

Pursuant to the provisions of Article 277 Paragraph 2 of the Companies Act and Article 23 of the Articles of Association of OT-OPTIMA TELEKOM d.d. Zagreb, Bani 75/a (hereinafter: the Company), on July 16, 2020 the Management Board has rendered the following

### **Decision on convocation of the Company's General Assembly**

The shareholders are hereby invited to the General Assembly of the Company OT-OPTIMA TELEKOM d.d., Zagreb, which is to be held on August 28<sup>th</sup> 2020 at 12,00 hours in Hotel Aristos, Cebini 33, Buzin. Following agenda is proposed for the General Assembly:

#### **AGENDA:**

1. Opening of the General Assembly, determining the list of present shareholders or their proxies, determination of quorum;
2. Management's Annual Report on the status of the Company, the consolidated and unconsolidated annual report of the Company for 2019;
3. The Supervisory Board's report on the supervision of conducting the Company's affairs in 2019 and on the results of the analysis of the reports concerning end of business year 2019;
4. The Company auditor's report on the audit of annual financial reports as per December 31, 2019;
5. Annual financial reports for the financial year 2019;
6. Allocation of profit for 2019;
7. Giving clearance to the members of the Management Board for 2019;
8. Giving clearance to the members of the Supervisory Board for 2019;
9. Compensation to members of the Supervisory Board;
10. Decision on approval of the Report on remuneration paid to the Members of the Supervisory Board and to the Management Board Members in the business year 2019;
11. Decision on approval of the Remuneration policy for Members of the Management Board;
12. Decision on remuneration for the work of the Members of the Supervisory Board;
13. Decision on appointment of the auditor of the Company for 2020.

The Management Board and the Supervisory Board of the Company propose that the General Assembly adopts the decisions under items 6, 7, 8 and 10 of the agenda, and the Supervisory Board independently the decision under items 9, 11, 12 and 13 as follows:

**Ad 6.** Based on unconsolidated annual financial statements for 2019, the profit in the amount of 18.131.244,18 HRK is determined. The profit shall cover the losses from the operations of the Company in previous years.

**Ad 7.** The clearance to the members of the Management Board for 2019 is granted.

**Ad 8.** The clearance to the members of the Supervisory Board for 2019 is granted.

**Ad 9.** The members of the Supervisory Board elected by the decisions of the General Assembly on July 11, 2017 and June 14, 2018, and the representative of the Supervisory Board appointed on November 7, 2018, are entitled to compensation for work in the Supervisory Board of the Company in the net amount

of HRK 2,500.00 per month, starting from the date of their election or appointment. This Decision shall come into force as of the day of its passing.

**Ad 10.** The Report on remuneration paid to the members of the Supervisory Board and to the Management Board Members in the business year 2019 is hereby approved, in the text published as Attachment 1 of the Decision on convocation of the Company's General Assembly, together with the Auditors' Report, as attached hereto and making and integral part hereof. This Decision shall come into force as of the day of its passing.

**Ad 11.** Remuneration policy for Members of the Management Board is hereby approved, in the text published as Attachment 2 of the Decision on convocation of the Company's General Assembly, as attached hereto and making and integral part hereof. This Decision shall come into force as of the day of its passing.

**Ad. 12.** Decision on remuneration for the work of the Members of the Supervisory Board is hereby approved, in the text published as Attachment 3 of the Decision on convocation of the Company's General Assembly, as attached hereto and making and integral part hereof. This Decision shall come into force as of the day of its passing.

**Ad 13.** The Company PricewaterhouseCoopers d.o.o., Heinzelova 70, Zagreb is appointed as the auditor of the Company for the business year 2020.

### **Invitation to the shareholders for the General Assembly**

Shareholders are hereby invited to participate in the work of the General Assembly. Also, participants are invited to come one hour prior to its designated beginning, for the purpose of drafting of the list of participants in the General Assembly timely.

The materials for the General Assembly, when required so under the law, will be made available to the shareholders and for issuing of copies at the seat of the Company in Zagreb on every working day from the day on which the invitation to the General Assembly is published to the day of the General Assembly, from 10:00 to 14:00 hours.

