

AGREED

in the regular meeting of shareholders
of JSC „Ditton pievadķēžu rūpnīca”
dated 31.05.2011 (protocol Nr. __)

in the Council meeting of JSC
„Ditton pievadķēžu rūpnīca” dated
06.05.2011, protocol No.148

APPROVED

in the meeting of the Management
Board of JSC AS „Ditton
pievadķēžu rūpnīca” dated
29.04.2011, protocol No. 04/2011

REMUNERATION POLICY OF THE COUNCIL AND MANAGEMENT BOARD MEMBERS

Adopted on the basis of:

- 1) The Commercial Law;*
- 2) Labour Law;*
- 3) The Civil Law;*
- 4) Articles of the JSC „Ditton
pievadķēžu rūpnīca”;*
- 5) Corporate Governance Principles of
„NASDAQ OMX Riga”;*

§ 1

Principles of remuneration policy of the Council and Management Board members

I When forming a remuneration policy of the Council and Management Board members (hereinafter – remuneration policy), the JSC “Ditton pievadķēžu rūpnīca” (hereinafter – the company) shall be guided by following principles and criteria, which are accepted as a basis for forming of the remuneration for the Council and the Management Board members:

1.1. Remuneration of the Council and Management Board members is a form of pay for their work in connection with their direct participation in the management of the company.

1.2. Based on the above this pay should be a fair remuneration for a real and qualitative performance of duties, and therefore it should depend on actual performance of the company and one’s own results.

1.3. Such real indices of the company’s performance in general and indices of personal investment of the Council and Management Board members into the company’s performance can be:

- a) indices of the company’s performance in general:
 - financial performance of the company on the basis of quarterly and annual results;
 - positive dynamics of the company’s development;
 - implementation of business plans adopted by the company both in the part of long-term planning and in the part of short-term planning and specific projects;

- fulfilment of economic, budget and production forecasts;
- development of relations of productive forces and production, including in the part of production quality, labour productivity, fulfilment of planned profitability, resources and material saving, renovation of production park etc.;
- ensuring of promotion of the company's production to existing and new market segments; development of consumers and suppliers network, reducing of reclamations level; introduction of new types of products;
- control, analyses, management and minimization of risks of financial-production activity, concluded business transactions and contracts, financial settlements with partners, supplies etc.;
- investment activity by attracting investors of all forms and opportunities for realization of the company's projects;
- performance of the company's goals and mission in accordance with its tasks, Articles, opportunities and shareholders' decisions;

b) personal investment:

- actual scope of responsibilities, work load and performance time in the interests of the company;
- professionalism and competence of the Council and Management Board members;
- participation in decision-making of the Council and Management Board, managing and/or monitoring of specific projects and/or directions, their success and effectiveness;
- level of responsibility for the company's activity and decisions taken;
- level of integration into common projects, goals, tasks, missions of the company, including into management of financial-business activity and relevant risks; management of spheres of personnel, labour and environment protection, security; ensuring of legal protection of the company; ensuring of certification (ISO) of the products and production etc..

1.4. Besides the above mentioned characteristics there are external factors taken into account which affect determination and changes of remuneration of the Council and Management Board members, which can include following:

- laws, Cabinet Regulations of the Republic of Latvia and other statutory acts, which determine legal conditions and restrictions in respect of appropriate procedures;
- actual situation in Latvian labour market, relation of demand and supply of labour recourses and market value resulting from it.

In the conditions of existing financial instruments market the company does not see a relationship between the actual performance of the company and indices of personal investment of the Council and Management Board members into the company's performance on one hand and capitalization of the company (level of stock quotation) on the other hand. Up to changes of the current situation the company sees no objective need to take into account quotation of the company's financial instruments as a criterion for evaluating of the performance of the Council and Management Board members in the procedure of formation of their remuneration.

II The company provides implementation of the remuneration policy on the basis of hierarchy of legal force of legal acts defined in theory and practise, and by statutory acts of the Republic of Latvia as well (Law on Procedures for the Promulgation, Publishing, Coming into Force and Validity of Laws and Other Acts Adopted by the Saeima, State President and Cabinet of Ministers). This allows applying the remuneration policy in strict accordance with legal acts, as well as to resolve contradictions between procedures and/or statutory acts with different legal force and statutory acts with equal legal force.

In the practise such applying of the remuneration policy also means that the Council and Management Board members:

a) are entitled to choose the form of contract with the company (labour contract or another civil contract), or to work and receive remuneration without a written contract with the company (the Council members), or to withdraw from remuneration at all;

b) are entitled to legal protection, which is ensured by relevant legal norms (Labour Law, The Commercial Law, The Civil Law), including in the part of amendments of the contract, remuneration amount etc..

