Balcia
insurance



SUSTAINABILITY REPORT

FOR THE YEAR ENDED
31 DECEMBER 2025

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ABOUT THE REPORT (BP-1)

Balcia Insurance SE (hereinafter referred to as “Balcia”, “the Company” or “we”) is an insurtech company registered in Latvia under registration number 40003159840 and operating as a European Company (Societas Europaea).

This ESG Report 2025 has been prepared on a consolidated basis, consistent with the scope of Balcia’s financial statements. The report covers Balcia’s own operations as well as material upstream and downstream elements of the value chain where relevant sustainability-related impacts, risks and opportunities (IROs) have been identified.

The report has been prepared with reference to the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). The disclosures included in this report are based on the results of Balcia’s double materiality assessment and reflect sustainability matters considered material to the Company, as well as selected mandatory ESRS disclosure requirements.

Balcia continues to develop its sustainability reporting processes, methodologies, and internal controls. While substantial progress has been made toward alignment with ESRS principles and disclosure expectations, certain disclosures remain subject to ongoing data and methodology development, particularly regarding the value chain.

This report covers the reporting period from 1 January 2025 to 31 December 2025.

Unless otherwise stated, quantitative and qualitative information presented in this report relates to Balcia’s consolidated operations.

This report has not been externally assured.

For questions or feedback regarding this report, please contact: sustainability@balcia.com.

REPORTING TIME HORIZONS (BP-2)

For the purposes of assessing sustainability-related risks and opportunities, Balcia applies the following reporting time horizons:

- Short term: up to 3 years
- Medium term: 3–10 years
- Long term: more than 10 years

CHANGES IN REPORTING AND PRESENTATION

Where relevant, changes to methodologies, presentation approaches, estimates, or previously reported information are explained within the relevant disclosure sections.

As this report has been prepared on a voluntary basis and sustainability reporting practices continue to evolve, certain disclosures and presentation formats may differ from those used in previous reporting periods.

SUSTAINABILITY DISCLOSURE OVERVIEW

This report has been prepared with reference to the European Sustainability Reporting Standards (ESRS) and the VSME+ approach. The table below provides an overview of the sustainability topics and disclosure requirements covered in this report.

Disclosure Requirement	Reference	Coverage
General disclosures	BP-1, BP-2	Included
Governance	GOV-1 to GOV-5	Included
Strategy and business model	SBM-1 to SBM-3	Included
Climate change	E1	Partially reported
Pollution	E2	Not material
Water and marine resources	E3	Not material
Biodiversity and ecosystems	E4	Not material
Circular economy	E5	Not material
Own workforce	S1	Partially reported
Workers in the value chain	S2	Not material
Affected communities	S3	Not material
Consumers and end-users	S4	Partially reported
Business conduct	G1	Partially reported

“Partial” indicates that disclosures are provided for material topics currently identified through the Company’s double materiality assessment. Certain data points and methodologies continue to evolve as reporting processes mature and data availability improves.

GLOSSARY

Abbreviation	Description
AI	Artificial Intelligence
BCP	Business Continuity Plan
CSRD	Corporate Sustainability Reporting Directive
DMA	Double Materiality Assessment
DORA	Digital Operational Resilience Act

Abbreviation	Description
EFRAG	European Financial Reporting Advisory Group
eNPS	Employee Net Promoter Score
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
FOE	Freedom of Establishment
FOS	Freedom to Provide Services
FTE	Full-Time Equivalent
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
ICT	Information and Communication Technology
IROs	Impacts, Risks and Opportunities
KPI	Key Performance Indicator
LMIB	Latvian Motor Insurers' Bureau
MTPL	Motor Third Party Liability Insurance
NPS	Net Promoter Score
OKR	Objectives and Key Results
POG	Product Oversight and Governance
SCoC	Supplier Code of Conduct
UN SDGs	United Nations Sustainable Development Goals
UX/UI	User Experience/User Interface
WCAG	Web Content Accessibility Guidelines

BOARD STATEMENT

At Balcia, we believe that long-term business success is inseparable from responsible governance, organisational resilience and the creation of sustainable value for our customers, employees, business partners and society.

The environment in which we operate continues to evolve rapidly. Climate change, geopolitical uncertainty, technological development, changing customer expectations, and increasing regulatory requirements all shape the responsibilities we have as an insurer. In response, we continue strengthening Balcia's ability to operate responsibly, transparently, and sustainably across all markets where we are present.

During 2025, Balcia further integrated sustainability considerations into its governance, risk management, and operational processes. Building on previous years' work, we continued developing our sustainability reporting framework in alignment with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). At the same time, we recognise that sustainability reporting and ESG data management continue to evolve, requiring continuous improvement of methodologies, controls, and internal processes.

As an insurance company, resilience remains central to our business model. Climate-related developments, operational continuity, cyber security, and responsible business conduct continue to shape our strategic priorities and risk management approach. During the reporting period, we strengthened our preparedness through continuity planning activities, crisis management exercises, and employee training initiatives.

Our employees remain at the core of Balcia's long-term development. We continue fostering a professional, inclusive, and growth-oriented working environment that supports employee wellbeing, development, and collaboration across the group.

We also remain committed to developing accessible, digital, and customer-focused insurance solutions that reflect changing customer needs and support long-term financial resilience.

The Supervisory Board and Management Board would like to thank all employees, partners, and stakeholders for their contribution, professionalism, and continued trust in Balcia.

BALCIA OVERVIEW

KEY BUSINESS HIGHLIGHTS

Balcia Insurance SE is a Latvia-based non-life insurance company operating as a European Company (Societas Europaea). Founded in 1993, Balcia provides technology-driven insurance solutions across multiple European markets and is headquartered in Riga, Latvia.

The Company operates in Latvia and through branches in Lithuania, Estonia, Poland and Germany, while also providing services in France and Italy under the Freedom to Provide Services (FOS) framework.

Balcia's business model is centred around accessible, digital-first insurance solutions tailored to changing customer expectations and lifestyles. The Company's core product portfolio includes motor, property, travel, accident, and other non-life insurance products, with motor and property insurance representing the largest business lines.

Digitalisation, customer accessibility and operational efficiency remain key strategic priorities. Balcia continues to invest in technology-enabled customer service, product innovation and process automation to enhance the customer experience and strengthen long-term business resilience.

As an insurance company, Balcia recognises that sustainability-related developments — particularly climate change, digitalisation, responsible business conduct, and customer trust — may influence long-term business performance, operational resilience, and claims exposure. These considerations are increasingly embedded into the Company's strategic planning, product development, and risk management activities.

Balcia continued to grow across key European markets during 2025, driven by expanding digital distribution channels, customer acquisition, and product development initiatives. The Company's operational footprint and customer base continued to increase across most business segments and geographic markets.

GWP	2025	2024	Growth
Gross Written Premium (GWP) Total EUR'000	**180 703**	**141 818**	**27%**
Latvia	31 960	31 416	2%
Lithuania	59 168	42 356	40%
Poland	43 430	33 077	31%
Estonia	9 495	4 406	116%
France FOS	33 845	28 221	20%
Italy FOS	2 805	2 342	20%
Net Profit	**10 034**	**7 468**	**34%**

Insurance Policy Count	2025	2024	Growth
Total Insurance Policy Count	**1 121 635**	**794 780**	**41%**
Latvia	372 061	277 444	34%
Lithuania	307 413	246 390	25%
Poland	280 928	203 296	38%
Estonia	112 594	29 837	277%
France FOS	48 038	37 236	29%
Italy FOS	601	577	4%

Customer Count	2025	2024	Growth
Total Customer Count	**827 968**	**697 001**	**19%**
Latvia	237 770	208 062	14%
Lithuania	219 652	205 123	7%
Poland	227 204	222 074	2%
Estonia	105 073	28 394	270%
France FOS	37 501	32 600	15%
Italy FOS	768	748	3%

The Company continued to demonstrate stable growth across its key markets during the reporting period, supported by ongoing digitalisation, market expansion, and customer acquisition activities.

ORGANIZATIONAL CHART



FOE - Freedom of Establishment
FOS - Freedom of Service
* outsourcing

Recognitions

During the reporting period, the Balcia app received two awards at the Baltic E-Commerce Star 2025: a Silver Award in the UX/UI category and a Special Prize for AI Excellence. These awards recognise Balcia's continued investment in customer-centred design and innovative digital solutions, supporting its strategic focus on delivering intuitive, AI-enabled customer experiences.

