



Pursuant to Article 247 of the *Companies Act*, the Supervisory Board of Atlantic Grupa d.d. (hereinafter also referred to as: the Company) submits to the General Assembly for its session to be held on 18 June 2020 to adopt the following

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

1. This Policy on the remuneration of members of the Management Board (hereinafter: the Policy) is based on the principle to attract, motivate and retain qualified professionals with the objective to promote sound and effective risk management as well as to discourage risk-taking that exceeds the level of tolerated risk of the Company. The Policy is aimed on providing a balanced, sustainable and transparent remuneration of members of the Management Board strongly supporting the pay for performance culture and the long-term strategy of the Company. When determining the remuneration, this Policy has taken into account all regional, local and relevant industry practices of remuneration for managers holding corresponding positions, including employees of the associated companies of the Company. The Company provides attractive terms of employment, of which remuneration, personal development, training, working environment and intellectually stimulating environment are all important components. As such, the Policy contributes to achieving the Company's strategic goals.
2. The contract with a member of the Management Board (hereinafter: the Contract) is concluded for a period of three (3) years and it lays down rights, including provisions on remuneration and obligations based on his/her authority within the Management Board. All members of the Management Board have general employment right for an indefinite period in Atlantic Grupa d.d. or its associated companies.
3. The Contract can be terminated in accordance with provisions of the law. The obligation of severance payment occurs in the case of Contract termination by the employer in the period of its duration, unless the Contract is terminated due to reasons caused by the wrongful conduct of the respective member of the Management Board. The severance payment is limited to the amount of twelve (12) average monthly gross salaries paid to the respective Management Board member in the period of three months prior to Contract termination.
4. The remuneration structure for members of the Management Board ensures a proper balance between the variable and fixed remuneration, whereby the fixed part – in terms of the principal salary – is set by the Contract in the gross amount, and the variable part of remuneration is always performance-related. The amount of the variable part in the overall remuneration of a member of the

Management Board will not be less than 40% of the total remuneration under the assumption of realization of the set KPIs and including a deferred part of the bonus.

5. The level of the principal salary is determined in accordance with Article 1 on the basis of the labour market peer group companies comparable in terms of size and/or complexity within the region in which the Company operates, taking into consideration the terms of employment of the Company's employees and employees of its associated companies.
6. The amount of the annual bonus is set per year of Contract duration and is correlated to the realization of key financial/sales metrics as well as qualitative (non-financial) performance criteria (hereinafter jointly: Key Performance Indicator/s or KPI/s):
  - realization of the financial objective consisting of the assessment of realization of the EBITDA profit objective,
  - realization of the direct sales to external buyers (third party) objective,
  - realization of the qualitative (non-financial) objective consisting of the assessment of the employee engagement or key employee retention ratio objective or other People KPIs relevant for a specific year.

Each member of the Management Board is entitled to the annual bonus related to a specific business year (hereinafter: the Business Year), provided that the following preconditions are fulfilled:

- at least 90% of the Company's consolidated EBITDA plan for the Business Year is realized,
- at least 90% of the planned EBITDA of the business unit tied to the authority of the respective Management Board member for the Business Year is realized,
- if he/she was employed at the Company or its associated companies for at least 2/3 of the respective Business Year as well as on 31 December of the respective Business Year and has the right to payment of the annual bonus.

The realization of such financial preconditions and financial KPI metrics are based on the Company's consolidated financial results for the respective Business Year, while a valuation of the non-financial objective is based on either the official Company report and/or a quantitative and/or qualitative research performed by relevant independent partners, e.g. a research agency.

The realization of the annual bonus is established by the decision of the Management Board on the remuneration applicable for all employees of Atlantic Grupa d.d. and its associated companies, adopted on an annual basis (hereinafter: the Decision).

The annual bonus represents 75% of the realized principal annual gross salary in case of 100% realization of KPIs.

