

In accordance with Article 294 b of the *Companies Act* (ZGD-1), Krka, d. d., Novo mesto (hereinafter Krka or the company) presents

REPORT ON REMUNERATION OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS OF KRKA, D. D., NOVO MESTO IN 2021

Introduction

In accordance with Article 294 a of the *Companies Act*, Krka, d. d. Novo mesto drafted *Remuneration Policy for Management and Supervisory Bodies of Krka, d. d., Novo mesto*, which the Annual General Meeting (hereinafter AGM) must approved on the basis of Paragraph 1, Article 294 a of the *Companies Act*. The report includes a comprehensive overview of remunerations, including any form of bonuses and fringe benefits that the company awarded to individual members of management and supervisory bodies. Since this report is on the agenda of the AGM, which also decides on the approval of the remuneration policy, it was not possible to confirm the report's compliance with the *Remuneration Policy for Management and Supervisory Bodies of Krka, d. d., Novo mesto* as stipulated in Article 294 b of the *Companies Act*, as the policy has not yet been approved by the AGM.

Remuneration of Management Board members

The Management Board consists of the following members: Jože Colarič, President of the Management Board; Aleš Rotar, Vinko Zupančič and David Bratož, Management Board members; and Milena Kastelic, Management Board member – Worker Director.

Members of the Management Board receive fixed and variable remuneration as well as bonuses and fringe benefits as per their service agreements.

Fixed remuneration of Management Board members is determined as a multiple of the average salary of all Krka employees in the last three months. These multiples are determined by the Supervisory Board upon the appointment of the Management Board and differ based on the scope of tasks and areas of work that each member of the Management Board covers. Multiple four (4) is applied to Milena Kastelic, Management Board member – Worker Director, acting as a workers' representative who represents their interests in human resource and social issues. Multiple seven (7) is applied to: David Bratož, Management Board member responsible for corporate performance management, finance, information technology, and certain administrative services; and Vinko Zupančič, Management Board member responsible for API R&D, production, and supply chain management. Multiple eight (8) is applied to Aleš Rotar, Management Board member responsible for research and development of finished products, new products, quality management, and health and safety at work. Multiple ten (10) is applied to Jože Colarič, President of the Management Board also responsible for marketing, sales, human resources, investments, industrial property, and certain administrative services. Members receive allowances for continuity of service and years of service in accordance with the same criteria as all employees. In 2021, the average monthly salary at Krka totalled €2,891.11 gross, excluding pay for annual leave, Christmas bonus, company performance bonuses, and other bonuses awarded to employees for their performance at work. The effective gross average salary is, therefore, higher.

The Supervisory Board members are not entitled to receive deferred or retained earnings. Any payments that have already been made are not returned.

Variable remuneration for Management Board members is determined annually on the basis of the policy and rules adopted by the Supervisory Board. The total of annual variable remuneration of all Management Board members may not exceed 5% of divided value. The Supervisory Board assesses the Management Board performance based on a model containing seven quantitative and four qualitative indicators. Quantitative indicators include a total of eleven points and criteria and qualitative indicators include six points and criteria. Each point represents one average fixed salary of a member.

Quantitative indicators include the following (the maximum number of points allocated which also represent criteria)

- Growth in terms of sales revenue (2);
- Growth in terms of sales volume (2);
- Growth in sales revenue compared to competitors (1);
- Increase in cash flow from operating activities (1);
- Increase in operating profit (3);
- Return on equity compared to competitors (1);
- Dividends paid.

Qualitative indicators include the following (the maximum number of points allocated which also represent criteria):

- Corporate social responsibility, company's reputation, public relations, investor relations (1);
- Activities in new indication areas (2);
- Implementing new requirements, entering new markets, launching new products (2);
- Investments, human resources, and information technology (1).

Performance based on qualitative indicators is assessed based on the Management Board's report to the Supervisory Board members.

The following criteria are used to determine remuneration: 60% of the current year's performance and 40% of the performance in the past ten years. Performance in the current and past years is assessed with the same methodology. The same methodology and indicators currently apply to all members.