Receiving an award at the 23rd edition of the Złote Spinacze competition marked an important milestone for Balcia in Poland, representing one of the Company's first major industry recognitions in this market. The award acknowledges the creativity and effectiveness of Balcia's communication campaigns and reflects the Company's commitment to developing innovative approaches to customer engagement.

SUSTAINABILITY INTRODUCTION

The Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) continue to shape sustainability reporting across the European Union. In response to these developments, Balcia continues to strengthen its sustainability governance, reporting processes and ESG data management practices.

Balcia's sustainability reporting approach is based on the principle of double materiality, which considers both:

- the impacts of the Company's activities on people and the environment; and
- the sustainability-related risks and opportunities that may affect the Company's financial performance, operations, and long-term resilience.

The Company's Double Materiality Assessment (DMA) forms the foundation of this report and supports the identification of material sustainability matters relevant to Balcia's business model, operations, stakeholders and value chain.

Based on the results of the DMA, this report focuses on the following material sustainability topics:

- Climate change (E1)
- Own workforce (S1)
- Consumers and end-users (S4)
- Business conduct (G1)

Balcia continues to enhance its sustainability reporting processes, methodologies and ESG-related internal controls to support consistent, transparent and decision-useful sustainability disclosures.

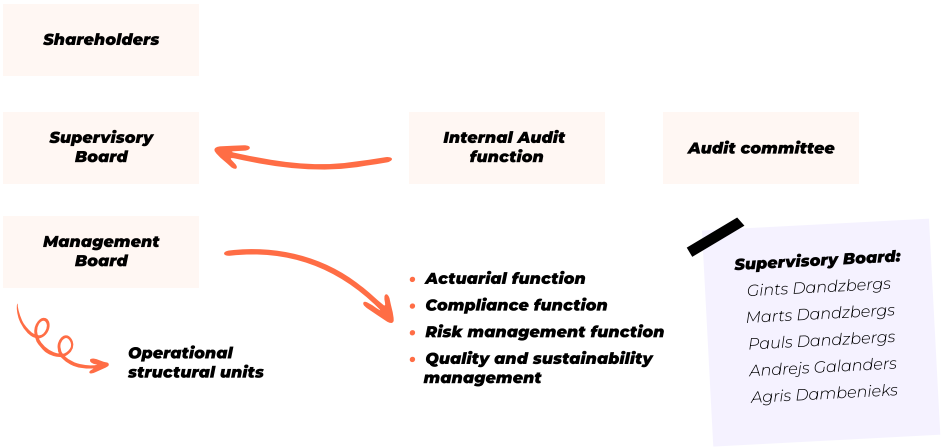
GOVERNANCE

CORPORATE GOVERNANCE (GOV-1)

Balcia's governance framework is designed to support effective oversight, accountability and long-term value creation. The governance structure combines strategic supervision, operational management, and independent control functions to support sound decision-making, regulatory compliance, effective risk management and appropriate oversight of sustainability-related matters.

The governance model consists of the Supervisory Board and the Management Board, supported by independent control functions, including Internal Audit, Risk Management, Compliance, Actuarial, and Quality and Sustainability Management. Together, these functions contribute to the effective governance and resilience of the Company.

Governance Structure



The Supervisory Board provides strategic oversight and supervises the activities of the Management Board. The Management Board is responsible for implementing the approved strategy, managing day-to-day operations, and ensuring that sustainability-related matters are integrated into business activities and decision-making processes.

Independent control functions provide assurance, oversight, and specialist expertise across key areas including risk management, regulatory compliance, actuarial matters, internal controls, and sustainability management.

Supervisory Board

The Supervisory Board consists of five members: Gints Dandzbergs, Marts Dandzbergs, Pauls Dandzbergs, Andrejs Galanders, and Agris Dambenieks.

The primary responsibilities of the Supervisory Board include:

- Approval of Balcia's business strategy and sustainability objectives;
- Approval of the annual budget and key strategic initiatives;
- Oversight of governance, risk management, and internal control systems;
- Approval of the annual consolidated financial statements and sustainability disclosures.

Management Board

As at 31 December 2025, the Management Board consisted of four members: Janis Lucaus (Chairman), Eleonora Zelmene, Laura Krastiņa, and Ilgvars Girgensons. In January 2026, Artur Senčenko was approved by the Bank of Latvia as an additional member of the Management Board. The primary responsibilities of the Management Board include:

- Managing Balcia's daily operations;
- Implementing business strategy and sustainability objectives;
- Ensuring compliance with applicable legal and regulatory requirements;
- Monitoring key risks and opportunities, including sustainability-related matters;
- Overseeing significant business decisions and transactions.

Expertise And Knowledge Of The Management Board

The members of the Management Board collectively possess experience and expertise relevant to Balcia's business operations, governance, risk management, and sustainability-related matters. Sustainability-related matters are supported through internal expertise, specialised control functions, and, where necessary, external subject matter experts.

The Management Board regularly reviews strategic, operational, regulatory, and sustainability-related developments to support informed decision-making and the long-term resilience of the Company.

Fit And Proper Requirements

Balcia applies a Fit and Proper Policy to ensure that members of the Supervisory Board, Management Board, and key function holders possess the qualifications, experience, competence, integrity and reputation necessary to perform their roles effectively.

The policy establishes requirements for the assessment and ongoing monitoring of suitability and fitness, supporting effective governance, sound decision-making, and compliance with regulatory expectations. Fit and Proper assessments are performed before appointment and on an ongoing basis throughout the term of office.

SUSTAINABILITY MANAGEMENT (GOV-2, GOV-3, GOV-4, GOV-5)

Sustainability Governance and Oversight

The Management Board has overall responsibility for the implementation of Balcia's sustainability strategy and the oversight of sustainability-related impacts, risks, and opportunities (IROs). Sustainability considerations are integrated into the Company's governance, risk management, and decision-making processes and are reviewed alongside strategic and operational priorities.

The Sustainability Manager is responsible for coordinating sustainability-related initiatives, supporting ESG reporting, facilitating stakeholder engagement activities, and monitoring the implementation of sustainability objectives across the organisation. These activities are supported by the ESG Working Group, which collaborates with representatives from relevant business functions and provides expertise, coordination and support for sustainability-related projects and disclosures.

Sustainability-related matters are discussed regularly throughout the reporting period as part of management and governance processes. During 2025, the following sustainability topics were reviewed and discussed:

- ESG targets and performance monitoring;
- Diversity and inclusion initiatives;
- Sustainability disclosures and reporting developments;
- Sustainability-related findings identified through internal audit activities;
- Sustainability information published on Balcia websites.

Sustainability Governance	Responsibility
Supervisory Board	Oversight and approval
Management Board	Strategic implementation and accountability
Sustainability Manager	Coordination and reporting
ESG Working Group	Cross-functional support and implementation
Business Functions	Data collection and execution

Due Diligence And Reporting Controls

Balcia applies internal review and approval procedures to support the accuracy, completeness, and reliability of sustainability-related information disclosed in this report.

The reporting process consists of four key stages:

1. Collection of information by responsible departments and business functions;
2. Consolidation and preparation of disclosures by the Sustainability Manager;
3. Review and validation by responsible managers and subject matter experts;
4. Final review and approval by the Management Board and Supervisory Board.

This process supports the quality and consistency of sustainability disclosures and helps ensure appropriate governance oversight of ESG-related information.

Integration Of Sustainability Into Incentive Schemes

Balcia does not currently operate dedicated sustainability-linked remuneration schemes for members of the Supervisory Board or Management Board.

However, sustainability-related objectives may be incorporated into the Company's broader Objectives and Key Results (OKR) framework. Through this approach, employees are incentivised in alignment with strategic priorities, including sustainability-related initiatives where relevant. The OKR framework is reviewed annually and approved by the Management Board.

STRATEGY

BUSINESS MODEL AND VALUE CHAIN (SBM-1, VSME:C1)

The Company's business model is centred around providing accessible, digital-first insurance solutions that respond to changing customer needs and lifestyles.

Balcia offers a broad range of non-life insurance products, including motor, property, travel, accident and other everyday insurance solutions. Motor and property insurance represent the largest share of the Company's portfolio and therefore play a significant role in shaping its sustainability-related impacts, risks, and opportunities.

The Company's long-term ambition is to provide high-quality, affordable, and personalised insurance solutions while maintaining a strong focus on customer experience, innovation and operational efficiency. Digitalisation remains a key component of Balcia's strategy, enabling improved accessibility, streamlined customer journeys, and efficient service delivery across all markets.

