



PLAVA LAGUNA

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Pursuant to Article 247 a of the Companies Act, the Corporate Governance Code for 2020 and Article 34 of the Statute of PLAVA LAGUNA joint stock company for catering and tourism, the Supervisory Board of the Company adopts

THE REMUNERATION POLICY FOR THE MANAGEMENT BOARD

PREAMBLE

The remuneration policy provides the framework for the remuneration of the Members and the President of the Management Board of PLAVA LAGUNA j.s.c. Poreč (hereinafter referred to as „Board Members“ unless it can be unequivocally established from the explicit text in a certain part of the policy or context of meaning that the term Board Members does not refer to the President) for the period from 1 January 2020 until 31 December 2023 (hereinafter: Policy).

This remuneration system is based on employment contracts concluded with Board Members which define the rights, obligations and duties, especially important tasks, and additionally the system also respects the principles of corporate governance which balance the long-term interests of the Company and sustainability.

When setting out the overall remuneration policy, regional business practice relevant to the Company is taken into account and rewards are encouraged in accordance with the business strategy ie. the achievement of key performance indicators, considered when determining the variable part of remuneration. At the same time, restraint in taking risks is encouraged, ie. quality risk management is a key component in the implementation of business strategy.

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This Policy is based on the following applicable regulations;

- Companies Act
- Corporate Governance Code
- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC relating to encouraging long-term shareholder participation
- Statute of PLAVA LAGUNA j.s.c. Poreč

BASIC PRINCIPLES OF REMUNERATION

- Setting up a remuneration system that will reflect an adequate relationship between the fixed and variable part, which aims to ensure the long-term interests of the Company, good standing and solid market reputation, and business sustainability;
- The fixed component reflects the requirements of the business strategy on one side and professional experience, competencies and assigned responsibilities of the Board Members;
- The variable component is based on the achievement of the Company's goals with the valorisation of the individual contribution of each Board Member, through skills and engagement;
- The risk management efficiency is an important evaluation criterion.

FIXED REMUNERATION

Fixed remuneration consists of Board Member's salary and additional benefits defined by contracts concluded between the Board Member and the Company represented by the President of the Supervisory Board.

Fixed remuneration is not directly related to the fulfilment of annual business plans, and reflects knowledge, professional experience, competencies and prescribed responsibility of a Board Member for the management of the Company's affairs.

Board Member's salary is paid in equal monthly amounts just as salaries of other Company employees, no later than the 15th day of the month, as remuneration for the work performed in the month preceding the payment. In case of inability to pay the salaries to other Company employees, no salary will be paid to the Board Member either.

VARIABLE REMUNERATION

Variable remuneration is aimed at rewarding Board Members depending on the realization of the annual business plan of the Company and the individual assessment of work performance on an annual basis.

The variable remuneration of Board Members (hereinafter: Bonus) is regulated by a contract concluded with Board Members and may amount to a maximum of 5 base monthly salaries for Board Members and 8 base monthly salaries for the President of the Management Board. The Supervisory Board may decide to increase the maximal amount of the variable remuneration.

The Bonus is paid in money.

The annual Bonus is determined depending on the realization of the annual business plan of the Company, and is usually paid at the realization of all KPIs and goals stipulated on the Company's Balanced Score Card (BSC) at a consolidated level, after the presentation and approval of audited financial statements by the Supervisory Board, and adoption of the same at the General Assembly or their establishment by the Supervisory Board itself.

In determining the amount of the variable remuneration, the above mentioned achievements will depend on the Company's BSC as well as individual work performance assessment of Board Members by relevant areas of activity that contributed to the Company's business success. The weight regarding these performance evaluations will vary on a year on year basis after being discussed with the Supervisory Board.

The Supervisory Board reserves the right to a discretion when correcting the total variable remuneration or part of it in every annual decision-making.

In the event of extraordinary circumstances with a negative impact on Company's business operation in the year following the year for which the bonus is determined, the payment of the same is deferred for the next business period of business normalization.

The methods used to determine whether the criteria for payment of variable remuneration components have been met are the Company's BSC as well as individual KPIs for each Management Board member.

As a rule, the Company may not request refund of paid variable remuneration component, except in the event of circumstances prescribed by law or other applicable regulation.

OTHER BOARD MEMBER'S RIGHTS

Other Board Member's rights are determined by the contract and Company's business policies, and may include;

- The use of the Company's personal vehicle with reimbursement of all costs related to it
- The use of computers, telephones, mobile phones, tablets and similar
- Life insurance
- Additional health insurance
- Accident insurance policy
- Pension insurance - third pension pillar for voluntary pension insurance
- Other rights according to valid regulations and acts of the Company (reimbursement of travel expenses, reimbursement of material expenses, daily allowance for business trips, memberships in associations, literature).

