



Joint Stock Company

‘Siguldas ciltslietu un mākslīgās apsēklošanas stacija’

**REMUNERATION POLICY
FOR MEMBERS OF THE MANAGEMENT BOARD
AND THE SUPERVISORY BOARD**

Approved by the Shareholders' Meeting on ____ April 2020 – voting result:

- total number of participating voting shares – _____
- total number of cast votes according to the number of voting shares – _____
incl. number of 'yes' votes cast – _____
number of 'no' votes cast – _____
- proportion of the voting capital represented by the total votes cast – _____

The Policy is published on the Company's website: www.sigmas.lv

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TERMS USED

Company – Joint Stock Company ‘Siguldas ciltslietu un mākslīgās apsēklošanas stacija’, reg. No. 40003013295.

Board – the Management Board of the Company.

Supervisory Board – the Supervisory Board of the Company.

Shareholders – shareholders of the Company's capital shares (shares).

Fixed remuneration – a fixed part of the remuneration (gross), which includes salary, position-related payments and other benefits not related to performance of the Board and the Supervisory Board members.

Variable remuneration – a variable part of the remuneration (gross) or annual bonuses (bonuses) and possible non-recurring costs that are paid to the members of the Board in addition to the fixed remuneration during the financial year.

Remuneration – all fixed and variable remuneration and additional payments provided directly or indirectly by the Company in exchange for professional services of the members of the Board and the Supervisory Board.

Policy – this remuneration policy for the members of the Board and the Supervisory Board.

Remuneration Report – a report of the remuneration of the members of the Board and the Supervisory Board granted or paid in the previous financial year or due to each of the current or former members of the Board and the Supervisory Board.

Additional payments – an additional compensation that the Company may provide in addition to fixed and variable remuneration, including compensation for non-compete obligations, termination payments or redundancies and other payments that arise from applicable law or individual contract.

KPI – key performance indicators.

1. POLICY GOALS AND BASIC PRINCIPLES

1.1. This policy is based on the provisions of Directive (EU) 2017/828 of the European Parliament referring to the promotion of involvement of the long-term shareholders and Article 59.3 of the Law on the Financial Instruments Market of the Republic of Latvia implementing the said Directive. The purpose of the Policy is to establish the basic principles of remuneration of the members of the Board and the Supervisory Board of the Company and is binding and applicable to all members of the Board and the Supervisory Board of the Company.

1.2. The Company's remuneration policy is to retain, attract, motivate and develop professional and talented management members, contributing to the long-term and short-term goals and sustainability of the Company.

1.3. The purpose of the remuneration policy is to establish a system of remuneration that provides compliance with the requirements as follows:

1.3.1. adequacy and competitiveness of the salary in the labour market;

1.3.2. coherence and consistency of remuneration;

1.3.3. adequacy of the remuneration of the member of the Board and the Supervisory Board to ones performance and professional contribution.

1.4. The remuneration of the members of the Board and the Supervisory board has to be fair and is to be given for the actual performance of duties of high quality. When setting the remuneration, the actual performance of the Company and the performance of the individual must be taken into account.

1.5. The remuneration of the members of the Board and the Supervisory Board must be commensurate with the remuneration of other employees of the Company.

1.6. The Policy has been developed and published with the aim of increasing the Company's corporate transparency, as well as of providing the Company's existing and potential shareholders with better control over the remuneration of the members of the Board and the Supervisory Board.

1.7. Each member of the Board and the Supervisory Board must be familiar with this policy before giving written approval to the position in the Board or Supervisory Board.

2. DESCRIPTION OF THE STRUCTURE OF REMUNERATION

2.1. The remuneration consists of:

2.1.1. fixed salaries or fixed payments, including those specified in the contract for the performance of the duties in question, which mainly reflect the professional experience, position, responsibilities, level of responsibility and seniority of the person;

2.1.2. variable remuneration or potential variable payment that may be granted in addition to the fixed remuneration during the financial year and/ or other separate payments reflecting performance and consistency of performance provided that the KPIs previously set for the individual are met;

2.1.3. additional payments that the Company may make in addition to the fixed and variable remuneration in accordance with this policy.

