



## Remuneration and Compensation Policy of AS CleanR Grupa

### 1. GENERAL INFORMATION

The aim of the Remuneration and Compensation Policy of AS CleanR Grupa (hereinafter the Policy) is to promote the implementation of the strategy, sustainability, transparent use of funds, as well as retain, attract, and develop professional and talented employees and board members at the AS CleanR Grupa companies (hereinafter the Group or Group Company/ies).

The Policy applies to AS CleanR Grupa and the Group Companies where AS CleanR Grupa or its subsidiary companies exercise full control.

At the Group Companies where AS CleanR Grupa exercises majority control yet holds less than 100% of the share capital, the application of the Policy is decided by the shareholders' meeting.

The Policy is underpinned by the principle "compensated for the work done", entailing clear aims and objectives, the necessary competence, fixed areas of responsibility, and fair pay. Upon deciding on the employee remuneration or board member compensation, the Group applies the following principles:

1. Remuneration is commensurate with an employee, board or council member's responsibility, performance, and individual contribution; the total remuneration reflects the achieved results.
2. Remuneration or compensation is commensurate with the terms of the employment or authorization relationship.
3. Equal remuneration or compensation for equal work.
4. Remuneration or compensation allows attracting the necessary employees.
5. Remuneration or compensation structure is well-balanced and prevents excessive risk-taking.

The Group Companies promote diversity and prevent pay discrimination based on an employee's ethnicity, age, gender, disability, sexual orientation, religious beliefs, political views, marital status, social origin, and similar aspects. Further information on the principles promoting an equal and inclusive work environment may be found in the Sustainability Report available at [www.cleanrgrupa.lv](http://www.cleanrgrupa.lv).

### 2. Employee remuneration

An employee's total remuneration depends on the job held, level of responsibility, competences and experience, education and certificates, if necessary, market conditions, the company's capabilities, and individual performance.

Employee remuneration comprises financial and non-financial incentives, which differ depending on the job post and level of responsibility.

All employees receive:

1. Monthly guaranteed income: monthly salary, pay at time or piece rate.
2. Supplements based on internal and external normative acts.
3. Health and accident insurance commensurate with the associated risks and in compliance with internal rules.
4. Fringe benefits promoting employee well-being.

In certain job posts, considering the specifics of the job and level of responsibility, employees may receive:

1. A company car or compensation for using their own car, paid fuel, company phone or compensation for the use of mobile phone services, as well as compensation for the use of other resources necessary for the job.
2. Short-term incentives—variable remuneration or bonus for the work done/level achieved and/or quality delivered.
3. Possibility for flextime or remote work for certain job posts (mainly administrative staff).
4. Long-term incentives—employee share option scheme (mainly board members and group function managers).



Salary is the guaranteed monthly part of an employee's remuneration. **The monthly salary** is determined, based on the position held, professional experience, level of responsibility, and is calculated for a month, according to the actual time worked. The guaranteed monthly salary is not lower than that determined by the state. In certain jobs, employees receive **time-based pay**, calculated according to the time spent at work, irrespective of the amount of work done. In certain jobs, employees receive **piece-based pay**, calculated according to the amount of work done, irrespective of the time spent at work. Piece-based pay may be applied to employees whose remuneration directly depends on the amount of work done.

**Bonuses** for the amount of work and/or quality done/achieved are the variable part of the remuneration. The bonuses share of the total remuneration is determined, depending on the nature of an employee's job or their ability to affect the company's results, and may constitute between 10% to 30% of the total remuneration. The guaranteed and variable part of remuneration must be proportionate and should not cause any additional risks in case an employee does not receive a bonus due to unmet goals. The quarterly and annual bonuses linked to the financial and non-financial (quantitative and qualitative) goals are set according to the annual goals and budget of the Group and/or a Group Company. The annual and quarterly goals are drafted by the heads of business units in cooperation with the Group's Management Board and approved by the Goals Committee.

