

**REMUNERATION POLICY  
FOR  
INA – INDUSTRIJA NAFTE, d.d.  
MANAGEMENT BOARD MEMBERS**

Attachments:  
INA-INDUSTRIJA NAFTE d.d. General Assembly decision dated August 26,2020  
Remuneration Policy for INA-INDUSTRIJA NAFTE, d.d. Management Board members

*Validity notice:*

This Remuneration Policy and General Assembly's Decision is applicable till 26.08.2024. or until different decision of respective Company body and put as not valid respective official documents before afore mentioned date.

**GENERAL ASSEMBLY**

Av. V. Holjevca 10  
ZAGREB

No: 1-07/20  
Date: 26.08.2020.

Pursuant to the article 275. of the Companies Act, the General Assembly of the Company, on August 26, 2020 rendered the following

**Decision on remuneration policy for INA – Industrija nafte, d.d. Management Board members**

General Assembly approves the remuneration policy for INA – Industrija nafte, d.d. Management Board members as in the text enclosed, Attachment no. 1 which makes an integral part of this decision.

This decision becomes valid on the day of its adoption.

**PRESIDENT OF THE GENERAL ASSEMBLY OF INA,  
d.d.**

**Luka Pavleković**

INA, d.d.	Banka - Bank	Adresa - Address	IBAN broj - IBAN Number	Trgovački sud u Zagrebu Commercial Court in Zagreb
Avenija Večeslava Holjevca 10 10 002 Zagreb p.p. 555 Hrvatska - Croatia Telefon - Telephone +385(1)6450000 Faks - Fax + 385(1)6462100	Privredna banka Zagreb d.d. Raiffeisenbank Austria d.d. Zagrebačka banka d.d. Splitska banka d.d. OTP banka Hrvatska d.d. Erste&Steiermärkische Bank d.d. Sberbank d.d. NATIXIS UniCredit Bank Austria AG  BNP Paribas (Suisse) SA  ING Bank NV	Radnička cesta 50, 10000 Zagreb Magazinska cesta 69, 10000 Zagreb Trg bana Josipa Jelačića 10, 10000 Zagreb Domovinskog rata 61, 21000 Split Domovinskog rata 3, 23000 Zadar Jadranski trg 3a, 51000 Rijeka Varšavska 8, 10000 Zagreb Avenue Pierre Mendes 30, 75013 Paris Schottengasse 6-8, A-1010 Wien  Place de Hollande 2, Case Postale 5060 1211 Geneve 11  PO BOX 1800, 1000 BV Amsterdam	HR92 2340 0081 1000 2290 2 HR70 2484 0081 1006 1946 3 HR62 2380 0001 1013 0359 5 HR81 2330 0031 1002 0454 6 HR86 2407 0001 1001 5214 9 HR34 2402 0061 1006 8111 4 HR75 2503 0071 1000 6218 3 FR76 30007 99999 27 021 672 000 59 AT21 1200 0528 4400 3486 (EUR) AT31 1200 0528 4400 3487 (USD) CH95 0868 6001 0887 4000 2 (EUR) CH25 0868 6001 0887 4000 1 (USD) NL98 INGB 0650 7815 38 (EUR) NL23 INGB 0020 0370 90 (USD)	Uplaćen temeljni kapital – Paid capital stock 9.000.000,00 kn - HRK Broj izdatih dionica / Nominalna vrijednost No. of issued shares / Nominal value 10.000.000 / 900,00 kn - HRK Matični broj – Reg. No. 3586243 OIB – 27759560625 PDV identifikacijski broj / VAT identification number HR27759560625

The Supervisory Board of INA - INDUSTRIJA NAFTE, d.d. (hereinafter: INA or Company) pursuant to article 247a of the Companies Act (hereinafter: the Law and/or CA) provisions and in accordance with the above purpose, on SB's 3<sup>rd</sup> meeting held on April 14<sup>th</sup> 2020 creates Remuneration Policy of INA – INDUSTRIJA NAFTE, d.d. MB members

## **Introduction**

*In INA Group, diversity represents all the ways in which employees can differ from one another. This not only includes visible differences, such as age, sex, gender, language, talents and race, but also less visible differences, such as thinking and learning styles, religion, nationality and education. Accepting diversity helps create a company culture in which differences are respected and accepted, where everyone has the opportunity to develop their competencies in accordance with company values and business goals, and in which employees feel engaged, respected and connected.*

