

REPORT ON REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

KONČAR – Electrical Industry Inc. for manufacturing and services Financial year 2024

INTRODUCTION

This Remuneration Report concerning the members of the Management Board and the Supervisory Board of KONČAR – Electrical Industry Inc. for Manufacturing and Services (hereinafter: KONČAR Inc.) for the 2024 financial year has been prepared pursuant to Article 272.r of the Companies Act.

The Report outlines all forms of remuneration disbursed or contractually undertaken to be disbursed by the Company or any other entity within the KONČAR Group to current and former members of the Management Board and the Supervisory Board during the reporting period.

This disclosure complies with the Remuneration Policy as adopted by the General Assembly on 12 June 2024, following a recommendation by the Supervisory Board.

1 . REMUNERATION POLICY

The Remuneration Policy establishes a structured and transparent framework governing the remuneration of Management Board members, with the objective of ensuring compliance with defined procedures and standards. It is designed to align the personal incentives of Board members with the long-term strategic interests of KONČAR Inc., while promoting the ethical and effective implementation of corporate strategy.

The Remuneration Policy affirms the Company's objective to maintain an equitable balance between monetary and non-monetary rewards, as well as between fixed and variable elements of compensation for Management Board members. All forms of remuneration—both financial and non-financial—are aligned with the Company's core values and strategic priorities. Compensation consists of fixed and/or variable components. Fixed remuneration reflects the individual's relevant expertise, qualifications, and level of organizational responsibility. Variable remuneration is primarily performance-driven and may, in exceptional circumstances, be subject to additional conditions. It is designed to encourage responsible, long-term risk-taking and to promote sound risk management practices.

In accordance with its governance framework, the Supervisory Board has formed a Remuneration Committee tasked with preparing proposals regarding the contractual terms and remuneration structure for Management Board members. The Committee also develops the Remuneration Policy applicable to the Company's Management and Supervisory Boards.

The Management Board Service Agreement governs the rights and obligations of Management Board members in relation to the execution of their executive duties.

1.1. Fixed remuneration

Fixed remuneration of Management Board members is designed in a manner that does not incentivize excessive risk-taking.

Specifically, fixed remuneration:

- 1) Reflects the inherent value of the role, the individual's professional competencies, experience, and their contribution in a market context;
- 2) Ensures an appropriate balance between the scope of responsibilities and the individual's knowledge, skills, and professional experience (i.e. the market value of both the position and the person);

3) Fosters a positive and productive working environment by encouraging:

- a) performance (through goal-setting, achievement tracking, and regular feedback),
- b) development (career advancement and employment opportunities), and
- c) core competencies (promoting personal growth, responsible behavior, operational excellence, and effective team collaboration).

The fixed remuneration, in the form of a base salary, is determined as a gross monthly amount. This salary encompasses a lump-sum compensation for work performed outside of regular working hours, as well as for annual leave, paid time off, and public holidays, as provided by applicable law. Management Board members are not entitled to additional remuneration for overtime, work performed beyond full-time hours, or for flexible scheduling arrangements. Furthermore, no salary supplements apply under the collective bargaining agreement. Additionally, Management Board members do not receive separate compensation or bonuses for their engagement in the governing bodies of KONČAR Group subsidiaries. All such entitlements are consolidated within the base salary.

1.2. Variable remuneration

Variable remuneration for Management Board members is performance-based and contingent on the financial outcomes of the KONČAR Group. It is determined by the extent to which the Group meets or exceeds its annual business plan, particularly with respect to consolidated profit and sales revenue.

Variable remuneration related to profit is determined as follows:

- a) If the achieved profit is $\leq 80\%$ of the Business Plan projection, no entitlement arises under this parameter;
- b) If the achieved profit exceeds 80% but does not exceed 100% of the planned profit ($80\% < \text{achieved profit} \leq 100\%$), the Management Board member is entitled to 100% of the variable remuneration under this criterion, subject to a proportional reduction of 5% for each full percentage point shortfall from the 100% target set in the Business Plan;
- c) If the achieved profit exceeds 100% but does not exceed 120% of the planned profit ($100\% < \text{achieved profit} \leq 120\%$), the Management Board member is entitled to 100% of the variable remuneration under this criterion, with a proportional increase of 1% for each full percentage point above the 100% target, up to a maximum of 120% of the total amount applicable under this criterion;
- d) Where profit exceeds 120% of the planned amount, the Management Board member becomes entitled to 120% of the applicable variable remuneration. The Supervisory Board may, in such cases, determine the allocation of an additional discretionary award.

