

The Corporate Governance Principles have been adopted by our Supervisory Board and the Managing Director and they provide the framework for corporate governance at Ericsson Nikola Tesla d.d. (ETK) Zagreb

## **CORPORATE GOVERNANCE PRINCIPLES OF ERICSSON NIKOLA TESLA d.d. ZAGREB**

### **I. INTRODUCTION**

The corporate social responsibility is a constituent part of Ericsson Nikola Tesla's business strategy. Our Supervisory Board and the Managing Director believes that company has to maintain high standards of corporate management, the care of employees, sustainable development and environmental protection and should be a good corporate citizen. Ericsson Nikola Tesla follows the principles of the United Nations declarations related to human rights, and considers these principles as the prerequisite for sound, long-term business developments. As a receiver of the certificate Recognized for Excellence awarded by the European Foundation for Quality Management Ericsson Nikola Tesla recognizes its corporate social responsibility and operates accordingly.

The corporate governance principles include implicitly that business developments take place in compliance with the relevant legal provisions of the country where the company performs its operations and that the company strives to meet the highest standards of corporate governance.

All governance principles stated in this document are based on the Croatian Company Act, on the Law on Securities Market and on the Rules of the Zagreb Stock Exchange, as Ericsson Nikola Tesla is a registered company of the Republic of Croatia and that Ericsson Nikola Tesla securities are listed in the stock quotation of public joint stock companies on the Zagreb Stock Exchange.

The corporate governance of the Company has the aim to create long-term economic value for its shareholders. In fulfilling this mission the Managing Director and the Supervisory Board will consider the interests of other stakeholders. The objective of these Corporate Governance Guidelines is to describe certain processes and procedures intended to provide reasonable assurance that those to whom the shareholders entrust the management and success of the Company, act in the best interests of the Company and its shareholders.

### **II. DUTIES AND RESPONSIBILITIES OF THE MANAGING DIRECTOR AND SUPERVISORY BOARD OF ERICSSON NIKOLA TESLA, AS WELL AS AUDITORS**

#### **The Managing Director**

The role of the Managing Director in conducting the business is defined in the Company Act, in the Statute and in internal rulebooks of Ericsson Nikola Tesla.

It is the responsibility of the Managing Director to conduct the business of the company with the care of a good and conscientious manager and in the interests of the joint stock company and its shareholders.

The Managing Director of Ericsson Nikola Tesla (President of the Company) is appointed for the period of 5 years and may be re-appointed by Supervisory Board.

The Managing Director and the Supervisory Board report to the General Assembly.

The Managing Director together with the Supervisory Board shall secure equal treatment of shareholders.

The Managing Director shall organize the management structure in Ericsson Nikola Tesla.

The Managing Director shall especially take care of shareholders' relations and of their interests.

The remuneration for the Managing Director shall be related to the business results of the Company and shall be determined by the Supervisory Board.

The Managing Director has the following non-transferable rights and obligations:

- to develop, discuss and approve the strategy and business plan of the Company and secure its implementation;
- to report regularly to the Supervisory Board pursuant to the Company Act and to the Statute of Ericsson Nikola Tesla;
- to secure the basis for conductance of business in Ericsson Nikola Tesla and for that purpose to adopt relevant enactments and standard business procedures;
- to organize a consistent accounting and financial control complying with valid regulations and financial planning;
- to determine the business organization, to appoint and recall the management with the purpose to establish an effective organizational structure and to determine the principles of remuneration for the management;
- to secure the monitoring of the management, to make decisions on authorization for signature and representation of Ericsson Nikola Tesla;
- to supervise the compliance of management actions with relevant legal provisions, with the Statute of Ericsson Nikola Tesla, with decisions and general enactments issued by the Managing Director and with the business plan,
- to assess persons, in the first line of management and to secure a succession and development plan,
- in acc. with the Croatian Company Act to prepare business reports in compliance with valid regulations, point out deviations of the actual business development from previously formulated plans and objectives, indicating the reasons for that;
- to prepare the Annual Meeting of the General Shareholders Assembly of Ericsson Nikola Tesla and to implement its resolutions;
- The Managing Director is bound by the company's best interests and may not pursue personal interests in decisions or use business opportunities intended for the company for herself /himself. The Managing Director is obliged to promptly disclose conflicts of interest to the Supervisory Board.

## The Supervisory Board

The monitoring role of the Supervisory Board is determined by the provisions of the Croatian Company Law and the Statute of Ericsson Nikola Tesla.

