

Valamar Riviera d.d.

Poreč, Stancija Kaligari 1

- **GENERAL ASSEMBLY** –

Poreč, September 24, 2020

Valamar Riviera d.d.'s General Assembly on September 24, 2020 rendered the following

## **DECISION**

The Remuneration policy for the period of four years, from 2020 to 2023 is approved in accordance with the determination of the Supervisory Board in the text as follows:

“By invitation and within the meaning of Article 247.a paragraph 1. Of the Companies Act (NN 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19; hereinafter: **Act**) the Supervisory Board of the company **Valamar Riviera Joint Stock Company for Tourism**, registered in the court register of the Commercial Court in Pazin with its headquarters in Poreč-Parenzo, Stancija Kaligari 1, PIN: 36201212847 (hereinafter: **Company**), at the Supervisory Board meeting held on 22 July 2020, has determined the following:

## **REMUNERATION POLICY**

### **1. INTRODUCTION**

**How much does the remuneration contribute to the business strategy and long-term development of the company  
(Article 247.a paragraph 1 item 1 of the Act)**

Valamar Riviera d.d. (hereinafter: **Company**) is the largest company in the tourism sector in the Republic of Croatia which sector is one of the key strategic branches with a significant share in the GDP. The Company's operations reflect the responsibility of such an important position, which is indicated by the core values which are an integral part of its business relations, corporate rules and standards, and business development and strategy. The Company strives to innovatively manage leisure tourism and create a stimulating corporate culture through corporate social responsibility, meanwhile creating added value for shareholders and taking care of sustainable development and local communities. Given the above, in order to attract top experts to the Company's Management Board, who will conduct company business with due diligence and responsibility in accordance with the established core values and business strategy of the Company, the remuneration policy of the Management Board is structured in a way which reflects these core values. It encourages the Company's development and responsible decision-making, rewards good performance and results, but also provides security and stability to board members in decision-making, which discourages them from taking unnecessary risks.

### **2. ALL FIXED AND VARIABLE REMUNERATION COMPONENTS AND THEIR SHARES IN TOTAL REMUNERATION (Article 247.a paragraph 1 item 2 of the Act)**

Remuneration of the Company's Management Board members can be divided into three categories: fixed remuneration, variable remuneration and other benefits, and together they make up the total remuneration of the Management Board.

In determining the amount and type of remuneration of the Management Board members, the Company took into account the salaries and positions of all its employees (Article 247.a, paragraph 1, item 7 of the Act). As one of the most desirable employers in the sector and in the country in general, the Company believes that adequate compensation, permanent investment in education and training as well as other working conditions that ensure a high level of quality of life and development for employees are the key to success and responsible and successful business. Remuneration of board members is proportional to the amount of work they perform, their high expertise and education, and the responsibility that arises from their position.

#### 2.1. Fixed remuneration

The fixed remuneration of the Management Board members consists of the basic monthly salary expressed in its gross amount.

Fixed remuneration is determined, both in absolute and relative terms, in a sufficient amount to provide financial security and stability, i.e. to enable a Management Board member to be independent of the variable part of remuneration.

Determined in such a way, the fixed part of their remuneration encourages responsible decision-making, eliminating the need to take unnecessary risks.

#### 2.2. Variable remuneration

Variable remuneration consists of bonuses which can be paid to a Management Board member in accordance with the results achieved in the business year (hereinafter: **Bonuses**) and participation in the long-term incentive plan for key executives (hereinafter: **LTIP**).

The amount of the Bonus depends on the result in the previous business year, i.e. on the degree of realization of certain KPIs<sup>1</sup> and amounts to 8% or up to 100% of the annual gross salary.

The degree of participation in the LTIP is determined in accordance with the individual contract of the Management Board member.

Variable remuneration is conditioned by the criteria for payment in a way that rewards business management which achieves the sustainable development of the Company (Article 247a, paragraph 1, item 3a of the Act). Together with fixed remunerations, they are an ideal incentive for the Management Board to lead the Company's operations responsibly, without taking unnecessary risks, and with the aim of developing and creating added value in a sustainable and innovative way.

##### 2.2.1. Payment criteria

(Article 247.a paragraph 1 item 3. and 3.b of the Act)

- a) The criteria on which the realization of payment and the amount of the Bonus depends on are determined by the Supervisory Board of the Company.

---

<sup>1</sup> **KPI ( key performance indicators )** are measurable objective values that show how effectively a certain company achieves set business goals.

The criteria for the payment of bonuses are objective financial criteria such as growth in operating income, EBITDA, improvement in EBITDA, share price on the Zagreb Stock Exchange, etc. and the assessment of the Supervisory Board on the qualitative improvement of the Company.

- b) The criteria for participation in the LTIP are determined by the Regulation on the LTIP.

Participation in the LTIP is calculated as the share of an individual Management Board member in the payment of an amount equal to a certain part of the increase in the annual market capitalization of the Company's shares on the Official Market of the Zagreb Stock Exchange d.d.

#### 2.2.2. Method and time of payment

- a) Members of the Management Board are entitled to the Bonus for the previous business year when the audited financial statements for the previous business year are approved by the Supervisory Board and the Bonus is paid without undue delay.

The bonus is paid in cash.

