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**RULES OF PROCEDURE OF THE SUPERVISORY BOARD**


**OF ILIRIJA d.d BIOGRAD NA MORU**



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The Supervisory Board of the company ILIRIJA d.d. for hospitality and tourism, Tina Ujevića 7, Biograd na Moru (hereinafter referred to as: ILIRIJA d.d.) adopted on 20th November 2020 the following:

## **RULES OF PROCEDURE OF THE SUPERVISORY BOARD**

### **1. INTRODUCTORY PROVISIONS**

#### **Article 1.**

These Rules of Procedure govern the preparation, convocation, method of work, decision-making and other issues related to the work of the Supervisory Board.

The Supervisory Board is composed of 5 members appointed for a 4 years' term.

#### **Article 2.**

The powers of the Supervisory Board are determined by the law and the Company's Articles of Association.

In performing its tasks within its jurisdiction, the Supervisory Board makes decisions, conclusions, opinions, takes positions, approves decisions of the Company's Management Board when it is stipulated by the law and the Company's Articles of Association, proposes the election of auditors, approves the Company's business plan and budget, monitors the accomplishment of the Management Board's results and together with the Management Board, adopts the draft decisions, which are taken by the Company's General Meeting.

The Supervisory Board may establish committees by its decision. A member of the Management Board may not be appointed as a member of the committee established by the Supervisory Board.

### **2. CONSTITUTIONAL MEETING OF THE SUPERVISORY BOARD**

The constitutional meeting of the Supervisory Board is convened by the Management Board or at least 3 newly appointed members of the Supervisory Board within 60 days from the day of election/appointment of members of the Supervisory Board.

The President and Deputy President of the Supervisory Board are elected at the constitutional meeting.


### **3. WORK OF THE SUPERVISORY BOARD**

#### **Article 3.**

The Supervisory Board works and makes its decisions at its meetings.

Supervisory Board meetings are prepared, convened and chaired by the President of the Supervisory Board. Each member of the Supervisory Board or the Management Board may by stating the reasons and purpose request the President of the Supervisory Board to convene a Board meeting. If this request is not complied with, a member of the Supervisory Board or the Management Board may convene a Supervisory Board meeting stating the reasons for convening the meeting and meeting agenda.



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The agenda, even when the meeting of the Supervisory Board is requested by the Management Board, is determined by the Supervisory Board by its decision, and proposed by the President of the Supervisory Board.

The President of the Supervisory Board coordinates the work of the Board and its bodies, communicates with other bodies of the Company on behalf of that Board and acts outside of the Company on behalf of that Board.

In addition to the President, the Supervisory Board has one Deputy, who has the rights and duties of the President, if the President is prevented from performing his function.

#### **4. PREPARATION AND CONVOCAION OF SUPERVISORY BOARD MEETINGS**

##### **Article 4.**

As a rule, the meetings of the Supervisory Board are convened on a quarterly basis, unless the circumstances in the Company require more frequent convocation of meetings.

##### **Article 5.**

The call to the meeting of the Supervisory Board is sent to all members in writing no later than seven days prior to holding the meeting.

The call for the meeting must contain the place and time of holding the meeting of the Supervisory Board, the agenda and materials with information necessary for making decisions on specific items on the agenda.

##### **Article 6.**

The meeting of the Supervisory Board may be attended by a person who is not a member of the Board in lieu of a person who is prevented from attending the meeting, if this person has previously received a written power of attorney for that from the person who is prevented from attending the meeting. In such a situation he acts in the name and on behalf of the member of the Supervisory Board who is prevented from attending the meeting.

The Supervisory Board meeting is also attended by the Management Board, however the Supervisory Board is entitled to meet without the participation of the Management Board when it deems it appropriate.


Other persons (reporters, advisors, etc.) may also be called to the meeting if their presence is necessary to explain certain materials submitted for discussion and decision-making.

The Supervisory Board, if it deems it necessary for the performance of its duties, may, at the expense of the Company, receive certain information and advice on issues relevant to the functioning and viability of the Company from external persons not working for the company.

##### **Article 7.**

In addition to the members of the Supervisory Board, the provisions of these Rules of Procedure also apply to other persons referred to in Article 6. of these Rules of Procedure, who are present at the meetings and participate in the work of the Supervisory Board.



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## 5. DECISION-MAKING AT MEETINGS

### Article 8.

The Supervisory Board can make valid decisions if at least one half of the appointed members of the Supervisory Board participate in decision-making process.

Decisions are made by a simple majority of the votes cast - by public vote.

The Supervisory Board may make decisions without holding a meeting, by mail, telephone, e-mail or other appropriate means of communication, if the authenticity of the message and the sender is ensured and if no member of the Supervisory Board objects to such voting. Such decisions are verified already at the next meeting of the Supervisory Board.

