

## REMUNERATION POLICY OF VILVI GROUP (PROJECT)

### I. THE GENERAL PART

1. The remuneration policy (hereinafter – the Remuneration Policy) of VILVI Group companies (hereinafter – the Group of Companies) establishes the general remuneration principles of the members of the Supervisory board, the members of the board, committees, managers and employees of the companies forming the Group of Companies, defines the main provisions for effective management of salary costs and at the same time for creating motivational incentives for employees to contribute to implementing the mission, vision, values and goals of a responsibly managed group of companies.

The policy establishes the internal justice provisions so that the differences in remuneration of employees of the same position level would comply with the limits set up in the remuneration policy and would form fair ratios of remuneration of individual employees between individual office positions.

The Remuneration Policy must be followed by all Group Companies to attract, motivate and retain the most suitable employees.

The Remuneration Policy regulates the remuneration system for the members of the Supervisory board, the members of the Board, committees, managers and employees of the Company: the work remuneration procedure, calculation of salary, salary amounts by office positions and employee categories, employee bonuses, terms and procedure for payment of salary and other benefits related to employment or management relations.

The Supervisory board of the Company established in the Company is a collegial supervising body. The Nomination and Remuneration Committee has been appointed for effective performance of the functions and duties of the Supervisory board in the area of remuneration system. Boards function in the Company and in the Group of Companies. Audit Committee is elected in the Company.

This Remuneration Policy does not define the content of the work functions performed, does not provide for the description of work functions, and the qualification requirements for employees, which are provided for in the employee job regulations and/or employment contracts.

### II. DEFINITIONS AND ABBREVIATIONS USED IN THE REMUNERATION POLICY

1. **Remuneration Policy** – this remuneration policy for the members of the Supervisory board, members of the Board, Audit Committee, Nomination and Remuneration Committee, managers and employees of the Group of Companies.
2. **Company** – any company of VILVI Group companies: Vilkyškių pieninė AB, Modest AB, Kelmės pieninė AB, Pieno logistika AB, Kelmės pienas UAB, Baltic Dairy Board SIA.
3. **Parent company** – Vilkyškių pieninė AB.
4. **The group of companies** – Vilkyškių pieninė AB, Modest AB, Kelmės pieninė AB, Pieno logistika AB, Kelmės pienas UAB, Baltic Dairy Board SIA.
5. **Supervisory board** – a collegial body supervising activity of the Company.
6. **Board of the Company** – members of the Board of the Company.
7. **Audit Committee** – in charge of monitoring processes for the preparation of financial reports, with a specific focus on the eligibility and consistency of applied accounting methods.
8. **Nomination and Remuneration Committee** – the advisory committee formed by the Supervisory board of the Parent Company, which is responsible for the development of the general remuneration and promotion policy in the Group of Companies.
9. **Parent company manager** – the General Director.
10. **The head of the company** – the head (director).
11. **Top-level manager** – I-level manager, director of the Company's structural subdivision.

12. **II-level manager** – the head of the Company's divisions
13. **A middle-level manager** – a manager who may have several levels of subordinate functional departments.
14. **Employee** – an employee working in the Group of Companies.
15. **Remuneration** – a financial remuneration paid for the work performed, which consists of a fixed part of remuneration (FPR) and a variable part of remuneration (VPR), as well as other employment-related benefits.
16. **Fixed part of remuneration (FPR)** – the main or hourly monetary remuneration of an employee specified in the employment contract, paid on a monthly basis. This part of the remuneration is related to the office position level, which shows the weight and value of the employee's position in the Company.
17. **Variable part of remuneration (VPR)** – a part of monetary remuneration, which is paid as a supplement to the employee's FPR, determined by taking into account the quality of work performance, results, level of competencies, achievement of Company's goals and individual employee's goals, and compliance with the values of the Company and Group of Companies.
18. **Other benefits (OB)** – other potential benefits provided to employees as incentives.

### **III. COMPONENTS OF FINANCIAL REMUNERATION**

The remuneration of employees consists of two main parts: fixed and variable. Incentives may also be paid.

1. The fixed part of remuneration (FPR) – the main or hourly monthly monetary salary of an employee specified in the employment contract. This part of the remuneration is linked to the employee's position level and the grade set for the position level.
2. The variable part of remuneration (VPR) – additional monetary remuneration of an employee, determined by taking into account the quality and results of work, achievement of the Company's and individual employee's goals, level of competencies and compliance with the values of the Company and the Group of Companies.
3. Other benefits (OB) – other potential benefits provided to employees as incentives.

### **IV. THE MAIN PRINCIPLES FOR DETERMINATION OF REMUNERATION**

1. The structure of the Company's office positions is the basis of the Remuneration System. The structure consists of office positions divided into levels according to their weight, value and nature of work.  

The level of the office position of the head of the Company, taking into account the recommendations of the Nomination and Remuneration Committee, is approved by the Board of the Company, and in cases where it is not formed in the Company – by the head of the Parent Company, the general director.