At the same time the materials for the General Assembly shall be published on web pages of the Company [www.optima.hr](http://www.optima.hr) and delivered by e-mail upon request sent to the address [investitori@optima-telekom.hr](mailto:investitori@optima-telekom.hr). Due to precautionary measures connected with coronavirus (COVID-19), shareholders are kindly asked to announce their arrival to the seat of the Company a day in advance by sending an e-mail to [investitori@optima-telekom.hr](mailto:investitori@optima-telekom.hr).

Shareholders registered as the Company's shareholders in the CDCC Depository at least six days prior to the General Assembly and whose participation registration has been received by the company at its corporate seat in Zagreb, Bani 75a at least six days prior to the General Assembly (not counting the date of receipt by the Company), i.e. no later than August 21, 2020 have the right to participate in the Company's General Assembly.

The shareholders participate in the General Assembly in person, or by way of proxy, on the grounds of a valid special written power of attorney issued by the shareholder, i.e. the person authorised to represent a shareholder that is a legal entity, in the name of that shareholder. A valid special power of attorney must

contain: Information on the personal or company name of the attorney-in-fact and client, as well as a special authorisation to vote in the name of the represented shareholder. The power of attorney form can be found at the Company's website: [www.optima.hr](http://www.optima.hr). In case that the shareholder or the proxy cannot be identified (by the valid identification card, power of attorney, court register receipt and similar documents), they will not be permitted to participate in the General Assembly.

The shareholders who jointly own shares in the amount of 1/20 of the Company's share capital are entitled, pursuant to Art. 278, Para. 2 of the Companies Act (the Official Gazette 111/93. and others, hereinafter the "CA"), to request the Management Board in writing to have an item added to the General Assembly's agenda and to have the same published. The request for adding an item to the agenda has to be received by the Company at least 30 days prior to the General Assembly, not counting the date of receipt.

Shareholders are entitled to make a counter-proposal to a decision proposal given by the Management Board and/or the Supervisory Board concerning a certain item on the agenda, pursuant to Art. 282, Para. 1 of the CA. The counter-proposal, stating the name and last name of the shareholder, explanation and the Board's position, if available, shall be made available to persons from Art. 281, Para. 1 through 3 of the CA, and shall be made available to the shareholders on the Company's website ([www.optima.hr](http://www.optima.hr)) provided that the shareholder delivers its counter-proposal to the Company at least 14 days prior to the General Assembly. The date of receipt of the said counter-proposal by the Company shall not be included in the mentioned 14 day period. Should the shareholder fail to exercise this right, this will not result in losing the right to make a counter-proposal in the General Assembly. The aforementioned shall apply accordingly to shareholders' proposals concerning the Company auditor.

Shareholders have the right to ask the Management Board for clarifications, if necessary in order to evaluate the items on the agenda.

If the convoked General Assembly fails to meet the quorum requirements set out in the Company's Articles of Association, the General Assembly shall take place on August 31, 2020 at 12 hours in the same place, with the same agenda. If the new General Assembly does not meet the quorum requirements either, the General Assembly shall take place anyway, regardless of the number of shareholders represented in the assembly.

If, due to the circumstances of the COVID-19 situation, the holding of the General Assembly on August 28, 2020 and August 31, 2020, will not be possible, the General Assembly will be postponed, and the next will be convoked as soon as the conditions permit.

Information from the Art. 280.a of the CA are available on the Company's website, [www.optima.hr](http://www.optima.hr).

Tomislav Grmek,  
Member of the Management Board

Tomislav Tadić,  
Member of the Management Board

**OT- Optima Telekom d.d.**

**Independent limited assurance report on the  
Remuneration Report for the year 2019**



## **Independent limited assurance report on the Remuneration Report for the year 2019**

To the Management Board and Supervisory Board of OT-Optima telekom d.d.

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### *Subject matter*

Pursuant to the provisions of Article 272r item 3 of the Companies Act and the contract concluded with OT-Optima telekom d.d. (the "Company"), we performed a limited assurance engagement of the accompanying Remuneration report for the year ended 31 December 2019 (the "Remuneration Report") prepared by the Company's Management Board.

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### *Reporting criteria*

The applicable reporting criteria for identifying the individuals to be included in the Remuneration Report and the disclosure requirements of their remuneration are contained in the provisions of Article 272r items 1 and 2 of the Companies Act.