2.2. The Company has no share-based remuneration.

Fixed remuneration

2.3. The fixed remuneration of the members of the Board and the Supervisory Board is determined taking into account criteria as follows:

2.3.1. position;

2.3.2. professional skills;

2.3.3. work responsibilities and position determined responsibilities;

2.3.4. level of responsibility, including responsibility for the work process and resources – the amount of work, processes, departments and financial resources the management of which is person's responsibility, and the responsibility for decisions – how comprehensive and significant the decisions, which the particular person is entitled to, are;

2.3.5. additional skills and competences that are essential to ensure the operation of the Company;

2.3.6. impact of the labour market and the Company's financial standing.

2.4. The Board members' fixed remuneration includes salary, it may also include other non-employment related benefits and privileges such as medical expenses and/or other private insurance, representation expenses, private use of the Company's car or mobile device within set limits, etc.

2.5. The fixed remuneration of the members of the Supervisory Board includes the salary.

2.6. No additional pension payments are made to the members of the Board and Supervisory Board.

Variable remuneration

2.7. The variable remuneration may vary depending on the Company's financial and non-financial performance(KPI) and is linked to the Company's short-term and long-term objectives and measurable results. The variable remuneration is determined in such a way as to contribute to the achievement of the long-term objectives of the Company, to encourage determined actions of the members of the Board and to achieve the desired results. The variable remuneration is related to the individual performance of the members of the Board, achievement of goals and overall financial results of the Company.

2.8. The variable remuneration is determined on the basis of basic principles as follows:

2.8.1. the variable remuneration is determined in accordance with the set objectives;

2.8.2. when determining the variable remuneration, individual KPIs of the Company and the person concerned are evaluated (compliance with internal laws, standards and limits, etc.);

2.8.3. the variable remuneration is paid only if the overall financial standing of the Company permits it and if it is justified by the performance of the particular person;

2.8.4. The maximum annual variable remuneration shall not exceed 50% of the total annual salary, which includes the salary of the member of the Board for ones main work, including monthly bonuses in case the member of the Board carries out his duties as a member of the Board as additional duties along ones main work.

2.9. The Company's overall performance may be reflected by KPIs as follows:

2.9.1. the Company's financial performance based on annual results;

2.9.2. meeting the budget and trade forecasts;

2.9.3. promotion of the Company's products in existing and new market segments, expansion of customer network, reduction of complaints, introduction of new product types;

2.9.4. risk control, analysis and management, transactions and contracts concluded, financial settlements, supplies, etc.;

2.9.5. realization of the Company's goals and strategy;

2.9.6. implementation of sound corporate governance;

2.9.7. implementation of efficiency and development plans (digitalization of primary and support processes, etc.)

2.10. Personal contribution can be reflected in:

2.10.1. the actual extent of the duties, workload and time contribution to the Company's interests;

2.10.2. the level of responsibility for the Company's activities and decisions;

2.10.3. the involvement in the implementation of the Company's projects, objectives and tasks;

2.10.4. the development of new products and new business segments.

2.11. The variable remuneration in the form of cash may be paid out as follows:

- 2.11.1. annual bonuses for the Company's results for the previous reporting year;
- 2.11.2. separate payments for special achievements or events.

2.12. In order to determine the annual bonus, performance indicators are recorded annually based on the Company's audited annual report.

2.13. Separate payments for special achievements or events of the Company – acquiring of new significant clients, acquisition of new markets, development and introduction of new business activities, development of solutions that significantly improve the Company's efficiency indicators, etc., may be granted to enhance the development of the Company's activities and growth in the market.

2.14. There is no specific mechanism for the reclaiming of variable remuneration already paid. The Board member is liable for losses caused to the Company in accordance with the Commercial Law, the Civil Law and other laws and regulations in force in the Republic of Latvia.

2.15. There is no provision for deferring the payment of variable remuneration.

Additional payments

2.16. There is no provision for payments related to termination of the contract to be paid to the members of the Board and the Supervisory Board. However, such payments may be made on the basis of the position of the member concerned and the length of the contractual relationship and not exceeding six monthly salaries of the person concerned.

2.17. Where a non-compete agreement is concluded with a member of the Board, payment for compliance with the non-compete obligation is made in accordance with the provisions of the particular agreement.

3. TERMS OF OFFICE OF THE BOARD AND THE SUPERVISORY BOARD AND TERMS AND CONDITIONS OF TERMINATION

3.1. The Board and the Supervisory Board are elected for the term of office in accordance with the Commercial Law and the Articles of Association.

3.2. The member of the Board may be withdrawn from the office by the Supervisory Board if there is a significant reason for it. Gross misconduct, failure to perform ones duties or improper performance of duties, inability to manage the Company, causing damage to the Company's interests and withdrawal of mandate by the shareholders' meeting shall in any case be considered significant reasons.

