

## KONČAR Inc.

Zagreb, Fallerovo šetalište 22

Pursuant to the provisions of Article 247a in connection with the provisions of Article 276a of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 111/12, 68/13, 110/15, 40/19, 34/22, 18/23, 130/23, 136/25; hereinafter: "CA") and the provisions of the Code of Corporate Governance of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange (in force since 1 January 2025), at the meeting of the Supervisory Board held on 23 April 2025, the Supervisory Board of KONČAR Inc. sets out and submits it to the General Assembly of KONČAR Inc. to be held on June 12, 2025 for approval the following

### REMUNERATION POLICY

#### Item 1 *Remuneration Policy objectives*

(1) This policy establishes a system of remuneration for members of the Management Board in order to ensure the existence of prescribed and transparent policies and procedures for determining the remuneration of members of the Management Board which harmonize their interests with long- term interests and successful and ethical implementation of the strategy of KONČAR Inc. (hereinafter: the Company). The remuneration of the Management Board members is determined in accordance with the agreed strategy of the Company, the acceptable level of risk, and the prevailing economic environment.

(2) The Company wants to achieve a balance between monetary and non-monetary rewards and fixed and variable remuneration of members of the Management Board. Monetary and non-monetary rewards are related to the values and strategies of the Company. Remuneration is fixed and/or variable. Fixed remuneration reflects the relevant professional experience, competence and organizational responsibility of the members of the Management Board. Variable remuneration (Variable Remuneration and Long-Term Share-Based Compensation Plan) is based on performance and, in exceptional cases, on other conditions as well. Variable remuneration provides an incentive for long-term prudent risk-taking at a reasonable level and for sound risk management.

(3) The Remuneration Policy is based on the principles of equality, non-discrimination, and sustainable development. The variable component of remuneration is linked to objective and measurable performance indicators, including the achievement of sustainability goals, which shall be defined separately. The Policy ensures fairness with regard to the salaries and working conditions of all employees. It is applied in a non-discriminatory manner, promoting transparency and responsible business conduct.

(4) This policy sets out the system of remuneration for the Supervisory Board members that reflects their time commitment and responsibilities involved, their including time commitment and responsibilities on Supervisory Board committees. Remuneration of Supervisory Board members does not include variable or other performance-related elements.

#### Item 2 *Remuneration Committee*

(1) The Supervisory Board shall establish the Remuneration Committee (hereinafter: the Committee) to express a competent and independent opinion on reward policies and practices and on incentives established for risk management, by appointing the members of that Committee.

(2) The Remuneration Committee's main responsibilities are to:

- Recommend to the Supervisory Board the Remuneration Policy for Management Board members at least every three years, taking into account the amount and structure of the remuneration of senior management and of the workforce as a whole and carry out a preliminary assessment of the effects of that policy on the equality of remuneration of different genders for equal work and/or work of equal value;
- Recommend to the Supervisory Board each year the remuneration to be received by members of the Management Board, based on an assessment of the company's and their individual performance during the year, and following consultation with the president of the Management Board, taking into account the equality of remuneration of different genders for equal work and/or work of equal value;
- Recommend to the Supervisory Board the Remuneration Policy for Supervisory Board members, for approval by the General Assembly and carry out a preliminary assessment of the effects of that policy on the equality of remuneration of different genders for equal work and/or work of equal value;
- Monitor the amount and structure of remuneration to senior management and the workforce as a whole, taking into account the equality of remuneration of different genders for equal work and/or work of equal value, and make recommendations to the Management Board on their policies; and
- Oversee the preparation of the annual remuneration report required by law, for approval by the supervisory board:

### **Item 3** *Remuneration Policy and business strategy, long-term development of the Company*

(1) The remuneration rules set out in this policy are designed to promote and comply with transparent and effective management and to prevent the assumption of risks that are not in line with the Company's business strategy and long-term development.

(2) This Remuneration Policy is designed to achieve the long-term economic interests of the Company, shareholders, and employees.

(3) The Remuneration Policy is harmonized with the business strategy of the Company and the Group (hereinafter: KONČAR Group), and the variable remuneration amount is conditioned by the realization of the adopted business plans. This way, the business policy contributes to the long-term development of the Company.

### **Item 4** *Prevention of conflicts of interest*

(1) This Remuneration Policy is in line with the business strategies, objectives, values and interests of the Company, shareholders and employees, and it includes measures to avoid conflicts of interest.

