

# CORPORATE GOVERNANCE CODE



**KONČAR**  
Inspired by challenge

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1	April 2008	<b>Initial document: Principles of Corporate Governance</b>	Office of the Management Board Member for Legal Affairs, Human Resources and General Affairs	Management Board
2	23 December 2020	<b>Alignment with the Corporate Governance Code Modification of the title</b>	Corporate Law and Market Regulation Unit	Management Board
3	23 December 2025	<b>Alignment with the Corporate Governance Code</b>	Legal and Compliance Department	Management Board

Pursuant to provisions 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, 114/22, 18/23, 130/23 and 136/24) and the Corporate Governance Code of the Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange, which entered into force on 1 January 2025, with the prior consent of the Supervisory Board granted on its 23rd meeting held on 11 December 2025, at its 90th meeting held on 23 December 2025, the Management Board of KONČAR Inc. (hereinafter: Company) adopted the Corporate Governance Code, as presented below

## Corporate governance code

### *Preamble*

The objective of this Corporate Governance Code (hereinafter: Code) is to clearly define the procedures of corporate governance based on the highest international standards and to ensure high-quality and responsible management through the identification and management of risks and the supervision of the Company's operations and management functions, all with the aim of:

- implementing the best corporate governance practice,
- realising the Company's business strategy and objectives and ensuring transparency of its operations,
- ensuring accountability and upholding ethical principles in business operations, as well as
- ensuring the Company's sustainability and resilience; and
- increasing its value and competitiveness.

Through its corporate governance mechanisms, the Company demonstrates its commitment to improving the quality of its relationships with relevant stakeholders and strengthens their confidence in its operations.

## I. General provisions

### **Article 1**

(1) The Company's shares are admitted to trading on the regulated market of the Zagreb Stock Exchange (hereinafter: ZSE), and the Company is therefore required to disclose the information on decisions of the Management and Supervisory Boards pertaining to:

1. Financial statements (unaudited and/or audited, unconsolidated and/or consolidated),
2. dividend payment or advance dividend payment,
3. increase and decrease of share capital,
4. adopting a Treasury Share Buyback Programme,

5. approval of acquisition and disposition of own shares,
  6. repurchasing debt securities, and
  7. changing the requirements for share issuance.
- (2) The Company's activity is the management of companies in which it holds the majority of membership rights and supervision of companies in which it holds minority membership rights.

### **Article 2**

- (1) The Company and companies in which it holds the majority of membership rights are open to business partners, especially buyers, and have a permanent duty to develop, improve and enhance products and production processes whilst taking account of the status of technical advancement, and to deliver their products in accordance with the contracted price, time limits and quality requirements.
- (2) Main priorities of the Company are:
- Development and growth of the Company and companies in KONČAR Group,
  - improvement of products and production processes,
  - ensuring employee quality of life and quality of work environment, and
  - Partnership with all the stakeholders with the aim of creating a positive investment climate and generating profits.
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## **II. Basic principles**

### **Article 3**

- (1) Basic principles are as follows:
- Transparency and ethical business conduct,
  - clearly defined procedures for the activities of the Supervisory Board, Management Board and other bodies of the Company, enabling their effective cooperation in the best interests of the Company,
  - avoidance of the conflict of interest,
  - efficient internal and external audit function,
  - efficient responsibility system,
  - equal treatment of shareholders and
  - safeguarding of employees' rights and interests.
- (2) Interpretation of the provisions of this Code shall be based on the adherence to the objectives and principles stated herein, in the Company's best long-term interests.

### **III. Disclosure and transparency**

#### **Business transparency**

##### **Article 4**

(1) The Company, through its website, provides shareholders, potential investors and other stakeholders, in accordance with legal regulations, with easy and non-discriminatory access to accurate, complete and timely information that is disclosed regarding the Company's ownership structure, corporate governance mechanisms, and financial and operating results, as well as information on facts and circumstances that may affect the share price, all in accordance with the Company's Rules on Treatment of Prescribed and Privileged Information.

