



STOCK COMPANY
“HANSAMATRIX”
UNIFIED REGISTRATION NUMBER 40003454390

**YEAR 2020 MANAGEMENT BOARD AND SUPERVISORY COUNCIL DIRECTORS
REMUNERATION REPORT**

Prepared according to the requirements
of Financial Instrument Market Law
of the Republic of Latvia

Riga, 2021

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1. INTRODUCTION

Remuneration report (hereinafter – the “Report”) of the members of the Management Board of Directors (hereinafter – the “Management Board” or “Board”) and the Supervisory Council (hereinafter – the “Council”) of the Stock Company HansaMatrix (hereinafter “HansaMatrix” or the “Company” or “the Group”) for 2020 has been prepared in accordance with the Financial Instruments Market Law of the Republic of Latvia and HansaMatrix remuneration policy (hereinafter - the “Policy”) for board and council members (hereinafter – “Directors”), approved by the decision of the shareholders' meeting of the Company of 22 May 2020 (Minutes No. 2020-SHM1).

HansaMatrix Group closed the year 2020 with a revenue from contracts with customers (hereinafter – revenue, sales or turnover) of EUR 22.59 million, decreasing by 8.21% compared to the EUR 24.61 million turnover reported in 2019.

In the reporting period, the Group EBITDA was EUR 3.081 million, showing a 18.08% decrease in comparison with EUR 3.719 million in 2019; the net profit was negative EUR 0.552 million in comparison with the net profit of EUR 0.208 million in 2019.

Revenue and EBITDA result in 2020 was influenced by COVID-19 global spread impacting and creating challenges in such business environment factors as personnel safety issues, supply chain disruptions, and transportation network disruptions. COVID-19 has influenced the Company performance already starting with the second half of January, 2020 when the virus gained momentum in China and Asia creating significant disruptions in the Company supply chain from this region. Some Client of the Company demand mostly in industrial, IoT and other sectors was decreased by the pandemic situation, but at the same time the positive market trend that started in 2020 Q3 continues - increased demand in the data network and medical device sectors.

The fixed and variable remuneration paid to the Directors the Company in 2020 complies with the provisions of the Policy.

The remuneration report has been prepared by the Board of the Company and reviewed by the Council of the Company. The Report is examined by a sworn auditor and it is reviewed and is planned to be approved at the shareholders' meeting together with other components of the annual report.

Riga,
April 26, 2021

Ilmārs Osmanis
Chairman of the Management Board

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2. BOARD AND COUNCIL REMUNERATION

On March 09, 2020 Gundars Strautmanis resigned as HansaMatrix Supervisory Board Member. Mr. Strautmanis served on the Supervisory Board of HansaMatrix since April 27, 2017.

On May 22, 2020 Ivars Ķirsons left the Supervisory Council of HansaMatrix. I.Ķirsons represented the interests of the growth venture capital fund ZGI-4 managed by ZGI Capital. Ivars Ķirsons has been member of Council of HansaMatrix since October 29, 2019.

On May 22, 2020 annual general meeting of HansaMatrix shareholders, in addition to the existing Supervisory Council members Andris Bērziņš, Ingrīda Blūma and Dagnis Dreimanis, elected new Supervisory Council members Normunds Igolnieks and Baiba Anda Rubesa. The decision took effect as of the date of its adoption.

On November 24, 2020 HansaMatrix Supervisory Board approved changes in the Company Management Board. In addition to the Chairman of the Management Board, CEO Ilmārs Osmanis and the Member of the Management Board, CFO – Māris Macijevskis the new Member - COO of the Company, Jānis Sams, was appointed to the Management Board.

The dates of service of Directors in the figure below are the dates when the respective Director appointment or leaving decisions are registered in The Register of Enterprises of the Republic of Latvia.

2.1. Total Board and Council remuneration

On October 29, 2019 the Company extraordinary shareholder meeting approved the remuneration policy of the Board of Directors and Supervisory Council (hereinafter “the Remuneration policy”) that was subsequently amended by May 22, 2020 the Company’s shareholders’ meeting.