Balcia also continues to develop products and services that support changing customer expectations and emerging sustainability-related needs. These include insurance solutions for solar panel installations, agricultural insurance products designed to address climate-related risks and green mobility products that support alternative transportation choices.

How Balcia Creates Value

Balcia creates value by combining digital capabilities, insurance expertise, customer-focused product development and strong partnerships across its operating markets.

Key value creation drivers include:

- Technology-enabled insurance solutions;
- Customer-centric product development;
- Efficient claims management processes;
- Strong distribution and partner networks;
- Risk management and underwriting expertise;
- Employee knowledge and professional capabilities.

These activities support long-term value creation for customers, employees, business partners, shareholders and society by providing financial protection, improving resilience, and increasing accessibility to insurance services.

Value Chain

Balcia's value chain includes activities across upstream, own operations and downstream segments.

Upstream activities include relationships with suppliers, technology providers, service providers, reinsurers and other business partners that support the Company's operations and service delivery.

Own operations include product development, underwriting, claims management, customer service, digital platform management, governance and support functions across the group.

Downstream activities include insurance intermediaries, brokers, agents, claims partners and customers who purchase and use Balcia's products and services.

Understanding the value chain enables Balcia to identify and assess sustainability-related impacts, risks and opportunities throughout the lifecycle of its products and services. The value chain assessment also supports the Company's double materiality assessment and informs strategic decision-making, risk management activities and sustainability reporting.



STAKEHOLDER ENGAGEMENT (SBM-2, S4:SBM-2)

Stakeholder engagement is key to ensuring that our strategic direction and business model align with stakeholder expectations and evolving sustainability-related priorities. The stakeholder groups presented below were identified through Balcia's value chain analysis and double materiality assessment process and continue to inform sustainability-related decision-making, risk management and reporting activities.

Key Stakeholder Category	Stakeholder Interests And Expectations	Key Topics Raised Through Engagement	Ways Of Engagement
Shareholders	• Strategy • Management • Legal compliance • Financial results	• Business strategy • Financial performance • Long-term value creation • Corporate governance • Sustainability performance • Regulatory compliance	• Shareholders meeting • Dialogues • Reports
Banks and Reinsurance companies	• Value chain management • Legal compliance	• Regulatory compliance • Strengthened financial partnerships	• Dialogues • Reports
Regulatory Bodies	• Consumer protection • Regulatory compliance • Data security • Insurance sector developments	• Responsible business practices • Good corporategovernance and transparency	• Dialogues • Reports • Workshops and seminars
Agents, Brokers, Business Partners	• Knowledge sharing to increase capabilities and competencies • Fair competition • Legal compliance • Good governance, open communication practice	• Close supplier relations and secure supplier network • Ensured service quality • Responsible business practices and transparency	• Dialogues • Website, social networks • Public reports • Sharing information via workshops and seminars
Employees	• Wellbeing and equal opportunities • Engagement and development • Wellbeing and work-life balance	• Results of employee engagement survey • Improved employee motivation • Ensured career advancement and skill development	• Employee surveys • Events for employees • Employee dialogues • Performance reviews
Clients	• Accessibility of insurance products • Product quality and pricing • Claims handling • Data security and privacy	• Customer satisfaction surveys shape improvements in customer experience and trust • Transparent communication and data protection	• Customer service • Call centre 24/7 • App • Website, social networks • Customer surveys • Regular communication on financial performance and other relevant updates

The outcomes of stakeholder engagement were considered as part of Balcia's double materiality assessment and contributed to the identification and prioritisation of material sustainability topics presented in this report.

DOUBLE MATERIALITY ASSESSMENT (SBM-3, G1: IRO-1)

Balcia's Double Materiality Assessment (DMA) was conducted in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). The assessment serves as the foundation for identifying, prioritising, and managing sustainability-related impacts, risks and opportunities (IROs) relevant to the Company's business model, value chain, and stakeholders.

The assessment was carried out through a cross-functional process involving the ESG Working Group, Risk Management Function and subject matter experts from relevant business areas. Internal analyses, stakeholder engagement activities and value chain assessments were used to evaluate sustainability matters from both an impact and financial materiality perspective.

DMA Process

The assessment was performed in four stages:

Stage	Description
1. Business Model and Value Chain Analysis	Mapping of Balcia's business model, operations, stakeholders, and value chain to define the scope of the assessment.
2. Identification of IROs	Identification of potential sustainability-related impacts, risks, and opportunities across ESRS topics and sub-topics.
3. Assessment and Prioritisation	Evaluation of IROs using impact materiality, financial materiality, and stakeholder input.
4. Review and Approval	Validation by internal experts and approval by the ESG Working Group and Management Board.

Assessment Methodology

IMPACT MATERIALITY

Impact materiality assesses the actual or potential effects of Balcia's activities on people, society, and the environment.

Assessment criteria included:

- Scale of impact;
- Scope of impact;
- Irremediability (for negative impacts);
- Likelihood of occurrence (for potential impacts).

Both positive and negative impacts were considered across short-, medium-, and long-term time horizons.

FINANCIAL MATERIALITY

Financial materiality assesses sustainability-related risks and opportunities that may influence Balcia's financial performance, business operations, access to financing, cost of capital or long-term value creation.

The assessment considered:

- Financial risks;
- Financial opportunities;
- Operational impacts;
- Strategic implications;
- Reputational considerations.

STAKEHOLDER INVOLVEMENT

Stakeholder perspectives were incorporated through:

- Value chain analysis;
- Review of internal and external documentation;
- Surveys and interviews;
- Engagement with key stakeholder groups.

The following stakeholder groups were included in the assessment:

- Banks and reinsurers;
- Regulatory bodies;
- Employees;
- Agents, brokers, and business partners;
- Clients.

Double Materiality Assessment Results

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED THROUGH THE DMA



MATERIAL SUSTAINABILITY TOPICS

Material Topic	Impact Materiality	Financial Materiality
Climate Change (E1)	Significant	Significant
Own Workforce (S1)	Critical	Significant
Consumers and End-users (S4)	Significant	Critical
Business Conduct (G1)	Significant	Significant

NON-MATERIAL TOPICS ASSESSED

Environmental Topics	Social Topics
Pollution (E2)	Workers in the Value Chain (S2)
Water and Marine Resources (E3)	Affected Communities (S3)
Biodiversity and Ecosystems (E4)	
Circular Economy (E5)	

Based on the results of the Double Materiality Assessment, Balcia identified four material sustainability matters that represent the most significant impacts, risks and opportunities associated with the Company's business model, operations, stakeholders and value chain. These topics form the basis of the sustainability disclosures included in this report.

Integration Of IROs Into Risk Management Framework

During 2025, Balcia formally integrated sustainability-related impacts, risks and opportunities (IROs) into its Risk Management Policy.

This integration aligns sustainability governance with the Company’s broader risk management and decision-making processes and strengthens the connection between the DMA and Balcia’s existing Solvency II risk management framework.

Sustainability-related risks and opportunities are considered as part of risk identification, assessment, monitoring, and strategic planning activities. Financially material sustainability risks may overlap with existing risk categories, including operational, underwriting, market, regulatory and reputational risks.

The Sustainability Manager, Risk Management Function, ESG Working Group and relevant business units cooperate in the identification, assessment, monitoring, and management of sustainability-related impacts, risks and opportunities across the organisation.

Sustainability Targets and Ambitions

Following the completion of the Double Materiality Assessment, Balcia has established a number of sustainability-related targets and ambitions linked to its material sustainability matters. As the Company continues to develop its ESG data collection and reporting capabilities, some objectives have been formalised as measurable targets, while others remain strategic ambitions that will be further developed in future reporting periods.

The targets and ambitions presented below support Balcia's long-term sustainability objectives and reflect the Company's current level of reporting maturity.

Material Topic	Objective	Target Year
Climate Change (E1)	Reduce Scope 1 and 2 GHG emissions by 20%	2035
Own Workforce (S1)	Ensure a minimum average of 25 training hours per employee per year	2030
Business Conduct (G1)	Maintain medium-low regulatory risk rating	Ongoing

Strategic Ambitions

Climate Change

- Increase the share of electric company vehicles.

Social

- Develop the Gen Z Insurance Literacy Index.
- Strengthen employee feedback mechanisms.
- Achieve ISO 24495-1 Plain Language certification.

Business Conduct

- Achieve zero significant data breaches.
- Maintain a 100% completion rate for mandatory compliance training.

