

## Remuneration policy for the Management Board Members of the company ILIRIJA d.d.

### 1 Determination of the principles of the Remuneration Policy

The remuneration policy sets out the principles for the remuneration of the President of the Management Board as the sole member of the Management Board of ILIRIJA d.d. ("The Company"), where the remuneration policy is in accordance with Article 247.a of the Companies' Act ("CA") adopted according to the Supervisory Board's decision as of 28. April 2020 ("Remuneration Policy"). The remuneration policy will be applied after it has been approved by the General Assembly of the Company in accordance with Article 276.a, paragraph 1 of the Companies' Act.

The General Assembly of the Company decides at least once every four years whether to approve the Remuneration Policy submitted to it by the Supervisory Board.

### 2 Setting a goal

The remuneration policy should ensure that the total remuneration of the President of the Management Board is adequate to the position of the Company and to the remuneration in comparative companies, is stimulating for the behavior for the purpose of sustainable development of the Company, and that it promotes the business strategy and long-term development and interest of the Company.

The remuneration thus corresponds to the overall responsibility of the Management Board related to the tasks and responsibilities of the President of the Management Board. Furthermore, the length of employment service, taking over the duty of the sole member of the Management Board, that is, of the President of the Management Board, are relevant.

The remuneration policy is the stimulation for the President of the Management Board to actively develop and follow the Company's strategy, to permanently ensure the long-term sustainable development of the Company and to avoid disproportionate risks, and to successfully and ethically implement the Company's strategy. When establishing specific performance criteria, care should be taken to avoid excessive risk appetite and excessive orientation to short-term gains. At the same time, ambitious goals should be identified that are an incentive for achieving extraordinary results. The main concern is the long-term economic growth and development of the Company, as well as maintaining the long-term economic viability and stability of the Company, maintaining a stable financial position, long-term assets and capital of the Company, as well as business activities, taking into account both regular business operations and business operations in special and extraordinary circumstances.

The implementation of the Company's business plans also affects the determination and accomplishment of goals both regarding the financial and non-financial (individual) performance criteria. In the both cases, we should attend to the long-term development of the Company.

### 3 Portions of remuneration

The Management Board President's remuneration consists of the following portions:

- Fixed non-performance based portion of remuneration, and
- Variable portion of remuneration based on fulfillment of financial and non-financial annual and multi-annual performance criteria.

In determining an appropriate level of fixed and variable remuneration, the Supervisory Board primarily considers: (i) that, in accordance with legal regulations and listed securities in the regulated market, the Company has the status of a public-interest entity and the status of a large corporation, with a highly complex portfolio that includes the hotel industry, hospitality facilities, camping, nautics, travel agency and trade/real estate, (iii) that the Company shows a high level of awareness of the importance of key personnel, effectively manages the labor force and applies a fair remuneration policy, (iv) that the Management Board of the Company consists of only one member of the Management Board - the President of the Management Board, whose position incorporates all the key corporate management competencies and responsibilities, and (v) the Company is constantly investing in the improvement of products, and in the past medium-term period it achieved high rates of growth of business results and adequate rates of rise in the price of shares.

#### **4 Fixed portions of the remuneration**

Fixed portion of the remuneration consists of the basic salary and salary in kind.

##### **4.1. Basic salary**

The basic salary is paid out twelve times a year.

Various factors are taken into account in determining the basic salary: first of all, this portion of the remuneration is paid for accepting the duty of the President of the Management Board and the related overall responsibility of the President of the Management Board. In addition, the amount of such remuneration is determined taking into account the remunerations of the members of the management board that are common in the market.

In the context of this market comparison, which particularly includes other successful tourism companies whose shares are listed in the regulated market, account should be taken of the specific characteristics of the Company derived from the relevant market, as well as Company's specific indicators.

Bearing in mind these assumptions, a fixed remuneration should represent a competitive and market reward that will enable the Company to find and retain a capable President of the Management Board.

