



Independent limited assurance report on the Remuneration Report of Plava Laguna d.d. TRANSLATION FROM CROATIAN

We were engaged by the Management Board of Plava Laguna d.d. („Company“) to express limited assurance on the Remuneration Report for the year ended 31 December 2020, attached as an appendix. Our engagement is to form an independent limited assurance conclusion, based on our work performed and evidence obtained, that nothing has come to our attention that causes us to believe that the attached Remuneration Report is not prepared in accordance with the requirements specified in Paragraphs 1 and 2 of Article 272r of the Companies Act applicable in the Republic of Croatia (“Reporting Criteria”).

Management and Supervisory Board responsibilities

Management and Supervisory Board are responsible for the preparation and presentation of the Remuneration Report that is free from material misstatement in accordance with Paragraphs 1 and 2 of Article 272r of the Companies Act and for the information contained therein.

Management is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation and presentation of the Remuneration Report that is free from material misstatement, whether due to fraud or error;
- measurement and reporting of compensations in accordance with the Reporting Criteria;
- selecting and applying policies as well as making judgments and estimates that are reasonable in relation to the preparation of the Remuneration Report.

Our responsibility

Our responsibility is to examine the Remuneration Report and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 - *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. ISAE 3000 requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Remuneration Report is prepared in accordance with the Reporting Criteria, in all material respects, as the basis for our limited assurance conclusion.

KPMG Croatia d.o.o. za reviziju complies with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and applies the International Standard on Quality Control 1 (ISQM 1). Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards, including independence and other requirements founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

As part of this engagement, we have not performed any procedures by way of audit or review of the Remuneration Report nor of the underlying accounting and other records from which it was compiled.



Independent limited assurance report on the Remuneration Report of Plava Laguna d.d. (continued)

Reporting Criteria

The Reporting Criteria for the preparation of the Remuneration Report are the required information as specified in Paragraphs 1 and 2 of Article 272r of the Companies Act.

Limitations in the preparation of the Remuneration Report

The interpretation of performance results is to some extent subjective because it takes into account both qualitative and quantitative aspects. Due to the inherent subjectivity in interpreting qualitative reward criteria, but also subjectivity applied in measuring quantitative goals (for example, related to measuring results for the year), different acceptable methodologies for measuring the achievement of individual goals are possible. Furthermore, various other estimates and judgments were used in the preparation of the Remuneration Report, including, but not limited to: compliance with the remuneration policy; the manner in which the members of the Management Board and the Supervisory Board support the long-term success of the Company and the manner in which the benchmarks for assessing that performance have been applied; an explanation of how workers' remuneration was taken into account in calculating average remuneration and what is the composition of workers included in that calculation.

Statement of Management and Supervisory Board

The Management Board and the Supervisory Board state that the Remuneration Report for the year ended 31 December 2020 is accurate and complete and includes all required information as specified in Paragraphs 1 and 2 of Article 272r of the Companies Act.

Our conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Remuneration Report for the year ended 31 December 2020 is not prepared, in all material respects, in compliance with the requirements specified in Paragraphs 1 and 2 of Article 272r of the Companies Act.

This conclusion should be considered in context with the remainder of our limited assurance report, especially in context with the *Limitations in the preparation of the Remuneration Report* and the *Restrictions on the use of our report* paragraphs.

Restrictions on the use of our report

Our report is intended solely for the purpose specified in Article 272r of the Companies Act. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Croatia d.o.o. za reviziju
Croatian registered auditors
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Ivana Lučića 2a
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11 June 2021

Appendix: Remuneration report for 2020



PLAVA LAGUNA

Pursuant to Art. 272.r. of the Companies Act, the Corporate Governance Code (CGC) of the Zagreb Stock Exchange j.s.c. and the Croatian Financial Services Supervisory Agency, the Management Board and the Supervisory Board of PLAVA LAGUNA d.d. for hospitality and tourism, submit the following to the General Assembly:

REMUNERATION REPORT of Supervisory and Management Board members during the financial year 2020

INTRODUCTION

In accordance with regulatory obligations, CGC recommendations and on the basis of the adopted remuneration policy, Company's Management Board and Supervisory Board prepare once a year a report on all the compensations paid by the Company to each member of the Management Board and of the Supervisory Board during the financial year 2020. Considering that the financial year 2020 was a year of significantly changed economic environment for the activity that the Company carries out due to the outbreak of the COVID-19 pandemic, this resulted in a series of measures to adapt to the new situation in order to preserve financial stability. Guided by the principle of a conscientious and accountable businessman, the adjustments were also made in the area of remunerations for members of the Supervisory Board and members of the Management Board in line with the provisions on deviations already prescribed in the remuneration policy.

