

*Approved by decision of the Shareholders' Meeting on October 29, 2019 (Meeting minutes  
No. 2019-SHM2)*

*The Company's registered, payable and voting share capital is EUR 1,829,381  
The nominal value of each share is EUR 1  
Shareholders who represent a total of EUR 1,107,478 or 60.54% have registered for the  
Shareholders' Meeting  
Vote - To approve the Remuneration policy for Board and Council:  
"For" - 1,107,478 votes (100%)  
"Against" - 0 votes*



**HANSAMATRIX**  
Inspired by your trust

**Joint stock company HansaMatrix  
REMUNERATION POLICY FOR BOARD AND COUNCIL  
MEMBERS**

## Riga, 2019

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## DEFINITIONS

|                                      |  |
|--------------------------------------|--|
| <b><i>Company</i></b>                | Joint stock company HansaMatrix, reg. No 40003454390   |
| <b><i>Board</i></b>                  | Company's Board of Directors   |
| <b><i>Council</i></b>                | Company's Supervisory Council  |
| <b><i>Shareholders</i></b>           | Owners of the Company's shares   |
| <b><i>Fixed Remuneration</i></b>     | Fixed portion of Remuneration (brutto), which comprises compensation (including remuneration paid to Board and Council members by both the Company and other companies of the same group) and special payments based on certain factors rather than the performance of relevant Board and Council members, including any income for participation in Board's, Council's and Shareholders' meetings |
| <b><i>Variable Remuneration</i></b>  | Variable portion of Remuneration, namely annual bonuses (brutto) granted to Board members in addition to their Fixed Remuneration for a financial year provided that certain key performance indicators (KPI) pre-defined for specific individuals are attained  |
| <b><i>Remuneration</i></b>           | All forms of remuneration (fixed and variable), Employee Stock Options and other fringe benefits awarded by the Company, directly or indirectly, in exchange for professional services rendered by Board and Council members   |
| <b><i>Policy</i></b>                 | This Remuneration Policy for Board and Council Members of the Company  |
| <b><i>Remuneration Report</i></b>    | A clear and readily understandable report on remuneration awarded or paid to Board and Council members in the previous financial year or due to every existing or former Board and Council member for the previous financial year  |
| <b><i>Fringe Benefits</i></b>        | Extra benefits that can be granted by the Company in addition to Fixed Remuneration and Variable Remuneration, including health insurance, Company's cars subject to certain fuel consumption limits, mobile phones and telecommunications expenses, contributions to pension funds, etc.  |
| <b><i>Employee Stock Options</i></b> | Employee stock options giving the Company's existing employees and Board members the right to acquire a certain number of new dematerialised bearer shares issued by the Company   |
| <b><i>Deferral Period</i></b>        | A period of time between the award and the vesting of the Variable Remuneration during which Board members are not legal owners of the Variable Remuneration awarded. The Deferral Period is not always applicable to Variable Remuneration  |
| <b><i>KPI</i></b>                    | Key performance indicators   |

## **1. GOALS AND BASIC PRINCIPLES OF THE POLICY**

- 1.1. The goal of this Policy is to lay down basic Remuneration principles for the Company's Board and Council members considering, inter alia, remuneration and employment conditions of the Company's staff, thereby facilitating the Company's business strategy, long-term interests and sustainability.
- 1.2. This Policy is elaborated and published with a view of enhancing the Company's corporate transparency and visibility and providing the existing and potential shareholders of the Company with better opportunities for monitoring the Remuneration of Board and Council members.
- 1.3. This Policy is aimed at rewarding sustainable long-term performance of Board and Council members in line with the Shareholders' interests and facilitating the attainment of the Company's business targets.
- 1.4. This Policy sets out basic Remuneration principles, and it is binding on and applicable to Board and Council members.
- 1.5. The Remuneration and working conditions of other employees of the Company must be taken into consideration when setting the Remuneration of Board and Council members. The Remuneration of Board and Council members must be commensurate with the remuneration of other employees of the Company.
- 1.6. The Remuneration of Board and Council members must be fair, and it must be awarded for the actual and proper execution of their duties. The Remuneration must be linked to the actual performance of both the Company and a particular individual.
- 1.7. Remuneration is paid to Board and Council members in accordance with regulations approved by the Shareholders' Meeting and this Policy. The remuneration of the Council members is determined by the Shareholders' Meeting of the Company. The remuneration of the Chairman of the Board shall be determined by the Council of the Company, while the remuneration of the other Board members shall be determined by the Council of the Company after receiving the recommendations of the Board.
- 1.8. Before giving the Company a written statement of consent to serve as a Board or Council member, every Board and Council member must read this Policy, which must be certified by a relevant member's signature.