*This document is transparent and promotes equal opportunities and fair and equitable treatment of all employees concerned. Employees affected by this document are treated exclusively according to their merits and without prejudice based on visible and less visible factors. The gender-specific terms used in this document are used neutrally and refer equally to the masculine and feminine gender.*

*This Remuneration Policy is developed with purpose to set transparent and comprehensible rules for determination of Management Board members (hereinafter: MB members) incomes. These incomes should satisfy both MB members and business strategy, long-term interest and sustainability of company and comply with successful and ethical company strategy fulfilment for the purpose of proper information of shareholders, potential investors and other stakeholders.*

*This Remuneration Policy is available to the general public through its publication on the company's website.*

*In the above manner, it is possible to obtain a comprehensive view of the rules and procedures of MB members remuneration process and full and reliable picture about the of MB members fee.*

*As a result, greater involvement of shareholders of the shareholding company, whose shares are admitted to trading on a regulated market, will be ensured.*

*Shareholders within their rights are entitled to assess the adequacy of the remuneration rules of MB members, and to express their opinion as to the manner and standard of remuneration rules of members of bodies, and the link between remuneration and performance of individual MB member through Company General Assembly.*

## Article 1 Basic provisions

In accordance with the remuneration strategy, INA analyzes competitiveness on the market and adjusts salary range to work complexity, responsibilities and dimensions of the work place and required qualifications according to Hay methodology when determining salary range for particular work place. As such, INA regularly participates in market salary researches and continuously monitors salary and total earning trends on Croatian market.

When determining range of salary and other remuneration for each work place, INA is focused on maintaining internal consistency and fairness within the Company, as well as on identifying and rewarding individual performance and goals achieved.

The objective of Remuneration policy is to provide competitive compensation package to Company's employees and managers in order to ensure focus on pursuing Company's strategy. Basic principles of remuneration strategy are:

- Internal equity in earnings on all Company levels,
- Regular monitoring of market trends and maintaining competitiveness,
- Rewarding employees and managers based on individual work performance driven by overall Company performance,
- Ensure objectivity and consistency for all employees and managers,
- Complexity evaluation of every work place according to Hay methodology.

Total earnings, especially variable earnings of MB members, are aligned with business strategy and they ensure realization of long-term interests and sustainability of company. Variable part of MB Members' earnings which are defined in accordance with company goals are as well, individual goals of MB members. Respective goals are defined once a year and they are aligned with business plans, long-term interests and they contribute to sustainability of the company.

## Article 2 Remuneration conditions for MB members

### 2.1 General provisions

Remuneration policy for MB members defines basic principles and reward conditions for MB members related to:

- Individuals entitled to compensation,
- Type of compensation,
- Amount of compensation,
- Compensation payment method.

Company's Management Board manages Company's affairs at their own responsibility according to the law and Articles of Association. According to the law and Articles of Association, Supervisory board appoints and revokes President of the Management Board and MB members.

Individuals exercising remuneration right according to the rules of this document are Company's MB members.

Entitlement to remuneration or to its proportionate part pertains to a MB member from the starting date of engagement on MB member position and ceases on the date of engagement termination, regardless on the nature of engagement termination (resignation, termination of office term, etc.).

Depending on the status of Company's MB member, remuneration is paid as:

- Salary – MB members who are employed in INA Plc.,
- Compensation based on the contract for performance of MB member tasks - MB members who are not employed in INA Plc.

In accordance with these remuneration rules, the remuneration of MB member for performance of his/her function/tasks as a MB member is provided only if he/she is not employed full time in any company within the INA/MOL Group.

MB member's remuneration/earnings consist of following components:

- Fixed component of total remuneration
- Variable component of total remuneration
- Other allowances and benefits.

Approximate ratio of fixed and variable remuneration is 60% : 40% in favor of fixed part of remuneration.

Other allowances and benefits consist of non-monetary, fixed remuneration such as, but not exclusively: business car, additional health insurance, managerial checkup, etc. in accordance with internal INA regulations which define employee's remuneration. INA Supervisory Board has the right to include, exclude, edit any type of non-monetary benefit, remuneration, etc. by a special decision of the Supervisory Board in accordance with this Policy.

All appertaining taxes, surtaxes and contributions in relation to contractual compensation (salary and other earnings) shall be calculated and paid by the Employer pursuant to the provisions of valid regulations.

## **2.2. Fixed component of total remuneration**

MB member is entitled to a gross monthly base salary/remuneration in the amount determined by Company' Supervisory Board.

