



## POLICY

Page no.  
1 (6)

**Owner**  
Head of Human Resource

**Security**  
Public

**Approval Date**                      **Version**  
28-04-2020                                      1

**Approved by**  
General Meeting of Telia  
Lietuva, AB shareholders

**No.**

### REMUNERATION POLICY FOR CEO AND MEMBERS OF THE BOARD OF TELIA LIETUVA, AB

#### 1. DEFINITIONS

1.1. Board	Board of Directors
1.2. Committee	Remuneration Committee
1.3. Company	Telia Lietuva, AB
1.4. CEO	Chief Executive Officer
1.5. Director	Any member of the Board
1.6. General Meeting	the General Meeting of the Company's shareholders
1.7. Policy	Remuneration policy
1.8. Senior executives	Managers directly reporting to the CEO

#### 2. GENERAL INFORMATION

- 2.1. This Remuneration Policy (the Policy) establishes requirements and guidelines in determining the remuneration of CEO and the Board members.
- 2.2. The design of the remuneration system in the Company is consistent and aligned with the Company's strategy as well as long-term goals and interest of the Company, including its sustainability goals, in the following manners:
  - 2.2.1. remuneration system in the Company is based on fairness and consistency with the responsibilities assigned and the capabilities demonstrated, it ensures balance between long-term and short-term performance criteria;
  - 2.2.2. a successful implementation of the Policy ensures that the Company can attract, motivate and retain the best people, enabling the Company to execute its business strategies and serve the Company's long-term interests;
  - 2.2.3. ensure that contractual terms, and any payments made, are fair to the individual and to the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognized.

#### 3. REMUNERATION PRINCIPLES FOR THE CEO

- 3.1. **Appointment, dismissal and remuneration of the CEO.** The Board elects and dismisses the CEO, determines and continuously reviews with the Committee recommendation remuneration to the CEO, approves the total individual remuneration package to the CEO including basic salary, benefits in kind, performance based variable payments, pensions (if any) and other benefits and in the name of the Company concludes and terminates his/her employment contract, job regulations, encourages him/her and applies disciplinary actions. The Chair of the Board or another authorized Member of the Board signs the employment contract with the CEO. If the CEO is the Chair of the Board, the employment contract is signed by an authorized Member of the Board.
- 3.2. The CEO's total remuneration package is decided by the Board based on the recommendation of the Committee within the confine of this Policy.
- 3.3. All the remuneration related decisions made under this Policy are focused on long-term, risk-adjusted performance and rewards performance that generate sustainable value for the Company.
- 3.4. The remuneration package of the CEO consists of: (i) the fixed salary, (ii) variable pay which are paid out taking into consideration the financial results of the Company and personal performance results of the CEO; and (ii) other benefits. No deferred payments mechanisms are applied to the

**Owner**  
Head of Human Resource**Security**  
Public**No.****Version**  
1

remuneration of the CEO unless it is agreed otherwise by mutual agreement of the Company and CEO.