The position levels of other employees of the Company, taking into account the recommendations of the Nomination and Remuneration Committee and Korn Ferry Hay Group, in order to maintain and develop a consistent assignment of position levels within the Group of Companies, shall be approved by the head of the Parent Company.
2. The fixed part of the remuneration – the monetary remuneration specified in the employment contract, paid every month – the largest and most important part of the monetary remuneration. The basis for determining the FPR for an employee is the office position value of the employee concerned, which is related to his office position level. For each office position level, the FPR ranges are set – the limits (minimum and maximum) within which the FPR may vary, depending on the employee's experience, competence and long-term activity results. The thresholds are set to ensure the internal fairness of the remuneration. The office position ranges may be identified and reviewed once a year based on independent salary survey data and market trends.

3. To determine the employee's FPR and to assess the external competitiveness of the total monetary remuneration paid to the employee, the Group of Companies selects the salary survey data and the comparative market.

The assessment of the overall external competitiveness of FPR and VPR is based on the average value (median) of the total cash shift premium, paid to the appropriate level of the office position, in all companies operating in Lithuania, Latvia and/or in the region participating in Korn Ferry Hay Group remuneration market survey.

The Group of Companies selects all companies operating in Lithuania, Latvia and/or in the region as a comparative market. Additional remuneration market information from a variety of sources can be used to assess the competitiveness of remuneration.

4. The starting point for determining the FPR grade for each office position level is considered to be the average value (median) of the base salary paid to this office position level by all companies operating in Lithuania, Latvia and/or in the region, whereas the limits of the base salary ranges are set in comparison to the reference point within 75 – 125%. Deviation from these limits is possible only in duly justified exceptional cases.
5. The employee's remuneration in the Company depends on the level of the employee's office position, the quality and results of work, achievement of goals of the Company and/or its subsidiary companies and individual employee goals, the level of competencies and compliance with the values of the Company and the Group of Companies.
6. When determining the reference point of remuneration of the Parent Company's CEO and the Company's managers and the specific remuneration, it is determined by assessing the level of remuneration of managers in companies of a similar size, taking into account the level of office position and personal competence, experience, knowledge and skills of the manager.

## **V. PRINCIPLES FOR DETERMINING THE FIXED PART OF REMUNERATION (FPR)**

1. The remuneration for the head of the Parent Company and the managers of the Companies is determined by the Board of the Company, taking into account the recommendations of the Nomination and Remuneration Committee, and if the Board is not formed – by the body appointing the head of the Company. Remuneration consists of the fixed part specified in the employment contract. The head of the Parent Company and the remuneration of the heads of the Companies are not subject to any deferred payment mechanisms, unless otherwise agreed.
2. For senior executives, the reference point for remuneration and the specific remuneration, taking into consideration the level of the office position, having assessed the level of remuneration of managers in companies of a similar size, and personal competence, experience, knowledge and skills of managers, FPR is determined by the head of the Parent Company.
3. For II level managers, the reference point for remuneration and the specific remuneration, taking into consideration the level of the office position, having assessed the level of remuneration of managers in companies of a similar size, and personal competence, experience, knowledge and skills of managers, FPR is determined by Top-Level Managers in coordination with the head of the Parent Company and the head of the Company.
4. For mid-level managers and other employees, FPR is determined by taking into consideration the level of the office position, having assessed the level of remuneration in companies of a similar size, and personal competence, experience, knowledge and skills. FPR shall be approved by the head of the Parent Company or the head of the Company in accordance with the recommendations of the head of the Top-Level and the head of II Level.
5. FPR of all employees must be determined by taking into account the recommendation of the head of the subdivision performing the function of human resources management in the Company.
6. For all employees, FPR is set up not exceeding the maximum amounts recommended by the Nomination and Remuneration Committee and taking into account the ranges of the office position

remunerations approved for each Company in accordance with the established procedure, as well as the office position level and competence, experience, knowledge, and skills.

7. In individual exceptional cases, the establishment of FPR for individual office positions due to their exceptional or critical importance to the Company's activity and seeking to retain such employees in the Company, taking into account the level of remuneration of this office positions family in the market, substantiated exceptions can be made in cases established in the Remuneration Policy of the Company and only in coordination with the head of the Parent Company and the head of the Company. Additional remuneration market information from other sources can be used to assess the competitiveness of remuneration.

#### **VI. PRINCIPLES FOR DETERMINING THE VARIABLE PART OF REMUNERATION (VPR)**

1. VPR shall be paid to an employee of the Company:
  - for the quality and results of work performance, achievement of individual employee goals, level of competencies.
  - for implementation of goals of the Company and/or subdivision.
  - for compliance with the Company's values, for compliance with the established requirements of work procedure, environmental protection, work safety, food safety and protection, fire safety.
2. VPR amount – a percentage of the monthly employee's FPR amount.
3. In accordance with the principles of determining VPR, the head of the Parent Company or the head of the Company shall approve VPR for the employees by their order every month.
4. Employees are paid VPR every month along with FPR.