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### *Management and Supervisory Board's responsibilities*

The Company's Management Board and the Supervisory Board are responsible for:

- preparing the Remuneration Report for the year 2019 in accordance with disclosure requirements of Article 272r items 1 and 2 of the Companies Act,
- identifying the individuals to be included in the Remuneration Report in accordance with Article 272r item 1 of the Companies Act,
- selecting and applying appropriate remuneration policies as well as making judgments and estimates that are reasonable in relation to the information disclosed in the Remuneration Report,
- measurement of remuneration for the year ended 31 December 2019 in accordance with provisions of Article 272r items 1 and 2 of the Companies Act, and
- publishing the Remuneration Report on the Company's website in accordance with provisions of Article 272r item 4.

The Company's Management Board is also responsible for maintaining an internal control system that provides limited assurance that the information described above is free from material misstatement, whether due to fraud or error.

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### *Our responsibilities*

Our responsibility is to report on the Remuneration Report in accordance with the requirements of Article 272r item 3 of the Companies Act. We performed a limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised) - *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

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### *Our independence and quality control*

We apply International Standard on Quality Control 1 and, accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Federation of Accountants, based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Commercial Court in Zagreb, no. Tt-99/7257-2, Reg. No.: 080238978; Company ID No.: 81744835353; Founding capital: HRK 1,810,000.00, paid in full; Management Board: J. M. Gasparac, President; S. Dusic, Member; T. Macasovic, Member; Giro-Account: Raiffeisenbank Austria d.d., Petrinjska 59, Zagreb, IBAN: HR8124840081105514875.



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### *Summary of the work performed*

We have performed the following procedures regarding the subject matter:

- we inquired of members of Management, Supervisory Board and other persons within the Company to gain understanding of the remuneration policies and the process applied in preparing the Remuneration Report;
- we received from the Company a list of all members of the Management and Supervisory Boards during 20xx and checked whether their remuneration is disclosed in the Remuneration Report;
- we reconciled the remuneration information presented in the Remuneration Report with the Company's accounting records (general ledger and subledgers) for the year ended 31 December 2019;
- we reviewed, on a sample basis, the relevant documentation (contracts and payments) related to the remuneration information presented in the Remuneration Report; and
- we checked whether the Remuneration Report contains all the information required by provisions of Article 272r items 1 and 2 of the Companies Act.

The nature and extent of our procedures were determined based on our risk assessment and our professional judgment in order to obtain limited assurance.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited conclusion.

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### *Limited assurance conclusion*

Based on our work performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Remuneration Report for the year ended 31 December 2019 is not prepared in accordance with the requirements specified in Article 272r items 1 and 2 of the Companies Act.

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### *Restriction of distribution and use*

This report has been prepared solely for the Management and Supervisory Board in accordance with the agreement between us, to assist the Company in reporting the Remuneration Report, and is intended solely for the purposes specified in Article 272r item 3 of the Companies Act. We permit this report to be disclosed in the Company's web page in accordance with Article 272r item 4 of the Companies Act.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's Management and Supervisory Board for our work or this report, except where such terms are expressly agreed in writing.

In addition, based on the procedures performed and described above, this is a limited assurance report and it is not, nor is it intended to be, a legal opinion on the Company's compliance with Article 272r items 1 and 2 of the Companies Act.

The Company's Management and Supervisory Board are responsible for placing the Remuneration Report on the Company's web-site and for accuracy of such information. The scope of our performed work does not include reviewing these matters; consequently, we do not assume any responsibility for any amendments that might have been made to the Remuneration Report underlying this Independent limited assurance report or any differences between the report issued by us and the information presented on the Company's web-site.

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PricewaterhouseCoopers d.o.o  
Zagreb, 16 July 2020.

This version of our report is a translation from the original, which was prepared in Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Pursuant to Article 272r of the Companies Act and pursuant to the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA (Croatian Financial Services Supervisory Agency), the Supervisory Board and Management Board of Optima Telecom d.d., Zagreb, Bani 75/A (hereinafter referred to as Optima or the Company), Bani 75/A, submit to the General Assembly this

## **REPORT**

### **on remuneration paid to the members of the Supervisory Board and Management Board in the business year 2019**

The remuneration and evaluation of the work performed by the Optima Management Board, focusing on the Company's sustainable development and growth, have been conducted in accordance with the defined provisions under the Employment Contract.