The following criteria for individual indicators are presented below:

QUANTITATIVE INDICATORS		
Indicator	Criteria	No. of payment units
Growth in terms of sales revenue	Compared to last year's realisation:	
	• 4.1% or more than last year	2
	• Between 0.1% and 4.0% more than last year	1.5
	• The same as last year	1
Growth in terms of sales volume	• Up to 5% less than last year	0.5
	Compared to last year's realisation:	
	• 4.1% or more than last year	2
	• Between 0.1% and 4.0% more than last year	1.5
Growth in sales revenue compared to competitors	• The same as last year	1
	• Up to 5% less than last year	0.5
Increase in cash flow from operating activities	Growth rate is equal or higher than that of competitors.	1
	Exceeding 90% of last year's realisation: for 91%, 0.1 salary is awarded as bonus; for 92%, 0.2 salary is awarded as bonus; etc. If 100% of last year's realisation is achieved or exceeded, 1 salary is awarded.	1
Increase in operating profit	Compared to last year's realisation:	
	• 2.1 % or more than last year	3
	• Between 0.1% and 2.0 % more than last year	2
Return on equity compared to competitors	• Up to 5% less than last year	1
	Above or at least comparable with the competition.	1
Dividends paid	At least in accordance with Krka's long-term development strategy in force	1

QUALITATIVE INDICATORS		
Indicator	Criteria	No. of payment units
Corporate social responsibility, company's reputation, public relations, investor relations	• Very successful	1
	• Successful	0.5
	• Unsuccessful	0
Activities in new indication areas	• Very successful	2
	• Successful	1
	• Unsuccessful	0
Implementing new requirements, entering new markets, launching new products	• Very successful	2
	• Successful	1
	• Unsuccessful	0
Investments, human resources, and information technology	• Very successful	1
	• Successful	0.5
	• Unsuccessful	0

Variable remuneration is paid in two parts. The first part of variable remuneration is calculated and paid on the basis of six-month business results and is paid for the current year. The second part is calculated and paid based on annual results. The first part of the payment for Management Board members may amount up to six salaries of the members, and for the President of the Management Board up to seven of his salaries. Variable remuneration exceeding this amount is paid after the completion of the audit.

Management Board members are also members of supervisory boards, supervisory committees, or boards of directors at certain subsidiaries, but do not receive additional payments for their functions.

Management Board members are entitled to following bonuses and fringe benefits:

- Insurance in the total amount of the annual premium of €10,000 for the President of the Management Board and €5,000 for other members of the Management Board. They can select supplementary pension insurance, accident insurance, supplementary health insurance, regular life insurance without unit-linked insurance, and comparable types of insurance, excluding unit-linked life insurance.
- Use of a company car of up to €60,000 including VAT or up to €70,000 including VAT if the vehicle is environmentally friendly, also for private purposes. The vehicle may not be replaced earlier than in three years or before it reaches at least 150,000 km, unless the Supervisory Board approves this.
- Payment of membership fees for professional associations and clubs up to €1,500 annually.
- Comprehensive annual medical examination. If performed in a medical institution outside Slovenia, the costs covered are comparable to the amount which would have been paid at a medical institution in Slovenia.
- Members of the Management Board are entitled to bonuses and fringe benefits to which all Krka employees are entitled under any act. Fringe benefits include voluntary supplementary pension insurance, which is available to all Krka employees under the same conditions. The amounts of payments are limited to the maximum total annual premium that still allows the employer and the employee to be eligible for claiming tax relief. This amounts to 5.844% of the employee's annual gross salary, but not more than the absolute amount stated in the *Personal Income Tax Act*.

Below we present remuneration paid to Management Board members in 2021 and 2020, by payments per individual year. The table below shows remuneration paid by Krka, d. d., Novo mesto. In the 2017–2021 period, the members of the Management Board received no remuneration paid by other Group companies. The members of the Management Board were also provided with no financial benefits or services approved or provided by a third party with regard to their activities. Remuneration differs from that presented in the annual report, since the remuneration in the annual report is presented according to the cost principle.

