



**HANSAMATRIX**

*Inspired by your trust*

**JSC "HANSAMATRIX"**  
**CORPORATE GOVERNANCE REPORT**  
**FINANCIAL YEAR 2021**



## **CORPORATE GOVERNANCE REPORT**

### **INTRODUCTION**

Joint Stock Company “HansaMatrix” (hereinafter referred “HansaMatrix” or “Company”) Corporate Governance Report (hereinafter referred to as “Report”) has been prepared in accordance with Corporate Governance Code (“the Code”) developed by Corporate Governance Advisory Board under the auspices of the Ministry of Justice, published in 2021 (available: <https://bit.ly/38s6FA5>). The provisions of the Code are based on best international practices in corporate governance. HansaMatrix management board has prepared and supervisory council revised the Report.

The Report is published on HansaMatrix website both in English and Latvian, and can be found in section “Investors – Corporate Governance” and has been published on the website of “Nasdaq Riga” AS ([www.nasdaqbaltic.com](http://www.nasdaqbaltic.com)) as well.

HansaMatrix complies with the most of the principles of good Corporate Governance. The Company believes that its business operation must be understandable, transparent and effective at the same time it should be well and in good quality reflected in information released to HansaMatrix shareholders.

Riga, April 28, 2022

Jānis Sams  
Chairman of the Management Board

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STAMP

## **Company strategy**

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

- 1.1. The company has an up-to-date strategy, the draft of which is developed by the management board. AS "HansaMatrix" (hereafter – "HansaMatrix" or "Company") complies with this principle. In 2021, the Company's Management Board developed and on August 26, 2021, the Supervisory Board approved the HansaMatrix 5-year strategy.
- 1.2. The supervisory board is involved in the strategy development process and approves the strategy at the supervisory board meeting. HansaMatrix complies with this principle. In 2021, the Company's Management Board developed and on August 26, 2021, the Supervisory Board approved the HansaMatrix 5-year strategy.
- 1.3. The supervisory board monitors the implementation of the strategy. HansaMatrix complies with this principle. The Board of the Company regularly (monthly) reports and informs the Council on business development and achieved financial results.
- 1.4. The company management board implements the strategy and reports to the supervisory board on its implementation on a regular basis. HansaMatrix complies with this principle. The Board of the Company regularly (monthly) reports and informs the Council on business development and achieved financial results.

## **Internal culture and ethical behaviour**

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

- 2.1. The supervisory board defines the company's core values. HansaMatrix complies with this principle. In 2021, the Company's Management Board, in cooperation with the Council's Strategy Committee, developed and on August 26, 2021, the Council approved a 5-year HansaMatrix strategy, which also includes the company's core values.
- 2.2. The management board prepares and the supervisory board approves the code of internal culture and ethics. HansaMatrix plans to comply with this principle. The Code of Internal Culture and Ethics is being developed, and its approval by the Council is scheduled for the 2nd quarter of 2022.
- 2.3. The management board ensures compliance with the company's internal culture and ethics code on a daily basis and reacts if there is a breach of the code. HansaMatrix complies with this principle. HansaMatrix plans to comply with this principle. The Code of Internal Culture and Ethics is being developed, and its approval by the Council is scheduled for the 2nd quarter of 2022.

## **Internal control system, risk management and internal audit**

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

- 3.1. The company has a documented internal control system, the establishment of which is the responsibility of the management board. HansaMatrix complies with this principle. On July 29, 2021, the Company's Council approved HansaMatrix risk management policy and risk register. The Council is regularly reported on the significant risks of HansaMatrix and the implementation of action plans to reduce them.

3.2. The internal audit evaluates the effectiveness of the internal control system at least once a year, taking into account pre-defined criteria and reporting the results of the evaluation to the supervisory board. HansaMatrix does not currently comply with this corporate governance principle. The Supervisory Board is regularly (at least twice a year) reported on the significant risks of HansaMatrix and the implementation of action plans to reduce them. The company's external auditor is currently one of the world's leading audit company, Deloitte.

