

Explanation of proposed resolutions for the 29th Annual General Meeting of Krka, d. d., Novo mesto due on 6 July 2023

At several meetings, the Management and Supervisory Boards of Krka, d. d., Novo mesto (also Krka or the Company) discussed the materials for convening the 29th Annual General Meeting and prepared a draft Agenda and the proposal of resolutions as follows:

Add 1.

The Chair of the Annual General Meeting (AGM) is elected for each meeting separately. Ixtlan Forum, d. o. o., Ljubljana is proposed as the vote enumerator based on its good references. This company has performed the voting and vote enumerating procedures at Krka's AGMs for years.

Add 2.

The Supervisory Board reviewed the *2022 Annual Report* of Krka, d. d., Novo mesto and the Krka Group. The Board had no comments or reservations and approved the report unanimously. The *2022 Annual Report* of Krka, d. d., Novo mesto and the Krka Group was adopted by the approval. The Supervisory Board also discussed the auditor's report and the work of the certified auditor. The Supervisory Board had no comments about either of these.

In accordance with the provisions of the Companies Act, the company prepared the *Report on remuneration of Management and Supervisory Board members of Krka, d. d., Novo mesto in 2022* (hereinafter the *Remuneration Report*). It includes a comprehensive overview of their remunerations, including bonuses and benefits of any kind that the company provided or owed to an individual member of the management and supervisory bodies in the last financial year. The *Remuneration Report* contains all elements as defined in the Companies Act, Article 294 b, Paragraph 2. The auditors reviewed the *Remuneration Report* and prepared their own report, which is attached to the *Remuneration Report*. The *Remuneration Report* is submitted to the AGM in the same manner as the annual report. The AGM has the right to an advisory vote on the *Remuneration Report* for the last financial year. After the voting at the AGM, the company has to immediately publish the *Remuneration Report* on its website, where it must remain publicly available free of charge for at least ten years.

The Management Board has prepared a proposal for the appropriation of the 2022 distributable profit in total of €408,163,130.14. The Supervisory Board agreed with the proposal. The Management and Supervisory Boards jointly propose that the AGM adopt the resolution on the appropriation of distributable profit. The proposal is based on the company's strategic guidelines on the dividend policy. In addition, the Boards propose that the AGM confirm and approve the work of the Management and Supervisory Boards in the financial year 2022.

Attachments

- 2022 Annual Report
(at https://seonet.ljse.si/default.aspx?doc=SEARCH&doc_id=88261)
- 2022 Supervisory Board Report of Krka, d. d., Novo mesto
(na https://seonet.ljse.si/default.aspx?doc=SEARCH&doc_id=88260)
- Report on the remuneration of Management and Supervisory Board members of Krka, d. d., Novo mesto in 2022.

Add 3.

In line with the Companies Act, Article 294 a, the company whose securities are traded on a regulated market has to establish a remuneration policy for management and supervisory bodies, which is to be put to vote for approval at the AGM. The company puts its remuneration policy to vote at each significant change or at least every four years. The AGM vote on the remuneration policy is an advisory vote. If the AGM does not approve the proposed remuneration policy, the company puts an amended remuneration policy to vote at the next AGM. The company determines the remuneration of the management and supervisory body members only in accordance with the remuneration policy put to the vote for approval at the AGM. After voting at the AGM, the *Remuneration Policy* is published on the company website, including the date and results of voting. It must remain publicly available free of charge at least for the duration of its use, but not fewer than ten years.

In accordance with the Companies Act, Article 294 a, Krka, d. d. Novo mesto drafted the *Remuneration Policy for Management and Supervisory Bodies of Krka, d. d., Novo mesto* (hereinafter *Remuneration Policy*). The *Policy* was based on Krka's good practice and complied with statutory provisions. When drafting it, as many good practice sources as possible were considered. It contained information on all fixed and variable remuneration elements, including all fringe and other benefits of any kind for Management and Supervisory Board members, and all financial and non-financial performance criteria used in Management Board evaluation. The criteria were designed to stimulate successful implementation of the business strategy, long-term development, and sustainability of the company. The policy also contained other information stipulated in the Companies Act, Article 294. a.

The *Remuneration Policy* was submitted to the AGM for information and approval at the 28th AGM of 7 July 2022. The consultative resolution was not adopted. The shareholder Slovenski državni holding, d. d. (SDH, Slovenian Sovereign Holding), voted against and explained before the vote that the *Remuneration Policy* did not fully comply with their recommendations for drawing up remuneration policies for management and supervisory bodies of state-owned enterprises. SDH voted against the adoption of the *Remuneration Policy* in compliance with their 2022 principles for voting at AGMs. In their opinion, the criteria for measuring performance were adequate, but the long-term incentive system in place was inadequate. They also claimed that long-term incentive plan should be set in the future, while the deferred payment of the variable part should be related to the long-term part, because this was the mechanism for rewarding long-term performance. SDH was of the opinion that this was associated with an inappropriate arrangement of the deferral period for variable remuneration, which by its nature rewards long-term successful business performance, while the *Remuneration Policy* only tied this part to the fulfilment of short-term goals from the previous financial year. The *Remuneration Policy* was not in line with certain other SDH recommendations, the ponders for achieving long-term and short-term goals among them.

The amended *Remuneration Policy* is put to vote at the AGM again in accordance with Companies Act, Article 294. a, Paragraph 3. Besides technical improvements, the proposed amendments also contain changes that duly comply with the shareholders' comments given at the previous AGM.

This translation is for convenience purposes only.

