

Pursuant to the provisions of Article 247a of the Companies Act (Official Gazette nos. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 111/12, 68/13, 110/15, 40/19 and 34/22; hereinafter: CA), the Supervisory Board of Dalekovod d.d., at its session held on 10/05/2022 sets out the following

## **REMUNERATION POLICY**

### **REMUNERATION POLICY OBJECTIVES**

#### **Item 1**

(1) This Policy establishes a system of remuneration for members of the Management Board in order to ensure the existence of prescribed and transparent policies and procedures for determining the remuneration for the members of the Management Board which harmonize their interests with the long-term interests and successful and ethical implementation of the strategy of Dalekovod, d.d. (hereinafter: the Company).

(2) The Company wants to achieve a balance between monetary and non-monetary rewards and fixed and variable remuneration of the members of the Management Board. Monetary and non-monetary rewards are related to the Company's values and strategies. The remuneration is fixed and/or variable. Fixed remuneration reflects the relevant professional experience, competence and organizational responsibility of the members of the Management Board. Variable remuneration is based on performance and, in exceptional cases, on other conditions. Variable remuneration provides an incentive for long-term prudent risk-taking and good risk management.

### **COMMITTEE FOR APPOINTMENT AND REWARDING**

#### **Item 2**

(1) The Supervisory Board shall establish the Committee for appointment and rewarding (hereinafter: the Committee) to express a competent and independent opinion on rewarding policies and practices and on incentives established for risk management, by appointing members of the Committee.

(2) The Committee is responsible for the following:

- a) preparation of recommendations to the Supervisory Board regarding the rewarding of the members of the Management Board;
- b) drafting proposals and advice to the Supervisory Board on drafting and amending the rewarding policy for the members of the Management Board;
- c) revision of the rewarding policy and monitoring its implementation;
- d) reviewing the appointment of external advisers for remuneration that the Supervisory Board may, if necessary, employ for advice or support;
- e) support to the Supervisory Board by monitoring the functioning of the rewarding system on behalf of the Supervisory Board;
- f) paying special attention to the assessment of rewarding mechanisms adopted to ensure that the overall remuneration policy is consistent with the Company's business strategy, objectives, values and interests;

- g) ensuring regular independent review of the rewarding policy and system by internal audit;
- h) formal review of a number of possible scenarios to examine how the rewarding system will respond to future external and internal events.

## **REMUNERATION POLICY AND BUSINESS STRATEGY AND THE LONG-TERM DEVELOPMENT OF THE COMPANY**

### **Item 3**

(1) The remuneration rules set out in this Policy are designed to promote and comply with transparent and effective management and to prevent the assumption of risks that are not in line with the Company's business strategy and long-term development.

(2) This remuneration policy is designed to achieve the long-term economic interests of the Company, shareholders and employees.

(3) The remuneration policy is harmonized with the business strategy of the Company and its subsidiaries (hereinafter: Dalekovod Group), and the variable remuneration amount is conditioned by the realization of the adopted business plans. In this way, the business policy contributes to the long-term development of the Company.

## **PREVENTION OF CONFLICTS OF INTEREST**

### **Item 4**

(1) This remuneration policy is in line with the business strategies, objectives, values and interests of the Company, shareholders and employees and includes measures to avoid conflicts of interest.

(2) The Company's Management Board ensures that the principles and procedures related to remuneration are formulated in such a way that all decisions of the Management Board are balanced and in the best interests of the Company, shareholders and employees, which is ensured by using risk-adjusted performance indicators which also take qualitative criteria into account (e.g. violation of prescribed restrictions, etc.).

## **FIXED REMUNERATION**

### **Item 5**

(1) Fixed remuneration of the members of the Management Board does not promote taking high-level risks.

(2) Fixed remuneration of Management Board members:

- a) reflect the value of the work, competence, experience and market contribution;
- b) achieve a balance between responsibility, knowledge, skills and experience (market value of work and person);
- c) encourage the working environment in the Company in terms of:
  - i. performance (set goals, achieving results, providing feedback),
  - ii. development (career, employment opportunities), and
  - iii. core competencies (encouraging growth, responsible action, excellence in execution, teamwork).

