

/Translation from the Lithuanian language/

**REMUNERATION POLICY OF THE MANAGER, BOARD MEMBERS AND SUPERVISORY BOARD
MEMBERS OF THE PUBLIC LIMITED LIABILITY COMPANY (*Lith. Akcinė bendrovė*) ŽEMAITIJOS
PIENAS**

APPROVED BY:

General Meeting of Shareholders of
ŽEMAITIJOS PIENAS, AB
dd/mm/2020 No. xxx

I. GENERAL PROVISIONS

1.1. Remuneration policy of the manager, board members and supervisory board members of the Public Limited Liability Company ŽEMAITIJOS PIENAS (hereinafter referred to as **“the Policy”**), Legal Entity Reg. No. 180240752, (hereinafter referred to as **“the Company”**), defines the procedure for determining the remuneration paid to the chief executive officer of the company, establishes the forms, grounds for payment and payment procedure of the remuneration for the activities of the members of the collegial management and supervisory bodies of the Company (hereinafter referred to as **“the members of the Bodies”**), also regulates other issues related to the payment of the remuneration for the activities of the members of the said Bodies.

1.2. The Policy is based on the implementation of the strategic objectives of the Company, achievement of the desired results and objectives and ensuring the efficiency of the activities of the Company.

1.3. The aim of the Policy is to establish fair principles of the remuneration of the chief executive officer of the Company and compensation of the members of the Bodies, to set clear, transparent criteria of establishment of remuneration that are consistent with the Company’s strategy and long-term interests, to attract and retain professionals of various fields useful for the management of the Company, who are able to contribute to the improvement of the activity results of the Company and implementation of the Company’s mission, vision, values and objectives, and who are able to manage the Company’s management expenses rationally and effectively.

1.4. This Policy is applicable to the chief executive officer of the Company and the members of the Bodies insofar as the relations related to the payment of remuneration for **the activities** in the management and (or) supervisory bodies of the Company are not regulated by the laws and (or) other legal acts of the Republic of Lithuania and (or) the resolutions of the shareholders.

1.5. The Policy, its subsequent amendments, supplements and (or) annexes shall be approved by the General Meeting of Shareholders of the Company (hereinafter referred to as **“the Meeting”**).

1.6. The Policy shall be reviewed every 2 years, except for cases when such need arises earlier due to changes in objective economic and (or) social factors (situation in the labour market, national average wage level, financial situation of the Company, etc.) or laws and (or) other legal acts of the Republic of Lithuania.

1.7. The chief executive officer of the Company, the Supervisory Board and one or more shareholders of the Company, who hold at least 10 (ten) percent of the shares of the Company, shall have the right to initiate the modifications and (or) amendments of the Policy.

1.8. Once the Policy is reviewed by the Meeting in a procedure established in the Clause 1.6 of the Policy, a decision can be made to leave it unchanged.

1.9. The Policy, its amendments and (or) supplements shall be communicated to the members of the management and supervisory bodies of the Company either against signature or sent by e-mail to the email addresses specified by the members of the Bodies. If the said information is transferred by electronic means, the information forwarded by e-mail to the members of the Bodies shall be deemed to have been duly served on the next working day following the day of dispatch thereof.

1.10. The chief executive officer of the company shall be responsible for communicating the Policy to the members of the Bodies of the Company.

II. PRINCIPLES FOR ESTABLISHING REMUNERATION

2.1. The terms and conditions of the remuneration of the chief executive officer and the members of the Bodies for their activities in the management and (or) supervisory bodies of the Company shall be determined in accordance with the following principles:

2.1.1. fairness: the remuneration of the individual members of the Bodies shall ensure their responsibility for the development of long-term and sustainable value of the Company;

- 2.1.2. non-discrimination: members of the Bodies shall receive equal remuneration for performing the same type of activities in the management and supervisory bodies of the Company;
- 2.1.3. legitimate expectations: the remuneration shall ensure proper compensation for the activity results of the Company achieved by assuming reasonable risks;
- 2.1.4. lawfulness: the remuneration shall comply with the requirements of the laws and regulations of the Republic of Lithuania;
- 2.1.5. proportionality: the remuneration shall be consistent with the financial and non-financial activity results of the Company;
- 2.1.6. binding decisions of the General Meeting: only the General Meeting has the right to make decisions regarding the payment of remuneration for the activities of the members of the Organ Bodies.

