

## **REPORT ON REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BODIES IN THE FINANCIAL YEAR 2022**

Celje, 4 May 2023

In the period from 1 January 2022 to 31 December 2022, Cinkarna Celje d.d. was managed by a three-member Management Board consisting of Aleš Skok – President of the Management Board, Nikolaja Podgoršek-Selič – Member of the Management Board, and Filip Koželnik – Member of the Management Board/Works Director.

The following persons served as members of the Supervisory Board in the financial year 2022:

- Mario Gobbo, President (from 26 May 2020),
- Luka Gabršček, Deputy President (from 1 July 2020),,
- Mitja Svoltjšak, Member (from 16 June 2021),
- Kastelic David, Member (from 18 June 2020),
- Dušan Mestinšek, Member (from 18 June 2020),
- Koštomaj Jože, Member of SB AND AC (from 18 June 2020).

### **I. Introduction to the Remuneration Report**

In accordance with the provision of Article 294a of ZGD-1, which entered into force on 24 February 2021 in accordance with Article 71(4) of ZGD-1 K, Cinkarna Celje d.d. is preparing the Remuneration Policy for Management and Supervisory Bodies of Cinkarna Celje d.d., which is subject to approval by the General Meeting of the Company pursuant to Article 294a(1) of ZGD-1. As this Report is included on the agenda of the General Meeting to be held on 15 June 2023, which will also decide on the adoption of the Remuneration Policy, it contains a comprehensive overview of the remuneration, including all benefits provided or owed by the Company to each member of the management and supervisory bodies in the 2022 financial year, but it has not been possible to confirm compliance with the Remuneration Policy in the Remuneration Report, as provided for in Article 294b of ZGD-1, as the Remuneration Policy has not yet been approved by the Company's General Meeting.

In 2022, members of the management and supervisory bodies received remuneration paid either on the basis of a resolution of the General Meeting, an employment contract, an internal Management Remuneration Policy or another instrument specified in this report.

The Company closed the 2022 financial year on a very successful note, achieving record results in its history, exceeding all planned results and also exceeding the Company's business results as defined in its strategy. However, the 2022 financial year was marked by two different half-years. The first continued the favourable market trends and high level of demand of the previous year. The second half of the year, however, witnessed the impact of increased energy risks, the downturn in the Chinese property market and the consequent decline in pigment sales in that market, as well as increased export pressure from Asian pigments to European markets. The second half of the year saw a significant cooling in demand from European customers across all sales segments due to inflationary pressures on the industry and the end consumer. Due to weaker demand and high prices in the energy markets, several competing European producers temporarily reduced or stopped production.

In this environment, maximum production levels were maintained, generating sales revenue of €227.2 million in the 2022 financial year, an increase of 18% compared to 2021. The increase in sales was mainly driven by higher average selling prices for titanium dioxide pigment and maximum utilisation of production capacities. The total value of exports

reached €208.4 million in the period under review, an increase of 19% compared to the same period of the previous year. Net profit amounted to €43.4 million, 31% higher than the €33.2 million achieved in the corresponding period of the previous year. Operating profit plus depreciation and amortisation, or EBITDA, amounted to €65.3 million, 29% of sales. EBITDA is up 27% year-on-year. We consider that the operating results achieved are objectively good and exceed the forecasts for the period.

In preparing the Remuneration Report, the Company took into account that there were no key differences in remuneration compared to the previous period and any changes in performance criteria (financial and non-financial criteria).

## **II. ORGAN VODENJA**

In Cinkarna Celje d.d., the management body, in accordance with the Company's Articles of Association, is represented by the Management Board. As at 31 December 2022, the Company's Management Board consisted of the President Aleš Skok, the Member of the Management Board Nikolaja Podgoršek-Selič and the Member of the Management Board and Works Director Filip Koželnik.

The remuneration of the members of the Management Board in 2022, as in the previous year, consists of fixed and variable components and other benefits. The remuneration of the members of the Management Board is determined by the Supervisory Board of the Company and must be in appropriate proportion to the duties of the members of the Management Board, the results achieved and the financial situation of the Company.

No severance payments were made to members of the management body in 2022. Bonuses were accrued on cash or in-kind payments in accordance with the applicable regulations.

The structure of the remuneration of the members of the Management Board ensures an appropriate balance between fixed and variable remuneration. The nominal amounts received in the 2022 financial year (and a comparison for 2021) for each of the members of the Management Board are set out in Table 1 later in this report.

### **1. Fixed remuneration**

The fixed part of remuneration is intended to pay the member of the Management Board for the performance of his/her duties, for his/her efforts and for assuming his/her responsibilities, and is set with the aim of ensuring financial stability, rewarding effort, professional experience and loyalty, and is not dependent on the results of the business or other unforeseen factors. The basic guiding principles for determining this part of the remuneration are responsibility for the duties and loyalty and commitment.

The fixed part of the remuneration is the gross base salary of the Management Board and is determined by the employment contract concluded between the Supervisory Board and the member of the Management Board.

The remuneration paid to the Member of the Management Board and Works Director was in accordance with his employment contract and the Agreement on Employee Participation in the Management of Cinkarna Celje between the Company and the Works Council of the Company.

In 2022, the members of the Management Board received a fixed remuneration in the amount as shown in Table 1 later in this report.

## 2. Variable remuneration

In addition to his/her base salary, a member of the Management Board is also entitled to a variable remuneration of up to 25% of his/her base salary paid in the financial year to which the variable remuneration relates (the assessment period). The variable remuneration of a member of the Management Board is subject to predefined and quantifiable criteria, as set out below.

The variable part was determined and paid in the financial year 2022 on the basis of the performance of Cinkarna Celje d.d. in the financial year 2021 and was primarily intended to reward the members of the Management Board for the results achieved and their commitment in 2021.

Variable remuneration is based on the performance of Cinkarna Celje d.d. The variable part of the remuneration of the members of the Management Board was determined on the basis of a resolution of the Supervisory Board in accordance with the Rules on the Remuneration of the Management Board, which sets out the objectives and criteria for the payment of the variable part of the remuneration, as well as the procedure for determining the performance of the Management Board and for the determination of the variable part of the remuneration.