Remuneration paid to Management Board members in 2021

	Fixed remuneration			Variable remuneration		Total		Ratio of fixed and variable remuneration	
	Gross	Net payout	Net fringe benefits and other earnings	Gross	Net	Gross	Net	Fixed	Variable
Jože Colarič	429,784	177,447	6,701	800,656	313,961	1,230,440	498,109	34.9%	65.1%
Aleš Rotar	341,972	141,195	10,741	517,146	203,445	859,118	355,381	39.8%	60.2%
Vinko Zupančič	289,358	119,192	13,415	430,288	168,801	719,646	301,408	40.2%	59.8%
David Bratož	282,534	119,441	10,864	422,586	166,922	705,120	297,227	40.1%	59.9%
Milena Kastelic	169,152	78,090	5,937	79,744	32,999	248,896	117,026	68.0%	32.0%
Total remuneration of Management Board members	1,512,800	635,365	47,658	2,250,420	886,128	3,763,220	1,569,151	40.2%	59.8%

Net fringe benefits and other earnings of Management Board members in 2021

€	Executive health insurance	Supplementary pension	Anniversary bonuses	Other bonuses	Refund of work-related costs	Pay for annual leave	Total
							€
Jože Colarič	0	2,819	0	1,865	40	1,977	6,701
Aleš Rotar	0	2,819	0	4,890	1,055	1,977	10,741
Vinko Zupančič	0	2,819	0	7,744	875	1,977	13,415
David Bratož	0	2,819	1,338	3,665	1,065	1,977	10,864
Milena Kastelic	0	2,819	0	51	1,090	1,977	5,937
Total remuneration of Management Board members	0	14,095	1,338	18,215	4,125	9,885	47,658

Remuneration paid to Management Board members in 2020

	Fixed remuneration			Variable remuneration		Total		Ratio between fixed and variable remuneration	
	Gross	Net payout	Net fringe benefits and other earnings	Gross	Net	Gross	Net	Fixed	Variable
Jože Colarič	429,884	176,104	8,080	723,423	283,783	1,153,307	467,967	37.3%	62.7%
Aleš Rotar	345,743	140,637	12,881	484,775	190,786	830,518	344,304	41.6%	58.4%
Vinko Zupančič	288,405	119,213	12,942	403,263	159,067	691,668	291,222	41.7%	58.3%
David Bratož	279,751	118,844	9,771	395,987	156,510	675,738	285,125	41.4%	58.6%
Milena Kastelic	168,063	78,141	5,676	78,874	32,707	246,937	116,524	68.1%	31.9%
Total remuneration of Management Board members	1,511,846	632,939	49,350	2,086,322	822,853	3,598,168	1,505,142	42.0%	58.0%

Net fringe benefits and other earnings of Management Board members in 2020

€	Executive health insurance	Supplementary pension insurance	Anniversary bonuses	Other bonuses	Refund of work-related costs	Pay for annual leave	Total
Jože Colarič	0	2,819	0	3,404	50	1,807	8,080
Aleš Rotar	0	2,819	1,861	5,279	1,115	1,807	12,881
Vinko Zupančič	0	2,819	0	7,336	980	1,807	12,942
David Bratož	0	2,819	0	4,095	1,050	1,807	9,771
Milena Kastelic	0	2,819	0	30	1,020	1,807	5,676
Total remuneration of Management Board members	0	14,095	1,861	20,144	4,215	9,035	49,350

Total remuneration paid to Management Board members in the last five years

€	Fixed remuneration			Variable remuneration		Total		Ratio between fixed and variable remuneration	
	Gross	Net payout	Net fringe benefits and other earnings	Gross	Net	Gross	Net	Fixed	Variable
2021	1,512,800	635,365	47,658	2,250,420	886,128	3,763,220	1,569,151	40.2%	59.8%
2020	1,511,846	632,939	49,350	2,086,322	822,853	3,598,168	1,505,142	42.0%	58.0%
2019	1,479,919	615,791	47,255	1,796,755	708,176	3,276,674	1,371,222	45.2%	54.8%
2018	1,423,936	598,428	40,954	1,532,341	605,492	2,956,277	1,244,874	48.2%	51.8%
2017	1,401,777	592,291	38,167	983,795	391,901	2,385,572	1,022,359	58.8%	41.2%