##### **4.2. Salary in kind**

A salary in kind includes the right to using a company car for private purposes.

During the term of employment, the Company will provide to the President of the Management Board an upper-middle class private car that can be used for private purposes as well. A driver may be available for driving for company purposes.

In addition to the legally compulsory insurance, the Company also concludes full coverage car insurance for this car and appropriate travel insurance for passengers.

#### **5 Variable portions of the remuneration**

##### **5.1. General**

The President of the Management Board is entitled to a variable portion of the remuneration, which depends both on the economic development of the Company and on the accomplishment of the agreed goals.



The variable portion of the remuneration ranges from 1.0% to 1.6% of realized amount of EBITDA and is limited to a maximum of 100% of the gross basic salary as an element of the fixed part of the remuneration on an annual basis, assuming that the forecasted business objectives are achieved.

#### 5.2. Determination of the goal

In order to initiate the annual process of planning the variable remuneration system on the one hand and to focus the Company on strategic goals and potentials in the medium term, the Supervisory Board determines business and financial targets for a period of five years.

#### 5.3. Methods for determining the fulfillment of the criteria

The Management Board draws up the Annual Business Plan and submits it to the Supervisory Board for adoption.

After the end of the fiscal year, the Supervisory Board reviews the achieved business results of the Company and finally determines the degree of achievement of the business goals.

Reviewing the achieved business results of the Company is performed at the meeting of the Supervisory Board at which the decision is made on approving the Company's annual financial statements in the presence of the Management Board, which provides the Supervisory Board with the Annual Report on the Company's operations along with the Annual Financial Statements.

Based on the submitted reports and in accordance with the degree of realization of the Business Plan, the Supervisory Board determines to what extent the Company's business goals and results have been achieved and decides on the payment of the variable portion of the remuneration and its sum.

#### 5.4 Payment of the variable portion of the remuneration

The variable portion of the remuneration is generally paid out once a year in accordance with the decision of the Supervisory Board. However, the Supervisory Board may decide that the variable portion of the remuneration should be paid out on a one-off basis for a maximum three previous fiscal years.

#### 5.5 Right to request the refund of the variable portion of the remuneration

The Company is entitled to request the refund of the paid variable part of the remuneration from the President of the Management Board if the variable part of the remuneration is determined and paid on the basis of obviously inaccurate information. Refund of that amount can be made in monthly amounts during a period of maximum 12 months.

5.6 The Company neither pays voluntary pension and health insurance to the President of the Management Board, nor does it have an obligation to top up the national pension insurance record, if upon termination of his contract with the Company he takes early retirement.

### **6 Term and cancellation of contract with the President of the Management Board**

#### 6.1 Term and cancellation

The term of the contract on the performance of the duties of the President of the Management Board is in principle five years. In any case, that term is linked to the term of office.

Every contractual party is entitled to terminate this Contract with a 6 months' notice period. This Contract shall be deemed terminated even if the President of the Management Board has resigned from his position, where the resignation is effective as of the date of expiry of the notice period.

Every contractual party may extraordinarily terminate the contract with immediate effect in case of an important reason to do so.

## 6.2 Consequences of the cancellation

The Company shall in the event of cancellation of this Contract due to: (i) the expiration of the term of the Contract, or (ii) in the event of the cancellation of this Contract by mutual agreement or (iii) in the case of cancellation or termination of this Contract by the Company not caused by fault of the President of the Management Board or termination of his term of office as the President of the Company's Management Board for an important reason, offer to the President of the Management Board a new contract which continuously, without interruption, establishes an employment for a fixed term for the purpose of performing activities that are appropriate to his degree of education, occupation and work experience.

In the case of (i) cancellation of the term of the Contract and the Company fails to offer a new contract to the President of the Management Board or in case this new contract is turned down by the President of the Management Board or (ii) in the case of cancellation or termination of this Contract by the Company not caused by fault of the President of the Management Board, the Company shall pay to the member of the Management Board a severance pay up to a maximum of 12 basic salaries he earned in the previous period. The stated amount is a gross severance pay and it will be reduced by all statutory taxes and payroll contributions.