### 2.1. Criteria for determining the amount of variable remuneration

The criteria for determining the Management Board's performance award for the financial year 2021, on the basis of which the members of the Management Board received the variable part of their remuneration in 2022, were:

- a) **Key financial performance indicators EBIT, EBITDA, net profit, result against plan**: these are quantitative measures calculated for the current year and compared with planned and prior year data;

The following three criteria are qualitative:

- b) **Successful completion of projects on the basis of the Management Board's and the Supervisory Board's decision on the determination of such remuneration**: The criterion was the assessment of the successful completion of projects that enable Cinkarna Celje to continue to grow and expand its business: the successful completion of investment projects, environmental projects and projects in the field of the rational use of energy and water resources, the strengthening of the Company's position in existing markets and entry into new markets, the management of key risks, the rationalisation of purchasing and logistics processes, energy resources, etc., with the aim of ensuring the long-term existence and development of the Company and the implementation of the Company's corporate strategy;
- c) **Corporate social responsibility and employee satisfaction, starting from the present level**: The satisfaction of the Company's employees was measured by means of an annual questionnaire on working conditions, employee satisfaction, quality of work and the provision of employee benefits and safety;
- d) **The Supervisory Board's discretionary power**: The Supervisory Board assesses the Management Board's performance in the light of the Company's operating results.

The quantitative and qualitative criteria are equally weighted, i.e. 50% of the criteria under (a) and the remaining 50% under (b), (c) and (d). In 2022, variable remuneration in the form of cash benefits was paid. Based on the performance

in 2021 and the Supervisory Board's decision, the members of the Management Board received variable remuneration in 2022 as shown in Table 1.

### 3. Relative proportions of fixed and variable remuneration of members of the Management Board

The relative proportions of fixed and variable remuneration of the members of the Management Board for the financial year 2022 (and financial year 2021) are shown in Table 1.

### 4. Relative shares of financial and non-financial criteria in the variable remuneration of members of the Management Board

The relative proportions of fixed and variable remuneration of the members of the Management Board for the financial year 2022 (and financial year 2021) are shown in Table 1.

### 5. Severance payment

No severance payments were made to members of the Management Board in 2022.

### 6. Other benefits

In accordance with their employment contract, members of the Management Board are entitled to benefits in the form of premiums for life insurance, accident insurance, disability insurance, voluntary supplementary pension insurance, insurance against liability for damages to the Company or to third parties, health insurance, mobile phone insurance, use of a vehicle for business and private purposes, medical management examinations, etc.). Details of the remuneration received in respect of the above benefits are set out in Table 1.

**Table 1: Remuneration of the members of the Management Board in the financial years 2022 and 2021**

Name, function, term of office		Fixed remuneration	Variable remuneration (paid)	Bonuses and other rights	Severance payments, other payments on leaving office	Reimbursement of reward paid	Malus	Total remuneration	Share of variable remuneration from financial and non-financial criteria (XX%/YY%)	Fixed and variable remuneration (xx%/yy%)	Ratio to average employee salary (multiple in the company)	Receipts from any Group company
		1	2	3	4	5	6	7= 1+2+3+4- 5-6	8	9	10	11
Aleš Skok, President (1/7/2020-30/6/2025)	In 2022	275,977	64,680	11,962	0	0	0	352,619	24.5%/75%	81%/19%	11.72	0
	In 2021	264,000	22,277	13,999	0	0	0	300,276	20.8%/75%	92.2%/7.8%	9.85	0
Nikolaja Podgoršek Selič, Deputy President (1/7/2020-30/6/2025)	In 2022	220,069	51,537	12,053	0	0	0	283,659	24.5%/75%	81%/19%	9.35	0
	In 2021	210,354	43,753	15,198	0	0	0	269,305	20.8%/75%	82.8%/17.2%	8.74	0
Filip Koželnik, Member and Works Director (5/11/2020-5/11/2025)	In 2022	16,234	4,116	5,318	0	0	0	25,668	24.5%/75%	79.8%/20.2%	0.70	0
	In 2021	15,981	582	7,997	0	0	0	24,560	20.8%/75%	96.5%/3.5%	0.57	0

## 7. Annual change in remuneration, company performance and average remuneration of employees

The annual change in remuneration, the Company's performance and the average remuneration of the Company's full-time employees (excluding members of the Management Board) over this period for the last five financial years are shown in Table 2.

**Table 2: Comparison of the annual remuneration of the members of the Management Board over the last five years in euro**

Annual data	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022 (absolute amount of the current financial year)
<b>Remuneration of members of the Management Board</b>					
Aleš Skok	-	-	2.6	1.2	352,619
Nikolaja Selič Podgoršek	0.9	1.1	1.0	1.1	283,659
Filip Koželnik	-	-	3.1	1.0	25,668
<b>Company's performance</b>					
Net operating result	0.7	0.9	1.8	1.3	43,396,465
Operating profit plus depreciation and amortisation (EBITDA)	0.7	1.0	1.6	1.3	65,326,327
Dividend per share	1.1	0.6	1.2	1.5	3.19
<b>Average remuneration of other employees</b>					
Employees of the Company	1.1	1.0	1.0	1.1	30,451

## 8. Receipts from Group companies

Cinkarna Celje d.d. does not have any subsidiaries or associates, and therefore there were no such receipts.

## 9. Shares and share options

Neither the members of the Management Board nor the members of the Supervisory Board have received any shares or share options from the Company.

## 10. Possibility of reimbursement of variable remuneration

This option was not activated in 2022.

## 11. Financial benefits, charges and services

- There were no financial benefits or charges and services granted or provided by a third party to a member of the Management Board in connection with his/her activities as a member of the Management Board in the financial year 2022.
- There were no financial benefits or charges and services granted to a member of the Management Board in the event of early termination of office in the 2022 financial year, including the changes agreed in 2022.
- There were no financial benefits or charges and services granted to a member of the Management Board in the event of ordinary termination of office with a monetary value and amount to be spent or

reserved by the Company in the year 2022.