(2) Within the prescribed time limits, the Company publishes:

- the Company's annual report,
- semi-annual and quarterly reports and other financial information required to be disclosed,
- the sustainability report,
- information on the Supervisory Board,
- the Company's policies on social impact and environmental impact, human rights, an inclusive working environment, bribery and corruption, and discrimination,
- the code of conduct and the method of reporting irregularities,
- the report on corporate income tax information,
- details of changes in the holdings of shares by members of the Supervisory Board and the Management Board, other persons discharging managerial responsibilities, and persons closely associated with them, which must be reported under relevant laws and other regulations, as well as transactions with related persons,
- the remuneration policy and the annual remuneration report,
- the risk management policy,
- a calendar of corporate events over the next twelve months,
- materials related to General Assembly meetings, and
- the name and contact details of the contact person responsible for investor relations.

(3) The Company publishes information on its website in Croatian and English.

(4) The Supervisory Board and the Management Board are jointly responsible for the accuracy and completeness of the financial and other information published by the Company.

## Financial statements

### Article 5

(1) The Company shall prepare its financial statements (annual, semi-annual and quarterly statements) in accordance with the International Financial Reporting Standards and, once they have been adopted by the Company's competent bodies, publish them within the prescribed time limits in the Central Register of Regulated Information (SRPI), on the ZSE's website, the Company's website and with the Croatian News Agency (HINA).

(2) Annual, semi-annual and quarterly statements are the most important and comprehensive source of data about the Company.

## IV. Equal treatment of shareholders

### Article 6

(1) The Company shall treat all shareholders equally, in accordance with legal regulations, the Company's Articles of Association, general acts of the Company regulating shareholders' rights and this Code.

(2) The Company shall treat all shareholders equally and under the same terms, regardless of the number or class of shares they hold, so that all the shareholders have equal access to information about the Company and for them to be able to fully participate in General Assembly meetings and exercise their rights.

### Article 7

(1) The Company shall designate a person in charge of investor relations who shall monitor the rights to shares and their subscription status, in accordance with applicable regulations, and whose duties shall include promptly responding to requests for information.

### Article 8

(1) Shares are issued as dematerialised securities and recorded on the shareholders' equity accounts in the information system of the Central Depository and Clearing Company (hereinafter: CDCC), in the form of electronic records.

(2) A shareholder is the person on whose account the Company's shares are registered in the CDCC.

## **V. Bodies of the company**

### **General Assembly**

#### **Article 9**

(1) The Company's Management Board shall convene a General Assembly meeting once a year.

#### **Article 10**

- (1) Shareholders shall exercise their rights in the Company at the General Assembly meeting.
- (2) Shareholders shall participate in the General Assembly meeting in person or by proxy.
- (3) Shareholders may participate in the General Assembly meeting and exercise their voting right in accordance with the Company's Articles of Association.

#### **Article 11**

- (1) The President and Deputy President of the Supervisory Board, chairpersons of the Supervisory Board committees, and all Management Board members shall attend General Assembly meetings and be available to answer questions from shareholders. The external auditor shall attend the General Assembly meeting at which financial reports are presented.
- (2) The Management Board shall submit to the General Assembly a report on the state of affairs in the Company, which must be prepared in a clear and comprehensible manner, include all aspects of business activities throughout the whole year compared to the preceding years, as well as an accurate, complete and fair presentation of assets and expenditures, financial position of the Company and the future business plan.
- (3) The Supervisory Board shall submit an annual report to the General Assembly, in which, apart from providing information prescribed by law, it shall evaluate the overall business performance of the Company and activities of the Management Board and comment on its cooperation with the Management Board.
- (4) The Supervisory Board shall inform the General Assembly of the conflict of interest, if any, involving its members and members of the Management Board, as well as of the measures taken with regard thereto.

### **Supervisory Board**

#### **Article 12**

(1) The main responsibilities of the Supervisory Board are the appointment and dismissal of Management Board members and succession planning, supervision over the Management Board's activities relating to managing the Company's affairs, monitoring the Management Board's performance with regard to achieving objectives and the manner in which it performs its duties, overseeing how the Management Board cooperates with shareholders and other stakeholders, and

submission of reports on the conducted evaluation of the Supervisory Board and its committees.