Total net fringe benefits and other earnings paid to Management Board members in the last five years

€	Executive health insurance	Supplementary pension insurance	Anniversary bonuses	Other bonuses	Refund of work-related costs	Pay for annual leave	Total
2021	0	14,095	1,338	18,215	4,125	9,885	47,658
2020	0	14,095	1,861	20,144	4,215	9,035	49,350
2019	2,703	14,095	0	20,585	3,863	6,009	47,255
2018	4,731	14,095	0	15,031	3,819	3,278	40,954
2017	1,054	14,095	3,019	13,457	3,617	2,925	38,167

The table below shows an employee's average gross salary in the last five years, excluding Christmas bonuses and company performance bonuses. Remuneration paid to members of the Management Board is excluded from this table:

€	2021	2020	2019	2018	2017
Average annual gross salary	2,878	2,874	2,844	2,732	2,708

Taking into account Christmas and company performance bonuses in the calculation of the average salary, an employee's average gross salary in the last five years is as follows:

€	2021	2020	2019	2018	2017
Average annual gross salary	3,449	3,401	3,292	3,086	3,002

The following data on the operations of the Krka Group and Krka in the last five years are taken into account when calculating variable remuneration:

€ thousand	2021	2020	2019	2018	2017
Krka Group					
Revenue	1,565,802	1,534,941	1,493,409	1,331,858	1,266,392
– Growth index	102	103	112	105	108
Quantities sold (in million pieces)	15,854	15,477	14,402	14,246	13,347
– Growth index	102	107	101	107	101
Net cash flow from operating activities	386,097	360,759	349,523	289,952	227,827
– Growth index	107	103	121	127	107
Operating profit	354,788	390,744	274,195	232,686	198,741
– Growth index	91	143	118	117	162
Percentage of dividends paid in the profit attributable to majority equity holders of the Krka Group	53.6%	54.3%	58.2%	60.8%	81.7%
Krka					
Revenue	1,381,367	1,447,112	1,390,248	1,231,784	1,197,756
– Growth index	95	104	113	103	112
Net cash flow from operating activities	348,239	352,510	276,996	245,326	272,448
– Growth index	99	127	113	90	227
Operating profit	273,325	338,882	263,852	199,305	196,953
– Growth index	81	128	132	101	199

Remuneration paid to Supervisory Board members

The table below shows the composition of the Supervisory Board of Krka in 2021.

Composition of the Supervisory Board in 2021

	Jože Mermal	Borut Jamnik	Matej Lahovnik	Julijana Kristl	Boris Žnidarič	Mojca Osolnik Videmšek	Franc Šašek	Mateja Vrečer	Tomaž Sever
Function	President	Member	Deputy President	Member	Member	Member	Deputy President	Member	Member
Committee membership	No	President of the Audit Committee	Member of the Audit Committee	Member of the Human Resource Committee	President of the Human Resource Committee	Member of the Audit Committee	Member of the Audit Committee	Member of the Human Resource Committee	Member of the Human Resource Committee
Representative of	Shareholders	Shareholders	Shareholders	Shareholders	Shareholders	Shareholders	Employees	Employees	Employees

At the 27th AGM of 8 July 2021, Resolution 4 was adopted, determining the remuneration paid to the members of the Supervisory Board. Prior to that, remuneration was paid to Supervisory Board members in accordance with Resolution 3, adopted at the 16th AGM of 7 July 2011.