The remuneration of the Optima Supervisory Board Members has been determined in accordance with the Supervisory Board decision from 17 May 2019.

#### **REMUNERATION OF THE SUPERVISORY BOARD**

The Supervisory Board consists of nine members – eight members are elected by the General Assembly and one is appointed by the Workers' Council as a representative of the Company's employees. Of the eight members elected by the General Assembly, five members represent the management company Hrvatski Telekom d.d., two members represents the majority owner Zagrebačka banka d.d. and one member represents the individual majority shareholder.

Supervisory Board members serving during 2019:

Igor Vavro	Chairman	From 26 July 2017
Ariana Bazala-Mišetić	Member and deputy Chairman	From 19 June 2018
Igor Radojković	Member	From 19 June 2018
Ana Hanžeković	Member	From 19 June 2018
Rozana Grgorinić	Member	From 19 June 2018
Jelena Noveljić	Member	From 19 June 2018
Blaženka Klobas	Member	From 19 June 2018
Silvija Tadić	Member	From 19 June 2018
Suzana Čepl	Member, Workers' Council representative	From 7 November 2018

According to the Optima Supervisory Board decision from 17 May 2019, which will be on the General Assembly agenda in 2020, the Supervisory Board members elected by the General Assembly Decisions (11 July 2017, 14 June 2018 and appointed member on 7 November 2018) are entitled to a remuneration for their work in the monthly net amount of HRK 2.500,00. All Supervisory Board members except the Workers' Council representative – the member submitting the proposal to the Supervisory Board - have renounced their right to remuneration.

In 2019, no remuneration was paid to Supervisory Board members.

## REMUNERATION OF THE MANAGEMENT BOARD

In 2020, the Company composed a Policy on remuneration of Management Board members, which will be submitted to the Company's General Assembly.

During 2019, the Company acted in line with individual contracts of Management Board members.

According to the Company's Articles of Association and in line with relevant Supervisory Board Decision, the Company's Management Board consists of three to five members. As at 31 December 2019, the Management Board consisted of three members.

Management Board members serving during 2019:

Boris Batelić	Chairman	From 19 June 2018
Irena Domjanović	Member	Until 1 April 2019
Tomislav Tadić	Member	From 1 October 2014
Tomislav Grmek	Member	From 2 April 2019

The remuneration of Management Board members consists of the monthly gross salary, a variable component depending on the Company's results and performance as well as benefits in kind and other remunerations.

The monthly gross salary, performance-related variable component and other monetary remunerations are defined by individual contracts entered into with every Management Board member, as approved by the Supervisory Board.



Total fixed and variable remunerations paid to Management Board members in 2019 (Gross 1 in HRK):

Management Board member	Fixed remuneration	%	Variable remuneration*	%	Benefits in kind	%	Total	%
Boris Batelić	1,011,503	86%	84,693	7%	82,656	7%	1,178,852	100%
Irena Domjanović	170,291	59%	113,730	39%	5,279	2%	289,300	100%
Tomislav Grmek	404,720	96%		0%	17,491	4%	422,211	100%
Tomislav Tadić	600,635	81%	120,990	16%	23,351	3%	744,976	100%
<b>Total</b>	<b>2,187,149</b>	<b>83%</b>	<b>319,413</b>	<b>12%</b>	<b>128,777</b>	<b>5%</b>	<b>2,635,339</b>	<b>100%</b>

\* Variable remuneration refers to the payment for 2018.

Fixed and variable remunerations are paid in proportion to the duration of the appointment.

In 2020, the variable remuneration to Management Board members for 2019 is planned to be paid in July 2020.

The gross monthly remuneration is defined in individual contracts of Management Board members on their rights and obligations and consists of a fixed and variable amount and other remunerations (e.g. benefits in kind).

The variable remuneration refers to short-term incentives that reward the achievement of goals for a period of one year.

Individual contracts with Management Board members may include other benefits, as follows:

- the right to use an official vehicle
- reimbursement of travel and other expenses for business purposes
- reimbursement of costs of various forms of professional and managerial training in line with special decisions
- the right to use official mobile terminal equipment, laptops and required equipment
- insurance in case of death and permanent disability
- the right to a general medical examination once a year.

