



## Independent limited assurance report on the Remuneration Report of Plava Laguna d.d.

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 2021, 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 2021 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 2021 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

Eurotower, 17<sup>th</sup> floor

Ivana Lučića 2a

10000 Zagreb

Croatia

**30 June 2022**



**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 joint stock company for hospitality and tourism, submit the following to the General Assembly:

### **REMUNERATION REPORT of Supervisory and Management Board members during the financial year 2021**

#### **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 2021.

The financial year 2020 was a year of significantly changed economic environment, especially for the activity the Company carries out, due to the outbreak of the COVID-19 pandemic, and the global disruption that got deepened by uncertainty and risk in considering and preparing for the future business cycle continued in the first half of 2021. The normalization of tourism flows began in July when it was necessary to open accommodation facilities during a short and limited period of time. Based on business decisions made earlier, primarily concerning the activities required for timely seasonal employment as well as maintenance and procurement of small inventory and more, the Company managed to valorise the generated demand adequately.

Guided by the principle of a conscientious and accountable businessman, the adjustments made in the area of remunerations for members of the Supervisory Board and members of the Management Board during 2020, continued to be implemented in the early 2021 until the period when the estimates indicated the stabilization of the main part of the tourist season.

## Appendix: Remuneration report for 2021 (continued)

### SUPERVISORY BOARD MEMBERS' REMUNERATION

The Supervisory Board of Plava laguna j.s.c. 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 13 meetings were held during 2021 of which one was the constituent meeting. Considering the expiration of the four-year mandate of the members of the Supervisory Board, at the General Assembly held on 26 August 2021, the Supervisory Board was re-elected in the same composition and the Workers' Council of PLAVA LAGUNA d.d. validated the term of the previous member – the workers' representative. The constituent meeting was held on 2 September 2021 and Mr. Davor Luksic Lederer was elected President of the Supervisory Board and Mr. Patricio Tomas Balmaceda Tafra was elected Vice President of the Supervisory Board.

During 2021, the Supervisory Board was composed as below:

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

Based on the Decision of the Extraordinary General Assembly of 31.10.2019, members of the Supervisory Board are entitled 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.

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

Based on the voluntary waiver of full remuneration started in 2020 due to significant business disruptions and reduced income during 2020, for the meetings held in December 2020, January, February and two meetings held in April 2021, compensations to the members of the Supervisory Board were reduced by 15%. Payments recorded as remuneration in 2021 which relate to the following seven meetings were paid based on the Decision of the Extraordinary General Assembly of 31.10.2019.

## Appendix: Remuneration report for 2021 (continued)

The members of the Supervisory Board in year 2021 (regardless of the period to which the payment relates) were paid gross I amounts in HRK, as shown below:

Supervisory Board member	Gross I – fixed remuneration	%
Davor Luksic Lederer	246.111,64	100
Patricio Tomas Balmaceda Tafra	242.305,79	100
Neven Staver	235.036,65	100
Davor Domitrović Grubisic	227.489,85	100
Joseph Ignace Bulnes	214.238,53	100
Duncan Graham Bramwell	235.036,63	100
Marica Kurtek	238.011,74	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.

## Appendix: Remuneration report for 2021 (continued)

### MANAGEMENT BOARD MEMBERS' REMUNERATION

During 2021, the Management Board was composed of three members:

Dragan Pujas	President, since October 2019 (former Member from January 2018 until October 2019)
Damir Mendica	Member, since January 2018
Danira Rančić	Member, since 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 28.08.2020, 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.

The members of the Management Board in year 2021 (regardless of the period to which the payment relates) were paid gross I amounts in HRK, as shown below:

	FIXED REMUNERATION	%	VARIABLE REMUNERATION	%	BENEFIT IN KIND AND OTHER BENEFITS (car use, health insurance policy)	%	NON – TAXABLE REMUNERATION	%	TOTAL
Dragan Pujas	1.065.711,73	97,27	5.000,00	0,46	18.746,65	1,71	6.200,00	0,57	1.095.658,38
Damir Mendica	740.761,60	98,16	5.000,00	0,66	5.310,03	0,70	3.600,00	0,48	754.671,63
Danira Rančić	677.916,74	97,66	5.000,00	0,72	5.269,12	0,76	6.000,00	0,86	694.185,86

Fixed remuneration refers to the agreed monthly salary of the Management Board member and the same was for the period until 31.05.2021 (payment on 10.06.2021) paid in accordance with annexes to the employment contract of the President or Member of the Management Board, concluded with the President of the Supervisory Board, by which monthly salary was reduced by 15% compared to the base contract, due to the occurrence of extraordinary circumstances during 2020 and subsequent objective material disruptions. Remuneration paid in 2021, after the month of June (salary for May 2021), was fixed in accordance with the base employment contract.

Based on the achieved results and requirements of IAS 19, the Company recognized a liability and expense for employee benefits in the financial year 2021, to be paid upon the creation of conditions and acceptance of proposals for payment to the members of the Management Board and members of the management team at the individual level by the Remuneration Committee. Above mentioned will be comprehensively stated in the Remuneration Report for the relevant business period. Variable remuneration for 2021 paid to the members of the Management Board refers to the advance bonus for 2021 which was paid in the amount allowed by the regulatory framework (conditions for benefits and Income Tax).

Other Management Board member's rights and benefits during 2021 included the use of the Company's personal car with reimbursement of all costs related to it and health insurance policy.

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.

## Appendix: Remuneration report for 2021 (continued)

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)
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
2021	995.623	145.122	119.723

\* 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 01.01.2018, there was a status change in terms of the merger of Istraturist Umag j.s.c. with the Company, thereby doubling Company's financial performances. During years 2020 and 2021, 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 related 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 bonuses for the Management Board and the management team.

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 then 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 Ltd and Management Board Member of ISTRATURIST simple Ltd, both subsidiaries of the parent company PLAVA LAGUNA j.s.c., and on the said basis did not receive any remuneration in 2021. The Management Board Member Mrs. Danira Rančić is appointed Management Board Member of TRAVEL Ltd, and likewise, on the said basis did not receive any remuneration for the reporting year.

## Appendix: Remuneration report for 2021 (continued)

### OTHER INFORMATION

During year 2021, 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 2021, there were no early terminations of membership in the Management Board of the Company.

The mandate of the Management Board members, due to expiration on 31.12.2020, was extended in the same composition by the Decision of the Supervisory Board on 18 December 2020 for the next three years, 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 2021, 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.

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Davor Luksic Lederer  
President of the Supervisory Board

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Dragan Pujas  
President of the Management Board

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Damir Mendica  
Member of the Management Board

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Danira Rančić  
Member of the Management Board