

Varaždin, December 7th 2020

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Subject: Information disclosure

Type of information: Invitation to the General Assembly

Company: VARTEKS d.d., Varaždin, Zagrebačka 94

LEI - 74780000Q0LH0TDGEO80

Member State: Republic of Croatia

ISIN: HRVARTR10005

Ticker: VART

Regulated Market: Zagreb Stock Exchange

Market Segment: Official Market

/
IBAN račun:

HR19 2360 0001 1013 3948 3
Zagrebačka banka d.d.
Zagreb

HR62 2340 0091 1001 1083 9
Privredna banka d.d.
Zagreb

HR47 2484 0081 1004 1765 2
Raiffeisenbank Austria d.d.
Zagreb

/ VARTEKS d.d. / Zagrebačka 94 / HR-42000 VARAŽDIN / tel. + 385 42 377 105 / fax. + 385 42 377 395 / P.P. 32 / info@varteks.com
/ Temeljni kapital 41.066.860,00 kn, uplaćen u cijelosti i podijeljen na 4.106.686 redovnih dionica, svaka nominalne vrijednosti 10 kn.
/ Društvo je upisano u registar Trgovačkog suda u Varaždinu, poslovni broj iz upisnika Tt: 95/463-2 (MBS) 070004039 / M.B.3747034
/ OIB:00872098033 / VAT:HR00872098033 / predsjednik Nadzornog odbora Nenad Bakić / predsjednik Uprave Tomislav Babić
/ član Uprave Damir Radmilović

Pursuant to Article 277 of the Companies Act and Article 25 of the Articles of Association of VARTEKS d.d., the Management Board of the company VARTEKS d.d., with the registered seat in Varaždin, Zagrebačka 94, OIB: 00872098033, MBS: 070004039 (hereinafter: VARTEKS d.d. or "Company"), on December 7th, 2020 passed the decision on the convocation of the General Assembly of the Company and hereby invites the shareholders of the Company to the

GENERAL ASSEMBLY of VARTEKS d.d.

to be held on

January 15th, 2021 at 12:00 hours at the headquarters of the Company,
Varaždin, Zagrebačka 94

With the following agenda:

1. Opening of the General Assembly and determining the list of participants in the Assembly
2. Election of the President of the General Assembly
3. Decision on approval of the Remuneration Policy for the members of the Management Board

PROPOSALS OF DECISIONS OF THE GENERAL ASSEMBLY

The Management Board and the Supervisory Board propose to the General Assembly to make decision under item 2, and the Supervisory Board proposes to make decision under item 3 of the Agenda of the General Assembly, as follows:

Ad 2. Snježana Belač, OIB (personal identification number): 67051231381, law graduate from Ivanec, Jerovec 266, is elected President of the General Assembly for a period of 2 years with the beginning of her mandate on January 26th, 2021.

Ad 3. I. Pursuant to Article 247a of the Companies Act, the General Assembly approves the Remuneration Policy submitted to it by the Supervisory Board, in the text published as Annex I of the Invitation to this General Assembly, which determines the Remuneration Policy and forms an integral part of this decision.

II. This decision shall enter into force on the day of its adoption.

INVITATION TO SHAREHOLDERS

Invitation to the General Assembly with proposals for decisions made by the Management Board and the Supervisory Board of Varteks d.d. which will be considered for approval by the General Assembly of Varteks d.d., will be published on the website of the court register, on the Zagreb Stock Exchange, HANFA, HINA, and on the website of Varteks d.d. (www.varteks.com).

All shareholders of the Company who are registered in the computer system of the SKDD seven days before the General Assembly have the right to participate in the work of the General Assembly and exercise voting rights (1 share = 1 vote). Shareholders are invited to apply for participation no later than January 8th, 2020.

Participation and the right to vote may be exercised by the shareholder in person or through a proxy. The power of attorney for participation and exercising the right to vote at the General Assembly shall be given in writing.

Shareholders may be represented by proxies on the basis of a valid written power of attorney issued by the shareholder or on behalf of a shareholder who is a legal entity, a person authorized to represent, in accordance with the provisions of Article 27 of the Company's Articles of Association.

Shareholders who together hold shares in the amount of one twentieth of the share capital of the Company may request in writing that an item be placed on the Agenda of the General Assembly. The stated request together with the explanation and proposal of the decision must be received by the Company at least 30 days before the General Assembly, whereby the day of receipt of the request to the Company is not included in that deadline.

