

Pursuant to Article 247.a of the Companies Act ("Official Gazette", No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, hereinafter: the „Companies Act“), Supervisory Board of Arena Hospitality Group d.d. (hereinafter: the „Company“) at the meeting held on 28 July 2020 adopted the following

MANAGEMENT BOARD REMUNERATION POLICY

I. INTRODUCTION

Arena Hospitality Group is one of the most dynamic hospitality groups in Central and Eastern Europe currently offering a portfolio of 26 owned, co-owned, leased and managed properties with more than 10,000 rooms and accommodation units in Croatia, Germany and Hungary. The Company remains committed to its core strategy of developing its brand in the CEE region and maintains its international outlook with a view to balance the business seasonality and mitigate risks.

This remuneration policy (hereinafter: the „Policy“) introduces the framework for the remuneration of Company's members of the Management Board.

The purpose and main principles of this Remuneration policy are:

- to attract and retain the key talent responsible for delivering the Company's business strategy, long-term interests and sustainability;
- to ensure that Company applies performance-based remuneration that will reward Management Board members for their commitment to the Company's strategy in a understandable, transparent and clear manner;
- to promote a culture of effective risk management and establishing a remuneration system that does not encourage Management Board members to take actions that require unreasonable risks;
- remuneration policy takes into account all local, regional and international business practices of management remuneration
- the fact that the Company is part of an international group of companies with a widespread international presence in several countries in the region and with a tendency to expand beyond its existing locations is particularly relevant for determining the remuneration of members of the Company's Management Board and there is therefore a particular need to attract executives with relevant international experience.
- Policy strives for equal evaluation of expertise and excellence, regardless of any discriminatory grounds (gender, ethnicity, age, etc.)
- remuneration should motivate members of the Management Board to act in the best long-term interest of the Company in accordance with their duties.

In determining the remuneration system, the Company applied the provisions of the Companies Act, the Corporate Governance Code of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange and the Company's Articles, related to its financial as well as non-financial indicators.

II. REMUNERATION

Remuneration of members of the Management Board, that is in line with the purpose and main principles from Point I. above, consists of:

1. Fixed remuneration;
2. Variable remuneration;
3. Other remuneration / benefits.

1. Fixed remuneration

Purpose of the fixed part of remuneration is to attract and retain individuals with the requisite level of knowledge, skills, experience and responsibility to lead our businesses.

Fixed remuneration consists of base annual salary payable in 12 equal monthly instalments which is agreed in gross amount in the contract entered into between the member of the Management Board and the Company. The Company cannot unilaterally change the agreed amount of fixed remuneration, but it can be revised with each reappointment in order to ensure that it is in line with this Policy. Every amendment of the fixed remuneration needs to be approved by the Supervisory Board.

In determining the fixed remuneration, the organizational scheme of the Company are taken into account, as well as the job market value, expertise, role, importance, complexity, organisational and legal responsibility for the work performed by the members of the Management Board, as well as market conditions and the economic environment in which the Company operates.

The fixed remuneration does not depend on the performance or on the fulfilment of the set goals, nor does it contain elements of incentive effects in terms of risk-taking.

2. Variable remuneration

a) Variable remuneration in cash

The variable remuneration depends on the assessment of the performance of the members of the Management Board in combination with the overall financial and operational result of the Company on an annual basis.

As key performance indicators of success to determine the exact amount of the variable remuneration, the following factors shall be considered:

- a) Operational, strategic and development business of the Company in the business year concerned
- b) Fulfilment of targets relative to the budget and/or to the prior results and may contain a performance range to incentivise outperformance.

Related to the variable remuneration the Supervisory Board determines upfront for each year (or during a year if a member of the Management Board gets appointed during a year):

- Specific key indicators referred to in item a) of the previous paragraph, which may be based on the Company's revenues, the Company's operating profit, the Company's gross profit, return on capital, etc.
- What percentage of the total amount of variable remuneration refers to which of the key indicators from the previous point, whereby the Supervisory Board takes into account Company's growth ambitions, market expectations and the circumstances and relative performance at the time to reflect successful outcomes for the business based on its strategic objectives for the specific year;
- The multiple of monthly fixed remuneration (i.e. 1/12 of annual fixed remuneration) that can be paid out to the Management Board as variable part of remuneration for one year, which cannot exceed 12 (twelve);

The Supervisory Board may

- approve a smaller amount of the annual variable part of the remuneration to the members of the Management Board than the initially approved amount if deemed necessary for the benefit of the Company.

