

Riga, 19 June 2020

Statement of Corporate Governance for 2019

This Statement of Corporate Governance of New Hanza Capital, AS (hereinafter — the Company) for the year 2019 has been made in compliance with the requirements of Section 56.2 of the Financial Instrument Market Law and following the Corporate Governance Principles and Recommendations on Their Implementation (hereinafter — the Corporate Governance Principles) issued by Nasdaq Riga, AS in 2010.

The Statement of Corporate Governance for 2019 is published along the Company's Group and Company Annual Report for the period ended 31 December 2019, and those are published in Latvian and English at the Company's website www.nh.capital, under 'Investor Relations' section, as well as at Nasdaq Riga, AS website www.nasdaqbaltic.com.

This Statement of Corporate Governance for 2019 has been prepared by the Company's Board.

Edgars Miļūns
Chairperson of the Board

Arnolds Romeiko
Member of the Board

Inga Vēvere
Member of the Board

THIS DOCUMENT IS SIGNED WITH A SAFE DIGITAL SIGNATURE AND CONTAINS TIMESTAMP

SHAREHOLDERS MEETING

1. Rights of the shareholders and participation in the shareholders meetings

1.1. All shareholders of the Company are ensured equal rights. According to the Company's Articles of Association, all shares of the Company are voting shares of the same category, and therefore each shareholder is entitled to take part in the shareholders meetings and to participate in the Company governance, as well as to receive dividends.

1.2. The Company has no profit distribution policy. The decisions on distributing the profit of the Company and its subsidiaries are made by the shareholders meeting of the Company.

1.3. The shareholders meetings of the Company are convened by the Company's Board, following the approval of the Company's Council regarding the convening of the shareholders meeting and the documents to be considered at such. All decisions on the items considered at the shareholders meetings are made according to Company's Articles of Association:

1.3.1. The shareholders' meeting is entitled to adopt decisions if at least $\frac{1}{2}$ (one half) of the voting share capital of the Company is represented at the meeting, except the case stipulated in clause 1.3.3.

1.3.2. Except provisions of clause 1.3.3. the shareholders' meeting of the company makes decisions through simplified majority of votes of the voting shareholders present.

1.3.3. The shareholder s' meeting is entitled to adopt decisions to amend the Articles of Association of the Company, to appoint and dismiss members of the Council, increasing or decreasing fixed capital, to terminate or continue, to suspend or resume operation of the Company, to liquidate and restructure the Company if 100% of the share capital of the Company are represented at the meeting. The decisions regarding issues mentioned in this clause shall be adopted if 100% of the voting share capital of the Company votes for them.

1.4. The shareholders are provided the opportunity to obtain all necessary information about the Company in due time and on a regular basis, to take part in shareholders meetings and to vote on the agenda items. The Company takes all possible actions to ensure that all shareholders take part in shareholders meetings, and for that purpose the time and place of holding the shareholders meeting are announced in due time and in accordance with the provisions of normative documents.

1.5. The shareholders are informed about convening a shareholders meeting immediately after the decision on convening the shareholders meeting is made. Since the Company is a closed joint stock company, and the number of its shareholders is small, the notices on convening the shareholders meetings are not published at the Company's website, but written notices on convening the shareholders meeting are made and delivered to the shareholders according to the provisions of normative acts.

1.6. The notices on convening the shareholders meetings delivered to each shareholder contain exhaustive information on the shareholders meeting, place of holding the meeting, the procedure of voting on the decisions to be made, the meeting agenda, and draft decisions of the voting planned to take place during the meeting. The shareholders are provided the information on the way of obtaining the answers to any questions concerning the shareholders meeting and the agenda items.

1.7. Each shareholder is given sufficient time before the meeting to get acquainted with the draft decisions on the items to be considered during the meeting. Complete draft decisions are appended to the notices on convening the shareholders meetings.

1.8. The shareholders' rights to nominate the representatives of the shareholders for election to the Council are not restricted by the Company in any way.

1.9. If new candidates for the positions of the Company's officials are nominated, the Company ensures that the shareholders have sufficient time to get acquainted with the information on those candidates before the shareholders meeting during which voting on the candidates will take place.