(3) Fixed remuneration (basic salary) of the members of the Management Board is determined in a monthly gross amount. The basic salary includes flat-rate remuneration for work outside the daily

working hours, days of annual leave, paid leave, public holidays prescribed by law. Members of the Management Board are not entitled to a special compensation i.e. salary increase for overtime work, that is, for work longer than full-time work or for redistribution of working time, nor to any salary supplements in terms of the provisions of the collective agreement. In addition, the members of the Management Board are not entitled to rewards and/or remuneration for their work in the bodies of Dalekovod Group companies. All the above supplements, rewards and remuneration are included in the basic salary.

## **VARIABLE REMUNERATION**

### **Item 6**

(1) Depending on the business results of the Company and Dalekovod Group, the members of the Management Board are also entitled to a variable part of the salary (variable remuneration).

(2) The variable part of the salary is related to the realization of the annual business plan of the Dalekovod Group, in terms of the realized business incomes, amount of normalized EBITDA, amount of contracted works and the implementation of strategic objectives as follows:

(3) The variable part of the salary related to the achieved result is calculated according to the following criteria:

a) The objective related to achievement of profit from sale in relation to the Business Plan:

- i. if the realized income of the Dalekovod Group is 85 % or less than the amount envisaged by the Business Plan for a particular business year (realized income from sale < 85 % of the Business Plan), the member of the Management Board is not entitled to the variable part of salary in relation to this criterion;
- ii. if the realized income from sale is higher than 85 %, and less than or equal to 100 % in relation to the plan (85 % of the Business Plan < realized business income ≤ 100 % of the Business Plan), the member of the Management Board is entitled to the amount of variable salary in the ratio of 100 %, in relation to this criterion, with a proportional reduction of the variable part of the salary in such a way that for each full percentile of reduction of profit compared to the amount representing 100 % of business income planned, the variable part of salary is reduced by 6.66 %;
- iii. if income from sale is higher than 100 %, and less than or equal to 110 % in relation to the plan (100 % of the Business Plan < realized income from sale < 110 % of the Business Plan), the member of the Management Board is entitled to the full amount of the variable part of salary paid to the members of the Management Board in relation to that criterion (100 % of the amount of the variable part of the salary), with a proportional increase of the variable part of the salary in such a way that for each full percentile of increase of business income from the amount that represents 100 % of the planned business income, the variable part of the salary increases by 2 %, up to a maximum of 120 % of the amount of the variable part of the salary in relation to this criterion;

b) The objective related to the achievement of the normalized EBITDA in relation to the Business Plan:

- i. if the achieved normalized EBITDA of Dalekovod Group is 80 % or less than the amount foreseen by the Business Plan for a particular business year (achieved normalized EBITDA ≤ 80% of the Plan), the member of the Management Board is not entitled to the variable part of the salary in relation to this criterion;
- ii. if the achieved normalized EBITDA is higher than 80 %, and lower or equal to 100 % in relation to the profit planned under the Business Plan (80 % of the Business Plan < achieved normalized EBITDA ≤ 100 % of the Business Plan), the member of the Management Board is entitled to the amount of the variable part of the salary that