(2) The Company's Management Board ensures that the principles and procedures related to remuneration are formulated in such a way that all decisions of the Management Board are balanced and in the best interests of the Company, shareholders and employees, which is ensured by using risk-adjusted performance indicators which also take qualitative criteria into account (e.g. violation of prescribed restrictions, etc.).

## Item 5 *Total remuneration*

(1) The total remuneration of the Management Board members (hereinafter: Total Remuneration) consists of:

	Management Board President	Management Board Member
Fixed remuneration	30%	35%
Variable remuneration	30%	35%
Long-term incentive plan	40%	30%

(2) In addition to the Total Remuneration, Management Board members are also entitled to other types of remuneration, in accordance with point 10 of this policy.

(3) The maximum amount of the Total Remuneration for each Management Board member shall be determined individually at the beginning of the financial year.

## Item 6 *Fixed remuneration*

(1) Fixed remuneration paid to the members of the Management Board does not promote the assumption of high risk.

(2) 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).

(3) 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, as well as compensation for days of temporary incapacity for work.

(4) 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.

## Item 7 *Variable remuneration*

(1) Contingent on the business results and the performance of the Company, the members of the Management Board are entitled to variable remuneration. The variable pay is determined in the gross amount and it is performance-based and contingent on the realization of the business plan of KONČAR Group, taking into account the consolidated net profit (60% weight of the total Variable Pay) and on the realization of consolidated revenues from the sales of products and services (40% weight of the total Variable Pay) (hereinafter: "Variable Pay").

(2) The Variable Pay which is performance-based and tied to realized profit (hereinafter: Consolidated Net Profit), is calculated according to the following criteria:

- a) If the Group realizes 80% of the Consolidated Net Profit as forecast in the Business Plan for the relevant fiscal year or less than 80% (realized Consolidated Net 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 Consolidated Net Profit exceeds 80% but is under or equal to 100% of the profit as forecast in the Business Plan (80% of the Business Plan  $<$  realized Consolidated Net 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 Consolidated Net Profit forecast in the Business Plan), the Variable Pay in relation to that criterion is discounted by 5%;
- c) If the realized consolidated net profit exceeds 100% but is under or equal to 120% of the profit as forecast in the Business Plan (100% of the Business Plan  $<$  realized Consolidated Net 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 consolidated net 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 Consolidated Net Profit exceeds 120% of the profit forecast in the Business Plan (realized Consolidated Net 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.

(3) The Variable Pay which is performance-based and tied to sales revenue (hereinafter: Consolidated Sales Revenue), is calculated according to the following criteria:

- a) If KONČAR Group's realized Consolidated Sales Revenue is 85% of the figure forecast in

the Business Plan for the relevant fiscal year or less than 85% (realized Consolidated Sales Revenue  $\leq$  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 Consolidated Sales Revenue exceeds 85% but is under or equal to 100% of the figure forecast in the Business Plan (85% of the Business Plan < realized Consolidated Sales Revenue  $\leq$  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 Consolidated Sales Revenue (compared to the amount representing 100% of the consolidated sales revenue forecast in the Business Plan), the Variable Pay in relation to that criterion is discounted by 6.66;
  - c) If the Consolidated Sales Revenue exceeds 100% but is under or equal to 110% of the figure forecast in the Business Plan (100% of the Business Plan < realized Consolidated Sales Revenue  $\leq$  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 Consolidated Sales Revenue (compared to the amount representing 100% of the Consolidated Sales Revenue 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 Consolidated Sales Revenue exceeds 110% of the figure forecast in the Business Plan (realized Consolidated Sales Revenue > 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.
- (4) The decision regarding the total Variable Pay in the gross amount is made by the Supervisory Board of the Company based on the annual audited consolidated financial statements.
  - (5) The member of the Management Board may, but is not obligated to opt to receive 50% of the total Variable Pay in the form of the Company's shares (hereinafter: *Variable Pay in Shares*), while the remaining part of the total Variable pay will be paid in cash (hereinafter: *Variable Pay in Cash*). The member of the Management Board will inform the Supervisory Board about their decision in this regard no later than 30 days from the date of adoption of the annual financial statements for the financial year for which the Variable Pay has been determined.
  - (6) In the event that, in accordance with paragraph 5, the Management Board member opts for Variable Pay in Shares:
    - a) The total number of shares to be allocated to the Management Board member on that basis shall be determined as follows: 50% of the total Variable Pay shall be reduced by the amount of the so-called hypothetical personal income tax (the tax burden that would be payable to the Tax Administration if the employee were personally liable for the income tax), and the reduced amount shall then be divided by the price calculated as the weighted average of all Company share prices achieved on the regulated market during the last three months of the financial year for which the Variable Pay is awarded,

excluding block transactions, rounded down to the nearest whole number of shares;

b) The prescribed personal income tax shall be borne by the Company.

