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| **Remuneration policy for the Council and Management Board of the joint stock company “Olainfarm”** | | | | | | | |
| **Document number/ version** | | 1 |  | | |  | |
| Entered into force | |  | | | | | |
|  | |  | | | | | |
|  | Title | | | Name, surname | Signature | | Date |
| **Developed by** | Head of Office of the Board | | |  |  | | \_\_ \_\_ 2021 |
| **Confirm** | Head of Legal Department | | |  |  | | \_\_ \_\_ 2021 |
| **Approve** | Chairman of the Board | | |  |  | | \_\_ \_\_ 2021 |

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| **OBJECTIVE** |

The objective of the Remuneration policy is to set the general principles, types and criteria of the remuneration policy for the Council and Management Board in order to facilitate implementation of the Company’s strategy, protection of long-term interests and sustainability.

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| **SCOPE OF APPLICATION** |

The policy is applicable to determination of remuneration of members of the Company’s Council and Management Board.

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| **DEFINITIONS AND ABBREVIATIONS** | |
| Remuneration | Fixed and variable remuneration and other extra benefits, provided directly or indirectly by the Company to members of the Management board and fixed remuneration and other extra benefits, provided directly or indirectly by the Company to members of the Council in relation to performance of duties at the Company. |
| Remuneration report | Clear and understandable annual report on remuneration granted or paid out in the previous financial year, or that is due for the previous financial year to each current and former member of the Council and Management Board of the Company. |
| Deferral period | Period since granting of variable remuneration until strengthening the variable remuneration rights, during which members of the Management Board are not legal owners of the variable remuneration granted to them. The deferral period not always is applicable in all cases of variable remuneration. |
| Fixed remuneration | Fixed part of the remuneration that includes remuneration for work at the Council or Management Board of the Company. |
| Variable remuneration | Variable part of the remuneration that includes annual bonuses and that is granted to members of the Management Board of the Company in addition to the Fixed remuneration in the financial year, if the set performance criteria are met. |
| Extra benefits | Extra benefits the Company may grant in addition to fixed and variable remuneration, including also paid annual leave, health insurance, professional civil liability insurance, paid participation in seminars and other qualification upgrading events (as far as needed to reach Company’s objectives), use of a vehicle owned or possessed (held) by the Company and payment of expenses related to its operation, mobile phone and paid communication services etc. |
| Policy | Remuneration policy for Council and Management Board of the joint stock company “Olainfarm” |
| Company | Joint stock company “Olainfarm”, registration number 40003007246 |
| Member of the Council | Chairman of the Council or member of the Council of the joint stock company “Olainfarm” |
| Member of the Board | Chairman of the Management Board or member of the Management Board of the joint stock company “Olainfarm” |

**I General provisions**

1. The Policy has been developed and is published in order to improve corporate transparency of the Company by providing current and potential shareholders of the Company with a possibility to receive understandable and comprehensive information about remuneration of the Council and Management Board of the Company.

2. The Policy is aimed at rewarding sustainable performance of members of the Council and Management Board of the Company that meets interests of the Company’s shareholders, ensures effective risk management and contributes to the achievement of the commercial objectives of the Company, as well as ensuring that the Policy complies with and the Company applies the Corporate Governance Code developed by Corporate Governance Advisory Board established by the Ministry of Justice, and the principles contained therein.

3. When determining the remuneration of members of the Council and Management Board of the Company, the data of the labour market research on the amount of remuneration in corresponding position groups, remuneration of other employees of the Company and their working conditions shall also be taken into account. Remuneration of members of the Council and Management Board must be commensurate with the remuneration level of other employees of the Company, taking into account the position group and level.

4. Remuneration of members of the Council and Management Board is determined on the basis of the principle of fairness, i.e., is granted for qualitative performance of the duties.

5. Remuneration of members of the Council and Management Board of the Company is determined and paid out in accordance with this Policy. The meeting of shareholders, when approving the Policy, determines the general principles, types and criteria for determining the remuneration of members of the Council and Management Board, as well as in its decisions in accordance with this Policy for a fixed period, not exceeding the time period of authorization of the Council, specifies the total budget of the fixed remuneration of members of the Council. The Council, considering the recommendations of the Remuneration committee, approves the remuneration amount of members of the Council, having regard to the remuneration budget of the Council specified by the meeting of the Company’s shareholders. The remuneration amount to members of the Management Board is set by the Council, considering the recommendations of the Remuneration committee.

6. The Policy is approved by the meeting of Company’s shareholders.

**II Description of the remuneration structure**

7. Remuneration of members of the Management Board may include:

7.1 Fixed remuneration – the fixed part of the remuneration that is set according to professional experience, position, duties, education and other factors;

7.2 Variable remuneration – annual bonuses that in addition to the fixed remuneration are granted in the financial year if performance indicators previously set for the particular person are met;

7.3 Other extra benefits – any benefits the Company may grant in addition to fixed and variable remuneration in line with provisions of this Policy.

