

**INA - INDUSTRIJA NAFTE, d.d.**

**MANAGEMENT BOARD AND SUPERVISORY BOARD  
REMUNERATION REPORT FOR 2019**

**TOGETHER WITH INDEPENDENT  
PRACTITIONER'S REPORT**



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## Independent practitioner's assurance report on Remuneration Report - limited assurance on underlying subject matter and the applicable criteria

To the Management board and Supervisory board of INA - Industrija nafte, d.d.

This report is intended solely for the Management board and Supervisory board of INA - Industrija nafte, d.d. (hereinafter "the Company") for the purpose of reporting on Management Board and Supervisory Board Remuneration Report ("the Remuneration Report") prepared by the Company for the year ended 31 December 2019 in accordance with Article 272r of the Companies Act.

### *Underlying Subject Matter and Applicable Criteria*

The assurance engagement relates to the following subject matter on which the following applicable criteria are applied:

- Remuneration Report prepared by the Company for the year ended 31 December 2019 contains data in accordance with Paragraphs 1 and 2 of the Article 272r.

### *Specific Purpose*

This report is intended solely for the purposes specified in the first paragraph above and for your information and must not be used for other needs. The report refers exclusively to the Remuneration Report and must not be associated with any Company's financial statements as a whole.

### *Management board and Supervisory board Responsibilities*

The Company's Management board and Supervisory board is responsible for the preparation of the Remuneration Report in accordance with the Article 272r of the Companies Act. In particular, the Company's Management board and Supervisory board is responsible for internal controls being designed and implemented to prevent the Remuneration Report from being materially misstated.

In addition, the Company's Management board and Supervisory board is responsible for ensuring that the documentation provided to the practitioner is complete and accurate. The Company's Management board and Supervisory board is also responsible for maintaining the internal control system that reasonably ensures that the documentation described above is free from material misstatements, whether due to fraud or error.

### *Practitioner's Responsibilities*

We conducted our assurance engagement in accordance with the requirements of Article 272r paragraph 3 of the Companies Act, and in accordance with International Assurance Standards, particularly ISAE 3000 (revised). These regulations require that we comply with ethical standards and plan and perform our assurance engagement to obtain limited assurance about the Remuneration Report.

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on the practitioner's judgment. The procedures include, in particular, inquiry of the personnel responsible for financial reporting and risk management and additional procedures aimed at obtaining evidence about the Remuneration Report. The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

In respect of the subject matter mentioned above we have performed mainly the following procedures:

- Understanding of the Company's internal controls, processes and systems set up for the preparation of the Remuneration Report
- Reconciliation, on the sample basis, of input data disclosed in the Remuneration Report with the supporting documentation provided by the Company
- Inquiry of the Management board and Supervisory board on the accuracy of the information presented in the Remuneration Report
- Reading the Remuneration Report and confirm presentation is in accordance with the Article 272r of the Companies Act.

### *Practitioner's conclusion*

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that Remuneration report prepared by INA - Industrija nafte, d.d. does not contain data, in all material respects, in accordance with Paragraphs 1 and 2 of the Article 272r of the Companies Act.



Berislav Horvat  
President of the Management board and certified auditor

Ernst & Young d.o.o.  
Radnička cesta 50  
10000 Zagreb  
Republic of Croatia

31 March 2020

### Attachment

1. Management board and Supervisory board Remuneration Report for 2019

Pursuant to Article 272r of Company Act (CA), Management Board and Supervisory Board of INA – INDUSTRIJA NAFTE, d.d. Zagreb submitted the following:

## **MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION REPORT FOR 2019**

### **1. Introduction**

INA's corporate management structure is based on dualistic system which includes Supervisory Board and Management Board which – together with General Assembly – represent three mandatory INA corporate bodies in line with INA Statute and CA.

INA's compensation strategy is regulated within Company internal documents with the aim to ensure competitive remuneration package as remuneration plays an important role in supporting the achievement of Company goals. Through the design of its incentive schemes, Company aims to ensure that manager and employee remuneration supports their private interests, Company's strategic objectives and interests of the shareholders.

