

**REPORT ON REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT
BOARD AND THE SUPERVISORY BOARD**
of KONČAR - Electrical Industry Inc. for manufacturing and services for 2023

INTRODUCTION

The report on remuneration paid to the Members of the Management Board and the Supervisory Board of KONČAR - Electrical Industry Inc. for manufacturing and services (KONČAR Inc.) for 2023 has been drawn up pursuant to the provisions of Article 272.r of the Companies Act.

The Report discloses information on all remuneration that the Company or any subsidiary of KONČAR Group paid or undertook to pay to incumbent or former Members of the Management Board and the Supervisory Board over the course of the previous business year.

The Report complies with the provisions of the Remuneration Policy that was adopted by the General Assembly of the Company, on the proposal of the Supervisory Board, on 9 July 2020.

1. REMUNERATION POLICY

The Remuneration Policy has laid down a remuneration scheme for the Members of the Management Board with the aim of ensuring established and transparent policies and procedures for determining the remuneration of the Members of the Management Board that align their interests with the long-term interests, and successful and ethical implementation of the strategy of KONČAR Inc.

The Remuneration Policy has established that the Company is seeking to balance monetary and non-monetary rewards, and fixed and variable remuneration paid to the Members of the Management Board. Monetary and non-monetary rewards are aligned with the Company's core values and strategies. Remuneration is determined as fixed and variable remuneration. Fixed remuneration reflects relevant professional experience, competencies and the level of the organisational responsibility of the respective Member of the Management Board. Variable remuneration is performance-based, and may exceptionally be contingent on other conditions. Variable remuneration provides incentive for prudent long-term risk-taking and sound risk management.

The Supervisory Board has established the Remuneration Committee, tasked with drafting agreements signed with the Members of the Management Board and determining the structure of their remuneration. The Committee is in charge of drawing up the Remuneration Policy for the Members of the Management Board and the Supervisory Board.

The rights and obligations of the Members of the Management Board are defined by virtue of a Management Board Member Agreement.

1.1. Fixed remuneration

Fixed remuneration paid to the Members of the Management Board does not promote the assumption of high risk.

Fixed remuneration paid to the Members of the Management Board shall:

- 1) reflect the value of work, competencies, experience and market contribution;
- 2) balance the responsibility, knowledge, skills and expertise (market value of the position and the individual's skills);
- 3) promote work environment within the Company with respect to:
 - a) performance (goal setting, realization of results, providing feedback)
 - b) development (career, employment opportunities) and

- c) core competencies (fostering growth, responsible conduct, operational excellence, team collaboration).

Fixed remuneration (base pay) paid to the Members of the Management Board is determined in the monthly gross amount. Base pay includes flat compensation for overtime work, annual leave, paid leave, and public holidays as determined by law. Members of the Management Board are not entitled to a special allowance or compensation for overtime work or work exceeding full-time working hours, for the redistribution of working hours, nor to allowances in terms of the provisions of the collective agreement. Furthermore, Members of the Management Board are not entitled to rewards and/or compensation for their work in the bodies of other KONČAR Group companies. All allowances, rewards and compensation are encompassed by the base pay.

1.2. Variable remuneration

Contingent on the business results and the performance of the Company, the Members of the Management Board are entitled to variable remuneration (variable pay). The variable pay is performance-based and contingent on the realization of the business plan of KONČAR Group, taking into account the consolidated profit and the revenues from the sales of products and services.

