

Environmental. Social. Governance.



2023

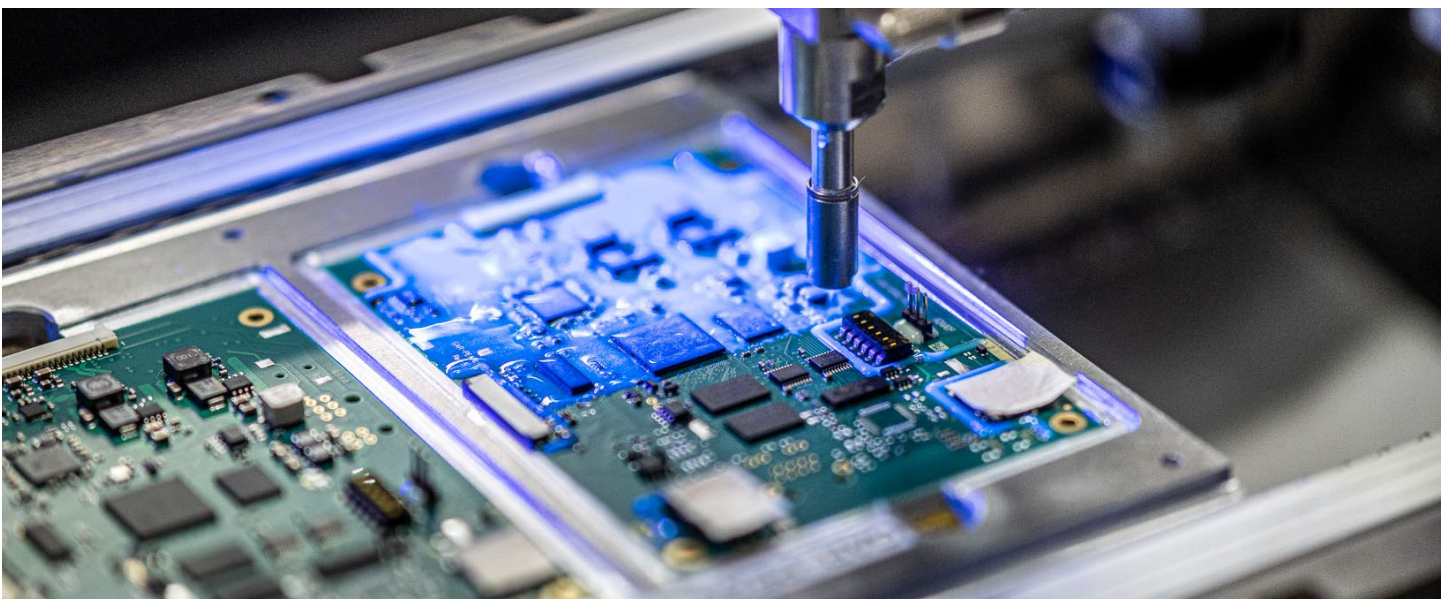
HansaMatrix is one of the leading manufacturers of electronic systems and components in Northern Europe for transportation, telecommunications, energy management systems, IoT, medicine and defense technology sectors. The Company adapts electronic products to production and provides full-cycle manufacturing services to international market leaders. It aims at strengthening of the share of higher value-added services and demonstrates continued growth of business and financial performance.

HansaMatrix is the Group's parent company, which performs the Group's strategic and financial Management, sales process Management, as well as the strategic Management of customer and supplier relations and the Management of legal relations. The HansaMatrix management office is located in Marupe. The Company operates two plants in Ventspils, one for electronics and the other for plastic parts. Additionally, it has a plant in Ogre. Moreover, HansaMatrix manufactures high-precision products from various materials at its Marupe plant.

On February 24, 2021, the Group approved its Sustainability Policy and targets, aligning with its core business of providing electronic manufacturing services and reflecting the Group's values. The policy also considers the UN's 17 Sustainable Development Goals and priorities, where the Group aims to make the most significant contributions in:

- Good work and economical growth
- Innovation and infrastructure
- Good health
- Gender diversity and equality
- Quality education
- Systematic reduction of the impact on climate change

In 2021, HansaMatrix's 5-year strategy was developed and approved, setting goals for business growth, finance, customer experience, human resources and sustainability for this period. The Group's strategy for the next 5 years foresee significant business growth with an emphasis on increasing the share of high value-added products, focusing on the industrial, data network, medical, optical and aviation sectors in international markets, primarily in the Scandinavian and Baltic countries.



Environmental Management indicators

The Group complies with the requirements of all environmental quality regulations, all activities performed by the Group's companies are assessed in accordance with the established requirements, regularly following their changes/amendments. Before starting a new planned activity, environmental protection specialists are consulted in order to minimize the possible negative impact on the environment.

HansaMatrix Parogre, which is the Group's Ogre plant, environmental activities are regulated by certificate issued on November 21, 2019 by the State Environmental Service Lielriga Regional Environmental Board for category C polluting activity No.RI19IC0098, types of polluting activities: equipment for production of electrical products, except equipment transformer or printed circuit for the production of combustion equipment with a rated thermal input equal to or greater than 0.2 and less than 5 megawatts and using biomass, peat or gaseous fuels as fuel.

