

Končar – Elektroindustrija d.d.
Zagreb, Fallerovo šetalište 22

Pursuant to the provisions of the Corporate Governance Code of the Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange which entered into force on 1 January 2020, at its 44th meeting held on 15 December 2020, the Management Board of Končar – Elektroindustrija d.d. adopted this Code of Conduct. At its 8th meeting, held on 22 December 2020, the Company's Supervisory Board approved the Code of Conduct adopted by the Company's Management Board, as presented below.

CODE OF CONDUCT

Preamble

In compliance with legal regulations, Articles of Association and other internal acts of the Company, and with the aim to protect the human rights, dignity and reputation of every employee, Končar – Elektroindustrija d.d. (hereinafter: Company) independently regulates its organization and code of conduct.

This Code of Conduct represents the Company's fundamental corporate values and promotes its efforts to consistently comply with and implement social responsibility principles in its day-to-day operations.

The Company is a signatory of the Code of Business Ethics of the Croatian Chamber of Economy and, as such, undertakes to act in compliance with the principles of responsibility, truthfulness, efficiency, transparency, quality, good faith and observance of fair business practices towards business partners, business and social environment and own employees.

I INTRODUCTION

The purpose of this Code of Conduct is:

- To establish clear rules and framework for professional conduct of Company employees,
- To promote fundamental corporate values,
- To raise the awareness on the importance of prevention and avoidance of situations where employees take part in unethical acts or unacceptable conduct.

The Code of Conduct (hereinafter: Code) applies to all Company employees, all members of the Company's bodies and anyone acting on behalf of the Company, regardless of their position or level of authority and responsibility, and it serves as a guide to behaviour and conduct in work.

All employees are expected to treat each other with respect.

II PRINCIPLES OF BUSINESS ETHICS

In organizing its business, the Company observes the following principles of business ethics:

1. Principle of lawfulness in business,
2. Principle of professionalism, expertise and impartiality,
3. Principle of integrity,

4. Principles of equality, fairness, respect for human rights and dignity,
5. Principle of social responsibility,
6. Principle of business transparency.

1. Lawfulness in business

The Company organizes its business so that it:

- Observes and complies with the Croatian Constitution, laws and other regulations, subordinate legislation, internal Company acts (corporate bylaws) and this Code,
- Continually informs its employees about all the relevant provisions and rules pertaining to their rights and obligations arising from or related to employment
- Combats all forms of irregularities and
- Strives to prevent any forms of irregularities.

2. Professionalism, expertise and impartiality

The Company organizes its business:

- In the manner that enables employees to perform their duties in a professional, conscientious and ethical manner, complying with the rules of profession,
- Basing all attitudes and decisions on the principle of objectivity, autonomy and verified facts,
- In the manner that maintains and encourages cooperation in professional relations, respecting the principle of partnership, integrity, impartiality, transparency and mutual respect in communication with others,
- In the manner that protects the interests and enhances the reputation of the Company in public,
- In the manner that encourages employees to take account of professional presentation, and appropriate appearance in contact with business partners and other persons,
- Ensuring the protection of any trade secrets

3. Integrity

In its work, the Company is particularly committed to integrity. It organizes its business so that all employees, including managers at all levels, may act with integrity and act appropriately in any situation (“always do the right thing, even when nobody is watching”), in their relations with business partners, as well as with other employees, shareholders and the public.

Business integrity is essential because it promotes competitiveness and skill development, and best results are achieved through fostering reliability and trust.

4. Equality, fairness, respect for human rights and dignity

With regard to employment and work environment, including the requirements and selection criteria for recruitment, promotion and professional training, the Company promotes equality of all employees, regardless of their gender, age, nationality, ethnic origin, race, religion, language, social or economic status, sexual orientation or affiliation to political or other organizations.

All employees are treated equally and have equal opportunities in all segments of their employment, regardless of their gender, age, religion, race, colour, sexual orientation, ethnic or national origin or disability.

With its policies and procedures, the Company actively participates in preventing and combating all forms of violations of human dignity.