- There were no members of the Management Board who ceased to hold office during the financial year 2022. Thus, there were no financial benefits or charges and services granted and provided in the last financial year to a former member of the Management Board whose term of office would have ended in 2022.

### **III. Supervisory Authority**

The Supervisory Body is defined by the applicable provisions of ZGD-1 and the applicable Company's Articles of Association. According to the Articles of Association of Cinkarna Celje d.d., the supervisory body is the Supervisory Board, which consists of 6 members. No member's term of office expired in 2022, and no member has taken up a new term of office. Mr Mitja Svoljšak has been a member of the Human Resources Committee since 12 April 2022. Members of the Supervisory Board are entitled to remuneration for their work, sitting fees and reimbursement of expenses incurred in connection with their work on the Supervisory Board. Their remuneration is fixed and they are not entitled to variable remuneration or remuneration based on the performance of the Company. The more detailed amounts of remuneration are determined by a resolution of the General Meeting.

At the 25th Annual General Meeting of the Company held on 15 June 2011, Resolution No. 5 was adopted setting the remuneration of the members of the Supervisory Board, which is described in more detail below:

Pursuant to the resolution of the 25th General Meeting of Shareholders held on 15 June 2021, the members of the Supervisory Board receive a sitting fee for their participation in meetings, which for each member of the Supervisory Board of Cinkarna Celje amounts to EUR 275.00 gross. The members of the Supervisory Board Committees receive a fee for attending the meetings of the Committee, which for each member of the Committee is 80% of the amount of the fee for attending the meeting of the Supervisory Board. The sitting fee for a correspondence meeting is 80% of the sitting fee otherwise payable. Notwithstanding the foregoing, and therefore irrespective of the number of meetings attended in any financial year, each member of the Supervisory Board is entitled to payment of sitting fees until the total amount of sitting fees, whether in respect of meetings of the Supervisory Board or of meetings of the committees of the Supervisory Board, reaches 50% of the basic remuneration for the performance of the duties of the office for each member of the Supervisory Board, based on the actual payments made on an annual basis. Notwithstanding the foregoing, and therefore irrespective of the number of Supervisory Board and Supervisory Board meetings attended, an individual member of the Supervisory Board who is a member of a Supervisory Board committee or committees is entitled to payment of sitting fees in each financial year until the total amount of the sitting fees from attendance at Supervisory Board and Supervisory Board meetings and committee meetings reaches 75% of the basic remuneration for the performance of the duties of a member of the Supervisory Board on an annual basis.

In addition to the sitting fees, the members of the Supervisory Board receive a basic remuneration for the performance of their duties of EUR 15,000.00 gross per member per year. The President of the Supervisory Board is also entitled to a supplement of 50% of the basic remuneration for the performance of his/her duties as a member of the Supervisory Board, and the Vice-President/Deputy President of the Supervisory Board to a supplement of 10% of the basic remuneration for the performance of his/her duties as a member of the Supervisory Board. The members of the Supervisory Board committees receive an additional remuneration for the performance of their duties equal to 25% of the basic remuneration for the performance of their duties as a member of the Supervisory Board for each member of the committee. The Chairperson of the Supervisory Board Committee is entitled to a performance fee equal to 37.5% of the basic remuneration for the office of member of the Supervisory Board. Notwithstanding the above, and therefore irrespective of the number of committees of which he/she is a member or chairs, each member of a Supervisory Board

committee is entitled to a payment of a supplementary remuneration in each financial year until the total amount of such supplementary remuneration reaches 50% of the basic remuneration for the performance of the duties of a member of the Supervisory Board on an annual basis. If the term of office of each member of the Supervisory Board is less than one financial year, the individual member of a Supervisory Board committee is, notwithstanding the foregoing and therefore irrespective of the number of committees of which he/she is a member or chairs, entitled to payment of additional payments in each financial year until the aggregate amount of such additional payments reaches 50% of the basic remuneration for the Supervisory Board member's office in respect of the period of the member's term of office in the financial year in question, based on the eligible remuneration for the period of his/her term of office in that financial year.

The members of the Supervisory Board and the members of the Supervisory Board Committees receive the basic remuneration and the additional remuneration for the performance of their duties in proportion to the monthly payments to which they are entitled for as long as they hold office. The monthly remuneration is one-twelfth of the above annual amounts. The limitation of the amount of the total amount of the sitting allowance or the payment of the additional allowances to a member of the Supervisory Board shall in no way affect his duty to attend actively all meetings of the Supervisory Board and of the committees of which he/she is a member, and his/her statutory responsibility.

Members of the Supervisory Board are entitled to reimbursement of travel and accommodation expenses incurred in connection with their work on the Supervisory Board up to the amount laid down in the rules governing the reimbursement of expenses relating to work and other income not included in the tax base (provisions applicable to travel on official business and accommodation on official business). The amount due to a member of the Supervisory Board under the above-mentioned provision is adjusted so that the net payment represents reimbursement of actual travel expenses. For the purpose of determining the mileage, account is taken of the distances between places calculated on the public website of the AMZS. Overnight accommodation expenses may be reimbursed only if the distance between the permanent or temporary residence of the member of the Supervisory Board or of a member of a committee of the Supervisory Board and the place of work of the body is at least 100 kilometres, if he or she was prevented from returning because the timetable no longer foresaw the use of a public means of transport, or for other objective reasons.

Resolution No 5 of the 25th Annual General Meeting of 15 June 2011 is also available at the following link:

<https://www.cinkarna.si/za-vlagatelje/objava/obvestilo-o-sklepih-25-skupscine-2021-06-15>

Pursuant to that resolution, the members of the Supervisory Board receive their remuneration as from 15 June 2021. Until that date, the members of the Supervisory Board received their remuneration on the basis of the resolution of the 15th Annual General Meeting of 5 June 2012, which is published at the following link: <https://www.cinkarna.si/za-vlagatelje/objava/obvestilo-o-sklepih-15-skupscine-2012-06-06>

Members of the Supervisory Board receive no other remuneration.