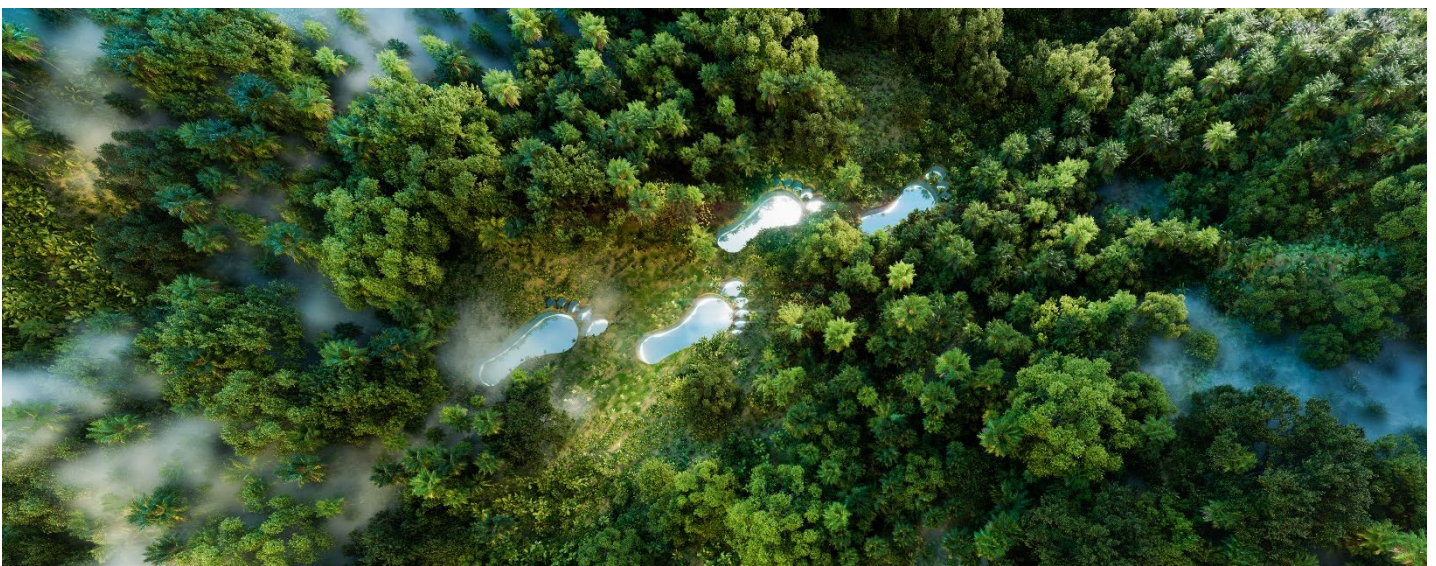
The environmental activities of HansaMatrix Ventspils, which is the Group's Ventspils plant, are regulated by the State Environmental Service for the C category polluting activity No. 2700-07-26 issued on September 24, 2007, for these types of polluting activities: equipment for the production of electrical products, except equipment for the production of transformers or printed circuits.

Greenhouse gas (GhG) emissions (E1)

Carbon dioxide emissions in the Group are calculated in accordance with the methodology of the Latvian Environment, Geology and Meteorology Centre, which is reviewed and updated annually, as well as in accordance with the common methodology for calculating the impact of measures and projects on climate change developed in Latvia specified in regulations of Minister Cabinet No. 42 "Methodology for Calculating Greenhouse Gas Emissions" issued on January 23, 2018.