3.3. The supervisory board, at least once a year, evaluates the provided evaluation of the effectiveness of the internal control system. HansaMatrix does not currently comply with this corporate governance principle. The Supervisory Board is regularly (at least twice a year) reported on the significant risks of HansaMatrix and the implementation of action plans to reduce them.

**4. principle - The company identifies, assesses and monitors the risks associated with its operations**

4.1. The management board develops and the supervisory board approves the company's risk management policy. HansaMatrix complies with this principle. On July 29, 2021, the Company's Council approved HansaMatrix risk management policy and risk register. Once a year, the company identifies risks, identifies significant risks and draws up action plans to reduce them.

4.2. Based on the identified risk assessment, the management board implements risk management measures. HansaMatrix complies with this principle. Once a year, the company identifies risks, identifies significant risks and draws up action plans to reduce them.

4.3. At least once a year, the supervisory board reviews the management board's reports on risk management measures and the implementation of the risk management policy. The Supervisory Board is regularly (at least twice a year) reported on the significant risks of HansaMatrix and the implementation of action plans to reduce them.

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

5.1. The company has an internal auditor who is functionally independent of the management board and reports to the supervisory board. HansaMatrix does not currently comply with this corporate governance principle. The Supervisory Board is regularly (at least twice a year) reported on the significant risks of HansaMatrix and the implementation of action plans to reduce them. The company's external auditor is currently one of the world's leading audit company, Deloitte.

5.2. The supervisory board approves the internal auditor. HansaMatrix does not currently comply with this corporate governance principle.

5.3. The internal auditor develops a risk-based internal audit plan, which is approved by the supervisory board. HansaMatrix does not currently comply with this corporate governance principle.

5.4. The internal auditor informs the management board and supervisory board on the implementation of the internal audit plan, audit results and recommended actions to

address deficiencies, if any. HansaMatrix does not currently comply with this corporate governance principle. The Supervisory Board is regularly (at least twice a year) reported on the significant risks of HansaMatrix and the implementation of action plans to reduce them.

## **External auditor**

### **6. principle – The company has an independent external auditor**

6.1. The supervisory board and the Audit Committee, (if established), determine the selection criteria for the external auditor. HansaMatrix complies with this principle. The choice of the external auditor is agreed with the council and approved by the shareholders' meeting.

6.2. The company has an independent external auditor with appropriate qualifications. HansaMatrix complies with this principle. The company's external auditor is currently one of the world's leading audit company, Deloitte.

6.3. The term of office of one external auditor does not exceed 5 years. HansaMatrix complies with this principle. The company's auditor since 2021 has been Deloitte, before which the auditor was Ernst & Young.

## **Election of supervisory board members**

### **7. principle - The company ensures transparent procedures for the election and removal of supervisory board members**

7.1. The company has approved the procedure for selection and removal of supervisory board members. HansaMatrix complies with this principle. All applicable laws and regulations are observed in connection with the procedure for selection and removal of council members.

7.2. The company provides timely and sufficient information to the company's shareholders on the supervisory board members who are nominated for election or re-election. HansaMatrix complies with this principle. All applicable laws and regulations are observed in connection with the procedure for selection and removal of council members.

7.3. The size of the supervisory board corresponds to the specifics of the company's operations. HansaMatrix complies with this principle. The number of members of the supervisory board provided for in the articles of association (6 members) is appropriate to the size of the company.

7.4. A supervisory board member is elected for a term not exceeding 5 years. HansaMatrix complies with this principle.

### **8. principle – Supervisory board members combined have relevant experience and competence**

8.1. The supervisory board as a whole has a set of skills, experience and knowledge, including on the sector concerned, to be able to perform their duties fully. HansaMatrix complies with this principle. The Supervisory Board consists of members with experience in the company's industry - electronics manufacturing, corporate finance, strategy development, management, risk management, as well as personnel management.

8.2. The principles of diversity are observed when forming the supervisory board. HansaMatrix complies with this principle. There are currently 2 women and 3 men on the board of HansaMatrix.

8.3. Both sexes are represented in the supervisory board. HansaMatrix complies with this principle. Currently in the supervisory board there are 2 women and 3 men.

8.4. The management board develops an induction training programme and provides new supervisory board members with induction training. HansaMatrix complies with this principle. The members of the Supervisory Board are provided with basic information about the company's operations (including production facility visits), finances and significant risks.

