

Investment management joint-stock company
IPAS "Indexo"
uniform registration number 40203042988

REMUNERATION REPORT FOR MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY COUNCIL FOR 2023

*Prepared in accordance with
the Financial Instrument Market Law
of the Republic of Latvia*

Table of contents

INTRODUCTION

REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD
AND THE SUPERVISORY COUNCIL

COMPLIANCE OF REMUNERATION WITH THE REMUNERATION POLICY

CHANGES IN REMUNERATION AND COMPANY PERFORMANCE
RESULTS

I. INTRODUCTION

Investment management joint-stock company "Indexo" (IPAS "Indexo", hereinafter – the Company or INDEXO) Remuneration Report of the Management Board and the Supervisory Council for the year 2023 has been prepared in accordance with the requirements of Chapter III¹ of Section D of the Financial Instrument Market Law of the Republic of Latvia and IPAS "Indexo" Remuneration Policy, which is available on the Company's website www.indexo.lv

The Company's Remuneration Policy aims to ensure effective human resources management practices in the Company, in accordance with its corporate values, ethical standards, long-term interests and the remuneration and conditions of employment of the Company's employees, in order to successfully achieve the Company's objectives and implement its strategy.

II. REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY COUNCIL

On 30 March 2023, a new Supervisory Council was elected at the annual shareholder meeting. Ramona Miglāne and Ivita Asare joined the Supervisory Council, in addition to Valdis Vancovičs, Svens Dinsdorfs, Renāts Lokomets who were all Members of the previous Supervisory Council.

Toms Kreicbergs, who was a Member of the Supervisory Council since 21.09.2020, left the Supervisory Council of IPAS "Indexo".

At its meeting on 26 June 2023, the Supervisory Council re-elected Henrik Karmo as a Member of the Management Board for a term of office of 5 years. The Chairman of the Management Board, Valdis Siksnis, and the Member of the Management Board, Ieva Bauma, continue to act as Members of the Management Board.

Table 1

The dates of appointment of the Members of the Management Board and of the Supervisory Council are the dates on which the decision of appointment or resignation of the Member of the Management Board and of the Supervisory Council is registered in the Register of Enterprises of the Republic of Latvia.

| | |
|---|---|
| Members of the Supervisory Council and their position | Valdis Vancovičs – Chairman of the Supervisory Council (from 19.04.2023.) |
| | Svens Dinsdorfs – Deputy Chairman of the Supervisory Council (from 19.04.2023.) |
| | Renāts Lokomets – Member of the Supervisory Council (from 19.04.2023.) |
| | Ivita Asare - Member of the Supervisory Council (from 19.04.2023.) |
| | Ramona Miglāne – Member of the Supervisory Council (from 19.04.2023.) |
| | Toms Kreicbergs – Member of the Supervisory Council (until 19.04.2023.) |
| Members of the Management Board and their position | Valdis Siksnis – Chairman of the Management Board (from 25.04.2022.) |
| | Henrik Karmo – Member of the Management Board (from 05.07.2023.) |
| | Ieva Bauma – Member of the Management Board (from 05.07.2023.) |

The Remuneration policy sets out the basic principles of remuneration of the Members of the Company's Management Board and the Supervisory Council, including taking into account the remuneration and employment conditions of the Company's staff, thereby promoting the Company's business strategy, long-term interests and sustainability.

Table 2

Total remuneration of the Management Board and the Supervisory Council, excluding national social insurance mandatory contributions, EUR

| Name, surname, position | Fixed remuneration | | | Variable remuneration | Pension contributions | Total remuneration | Proportion of fixed and variable remuneration % |
|--|--------------------|-----------------|--------|-----------------------|-----------------------|--------------------|---|
| | Base salary | Other benefits* | Total | | | | |
| Valdis Siksnis, Chairman of the Management Board, in accordance with authorisation agreement | 65 321 | 329 | 65 650 | 0 | 0 | 65 650 | 100% / 0% |
| Henrik Karmo, Member of the Management Board, in accordance with authorisation agreement | 22 943 | 131 | 23 074 | 0 | 0 | 23 074 | 100% / 0% |
| Ieva Bauma, Member of the Management Board, in accordance with the employee agreement | 34 805 | 309 | 35 114 | 6 600 | 1 919 | 43 633 | 85% / 15% |
| Valdis Vancovičs, Chairman of the Supervisory Council, in accordance with authorisation agreement | 3 500 | 0 | 3 500 | 0 | 0 | 3 500 | 100% / 0% |
| Svens Dinsdorfs, Deputy Chairmen of the Supervisory Council, in accordance with authorisation agreement | 3 500 | 0 | 3 500 | 0 | 0 | 3 500 | 100% / 0% |
| Renāts Lokmets, Member of the Supervisory Council, in accordance with authorisation agreement | 3 500 | 0 | 3 500 | 0 | 0 | 3 500 | 100% / 0% |
| Ivita Asare, Member of the Supervisory Council, in accordance with authorisation agreement | 3 000 | 0 | 3 000 | 0 | 0 | 3 000 | 100% / 0% |
| Ramona Miglāne, Member of the Supervisory Council, in accordance with authorisation agreement | 2 500 | 0 | 2 500 | 0 | 0 | 2 500 | 100% / 0% |
| Toms Kreicbergs, Member of the Supervisory Council, in accordance with authorisation agreement (until 19.04.2023.) | 879 | 379* | 1 258 | 0 | 0 | 1 258 | 100% / 0% |