Balcia continues to strengthen its sustainability performance measurement framework. As ESG data availability and reporting processes mature, the Company intends to further expand the scope of measurable sustainability targets and performance indicators.

ENVIRONMENT

ENVIRONMENT AND CLIMATE CHANGE (E1)

Balcia's direct environmental footprint is relatively limited compared to companies operating in manufacturing or resource-intensive industries. Nevertheless, environmental considerations form an important part of Balcia's sustainability strategy, risk management framework and product development activities.

Through its Double Materiality Assessment, Balcia identified Climate Change (E1) as a material sustainability topic. Pollution (E2), Water and Marine Resources (E3), Biodiversity and Ecosystems (E4) and Circular Economy (E5) were assessed and determined to be non-material due to the nature of the Company's business model and operations.

Climate-related considerations are integrated into risk management processes, operational decision-making, environmental management activities and the development of insurance products that support climate resilience and sustainable choices.

Climate-Related IROs

IRO Topic	Type	Time Horizon	Value Chain Location
Climate-related claims inflation	Risk	Medium- and long-term	Downstream
Operational greenhouse gas emissions and resource consumption	Actual negative impact	Short-, medium-, and long-term	Own operations
Climate mitigation and prevention initiatives	Potential positive impact	Short-term	Upstream, Own Operations, Downstream
Sustainable insurance products	Opportunity	Short-, medium-, and long-term	Downstream

CLIMATE-RELATED CLAIMS INFLATION

Climate change may increase the frequency and severity of insurance claims across several product lines, including property, motor, travel, and, where applicable, business interruption insurance. These developments may affect underwriting performance, claims costs, and long-term profitability if not adequately managed.

OPERATIONAL ENVIRONMENTAL IMPACTS

Balcia's direct environmental impacts primarily arise from energy consumption, heating, business travel, company vehicles, and office operations. The Company continues to implement measures aimed at improving energy efficiency and reducing greenhouse gas emissions.

CLIMATE MITIGATION INITIATIVES

Balcia actively promotes prevention and risk mitigation measures that help customers reduce climate-related losses. Through customer communication, digital solutions and product design, the Company encourages actions that improve resilience against extreme weather events.

Climate Risks

Climate-related risks are assessed as part of Balcia's enterprise risk management framework.

The Company monitors both physical and transition climate risks across its operations, investments and insurance activities.

SUMMARY OF CLIMATE RISK ASSESSMENT

Risk Category	Assessment Result
Corporate bond portfolio	Insignificant
Government bond portfolio	Insignificant
Real estate assets	Low
Insurance operations	Low overall, moderate for selected insurance products
Meteorological risks	Moderate

While climate-related risks currently have a limited overall impact on Balcia's business model and strategy, the Company recognises that the relevance of these risks may increase over time. Climate vulnerability indicators are therefore monitored regularly, and a comprehensive climate resilience reassessment is planned for 2026.

In 2026, Balcia plans to expand its climate risk assessment methodology by incorporating transition risks for real estate assets, including regulatory, legal, technological, market, and reputational risks associated with the transition to a low-carbon economy.

Greenhouse Gas Emissions and Energy Consumption

Balcia calculates greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

The Company currently reports Scope 1 and Scope 2 emissions for its own operations.

Energy Consumption And Mix	2025	2024	Unit
Total energy consumption from electricity and district heating	**1 106**	**768.4**	**MWh**
Total electricity consumption	407	388	MWh
Total district heating	699	380.4	MWh
Total energy consumption from fossil sources	**425.5**	**758.8**	**MWh**
Company cars, fossil fuels	70.7	264	MWh
Diesel, stationary combustion	354.8	494.8	MWh
Total Energy Consumption Related To Own Operations	**1 531.5**	**1 032.4**	**MWH**

Total energy consumption increased during 2025, primarily due to higher district heating consumption and stationary fuel use. At the same time, fuel consumption from company vehicles decreased significantly.

Gross Scope 1 And 2 And Total Ghg Emissions:	2025	2024	Unit
Scope 1: Direct emissions			
Company cars	81.4	121.4	tCO2
Combustion of fuels in stationary sources	51.3	67.2	tCO2
Total Scope 1	**132.7**	**188.6**	**tCO2**
Scope 2: Indirect emissions from energy purchases			
Purchased electricity	103.8	92.6	tCO2
Purchased heating	120.7	101.8	tCO2
Total Scope 2	**224.5**	**194.4**	**tCO2**
Total GHG Emissions	**357.2**	**383.0**	**tCO2**

Despite increased energy consumption, total greenhouse gas emissions decreased compared with 2024, mainly due to lower emissions from company vehicles and stationary fuel combustion.

Climate Targets and Transition Actions

Balcia has established a long-term climate target to reduce Scope 1 and Scope 2 greenhouse gas emissions by 20% by 2035, using 2024 as the baseline year.

To support this objective, the Company has identified several transition actions:

ENERGY EFFICIENCY

- Renovation of office premises and technical systems;
- Upgrading heating, ventilation, and air conditioning systems;
- Installation of more energy-efficient lighting;
- Improvements to insulation and building performance.

FLEET ELECTRIFICATION

- Progressive replacement of internal combustion engine vehicles;
- Transition of employee leased vehicles towards electric alternatives;
- Long-term objective to achieve a fully electric employee vehicle fleet by 2035.

Balcia continues to develop its climate transition planning approach and will further refine its decarbonisation roadmap as environmental data quality and reporting capabilities mature.

Policies Related To Environment

Balcia has implemented a range of internal policies and documents to manage its climate impact and establish a framework for future action.

ISO 14001

We continuously improve our operations to meet the following standards: ISO 14001:2015 Environmental Management System. This certification ensures a structured and systematic approach to setting and achieving sustainability goals and upholding environmental policy requirements. The ISO 14001 certification provides a framework for continuously improving our environmental impact, ensuring that sustainability remains an integral part of our operations.

Going forward, we will continue our efforts to maintain our certification, meet our objectives, and promote responsible environmental behaviour both internally and in dialogue with business partners.



SUSTAINABILITY POLICY

The Sustainability policy outlines the key principles and actions to help Balcia minimize its impact on the environment. Balcia is committed to running its operations in an environmentally friendly way and taking action to help reduce climate change and protect the environment. We seek to decrease the overall energy consumption from our buildings through optimisation of heating and cooling. All our office spaces have introduced mitigating measures for lowering our energy consumption as well as increasing our office energy efficiency already before CSRD reporting. Additionally, the policy outlines the structure of our sustainability management.

INVESTMENT POLICY

Responsible investment is a key priority for Balcia, and we are committed to integrating ESG factors into our investment decisions, ensuring a balance between long-term financial returns and sustainability. Balcia restricts financing and investment in companies engaged in fossil fuel extraction, refining, and energy production, including thermal coal, oil, gas (conventional, unconventional, and operations in environmentally sensitive areas), and thermal peat. Additionally, we do not invest in companies involved in arms manufacturing, drug production, or gambling-related industries.

INVESTMENT POLICY RESTRICTIONS

Category	Restriction
Conventional weapons and military equipment	Restrictions on financing and investment in companies that manufacture, develop or trade in weapons.
Coal industry (fossil fuel)	Restrictions on financing and investment in companies involved in the extraction, refining and production of fossil fuels such as thermal coal, oil and gas (conventional, unconventional, ecologically sensitive areas) and thermal peat.
Gambling and adult entertainment	Restrictions on financing and investment in companies whose main source of revenue is gambling and adult industry products and services.
Tobacco	Restrictions on financing and investment in companies engaged in the production and distribution of cigarettes and electronic cigarettes.

Sustainable Insurance Products

Balcia develops insurance solutions that support climate resilience, sustainable mobility and the transition towards a lower-carbon economy.

Key product areas include:

- renewable energy insurance solutions;
- sustainable mobility products;
- climate risk protection for households, businesses and agricultural customers.

The Company's green mobility insurance product, City Combo, remained available across Latvia, Lithuania, Poland and Estonia during 2025, supporting more sustainable transportation choices.

Balcia also continued offering agricultural insurance products designed to mitigate climate-related risks, including drought and other extreme weather events, helping farmers manage increasing climate uncertainty.

