

**Approved  
by the annual general meeting of shareholders  
of the Joint Stock Company "VEF" on 27 July 2020**

With voting results as follows:  
total number of voting shares participating at the meeting 1 975 580  
votes cast out of the number of voting shares 1 975 580  
percentage of voting capital represented by votes cast at the meeting of shareholders 92.33%  
number of votes "for" the approval of the remuneration policy 1 975 580 or 100.00%  
number of votes "against" the approval of the remuneration policy 0 or 0.00%

**Joint Stock Company "VEF"  
Remuneration policy for the Management Board and Supervisory Council**

1. The remuneration policy (hereinafter - the Policy) for the Management Board and Supervisory Council of the Joint Stock Company "VEF", unified registration number 40003034935 (hereinafter - VEF), has been drafted with the purpose of compliance with Chapter III<sup>1</sup> of the Law on the Financial Instruments Market, implementing in the Republic of Latvia the Directive (EU) 2017/828 of the European Parliament and of the Council (of 17 May 2017), amending Directive 2007/36/EC regarding promoting the engagement of shareholders in long-term.
2. The objective of the Policy is to define the core principles of the Remuneration that should be applied to the members of the Management Board and Supervisory Council of VEF, with an aim to enhance the growth of VEF in long-term and have due regard to the interests of all stakeholders.
3. The Management Board of VEF, through consultation with the Supervisory Council, shall draft a Remuneration Policy and submit it to the meeting of shareholders for approval at least once in a four-year period. In case there are any amendments to the Remuneration Policy, they require an approval by the meeting of shareholders; the approval of amendments is treated as approval of the Remuneration Policy in a new wording.
4. VEF does not have a Remuneration Committee in place. According to the Commercial Law, it is the meeting of shareholders that decides on remuneration to the Supervisory Council, while remuneration to the Management Board is determined by the Supervisory Council according to the Policy. The decision taking about determining the remuneration is arranged in a way that prevents conflict of interest.
5. Remuneration to the Management Board and Supervisory Council consists of:
  - 1) fixed part of the remuneration;
  - 2) variable part of the remuneration.
6. If a member of the Management Board or Supervisory Council has positions in several companies of VEF Group, the remuneration is added up and disclosed together.
7. Remuneration to members of Supervisory Council is set by the Shareholders meeting by approving the total remuneration fund for the Supervisory Council and its breakdown into the fixed and variable part. Remuneration fund for the Supervisory Council shall be determined and related to the fulfilment of VEF strategic goals, long-term interests, as well as the budget and reaching its both short-term and long-term budgetary targets. The distribution of the Supervisory Council remuneration fund between the members of the Supervisory Council is decided by the Supervisory Council according to the Policy. Supervisory Council members who simultaneously are also the employees of VEF are entitled to receive also salary besides the remuneration as the Supervisory Council members.
8. Remuneration to the members of the Management Board is determined by the Supervisory Council. Remuneration fund for the Management Board shall be determined and related to the

fulfilment of the strategic goals of VEF, its long-term interests, as well as the budget and reaching the budgetary targets both in short-term and long-term.