All forms of discrimination are prohibited and employees' dignity is protected through providing the work conditions and work environment in which they will not be exposed to any forms of unwanted behaviour.

5. Social responsibility

The Company is committed to socially responsible business and its activities do not only serve its own economic and technical interests, but also protect and improve the conditions for the community as a whole.

6. Transparency

The Company operates transparently, through good internal and external communication with employees, shareholders, business partners and local community.

In public relations, account is taken to ensure that communication is clear and efficient and that information is accurate, true, complete and provided on time.

Information on business results, cost-effectiveness of business activities or Company's guidelines shall only be provided by the Company's Management Board.

III STANDARDS OF BUSINESS CONDUCT

All Company employees shall implement the following standards of business conduct in their work, in compliance with the interests of the Company:

1. Compliance with the rules of profession,
2. Compliance with the rules of business ethics,
3. Avoiding conflict of interests,
4. Prevention of bribe and corruption,
5. Human resources development,
6. Environmental protection and occupational health and safety,
7. Protection of personal data,
8. Protection of Company assets and confidential information.

1. Compliance with the rules of profession

Compliance with the rules of profession means performing one's tasks in accordance with formal education, lifelong theoretical and practical training and in accordance with new professional developments.

2. Compliance with the rules of business ethics

Rules of business ethics include good business practices and business customs.

Good business practices represent the rules of conduct established as ethical and fair in society without having origin in a specific piece of legislation.

Business customs represent business practices established and widespread among parties in legal transactions and, as such, regularly taken into consideration by the parties in their work.

3. Avoiding conflict of interest

Conflict of interest exists when personal interests of the Company's employees are in conflict with interests of the Company.

Conflict of interest arises due to personal, financial or other important interests of employees that lead to decisions or business actions that are not in accordance with interests of the Company and due to situations in which employees obtain personal gain based on their position in the Company. All potential conflicts of interest should be identified and eliminated before taking any action in a particular business situation.

4. Prevention of bribe and corruption

Corruption means any form of abuse of authority and position for personal benefit or for benefit

of a group to which the employee or another person belongs.

The Company applies the policy of zero tolerance for corruption and continuously works on its prevention, exposure and sanctioning. All Company employees are aware of the Company's standpoint and zero tolerance policy for corruption, owing to the training of employees conducted from time to time.

Corruption does not necessarily involve personal financial benefit, but may involve other forms of conduct, such as allocation of positions to ineligible persons based on family relations, party affiliation or friendship, as well as any other selective application of regulations discriminating in favour of certain persons or organizations.

Employee's reporting to the Company's Management Board, responsible persons or competent state authorities where the employee has reason to suspect any corruptive activities, or filing a report on such suspected activities to one's superior does not constitute a justifiable reason for termination of employment.

Employee is guaranteed protection of anonymity, and if the competent state authority determines that the form of corruption is a serious one, they are guaranteed protection against denial or restriction of their rights and protection against any form of abuse. The Management Board shall initiate proceedings against any manager who acts contrary to the rules guaranteeing protection to the employee.

5. Human resources development

Human resources development and raising of employees' performance level are achieved through providing equal opportunities of education, training and improvement, through transparency in rewarding, equal standards in terms of salary and advancement, regardless of gender, age, religion or nationality, through care for occupational health and safety, and care for the disabled.

The Company is particularly committed to achieving a balance between work and private life. The Company encourages its employees to continually develop and improve their knowledge and skills and encourages their lifelong learning.

The Company has defined its general recruitment policy and strategy, aiming to recruit employees with capacities, skills and characteristics required for successful performance, and treating all candidates equally regardless of their age, gender, religion or nationality.

Decisions related to employment, training, work allocation, salary, job performance evaluation and rewarding, promotion and, especially, termination of employment contract shall be fair and just.

The Company will, as much as possible, give its employees an adequate pay, taking into account their job performance, qualifications, work experience, work conditions and working time. The salaries and compensations shall be paid out on time and in compliance with the regulations.