The variable pay, which is performance-based and tied to realized profit, is calculated according to the following criteria:

- a) if the Group realizes 80% of the profit as forecast in the Business Plan for the relevant fiscal year or less (realized profit \leq 80% of the plan), the Member of the Management Board is not entitled to the performance-based variable pay in relation to that criterion;
- b) if the realized profit exceeds 80% but is under or equal to 100% of the profit as forecast in the Business Plan for the relevant fiscal year (80% of the Business Plan $<$ realized profit \leq 100% of the Business Plan), the Member of the Management Board is entitled to the performance-based variable pay calculated in relation to that criterion that would have been payable at a 100% ratio, but with a proportional discount of the variable pay. For every full percentage of under-earned profit (compared to the amount representing 100% of the profit forecast in the Business Plan), the variable pay in relation to that criterion is discounted by 5%;
- c) if the realized profit exceeds 100% but is under or equal to 120% of the profit as forecast in the Business Plan for the relevant fiscal year (100% of the Business Plan $<$ realized profit \leq 120% of the Business Plan), the Member of the Management Board is entitled to the performance-based variable pay in relation to that criterion that would have been payable at a 100% ratio, with a proportional increase of the variable pay. For every full percentage of over-earned profit (compared to the amount representing 100% of the profit forecast in the Business Plan), the variable pay in relation to that criterion is increased by 1%, up to a maximum of 120% of the variable pay in relation to this criterion;
- d) if the realized profit exceeds 120% of the profit forecast in the Business Plan (realized profit $>$ 120% of the Business Plan), the Member of the Management Board is entitled to 120% of the full performance-based variable pay in relation to that criterion. In this case, the Supervisory Board of the Company may also decide to allocate additional rewards to the Member of the Management Board.

The variable pay, which is performance-based and tied to sales revenue, is calculated according to the following criteria:

- a) if KONČAR Group realizes 85% of the operating income as forecast in the Business Plan for the relevant fiscal year or less (realized operating income \leq 85% of the plan), the Member of the Management Board is not entitled to the performance-based variable pay in relation to that criterion;
- b) if the realized operating income exceeds 85% but is under or equal to 100% of the operating income as forecast in the Business Plan for the relevant fiscal year (85% of the Business Plan $<$ realized operating income \leq 100% of the Business Plan), the

Member of the Management Board is entitled to the performance-based variable pay calculated in relation to that criterion that would have been payable at a 100% ratio, with a proportional discount of the variable pay. For every full percentage of under-earned operating income (compared to the amount representing 100% of the operating income forecast in the Business Plan), the variable pay in relation to that criterion is discounted by 6.66%;

- c) if the realized operating income exceeds 100% but is under or equal to 110% of the operating income as forecast in the Business Plan for the relevant fiscal year (100% of the Business Plan < realized operating income ≤ 110% of the Business Plan), the Member of the Management Board is entitled to the performance-based variable pay calculated in relation to that criterion that would have been payable at a 100% ratio, with a proportional increase of the variable pay. For every full percentage of over-earned operating income (compared to the amount representing 100% of the operating income forecast in the Business Plan), the variable pay in relation to that criterion is increased by 2%; up to a maximum of 120% of the variable pay in relation to this criterion;
- d) if the realized operating income exceeds 110% of the operating income forecast in the Business Plan (realized operating income > 110% of the Business Plan), the Member of the Management Board is entitled to 120% of the full performance-based variable pay in relation to that criterion. In this case, the Supervisory Board of the Company may also decide to allocate additional rewards to the Member of the Management Board.

Variable remuneration paid to Members of the Management Board in 2024 based on the results realized in 2023 is planned in the gross amount of EUR 801.6 thousand for all Management Board Members.

1.3. Share award plan

The Rules on Long-Term Incentive Plan (LTIP) lay down the terms and methods for calculating rewards allocated to the Members of the Management Board of the Company, as well as the terms, methods, and relevant periods for the share award of the Company.

The amount of long-term incentive determined for each Member of the Management Board shall be discounted for the amount of tax payments applicable, and the discounted amount shall be divided by the average price of the Company's ordinary share on the Stock Exchange as at the day of share award, rounded down to the nearest whole number of shares. In 2023, EUR 144,172.65 was reserved for the purpose of LTIP for all six Members of the Management Board.

The right to dispose of the shares shall be restricted for a period of four years, starting from the 1 January of the year of award, during which time the Members of the Management Board shall not be permitted to sell, gift, pledge, or otherwise dispose of the shares.