*Other benefits for Toms Kreicbergs include a gift card which was given on termination of employment.

The base salary shown in Table 2 includes the fixed base salary of the Member of the Management Board as set out in the contract, as well as the salary of the Member of the Management Board in connection with his/her work as an employee of the Company, for example, as Marketing Manager. The fixed remuneration for each Supervisory Council meeting is set for the Members of the Supervisory Council.

Other benefits include gift cards, health insurance, mobile phone communication services.

The pension contributions include contributions actually made during the financial year to the pension fund on behalf of employees.

The variable remuneration includes bonuses consisting of monetary remuneration as a result of the achievement of predetermined targets within the financial year. In 2023, the Management Board Member Ieva Bauma received a monetary bonus of 2 months' salary for the successful execution of IPO and the successful participation in the Bank project. Table 3 shows the breakdown of the variable remuneration into cash costs and for the respective Member of the Management Board.

The Company has implemented a long-term incentive plan in the form of shares for the Members of the Management Board and the Company's employees with the goal of motivating the Company's employees and the Company's Management Board to take care of the long-term development of the Company's business and to promote interest in the effective management of the Company.

Table 3
The variable remuneration, excluding national social insurance mandatory contributions, EUR

| Member of the Management Board | Monetary compensation | Total |
|--------------------------------|-----------------------|-------|
| Ieva Bauma | 6 600 | 6 600 |

In 2023, all Members of the Management Board received remuneration from the Company and from the Group's company IDX1R AS. Table 4 shows the remuneration received from the Group's company IDX1R AS.

Table 4
The received remuneration from the Group's company IDX1R AS, excluding national social insurance mandatory contributions, EUR

| Name, surname, position | Fixed remuneration | | | Variable remuneration | Pension contributions | Total remuneration | Proportion of fixed and variable remuneration % |
|--|--------------------|-----------------|---------|-----------------------|-----------------------|--------------------|---|
| | Base salary | Other benefits* | Total | | | | |
| Valdis Siksnis, Chairman of the Management Board, in accordance with authorisation agreement | 111 947 | 0 | 111 947 | 0 | 6 566 | 118 514 | 100% / 0% |
| Henrik Karmo, Chief Business Development Officer, in accordance with the employee agreement | 44 200 | 0 | 44 200 | 0 | 0 | 44 200 | 100% / 0% |
| Ieva Bauma, Member of the Management Board, Chief Marketing Officer, in accordance with the employee agreement | 23 348 | 0 | 23 348 | 0 | 0 | 23 348 | 100% / 0% |

In 2023, all Members of the Supervisory Council received remuneration from the Company and did not receive any remuneration from other Group companies within the meaning of the Law on Annual Statements and Consolidated Annual Statements of the Republic of Latvia.

Additional long-term benefits associated with the Company's shares

The Company's shareholder meeting has approved two share purchase right (option) schemes which were in force during the period under review and under which one option gives the right to purchase one share in the Company. The first option scheme is hereinafter referred to as the employee stock option scheme, while the second option scheme is hereinafter referred to as the management stock option scheme. The Employee options held by the Company are not to be regarded as variable or fixed remuneration as, under the terms of the Company's option issue, a Member of the Management Board or an employee purchases or will purchase the Employee options by paying a specified price, set out in the terms of the option issue, for the new issue of shares. Management options may be granted to employees and Members of the Management Board of the Company as an additional benefit to variable and fixed remuneration.