(7) Variable Pay in Cash and Variable Pay in Shares shall be paid according to the following schedule:

a) Variable Pay in Cash shall be paid to the Management Board member within 60 days of the approval of the annual financial statements for the financial year for which the Variable Pay has been determined.

b) Variable Pay in Shares shall be paid in two equal instalments:

- i. The first instalment shall be paid to the Management Board member within 30 days of the General Assembly meeting at which the annual financial statements for the financial year for which the Variable Pay has been determined are discussed;
- ii. The second instalment shall be paid to the Management Board member within one year of the payment of the first instalment of Variable Pay in Shares, provided that the Management Board member has not been dismissed due to misconduct (in accordance with the provisions of Item 8, paragraph 9.b of this Remuneration Policy) by the date of payment of the second instalment of Variable Pay in Shares.

(8) A Management Board member who opts for Variable Pay in Shares may become entitled to additional shares for that financial year (hereinafter: *Additional Shares*) in an amount equal to 10% of the number of shares received as Variable Pay in Shares, acquired by the Management Board member in the manner described above (rounded to the nearest whole number).

(9) The Additional Shares shall be transferred to the Management Board member within one year of the payment of the second instalment of the Variable Pay in Shares, provided that the Management Board member holds a valid mandate with the Company and/or has a contract regulating the mutual rights and obligations between the Management Board member and the Company in connection with the performance of the duties of a Management Board member on the date of payment of the Additional Shares.

(10) Shares acquired on the basis of Variable Pay in Shares shall be subject to a disposal restriction period of two years, during which the Management Board member may not sell, gift, pledge, and/or otherwise dispose of the acquired shares (in accordance with Item 8, paragraph 9 of this Remuneration Policy).

(11) The Company shall not be entitled to require the Management Board member to return the paid Variable Pay in Cash, Variable Pay in Shares, or any Additional Shares granted (except in the case referred to in Item 8, paragraph 9.b of this Remuneration Policy).

#### **Item 8**      *Long-Term Share-Based Compensation Plan*

- (1) Depending on the Company's business results and the assessment of the contribution of the Management Board member to the business results, the Supervisory Board will allocate the *Base Award in Shares* to the Management Board member (hereinafter: *Base Award in Shares*).
- (2) This Remuneration Policy set out the conditions and method of calculating the Base Award in Shares for members of the Management Board



(3) A Management Board member may become entitled to the Base Award in Shares if:

1. They hold a valid mandate with the Company and/or have a contract regulating the mutual rights and obligations between the Management Board member and the Company in connection with the performance of the duties of a Management Board member (hereinafter: the Contract) on the last day of the financial year for which the LTIP is determined;
2. During the financial year for which the LTIP is determined, they held a valid mandate and/or Contract for at least nine (9) months.

By way of exception, the Supervisory Board may decide to pay the Management Board member a proportional or full amount of the Base Award in Shares (under the conditions set out in Item 8, paragraph 6 of this Remuneration Policy) relating to the financial year in which their mandate terminated, in cases such as a general reduction in the number of Management Board members, a takeover or strategic partnership affecting the number and composition of the Management Board, corporate structural changes of the Company, or similar circumstances.

(4) The amount of the Base Award in shares shall be calculated based on the following criteria:

- a) Achieved Consolidated Net Profit of KONČAR Group (calculated in the same manner and under the same conditions as defined in Item 7, paragraph 2), weighted at 15% in the total LTIP;
- b) Achieved Consolidated Revenue from the sale of products and services (calculated in the same manner and under the same conditions as defined in Item 7, paragraph 3), weighted at 15% in the total LTIP;
- c) Annual Increase in Market Capitalisation (hereinafter: AIMC) of the Company's ordinary shares on the Official Market of the Zagreb Stock Exchange (hereinafter: the Exchange), weighted at 70% in the total LTIP.

The AIMC for a given year shall be calculated as follows:

- a. The total number of the Company's ordinary shares is multiplied by the average daily price of the ordinary shares, calculated as the weighted average of all prices realized on the regulated market in the last three months of the current year (the year for which the amount of the Management Board members' award is calculated under the LTIP), excluding block transactions;
- b. The total number of the Company's ordinary shares is multiplied by the average daily price of the ordinary shares, calculated as the weighted average of all prices realized on the regulated market in the last three months of the previous year, excluding block transactions;
- c. The ratio of the calculations set out in items a) and b) of this paragraph, reduced by 100%, represents the AIMC.