Fixed gross monthly base salary/remuneration is determined according to pay grades per Hay methodology of job evaluation and market remuneration range for defined pay grades for specific work place in Company.

The HAY categories of jobs and grade shall be defined by trained HR experts. Three factors are examined during job evaluation: know-how, problem solving and accountability.

Total Cash ranges are linked to each HAY grade. Pay scale is defined and regularly revised on country level and defines target Total Cash payment for each grade. Base salaries are defined based on this.

Fixed gross monthly base salary/remuneration can vary between 80% and 120% of annual base salary market median for respective pay grade.

Company' Supervisory Board makes decision on approval of fixed gross monthly base salary/remuneration amount within decision on MB member's compensation package in accordance with the above guidelines, i.e. this Policy.

MB member's fixed remuneration is paid on a monthly basis on the pay date for salary pay-out to the Company employees, by a cashless transfer to the bank account of MB member.

## **2.3. Variable component of total remuneration**

MB member is entitled to an annual bonus as a variable part defined by the percentage (%) of annual gross salary, for the assessment period and depending on the performance grade based on decision of Supervisory Board.

Variable part of salary/bonus is determined according to pay grade per Hay methodology and defined target of bonus percentage range (%) for defined pay grades of MB member positions.

Company' Supervisory Board makes decision on approval of target bonus percentage (%) within decision on MB member's compensation package in accordance with the above guidelines, i.e. this Policy

Individual goals (KPI – Key Performance Indicator) are defined by Company' Supervisory Board decision made for each reference year as follows:

- In general, at least 3 to maximum 8 individual goals are set,
- Corresponding percentage weight (%) is defined for each individual goal. Sum of all goal weights must be 100%.
- Corporate goals generally represent individual goals of MB members.

As MB members manage Company's activities and make decisions together as a body, they have same scope of responsibility in order to act in the best interest of Company. Therefore, variable part of salary/bonus for MB members, goal setting and goal evaluation are unique for all MB Members.

Company' Supervisory Board makes decision on goal evaluation for MB members. Achievement of each goal is evaluated in accordance with achieved results and Company's financial indicators which are prepared by department responsible for Finance. Total value of realization represents sum of all realizations multiplied with weight for each goal.

Exact bonus amount represents a product of annual gross salary, targeted bonus percentage (%) and the total value of achieved MB member's goals. Exact bonus amount is confirmed by Company' Supervisory Board.

Variable part of salary/bonus is paid once a year for the previous year upon goal evaluation.

Variable part of salary/bonus may not be regarded or interpreted as part of the regularly agreed-on monthly salary amount. INA retains the right to amend or cancel the payment of special bonuses in line special decision of Supervisory Board.

Performance management enables Company's owners/shareholders to direct business behavior and decisions of managers toward accomplishment of short-term and long-term Company goals. From Company's owners/shareholders perspective, the ultimate goal is to create added value and profit increase which is achieved through specific defined goals (CAPEX, EBITDA, FTE, etc.) with which clear business guidance is given to Company's Management for upcoming business period. Due to the fact that sustainable development and safety are high priorities within the Company, in the scope of performance management system on the company level and on individual project level, sustainable development & health, safety and environment related performance indicators as non-financial targets are set.

Performance management and payment of variable part of salary/bonus contributes to business strategy achievement and Company's long-term development on the following way:

- Fixed cost decrease in favor of variable cost increase, which is paid upon goal realization,
- Enhancement and development of culture focused on performance directing the overall work efficiency of employees and managers towards achievement of company goals,
- Increases Company's competitiveness on the market and ensures attraction of quality human resources and retention of current human resources.

#### **2.4. Long-term variable remuneration component**

MB members do not exercise the right receive remuneration in a form of shares nor options on Company' shares, nor they exercise the right to receive any form of long term variable remuneration. Additionally, remuneration payment delay is not an option, as well as the possibility that Company requires a refund of paid variable remuneration/bonus.

#### **2.5. Other allowances and benefits**

**Sick leave:** For the duration of the temporary work incapacitation (sick leave) up to 42 days, the Employer will pay a salary compensation equivalent to the average monthly salary paid to the MB Member in the last three months prior to the utilization of the annual leave.