**9. principle - The company's supervisory board has independent supervisory board members**

9.1. The company evaluates and the shareholders determine the proportion of independent supervisory board member. HansaMatrix complies with this principle. Currently 3 of 5 board members are independent.

9.2. At least half of the members of the board are independent. HansaMatrix complies with this principle. Currently 3 of 5 board members are independent.

9.3. Independent candidates for supervisory board membership make a declaration that they meet the independence criteria. HansaMatrix complies with this principle.

9.4. Prior to the election of the supervisory board, the company evaluates the independence of supervisory board members in accordance with the available. HansaMatrix complies with this principle.

**Principles of determining the remuneration for the supervisory board and the management board**

**10. principle - The company has introduced a remuneration policy**

10.1. The company has introduced a remuneration policy, which has been developed by the management board, reviewed by the supervisory board and approved by the shareholders' meeting. HansaMatrix complies with this principle. On October 29, 2019 the Company extraordinary shareholder meeting approved the remuneration policy of the Board of Directors and Supervisory Council. On 22 May 2020, the remuneration policy of the Management Board and the Supervisory Board was amended. These documents are available at company web site [www.hansamatrix.com](http://www.hansamatrix.com) and at HansaMatrix management office.

10.2. Once a year, the supervisory board determines the financial and non-financial goals to be achieved by the management board, their impact on the variable part of remuneration and controls their fulfilment. HansaMatrix complies with this principle.

10.3. No variable part of remuneration is determined for supervisory board members, and no compensation is paid in case of removal or resignation from office. HansaMatrix complies with this principle.

- 10.4. Once a year, the management board prepares a report on the remuneration granted to each current and former management board and supervisory board member. HansaMatrix complies with this principle. On April 26, 2021 HansaMatrix published the management board and supervisory council directors remuneration report for the year 2020 on the website of "Nasdaq Riga" AS.

### **Organisation of the supervisory board's work and decision-making**

#### **11. principle - The company's supervisory board work organisation is clear and understandable**

- 11.1. The supervisory board organises its work in accordance with regulations of the supervisory board and the work calendar. HansaMatrix complies with this principle.
- 11.2. The supervisory board holds at least one separate supervisory board meeting per year to discuss the company's strategy and its implementation. HansaMatrix complies with this principle.
- 11.3. The company's budget provides the financing necessary to ensure the operation of the supervisory board. HansaMatrix complies with this principle.
- 11.4. Once a year the supervisory board conducts a self-assessment of the work of the supervisory board and reviews its results at the supervisory board meeting. HansaMatrix complies with this principle.
- 11.5. The supervisory board has evaluated the need to set up committees. HansaMatrix complies with this principle. The Company has established Human Resources and Strategy Committees, which include some of the members of the Supervisory Board. HansaMatrix does not have a separate audit committee, but its functions have been entrusted to the Supervisory Board in accordance with the decision of the shareholders' meeting.

#### **12. principle - The supervisory board takes informed and well-balanced**

- 12.1. The supervisory board has access to information prepared by the management board necessary for decision-making in a timely manner and in sufficient amount. HansaMatrix complies with this principle. In accordance with the regulations of the council, the materials to be reviewed are sent to the council no later than 5 working days before the relevant council meeting.
- 12.2. The supervisory board determines the procedure for the circulation of information, including the right of the supervisory board to request from the management board information, which the supervisory board needs to make decisions. HansaMatrix complies with this principle.
- 12.3. A supervisory board member analyses the information and prepares proposals for decisions to be adopted by the supervisory board. HansaMatrix complies with this principle. In order to ensure more efficient and high-quality work and appropriate decision-making, the council practices pre-discussion of the issues under consideration, assessing the risks, the impact of decisions on the value of the company, only within the council, before each council meeting.
- 12.4. When making decisions, the supervisory board assesses the risks, short-term and long-term impact on the company's value, sustainability and responsible development.

HansaMatrix complies with this principle. In order to ensure more efficient and high-quality work and appropriate decision-making, the council practices pre-discussion of the issues under consideration, assessing the risks, the impact of decisions on the value of the company, only within the council, before each council meeting.