## 2. REMUNERATION STRUCTURE

### 2.1. Remuneration consists of:

- 2.1.1. Fixed Remuneration, namely the fixed portion of Remuneration, which mainly reflects an individual's professional experience, position, duties and level of responsibility, seniority and education;
- 2.1.2. Variable Remuneration, namely an annual bonus awarded in a financial year in addition to Fixed Remuneration provided that certain key performance indicators (KPI) pre-defined for a specific individual are attained;
- 2.1.3. stock compensation, namely employee stock options awarded according to the Company's Employee Stock Option Issuance Regulation and this Policy;
- 2.1.4. other fringe benefits that can be granted by the Company in addition to Fixed Remuneration and Variable Remuneration pursuant to this Policy.

### Fixed Remuneration

### 2.2. Fixed Remuneration of Board and Council members is defined on the basis of the following criteria:

- 2.2.1. position;
- 2.2.2. professional skills and education;
- 2.2.3. official duties;
- 2.2.4. level of responsibility, including:
  - 2.2.4.1. responsibility for the work process and resources, which reflects the amount of work, processes, business units and financial resources whose management is vested in an individual appointed to the relevant position;
  - 2.2.4.2. responsibility for decisions, which reflects how comprehensive and significant decisions made by an individual appointed to the relevant position are;
- 2.2.5. additional skills and expertise that are essential for the operations of the Company;
- 2.2.6. impact of the labour market and the Company's financial position.

### 2.3. In addition to the provisions of Clause 2.2 of this Policy, the following shall be taken into account when determining the Fixed Remuneration for the Council members, including the Chairman of the Council:

- 2.3.1. Fixed Remuneration is paid only to independent members of the Council, i.e., those members of the Council, including the Chairman of the Council, who are not Shareholders of the Company;
- 2.3.2. Fixed Remuneration of the Chairman of the Council may not exceed 1/3 of the Fixed Remuneration of the Chairman of the Board;
- 2.3.3. Fixed Remuneration of a member of the Council may not exceed 50 % of the remuneration of the Chairman of the Council.

#### Variable Remuneration

- 2.4. Variable Remuneration may be awarded only to Board members. Council members do not receive any Variable Remuneration.
- 2.5. Variable Remuneration may change depending on the Company's financial and non-financial indicators, and it is related to the Company's short-term and long-term targets and measurable performance. Variable Remuneration is defined in a manner facilitating the achievement of the Company's long-term targets, certain actions by Board members and the attainment of desirable results and forming a link between remuneration and risk taken at the Company. Variable Remuneration depends on the individual performance of Board members, the attainment of targets and overall financial performance of the Company.
- 2.6. Variable Remuneration is defined according to the following basic principles:
  - 2.6.1. Variable Remuneration is linked to the attainment of certain targets;
  - 2.6.2. the Company's and relevant person's individual quantitative and qualitative indicators (compliance with internal regulations, standards and limits, etc.) are assessed when setting Variable Remuneration;
  - 2.6.3. it is ensured that an individual concerned is not able to set or take part in the setting of the individual's remuneration;
  - 2.6.4. Variable Remuneration can be reduced or annulled if the Company's financial performance has worsened or is negative;
  - 2.6.5. the annual maximum threshold of Variable Remuneration may not exceed 50 % of annual Fixed Remuneration;
  - 2.6.6. Variable Remuneration is paid only when the Company's overall financial situation so permits and it is reasonable, considering the relevant business unit's and specific individual's performance.
- 2.7. Variable Remuneration must reflect the Company's overall performance and personal contributions made by Board members to the Company's business, including, but not limited to:
  - 2.7.1. the Company's overall performance can be reflected by the following:

