



## AB KLAIPĖDOS NAFTA RULES FOR GRANTING SHARES

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VERSION 1

AB KLAIPĖDA NAFTA RULES FOR GRANTING SHARES

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## 1. AIMS OF GRANTING THE SHARES

- 1.1. The aim of Rules for granting shares (hereinafter – the Rules) is to define the procedure of payment of annual bonuses for employees in Company's shares, in order to:
  - 1.1.1. bring together and maintain the ambitious, competitive, motivated, loyal to Company team of employees;
  - 1.1.2. encourage employees, ensuring the implementation of Company's aims and strategy;
  - 1.1.3. confer a right to the employees to acquire a shareholding of Company and a right to participate in a Company's management.

## 2. SCOPE OF APPLICATION

- 2.1. These Rules shall be applicable to all employees of AB Klaipėdos nafta.
- 2.2. These Rules regarding the internal Company's document structure shall be considered as a procedure.

## 3. REFERENCES

- 3.1. The Rules are drawn up in accordance with following legal acts:

Law on Companies of the Republic of Lithuania – defines the procedure of granting the shares to the employees and a list of information, which should be indicated in these Rules.

AB Klaipėdos nafta articles of association – document, that Company operates in Company's activities.

## 4. DEFINITIONS

Company – AB Klaipėdos nafta.

Employees – individuals, who have an employment contract with the Company, including the heads of Company.

Share – ordinary share of the Company EUR 0.29 nominal value.

Share reserve – the reserve concluded and approved by the general meeting of shareholders to acquire Company's own shares and which is amounting to at least the amount of the acquired own shares value, and which is not higher than 1,5% of Company's capitalization.

## 5. PREPARATION AND ADOPTION OF RULES

- 5.1. Head of Company prepares the Rules, the amendment and adjustment projects and submits to the meeting of the Board of the Company. The Rules shall be approved by the general meeting of shareholders by the qualified majority vote, which must be not less than 2/3 of the voting rights carried by the shares of the shareholders present at the meeting.
- 5.2. Approval of Rules or any Rule's amendment shall be included as a separate item on the agenda of the general meeting of shareholders.

- 5.3. These Rules shall enter into force following their approval at the general meeting of shareholders and shall remain in force until 31 December 2021 or until the decision to revoke or to amend the Rules, adopted by the general meeting of shareholders by the qualified majority vote, which must be not less than 2/3 of the voting rights carried by the shares of the shareholders present at the meeting.

### 6. CONDITIONS FOR GRANTING SHARES

- 6.1. These Rules shall stipulate a three year duration program of granting of Shares to the employees, according to which and in respect to the financial results of Company, the Employees' bonus for 2019-2021 will be share-based payment.
- 6.2. In 2019 the Company shall grant no more than 50% of annual bonus in Company's shares granted to the Employee for the results of the year 2018. Subsequent years the amount of grant in shares may be increased until 100% by the decision of the Board of the Company.
- 6.3. The decision of the Board of the Company regarding the quantity and price of Share's to be granted to the Employees shall be taken after the Board of the Company decision to grant annual bonus has been adopted.
- 6.4. The Board of the Company shall apply these Rules, Law on Companies of the Republic of Lithuania, Company's articles of association and other internal documents of Company when the decision regarding granting of the Shares is taken.
- 6.5. Company may grant Shares to the Employees in following means:
- 6.5.1. by acquiring own shares;
  - 6.5.2. by other means established by the general meeting of shareholders.
- 6.6. Company may acquire its own shares by the Board of the Company decision, which must lay down:
- 6.6.1. The purpose of Share acquisition;
  - 6.6.2. The maximum number limit of Shares allowed;
  - 6.6.3. the time limit within which Company may acquire its own Shares, but the time limit cannot exceed the 18 month term;
  - 6.6.4. maximum and minimum acquisition price of Shares.
- 6.7. When Company obtains its own shares, the Board of the Company by April of each calendar year shall adopt the decision to pay annual bonus to the Employees and grant Shares (hereinafter – the Decision). Within 10 calendar days from the adoption of the Decision the Company shall provide opportunities for the Employees to sign the Shares granting contract (hereinafter – the Contract), which indicate the Shares granting procedure, number of Shares, obligations of the Company and Employee, liabilities and other arrangements.
- 6.8. Shares to the Employees shall be disposed by the last day of May of each calendar year. At the disposition of Shares, Shares shall be valued according the market closing price corresponding to the market exchange rate on the last trading date before the disposition of Shares.

- 6.9. Employee has a right (not a duty) to conclude the Contract. In case the Employee refuses to conclude the Contract or does not conclude the Contract within the time limit indicated in Article 6.7 of the Rules, the Employee loses part of a bonus which is based on Shares.
- 6.10. In case the Employee concludes the Contract, within the 30 calendar days the Company shall allow to Employees to open a securities account in a commercial bank and shall dispose Shares to the Employee's ownership according to the procedure indicated in the Contract. Every time, after Employee opened a securities account, Shares will be transferred to the same securities account and bank provided in the Contract. Contracts with the Employees shall be conditional on the opening a securities account within the time limit indicated in this Article. Employees, who had not opened a securities account within the time limit indicated in this Article, loses part of a bonus which is based on Shares.
- 6.11. Income and SODRA taxes, which have to be paid by Employee, shall be paid by Company and deducted from the annual premium dedicated to Employee.
- 6.12. The granting of Shares to Employees is free of charge. The mean of grating shares doesn't change irrespective of Company's performance results or the price of Company's shares in regulated market.
- 6.13. It cannot be concluded more Contracts with the Employees than the formed Shares' reserve allow.
- 6.14. In case Company acquires less Shares than the amount planned or indicated in the board's decision, respectively only such number of Shares Company grants to its Employees. In case there is number of Shares left after the Contract had been made, such Shares are stored by Company until the conclusion of other Contracts without prejudice to the 12 month time limit. In case Shares are not granted within the 12 month time limit after the acquisition moment, respectively the share capital must be reduced, Shares canceled and declared null and void.
- 6.15. In case the Company's Board meeting adopts the decisions on dividend distribution, share capital reduction by disbursing funds for shareholders or other decisions, stipulating disbursements to the shareholders, Company's reorganization, separation etc., before the conclusion of the Contract, in the Board of the Company meeting, which will be held until the conclusion of the Contract, the question on allowed to acquire Shares number for the Employees and (or) Shares' price amendment under the condition that the economic logic to conclude the Contract and balance between the interests of all the parties involved would remain.
- 6.16. About the specific Shares' number acquired by Employees, Company notifies in accordance with the procedure on information of the essential events disclosure laid down in the legislation.
- 6.17. The Board of the Company every year submits the extensive information about the application and implementation of these Rules and during the previous financial year to the general meeting of shareholders.



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- 6.18. Employees shall be acquainted with the Rules by signing in accordance with the applicable procedure in the Company. Shareholders and management bodies of the Company can be acquainted with the Rules in the Company's registered office.

### **7. IMPLEMENTATION AND MONITORING**

- 7.1. The head of a Staff committee shall be responsible for the implementation and monitoring of these Rules.
- 7.2. General Manager of the Company is responsible for the review and renewal of these Rules.
- 7.3. These Rules shall be reviewed should such necessity arise.