This report is prepared in line with valid Companies internal documents and procedures. Also, Remuneration policy has been prepared and it is expected that the policy shall be approved according to valid legal and internal regulations and approval procedures. The draft Remuneration policy summarizes existing and currently valid components of internal remuneration policies and procedures.

### **2. Management Board**

In accordance with Companies Article of Association, INA Plc Management Board (further in the text: MB) is formed by 6 members who are entitled to receive management fee for the work performed in line with the INA Supervisory Board decision on the salary and fee for Management Board members.

During year 2019, from 1 January until 31 December, INA Management Board members were the following:

- Sándor Fasimon – President of the Management Board,
- Niko Dalić – MB member,
- Ivan Krešić – MB member,
- Davor Mayer – MB member,
- Zsolt Pethő – MB member and
- Dr. Ákos Székely – MB member.

Status of MB members is regulated via two different contracting forms:

- Employment Contract – for MB members which are in employment relationship with INA, these MB members receive salary for the work performed in MB based on this contact.
- Service Contract for performing the role of Management Board members – for other MB members which are entitled to management fee for based on these contracts.

INA Supervisory Board has passed the decision on salary/fee amount for MB members as well as the decision on the applicable percentage (%) of annual bonus which represents variable part of the total income for MB members.

## 2.1. MB members income

INA MB members are entitled to the fee for their MB membership role which is comprised of fixed and variable part. In addition to this, they are entitled to different benefits in kind based on the Company's internal regulations and decisions.

In accordance with internal remuneration rules, MB members are entitled to receive an income for performance of his/her function/tasks as a MB member only in case if he/she is not employed full time in any company within the INA/MOL Group.

Since INA MB members act and pass decisions together as the company body, as well as have same scope of responsibilities in order to act in Company's best interest, fixed monthly salary/fee for MB membership in INA is defined in unique and equal amount for all MB members and amounts to gross 78.000 HRK.

Same as in case of fixed monthly salary/fee, defined variable part of the fee (bonus) for INA MB members, target setting, and respective evaluation are aligned/equal for all MB members. Variable part of the fee (bonus) is defined as the percentage (%) of the annual fixed fee and amounts to 65% for 100% annual target evaluation.

Ratio between fixed and variable part of the income for MB members is approximately 60%:40% in favour of fixed part of the income.

Performance management system enables Company's owners/shareholders to direct business behavior and decisions of managers toward accomplishment of short-term and long-term Company goals through set individual goals. From Company's owners/shareholders perspective, the ultimate goal is to create added value and profit and following to this, for 2018 the MB members had specific defined goals related to main financial indicators (CAPEX, EBITDA and FTE). Due to the fact that sustainable development and safety are high priorities within the Company, in the scope of performance management system for the MB members a target related to TRIR (Total Reportable Injury Rate) was set. The targets are compared to the planned values using the following weights in calculating the total variable achievement: EBITDA target 40%, CAPEX 30%, FTE 15% and TRIR 15%.

Considering their management function within the Company, their overall responsibility for Company's results and Company's success, as well as obligation for creation of added value for Company's stakeholders, INA's corporate targets for year 2018 represent the individual targets of MB members. When defining the amount of variable part of the fee (bonus), the evaluation of set targets is performed and the respective percentage of the accomplishment for each separate target has been calculated. Based on these individual target evaluations, the weighted sum of target accomplishments is calculated which for year 2018 has been calculated to 98%. In line with this 2018 evaluation, INA MB members have received the variable part of the fee (bonus) for the year 2018 in the amount of 596.232 HRK for reference period<sup>1</sup>.

- Basis for bonus calculation: 78,000 HRK \* 12 months = 936,000 HRK
- Potential bonus entitlement for 100% target achievement: 936,000 HRK \* 65% bonus = 608,400 HRK
- 2018 bonus pay-out: 608,400 HRK \* 98% realization = 596,232 HRK

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<sup>1</sup> INA MB members who were not appointed to MB during entire year 2018 are entitled to proportional part of the variable part of the fee (bonus), in line with appointment duration.