The Supervisory Board shall ensure the existence of formal and transparent procedures for appointment of Management Board members as well as for the selection of senior management, enabling the selection of candidates based on objective criteria and, under equal conditions, giving preference to a candidate of the underrepresented gender.

The Supervisory Board shall define the profile of the Management Board, determining the minimum number of members and the combination of skills, knowledge and education, as well as professional and practical experience required for the Management Board. The Supervisory Board shall ensure the prescribed representation of the underrepresented gender on the Supervisory Board, or jointly on the Supervisory Board and the Management Board.

(2) Supervisory Board members' term of office shall not be binding, which means that every Supervisory Board member performs their duty independently and at their own responsibility, irrespective of who nominated or appointed them.

(3) Supervisory Board members shall perform their duties with due care and diligence, keep any business secrets of the Company confidential, and dedicate enough time to their duties in order to perform them effectively.

(4) The President of the Supervisory Board shall ensure that a plan of activities is prepared and that the timing and agenda of future meetings enable members of the Supervisory Board to perform their duties effectively and in a timely manner.

(5) Committees of the Supervisory Board shall meet as often as necessary for the effective performance of their duties and shall regularly report to the Supervisory Board on their activities.

(6) The Supervisory Board shall adopt its internal rules of procedure, which shall not restrict the freedom of any member to act independently. No Supervisory Board document shall prevent or restrict individual Supervisory Board members from acting in compliance with legal regulations. Furthermore, each member shall avoid abusing their powers and shall always strive to coordinate their activities with the activities of other members of the Supervisory Board.

### **Article 13**

(1) The number of Supervisory Board members, their election and appointment are stipulated by the Company's Articles of Association. The Supervisory Board is responsible for recommending candidates for the Supervisory Board to the General Assembly.

(2) Supervisory Board members should meet appropriate the standards in terms of their education and professional experience, and should comprise a combination of genders, ages, profiles and experience in order to ensure diversity of perspectives in decision-making, while ensuring balanced representation of both genders; at least one member of the Supervisory Board shall possess financial expertise. All the members shall have high moral standards and be able to dedicate enough time to perform their duties in the Supervisory Board effectively.

(3) Immediately after the election or appointment, each member of the Supervisory Board shall familiarise himself/herself with the Company's operations, the role of the Supervisory Board in the functioning of the Company and his/her personal rights and obligations. The President of the Supervisory Board shall

ensure that, upon appointment, all members of the Supervisory Board receive induction training with regard their role, as well as ongoing training and education to refresh and enhance their skills and knowledge, in particular with regard to business sustainability, responsible business conduct and achieving balanced representation of both genders in the Supervisory Board, the Management Board and senior management.

(4) The President shall ensure that the Supervisory Board receives regular updates and briefings from the Management Board and experts on matters that are important for the Company and for the duties of Supervisory Board members.

#### **Article 14**

(1) Every member of the Supervisory Board shall notify the Company and the Croatian Financial Services Supervisory Agency (hereinafter: Hanfa) of subsequent transactions conducted for their own account relating to the shares of the Company once the total amount of such transactions has reached the threshold set out in Article 19 of the Regulation (EU) No 596/2014 on market abuse. Such notifications shall be made promptly and no later than 3 (say: three) days after the date of the transaction.

(2) A member of the Supervisory Board shall not conduct any transactions for their own account or for the account of a third party, directly or indirectly, relating to the Company's shares during a closed period of 30 (say: thirty) calendar days before the announcement of an interim financial report or a year-end report in accordance with the corporate events calendar published on the Company's website.

(3) Each member of the Supervisory Board shall notify, in writing, any person closely related to them of their obligations under the Company's Rules on Treatment of Prescribed and Privileged Information.

#### **Article 15**

(1) Each Supervisory Board member shall notify, in writing, the Company Secretary of all their holdings in companies that engage in activities that compete with the Company's business, and details of such holdings shall be made freely available on the Company's website.