Under the sales revenue metric, variable remuneration is governed by the following:

- a) If KONČAR Group's realized operating income amounts to 85% or less of the figure projected in the Business Plan (achieved revenue $\leq 85\%$ of plan), the Management Board member shall not be entitled to variable remuneration under this performance measure;
- b) If the achieved revenue exceeds 85% but does not exceed 100% of the planned revenue ($85\% < \text{achieved revenue} \leq 100\%$ of plan), the Management Board member is entitled to 100% of the variable remuneration under this criterion, subject to a proportional reduction. For each full percentage point by which the achieved revenue falls below the 100% target, the variable remuneration is reduced by 6.66%;
- c) If the achieved revenue exceeds 100% but does not exceed 110% of the planned amount ($100\% < \text{achieved revenue} \leq 110\%$ of plan), the Management Board member is entitled to 100% of the variable remuneration under this criterion, with a proportional increase of 2% for each full percentage point above the 100% revenue

- target, up to a maximum of 120% of the total variable remuneration under this performance measure;
- d) If the achieved revenue exceeds 110% of the planned target (achieved revenue > 110% of plan), the Management Board member is entitled to 120% of the full variable remuneration under this criterion. In such instances, the Supervisory Board may also decide to award an additional performance-based bonus.

For the 2025 financial year, the total variable remuneration based on performance achieved in 2024 is expected to amount to EUR 838.8 thousand gross (Category II) for all Management Board members collectively.

1.3. Shares

Pursuant to the provisions of the Long-Term Incentive Plan (LTIP), the rules governing the calculation, eligibility, and allocation of share-based compensation to Management Board members are set forth, including applicable timeframes and disposal restrictions.

Eligibility under the LTIP extends to the President and members of the Management Board for the duration of their respective mandates, unless otherwise specified. The gross LTIP award allocated per individual is reduced by the applicable personal income tax and surtax, which are borne by the Company. The net value is then divided by the weighted average price of shares traded on the regulated market in the last three months of the relevant financial year (excluding block trades), with the resulting figure rounded down to the nearest whole share.

The right to dispose of such shares is restricted for four years from 1 January of the year in which the shares are granted. Within this period, the shares may not be sold, pledged, gifted, or otherwise transferred.

The criteria, calculation method, and timing of share-based remuneration are an integral part of the Company's Remuneration Policy.

In 2024, according to the DPN for 2023, a total of 426 shares were allocated to the members of the Management Board, which represents 71 shares for each member of the Management Board.

For 2025, the Company has reserved EUR 635.8 thousand for LTIP grants to Management Board members. Additionally, based on the Supervisory Board's decision in response to the exceptional performance in 2024, an extra EUR 542.1 thousand has been earmarked for further LTIP allocations in 2025.

1.4. Other entitlements

In addition to fixed and variable remuneration, members of the Management Board are entitled to the following benefits:

- Life and disability insurance in the event of death, accident, or occupational disease, with the maximum annual premium not exceeding 50% of the monthly gross base salary;
- Supplementary health insurance, including coverage for additional medical expenses and/or treatment abroad, with the annual premium not exceeding EUR 1,500;
- Annual preventive health screening;
- Use of a company-owned or company-leased motor vehicle, available for both business and private purposes on a 24/7 basis (use for private purposes is considered a benefit in kind);
- Reimbursement of business-related expenses incurred in the execution of Management Board duties.

During the period of contractual non-compete, the Company shall pay the Management Board member a monthly amount equal to the member's net average base salary. The Company assumes responsibility for calculating and settling all applicable taxes, surtaxes, and social security contributions related to this compensation.

1.5. Management contract term

The validity of each management contract is determined by the term of appointment of the Management Board member, with the Company entitled to conclude such contracts for a period not exceeding five (5) years.

