
POLITICS CONCERNING REMUNERATION OF THE COMPANY

SANTIERUL NAVAL ORȘOVA S.A.

General considerations

This politics describes the formal approach by the Company Șantierul Naval Orșova S.A. (herein referred to as The Company) in order to settle the remuneration of the CEOs with a mandate contract and of the members from his Managing Board, in compliance with the provisions under the Law no. 24/2017 concerning the issuers of financial instruments and market operations, further amended and abridged.

The scope of this politics is to offer a general and transparent overview on the principles and methods of remuneration used by the Company in order to ensure the focus, maintenance and motivation of the top professionals of the Company thus defining a management system through its objectives.

The politics concerning the remuneration represents the general framework settled by the General Ordinary Meeting of the Shareholders that the Company applies and concerns the remuneration manner of the CEOs with a mandate contract and of the managers, according to the business strategy based on long-term objectives, values and interests of the Company.

The Company will place the remuneration and motivation of the managers, scope oriented in the center of its long-term strategy, as it operates on a highly competitive market.

The remuneration politics explains the decision making process leading to its settlement, revision and application, including measures in order to avoid the conflicts of interest (and, as appropriate, the scope of the remuneration commission and of the other involved committees).

The remuneration politics represents the manner in which the remunerations and the employment conditions were taken into consideration in what the employees are concerned, on the occasion of settling the remuneration politics.

Basic principles

The strategic coherence – the remuneration schemes must be according to the long-term strategy of the Company and with its short-term components by ensuring a balance between the remuneration of the shareholders and that of the management team of the Company.

Sustainability – the remuneration must stimulate the average and long-term motivation and avoid any excessive focus on the achievement of short-term and unsustainable earnings.

Performance-oriented – the remuneration must be settled according to the relevant performance, by allowing the Company to attract and keep the top professionals and to repay the fulfillment of scope.

Market relevance – the repayment must be settled in the context of the market conditions where the Company operates, in order to ensure competitively and effectiveness of the recruiting process.

Transparency – the dynamics and logic of the remuneration schemes must be conceived by considering the principle of simplicity and must aim at the full acknowledgement by all the users of internal and external information, including the promoting of transparency concerning the remuneration and its criteria of establishment.

Approval of the remuneration politics

The Company settled a remuneration politics concerning the managers and the shareholders that are entitled to vote and approve within the General Ordinary Meeting of the Shareholders.

	A.G.O.A.	C.A.	Remuneration committee
Remuneration Politics (approval and revision)	Approves	Proposes**	Forms the recommendation
Remuneration Report	Consulting vote	Approves	Forms the recommendation
CA- additional sums for additional responsibilities*	-	Approves	Forms the recommendation
Maximum annual amount of all the remunerations	Approves	Proposes	Forms the recommendation

* consulting committees / position of president

** makes the decision of approval of submitting the named document for approval by the A.G.O.A.

The Company has established a **Remuneration Committee** with a consulting scope within the Management Board (where appropriate – according to ROF CR).

Thus, in relation with the principles of corporate governance and with the regulations applicable to the Company, the Remuneration Committee has the following responsibilities:

- (i) Forms recommendations to the Management Board concerning the levels of remuneration
- (ii) Forms proposals concerning the remuneration politics
- (iii) Monitors the implementation of the remuneration politics within the Company.

The legal department supports and counsels the management during the implementation of this politics and acknowledges the manner in which it affects the effecting laws and regulations of the Company, by approving (as appropriate) this politics and all the documents issued according to this politics.

Structure of the remuneration

The structure for the remuneration of the CEOs and of the members from the Managing Board is formed of two main parts: fixed and variable remuneration.

A. FIXED REMUNERATION (basic) – fixed component of the remuneration, unconditioned by the accomplishment of performance criteria whose main part consists in the indemnifications granted in compliance with the management / mandate contract. The Company will aim at granting a basic competitive remuneration, yet it will withhold from going above the market ratio, by focusing on the variable part of the compensation.

