
 Ilirija	Rules of Procedure of the Management Board of Ilirija d.d., Biograd na Moru	20/11/2020
--------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------	------------

**RULES OF PROCEDURE OF THE MANAGEMENT BOARD
OF ILIRIJA d.d BIOGRAD NA MORU**



Contents

1. INTRODUCTORY PROVISIONS.....	3
2. TASKS AND RESPONSIBILITIES OF THE MANAGEMENT BOARD.....	3
3. DECISION-MAKING OF THE MANAGEMENT BOARD.....	4
4. COOPERATION AND RELATION TO THE SUPERVISORY BOARD.....	4
5. PRIOR CONSENT OF THE SUPERVISORY BOARD.....	5
6. RULES FOR PREVENTING CONFLICTS OF INTEREST.....	5
7. PROHIBITION OF COMPETITION.....	6
8. TRANSACTIONS WITH RELATED PARTIES.....	6
9. FINAL PROVISIONS	6

	<p align="center">Rules of Procedure of the Management Board of Ilirija d.d., Biograd na Moru</p>	<p align="right">20/11/2020</p>
-----------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------	---------------------------------

According to Article 240., paragraph 3. of the Companies' Act (Official Gazette Number 152/11-consolidated text, 111/12, 68/13, 110/15 and 40/19) the Management Board of ILIRIJA d.d. for hospitality and tourism, Tina Ujevića 7, Biograd na Moru (hereinafter referred to as: ILIRIJA d.d.) has with the prior consent by the Supervisory Board adopted the following:

RULES OF PROCEDURE OF THE MANAGEMENT BOARD

1. INTRODUCTORY PROVISIONS

Article 1.

Ilirija d.d. is a joint stock company which in its business includes the sectors of hospitality and tourism, i.e. performs its main activities in the sectors of: hotel management, nautics, camping, real-state sector (real estate management) and travel agency Ilirija-travel (destination management company).

These Rules of Procedure of the Management Board (hereinafter referred to as: the Rules of Procedure), governs the basic issues, tasks, work methods, decision-making process and responsibilities relevant to the work of the Management Board as part of good corporate governance practices.

The Management Board is composed of one member (director) appointed for a term of 5 years.

The provisions of these Rules of Procedure are binding on the Management Board of the Company and all persons who provide support to the Management Board in its work.

2. TASKS AND RESPONSIBILITIES OF THE MANAGEMENT BOARD

Article 2.

The Management Board manages the affairs of the Company independently and at its own risk, in accordance with the law, the Company's Articles of Association and these Rules of Procedure.

In performing its tasks, the Management Board of the Company is not bound by the instructions of other bodies of the Company or by the instructions given to it by the major shareholders and/or the Supervisory Board.

The Management Board of the Company must attend to the interests of the Company when managing the Company business, which interest includes the interest of all shareholders, Company employees and the general interest.

Article 3.

The Company's Management Board primarily manages and organizes the following activities of the Company:

- a.) develops and implements the Company's strategy and business plans,
- b.) manages the Company's business processes and resources,
- c.) adopts bylaws and procedures whose adoption is within the jurisdiction of the Management Board;
- d.) coordinates and prepares reports on the business operations and condition of the Company;
- e.) along with Supervisory board determines the financial statements of the Company;



- f.) coordinates activities and maintains contact with the Supervisory Board, shareholders and all major stakeholders;
- g.) reports to the Supervisory Board, the General Assembly and other committees of the Company in accordance with the Law, the Articles of Association and the Rules of Procedure.
- h.) elects and appoints members of the Company's senior management and ensures the efficient functioning of the Company's management and services;
- i.) Represents the Company at the highest level to the external partners in contacts with banks, suppliers, investors, etc.

Article 4.

If the Articles of Association and/or the decision of the Supervisory Board stipulate that the Management Board may take certain decisions or undertake certain legal activities only with the prior consent of the Supervisory Board, the Management Board is obliged to obtain such consent.

Article 5.

For the purpose of preparing and developing certain draft decisions or implementing a certain task, the Management Board may establish occasional or permanent professional, working or advisory bodies of the Management Board (committees, working groups, commissions, etc.). The scope and composition of the body can be determined in more detail by the decision of the Management Board according to which they are established.

3. DECISION-MAKING OF THE MANAGEMENT BOARD

Article 6.

Since the Management Board is composed of one member, it decides on all issues within its jurisdiction independently according to the schedule and dynamics of the Company's working tasks.

Important decisions and / or conclusions that are submitted to some other body and / or entity outside of the Company are taken by the Management Board also in writing.

4. COOPERATION AND RELATION TO THE SUPERVISORY BOARD


Article 7.

The Management Board and the Supervisory Board are obliged to cooperate closely in the best interest of the Company, in accordance with the Law, the Articles of Association and the internal bylaws of the Company.

The Management Board is obliged to report to the Supervisory Board in a timely manner on all facts and circumstances that may significantly affect the business, financial position and condition of the Company.

The Management Board is obliged to report to the Supervisory Board at ordinary meetings of the Supervisory Board on the Company's operating results, financial situation, significant financial and non-financial risks and the results of interaction with shareholders and other stakeholders.

