Business Practice Policy

REMUNERATION MODEL FOR SENIOR MANAGEMENT IN THE PODRAVKA GROUP

Approved by:
Moira Homan
Director of the Human Resources Management Sector

Confirmed by:
Management Board of PODRAVKA d.d.

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0.0 DOCUMENT HISTORY

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1.0 PURPOSE

1.1 The remuneration policy for senior management in the Podravka Group is designed to attract and retain highly qualified professionals with the purpose of improving and sustaining the business activities of the Podravka Group and creating sustainable long-term value.

1.2 The achievement of short-term and long-term business plans is monitored and rewarded based on business results defined by strategic corporate objectives and the achievement of individual goals.

2.0 SCOPE OF APPLICATION

2.1 The document Remuneration Policy for Senior Management in the Podravka Group is developed by Human Resources Management of PODRAVKA d.d. and approved by the Management Board of PODRAVKA d.d., and applies to all companies within the Podravka Group, including subsidiaries and representative offices in foreign markets whose primary activity is the sale of products and services of the Podravka Group (hereinafter "subsidiaries").

2.2 Senior management in the Podravka Group to which this Policy applies includes chief executive officers, sector directors reporting directly to the management board members or the chief executive officer, general managers, presidents and members of the Management Boards of subsidiaries, directors of subsidiaries and representative offices.

3.0 TYPES OF REMUNERATION

Senior management remuneration consists of:

- Fixed remuneration
- Variable remuneration (annual bonus and/or long-term share award scheme)
- Other benefits

The remuneration policy of the Podravka Group is designed to ensure a competitive level of all components of remuneration. To this end, market-rate remuneration offered by companies of similar size and complexity from similar industries as the Podravka Group, as well as the regions in which they operate, is taken into consideration.

Fixed remuneration

Fixed remuneration consists of the basic monthly salary expressed in gross amount and other allowances. The gross amount of the monthly base salary is determined by benchmarking against market rates offered by similar organisations. Individual fixed salary amounts reflect the relevant area of competence and are determined in absolute terms. Other allowances include, e.g., the right to a one-time payment of vacation supplement per day of annual leave for the calendar year, jubilee bonus, Christmas gift for children, and similar.

Variable remuneration

At the beginning of each business year, the Management Board of PODRAVKA d.d. adopts the Reward Model, which applies to the Podravka Group.

Variable remuneration represents the performance-based annual reward for senior management tied to the achievement of specified annual goals. Goals are set at the beginning of each business year based on the adopted Podravka Group Business Plan and the decisions of the Management Board of PODRAVKA d.d. or the bodies of subsidiaries for the relevant business year.

The goals may include financial, strategic, project and/or individual functional goals. Goal achievement criteria, specific weights and achievement ranges (corridors) are also defined.

Subject to the achievement of the goals, the decision on the final overall achievement of financial, strategic and/or individual goals and on the individual amounts of annual rewards is made by the Management Board of PODRAVKA dd. and/or the bodies of subsidiaries after the adoption of the financial statement for the relevant year.

Presidents and members of the Management Boards of subsidiaries may also have the opportunity to participate in a long-term share award scheme in accordance with the decision of the competent bodies.

Other benefits

In addition to fixed and variable remuneration, senior management is also entitled to other benefits, e.g. the use of a company car for work as well as private purposes, contributions to voluntary third-pillar pension plans, general medical examinations, supplementary health insurance policy and similar.

4.0 Methods and Process Monitoring

The review of performance against established goals for the senior management covered by this Policy and the calculation of the annual reward are carried out once a year after the audited consolidated annual financial statements of the Podravka Group for the relevant year have been prepared.

The sectors of Human Resources Management and Controlling prepare data on the achievement of the established goals. The reward is calculated based on Gross Salary 1 for the relevant year.

The Management Board of PODRAVKA d.d. and/or the competent bodies of subsidiaries assess the achievement of the goals and adopt the decision on the payment of annual financial rewards for senior management covered by this Policy.

If senior management covered by this Policy is entitled to payment of the reward in the Republic of Croatia, the prescribed non-taxable amount of the monetary reward for performance may be used in the reward calculation and payment; also, if members of senior management have a valid voluntary third-pillar pension plan in place, payment of a part of the annual reward up to the non-taxable amount may be arranged, subject to consent.

If a participant changes his or her position covered by this model within the organisation in the course of the year, individual goals will be set for each respective position; in this case, goal achievement evaluation and annual reward calculation will be performed on a pro rata basis relative to the time spent in each respective position.

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In the event of unplanned events or extraordinary circumstances that impacted the achievement of goals during the year, the Management Board of PODRAVKA d.d. and/or the competent bodies of the subsidiaries may adopt a decision taking into account the newly arisen business circumstances and adjusting the amount of the annual reward accordingly based on an adequate explanation.

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