SOCIAL

OWN WORKFORCE (S1)

Social Topics At A Glance

Topic	Why It Matters	Key Actions In 2025
Employee engagement and wellbeing	Employee wellbeing, retention and productivity	Wellness Month, Balcia Explorer, employee engagement initiatives
Learning and development	Building skills and future capabilities	Balcia Level Up, GDPR Month, Riga Business School programmes
Diversity and inclusion	Equal opportunities and fair treatment	Diversity and Inclusion Policy, inclusive recruitment and talent management
Health and safety	Safe and healthy workplace	Health insurance, wellbeing initiatives, safety management processes
Workforce governance	Responsible management of workforce-related matters	Employee Management Policy, Code of Ethics, grievance mechanisms

Key Workforce Indicators

Indicator	2025
Total employees	341
Female employees	59%
Training hours	8 664
Training hours per employee	25.4
Employee turnover	27.46%
Employees covered by health insurance	100%

Our Workforce

At Balcia, people are at the centre of our business and long-term success. We are committed to creating a safe, inclusive and engaging workplace where employees are empowered to grow professionally, contribute meaningfully and thrive both personally and professionally.

Employee engagement is fostered through continuous learning opportunities, wellbeing initiatives, transparent communication and active participation in shaping our organisational culture. Through these efforts, Balcia aims to strengthen employee wellbeing, resilience, innovation and long-term organisational sustainability.

Employee Engagement And Development

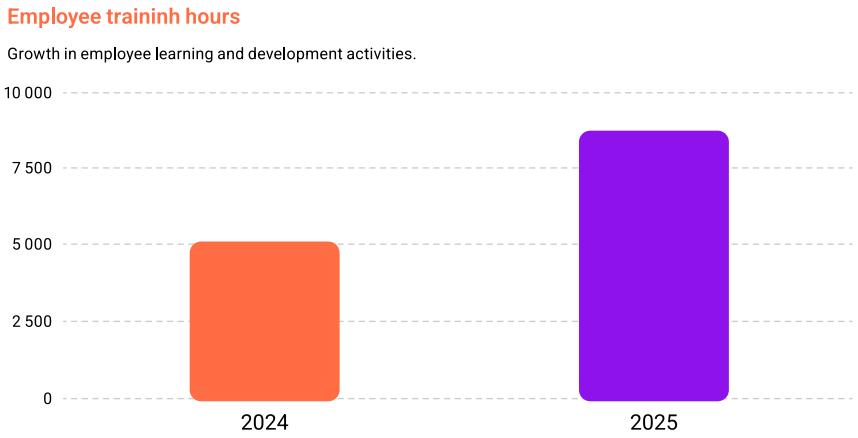
Continuous learning and professional development remain key priorities at Balcia.

During 2025, the Company further strengthened its employee development ecosystem through the internal learning platform Balcia Level Up, designed to support professional growth and business-specific competence development. By year-end, the platform included more than 10 learning programmes covering professional, technical and product-related topics.

In addition to internal learning opportunities, employees participated in dedicated product trainings, mandatory compliance programmes and knowledge development initiatives. During the reporting period, Balcia also organised a dedicated GDPR Month, consisting of online training sessions, guest speakers, educational materials and knowledge assessments to strengthen awareness of responsible business practices and data protection requirements.

Professional development opportunities were further expanded through cooperation with Riga Business School, enabling employees to participate in a broad range of external learning and qualification programmes.

LEARNING AND DEVELOPMENT PERFORMANCE



LEARNING AND DEVELOPMENT INDICATORS

	2025	2024	Increase
Total number of training hours	8 664	5 004	73%
Training costs per FTE (EUR)	485	380	28%
Training hours per employee	25.4	15.2	78%

Employee Wellbeing

Employee wellbeing remained a strategic priority throughout the reporting period.

In 2025, Balcia organised its first Wellness Month , delivering approximately 40 activities across the group focused on physical wellbeing, mental health, movement practices, stress management and healthy working habits. To further support employee wellbeing and focus, the Company introduced no-meeting days, encouraging more sustainable and productive ways of working.

Balcia also continued to support flexible working arrangements throughBalcia Explorer, a remote working framework allowing employees to work remotely for up to 90 calendar days per year, subject to internal policies and approvals.

Employee engagement and internal culture were further strengthened through employee participation initiatives, including the internally established Content Creation Crew, which contributes to internal communications, employer branding and employee engagement activities.

Balcia also continued supporting career development and youth engagement through educational initiatives, including participation inShadow Day, guest lectures and cooperation with higher education institutions.

Workforce-related IROs

Balcia regularly assesses workforce-related impacts, risks and opportunities to ensure a supportive, inclusive and resilient working environment. The material workforce-related topics identified during the reporting period are presented below.

IRO Topic	Description	Type	Time Horizon
Work environment	Employee wellbeing, workload management, psychological safety and employee experience	Positive impact	Short–medium term
Equal opportunity	Diversity, inclusion, equal treatment and fair opportunities	Positive impact	Short–medium term
Training and development	Skills availability, talent development and future workforce capabilities	Risk	Short–medium term
Health and safety	Occupational health and safety compliance and employee wellbeing risks	Risk	Short–medium term

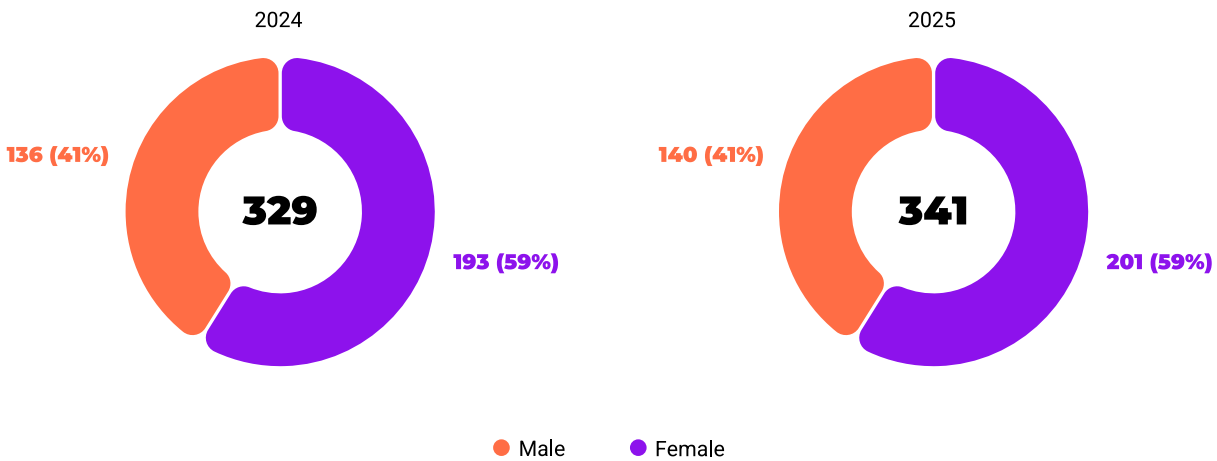
Workforce Characteristics

At the end of 2025, Balcia employed 341 employees across its operating markets.

WORKFORCE BY GENDER

Gender distribution of employees (2024 & 2025)

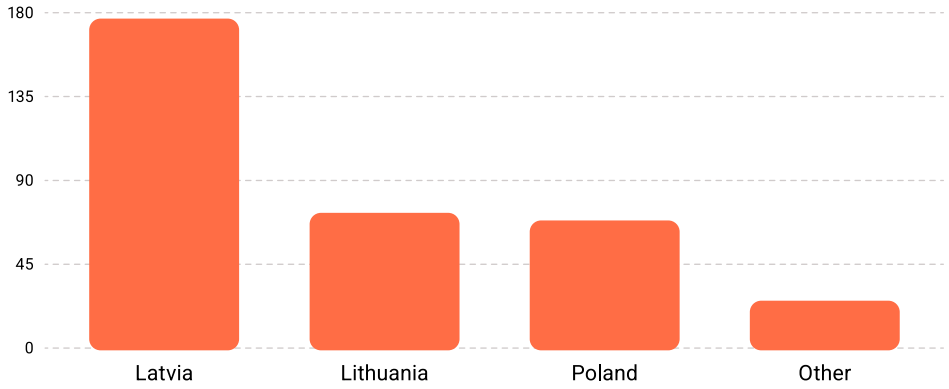
Employee gender distribution across the organisation.



EMPLOYEES BY COUNTRY

Employees by country (2025)

Distribution of employees across Balcia markets.



Indicator	2025
Employees leaving during the year	92
Employee turnover rate	27.46%

NEW HIRES IN 2025

Indicator	2025
Total new hires	112

Indicator	2025
Female	68
Male	44

Age group	2025
< 30	34%
30 – 50	61%
50 +	5%

Policies Related To Own Workforce

Balcia's people management framework is supported by policies designed to promote employee wellbeing, ethical conduct, equal opportunities and responsible business practices. All policies are reviewed regularly and approved by the Management Board and Supervisory Board.