8. Remuneration of members of the Council may include:

8.1 Fixed remuneration – the fixed part of the remuneration that is set according to professional experience, position, duties, education and other factors;

8.2 Other extra benefits – any benefits the Company may grant in addition to fixed remuneration in line with provisions of this Policy.

9. The fixed remuneration is determined, having regard to the following criteria:

9.1. Position;

9.2. Professional skills and education;

9.3. Duties and responsibilities;

9.4. Additional skills and competencies that are essential for ensuring the operation of the Company and achieving the set objectives.

10. The variable remuneration may be determined for members of the Management Board of the Company, having regard to expected results defined in Clause 18 of the Policy and the following indicators characterising the actual results of the Company’s operation, included in the annual report approved by the meeting of shareholders:

10.1 Amount of the Company’s assets;

10.2 Capitalization;

10.3 Amount of the Company’s revenue before interest, tax, depreciation, and amortization deductions (EBITDA);

10.4 Amount of dividends to be paid out to shareholders of the Company;

10.5 Amount of the Company’s turnover;

10.6 Net profit of the Company.

11. The maximum amount of variable remuneration to be paid does not exceed the total amount of the fixed remuneration paid out to the particular person in the previous calendar year.

12. The amount of variable remuneration for members of the Management Board, considering the provisions of the Policy and recommendations of the Remuneration committee, is determined by the Council, taking into account the following basic principles:

12.1 Variable remuneration may be reduced or not paid out if financial indicators of the Company get worse or are negative, or, if errors and shortcomings have been made during the period of operation of the member of the Management Board concerned, or in cases of improper performance of duties or gross breach of powers;

12.2 Payment of the part of the variable remuneration, not exceeding 50% of the variable remuneration amount set for the particular person, may be deferred for the period of up to two years.

13. The variable remuneration may change depending on financial and non-financial indicators of the Company, as well as it is connected with short-term and long-term objectives of the Company and measurable indicators of operation.

14. The variable remuneration is determined so as to facilitate the achievement of long-term objectives of the Company, facilitate particular actions of members of the Management Board and reaching desired results, develop a link between remuneration and risk-taking in the Company. The variable remuneration is connected with achievement of the Company’s objectives and total results of the Company operation.

15. Remuneration must be formed in a way to avoid conflicts of interest and must be in line with the Company’s guidelines and procedures outlining provisions on avoidance of conflicts of interest.

16. In case of finding a conflict of interest, members of the Council and Management Board do not take part in determination of their remuneration.

**III Performance indicators**

17. The variable remuneration of members of the Management Board is in line with general performance indicators of the Company that depend on individual contribution of the person to the operations of the Company.

18. Calculation of the variable remuneration of members of the Management Board is made within the framework of the financial year and is based on expected results that on annual basis is determined by the Council in cooperation with the Management Board in order to ensure their compliance with the efficiency threshold, achievement of the objectives and expected performance results of the Company. Performance indicators that are applicable to determination of the variable remuneration are specified in Clause 10 of the Policy, and if needed may be changed, in total ensuring that commercial objectives of the Company are reached.

19. The Remuneration committee prepares and submits to the Council recommendations for determination of the variable remuneration amount for members of the Management Board considering the principles and criteria specified in the Policy.

**IV Time period of authorization of the Council and Management Board, payments related to termination of the contract**

20. The time period of authorization of the Council and Management Board is determined, having regard provisions of the Company’s Articles of Association and the Commercial Law.

21. A member of the Management Board may receive a compensation for termination of legal relations on position. The amount of such compensation may not exceed the total 12-month fixed remuneration envisaged for the corresponding person. A member of the Council shall not receive a compensation in the event of removal from position or withdrawal from position.

22. The Company upon concluding a contract with members of the Council or Management Board, where there is a valid reason, may provide for competitive constraints after termination of legal relations on position, providing a period of constraints and the amount of remuneration while the constraints is effective.

23. The remuneration upon conclusion of the contract on the competitive constraint, is set commensurately against the competitive constraint limitation period, yet it may not exceed the average fixed remuneration amount received in the previous 12-month period.

24. Compensation that is related to early termination of legal relations on position, shall not be granted or an already paid compensation shall be recovered from the person, if by a valid court decision it has been found that:

24.1 Cooperation with the relevant member of the Management Board of the Company has been terminated on grounds of expressed distrust, incompetence of the person concerned, inappropriate outcomes or similar grounds, including, but not limited if the person upon performance of official duties, has not acted as a honest and careful manager, has committed a gross breach of powers or failure to fulfil his or her duties;

24.2 It has been established by a judgment of the Court, which has entered into force, that the particular person upon performance of official duties, has not acted as a honest and careful manager or has committed a criminal offence and thus caused losses to the Company;

24.3. Criminal proceedings have been initiated against the particular person or claim for damages has been brought.

**V Competence of the Remuneration committee**

25. The aim of the Remuneration committee is to ensure that the remuneration policy for Council and Management Board within the Company and its application are in line with principles of good corporate governance and legislative requirements.

