



**PROVED:**  
by Annual Shareholders' Meeting of  
AS „Rīgas kuģu būvētava”  
on December 28<sup>th</sup>, 2020  
(Minutes No. \_\_\_\_\_)

## **THE REMUNERATION POLICY OF THE BOARD OF DIRECTORS AND COUNCIL OF AS „RĪGAS KUĢU BŪVĒTAVA”**

### **1. GENERAL TERMS**

- 1.1. The remuneration policy of the Board of Directors and Council of the AS “Rīgas kuģu būvētava”, hereinafter – *the Policy*, has been developed in compliance with requirements of the *Law on the Financial Instruments Market*, implementing The Directive (EU) 2017/828 of the European Parliament and of the Council of *May 17<sup>th</sup>, 2017* as regards the encouragement of long-term shareholder engagement.
- 1.2. The objective of the Policy is to set the general principles, types and criteria of the remuneration of the Board of Directors and Council of AS “Rīgas kuģu būvētava”, hereinafter – *the Company*, in order to facilitate implementation of the Company’s strategy, protection of long-term interests and sustainability.
- 1.3. The Policy has been developed 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 Board of Directors and Council of the Company.
- 1.4. The Policy is aimed at rewarding sustainable performance of members of the Board of Directors and Council of the Company that meets interests of the Company’s shareholders, ensures effective risk management and facilitates reaching of commercial objectives of the Company.
- 1.5. Remuneration of members of the Board of Directors and Council is determined on the basis of the principle of fairness, i.e., is granted for qualitative performance of the duties.
- 1.6. Remuneration to members of the Board of Directors and Council of the Company is determined and paid out in accordance to provisions of this Policy. The shareholders’ meeting determines and approves the remuneration of members of the Council, whereas the remuneration to members of the Board of Directors determined the Council.
- 1.7. The Policy is approved by the shareholders’ meeting of the Company.

### **2. GENERAL PRINCIPLES OF REMUNERATION**

- 2.1. Remuneration of members of the Board of Directors and Council may include:
  - 2.1.1. *fixed remuneration* – the fixed part of the remuneration for work at the Board of Directors or Council of the Company, that is set according to professional experience, position, duties, education and other factors;
  - 2.1.2. *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;

- 2.1.3. *other extra benefits* – any 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, use of a vehicle owned or possessed by the Company and payment of expenses related to its operation, mobile phone and paid communication services etc., in line with provisions of this Policy.
- 2.2. The fixed remuneration is determined, having regard to the following criteria:
  - 2.2.1. position hold;
  - 2.2.2. professional skills and education;
  - 2.2.3. duties and responsibilities;
  - 2.2.4. additional skills and competencies that are essential for ensuring the operation of the Company and achieving the set objectives.
- 2.3. The variable remuneration may be determined only to members of the Board of Directors of the Company, having regard to expected results defined in Clause 2.8. of the Policy and the following indicators characterizing the actual results of the Company's operation, included in the annual report approved by the shareholders' meeting of the Company:
  - 2.3.1. the Company's assets;
  - 2.3.2. the Company's revenue before interest, tax, depreciation, and amortization deductions (EBITDA);
  - 2.3.3. the Company's turnover;
  - 2.3.4. Net profit of the Company.
- 2.4. The amount of variable remuneration of members of the Board of Directors, considering indicators characterizing the actual results of the Company's operation, is determined by the Council.
- 2.5. 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.
- 2.6. 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 Board of Directors and reaching preferable 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.
- 2.7. The variable remuneration of members of the Board of Directors is in line with general performance indicators of the Company that depend on individual contribution of the person to the operations of the Company.
- 2.8. Calculation of the variable remuneration of members of the Board of Directors 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 Board of Directors 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 may be changed if necessary, ensuring that commercial objectives of the Company are reached in whole.
- 2.9. There is no compensation for termination of employment or other civil relationship shall be paid to the member of the Board of Directors and Council.
- 2.10. The Company does not provide share-based remuneration.

- 2.11. The Company does not provide any additional pension payments to the members of the Board of Directors and Council.
- 2.12. Any remuneration to the members of the Board of Directors and Council, having an employment or other civil relationship with the Company in any other capacity, shall be included in their salary determined for holding the positions of the members of the Board of Directors and Council.

### **3. REMUNERATION REPORT**

- 3.1. The remuneration report includes information to be included in a remuneration report, as stipulated by effective normative acts of the Republic of Latvia.
- 3.2. The Board of Directors prepares a clear and understandable annual report on remuneration granted or paid out to the Board of Directors and Council 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 Board of Directors and Council.
- 3.3. The remuneration report is publicly available on period as established by respective normative acts.
- 3.4. The Company within 1 (one) year from payment of the variable remuneration or a part of it thereof is entitled to full or a partial recovery of the variable remuneration from the member of the Board of Directors who already has received the variable remuneration as follows:
  - 3.4.1. by effective court decision it has been proved that the member of the Board of Directors has acted illegally, and this resulted in unduly paid variable remuneration to the particular person;
  - 3.4.2. the member of the of the Board of Directors has knowingly provided false information, and thus he or she has ensured payment of the variable remuneration;
  - 3.4.3. 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.
- 3.5. Conditions upon which payment of the variable remuneration is deferred, are specified by the Council upon consultation with the Board of Directors and having regard to the financial situation of the Company.

### **4. RESPONSIBILITY OF THE COMPANY**

- 4.1. Until approval of Policy at the shareholders' meeting of the Company, the Company pays remuneration to members of the Board of Directors and Council according to the existing practice of the Company.
- 4.2. The Board of Directors is responsible for development of the Policy and its coordination with the Council, and the Board of Directors submits it for approval at the shareholders' meeting of the Company not less than once in 4 (four) years since approval of the wording of previous Policy.
- 4.3. If the Policy has been amended, it must be approved at the shareholders' meeting of the Company and it shall be deemed that by approval of such amendments the new wording of the Policy is approved.
- 4.4. The Company ensures that the remuneration for members of the Board of Directors and Council is determined and actually paid out in line with the Policy.
- 4.5. Where the shareholders' meeting of the Company does not approve the Policy developed by the Board of Directors, the Board of Directors submits for approval a revised

remuneration policy along with an explanation on the changes made to it at the next shareholders' meeting of the Company.

- 4.6. The Company may apply a temporary derogation from the Policy, if such derogations are not contrary to effective legislation.
- 4.7. Upon election of a new Board of Directors and/or Council of the Company, remuneration of members of the Board of Directors and/or Council is determined in accordance with this Policy.
- 4.8. The Policy becomes effective on the day of its approval at the shareholders' meeting of the Company and along with the vote results of the shareholders' meeting of the Company immediately after the shareholders' meeting of the Company has been published on the Company's website [www.riga-shipyard.com](http://www.riga-shipyard.com).
- 4.9. The Policy is binding to all members of the Board of Directors and Council as from the date the Policy is effective. Where a member of the Board of Directors or Council does not agree to make amendments in the agreements concluded to them and/or fails to sign them within 1 (one) month after the Policy is effective, the dispute shall be settled in accordance with the procedures specified in normative acts.
- 4.10. Policy update is the responsibility of the Board of Directors of the Company.