7. A member of the Management Board is entitled to the payment of the annual bonus in terms of:

- a) the cash payment: 75% of the realized annual bonus for the respective member of the Management Board, payable upon expiration of 30 days from the date of the adoption of the annual financial results for the Business Year by the Supervisory Board of the Company (hereinafter: the Grant Date)

Members of the Management Board can opt to receive the cash component of their annual bonus through Company shares, in which case they must retain such shares for a minimum period of 2 years from the day of their transfer to share accounts;

- b) long-term equity-based program: 25% of the realized annual bonus for the respective member of the Management Board (hereinafter: Base Shares) multiplied by 1.8 (hereinafter: Addition Shares) payable in Company shares, with the vesting period until the end of April of the fourth year counted as of the end of the Business Year, provided that he/she is still employed by the Company or the associated company on April 1<sup>st</sup> of the respective year.

Members of the Management Board must retain such shares for a minimum period of 3 years from the day of their transfer to share accounts.

In case that the termination of employment of a member of the Management Board of the Company is initiated by the employer during the vesting period, the Company shall transfer the Base Shares, increased by the ratio of Addition Shares that corresponds to the length of the exercised vesting period, within 30 days of the termination of employment.

The number of shares granted to a member of the Management Board under the long-term equity-based program is determined by the average share price (volume-weighted) of the Zagreb Stock Exchange on the day that precedes the Grant Date.

In case that the termination of employment is initiated by the respective member of Management Board or that the termination of employment is exercised by the employer due to the wrongful conduct of the respective member of the Management Board, he/she is not entitled to Base Shares or Addition Shares.

8. An exception from previous Article applies to members of the Management Board who are on the Grant Date a majority shareholder of the Company or a member of the Management Board who is concurrently in terms of this Article related to such person.

Persons are considered related if they are blood-related in a direct line, in a collateral line up to the second degree inclusive and if they are spouses or extra-marital partners.

Members of the Management Board encompassed by this Article are entitled to payment of the annual bonus solely in terms of the cash payment following the same terms, specifically:

- c) the cash payment: 75% of the realized annual bonus for the respective member of the Management Board, payable upon expiration of 30 days from the date of adoption of annual financial results for the Business Year by the Supervisory Board of the Company;
  - d) deferred cash payment: 25% of the realized annual bonus for the respective member of the Management Board multiplied by 1.2 with the vesting period until the end of April of the fourth year counted as of the end of the Business Year, provided that he/she is still employed by the Company or the associated company on April 1<sup>st</sup> of the respective year.
9. In addition to remuneration of the Management Board members, in line with local practices a number of additional arrangements apply. These include expense allowances, life insurance policy, accident insurance, voluntary health insurance policy, use of company cars and technical equipment, education allowances and, if applicable, expatriate allowances.
10. With the aim to avoid any conflict of interest, all Contracts provide for the following clauses:
- a) obligation of confidentiality: members of the Management Board are obliged to keep confidential the Company's business secrets during and after their employment, regardless of the reasons for employment termination, whereas the obligation of confidentiality extends to business secrets of the Company's associated companies as well;
  - b) no-competition clause: members of the Management Board are obliged not to compete with the Company for a period of one year from the date of receiving severance pay; in case of its breach, any Management Board member shall be liable to pay the contract penalty in the amount of twelve average net monthly salaries paid to that the Management Board member in the period of three months before Contract termination;
  - e) prohibition of participation of a member of the Management Board in the ownership and/or management structure, whether directly or indirectly, in any company which is in market competition with the Company and its associated companies, or in a company with which the Company and its associated companies have business cooperation, as well as to act as an advisor or consultant in such companies, regardless of being paid or not for such activities;

- f) activities, except those performed for the Company or its associated companies, regardless of being paid or not, including the membership in supervisory boards, advisory bodies, etc. may be performed by a member of the Management Board only on the basis of prior approval of the Management Board of Atlantic Grupa d.d.
11. The Supervisory Board with the support of the Nomination and Remuneration Committee shall monitor whether the remuneration elaborated in this Policy is in line with the principles established in paragraph 1 of this Policy on an annual basis. The remuneration shall be checked against regional, local and relevant industry practices consisting of companies comparable in terms of size, business activity, geographic distribution of operations and/or complexity. The Supervisory Board reserves the right to amend the Policy in case of change of market circumstances. In such case, the Supervisory Board shall submit the proposal and explanation to the General Assembly in line with the applicable provisions of the law.
12. This Policy enters into force upon its adoption by the General Assembly.

Zdenko Adrović  
President of the Supervisory Board

