

KONČAR – ELECTRICAL INDUSTRY INC.
Fallerovo šetalište 22
Zagreb
GENERAL ASSEMBLY

REPORT OF THE SUPERVISORY BOARD
TO THE GENERAL ASSEMBLY OF KONČAR - ELECTRICAL INDUSTRY INC.

During 2020, the Supervisory Board supervised the Company's operations in accordance with the provisions stipulated by law and the Company's Articles of Association.

Supervisory Board members in 2020:

Joško Miliša	President of the Supervisory Board	until 12 July 2020
Nikola Anić	Deputy President of the Supervisory Board	until 12 July 2020
Jasminka Belačić	Member of the Supervisory Board	until 24 October 2020
Vicko Ferić	Member of the Supervisory Board	until 12 July 2020
Branko Lampl	Member of the Supervisory Board	until 12 July 2020
Josip Lasić	Member of the Supervisory Board	until 15 March 2020
Vladimir Plečko	Member of the Supervisory Board	until 1 June 2020
Joško Miliša	President of the Supervisory Board	as of 13 July 2020
Darko Horvatin	Deputy President of the Supervisory Board	as of 17 November 2020
Branko Lampl	Member of the Supervisory Board	as of 13 July 2020
Ivan Milčić	Member of the Supervisory Board	as of 13 July 2020
Maja Martinović	Member of the Supervisory Board	as of 17 November 2020
Ruža Podborkić	Member of the Supervisory Board	as of 29 October 2020
Mario Radaković	Member of the Supervisory Board	as of 14 October 2020
Zvonimir Savić	Member of the Supervisory Board	as of 17 November 2020
Danko Škare	Member of the Supervisory Board	as of 13 July 2020

In 2020, the Supervisory Board held fourteen meetings. The Supervisory Board adjusted its functioning to the circumstances caused by the COVID-19 virus and recommendations given by the Civil Protection Headquarters, holding most of its meetings via teleconference or videoconference. All the members participated in decision-making at all the meetings, casting their votes by videoconferencing or in writing, as provided for in the Rules of Procedure of Supervisory Board.

The Management and Supervisory Board closely cooperate in the best interests of the Company and the Group, through joint meetings and other communication channels as necessary. The Supervisory Board was duly and regularly informed by the Management Board on any business events of greater importance, the course of business operations, income and expenditure and the general status of the Company and the Group. The Management Board submitted to the Supervisory Board quarterly, semi-annual and annual business reports, within legally prescribed time limits. The Supervisory Board adopted them unanimously and without objections to the reports. In addition, the Supervisory Board was informed by the Management Board on corporate strategy, planning, business events, risk management, compliance, any deviations of business events from the original plans and estimates, as well as significant business transactions involving the Company and its affiliates.

The Supervisory Board evaluated the profile and competencies of individual Supervisory Board members and members of its committees. The evaluation was carried out by the president of the Supervisory Board with the assistance of appropriate committees, without engaging an external auditor.

The Supervisory Board consists of 9 members (optimal number) who all possess the knowledge, skills, as well as professional experience required for the performance of their duties. Diversity aspect is taken into consideration by ensuring the appropriate number of female members. Evaluation of the members of the Supervisory Board and its committees confirmed that every member makes an effective contribution, demonstrating commitment to their role and dedicating sufficient time to their duties.

Administrative support in preparing Supervisory Board meetings is provided by the Company Secretary, in an efficient and timely manner.

Out of 9 members of the Supervisory Board, women make 22%. When making proposals for appointment to the Supervisory Board of the Company, in addition to, primarily, the necessary expertise of the candidates, the Supervisory Board also considers the aspect of diversity.

Four committees operate within the Supervisory Board, assisting the Supervisory Board in the performance of its duties: Audit Committee, Strategic and Business Development Committee, Appointments Committee and Remuneration Committee. Members of all the committees are appointed from the ranks of the Supervisory Board. At the Supervisory Board meeting held on 4 December 2020, the Supervisory Board adopted the Rules of Procedure of Supervisory Board.

Darko Horvatin is the President of the Audit Committee, and Mario Radaković and Joško Miliša are its members.

The Audit Committee met three times in 2020. All the members of the Audit Committee participated in decision-making at all the meetings. At the meetings, the committee members discussed, made decisions and gave recommendations to the Supervisory Board on the following matters: reports on the implementation of the annual internal audit plan, implementation of the policy on the provision of non-audit services for 2020, supervision of the statutory audit and consolidated and unconsolidated annual financial statements for 2020, making recommendations for the adoption of those reports, and appointing auditors for 2020.

Strategic and Business Development Committee consists of five members. Ivan Milčić is the President of the Strategic and Business Development Committee and its members are: Branko Lampl, Zvonimir Savić, Joško Miliša and Maja Martinović. All members of the Committee are also members of the Supervisory Board. In 2020, the Committee held two meetings and they were attended by all the Committee members.

Appointments Committee is a working body of the Supervisory Board formed for the purpose of preparing decisions to be made by the Supervisory Board. The Committee is competent for holding discussions and submitting proposals to the Supervisory Board regarding decisions on the appointment and election of Management Board members. The President of the Committee is Danko Škare, and Darko Horvatin and Ivan Milčić are its members. All members of the Committee are also members of the Supervisory Board. In 2020, the Committee held one meeting, which was attended by all the Committee members.