(2) Each Supervisory Board member shall notify, in writing, the Company Secretary of their membership in supervisory and/or management boards of other companies.

(3) A Supervisory Board member shall not be a member of the supervisory board in a company that may be considered as competing with the Company's business.

#### **Article 16**

(1) The Supervisory Board establishes the following committees:

- Nomination Committee,
- Remuneration Committee,
- Audit Committee and
- Strategic and Business Development Committee

each of which consists of at least three members. Members of the Management Board shall not be members of the Supervisory Board committees.

The Supervisory Board shall ensure that the members of each of its committees have the necessary skills, knowledge and education, as well as the professional and practical experience, to effectively discharge the committee's responsibilities.

(2) The committees of the Supervisory Board shall meet as often as necessary for the effective performance of their duties and shall regularly report to the Supervisory Board on their activities. Persons who are not members of a particular Supervisory Board committee may attend committee meetings only at the invitation of the committee.

(3) The Chair of each committee may communicate directly with stakeholders when they consider this necessary for the performance of the duties within the committee's remit. The President of the Management Board shall be informed in advance of such communication between the committee Chair and stakeholders. Subsequently, at the first following regular committee meeting, all committee members shall be notified of such communication.

(4) The Supervisory Board is entitled to organize meetings with external stakeholders to better understand matters important to the Company, including understanding external stakeholders' views on the Company's performance and reputation. The President of the Management Board shall be informed in advance of the organisation of meetings between the Supervisory Board and external stakeholders.

### **Article 17**

(1) The Nomination Committee shall find and recommend to the Supervisory Board the candidates who may fill the vacancies in the Management and Supervisory Boards.

(2) Duties of the Nomination Committee shall be as follows:

- Overseeing the process of appointing members of the Supervisory Board and the Management Board to ensure that it is fair, transparent and non-discriminatory, that it promotes diversity, inclusion and equal opportunities, and that it achieves balanced representation of both genders,
- developing role descriptions and candidate profiles for each vacancy in line with the profile of the Management Board and/or the Supervisory Board (where necessary, in consultation with the President of the Management Board or the President of the Supervisory Board), as well as identifying and recommending suitable candidates to the Supervisory Board,
- determining the independence of candidates for the Supervisory Board,
- agreeing the terms of appointment with potential new members of the Management Board or the Supervisory Board, including their expected time commitment,
- preparing a succession plan for the reappointment or replacement of members of the Supervisory Board and the Management Board, in consultation with the President of the Supervisory Board or the President of the Management Board, as applicable,

- monitoring progress in achieving the target percentage of female members of the Management Board and the Supervisory Board, as well as of senior management,
  - overseeing the Management Board's policy in the selection and appointment of senior management members,
  - monitoring internal evaluations and
  - employee surveys on gender equality and equal opportunities within the Company.
- (3) The Nomination Committee shall analyse proposals of the Management Board and consult with the President of the Management Board, who may submit proposals to the Nomination Committee, especially with regard to matters relating to members of the Management Board.
- (4) The Remuneration Committee shall be governed by the Company's Remuneration Policies established by the Company's Supervisory Board and approved by the Company's General Assembly.

### **Article 18**

- (1) The Audit Committee shall have the following duties:
- Overseeing the accuracy and completeness of the Company's financial statements and accounting policies, as well as other official announcements relating to the Company's financial performance,
  - overseeing the accuracy and completeness of the sustainability report, reporting policies and other official sustainability-related announcements,
  - adopting decisions on prior consent to transactions with related persons,
  - assessing the effectiveness of procedures for the approval and disclosure of transactions with related persons at least once a year,
  - overseeing the implementation of tax planning, including the allocation of corporate income tax arising from cross-border activities,
  - overseeing the effectiveness of the Company's internal financial controls,
  - ensuring the adequacy, independence and effectiveness of the external audit function,
  - ensuring the independence and adequacy of the internal audit function,
  - recommending to the Supervisory Board the appointment or dismissal of the head of the internal audit function,
  - overseeing the implementation of measures determined as a result of external and internal audits and the Committee's own supervision.
- (2) If this is not undertaken by the Supervisory Board or a special committee of the Supervisory Board, the Audit Committee shall:
- Oversee the effectiveness of the Company's overall internal control systems and risk management systems, and
  - oversee the application of procedures for reporting breaches of law or the Company's code of conduct.
- (3) The Audit Committee shall:
- At least once a year, assess the effectiveness of the risk management and internal control systems as a whole and, where necessary, make recommendations to the Company's Supervisory Board and Management Board,
  - at least once a year, assess the effectiveness of the procedure for reporting irregularities and the implementation thereof,