1.10. The shareholders' rights to consult with each other during the meeting, if necessary to make some decision or clear up some questions are not restricted by the Company in any way.

1.11. The process of holding the shareholders meetings of the Company is stipulated by normative acts of the Republic of Latvia and the Company's Articles of Association. Shareholders meetings are arranged and their agenda is prepared by the Company's Board, given prior approval from the Company's Council.

1.12. During the shareholders meetings, the shareholders are given the opportunity to ask questions to the candidates for the positions of officials to be elected at the meeting, if the same is supposed to take place at the respective shareholders meeting, and to other representatives of the Company present at the meeting.

1.13. Minutes of every shareholders meeting are taken, and all agenda items considered during the meeting, as well as discussion of those, are stated therein. Following a specific request, particular debates can be included in the meeting minutes or a shareholder's proposals and questions can be appended thereto in writing.

Starting from 3 December 2019 the Company has become a closed joint stock company with two shareholders, of which the biggest one is ABLV Bank, AS in liquidation with 97.4% share in the stock capital of the Company. Before 3 December 2019 there were three shareholders in the Company, of which the biggest one was ABLV Bank, AS in liquidation with 88% share in the stock capital of the Company.

In 2019 there were 3 shareholder meetings held. Each of the shareholder meetings held in 2019 was attended by all of the shareholders. The principal decisions made by the shareholders:

- Electing an auditor for audit of the financial reports of the group of the Company about year 2019 and for preparing a statement;
- Increasing stock capital of the Company;
- Review and approval of amendments to the Articles of Association of the Company and the related documents;
- Taking note of the documents on the restructuring of the Company;
- Electing the Council of the Company.

2. Participation of the members of the Company's administration bodies and candidates for such positions in the shareholders meetings

2.1. The members of the Company's Board and Council take part in the shareholders meetings of the Company, whereas it is not ensured that the auditor participates in the shareholders meetings.

2.2. The candidates for the positions of the Company's officials take part in the shareholders meeting if those are supposed to be elected during the shareholders meeting. If a candidate for the position of an official is unable to take part in the shareholders meeting because of substantial reason, it is possible that the respective person does not attend the shareholders meeting. This being the case, all material information regarding the candidate is disclosed before the meeting.

2.3. During the shareholders meetings, the participants can obtain the information about the officials or the candidates for the positions of officials not present at the meeting and about the reasons for their absence. The reasons for absence of the Company's officials at the shareholders meeting are stated in the meeting minutes.

BOARD

3. Duties and responsibility of the Board

3.1. The duty of the Company's Board is to manage the Company's operations, which also includes the responsibility for achievement of the Company's objectives and implementation of the Company's strategy, as well as the responsibility for the performance. Under fulfilment of its duties, the Company's Board makes the decisions in the interests of all shareholders and avoids possible conflict of interest.

3.2. The Company's Board powers and authority are set forth in the Company's Articles of Association, which are available at the Company's website www.nh.capital and in the Company's office at 28A Pulkveža Brieža Street in Riga, and in the Company's internal document "Regulations of the Board" approved by the Council (this document is not publicly available).

3.3. The Company's Board is responsible for compliance with all binding normative acts, for risk management, and for the Company's financial operations.

3.4. The tasks of the Company's Board are the following:

- assessment and advancement of the implementation of corporate strategy, activity plan, risk control procedures, annual budget and business plans, ensuring the control over compliance with the plans and achievement of the planned results;
- employee selection, determination of the remuneration to those, control over their work, and, if necessary, their replacement, according to the effective internal procedures;
- timely submission of reports of appropriate quality and control over the information disclosure.

3.5. In the annual report, the Company's Board represents that the internal risk control procedures are efficient and the risk management and internal control are ensured in accordance with those control procedures throughout the year.

3.6. The Company's Board submits the proposals on the Company's objectives and the measures for attaining those to the Company's Council for approval on a regular basis.

4. Board structure and the requirements to the members of the Board

4.1. There are set requirements regarding the necessary skills, education, and work experience of every member of the Company's Board.

