

Remuneration Report

This report sets out the remuneration policy and practices for Afarak's Board and Executive Management Team ("EMT") and provides details of their remuneration and share interests for the year ended 31 December 2018.

REMUNERATION POLICY

Afarak operates in a very competitive sector in terms of human capital with a shortage of highly qualified and experienced executives. The Group's remuneration policy is designed to attract, retain and incentivise high-calibre executives to implement its business strategy and enhance shareholder value.

The policy seeks to align the interests of the business and shareholders by rewarding executives appropriately for achieving individual and group targets and thereby ensuring long-term value creation for the benefit of all shareholders.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee makes recommendations to the Board regarding executive remuneration and submits proposals to the Annual General Meeting of shareholders regarding the Board's remuneration.

The committee is responsible for the overall direction of the remuneration policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Group's remuneration packages are both appropriate and competitive, the committee evaluates information on market-based remuneration levels for comparable companies.

The members of the committee in 2018 were Mr Ivan Jakovcic (Chairman), Dr Jelena Manojlovic and Mr Barry Rourke. Mr Jakovcic resigned on July 31, 2018, and Mr Thorstein Abrahamsen assumed the vacant position in the committee.

CEO SERVICE AGREEMENT

The Board appoints the Chief Executive Officer (CEO) to manage, develop, guide and supervise the Group's activities and leads the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the Committee.

The CEO receives an annual salary of EUR 360,000. He shall also receive 500,000 Company shares as an incentive for each completed year of service acting as CEO. Mr Guy Konsbruck received two share transfers since his appointment.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage and there is no set retirement age.

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Non-executive directors do not have service contracts with the company.

The remuneration of members of the Board of Directors is agreed at the Company's General Meetings. Directors' remuneration consists of monthly fixed fees. The Annual General Meeting held on May 29, 2018 resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board or committee membership.

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to executive role have been presented below.

RELATED PARTY TRANSACTIONS WITH PERSONS BELONGING TO THE GROUP'S BOARD AND MANAGEMENT

EUR '000		2018			2017		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Ruiters Alistair	Board member 8.5.2015 - 23.5.2017, CEO 21.5.2015 - 15.1.2017	0		0	14		145
Konsbruck Guy	Board member 05.2.2018 onwards, CEO 15.1.2017 onwards		360	219		415	583
BOARD MEMBERS							
Abrahamsen Thorstein	Board member 23.5.2017 onwards		60			36	
Djakov Milan	Board member 12.5.2016 - 23.5.2017		0			24	
Hoyer Thomas	Board member 23.5.2017 - 05.2.2018		6			36	
Jakovcic Ivan	Board member 8.5.2015 - 31.07.2018, Chairman 12.5.2016 - 23.05.2017		34			65	
Kankaala Markku	Board member 30.6.2003 -17.3.2017		0			15	
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairman 23.5.2017 onwards		72			67	
Rourke Barry	Board member 8.5.2015 onwards		85			85	
Total		0	617	219	14	743	728

OTHER EMT MEMBERS' SERVICE CONTRACTS

As Afarak operates within highly competitive environment, its performance depends on the individual contributions of the executive directors and other senior employees. The remuneration packages are designed to attract, motivate and retain executives to manage the Group's operations effectively and to reward them for enhancing shareholder value.

The EMT remuneration package is a combination of a base salary and long-term based incentives, fringe benefits include liability insurance, traveller's insurance and telephony services.

There are no early retirement options in the EMT's employment contracts and the notice period and/or non-compete period is normally six months, unless otherwise agreed.

The table below includes the EMT but excludes the CEO since the compensation for Board members and CEO has been presented separately.

None of Afarak's executive directors have received any compensation for serving as a NED in other companies.

Management remuneration

EUR '000	2018	2017
Fixed salaries and fees	564	482
Provision for variable performance related compensation	-14	195
Total	550	677

SHARE-BASED COMPENSATION

SHARE OPTIONS

As part of the remuneration package of its CEO, Afarak pays a share-based compensation of 500,000 shares for every completed year. As at December 2018, Alistair Ruiters had received a total of 1,466,667 shares over his span as both CEO and Consultant.

Guy Konsbruck has received in total 1,000,000 shares after completing his second year as CEO in January 2019. These shares have a lock-up period of two years from subscription date.

DIRECTORS' AND EMT MEMBERS' SHAREHOLDINGS AND OPTIONS AT 31 DECEMBER 2018

	Title	Shares	Related Party Shares	Options
Members of the Board				
Guy Konsbruck	Chief Executive Officer, Executive Director	500,000	0	0
Barry Rourke	Non-Executive Director	150,000	0	0
Jelena Manojlovic	Chairperson & Dependent Non- Executive Director	150,000	0	0
Thorstein Abrahamsen	Non-Executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar**	Chief Operating Officer	0	0	0
Predrag Kovacevic	Chief financial Officer	0	0	0
		800,000	0	0

* The CEO received an additional 500,000 shares in January 2019 after completing his second year of service.

** Dr Koncar has sold his shareholding in LNS (formerly Kermas Ltd) on January 20, 2018.