- agree with the internal auditor on the annual internal audit work plan, receive reports from the internal auditor and oversee the implementation of the auditor's recommendations,
- oversee the selection and appointment process for the external auditor in accordance with statutory requirements and make recommendations to the Supervisory Board regarding the appointment of the external auditor and the terms of such appointment,
- agree with the external auditor on the annual work plan, including the scope and content of activities to be subject to audit,
- where necessary, meet with the external auditor to discuss matters identified during the audit and oversee the quality of the services provided, and
- oversee the independence and impartiality of the external auditor, approve the policy on permitted non-audit services provided by the external auditor, and oversee the implementation of that policy.

#### **Article 19**

(1) The Strategic and Business Development Committee shall cover the topics and activities from the scope of activities of the Supervisory Board, with special reference to the long-term viability of the KONČAR Group, risk assessment, strategic priorities of the Group, the need for restructuring and the development of strategic human resources within the KONČAR Group.

(2) The Strategic and Business Development Committee also receives other tasks from the Supervisory Board that fall within the scope of the Supervisory Board's activities.

#### **Article 20**

(1) The Supervisory Board is entitled to seek opinion or advice from parties outside of the Company at the Company's expense where this is necessary for successful performance of its duties.

(2) In the case referred to in the previous paragraph of this Article, the President of the Supervisory Board shall notify the Company's Management Board on the need to seek opinion or advice from parties outside of the Company and request from the Management Board that the Company, on its behalf and for its account, collects offers accordingly.

(3) At the request of the President of the Supervisory Board on the need to seek opinion or advice from parties outside of the Company, the Management Board shall collect at least three offers, one of which will be selected based on a joint decision of the Management and Supervisory Boards.

### **Management Board**

#### **Article 21**

(1) The Company's Management Board shall manage the Company's affairs independently and at its own responsibility, and shall make all decisions solely at its own discretion.

(2) The role of the Management Board in managing the Company's affairs is determined by law, Articles of Association, general acts of the Company and this Code.

(3) The Management Board shall always act exclusively in the interest of the Company and the shareholders, taking into account the interests of its employees and the general public, with the aim of increasing the Company's value.

### **Article 22**

(1) The number of Management Board members, their appointment and term of office are prescribed by the Company's Articles of Association.

(2) When deciding on the composition of the Management Board, the Supervisory Board shall ensure that members with different experience and education are included, including:

- Experience in managing business, highly developed organisational skills,
- experience in identifying and monitoring risk and in crisis management,
- accounting and finance knowledge,
- knowledge of the basic corporate governance theory, corporate governance practice and knowledge of capital markets,
- knowledge of the scope of activity of the Company,
- knowledge of the national and international market,
- connecting all interests within the Company.

(3) Each member of the Management Board shall contribute, with their personal characteristics, to the achievement of the overall objectives of the Company, be familiar with good practices in corporate governance and have a strategic vision, so that the Management Board's role could be performed at the best possible level.

(4) In addition to meeting the above conditions, the President of the Management Board shall have the reputation of an acknowledged and good businessman in a wide business environment and be the person with overall responsibility for the Company's day-to-day operations. The President of the Management Board shall:

- Lead the development and implementation of the Company's strategy, business plan and budget,
- allocate responsibilities to other members of the Management Board and oversee their performance,
- ensure that the Management Board operates effectively, and
- maintain contact with the Supervisory Board, shareholders and key stakeholders.