Details of the nominal amounts for each of the members of the Supervisory Board received in the 2022 financial year (and a comparison with the 2021 financial year on the basis of the explanations and resolutions referred to above) are set out in Table 4:

**Table 3: List of SB members and their functions**

Full name	Function		
	Supervisory Board	Committees	
		Audit Committee	HR Committee
Gobbo Mario	President from 26/5/2020, member since 23/12/2019		Chair since 2/7/2020
Gabršček Luka	Member since 4.6.2019, Deputy President of the SB since 21/1/2020		Member since 2/7/2020
Svoljšak Mitja	Member since 16/6/2021		Member since 12/4/2022
Kastelic David	Member since 18/6/2020	Chair since 2/7/2020	
Dušan Mestinšek	Member since 18/6/2020		Member since 2/7/2020
Koštomaj Jože	Member since 18/6/2020	Member since 2/7/2020	
Žiga Gregorinčič			External member
Peček Lea			External member
Korošec Gregor		External member since 3/11/2015	

**Table 4: Remuneration of Supervisory Board members in 2022 and 2021**

Name, function, term of office		Remuneration for performance of duties		SB and Commissions' sitting fees		Total remuneration	Travel expenses	Receipts from any Group company
		SB	Committees	SB	Committees			
		1		2		3=1+2	4	5
Gobbo Mario, President of SB, Chair of HRC (26/5/2020-26/5/2025)	In 2022	15,000	13,125	1,595	220	29,940	8,635	0
	In 2021	12,454	10,897	1,595	0	24,947	344	0
Gaberšček Luka, Deputy President of SB, HRC Member (1/7/2020-30/6/2025)	In 2022	15,000	5,250	1,595	220	22,065	239	0
	In 2021	12,454	4,359	1,595	0	18,408	58	0
Svoljšak Mitja, SB, HRK Member (16/6/2021-16/6/2026)	In 2022	15,000	2,385	1,320	220	18,925	162	0
	In 2021	6,875	0	770	0	7,645	80	0
Kastelic David, SB Member, Chair of AC (18/6/2020-18/6/2025)	In 2022	15,000	5,625	1,595	1,100	23,320	384	0
	In 2021	12,454	4,670	1,595	1,320	20,039	114	0
Dušan Mestinšek, SB, HRC and AC member (18/6/2020-18/06/2025)	In 2022	15,000	3,750	1,595	0	20,345	0	0
	In 2021	12,454	3,114	1,595	0	17,163	0	0
Koštomaj Jože, SB and AC Member (18/6/2020-18/6/2025)	In 2022	15,000	3,750	1,595	1,100	21,445	0	0
	In 2021	12,454	3,114	1,595	1,100	18,263	0	0
Žiga Gregorinčič, External Member, HRC Member	In 2022	0	0	0	1,040	1,040	0	0
Lea Peček, External Member, HRC Member	In 2022	0	0	0	1,040	1,040	0	0
Korošec Gregor, External AC member (5/11/2020-5/11/2025)	In 2022	0	0	0	5,000	5,000	0	0
	In 2021	0	0	0	6,000	6,000	0	0

The annual change in the remuneration of the members of the Supervisory Board over the last five years is presented in Table 5.

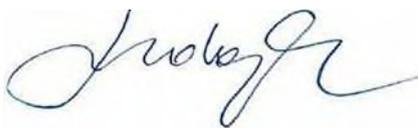
**Table 5: Comparison of the annual remuneration of the members of the Supervisory Board over the last five years**

Annual data on remuneration of the members of the Supervisory Board	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021	2022 (absolute amount of the current financial year)
Gobbo Mario	-	-	1.1	1.5	38,575
Gaberščik Luka	-	2.7	0.9	1.2	22,304
Svoljšak Mitja	-	-	-	2.5	19,087
Kastelic David	-	-	2.4	1.2	23,704
Dušan Mestinšek	1.0	1.1	1.0	1.2	20,345
Koštomaj Jože	-	-	2.3	1.2	21,445

Aleš Skok  
President of the Management Board



Nikolaja Podgoršek Selič  
Member of the Management Board



Filip Koželnik  
Member of the Management Board/Works Director





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This is a translation of the original report in Slovene language

## INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

To the shareholders of CINKARNA Celje d.d.

Pursuant to the contract agreed with CINKARNA Celje d.d. ("Company") on 10 February 2023, we have reviewed the accompanying Remuneration Report prepared by the management of the CINKARNA Celje d.d. on 16 April 2023, which presents all remuneration payments to Management and Supervisory Board members in the year ended on 31 December 2022, as required by Article 294.b. of the Companies Act-1 (ZGD-1) ("the Remuneration Report").

### 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 294.b of the Companies Act (ZGD-1). 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, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on limited assurance of the accompanying Remuneration Report based on the work performed and evidence obtained. Our limited assurance engagement was conducted in accordance with International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB). The standard requires that we plan and perform the engagement to obtain limited assurance about the fact that nothing has come to our attention that causes us to believe that the Remuneration Report contains material misstatements, among other, in respect of compliance with requirements of Article 294.b of the Companies Act, the accuracy of presented transactions, all in consideration of the criteria identified below.

### Definition of Criteria

When performing our procedures we assessed whether the Remuneration Report, prepared by the management of CINKARNA Celje d.d. for the year ended 31 December 2022, contains information required by the Paragraphs 2 and 3 of the Article 294.b of the Companies Act.

### Our independence and quality management

We have acted in accordance with the independence requirements and ethical requirements of the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

Our firm operates in accordance with International Standards on Quality Control (ISOQ 1) and maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements of professional standards and applicable legal and regulatory requirements.

### Summary of work performed

As part of our work we performed, amongst other, the following procedures:

- obtained understanding of the Company's internal controls, processes and systems set up for the preparation of the Remuneration Report
- performed reconciliation, on the sample basis, of input data disclosed in the Remuneration Report with the supporting documentation provided by the Company
- inquired the Management board and Supervisory board members on the accuracy of the information presented in the Remuneration Report
- read the Remuneration Report and confirmed that the representations in the Remuneration Report are done in accordance with the Article 294.b of the Companies Act (ZGD-1)

The nature and scope of our work were determined on the basis of risk assessment and our professional judgement exercised for the purpose of obtaining a limited assurance and do not include an opinion of the appropriateness of the management remuneration policy.