#### **VII. TYPES OF OTHER BENEFITS (OB) AND PRINCIPLES OF THEIR DETERMINATION**

1. Head of Parent Company and the head of the Company shall have the right to the Company's health and medical care services, as well as additional benefits, pension programmes, etc. may be provided.
2. As additional incentives for employees, OB may be paid from the Company's funds, for example: voluntary health insurance; health services; participation in trainings, conferences and seminars related to the office positions held and in events related to personality development and personal perfection.
3. The procedure for appointing OB shall be approved by the order of the head of the Parent Company and the head of the Company. The procedure sets out the list of possible OB codes for employees, the conditions and procedures for their allocation.

#### **VIII. NOTIFICATION ABOUT TERMINATION OF EMPLOYMENT RELATIONS AND SEVERANCE PAY**

1. The employment relations with the employee may be terminated on the grounds established by the laws.
2. If the employee's employment contract does not agree on other notice periods for termination of employment, both parties shall comply with the mandatory notice periods for termination of employment established in the Labour Code of the Republic of Lithuania, in the Labour law of the Republic of Latvia and other laws, when either party decides to initiate termination of the employment contract.
3. Upon termination of the employment contract, the employee has the right to receive the obligatory severance pay, the compensation established in the Labour Code of the Republic of Lithuania and in the Labour law of the Republic of Latvia or other laws, unless the parties agree on another severance pay or compensation in the employment contract or by separate agreement.

## **IX. PRINCIPLES FOR DETERMINING THE REMUNERATION OF THE ACTIVITY OF THE MEMBERS OF COLLEGIAL BODIES OF THE COMPANY AND THE GROUP OF COMPANIES**

### **Supervisory board, Audit Committee and Nomination and Remuneration Committee**

1. Remuneration for the activity in the Supervisory board of the Company and in Audit Committee is paid to a non-attached member, however, it is included into remuneration for attached members and additional remuneration is not paid. The amounts of annual remuneration for the activity in the Company to the members of the Company are provided for in Annex 1 to Remuneration Policy. Remuneration Policy is approved by the General Shareholders' Meeting.
2. Remuneration for the activity in the Nomination and Remuneration Committee of the Company is paid to a non-attached member, however, it is included into remuneration for attached members and additional remuneration is not paid. The amounts of annual remuneration for the activity in the Company to the members of the Company are provided for in Annex 1 to Remuneration Policy. Remuneration Policy is approved by the general shareholders' meeting.
3. Remuneration for the activity in collegial bodies of the Company does not depend on the activity results of the Company.
4. Other additional costs related to the work in the activity of collegial bodies of the Company may be covered.
5. The Agreement, concluded with a member of a collegial body of the Company regarding performance of activity of a member of a collegial body of the Company, is terminated when:
  - 5.1. Expires the term of office of a member of a collegial body of the Company;
  - 5.2. A member of a collegial body of the Company is withdrawn from a collegial body or an entire collegial body is removed;
  - 5.3. A member of a collegial body of the Company resigns or cannot complete his term of office;
  - 5.4. A member of a collegial body of the Company ends his duties as a member of a collegial body on another basis.

### **To the members of the Board**

1. The members of the Board of the Company and the Group of Companies may be paid bonuses, which are granted in accordance with the procedure established by the legal acts upon the decision of the General Meeting of Shareholders of the Company.
2. Bonuses are granted and paid to the members of the Board when the Company operates successfully.
3. Following the decision of the General Meeting of Shareholders on the payment of bonuses, the share of bonuses due to a particular member of the Board is determined by the decision of the Board, taking into account the contribution of a particular member of the Board to the Company's activity.
4. The Board members, who also are employees of the Company, receive remuneration under employment contracts signed with their respective employers (Companies).
5. Severance pays, other benefits or relevant privileges may be granted to the members of the Board of the Company only by a separate agreement of the parties and/or in accordance with the established procedure, in compliance with the requirements of the legal acts.

## **X. FINAL PROVISIONS**

1. The Supervisory board regularly reviews the Remuneration Policy and submits it to the Shareholders' Meeting for approval together with the remarks and recommendations and relevant information about the Remuneration Policy and practice.
  2. The Remuneration Policy can be changed after assessing the general economic situation in the market, the financial results of the Company, changes in the legal acts regulating the remuneration payment procedure.
  3. The Remuneration Policy enters into force upon its approval by the Company's General Meeting of Shareholders. At the end of the financial year, the Company prepares the remuneration report which reviews compliance with Remuneration Policy.
  4. The approved Remuneration Policy and the remuneration report are publicly announced on the Company's website <https://vilvigroup.lt> and <https://nasdaqbaltic.com>
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Annex 1. The amounts of remuneration for the members of collegial bodies of the Company for the activity in collegial bodies

No.	Position of a collegial body	The amount of remuneration for activity, Eur*
1	A non-attached member of the Supervisory board	1,550
2	A non-attached member of Audit Committee	900
3	A non-attached member of Nomination and Remuneration Committee	900

\* Remunerations are provided before taxes