Each shareholder is authorized to submit his or her counter-proposal on the proposal of the decision of the Management Board and the Supervisory Board on the agenda items and submit it to the Company at least 14 days before the General Assembly, at the Company's address in Varaždin, Zagrebačka 94. Period of 14 days does not include the day of receipt of the counter-proposal by the Company. If the shareholder does not use the mentioned right it does not result in the loss of the right to submit a counter-proposal at the General Assembly.

If the conditions regarding the quorum are not met at the General Assembly, the session of the General Assembly, with the same agenda, will be held on **January 15th, 2021**, starting at 14:00 hours at the same place, regardless of the number of shareholders represented.

VARTEKS d.d.

Damir Radmilović
Member of the Management
Board

ANNEX I

Pursuant to the provision of Article 247a of the Companies Act (hereinafter: ZTD), the Supervisory Board of Varteks d.d. Varaždin, Zagrebačka 94, OIB: 00872098033, MBS: 070004039, (hereinafter: the Company) at the session held on November 25th, 2020 proposes the following

REMUNERATION POLICY OF MEMBERS OF THE MANAGEMENT BOARD OF VARTEKS d.d.

Subject of Remuneration Policy

Article 1

With this Remuneration Policy of members of the Management Board of Varteks d.d. (hereinafter: Remuneration Policy) a system of remuneration of members of the Management Board is established and the following is defined:

- structure of remuneration of members of the Management Board
- terms of contracts concluded between members of the Management Board and the Company
- report on remuneration
- the establishment of a Remuneration Committee
- the procedure for adopting, implementing and amending the Remuneration Policy

Structure of remuneration of members of the Management Board

Article 2

The structure of remuneration is focused on the sustainable growth of the Company. When determining the remuneration of members of the Management Board, the Supervisory Board takes into account the business strategy, short-term and long-term business plans as well as the economic circumstances in which the Company operates.

The principles on which the Remuneration Policy is based are the harmonization of remuneration with business strategy and long-term development, the balance of all elements of remuneration in relation to the achieved results, and taking into account the conditions of workers' remuneration and working conditions when determining remuneration.

Members of the Management Board commit to:

- implement the development strategy of the Company including long-term, medium-term and short-term plans for its development as defined by the already adopted documents, and continuously implement and improve them
- prepare and implement annual business plans of the Company with elaborated operational goals and implementation plans
- expand the Company's operations

- organize business processes in the Company and take actions for the purpose of making a profit, ensuring an optimal level of liquidity, achieving higher profitability, raising creditworthiness and promoting the business reputation of the Company.

Article 3

Total remuneration of members of the Management Board consists of:

- fixed part of remuneration
- the variable part of remuneration
- other remunerations

3.1. The fixed part of the remuneration of the members of the Management Board represents the unchangeable part of the remuneration defined by the contract concluded by the Company represented by the Supervisory Board with the member of the Management Board.

The fixed part of the remuneration is paid to the members of the Management Board on a monthly basis no later than the 26th of the month for the previous month.

The contracted fixed part reflects the relevant professional experience, competence, and organizational and legal responsibility of the members of the Management Board. It cannot be changed unilaterally by the Company.

3.2. The variable part of the remuneration of the members of the Management Board is a reward for the achieved results in the form of an annual bonus determined by the Supervisory Board after analyzing achieved goals and annual profit and loss statement and it is paid no later than April 1st of the current year for previous year.

3.3. Other remunerations are options on the Company's shares depending on the realized percentage of normalized EBITDA for the previous business year

- use of an official car for business and private purposes
- business representation costs
- visit to professional fairs and exhibitions
- insurance policy in case of death and disability, supplementary health insurance policy

Terms of the contract of the members of the Management Board

Article 4

4.1. The Company, represented by the Supervisory Board, enters into a Managerial contract with a member of the Management Board, which defines the rights and obligations of a member of the Management Board and the Company. In accordance with the provisions of the ZTD, the members of the Management Board are appointed for a term of 5 (five) years, while their employment in the Company is based on an indefinite term.

4.2. The Managerial contract can be terminated by a unilateral decision on termination with a notice period of one month. In case of unilateral termination of the contract on any basis, a member of the Management Board is entitled to severance pay in the amount of 3 (three) monthly (basic) gross salaries, if such termination occurred after more than 3 (three) months and less than 6 (six) months from the conclusion of the Contract, i.e. in the amount of 6 (six) monthly (basic) gross salaries if the termination occurred after more than 6 (six) months from the conclusion of the Contract.