The Management Board is obliged to inform the Supervisory Board of any irregularities that would be relevant to the orderly and lawful operations of the Company and to take the necessary measures to eliminate them.

	Rules of Procedure of the Management Board of Ilirija d.d., Biograd na Moru	20/11/2020
-----------------------------------------------------------------------------------	----------------------------------------------------------------------------------------	------------

The Management Board must immediately notify the Supervisory Board if an event occurs or is likely to occur that could potentially significantly affect the results, financial position and/or reputation of the Company.

The Management Board must provide to the Supervisory Board and the committees established by it timely access to the Company's buildings and premises, as well as senior management and employees when they need to perform their duties and to all documents required for that purpose.

A member of the Management Board must obtain the prior consent of the Supervisory Board before accepting the appointment to the Management Board or the Supervisory Board of the company that is not part of the same group.

A member of the Management Board may not hold more than two positions in the Management Board or the Supervisory Board of such other companies.

All materials required for the meeting of the Supervisory Board or the committee of the Supervisory Board must be delivered to their members no later than one week prior to the meeting.

The Management Board must evaluate its own effectiveness at least once a year and report on the conclusions to the Supervisory Board in an appropriate way.

Article 8.

During the ordinary running the Company's business, the Management Board will report to the Supervisory Board on the following issues and areas:

- a.) The sales plan and the realization of that plan;
- b.) Investment plan by profit centers of the Company and the implementation of that plan;
- c.) Key financial and operational indicators of the Company's operations.
- d.) Court and other administrative procedures relevant to the Company and its long-term business viability;
- e.) Significant financial, operational and external risks of the Company and the status of these risks.
- f.) All other business issues of the Company that are important for long-term business sustainability.


5. PRIOR CONSENT OF THE SUPERVISORY BOARD

Article 9.

Running the Company's business may not be assigned to the Supervisory Board. However, the Articles of Association or Decision by the Supervisory Board may in accordance with the Articles of Association and the law stipulate that certain types of transactions may be conducted only with prior consent by that Board in order to facilitate preventive supervision of running the business.

In addition to actions and/or legal transactions for which the Company's Articles of Association provide for the prior consent of the Supervisory Board, the Management Board needs prior written consent to make some of the following decisions:

- a) concluding or changing the essential provisions of the loan agreement with the commercial bank of the Company;
- b) charging the company's assets by a mortgage (e.g. the conclusion of a Monetary Claim Agreement by instituting a lien)

	<p align="center">Rules of Procedure of the Management Board of Ilirija d.d., Biograd na Moru</p>	<p align="right">20/11/2020</p>
-----------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------	---------------------------------

6. RULES FOR PREVENTING CONFLICTS OF INTEREST

Article 10.

Conflict of interest within the meaning of these Rules of Procedure is any situation where there is an objective private interest on the part of the Management Board that is contrary to or competes with the Company's interest, and which may cause a situation that business decisions in the Company, either in whole or in part are taken on the basis of such private interest to the detriment of the best Company's interests.

In order to prevent conflicts of interest, members of the management board will be guided by the following rules:

- a) a member of the Management Board is obliged to be guided by the best interests of the Company when running the Company's business, i.e. a member of the Management Board must not be guided by personal interests versus the Company's interests;
- b) a member of the Management Board is not allowed to disclose or use the information obtained at the time of running the Company's business, for his personal interests or third parties' interests;
- c) a member of the Management Board shall with no delay inform the President and/or members of the Supervisory Board about the personal interest in the Company's business or about the existing or potential conflict of interest.

The Management Board may not participate in the decision-making process where it has a conflict of interest.

7. PROHIBITION OF COMPETITION:

Article 11.

A member of the Management Board may not do the following without the consent of the Supervisory Board:


- a.) perform activities for its own or foreign account which compete with the Company's business,
- b.) be a member of the management or supervisory board in another company that is the Company's competitor in the market,
- c.) hold more than 5% of the share in the company that is the Company's competitor in the market,

In the case referred to in section c) of this Article, a member of the Management Board is obliged to inform the Secretary of the Company and/or a person who performs an equivalent function in the Company, and if such a function does not exist in the Company, the Management Board is obliged to inform the President of the Supervisory Board thereabout. Details of these shares must be available free of charge on the Company's website.

8. TRANSACTIONS WITH RELATED PARTIES

Article 12.

No material transaction between a member of the Management Board and the Company (or persons related to any party) may be concluded without the prior consent of the Supervisory Board.

	Rules of Procedure of the Management Board of Ilirija d.d., Biograd na Moru	20/11/2020
-----------------------------------------------------------------------------------	----------------------------------------------------------------------------------------	------------

The fair value of each material transaction must be confirmed by an independent expert prior to the transaction and its report must be available free of charge on the Company's website.

9. FINAL PROVISIONS

Article 13.

These Rules of Procedure are made in 2 equal counterparts, one for the Management Board of the Company and one for the Supervisory Board of the Company.

Article 14.

The Company will publish these Rules of Procedure on its website.

ILIRIJA d.d.

Management Board: Goran Ražnjević

*ILIRIJA dioničko društvo
za ugostiteljstvo i turizam
Biograd na Moru 2*

President of the Supervisory Board
Goran Medić