6. Environmental protection and occupational health and safety

The Company complies with the regulations pertaining to environmental protection and occupational health and safety.

Environmental management is an integral part of the overall corporate management. The Company has recognized the importance of care for the environment and has made the requirements of the internationally recognized ISO 14001 standard part of its business. The system has been successfully certified by an accredited certification company. Also, a system

has been put in place for the control and measurement of the key characteristics of corporate processes and activities affecting the environment, including the control of compliance of the environment management system with the regulations pertaining to environmental protection. The environmental management strategy includes rational use of resources (materials, energy, water, overall energy efficiency), recycling and environmentally friendly technologies.

The Company protects the health and safety of all employees, visitors and other persons included in the business processes. In addition to meeting the legal requirements relating to occupational health and safety, the Company has implemented an OHS management system.

Healthy and safe business processes contribute to prevention of illness and injury and foster the sense of satisfaction in the workplace. All employees should be made aware of the applicable regulations and procedures relating to environmental protection and health and safety at work.

The use of drugs and alcohol in the workplace is prohibited. Any abuse of drugs, alcohol or medications can endanger the safety and well-being of employees, damage the reputation of the Company or adversely affect business processes in the Company. Moderate alcohol consumption is allowed in special occasions (e.g., at celebrations), if previously approved by the manager.

7. Protection of personal data

The Company collects, uses, processes or stores personal data only for legitimate business purposes, in accordance with the Rules on Protection of Personal Data in the Company of 19 July 2018.

It is important that the data used for accessing the Company networks, such as usernames, passwords, security codes and building access codes, are always stored with great care.

8. Protection of company assets and confidential information

The Company protects its tangible and intangible assets and confidential information.

Any use of the Company's confidential information for personal purposes is prohibited.

In the event of termination of employment, all Company assets shall be returned to the Company. Employees' obligation to maintain confidentiality continues even after they leave the Company.

Employees may never disclose any confidential information to third parties without obtaining the prior consent of the Management Board or signing a non-disclosure agreement with such third parties. A non-disclosure agreement should be signed with all the parties outside the Company who may have access to confidential information during business operations. Confidential information should never be discussed in public places, on the Internet (e.g., Facebook) or in other places that allow third parties to come to know such information without being noticed.

Any information that is not publicly available and is valuable to the Company is considered confidential. Such information may be written, electronic or in any other form.

IV OBLIGATIONS RELATING TO BUSINESS CONDUCT

1. General obligation

All members of the Company's bodies and all Company employees shall act in compliance with this Code.

Conduct in compliance with the principles and standards of this Code is a personal and professional obligation of all Company employees.

All Company employees, regardless of their position, are expected to observe the Code of Conduct and ensure its observance by their direct reports.

2. Obligation to act professionally

All employees are expected to perform their duties in a professional manner, protecting the image and reputation of the Company. Business partners and colleagues should always be treated with honesty and respect. Behaviour that may lead to illegal actions, that damages the Company's reputation or may cause a potential conflict of interest should be avoided.

3. Obligation relating to public expression of opinions

Employees are encouraged to ensure, both in their business and private environment, that their appearance and public expression of opinions does not harm the Company's reputation. Therefore, when expressing a personal opinion, employees may not refer to their function or position in the Company.

Employees are not allowed to post degrading comments about their colleagues, business partners or shareholders on social media platforms. Any statements that intentionally harm the business or reputation of the Company are prohibited.

4. Obligations relating to the use of information technology

Company's information technology systems should be used for private purposes only to a very limited extent, observing the valid security standards applicable to information technology. Information technology and communication systems (e.g., smartphones) made available to employees by the Company shall not be used for sending any statements that intentionally harm the Company's business or reputation, for sending offensive content or for downloading or sharing any obscene content.

5. Obligations relating to the use of licensed materials

Unauthorized distribution of copyrighted or licensed materials, such as computer software, is prohibited. No chain letters or written requests may be sent without obtaining express consent. The Company's devices, such as laptops and mobile phones, may not be lent to persons outside the Company. All potential security incidents related to the security of e-mails, computers or networks should be reported to the IT Department.