The terms and methods for calculating rewards allocated to the Members of the Management Board in the Company, as well as the terms, methods, and relevant periods for awarding shares of the Company, constitute an integral part of the Company's Remuneration Policy.

1.4. Other entitlements

In addition to fixed and variable remuneration, the Members of the Management Board shall be entitled to the following:

- life insurance with a death and disability benefit, which may arise from an accident or occupational illness in the total amount of annual premium not exceeding half of the monthly gross pay;
- health insurance for additional medical expenses and/or treatment abroad in the total amount of annual premium not exceeding EUR 929.00;

- annual preventive medical examination;
- a company car at disposal for business-related and personal purposes 24/7 (where the use of the vehicle for personal purposes is considered a benefit in kind);
- reimbursement of expenses incurred by the Member of the Management Board in the course of the discharge of their function.

During the contractual non-compete period, the Company shall pay the Member of the Management Board a monthly compensation in the amount of the net average base pay of the Member of Management Board, for which the Company shall calculate and pay all taxes, levies, and contributions.

1.5. Term of Management Board Member Agreement

The term of the Management Board Member Agreement is conditioned by the term for which the Member of the Management Board is appointed, in compliance with the provisions that the Company may conclude an Agreement for a maximum period of 5 years.

The Agreement shall terminate upon the expiration of the agreed period, resignation of the Member of the Management Board, granting of discharge to the Member of the Management Board, or when a Member meets the conditions for retirement.

1.6. Severance pay

- In the event when the Supervisory Board grants discharge to a Member of the Management Board (with the exception of termination due to misconduct or extraordinary termination), or when the conclusion of a new Agreement is not offered to the Member of the Management Board, or if the Member of the Management Board does not accept the new proposed Agreement, and following the expiry of the notice period, the Member of the Management Board shall be entitled to severance pay in the amount of 12 (twelve) gross base monthly pays, for which the Company shall calculate and pay all taxes (income tax and other), contributions and/or similar relevant payments.
- In the event that the Member of the Management Board meets the conditions for mandatory retirement under the law during the term of the Agreement, the Agreement shall terminate on the day of retirement, and the Member of the Management Board shall be entitled to a severance pay in the amount of 6 (six) gross base monthly pays as defined by the Agreement.

1.7. Deferred and reimbursed remuneration

The Company is under no obligation of deferred remuneration or a grace period, and the Company is not entitled to request reimbursement of variable remuneration.

2. MANAGEMENT BOARD

Pursuant to the provisions of the Company's Articles of Association, the Management Board consists of 3 to 7 Members. Members of the Management Board are appointed for a five-year term as a maximum and may be reappointed. The Members of the Management Board are appointed and discharged by the Supervisory Board. The Supervisory Board also adopts the resolution on the number of Members and the duration of the term of office for the Members of the Management Board.

Members of the Management Board in 2023 were:

Gordan Kolak	President of the Management Board, in charge of the energy and sustainable development segment
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

2.1. Remuneration paid to the Members of the Management Board

a) Remuneration paid to the Members of the Management Board

Remuneration paid to the Members of the Management Board in 2023 (Gross 1, in EUR)

Management Board Member	Function	Gross (1) remuneration for 2023 in EUR							TOTAL
		Base pay	Share in total remuneration	Variable pay	Share in total remuneration	Other fixed remuneration	Share in total remuneration	Total remuneration	
Gordan Kolak	President	151,200	51%	114,673	39%	31,240	11%	297,113	100%
Ivan Bahun	Deputy President	151,200	52%	114,673	39%	27,094	9%	292,957	100%
Miki Huljić	Member	134,450	49%	114,673	42%	23,697	9%	272,820	100%
Josip Lasić	Member	134,450	50%	114,673	42%	22,023	8%	271,146	100%
Josip Ljulj	Member	134,450	49%	114,673	42%	24,255	7%	273,378	100%
Božidar Poldrugač	Member	134,450	50%	114,673	43%	18,427	7%	267,550	100%

b) Comparative trend of the consolidated income and consolidated profit of KONČAR Group, annual remuneration per Group employee and remuneration paid to the Members of the Management Board of KONČAR Inc.