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Procedures aimed at gathering evidence for the purpose of limited assurance engagements are more limited than is the case when issuing a reasonable assurance and accordingly, less assurance is given than in the case of a reasonable assurance or an audit.

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

**Emphasis of matter**

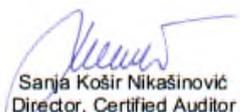
We draw attention to Note I, in the Remuneration Report which describes that Remuneration Policy has not yet been approved at the general assembly as required in article 294.b of ZGD-1. The remuneration report has been prepared based on the remuneration policies that were in force 2021. Accordingly, the requirement of 294.b of ZGD for the company to confirm that the remuneration presented in the Remuneration report is in compliance with remuneration policy approved by general assembly, was not possible.

Our conclusion is not modified in respect of this matter.

**Conclusion**

Based on the work performed and evidence obtained, nothing has come to our attention that causes us to believe that the Remuneration report prepared by the management of CINKARNA Celje d.d. for the year end-end 31 December 2022 does not contain data, in all material respects, in accordance with Paragraphs 2 and 3 of the Article 294.b of the Companies Act (ZGD-1).

Ljubljana, 4 May 2023



Sanja Košir Nikašinić  
Director, Certified Auditor  
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**ERNST & YOUNG**  
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On the basis of Article 294(a) of the Companies Act (OG of the RS, no. 65/09 with amendments; hereinafter: "ZGD-1"), the company CINKARNA Metalurško-kemična industrija Celje, d.d., Kidričeva ulica 26, 3000 Celje, has adopted the following

**REMUNERATION POLICY FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS OF  
THE COMPANY  
CINKARNA CELJE, d.d.**

**1. Introduction**

This Remuneration Policy of the Management Board and Supervisory Board of the company Cinkarna Celje, d.d. (hereinafter: the Remuneration Policy) has been adopted on the basis of provisions of Article 294(a) of the ZGD-1, which stipulates that a company whose securities are traded on an organised market shall formulate a remuneration policy for its Management and Supervisory Bodies and submit it to the General Meeting for approval.

**2. Purpose and objectives of the Remuneration Policy**

The Remuneration Policy applies to members of the management board and supervisory board of Cinkarna Celje, d.d.

The purpose of the Remuneration Policy is to ensure that the total remuneration of the Management Board and the Supervisory Board is proportionate to their tasks and responsibilities, while at the same time contributing to:

- The business strategy which defines the fundamental goals the Company pursues and the activities and resources to achieve them,
- Long-term development, which enables adequate monitoring and adaptation to the economic and wider environment in which the Company operates,
- Sustainable business that takes advantage of opportunities as well as adequately manages risks, all with the aim of ensuring business competitiveness and long-term success, and
- Sustainability of the Company with the aim of efficient use of its resources to achieve economic and broader effects.

Objectives of the Remuneration Policy followed by the Company are:

- Recruiting top experts to the Management and the Supervisory Boards, who with their knowledge and experience are able to cover all the professional areas that the aforementioned bodies need,
- Determining the amount of remuneration and other benefits for the members of the Company's management board and the supervisory board, which enable the recruitment of suitable experts and their competent work, as well as financial sustainability for the Company,
- Directing and motivating members of the Management Board for responsible and active work and for achieving the set goals, and the members of the Supervisory Board for performing their duties and assuming responsibility.

**3. The process of creating, reviewing and implementing the Remuneration Policy**

The Supervisory Board is responsible for creating, reviewing and implementing the Remuneration Policy of the Company's management bodies, along with the HR Committee of the Supervisory Board. The draft Remuneration Policy of the Company's management bodies can be prepared by the Company's professional



services based on the guidelines of the personnel committee of the Supervisory Board. If necessary, the Supervisory Board or the committee may be assisted by a remuneration expert when formulating the Remuneration Policy.

Review of the Remuneration Policy is carried out in the same way as its creation. As a rule, the review is carried out once a year when the remuneration report of the members of the Management Board and the Supervisory Board is revised.

The Supervisory Board takes into account the Remuneration Policy when formulating expectations and agreeing on the amount of payment, awards and other remuneration for members of the Management Board when appointing and changing term of office contracts. The General Meeting takes into account the Remuneration Policy when determining the amount of payments for the functions of members of the Supervisory Board and meeting fees.

Upon appointment to the position of an individual member of the Management Board or of the Supervisory Board and during its function, the conflict of interest is comprehensively checked, which also includes checking the conflict of interest from the point of view of the remuneration of the Management or the Supervisory Board members. Members of the Management Board and the Supervisory Board are obliged to disclose any conflicts of interest upon appointment to the position and during their term.

Conflicts of interest of individual members of the Supervisory Board or committees of the Supervisory Board are considered upon their occurrence by the Supervisory Board, and conflicts of interest of Management Board members are considered by both the Management Board and the Supervisory Board, in accordance with the provisions of applicable legislation and the Company's internal regulations.

#### **4. Remuneration of the Supervisory Board**

The amount of the remuneration of the members of the Supervisory Board is decided by the General Meeting of the Company by resolution on the proposal of the Supervisory Board. The decision is made in accordance with the provisions of this Policy and is valid until cancelled or any amendments are made.

Due to the nature of their work, the remuneration of members of the Supervisory Board does not depend on the remuneration of the Management Board and employees of the Company, nor on the success of the Company's operations.

The remuneration of the members of the Supervisory Board consists of payment for the performance of their duties and meeting fees for membership in the Supervisory Board and its committees, as well as reimbursement of the costs of transportation, per diems and overnight stays incurred in connection with their work in the Supervisory Board or its committees.

