

**VILVI GROUP REMUNERATION POLICY****INTRODUCTION**

This Remuneration Policy establishes the principles and rules according to which remuneration for employees working under employment contracts is formed, determined, reviewed and applied in VILVI Group Companies (hereinafter referred to as the Group of Companies). The Policy aims to ensure a transparent, objective, non-discriminatory and market-compliant remuneration system that motivates employees to achieve high performance and contributes to the long-term sustainability of the organization.

The purpose of this policy is to establish uniform fundamentals for remuneration formation within the Group of Companies, ensuring a clear, understandable and transparent process for setting and reviewing remuneration, applying financial incentives and making decisions for all employees in order to ensure that all remuneration-related decisions are made in accordance with the principles of transparency, non-discrimination and equal treatment.

In implementing the Remuneration Policy, positions are evaluated using an objective methodology that assesses the complexity of the work, the level of responsibility, the required competencies and the impact on the results of the organization.

In accordance with the requirements of the Law on Companies, the remuneration principles for the collegial management bodies of the Group of Companies – the Supervisory Board, the Board and committees – are set out in a separate annex to this policy “Principles for determining remuneration of members of the Company’s collegial bodies”, which is an integral part of this policy. The annex regulates the remuneration provisions applicable to members of the management bodies, taking into account the nature of their functions, responsibility and legal status.

This policy, together with the annexes, forms a unified basis of the Remuneration system, which is followed by all VILVI Group Companies.

**TERMS USED IN THE REMUNERATION POLICY**

1. **Remuneration.** All monetary and non-monetary benefits paid to an employee for work, including base salary, the variable part of remuneration, and additional benefits.
2. **Base remuneration.** A fixed part of an employee’s remuneration paid for performing the functions of the position, taking into account the employee’s competence or qualifications.
3. **Variable remuneration.** The part of remuneration that depends on the employee’s individual, team, or organizational performance results, achievement of set goals, indicators, compliance with value-based behaviors or other performance evaluation criteria.
4. **Total monetary remuneration.** The total monetary remuneration received by an employee, consisting of the base and variable parts of remuneration.
5. **Additional benefits.** Additional benefits and guarantees granted to employees that meet the social needs of employees and shape the company’s culture.
6. **Position.** The set of job functions, responsibilities and competencies that defines the employee’s role in the organization.
7. **Critical position.** A position that is essential for the continuity of the organization’s operations, the implementation of strategic goals, or ensuring key business functions. The competencies, experience or knowledge of employees working in such positions are difficult to replace, therefore, their loss may have a significant impact on the organization’s operations. Critical positions are identified when planning talent management, business continuity and remuneration policy.
8. **Position value.** An assessment of a position’s significance to the organization, determined with regard to job complexity, level of responsibility, required competencies, scope of decision-making, impact on the organization’s results, work intensity, and conditions. Position value is used to determine the position level in the position structure and to assign it to the relevant comparable group.

9. **Comparable group.** A group of similar job complexity, responsibility and competency level to which the same remuneration opportunities apply.
10. **Base pay range (interval).** The minimum and maximum base remuneration amount set for a specific comparable group, within which an individual employee's remuneration is set taking into account their competencies or qualification category.
11. **Remuneration competitiveness.** Remuneration that is competitive in the labour market and enables the organisation to attract and retain competent employees.
12. **Median.** A statistical indicator showing the middle value of the remuneration distribution. It is the remuneration amount that is in the middle of the remuneration distribution series: half of employees receive a lower salary and half receive a higher salary than the median. This indicator is often used to assess remuneration competitiveness in the labour market and to set remuneration ranges.
13. **Performance evaluation.** A process during which an employee's work results, competencies, qualifications, values alignment and achievement of goals are assessed.
14. **Supervisory Board** – a collegial body exercising supervision over the activities of the Company.
15. **Company Board** – members of the Company's board.
16. **Audit Committee** – responsible for monitoring the process of preparing the Group's financial statements, with a primary focus on the appropriateness and consistency of the accounting methods applied.
17. **Nomination and Remuneration Committee** – an advisory committee established by the Supervisory Board of the Parent Company, responsible for shaping the overall remuneration and incentive policy within the Group of Companies.
18. **Company** – any VILVI Group company: Vilkyškių pieninė AB, Modest AB, Kelmės pieninė AB, Pieno logistika AB, Kelmės pienas UAB, Baltic Dairy Board SIA, Marijampolės pieno konservai UAB.

## STRATEGIC REMUNERATION PRINCIPLES

### 1. Non-discrimination and equal opportunities

Employees' remuneration is determined **without discrimination** based on the employee's gender, race, nationality, language, origin, social status, faith, beliefs or views.