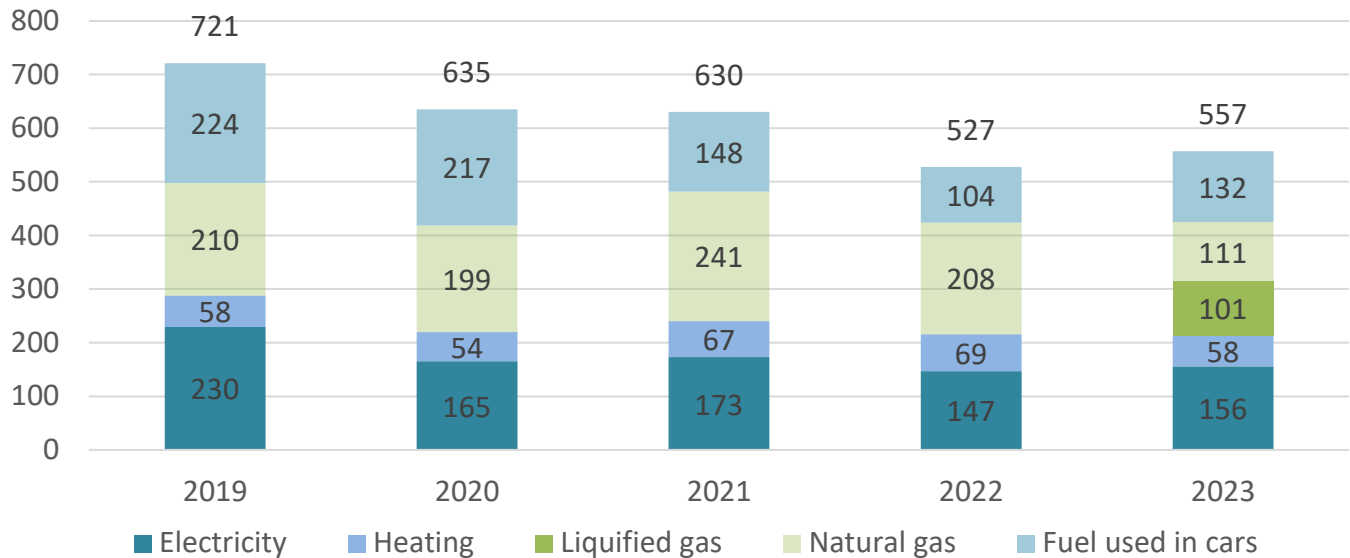
The Group's GhG emissions are generated by consuming electricity by the Group's companies, purchased from electricity suppliers and used in the Group's offices and production facilities, including the operation of production facilities, by using district heating services for the premises of the Ventspils plant, consuming natural gas for heating the Ogre plant premises, the Management office and the Mārupe metal plant, as well as consuming fuel for the needs of the Group's employees cars.

In 2023, compared to 2022, the Group's total greenhouse gas emissions increased by 6% (from 527 to 557 tones/CO₂). The increase of 6% is explained by the considerable growth of production volumes and revenues (revenue growth 2023 vs 2022 is 43%). A decrease was observed in the consumption of heating, mainly as a result of a decrease in the consumption of natural gas used for heating the Ogre plant, which is mainly explained by the duration of the heating season in 2023 and air temperature.



Environmental Management indicators

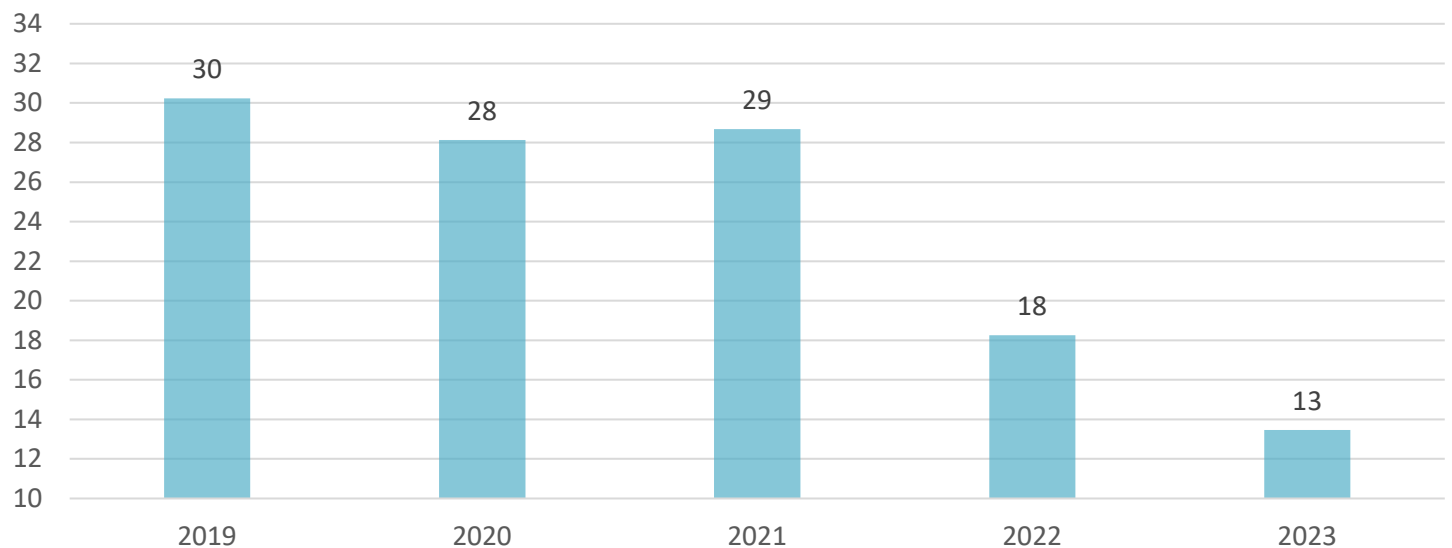
GhG emissions, t/CO₂



Greenhouse gas emission intensity (E2)

Since 2018, the Group's greenhouse gas emission intensity has tended to decrease. In 2023, compared to 2022, this indicator has decreased, mainly as a result of a sharp increase of revenues.

