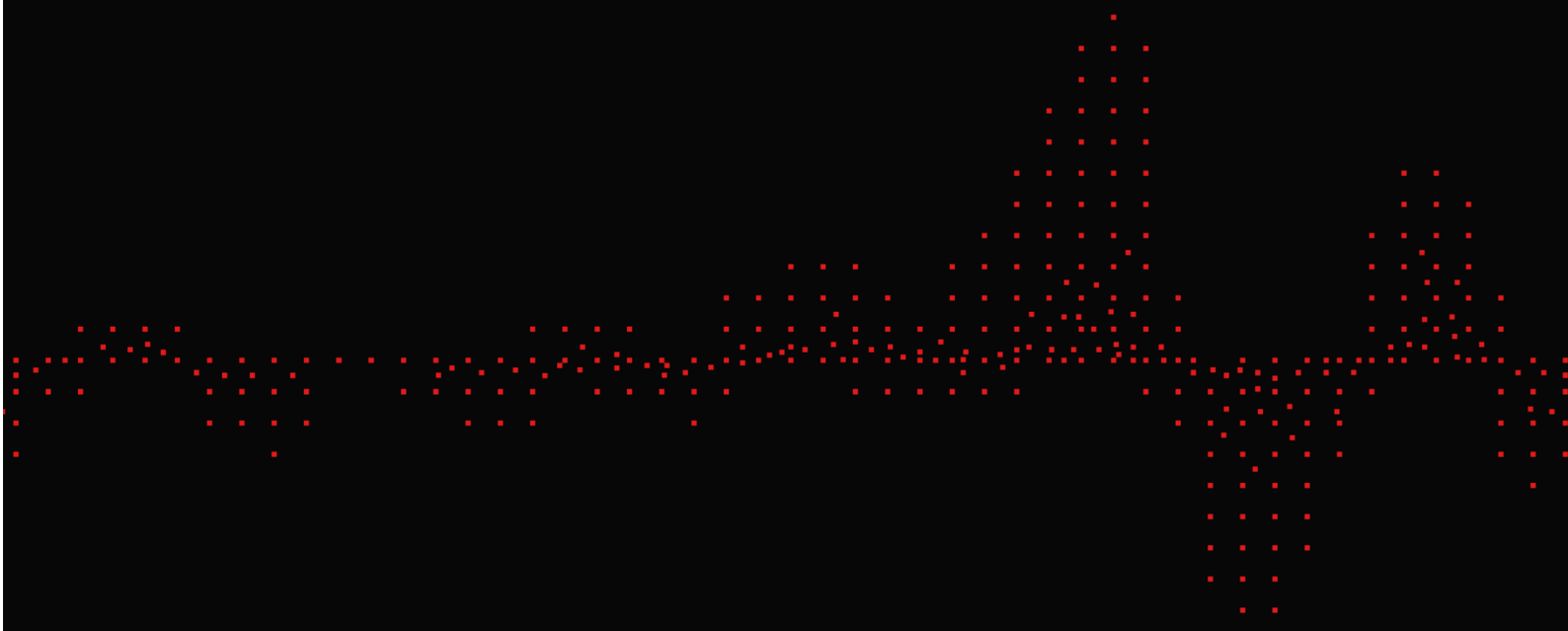
Drawn up in accordance with the **Latvian Corporate Governance Code** developed by the **Ministry of Justice** and good corporate recommendations.

SAF Tehnika JSC

Corporate Governance Report

for Financial Year 2025/2026



Introduction

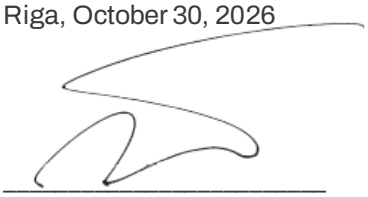
The Corporate Governance Report (hereinafter also referred to as the "Report") of the joint-stock company "SAF Tehnika" (hereinafter referred to as "SAF") has been prepared based on the Latvian Corporate Governance Code (published in 2021) developed by the Advisory Board for Corporate Governance of the Ministry of Justice, the principles of which summarize the best international practices in corporate management (available at https://bit.ly/3wwa3A5). The Report was prepared by the Board of the company.