SUPERVISORY BOARD MEMBERS' REMUNERATION

The Supervisory Board of Plava laguna d.d. is composed of 7 (seven) members where six members are appointed by the General Assembly and one member is appointed through the Workers' Council in the capacity of workers' representative.

The Supervisory Board acts by having regular meetings, usually once a month, and 12 meetings were held during 2020.

During 2020, the Supervisory Board was composed as below:

Davor Lukšić Lederer	President, from June 2012
Patricio Tomas Balmaceda Tafra	Vice President, from October 2006
Davor Domitrović Grubišić	Member, from April 2000
Joseph Ignace Bulnes	Member, from December 2014
Neven Staver	Member, from October 2019
Duncan Graham Bramwell	Member, from October 2019
Marica Kurtek	Member – workers' representative, from November 2019.

Based on the Decision of the Extraordinary General Assembly of 31.10.2019, members of the Supervisory Board have the right to a compensation for their work in the fixed amount of EUR 2,000.00 net (kuna equivalent where applicable) per held Supervisory Board meeting in which the member participated, which amount reflects estimated time requirements and responsibilities of members

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Remuneration to Supervisory Board members does not include a variable component i.e. it is not related to business performance.

During 2020, for meetings held in December 2019, January and February 2020, the payment was made in accordance with the Decision in question, while for the next seven meetings concluding with the meeting held on 2.10.2020, compensations were reduced by 50% and for meetings held in the period until 31.12.2020 by 15% in relation to the determined by the Decision of the Extraordinary General Assembly of 31.10.2019, all on the basis of voluntary waivers of members, due to reduced income and specific business circumstances during the pandemic.

The members of the Supervisory Board in year 2020 (regardless of the period to which the payment relates) were paid the following gross I amounts in HRK:

Supervisory Board member	Gross I – fixed remuneration	%
Davor Luksic Lederer	191,280.78	100
Patricio Tomas Balmaceda Tafra	198,712.88	100
Neven Staver	180,408.00	100
Davor Domitrović Grubisic	168,165.50	100
Joseph Ignace Bulnes	180,408.00	100
Duncan Graham Bramwell	180,407.98	100
Marica Kurtেক	180,408.00	100

Stated remuneration does not include payments to Supervisory Board members in the form of reimbursement of expenses incurred by attending meetings (travel and accommodation expenses) to which Supervisory Board members are entitled under the Company's Statute.

The companies within the Plava laguna Group did not enter into transactions with the members of the Supervisory Board nor did they make payments to the members of the Supervisory Board on any basis other than those mentioned above, and also there are no financial obligations of any nature to the appointed members. Members of the Supervisory Board are not entitled to shares or share options.

MANAGEMENT BOARD MEMBERS' REMUNERATION

During 2020, the Management Board was composed of three members:

Dragan Pujas	President, from October 2019 (former Member from January 2018 until October 2019)
Damir Mendica	Member, from January 2018
Danira Rančić	Member, from January 2018.

Remuneration for the members of the Management Board is determined by the Company's Remuneration Policy submitted by the Supervisory Board to the General Assembly and adopted by the Decision of the General Assembly of 28.8.2020, and according to which, in addition to the fixed remuneration in a form of salary, payment of a variable remuneration in a form of bonus in money is regulated, as well as other benefits and rights that can be provided to the members of the Management Board.

Appendix: Remuneration report for 2020

The members of the Management Board in year 2020 (regardless of the period to which the payment relates) were paid the following gross I amounts in HRK:

	FIXED REMUNERATION	%	VARIABLE REMUNERATION	%	BENEFIT IN KIND	%	NON-TAXABLE REMUNERATION	%	TOTAL
Dragan Pujas	953.140,77	97,98	0	0,0	17.125,00	1,76	2.500,00	0,26	972.765,77
Damir Mendica	636.178,73	99,11	0	0,0	3.833,06	0,60	1.900,00	0,30	641.911,79
Danira Rančić	608.982,94	98,90	0	0,0	5.483,18	0,89	1.300,00	0,21	615.766,12

Fixed remuneration refers to the agreed monthly salary of the Management Board member and the same was paid for the period until 31.3.2020 (payment on 10.04.2020) in accordance with the base contract concluded before the occurrence of extraordinary circumstances due to the outbreak of COVID-19 pandemic. Following the changed circumstances and in the context of a number of measures undertaken to mitigate negative effects on Company's business operations, an Annex to the Employment contract was concluded with the President of the Supervisory Board whereby Management Board member's monthly salary for the period 1.4.2020 – 30.9.2020 is reduced by 25% in relation to the base contract, and salary for the period from 1.10.2020 onwards is reduced by 15% in relation to the base contract.