- 3.5. **Fixed salary for the CEO.** The fixed salary of the CEO should be based on competence, responsibility and performance. The Company uses an international evaluation system in order to evaluate the scope and responsibility of the position. Market benchmark is conducted on a regular basis. The individual performance is monitored and used as a basis for annual reviews of fixed salary. It is reviewed in relation to fulfilment of annual pre-defined goals (including financial, employee and sustainability-based).
- 3.6. **Salary and employment conditions.** In the preparation of the Board proposal for these remuneration guidelines, salary and employment conditions for the CEO have been taken into account as well as general principles and guidelines provided for in the Remuneration policy of Telia Company group of companies which is being reviewed and approved by the Board of Telia Company AB and is applied globally to all employees of Telia Company group. This is done by including information on the CEO's total income, the components of the remuneration and increase and growth rate over time, in the Committee's and the Board basis for decision when evaluating if these guidelines and their limitations are reasonable. The Committee regularly consults with the Head of People to be mindful of the pay, conditions and engagement.
- 3.7. **Variable Pay.** After closing of the financial year, depending on the Company results, based on decision of the Board, annual variable pay ("the variable pay") can be paid to the CEO, to encourage the CEO to achieve the Company's goals and individual goals, encourage behavior thus creating short- and long-term value.
- 3.8. Considering payment of variable pay to the CEO, the Board should decide on:
- 3.8.1. whether variable pay will be made; and
  - 3.8.2. the amount of such variable pay;
  - 3.8.3. performance targets to be used;
  - 3.8.4. whether the awards are merited, particularly given the context of ongoing business performance, that they are not disproportionate and potentially rewarding failure.
- 3.9. If the Company hasn't achieved financial results, variable pay might not be paid as per Board decision.
- 3.10. When decision to pay variable pay is made, the exact value is calculated based on audited and approved by the Board financial results of previous financial year. When calculating variable pay, last year's Company results, and individual CEO's total contribution results are taken into account. The maximum amount of the variable pay to the CEO may amount to 50 percent of the CEO's annual salary.
- 3.11. **Other benefits.** The Company provides other benefits and programs in accordance with market practice which may change from time to time. The CEO may be entitled to a company car, health and care provisions, etc. Premiums and other costs relating to such benefits may amount to not more than 10 percent of the fixed annual cash salary.
- 3.12. If the CEO is asked to move to the Company from another country, the CEO can be offered mobility related benefits for a limited period of time. Such benefits may not in total exceed 25 percent of the fixed annual cash salary.

**Owner**  
Head of Human Resource**Security**  
Public**No.****Version**  
1

3.13. Additional benefits, pension schemes, might be offered to the CEO in accordance with separate Telia Company group policies adopted from time to time by the responsible management body of Telia Company which are also applicable to the Company.

#### **4. NOTICE OF TERMINATION AND SEVERANCE PAY**

- 4.1. The employment contract of the CEO can be terminated on the grounds set forth in the laws.
- 4.2. Unless the CEO and the Company agree in the employment contract on different notice of termination periods, both parties shall follow the statutory notice of termination periods as specified in the Labour Code of the Republic of Lithuania or other laws should either of them decides to initiate termination of the employment contract.
- 4.3. Upon termination of the employment contract the CEO should be entitled to receive the statutory severance pay as specified in the Labour Code of the Republic of Lithuania or other laws, unless the parties agree on different severance pay in the employment contract.
- 4.4. Entitlement of the CEO to other payments or compensations (e.g. non-compete compensation), if any, in case of employment termination as well as other relevant employment and post-employment terms and conditions shall be stipulated and defined in detail in the employment contract.

#### **5. REMUNERATION PRINCIPLES FOR THE BOARD**

- 5.1. **Remuneration for the Board.** The General Meeting may decide to make payments for the members of the Board, according to the provisions of the Law on Companies of the Republic of Lithuania.
- 5.2. Members of the Board who are employees of the Telia Company AB get remuneration according to the signed employment contracts with their respective employers. No additional payments for their activities as Members of the Board (tantiemes) are made to them by the Company.
- 5.3. The Company only remunerates independent members of the Board, who receive a fixed annual payment. The General Meeting decides on the exact amount of such a payment, while approving the distribution of profit. Such payments are not treated as employment related income, instead they are payments for the activities of the Member of the Board (tantiems). The payments to the independent Members of the Board are set by taking into account relevant information from comparable companies (market benchmark).

#### **6. GOVERNANCE AND MONITORING**

##### **6.1. The Committee**

- 6.1.1. The Committee shall work on behalf of the Board and be responsible for its recommendations within the following terms of reference, including, but not limited to:
  - 6.1.1.1. Review the Policy periodically (at least once each 4 years) and prepare proposals regarding amendments to the Policy;
  - 6.1.1.2. Review the Remuneration Report and prepare proposals regarding amendments to its amendments;
  - 6.1.1.3. Draft the decisions of the Board on proposals to the Policy for the CEO and Board members Remuneration, issues concerning principles for Remuneration, Remuneration and other terms of employment for the CEO and Senior executives, including any resolution to deviate from the Policy;

