

KONČAR – Electrical Industry Inc. for manufacturing and services
Fallerovo šetalište 22
Zagreb
GENERAL ASSEMBLY

**REPORT OF THE SUPERVISORY BOARD
 TO THE GENERAL ASSEMBLY OF KONČAR INC.**

During 2023, the Supervisory Board supervised the Company's operations in accordance with the provisions stipulated by law and the Company's Articles of Association.

Members of the Supervisory Board in 2023 were:

Joško Miliša	President of the Supervisory Board
Darko Horvatin	Deputy President of the Supervisory Board
Branko Lampl	Member of the Supervisory Board
Ivan Milčić	Member of the Supervisory Board
Maja Martinović	Member of the Supervisory Board
Ruža Podborkić	Member of the Supervisory Board
Mario Radaković	Member of the Supervisory Board
Zvonimir Savić	Member of the Supervisory Board
Danko Škare	Member of the Supervisory Board

In 2023, the Supervisory Board held thirteen meetings. All the members participated in decision-making at all the meetings, casting their votes in person, by videoconferencing or in writing, as provided for in the Rules of Procedure of Supervisory Board.

The Management and Supervisory Boards closely cooperate in the best interests of the Company and the Group, through joint meetings and other communication channels as necessary. The Supervisory Board was duly and regularly informed by the Management Board on any business events of greater importance, the course of business operations, income and expenditure and the general status of the Company and the Group. The Management Board submitted to the Supervisory Board quarterly, semi-annual and annual business reports, within legally prescribed time limits. The Supervisory Board adopted the reports unanimously and without objections. In addition, the Supervisory Board was informed by the Management Board on corporate strategy, planning, business events, risk management, compliance, any deviations of business events from the original plans and estimates, as well as significant business transactions involving the Company and its affiliates.

The Supervisory Board evaluated the profile and competencies of individual Supervisory Board members and members of its committees. The evaluation was carried out by the president of the Supervisory Board with the assistance of appropriate committees, without engaging an external auditor.

The Supervisory Board consists of 9 members (optimal number) who all possess the knowledge, skills, as well as professional experience required for the performance of their duties. Diversity aspect is taken into consideration by ensuring the appropriate number of female members. Evaluation of the members of the Supervisory Board and its committees confirmed that every member makes an effective contribution, demonstrating commitment to their role and dedicating sufficient time to their duties.

Administrative support in preparing Supervisory Board meetings is provided by the Company Secretary, in an efficient and timely manner.

Out of 9 members of the Supervisory Board, women make 22%. When making proposals for appointment to the Supervisory Board of the Company, in addition to, primarily, the necessary expertise of the candidates, the Supervisory Board also considers the aspect of diversity.

Four committees operate within the Supervisory Board, assisting the Supervisory Board in the performance of its duties: Audit Committee, Strategic and Business Development Committee, Appointments Committee and Remuneration Committee. Members of all the committees are appointed from the ranks of the Supervisory Board.

Darko Horvatin is the President of the Audit Committee, and Mario Radaković and Joško Miliša are its members. The Audit Committee met four times in 2023. All the members of the Audit Committee participated in decision-making at all the meetings. At the meetings, the committee members discussed, made decisions and gave recommendations to the Supervisory Board on the following matters: reports on the implementation of the annual internal audit plan, implementation of the policy on the provision of non-audit services for 2023, supervision of the statutory audit and consolidated and unconsolidated annual financial statements for 2023, making recommendations for the adoption of those reports, and appointing auditors for 2023.

Strategic and Business Development Committee consists of five members. Ivan Milčić is the President of the Strategic and Business Development Committee and its members are: Branko Lampl, Zvonimir Savić, Joško Miliša and Maja Martinović. In 2023, there was no need to convene the meeting of the Committee.

Appointments Committee is a working body of the Supervisory Board formed for the purpose of preparing decisions to be made by the Supervisory Board. The Committee is competent for holding discussions and submitting proposals to the Supervisory Board regarding decisions on the appointment and election of Management Board members. Danko Škare is the President of the Committee, and Darko Horvatin and Ivan Milčić are its members. In 2023, the Committee held one meeting, in which the appointment of the Management Board members was discussed. At this meeting, the Committee members agreed with the proposal for appointing the president and members of the Management Board of KONČAR Inc. and recommended to the Supervisory Board of KONČAR Inc. the appointment of Mr. Gordan Kolak as the president of the Management Board of KONČAR Inc. for the upcoming period and the appointment of the other members of the Management Board of KONČAR Inc. as follows: Josip Lasić, Miki Huljić, Ivan Paić and Petar Bobek.