Greenhouse gas emission intensity, gCO₂/Revenue EUR



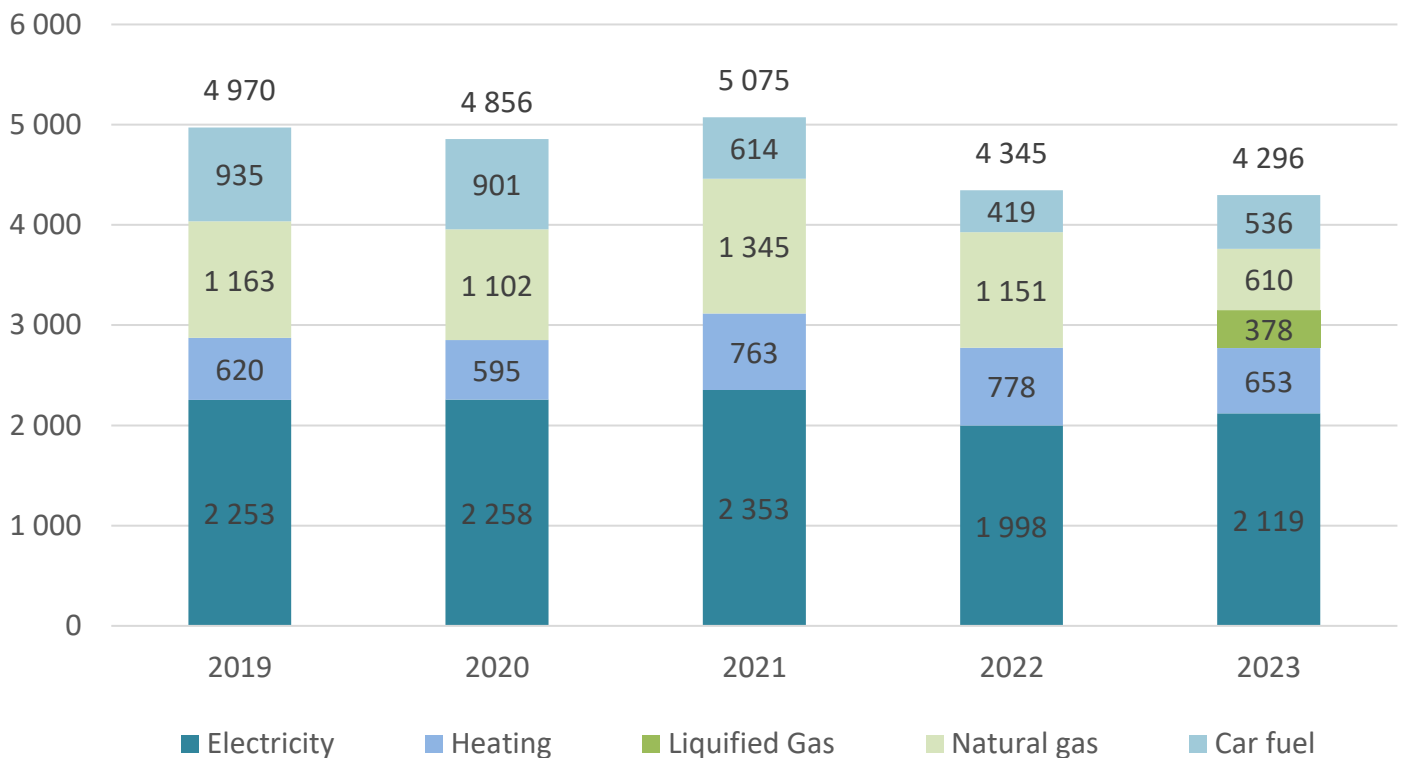
Energy usage (E3) and energy mix (E5)

The Group's energy consumption has been calculated based on meter readings and documentation of energy volumes purchased from suppliers.

In 2023, consumption of energy resources decreased by 1%, which was mainly influenced by the volumes of natural and liquid gas used and decrease in heating consumption.

The Group consumes primary and secondary energy resources, evaluating them according to the type of extraction. The primary energy resources used are natural gas, electricity, diesel, gasoline, as well as nitrogen, which is used in the production process. Secondary energy resources used: liquid gas, thermal energy (heating water); water (drinking water). In 2023, the largest share in the total energy consumption was for electricity – 49%, heating – 15%, natural gas – 14%, fuel – 9% and liquid gas 9%.