3.3. The member of the Supervisory Board may be withdrawn from the office by a resolution of the shareholders' meeting.

4. REMUNERATION REPORT

4.1. The Board prepares the annual Remuneration Report as a separate component of the Company's annual report.

4.2. The Remuneration Report includes identifying information about each member of the Board and the Supervisory Board (name, surname and position) and additional information about each member of the Board and the Supervisory Board in the amount no less than listed below:

4.2.1. the total remuneration revealed by its components and the relative part (percentage) of fixed and variable remuneration;

4.2.2. an explanation of how the total remuneration complies with this policy, how it contributes to the Company's long-term performance and how performance criteria have been applied in determining the remuneration;

4.2.3. changes in the remuneration of the Board and the Supervisory Board, the performance of the Company and the average remuneration of the Company's full-time employees of equivalent units (excluding the members of the Board and the Supervisory Board) during the last five financial years;

4.2.4. a remuneration received from another company within the same group in accordance with the Law on Annual Reports and Consolidated Annual Reports;

4.2.5. the number of shares and share options granted and offered and the main terms and conditions for the use of the options, including the use price and date, and their changes (if were any);

4.2.6. information on cases when variable remuneration has been claimed back;

4.2.7. temporary deviations from the remuneration policy that have been made, including an explanation of the nature of the exception, and an indication of the specific policy components which have been deviated temporarily.

4.3. In case any of the requirements of point 4.2 were not applied, this must be clearly stated in the Remuneration Report.

4.4. The Remuneration Report does not include personal data of special categories of members of the Board and the Supervisory Board, which are object of protection of personal data, and data concerning the marital status of the Board and the Supervisory Board members. In this case the Remuneration Report includes components of remuneration relating to marital status showing only the amount of remuneration awarded and without stating the reasons for the award.

4.5. The Board prepares the Remuneration Report as a separate component of the annual report and submits it to the shareholders' meeting for consideration together with other components of the annual report. In the Remuneration Report the Board explains how the vote of the meeting of shareholders and the opinions of the shareholders regarding the Remuneration Report of the previous reporting year have been taken into account.

4.6. A sworn auditor checks whether the Remuneration Report has been prepared and, in accordance with the Audit Services Act, gives his opinion on whether the Remuneration Report contains the information required by law and this policy, and whether in the Remuneration Report there have been detected significant misstatements in connection to the financial information which has been stated in the annual report.

4.7. The Company ensures that the Remuneration Report is published immediately after the shareholders' meeting on the Company's website, where it is publicly available for free for 10 years from the date of publication.

5. POLICY DEVELOPMENT, REVIEW AND APPLICATION

5.1. This policy is developed by the Board and submitted to the shareholders' meeting for approval at least every four years after the approval of the previous remuneration policy. If

amendments are made to the remuneration policy, they must be approved by the shareholders' meeting, and by the approval of the amendments it is to be deemed a new redaction of the remuneration policy has been approved.

5.2. The Board ensures that the remuneration policy (full text of new redaction) approved by the shareholders' meeting, together with the date and results of the vote, is immediately posted on the Company's website where it is publicly available free of charge for at least as long as it is applicable.

5.3. Until the approval of the new remuneration policy at the shareholders' meeting, the Company pays the remuneration to the members of the Board and the Supervisory Board according to the previous remuneration policy.

5.4. The shareholders' meeting of the Company supervises the implementation of the policy regarding the remuneration of the members of the Supervisory Board, and the Supervisory Board— regarding the remuneration of the members of the Board.

5.5. If due to objective reasons it is not possible to comply strictly with this policy, for example due to changes in the corporate governance structure of the Company, the principles contained in this policy must be applied as far as possible during the transitional period until the approval of the revised or new remuneration policy.

5.6. Exceptionally, the Company may apply a temporary deviation from this policy with respect to the components of variable remuneration if this is necessary to safeguard the Company's long-term interests, sustainability or solvency. The shareholders' meeting of the Company is entitled to make decisions regarding temporary derogations in relation to the remuneration of the members of the Supervisory Board, and the Supervisory Board of the Company is entitled to make decisions regarding temporary derogations in relation to the remuneration of the members of the Board. The decision to implement temporary derogation must be well-grounded stating the reason of making such decision, the benefits to the Company that derive from this decision and the duration of the temporary derogation. The duration of the temporary derogation in question may not exceed one year.