- 2.7.1.1. the Company's financial performance based on quarterly and annual results;
  - 2.7.1.2. positive dynamics of the Company's development;
  - 2.7.1.3. implementation of the Company's approved business plans in the long and short term and under specific projects;
  - 2.7.1.4. achievement of economic, budget and production forecasts;
  - 2.7.1.5. development of productive forces and production, including the quality of production, workforce productivity, achievement of target profits, saving of resources and materials, etc.;
  - 2.7.1.6. promotion of the Company's products in existing and new market segments, set-up of a consumer and supplier network, decrease in the number of complaints, introduction of new types of products;
  - 2.7.1.7. financial and production risk control, analysis, management and minimisation, commercial transactions made and contracts signed, financial settlements with counterparties, supplies, etc.;
  - 2.7.1.8. investing activities by acquiring all kinds of investors and opportunities for project implementation;
  - 2.7.1.9. achievement of the Company's targets and mission according to the Company's tasks and possibilities and decisions made by the Shareholders.
- 2.7.2. A personal contribution can be reflected by the following:
- 2.7.2.1. the actual scope of duties, workload and time contributed to serve the Company's interests;
  - 2.7.2.2. professionalism and competence;
  - 2.7.2.3. participation in the decision-making process by the Board and management and/or supervision of certain projects and/or business lines, their success and effectiveness;
  - 2.7.2.4. responsibility for the Company's operations and decisions;
  - 2.7.2.5. involvement in the implementation of the Company's joint projects, goals, tasks and missions, including management of financial and commercial activities and related risks, and human resource, labour and environmental protection and safety management, legal protection of the Company, certification of products and production (ISO), etc.

- 2.8. Remuneration must also reflect external factors that affect the setting of and changes in Remuneration, including the following:
  - 2.8.1. laws and regulations laying down legal conditions and restrictions with regard to respective procedures;
  - 2.8.2. the actual situation on the local labour market, the balance between supply and demand for human resources and the resulting market value.

#### Other fringe benefits

- 2.9. The Company can award to Board members other fringe benefits in addition to Fixed Remuneration and Variable Remuneration, depending on their position, duties and level of responsibility, including the following:
  - 2.9.1. the Company can provide its mobile devices and pay telecommunications expenses subject to certain limits. Excessive expenses incurred for business needs can also be compensated within reasonable limits;
  - 2.9.2. the Company can provide its cars for use by Board members;
  - 2.9.3. the Company can provide health insurance and insurance covering accidents at work;
  - 2.9.4. the Company can make contributions to pension funds;
  - 2.9.5. the Company can grant additional paid leave (for example, the first day of school of a child of primary school age, marriage or the death of a relative);
  - 2.9.6. the Company can grant one-off benefits (for example, the birth of a child or the death of a relative).
- 2.10. The Company may pay fees for the participation of Board and Council members in seminars in so far as it is necessary for the attainment of the Company's goals.
- 2.11. The maximum amount of Other Fringe benefits that a person may be granted yearly in monetary terms shall not exceed 30 % of that person's Fixed annual Remuneration.

#### Deferral and recovery of remuneration

- 2.12. There is no specific mechanism for the recovery of Variable Remuneration already paid. For damages caused to the Company in the event the Board member has provided misleading or false information, including data used for performance measurement or otherwise acted unlawfully, the Board member shall be liable in accordance with the Commercial Law, the Civil Law and other applicable laws and regulations of Latvia.



- 2.13. The Company may defer the payment of the Variable Remuneration, but not more than 50 % of the total Variable Remuneration. The maximum deferral period for Variable remuneration is one year. Deferment of Variable remuneration shall be decided by the Council.
- 2.14. The conditions under which the payment of Variable Remuneration is deferred shall be determined by the Council in accordance with the financial position of the Company.

### **3. KEY PERFORMANCE INDICATORS (KPI)**

- 3.1. The Variable Remuneration of Board members is linked to their key performance indicators (KPI).
- 3.2. Performance of the Board is assessed on the basis of various business indicators, which are set by the Council, taking into account Board recommendations, annually to ensure that they are appropriate for the achievement of efficiency thresholds and target and maximum performance indicators. These performance indicators include, but are not limited to, growth of sales, improvement of EBITDA, etc.
- 3.3. Variable Remuneration is based on the assessment of an individual's performance combined with the Company's overall results. This assessment comprises both financial and non-financial criteria.
- 3.4. As a rule, performance is assessed on an annual basis.