Year	in EUR 000		In EUR	
	Total income	Net profit	Average gross remuneration per employee	Average gross remuneration of Members of the MB
2019	396,193	6,908	20,856	225,242
2020	406,801	16,932	21,054	179,006
2021	478,109	28,056	21,598	258,757
2022	729,372	47,794	24,139	275,012
2023	927,439	73,217	26,935	279,161

c) Explanatory notes

The amount of remuneration paid to the Members of the Management Board is determined with the aim of attracting, motivating, and retaining qualified managers, and with the objective to promote prudent and sound risk management, while averting from excessive risk-taking. The Remuneration Policy contributes to the realization of the Company's and the Group's overall strategic objectives.

The average gross remuneration per employee includes the gross salary paid, performance-related pay, occasional rewards within defined amounts, employee meal allowance and severance pay, based on all full-time employees excluding the presidents, the members of the Management Board/directors of subsidiaries and KONČAR Inc.

The structure of remuneration ensures the balance between fixed and variable remuneration.

The Company made no requests for reimbursement of variable remuneration in 2023.

At the end of 2023, the Supervisory Board made a decision regarding the new composition of the Management Board of KONČAR Inc. An amount of EUR 491,698 has been reserved for contractual severance pays for the members of the Management Board who held office in 2023 but did not continue their mandate in the following period.

The Company made no payments and is under no obligation by third parties to pay remuneration in connection with the professional services that the Members of the Management Board performed in the Company or any other function within KONČAR Group.

3. SUPERVISORY BOARD

Pursuant to the provisions of the Company's Articles of Association, the Supervisory Board of KONČAR Inc. supervises the work and the operations of the Management Board. It is composed of 9 Members, who are entitled to remuneration for their work in the Supervisory Board, in compliance with the Decision of the General Assembly of the Company.

Pursuant to the Decision of the General Assembly of KONČAR Inc. of 12 July 2016, monthly remuneration for the Members of the Supervisory Board was determined in the gross amount of 1.5 average (gross) salary paid at KONČAR Group in the month preceding the month of remuneration calculation.

Each Member of the Supervisory Board is entitled to a fixed monthly remuneration paid starting from the date of their appointment to that duty until the date of expiry thereof.

In order to ensure that their independence and objectivity is maintained, remuneration paid to the Members of the Supervisory Board is not contingent on the Company's performance and does not include variable remuneration.

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 Siluković	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

Remuneration paid to the Members of the Supervisory Board in 2023 (Gross 1, in EUR)

Member of the Supervisory Board	Function	2023 Gross remuneration in EUR
Joško Miliša	President	36,912
Darko Horvatin	Deputy President	36,912
Branko Lampl	Member	36,912
Ivan Milčić	Member	36,912
Maja Martinović	Member	36,912
Ruža Siluković	Member	36,912
Mario Radaković	Member	36,912
Zvonimir Savić	Member	36,912
Danko Škare	Member	36,912

3.1. Explanatory notes

With the exception of the above listed remuneration, the Company or its subsidiaries have not made any other payments.

The Company or its subsidiaries have not given loans or advances, nor do they engage in issuing guarantees for the benefit of the Members of the Supervisory Board.

The Company or its subsidiaries have not made any gifts of significant value to the Members of the Supervisory Board.

4. APPROVAL OF THE REPORT

The Report on remuneration paid to the Members of the Management Board and Supervisory Board of KONČAR Inc. was considered and approved by the Management Board and the Supervisory Board on 18 April 2024.

Signed on behalf of the Company on 18 April 2024:

President of the Management Board
Gordan Kolak

President of the Supervisory Board
Joško Miliša

Member of the Management Board
Josip Lasić