This Report is published in Latvian and English on SAF website www.saftehnika.com in section "Investors – Corporate Governance", as well as on the website of Nasdaq Riga AS (www.nasdaqbaltic.com).

SAF has implemented and follows most of the principles of good corporate governance. The purpose of compliance with these principles is not only to improve SAF structure, performance and transparency of operations, but also the desire to improve the quality of publicly shared information, which, in turn, would promote the interest of local and foreign investors in SAF shares and their trust in SAF commercial activities.

The Board of "SAF Tehnika" JSC has evaluated the capital company's compliance with the principles set out in the Corporate Governance Code. Having assessed both the management system of the joint-stock company and compliance with the principles in 2025/2026, the Board believes that SAF has complied with most of the principles of corporate governance during 2025/2026, and also explains the reasons in cases where one of the principles is not observed or partially observed.

Riga, October 30, 2026



Chairman of the Board
Normunds Bergs

Company Strategy

Company strategy is an essential tool for setting company objectives and progress towards long-term success and value creation.

Principle # 1
The company has an up-to-date strategy that sets out the company's objectives and progress towards long-term value creation.

Criteria:
1.1. The company has an up-to-date strategy, the draft of which is developed by the management board.
1.2. The supervisory board is involved in the strategy development process and approves the strategy at the supervisory board meeting.
1.3. The supervisory board monitors the implementation of the strategy.
1.4. The company management board implements the strategy and reports to the supervisory board on its implementation on a regular basis.

SAF partially follows this principle of corporate governance. The current strategy of the Company has been developed for the period from 2022 to 2026. In-house members of the supervisory board are involved in the strategy development process and participate in regular strategy meetings. However, a separate meeting of the supervisory board has not yet been held, during which the Company's strategy would also be approved.

Internal Culture and Ethical Behaviour

The basic principles of the company's internal culture and ethical behaviour and the values on which they are based are a precondition for the successful long-term development of the company.

Principle # 2
The company develops an internal culture and ethics code which serves as a standard of conduct for the company's management and employees.

Criteria:
2.1. The supervisory board defines the company's core values.
2.2. The management board prepares and the supervisory board approves the code of internal culture and ethics.
2.3. 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.

SAF partially follows this principle of corporate governance. The Company operates in accordance with several internal policies and procedures described in the Collective Labour Agreement, the Quality Management Manual, the Internal Rules and Regulations, the Responsible Employee's Manual and other internal documents and instructions. The Company's core values, mission and vision are defined and emphasized on a daily basis.

Internal Control System, Risk Management and Internal Audit

The purpose of the internal control system is to ensure the efficient, sustainable and successful operation of the company, the veracity of the information provided and compliance with the relevant regulatory enactments and operating principles.

The purpose of risk management is to identify, assess, manage and control potential events or situations to provide assurance regarding the achievement of the company's strategic objectives.

Internal audit helps the company accomplish its objectives by bringing systematic processes to evaluate and improve the effectiveness of risk management, internal control and governance processes.

Principle # 3
The company has an internal control system, the effectiveness of which is monitored by the supervisory board.

Criteria:
3.1. The company has a documented internal control system, the establishment of which is the responsibility of the management board.
3.2. 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.
3.3. The supervisory board, at least once a year, evaluates the provided evaluation of the effectiveness of the internal control system.

SAF partially follows this principle of corporate governance. SAF's internal control procedures are confirmed by SAF's quality management system, which is certified according to the ISO 9001:2015 standard. Elements of the internal control system: determination of SAF development strategies and goals, operational planning, organization of SAF operations, accounting, document circulation and storage procedures, risk identification and management, efficiency evaluation and improvement, and other internal control elements. Internal control tasks are also defined as responsibilities in the job descriptions of certain employees. The internal control system is not documented in a separate document.