4.3. A member of the Management Board has an optional right to purchase shares of the Company at a pre-determined price by the Supervisory Board, and the number of shares depends on the percentage of realized planned normalized EBITDA in the previous year. Options will be allocated for each year immediately after the adoption of the financial statements, and a member of the Management Board has the right to exercise them within 6 (six) months from their allocation. A member of the Management Board is not entitled to the sale of shares acquired by exercising the option before the expiration of 2 (two) years from their acquisition. If a member of the Management Board requests, the Company may grant a loan for the purchase of shares based on the valid option, under the same commercial conditions under which it only borrows, and a member of the Management Board undertakes to repay the loan within 6 (six) months. All possible taxes based on the exercise of options and sale of shares are borne by the member of the Management Board.

4.4. The Company does not pay voluntary pension insurance to the members of the Management Board. The Company has no obligation to purchase additional pensionable service in the case that a member of the Management Board retires upon termination of the contract.

Compliance in determining the remuneration of members of the Management Board

Article 5

When determining the remuneration of the members of the Management Board, the Company takes into account the internal compliance and external compliance with regards to the amount of remuneration. Internal compliance refers to the determination of remuneration in accordance with the complexity of the work that applies to all jobs in the Company. External compliance refers to the determination of remuneration in accordance with market conditions in the textile industry.

Measures to prevent conflicts of interest

Article 6

Measures to prevent conflicts of interest included in the Remuneration Policy are:

- harmonization of variable remunerations from the financial aspect, from the aspect of risk management, legal regulation, compliance and human resource management
- a member of the Management Board is not involved in deciding on his or her own remuneration
- a member of the Management Board has the obligation to keep business secrets and a ban on competition with the Company

Report on remuneration

Article 7

Once a year, the Management Board compiles a Report on remuneration paid by the Company to the members of the Management Board and the Supervisory Board during the last business year, and submits this report to the General Assembly for discussion as a separate item on the Agenda of the General Assembly.

The report on remuneration is examined by the auditor who also examines the annual financial statements of the Company and is obliged to compile the Report on the examination of the Report on remuneration.

The Company is obliged to publish and make available on its website the Report on remuneration and the Report on Examination of the Report on Remuneration for a period of ten years, after the General Assembly where the Report on Remuneration was submitted for discussion at the General Assembly.

Remuneration Committee

Article 8

The Remuneration Committee is established as a standing committee of the Supervisory Board, and consists of 3 (three) members. The Committee elects the Chairman of the Committee from among its members.

Each member of the Board must have the necessary knowledge, skills, education, and professional and practical experience to perform tasks within the competence of the Board.

Members of the Remuneration Committee are appointed by the Supervisory Board for a term of 4 (four) years with the possibility of reappointment.

Assignments of the Remuneration Committee

Article 9

The Remuneration Committee performs the following assignments:

- makes recommendations to the Supervisory Board regarding the definition of fixed, variable and other remuneration of members of the Management Board
- recommends to the Supervisory Board every year the remunerations that should be received by the members of the Management Board depending on the assessment of the Company's business results and their personal results
- oversees the amount and structure of senior management remuneration
- advises and assists the Supervisory Board in drafting and amending the Remuneration Policy
- assists the Supervisory Board in preparing the annual report on remuneration
- analyses and ensures regular independent review of the remuneration policy and reward system

Procedure for adopting, implementing and amending the Remuneration Policy

Article 10

The Supervisory Board adopts the proposal of the Remuneration Policy, which is approved or adopted by the General Assembly of the Company in accordance with the provisions of the ZTD.

If the General Assembly does not approve this Remuneration Policy, the Supervisory Board will review it and submit it for approval at the next General Assembly.

The Supervisory Board submits the Remuneration Policy to the General Assembly for approval every 4 (four) years and every time significant changes are made to the Remuneration Policy.

The decision of the General Assembly and the approved 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, indicating the date until which they will be valid.

The Company may temporarily deviate from the Remuneration Policy in the part of variable remuneration, in the case of extraordinary, unforeseen circumstances that require extraordinary cost reductions and which may significantly affect the Company's operations, or if necessary for the long-term benefit of the Company.

Final provisions

Article 11

This Remuneration Policy is established for the period from 2020 to 2023, and enters into force on the day of its approval by the General Assembly.

Nenad Bakić
President of the Supervisory Board