4.2. The following information about each member of the Company's Board is available at the Company's website www.nh.capital: name, surname, education and professional experience description.

4.3. Each member of the Company's Board can obtain timely and accurate information on the Company's operations that is necessary for successful fulfilment of the job duties.

4.4. The members of the Board of the Company are elected for a term of 5 (five) years.

The current composition of the Board was operating since 11 December 2019, when, taking into account the amendments to the Articles of the Association of the Company made at the extraordinary shareholder meeting of the Company on 3 December 2019, the Council of the Company elected 5 following members of the Board for 5 (five) year term of office till 10 December 2024 (inclusive): Edgars Miļūns (Chairman of the Board), Arnolds Romeiko (Member of the Board), Aija Hermāne-Sabule (Member of the Board), Pēteris Guļāns (Member of the Board) and Inga Vēvere (Member of the Board).

Before 11 December 2019 Edgars Miļūns was carrying out the duties of the Chairman of the Board in the Board of the Company, while Arnolds Romeiko and Aija Hermane-Sabule were carrying out the duties of Members of the Board.

In 2019 there were 29 Board meetings held at the Company. The principal decisions that were made by the members of the Board and forwarded for approval to the Council of the Company:

- Conclusion of the purchase agreement of the Company's subsidiary NHC 5, SIA and conclusion of the loan agreement with the ABLV Bank, AS in liquidation;
- Proposing amendments in the composition of the Board of the Company's subsidiaries NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 5, SIA and NHC 6, SIA;
- Approval of the change of company name of the Company's subsidiary NHC 6, SIA, changes in the board, amendments in the Articles of Association and the new version of the Articles of Association;
- Sale of the shares of the Company's subsidiaries NHC 1, SIA and NHC 3, SIA and the properties owned by them;
- Reviewing Company's restructuring plan and the related corporate governance documents, supporting them and forwarding them for approval to the shareholders;
- Calling the meeting of the shareholders of the Company regarding the use of the Company's profit in 2018, increase of stock capital, amendments to the Articles of Association and reelection of the Council of the Company, as well as approval of the Company's restructuring plan and related corporate governance documents.

Company's Board



Edgars Miļūns
Chairperson of the Board



Aija Hermane-Sabule
Member of the Board



Arnolds Romeiko
Member of the Board



Pēteris Guļāns
Member of the Board



Inga Vēvere
Member of the Board

5. Identification of the conflict of interest under work of the members of the Board

5.1. Under their work, none of the members of the Company's Board allows for occurrence of even a seeming conflict of interest. When making the decisions, the members of the Company's Board act in the interests of the Company and do not use the cooperation proposals made by the Company to gain personal benefits.

5.2. Any member of the Company's Board shall immediately inform other members of the Board about occurrence of any conflict of interest or even possibility of such occurrence. The member of the Company's Board shall report any transaction or agreement planned to be made by the Company with a person having a close relation with the member of the Company's Board or being an associate of the member of the Company's Board, as well as shall report any occurrence of a conflict of interest throughout the duration of the made agreements.

5.3. The member of the Company's Board shall not take part in making the decisions that might cause a conflict of interest.

COUNCIL

6. Duties and responsibility of the Council

6.1. The functions of the Company's Council are set forth in the Company's Articles of Association, which are available at the Company's website www.nh.capital and in the Company's office at 28A Pulkveža Brieža Street in Riga, and in Company's internal document "Regulations of the Council" approved by the Council (this document is not publicly available).

6.2. The Company's Council supervises the work of the Company's Board, and this includes the supervision of achievement of the Company's objectives, corporate strategy and risk management, financial reporting, proposals of the Company's Board on distribution of the Company's profit, and maintenance of the Company's operations in accordance with the requirements of normative acts. Each of the abovementioned matters is discussed by the Company's Council, and opinion of the Company's Council is expressed at least once a year; the discussion results are presented in the minutes of the Council meetings.