Principle # 4
The company identifies, assesses and monitors the risks associated with its operations.

Criteria:
4.1. The management board develops and the supervisory board approves the company's risk management policy.
4.2. Based on the identified risk assessment, the management board implements risk management measures.
4.3. 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.

SAF partially follows this principle of corporate governance. Independent internal audits and risk assessment of SAF's operations are carried out regularly as part of the annual quality management audit.

Principle # 5
An internal audit has been established in the company, it evaluates the company's operations independently and objectively.

Criteria:
5.1. The company has an internal auditor who is functionally independent of the management board and reports to the supervisory board.
5.2. The supervisory board approves the internal auditor.
5.3. The internal auditor develops a risk-based internal audit plan, which is approved by the supervisory board.
5.4. 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.

SAF does not follow this principle of corporate governance. However, independent internal audits of the Company's activities are carried out regularly as part of the annual quality management audit. In the financial year 2025/2026, the quality audit was conducted by Bureau Veritas Latvia, confirming the successful functioning of the quality system and accordingly extending the certificate for another year. Compliance with all internal procedures and regulations is audited at least once a year in accordance with the internal procedures audit plan. SAF structure, number of employees and type of activity do not require the creation of a separate body for internal audit, since this would not be useful.

External auditor

The external auditor provides the management board and the supervisory board, all shareholders and investors, creditors and other stakeholders with an independent report on the company's financial standing, reliability of financial statements and compliance with the requirements of regulatory enactments.

Principle # 6
The company has an independent external auditor.

Criteria:
6.1. The supervisory board and the Audit Committee (if established) determine the selection criteria for the external auditor.
6.2. The company has an independent external auditor with appropriate qualifications.
6.3. The term of office of one external auditor does not exceed 7 years.

SAF complies with this principle of corporate governance. The choice of an external auditor is coordinated with the supervisory board and approved at the shareholders' meeting. The shareholders' meeting has approved an independent external auditor with appropriate qualifications.

Election of Supervisory Board Members

A competent and experienced supervisory board is a prerequisite for the efficient operation of the company and decision-making, which contributes to the long-term growth of the company's value. The supervisory board is working in the interests of all shareholders and the company.

Principle # 7

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

Criteria:

7.1. The company has approved the procedure for selection and removal of supervisory board members.

7.2. 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.

7.3. The size of the supervisory board corresponds to the specifics of the company's operations.

7.4. A supervisory board member is elected for a term not exceeding 5 years.

SAF complies with this principle of corporate governance. With regard to the procedure for the election and removal of members of the supervisory board, all applicable regulations are observed, as well as the Articles of Association.

Principle # 8

Supervisory board members combined have relevant experience and competence.

Criteria:

8.1. 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.

8.2. The principles of diversity are observed when forming the supervisory board.

8.3. Both sexes are represented in the supervisory board.

8.4. The management board develops an induction training programme and provides new supervisory board members with induction training.

SAF complies with this principle of corporate governance. The principles of diversity are respected in the composition of the supervisory board, as evidenced by the experience of supervisory board members in various sectors; all supervisory board members are top-level specialists. Both sexes are represented in the supervisory board. Introductory training is provided to new members of the supervisory board.

Principle # 9

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

Criteria:

9.1. The company evaluates and the shareholders determine the proportion of independent supervisory board members.

9.2. At least half of the supervisory board members are independent.

9.3. Independent candidates for supervisory board membership make a declaration that they meet the independence criteria.

9.4. Prior to the election of the supervisory board, the company evaluates the independence of supervisory board members in accordance with the available information.

SAF partially follows this principle of corporate governance. During the financial year, the supervisory board had 5 members, of which 2 met the independence criteria. Two of the five members of SAF's supervisory board are among both SAF's executive employees and SAF's major shareholders. In SAF's view, more detailed knowledge of SAF's activities does not reduce the professionalism and independence of the above-mentioned supervisory board members in making decisions, but promotes the ability to make even better decisions in the interests of SAF.