Remuneration Committee outlines the content of Management Board member contracts and determines the structure of their remuneration. The Committee is in charge of drawing up the Remuneration Policy for Members of the Management and Supervisory Boards. At the Supervisory Board meeting held on 28 May 2020, at the proposal of the Remuneration Committee, the Supervisory Board defined the Remuneration Policy, which was adopted by the General Assembly at a meeting held on 1 June 2020. The President of the Remuneration Committee is Branko Lampl, and Maja Martinović and Ruža Podborkić are its members. All members of the Committee are also members of the Supervisory Board. In 2020, the Committee held one meeting, which was attended by all the Committee members.

Considering that the term of office of the Management Board President, Deputy President and Members Darinko Bago, Gordana Kolak, Marina Kralj Miliša, Miroslav Poljak and Miki Huljić expired on 19 January 2020, the Supervisory Board adopted a decision on the appointment of the president and members of the Management Board, which was composed of:

Gordana Kolak	President of the Management Board in charge of the area of energy (electricity generation, transmission and distribution)
Ivan Bahun	Deputy President of the Management Board in charge of the area of transport
Josip Ljulj	Member of the Management Board in charge of the area of industry
Miki Huljić	Member of the Management Board in charge of real estate management
Josip Lasić	Member of the Management Board in charge of the area of economics and finance
Božidar Poldrugač	Member of the Management Board in charge of digital solutions, ICT and urban infrastructure

Supervisory Board meetings are also attended by the members of the Management Board and, within their scope of responsibilities, they report to the Supervisory Board on certain issues and provide the Board with all additional clarifications requested, thus allowing the Board to discuss all items on the agenda thoroughly and adopt relevant positions, that is, make necessary decisions. In this respect, the Supervisory Board deems the cooperation with the Management Board to be successful.

The Supervisory Board has assessed the efficiency of arrangements for cooperation between the Supervisory Board and the Management Board as well as the adequacy of support and information received by the Management Board.

The Supervisory Board has assessed that the cooperation was successful and that the Management Board delivered complete information in a timely manner and provided adequate support to the work of the Supervisory Board.

In line with its duties, the Supervisory Board has carried out supervision and a review of the Company's financial records and documentation and established that KONČAR – Electrical Industry Inc. operates in accordance with the law, the Company's Articles of Association, other Company documents and decisions of the General Assembly.

The Supervisory Board has reviewed the auditor's reports made by KPMG Croatia d.o.o. from Zagreb, Ivana Lučića 2a, which audited the Company's annual financial statements for 2020, and approved the auditor's reports submitted to the Board.

The Report of the Management Board of the Dependent Company on Relations with Affiliates for 2020 has been reviewed and approved by the Company's Supervisory Board. The auditor has audited the Report and expressed a reasonable assurance conclusion on the audit of the Report on the Company's Relations with Affiliates for 2020. In the auditor's opinion, the disclosures made in the Report are accurate in all material respects and in legal transactions stated in the Report, in accordance with the circumstances known at the moment when such transactions were made, the value of the Company's consideration was not inappropriately high in any material respect.

Upon review of the Company's annual financial statements for 2020, submitted by the Management Board of the Company, the Supervisory Board has found that the annual financial statements of KONČAR – Electrical Industry Inc. for 2020 were drafted in accordance with the situation established in the Company's financial records and that they reflect the financial status and results of business operations of the Company accurately. The Supervisory Board has therefore granted its approval for the statements and pursuant to Article 300d of the Companies Act, the reports are deemed approved.

The Supervisory Board has approved the Annual Report on the State of KONČAR – Electrical Industry Inc. for 2020 and related financial statements.

The Management Board of KONČAR – Electrical Industry Inc. has submitted to the Supervisory Board the following proposal on the use of profit realised in 2020:

- the amount of HRK 340,615.34 (5%) shall be allocated to legal reserves
- the amount of HRK 340,615.34 (5%) shall be allocated to other reserves
- it is proposed that the General Assembly allocate the remaining profit in the amount of HRK 6,131,076.02 to retained earnings.

The Supervisory Board agrees with this proposal of the Management Board on the use of profit and proposes that this decision be adopted by the General Assembly.

The Supervisory Board has adopted the Report on the Remuneration of Members of the Management Board and the Supervisory Board of Končar – Electrical Industry Inc. The Report has been audited by KPMG, which has expressed limited assurance regarding the audit of the Remuneration Report. Based on the procedures carried out and evidence obtained, the auditor has concluded that nothing has come to its attention that causes it to believe that the Remuneration Report for 2020 has not been drawn up in accordance with Article 272r, paragraphs 1 and 2 of the Companies Act in any material respect, i.e. that it does not contain the information specified therein. The Remuneration Report has been approved by the Remuneration Committee and the Supervisory Board. The Supervisory Board proposes that the Remuneration Report be adopted by the General Assembly.

Zagreb, 14 April 2021

President of the Supervisory Board
Joško Miliša