



Remuneration Policy for Purcari Wineries Public Company Limited

Updated as of: November 1, 2020

This policy describes the formal approach used by Purcari Wineries Public Company Limited (hereinafter referred to as “the Company”) to establish the remuneration of its Board of Directors, including the Executive Directors. 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 top talent.

The company views remuneration and motivation of personnel central to its long-term strategy, given operations in highly competitive and global market, as well as the strong growth profile of the Company.

The **main principles** underlying the Remuneration Policy are:

- **Strategic alignment** – compensation schemes must be aligned with the long-term strategy of the Company and its short-term elements, ensuring organic balance of incentives of the Company’s shareholders and executives.
- **Sustainability** – compensation must stimulate mid- and long-term motivation, as opposed to being overly focused on achievement on short-term, unsustainable gains.
- **Performance focus** – compensation must be determined in accordance with relevant performance of specific employees, enabling the company to attract and retain top managerial talent.
- **Market relevance** – the reward must be determined within context of the market environment the Company operates in, both globally and in specific geographies, to ensure recruitment competitiveness and efficiency.
- **Transparency** – the mechanics and logic of compensation schemes must be designed with simplicity in mind and aim at full understanding by all internal and external information users.

Remuneration approval

The Company has established the Nomination, Remuneration and Governance Committee, that has an advisory role within the Board of Directors. The Committee will (i) nominate candidates for the positions in the Board of Directors, as well as Executive Directors; (ii) conduct assessment of candidates’ ethical and professional qualities; (iii) recommend to the Board of Directors levels of remuneration; and (iv) monitor implementation of Remuneration Policy within the Company. The Board of Directors is responsible for approval of remuneration schemes for the Executive Directors.

Human Resources Department is responsible for providing necessary resources to achieve the strategic objectives of the companies within the Group and maintain a fair and competitive remuneration and reward system.

Legal Department supports and advises the management in the implementation of this policy and acknowledges on how it affects the company's applicable laws and regulations, approving this policy and all documents issued under this policy.

The above tasks are complemented by additional responsibilities, specific to each structure.

Executive Directors

The Executive Directors' compensation structure consists of three main elements:

- **Base Remuneration** – first pillar of compensation package, aimed at offering a basic income to employees. The Company will aim to provide a competitive Base Remuneration, yet will abstain from bidding above market rates, given emphasis on variable part of the compensation.

It is considered a base remuneration when the conditions listed below are respected:

- i. it is based on predetermined criteria.
 - ii. it is non-discretionary regarding the level of professional experience and employee's seniority.
 - iii. it is transparent as to the individual amount granted to each employee.
 - iv. it is permanent; maintained for a long period of time closely related to the role
 - v. specifics and responsibilities.
 - vi. it is irrevocable; the permanent amount is changed only by negotiation or based on an annual salary review exercise.
 - vii. cannot be reduced, suspended, or canceled by the company without the employee's consent.
- **Annual Bonus** – second pillar of compensation, aimed at recognizing performance of the Executive Director in a certain period and the differentiating element of compensation package. Bonuses are typically paid once a year and are tied to meeting of quantifiable KPIs, set for the respective employee, both, Company-wide, as well as position specific.

Annual bonus is a variable part of employee compensation package and it is relying on certain conditions of eligibility.

The criteria for annual bonus payout are:

- i. Individual performance, both regarding annual business objectives (KPI's) and core competencies.
- ii. Performance of the respective operational unit.
- iii. The general results of the group.

The employee performance evaluation is performed in a multi-annual framework, to ensure that the evaluation process is based on long-term performance results.

The bonus is awarded at 100% achievement of the set targets. Board of Directors can decide - justifiably and respecting the principles of equity and payment for performance - to grant the bonus in whole or in part to all or part of the Executive team, for a level of achievement of set goals which cannot be less than 80%.

Fixed and variable pay ratio

The total annual remuneration of managers consists of a fixed and variable pay. The last one cannot exceed 100% of the total annual fixed remuneration.

The fixed and variable components of remuneration are properly balanced. Base salary (fixed component) represents a sufficiently large share of the total remuneration and this is offering us a full flexibility regarding the policy of the variable pay.

- **Long-term incentive plan (LTIP)** – long-term stock-based motivation plan, aimed at providing ambitious compensation levels for continuous high performance, as well as serving as a retention measure.

Fundamental criteria used to measure performance:

- i. Revenue growth.
- ii. EBITDA growth.
- iii. EBITDA margin.
- iv. Net Income margin.
- v. ROE.

The categories of personnel to whom the shares will be allocated free of charge are represented by members of Board of Directors, managers and key employees in sales, production, agriculture, finance and logistics.

The people involved with the verification/application of the selection criteria are members of Board of Directors, at recommendations of members of Nomination, Remuneration and Corporate Governance Committee.

The Executive Directors' compensation is approved by the Board of Directors. The compensation of other key executives in the Company (not limited to members of the Board of Directors), may be made subject to Board of Directors approval at the recommendation of the CEO.

Executive Directors who are also Board of Directors members shall not be entitled to any additional compensation for their membership in the Board of Directors, assuming they are already compensated under the Executive Directors scheme.

Non-Executive Directors

Remuneration for Non-Executive Directors consists of base fixed remuneration. The level of the remuneration is approved at the Annual General Meeting of the Company. Non-Executive Directors may receive stock-based compensation, instead of part or all the fixed remuneration portion and in addition to the fixed remuneration portion.