Principles of Determining the Remuneration for the Supervisory Board and the Management Board

Clearly defined remuneration principles for management board and supervisory board members facilitate transparency of the use of funds and effective risk management.

Principle # 10
The company has introduced a remuneration policy.

Criteria:
10.1. 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.
10.2. 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.
10.3. No variable part of remuneration is determined for supervisory board members, and no compensation is paid in case of removal or resignation from office.
10.4. Once a year, the management board prepares a report on the remuneration granted to each current and former management board and supervisory board member.

SAF complies with this principle of corporate governance. A remuneration policy reviewed by the supervisory board and approved by the shareholders' meeting has been implemented in the Company. A Remuneration report is prepared once a year.

Organization of the Supervisory Board`s Work and Decision-making

A clear and understandable organisation of the work of the supervisory board and the availability of timely, high-quality and relevant information facilitates the effective performance of the supervisory board's tasks and full involvement of supervisory board members in decision-making.

Principle # 11
The company's supervisory board work organisation is clear and understandable.

Criteria:
11.1. The supervisory board organises its work in accordance with regulations of the supervisory board and the work calendar.
11.2. The supervisory board holds at least one separate supervisory board meeting per year to discuss the company's strategy and its implementation.
11.3. The company's budget provides the financing necessary to ensure the operation of the supervisory board.
11.4. 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.

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

SAF partially follows this principle of corporate governance. The functions and rights of the supervisory board are defined in the Company's Articles of Association that are available on SAF's website www.saftehnika.com. In-house members of the supervisory board are involved in the strategy development and evaluation process. So far, no separate meeting of the supervisory board has been held, during which the Company's strategy would be approved.

Principle # 12
The supervisory board takes informed and well-balanced decisions.

Criteria:
12.1. The supervisory board has access to information prepared by the management board necessary for decision-making in a timely manner and in sufficient amount.
12.2. 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.
12.3. A supervisory board member analyses information and prepares proposals for decisions to be adopted by the supervisory board.
12.4. When making decisions, the supervisory board assesses the risks, short-term and long-term impact on the company's value, sustainability and responsible development.

SAF complies with this principle of corporate governance. All necessary information for the operation of the supervisory board is prepared in a timely manner. The information includes both an outline of the current situation and an estimate of how a particular issue could affect the Company's activities.

Principle # 12.1
A committee prepares proposals for supervisory board decision making.

Criteria:
12.1.1. The supervisory board determines the tasks of the committee and the procedure for organizing its activities.
12.1.2. 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).
12.1.3. 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.

SAF has not implemented this principle of corporate governance. The supervisory board consists of five supervisory board members, and after evaluating the need of creating commissions, it was concluded that this number of people is optimal, without creating separate committees in the supervisory board.

Prevention of the Conflict of Interests

Identification and management of potential conflict of interest situations reduces a company's financial and reputational risks.

Principle # 13
Management board and supervisory board members are clearly aware of the manifestations of conflicts of interest and are informed of the action to be taken in the event of a conflict of interest.

Criteria:
13.1. The supervisory board defines the indications of a conflict of interest and determines the procedures for the prevention and management of conflicts of interest.
13.2. 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.
13.3. Persons subject to the obligation to prevent a conflict of interest regularly participate in training on dealing with conflicts of interest.

SAF partially follows this principle of corporate governance. It is the responsibility of each member of the management board or supervisory board to prevent the emergence of any, even only apparent, conflicts of interest in their activities. Members of the supervisory board or the management board do not participate in decision-making on matters where the interests of the Company conflict with the interests of members of the supervisory board, the management board or persons associated with them.

Shareholder`s Meeting

Effective involvement of shareholders in decision-making helps to achieve the company's financial and non-financial goals, as well as ensures the company's sustainable operation.

Principle # 14
The company provides shareholders with timely information on conduction of shareholders' meetings providing all the information necessary for decision-making.