#### **4. EMPLOYEE STOCK OPTIONS FOR BOARD MEMBERS**

- 4.1. The Company has issued Employee Stock Options in order to reward the Company's management staff and Board members for their successful performance and loyalty to the Company, motivate the Company's staff and Board members to ensure the successful running of the Company's operations in the long term and enhance their interest in effective management of the Company.
- 4.2. According to the Commercial Law of the Republic of Latvia, Employee Stock Options give the Company's existing employees and Board members the right to acquire a certain number of new dematerialised bearer shares issued by the Company.
- 4.3. Conditions upon which the Company's staff and Board members may acquire Employee Stock Options are set out in the Company's 16 February 2018 Employee Stock Option Issuance Regulation. According to this regulation, Employee Stock Options may be acquired by the Company's Board members who meet the following conditions:
  - 4.3.1. a Board member has been employed as such by the Company or any of its fully owned subsidiaries for at least 12 calendar months;
  - 4.3.2. a Board member has attained either individual or Company's overall business targets set.
- 4.4. Employee Stock Options are granted to the Board members of the Company or any of its fully owned subsidiaries according to relevant Council's decisions.
- 4.5. The holders of Employee Stock Options who exercise their options and convert them into new shares issued by the Company acquire such shares free of charge.
- 4.6. The holders of Employee Stock Options submit to the Company their applications for the exercise of Employee Stock Options within one month after the end of a year. The holders of Employee Stock Options may apply for the exercise of their Employee Stock Options starting from the 4<sup>th</sup> (fourth) year of service with the Company or any of its fully owned subsidiaries.
- 4.7. The holders of Employee Stock Options may exercise their Employee Stock Options within an unlimited period as of the grant date. The Company's Employee Stock Option Issuance Regulation may provide for exceptions from this principle.
- 4.8. Employee Stock Options granted to holders may not be alienated to third parties (including hereunder sale, exchange or donation to third parties).
- 4.9. In the event of termination of an employment relationship or Board member's status (a Board member is dismissed or resigns), relevant Employee Stock Options are annulled, whereon the Board makes an entry in the Employee Stock Option Register.

## **5. TERMS OF OFFICE OF THE BOARD AND COUNCIL, TERMINATION CONDITIONS AND SEVERANCE PAYMENTS**

- 5.1. The terms of office of the Board and Council conform to the Commercial Law and the Company's Articles of Association.
- 5.2. Board members may be removed from office by the Council for serious reasons. Serious reasons hereunder include gross violation of authority, breach of duties, inability to manage the Company, damage caused to the Company's interests and no confidence expressed by the Shareholders' Meeting. The Council may suspend any Board member until the Shareholders' Meeting takes place but in no case longer than for two months.
- 5.3. Council members may be dismissed at any time based on relevant decisions of the Shareholders' Meeting.
- 5.4. No severance payments are defined for Board and Council members. However, such payments, if necessary, may not exceed the six-month Fixed Remuneration set for a relevant individual.
- 5.5. If a non-compete agreement is signed with a Board or Council member, the non-compete payment for the entire non-competition period may not exceed 60 % of the Fixed Remuneration received by a relevant individual for the last three years.