Targets for 2018 include financial and non-financial targets and consist of:

1. Financial Targets

- Achievement of EBITDA before one-off items according to the Company business plan of weight value 20%
- Achievement of operating revenues according to the Company business plan of weight value 20%
- Achievement of operating Free Cash Flow (oFCF) according to the Company business plan of weight value 20%

2. Non-financial targets

- Achievement of two (2) individual targets for each Management Board member in line with their responsibility areas, weight value of 20% each.

The Supervisory Board defines annual targets based on the adopted business plan. After approving the Annual Financial Statements, the Supervisory Board assesses target achievement and determines their achievement as the basis for calculating benefits.

In order to ensure a competitive and stimulating remuneration structure, the relative values of remuneration types are determined based on benchmark market conditions.

In the event that the term of office of a Management Board member ceases to be valid during business year, the variable amount will be paid pro rata temporis.

In the event of an earlier termination of the term of office of a Supervisory Board member, for the month in which the term of office ended, remuneration is calculated and paid in accordance with the period of service („pro rata temporis“).

The same applies if a Management Board member takes office during the business year.

The following tables show the average remuneration paid to all employees in Gross 1 amount, including the fixed and variable salary amount, benefits in kind and other material rights arising from employment, divided by the average number of employees equivalent to the number of full time employees (FTE). The same methodology is applied to calculate the average remuneration paid to Management Board members and Supervisory Board members.

<b>Average remuneration per employee</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Gross 1 (in HRK)					
Annual remuneration	134,107	121,034	120,272	123,807	114,584

<b>OT-Optima Telekom d.d.</b>	<b>2019</b>	<b>2018</b>	<b>2017*</b>	<b>2016</b>	<b>2015</b>
Gross 1 (in HRK)					
Revenue	524,561,759	538,688,977	479,044,726	452,045,417	435,514,984
Net profit	13,428,104	4,922,555	-52,854,777	14,756,066	12,222,628

\* H1 Telekom d.d. acquisition

<b>Average remuneration</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Gross 1 (in HRK)					
Supervisory Board members	0	242	344	464	575
Management Board members	7,821	9,321	8,057	9,377	9,478

Following the performance of the duties of a member of the Management Board during 2019, no member of the Management Board received payments or a third party payment obligation.

During 2019, there was no request to Management Board members to return to the Company any received remuneration.

During 2019, the Company did not give any advances or loans to current or former Management Board members, nor are there any other financial obligations owed to this group of people.

The Company does not grant shares or share options to Management Board members.

For the former Management Board member, whose term was terminated on 1 April 2019, the Company is obliged to pay the variable remuneration amount for 2019 of HRK 31,302.00 Gross 1. The Company will make this payment in July 2020, together with variable remuneration payments to other Management Board members.

In case of a request for early termination of the Contract on the rights and obligations of a member of the Management Board by the Company, together with a simultaneous termination of employment at the Company, the CEO has a right to severance in the amount of HRK 210,000.00, the CFO in the amount of HRK 150,000.00, and the CTO in the amount of HRK 135,000.00. There is no obligation for remuneration if the contract is terminated for an important reason (Article 244 paragraph 2 of the Companies Act) with immediate effect.

The Contract stipulates a ban on market competition, and in case of contrary conduct, Management Board members are committed to pay a contract penalty totalling all amounts received from the Company and no less than the amount of the total annual gross salary.

During and after their term duration, Management Board members are obliged to keep all business secrets of the Company and their customers confidential regarding all unauthorised persons. This involves information which is confidential and privileged based on its nature and which was entrusted to them or which they learned during their service at the Company. The confidentiality obligation also applies to the Company's other privileged transactions and must be maintained by all individuals related to the Company. In case of acting contrary to the above provisions, Management Board members are obliged to pay the contracted penalty totalling the fixed amount of the total annual gross salary.

Pursuant to Article 247a of the Companies Act, the Remuneration Report shall be submitted to the General Assembly to be held in 2020.

Zagreb, 16 July 2020

Igor Vavro, Chairman of the Supervisory Board

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Boris Batelić, Chairman of the Management Board

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Pursuant to Article 247a and in connection with Article 276a, paragraph 1 of the Companies Act, the Supervisory Board of OT-OPTIMA TELEKOM d.d. (hereinafter: The Company or OT) proposes to the General Assembly to be held in 2020 the approval of the following

## **Remuneration Policy for Members of the Management Board**

### **Introduction**

This Remuneration Policy for Members of the Management Board is based on the principle of attracting, motivating and retaining highly qualified professionals with the aim of promoting good and efficient management.