Supervisory Board members receive an attendance fee of €275,00 gross per member for attending the Supervisory Board meetings. Supervisory Board committee members receive an attendance fee for their participation in committee meetings. The attendance fee for committee meetings accounts for 80% of the attendance fee received for Supervisory Board meetings. The attendance fee for participating in correspondence sessions amounts to 80% of the usual attendance fee. Irrespective of the above and of the number of attendances in a financial year, each member of the Supervisory Board is entitled to receive attendance fees up until the total amount of attendance fees reaches 50% of the basic annual pay for exercising their function on the Supervisory Board. Irrespective

of the above and of the number of Supervisory Board and committee meetings attended in a financial year, the Supervisory Board members who are members of one or more Supervisory Board committees are entitled to receive attendance fees up until the total amount of attendance fees received, based either on attending Supervisory Board meetings or Supervisory Board committee meetings, reaches 75% of the basic annual pay for exercising their function.

In addition to attendance fees, the Supervisory Board members receive a basic annual pay of €15,000.00 gross per member for exercising their function. The President of the Supervisory Board is entitled to additional compensation amounting to 50% of the basic pay for exercising the function of a Supervisory Board member. The Deputy President of the Supervisory Board is entitled to additional compensation totalling 10% of the basic pay for exercising the function of a Supervisory Board member. Supervisory Board committee members receive additional compensation amounting to 25% of the basic pay for exercising the function of a Supervisory Board member. The presidents of committees are entitled to additional compensation totalling 37.5% of the basic pay for exercising the function of a Supervisory Board member. Every financial year, irrespective of the above and thus of the number of committees where an individual is a committee member or president, each Supervisory Board committee member is entitled to additional compensation for exercising their function up until the total amount of additional compensation reaches 50% of the basic annual pay for exercising the function of a Supervisory Board member. Every financial year, irrespective of the above and thus of the number of committees where an individual is a committee member or president—if the Supervisory Board member's term of office is shorter than the financial year—the Supervisory Board committee member is entitled to additional compensation for executing their function up until the total amount of additional compensation reaches 50% of the basic annual pay for exercising the function of a Supervisory Board member, taking into account payments they are entitled to for the duration of their term of office in the financial year.

Supervisory Board members are also eligible for additional compensation for special tasks. A task is considered a special task when it is unusual, extends over a longer period, is more complex, and generally lasts for at least a month. With the consent of the Supervisory Board member, the Supervisory Board has the authority to assign special tasks to this member, decide on the tasks' duration and on additional compensation for performing special tasks in accordance with the resolution of the AGM. The Supervisory Board also has the authority to decide on additional compensation for special tasks of Supervisory Board members resulting from objective circumstances at the company. Additional compensation for special tasks is only permitted during the period when special tasks are actually performed. The Supervisory Board is exceptionally allowed to decide on such matter retrospectively (especially with regard to special tasks resulting from objective circumstances at the company), but only for the previous financial year. Members are allowed to receive annual additional compensation for special tasks which may not exceed 50% of the basic pay for exercising the function of a Supervisory Board member, regardless of the number of special tasks performed. When determining the amount of additional compensation, the complexity of a special task is considered and the related increase in workload and responsibility. Additional compensation is calculated according to the time required to actually perform the special task.

Supervisory Board members receive a basic pay, additional compensation for exercising their function, and additional compensation for performing special tasks in equal monthly payments, to which they are entitled as long as they exercise their function and/or perform a special task. The monthly payment amounts to one twelfth of the above annual amounts. Depending on the circumstances, additional compensation for special tasks may also be paid in a lump sum when the special task is completed.

The limit of total amount of attendance fees or additional compensation paid to Supervisory Board members do not affect, in any way or form, their obligation to actively participate in all Supervisory Board meetings and meetings of the committees of which they are members, and their legal liability.

The Supervisory Board members are entitled to reimbursement of travel and accommodation expenses incurred in connection with their work on the Supervisory Board up to the amount specified in the rules regulating the reimbursement of work-related expenses and other income not included in the tax base (provisions applicable to business travel and overnight accommodation on business trips). The amount that the Supervisory Board member is entitled to in accordance with the above rule has to be grossed-up, so that the net payout equals actual travel expenses incurred. Mileage is determined based on distances between places calculated on the website of AMZS (Slovene national automobile association). Accommodation expenses may only be reimbursed if the distance between the permanent or the temporary residence of a Supervisory Board member or a Supervisory Board committee member and their place of work is at least 100 kilometres and if the member is not able to return to their place of residence due to unavailability of public transport or other objective reasons.