2.2. The amount of the monetary remuneration granted to individual members of the Bodies shall depend on the scope of the functions performed by respective members of the Bodies, their influence on the activity results of the Company, also on the reasonable need of the Company for the qualifications or competences of a specific member of the Body.

III. THE COMPANY'S CHIEF EXECUTIVE OFFICER PAYMENT STRUCTURE

- 3.1. The remuneration paid to the chief executive officer of the Company shall consist of one or more of the following components:
- 3.1.1. basic salary;
 - 3.1.2. additional remuneration;
 - 3.1.3. additional financial benefits.

IV. THE COMPANY'S CHIEF EXECUTIVE OFFICER REMUNERATION

4.1. The amount of the basic salary and additional remuneration of the chief executive officer of the Company shall be determined by the Board of the Company. The salary of the chief executive officer of the Company shall be established without exceeding the amount of the maximum annual basic salary budget of EUR 150,000 (one hundred and fifty thousand euros 00 cents), unless other amount of the maximum basic salary has been approved by the Meeting. The amount of the basic salary of the chief executive officer of the Company shall be recorded in writing in the employment contract or any subsequent amendments specifying the exact amount of the monthly or hourly salary paid to the chief executive officer of the Company in euro before tax.

4.2. The amount of additional remuneration paid to the chief executive officer of the Company shall be directly dependent on the financial and non-financial activity results of the Company. The amount of the additional remuneration before tax of the chief executive officer of the Company shall be calculated in accordance with the procedure established by the Board. The amount of the additional remuneration budget may not exceed EUR 50,000 (fifty thousand euros 00 cents) per calendar year, unless a different maximum amount of this budget has been approved by the Meeting.

4.3. The amount of additional remuneration budget allocated to the chief executive officer of the Company in the respective calendar year may not be less or more by more than 5 (five) percent than the amount allocated in the previous year.

4.4. The additional remuneration to the chief executive officer of the Company shall be paid together with the basic salary for the month, in which the decision of the Board was adopted, in accordance with the terms of employment contract.

4.5. The rules on increased pay for overtime, work on days off, public holidays or at night work shall not apply to the chief executive officer of the Company.

4.6. Additional incentive payments granted to the employees of the Company in accordance with the Procedure on Award of Material Support and One-Time Incentive Benefits not related to the

remuneration of the employee (compensations of expenses, one-time incentives, Christmas and Easter bonuses, allowances, etc.) approved by the Board and other financial benefits provided for in the payroll system of the Company shall apply to the chief executive officer of the Company.

4.7. The salary shall be paid to the chief executive officer of the Company in accordance with the procedure and within the terms established in the payroll system of the Company and (or) the employment contract.

4.8. Information concerning the remuneration of the chief executive officer of the Company shall be strictly confidential.

V. STRUCTURE OF REMUNERATION OF THE MEMBERS OF THE BODIES

5.1. The remuneration of the members of the Bodies shall consist of one or more of the following components:

- 5.1.1. fixed remuneration;
- 5.1.2. additional remuneration;
- 5.1.3. profit-sharing.

VI. PROCEDURE FOR ESTABLISHMENT AND PAYMENT OF REMUNERATION OF MEMBERS OF BODIES

6.1. The fixed remuneration and additional remuneration shall be paid only to the **independent** members of the Bodies, while the profit-sharing payments approved by the Meeting shall be paid to all the members of the Bodies. For the purposes of this Policy, independent members of the Bodies shall be those members of the Bodies, who have no employment relationship with the Company and (or) its subsidiaries.