VILVI Group not only does not differentiate employees' remuneration on the listed grounds but also **does not tolerate any discriminatory behaviour** or violation of equal rights on any of the listed grounds.

### 2. Clarity and transparency

The aim is to make it clear to each employee how their remuneration is determined and on what employee work results, competencies and qualifications, and value-based behaviours its amount depends.

The aim is also to make the employee aware of what remuneration opportunities are available in other positions and what requirements apply to occupying these positions.

### 3. Competitiveness of remuneration

The aim is to establish a competitive remuneration in relation to the labour market, allowing to attract competent, motivated new employees and retain the best existing ones.

Positions are classified into **comparable groups**, in which remuneration opportunities are determined by market remuneration.

The remuneration opportunity for comparable groups is determined and updated by an independent pay market survey.

### 4. Internal fairness

Employees belonging to **one comparable group** are provided with equal total monetary remuneration opportunities.

All monetary remuneration is formed in such a way that the individual differences in remuneration of employees in the same comparable group of positions correspond to the limits set in the remuneration policy and form fair differences in the remuneration of individual employees between individual positions.

Employees working **in the same positions** in different group companies or divisions have equal remuneration opportunities – they are formed with the same basic remuneration intervals (or hourly rates for categories) and variable remuneration programs of the same size.

Additional benefits of equal value are applied to all employees. Additional benefits may differ between **companies or divisions** only where geographic factors or work organization considerations specific to a company or department result in different employee needs.

**5. Individual differentiation**

A remuneration range is established for the comparative group, in which the remuneration of employees differs, taking into account the performance evaluation criteria. The performance evaluation criteria (such as competencies, qualifications, indicators, goals) differ between positions.

The entire remuneration in the range is differentiated so that people who do the same job better (higher quality, more efficiently, more competently) and achieve higher results are paid better than the rest.

VILVI Group expects the best personal results from each employee, while at the same time values and encourages teamwork, therefore variable remuneration may vary depending not only on the personal, but also on the team’s results.

**PARTS OF THE REMUNERATION SYSTEM**

System part	Description
Position structure and formation of comparable groups	<p>Positions are divided into <b>comparable groups</b> according to:</p> <ul style="list-style-type: none"> <li>i) the value created by the position (level according to the job classification methodology),</li> <li>ii) the talent competition field,</li> <li>iii) the approved list of critical positions,</li> <li>iv) work intensity (measured by efficiency),</li> <li>v) the market price of the position, based on market research.</li> </ul> <p>In the comparable group, employees are ensured equal opportunities for total monetary compensation.</p> <p>The list of comparable groups is publicly available to the company’s employees and may be updated as needed. A detailed analysis of comparable groups and regrouping are carried out taking into account the significance of changes in market compensation and changes in the organization of the group’s operations.</p>
Remuneration positioning compared with the market, formation of ranges	<p>The main VILVI Group remuneration reference point in the market is the <b>median</b> (the midpoint of the range). Independent external remuneration market analysis data are used for remuneration positioning.</p> <p>The remuneration reference point for critical positions is the median +7%, and for exceptionally critical positions – the median +14%. List of critical positions. The reference point for critical positions may be reviewed as market remuneration changes.</p> <p>Remuneration ranges are formed for comparable groups, distinguishing between positions paid a fixed monthly salary and those paid an hourly wage.</p> <p>The remuneration of employees paid a monthly salary must not be lower than the minimum point of the range and not higher than the maximum, except during the</p>