Below we present remuneration paid to Supervisory Board members in 2021 and 2020. The table below shows remuneration paid by Krka, d. d., Novo mesto. In the 2017–2021 period, the members of the Supervisory Board received no remuneration paid by other Group companies. The members of the Supervisory Board were provided no financial benefits or services approved or provided by a third party with regard to their activities.

Remuneration paid to Supervisory Board members in 2021

€	Basic pay for exercising the function		Attendance fees		Commuting allowances		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Remuneration paid to members of the Supervisory Board, owner representatives								
Jože Mermal	33,514	24,375	1,650	1,200	0	0	35,164	25,575
Matej Lahovnik	30,822	22,417	2,970	2,160	227	165	34,019	24,742
Borut Jamnik	31,607	22,987	2,970	2,160	0	0	34,577	25,148
Julijana Kristl	29,699	21,600	2,530	1,840	420	306	32,650	23,746
Mojca Osolnik Videmšek	29,699	21,600	2,970	2,160	402	292	33,071	24,053
Boris Žnidarič	31,607	22,987	2,530	1,840	407	296	34,544	25,124
Remuneration paid to members of the Supervisory Board, employee representatives								
Franc Šašek	31,225	22,710	2,970	2,160	0	0	34,195	24,870
Tomaž Sever	29,699	21,600	2,530	1,840	513	373	32,742	23,813
Mateja Vrečer	29,699	21,600	2,530	1,840	0	0	32,229	23,440
Total remuneration paid to members of the Supervisory Board	277,571	201,877	23,651	17,201	1,969	1,432	303,191	220,511

Remuneration paid to Supervisory Board members in 2020

€	Basic pay for exercising the function		Attendance fees		Commuting allowances		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Remuneration paid to members of the Supervisory Board, owner representatives								
Jože Mermal	22,849	16,618	2,101	1,528	0	0	24,950	18,146
Matej Lahovnik*	7,313	5,319	770	560	217	158	8,299	6,036
Borut Jamnik	21,312	15,501	3,245	2,360	0	0	24,558	17,861
Julijana Kristl	19,174	13,945	2,365	1,720	436	317	21,976	15,983
Mojca Osolnik Videmšek	19,375	14,091	3,245	2,360	538	391	23,158	16,843
Boris Žnidarič	19,777	14,384	3,025	2,200	424	308	23,226	16,892
Andrej Slapar**	14,566	10,594	1,678	1,220	0	0	16,243	11,814
Remuneration paid to members of the Supervisory Board, employee representatives								
Franc Šašek	20,925	15,219	3,245	2,360	0	0	24,170	17,579
Tomaž Sever	19,375	14,091	2,145	1,560	518	377	22,038	16,028
Mateja Vrečer	19,375	14,091	2,365	1,720	0	0	21,740	15,811
Total remuneration paid to members of the Supervisory Board	184,040	133,852	24,184	17,589	2,133	1,551	210,357	152,993

* Member of the Supervisory Board since 21 August 2020

** Member of the Supervisory Board until 20 August 2020

Total remuneration paid to Supervisory Board members in the last five years*

€	Basic pay for exercising the function		Attendance fees		Commuting allowances		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
2021	277,571	201,877	23,651	17,201	1,969	1,432	303,191	220,511
2020	184,040	133,852	24,184	17,589	2,133	1,551	210,357	152,993
2019	177,949	129,560	20,736	15,081	2,865	2,168	201,550	146,809
2018	180,396	131,895	18,385	13,433	10,241	7,833	209,021	153,212
2017	181,999	132,704	20,425	14,880	6,428	4,897	208,853	152,481

* This table includes remuneration of all Supervisory Board members by years, not only remuneration of Supervisory Board members in 2021.

