

# Tallinna Kaubamaja Grupp AS

## Principles for the remuneration of members of the Management Board

### I. General provisions

These remuneration principles have been established on the basis of section 135<sup>2</sup> of the Securities Market Act and applies to the remuneration of the members of the Management Board of Tallinna Kaubamaja Grupp AS (hereinafter TKMG).

The remuneration principles are primarily based on the long-term goals of the TKMG, taking into account the financial results of the company and the legitimate interests of investors and creditors. The purpose of the remuneration principles is to arrange transparent, fair, and motivating remuneration.

The Supervisory Board of TKMG has the right to decide on the approval of the principles of remuneration of the Management Board and the amount of remuneration. The Supervisory Board also supervises compliance with the principles.

The general meeting of TKMG votes on the remuneration principles at least once every four years. Significant amendments in the remuneration principles must be submitted to the general meeting for voting each time. The decision of the general meeting to approve the remuneration principles is recommended to the Supervisory Board. The principles of remuneration will be deemed approved if more than half of the votes represented at the general meeting are in favour of them.

### II. Remuneration principles

Remuneration is reviewed regularly at least at the beginning of each term of office, during which the compliance of the remuneration with the duties of the member of the Management Board, their contribution to the development of the company, the current economic situation of TKMG, and future trends is assessed by comparing the corresponding figures of other companies in the same economic sector.

Remuneration is determined in particular on the basis of the following principles:

- ✓ The basic remuneration of a member of the Management Board takes into account the abilities and competencies of the person and motivates them to act in the best interests of the company;
- ✓ The basic remuneration of a member of the Management Board corresponds to at least the average remuneration paid to the managers of companies belonging to the same economic sector with a similar annual turnover, balance sheet total or number of employees;
- ✓ The basic remuneration paid to a member of the Management Board correlates with the average full-time remuneration of the employees of TKMG.
- ✓ Performance pay takes into account the financial results of TKMG for the previous year and the fulfilment of pre-determined targets. It is also ensured that the percentage of

basic remuneration and performance pay is reasonably in line with the duties of the member of the Management Board, so that the basic remuneration constitutes a sufficiently large part of the total remuneration to allow for non-determination or non-payment of performance pay;

- ✓ The termination-of-contract compensation of a member of the Management Board is related to their previous work results and is not payable if it would harm the interests of TKMG.

### **III. Types of remuneration**

In accordance with the articles of association of TKMG, the Management Board may have one to six members. Pursuant to the Commercial Code, the members of the Management Board of TKMG are elected by the Supervisory of Directors. The members of the Management Board of TKMG are selected on the basis of gender neutrality and the actual competence of the persons. In accordance with the articles of association, a member of the Management Board is elected for a term of up to three years. The extension of the term of office of a member of the Management Board will not be decided earlier than one year before the planned expiry of the term of office and for a longer period than the maximum term of office prescribed by law or the articles of association.

The duties of a member of the Management Board and the remuneration to be paid will be agreed in the employment contract entered into with them. Remuneration paid to a member of the Management Board may be as follows:

#### **1. Basic remuneration**

The monthly remuneration paid to a member of the Management Board, which corresponds to at least the average remuneration paid to the directors of companies belonging to the same economic sector. The basic remuneration takes into account the competence of the person and is sufficiently motivating to ensure that they act in the best interests of the company.

#### **2. Performance pay**

A member of the Management Board may be granted a performance pay by a resolution of the Supervisory Board, the amount of which depends on the financial results of TKMG and the fulfilment of objectives previously agreed with the member of the Management Board.

#### **3. Additional benefits**

Additional benefits may be agreed with the member of the Management Board in their employment contract, which may include an additional paid holiday, a company car, telephone compensation, the access to read business magazines and other publications, membership of associations and unions for executives, courses, etc.

#### **4. Stock options**

Management Board members have the right to a stock option only if the general meeting decides so.

## 5. Termination-of-contract compensation

A termination-of-contract compensation equal to a maximum of 6 months' average remuneration may be agreed with the member of the Management Board in their management board member contract. No termination-of-contract compensation will be paid if the member of the Management Board has, during their term of office, harmed the interests of TKMG or its subsidiaries or affiliates, or if the payment of the termination-of-contract compensation would harm the interests of TKMG and its shareholders.