6.2. The amount of the fixed remuneration and additional remuneration to be paid to the independent members of the Bodies and (or) termination of payment thereof shall be determined by the Meeting.

6.3. The annual budget for the remuneration of the independent members of the management and (or) supervisory Bodies of the Company shall be approved by the Meeting for each financial year. The amount of the remuneration budget of the independent members shall be determined taking into account the planned activity results and objectives of the Company for the respective financial year. If the amount to be allotted for the budget hereinabove is not established, the total budget for the fixed remuneration for the activities in the management and (or) supervisory Bodies of the Company shall not exceed EUR 200,000 (two hundred thousand euros 00 cents) per year.

6.4. Fixed remuneration to the independent members of the Bodies for the activities in the management and (or) supervisory bodies of the Company shall be paid as compensation for the activities of an independent member of the Bodies (decision making within the competence of the management or supervisory bodies, preparation, participation and voting at meetings of the body, preparation of draft decisions of the management or supervisory bodies, etc.) etc.) and the costs incurred in carrying out such activities. The amount of remuneration shall not be dependent of the activity results of the Company.

6.5. The amount of the fixed monthly remuneration payable to the independent members of the board and supervisory board of the Company for the activities in the bodies of the Company may vary. The amount of the fixed remuneration shall be the same for all members of the same body of the Company.

6.6. The work in the bodies of the company of the chairman's of the Body may be paid up to 1.3 times higher remuneration than the remuneration paid to other members of the same body of the Company.

6.7. In exceptional cases, due to justified subjective factors (special work experience, market conditions, exceptional professional qualities, gained qualification and competence, etc.), the amount of the fixed remuneration payable to a member of the Body for the activities in the management and (or) supervisory bodies of the Company may be determined in deviation from the provisions of the Clause 6.5 of the Policy. Such deviation shall not exceed 10 (ten) percent of the amount of monthly remuneration paid to the members of the body for their activities in the Bodies of the Company.

6.8. An independent member of the Bodies shall have the right to waive in writing the payment of a fixed remuneration for the activities in the management and (or) supervisory bodies of the Company temporarily or for the entire term of his service. An independent member of the Bodies shall be deemed to have waived payment of remuneration for the activities in the management and (or) supervisory bodies of the Company until the Company has received a written request to continue to pay all or part of the said remuneration for such activities. A dismissed independent member of the Bodies shall not be entitled to claim any remuneration for activities in the management and (or) supervisory bodies of the Company, which he has waived according to the procedure set forth in this Clause.

6.9. The fixed remuneration for activities in the bodies of the Company shall not be paid to the members of the Bodies for the months during which they do not attend meetings of the management or supervisory bodies of the Company without any good reason.

6.10. Additional remuneration to the members of the Bodies shall be related to the successful activity results of the Company and shall be paid only if the defined financial and non-financial activity results of the Company are achieved and only if the strategic objectives of the Company, on which the payment of the additional remuneration to the members of the Bodies depends, are achieved.

6.11. Additional remuneration for the activities in the management and (or) supervisory bodies of the Company shall be granted to the independent members of the Bodies by decision of the Meeting, which shall be adopted not later than 30 (thirty) calendar days from the date of approval of the audited financial statements of the Company. The budget for additional remunerations to the members of the Bodies may not exceed the amount of the budget for remuneration for activities in the management and (or) supervisory bodies of the Company provided for in the Clause 6.3 of the Policy more than 2 (two) times.

6.12. The amount of the additional remuneration paid to the independent members of the Board and the Supervisory Board of the Company may vary. The amount of the additional remuneration shall be the same for all members of the same body of the Company. The amount of the additional remuneration for the members of the Board and the Supervisory Board of the Company shall be determined by the decision of the Meeting.

6.13. The fixed remuneration for the activities in the management and (or) supervisory bodies of the Company shall be paid to the independent members of the Bodies once a month and shall be paid no later than on the 10th (tenth) day of the following month or the last working day before the 10th (tenth) day of the following month.