BOARD MEMBER'S CONTRACT

The contract of a Board Member is concluded as a special contract for a fixed period of time, between the Board Member and the President of the Supervisory Board, as representative of the Company. In addition to the Board Members' contracts, Board Members concluded fixed-term or indefinite employment contracts.

The contract of a Board Member is concluded for a period of up to five years, in accordance with the decision of the Supervisory Board on the appointment of a Board Member, but as a rule for 3 years.

The contract of a Board Member may be terminated:

- upon expiry of the period for which it was concluded,
- by agreement of both parties,
- by unilateral termination without explanation, with a mandatory notice period of three months,
- by revocation by the Supervisory Board for reasons provided by law.

If the contract of a Board Member terminates upon the expiration of the term for which it was concluded, the Board Member is entitled to severance pay in accordance with the provisions of the Labour Act, provided the Board member refuses to enter into an employment contract for the position the Company has to offer in accordance with his qualifications and experience, which terminates the employment in the Company.

In each individual case the Supervisory Board is entitled to decide on the augmentation of the contractual severance pay or expansion of circumstances for severance pay.

The Company has no obligation to purchase additional pensionable service for a Board Member, if a Board Member retires early upon termination of employment.

REMUNERATION POLICY APPROVAL PROCEDURE

The Remuneration Committee proposes the Remuneration Policy to the Supervisory Board. The Supervisory Board adopts the proposal of the Remuneration Policy which is approved i.e. adopted by the General Assembly of the Company, according to law.

If the General Assembly does not approve the Remuneration Policy, the Supervisory Board submits its revised Remuneration Policy for voting at the next General Assembly, explaining all significant changes and reviewing the extent to which the new revised Remuneration Policy takes into account the voting results and shareholders' views on the previous remuneration policy and reports on remuneration.

The General Assembly of the Company approves the content of the Remuneration Policy at least once every four years i.e. whenever the Remuneration Policy changes in a significant part.

The Remuneration Policy and the decision of the General Assembly on the remuneration policy are published on the corporate website of the Company.

SUPERVISION OF THE REMUNERATION POLICY IMPLEMENTATION

An adequate and continuous implementation of the Remuneration Policy is carried out by the Remuneration Committee and the Supervisory Board.

The Supervisory Board shall provide for measures against conflicts of interest, and these include the mutual harmonization of variable remuneration components between the Board Members and the non-participation of the Board Member in deciding on their own remuneration.

THE REMUNERATION COMMITTEE

The Remuneration Committee is established by a decision of the Supervisory Board and by the election of Members among the members of the Supervisory Board.

The Remuneration Committee;

- recommends remuneration policies for Board Members to the Supervisory Board
- recommends remuneration that Board Members should receive every year, based on the evaluation of business results of the company and their personal results, after consultations with the President of the Management Board.
- recommends to the Supervisory Board the remuneration policy for members of the Supervisory Board
- oversees the amount and structure of remuneration for senior management and all employees
- offers recommendations to the Management Board on remuneration policies in the Company
- oversees preparation of remuneration reports.

DEVIATIONS FROM THE REMUNERATION POLICY

The Supervisory Board is authorized to deviate from this Policy in part of fixed and variable remuneration components by defining them differently i.e. in different amounts, in the following cases;

- extraordinary circumstances on the market that require extraordinary cost reductions,
- impossibility to find an adequate candidate,
- significant disturbance in the local labour market in terms of non-competitiveness of mentioned remuneration elements,
- the need to apply urgent measures to retain a Board Member.

REMUNERATION REPORTING

The Management Board and the Supervisory Board of the Company compile an annual report on all remuneration that the Company or the Group paid or undertook to pay to each of the current and former Board Members and Supervisory Board Members during the last business year. The Remuneration Report contains elements prescribed by law and other relevant regulations.

The Remuneration Report is examined by the auditor who is also examining annual financial statements of the Company, of which he prepares a report and the same is enclosed to the Remuneration Report.

The Company publishes the Remuneration Report and the Auditor's report on its corporate website, in accordance with the provisions of the law.

FINAL PROVISIONS

The existing contracts of Board members are harmonized with this Policy, and if necessary, they may be additionally harmonized by concluding annexes.

This Policy enters into force on the day of its adoption, and applies also to the business year in which it was adopted.

Davor Luksic Lederer,
President of the Supervisory Board