Criteria:
14.1. 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.
14.2. Simultaneously with the announcement of the meeting, the company provides an opportunity for the shareholders to get acquainted with the draft decisions, which are initially planned to be voted on at the meeting. The company immediately informs the shareholders of any additional draft decisions submitted.
14.3. The company provides shareholders with an opportunity to submit questions on the matters included in the agenda and draft decisions before the shareholders' meeting.

14.4. The draft decisions and the documents attached to them provide detailed, clear and complete information on the matter under consideration.

SAF ensures compliance with this principle of corporate governance.

Principle # 15
The company promotes effective involvement of shareholders in decision-making and the largest possible participation of shareholders in shareholder meetings.

Criteria:
15.1. The shareholders' meeting is convened and held at a place and time easily accessible to the shareholders.
15.2. The company provides shareholders with the opportunity to participate in the shareholders' meeting remotely.
15.3. The company determines the appropriate duration of the shareholders' meeting and provides the shareholders with the opportunity to express their opinions during the meeting and obtain the necessary information for decision-making.
15.4. The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected time.
15.5. 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.
15.6. The shareholders' meeting makes decisions in accordance with the previously announced draft decisions.

SAF ensures compliance with this principle of corporate governance.

Principle # 16
The company develops and discusses the dividend policy with shareholders.

Criteria:
16.1. The company has developed and published an up-to-date dividend policy.
16.2. The dividend policy has been discussed with the shareholders during the shareholders' meeting.

SAF ensures compliance with this principle of corporate governance.

Transparency of Company Operations

Transparency of the company's operations is the basis for effective investor relations and successful communication with shareholders and other stakeholders.

Principle # 17
The company informs shareholders and other stakeholders on a regular basis and in a timely manner of business operations, financial results, management and other relevant issues of the company.

Criteria:
17.1. The company discloses complete, accurate, objective, up-to-date and true information in a timely manner.
17.2. The company discloses information to all shareholders at the same time and to the same extent.

17.3. 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.
17.4. The company provides information both in Latvian and at least one other language that is understandable to most of the company's foreign shareholders and other stakeholders.
SAF almost fully ensures compliance with this principle of corporate governance. However, it has not published absolutely all the documents listed in Annex No.1 (Key Company Policies). SAF timely discloses accurate, objective and true information in Latvian and English, using the Nasdaq information exchange system, as well as on its website.

Annex No. 1: Information to be Published on the Company`s 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 general meetings of shareholders, supervisory board, its committees, management board, auditors, internal auditors, audit committee, etc.).
- Company Code of Internal Culture and Ethics.
- Key company policies

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:
    a. Term of office;
    b. Position and area of responsibility (if applicable/assigned);
    c. Professional work experience and education;
    d. Up-to-date information on positions in other companies;
    e. Up-to-date information on the company shares owned;
    f. Statistics on attendance of supervisory board meetings.
- Information on independent supervisory board members:
    a. Which supervisory board members are considered independent;
    b. According to what criteria the independence of a supervisory board member is determined;
    c. Annual evaluation of the independence of supervisory board members.
- Remuneration policy of the management board and 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:
    a. Committee regulations;
    b. Information on committee members.

Financial and non-financial reports and information:

- Financial statements and reports of the company for at least the last 3 financial years:
    a. Annual reports (including consolidated reports, if any) and auditor's reports (if any);
    b. Interim reports and quarterly reports.
- Non-financial reports of the company (on the company's environmental impact, social and employee-related aspects, respect for human rights and anti-corruption measures, including the sustainability report) for at least the last 3 financial years.
- Corporate Governance Reports.
- The company's financial calendar or other calendar of significant and planned communication events.

Information for shareholders and investors:

- Information on the planned shareholders' meetings:
    a. Notices on convening the shareholders' meetings;
    b. Draft decisions.
- Information on held shareholders' meetings:
    a. Information on the decisions adopted at the shareholders' meetings.
- Company's dividend policy and information on dividends paid (for at least the last 10 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, video recordings from events for investors, forecasts, if any, etc.
- Contacts of the Investor Relations Officer (if any).

* in accordance with the Latvian Corporate Governance Code developed by the Ministry of Justice and good corporate recommendations