6.3. The Company's Council and each member of the same are responsible for possessing all information necessary for performance of their duties, which is obtained from the members of the Company's Board or, if necessary, from the Company's employees and external advisors. To ensure the information exchange, the chairperson of the Company's Council communicates with the Company's Board, including the chairperson of the Board, on a regular basis and discusses all key matters concerning the strategy of the Company's operations and development, business activities, and risk management.

6.4. The set functions of the Council do not provide for each Council member's duties to provide clarifications in case the member cannot participate in the Council meetings, as well as no information is supposed to be disclosed about the members of the Company's Council not present at more than a half of the meetings of the Company's Council held during the reporting year.

7. Council structure and the requirements to the members of the Council

7.1. The following information on each member of the Company's Council is available to the Company: name, surname, year of birth, education, description of professional experience over last three years, and information on the positions held at other capital companies. This information is not available at the Company's website www.nh.capital.

7.2. The members of the Company's Council have sufficient time for successful fulfilment of their duties and working for the benefit of the Company.

7.3. The Company's Council is comprised of the persons possessing the knowledge, diverse opinions and experience for successful fulfilment of their duties and tasks.

7.4. Each member of the Company's Council assumes the responsibility for the decisions made. When making any decisions concerning the Company's operations, the members of the Company's Council follow the generally accepted ethical principles.

7.5. – 7.8. After election of a new Council consisting of 5 members on 3 December 2019, in accordance with the provisions defined in the annex "Criteria of Independence of the Issuer's Members of Council" of the Corporate Governance Principles, there was only two members of the Council of the Company that could be deemed independent – Kaspars Bajārs and Māris Kannenieks, and before 3 December 2019 there had been no independent members of the Council in the Company.

On an extraordinary shareholder's meeting on 3 December 2019, there were amendments introduced in Clause 5 of the Articles of Association of the Company, providing that further on the Council of the Company will consist of five members of the council, of which one shall be the Chairman of the Council and one shall be Deputy Chairman of the Council. So there were the following persons elected in the Council of the Company for an office term of 5 (five) years till 2 December 2024: Ernests Bernis, Edgars Pavlovičs, Māris Kannenieks, Kaspars Bajārs and Ivans Marjasovs. By the decision of the Council of the Company of 3 December 2019 Ernests Bernis is elected to be the Chairman of the Council of the Company, and Edgars Pavlovičs – Deputy Chairman of the Council of the Company.

Before 3 December 2019, the following persons were operating in the Council of the Company: Ernests Bernis (Chairman of the Council), Edgars Pavlovičs (Deputy Chairman of the Council) and Māris Kannenieks (Member of the Council).

In 2019 there were 29 Council meetings held at the Company. The principal decisions that were proposed by the Board of the Company and approved by the Council of the Company:

- Supported the concluding of an agreement about purchase of shares of the Company's subsidiary NHC 5, SIA, and a loan agreement with ABLV Bank, AS in liquidation;
- Approved amendments in the composition of the Board of the Company's subsidiaries NHC 1, SIA, NHC 2, SIA, NHC 3, SIA, NHC 4, SIA, NHC 5, SIA and NHC 6, SIA;
- Approved change of company name of the Company's subsidiary NHC 6, SIA, changes in the board, amendments in the Articles of Association and the new version of the Articles of Association;
- Sold shares of the Company's subsidiaries NHC 1, SIA and NHC 3, SIA and the properties owned by them;
- Reviewed the Company's restructuring plan and the related corporate governance documents, supported them and forwarded them for approval to the shareholders;
- Called the meeting of the shareholders of the Company regarding the use of the Company's profit in 2018, increase of stock capital, amendments to the Articles of Association and reelection of the Council of the Company, as well as approval of the Company's restructuring plan and related corporate governance documents;
- Elected Chairman of the Council and Deputy Chairman of the Council of the Company;
- Elected members of the Board of the Company;
- Approved the amendments to the Articles of Association of subsidiaries and companies of indirect participation, approved the Articles of Association in the new version and approved amendments to the composition of the Board.