Employee stock option scheme

The terms of the Employee Stock Option Scheme were approved at the Company's shareholders' meeting on March 29, 2021. The updated terms were approved at the Company's shareholders' meeting on March 24, 2022. One option gives the right to purchase one share of the Company for EUR 2.86 with a holding period of 1 year. The newly issued share of the Company resulting from the conversion of each Employee option confers on the shareholder the same rights as the existing shares of the Company, i.e. the same rights to receive dividends, to receive a liquidation allowance and to have voting rights in the Company.

Stage I management stock option scheme

During the reporting period the Company granted stage I management stock options to its management team. The terms of the option scheme were approved by the shareholders' meeting of the Company on 24 March 2022. One option gives the right to purchase one share of the Company for EUR 1.00 with a vesting period of 1 calendar year. After an option is exercised, the Company has a proportional clawback right, if at the exercise date (the Company's board meeting date which is no later than 4 months after the Company's 2026 Annual report publishing date) the stock price does not exceed the specified amount in the Option scheme rules. The Option holders can get a material benefit from Stage I management options only if the stock market price exceeds EUR 16.51 per share price on the exercise date.

Stage II management stock option scheme

During the reporting period, the Company granted stage II management stock options to its management team. The terms of the option scheme were approved by the shareholders' meeting of the Company on 24 March 2022. One option gives the right to purchase one share of the Company for EUR 27.48 with a minimal vesting period of 1 calendar year.

Upon exercise of the call rights in Stages I and II of the management option scheme, the Company shall have certain clawback rights if the value of a share of the company does not exceed EUR 27.48 on the exercise date (being the date of a meeting of the Company's Management Board which is not later than 4 months after the publication of the Company's 2026 annual financial statements). The number of the shares to be returned depends on the market value of the Company's shares and is determined in accordance with the terms of the option scheme.

A summary of the options granted under the employee options scheme, as well as a summary of the stage I and stage II management option schemes, are disclosed in the Consolidated and Separate Annual Report for 2023 of IPAS "Indexo", which is available on the Company's website www.indexo.lv and on Nasdaq Riga's website www.nasdaqbaltic.com.

Table 5
Number of options granted and exercised, price, grant date in 2023:

| Name, surname, position | Type of option scheme | Main terms of the share option plan | | | | Information about the financial year | | | | | |
|---|-----------------------------------|-------------------------------------|--|-----------------------------|-------------------------------|---|-----------------------|-------------------------|--|---|--|
| | | Option grant date | Effective date of the conversion right | Exercise period | Conversion price of the share | Opening balance | During the year | | Ending balance | | |
| | | | | | | Share option at the beginning of the year | Share options granted | Share options converted | Number of performance-linked share options granted | Share options granted but not converted | |
| Valdis Siksnis, Chairman of the Management Board | Stage I management option scheme | 20.05.2022 | 21.05.2023 | 21.05.2023.- 22.08.2023. | 1.00 | 100 000 | 0 | 100 000 | 0 | 0 | |
| Henrik Karmo, Member of the Management Board | Stage I management option scheme | 20.05.2022 | 21.05.2023 | 21.05.2023.- 22.08.2023. | 1.00 | 100 000 | 0 | 100 000 | 0 | 0 | |
| Ieva Bauma, Member of the Management Board, Chief Marketing Officer | Employee option scheme | 31.05.2022 | 01.06.2023 | 01.06.2023.- 02.09.2023. | 2.86 | 2 448 | 0 | 2 448 | 0 | 0 | |
| Ieva Bauma, Member of the Management Board, Chief Marketing Officer | Employee option scheme | 17.04.2023 | 18.04.2024 | 18.04.2024.- 19.07.2024. | 2.86 | 0 | 2 500 | 0 | 0 | 2 500 | |
| Ieva Bauma, Member of the Management Board, Chief Marketing Officer | Stage I management option scheme | 03.02.2023 | 04.02.2024 | 04.02.2024.- 05.05.2024. | 1.00 | 0 | 1 000 | 0 | 0 | 1 000 | |
| Ieva Bauma, Member of the Management Board, Chief Marketing Officer | Stage II management option scheme | 16.10.2023 | 17.10.2024 | 17.10.2024.- * | 27,48 | 0 | 8 000 | 0 | 0 | 8 000 | |

* options granted may be exercised no later than one month after the Exercise date or the end of the relevant Holding period, whichever is later. Exercise date means the date on which the Management Board calculates the market price and number of shares in accordance with the Employee option issue rules and which is not later than 4 months after the publication of the 2026 financial statements of IPAS "Indexo", the Holding period means the period ending on the day before the date on which the options granted are exercisable

III. COMPLIANCE OF REMUNERATION WITH THE REMUNERATION POLICY

The remuneration of the Management Board and the Supervisory Council is in line with the remuneration policy of IPAS "Indexo" approved by the shareholders' meeting. The internal audit function regularly checks compliance with the core principles of the Remuneration policy. The last inspection revealed that the bonus paid to a Member of the Management Board in March 2023 did not have a documented Supervisory Council decision. The deficiency was promptly resolved, and additional controls were put in place to ensure that such decisions are properly and timely documented.

