

DECLARATION

On objectives and mission of the activity and development of JSC “Ditton pievadķēžu rūpnīca” and evaluation of these processes

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§ 1 Preamble of the Declaration

An important aspect in the development of any capital company is development programs and forecasts, which are adopted by the company for the nearest perspective, as well as strategic targets.

This Declaration, adopted by a collective decision of the shareholders, is the form how the shareholders of the company participate in formation of program objectives and mission of the Joint-stock company for administrative institutions– the Council and the Management Board of JSC „Ditton pievadķēžu rūpnīca”, and initiate their fulfilment in the Joint-stock company.

When carrying out development program objectives and implementing the operational management of the Joint-stock company, the Council and the Management Board of JSC „Ditton pievadķēžu rūpnīca” have to take into account the shareholders’ decisions set out in the Declaration by forming programs and current administrative documents of the Joint-stock company, including budgeted forecast, business plans, investment plans, plans of modernization and correction of types of activities and analogous administrative documents.

At the same time the shareholders consider necessary, reasonable and legal disclosing, regulation and systematization of the procedures related to formation and assessment of implementation of program objectives and mission of JSC „Ditton pievadķēžu rūpnīca”.

§ 2 Objectives and mission of the activity and development of JSC „Ditton pievadķēžu rūpnīca”

In accordance with principles of commercial law, the main objective and mission of JSC „Ditton pievadķēžu rūpnīca” as any capital company is a commercial (economic) activity with the aim to make a profit.

The main objective and mission of JSC „Ditton pievadķēžu rūpnīca” has to be achieved on the basis of a system (complex) of complementary goals and priorities of the Joint-stock company for the nearest and long-term outlooks, following the principles of good faith, constructivism and correctness on the market, as well as by forming a highly skilled, socially protected and well motivated team of employees.

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§ 3 Principles of organization of the objectives and priorities system of JSC „Ditton pievadķēžu rūpnīca”

The system of goals and priorities of JSC „Ditton pievadķēžu rūpnīca” has to be focused on achieving the result.

The system of objectives and priorities can not be a fixed dogma and it has to be adjusted, taking into account internal and external conditions, if its implementation is inefficient or with low efficiency, requires inadequate investments, or it is not possible to assess its effectiveness or risks.

Some objectives or priorities adopted within the framework of the system may become irrelevant due to the same circumstances, preserving the validity of the system in its rest part.

§ 4 General decisions of shareholders’ programs, which are included in JSC „Ditton pievadķēžu rūpnīca” objectives and mission system

The shareholders formulate the following set of program decisions which are recommended to the Council and the Management Board for inclusion in prospective and current administrative documents:

In the sphere of production:

Priority objectives: – organization of environmentally friendly production processes; reconstruction and arrangement of production, facilities and process according to principles of good manufacturing practices and other international standards; modernization of technological processes with the aim to improve product quality, production efficiency and work safety.

In the sphere of product and marketing development:

Priority objectives: – optimization of offered products and orders “portfolio”; work on product quality; promotion of products and services to new markets; maintenance of a quality management system and certification (ISO); protection and active promotion of the trade mark; development of other company’s activities.

In the sphere of social policy:

Priority objectives: – team of highly skilled, socially protected and motivated employees; remuneration complying with the employee’s role and participation degree in the Joint-stock

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company; ensuring of social guarantees and improvement of work safety; training and stimulation of professional growth; partnership with labour unions.

In the sphere of environmental protection:

Priority objectives: – ethical attitude to the environment; systemic activity at mitigation of a negative influence of production process on environment.

In the sphere of investor’s relations:

Priority objectives: – ongoing work on increasing of the company’s value through implementing programs of efficiency, innovative projects, cooperation program; attracting investments; growth of intellectual capital of the Joint-stock company; implementing of transparency and awareness programs in accordance with laws of the Republic of Latvia and European Union, rules of JSC „NASDAQ OMX Riga” (Riga Stock Exchange) by using special and own electronic information websites;.

In the sphere of partnership:

Priority objectives: – honest and constructive cooperation; settlement of disputes and controversies by means of agreements and compromises; respect for and acceptance of partners’ opinions and interests.

