Remuneration Policy

Purcari Wineries Public Company Limited

To be proposed for approval by the general meeting of shareholders on 28 April 2022

1. Philosophy and Governance

This policy describes the formal approach used by Purcari Wineries Public Company Limited (hereinafter referred to as the "**Company**") to establish the remuneration of the members of its Board of Directors and relevant members of the management team. The goal of this policy is to provide a transparent overview of the compensation principles and methods employed by the Company to ensure sourcing, retention and motivation of relevant persons belonging in the administrative, management or supervisory bodies of the Company or entrusted with the performance of such functions or responsibilities by the Company. The Company views compensation and motivation of these persons as central to its long-term strategy to succeed in a highly competitive and global market, as well as to support the strong growth profile of the Company.

The guiding principles underlying this Remuneration Policy are:

Alignment with long-term value creation for shareholders

- To establish a close link between achieving strategic objectives and contributing value to our shareholders. Compensation schemes must be aligned with the long-term business strategy of the Company and with the shareholders' interests, ensuring organic balance of incentives, talent attraction and motivation.
- To review the remuneration policy on a regular basis to ensure alignment between achieving results and creating value for the shareholder.
- To associate a significant part of the executive directors' remuneration with the achievement of financial, business, value-creation and sustainability objectives in their environmental, social and good governance vectors.

Sustainability

- Remuneration must stimulate mid- and long-term motivation, as opposed to being overly focused on achievement on short-term, unsustainable gains. At the same time, the compensation must motivate the beneficiaries to dedicate sufficient time and apply their skills and experience in the best interests of the Company and its shareholders;

- *Performance* – compensation must be aligned with the performance specific to the role and reward achievements that generate sustained value;

Internal equity and external competitiveness

- To offer a remuneration package that is competitive with that of comparable entities on an international scale, both in terms of its structure and its overall size, which, at the same time, offers fair rewards and benefits to attract and retains the best professionals.

- To establish amounts that provide sufficient remuneration for qualifications, dedication and responsibility of directors.

- To consider the evolution of national and international standards, best practices, recommendations and trends in the remuneration of the directors of listed companies.

Compensation for professional accountability and career paths.

- To offer extraordinary compensation only when the results justify it.
- To appropriately remunerate each director's professional worth, experience, dedication and responsibility.
- To ensure that there is no discrimination on the basis of gender, race, ethnic origin, religion or sexual orientation.
- To establish a level of transparency in remuneration that is in line with corporate governance best practices with the aim of building trust between shareholders and investors.

Balance between the remuneration elements

- To establish a balanced remuneration package for the executive directors, in which a significant part of the total remuneration is variable.

The implementation of the guiding principles is fostered through the oversight of the Nomination, Remuneration and Corporate Governance Committee ("**NRCG Committee**") of the Board of Directors. The NRCG Committee elaborates and periodically reviews the Remuneration Policy and checks that the Company's compensation practices are aligned with the policy. This Remuneration Policy is endorsed by the Board of Directors and ultimately approved by the general meeting of shareholders in the Company.

2. Scope of application of the Remuneration Policy

This Policy applies to the following positions within the Company:

(a) Non-executive members of the Board of Directors (the "**Non-Executive Directors**"); and

(b) Executive members of the Board of Directors and any persons to whom administrative, management or supervisory functions have been delegated to or entrusted by the Board of Directors who are not themselves members of the Board of Directors (the "**Executives**").

The Board of Directors conducts on an annual basis and in the presence of all members a self-evaluation on its performance and effectiveness during the previous year. This process is led by the Chair who seeks the opinion of each member on how the operations of the board could be improved to ensure it delivers in the best possible way on its responsibilities. Each member of the Board of Directors provides constructive feedback on what the Board does well and what the Board needs to improve on. Performance of the Chair is evaluated in a separate section of the meeting, which is conducted without the Chair's presence.

3. Compensation structure

3.1 Non-Executive Directors

Non-Executive Directors receive only a fixed cash compensation, reflecting their experience and roles in this position, including fulfilling the roles of Chair / deputy Chair and membership of Board Committees.

The maximum monthly limit of the fixed compensation of the Non-Executive Directors for all roles concerning such position is set in EUR and approved from time to time by the general meeting of shareholders, net of any applicable taxes and charges in Cyprus. Within the limit set by the general meeting of shareholders, the actual fixed compensation of the Non-Executive Directors is proposed by the NRCG Committee and approved by the Board of Directors. If the term of office of a Non-Executive Director begins or ends during the financial year, the compensation is paid pro rata.