Civil-law relations with the Council and Management Board members shall be established for the period of performing their duties in accordance with the Paragraphs 296, 305 of the Commercial Law and Paragraph 44 of Labour Law. If the Council and Management Board members are re-elected, these relations shall be deemed as prolonged reflecting this in personal contracts or agreements, if any.

III Remuneration policy of the Council and Management Board members stipulates the remuneration only in cash form. Other forms of remuneration of the Council and Management Board members, including financial instruments options, provisions of material and other benefits, are not provided.

Remuneration policy of the Council and Management Board members does not include the company's commitment to pay any compensations related to termination or suspension of fulfilment of their duties, except for compensations which are provided by conditions of civil-law relations established with the Council and Management Board members, if any, or by statutory acts of the Republic of Latvia.

By payment of the cash remuneration to the Council and Management Board members the company is required to make the necessary tax payments and deductions, as well as to fulfil other procedural duties related to their documentation in accordance with the statutory acts of the Republic of Latvia and European Union.

IV The company forms a fixed and variable part of the wage bill for all employees, and it includes also the remuneration of the Council and Management Board members.

The fixed part of the wage bill is formed on the basis of remuneration amounts of the employees of the company determined in the labour contracts or other civil-law relations, as well as on the basis of work remuneration for employees with piece-work pay and whose remuneration depends on the amount of work done.

The variable part of the wage bill is formed on the basis of order of the Management Board according to the company's actual economic and financial situation, results achieved by the company, performance of the budget and production forecasts and other indicators related to this.

The company has no commitments to the employees, the Council and Management Board members related to formation and payment of the variable part of the wage bill, and it uses the variable part of the wage bill as a bonus and incentives for persons participating in the activity of the company to perform their duties properly, improve rates of their personal contribution, fulfil the expected financial and production figures in general and one's personal plans.

Remuneration policy provides that remuneration of the Council and Management Board members should be linked to the company's key figures in general and should conform with dynamics of remuneration pay of all employees of the company.

§ 2

Organization of remuneration policy of the Council members

The meeting of shareholders shall determine the remuneration for the Council members in accordance with the paragraph 300 of the Commercial Law.

The remuneration of the Council members depends on the total amount of remuneration in the company (the fixed part of the wage bill plus the variable part), and as its rate in a current month there is a definition “the average salary” in the company accepted.

According to the shareholders’ decision the remuneration of the Council members amounts to:

- Chairman of the Council – in the amount of _____ average salaries;
- Deputy Chairman of the Council – in the amount of _____ average salaries;
- Member of the Council – in the amount of _____ average salaries.

Given amount of the remuneration of the Council members shall be valid until its amendment by the shareholders’ decision, including, for important reasons such as improper fulfillment of duties, violation of powers, causing damage or harm to the company’s interests, etc..

§ 3

Organization of remuneration policy of the Management Board members

The amount of remuneration for the Management Board members shall be determined by the Council in accordance with the paragraph 308 of the Commercial Law. The Council determines by its decision the fixed part of the remuneration of Management Board members, by indicating it in a labour contract or another civil-law agreement with each member of the Management Board.

The variable part of the remuneration fund of the Management Board members shall be applied simultaneously with payment of this part of the remuneration to all employees of the company and is calculated at the same percentage related to the basic fixed amount of remuneration like for other employees of the company.

Upon decision of the Management Board or at the Council’s request the Management Board member can be deprived fully or partially of the variable part of the remuneration fund for important reasons such as improper fulfillment of duties, violation of powers, causing damage or harm to the company’s interests, etc..

§ 4

Final provisions

Each of the Council and Management Board members are required to get acquainted with the remuneration policy prior to issuing a written consent to the company to hold office in the Council or the Management Board.

Remuneration policy is a significant part in legal relationship established by the company with the Council and Management Board members on the basis of labor contracts and other civil-law relationship.

Information on the remuneration policy is available:

- on the web-site of the company www.dpr.lv in the internet;
- in the report on principles of corporate governance applied by the company which is attached to the annual report of the company;
- in the annual report of the company.

In the company's annual report there is separately the amount specified, which according to the remuneration policy has been paid during the year as remuneration to the Council and Management Board. Remuneration of the Council and Management Board members in the reporting year shall be disclosed only on the basis of his or her written consent pursuant to Personal Data Protection Law.

§ 5

Formalities of the Remuneration policy

Remuneration policy of the Council and Management Board members comes into force from 1 June 2011 and is effective till its cancellation.

Remuneration policy of the Council and Management Board members of JSC „Ditton pievadkēžu rūpnīca” is adopted and approved in the meeting of the Management Board dated 29.04.2011 (Protocol No.04/2011).