A basic remuneration is considered when the following below defined terms are listed:

- it is based on performance criteria
- it is not discretionary in what the level of professional experience and level of seniority are concerned
- it is transparent in relation to the individual amount granted
- it is permanent (maintained over a long period of time and closely related to the specific and responsibilities role)
- it is irrevocable (the permanent amount may be amended only through negotiation and revision, on an annual basis).
- it cannot be reduced, suspended or cancelled unilaterally by the company, without the party agreement.

The members of the Managing Board benefit from a fixed monthly remuneration that is settled by the resolution of the General Ordinary Meeting of the Shareholders, for each fiscal year in part.

The members of the Managing Board who are integer part of the consulting commissions of the Managing Board are benefiting from an additional remuneration, according to the legal provisions and to the Articles of Incorporation of the Company.

The limits of the fixed monthly remuneration of the CEOs have been provided (usually) in the Company Articles of Incorporation and is framed within.....and.....average gross salaries realized by the company during the previous financial year. The effective level of the remuneration is settled by the mandate contract.

B. VARIABLE REMUNERATION – additional payment or indemnification paid by the Company, with consideration of certain criteria of performance, scoped to acknowledge the performance of the CEOs and of the members of the Managing Board in a certain period and element that differentiates the remuneration package.

The variable part of the remuneration package is based on certain eligibility terms, quality criteria and quantity criteria. The maximum amount for the variable remuneration is approved by the .A.G.O.A. and cannot exceed 10,00% of the gross profit.

The annual scope (KPI) is settled in the General Ordinary Meeting of the Shareholders for the approval of the previous financial year.

Terms of eligibility for the annual payment of the variable consistency of the remuneration consider:

1. the individual contribution, both in terms of the annual scope (KPI) and the performance of the Company as a whole.
2. the management performance
3. the general results in the field of the social responsibility.

The assessment of the performance is realized in a multi-annual framework, in order to ensure that the process of assessment is based on long-term performance results.

The quality criteria considered during the settlement of the variable component is:

Essential quality criteria used for the measuring of performance	<ul style="list-style-type: none"> - implementation of the business strategy - effective management of the patrimony assets - implementation of a governing corporate effective system - the degree of accomplishment of the investment plans in relation to the objects concerning the business development
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The quality criteria considered for the settlement of the variable component calculated is:

Fundamental quality criteria used for the performance measuring	<ul style="list-style-type: none"> - Increase of income - increase of EBITDA - EBITDA margin - gross profit - net profit margin
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The quantity and quality criteria stipulated previously are not exhaustive and may be fulfilled with other that are relevant for the existing economic cycle, in compliance with the short-term and long-term legitimate interests of the company, of the provisions and premises of the income and expenses budget, upon the proposal from the Managing Board and with their approval by the General Meeting of the Shareholders. Annually, the General Meeting of the Shareholders, upon the proposal of the Managing Board will approve the indicators corresponding to the current financial year.

Ratio between the fixed and variable remuneration

The total annual remuneration consists of a fixed component and a variable component. The variable component may not exceed 100% from the total fixed annual remuneration. The basic component (fixed remuneration) represents a sufficiently large share that brings full flexibility to the company in what the politics of granting the variable component is concerned.

The variable component of the remuneration owed to the administrators and to the CEOs will be in direct proportion to the total annual degree of accomplishment of each indicator for the corresponding fiscal year or part of the corresponding fiscal year.

The total degree of accomplishment of the key performance indicators settled for each fiscal year is the sum of the accomplishment degree of each indicator, shared with the weight factor:

CEOs	75% weight quantity criteria
	25% weight quality criteria
Members of the Managing Board	75% weight quality criteria
	25% weight quantity criteria

The variable remuneration is granted upon 100% reach of the settled objects. The Managing Board may decide, legitimately and by observing the principles of equity and payment for performance, to grant the variable remuneration completely or partially to the managers.

Payment of the variable component

The variable remuneration is paid usually once a year and depends on the accomplishment of the quantifiable KPIs, settled for the respective period, both at the level of the Company as well as to the specific position, through the managing contract or the mandate contract agreement.

