

APPROVED by

Decision of the Board of AB Vilkyškių pieninė,
dated 22 April 2020, meeting minutes No. 198

POLICY OF REMUNERATION FOR EMPLOYEES OF AB VILKYŠKIŲ PIENINĖ GROUP COMPANIES

I. GENERAL PROVISIONS

1. The Policy of Remuneration for Employees of AB Vilkyškių pieninė Group Companies (hereinafter referred to as the Group) (hereinafter referred to as the Remuneration Policy) sets out the general principles of remuneration for employees of the Group companies, establishes the main provisions, application of which would enable effective management of payroll expenses and at the same time would create motivating incentives for employees to contribute to the implementation of the mission, vision, values and goals of the Group managed responsibly.

The Remuneration Policy establishes provisions of corporate fairness in order that the differences in remuneration for employees in the employment positions of the same level would be within the limits set in the Remuneration Policy and would form fair relationship of remunerations for individual employees in different employment positions.

All the Group companies must follow the Remuneration Policy in order to attract, motivate and keep the best employees.

The Remuneration Policy regulates the system of remuneration for employees of the Company: work payment procedure, work pay calculation, work pay amounts according to employment positions and employee categories, bonuses for employees, terms and procedure of payment of the work pay and other employment related amounts.

This Remuneration Policy does not define the content of the work functions performed by employees of the Group, does not give the description of work functions, qualification requirements applicable to employees, which are provided for in employees' job descriptions and/or employment contracts.

II. TERMS AND ABBREVIATIONS USED IN THE REMUNERATION POLICY

1. **Remuneration Policy** shall mean this Policy of Remuneration for Employees of the Group.
2. **Company** shall mean any company of AB Vilkyškių pieninė Group: AB Vilkyškių pieninė, AB "Modest", AB Kelmės pieninė, AB "Pieno logistika".
3. **Parent Company** shall mean AB Vilkyškių pieninė.
4. **Group** shall mean the Parent Company and its subsidiaries: AB "Modest", AB Kelmės pieninė, AB "Pieno logistika".

5. **Appointments and Remuneration Committee** shall mean an advisory committee formed by the Board of the Parent Company, responsible for the formation of the general remuneration and incentives policy in the Group.
6. **Head of the Parent Company** shall mean its General Manager (CEO).
7. **Head of a Company** shall mean its head (Manager).
8. **Top-level Executive** shall mean an executive of level I, the manager of a structural unit of a Company.
9. **Level II Executive** shall mean the head of a division of a Company.
10. **Medium-level Executive** shall mean a head, who may have functional divisions of several levels subordinate to him/her.
11. **Employee** shall mean an employee working in the Group.
12. **Remuneration** shall mean the financial remuneration paid for work performed, which consists of the fixed part of the remuneration (FPR) and the variable part of the remuneration (VPR), and other employment related payments.
13. **Fixed Part of the Remuneration (FPR)** shall mean the employee's main or hourly monetary remuneration set in the employment contract, payable every month. This part of the remuneration is linked to the level of the employment position, which shows the weight and value of the employee's employment position in the Company.
14. **Variable Part of the Remuneration (VPR)** shall mean that part of the monetary remuneration, which is paid in addition to the employee's FPR and is determined taking into account the work performance quality, results, the level of competences, achievement of goals of the Company as a whole and individual goals set for an employee, and acting in line with values of the Company and the Group.
15. **Other benefits (OB)** shall mean other possible benefits given to employees as incentives.

III. COMPONENTS OF THE FINANCIAL REMUNERATION

The remuneration for all employees shall consist of two main parts: the fixed part and the variable part. Also, incentives can be paid.

1. The Fixed Part of the Remuneration (FPR) is the main or hourly monetary work pay set in the employment contract, payable to the employee monthly. This part of the remuneration is linked to the level of the employee's employment position and the limits set for an employment position of that level.
2. The Variable Part of the Remuneration (VPR) is the additional monetary remuneration for an employee, which is determined taking into account the work performance quality and results, achievement of goals of the Company as a whole and individual goals set for an employee, the level of competences and acting in line with values of the Company and the Group.
3. Other Benefits (OB) are other possible benefits, given to employees as incentives.

IV. MAIN PRINCIPLES OF SETTING THE REMUNERATION

1. The structure of the employment positions in the Company is the basis of the remuneration system. The structure consists of employment positions divided into levels according to the weight, value and character of work.

The level of the employment position of the Head of a Company, with regard to the recommendations of the Appointments and Remuneration Committee, shall be approved by the Board of the Company, and in cases when no Board is formed in the Company – by the Head of the Parent Company (the General Manager (CEO)).

The levels of employment positions of other employees of a Company, with regard to the recommendations of the Appointments and Remuneration Committee and of Korn Ferry Hay Group, shall be approved by the Head of the Parent Company in order that the Group would be maintain and develop consistent assignment of levels of employment positions.

2. The Fixed Part of the Remuneration, which is the monetary remuneration set in the employment contract and payable monthly, shall be the biggest and most important part of the monetary remuneration. The basis for determining the FPR for an employee shall be the value of the employment position of a relevant employee, which is linked to the level of his/her employment position. The ranges (minimal and maximal limits) shall be set the FPR for each level of employment positions, within which the FPR can change, taking into account the employee's experience, competence and long-term results of his/her work. The range limits shall be set in order to ensure the corporate fairness of the remuneration. The range for a level of employment positions can be determined and reviewed once a year, taking into account the results of an independent work pay research and market trends.
3. In order to determine the employee's FPR and to assess the external competitiveness of the whole monetary remuneration paid to the employee, the Group shall select the work pay research data and the comparative market.