**12.1. principle - A committee prepares proposals for supervisory board decision making**

- 12.1.1.** The supervisory board determines the tasks and the procedures for organisation of work of the committee. HansaMatrix complies with this principle. The Company has established Human Resources and Strategy Committees, which include some of the members of the Supervisory Board. HansaMatrix does not have a separate audit committee, but its functions have been entrusted to the Company's Supervisory Board in accordance with the decision of the shareholders' meeting.
- 12.1.2.** The supervisory board establishes a committee of at least 3 supervisory board members with appropriate experience and expertise in the field of work of the committee (remuneration, nomination, audit or other field). HansaMatrix complies with this principle. The Company has established Human Resources and Strategy Committees, which include some of the members of the Supervisory Board. HansaMatrix does not have a separate audit committee, but its functions have been entrusted to the Company's Supervisory Board in accordance with the decision of the shareholders' meeting.
- 12.1.3.** The committee analyses the information and makes proposals for decisions by the supervisory board, as well as informs the supervisory board of the work of the committee. HansaMatrix complies with this principle.

**Prevention of the conflict of interests**

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

**13.1.** The supervisory board defines the indications of a conflict of interest and identifies the conflict of interest prevention and management procedures. HansaMatrix intends to adhere to this principle of corporate governance. The company plans to approve and implement a conflict of interest prevention and management policy in the 2nd quarter of 2022.

**13.2.** Supervisory board or management board members do not participate in decision-making on matters in which the company's interests conflict with the interests of the supervisory board, management board members or persons related to them. HansaMatrix complies with this principle.

**13.3.** Persons subject to the conflict of interest obligation participate in training on dealing with conflicts of interest on a regular basis. HansaMatrix intends to adhere to this principle of corporate governance.

**Shareholders meeting**

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



**14.1.** The company informs shareholders in a timely manner about the agenda, course and voting procedures of the shareholders' meeting, as well as about any related changes. **HansaMatrix complies with this principle.**

**14.2.** Simultaneously with the announcement of the meeting, the company provides an opportunity for the shareholders to get acquainted with the draft decisions, which are initially planned to be voted on at the meeting. The company informs the shareholders immediately of any additional draft decisions submitted. **HansaMatrix complies with this principle. The company publishes the information required for shareholders' meetings in accordance with the relevant regulatory enactments.**

**14.3.** The company provides shareholders with an opportunity to submit questions on the matters included in the agenda and draft decisions before the shareholders' meeting. **HansaMatrix complies with this principle.**

**14.4.** The draft decisions and the documents attached to them provide detailed, clear and complete information on the matter under consideration. **HansaMatrix complies with this principle.**

**15. principle - The company promotes effective shareholder involvement in decision-making and a participation in shareholders' meetings**

**15.1.** The shareholders' meeting is convened and held at a place and time easily accessible to the shareholders. **HansaMatrix complies with this principle.**

**15.2.** The company provides shareholders with the opportunity to participate in the shareholders' meeting remotely. **HansaMatrix complies with this principle.**

**15.3.** The company determines the appropriate duration of the shareholders' meeting and provides the shareholders with the opportunity to express their opinions during the meeting and obtain the information necessary for decision-making. **HansaMatrix complies with this principle.**

**15.4.** The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected time. **HansaMatrix complies with this principle.**

**15.5.** The company invites management board and supervisory board members, candidates for supervisory board members, auditors and internal auditors, as well as other persons to participate in the shareholders' meeting in accordance with the matters to be considered at the meeting. **HansaMatrix complies with this principle.**

**15.6.** The shareholders' meeting makes decisions in accordance with the previously announced draft decision. **HansaMatrix complies with this principle.**

**16. principle - The company develops and discusses dividend policy with shareholders**

**16.1.** The company has developed and published an up-to-date dividend policy. **HansaMatrix does not comply with this corporate governance principle and has not formally documented its dividend policy. In practice, the company has paid a minimum dividend in recent years, with most of its profits going to development investments.**

16.2. The dividend policy has been discussed with the shareholders during the shareholders' meeting. HansaMatrix does not comply with this corporate governance principle and has not formally documented its dividend policy. In practice, the company has paid a minimum dividend in recent years, with most of its profits going to development investments.