Energy usage, MWh

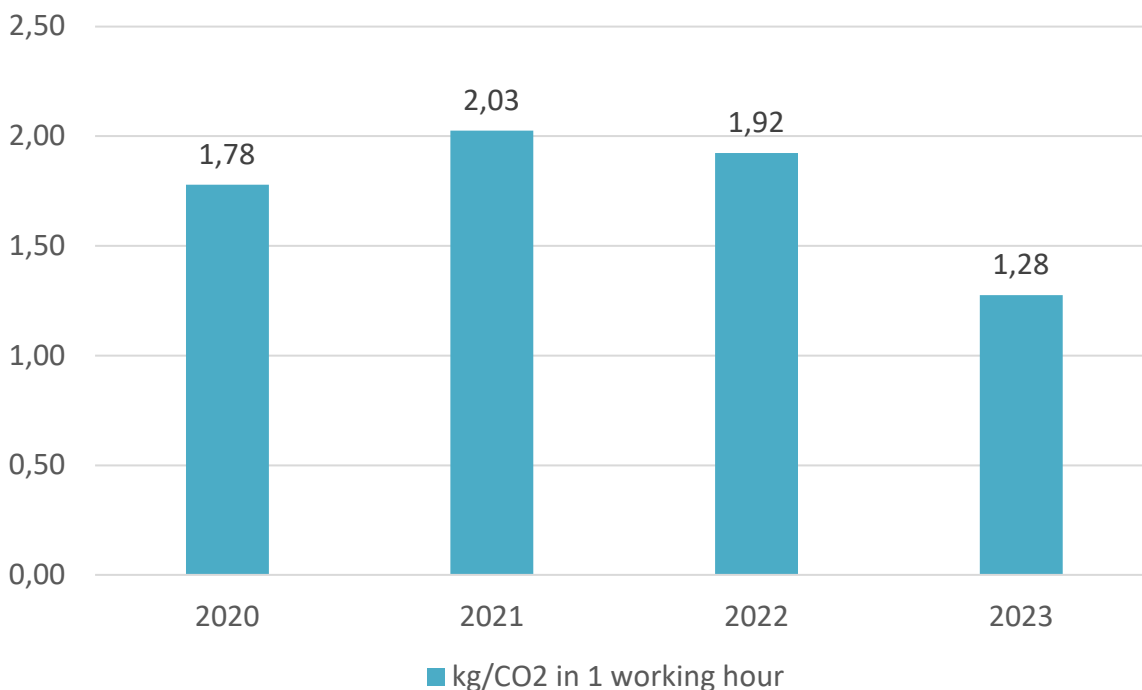


Environmental Management indicators

Greenhouse gas emission intensity (kg/CO₂) per working hour

In 2023, the Group's elected to report greenhouse gas emission intensity per working hour, to link consumption to the hours spent to produce a products. Group has recalculated relevant ratio for previous 4 years. Data shows that this intensity indicator has tended to decrease starting 2022. In 2023, compared to 2022, this indicator has decreased for 34%, mainly as a result of a sharp increase working hours.

kg/CO₂ in 1 working hour



Social development indicators

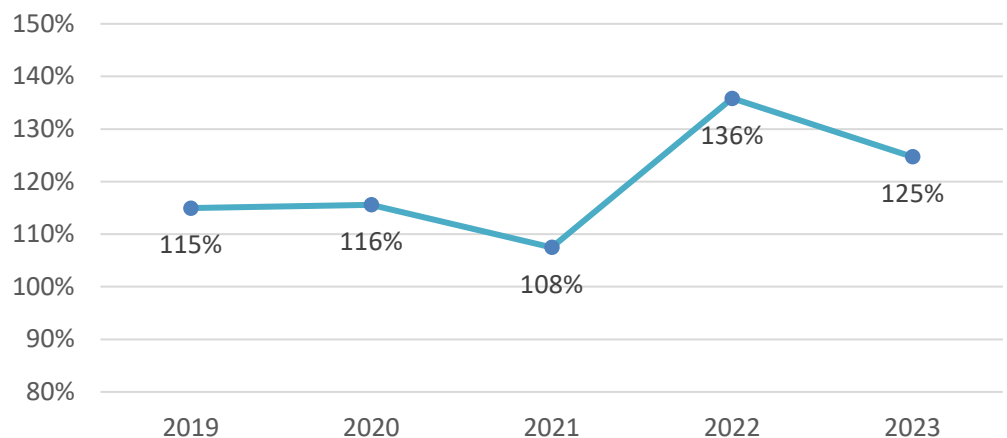
According to the ESG guidelines, social responsibility indicators are mainly related to responsibility towards employees and compliance with general human rights norms. Taking into account discussions with stakeholders, the Group's goal in the field of social development is to ensure a healthy life and promote the well-being of society, achieve gender diversity and provide full and equal opportunities for employees, provide inclusive, fair and high-quality education, promote lifelong learning opportunities.

In 2023, the Group has continued to conduct regular surveys of employees of Ventspils and Ogre plant to obtain the Employee Net Promoter Score (ENPS) with the aim of receiving measurable data and feedback on the satisfaction of most of the Group's employees with the working environment and loyalty to the company, its goals and values. The net promoter indicator is regularly tracked at the group's Management level and appropriate decisions and actions are evaluated and taken with the aim of solving the issues topical for the Group's employees, thus ensuring the fulfilment of the Group's social development goals.

Remuneration of employees ratio (S2)

The Group complies with all laws and regulations in force in the Republic of Latvia applicable to employment. In addition to their monthly salary, employees receive bonuses and social guarantees. Employees are granted fully paid health insurance and life insurance with a value of 1 net annual salary. The Group provides material help to employees in a variety of life situations.