In the sphere of organization and strategy of development:

Priority objectives: – achievement of goals and results formulated in this Declaration wherefore the Joint-stock company is entitled – to change and update its structures, to participate in associated companies; to establish joint manufacturing and innovation programs; to alienate, lease, acquire manufacturing capabilities (personnel); to establish common programs of application of an intellectual capital and the trade mark; to use the property (buildings, engineering networks and communications, areas) and the staff for organization of third-parties’ production, including the possibility of establishing a business park; to update and change the structure of types of activities of the Joint-stock company.

In cases specified in legislation of the Republic of Latvia and European Union prior to implementation of program decisions described above and/or their including into the business plan of the Joint-stock company to be implemented, the Management Board and the Council are obliged to comply with all formalities of their precedent recording.

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Also such objectives and priorities of the joint-stock company shall be considered as relevant to the Declaration and the shareholders’ program decisions, which are not directly specified in program decisions, but which do not contradict the context of the recital and/or complies with it.

§ 5 Authorities in organization of objectives and priorities of JSC „Ditton pievadķēžu rūpnīca” and their subsequent implementation

Organization and implementation of the system of objectives and priorities of the joint-stock company in the form of programs and forecasts for near-term outlooks (1-3 years) or business programs of strategic development (5 years and more) shall be carried out by the Management Board in accordance with the Commercial Law and the Articles of the Joint-stock company.

By exercising its powers, the Management Board is entitled to take necessary decisions, to exercise representation and establish contractual obligations, limiting itself only to their competence and the shareholders’ decisions, including this Declaration.

In cases specified in legislation and Articles of the JSC „Ditton pievadķēžu rūpnīca” the Management Board shall require the consent of the Council. Both collegial administrative bodies of JSC „Ditton pievadķēžu rūpnīca” are entitled, if they consider some decisions essential for the interests of the company, shareholders and investors, to include them into the agenda of the ordinary or extraordinary shareholders’ meeting to be convened.

§ 6 Principles of performance evaluation of JSC „Ditton pievadķēžu rūpnīca”

Efficiency of the mission and objectives of JSC „Ditton pievadķēžu rūpnīca” is determined by the final results. This assessment includes evaluation of the system of objectives and priorities of JSC „Ditton pievadķēžu rūpnīca” created by the Management Board, as well as current assessment of the activity of collegial administrative bodies of JSC „Ditton pievadķēžu rūpnīca” – the Council and the Management Board.

Assessment shall be formed by the meeting of shareholders on the basis of their decision (voting) taken democratically.

The shareholders consider that a fair and constructive position of the shareholder who raises objections or rejections against the assessment of the company’s Management Board and the Council or statements, should be based on alternative calculations or expert estimations.

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Without aforementioned the shareholders' meeting shall not consider them as alternatives to the projects or assessment of the Management Board/Council, but shall take into account the shareholder's position in the vote.

The shareholders and collegial administrative bodies of JSC „Ditton pievadķēžu rūpnīca” (the Management Board and the Council) respect, take note of and use constructive reasonable proposals of all shareholders, who appose to the collective assessment of implementation of the mission and objectives of JSC „Ditton pievadķēžu rūpnīca” in the reporting periods in whole or in part, but believe that the view of these shareholders does not reflect the collective position of the shareholders and the Joint-stock company, as well as does not determine goals, mission, interests of JSC „Ditton pievadķēžu rūpnīca”.

§ 7 On prohibition to influence members of the Council and the Management Board of JSC „Ditton pievadķēžu rūpnīca”

Shareholders accept that forming of the system of objectives, priorities and mission of the company is an essential event in the part related to their participation in the administration of the company, taking decisions binding for the Council and the Management Board, as well as evaluation of their performance, and among the shareholders there may be differences in these positions.

Shareholders believe that a fair practice is settlement of these disputes at the shareholders' meetings, respecting and accepting the majority opinion. Shareholders consider illegal and unfair practice in this case exercising impact on the Council and the Management Board members to take decisions which do not comply or contradict the decisions taken at the shareholders' meetings. The shareholders' meeting recognize such decisions of the Council and the Management Board meeting of shareholders as incompatible with the interests of the Joint-stock company and its shareholders. The shareholders shall also consider that such influence is contrary to independence principles of the Council and the Management Board members, which are stated in the Corporate Governance Principles of JSC „NASDAQ OMX Riga”.