The remuneration of the members of the Company's Supervisory Board is determined on the basis of a comparison of remunerations of members of supervisory boards of other public joint-stock companies with headquarters in Slovenia, whose shares are listed on the stock exchange, taking into account the following:

- Cinkarna Celje, d.d., is in accordance with the provisions of the law governing commercial companies a large company,
- The scope and specifics of its business,
- Requirements or the complexity of supervision and the assumption of responsibility by members of the supervisory board,
- Codes, guidelines and communicated expectations of shareholders.

On the basis of the Decision of the General Meeting adopted on 15 June 2021, the members of the Supervisory Board of the Company and the committees in the composition of the Supervisory Board are paid the following remuneration for the performance of their functions:



1. Members of the Supervisory Board receive a meeting fee for attending the meeting, which amounts to EUR 275.00 gross for each member of the Company's Supervisory Board. Members of the Supervisory Board committee receive a meeting fee for participation in a committee meeting, which for each member of the committee amounts to 80 % of the amount of the meeting fee for participation at a meeting of the Supervisory Board. The meeting fee for a correspondence session is 80 % of the regular meeting fee. Individual members of the Supervisory Board, regardless of the above and therefore regardless of the number of meetings attended, are entitled to payment of meeting fees in an individual financial year, as long as the total amount of meeting fees does not reach 50 % of the basic remuneration for performing the function of a member of the Supervisory Board on an annual level. Individual members of the Supervisory Board who are members of the committee(s) of the Supervisory Board, regardless of the above and therefore regardless of the number of Supervisory Board or committee meetings attended, are entitled to payment of meeting fees in an individual financial year, as long as the total amount of meeting fees from participation in meetings of the Supervisory Board and committees does not reach 75 % of the basic remuneration for performing the function of a member of the Supervisory Board on an annual level.
  
2. In addition to meeting fees, members of the Supervisory Board receive a basic payment for performing their duties in the amount of EUR 15,000.00 gross per year per individual member. The chairman of the Supervisory Board is also entitled to an additional payment in the amount of 50 % of the basic salary for performing the function of a member of the Supervisory Board, and the vice president/deputy chairman of the Supervisory Board up to an additional payment of 10 % of the basic payment for performing the function of a member of the Supervisory Board. Members of the Supervisory Board committee receive additional payment for the performance of their function, which for each member of the committee amounts to 25 % of the amount of the basic payment for performing the function of a member of the Supervisory Board. The chairman of the committee is entitled to an additional payment for the performance of the function in the amount of 37.5 % of the basic payment for performing the function of a member of the Supervisory Board. Individual members of the Supervisory Board committee are, regardless of the above and therefore regardless of the number of committees they are members of or chairs, in an individual financial year entitled to additional payments, as long as the total amount of such additional payments does not reach the value of 50% of the basic payment for serving as a member of the Supervisory Board on an annual basis. If the term of office of individual members of the Supervisory Board is shorter than the financial year, individual members of the Supervisory Board committee are, regardless of the above and therefore regardless of the number of committees they are members of or chairs, in an individual financial year entitled to additional payments, as long as the total amount of such additional payments does not reach the value of 50% of the basic payment for serving as an individual member of the Supervisory Board according to the eligible payments for the duration of their term of office in the financial year in question.
  
3. Members of the Supervisory Board and members of the Supervisory Board committee receive a basic payment and an additional payment for performing the function in proportional monthly payments to which they are entitled as long as they perform the function. The monthly payment amounts to one-twelfth of the above-mentioned annual amounts.
  
4. Limiting the amount of total meeting fee payments or payment of additional fees to a member of the Supervisory Board does not in any way affect their duty to actively participate in all meetings of the Supervisory Board and meetings of committees of which they are a member, and their statutory responsibility.
  
5. Members of the Supervisory Board are entitled to reimbursement of transportation costs and accommodation expenses that arise in connection with their work in the Supervisory Board, namely up to the amount specified in the regulations regulating the reimbursement of expenses related to work and other income which are not included in the tax base (provisions that apply to transportation on a business trip and overnight stays on a business trip). According to the cited regulation, the amount that belongs to a member of the Supervisory Board is deducted, so that the net payment represents the reimbursement of actual travel expenses. To determine the mileage, the distances between places calculated on the public website of AMZS are taken into account. Accommodation costs can only be refunded if the distance between the permanent or temporary residence of a member of the Supervisory Board



or committee member of the Supervisory Board and the location of the board is at least 100 kilometres, and their return was not possible because there were no public means of transport available according to the timetable, or for other objective reasons.

Reimbursement of training costs / premium payments for D & O insurance, taking into account the prescribed deductible franchise, is possible subject to the Income Tax Act, otherwise expenses for such expenses are taxed in accordance with the legislation.

External members of the Supervisory Board committees are entitled to a maximum of 50 % of the basic annual payment received by members of the Supervisory Board, together with EUR 220.00 gross meeting fee for participation in the meetings of the Supervisory Board committees.

Members of the Supervisory Board are prohibited from participating in the Company's profits.

The nominal amounts received in each financial year for members of the Supervisory Board are stated in the Annual Report and the Report on the remuneration of the members of the Management Board and the Supervisory Board of Cinkarna Celje, d.d.

## **5. Remuneration of the Management Board**

Decisions on the remuneration of the Management Board are taken by the Supervisory Board in accordance with the applicable legislation and the remuneration policy submitted to the shareholders' meeting.

The Supervisory Board must strive to ensure that the remuneration of the members of the Management Board is proportionate to their powers, duties, experience and responsibility, as well as to the Company's financial situation.

The nominal amounts received in each financial year for members of the Management Board are stated in the Annual Report and the Report on the remuneration of the members of the Management Board and the Supervisory Board of Cinkarna Celje, d.d.

### 5.1 Composition of remuneration of the Management Board members

The remuneration of Management Board members consists of a basic salary and a variable remuneration. The members of the Management Board are also entitled to other remuneration and benefits, as defined in this Policy.

#### a) Basic salary

Management Board members receive their basic salary as a reward for their efforts in performing the assumed function of a member of the Management Board.

The basic salary of Management Board members already includes all allowances and benefits to which the Company's employees are otherwise entitled based on the Labour Relationship Act and collective agreements that apply to the Company.