HUMAN RESOURCES GOVERNANCE POLICY

Human Resources Governance Policy establishes principles for employee administration, recruitment, working conditions, occupational health and safety, and employee wellbeing. The policy supports a healthy, safe and sustainable working environment across the organisation.

CODE OF ETHICS

The Code of Ethics defines standards of professional conduct expected from all employees. It covers ethical behaviour, conflicts of interest, fair competition, diversity and inclusion, and compliance with applicable laws and internal policies.

SUSTAINABILITY POLICY

The Sustainability Policy integrates environmental, social and governance considerations into business operations. It reinforces Balcia's commitment to responsible business conduct, human rights and sustainable decision-making.

REMUNERATION POLICY

The Remuneration Policy establishes principles for fair, transparent and non-discriminatory remuneration practices. The policy supports equal treatment and ensures that compensation is based on objective and relevant criteria.

DIVERSITY AND INCLUSION POLICY

The Diversity and Inclusion Policy promotes equal opportunities and a workplace free from discrimination, harassment and unequal treatment. The policy supports an inclusive culture where all employees are respected, valued and able to contribute fully regardless of background or personal characteristics.

WHISTLEBLOWER PROCEDURE

Balcia maintains internal reporting mechanisms that allow employees to report potential misconduct, legal violations or unethical behaviour confidentially and, where applicable, anonymously.

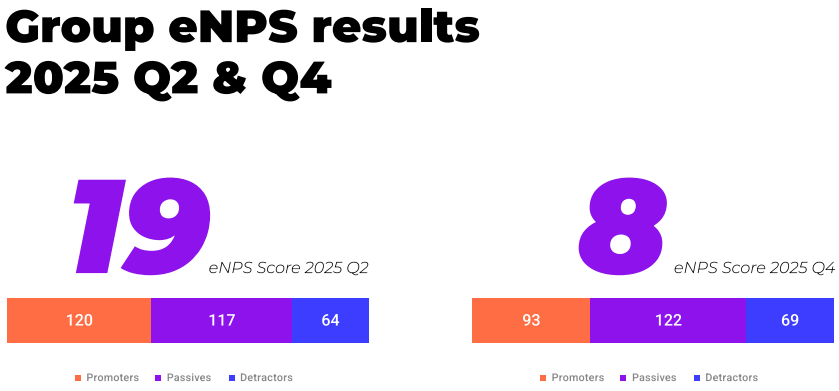
The Company promotes a culture of openness and accountability and encourages the reporting of concerns that may affect Balcia, its stakeholders or the public interest. Reported cases are reviewed in accordance with internal procedures and applicable legal requirements.

Employee Engagement Survey

Employee engagement is an important indicator of organisational culture and employee wellbeing. Balcia regularly measures employee engagement through employee surveys and Employee Net Promoter Score (eNPS), using the results to identify improvement opportunities and support organisational development.

Employee Engagement Survey Participation Rate	Q4 2025	Q2 2025
Company	95%	93%
HQ	84%	85%
Latvia	93%	94%
Lithuania	100%	100%
Estonia	90%	100%
Poland	97%	96%
FR, IT & DE	94%	94%

Participation rates remained consistently high across the group, exceeding 90% in all countries of operation. The overall participation rate increased from 93% in Q2 2025 to 95% in Q4 2025, demonstrating strong employee involvement and confidence in the survey process.



Employee engagement levels remained positive throughout 2025. While the group eNPS score decreased from 19 in Q2 2025 to 8 in Q4 2025 , survey participation remained high and employee feedback continued to provide valuable insights into employee experience and organisational development opportunities.

Survey results are reviewed by management and contribute to employee engagement, wellbeing, leadership, and development initiatives across the organisation.

Health, Safety And Complaint Mechanisms

Balcia maintains internal governance procedures and reporting channels that enable employees to raise concerns related to workplace conduct, discrimination, harassment, health and safety, workload management or other employment-related matters.

Employees may report concerns through direct managers, Human Resources representatives, compliance channels or whistleblowing mechanisms. All reported concerns are reviewed confidentially and assessed in accordance with internal policies and applicable legal requirements.

Balcia is committed to maintaining a safe, healthy, and supportive working environment for all employees. All employees are covered by health insurance from their first day of employment. The Company regularly performs workplace risk assessments and monitors occupational health and safety risks to ensure compliance with legal requirements and to support employee wellbeing.

Employees receive mandatory occupational health and safety and fire safety training, which is refreshed periodically in accordance with internal procedures and regulatory requirements. During 2025, Balcia continued to strengthen employee awareness of workplace safety and emergency preparedness through targeted training and awareness activities, including first aid and civil protection initiatives.

Indicator	2025
Employees covered by health insurance	100%
Recordable work-related accidents	0
Whistleblower cases reported	0

Targets Related To Own Workforce

LEARNING AND DEVELOPMENT

Target	Baseline (2025)	Target Year
Maintain average employee training hours above 25 hours per employee annually	25.4 hours	2030

PROGRESS AGAINST TARGET

Indicator	Target	2025 Result	Status
Average training hours per employee	>25 hours	25.4 hours	✓ Achieved

Further information regarding employee data definitions, calculation methodologies and reporting boundaries is provided in Appendix 1 – Reporting Methodology and Accounting Principles.

CONSUMERS AND END-USERS

Consumer Topics At A Glance

Topic	Why It Matters	Key Actions In 2025
Financial resilience	Supporting customers during unexpected events	Insurance protection and claims support
Customer engagement	Understanding customer needs and improving services	Digital engagement initiatives and loyalty programmes
Responsible marketing	Fair and transparent communication	Product governance and customer communication controls
Data privacy and cybersecurity	Protection of customer information	GDPR training, cybersecurity controls and DORA preparedness
Accessible insurance services	Inclusive and user-friendly digital experience	WCAG accessibility audits and digital improvements

Key Customer Indicators

Indicator	2025
Total customers	827 968
Customer growth	19 %
Customer complaints	1 708
Complaints escalated to regulators	84
Accessibility audits completed	Yes

Our Impact On Consumers And End-Users

Balcia continuously evaluates the impacts, risks and opportunities related to consumers and end-users as part of its commitment to responsible and customer-centric insurance services.

Insurance services play an important role in supporting customers' financial resilience and long-term security. By providing accessible and reliable insurance solutions, Balcia helps customers manage risks, recover from unexpected events and maintain financial stability.

The Company also focuses on strengthening customer trust, improving digital accessibility, ensuring responsible communication practices and maintaining high standards of data privacy and product governance.

Consumer-related IROs

IRO Topic	Description	Type	Time Horizon
Financial resilience	Supporting customers in managing financial risks and recovering from unexpected events	Actual positive impact	Medium–long term
Community and customer engagement	Strengthening relationships with customers and communities through engagement and communication	Actual positive impact	Short term
Responsible marketing	Ensuring transparent communication and fair customer treatment	Potential negative impact	Short term
Data privacy and cybersecurity	Protecting customer information and maintaining digital trust	Risk	Short–medium term

Customer Engagement And Accessibility

Balcia maintains continuous engagement with customers and end-users through digital platforms, customer service channels, partners and feedback mechanisms.

Customers interact with Balcia through the mobile application, website, customer support services, call centres, social media channels and cooperation partners. These interaction points enable the Company to gather insights regarding customer expectations, satisfaction levels, accessibility issues and service quality.

During 2025, Balcia continued strengthening digital customer engagement through improvements to its mobile application, implementation of personalised in-app communication features and expansion of digital customer touchpoints.

The Company also continued accessibility improvement initiatives following WCAG 2.1 accessibility audits of its digital channels, supporting a more inclusive and user-friendly customer experience.

Digital Customer Experience

During the reporting period, Balcia continued investing in digital customer experience improvements and customer engagement initiatives.

Key developments included:

- implementation of an OpenAI-powered customer chatbot;
- same-day travel insurance policy issuance;
- personalised in-app messaging;
- geolocation-based customer communication features;
- expansion of digital customer touchpoints;
- accessibility improvements following WCAG 2.1 audits.

These initiatives contributed to improved customer accessibility, engagement and service experience.

Product Governance And Customer Protection

Balcia maintains a Product Oversight and Governance (POG) framework to ensure that insurance products remain aligned with customer needs, target markets and value-for-money principles throughout the product lifecycle.