The contract shall automatically terminate upon the expiration of its agreed term, the voluntary resignation of the Management Board member, formal dismissal by the competent corporate body, or upon the member becoming eligible for statutory retirement.

1.6. Severance pay

- Should the term of office and corresponding management contract expire without renewal, or if the Management Board member declines an alternative position offered by the Company, the member shall be entitled to severance compensation in the amount of twelve (12) gross base monthly salaries, as specified in the contract.
- The same entitlement applies in the event of voluntary resignation, provided the Management Board member does not accept a new role offered by the Company.
- No severance is granted if dismissal occurs due to misconduct. In all other dismissal cases, provided the member does not accept another position within the Company, the right to twelve (12) gross base monthly salaries remains.
- Upon reaching age sixty-five (65) and at least fifteen (15) years of pensionable service during the contract term, the contract terminates and severance equal to six (6) gross base monthly salaries becomes payable.
- All severance amounts are stated as gross figures, from which the Company will deduct and remit the applicable income taxes, surtaxes, social security contributions, and any other statutory obligations in accordance with prevailing legislation.

1.7. Deferrals and clawback

The Company does not apply any deferral mechanisms or payment schedules for deferred disbursement of remuneration, nor does it retain the right to claw back any variable remuneration components once they have been paid.

2. MANAGEMENT BOARD

Pursuant to the Company's Articles of Association, the Management Board shall consist of no fewer than three (3) and no more than seven (7) members. The term of office for each Management Board member may not exceed five (5) years, with the possibility of reappointment. Decisions regarding appointments and dismissals, the number of Board members, and the duration of their mandates are adopted by the Supervisory Board.

The individuals who served as members of the Management Board during the 2024 financial year were as follows:

Gordan Kolak	Chief Executive Officer
Petar Bobek	Member of the Management Board
Miki Huljić	Member of the Management Board
Josip Lasić	Member of the Management Board
Ivan Paić	Member of the Management Board

2.1. Remuneration of Management Board Members

a) Remuneration paid to Management Board Members

In the 2024 financial year, the following gross amounts (Category I, in euros) were paid to the members of the Management Board:

Name and Surname	Position	Gross (Category I) Remuneration for 2024, in EUR							
		Fixed salary	Share in total remuneration	Variable remuneration	Share in total remuneration	Other fixed remuneration	Share in total remuneration	Total remuneration	TOTAL
Gordan Kolak	CEO	195.000	53%	114.673	31%	58.104	16%	367.777	100%
Miki Huljić	Management Board Member	162.000	50%	114.673	35%	47.881	15%	324.553	100%
Josip Lasić	Management Board Member	175.200	51%	114.673	33%	55.581	16%	345.454	100%
Ivan Paić*	Management Board Member	153.311	90%	0	0%	17.779	10%	171.090	100%
Petar Bobek*	Management Board Member	153.196	90%	0	0%	16.192	10%	169.388	100%
Management Board Members until 19 January 2024									
Ivan Bahun	Management Board Member	8.223	2%	114.673	35%	206.298	63%	329.194	100%
Josip Ljulj	Management Board Member	7.357	2%	114.673	37%	186.222	60%	308.252	100%
Božidar Poldrugač	Management Board Member	7.357	2%	114.673	36%	192.816	61%	314.846	100%

- ❖ Members of the Management Board appointed as of 19 January 2024 were not entitled to variable remuneration related to the Company's performance in 2023, as this performance-related bonus was disbursed during 2024 and applied only to those serving in 2023
- ❖ For members whose mandate expired on 19 January 2024, variable remuneration based on the Company's performance in 2023, Long-Term Incentive Plan (LTIP) awards, and severance pay were paid, all in accordance with the terms and conditions of their respective contracts

b) Comparative overview of consolidated revenue and profit trends of the Group, average annual remuneration per Group employee, and remuneration of the Management Board Members of KONČAR Inc.