Non-Executive Directors do not receive any variable or stock-based compensation, so the fixed component of the compensation paid to the Non-Executive Directors represents 100% of their financial compensation in such roles.

3.2 Executives

The Executives' compensation is composed of fixed and variable components, as well as other benefits. A summary of the compensation structure is presented in the table and the detailed presentation thereof further below.

Fixed components	**Description**
Base salary	The base salary is a fixed component of the Executives' remuneration. The level thereof depends on a number of factors, such as: the role (including specific responsibilities and expectations), experience level, market pay in comparable jobs and the overall financial standing of the Company and of the Purcari Group (the "**Group**"). The base salary can represent, for certain Executives, a substantial or the only component of the total compensation. The base salary may, for certain Executives, automatically increase yearly based on the performance of certain KPIs, such as revenue, EBITDA and market capitalization.
Allowances	Ancillary benefits may be granted together with the base salary, based on predetermined selection criteria, including, for example, housing, car or travel allowance, or proportionate regular pension contributions on top of the mandatory regime.
Variable components	
Annual Bonus	Incentive compensation, generally paid in cash after the end of the relevant performance year. The annual bonus is tied to the respective Executive achieving KPIs set in their contract with the Company, generally both at Company and Group level. The annual bonus serves to motivate and reward Executives for delivering sustained results. By derogation from the previous paragraph, no annual bonus is payable to any Executive who holds, directly or through a legal entity, a significant share (higher than 10%) of the shares in the Company (a **"Significant Shareholder"**). By virtue of that shareholding, the Executive / Significant Shareholder is expected to act in alignment with the rest of the shareholders in promoting the interests of the Company as a whole and it is not therefore considered that such Executive / Significant

	Shareholder should be further remunerated by payment of an annual bonus.
Long term incentive plans	A compensation which is offered to certain Executives only based on criteria pre-determined by the Board of Directors. Such compensation comprises: (a) restricted stock units granted free of consideration and/or (b) stock options, subject to vesting and deferral periods. These are meant to both incentivize the beneficiaries towards achievement of the financial and non-financial goals of the Group as well as serve as retention measures for the key performing management team members. Long term incentive plans are not a component of the remuneration of Executives that are Significant Shareholders. By virtue of that shareholding, the Executive / Significant Shareholder is expected to act in alignment with the rest of the shareholders in promoting the interests of the Company as a whole and it is not therefore considered that such Executive / Significant Shareholder should be further remunerated by participation in long term incentive plans.
Other benefits	
	Other benefits may include company car, business mobile phone with pre-paid plan, laptop, private health insurance.

3.2.1 Fixed Components

Base Remuneration

The criteria used by the Company to define the base salary are:

(a) it is based on predetermined criteria set out in the contract entered into with the Executive;
(b) it is non-discretionary reflecting the level of professional experience and seniority of the relevant Executive;
(c) it is permanent, i.e. maintained for a period tied to the specific role and organizational responsibilities;
(d) it is non-revocable and cannot be reduced, suspended or cancelled by the Company;
(e) it does not provide incentives for risk taking; and
(f) it is not based on performance.

The Executive's compensation package is approved in respect of each Executive by the Board of Directors and based on the recommendations of the NRCG Committee.

The Company aims to provide a competitive base remuneration, yet will abstain from bidding above market rates, giving emphasis on the variable part of the compensation.

The base remuneration for an Executive can vary between EUR 7,000 and EUR 20,000 net monthly and may be subject to automatic increase based on previous year's growth in revenue, EBITDA and/or market capitalization, with multiples not higher than 0.2 for revenue growth, 0.15 for EBITDA growth, and 0.10 for market capitalization growth.

Other benefits

Depending on the role, responsibilities involved and personal circumstances, the Company may offer Executives other benefits, such as company car, paid telephone plan, accommodation and private health insurance.

3.2.2 Variable components

Depending on the role and responsibilities of the respective Executive, the variable component may represent 20% - 100% of the total compensation awarded and/or paid.

Annual Bonus

The annual bonus is aimed at recognizing performance of the Executive in a given time period and the differentiating element of the compensation package. No annual bonus is payable to an Executive who is also a Significant Shareholder.

The criteria for payment of the annual bonus are:

(a) individual performance, in terms of annual achievement of business objectives (KPIs) set out in the contract between the Executive and the Company;
(b) performance of the respective operational unit;
(c) the general results of the Group.

The performance criteria are set to stimulate the long-term engagement and achievement of objectives by the Executives.

The review of the Executive's performance is carried out within a multi-annual framework by the Board of Directors in the consultation with the NRCG Committee.