- exceptionally decide to increase the amount of initially approved variable remuneration in case of achieving extraordinary financial and / or operating results of the Company for that year.

The variable part of the remuneration will not be paid to the members of the Management Board if the Company realizes a loss from operating activities in the relevant year.

Decisions based on the part of the Policy related to variable remuneration of members of the Management Board are made by the Supervisory Board of the Company in prior consultation with the Nomination and Remuneration Committee. The Supervisory Board may transfer its entitlement to reach decisions based on the part of the Policy related to variable remuneration of members of the Management Board to the chairman of the Supervisory Board.

b) Variable remuneration in shares

The Supervisory Board may decide to provide the members of the Management Board with Company's shares as part of the long term incentive scheme under the conditions and in accordance with the valid Share Award Plan of the Company and the provisions of the Corporate Governance Code (particularly referring to but not limited to minimum vesting periods), applied by the Company.

The Company may request the repayment of the variable remuneration in shares under the conditions and in accordance with the valid Share Award Plan of the Company.

3. Other remunerations / benefits

In addition to fixed and variable remuneration, members of the Management Board receive remuneration / benefits that are not related to work performance and are determined by the agreement entered into between the member of the Management Board and the Company. The Supervisory Board regularly verifies the benefits granted in such manner and, if necessary, changes and adjusts them.

The following remuneration / benefits may thus be granted to members of the Management Board, particularly taking into consideration the international background and experience of the members of the Management Board and market conditions prevailing on domestic and international markets for similar roles:

- all-day use of a suitable personal vehicle for official and private purposes at the expense of the Company;
- all-day use of telephone, smartphone, tablet, laptop at the expense of the Company;
- life insurance, supplementary medical insurance or expenses, accident insurance policy, personal liability insurance policy, private pension insurance or third pension pillar for voluntary pension insurance;
- accommodation or coverage of accommodation expenses where necessary to effectively perform duties
- annual preventive health examination
- compensation of tuition costs for the children of the member of the Management Board;
- travel expenses to the home land and relocation expenses;
- other payments and benefits provided in the Collective Agreement of the Company limited to non-taxable amounts.

III. CONTRACT WITH THE MEMEBERS OF THE MANAGEMENT BOARD

Contract with the member of the Management Board (hereinafter: the „Contract“) defining the rights and obligations between the members of the Management Board, on one side, and the Company, on the other side, including remuneration of the members of the Management Board, whereby the

employment relationship between the member of the Management Board and the Company is established, is concluded for indefinite term.

Each contracting party may terminate the Contract and the Management Board members' employment in the Company, without cause, by observing 6 (six) to 12 (twelve) months' notice period, depending on individual agreement in the Contract. Each contracting party may terminate the Contract, with cause and with immediate effect in case of breach of contractual or legal obligation and other situations stipulated by the Contract. In case of expiry of the term of office of the Management Board member, the Company and the member of the Management Board shall either agree to continue the member's employment in the Company at the appropriate working position and upon appropriate terms or the Contract shall terminate within 6 (six) months after expiry of the term of office.

Possible obligation of the Company to pay the severance to the member of the Management Board is agreed with each individual member of the Management Board separately, but can in no case exceed the amount of 18 monthly salaries.

The Company currently has no obligation to purchase additional pension for a member of the Management Board if he/she retires early, but such obligation may be set out in the Contract depending on particular circumstances of individual Management Board members and the Company's circumstances, taking into account the purpose and the principles of this Policy.

IV. ESTABLISHMENT OF REMUNERATION IN RELATION TO REMUNERATION AND EMPLOYMENT CONDITIONS OF EMPLOYEES OF THE COMPANY

In determining the remuneration of the members of the Management Board, the Company takes into account the internal and the external alignment of the amount of remuneration.

In terms of internal alignment, the complexity of the work will be taken into account, as well as conditions of the employees' remuneration and employment conditions of a circle of employees with similar qualifications, knowledge, skills, competencies and experience, but with a lower level of responsibility. The remuneration and employment conditions of senior management within the Company.