Major amendments to the Management Board remuneration policy are therefore as follows:

- Non-financial performance criteria are to be completely updated. It is new that the company's activities should be evaluated by taking into account six sustainability topics set out in Krka's *ESG Strategy* and *ESG Policy* as material for long-term sustainable business operations. The topics are as follows:
 - a) Product quality and patient safety;
 - b) Talent attraction and retention;
 - c) Good leadership and governance practices;
 - d) Accessible healthcare;
 - e) Planet and climate change; and
 - f) Compliance, integrity and transparency.

Their impact on future business operations should be evaluated.

- A two-year deferral period applies to 50% of variable remuneration for each business year payable to members appointed to the Management Board for the first time after the adoption of the *Remuneration Policy*. Any member sitting on the board under two years is not entitled to the deferred payment.
- The Supervisory Board has the right to increase ponderers for long-term performance criteria up to 50% (currently 35.3%) of the total evaluation score.
- In consideration of Slovenian good practice recommendations, updates have been made to stipulations for procuring company cars used also for private purposes and concluding insurance policies.
- Return of variable remuneration is made first with the offset of allocated variable remuneration that has not yet been paid.
- Amended provisions for members of the Management Board whose terms of office commence after the adoption of the remuneration policy.

In addition to that, proposals include amendments to remuneration policy for Supervisory Board members as explained under Add 4 to the Agenda.

Attachment

- *Remuneration Policy for Management and Supervisory Bodies of Krka, d. d., Novo mesto*

Add 4.

The recommended remuneration amounts for supervisory boards of Slovenian companies have not changed since their proposal by the Agency for the Governance of Capital Investments of the Republic of Slovenia in 2011.

Proposed changes to the resolution no. 4 ('Remuneration paid to the Supervisory Board members') adopted by the 27th AGM on 8 July 2021 include:

- An increase in the basic annual pay for exercising the function of a Supervisory Board member from €15,000.00 gross per year to €21,000.00 gross per year;
- An increase in the attendance fee for participating at Supervisory Board meetings from €275.00 gross to €360.00 gross;

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Other provisions in resolution no. 4. adopted by the 27th AGM on 8 July 2021 remain unchanged.

Add 5.

The Company's Management Board believes that formation of a treasury share fund would be suitable. The Company is financially stable and generates high and stable operating cash flow. The aim of the treasury fund would be to decrease share capital. In the upcoming periods, this could be done by cancelling treasury shares under the simplified procedure in accordance with the Companies Act, Article 381, Paragraphs 3 and 4.

The Management Board suggests that the AGM vest a power in the body to form a treasury share fund in total of maximum 10% of all issued shares. The Supervisory Board of the Company approves of the proposal.

The Company intends to implement the treasury share repurchase programme in compliance with applicable legislation. The Company plans to report on changes in treasury shares in compliance with applicable regulations. The Management Board reports at upcoming AGMs on treasury share transactions as regards the attainment of the Company's long-term strategic goals.

Add 6.

Borut Jamnik resigns from the position of a Supervisory Board member – shareholder representative on 6 July 2023 for legal reasons related to appointment to another position.

Introduction of a candidate for a shareholder representative on the Supervisory Board

Luka Cerar (born in 1976) is a citizen of the Republic of Slovenia and Vice President of Finance (CFO) for EMEA at Albaugh TKI d. o. o. He is accountable for finance, treasury, controlling, strategic planning, reporting, IT and taxation in Europe, the Near East and Africa, where seventeen Albaugh's legal entities and two manufacturing plants operate. Albaugh is one of the global leaders in the production and sale of post-patent crop protection products and plants.

Before joining Albaugh, Cerar worked as CFO of the Atlantic Grupa in Slovenia. He gained ample experience in pharmaceutical industry. Between 2001 and 2019, he successfully completed many responsible strategic and financial assignments at Novartis and Sandoz, also having worked abroad for 12 years, in Austria, Germany, Denmark, and Croatia. His most recent posts in Novartis' subsidiary in Slovenia were that of the finance director and director. He received the 2018 team of the year award from Novartis Slovenia. He received an award from Novartis for improving performance analyses in 2016. Sandoz awarded him in 2013 for the best practice in finance.

Cerar graduated in economics from the Faculty of Economics in Ljubljana in 2000. He continued studies in the UK and France, at Westminster Business School and SKEMA Business School, where he earned his masters' degree in international finance. Cerar took Novartis Business Diploma from Harvard Business School.

He holds a certificate of professional competence for supervisory board membership issued by the Slovenian Directors' Association.

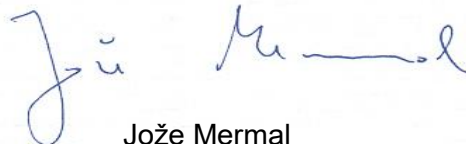
The Supervisory Board assessed during the candidacy procedure whether any potential conflict of interests existed if Cerar sat on Krka's Supervisory Board. The assessment showed he is independent from the company.

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When formulating the proposal, the Committee and Supervisory Board members considered legal requirements and the competency profile criteria adopted by the Supervisory Board in compliance with the Corporate Governance Code for Listed Companies and Rules of Procedure for the Supervisory Board. The Krka's Supervisory Board and its relevant committee at their regular meetings of 17 May 2023 unanimously decided to propose Luka Cerar as the Supervisory Board member.

A handwritten signature in blue ink, appearing to read 'Jože Colarič', with a long horizontal stroke extending to the right.

Jože Colarič
President of the Management Board and CEO

A handwritten signature in blue ink, appearing to read 'Jože Mermal', with a long horizontal stroke extending to the right.

Jože Mermal
President of the Supervisory Board