If the achieved AIMC is less than or equal to zero, the Management Board member shall not be entitled to the Base Award in shares under this criterion.

If the achieved AIMC is positive but less than or equal to 10% (achieved growth  $0\% < \text{AIMC} \leq 10\%$ ), the Management Board member shall be entitled to the full amount of shares at a 100%

ratio, with a proportional reduction of 1% for each per mille by which the achieved AIMC growth falls short.

If the achieved AIMC exceeds 10% (achieved growth  $10\% < \text{AIMC}$ ), the Management Board member shall be entitled to the full amount of shares at a 100% ratio, with a proportional increase of 1% for each per mille by which the AIMC exceeds 10%, up to a maximum of 120% of the Base Award in shares.

- (5) The amount of the Base Award in Shares that a Management Board member may achieve shall be determined at the beginning of the financial year and calculated as a percentage of the annual Total Remuneration, separately for each Management Board member.

The total number of shares to be allocated to the Management Board member on that basis shall be determined by dividing the pre-determined percentage of the annual Total Remuneration by the weighted average of the Company's share prices achieved on the regulated market in the last three months of the financial year preceding the financial year for which the amount of the Base Award in Shares is determined, excluding block transactions.

When determining the total number of shares to be allocated to the Management Board member, the Supervisory Board shall take into account any corporate events that may affect the final amount of the share award (such as new share issuances by the Company, stock splits, corporate restructuring, business combinations, etc.), with the aim of ensuring that the Management Board member is neither in a better nor worse position as a result of such corporate events.

- (6) The Base Award in Shares shall be paid to the Management Board member according to the following schedule:
- i. The first instalment, amounting to 50% of the achieved Base Award in Shares, shall be allocated to the Management Board member within 30 days of the General Assembly meeting at which the annual financial statements for the financial year for which the Base Award in Shares has been determined are discussed;
  - ii. The second instalment, amounting to 25% of the achieved Base Award in Shares, shall be allocated to the Management Board member within one year of the payment of the first instalment of the Base Award in Shares, provided that the Management Board member holds a valid mandate with the Company and/or has a contract regulating the mutual rights and obligations between the Management Board member and the Company in connection with the performance of the duties of a Management Board member on the date of payment of such shares;
  - iii. The third instalment, amounting to 25% of the achieved Base Award in Shares, shall be allocated to the Management Board member within two years of the payment of the first instalment of the Base Award in shares, provided that the Management Board member holds a valid mandate with the Company and/or has a contract regulating the mutual rights and obligations between the Management Board member and the Company in connection with the performance of the duties of a Management Board member on the date of payment of such shares.
- (7) In addition to the Base Award in Shares, depending on the Company's business performance, a Management Board member may also become entitled to the following:

- a) In the event that the set targets for a given financial year are exceeded to a level which



(without the imposed cap) would justify an award greater than 120% of the Base Award in Shares, the Company shall grant the Management Board member additional *Bonus Shares* in the amount of the difference between the achieved Base Award in Shares and the award in shares that the Management Board member would have achieved had there been no cap on the Base Award. The total amount of such additional Bonus Shares may not exceed 30% of the Base Award in shares. A condition for the granting of Bonus Shares is that, over the three years following the relevant financial year, the Company achieves at least 100% of its annual targets for consolidated net profit and consolidated revenue from the sale of products and services each year. Bonus Shares may be paid to the Management Board member only provided that the Management Board member holds a valid mandate with the Company and/or has a contract regulating the mutual rights and obligations between the Management Board member and the Company in connection with the performance of the duties of a Management Board member on the date of payment of such shares.

b) The Company shall grant the Management Board member additional *Loyalty Shares* in the amount of 10% of the Base Award in Shares if, during the three-year period following the financial year for which the Base Award in Shares was determined, the Company continues to meet its annual targets for consolidated net profit and consolidated revenue from the sale of products and services at a minimum achievement level of 80% each year. Loyalty Shares may be paid to the Management Board member only provided that the Management Board member holds a valid mandate with the Company and/or has a contract regulating the mutual rights and obligations between the Management Board member and the Company in connection with the performance of the duties of a Management Board member on the date of payment of such shares.