External alignment is reflected in the determination of remuneration in accordance with the market conditions of comparable companies.

V. PROCEDURE FOR REMUNERATION POLICY ADOPTION, IMPLEMENTATION AND SUPERVISION

Pursuant to the Companies Act, the General Assembly of the Company approves the proposal of the Remuneration Policy submitted to it by the Supervisory Board.

The Supervisory Board adopts the proposal of the Remuneration Policy based on the recommendation of the Nomination and Remuneration Committee.

If the General Assembly has not approved the Remuneration Policy, the Supervisory Board shall submit a revised policy for approval at the following General Assembly.

The Supervisory Board submits the Remuneration Policy to an approval by the General Assembly at least once every four years from the date of its first adoption and at every material change.

The decision of the General Assembly and the approved Remuneration Policy are published and made available free of charge for a period of at least ten years, immediately after the General Assembly, on the Company's website, indicating the date from which they will be valid.

The Supervisory Board monitors the implementation of the Remuneration Policy and ensures that a central and independent internal review for compliance is carried out at least once a year. For this purpose, the Nomination and Remuneration Committee is engaged, which carries out independent and professional supervision over the implementation of the Remuneration Policy and compiles a written report and submits it to the Supervisory Board.

The Supervisory Board established the Nomination and Remuneration Committee for the purpose of preparation of decisions to be adopted and supervision of their implementation in relation to the remuneration of Management Board members. The Nomination and Remuneration Committee consists of three members appointed by the Supervisory Board amongst its members. The operation of the Nomination and Remuneration Committee is regulated by decisions of the Supervisory Board, in line with the provisions of the Companies Act, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board.

The Nomination and Remuneration Committee, in the part related to remuneration, is particularly in charge of the following:

- gives competent and independent opinions on remuneration policies and practices;
- assessment of remuneration mechanisms adopted to ensure the overall remuneration policy is in accordance with the business strategy, goals, values and interests of the Company;
- recommends to the Supervisory Board a remuneration policy for members of the Management Board at least every four year;
- advises and provides support to the Supervisory Board in drafting a new and / or amending the existing Remuneration Policy;
- gives recommendations to the Supervisory Board regarding the definition of fixed and variable remuneration, as well as other remuneration of members of the Management Board;
- advises and supports the Supervisory Board in overseeing the implementation of the Remuneration Policy;
- advises and provides support to the Supervisory Board in compiling the annual remuneration report;
- performs other tasks in accordance with this Policy and decisions of the Supervisory Board, the Company's Articles and the provisions of the Companies Act.

In relation to the tasks defined by this Remuneration Policy, the Nomination and Remuneration Committee meets at least once a year.

All potential conflicts of interest are taken into consideration when making the decisions concerning remuneration. In order to avoid conflicts of interest, the member of the Management Board does not contribute to any decisions made with regard to his remuneration. The Supervisory Board is responsible for agreeing individual remuneration packages with individual members of the Management Board, in accordance with this Policy and other applicable provisions.

VI. DEROGATION FROM THE REMUNERATION POLICY

The Supervisory Board may temporarily derogate from the Remuneration Policy in parts referring to the fixed and variable part of remuneration if necessarily to serve the long-term interests and sustainability of the Company or in case that exceptional circumstances may substantially affect the Company's business. Derogation from the established Remuneration Policy is proposed by the Nomination and Remuneration Committee.

It will be considered that there are circumstances in which deviations from this Policy are allowed, for example in the following cases (but not limited to those):

- reorganization, status and ownership changes in the Company,
- extraordinary cost reduction due to extraordinary market circumstances,
- changes in the business strategy of the Company,
- change of applicable legislation.

The Supervisory Board may, by a special decision, authorize the Chairman of the Supervisory Board to make decisions on derogation from this Policy.

VII. FINAL PROVISIONS

Any decision to amend the Remuneration Policy shall be made in accordance with the Companies Act, the Company's Articles, the Rules of Procedure of the Supervisory Board and in accordance with the Remuneration Policy.

Existing contracts with existing members of the Management Board shall, until their amendment or expiration, be subject to a consensual harmonization with this Remuneration Policy.

This Remuneration Policy shall enter into force on the day of its adoption by the General Assembly and shall apply from the business year 2021.

Boris Ivesha

President of the Supervisory Board