Company's Council



Ernests Bernis
Chairperson of the Council



Edgars Pavlovičs
Deputy Chairperson of the Council



Māris Kanneņieks
Member of the Council



Ivans Marjasovs
Member of the Council



Kaspars Bajārs
Member of the Council

8. Identification of the conflict of interest under work of the members of the Council

8.1. Under their work, none of the members of the Company's Council allows for occurrence of even a seeming conflict of interest. When making the decisions, the members of the Company's Council act in the interests of the Company and do not use the cooperation proposals made by the Company to gain personal benefits.

8.2. Any member of the Company's Council shall immediately inform other members of the Council about occurrence of any conflict of interest or even possibility of such occurrence. The member of the Company's Council shall report any transaction or agreement planned to be made by the Company with a person having a close relation with the member of the Company's Council or being an associate of the member of the Company's Council, as well as shall report any occurrence of a conflict of interest throughout the duration of the made agreements.

8.3. The member of the Company's Council shall not take part in making the decisions that might cause a conflict of interest.

INFORMATION DISCLOSURE

9. Transparency of the Company's operations

9.1. The Company's corporate governance structure is established with the purpose of ensuring timely exhaustive information on all material matters concerning the Company, including its financial situation, performance results, and ownership structure.

9.2. The information to be disclosed is thoroughly checked, the same is accurate, unambiguous, and meets the high quality standards.

9.3. Artūrs Eglītis, Head of Marketing and Communication Department of the Company, shall be the person appointed by the Company, who is entitled to communicate with the press and other mass media on behalf of the Company thus ensuring unified distribution of information, avoiding publishing controversial and untrue information.

9.4. The Company ensures that the Company's financial statements and annual reports are made and disclosed in due time and in accordance with the set requirements. The Company's interim condensed financial statements are made quarterly, and those represent the key events regarding the Company in the reporting period, as well as the impact on the financial results of the Company as the group. Consolidated annual financial statements of the group and separate annual financial statements of the Company are made in accordance with the International Financial Reporting Standards (IFRS) adopted in the European Union, those are produced on a going concern basis and present clear and true view of the financial situation, financial results, and cash flow of the Company as the group.

10. Investor relations

10.1. The Company ensures provision of accurate and true information to the financial market participants, as well as takes care of ensuring feedback between existing ones and other persons.

10.2. All investors are ensured equal and easy access to the information concerning the Company, including the information on the Company's financial situation, structure, and management. The Company provides the information in a clear and easily understandable way, supplying the investors with complete and comprehensive information about the Company.

10.3. The Company uses several channels for information exchange. The primary channel of providing the information is the Company's website www.nh.capital and relations with mass media and other financial market participants are established, as well as up-to-date information concerning the Company's operations is published at Nasdaq Riga, AS website www.nasdaqbaltic.com

10.4. The Company's website www.nh.capital contains the 'Investor Relations' section, made according to the following general principles:

- website section 'Investor Relations' is not just a repository of information or facts, but it is also one of the primary means of communication via which current shareholders are provided information by the Company;
- all visitors of website section 'Investor Relations' are ensured the opportunity to obtain all information published therein in a convenient way. The information is provided in Latvian and English;
- the information provided at the website is updated regularly and published in due time;
- necessary information can be found easily, and the same provides answers to the most important questions of the investors.

The Company's website does not have the solutions enabling such communication with the Company as asking questions and obtaining answers, requesting the latest information, expressing opinions, etc., but exhaustive contact information of the Company is available at the Company's website.

10.5. It is ensured by the Company that the following information can be found at the website:

- general information about the Company — its establishment, history of operations, registration data, sector description, and major types of operations;
- exhaustive information on issue of the Company's bonds, including full bond issue prospectus;
- the Company's Articles of Association;
- information about the members of the Company's Board: their professional experience and education;
- the Company's shareholding structure;

- the Company's interim condensed financial reports, as well as the Company's consolidated and separate financial reports.

The following information is not available at the Company's website:

- information concerning the arrangement of the shareholders meetings, draft decisions to be considered, and decisions made;
- the Company's remuneration policy;
- information on the results of work of the Company's Audit Committee;
- information on current members of the Company's Council;
- information on the term of office of the members of the Company's Board and positions held by those at other companies.