**Owner**  
Head of Human Resource**Security**  
Public**No.****Version**  
1

- 6.1.1.4. Monitor the application of this Policy as well as the current remuneration structures and compensation levels in the Company;
  - 6.1.1.5. Monitor and evaluate programs for variable Remuneration, both ongoing and those that have ended during the year, for the CEO and Senior management;
  - 6.1.1.6. Monitor and evaluate the application of the Policy, as well as the current Remuneration structures and levels in the Company;
  - 6.1.1.7. Monitor and evaluate succession planning and talent management;
  - 6.1.1.8. Approve recruitment of officers at Senior executives' level;
  - 6.1.1.9. Recommend to the Board the design of and propose the amounts of the payments to the independent members of the Board, ensuring that the pay schemes are structured to drive them to deliver sustainable long-term growth in Shareholders value;
  - 6.1.1.10. Carry out other Remuneration tasks under instructions of the Board;
  - 6.1.1.11. Perform other functions assigned by the laws and the Rules of Procedure.
- 6.1.2. The Committee shall operate in accordance with the Rules of Procedure approved by the Board.

## **6.2. The Board**

- 6.2.1. The Board shall:
- 6.2.1.1. Review the Policy periodically (at least once each 4 years) and provide it for approval of General Meeting for approval along with Board's comments and recommendations as well as relevant information on remuneration policies and practices;
  - 6.2.1.2. Review the Remuneration Report and provide it for approval of General Meeting for approval along with Board's comments and recommendations;
  - 6.2.1.3. Determine and continuously review with the Committee recommendation remuneration of the CEO;
  - 6.2.1.4. Approve the total individual remuneration package to the CEO including basic salary, benefits in kind, performance based variable payments, pensions and other benefits;
  - 6.2.1.5. Determine with recommendation of Committee the design of and propose the amounts of the payments to the independent members of the Board, ensuring that the pay schemes are structured to drive them to deliver sustainable long-term growth in Shareholders value;
  - 6.2.1.6. Perform other functions assigned by the laws.

**Owner**  
Head of Human Resource**Security**  
Public**No.****Version**  
1

### **6.3. The CEO**

6.3.1. The CEO shall:

- 6.3.1.1. prepare draft Remuneration policy and shall submit it to the Board and Committee for consideration and proposals;
- 6.3.1.2. prepare draft Remuneration report and shall submit it to the Board and Committee for consideration and proposals.

### **6.4. Conflict of Interests**

- 6.4.1. Remuneration is managed through well-defined processes ensuring that no individual is involved in the decision-making process related to their own remuneration, therefore helping to prevent any potential conflicts of interest.
- 6.4.2. All decisions in relation to this Policy and its implementation are being adopted ensuring balance in distribution of powers and liabilities between management bodies of the Company and General Meeting.
- 6.4.3. All business decisions which are handled by the Company with its Shareholders or controlled entity, are made under usual business circumstance, in the interest of each party. A controlled entity means a natural or legal person, which directly or indirectly, through one or several mediators, together with another natural or legal person controls another natural or legal person or is controlled by another natural or legal person.

### **6.5. Deviation from the Policy**

- 6.5.1. Any exceptions from this Policy, in whole or in part, shall only be possible to be made temporarily by a decision of the Board in case when:
  - 6.5.1.1. there is an individual case; and
  - 6.5.1.2. there are special reasons where a deviation is necessary in order to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability.
- 6.5.2. This Policy is prepared, and its implementation is monitored with proper governance and regulatory compliance. The Committee assists the Board by preparing proposals on Remuneration, monitors and evaluates the Remuneration for the CEO and the Board.

## **7. FINAL PROVISIONS**

- 7.1. This Policy enters into effect once approved by a decision of General Meeting, unless the decision of the General Meeting prescribes a different date of the Policy coming into effect.
- 7.2. The Policy shall be in force until a new Policy is adopted by the General Meeting but not longer than for 4 (four) years.
- 7.3. The Policy is being revised and a new or amended wording of the Policy shall be prepared and submitted to the General Meeting at least every 4 (four) years.



## **POLICY**

**Page no.**  
6 (6)

**Owner**  
Head of Human Resource

**Security**  
Public

**No.**

**Version**  
1

### **8. DISCLOSURE**

8.1. The Policy is available on the website of the Company [www.telia.it](http://www.telia.it). Extended information is available in the financial statements of the Company.

---