Gender pay ratio, full time engineers and manufacturing personnel

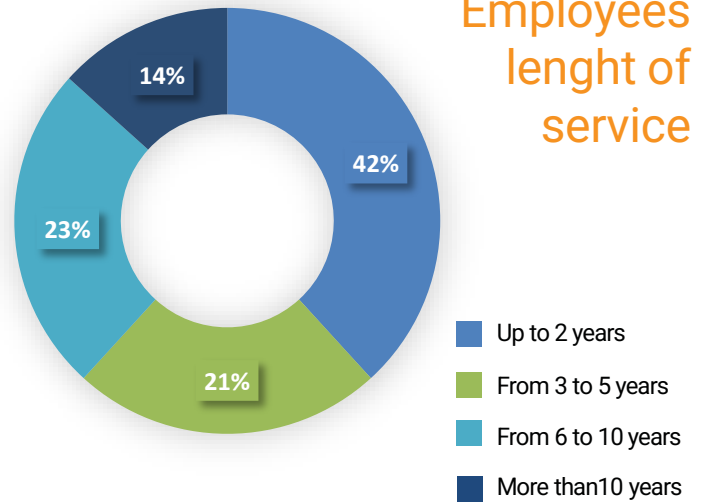


The analysis of gender equality in the Group shows the median remuneration ratio (S2) of full-time engineers and manufacturing personnel of men and women, the dynamics of which have changed over the past five years and showed 125% in 2023. In the Group, the remuneration of employees in the same position does not differ depending on gender, but the difference between the average remuneration of men and women is formed by the relatively higher proportion of men in the positions of higher salary.

Employee turnover (S3)

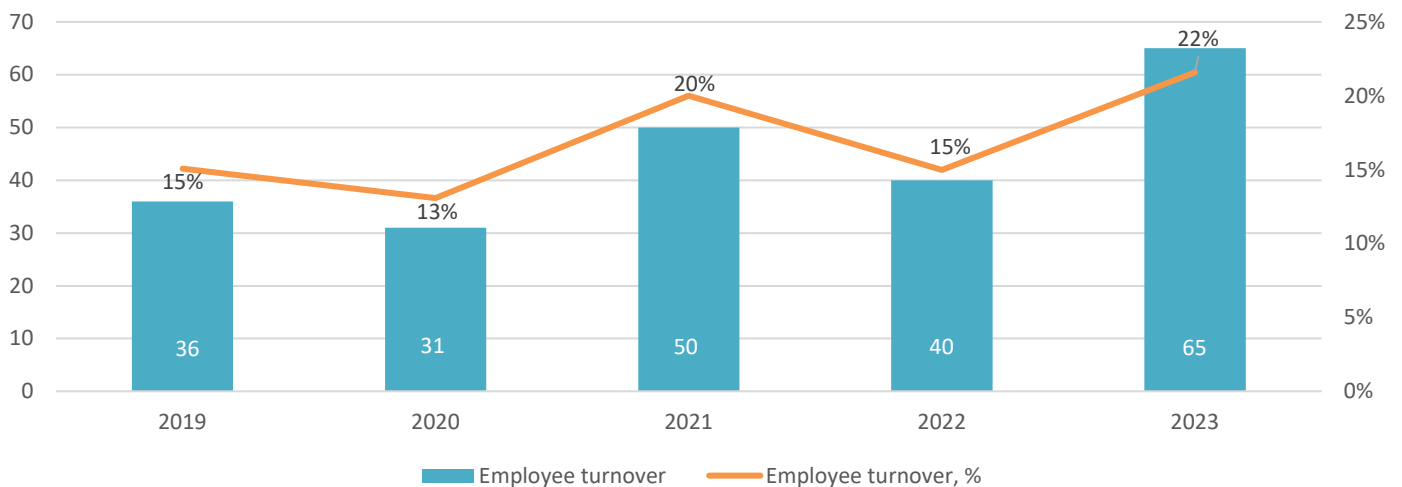
The majority (58%) of employees in the Group work for more than 3 full years: 21% of employees work from 3 to 5 years, 23% from 6 to 10 years, and 14% for more than 10 years, which indicates that HansaMatrix is a stable, long-term employer.

The value of HansaMatrix's employee turnover rate has fluctuated between 13% and 22% over the last five years.



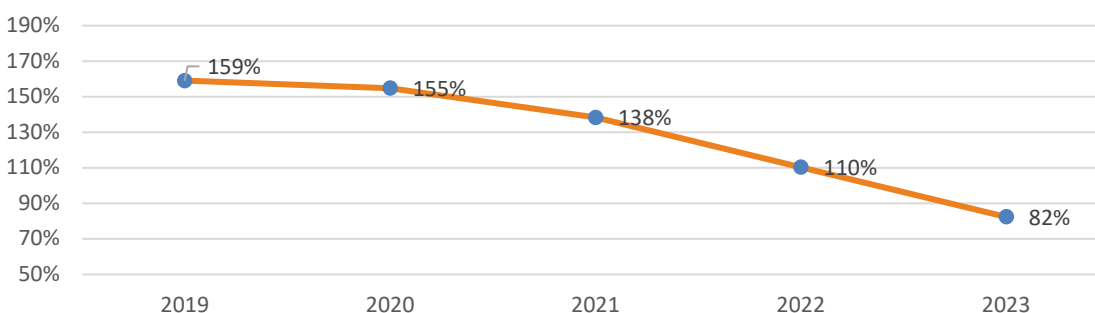
In 2023, the proportion of production employees within HansaMatrix companies increased by reallocating a portion of employees from collaboration partner, Quality Jobs. However, this expansion of the production staff has resulted in a deterioration in employee turnover rates, primarily due to higher turnover rates in production compared to administration. The main reasons for employee departures have been attributed to factors such as salary, relocation, and shift work.