The annual bonus is paid as a cash amount, which is not deferred and is not subject to clawback once paid.

Long-term incentive plans (LTIP)

The Company is currently running two long-term incentive plans addressed to certain senior managers of the Company and its affiliates (the "**Beneficiaries**"), based on the approvals of the general shareholders meetings dated 29 April 2020, 25 April 2019 and 14 June 2018. The awards under the plans are generally not subject to cancelation or reduction on an unvested or unexercised award, and do not require repayment of the value of certain shares distributed under awards already vested.

Long Term Share Incentive Plan 2020-2022 (LTSIP) and Long Term Share Incentive Plan 2020-2024 (LTSIP 2)

Under LTSIPs, the Beneficiaries are entitled to receive stock units, which the Board of Directors views as an appropriate discretionary incentive to retain and encourage key decision makers to shoulder the medium- and long-term strategy and objectives of the Company and of the Group as a whole. It is also meant to align the financial interests of the beneficiaries of LTSIP with those of the Company's shareholders. Each stock unit represents the right to receive one share in the Company free of consideration, subject to the terms and conditions set out in the LTSIP. The maximum number of stock units that can be granted under LTSIP correspond to a maximum number of 1,000,000 shares in Purcari, if all units vest in accordance with the terms and conditions of this LTSIP. Vesting may occur annually subject to fulfilment of certain conditions set out in the LTSIP. The individual allocation per Executive can range between an equivalent of 0.10% and 0.50% of total Company stock, vested over 4 years.

Long Term Stock Option Plan 2021-2030 (LTSOP)

Under LTSOP, the Beneficiaries are entitled to receive stock options, each of which represents the right of the Beneficiary to purchase one share in Purcari at a pre-defined exercise price, subject to LTSOP terms and conditions. The shareholders approved the following main elements of the LTSOP: (a) maximum number of 1,000,000 stock options to be exercised at a price of RON 10 per share; (b) a maximum number of 1,250,000 stock options to be exercised at RON 15 per share; and (c) a maximum number of 1,500,000 stock options to be exercised at RON 20 per share, in any combination. The number of stock options granted at each grant date to each Beneficiary, the exercise price(s) conditions and restrictions for exercise of the granted stock options are decided by the Board of Directors and provided in the offer letter received by the Beneficiaries. The LTSOP is meant to better align the Beneficiary's interests with those of the shareholders. The exercise of the stock options is normally restricted for 3 months from grant. Also, the transfer of shares following the exercise of options by the Beneficiary is subject to certain short term retention periods. The individual allocation per Executive can range between 50,000 and 200,000 stock options with a strike price at RON 10; between 60,000 and 240,000 stock options with a strike price at RON 15; and between 70,000 and 280,000 stock options with a strike price at RON 20; all vested over 4 years.

4. Link between pay and performance

In making compensation related decisions, the Company focuses on long term performance at individual level, at operational unit level, as well as at the Group level and rewards behaviours and initiatives that generate sustained value for the Company and its shareholders.

A variety of financial measures are used to assess the Company's financial performance, including but not limited to sales, gross profit, EBITDA, net profit. Financial performance is measured at multiple levels where possible.

The Company uses both quantitative and qualitative criteria to assess performance of its key members of the management team, a process which then informs individual compensation determinations. Qualitative criteria depend on the specific role / responsibilities of the respective key person and include: (a) promoting the Company's culture among the employees to maximize teamwork and efficiency and attract new talent; (b) enhancement of internal systems, flows, and processes to support sustained growth; (c) customer / client satisfaction; (d) delivery of specific projects. Both quantitative and qualitative performance criteria based on which the remuneration is determined, particularly the variable components, are thus directly linked to the Company's overall business strategy and objectives and are meant to set the stage for achievement thereof. At the same time, the Company benchmarks pay levels and practices against the relevant data of its peers in comparable markets, to ensure it is competitive to attract, retain and motivate talent.

5. Contracts concluded with the Non-Executive Directors and Executives

Members of the Board of Directors are appointed for an open-ended term, based on the resolution of the general shareholders meeting. Non-Executive Directors are subject to retirement by rotation, with one third of the Non-Executive Directors being required to retire at each annual general meeting of shareholders. Retiring Non-Executive Directors are eligible for re-appointment by resolution of the annual general meeting of shareholders. Most Non-Executive Directors have entered into a contract for services with the Company, setting out the role, responsibilities, rights and obligations as well as the remuneration and other benefits and a post-termination restrictive covenant. Contracts for services between the Company and Non-Executive Directors terminate automatically upon the relevant Non-Executive Director ceasing to be a Director for any reason. Non-Executive Directors are not entitled to severance payments on termination of contract.