### **Article 23**

(1) The duties of the Management Board shall include:

- developing and implementing the Company's strategy and business plans,
- managing the Company's operations and resources,
- promoting the Company's values and ethics,
- setting, as a target for the next five years, the percentage representation of the underrepresented gender in senior management, to be disclosed in the annual report,
- selecting and appointing members of senior management, taking into account balanced representation of both genders,

- implementing effective risk management and internal control systems, and
  - maintaining constructive relationships with all shareholders and key stakeholders.
- (2) The Management Board shall adopt its own rules of procedure defining the allocation of responsibilities and the manner of cooperation among Management Board members, including procedures for convening meetings and adopting decisions. The rules of procedure of the Management Board shall be approved by the Supervisory Board.
- (3) Each member of the Management Board shall notify the Company and Hanfa of subsequent transactions conducted for their own account relating to the shares of the Company once the total amount of such transactions has reached the threshold set out in Article 19 of the Regulation (EU) No 596/2014 on market abuse. Such notifications shall be made promptly and no later than 3 (say: three) days after the date of the transaction.
- (4) A member of the Management Board shall not conduct any transactions for their own account or for the account of a third party, directly or indirectly, relating to the Company's shares during a closed period of 30 (say: thirty) calendar days before the announcement of an interim financial report or a year-end report in accordance with the corporate events calendar published on the Company's website.
- (5) Each member of the Management Board shall notify, in writing, any person closely related to them of their obligations under the Company's Rules on Treatment of Prescribed and Privileged Information.

#### **Article 24**

- (1) The Management Board shall report to the Supervisory Board at regular intervals on all the facts and circumstances that may affect the Company's performance. For significant decisions affecting the Company's strategy, expenditures, risk exposure, resilience, the outcomes of interactions with shareholders and other stakeholders, and the Company's reputation, the Management Board shall seek the prior consent of the Supervisory Board in accordance with the Company's Articles of Association.
- (2) With the prior consent of the Supervisory Board and taking sustainability considerations into account, the Management Board must adopt a policy defining the nature and extent of risks that the Company must and is willing to assume in order to achieve its long-term strategic objectives ("risk appetite"), as well as the approach to risk management.
- (3) At least once a year, the Management Board shall evaluate its own effectiveness and that of its individual members, and shall report the conclusions of the evaluation to the Supervisory Board.
- (4) The Management Board is responsible for overseeing the completion of annual questionnaires, which, in the case of the compliance questionnaire, also includes providing explanations for all instances of non-compliance with the applicable Corporate Governance Code.
- The completed compliance questionnaire shall be approved by the Company's Supervisory Board before it is published and submitted to Hanfa.

**Article 25**

(1) The Management Board of the Company, as the parent company of the Group, shall be responsible for strategic management and long-term performance of the entire Group, and shall supervise, through membership in supervisory boards of daughter companies, their business activities and investments of the Group in daughter companies.

(2) The Management Board of the parent company shall ensure adequate cooperation within the Group, taking account of the timely and efficient exchange of information between the companies in the Group.

**Company Secretary****Article 26**

(1) Company Secretary shall be appointed by the Management Board.

(2) The responsibility of the Company Secretary includes the following:

- Ensuring that the Supervisory Board acts in accordance with the Supervisory Board's procedures,
- advising the Supervisory Board on governance matters,
- supporting the President of the Supervisory Board,
- helping the Supervisory Board and its committees to function efficiently,
- receiving notifications from the members of the Management Board on the companies outside KONČAR Group in which such members and/or their spouse and/or their children have holdings/membership rights,
- receiving notifications from the members of the Management and Supervisory Boards on their holdings in companies that engage in activities competing with the Company's business, or companies that are considered to be the Company's competitors, forwarding such notifications to be published on the Company's website,
- receiving notifications from the members of the Management and Supervisory Boards on their membership in supervisory or management boards of companies outside KONČAR Group.

**VI. Relations and cooperation between the management board and supervisory board****Article 27**

(1) The Company's Management Board and Supervisory Board shall cooperate directly in the best long-term sustainable interest of the Company and discuss and reach an agreement on strategic guidelines for the Company's performance.