	<p>probation period. The remuneration of employees paid an hourly wage corresponds to the rate of the established qualification category.</p> <p>Remuneration ranges are reviewed as needed after conducting a market remuneration survey. Remuneration market data are updated at least once every two years, except in cases where significant and sudden changes are observed in the labor market; in such cases, the data may be reviewed more frequently, taking into account the Company's financial capabilities and business context.</p>
<p>Performance evaluation and its impact on remuneration</p>	<p>Employees' performance is evaluated annually according to <b>performance evaluation criteria</b>, which include:</p> <ul style="list-style-type: none"> <li>i) competence or qualifications,</li> <li>ii) the results achieved by the employee,</li> <li>iii) the application of value-based behaviours.</li> </ul> <p>The higher the employee's competence or qualification level, the higher the base remuneration the employee is eligible for.</p> <p>The higher the employee's (or team's) achievement of results and the evaluation of the employee's application of value-based behaviours, the higher the variable remuneration the employee is eligible for.</p> <p><b>The employee with the manager</b> discusses the employee's performance <b>and the remuneration dependent on it</b> at least once a year.</p>
<p>Base remuneration – setting remuneration ranges and hourly rates</p>	<p>The higher the employee's competence or qualification level, the higher base remuneration the employee is eligible for.</p> <p>The base hourly remuneration of employees in positions remunerated with hourly pay depends on the qualification determined in accordance with the procedure for establishing qualification categories.</p> <p>The fixed monthly base remuneration of employees in positions remunerated with a fixed monthly pay depends on the level of Vilvi general (for managers and specialists), leadership (for people managers) or managerial (for specialists) and professional competencies discussed during the employee performance appraisal meeting.</p>
<p>Review of the base remuneration</p>	<p>The base hourly remuneration for positions remunerated with hourly pay is reviewed in light of the group's financial results at least once a year; the rates are adjusted (or not adjusted) taking into account changes in market pay. Employees are informed of the results of the hourly rate review by their direct manager or department manager no later than the date the rates take effect.</p> <p>The review of an employee's classification category is carried out in accordance with the procedure for establishing qualification categories.</p> <p>The base monthly remuneration of employees in positions remunerated with a fixed monthly pay is reviewed in light of the group's financial results at least once a year, usually in the first half of the year, after employee performance appraisals. Base remuneration is adjusted (or not adjusted) also taking into account changes in market remuneration.</p>
<p>Variable remuneration and incentives</p>	<p>The potential amount of variable remuneration for all positions depends on the nature of the position's activities, the function performed, and the level of responsibility.</p> <p>The amount of an employee's variable remuneration depends on meeting the criteria of the specific program and applying value-based behaviors.</p> <p>Each Group and company variable remuneration program provides for a specific target, minimum, and maximum variable remuneration proportion.</p>

	<p>VILVI Group positions are eligible for 4 variable remuneration programs:</p> <ul style="list-style-type: none"> <li>i) for compliance with food safety and quality requirements;</li> </ul> <p>Positions remunerated with hourly and fixed monthly remuneration that are related to food safety are eligible for the monthly food safety and quality requirements compliance program.</p> <ul style="list-style-type: none"> <li>ii) team effectiveness;</li> </ul> <p>Hourly-paid positions are eligible for the team effectiveness (where it can be measured) program.</p> <ul style="list-style-type: none"> <li>iii) incentive for personal contribution results (previously “good work”);</li> </ul> <p>Hourly-paid positions are eligible for a personal monthly incentive for good performance of assigned duties, compliance with company rules, and adherence to value-based behaviors.</p> <ul style="list-style-type: none"> <li>iv) company, team, and personal annual goals.</li> </ul> <p>With a fixed monthly salary, certain hourly-paid positions are eligible for the annual goal achievement program (the program will be implemented gradually until the end of 2029, taking into account job value levels and the organizational structure). The proportion of company, unit, and goals depends on the job value level.</p> <p>The application of value-based behaviors, assessed individually by the manager, may reduce, keep the same, or increase the achieved bonus. The greater the alignment with value-based behaviors, the higher the achieved bonus amount.</p> <p>Variable remuneration is not awarded to employees if the company does not achieve the minimum annual profit target threshold.</p>
<p>Extra Mile incentive</p>	<p>For an exceptional contribution to the company’s results and the successful implementation of strategic projects, employees may be rewarded with an Extra Mile bonus, not exceeding one base monthly salary per year.</p> <p>Employees are nominated for the incentive by their direct manager, and it is approved by the Nomination and Remuneration Committee.</p> <p>Nominations take place at least once a year.</p>
<p>Proportions of base and variable remuneration</p>	<p>The ratio of variable remuneration to base remuneration depends on the nature of the position’s activities, the function performed, and the level of responsibility.</p> <p>The base and variable remuneration <b>proportions may differ</b> for positions in the <b>comparable group</b>, but <b>the total remuneration opportunity is the same</b>.</p> <p>The variable remuneration opportunity for different positions eligible for variable remuneration must not exceed 30% of the employee’s base remuneration, excluding the Extra Mile incentive if the employee has received it.</p>
<p>Additional benefits</p>	<p>A single Group-wide basic additional benefits package applies to all employees.</p> <p>Extended additional benefits may be applied, which may differ between <b>companies or divisions</b>, if the geographical location or the nature of work organization of the company or division determines different employee needs.</p> <p>Basic and extended additional benefits may be reviewed and changed once a year.</p>
<p>Recognition</p>	<p>Managers may optionally apply non-monetary employee recognition measures, encouraging their exceptional long-term performance and development. Recognition</p>

	measures (gifts, prizes) may have a small monetary value, but are not considered part of remuneration.
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## **RESPONSIBILITIES OF GOVERNANCE BODIES**

The Supervisory Board established at Vilkyškių pieninė AB performs supervisory functions in the area of implementing the remuneration policy.