## 2.2. MB members income (continued)

Amount of gross income paid in 2019 (regardless of the period which the amount relates to) for INA MB members is shown in table below:

Name and last name	Monthly gross salary / fee	Annual gross salary / fee	Benefit in kind for company car use	Total paid annual gross salary / fee	bonus %	Gross bonus amount paid in 2019	Total paid annual gross income
	1	2 (1*12)	3	4 (2+3)	5	6 (4*5)	7 (4+6)
Sándor Fasimon	78,000.00 HRK	936,000.00 HRK	143,666.05 HRK	1,079,666.05 HRK	65%	300,566.00 HRK	1.380.232.05 HRK
Niko Dalić	78,000.00 HRK	936,000.00 HRK	51,991.75 HRK	987,991.75 HRK	65%	596,232.00 HRK	1,584,223.75 HRK
Ivan Krešić	78,000.00 HRK	936,000.00 HRK	50,780.42 HRK	986,780.42 HRK	65%	596,232.00 HRK	1,583,012.42 HRK
Davor Mayer	78,000.00 HRK	936,000.00 HRK	52,505.95 HRK	988,505.95 HRK	65%	596,232.00 HRK	1,584,737.95 HRK
Zsolt Pethő*	0.00 HRK	0.00 HRK	0.00 HRK	0.00 HRK	-	0.00 HRK	0.00 HRK
dr. Ákos Székely*	0.00 HRK	0.00 HRK	0.00 HRK	0.00 HRK	-	0.00 HRK	0.00 HRK

\*INA Management board members full time employed in MOL Group company are not entitled to the fee for INA MB membership

Apart from the above stated fixed and variable gross taxable elements, INA MB members are entitled to the following benefits in kind:

- Additional Health insurance policy in the same scope as other INA employees,
- Entitlement to annual managerial annual check-up.

Total cost for the Company for the benefits in kind/entitlements is 4.150 HRK.

## 2.3. Former MB members income

During year 2019, INA has also initiated pay-outs towards former INA MB members in connection with variable part of the fee (bonus) for year 2018, as follows:

Name and last name	bonus %	Total gross bonus amount paid in year 2019
Jozsef Gabor Horvath	65%	295,665.73 HRK
Peter Ratatics	65%	295,665.73 HRK

## 2.4. Overview of the Company's income and income of MB members

In line with Reward strategy, when defining the minimum and maximum salary amounts for specific job position, INA is monitoring its market placement and aligns the pay scales with the corresponding job complexity, responsibilities and dimensions of each position, as well as mandatory qualifications. In order to be able to do this, INA is regularly participating in market research and continuously tracking salary and total cash movements on the Croatian market.

Additionally, when defining the pay scales and other benefits for each job position, INA is dedicated to maintaining internal consistency and equality within the Company. Furthermore, INA is fostering performance driven culture and is dedicated to rewarding and recognizing the individual performance and target achievement.

#### 2.4. Overview of the Company's income and income of MB members (continued)

Year	in mil HRK		in HRK	
	Total Company revenues	Company net profit	Average gross annual income per employee	Average gross annual income of MB members
2015	17,775	-1,202	147,217	982,199
2016	15,059	160	171,171	1,303,201
2017	18,385	1,426	166,624	1,497,459
2018	21,924	1,334	171,434	1,294,751
2019	21,613	656	181,897	1,119,082

Average annual gross income per employee represents both fixed (regular salary, shift allowances, readiness and overtime etc.) and variable incomes (as annual and quarterly bonuses or various awards) as well as other material rights (such are commuting costs, Christmas bonus, Easter bonus, Holiday allowance, jubilee award, field work allowance, financial supports, gift for children and etc). Head count (HC) for specific year was calculated as average closing number of HC for each month in the specific year.

The income of INA MB members represents also all fixed and variable parts of compensation paid in respective period and the fact that INA MB consists of 6 members.

#### 2.5. Additional information

INA MB members are not entitled to income in shares or Company's share options, nor do they have any other type of long term incentives. Furthermore, INA is not requesting the return of variable part of the fee (bonus) in any case.

During year 2019 there was no changes in INA MB member appointments and in accordance with this the Company did not have any pay-outs linked to early recall from MB membership or regular end of membership.

For the work performed in 2019 the MB members might be entitled to bonus for 2019. Exact amount of the bonus shall depend on target evaluation, and the payout shall be done after the company's Supervisory board approves the payment of variable part (bonus).

MB members have not received, nor are they entitled to receive any remuneration from third parties in connection with the activities they performed as INA MB members.