Figure 1. Total Board and Council remuneration, EUR

Name of Director, Position (start/end)	1 Fixed remuneration			2 Variable remuneration		3 Extraordinary items	4 Pension expense	5 Total Remuneration	6 Proportion of fixed and variable remuneration
	Base salary	Fees	Other benefits	One-year variable	Multi-year variable				
Ilmārs Osmanis , Chairman of Management Board, Chief Executive Officer, 27.12.2000-Present	105,630		12,545	34,860			4,000	157,035	78% / 22%
Māris Macijevskis , Management Board Member, Chief Financial Officer, 16.02.2018-Present	56,782		8,546	26,190				91,518	71% / 29%
Jānis Sams , Management Board Member, Chief Operating Officer Officer, 08.12.2020-Present	5,415		587	0				6,002	100% / 0%
Andris Bērziņš , Chairman of the Council, non-executive director, 07.10.2015-Present	26,400							26,400	100% / 0%
Ingrīda Blūma , Deputy Chair of the Council, non-executive director, 16.06.2016-Present	12,000							12,000	100% / 0%
Baiba Anda Rubesa , Council member, non-executive director, 09.06.2020-Present	7,316							7,316	100% / 0%
Dagnis Dreimanis , Council member, non-executive director, 04.04.2018-Present	0							0	
Normunds Igolnieks , Council member, non-executive director, 09.06.2020-Present	0							0	
Ivars Ķirsons , Deputy Chair of the Council, non-executive director, 26.11.2019 - 09.06.2020	0							0	
Gundars Strautmanis , Council member, non-executive director, 17.05.2017-10.03.2020	2,273							2,273	100% / 0%

The Remuneration policy describes key 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.

Base Salary in Figure 1 includes the fixed base salary of the director, in exchange for professional services to serve its mandate or for any other executive or non-executive services or functions provided during the reported financial year under a specific contract. It also includes the salary of the director related to his work as an employee of the company, e.g., CFO or COO.

Fees include all fees of the director for the participation in the administrative, management or supervisory bodies of the company meetings during the reported financial year.

Other benefits include the value of the following perquisites: medical insurance, company car, mobile telephone communication services, and mobile phone device.

Variable remuneration includes bonuses consisting of cash and share options which was paid for, or which as a result of the fulfilment of the predetermined performance criteria vested during the reported financial year, where the time span does not exceed that financial year. In 2020 Ilmārs Osmanis and Māris Macijevskis each received 2400 Company stock options for the fulfillment of pre-determined performance criteria and also received cash bonuses. Figure 3 depicts the variable remuneration split paid out in cash and awarded as Employee share options.

Figure 2. Variable remuneration, EUR

Director	Cash	Employee share options	Total
Ilmārs Osmanis	12,900	21,960	34,860
Māris Macijevskis	4,230	21,960	26,190
Total	17,130	43,920	61,050

Pension expense includes the contributions that effectively took place during the reported financial year to finance a fund or other pension scheme for future pension pay-out for the director (or the director’s heirs). In 2020 for Ilmārs Osmanis the contribution was made into the voluntary, defined contribution nature, 3rd Pension Pillar of the pension system of the Republic of Latvia.

In 2020, all members of the Management Board and Council received remuneration from the Company and did not receive any remuneration from other Group companies within the meaning of the Law of Republic of Latvia on Annual Accounts and Consolidated Annual Accounts of the Group.

2.2. Share-based remuneration

On February 16, 2018 the Company extraordinary shareholder meeting approved the Regulation of Employee stock option issuance (hereinafter “the Employee option plan”) and approved issuing 18294 employee stock options (hereinafter – “the Options”) for the total monetary amount of 18294 EUR (eighteen thousand two hundred ninety-four euro).

The purpose of issuing employee stock options is to reward the employees for successful performance and loyalty to the Company and to motivate the Company’s employees to take care of the Company’s long-term success, as well as increase their interest in effective management of the Company.

The Employee option plan (hereinafter - “the Option plan” or “the Options”) includes the following key conditions:

- a) Employee eligibility to receive stock options as compensation: current group employee, works in the group longer than 12 months and has achieved individual or HansaMatrix AS group KPI’s.
- b) Board member eligibility to receive stock options as compensation: serves as a board member more than 12 months and has achieved individual or HansaMatrix AS group KPI’s.
- c) HansaMatrix Management Board Members can receive up to 2400 Options per year, HansaMatrix 100% subsidiary Management Board Member can receive up to 1200 Options per year and HansaMatrix group key employees can receive up to 600 Options per year for fulfilling HansaMatrix business or individual targets.
- d) Options are cancelled in case the employee work agreement is terminated.
- e) One option entitles to receive one dematerialized bearer share of the Company.

- f) Management Board approves options for employees.
- g) Council approves options for Management board members.
- h) Management Board is responsible for keeping the employee option register.
- i) Options can be exercised once per year within 1 month after calendar year end. Employee has to have 4-year work experience in the group to exercise the options.
- j) Holders of Options acquire options and convert them into the Company's newly issued shares free of charge.
- k) After the employee decides to exercise the options, Council decides to accordingly change articles of association, the Management Board decides to increase the Company capital.

Figure 3. Share-based remuneration.