Remuneration Committee outlines the content of Management Board member contracts and determines the structure of their remuneration. The Committee is in charge of drawing up the Remuneration Policy for Members of the Management and Supervisory Boards. The President of the Remuneration Committee is Branko Lampl,

and Maja Martinović and Ruža Podborkić are its members. In 2023, the Committee held three meetings, which were attended by all the Committee members. At the meetings held, the Committee inspected the Report on Remuneration Paid to the Members of the Management Board and the Supervisory Board for 2022, and recommended to the Supervisory Board to submit the Report to the General Assembly to be adopted. The General Assembly adopted the Report on Remuneration for 2022. Additionally, the Remuneration Committee unanimously adopted a decision on the proposal for remuneration for the members of the Management Board of Končar – Electrical Industry Inc. with a new term of office beginning on 20 January 2024, and also provided instructions for the drafting of the new Long-Term Incentive Plan for Management Board members.

Members of the Management Board in 2023 were:

Gordan Kolak	President of the Management Board, in charge of the energy and sustainable development segment (electricity generation, transmission and distribution)
Ivan Bahun	Deputy President of the Management Board, in charge of the transport segment
Josip Ljulj	Member of the Management Board in charge of the industry segment
Miki Huljić	Member of the Management Board in charge of real estate management
Josip Lasić	Member of the Management Board in charge of economics and finance
Božidar Poldrugač	Member of the Management Board in charge of digital solutions, ICT and urban infrastructure

Supervisory Board meetings are also attended by the members of the Management Board and, within their domain and scope of responsibilities, they report to the Supervisory Board on certain matters and provide the Board with all additional clarifications requested, thus allowing the Board to discuss all items on the agenda thoroughly and adopt relevant positions, that is, make necessary decisions. In this respect, the Supervisory Board deems the cooperation with the Management Board to be successful.

The Supervisory Board has assessed the efficiency of arrangements for cooperation between the Supervisory Board and the Management Board, as well as the adequacy of support and information received from the Management Board.

The Supervisory Board has assessed that the cooperation was successful and that the Management Board delivered complete information in a timely manner and provided adequate support to the work of the Supervisory Board.

In line with its duties, the Supervisory Board has carried out supervision and a review of the Company's financial records and documentation and established that KONČAR Inc. operates in accordance with the law, the Company's Articles of Association, other Company documents and decisions of the General Assembly.

The Supervisory Board has reviewed the auditor's reports made by KPMG Croatia d.o.o. from Zagreb, Ivana Lučića 2a, which audited the Company's annual financial statements for 2023, and approved the auditor's reports submitted to the Board.

The Report of the Management Board on Relations with Affiliates for 2023 has been reviewed and approved by the Company's Supervisory Board. The auditor has audited

the Report and expressed a reasonable assurance on the audit of the Report on the Company's Relations with Affiliates for 2023. In the auditor's opinion, the disclosures made in the Report are accurate in all material respects, and in legal transactions stated in the Report, in accordance with the circumstances known at the moment when such transactions were made, the value of the Company's consideration was not inappropriately high in any material respect.

Upon review of the Company's annual financial statements for 2023, submitted by the Management Board of the Company, the Supervisory Board has found that the annual financial statements of KONČAR Inc. for 2023 were drafted in accordance with the situation established in the Company's financial records and that they reflect the financial status and results of business operations of the Company accurately. The Supervisory Board has therefore granted its approval for the statements and pursuant to Article 300d of the Companies Act, the reports are deemed approved.

The Supervisory Board has approved the Annual Report on the State of KONČAR Inc. for 2023 and related financial statements.

The Management Board of KONČAR Inc. has submitted to the Supervisory Board the following proposal on the use of profit realised in 2023:

- Net profit realised in 2023 amounts to EUR 13,707,457.89
- The amount of EUR 433,270.00 shall be allocated to legal reserves
- The amount of EUR 6,908,220.49 shall be allocated to retained earnings
- It is proposed to the General Assembly that a dividend be paid out in the amount of EUR 2.50 per share.

The Supervisory Board agrees with this proposal of the Management Board on the use of profit and proposes that this decision be adopted by the General Assembly.

The Supervisory Board has adopted the Report on Remuneration Paid to the Members of the Management Board and the Supervisory Board of Končar Inc. The Report has been audited by KPMG, and KPMG has expressed limited assurance regarding the audit of the Remuneration Report. Based on the procedures carried out and evidence obtained, the auditor has concluded that nothing has come to their attention that would cause them to believe that the Remuneration Report for 2023 has not been drawn up in accordance with Article 272.r, paragraphs 1 and 2 of the Companies Act in all material respects, i.e., that it does not contain the information specified therein. The Remuneration Report has been approved by the Remuneration Committee and the Supervisory Board. The Supervisory Board proposes that the Remuneration Report be adopted by the General Assembly.

Zagreb, 18 April 2024

President of the Supervisory Board
Joško Miliša