To determine the basic salary, the level of complexity and responsibility of the work is taken into account, as well as the following criteria:

a) The size of the Company in relation to other comparable companies in Slovenia, taking into account the value of assets, generated net revenue from sales and the average number of employees in the last financial year;

b) Business complexity, which includes:  
– The internationalisation of the business, assessed according to the share of revenues generated abroad;



- The complexity of the direct economic environment, which is judged according to the level of competitiveness in the industry, competitiveness in the most important markets and the stage of development of the industry;
- The complexity of key products according to the stages of development of key products, technological complexity, risks and sales growth potential,

c) Tasks and responsibilities, required knowledge, experience and competences of each member of the Management Board.

b) Variable remuneration

The variable remuneration is that part of the total remuneration which is determined in the employment contract of the Management Board member depending on the performance of the Company's operations and other criteria defined in the rules on the payment of the variable part of the salary of the Management Board members.

The purpose of the variable remuneration is to encourage top professionals to apply for the position of a Management Board member, as well as to encourage responsible and active work throughout the duration of the term of office, as the payment for their work is not based only on a predetermined amount, but on the possibility of additional remuneration that encourages and motivates members to work towards the realisation of the business strategy, long-term success and development, sustainable business and sustainability of the Company.

The variable remuneration is paid in the form of monetary remuneration and, together with the exception under point 7 of this Policy, amounts to a maximum of 30 % of the annual basic salaries paid.

The financial and non-financial criteria for the calculation of the variable part of the remuneration are specified in point 6 of this Policy. The Supervisory Board of the Company may specify in more detail the financial and non-financial criteria for the calculation of variable remuneration in the Management Board Remuneration Rules.

The variable remuneration is determined by the decision of the Supervisory Board, by which Management Board members acquire the right to the payment of the variable remuneration at the end of each financial year, depending on the fulfilment of previously determined criteria, and the payment of the entire remuneration is made immediately after the adoption of the decision of the Supervisory Board.

Management Board members must return the already paid variable part of their remunerations from business performance or their proportional part within three years from the payment or part of the payment:

- If the nullity of the annual report is legally established and the reasons for nullity relate to the items or facts that were the basis for determining the variable part,
- On the basis of a special auditor's report, which establishes that the criteria for determining the award were incorrectly used or that decisive accounting, financial and other data and indicators were not correctly determined or taken into account,
- In all other cases as determined by the legislation in force at any time.

At the proposal of the Supervisory Board and in accordance with a resolution of the General Meeting, the Management Board may participate in part of the balance sheet profit. As a rule, the amount of balance sheet profit that can be distributed to the Management Board may not exceed 5 % of the balance sheet profit which is intended for the payment of dividends to shareholders, and at the same time may not exceed the amount of six average monthly gross salaries of each member of the Management Board in the last half-year period. In accordance with the provisions of individual employment contracts, the Management Board participation in profit sharing and its possible participation in business result in the form of a reward or incentive part of the salary are mutually exclusive.

c) Other remuneration and benefits

In addition to the above-mentioned remuneration, the Management Board members are also entitled to the following remuneration and benefits:

- Use of the company vehicle for private purposes in accordance with the Company's internal acts,
- Use of the company mobile phone and laptop for private purposes,
- Training up to EUR 11,000.00 excluding VAT per year,
- Membership fees of professional organisations/associations up to a maximum of EUR 5,500.00 excluding VAT per year,
- Annual management review up to a maximum value of EUR 3,000.00 excluding VAT,
- Holiday pay in the amount received by all employees in the Company,
- Reimbursements for meals during work, reimbursements of expenses and per diems on business trips, jubilee awards,
- Payment of the voluntary additional pension insurance premium in the amount specified for all employees of the Company if they join the scheme,
- Insurance for accepted liabilities of Management Board members (D & O insurance) taking into account the deductible prescribed by the applicable legislation at any time,
- Salaries based on business performance according to criteria that apply to all employees in the Company.

When determining other benefits, the Supervisory Board must take into account that other benefits, together with other remuneration, are in proportion to the tasks and responsibilities of the Management Board members and to the Company's financial situation.

The amount of the above-mentioned amounts may, in accordance with point 7 of this Policy, if there is a demonstrated interest or if the circumstances have changed so much since the adoption of this Policy, not serve the purpose or reflect real values.

The above-mentioned amounts are automatically adjusted from time to time for inflation from the adoption of the Policy on.

## 5.2 Employment contract for company management (Management Contract)

The remuneration of the Management Board members is agreed in the Management Contract (individual contract).

The Management Contract is concluded for a maximum period of the term of office of individual Management Board members, which is five years.

The Management Contract is terminated by the expiry of the appointment period as a Management Board member, by an agreement on termination, by resignation from the position, by recall by the Company's Supervisory Board, by death, loss of business capacity, permanent inability to perform work or cessation of fulfilling the legal conditions for performing the functions of a Management Board member, and in other cases determined by the applicable legislation. In case of resignation, the position of a Management Board member expires with a notice period of 2 months, at which time the employment contract for the management of the Company also ends, however, the Management Board member and the Company may also agree on a shorter notice period.

The remuneration of the members of the Management Board is determined by the Supervisory Board for each Management Board member as follows:

- The amount of the basic salary is determined upon conclusion of the Management Contract for a fixed period, where the basic salary is determined with all components as derived from point 5.1 of this Article. This takes into account the complexity and difficulty of the tasks that the member will perform as part of their function. Other remuneration and benefits are also determined within the scope of the Management Contract.
- The maximum possible amount of variable remuneration is specified in the Management Contract.
- The Management Contract defines the maximum possible amount of severance pay, which cannot exceed 12 times the last monthly salary of the Management Board member. Severance pay is determined upon termination of the office of Management Board members, as long as the legal

conditions or contractual conditions are met, and otherwise proportionally according to the time of performance of the management function, contribution to the Company, performance according to the criteria for determining variable remuneration, etc.