INTERNAL CONTROL AND RISK MANAGEMENT

11. Principles of functioning of the Company's external and internal control

11.1., 11.5. To ensure supervision of the operations of the Company and the subsidiaries included in the Company's group, there is single internal control system established, the purpose of which is to provide well-grounded confidence that the assets of the Company and the subsidiaries included in the Company's group are protected against loss and unauthorized possession and use, the activity risks are continuously monitored and managed, the capital is adequate for covering risks associated with activity, transactions are made in accordance with the procedure set by the Company and the subsidiaries included in the Company's group and are properly recorded, as well as the Company and the subsidiaries included in the Company's group operate in sensible and efficient manner, fully complying with requirements of the laws and other legal acts.

The management of the Company and the subsidiaries included in the Company's group is responsible for establishment, implementation, and proper functioning of the internal control system. To ensure this responsibility with regard to preparation of financial statements and fair presentation, appropriate accounting methods are selected and applied, which are described in the internal normative documents.

The internal control system of the Company and the subsidiaries included in the Company's group is supervised by the Company's Board, whereas the Company's Council supervises the efficiency of functioning of the internal control system.

The Company and the subsidiaries included in the Company's group have developed the accounting policy, which is aimed to set the main principles of assessing and representing the accounting of transactions, facts, and events, as well as financial report items, so that the accounting information provided is true, comparable, timely, relevant, proper, and complete.

11.2. Information about the elements of the risk management system can be found in the consolidated financial reports of the group and the separate financial reports of the Company for the year 2019. The consolidated financial reports of the group and the separate financial reports of the Company for the year 2019 are available in the Company's office at 28A Pulkveža Brieža Street in Riga, as well as at the Company's website www.nh.capital

11.3. The financial reports of the Company and the subsidiaries included in the Company's group are subject to independent audit. All information necessary for performance of the auditors' duties is made available to the auditors, including the information on the held meetings of the Company's Board and Council, and the shareholders meetings.

11.4. The auditors of the Company and the subsidiaries included in the Company's group are independent, and they provide independent and impartial audit and advisory services, offering systematic approach to assessment and improvement of risk management and control processes.

11.6. The term of office of the chosen auditors is different from the term of office of the Company's Board.

12. Company's Audit Committee

12.1. – 12.5. The Council of the Company shall carry out the duties of the Audit Committee of the Company in accordance with the decision made at the ordinary shareholder meeting of the Company of 26 April 2018.

REMUNERATION POLICY

13. General principles, types, and criteria of remuneration.

13.1. – 13.11. The Company's remuneration policy is based on the objectives of operations, long-term interests, and performance results. The remuneration policy establishes the remuneration system that ensures recruitment of the employees possessing appropriate qualification and their motivation, alongside not encouraging excessive risk assumption under assessment of the impact of the transactions made by the employees in the long term. The remuneration policy is subject to the financial plan fulfilment, which is in turn subject to the strategy and risk management policies set in the Company.

The remuneration policy provides for both fixed and variable remuneration parts. Variable remuneration part is expressed in the monetary form (bonuses). Variable part of the remuneration system is set and paid out in accordance with the performance results over a quarter or a year.

In 2019, the Company was employing 11 employees, including one Chief Executive Officer, one Deputy Chief Executive Officer, one Chief Financial Officer, one Chief Development Officer, and one Chief Legal Officer. Company's Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Development Officer and Chief Legal Officer are at the same time also members of the Board of the Company. In 2019 the Company has not terminated employment relationships with any employees.

Members of the Company's Board and Council perform their duties without remuneration.

14. Statement of remuneration policy

14.1. – 14.4. The information to be disclosed in the statement of remuneration policy according to the provisions of the Corporate Governance Principles is disclosed in clause 13 herein.

14.5. – 14.8. The members of the Company's Board are not paid the remuneration for working at the Company's Board, and no transactions with the Board members and the management of the Company are made. The Board members hold the positions for which remuneration is paid – Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Development Officer and Chief Legal Officer.