Godina	u 000 eur		u eur	
	Ukupni prihod	Neto dobit	Prosječni bruto primitak po radniku	Prosječni bruto primitak članova Uprave
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
2024.	1.107.473	163.341	29.932	275.652

c) Additional explanations

Remuneration awarded to Management Board members is determined in a manner intended to attract and retain qualified individuals, to incentivize performance, and to promote effective risk governance, while deterring conduct that would expose the Company to excessive or undue risk. The Company's Remuneration Policy serves as a tool to support the broader strategic objectives of both KONČAR Inc. and KONČAR Group.

The calculation of average gross remuneration per employee includes all gross salary payments, performance-related monetary awards, legally permissible special bonuses, monetary compensation for meal costs, and severance benefits. The calculation is limited to full-time employees and expressly excludes members of the Management Boards or directors of subsidiaries, as well as those of KONČAR Inc.

The remuneration structure maintains proportionality between fixed and variable pay elements.

In 2024, no variable remuneration paid to Management Board members was subject to clawback.

The term of office for Mr. Josip Lasić ended on 31 December 2024, and pursuant to the provisions of his contract, severance in the amount of EUR 204,100 was disbursed.

No payments or entitlements were made or assumed by any third party in connection with the duties of Management Board members in the Company or in any other capacity within KONČAR Group.

3. SUPERVISORY BOARD

In accordance with the Company's Articles of Association, the Supervisory Board of KONČAR Inc. oversees the work of the Management Board. The Supervisory Board is composed of nine (9) members, who are entitled to remuneration for their service as Supervisory Board members, as determined by a resolution of the Company's General Assembly.

Pursuant to the resolution of the General Assembly of KONČAR Inc. dated 12 July 2016, the monthly gross remuneration for Supervisory Board members is set at 1.5 times the average gross salary paid within the KONČAR Group in the month preceding the month for which the remuneration is calculated.

Each member of the Supervisory Board is entitled to a fixed monthly remuneration commencing on the date of their appointment and ending on the date their mandate ceases.

In order to safeguard their independence and objectivity, the remuneration structure excludes performance-related elements and contains no variable pay.

The following individuals served as members of the Supervisory Board during the 2024 financial year:

Joško Miliša	Chairman of the Supervisory Board
Darko Horvatin	Deputy Chairman of the Supervisory Board
Branko Lampl	Member (mandate ended on 13 July 2024)
Ivan Milčić	Member (mandate ended on 13 July 2024)
Maja Martinović	Member
Ruža Siluković	Member (mandate ended on 29 October 2024)
Mario Radaković	Member
Zvonimir Savić	Member
Danko Škare	Member

The following gross remuneration amounts (Category I, in euros) were paid to Supervisory Board members in 2024

Name	Position	Gross Remuneration (EUR)	
Joško Miliša	Chairman of the Supervisory Board	42,307	
Darko Horvatin	Deputy Chairman of the Supervisory Board	42,307	
Branko Lampl	Member	21,013	Mandate ended 13 Jun 2024
Ivan Milčić	Member	21,013	Mandate ended 13 Jun 2024
Maja Martinović	Member	42,307	
Ruža Siluković	Member	33,798	Mandate ended 29 Oct 2024
Lovro Jurišić	Member	7,812	Appointed 30 Oct 2024
Mario Radaković	Member	42,307	
Zvonimir Savić	Member	41,541	
Danko Škare	Member	41,541	
Zdravko Kačić	Member	20,527	
Igor Filipović*	Member		

* No remuneration, Pursuant to Article 49, Paragraph 7 of the Act on Mandatory Pension Funds

3.1. Additional explanations

Beyond the compensation specified herein, neither the Company nor its affiliated undertakings have disbursed any other form of payment to members of the Supervisory Board.

They have also not extended any loans or advances, nor issued any guarantees on behalf of Supervisory Board members.

In addition, no gifts of material value have been granted to any Supervisory Board member by the Company or its affiliates.

4. REPORT APPROVAL

The Remuneration Report concerning the Management Board and Supervisory Board of KONČAR Inc. was duly considered and adopted by resolution of both governing bodies on 16 April 2025.

Signed on behalf of KONČAR Inc. on 16 April 2025.

CEO

Gordan Kolak

Chairman of the Supervisory Board

Joško Miliša

Member of the Management Board

Mario Radaković