors' remuneration procedure. The key criteria that the Audit Committee considers in making a proposal to the General Meeting for the appointment of an auditor include the 'auditor's prior experience in the financial services sector and auditing public interest entities, teamwork skills, expertise and ability to involve experts and, in the case of significant differences, the audit fee. Auditors are appointed for a single audit or for a specified term.

In 2024, the auditor provided the group companies with contractual services, including audits of the annual accounts of group companies and reviews of the profits reported in quarterly financial statements.

Transactions with related parties are disclosed in Note 24 to the financial statements.

In 2022, the Management Board and the Audit Committee organised a competition for selecting an auditor for the audit of the annual reports for the years 2024–2028. The four biggest internationally recognised audit firms were asked to submit their offers and meetings with their representatives were held. In selecting the auditor, the candidates' previous professional experience, competence, expertise, reliability, transparency of communication and terms offered compared to market terms as well as LHV's business-specific criteria were assessed. An invitation to participate was sent to the three largest audit firms and from the two firms that submitted an offer AS PricewaterhouseCoopers (PwC) was selected and appointed as the auditor of group companies for the financial years 2024–2028 at the Annual General Meeting of 2022.

In 2024, the fees paid or payable for the services provided by the auditor amounted to EUR 1,017 thousand of which EUR 817 thousand was for audits and EUR 200 thousand was for other services.

## 7. Declaration of conformity

LHV complies with the CGR, except for the following instruction and recommendation for the reasons stated below:

*'3.2.2. At least half of the members of the Supervisory Board of the Issuer shall be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number dependent members.'*

At present, the Supervisory Board of LHV includes one independent member (Liisi Znatokov) in accordance with the features set out in the 'Requirements of independence' annex to the CGR. Due to the continuous active development and growth stage, LHV has so far preferred people with long-term management and banking experience as members of the Supervisory Board. Most of the current Supervisory Board members are also the largest shareholders of LHV. LHV believes that in their capacity as members of the Supervisory Board, the largest shareholders are best motivated to contribute to the management and long-term development of LHV. Based on objective and verifiable data, two of the current seven members of the Supervisory Board have significant ownership interests (Rain Lõhmus and related persons hold 21.18% of share capital and Andres Viisemann and related persons hold 11.04% of share capital). No member of the Supervisory Board has the power to appoint, by any means, the majority of the members of the Management Board or Supervisory Board of LHV or to control LHV in some other manner; they are not connected with LHV through a material business interest; they are not related to a shareholder of LHV that exercises control over LHV; they are not employees or business partners of LHV or members of the key personnel of a business partner. Accordingly, LHV has not considered it necessary to apply any corrective measures and considers the Supervisory Board of LHV in its present composition to be suitable, including in terms of independence. Furthermore, when assessing the independence of the members of the Supervisory Board, it has been concluded that their behavioural skills include courage, conviction, and strength to effectively assess and challenge the proposed decisions of other members of the Supervisory Board and being able to resist group-thinking.