Employees turnover, number and %



Gender diversity (S4)

Male/female employee proportion



Overall, historically, the Group has had more male employees than female employees. However, this proportion has gradually decreased and reversed in 2023.

Corporate governance indicators

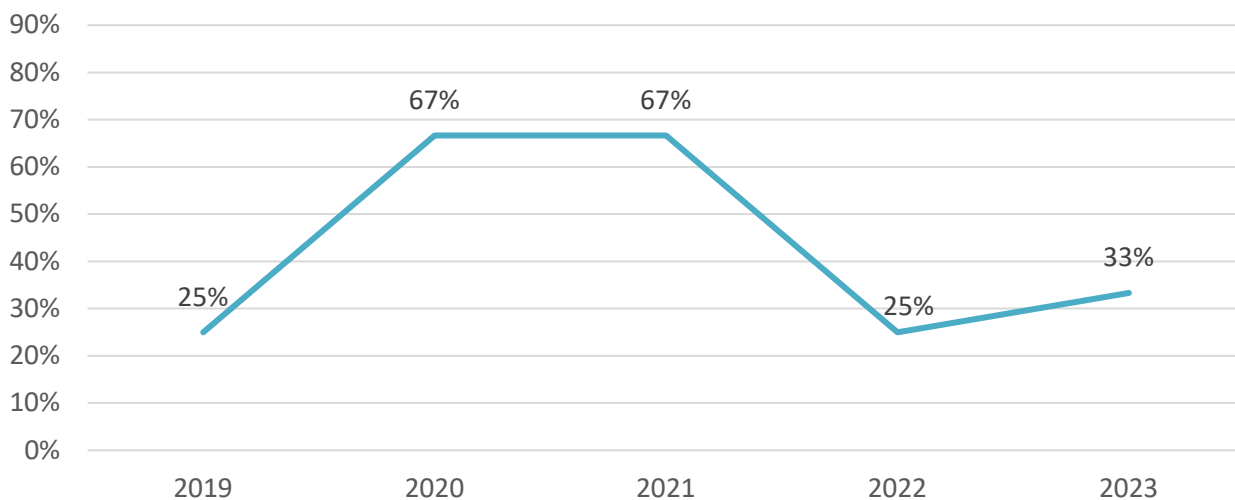
Board Diversity and Board independence (G1 and G2)

According to the Supervisory Board rules of the procedure approved by the Supervisory Board of HansaMatrix on November 25, 2019, the main responsibilities of the Supervisory Board are to make strategic and Management decisions in the best interests of the Company and shareholders, based on complete information, good faith and high ethical standards as a good and diligent owner. The Group's Council and Management Board aims to manage the Group in accordance with the Latvian Corporate Governance Code established by the Corporate Governance Advisory Board of the Ministry of Justice of the Republic of Latvia (available at: <https://bit.ly/3pLWVGH>), thereby promoting and ensuring the Group's long-term value creation, its efficient Management and transparency.

Board Diversity (G1)

The dynamics of the Council's diversity ratio, the number of women to men in the Board in percentage terms, improved slightly over the past 5 years in 2020 and 2021, and showed 33% in 2023.

Ratio of the number of women members of the Council to the number of men, %



Corporate governance indicators

Independence of the Council (G2)

The Group's Supervisory Board has 4 members, 2 of whom are independent, which matches the criteria for an independent member of the Supervisory Board proportion of the total number of the Board members as set out in the Latvian Corporate Governance Code.

The connection of Management's variable remuneration to non-financial indicators (G3)

On May 22, 2020, the Annual General Meeting of HansaMatrix approved the remuneration policy of the Management Board and the Supervisory Board of HansaMatrix, which also provides for variable remuneration of the members of the Management Board if pre-determined financial and / or non-financial targets are met. In accordance with the financial and non-financial goals approved by the Supervisory Board, appropriate goals are set for the heads of the Group's structural units, thus ensuring more efficient implementation of the Group's strategy and goals, involving employees from administration, customer service, supplier Management, product industrialization and production. The goals set for the Group's Management and employees also include those that promote the improvement of environmental indicators, social responsibility indicators and corporate governance.



A vision for the future in an environmental context

HansaMatrix has included a number of sustainability goals in its 5-year strategy, focusing specifically on reducing the CO₂ emission intensity and kilowatt-hours consumed. Emphasis is also placed on the normalization of the employee turnover and the promotion of gender equality, equalizing the proportion of men and women in job categories where possible.