Its purpose is to support, reward and recognize the achievements of managers and their contribution to the success of the Company.

The Policy aims to ensure a balanced, sustainable and transparent remuneration of members of the Management Board, which strongly encourages a culture of performance, long-term strategy of the Company, increases the readiness to take entrepreneurial responsibility and identification with the Company and thus increases the Company's value in the medium and long term. This leads to a greater balance of management and stakeholders' interest.

The term *member of the Management Board* in terms of this Remuneration Policy is neutral and refers to persons of male and female gender.

### **Elements of remuneration**

Members of the Management Board (managers) receive a monthly gross salary, a variable component in the annual gross amount, additional benefits and spot bonus.

### **Monthly gross salary**

The monthly gross salary is agreed in individual employment contracts.

### **Variable component**

In addition to a monthly gross salary, members of the Management Board may also receive a variable component in the annual gross amount, which depends on the performance and the results of the Company.

The variable component rewards the achievement of the targets of the members of the Management Board over a period of one year.

The variable component cannot exceed the sum of three months of the gross salary of a member of the Management Board.

In case of achieving the results above targets, the members of the Management Board can be paid an additional bonus salary, which depends on the performance, in the amount of up to 50% of the contractual variable component.

If the term of office of the Management Board member ends during the business year, the variable component that depends on performance will be paid pro rata temporis.

## **Targets**

Targets define what is expected from the Company and the Management Board member in the reference year, and their purpose is to bring about changes towards improvements in the performance and the accomplishments of the Company as a whole. Each target is an additional value in the daily work of the Management Board member, as well as for the Company. Targets are set with a view to encouraging engagement and exceptional results.

Targets include financial and non-financial targets and consist of:

### **1. Financial targets**

- Realization of EBITDA before one-time items achievement according to the Company's Business plan
- Realization of operating income according to the Company's Business plan
- Realization of operating margins according to the Company's Business plan
- Realization of operating cash flow (oFCF) according to the Company's Business plan

### **2. Non-financial targets**

- Achieving individual targets for each member of the Management Board

Each target is evaluated and rated using factor 0-1.5. The recommended total factor is calculated as a weighted sum of the factors defined for each target within the framework of target categories. Final factor is determined by the Supervisory Board.

Supervisory Board sets annual targets based on the adopted Business Plan. After the determination of the annual financial statements, the Supervisory Board performs the evaluation of targets achievement and determines the target achievements as the basis for the calculation of pay-outs.

In order to provide competitive and motivational remuneration structure, the relative value of the compensation components is determined based on market reference values (benchmark).

## **Spot Bonus**

To recognize outstanding personal performance and personal achievements, it is possible to award a Spot Bonus (a bonus that is awarded immediately upon achievement) as a one-time payment. Even in the case of re-payment based on a Spot Bonus as a voluntary benefit provided by the Company, the right to any future award is not exercised. The decision is made by the Supervisory Board.

## **Fringe benefits**

In addition to the above components, remuneration may include other additional benefits. Additional benefits are non-monetary benefits and services provided by the company and benefits in kind, e.g. benefits after work in the Company, mobility services (e.g. official vehicle, education, etc.). They may be granted in the form of voluntary or compulsory benefits provided by the Employer.

### **Individual contracts between Management Board members and the Company**

The contract with a member of the Management Board is concluded for the period of his appointment, which amounts to a maximum of two (2) years. It sets out the rights and obligations of a member of the Management Board, including the provisions on remuneration, and obligations based on his / her powers in the Management Board.

The monthly gross salary, variable component which depends on the performance and the results of the Company and additional benefits are determined by an individual contract for each member of the Management Board which is concluded by the President of the Supervisory Board on behalf of the Company, and with prior approval by the Supervisory Board.

The gross salary is determined in individual contracts on the rights and obligations of members of the Management Board and contains a monthly gross salary and a variable component, the realization and payment of which depends on the results of the Company and the achievement of targets.

Variable component cannot exceed the sum of three months of the gross salary of a member of the Management Board.

In case of achieving the results above targets, the members of the Management Board can be paid an additional bonus salary, which depends on the performance, in the amount of up to 50% of the contractual variable component.