26. The Remuneration committee performs the following tasks:

26.1 Provides recommendations on general principles, types and criteria of determining remuneration for members of the Council and Management Board;

26.2 Assesses the compliance of the remuneration policy for members of the Council and Management Board and its amendments prepared by the Management Board with principles of good corporate governance, interests of the Company and legislative requirements and provides the Council of the Company with an opinion thereon;

26.3 Prepares recommendations to the Council on possibilities for improvement of the Remuneration policy for members of the Council and Management Board;

26.4 Prepares recommendations to the Council on determining the amount of remuneration for members of the Council and Management Board and results to be achieved;

26.5 Assesses application of the Policy in the Company’s operations and provides an opinion thereon;

26.6 Performs other tasks specified in the regulatory document governing operations of the Remuneration committee.

27. The composition, procedures and principles of establishment and operation, objectives, tasks and decision-making procedure of the Remuneration committee are provided for in the regulation of the Remuneration committee, approved by the Council of the Company.

**VI Remuneration report and recovery rights**

28. The Management Board prepares a clear and understandable annual report on remuneration granted or paid out to the Council and Management Board of the Company in the previous financial year, or that is due for the previous financial year to each current or former member of the Council and Board.

29. The Remuneration report includes information to be included in a Remuneration report, as stipulated by effective legislation of the Republic of Latvia.

30. The Remuneration report may be left publicly available for a longer period than prescribed by legislation, upon condition that the Remuneration report does not cover information on personal data of members of the Council or Management Board or data of any other natural person.

31. The Company within five years from payment of the variable remuneration or a part thereof is entitled to full or a partial recovery of the variable remuneration from the person who already has received the variable remuneration in the following cases:

31.1 By a final court decision it has been proved that the person has acted illegally, and this resulted in unduly paid variable remuneration to the particular person;

31.2 The person has knowingly provided false information, thus ensuring payment of the variable remuneration, including if the variable remuneration was granted on the basis of the performance criteria for which the data used in the calculation turned out to be clearly incorrect;

31.3 Calculation of the variable remuneration is manifestly wrong and it is confirmed by an opinion of an independent person who is competent to assess the correctness of calculation of the variable remuneration.

32. Conditions upon which payment of the variable remuneration is deferred, are specified by the Council upon consultation with the Management Board and having regard to the financial situation of the Company.

33. Provisions of recovery rights regarding the variable remuneration may be applicable also in case of termination of legal relations on position, yet for no longer than within five calendar years from payment of the variable remuneration or a part thereof.

**VII Final provisions**

34. Until approval of Policy at the meeting of Company’s shareholders, the Company pays remuneration to members of the Council and Management Board according to the existing practice of the Company.

35. The Management Board is responsible for development of the Policy and the Management Board submits it for approval at the meeting of Company’s shareholders not less than once in for years since approval of the previous remuneration policy.

36. Where the Policy has amendments, they must be approved at the meeting of Company’s shareholders and it shall be deemed that by approval of such amendments the new version of the Policy is approved.

37. The Company ensures that the remuneration for members of the Council and Management Board is determined and actually paid out in line with the Policy.

38. Where the meeting of Company’s shareholders does not approve the Policy developed by the Management Board, the Management Board at the next meeting of the Company`s shareholders submits for approval a revised remuneration policy along with an explanation on the changes made to it.

39. The Company may apply a temporary derogation from the Policy, if such derogations are not contrary to effective legislation.

40. The Policy shall also apply to members of the Council and Management Board whose time period of authorization is set from 1 April 2019.

41. Upon election of a new Council of the Company, remuneration of members of the Council is set in accordance with this Policy.

42. The Policy enters into force on the day of its approval at the meeting of Company’s shareholders and it (full text) along with the date of vote on the meeting of Company’s shareholders and vote results immediately after the meeting of Company’s shareholders are published on the Company’s website on the internet [www.olainfarm.com](http://www.olainfarm.com), and the Company ensures its public availability on the said website as long as it is applicable.

43. Additionally, the Policy is published in the Company’s intranet (*intranet.olainfarm.lv*), and its original is stored in accordance with the Company’s internal regulation that states the document administration procedure in the Company.

44. The Management Board within one month after the Policy enters into force, ensures compliance of the authorisation agreements of members of the Management Board with provisions of the Policy.

45. Where a member of the Council or Management Board does not agree to make amendments in the authorisation agreement and/or fails to sign them within one month after the Policy enters into force, the dispute shall be settled in statutory procedure.

46. Making updates to the Policy is the responsibility of the Management Board.

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| **OTHER RELATED DOCUMENTS** | | |
| 1 | Internal regulation “Regulation of the Board of the joint stock company “Olainfarm” |  |
| 2 | Internal regulation “Code of Conduct” | SOPGen000065/1 |

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| **DOCUMENT HISTORY** | | | |
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