The impact of the Russian-Ukrainian war

The Russian-Ukrainian war (hereinafter – War), launched in 2022, has changed the environment of macroeconomic activity and may affect the availability of components and other materials and global logistics. The Group has worked closely with customers to better identify and understand the potential impact of the War on production order volumes. The Group has no customers in Russia, Ukraine or Belarus, and HansaMatrix customers also do not have significant revenue exposure to the markets directly involved in the conflict. HansaMatrix has a diversified supplier base and the Group has no suppliers in Russia, Ukraine or Belarus. The Group has contacted and discussed the War and related risks with key suppliers and logistics partners.



Corporate Governance Code

In 2023 HansaMatrix complies with 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 stakeholders.

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.

1.2. The Supervisory Board is involved in the strategy development process and approves the strategy at the Supervisory Board meeting.

1.3. The Supervisory Board monitors the implementation of the strategy.

1.4. The company Management Board implements the strategy and reports to the Supervisory Board on its implementation on a regular basis.

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.

2.2. The Management Board prepares and the Supervisory Board approves the code of internal culture and ethics.

2.3. The Management Board ensures compliance with the company's internal culture and ethics code on a daily basis and reacts if there is a breach of the code.

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. The Supervisory Board is at least once a year reported on the significant risks 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.

4.2. Based on the identified risk assessment, the Management Board implements risk Management measures.

4.3. At least once a year, the Supervisory Board reviews the Management Board's reports on risk Management measures and the implementation of the Risk Management policy.

Corporate Governance Code

5. PRINCIPLE

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

HansaMatrix does not currently comply with this corporate governance principle. The Supervisory Board is reported twice a year on the significant risks of HansaMatrix and implementation of action plans to reduce them. The Company's external auditor is currently one of the world's leading audit company, Deloitte.

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.

6.2. The company has an independent external auditor with appropriate qualifications.

6.3. The term of office of one external auditor does not exceed 5 years.

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.

7.2. The company provides timely and sufficient information to the company's shareholders on the Supervisory Board members who are nominated for election or re-election.

7.3. The size of the Supervisory Board corresponds to the specifics of the company's operations.

7.4. A Supervisory Board member is elected for a term not exceeding 5 years.

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.

8.2. The principles of diversity are observed when forming the Supervisory Board.

8.3. Both sexes are represented in the Supervisory Board.

8.4. The Management Board develops an induction training program and provides new Supervisory Board members with induction training.

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.

9.2. At least half of the members of the Board are independent.

9.3. Independent candidates for Supervisory Board membership make a declaration that they meet the independence criteria.

9.4. Prior to the election of the Supervisory Board, the company evaluates the independence of Supervisory Board members in accordance with the available.

Corporate Governance Code

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.

10.2. Once a year, the Supervisory Board determines the financial and non-financial goals to be achieved by the Management Board, their impact on the variable part of remuneration and controls their fulfilment.

10.3. No variable part of remuneration is determined for Supervisory Board members, and no compensation is paid in case of removal or resignation from office.

10.4. Once a year, the Management Board prepares a report on the remuneration granted to each current and former Management Board and Supervisory Board member.

11. PRINCIPLE

The company's Supervisory Board work organization is clear and understandable.

11.1. The Supervisory Board organizes its work in accordance with regulations of the Supervisory Board and the work calendar.

11.2. The Supervisory Board holds at least one separate Supervisory Board meeting per year to discuss the company's strategy and its implementation.

11.3. The company's budget provides the financing necessary to ensure the operation of the Supervisory Board.

11.4. Once a year the Supervisory Board conducts a self-assessment of the work of the Supervisory Board and reviews its results at the Supervisory Board meeting.

11.5. The Supervisory Board has evaluated the need to set up committees.

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.

12.2. The Supervisory Board determines the procedure for the circulation of information, including the right of the Supervisory Board to request from the Management Board information, which the Supervisory Board needs to make decisions.

12.3. A Supervisory Board member analyses the information and prepares proposals for decisions to be adopted by the Supervisory Board.

12.4. When making decisions, the Supervisory Board assesses the risks, short-term and long-term impact on the company's value, sustainability and responsible development.

Corporate Governance Code

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.

13.2. Persons subject to the conflict of interest obligation participate in training on dealing with conflicts of interest on a regular basis.

13.3. 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.

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.

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.

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

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

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.

15.2. The company provides shareholders with the opportunity to participate in the shareholders' meeting remotely.

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

15.4. The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected time.

15.5. The company invites Management Board and Supervisory Board members, candidates for Supervisory Board members, auditors and internal auditors, as well as other persons to participate in the shareholders' meeting in accordance with the matters to be considered at the meeting.

15.6. The shareholders' meeting makes decisions in accordance with the previously announced draft decision.

Corporate Governance Code

16. PRINCIPLE

The company develops and discusses dividend policy with shareholders.

HansaMatrix does not currently comply with this corporate governance principle as it has not formally documented its dividend policy.

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.

17.2. The company discloses information to all shareholders at the same time and to the same extent.

17.3. The company discloses information about the company's management, strategy or lines of business on the website.

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.