An individual contract of a member of the Management Board may include additional benefits:

- the right to use an official vehicle
- reimbursement of travel and other expenses for business purposes
- reimbursement of costs of various forms of professional and managerial training based on special decisions
- provision of official mobile terminal equipment, laptop and necessary equipment
- insurance in case of death and permanent disability
- the right to a thorough medical examination once a year
- accommodation costs
- relocation costs
- children's tuition
- other non-monetary benefits and services, depending on the member's individual situation administration.

In the event of changes in circumstances and the situation in the Company that would significantly affect the ability to meet mutually agreed rights and obligations, the Supervisory Board has the right to adjust the agreed terms and parameters of remuneration to take into account the effects of changed circumstances.

In order to protect the legitimate interests of the Company, the contractual provisions include clauses to avoid conflict of interest, prohibition of competition, protection of business secrets of the Company, protection of data secrecy and telecommunications secrecy and protection of personal data in accordance with applicable regulations.

The contract stipulates a prohibition of competition, and in case of contrary conduct, the members of the Management Board are obliged to pay a contractual penalty in the amount of all amounts received from the Company, and not less than an amount of 1 (one) annual gross salary.

Members of the Management Board are obliged during the term of office and after its termination to keep all business secrets of the Company and its users from unauthorized persons, which by their nature are confidential and protected, and which were entrusted to them or which they learned during the Company's operations. The obligation to maintain business secrets also applies to other confidential activities of the Company and individuals related to the Company, and in case of acting contrary to the above provisions, members of the Management Board are obliged to pay a contractual penalty in the amount of 1 (one) annual gross salary.

If the contract is terminated before the expiration of the term for which it was concluded by the decision of the Supervisory Board or by the agreement of the contractual parties, and within 30 days the Management Board member's employment relationship is also terminated at his request, the Management Board member is entitled to severance pay, amount of which is defined by the individual contract, and which must not be greater than the amount of ten (10) monthly gross salaries from the employment contract. A member of the Management Board is not entitled to severance pay if the termination of the contract occurred at his request or by a decision of the Supervisory Board because he did not fulfil the obligations assumed by the contract or violated them.

The Supervisory Board monitors the implementation of admission policies and individual contracts on an annual basis.

The Supervisory Board reserves the right to change these Policies in the event of changes in market circumstances and in such a case will submit to the Assembly for approval a proposal for changes with an explanation to the General assembly in accordance with applicable regulations.

Chairman of the Supervisory Board

Igor Vavro



Pursuant to Article 269, paragraph 3 of the Companies Act, the Supervisory Board of OT-OPTIMA TELEKOM d.d. (hereinafter: "the Company" or "OT") submits to the General Assembly to be held in 2020 for approval the following

## **Decision on remuneration of members of the Supervisory Board**

### **Introduction**

This Decision on the remuneration of the members of the Supervisory Board is based on the principle of attracting, motivating and retaining highly qualified professionals in order to promote an effective supervisory function in accordance with the sustainable long-term strategy of the Company.

### **Remuneration for work**

Members of the Supervisory Board are entitled to a monthly remuneration for their work during their entire term of office, which considering the circumstances and condition of the Company, may not exceed HRK 2,500 net per individual member of the Supervisory Board. Members of the Supervisory Board may also waive the defined remuneration. The remuneration does not contain a variable component.

In the event of an earlier termination of the term of office, the remuneration for the month in which the term of office was ended shall be calculated and paid in accordance with the time spent in that function ("pro rata temporis"). Company shall bear travel expenses, accommodation costs and other costs related to the presence of members of the Supervisory Board at the sessions of the Supervisory Board and the sessions of the committees of the Supervisory Board and at the General Assembly.

Members of the Supervisory Board are not entitled to severance pay, additional payments from the Company or its affiliates or to participate in share allocation plans.

The Supervisory Board, with the support of the Compensation and Nomination Committee, shall monitor the implementation of this Decision on an annual basis.

In case considering changes to this decision, the Supervisory Board shall submit to the General Assembly a proposal on the changes to this decision and an explanation in accordance with applicable regulations.

This Decision shall enter into force on the day of the approval of the General Assembly and shall apply until a different decision of the General Assembly.

Chairman of the Supervisory Board

Igor Vavro