The Company regularly evaluates product suitability, customer outcomes and pricing transparency to support fair customer treatment and responsible product governance.

Customer complaints are monitored across all operating markets as part of customer protection, service quality and product governance processes. Complaint trends are analysed to identify recurring issues, improve customer experience and strengthen operational processes.

Customer Complaints

COMPLAINT COUNT BY COUNTRY OF OPERATION:

Country	2025	2024
Poland	1 527	1 385
Lithuania	85	54
Latvia	71	53
Estonia	25	5
France	0	0
Germany	0	0
Total	**1 708**	**1 497**

Analysis of customer complaints indicates that a significant share of complaints is not related to errors in claims calculations, but rather to differences between customer expectations and their understanding of insurance coverage and claims processes. This insight highlights the importance of clear and transparent communication throughout the customer journey and supports Balcia's ongoing efforts to improve policy clarity, customer education and accessibility of information.

Only a minority of complaints are assessed as justified or partially justified, indicating that many customer concerns stem from differing interpretations of policy terms rather than service deficiencies. At the same time, the share of declined claims remained stable across markets, reflecting consistency in underwriting and claims handling practices.

Balcia continues to strengthen customer trust by enhancing communication, simplifying insurance information and ensuring that customers have a clear understanding of their coverage and claims processes.

Methodological note: Significant changes were made to the Polish complaint registration process during 2025, expanding the channels through which complaints can be submitted. In addition, it is common practice in the Polish MTPL market for customers to dispute claim settlement amounts, which contributes to higher complaint volumes.

Managing Consumer-Related Risks

Balcia recognises potential risks related to responsible marketing, customer communication, product suitability, customer understanding of insurance products, data privacy and cybersecurity.

To mitigate these risks, the Company applies internal governance procedures, compliance controls and employee training programmes, including GDPR-focused training and cybersecurity awareness initiatives.

Balcia also seeks to ensure that insurance products are designed, distributed and communicated in a manner that is consistent with customer needs and expectations. Product terms and conditions are developed using clear and understandable language, with the aim of supporting informed customer decisions and reducing the risk of misunderstanding or inappropriate product selection.

Balcia continues investing in information security solutions and preparations related to the Digital Operational Resilience Act (DORA) requirements to strengthen customer data protection and operational resilience.

Protecting customer data and maintaining information security remain essential for preserving customer trust and ensuring responsible digital insurance services.

Policies Related To Consumers And End-Users

COMPLAINTS PROCEDURE

The Complaints Procedure establishes a transparent and fair process for handling customer complaints. Complaints are reviewed objectively, responses are provided within applicable timelines and customers are informed about available dispute resolution mechanisms.

PRIVACY POLICY

The Privacy Policy establishes principles for the lawful collection, processing, storage and protection of personal data. The policy also explains customer rights and the mechanisms available for exercising those rights.

PRODUCT OVERSIGHT AND GOVERNANCE (POG) FRAMEWORK

The Product Oversight and Governance Framework ensures that insurance products remain appropriate for target markets throughout their lifecycle and continue to provide value to customers.

INFORMATION SECURITY FRAMEWORK

The Information Security Framework establishes controls for protecting customer information, managing cybersecurity risks and supporting compliance with regulatory requirements, including GDPR and DORA.

BUSINESS CONDUCT (G1)

Governance Topics At A Glance

Topic	Why It Matters	Key Actions In 2025
Business ethics and compliance	Maintaining stakeholder trust and responsible business conduct	Ethics training, compliance monitoring and internal controls
Anti-corruption and conflict of interest	Preventing misconduct and protecting business integrity	Annual risk assessment and monitoring activities
Operational resilience	Ensuring continuity of critical business operations	Crisis simulations, business continuity testing and employee preparedness initiatives
Digital operational resilience	Strengthening ICT governance and cybersecurity resilience	DORA implementation and ICT risk management enhancements
Supplier governance	Promoting responsible conduct across the value chain	Supplier Code of Conduct implementation
Whistleblowing and grievance mechanisms	Supporting transparency and accountability	Internal reporting channels and awareness initiatives

Governance Approach

Strong governance is fundamental to Balcia's long-term success and stakeholder trust. The Company maintains a governance, risk management and compliance framework designed to support ethical business conduct, operational resilience, transparency and accountability.

Through effective oversight, internal controls and responsible decision-making, Balcia seeks to create sustainable value for customers, employees, shareholders and society while ensuring compliance with applicable legal and regulatory requirements across all markets in which it operates.

Strengthening Business Continuity and Crisis Readiness

In 2025, Balcia continued strengthening its operational resilience and crisis preparedness across governance, ICT resilience and employee readiness areas.

KEY DEVELOPMENTS IN 2025

Initiative	Objective
Business Continuity Framework enhancement	Strengthen crisis response, ICT continuity and recovery preparedness
Geopolitical crisis simulation exercise	Improve crisis governance, coordination and decision-making capabilities
Civil protection and first aid training	Strengthen employee preparedness and resilience culture
Business continuity and crisis communication testing	Enhance operational resilience and response readiness

Balcia continued integrating resilience principles into governance, risk management and operational decision-making processes to support business continuity and responsible operations during disruptive events.

Enhancing Governance and Integrity Controls

CONFLICT OF INTEREST AND ANTI-CORRUPTION RISK ASSESSMENT

In 2025, Balcia conducted a conflict-of-interest and corruption risk assessment in accordance with its Anti-Corruption, Anti-Bribery and Conflict of Interest Management Policy. The assessment was reviewed by the Management Board and the Company's overall exposure to conflicts of interest and corruption risks was assessed as moderately low. Appropriate mitigation measures and monitoring controls remain in place.

The following position categories are considered exposed to conflicts of interest and corruption risks:

- Management Board members; Heads of Branches, FOE and FOS
- Finance and investment management roles (e.g. CFO, Chief Accountant, Investment Officer)
- Administrative and legal management roles (e.g. Heads of Administration and Legal)
- Marketing and reputation management roles with external representation or communication authority
- Product development and sales roles with commercial discretion (e.g. underwriters, product managers, sales managers)
- Claims handling roles involved in decision-making or influencing claim outcomes, regardless of individual decision limits

ADVANCING DIGITAL OPERATIONAL RESILIENCE

Following the entry into force of the Digital Operational Resilience Act (DORA), Balcia continued strengthening its ICT governance, operational resilience and ICT risk management framework.

Activities during 2025 focused on ICT risk management, cybersecurity resilience, business continuity, incident response capabilities and information security enhancements.

The Company continued modernising its ICT environment through infrastructure development, cloud-based solutions, process automation initiatives and improvements to digital customer services. Balcia also promoted the responsible use of artificial intelligence technologies to support innovation, operational efficiency and everyday business processes.

Governance IROs

IRO Topic	Description	Type	Duration	Value Chain Location
Good business conduct	Ethical business conduct, transparency and accountability support stakeholder trust and sustainable value creation across Balcia's operations.	Potential positive impact	Short-, medium- and long-term	Upstream, own operations and downstream
Supplier management	Responsible supplier relationships and implementation of the Supplier Code of Conduct support sustainable business practices across the value chain.	Potential positive impact	Short-term	Downstream
Poor business conduct	Unethical conduct, corruption, non-compliance or weak governance practices could negatively affect stakeholder trust, business performance and the Company's reputation.	Potential negative impact	Short- and medium-term	Own operations and downstream

Policies Related To Governance

GOVERNANCE POLICY

Governance Policy defines Balcia’s governance framework, including organisational structure, roles and responsibilities, internal control mechanisms, decision-making principles and oversight processes. The policy ensures transparent, effective and accountable management in line with Solvency II requirements and supports the integration of sustainability considerations into governance processes.

SUPPLIER CODE OF CONDUCT

The Supplier Code of Conduct establishes minimum expectations for suppliers regarding business integrity, human rights, labour standards, occupational health and safety, climate-related considerations and environmental protection.

The Code supports responsible supplier relationships and promotes alignment with Balcia's sustainability principles across the value chain.

CODE OF ETHICS

Balcia places a strong emphasis on maintaining the highest standards of business ethics and compliance across all levels of the organization. The Code of Ethics applies to all employees and establishes expectations regarding responsible conduct, fair competition, conflict-of-interest management, anti-corruption principles and other ethical considerations.

To support awareness and compliance, employees receive regular training and updates on ethical conduct requirements. All newly hired employees are introduced to the Code of Ethics as part of the onboarding process.