(2) The Supervisory Board and the Management Board shall agree and adopt policies relating to:

- Assessing the impact of the Company's activities on the environment and the community and managing the related risks throughout the entire value chain,
- safeguarding human rights, children's rights and workers' rights, in particular the rights of persons with disabilities, throughout the entire value chain,
- fostering an inclusive working environment, in particular for persons with disabilities,
- achieving a balance between employees' professional and private lives,
- ensuring equal pay for different genders for equal work and/or work of equal value,
- preventing and sanctioning any form of discrimination, in particular on the grounds of gender and disability, and protecting persons reporting discrimination,
- preventing and sanctioning bribery and corruption and protecting reporting persons,
- tax planning, including the allocation of corporate income tax generated from cross-border activities in a manner ensuring that the majority of such tax is paid in the jurisdictions in which such activities are carried out and income is generated,
- establishing communication between the Company and its key stakeholders,
- applying due diligence procedures and measures to be observed throughout the Company, its daughter companies and, where appropriate, its direct and indirect business partners.

(3) The Management Board shall provide the Supervisory Board and its committees with timely access to the Company's facilities, premises, senior management and employees when necessary for the performance of their duties, and to all documents needed for these purposes. The President of the Supervisory Board or the chairman of a particular committee will notify the President of the Management Board of such necessity, and agree with him/her on the manner and terms of communication, as well as on the access to the requested documents.

(4) All members of the Company's Management Board shall attend the meetings of the Supervisory Board except when matters under discussion directly concern the Management Board or some of its members, especially when matters being discussed pertain to dismissal, responsibility or remuneration of the Management Board members. The Supervisory Board is entitled to meet without the participation of the Management Board when it considers this appropriate.

(5) The Management Board shall submit timely and comprehensive reports to the Supervisory Board on all the facts and circumstances which may influence the performance, financial position and assets of the Company and its daughter companies, and shall allow members of the Supervisory Board access to all facilities and premises of the Company as well as to all records and files necessary for the performance of their duties.

## **VII. Conflict of interest**

### **Article 28**

(1) A conflict of interest occurs where relations of the Management or Supervisory Board member with other companies, persons or business activities lead to the assumption that he/she might have interests not necessarily being equal to the interests of the Company, which may result in his/her making a decision based on the interests or preferences not necessarily corresponding with the interests of the Company.

(2) Members of the Management or Supervisory Boards shall act in the best long-term interest of the Company, and not in their own interests or the interests of individual shareholders or other parties. In assessing the interests of the Company, members of the Management Board and the Supervisory Board shall take into account the interests of employees, shareholders (including minority shareholders) and other stakeholders.

(3) Management and Supervisory Board members shall immediately notify the President of the Supervisory Board, and the President of the Supervisory Board shall immediately notify other Supervisory Board members of any personal interests in the Company's affairs.

(4) Management and Supervisory Board members may not disclose or use any information obtained in the performance of their function for personal interests or interests of any third parties.

### **Article 29**

(1) Members of the Management Board shall notify the Company on the companies outside KONČAR Group in which they and/or their spouse and/or their children have holdings/membership rights. Notification on such holdings/membership rights shall be delivered to the Company Secretary.

(2) Members of the Management Board shall obtain a previous approval of the Company's Supervisory Board for membership in management or supervisory boards of companies outside KONČAR Group. Notification on membership in supervisory boards of companies outside KONČAR Group shall be delivered to the Company Secretary.

(3) Where the Company's Supervisory Board establishes suspected conflict of interest based on holdings/membership rights and/or membership in management or supervisory boards of companies outside KONČAR Group, members of the Management Board and/or their spouse and/or their children shall transfer such holdings/membership rights to a third party or give up their membership in such other supervisory boards.

### **Article 30**

(1) Members of the Management or Supervisory Boards shall not, for their own or other persons' account, personally or through third parties, conduct activities belonging to the type of business conducted by the Company, nor shall they be

members of the management board or supervisory board of companies that conduct such activities.