### Article 9.

In exceptional cases, the President of the Supervisory Board may propose at the meeting that a certain item be included in the agenda of the meeting.

## 6. MINUTES AND BYLAWS OF THE SUPERVISORY BOARD MEETINGS

### Article 10.

Minutes are kept about the work at the meeting of the Supervisory Board.

The minutes shall contain the agenda, the meeting number, the date of holding the meeting, the members present, the way and results of voting, and the decisions made on specific issues.

The minutes shall be signed by the President of the Supervisory Board or his deputy, who chaired the meeting..

The minutes are submitted to the members of the Supervisory Board and the Management Board.

At the first next meeting of the Supervisory Board, the first item on the agenda is making a decision on confirming the minutes from the previous meeting, which are previously made available to the members of the Board. If an issue is disputable and the members of the Supervisory Board disagree on whether what is stated in the minutes corresponds to what happened at the meeting which the minutes relate to, a vote will be taken to amend the minutes upon the motion of the Supervisory Board member. Amending the minutes does not change a decision taken duly, if it is determined that it was duly taken. This requires a new decision to be made by the Supervisory Board, where the motion for its adoption is decided by the members of the Supervisory Board, who decide at the meeting at which it is adopted.

## 7. PRESIDENT OF THE SUPERVISORY BOARD


### Article 11.

The President of the Supervisory Board is responsible for regular holding of meetings of the Supervisory Board and the timely performance of tasks within the jurisdiction of the Supervisory Board, which are determined by the law and Articles of Association.

The President of the Supervisory Board ensures that the Supervisory Board, its committees and individual members have the resources, support and information they need for efficient work.

The President of the Supervisory Board maintains contact and ensures cooperation with the Management Board and the efficient work of the General Assembly of the Company.



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**Article 12.**

The Supervisory Board may at any time dismiss the President and his Deputy, provided that they remain the members of the Supervisory Board until they are dismissed by the General Assembly.

The President and Deputy President of the Supervisory Board may resign from their position at any time, but not at an inopportune time, provided that they remain the members of the Supervisory Board. The Supervisory Board decides on the resignation in the manner as specified at the time when it makes the decision, i.e. by a majority of votes cast.

**8. CONFLICT OF INTERESTS AND PROHIBITION OF COMPETITION FOR SUPERVISORY BOARD MEMBERS**

**Article 13.**

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 Supervisory Board member 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.

A member of the Supervisory Board shall with no delay inform the President and/or other members of the Supervisory Board about the personal interest in the Company's business or about the existing or potential conflict of interest.

A member of the Supervisory Board shall with no delay inform the President and/or Deputy President if he believes that the other member of the Supervisory Board is in conflict of interest or may be in conflict of interest.

The members of the Supervisory Board must be exempted from discussing and making decisions in these matters as soon as they notice that there is a conflict of interest on their part.

The Supervisory Board keeps records of all notices related to conflicts of interest.

**Article 14.**

A member of the Supervisory Board is not allowed to do the following without the consent of the Supervisory Board:

- a.) perform activities for his 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 Supervisory Board is obliged to inform the Secretary of the Company and/or a person who performs an equivalent function in the Company about the existence of such shares, and if such a function does not exist in the Company, then he shall inform the President of Deputy President of the Supervisory Board thereabout. Details of these shares must be available free of charge on the Company's website.





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## 9. TRANSACTIONS WITH RELATED PARTIES

### Article 15.

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

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.

## 10. PROFESSIONAL AND ADMINISTRATIVE AFFAIRS

### Article 16.

The Management Board of the Company ensures the timely preparation of reports and other materials for the meeting of the Supervisory Board.

The Management Board appoints a person who will perform administrative and technical tasks for the requirements of the Supervisory Board and provide support and assistance to the President and members of the Supervisory Board for the purpose of effective functioning of the Supervisory Board.

## 11. FINAL PROVISIONS

### Article 17.

Members of the Supervisory Board are legally entitled to remuneration for their work, reimbursement of expenses and other remuneration, in accordance with the Articles of Association or the decision of the General Assembly of the Company.

Documentation and decisions of the Supervisory Board are stored in the archive and kept as permanent documentation.

The Supervisory Board decides on the amendment of the Rules of Procedure in a way it normally makes decisions, i.e. by a simple majority of votes.

Interpretation of certain provisions of these Rules of Procedure is given by the Supervisory Board in accordance with the law and other regulations.

These Rules of Procedure shall enter into force and apply on the day of adoption thereof at the meeting of the Supervisory Board.

President of the Supervisory Board  
Goran Medić