Novo mesto, 6 May 2022



Jože Colarič
President of the Management Board and CEO



Dr Aleš Rotar
Member of the Management Board



Dr Vinko Zupančič
Member of the Management Board



David Bratož
Member of the Management Board



Milena Kastelic
Member of the Management Board – Worker Director



Building a better
working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

To the shareholders of Krka, d. d., Novo mesto

Pursuant to the contract agreed with Krka, d. d., Novo mesto ("Company") on 12 April 2022, we have reviewed the accompanying Remuneration Report prepared by the management of the Krka, d. d., Novo mesto on 6 May 2022 which presents all remuneration payments to Management and Supervisory Board members in the year ended on 31 December 2021, as required by Article 294.b. of the Companies Act-1 (ZGD-1) ("the Remuneration Report").

Management board and Supervisory board Responsibilities

The Company's Management board and Supervisory board is responsible for the preparation of the Remuneration Report in accordance with the Article 294.b of the Companies Act (ZGD-1). In particular, the Company's Management board and Supervisory board is responsible for internal controls being designed and implemented to prevent the Remuneration Report from being materially misstated, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on limited assurance of the accompanying Remuneration Report based on the work performed and evidence obtained. Our limited assurance engagement was conducted in accordance with International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB). The standard requires that we plan and perform the engagement to obtain limited assurance about the fact that nothing has come to our attention that causes us to believe that the Remuneration Report contains material misstatements, among other, in respect of compliance with requirements of Article 294.b of the Companies Act, the accuracy of presented transactions, all in consideration of the criteria identified below.

Definition of Criteria

When performing our procedures we assessed whether the Remuneration Report, prepared by the management of Krka, d. d., Novo mesto for the year ended 31 December 2021, contains information required by the Paragraphs 2 and 3 of the Article 294.b of the Companies Act (ZGD-1).

Our independence and quality management

We have acted in accordance with the independence requirements and ethical requirements of the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

Our firm operates in accordance with International Standards on Quality Control (ISOQ 1) and maintains a comprehensive quality management system, including documented policies and procedures regarding compliance with ethical requirements of professional standards and applicable legal and regulatory requirements.

Summary of work performed

As part of our work we performed, amongst other, the following procedures:

- obtained understanding of the Company's internal controls, processes and systems set up for the preparation of the Remuneration Report
- performed reconciliation, on the sample basis, of input data disclosed in the Remuneration Report with the supporting documentation provided by the Company
- inquired the Management board and Supervisory board members on the accuracy of the information presented in the Remuneration Report
- read the Remuneration Report and confirmed that the representations in the Remuneration Report are done in accordance with the Article 294.b of the Companies Act (ZGD-1)

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The nature and scope of our work were determined on the basis of risk assessment and our professional judgement exercised for the purpose of obtaining a limited assurance and do not include an opinion of the appropriateness of the management remuneration policy.

Procedures aimed at gathering evidence for the purpose of limited assurance engagements are more limited than is the case when issuing a reasonable assurance and accordingly, less assurance is given than in the case of a reasonable assurance or an audit.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter


We draw attention to introduction paragraph in the Remuneration Report which describes that Remuneration Policy has not yet been approved at the general assembly as required in article 294.b of ZGD-1. The remuneration report has been prepared based on the remuneration policies that were in force 2021. Accordingly, the requirement of 294.b of ZGD-1 for the company to confirm that the remuneration presented in the Remuneration report is in compliance with remuneration policy approved by general assembly, was not possible.

Our conclusion is not modified in respect of this matter.

Conclusion

Based on the work performed and evidence obtained, nothing has come to our attention that causes us to believe that the Remuneration report prepared by the management of Krka, d. d., Novo mesto for the year end-end 31 December 2021 does not contain data, in all material respects, in accordance with Paragraphs 2 and 3 of the Article 294.b of the Companies Act (ZGD-1).

Ljubljana, 6 May 2022



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Dunajska cesta 111, Ljubljana



Mihael Rot
Certified Auditor

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