## **6. REMUNERATION REPORT**

- 6.1. The Board draws up a clear and readily understandable annual report on Remuneration awarded or paid in the previous financial year or due for the previous financial year to every existing or former Board and Council member.
- 6.2. The Remuneration Report presents information identifying every Board and Council member (at least the member's name, surname and position) and, as a minimum, the following information about every Board and Council member's remuneration:
  - 6.2.1. total Remuneration broken down into components and the relative share (percentage) of Fixed Remuneration and Variable Remuneration;
  - 6.2.2. an explanation of how the total Remuneration conforms to this Policy, how it promotes the Company's long-term performance and how the Company's key performance indicators have been applied in setting the Remuneration;
  - 6.2.3. changes in the Board's and Council's remuneration, the Company's performance and average remuneration of full-time equivalent employees (except for Board and Council members) for the last five financial years in a comparable format;
  - 6.2.4. remuneration received from another company of the same group under the Law on Annual Reports and Consolidated Annual Reports;
  - 6.2.5. the number of shares and stock options granted and offered and key conditions defined for the exercise of options, including the exercise price and date, and any changes therein (if any);
  - 6.2.6. information on cases where the Company has exercised its right to bring a claim for damages against a Board or a Council member;
  - 6.2.7. the total value of any benefits received as part of the Remuneration, which are not covered by paragraphs 6.2.1 to 6.2.6 of this Policy.
- 6.3. If any of the requirements referred to in paragraph 6.2 above is not applied, this must be clearly indicated in the Remuneration Report.
- 6.4. The Remuneration Report does not include any special categories of the personal data of Board and Council members, such as racial or ethnic origin, political opinions, religion or philosophical beliefs, trade union membership, biometric data for the purpose of uniquely identifying a natural person, data about a natural person's health, sex life or sexual orientation, or data concerning the marital status of Board and Council members. In this case, the Remuneration Report presents components of remuneration relating to an individual's marital status and indicates only the amount of the remuneration awarded, without stating grounds for the respective award.

- 6.5. The Board draws up the Remuneration Report as a separate component of the annual report and submits it together with other components of the annual report to the Shareholders' Meeting for consideration. The Remuneration Report must contain a Board's explanation of how the voting at the Shareholders' Meeting and opinions expressed by the Shareholders about the Remuneration Report for the previous financial year have been taken into account.
- 6.6. If the Board prepares an annual report and consolidated annual report, the Board must also draw up a Remuneration Report.
- 6.7. A certified auditor must check whether the Remuneration Report is drawn up in accordance with the Law on Audit Services and issue a certified auditor's report as to whether the Remuneration Report contains information referred to in the law and Section 6 of this Policy and whether there are any material inconsistencies between financial information presented in the Remuneration Report and the annual report.
- 6.8. The Company ensures that the Remuneration Report is published on the Company's Internet website immediately after the Shareholders' Meeting and will be available free of charge for 10 years after the date of publication. The Company may choose to keep information supplied in the Remuneration Report publicly available for a longer period provided that the Remuneration Report does not contain the personal data of Board and Council members or other natural persons.

## **7. DEFINITION, REVIEW AND IMPLEMENTATION OF THE POLICY**

### Definition and review of the Policy

- 7.1. This Policy and any amendments and supplements hereto are approved by the Shareholders' Meeting of the Company. This Policy is reviewed as necessary but no less than once every four years after approval of the previous policy.
- 7.2. This Policy and any amendments and supplements hereto are drawn up by the Company's Board, which then submits them for consideration to the Council, which, in turn, formulates suggestions as to the content of the Policy and any required amendments and supplements. After a Council's opinion has been received, the Board submits the Company's Policy and amendments and supplements hereto to the Shareholders' Meeting for approval.
- 7.3. The Board ensures that the Policy approved by the Shareholders' Meeting, which includes also the voting date and results, is published on the Company's Internet website <http://www.hansamatrix.com/> immediately after the Shareholders' Meeting and is publicly available free of charge for at least as long as it is applicable. Voting results comprise, as a minimum, information about the total number of voting shares present, the number of votes cast according to the number of voting shares, the proportion of the voting share capital represented at the Shareholders' Meeting by votes cast and the number of votes cast for and against approval of the Policy.
- 7.4. Any amendments made to the Policy must be approved by the Shareholders' Meeting, and the new version of the Policy is considered adopted after the approval of amendments.

### Implementation

- 7.5. The Company ensures that Remuneration payable to Board and Council members is set pursuant to the Policy approved by the Shareholders' Meeting.
- 7.6. Until a new remuneration policy is approved by the Shareholders' Meeting, the Company pays Remuneration to Board and Council members according to the previous remuneration policy or, if there is none, the practice adopted by the Company. If the Shareholders' Meeting does not approve a remuneration policy drawn up by the Board, the Board presents a revised remuneration policy together with an explanation regarding changes made therein to the next Shareholders' Meeting for approval.

### Prevention of conflicts of interest

- 7.7. Remuneration must be defined in such a way as to prevent any conflicts of interest, and it must be in conformity with the Company's guidelines and procedures dealing with the prevention of conflicts of interest.
- 7.8. If any conflict of interest is identified, Board and Council members may not participate in the setting of their Remuneration.