In assessing the external competitiveness of the FPR and the VPR combined, the median of the total cash shift premium paid to a relevant employment position level by all companies operating in Lithuania and/or the region and participating in the salary market research carried out by Korn Ferry Hay Group shall be referred to.

The Group shall select all companies operating in Lithuania and/or the region as the comparative market. In order to assess the remuneration competitiveness, additional information on the remuneration market from various sources can be used.

4. The reference point in determining the FPR range for each level of employment positions shall be the median of the base salary for this level of employment positions paid by all companies operating in Lithuania and/or the region and participating in the salary market research, and the limits of the base salary range shall be 75% to 125% of the reference point. A deviation from these limits shall be possible in reasonable exclusive cases.
5. The employee's remuneration in a Company shall depend on the level of the employee's employment position, work performance quality and results, achievement of goals of the Company and/or its subsidiaries and individual goals set for an employee, the level of competences and acting in line with values of the Company and the Group.

6. When determining the reference point for the remuneration and the specific remuneration of the Head of the Parent Company and the Heads of the Companies, it shall be determined upon assessment of the level of remuneration for heads of companies of analogous size, taking into account the level of the employment position and the personal competence, experience, knowledge and abilities of the Head.
7. The remuneration for the Head of the Parent Company and the Heads of the Companies shall be determined by the Board of the Company, if it is not formed – by the body appointed the Head of the Company.

V. PRINCIPLES OF SETTING THE FIXED PART OF THE REMUNERATION (FPR)

1. The reference point for the remuneration and the specific FPR of the Top-level Executives shall be determined by the Head of the Parent Company, taking into account the level of the employment position, having evaluated the level of remuneration for heads of companies of analogous size and the personal competence, experience, knowledge and abilities of the Top-level Executives.
2. The reference point for the remuneration and the specific FPR of the Level II Executives shall be determined by the Top-level Executives, taking into account the level of the employment position, having evaluated the level of remuneration for heads of companies of analogous size and the personal competence, experience, knowledge and abilities of the Level II Executives, upon approval by the Head of the Parent Company and the Head of the Company.
3. The FPR of the Medium-level Executives and other employees shall be determined taking into account the level of their employment position, having evaluated the level of remuneration in companies of analogous size and their personal competence, experience, knowledge and abilities. The FPR shall be approved by the Head of the Parent Company or the Head of the Company taking into account the recommendations of the Top-level Executive and the Level II Executive.
4. The FPR for all employees must be determined taking into account the recommendation of the head of the unit performing the human resources management function in a Company.
5. The FPR for all employees shall be determined without exceeding the maximum amounts recommended by the Appointments and Remuneration Committee and with regard to the ranges of the remuneration for employment positions approved in each Company under the established procedure, also with regard to the level of the employment position and the competences, experience, knowledge and abilities.
6. In individual exceptional cases, when determining the FPR for individual employment positions due to their exceptional or critical importance for the activities of the Company and in order to keep such employees in the Company, taking into account the level of remuneration for this category of employment positions in the market, reasonable exceptions can be made in cases set in the remuneration policy of the Company and only subject to approval by the Head of the Parent Company and the Head of the Company. In order to evaluate competitiveness of the remuneration, additional information on the remuneration market from other sources may also be used.

VI. PRINCIPLES OF SETTING THE VARIABLE PART OF THE REMUNERATION (VPR)

1. The VPR shall be paid to an employee of a Company:
 - for work performance quality and results, achievement of individual goals of the employee, level of competences;
 - for achievement of goals of the Company and/or a unit;
 - for acting in line with values of the Company, for compliance with the applicable requirements of working procedure, environmental protection, safety at work, sanitary and hygiene, fire safety.
2. The VPR amount shall be a certain percentage of the monthly amount of the employee's FPR.
3. According to the principles of establishing the VPR, the VPR for employees shall be approved each month by the order of the Head of the Parent Company and the Head of the Company.
4. The VPR shall be paid to employees each month together with the FPR.

VII. TYPES OF OTHER BENEFITS (OB) AND PRINCIPLES OF GIVING THEM

1. As additional incentives, employees can be given OB paid by the Company, for example, voluntary health insurance; health promotion services; participation in trainings, conferences and seminars related to one's employment position and in events related to personal development and personal improvement.
2. The OB giving procedure shall be approved by the order of the Head of the Parent Company and the Head of the Company. The procedure shall contain a list of OB that can be given to employees, the conditions and procedures of giving them.

VIII. FINAL PROVISIONS

1. This Remuneration Policy shall be approved by the Board of the Parent Company, which shall be responsible for setting the principles of the Remuneration Policy and their regular review (at least once a year) and adjustment (if necessary) in order to ensure efficiency of the Remuneration Policy and its conformity to strategic goals of the Company. The Head of the Parent Company shall be responsible for the implementation of the Remuneration Policy and shall control its performance, whereas the Heads of the Companies shall be responsible for proper introduction of the employees to the Remuneration Policy.