



# **REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT BOARD**

Zagreb, June 2020

## **1. INTRODUCTION**

MERITUS ULAGANJA d.d. (hereinafter: MERITUS ULAGANJA d.d. or Company) as an issuer of financial instruments, in accordance with legal obligations, adopts and implements the Remuneration Policy for members of the Management Board (hereinafter: Policy), with the aim of internalising obligations defined by the applicable legislation of the Republic of Croatia.

This Policy contains, inter alia:

- clarification of the relative share and importance of fixed and variable components of remuneration;
- information on the performance criteria on the fulfilment of which the right to acquire shares, share options or other forms of variable part of remuneration is based;
- information on the relationship between the amount of the remuneration and the performance;
- basic indicators and reasons for awarding annual bonuses or benefits that are not in cash; and
- any form of remuneration to members of the Management Board, which consists of shares options or other rights to acquire shares.

Remuneration of members of the Management Board should:

- adequately reflect the time, effort and experience associated with their functions;
- provide an adequate incentive that would balance the interests of the members of the Management Board with the interests of the shareholders; and
- be determined in a way as to not jeopardize the ability of members of the Management Board to make decisions in the best interests of the Company and its shareholders.

## **2. CONTRIBUTION OF RECEIPTS TO THE BUSINESS STRATEGY AND LONG-TERM DEVELOPMENT OF THE COMPANY**

This Policy sets out clear and comprehensive criteria for the allocation of fixed and variable remuneration to members of the Management Board and puts them in relation to the Company's corporate responsibility.

The amounts of remuneration paid to the members of the Management Board and the manner of determining these amounts are defined in order to motivate, promote effective risk management and achieve the strategic goals of the Company.

Also, with this Policy, the Company puts special emphasis on personal development, a stimulating environment, a good work atmosphere and aims to attract and keep capable professionals, which undoubtedly contributes to the business strategy and long-term development of the Company.

## **3. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD**

The members of the Management Board and the Company or an associated company of the Company conclude an employment agreement (hereinafter: Agreement) which determines the rights and obligations of the members of the Management Board and which contains provisions on the remuneration of a member of the Management Board.

A member of the Management Board is entitled to severance pay in accordance with the provisions of the Agreement and the provisions of the law governing employment relationships.

The agreement may be terminated in accordance with the legal provisions, and the

provisions of the law governing employment relationships, other relevant regulations and internal acts of the Company shall apply to it.

#### **4. FIXED AND VARIABLE RECEIPTS**

Remuneration of members of the Management Board consists of fixed and variable parts.

The fixed part of the remuneration of each member of the Management Board is determined by the provisions of the Agreement and will be paid monthly in the amount determined by the Agreement.

In addition to the fixed part of remuneration, members of the Management Board are entitled to a variable part of remuneration, i.e. bonuses, which will be determined and paid in accordance with the decision of the Supervisory Board and the criteria to be defined by the Supervisory Board.

#### **5. PAYMENT OF THE VARIABLE PART OF RECEIPTS**

The payment of the variable part of the remuneration of the members of the Management Board, i.e. bonuses, will generally be paid by allocating the Company's own shares according to their market value, whereby the basis for the payment of bonuses is at least 90% of the planned EBITDA.

If shares were allocated to a member of the Management Board as part of a package of receipts, the member of the Management Board may not dispose of those shares for at least two years from the day on which they were allocated to him.

If share options have been allocated to a member of the Management Board as part of the bonus, the member of the Management Board may not use those options before the expiry of the two-year period starting from the day on which they were granted.

#### **6. PAYMENT OF THE VARIABLE PART OF RECEIPTS IN SHARES**

Detailed conditions and preconditions for the allocation of shares to the members of the Management Board are determined by the Supervisory Board on the basis of the recommendations of the Remuneration Committee and in accordance with the provisions of this Policy.

The Supervisory Board is responsible for determining whether all conditions and preconditions for the payment of bonuses to a certain member of the Management Board are met, and provided that a certain member of the Management Board has acquired the right to bonus payment, the Supervisory Board will determine how many shares the said Management Board member is entitled to.

This procedure aims to ensure that the bonuses of the members of the Management Board are balanced, sustainable, and transparent. In addition, the aim is to motivate and keep qualified members of the Management Board and to promote good and effective risk management.

#### **7. PERIODS FOR WHICH PAYMENT OF PART OF RECEIPTS IS DELAYED**

The Company does not apply the deferral of payment of part of the receipts and has no right to subsequently request a refund of the bonus, provided that prior to the payment of receipts the Company acted in accordance with Articles 5 and 6 of this Policy, i.e. that it duly determined that all preconditions for payment of the bonus were fulfilled.

## **8. WORKING RECEIPTS CONDITIONS AND WORKING CONDITIONS**

In relation to salary, working hours, overtime, other benefits and rights, the provisions of the employment contract, the provisions of the law governing employment relations, other regulations and the provisions of the Company's internal acts apply.

## **9. ADOPTION AND IMPLEMENTATION OF THE POLICY**

The Supervisory Board must submit this Policy to the General Assembly for approval.

The General Assembly decides whether it will approve the Policy at least once every four years and whenever it changes significantly.

Immediately after the General Assembly, the decision of the General Assembly approving the Policy and the Policy itself will be published on the Company's website and will be available for a period of at least ten years, indicating the date until which it will be valid.

If the General Assembly does not approve the Policy, the Supervisory Board will submit the revised Policy for approval at the next General Assembly and will vote on it.

In addition to the information required by law, the annual report on receipts must include information on:

- all payments received by any member of the Management Board from the Company or persons related to the Company in addition to the receipts received as a member of the Management Board;
- all loans, advances or guarantees given to each member of the Management Board, by the Company or associated companies; and
- all gifts, services or other benefits of significant value received by an individual member of the Management Board.

The General Assembly shall decide whether to approve the reports on receipts for the previous business year which have been determined and audited in accordance with the provisions of the relevant law.

## **10. ROLE OF THE REMUNERATION COMMITTEE**

The Remuneration Committee is a special committee of the Supervisory Board.

The main duties of the Remuneration Committee are:

- recommend to the Supervisory Board the remuneration policy for members of the Management Board at least every three years;
- each year recommend to the Supervisory Board the receipts (remunerations) that should be received by the members of the Management Board, based on the assessment of the Company's results and their personal results, after consultation with the President of the Management Board;
- recommend to the Supervisory Board the remuneration policy for the members of the Supervisory Board, which will be submitted to the General Assembly for approval;
- monitor the amount and structure of remuneration to senior management and employees as a whole and give recommendations to the Management Board on its policies; and
- oversee the preparation of the statutory mandatory annual report on receipts.