For the long term stimulation and motivation and in complete agreement with the principles of sustainability of the Company, the payment of the variable remuneration, for the performance of the CEOs and of the members of the Managing Board will be made in a multi-annual framework.

Thus, 60% of the variable remuneration will be paid annually after the closure of each fiscal year, subsequently to the approval of the amounts by A.G.O.A, following that the difference of 40% is delayed (withhold) up to the contract's termination.

Any variable remuneration (the short and long term stimulation schemes) is based on the confidentiality of the shareholders / and as appropriate of the members from the Managing Board (adjustment prior to the payment) and claw-back (recovery of the already paid remunerations) in the case when in the company's financial statements they have to be adjusted because of a conduit that opposes the company's interest and provided that these adjustments affect the value of the variable remuneration; or in the case when the performance criteria applicable to the stimulation schemes and to the levels of performance have been manipulated; or if the behavior of the entity infringes the law in the field or right of labor, company's code of conduct or ethical standards.

Remuneration based on shares

In strictly established cases and with observance of the applicable legal framework, the Company may grant remuneration based on shares with the settlement of the periods where there exists the right for the awarding of shares, the scheme of the periods of allotment, the periods of preservation after awarding.

The long-term stimulation plan (motivation), based on shares is scoped to grant levels of attractive remuneration for the permanent high performance, as well as to serve as measure of retention.

Managers' contracts

The validity of the managing contracts, mandate contracts is usually, of maximum 4 years with accurate application of the provisions from the Company's Articles of Incorporation. Within those, the contractual periods, the agreements and the notices periods applicable are being settled together with the main features of the additional pension systems or anticipated retirement (if appropriate), as well as the terms for the contract's termination or the payment incurring from termination.

The coefficients of financial and non-financial performance approved constitute elements through which the variable component of the remuneration is settled. The remuneration and benefits given to the members of the Managing Board and the CEOs with a mandate contract, according to the provisions from the managing/mandate contract will be registered in the annual audited financial statements (and in the Annual Report of the Remuneration Committee) and in the Report of the Managing Board.

The benefits of the CEOs and of the members from the Managing Board may be granted according to the contracts and consider facilities for the execution of the mandate (bearing the costs for the mobile communications, remote means of communication, transportation means, etc.).

The payment of the professional liability insurance is paid by the Company and is not part of the remuneration.

Revision of the remuneration politics

The remuneration politics undergoes revision at least once in every 4 years or whenever it is necessary to bring significant amendments. Within this process of revision, there must be considered the significant changes with regards to the shareholders and the manner of vote granting related to the remuneration politics.

Derogations from the remuneration politics

In exceptional cases, the Company may derogate temporarily from the remuneration politics, case in which all the interested parties will be notified on the objective reasons on which this derogation was based upon and also the elements from which

the derogation may be made. These exceptional circumstances refer only to the cases in which the derogation from the remuneration politics is necessary in order to serve the long-term interests and the sustainability of the issuer as a whole or in order to ensure his viability.

Remuneration report

The Company settles a clear and easily accessible remuneration report that offers a general viewpoint on the remunerations, including all the benefits, irrespective of the manner, granted or owed during the last fiscal year, to the individual managers, including those that had been newly recruited or to the former managers in compliance with the remuneration politics.

The remuneration report will be voted within the General Ordinary Meeting of the Shareholders, together with the approval of the financial statements, every year, starting with the year following the year of the approval of this remuneration politics, the opinion of the shareholders resulting from the consulting vote and is available on the website of the issuer over a period of 10 years.

Note: The remuneration politics of the company Santierul Naval Orsova S.A. was approved by the General Meeting of the Shareholders on the date of 16th of April 2021:

Votes "for" 99,7043%, votes "against" 0,0095% and "abstentions" 0,2862% out of the totally expressed votes.

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The undersigned Fonea Cristina, certified translator and interpreter for English and French, based on the Authorization no. 24740 from 31.03.2009, issued by the Ministry of Justice in Romania, I certify that this is a true and accurate translation of the document submitted to me which has been carried out without prejudicing its content or meaning.....

CERTIFIED TRANSLATOR AND INTERPRETER,
FONEA CRISTINA