6. Obligation to avoid conflict of interest

All employees shall refrain from any competition with the Company and avoid any business or personal situations that may lead to conflict of their personal interests with those of the Company. Where an employee becomes aware of a potential conflict of interest, especially in business relations, the employee shall notify their direct superior thereof.

7. Obligation to avoid bribery and corruption

Employees are expected to act impartially and professionally in the performance of their professional duties. It is particularly prohibited to offer inappropriate gifts or benefits in cash or another form (travelling and alike) to obtain any advantage or benefit that is inappropriate, inadequate, unethical, disproportional with the services rendered or contrary to regulations.

Giving and accepting invitations or gifts is acceptable only if it is occasional, not uncommon, appropriate to the nature of the business relationship and does not exceed the established value limits. Where an employee is being offered gifts or other benefits or expected to offer

inappropriate gifts or benefits, the employee shall report it to their direct supervisor, who will, as necessary, seek the advice of the Legal Department.

Employee shall report to the manager and/or Management Board of the Company if they become aware of any corruptive activities of other employees or where such activities are suspected.

8. Obligation to maintain confidentiality

In the performance of their duties, all Company employees shall protect trade secrets. Employees must not disclose confidential data or information to any third parties, including other Company employees not involved in the performance of a specific task.

9. Managers' duties

It is the duty of every manager to warn employees participating in a work process of the obligation to observe legal regulations and general acts of the Company and inform them about the content and meaning of this Code of Conduct, which is important for their scope of work.

The responsible person designated by the Management Board shall duly introduce and train new recruits and, where required, other employees in the professional conduct in the Company. Newly recruited employees shall sign a statement confirming they are familiar with the provisions of this Code of Conduct.

The Management Board and managers of the Company shall continuously emphasize the importance of business ethics and observance of rules and regulations, and shall apply and promote such conduct in their daily work through personal guidance and education of employees. Members of the Management Board and company managers shall set a personal example through their own application of the Code of Conduct in their daily work.

V VIOLATION OF LEGAL OR CONTRACTUAL RIGHTS OF EMPLOYEES

In case of violation of legal or contractual rights, employees and other persons performing work for the Company (volunteers, persons working under a piecework agreement, students, candidates in employee selection process, etc.) and their related persons are entitled to protection in accordance with the Company Rules on the procedure for internal reporting of irregularities and the appointment of a trusted person, of 11 November 2019.

VI CODE VIOLATION AND POSSIBLE SANCTIONS

Violation of the Code of Conduct may result in serious consequences for employees, even in their dismissal. The same applies to employees who either participate in making threats or who threaten their colleagues that have reported suspected violations of regulations or this Code.

For any violations of this Code of Conduct the Company may take measures, depending on the extent of violation, such as: advising or warning the person, sending the person in question to necessary training, requesting rectification of the violation committed, imposing a fine, termination of employment – with proposal of employment contract with amended terms of employment, or termination of employment.

VII CONTROL OF CODE IMPLEMENTATION

Company's Management Board is responsible for control of consistent implementation of and compliance with this Code.

Managers shall control whether the provisions of this Code are implemented by the employees and shall timely notify the Management Board if additional training is required. Managers are required to attend relevant training courses and communicate the fundamental principles to their employees.

In case of departure from this Code, the Management or Supervisory Board will inform the General Assembly thereof.

VIII FINAL PROVISIONS

This Code does not stipulate the appropriate conduct for every possible situation, and every employee should make a thoughtful and appropriate decision suited to a specific situation, bearing in mind the principles indicated herein.

This Code of Conduct has been adopted by the Management Board and approved by the Supervisory Board. It may be amended in the same manner.

This Code enters into force the day after it has been approved by the Company's Supervisory Board.

President of Management Board:

Gordan Kolak, MScEng

Member of Management Board

Josip Lasić, BScEcon

President of Supervisory Board:

Joško Miliša