ANTI-CORRUPTION, ANTI-BRIBERY AND CONFLICT OF INTEREST MANAGEMENT POLICY

Balcia maintains a zero-tolerance approach to corruption and bribery. The Anti-Corruption, Anti-Bribery and Conflict of Interest Management Policy establishes requirements for preventing corruption, identifying conflicts of interest and protecting the Company's integrity and reputation.

The Policy applies across all areas of the business and is supported by regular monitoring, risk assessments and employee awareness activities.

SANCTIONS CONTROL PROCEDURE

Sanctions Control Procedure establishes the principles and controls for managing sanctions-related risks. The procedure defines requirements for sanctions risk assessment, customer and partner screening, monitoring, reporting and escalation processes, ensuring compliance with applicable national and international sanctions regimes.

MANAGING GOVERNANCE-RELATED IMPACTS, RISKS AND OPPORTUNITIES

Balcia manages governance-related impacts, risks and opportunities through an integrated governance, compliance and risk management framework.

Key governance-related risks include business ethics, regulatory compliance, conflicts of interest, information security, data protection, operational resilience and reputational risks. These risks are managed through internal policies, control mechanisms, regular risk assessments and oversight by the Management Board and Supervisory Board.

During 2025, Balcia further integrated sustainability-related impacts, risks and opportunities into its risk management framework through the incorporation of the IRO approach into the Risk Management Policy.

Governance Performance Indicators

Indicator	2025
Confirmed Code of Ethics violations	0
Conflict-of-interest cases identified	1
Confirmed corruption incidents	0
Sanctions control violations	0
Whistleblower reports received	0
Confirmed personal data breaches	30

Targets and Ambitions

Target	Time Horizon
Maintain effective governance, compliance and risk management controls	Ongoing
Ensure 100% completion of mandatory governance and compliance training programmes	Annual
Continue strengthening operational and digital resilience capabilities	Ongoing

PARTICIPATION IN ORGANISATIONS

Balcia actively participates in national and international industry associations and professional organisations. Through these memberships, the Company contributes to the development of responsible business practices, corporate governance standards, sustainability initiatives and insurance sector development across its operating markets.

Organisations And Associations

Logo	Organisation	Description
	Baltic Institute of Corporate Governance	Contributing to the development of best corporate governance practices in Lithuania, Latvia, and Estonia.
	CSR Latvia	Sharing the corporate social responsibility practices and learning from others to foster the achievement of Sustainable Development Goals.
	Employers' Confederation of Latvia	Engaging in drafting policies to support entrepreneurship and the competitiveness of companies.
	Latvian Association for People Management	Encouraging excellent personnel management practice in Latvia.
	Latvian Chamber of Commerce and Industry	Contributing to the development of a competitive business environment in Latvia.
	Latvian Insurers Association	Advancing the development of Latvia's insurance industry.
	Latvian Motor Insurers' Bureau	Participating in the motor third party liability insurance system and promoting road safety.
	The Lithuanian Motor Insurers Bureau	

Logo	Organisation	Description
	The Lithuanian Insurers Association	
	Estonian Motor Insurance Bureau	
	Estonian Insurers Association	
	Polish Motor Insurers' Bureau	
	Polish Insurance Association	

APPENDICES

APPENDIX 1. METHODOLOGY AND TECHNICAL NOTES

A1. Reporting Methodology And Accounting Principles

Reporting Period

This Sustainability Report covers the period from 1 January 2025 to 31 December 2025.

Unless otherwise stated, all sustainability information relates to Balcia Insurance SE and subsidiaries included within the financial consolidation perimeter used for financial reporting.

Reporting Framework

The report has been prepared with reference to the Voluntary Sustainability Reporting Standard for SMEs (VSME) issued by EFRAG.

Environmental, social and governance information has been collected using internal management systems and methodologies aligned, where relevant, with the European Sustainability Reporting Standards (ESRS) and the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

Reporting Boundary

The reporting boundary follows Balcia's financial consolidation perimeter.

Data included in this report cover operations under Balcia's operational control. Where estimates have been necessary, management has applied reasonable assumptions based on the best available information at the reporting date.

Data Sources

The information presented in this report is derived from:

- Human Resources Information Systems (SAGE HR);
- Financial and accounting systems;
- Energy supplier invoices and utility consumption records;
- Internal governance and compliance systems;
- Employee surveys;
- Customer satisfaction surveys and customer service records.

Minor rounding differences may occur throughout the report.

A2. Own Workforce Reporting Methodology

Unless otherwise stated, workforce data cover all employees with active employment status during the reporting period.

Average Employee Training Hours

Average employee training hours include both mandatory and voluntary training activities completed during the reporting year.

Training hours are managed through Balcia's learning platforms, including SAGE HR, Moodle and the internal knowledge base. Additional Insurance Distribution Directive (IDD) training hours completed by employees are also included.

Non-Mandatory Training Hours

Non-mandatory training hours include all voluntary learning and development activities registered within Balcia's HR system.

All training records are validated by the employee's direct manager.

Accounting Principles

Employee-related information is reported using methodologies aligned with ESRS disclosure requirements.

All workforce data are collected from Balcia's Human Resources Information System (SAGE HR).

Number Of Employees

The employee headcount represents individuals with active employment status during the reporting period.

The reported figures include:

- Permanent employees;
- Temporary employees;
- Non-guaranteed hourly paid employees.

Unless otherwise stated, workforce figures are calculated as average headcount between the beginning and end of the reporting year.

Gender Distribution

Gender distribution reflects employee self-identification data recorded in HR systems.

Reported categories include:

- Male;
- Female;
- Not reported;
- Other.

Gender ratios are calculated based on total employee headcount.

Country Distribution

Employees are reported by principal countries of operation:

- Latvia;
- Lithuania;
- Poland;
- Other countries.

The "Other" category includes countries where Balcia employs fewer than 50 employees.

Non-Employees

Non-employees are individuals performing work for the organisation without being employed under a standard employment contract.

During the reporting period, Balcia did not engage non-employees within the scope of workforce reporting.

Employees Leaving The Organisation

Total employee departures include both voluntary and involuntary terminations of employment during the reporting year.

Employee Turnover

Employee turnover is calculated as the number of employees leaving the organisation during the reporting year divided by the average employee headcount for the same period.

A3. Greenhouse Gas Emissions Methodology

Methodological Standard

Greenhouse gas (GHG) emissions are calculated in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

All greenhouse gases are converted into carbon dioxide equivalents (CO_2e).

Organisational Boundary

Balcia applies the operational control approach for GHG accounting.

Environmental data cover activities over which Balcia exercises operational control.

Scope 1 Emissions

Scope 1 emissions refer to direct greenhouse gas emissions from sources owned or controlled by Balcia.

These emissions primarily arise from:

- Combustion of fuel used in company-leased vehicles;
- Consumption of fossil fuels used for heating in office buildings under Balcia's operational control.

A portion of Scope 1 emissions originates from heating consumption in office premises in Latvia where Balcia leases and operates facilities.

Emission calculations are based on fuel consumption data and conversion factors published in the latest available UK Government GHG Conversion Factors for Company Reporting (Defra/DECC).

Balcia intends to reduce Scope 1 emissions through:

- Transition towards lower-emission mobility solutions;
- Increased uptake of electric vehicles;
- Improvements in building energy efficiency;
- Gradual replacement of fossil-fuel-based heating systems with lower-carbon alternatives where feasible.

Scope 2 Emissions

Scope 2 emissions refer to indirect greenhouse gas emissions associated with purchased electricity and district heating consumed by Balcia.

Scope 2 emissions are generated through:

- Purchased electricity;
- Purchased district heating.

Currently, a significant share of energy consumed by Balcia originates from conventional energy sources.

Balcia continues to evaluate opportunities to increase the use of renewable electricity and improve overall energy efficiency.

Nevertheless, Balcia recognises the significance of value-chain emissions and continues to assess opportunities to:

- Improve supplier-related data collection;
- Increase sustainable procurement practices;
- Prioritise repair and reuse solutions where applicable;
- Strengthen collaboration with sustainability-focused partners.

Accounting Principles

All emissions associated with purchased electricity and district heating are calculated using actual consumption data obtained from utility invoices, supplier documentation and meter readings.

GHG emissions are calculated by multiplying activity data by the relevant emission factor:

CO_2e = Activity Data × Emission Factor

Energy consumption data are derived from supplier invoices and utility meter readings.

Defra/DECC 2024 Fuel Conversion Factors have been used where applicable to convert fuel consumption expressed in litres, cubic metres or kilowatt-hours into greenhouse gas emissions.