

A/S "KURZEMES ATSLĒGA 1"

REMUNERATION POLICY  
for

MEMBERS OF THE COUNCIL  
AND THE BOARD

<< Approved >>  
Decision No. ....  
of the shareholders' meeting  
April 24, 2020

## **1. Principles and goals of remuneration policy**

1.1. AS KURZEMES ATSLĒGA 1 Remuneration policy of the members of the Council and the Management Board (hereinafter "Remuneration Policy") is determined in accordance with Directive (EU) 2017/828 of the European Parliament and of the Council and clause No 59.3 of the Financial Instruments Market Law of the Republic of Latvia with a purpose to promote a long-term shareholder involvement.

1.2. The purpose of the remuneration policy is to determine the basic principles of remuneration for the members of the Supervisory and Management Boards of the company:

1) to motivate the leading personnel of the company to invest all their professional potential in the development of the company, achievement of the set goals and gaining profit,

2) to promote the transparency, proportionality and compliance of the remuneration formation, structure and amount of the employees elected in the management structures with the achieved business results and their direct supervision by the shareholders,

3) to ensure the competitiveness of the remuneration of administrative staff in the labor market, coherence with the remuneration of other employees of the company and compliance with the personal contribution of each official.

1.3. The remuneration policy is approved and reviewed by the Company's shareholders' meeting at least once every four years. The Remuneration Policy of the Company and the amount of remuneration of the officials of its administrative institutions are publicly available information. Before holding a specific position, the candidates for the members of the Council and the Management Board are obliged to get acquainted with the Remuneration Policy of the company.

## **2. Remuneration structure**

2.1. Remuneration consists of:

1) fixed parts of remuneration, which are determined in accordance with the position held by the official and the resulting level of professionalism, degree of responsibility and the amount of work duties,

2) variable parts of remuneration, which are determined for the members of the Council and the Management Board in accordance with the results of the work of the commercial company and the achieved objectives,

3) additional parts of remuneration, which are additional remuneration for employees in the employment relationship for the performance of additional duties and other allowances, compensations and benefits specified in labor legislation or a collective labor agreement.

2.2. The company does not provide any remuneration related to shares, contributions to insurance or pension funds, nor payments related to the termination of duties of the members of the Supervisory Council and the Management Board.

## **3. Fixed remuneration**

3.1. The fixed remuneration of the members of the Supervisory Board is determined and approved by the shareholders' meeting of the commercial company. Its amount depends on the average salary level in the company:

1) for the Chairman of the Council it is in the amount of 45% - 55% of the average salary of employees in the previous reporting period,

2) for the Deputy Chairman of the Council - in the amount of 75% of the remuneration of the Chairman,

3) for the members of the Council - in the amount of 50% of the remuneration of the Chairman.

3.2. The fixed remuneration of the members of the Management Board shall be determined and approved by the Council of the commercial company by concluding a relevant civil law agreement with the official. Its amount depends on the average salary level in the company:

- 1) the Chairman of the Management Board from one to four average salaries of employees in the previous reporting period,
- 2) for members of the Management Board from half to two average salaries of employees in the previous reporting period.

3.3. The fixed remuneration shall be approved for the entire term of the official, but it may be reviewed not more frequently than once a year after the approval of the annual report by the shareholders' meeting.

#### **4. Variable remuneration**

4.1. There are two types of variable remuneration for the members of the Council and the Management Board of the Company:

- 1) from the achieved level of net turnover in the company,
- 2) from the amount of the company's profit,

determined after the approval of the annual report by the shareholders' meeting.

4.2. If the company's net turnover reaches 1,800 thousand EUR per year (average 150,000 EUR per month), a bonus is set for the fixed part of the monthly salary:

- 1) for the members of the Council of the Company - in the amount of 10%,
- 2) for the members of the Board of the Company - in the amount of 20%.

4.3. If the company has finished the reporting year with a profit, the council determines a one-time bonus payment to the members of the Management Board in the amount of 10% to 50% of the fixed part of the monthly salary.

#### **5. Remuneration report**

5.1. In order to ensure the supervision of the shareholders over the remuneration of the officials of the Company's management institutions, the Management Board prepares the Remuneration Report for the annual shareholders' meeting. The remuneration report includes the following information:

- Identifying information (name, position) of the Supervisory Board and members of the Management Board,
- total remuneration as well as the percentage of fixed and variable remuneration,
- the period for which the remuneration has been received,
- an explanation of the size of the variable remuneration component and its compliance with the established criteria,
- changes in the remuneration of the previous five financial years in a comparable manner for the remuneration of each member of the Supervisory Council and the Management Board, the Company's operating results (net turnover and profit / loss ratios) of the company's average salaries,
- remuneration received from other companies in the same group and other additional remuneration received on the basis of bonuses, allowances and benefits provided for in the employment relationship,
- information on the recovery of damages from the official and various deviations from this Remuneration Policy, as well as the opinions and decisions of the shareholders regarding the Remuneration Report of the previous financial year.

5.2. The remuneration report is an integral part of the Company's annual report and its accuracy is verified and the opinion is provided by a certified auditor. The remuneration report is published together with the audited annual report.