## 7 Determination of remuneration in relation to the conditions of workers' remuneration

In order to ensure an adequate ratio of the Management Board President's remuneration to the remuneration of employees and working conditions in the Company, the monthly basic salary of the President of the Management Board should not exceed ten times the monthly average basic salary of the Company's employees calculated on the basis of the full-time hours of the employees working for the Company.

## 8 Procedure for the adoption, implementation and supervision of the Remuneration Policy

This Remuneration Policy was adopted by the Supervisory Board's decision of 28. April 2020. The remuneration policy will be applied after it has been approved by the General Assembly in accordance with Article 276.a, paragraph 1 of the Companies' Act.

The provisions of this Policy will not apply to relationships, rights and obligations that arose prior to the entry into force of this Remuneration Policy.

The Management Board submits to the Supervisory Board an annual report on the subject of remuneration, while the Supervisory Board may revise the Remuneration Policy if necessary and submit it for approval to the General Assembly of the Company.



The members of the Supervisory Board must report any conflict of interest and abstain from voting if necessary.

The Supervisory Board shall review the Remuneration Policy as appropriate at least once every four years, with the involvement of internal and external experts - and determines whether it should be amended. In the event that the Supervisory Board decides to amend the Remuneration Policy, after it was adopted by the Supervisory Board and takes a decision on the Remuneration Policy, it shall submit it to the General Assembly of the Company for approval.

The same applies to any early change to the Remuneration Policy.

### **9. Temporary derogation from remuneration policy**

Derogation from this Remuneration Policy is possible only in exceptional circumstances and temporarily and can only relate to its sections 4, 5 and 7. Any deviations from this Remuneration Policy should be notified to the General Assembly accompanied by an explanation of the exceptional circumstances that the deviation is based on.

Exceptional circumstances are in particular:

- Significant changes to the legal or regulatory framework,
- Modification of the basis for evaluating performance criteria that can no longer be used to determine the accomplishment of a goal,
- An unforeseen resignation or recall of a management board member for an important reason
- Significant economic upheavals or changes, that is, war, terrorist or similar events, such as a pandemic and epidemic, including the current emergency circumstances and the consequences caused by the coronavirus
- The occurrence of special circumstances that imply an event or a condition that could not have been anticipated and could not have been affected, which threatens the life and health of citizens, property of greater value, significantly damages the environment, economic activity or causes significant economic damage.

In such cases, the Supervisory Board decides whether if there is an exceptional circumstance and whether they should derogate from the Remuneration Policy in order to preserve the long-term economic viability and stability of the Company, or to preserve the stable financial position of the Company, to preserve the Company's long-term assets and capital, and the Company's business activities.

If determined so, the Supervisory Board may, to an appropriate extent, assume the Company's contractual obligations from the Management Board's member which deviate from the Remuneration Policy.

The Supervisory Board may at its discretion take Decisions on the remuneration of the Management Board for the term of extraordinary circumstances applied to derogate from this Remuneration Policy, depending on the assessment of the work of the Management Board, without being bound by the limits of remuneration (neither the minimum nor the maximum amounts of remuneration) contained in sections 4, 5 and 7 of this Remuneration Policy.

When taking its decisions, the Supervisory Board shall comply with the principle of good faith and fair dealing and the principle of equity for the benefit of the Company and its shareholders, while adequately complying with the provisions of Articles 272 and 252 of the Companies' Act in conjunction with Article 247.a, paragraph 2 of the Companies' Act, Articles 2, 3, 4, 5 and 11 of the Obligations Act in conjunction with Article 369 of the Obligations Act.

  
President of the Supervisory Board

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/Goran Medić/

In application from: 10<sup>th</sup> August 2020.

Application period: 4 years