

Supervisory Board letter

The year 2022 can generally be characterized as a year of growth in which we achieved and exceeded the set goals and set ambitious plans for 2023. The role of the Supervisory Board was to ensure the successful, stable, and sustainable growth of the company and to govern the company representing the interests of all shareholders. Some of the most important tasks and responsibilities accomplished by the Supervisory Board in 2022 are:

- The Supervisory Board elected Sanita Zitmane to the Management Board of DelfinGroup to improve the offering and results of DelfinGroup's products and services.
- In 2022, after the first full year of operation, the current Supervisory Board streamlined the reporting calendar and content. At the request of the Supervisory Board, the Management Board prepares regular monthly, quarterly, and semi-annual reports so that the Supervisory Board can oversee the most important company's operations.
- The Supervisory Board consented to several Management Board's initiatives to support the Republic of Ukraine in its fight against Russia's aggression by approving donations of funds to charitable organizations, hence inviting representatives of the organizations to give an account on the use of funds.
- 2022 was the first full year of quarterly dividend distribution and payout.
- In 2022, the Supervisory Board changed the Management Board's remuneration model for 2023, which links the management's bonuses to specific joint board and individual goals (KPI) following the "balanced scorecard" method. In addition, in 2022, the Supervisory Board implemented a unified Management Board's performance evaluation process.
- The Risk and Audit Committee actively participated in the selection process of the independent auditors for the coming financial years.
- In 2022 the Supervisory Board focused on HR, PR, and IT strategies, concurrently encouraging the management to source the most suitable employees to execute these strategies (HR director, Chief Innovations Officer, Head of PR) and reviewed and approved the company's succession plan.
- SB Board approved several essential company policies like Risk management policy, Code of Ethics, and Human resources policy.
- Considering the results of DelfinGroup's annual strategic session, the management started exploring the options for the company's regional expansion in the Baltics or Europe.
- With a rapid increase in financing costs and limited availability, the Supervisory Board initiated the establishment of a working group to secure alternative funding (bank loan).
- To strengthen the internal control system, the Supervisory Board announced a new selection process for the position of the Head of the Internal Audit function, approved the official responsible for AML compliance (CFO and board member A. Umblejs), and initiated conducting of an independent audit in terms of AML controls in respect of share and bondholders of DelfinGroup and monitoring the conflict of interest.

- The Supervisory Board actively monitored the process of developing the DelfinGroup's financial budget for 2023, providing recommendations for its improvement, and actively followed up on the implementation of the 2022 budget;
- To follow up on tasks and responsibilities set forth in the charters of the committees, the Supervisory Board established a structured system of committee task monitoring.
- The Supervisory Board participated in the renewal of DelfinGroup's strategy, expressing its independent opinion, aligning the shareholders' vision with the Management Board's proposals, considering market conditions, medium-term financial guidance published on the stock exchange, and budget execution.
- The Supervisory Board approved DelfinGroup Management Board's charter as part of the corporate governance process.
- In December 2022, the DelfinGroup employee share option program came into effect, allowing employees to become company shareholders. In Latvia, this type of employee motivation practice is a novelty.

The Supervisory Board thanks the Management Board and employees of DelfinGroup for their hard work and looks forward to sustainable growth in 2023 with enthusiasm and optimism.

Agris Evertovskis
Chair of the Supervisory Board