#### **Article 31**

(1) Members of the Management Board shall not own significant holdings/membership rights in companies that compete with the Company's business. Members of the Supervisory Board shall publish information on the size and any changes in holdings/membership rights they own in companies which might be considered as the Company's competitors. Notification on holdings/membership rights in companies which might be considered as the Company's competitors shall be delivered to the Company Secretary.

### **VIII. Audit and internal control mechanisms**

#### **Article 32**

(1) The Company is aware of the importance and role of audit for the success of corporate governance and the legality and transparency of all business processes in the Company.

(2) The Company shall have independent external auditors, representing an important instrument of corporate governance, in order to ensure that financial statements adequately reflect the real position of the Company as a whole.

(3) An auditor shall be considered to be an independent external auditor if he/she is not connected with the Company in terms of ownership of interests, and does not provide, himself/herself or through related persons, any other services to the Company.

(4) Independent external auditors shall, unambiguously and as clearly as possible, give their opinion on whether the financial statements prepared by the Management Board adequately present the balance of capital and financial situation of the Company, as well the results relating to a certain period of time.

#### **Article 33**

(1) The task of the Internal Audit Department and chief internal auditor shall be supervision of the internal control system, as well as verifying compliance with regulations, guidelines and instructions. Internal auditors shall submit reports on the results directly to the Audit Committee, i.e., the Supervisory Board of the Company. The Supervisory Board shall approve the internal auditors' work plan, analyse their results and monitor the implementation of their recommendations.

(2) The Supervisory Board shall actively participate in planning of activities of internal auditors.

(3) Roles and responsibilities within the Internal Audit Department are defined by the Company's Internal Audit Charter.

## **IX. Relations with investors**

### **Article 34**

(1) The Management Board of the Company shall ensure the investors have access to balanced data relating to both positive and negative sides of the Company's performance, in order to enable investors to properly understand and assess the situation of the Company, and make their investment decisions based on such information.

(2) Investors shall always have the possibility to request, in writing, and receive in a timely manner all relevant records from the Management Board of the Company or from the person in the Company responsible for relations with investors.

## **X. Stakeholders**

### **Article 35**

(1) Stakeholders shall be considered to be the persons taking on certain direct or indirect risks in relation to the Company and with regard to the Company.

(2) The Supervisory Board and the Management Board have identified the following as the Company's key stakeholders: shareholders, employees, customers and users of the Company's services, suppliers, creditors, the local community and public authorities.

(3) The Management Board shall bear the responsibility for transparent and quality relationships between the Company and stakeholders, and shall also ensure that the Company respects all the rights of the stakeholders based on legal regulations and good business practices.

(4) Nobody shall suffer negative consequences for pointing out to the competent authorities or bodies in or outside the Company any shortcomings in the application of rules or ethical standards within the Company.

## **XI. Publishing information on provisions of the code**

### **Article 36**

- (1) In its annual report and on its website, the Company shall state, within the prescribed forms, whether it complies with all the recommendations stated in the Corporate Governance Code of Hanfa and ZSE and this Code.
- (2) Corporate Governance Code of Hanfa and ZSE, this Code and their recommendations are based on the "Comply or Explain" principle, i.e., if the Company departs from or fails to apply some of the recommendations, it shall provide an explanation in the annual questionnaire as to why it departed from or failed to apply a recommendation.

## **XII. Final provisions**

### **Article 37**

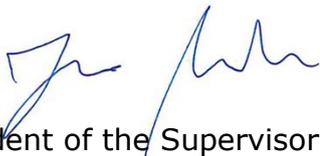
- (1) All the members of the Company's bodies and Company employees shall comply with this Code.
- (2) The Management Board and/or the Supervisory Board shall ensure periodic monitoring of the implementation and effectiveness of this Corporate Governance Code and shall notify the General Assembly in the event of any deviation from this Corporate Governance Code.
- (3) This Code has been adopted by the Management Board based on prior consent of the Supervisory Board. It may be amended in the same manner.
- (4) With entry into force of this Code, the Corporate Governance Code of 23 December 2020 ceases to be valid.



President of the Management Board:  
**Gordan Kolak**



Member of the Management Board:  
**Mario Radaković**



President of the Supervisory Board:  
**Joško Miliša**