Name of Director, Position	The main conditions of share option plans						Information regarding the reported financial year				
							Opening balance		During the year		Closing balance
	Specification of plan	Performance period	Award date	Vesting date	Exercise period	Exercise price of the share	Share options held at the beginning of the year	Share options awarded	Share options vested	Share options subject to a performance condition	Share options awarded and unvested
Ilmārs Osmanis , Chairman of Management Board, Chief Executive Officer	the Employee option plan	01.01.2020-31.12.2020	22/02/2021	22/02/2024	01.01.2025-31.01.2025	0	0	2400	0	0	2400
Māris Macijevskis , Management Board Member, Chief Financial Officer	the Employee option plan	01.01.2020-31.12.2020	22/02/2021	22/02/2024	01.01.2025-31.01.2025	0	1100	2400	0	0	3500
Jānis Sams , Management Board Member, Chief Operating Officer	the Employee option plan						0	0	0	0	0

In 2021 Ilmārs Osmanis and Māris Macijevskis with Council decision both were awarded with 2400 Employee stock options according to the Employee option plan and according to the Remuneration policy for fulfilling the KPI related to HansaMatrix business performance indicator set for year 2020.

Jānis Sams was recently appointed as a Management Board Member and is included in the Employee option plan, but have not qualified yet to receive the Options.

2.3. Use of the right to reclaim

In 2020, the Company did not exercise its right to reclaim the variable remuneration previously paid to the members of the Management Board.

3. ACTUAL REMUNERATION COMPLIANCE WITH REMUNARATION POLICY

Key provisions of the Remuneration policy of the Company, which which the director remuneration paid out in 2020 complies, are the following:

- a) Remuneration consists of fixed and variable remuneration, stock related compensation and other fringe benefits.
- b) Fixed remuneration is defined on the basis of position, professional skills and education, official duties and the level of the responsibility.
- c) Fixed Remuneration is paid only to independent members of the Council, i.e., those members of the Council, including the Chairman of the Council, whose shareholding in the Company does not exceed 3% of the total share capital of the Company.
- d) Fixed Remuneration of the Chairman of the Council may not exceed 1/3 of the Fixed Remuneration of the Chairman of the Board.
- e) Variable remuneration may be awarded only to Board members. Council members do not receive any variable remuneration.
- f) Variable remuneration is linked to the attainment of certain targets the annual maximum threshold of it may not exceed 50 % of annual fixed remuneration.
- g) Other fringe benefits include the Company provided mobile devices, paid communication expenses, health and accident insurance, contributions to pension funds, provided Company cars, additional paid leaves (marriage, child birth, etc.). The maximum amount of other fringe benefits that Director may be granted yearly in monetary terms shall not exceed 30 % of that person's fixed annual remuneration.

- h) 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.
- i) Employee stock options are awarded and issued according to the Employee option plan.

The fixed and variable remuneration paid to the Board and the Council Members of the Company in 2020 complies with the provisions of the Remuneration policy described above and all the other conditions of the Remuneration policy. There were no exception cases of temporary derogations from the Remuneration policy.

The variable part of the remuneration for the Management Board Members in 2020 was based on the fulfillment of the Company financial performance indicators such as net profit and EBITDA, as well as individual Director performance targets set by the Council of the Company for 2020. The Employee option share of the total remuneration of the Management Board members ensures and supports long-term performance results of the Company, since the Options granted vest in 3 years after awarding.

4. THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

In accordance with Article 66 of the Transitional Provisions of the Financial Instruments Market Law of the Republic of Latvia, the Company discloses a comparison of changes in the remuneration of the Management Board and the Council starting from the financial year 2020 and providing at least for the the last five financial year period, which starts no later than in January, 2020.

Figure 4. Comparative table on remuneration for the reported financial year (RFY), EUR

Annual change	(Information regarding the RFY)
Director's remuneration	
Ilmārs Osmanis , Chairman of Management Board, Chief Executive Officer	157,035
Māris Macijevskis , Management Board Member, Chief Financial Officer	91,518
Jānis Sams , Management Board Member, Chief Operating Officer	6,002*
Andris Bērziņš , Chairman of the Council, non-executive director	26,400
Ingrīda Blūma , Deputy Chair of the Council, non-executive director	12,000
Baiba Anda Rubesa , Council member, non-executive director	7,316*
Gundars Strautmanis , Council member, non-executive director	2,273*
Company's performance	
Net profit	-551,612
EBITDA	3,081,235
Average remuneration on a Full-time equivalent basis of employees	
Reference group: plant managers	85,486

* - not full year

Figure 4 compares the Director remuneration with the chosen reference group of manufacturing plant managers of the Company.

5. ALTERNATIVE PERFORMANCE INDICATORS

The definitions of alternative performance indicators (APIs) used in this remuneration report can be found on page 89 of the HansaMatrix consolidated and Parent Company's annual report for the year ended December 31, 2020.

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