- would be paid to the member of the Management Board in relation to this criterion at a ratio of 100%, with a proportionate reduction of the variable part of the salary by decreasing the variable part of the salary according to this criterion by 5 % for each full percent of the decrease of the achieved profit in relation the amount representing 100 % of the profit planned under the Business Plan;
- iii. if the achieved normalized EBITDA is higher than 100 %, and lower or equal to 120 % in relation to the normalized EBITDA planned under the Business Plan (100 % of the Business Plan < achieved normalized EBITDA  $\leq$  120 % of the Business Plan), the member of the Management Board is entitled to the full amount of the variable part of the salary paid to the member of the Management Board in relation to this criterion (100 % of the amount of the variable part of the salary), with a proportionate increase of the variable part of the salary by increasing the variable part of the salary according to this criterion by 1 % for each full percent of the increase of achieved profit in relation to the amount representing 100 % of the profit planned by the Business Plan, up to not more than 120% of the amount of the variable part of the salary;
- b) The objective related to the achievement of contracted works in relation to the Business Plan:
- i. if the achieved contracted works of Dalekovod Group are 85 % or less than the amount foreseen by the Business Plan for a particular business year (achieved contracted works  $\leq$  85 % of the Plan), the member of the Management Board is not entitled to the variable part of the salary in relation to his criterion;
  - ii. if the contracted works are higher than 85 %, and lower or equal to 100 % in relation to the plan (85 % of the Business Plan < achieved contracted works  $\leq$  100 % of the Business Plan), the member of the Management Board is entitled to the amount of the variable part of the salary that would be paid to the member of the Management Board in relation to this criterion at a ratio of 100 %, with a proportionate reduction of the variable part of the salary by decreasing the variable part of the salary according to this criterion by 6.66 % for each full percent of the decrease of achieved contracted works in relation to the amount representing 100 % of the planned contracted works;
  - iii. if the contracted works are higher than 100 %, and lower or equal to 110 % in relation to the plan (100 % of the Business Plan < achieved contracted works  $\leq$  110% of the Business Plan), the member of the Management Board is entitled to the full amount of the variable part of the salary that would be paid to the member of the Management Board in relation to this criterion (100% of the amount of the variable part of the salary), with a proportionate increase of the variable part of the salary by increasing the variable part of the salary by 2 % for each full percent of the increase of achieved contracted works in relation to the amount representing 100% of planned contracted works, up to not more than 120 % of the amount of the variable part of the salary in relation to this criterion;
- c) The objective related to the implementation of strategic initiatives, that is, realization of strategic initiatives with the achieved impact refers to:
- i. Human resources development
  - ii. Capital market development
  - iii. Reinforcing the production and sales portfolio according to the strategy
  - iv. Specifically defined objectives in the drafting of annual plans according to the guidelines of the Supervisory Board

## PARAMETERS FOR PAYMENT OF THE VARIABLE PART OF THE REMUNERATION

## **Item 7**

(1) The parameters for the payment of the variable part of the remuneration contribute to the achievement of the Company's business strategy and its long-term development by serving as motivation to act in the best interest of the Company and Dalekovod Group, in accordance with the responsibilities of each member of the Board. The objectives for obtaining performance-based bonuses must be challenging so that only the exceptional results are rewarded, and they must be designed so that the members of the Board are not tempted to assume excessive risks which are not in accordance with the Company's business strategy and so as not to obstruct the long-term development of the Company and Dalekovod Group.

(2) The methods applied to determine whether the parameters have been met are laid down in the adopted Company's annual business plans. The annual plans, adopted by the Supervisory Board, must be realistic and compliant with the long-term business strategy and development of the Company and Dalekovod Group.

(3) The aggregate of the variable parts of the salary of all the members of the Company's Management Board in Gross 1 amount may not exceed 5 % of the Company's available net profit. If this amount does not exceed 5 % of the Company's available net profit, the proportionately decreased amount of the annual variable salary will be calculated and paid to the members of the Management Board. If the Company ends the business year with a financial loss, the members of the Board are not entitled to payment of the variable part of the salary.

## **DEFERRALS AND REFUNDS OF REMUNERATION**

### **Item 8**

(1) The Company has no deferrals or periods for which the payment of part of the remuneration is deferred, and the Company has no right to demand the refund of variable parts of remuneration.

## **OTHER RIGHTS**

### **Item 9**

(1) In addition to fixed and variable remuneration, the members of the Management Board exercise the following rights:

- a) life insurance in the event of death or disability that may occur as a result of an accident or occupational disease;
- b) insurance for the needs of additional costs of treatment and/or treatment abroad;
- c) annual preventive medical examination;
- d) right to use of a motor vehicle for business and private needs 24 hours a day (where the use of a vehicle for personal needs is considered a salary in kind);
- e) additional and supplementary health insurance;
- f) the right to reimbursement of expenses incurred by the member of the Management Board in performing his/her function.
- g) use of IT equipment and phone line;
- h) the right to compensation of costs for education and upskilling.