(8) The amount of the Base Award in shares, additional Bonus Shares, as well as Loyalty Shares determined for each Management Board member shall be reduced by the amount of the so-called hypothetical income tax (the tax burden that would be payable to the Tax Administration if the employee were personally liable for the income tax) applicable to each of them, and the reduced amount shall then be divided by the price calculated as the weighted average of all prices achieved on the regulated market during the last three months of the current year (the year for which the amount of the Management Board members' award is calculated under the LTIP), excluding block transactions, rounded down to the nearest whole number of shares. The prescribed personal income tax shall be borne by the Company.

(9) The following conditions shall apply to all share awards (Base Award in Shares, Bonus Shares, and Loyalty Shares):

a) Restrictions on the right to dispose of shares

The restriction on the right to dispose of shares refers to a period of two years, starting from the date of share award, during which time members of the Management Board may not sell, donate, pledge and/or otherwise dispose of the shares;

b) Termination of contract due to misconduct

If a member of the Management Board's term of office in the Company and/or the contract is revoked due to misconduct (hereinafter: Termination), the Management Board member must, without compensation, transfer to the Company all shares allocated to them in the year in which the Termination occurred.

In any other case of termination of term of office and/or Contract, the Management Board member retains the shares paid in the current year and in previous years.

c) Lien on allocated shares

The Company and each Management Board member shall enter into a separate agreement for each LTIP year. Together with the conclusion of the agreement, at the time of the registration of the transfer of shares from the name of the Company to the name of the Management Board member, a voluntary lien in favour of the Company shall be established over all shares in the Central Depository & Clearing Company (CDCC) as a means of security. The lien shall be registered for a period of two years.

By 30 June of each year, the Company will sign a Protocol together with the members of the Management Board, determining the status of compliance/non-compliance with the applicable conditions and accordingly writing off/deleting the corresponding part of the registered lien on the shares.

## **Item 9** *Criteria for the payment of the Variable Pay and Shares*

- (1) Criteria for the payment of the Variable Pay and Long-Term Share-Based Compensation Plan contribute to the realization of the business strategy and long-term development of the Company in such a way that they should constitute motivation for acting in the best long-term interest of the Company, in accordance with the duties of each member of the Management Board. The performance-related targets must be challenging in order to reward only exceptional results and must be designed so that Board Members are not tempted to take excessive risks that are not in line with the Company's business strategy and do not harm the Company's long-term development.
- (2) The methods used to determine whether the criteria have been met are determined by the adopted annual business plans of the Company. The annual plans are adopted by the Supervisory Board and must be realistic and in accordance with the long-term business and development strategy of the Company.

## **Item 10** *Other rights*

- (1) In addition to fixed and variable remuneration (Variable Remuneration and Long-Term Share-Based Compensation Plan), together with receipts based on allocation of shares, members of the Management Board exercise the following rights:
  - 1) Life insurance in the event of death or disability that may occur as a result of an accident or occupational disease in the total amount of the annual premium of not more than half of a monthly gross salary (with the insurance period under the policy not being longer than five years);
  - 2) Insurance for the needs of additional costs of treatment and/or treatment abroad in the total amount of the annual premium of a maximum of EUR 1,500;
  - 3) Additional and supplementary health insurance policy which includes, among other things, an annual preventive medical examination;
  - 4) Right to use of a Company car (owned by the Company or in its legal possession) for work-related and personal needs 24 hours a day (whereby the use of a vehicle for personal needs is considered a salary in kind), in accordance with the decision and internal documents of the Company;

- 5) Fee for business trips in Croatia and abroad, in accordance with the decision and internal documents of the Company;
  - 6) The right to reimbursement of expenses incurred by members of the Management Board in performing their function.
- (2) During the contractual non-compete period, the Company is obliged to pay the member of the Management Board a monthly fee in the amount of their gross base salary, for which the Company calculates and pays all taxes, surcharges and contributions, in accordance with the law.

## **Item 11**      *Term of manager's contracts*

- (1) The term of the manager's contract (hereinafter: the Contract) is conditioned by the length of the period for which the member of the Management Board is appointed, provided that the Company may enter into the contract for a maximum period of 5 years.
- (2) The contract terminates upon the expiration of the period for which it was concluded, upon resignation of the Management Board member, the discharge of a member of the Management Board or their turning 65 years of age and having 15 years of pensionable service.

## **Item 12**      *Notice period*

- (1) The notice period is three months, and the Supervisory Board of the Company may also issue a decision on a shorter notice period.
- (2) A member of the Management Board is entitled to a base salary during the notice period.
- (3) If the Contract is terminated due to misconduct of a member of the Management Board, the member of the Management Board loses the right to Variable Pay, Shares and severance pay.