- b) Participation in the LTIP is paid by transferring the Company's shares.

The shares are distributed to the Management Board members by the end of June of the current business year for the previous business year (Article 247.a, paragraph 1, item 5.a of the Act).

#### 2.2.3. Limitations and return of the variable component of the remuneration (Article 247.a paragraph 1 item 4 of the Act)

- a) The Company is not entitled to request the return of the Bonus from the Management Board members.
- b) The Company has the right to demand the return of shares received in accordance with the participation in the LTIP in the event of the end of term of a Management Board member pursuant to the conditions and in the manner prescribed by the Regulation on the LTIP.

Members of the Management Board are obliged to keep the shares for four years starting from the first of January of the year of allotment, and they are prohibited from share disposal during that period (Article 247a, paragraph 1, item 5.b of the Act).

Payment of part of the variable remuneration in shares contributes to the achievement of the Company's objectives by giving members of the Management Board an additional personal interest in the Company's sustainable business development and contributes to the closer alignment of interests of the Management Board and shareholders (Article 247a paragraph 1 item 5.c of the Act).

### 2.3. Other benefits

Members of the Management Board, pursuant to the applicable regulations of the Company, are entitled to other benefits and remunerations.

This type of income contributes to more efficient and simpler business activities, encourages the development of professional skills and further education of the Management Board members and provides them with additional personal development and additional security and stability.

Members of the Management Board are entitled to the use of a company vehicle and mobile phone for business and private purposes, and all maintenance burdens are borne by the Company.

Members of the Management Board have the right to covered travel expenses, membership in domestic and foreign professional organizations, additional professional education, etc.

The company may enter into life insurance contracts for the members of the Management Board in the name of which it pays policies to the insurer. The Company can additionally promote the healthcare of members of the Management Board in the form of physical checkups in renowned institutions and by the contracting of supplementary and additional health insurance policies.

### **3. CONTRACT WITH THE PRESIDENT AND MEMBER OF THE MANAGEMENT BOARD (MANAGEMENT CONTRACT)**

**(Article 247.a paragraph 1 item 6 of the Act)**

#### **3.1. Duration and termination of the contract (Article 247.a paragraph 1 item 6.a of the Act)**

The contract is concluded for the term of office of an individual member of the Management Board.

The contract is terminated by fulfilling the preconditions determined by law or the contract; upon expiration of the period for which it was concluded, termination, cancellation, etc.

The notice periods are determined by each individual contract.

#### **3.2. Severance pay (Article 247.a paragraph 1 item 6.b of the Act)**

The right to severance pay, its amount and the preconditions for payment for Management Board members are determined pursuant to each individual contract.

#### **3.3. Pension and health insurance (Article 247a paragraph 1 item 6.a of the Act)**

The Company withholds contributions for mandatory pension and health insurance from both the fixed and the variable remuneration of Management Board members.

### **4. CONFLICT OF INTEREST**

**(Article 247.a paragraph 1 item 8 of the Act)**

Management Board members are bound by coercive legislation to prevent conflicts of interest.

The Company applies the Corporate Governance Codes of the Zagreb Stock Exchange d.d. in its business activities, and the members of the Management Board are obliged to apply them in accordance with their contracts.

The contracts of the Management Board members contain provisions on the prohibition of market competition with the Company.

Contracts of the Management Board members contain provisions restricting the participation of Management Board members in other companies, both in membership and in the bodies of other companies.

Contracts of the Management Board members contain provisions on the confidentiality.

## **5. ADOPTION OF THE REMUNERATION POLICY (Article 247.a paragraph 1 item 8 of the Act)**

The Company's remuneration policy is determined by the Company's Supervisory Board.

The established remuneration policy is submitted by the Supervisory Board to the General Assembly of the Company for approval.

The preparation of the proposal of the decision on the remuneration policy, implementation and supervision over the implementation of the remuneration policy is performed by the Presidency of the Supervisory Board in the capacity of the Supervisory Board committee whose scope of work includes remuneration and rewards.

The Supervisory Board may temporarily deviate in all parts from the remuneration policy if this is necessarily required for the long-term well-being of the Company, in accordance with the procedure established by the Supervisory Board (Article 247a, paragraph 2 of the Act).

## **6. REMUNERATION OF SUPERVISORY BOARD MEMBERS**

Members of the Supervisory Board receive a reward for their work in accordance with a special decision of the General Assembly of the Company. The amount of the reward is determined by the General Assembly in that decision.

The Company is currently applying the decision on the remuneration of the Supervisory Board members of the Company established on May 8<sup>th</sup> 2018.

All taxes, surcharges, contributions and/or other benefits are deducted by the Company from the gross amount of the reward.

In addition to the remuneration for work, the Company covers all travel expenses for Supervisory Board members incurred as a result of their work.

## **7. FINAL PROVISIONS**

This remuneration policy is set for a period of four years, from 2020 to 2023.

The remuneration policy enters into force on the day it is approved by the General Assembly of the Company. If the General Assembly does not approve the remuneration policy, the Supervisory Board will submit its revised remuneration policy to the next General Assembly which will vote on it.

The decision of the General Assembly and the remuneration policy are published and made available free of charge for a period of ten years, immediately after the General Assembly, on the Company's website.”