Should the sick leave last longer than 42 days, the MB Member shall not only be entitled to salary compensation in accordance with legal regulations regulating the mandatory health insurance, but also to the difference between the salary compensation in accordance with the legal provisions and the amount up to 90% of the average gross salary paid out in the previous three months before it stopped working due to a temporary inability to work

##### **Additional health benefits:**

- In the event of the MB member's illness or injury, the Employer undertakes to ensure the highest possible treatment and recovery level and to bear 80% of the additional costs not acknowledge by the Croatian Health Insurance Institute (HZZO).
- MB member is once a year entitled to **managerial medical check-up** at INA expense.
- MB member is entitled to **supplementary health insurance** as other INA employees.

**Voluntary pension insurance:** INA does not pay any contributions for voluntary pension insurance, nor has obligation for full tenure redemption after managerial contract termination and early retirement of the MB member.

**Insurance:** INA shall take out at its own expense an insurance policy against accidents including demise due to illness, under the conditions and in the amounts established by INA's decision.



**Benefits for assignees (expats):** pursuant to internal regulations regarding assignees to work in Croatia, MB member can exercise the right to following benefits:

- Allowance for costs of housing,
- Schooling and/or Kindergarten cost reimbursement
- Tax consultancy services
- Immigration status regulation,
- International Health and Travel insurance
- Shipment services
- Home leave allowance,
- Settling-in Allowance.

**Other benefits:** The MB member is entitled to use a corporate car, corporate business card and IT equipment in accordance with the INA internal bylaws.

### **Article 3 Managerial Contract or other type contract with MB Member (hereinafter: the Contract)**

#### **3.1 Contract duration, conditions for contract termination including contractual notice periods**

The Contract with MB member is concluded for the mandate (office term) duration period. Pursuant to Companies Articles of Association, the Supervisory Board decides on MB Members office term, which can last for up to 5 years. After office term expiration, MB Member can be appointed again to the same position with no restriction to number or mandates.

The employment relationship with the MB member is established for an indefinite period of time on a full-time or part-time basis. The MB Member shall perform above stated position until expiry of the appointment term, revocation, resignation or any other mode of termination of the position of MB Member foreseen under the CA or other laws.

For the duration of the employment relationship, the parties' legal positions and the relations between the contractual parties shall be regulated by the provisions of the Croatian Labour Act (hereinafter: LA), except for the provisions on employment termination, notice period, severance pay, working hours, daily and weekly rest except in case the exact appliance of the LA is not contracted for aforementioned provisions

In the event of cessation to perform the position of MB member due to term of office expiry or non-renewal, the Employer shall offer the MB Member a new employment contract in line with the Employee's professional qualifications and Employer's needs. If the MB Member does not accept the Employer's offer for the conclusion of a new employment contract or does not respond to the offer within 8 (eight) days of receipt, the Employer has a valid reason to terminate this Contract with a contractual notice period of one month.

The MB member is entitled to submit at any time a written resignation from the position of the MB Member. The resignation shall be considered also as a unilateral termination of this Contract, without a right to a severance pay. The resignation shall come into effect after the appointment of a new MB Member or the expiration of two months from the day the resignation is announced, whichever occurs first.

Both, MB member and the Company may terminate the Contract, along with a 2 months' notice period, for the reasons established by internal bylaws of the Employer and the provisions of the LA, unless the exception of resignation, in which case notice period shall last for one month.

Company has a valid reason to recall the MB member from his position and to unilaterally terminate the Contract in case of a severe violation of the rights and obligations from the employment relationship, with immediate effect (without notice period).

**Other modes of contract termination:** the Contract with MB member shall also cease in the event that the MB Member turns 65 age old and has 15 years of pension tenure, unless agreed otherwise by the Company and MB Member, and with the delivery of a valid resolution on the acknowledgement of the right to disability pension due to full lack of work capacitation.

In case of retirement, the MB Member is entitled to severance pay according to internal bylaws of the Company.

### 3.2. Companies obligations toward MB member for severance pay

The MB Member is entitled to a severance pay, except in the following cases:

- recall from the position and Contract termination for reasons conditioned by the MB Member's misconduct and in case of a severe violation of the rights and obligations from the employment relationship as stipulated in the Employment Contract,
- if after the termination of this Contract the MB Member establishes an employment relationship with a company which is a member of INA Group/MOL Group.

The MB Member is entitled to a severance pay which is, following one of the below calculations, more favourable to the MB Member:

- Severance pay calculated according to number of gross monthly base salaries established by the Employment Contract, depending on the years of service on managerial position in INA Group:

Tenure on managerial position in INA Group	No of monthly base salaries
Over 2 years	2
Over 3 years	3
Over 5 years	5
Over 5 year of tenure on managerial positions with condition of total 10 years of tenure in INA Group	8

Or

- Severance pay calculated according to the Employment Contract that MB Member had concluded with the Company before the appointment to the position of INA MB Member.