### 3. Supervisory Board

In accordance with Company's Statute, INA Supervisory Board (further in the text: SB) supervises the work of INA Management Boards and it is consisted out of 9 members who are entitled for a SB fee for their work performed (according to the decision of INA General Assembly).

During year 2019, from 1 January until 31 December, INA SB members were the following:

- Damir Vandelić – SB President,
- József Molnár – SB Vice-president,
- Luka Burilović – SB member,
- Szabolcs I. Ferencz – SB member,
- Ferenc Horváth – SB member,
- Damir Mikuljan – SB member,
- József Simola – SB member,
- László Uzsoki – SB member,
- Jasna Pipunić – employee representative within SB.

#### 3.1. SB members income

INA General Assembly has passed the Decision on fee paid to the members of INA SB (decision number: 51/96, dated 24 January 1996) where the rights and entitlements of the SB members are defined, along with the way how the fee is determined. In line with the mentioned Decision, the following entitlements are determined:

- SB President is entitled to the fee for the work performed in the amount of three average paid net salaries of the INA employees' in previous month.
- SB members are entitled to the fee for the work performed in the amount of two average paid net salaries of the INA employees' in previous month.

Amount of the total gross paid income in year 2019 for INA SB members is shown in the table below:

Name and last name	Function	Total paid gross fee for the year 2019
Damir Vandelić	President	516,878.86 HRK
Luka Burilović	member	325,818.09 HRK
Ferenc Horvath*	member	0.00 HRK
Jozsef Molnar*	Vice-president	0.00 HRK
Damir Mikuljan	member	318,210.77 HRK
Jasna Pipunić	member, employee representative	326,734.31 HRK
Szabolcs Ferencz*	member	0.00 HRK
Jozsef Simola*	member	0.00 HRK
Laszlo Uzsoki	member	277,345.81 HRK

\*Supervisory Board members in employment relationship with MOL Group company are not entitled to the fee for participation in INA SB



### **3.2. Additional information**

INA SB members are entitled only to the above mentioned unified monthly fixed fee and are not entitled to any further variable part of the fee (bonus), nor to any other benefit in cash or kind.

During 2019, there were no changes in INA SB membership and INA has not paid any fees towards former SB members nor are there any open claims in this respect.

SB members have not received, nor are they entitled to receive any remuneration from third parties in connection with the activities they performed as INA SB members.

#### 4. Approval of the report

This Management Board and Supervisory Board Remuneration Report for 2019 was approved and authorised by the Management Board and Supervisory Board on 31 March 2020.

Signed on behalf of the Company on 31 March 2020 by:

President of the Management Board:

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Sandor Fasimon



President of the Supervisory Board:

A handwritten signature in blue ink, appearing to read 'Damir Vandelić', written over a faint circular stamp.

Damir Vandelić

**GENERAL ASSEMBLY**Av. V. Holjevca 10  
ZAGREBNo: 1-09/20  
Date: 26.08.2020.**Decision on approval of Management Board and Supervisory Board remuneration report for 2019**

General Assembly approves the Management Board and Supervisory Board remuneration report for 2019 with respective Auditors report, as in the enclosed meeting materials, attachment no. 3 which makes integral part of this decision.

This decision becomes effective as of date of its adoptions.

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

<b>INA, d.d.</b>	<b>Banka - Bank</b>	<b>Adresa - Address</b>	<b>IBAN broj - IBAN Number</b>	<b>Trgovački sud u Zagrebu Commercial Court in Zagreb</b>
Avenija Večestava Holjevca 10 10 002 Zagreb p.p. 555 Hrvatska - Croatia Telefon - Telephone +385(1)6450000 Faks - Fax + 385(1)6452100	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. NATDIS 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 9, 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 0091 1000 2290 2 HR70 2484 0081 1006 1948 3 HR62 2360 0001 1013 0559 5 HR81 2330 0031 1002 0454 6 HR96 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 3466 (EUR) AT91 1200 0528 4400 3467 (USD) GI85 0858 6001 0887 4000 2 (EUR) CH25 0858 6001 0887 4000 1 (USD) NL98 INGB 0650 7815 38 (EUR) NL23 INGB 0020 0370 90 (USD)	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