A Nomination and Remuneration Committee operates under the Supervisory Board and is responsible for overseeing the implementation of remuneration principles, reviewing provisions, and providing recommendations for improving the remuneration policy.

The companies have board and audit committees that participate in the supervision of the implementation of the remuneration policy within their competences.

## **SCOPE OF POLICY APPLICATION**

This Remuneration Policy does not define the specific content of job functions or the qualification requirements applicable to employees. These aspects are set out in job descriptions and/or employment contracts.

The provisions of the Policy apply to all VILVI Group Companies, unless legislation or collective agreements provide for specific exceptions.

## **FINAL PROVISIONS**

The remuneration policy may be reviewed periodically taking into account changes in legislation, market trends, changes in the organizational structure and other relevant factors.

All decisions related to the policy must be made in accordance with the principles of transparency, non-discrimination, and consistency.

## **PRINCIPLES FOR DETERMINING REMUNERATION OF MEMBERS OF THE COMPANY'S COLLEGIAL BODIES**

### **Supervisory Board, Audit Committee, Nomination and Remuneration Committee**

1. Remuneration for activities on the Company's Supervisory Board and Audit Committee is paid to independent members; for non-independent members it is included in their remuneration and no additional remuneration is paid. The amounts of the annual remuneration of the Company's members for activities in the Company are specified in this annex. The remuneration policy is approved by the General Meeting of Shareholders.
2. Remuneration for activities on the Company's Nomination and Remuneration Committee is paid to independent members; for non-independent members it is included in their remuneration and no additional remuneration is paid. The amounts of the annual remuneration of the Company's members for activities in the Company are specified in this annex. The remuneration policy is approved by the General Meeting of Shareholders.
3. Remuneration for activities in the Company's collegial bodies does not depend on the Company's performance results.
4. Other additional expenses related to work in the activities of the Company's collegial bodies may be reimbursed.
5. A contract concluded with a member of the Company's collegial body for the performance of a member's activities in the Company's collegial body terminates, when:
  - 5.1. The term of office of a member of the Company's collegial body;
  - 5.2. A member of the Company's collegial body is removed from the collegial body, or the entire collegial body is removed;
  - 5.3. A member of the Company's collegial body resigns or is unable to continue performing their duties;
  - 5.4. A member of the Company's collegial body ceases to hold the position of member of the collegial body on another basis.

### **Members of the Board**

1. Tantièmes may be paid to members of the boards of the Companies, which are allocated by a decision of the Company's General Meeting of Shareholders in accordance with the procedure established by legal acts.
2. Tantièmes are allocated and paid to members of the Board when the Company operates successfully.
3. Once the General Meeting of Shareholders has adopted a decision on the payment of tantièmes, the share of tantièmes allocated to a specific member of the Board is determined by a decision of the Board, taking into account that particular member's contribution to the Company's activities.
4. Members of the Board who are also employees of the company receive remuneration under employment contracts signed with their respective employers (Companies).
5. Severance compensation, other benefits or corresponding perks for members of the Company's Board may be granted only by a separate agreement between the parties and/or in the prescribed manner, in compliance with the requirements of legal acts.

### **FINAL PROVISIONS**

1. The Supervisory Board regularly reviews the Remuneration Policy and submits it for approval to the Shareholders' Meeting together with comments and recommendations, as well as relevant information on the remuneration policy and practice.

2. The Remuneration Policy may be amended after assessing the overall economic situation in the market, the Company's financial results, and changes in legal acts regulating the procedure for the payment of remuneration.
3. The Remuneration Policy enters into force upon its approval by the Company's General Meeting of Shareholders. After the end of the financial year, the Company prepares a remuneration report reviewing compliance with the Remuneration Policy.
4. The approved Remuneration Policy and the remuneration report shall be publicly published on the Company's website <https://vilvigroup.lt/> and <https://nasdaqbaltic.com>

**Amounts of remuneration of members of the Company's collegial bodies for activities in the collegial bodies**

No.	Position of the collegial body	Amount of remuneration for activities, EUR*
1.	Independent member of the Supervisory Board	2,000
2.	Independent member of the Audit Committee	1,000
3.	Independent member of the Nomination and Remuneration Committee	1,000

\* Remuneration is presented before taxes.