- In the case of mutual termination of the office before the end of the term of office (prolonged illness, permanent inability to work, personal reasons, other legitimate reasons), the Management Board member has the right to severance pay, which cannot exceed 6 times their last monthly salary.
  - In the case of early termination of the office, including recall of a Management Board member without giving a reason, for economic and business reasons, or by citing any other reason that is not the fault of the Management Board member, the Management Board member has the right to compensation in the amount of a maximum of 12 times their last monthly salary.
  - A member of the Management Board is not entitled to severance pay in the event of early termination of their office, if the Management Board member is recalled due to culpable reasons specified in the first, second and third indents of the second paragraph of Article 268 of the ZGD-1, if they resign from their position or terminate the Management Contract and in other cases where the applicable legislation does not allow the payment of severance pay.
  - A Management Board member is not entitled to the severance pay if their term of office regularly expires.
- Due to compliance with the non-competition clause, as defined in the Company's Articles of Association and its Management Contract, Management Board members are entitled to compensation for compliance with the non-competition clause after the termination of their functions if as a result they no longer receive the income they had before or if it is smaller. The amount of the compensation is calculated on the basis of the average monthly salary in the last month before the termination of their function in the Company and the actual monthly earnings for the duration of the non-competition prohibition, but for a maximum of 24 months. The monthly compensation to which a Management Board member is entitled can be no more than 1/3 of their average monthly salary in the last month before the termination of their position. When calculating the average monthly salary, only the basic monthly salary is taken into account.

The Company pays all remuneration to the Management Board members exclusively in cash, without the use of remuneration payments in the form of shares or stock options.

## **6. Financial and non-financial criteria for assessing the performance**

The variable part of the Management Board members' remuneration depends on the fulfilment of the performance criteria.

As a rule, financial and non-financial criteria are used in equal proportions for assessing performance. The financial criteria for determining the variable remuneration are:

- Key financial performance indicators EBIT, EBITDA, net profit, results according to the business plan.

Non-financial criteria that influence the determination of variable remuneration are:

- Completion of projects based on the decision of the Management Board and the Supervisory Board on the determination of these projects;
- Social responsibility and employee satisfaction, starting from the existing level;
- The success of ensuring sustainable operations, objective work circumstances and business events over which the Management Board had no influence
- Discretionary right of the Supervisory Board according to the assessment of the quality of the Management Board's work: poor, satisfactory, good, very good, excellent.

The amount of the share of an individual financial or non-financial criterion is determined by the rules adopted by the Supervisory Board, depending on the current challenges the Company is facing. As a rule,

the amount of the share reflects the importance of the criterion with respect to the importance of achieving an individual goal for the Company.

The specific amount of the variable remuneration of each Management Board member is determined using accounting methods, taking into account the criteria specified in the previous Article and their impact on the amount of the variable remuneration of a Management Board member. The calculation is made in the form of an overall assessment of the performance of each Management Board member in an individual year, whereby the assessment is directly reflected in the determination of the percentage of variable remuneration for the specific business year, which is evaluated (past year) in such a way that the overall assessment of performance has a range of 0% up to 30% of the gross salary in the previous year.

The Supervisory Board is responsible for determining the performance of the Management Board and determining the variable part of remuneration in accordance with the Regulations and this Remuneration Policy. More detailed criteria for determining the variable part of remuneration are adopted by the Supervisory Board after the adoption of the annual plan, as a rule by the end of the calendar year for the following year, or once a year by checking their adequacy and proposing changes if necessary.

Upon adopting an audited annual report for the financial year, the Company's Management Board submits a report on the work of the Management Board to the Supervisory Board, which, taking into account the relevant regulations, provides all the necessary grounds on the basis of which the Supervisory Board can assess the performance of the Management Board in the financial year and, as a result, determine the appropriate amount of variable remuneration.

The performance of the Management Board and the variable remuneration are determined once a year for the past business year upon adoption of the audited annual report, which is adopted by the Supervisory Board.

## **7. Conditions for temporary derogation from the Remuneration Policy**

A temporary derogation from the Remuneration Policy is permissible only in exceptional circumstances that are necessary for realising the long-term interests and sustainability of the Company as a whole or to secure its assets. Any derogation is also possible due to changes in legislation, e.g. changes in tax regulations.

Changed circumstances must occur after the General Meeting has discussed the Remuneration Policy.

The derogation may be used if the following procedural conditions are met:

1. The HR committee in accordance with the instructions of the Supervisory Board and after obtaining the opinion of the Management Board:
  - Checks the existence of exceptional circumstances or such changes in legislation that allow a temporary deviation from the Remuneration Policy,
  - Performs a review of the existing Management Board remuneration system,
2. The HR committee determines the existence of exceptional circumstances or changes in the legislation that justify a derogation from the Remuneration Policy and proposes to the Supervisory Board the starting points regarding the derogation (policy elements regarding which it proposes the derogation and their new amount),
3. The Supervisory Board approves the HR committee's proposal.

Remuneration deviations are only possible with regard to the following elements of the Remuneration Policy:

- Amount of basic salary,
- Amount of variable remuneration,
- Amount of remuneration for education, membership fees, managerial review
- Amount of severance pay,
- Amount of compensation for compliance with the non-compete clause.



## **8. Decision on the Remuneration Policy and its publication**

The Remuneration Policy must be submitted to the General Meeting for a vote at any significant change, and at least every four years.

Voting on the Remuneration Policy is of a consultative nature. If the General Meeting does not approve the proposed Remuneration Policy, the Company will submit the amended Remuneration Policy to a vote at the next General Meeting.

The Company determines the remuneration of the Management Board members and the Supervisory Board only in accordance with the Remuneration Policy which was submitted to a vote for approval at the General Meeting.

This Remuneration Policy comes into force when the General Meeting of the Company adopts it within the framework of consultative decision-making.

The Company immediately publishes the Remuneration Policy, which was submitted to the General Meeting, publicly on the Company's website, together with the date and results of the vote. The Remuneration Policy remains free and publicly available for at least the period in which it is used, and for a minimum of ten years.

Celje, 11.5.2023

Chairman of the Supervisory Board  
Mario Gobbo

Chairman of the Board  
Aleš Skok