(2) During the contractual non-competition period, the Company is obligated to pay the member of the Management Board a monthly fee in the amount of one half (1/2) of monthly fixed salary of the member of the Management Board for which the Company calculates and pays all taxes, surcharges and contributions.

## **DURATION OF MANAGERIAL CONTRACTS**

### **Item 10**

- (1) The duration of the managerial contract (hereinafter: the Contract) is conditioned by the length of the period for which the member of the Management Board is appointed, provided that the Company may conclude the Contract for a maximum period of 5 years.
- (2) The contract terminates upon the expiry of the period for which it was concluded, upon the dismissal of a member of the Management Board, the recall of a member of the Management Board or the fulfilment of conditions for retirement.

## **SHARES AND OPTIONS**

### **Item 11**

- (1) The Company does not give the member of the Management Board a part of the remuneration in shares (no option).

## **NOTICE PERIOD**

### **Item 12**

- (1) The notice period is three months, and the Supervisory Board of the Company may also make a decision on a shorter notice period.
- (2) A member of the Management Board is entitled to a basic salary during the notice period, and if the Supervisory Board of the Company has made a decision on a shorter notice period than agreed, the member of the Management Board is entitled to a proportional amount of the variable part of the salary, under the conditions and in the manner determined by the Contract.
- (3) If the Contract is terminated due to misconduct of a member of the Management Board, the member of the Management Board loses the right to a variable part of salary and severance pay.

## **SEVERANCE PAY**

### **Item 13**

- (1) If the Supervisory Board recalls a member of the Management Board (except in case of dismissal due to misconduct or extraordinary termination) or if a member of the Management Board is not offered a new contract or if a member of the Management Board does not accept the new contract offered, upon expiry of the notice period, the Member of the Management Board has the right to a severance pay in the amount of 6 (six) gross basic monthly salaries, from which the Company will pay all taxes (income tax etc.), contributions and/or other similar benefits that are charged for such a payment.
- (2) If during the term of the Contract a member of the Management Board, in accordance with positive regulations, fulfils the conditions under which they are obliged to retire, the Contract terminates on the day of retirement, and the member of the Management Board is entitled to a severance pay in the amount of 6 (six) gross basic monthly salaries.

## **DETERMINING REMUNERATION IN RELATION TO WORKERS' REMUNERATION AND WORKING CONDITIONS**

### **Item 14**

(1) When adopting the remuneration policy for the members of the Management Board, the conditions of workers' remuneration and the working conditions of a circle of workers with similar qualifications, knowledge, skills, competencies and experience, but with a lower level of responsibility are taken into account, i.e. the remuneration and the working conditions of middle management are taken into account.

## **ALLOWED DEVIATION FROM THE REMUNERATION POLICY**

### **Item 15**

(1) The Company may temporarily deviate from the remuneration policy if this is necessary for the Company's long-term well-being or due to unpredictable circumstances that may significantly affect the Company's business operations.

(2) In particular, the Company may temporarily deviate from the remuneration policy in the case of reporting on the remuneration policy for the year in which the remuneration policies were determined, and in which in the period from 1 January to the establishment of this remuneration policy, the members of the Management Board received remuneration according to criteria different from the criteria and parameters under this Remuneration Policy.

(3) Deviation from the established remuneration policy is proposed by the Remuneration Committee and approved by the Supervisory Board.

## **IMPLEMENTATION AND MONITORING OF THE REMUNERATION POLICY**

### **Item 16**

(1) The Remuneration Committee and the Supervisory Board monitor the implementation of the remuneration policy in such a way that the Remuneration Committee reports, once a year, to the Supervisory Board on the monitoring of the implementation of the remuneration policy and recommends remuneration policies to the Supervisory Board at least every three years.

Chairman of the Supervisory Board:



Gordan Kofak