6.14. The additional remuneration to the independent members of the Bodies shall be paid in accordance with the procedure and within the terms established by the decision of the Meeting. If a member of the Body is dismissed more than 4 calendar months before the end of his term of office, he shall lose his right to payment of the outstanding amount of additional remuneration.

6.15. Remuneration to the independent members of the Body for the activities in the management and (or) supervisory bodies of the Company shall not be paid in advance.

6.16. Neither fixed remuneration, nor the additional remuneration paid to a member of the Bodies for activities in the management and (or) supervisory bodies of the Company shall be considered as salary, profit-sharing or other similar payments, which may be associated with the subordination of the members of the Bodies or with the profit (loss) of the Company.

6.17. **Profit-sharing** to the members of the Bodies may be awarded and paid for the successful activity results of the Company by the decision of the Meeting in accordance with the procedure and

within the time limits set forth in the said decision. The share of profit of the Company allocated for the profit-sharing payments may not exceed 1/3 of the Company's share of profit allocated for the payment of dividends.

6.18. The share of profit allocated for the profit-sharing payments by the decision of the Meeting shall be distributed to the members of the Bodies by the decision of the Supervisory Board in accordance with the procedure for making profit-sharing payments to the members of collegial bodies of the Company, taking into consideration the contribution of each member of the Body into the achievement of the objectives set by the Company.

6.19. Profit-sharing payments are made to independent members of the Bodies regardless of whether they have been paid additional remuneration for their activities in the management and (or) supervisory bodies of the Company.

6.20. Remuneration for the activities in the management and (or) supervisory bodies of the Company shall be paid to the members of the Bodies after deduction of any taxes due and transferred to the bank accounts specified by the members of the Bodies.

6.21. In cases, where the payment of remuneration for the activities in the management and (or) supervisory Bodies of the Company or part thereof is delayed through the fault of the Company, the members of the Bodies shall be entitled to 0.02 (two hundredths) default interest charged on the amount of the payment delayed, less taxes, for each day of delay from the first day of delay.

VII. CONTRACT SIGNED WITH AN INDEPENDENT MEMBER OF THE BOARD OR SUPERVISORY BOARD

7.1. Contracts concluded with independent members of the Bodies may include additional terms and conditions regulating payment of remuneration for activities in the management and (or) supervisory bodies of the Company and (or) other grounds for non-payment of the said remuneration.

VIII. SOCIAL SECURITY PROGRAMME

8.1. The members of the Bodies may be covered by a voluntary health insurance. Pension contributions may also be paid into the third-pillar pension funds for the benefit of the members of the Bodies for supplementary voluntary pension accumulation according to pension contribution.

8.2. The social security scheme applicable to the members of the Bodies shall be selected and the amount of insurance or the regular pension contribution shall be determined by the decision of the Meeting for a period of one calendar year.

8.3. The Meeting may decide not to apply any of the social security schemes provided for in the Clause 8.1 of the Policy for a particular period.

8.4. A rent can be paid to the chief executive officer and members of the Bodies in accordance with the rent policy run by the Company.

IX. CONFIDENTIALITY

9.1. Information about the specific amounts of the fixed and additional remuneration for activities in the management and (or) supervisory bodies of the Company and the value of the social security schemes measures shall be strictly confidential.

X. FINAL PROVISIONS

10.1. The Policy, its subsequent amendments and (or) supplements shall enter into force on the next working day from the day of their adoption, unless the decision of the Meeting provides for a different date of their entry into force.

10.2. If one or several provisions of the Policy are contrary to the laws and (or) other legal acts of the Republic of Lithuania, this does not affect the validity of other provisions of the Policy. In such case, the provisions of the laws and (or) other legal acts of the Republic of Lithuania, which regulate the specific relationship, shall apply instead of the provisions of the Policy that contradict the laws and (or) other legal acts of the Republic of Lithuania.

10.3. In case of discrepancy between the provisions of the Policy and other decisions of the Bodies of the Company or provisions of the internal legal acts of the Company, the provisions of the Policy shall prevail, unless expressly provided otherwise in the Policy.