## **Item 14**      *Severance pay*

- (1) In the event of the expiration of the term of office and termination of the Contract, if the member of the Management Board's term of office is not extended or if they do not accept any job offered by the Company, the Management Board member is entitled to severance pay amounting to 12 (twelve) gross monthly base salaries under the Contract.
- (2) In the event of the resignation of a member of the Management Board, if the member does not accept any job offered by the Company, the Management Board member is entitled to severance pay amounting to 12 (twelve) gross monthly base salaries under the Contract.
- (3) In the event of the discharge of a member of the Management Board due to misconduct, the Management Board member forfeits the right to severance pay. In all other cases of discharge, if the member of the Management Board does not accept any job offered by the Company, the Management Board member is entitled to severance pay amounting to 12 (twelve) gross monthly base salaries under the Contract.
- (4) If a member of the Management Board reaches the age of 65 and completes 15 years of pensionable service during the term of the Contract, the Contract and employment relationship terminate, and the member of the Management Board is entitled to severance pay amounting to 6 (six) gross monthly base salaries from the Contract.

- (5) The amounts of severance pay from the previous paragraphs of this section of this Policy represent the gross amount of severance pay from which the Company will pay all taxes (personal income tax and similar), contributions, and/or other similar payments imposed on such severance pay payments, in accordance with applicable regulations.

**Item 14** *Determining remuneration in relation to workers' remuneration and working conditions*

- (1) When adopting the Remuneration Policy for members of the Management Board, the conditions of workers' remuneration and the working conditions of a circle of workers with similar qualifications, knowledge, skills, competencies and experience, but with a lower level of responsibility are taken into account, i.e. the remuneration and the working conditions of middle management are taken into account.

**Item 15** *Allowed deviation from the Remuneration Policy*

- (1) The Company may temporarily deviate from the Remuneration Policy if this is necessarily required by the long-term well-being of the Company or circumstances that are unpredictable and may significantly affect the Company's business operations.
- (2) In particular, the Company may temporarily deviate from the Remuneration Policy in the case of reporting on the Remuneration Policy for the year in which the remuneration policies were determined, and in which in the period from 1 January to the establishment of this Remuneration Policy, members of the Management Board received remuneration according to criteria different from the criteria and measures outlined in this Remuneration Policy.
- (3) Deviation from the established Remuneration Policy is proposed by the Remuneration Committee and approved by the Supervisory Board.

**Item 16** *Implementation and oversight of the Remuneration Policy*

The Remuneration Committee of the Supervisory Board and the Supervisory Board oversee the implementation of the Remuneration Policy by having the Remuneration Committee submit an annual report to the Supervisory Board on the oversight of the implementation of the Remuneration Policy. In the event of significant changes or at least once every four years, the Remuneration Committee, analyses and amends the Remuneration Policy.

**Item 17** *Remuneration of Supervisory Board members*

Members of the Supervisory Board receive remuneration for their work in accordance with the decision of the General Assembly of the Company. According to the decision of the General Assembly of KONČAR Inc. dated 12 July 2016, a monthly remuneration for the work of Supervisory Board members is determined in the gross amount of 1.5 times the average gross salary paid within the KONČAR Group in the month preceding the remuneration calculation month. Each member of the Supervisory Board is entitled to a fixed monthly remuneration from the day of appointment to the position until the day of cessation of the same. In order to maintain the independence and objectivity of the members, the remuneration of Supervisory Board members does not depend on the results of the Company and does not include a

variable part of the compensation.

Members of the sub-committees of the Supervisory Board shall be entitled to a monthly gross fee, which shall be determined by the Supervisory Board.

**Item 19** *Transitional and final provisions*

- (1) This Remuneration Policy applies for the period from 1 January 2025 to 31 December 2030, subject to approval by the General Assembly of the Company.
- (2) Based on this Remuneration Policy, the Management Board members are entitled to variable pay and shares for the entire year 2025, unless otherwise specified in the Contract.
- (3) The Management Board may, by its decision, prescribe the right and manner of granting the Company's own shares to members of the management boards of subsidiaries and to senior management of the Company who are not simultaneously members of the Company's governing bodies.
- (4) With the adoption of this Remuneration Policy by the Supervisory Board and its approval by the General Assembly of the Company, the Remuneration Policy adopted by the Supervisory Board on 18 April 2024 and approved by the General Assembly of the Company on June 12, 2024, ceases to be valid.

President of the Supervisory Board:

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Joško Miliša