§ 8 Rules of performance evaluation of JSC „Ditton pievadķēžu rūpnīca”

According to the principles of § 6 of this Declaration an incontestable and essential characteristic of efficiency of mission and objectives of JSC „Ditton pievadķēžu rūpnīca” is gaining of a balance profit at the end of a financial year.

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JSC „Ditton pievadķēžu rūpnīca” is integrated into a global economy. Any negative processes in the global economy, as demonstrated by the systemic crisis and the recession in years 2009 to 2010, shall immediately show their impact on the situation in the company. In this part, potential negative effects in the activity of the company do not always depend solely on the Council and the Management Board of the company, but the company's loss at the end of the financial year is not automatically a sign of the Council and the Management Board's activities to the prejudice of interests of the company, its goals and mission.

Commercial activity of JSC „Ditton pievadķēžu rūpnīca” is taking place in the regions of European Union, Russian Federation, CIS countries and East South Asia. This fact diversifies and reduces overall business risks of the joint-stock company, but increases the opportunity of an impact of certain regional economic crisis, the embargo, and other negative circumstances.

In view of the aforesaid and the fact that global and regional economic crises are characterized by a strong periodic recurrence, as well as the fact that the world economy is still unstable and there is a possibility that the crisis phenomena shall recur in the near future, shareholders consider rational to make evaluation of JSC „Ditton pievadķēžu rūpnīca” performance in these periods by application of the priorities' system, including such criteria as: retention of intellectual, production, resource potential of the company; settlement and localisation of processes that can lead to potential liquidation or bankruptcy of the company; retention of communication with partners; modernisation of production and other processes and retention of a professional staff; development of other types of activities and services and similar processes.

§ 9 Confidentiality

This Declaration is publicly available and is published on the website of JSC „Ditton pievadķēžu rūpnīca” www.dpr.lv.

Level of confidentiality of the adopted programs mentioned in § 4 of Declaration and administration documents, as well as the degree of their accessibility to the shareholders are determined by law and Regulations on Commercial Secrets of JSC „Ditton pievadķēžu rūpnīca”.

§ 10 Validity of Declaration

This declaration is in force from the moment of its approval at the shareholders' meeting.

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The Declarations can be supplemented or amended, as well as cancelled in the shareholders’ meeting.

Decisions adopted by the shareholders at the shareholders’ meeting, which amended or otherwise concern this Declaration, become its appendixes and constituent.

§ 11 Appendixes of Declarations

Appendix A. On implementation of program objectives of JSC „Ditton pievadķēžu rūpnīca” in years 2009 to 2010.

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Appendix A. On implementation of program objectives of JSC „Ditton pievadķēžu rūpnīca” in years 2009 to 2010.

The shareholders take note that all previous goals of the company for the period of systemic global crisis have been formulated in the decisions of the extraordinary meeting of shareholders of JSC „Ditton pievadķēžu rūpnīca” on 9 January 2009.

The shareholders consider the activity of the Council and the Management Board in circumstances of the systemic global crisis to be appropriate to the interests of the company and challenges of the global market, but their decisions to be reasonable, adequate and appropriate to the interests of the company.

The shareholders believe that this assessment applies to the totality of all decisions and activities of the Council and Management Board. The results of the company’s performance demonstrated at the end of 2010 and in 2011 show not only the preservation of the company itself in the circumstances of the global crisis as a result of this decision, but also growth prospects of the company’s indices in the post-crisis period. All decisions of the Council and Management Board have been applied in a complex manner and have internal correlations, therefore division of the results and process to individual projects, contracts, decisions of the Council and Management Board shall be unreasonable, improper and unethical in relation to meeting the key objectives of the company, which have been set by the shareholders of the company.

The shareholders consider previous program objectives of JSC „Ditton pievadķēžu rūpnīca” to be achieved, and taking into account changes of the global economy, as well due to adoption of the renewed Declaration on the objectives and mission of the company’s activity and development the shareholders recognize the decisions from 9 January 2009 to be irrelevant.