### Transparency of company operations

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

17.1. The company discloses complete, accurate, objective, up-to-date and true information in a timely manner. HansaMatrix complies with this principle. The Company discloses accurate, objective and truthful information in a timely manner through the Nasdaq Information Exchange System. In addition, the company regularly organizes online investor webinars to inform about financial results and business development news.

17.2. The company discloses information to all shareholders at the same time and to the same extent. HansaMatrix complies with this principle. The Company discloses accurate, objective and truthful information in a timely manner through the Nasdaq Information Exchange System.

17.3. The company discloses information about the company's management, strategy or lines of business on the website and publishes financial statements as well as other information in accordance with Annex No. 1. HansaMatrix partly complies with this principle. The company is currently in the process of developing a new website, which will ensure the publication of all necessary information starting from the 2-3rd quarter of 2022.

17.4. The company provides information both in Latvian and in at least one other language that is understandable to most of the company's foreign shareholders and other stakeholders. HansaMatrix complies with this principle. Information in the Nasdaq news exchange system is published in Latvian and English.

### Annex No. 1

#### Information to be published on the company website:

1. Company:
  - Information about the company – history of its establishment and operation, registration data, address, description of the industry, main types of business, place of the company in the group structure (if applicable)
  - Information about the company's strategic objectives
  - Articles of association of the company
  - Information on the corporate governance structure of the company (interaction between shareholders' meeting, supervisory board, its committees, management board, auditors, internal auditors, audit committee, etc.)
  - Company Code of Internal Culture and Ethics

- Key company policies (Information Disclosure, Circulation and Privacy Policy, Conflict of Interest Prevention Policy, Risk Management Policy, etc.) in accordance with Annex No. 2
2. Shareholders and beneficial owners:
    - Information on the company's shareholders holding at least 5% of the company's share capital (indicating the date on which this information was prepared)
    - Information on the beneficial owners of the company (indicating the date when this information was prepared)
    - Number of company's issued, paid-up and voting shares, bonds or other financial instruments
  3. Supervisory board and management board:
    - Regulations of the management board and the supervisory board or another similar document
    - Information on each supervisory board and management board member:
      - term of office;
      - position and area of responsibility (if applicable/assigned);
      - professional work experience and education;
      - up-to-date information on positions in other companies;
      - up-to-date information on the company's shares;
      - statistics on attendance of supervisory board meetings.
    - Information on independent supervisory board members:
      - which supervisory board members are considered independent;
      - according to what criteria the independence of a supervisory board member is determined;
      - annual evaluation of dependence of supervisory board members
    - Remuneration policy of the management board and the supervisory board and remuneration report
    - Information on the selection (nomination) process of the management board and the supervisory board
    - Information on supervisory board committees and the audit committee:
      - committee regulations;
      - information on committee members.
    - Company's financial statements and reports for at least 3 last financial years:
      - annual reports (including consolidated reports, if any) and auditor's reports (if any);
      - interim reports and quarterly reports.
  4. Financial and non-financial reports and information:
    - The company's non-financial reports (on the company's environmental impact, social and employee aspects, respect for human rights and anti-corruption measures, including the sustainability report) for at least 3 last financial years
      - annual reports (including consolidated reports, if any) and auditor's reports (if any);
      - interim reports and quarterly reports.
    - The company's non-financial reports (on the company's environmental impact, social and employee aspects, respect for human rights and anti-corruption measures, including the sustainability report) for at least 3 last financial years
    - Corporate governance reports
    - Company's financial calendar or other calendar of significant and planned communication events
  5. Information for shareholders and investors:

- Information on the planned shareholders' meetings:
  - notices on convention of shareholders' meetings;
  - draft decisions.
- Information on held shareholders' meetings:
  - information on the decisions adopted at the shareholders' meetings
- Company's dividend policy and information on dividends paid (on at least 10 last years of the company's operations)
- Information on transactions of related parties
- Announcements published by the company and relevant information for investors, including presentations for investors, videos of events for investors, forecasts, if any, etc.
- Contacts of the investor relations person (if any)