The Remuneration report is a part of the Company's Annual report, which has been prepared by the Company's Management Board and reviewed by the Company's Supervisory Council. The Remuneration report has been audited by a certified sworn auditor and will be approved by the shareholders' meeting together with the other components of the Annual report. The Remuneration report is published as a separate part of the Annual report in Latvian and English on the Company's website www.indexo.lv and on Nasdaq Riga's website www.nasdaqbaltic.com.

IV. CHANGES IN REMUNERATION AND COMPANY PERFORMANCE RESULTS

This is the first Remuneration report of IPAS "Indexo" following the requirements of Chapter III¹ of Section D of the Financial Instrument Market Law of the Republic of Latvia, thus reflecting the first period against which the results of the following years will be compared. The comparative data summarizes the remuneration of the Management Board and the Supervisory Council, company performance indicators (all the Company's and the Group's performance indicators can be accessed in the financial report), and the average full-time salary of the Company's employees, excluding the Members of the Management Board and the Supervisory Council. Heads of departments of IPAS "Indexo" have been selected as the reference group for employee compensation.

IPAS "Indexo" is the fastest growing pension manager in Latvia in terms of clients. In 2023, the Company acquired a significant number of new clients – 27 459. By the end of the year, the Company's number of clients reached 127 159. The Company's Assets Under Management grew by 57%, reaching EUR 917.2 millions.

In 2023, the pension fund "INDEXO Jauda 16-50" had a return of 18.65%, whereas the 5-year return exceeded 10% per annum. Since the inception of the "INDEXO Jauda 16-50" pension fund on 5 February 2018, the value of EUR 1 invested at that date has grown to EUR 1.578 at the end of 2023. Other INDEXO pension funds also delivered strong returns in the market. INDEXO management team continues to work hard on reducing the costs associated with investment services in order to further improve the returns of INDEXO pension plans. The growing number of clients and the growing volume of assets under management have led to an increase in the revenue of the pension fund management business segment to EUR 3.1 million.

The total income of IPAS "Indexo" during the reporting period was more than sufficient to cover the administrative expenses of pension fund management. Profit before client acquisition cost reached EUR 1.88 million, and profit after client acquisition costs was EUR 95 thousand.

During the reporting year, a sufficient volume of Assets Under Management was achieved which allowed us to break even and generate profit in the third and fourth quarters even after client acquisition expenses (excluding costs related to the secondary public offering).

In 2023, INDEXO attracted 27 549 clients, reaching 127 159 clients by the end of the year, which is a 28% increase. In the last 5 years, we have increased our number of clients by 46.8% per annum.

INDEXO Assets Under Management (AUM) grew by 57% over the last 12 months and stood at EUR 917.2 million at the end of the year, meanwhile Latvian 2nd pillar pension market increased from EUR 5.67 billion euros to EUR 7.06 billion euros over the same period. The market has grown mainly due to high increases in all the top equity and bond indices. At the end of 2023, INDEXO market share was nearly 13% of the 2nd pillar pension savings market.

Despite INDEXO's fast growth and large investments in client acquisition, INDEXO pension business was profitable during Q3 and Q4 of 2023 and became cash flow positive after client acquisition costs (excluding costs related to the secondary public offering).

Table 6

Remuneration for the financial reporting year, excluding national social insurance mandatory contributions, EUR

| | |
|--|----------------|
| Remuneration of the IPAS "Indexo" management, EUR | 2023 |
| Management Board fixed remuneration | 123 839 |
| Management Board variable remuneration | 6 600 |
| Management Board total remuneration | 130 439 |
| Supervisory Council fixed remuneration | 17 258 |
| Supervisory Council variable remuneration | 0 |
| Supervisory Council total remuneration | 17 258 |
| Company performance, EUR | |
| Revenue | 3 148 438 |
| Profit before tax | (326 301) |
| Net profit | (331 527) |
| The salary of employees for full-time work, EUR | |
| Remuneration of department heads | 176 753 |

Information on cases when the variable part of the remuneration has been reclaimed
None.

The applied temporary derogations, inter alia, an explanation of the exceptional case and a reference to specific components of the remuneration policy to which temporary derogation has been applied.
None.