### Article 4 Other basic rules of Remuneration policy

Within the process of establishment of remuneration for MB members the Company shall take into consideration following principles:

- Company remuneration strategy which defines all compensation elements both for employees and managers
- Job evaluation rules according to Hay methodology
- Regular monitoring of market trends and maintaining competitiveness
- Internal fairness in remuneration on all levels throughout the Company,
- Ensure objectivity and consistency for all employees and managers.

The Company enables transparent and fair compensation in line with market trends within the process of definition of concrete compensation elements for each job category. This is based on implemented evaluation for all jobs in the company, starting from positions with smallest complexity to the top managerial positions (MB members) according to Hay methodology.

Relevant organisational units responsible for preparation of Remuneration policy are Human Resources, Legal and Controlling.

### Article 5 Procedure for adoption, implementation and supervision of Remuneration policy, role of Remuneration and Appointment Committee and measures for suppression of conflict of interest

Pursuant to the CA, Company Supervisory Board establishes remuneration policy for MB members in cooperation with General Assembly. The Company General Assembly gives approval to the Remuneration policy presented to the General Assembly by the Supervisory Board.

Pursuant to the CA, Company General Assembly shall at least once in every four (4) years, and always in case of major change of the content, decide on approval of Remuneration policy for MB members. General Assembly decision is not voidable pursuant to the Article 360 of the CA, nor rights or responsibilities shall be gained.



The company did not establish Remuneration and Appointment Committee or another corresponding committee. Those tasks are within Human Resources responsibilities. Human Resources are responsible for following purpose and objectives of these Rules. New Remuneration policy has to contain description and explanation of all proposed changes.

Pursuant to Article 276a Item 3 of the CA, in case the General Assembly does not approve the Remuneration policy, Supervisory Board is obliged to present at the next General Assembly meeting for new approval, reconsidered and newly prepared Remuneration policy. This reconsidered Remuneration policy must contain explanation of all crucial changes including information how are voting results and shareholders inputs to previous Remuneration policy and to Annual Report on MB Members Remuneration incorporated in new Remuneration policy.

Pursuant to Article 276a Item 2 of the CA, the Company shall publish, without undue delay, the approved Remuneration policy on its website, together with the date of General Assembly Decision on Approval of Remuneration policy and their term of validity. The Company will provide free access to approved Remuneration policy throughout term set by the Law.

#### **Article 6 Other basic remuneration rules**

The Supervisory board can temporarily deviate from the Remuneration policy in case this deviation is necessary for long-term interests and sustainable operation of the company. The Supervisory Board shall approve this deviation in separate decision which contains information about duration of this deviation and provisions of the policy which are not applicable at that moment are precisely stated. Deviation is possible in case it is necessary for long-term interests of the company in case market indicators refer that change in compensation is necessary due to significant changes of labour market indicators.

Overview of market trends in Croatia for all positions in the company is prepared (annually or at the management request) by the Human Resources. Possible proposal for amendment of Remuneration policy shall be approved by the Supervisory Board.

Deviations are possible in the part of the policy referring to:

- Fixed component of the total remuneration
- Variable component of the total remuneration
- Other allowances and benefits.

Additionally, the Company may also deviate from this Policy in case of extraordinary circumstances if long term interests of the Company are endangered, for example (but not exclusively) vis major, crisis situations etc., upon the Supervisory Boards decision.

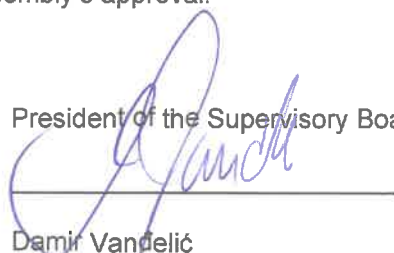
#### **Article 7 Final provisions**

This Remuneration Policy has been developed in accordance with the Company's business strategy, its long-term objectives and striving for sustainability. These rules include measures to avoid conflict of interest, and all mandatory elements as prescribed by the Article '247 a' of the Commercial Act.

Revision of this Remuneration Policy is conducted at least once in every 4 (four) years, and in any case if it is significantly amended. In case there is no change, the confirmation of same conditions shall be stated.

This Remuneration Policy shall take effect as of the day of General Assembly's approval.

President of the Supervisory Board



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Damir Vandelić