Variable remuneration was not paid to the Management Board members in 2020. Namely, in accordance with the new circumstances, the payment of bonuses, for which the liability and expense for financial year 2019 were recognized based on the achieved results, was postponed for the period of business normalization. This will be comprehensively stated in the Remuneration Report for the relevant business period, upon the creation of conditions and acceptance of proposals for payment to members of the Management Board and management at the individual level by the Remuneration Committee. In relation to year 2020, the conditions for variable remuneration were not met.

Other Management Board member's rights and benefits during 2020 included the use of the Company's personal car with reimbursement of all costs related to it.

Appendix: Remuneration report for 2020

The following table provides a comparative overview of the movement of operating income and net profit / loss, as well as the movement of the average annual remuneration per employee over the last five financial years.

Movement of operating income, net profit and average gross I remuneration per employee

YEAR	Operating income (in 000 HRK)	Net profit (in 000 HRK)	Average gross I annual remuneration per employee* (in HRK)
2016	533,472	100,717	113,929
2017	577,008	105,429	118,843
2018	1,130,243	360,040	116,762
2019	1,158,766	205,545	120,817
2020	483,730	-90,096	113,655

* Number of employees is based on paid working hours (work and salary compensation) in relation to total annual payment fund.

When interpreting the enclosed data, it is worth pointing out the fact that as of 1.1.2018, there was a status change in terms of the merger of Istraturist Umag d.d. with the Company, thereby doubling Company's financial performances. During the year 2020, the outbreak of the COVID-19 pandemic significantly affected the tourism sector as a whole, as well as the Company's operations.

The methodology for calculating the average annual remuneration is based on including all fixed and variable remuneration payments, for the presented business periods, in the form of base salary, salary compensation and related supplemental pay, material rights (vacation pay, Christmas bonus, benefit for a child, benefit in kind, jubilee awards, severance pay and similar), non-taxable payments in the form of supplemental pay for work results during the seasonal months, other non-taxable benefits in kind in the form of accommodation and food, payment of transportation costs and other payments agreed by the Company's Collective agreement, as well as Management Board and management bonuses.

The number of employees by years was derived on the basis of working hours and compensations on the basis of work in relation to the total annual payment fund.

Given the above said statutory change and change of the number of members of the Management Board, the average remuneration per member recorded a decrease in 2018, and than again in 2020 due to changes previously explained.

REMUNERATION OF MANAGEMENT BOARD MEMBERS IN OTHER COMPANIES OF THE PLAVA LAGUNA GROUP

The Management Board President Mr. Dragan Pujas is appointed Management Board President of TRAVEL d.o.o. and Management Board Member of ISTRATURIST j.d.o.o., both subsidiaries of the parent company PLAVA LAGUNA d.d., and on the said basis has not received any remuneration in 2020. The Management Board Member Mrs. Danira Rančić is appointed Management Board Member of TRAVEL Ltd, and likewise, on the said basis has not received any remuneration for the reporting year.

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OTHER INFORMATION

During year 2020, the Company did not request the return of variable parts of remuneration from the members of the Management Board. Board members are not entitled to shares or share options.

Members of the Management Board were not paid during the reporting period and there is no obligation to pay remuneration on any basis by third parties and related parties, in connection with tasks they perform as Company's Management Board members.

The Company has not defined the obligation for remuneration in the event of early termination of membership. During year 2020, there were no early termination of membership in the Management Board of the Company.

The mandate of the Management Board members, due to expiration on 31.12.2020 in the same composition was extended by the Decision of the Supervisory Board on 18 December 2020 for the next three years, i.e. until 31.12.2023.

In case of regular termination of membership in the Management Board, a member of the Management Board is entitled to severance pay in accordance with the provisions of the Labour Law provided that he/she refuses to enter into an employment contract for the job position that the Company is obliged to offer in line with professional qualifications and experience, thereby terminating the employment with the Company. During year 2020, there were no payments based on the before mentioned.

As a result of previously explained extraordinary circumstances caused by the COVID-19 pandemic with a significant impact on regular business activity, in order to mitigate the negative consequences and in the context of measures taken with other stakeholders of the Company, the Company deviated from the adopted Remuneration Policy as stated above.

This report, together with the auditor's report on the examination of this report, is submitted to the Supervisory Board and to the General Assembly for decision, after which it is disclosed on the Company's website for the period determined by relevant regulations.

PLAVA LAGUNA d.d.

Davor Luksic Lederer

President of the Supervisory Board

Dragan Pujas

President of the Management Board

Damir Mendica

Member of the Management Board

Danira Rančić

Member of the Management Board