

KONČAR Group Risk Management Policy



KONČAR
Inspired by challenge



Pursuant to the provisions of the Corporate Governance Code issued by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange, which came into effect on 1 January 2025, with the prior consent of the Supervisory Board dated 11 December 2025, the Management Board of KONČAR Inc., at its 89th meeting held on 16 December 2025, adopted the KONČAR Group Risk Management Policy, as set out below.

KONČAR Group Risk Management Policy

Introduction

All organizations, regardless of their size or structure, are subject to internal and external factors that may give rise to uncertainty in achieving their objectives.

Effective risk management entails anticipating potential adverse events that may impede the achievement of strategic or operational objectives, while also reducing the uncertainty that could threaten the performance of the Company and the Group.

Risk management is a fundamental element of corporate governance. It comprises a structured sequence of well-defined steps which, when applied consistently, enhance decision-making and foster a comprehensive understanding of risks and their potential impacts.

The risk management system integrates strategies, processes, and procedures designed to identify, assess, monitor, and address risks, as well as to report on exposures affecting the Company and the Group. Sustainable development and responsible business practices are integral parts of the risk management system. This means that environmental, social and governance ("ESG") factors that may have a long-term impact on business operations and value creation are also taken into account in risk assessments.

The system is subject to ongoing internal evaluation.

1. Objective and definition

To ensure robust governance, the Company has implemented a Risk Management Policy that applies across both the Company and the Group. Its purpose is to systematically address business risks and support the achievement of defined strategic and operational goals.

In accordance with risk management principles, every significant decision must be informed by a prior assessment of the potential risks it may involve.

The risk is defined as the effect of uncertainty on objectives. Uncertainty can lead to both favourable and unfavourable deviations from expected outcomes, and is characterized by the relationship between potential events and their respective consequences. The objective of risk identification is to detect, recognize, and describe risks that could either facilitate or obstruct the achievement of the organization's objectives. Successful risk identification depends on the use of relevant, timely, and reliable information.

2. Fundamental principles

Effective risk management within the Company and the Group is governed by the core principles outlined in the HRN ISO 31000 standard:

- Risk management is **integrated** into all activities of the organization and forms an essential part of its overall governance and operations.
- Risk management follows a **structured** and **comprehensive** approach, ensuring consistency and comparability of outcomes across the organization.
- The risk management framework and process are **customized** and proportionate to the organization's external and internal context, and are aligned with its strategic objectives.
- Risk management is **inclusive**, involving the appropriate and timely engagement of stakeholders to ensure their knowledge, perspectives, and insights inform the process.
- Risk management is **dynamic**, responding to the fact that risks can emerge, change, or disappear as the internal and external environment evolves. The approach is designed to identify and address such changes in a timely and effective manner.
- Risk management relies on the **best information available at the time**, including historical data, current insights, and forward-looking projections. It recognizes that all information has inherent limitations and uncertainty, and ensures that relevant data is timely, transparent, and accessible to key stakeholders.
- Risk management considers **human and cultural factors**. Human behaviour and organizational culture influence all dimensions of risk management across all levels and activities.
- Risk management is subject to **continuous improvement** through learning and experience, ensuring its ongoing relevance and effectiveness.

3. Scope

The Management Board of KONČAR Inc. together with the management boards of its subsidiaries, holds responsibility for identifying and evaluating risks that could materially impact business operations. They also establish appropriate control mechanisms to mitigate such risks. These efforts support the achievement of strategic objectives, ensure financial resilience, and safeguard the Group's reputation and the interests of all stakeholders engaged in its activities.

Risk management is applied across multiple levels, strategic, operational, programmatic, and project-based, and encompasses all activities critical to business performance and the achievement of defined objectives. Within this framework, it is essential to define the risk appetite, representing the nature and extent of risk that the Company and the Group must, and are willing to, accept in pursuit of their long-term strategic goals. Risk appetite includes both the intended approach to taking on risk and the risk tolerance thresholds, i.e., the level of risk considered acceptable by the Company and the Group.

The Company's and the Group's risk appetite is informed by the nature of their operations, critical business functions, and prevailing economic and market conditions that may influence long-term performance.

Aligned with strategic and operational priorities, the Company and the Group maintain a moderate (average) risk appetite, reflecting the Management Board's informed judgment on acceptable risk exposure across business domains. The Group maintains the lowest risk appetite in areas related to regulatory compliance, occupational health and safety, and any exposure that could negatively impact its reputation. Conversely, in areas that are central to strategic advancement, such as entering new markets or developing new products, the Management Board follows its guiding motto "Inspired by challenge", reflecting a willingness to assume elevated risks on a measured and controlled basis, supported by robust mitigation strategies.

4. Risk management

The risk management framework and the allocation of related responsibilities are governed by the Company's internal procedures.

5. Final provisions

The Risk Management Policy has been adopted by the Management Board of KONČAR Inc. and approved by the Supervisory Board. Future revisions or amendments shall be enacted through the same process.

This Policy enters into force on the day following its approval by the Supervisory Board of KONČAR Inc., thereby repealing the previous Risk Management Policy dated 20 April 2023.

Gordan Kolak ,
President of the Management Board:



Joško Miliša,
President of the Supervisory Board:



Mario Radaković ,
Member of the Management Board:





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