Executives are appointed for an open-ended term, based on the decision of the Board of Directors. The Executives are employed by the Company through employment contracts, setting out the role, responsibilities, rights and obligations as well as compensation and other benefits. The Executives may be entitled to severance payments equal to one month's base salary for every year of employment with the Company. In case of some Executives, a 6-month notice period is required to lapse before the resignation becomes effective.

6. Management of conflicts of interests

The Company's compensation governance contains measures to avoid conflicts of interests, including but not limited to:

- The actual fixed monthly compensation of the Non-Executive Directors is proposed by the NRCG Committee and approved by the Board of Directors, within the limits set out by the general meeting of shareholders;

- The remuneration of the Executives is approved by the Board of Directors (including the Non-Executive Directors). Any Executive who is also a member of the Board of Directors does not participate or vote in the meeting where matters concerning their remuneration in this role is discussed;
- The NRCG Committee's composition (3 Non-Executive Directors, of which 2 are independent and 1 Executive) ensures sufficient independence to identify potential conflicts of interests and avoid them;
- The Company conducts robust performance reviews in respect of Executives, as well as all the other employees of the Company.

In advising the Board of Directors on remuneration matters, the NRCG Committee uses a disciplined pay-for-performance framework to make decisions about compensation so that compensation is commensurate with the overall performance of the Group, the respective businesses and individual performance, while also integrating in the final proposal market benchmarks in terms of pay and input from shareholders.

7. Expenses, indemnity and insurance

All Directors, and any persons to whom administrative, management or supervisory functions have been delegated to or entrusted by the Board of Directors who are not themselves members of the Board of Directors (‘Entitled Persons’), are entitled to be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings and in connection with the business of the Company. Such costs may be defrayed directly by the Company or may be refunded to the relevant Director or Entitled Person where the cost has been incurred by such Director or Entitled Person, upon the provision of such receipts or other documents as are required by the Company.

All Directors benefit from the indemnity set out in Article 155 of the Articles of Association of the Company and all Directors and Entitled Persons are covered by a Directors’ and Officers’ liability insurance (D&O insurance). Coverage is provided in respect of the legal liability of insured persons for financial losses resulting from misconduct while acting within the scope of their function. The premiums for the D&O insurance are paid by the Company.

8. Temporary derogations from the Remuneration Policy

In exceptional circumstances (being circumstances in which temporary derogation from this Remuneration Policy is considered to be necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability) this Remuneration Policy may be temporarily derogated from as set out in the following paragraphs.

Such temporary derogation may affect any elements of this Remuneration Policy, provided however that any restrictions on remuneration contained in the Company’s Articles of Association and in any relevant decisions of a general meeting of the shareholders, may not be derogated from without the approval of the general meeting of shareholders.

The following procedural conditions shall apply to the approval of any such temporary derogation:

(a) The Company’s management may submit to the Nomination, Remuneration & Corporate Governance Committee of the Board of Directors a written proposal setting out the reasons why a temporary derogation is necessary, the items in this Remuneration Policy which are to be derogated from and how this derogation is proposed to take place, the persons subject to such derogation and the period of the proposed temporary derogation.

(b) The Nomination, Remuneration & Corporate Governance Committee of the Board of Directors shall consider the proposal and shall accept or reject it, in the latter case with written reasons therefor. The Company’s management may amend and resubmit any rejected proposals for temporary derogation for reconsideration by the Committee.

(c) If:

  (i) the Nomination, Remuneration & Corporate Governance Committee of the Board of Directors approves a temporary derogation proposed by the Company’s management; or

  (ii) the Nomination, Remuneration & Corporate Governance Committee of the Board of Directors otherwise resolves that a temporary derogation is necessary,

  such proposed temporary derogation shall be submitted to the Board of Directors for approval, provided however that where any member of the Board of Directors is subject to the proposed derogation he or she shall not shall not vote on the proposed temporary derogation.

(d) Any temporary derogation which is approved by the Board of Directors shall be reported to shareholders in the remuneration report for any financial year in which such temporary derogation is applied.

9. Review and update of the Remuneration Policy

This Remuneration Policy will be reviewed periodically by the NRCG Committee and by the Board of Directors in order to ensure alignment with the applicable law, best corporate governance practices, market trends as well as the feedback provided by the shareholders. This Remuneration Policy will be submitted to the general meeting of shareholders for approval in case of any significant modification therein, and in any case at least once every 4 years.