9. The fixed part of the remuneration is determined taking into consideration the professional experience, organisational responsibility, length of service, education, personal contribution, complexity of duties and level of responsibility. The fixed part of remuneration may include monthly salary, health insurance, contributions to private pension funds, company car, mobile telephone, free job-related accommodation.
10. The variable part of the remuneration depends on the performance of VEF and is related to the fulfilment of short-term and long-term goals. The variable part of the remuneration is paid taking into account the overall financial situation in VEF, and it is based on the performance of the particular member of the Management Board or Supervisory Council. The variable part of the remuneration includes cash bonus and may be higher than the fixed part of the remuneration.
11. Remuneration to Management Board and Supervisory Council may not be in the form of stock-related or early retirement schemes.
12. When setting remuneration to the Management Board and Supervisory Council, the compensation to employees of VEF and employment conditions should be taken into consideration. Remuneration to the Management Board and Supervisory Council should be fair and granted for actual fulfilment of measurable criteria in high quality, to be evaluated for each single member of the Management Board and Supervisory Council.
13. The variable part of the remuneration has to reflect the performance of VEF as well as the personal contribution of the members of the Management Board and Supervisory Council in VEF business operations.
14. The performance of VEF, according to quarterly and yearly results, is demonstrated by the following indicators:
  - 1) financial indicators (sales, EBITDA, net profit etc.);
  - 2) output (in units, volume etc.);
  - 3) implementation of business plans (both in long-term and short-term);
  - 4) monitoring, analysis, management and minimizing of risks.
15. Personal input of the members of the Management Board and Supervisory Council is evidenced by:
  - 1) actual scope of responsibilities, workload and time invested;
  - 2) professionalism and competence;
  - 3) involvement and pro-activity in the decision-taking process,
  - 4) management and/or supervision of specified projects and/or lines of operation, and their success and efficiency;
  - 5) level of responsibility;
  - 6) engagement in the implementation of goals and involvement in tasks towards their fulfilment.
16. It is only the variable part of the remuneration which shall be subject to the evaluation of performance of VEF and personal contribution of the members of the Management Board and the Supervisory Council. The variable part of the remuneration is based on the evaluation of an individual's performance in combination with overall performance of VEF. The variable part of the remuneration shall not be granted more frequently than once per quarter depending on the quarterly and annual results. The variable part of the contribution may not be reclaimed or suspended.
17. According to the Articles of Association of VEF, the term of office both for Management Board and Supervisory Council is 3 (three) years. A member of the Management Board may be revoked with a Supervisory Council's decision. A member of the Management Board may be revoked provided there is an important reason. In any event, an important reason shall be a gross

exceeding of one's powers, non-performance or undue performance of the duties, inability to manage VEF, damage caused to the interests of VEF, as well as a motion of censure by the meeting of shareholders. A member of the Supervisory Council may be revoked any time with a decision of the meeting of shareholders.

18. The Management Board of VEF shall draft a clear and understandable annual report on remuneration granted to or paid out during the past financial year, or to which each present and former member of the Management Board or Supervisory Council is entitled to for the past financial year (hereinafter - the Remuneration Report). The Remuneration Report shall comprise information allowing to identify each member of the Management Board or Supervisory Council (at least name, surname and position), as well as the following information on the remuneration to each member of the Management Board and Supervisory Council:

- 1) total remuneration in a breakdown by parts of remuneration, and the percentage of the fixed and variable parts;
- 2) an explanation as to the compliance of total remuneration with the remuneration policy, how this has promoted the long-term performance of VEF, and how the criteria of performance indicators of VEF have been applied when determining the remuneration;
- 3) changes in the period of the last five financial years, allowing comparison, in respect of the remuneration to the Management Board and Supervisory Council, overall performance of VEF, as well as average remuneration of a VEF equivalent employees working full-time (excluding members of the Management Board and Supervisory Council);
- 4) remuneration received from another VEF Group company within the meaning of the law On the Annual Financial Statements and Consolidated Financial Statements;
- 5) applied temporary derogations, including the description of the nature of the exceptional case and a reference to the specified parts of the remuneration policy to which temporary derogations have been applied.

If any of the aforementioned requirements has not been applied or is not relevant, it should be explicitly stated in the Remuneration Report.

19. The Remuneration Report shall not disclose personal information on the members of the Management Board and the Supervisory Council in the meaning of Article 9, Paragraph 1 of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), nor information related to the family status of members of the Management Board and Supervisory Council. In this case, the Remuneration Report shall disclose the parts of the remuneration related to the family status by specifying the remuneration amount only, without disclosing the grounds for its granting.

20. The Management Board of VEF shall draft the Remuneration Report as a separate part of the annual financial statement and shall submit it to the meeting of shareholders, to be reviewed together with all other constituent parts of the annual financial statement. In the Remuneration Report, the Management Board shall offer its explanation how the voting of the meeting of shareholders and the opinions of shareholders of the previous Remuneration Report have been taken into account.

21. The Management Board of VEF shall ensure that the Remuneration Report be posted on the central storage of regulated information and internet home page of "Nasdaq Riga" after the meeting of shareholders. Considering relatively small size of the company, VEF has not created the company's website.

22. In an exceptional case, VEF may apply a temporary derogation from the Policy. An exceptional case is limited to ensuring long-term interests, sustainability or solvency of VEF.