The achievement of goals is as important as the way in which they are achieved. A detailed procedure for bonus setting and allocation is prescribed in the bonus regulation of the Group or a Group Company. One-off bonuses for special achievements are coordinated with the Group's Human Resources and Administrative Director.

**Supplements** are determined and calculated according to the Labor Law, working regulations, and other internal normative documents. One-off supplements for additional work or special achievements are coordinated with the Group's Human Resources and Administrative Director.

**Health insurance** policies are given to employees, board and council members according to the set procedure. **Accident insurance** is ensured to all employees, board and council members from the first working day.

**Fringe benefits** to promote employee well-being are awarded according to the set procedure by the Group and in line with the financial capabilities of the Group and a Group Company.

### 3. BOARD MEMBERS' COMPENSATION

The **compensation** for board members is determined by the Group's Council. Board members receive compensation, which includes a variable part, and other fringe benefits. A board member's term of office is prescribed in the Contract of Authorization.

A board member's **size of compensation** depends on:

1. Their education, professional skills and competences, work duties, as well as the level of responsibility when taking decisions and organizing processes.
2. Market conditions.
3. The financial standing of the Group and the respective Group Company.

Board members are provided with a short-term incentive—variable pay or **annual bonus**. The size of the annual bonus is set in the Contract of Authorization. The size of the bonus depends on the achievement of the common and individual goals set by the Council for the Board and its members.

Long-term incentives—participation in the **employee share option** scheme—is available for the board members who have worked for the Group for at least a year. The size of the allocated employee share options is determined by the Group's shareholders, considering a board member's performance, area and level of responsibility.

### 4. GOALS COMMITTEE

The key aim of the Goals Committee is to oversee the setting and cancelation of the quarterly and annual goals of the Group, a Group Company, and Level 1 (directly subjected to the Board) and Level 2 (directly



subjected to Level 1 business unit heads) business unit heads according to the budget, investment plans, and current business strategy approved by the Group Council.

The Goals Committee includes members of the Group Board and heads of the functions overseeing the following Group functions:

1. Business strategy
2. Investment and innovation
3. Production
4. Finance
5. Human resources management

One Goals Committee member may oversee no more than two areas.

The Goals Committee makes sure that the goals set for the heads of business units are well-balanced and non-conflicting; they may include:

1. Common goals of a Group Company.
2. Financial goals directly dependent on the employee.
3. Non-financial goals directly dependent on the employee.
4. Sustainability goals of the Group and/or a Group Company.
5. Individual goals of the head of business units.

The Goals Committee is convened at least 3 times a year to:

1. Set goals (December/January).
2. Review a goals report according to the first quarter forecast (May/June).
3. Assess the achievement of annual goals (April/May).

In case of significant market fluctuations or emergencies which directly affect the performance of the Group or a Group Company, a board member of a Group Company initiates convocation of the Goals Committee. An extraordinary review of the goals report may be initiated by the Head of Internal Audit in cases when new business risks are identified, which may be mitigated by goal alteration.

## **5. ANALYSIS AND REVIEW OF REMUNERATION AND COMPENSATION**

An analysis and review of employee remuneration for all job posts is carried out at least once a year with the aim to assess the competitiveness of Group Companies in the labor market, as well as the implementation of the equality and integrity (proportionality) principles. The Group's human resources specialists oversee the daily enforcement of the employee remuneration principles.

To follow market trends, as well as to maintain a competitive and motivating remuneration model, the Group's Human Resources and Administrative Director submits data for participation in a salary survey. The salary survey findings are used to plan human resources costs for the following periods.

## **6. EXCEPTIONS TO REMUNERATION AND/OR COMPENSATION SETTING**

Remuneration and its variable part, if set, for internal auditors, as well as other remuneration components, are set by the Group Council.

## **7. POLICY SUPERVISION AND UPDATE**

The Policy is approved by the Group Council.

The supervision of the implementation of the Policy is carried out by the Goals Committee, the Group's Human Resources and Administrative Director, and Internal Audit.

The Group Board and Council decide on the compensation for the board members of Group Companies according to this Policy.

The Group Board ensures Policy update as necessary but no less than once in 2 years.