In order to fulfill their tasks and responsibilities the members of the Supervisory Board receive and are entitled to request timely and reliable information about the business conduct of Ericsson Nikola Tesla from the Managing Director.

It is the responsibility of the Supervisory Board to inform shareholders about its monitoring role and to secure the observance of law.

The Board shall apply high ethical standards and it shall consider the interests of the company and its shareholders.

The Supervisory Board consists of five members that are elected for a period of 4 years with the possibility to be re-elected. One member of the Board is a representative of employees.

The Board shall be comprised of members who have the required knowledge, abilities and professional experience to properly complete their tasks.

The Supervisory Board holds meetings at least four times a year. Among its members, the Board elects the chairman and a deputy chairman. Decisions are made by the majority of votes of all Board members.

## Obligations and responsibilities of the Supervisory Board

- The task of the Supervisory Board is to supervise the Managing Director in the conducting the business
- The Supervisory Board appoints and recalls the Managing Director. The selection of a well-qualified and ethical Managing Director of the Company is one of the most important functions of the Board.
- The Supervisory Board shall submit a written report to the General Assembly with reference to its monitoring role. In that report it shall state whether the Company operates pursuant to the law, to the enactments of the Company and decisions made by the General Assembly, whether annual reports are prepared in full compliance with the business records, and whether they properly indicate the business status and assets of the Company, also their standpoint on the allocation of net income as proposed by the Managing Director.
- The Supervisory Board issues the audit mandate to an Auditor to examine the annual financial statements of Ericsson Nikola Tesla.
- The members of the Supervisory Board shall not disclose confidential information about Ericsson Nikola Tesla.
- The members of the Supervisory Board shall ensure that they have enough time available to exercise their duties carefully and conscientiously;
- The members of the Supervisory Board must disclose conflicts of interest to the chairman of the Supervisory Board. In such cases the interests of the Company have priority and members involved in a conflict of interest shall not take part in respective decision-making.

## Auditors

The Supervisory Board shall be fully informed about the work and observations provided by the independent company auditor.

Independent auditors who is appointed by the General Shareholders Assembly, carry out annual audit of financial and business reports to assure independent opinion on the preparation and presentation of financial statements. The report of the independent auditor to the General Assembly is a constituent part of the Annual Report.

## III. RELATIONS WITH SHAREHOLDERS

### Shareholders and the General Assembly

Shareholders exercise their rights at the General Assembly and vote there. Each share carries one vote.

The General Shareholders Assembly resolves on the allocation of net income and on the discharge of the Managing Director and of the Supervisory Board on how they conducted business activities.

Furthermore, the General Assembly decides on the recall and election of the members of the Supervisory Board, resolves on the amendments to the Statute, on the recall and appointment of an independent auditor of annual financial statements, on the listing of shares on a Stock Exchange or regulated public market, also on delisting from these as well as on other issues defined by the law and the Company Statute.

Shareholders present at the General Assembly are entitled to put questions to the Managing Director.

The General Assembly is convened by the Managing Director giving details of the Agenda, place and time of the Meeting. Shareholders owning shares that represent five percent or more of the share capital are entitled to demand the convening of a General Assembly and may propose additional items to the Agenda under conditions provided by the Croatian Company Act and Statute of Ericsson Nikola Tesla.

The invitation to the General Assembly together with the details of the Agenda is published on the Company's Internet site and in the Official Gazette of the Republic of Croatia.

## IV. REPORTING AND TRANSPARENCY

Ericsson Nikola Tesla believes that its credibility increases with correct behavior towards stakeholders and also having the reputation of good corporate citizen.

The Company will disclose without delay any new facts that may substantially influence the price of the company's securities. The Company shall secure timely, accurate and regular communication to all stakeholders about the business performance.

The company operates in compliance with the Zagreb Stock Exchange Rules and it regularly delivers to the Stock Exchange its financial and business statements, notices

related to the General Shareholders Assembly including the regular reporting on activities that, if disclosed, may influence the price of securities.

To improve the relations with investors and shareholders regarding the reporting of financial and performance indicators, the Company has appointed an Investor Relations Manager.

The Company shall use suitable communication media, such as the Internet, to inform shareholders and investors in a prompt and uniform manner.

As a part of the regular information policy, the dates of essential regular events important to the investors shall be published on the Internet page of the company.

Any employee having privileged information about the Company shall act in compliance with the Rule Book of Transfer of Ericsson Nikola Tesla Securities. The purpose of this Rule Book is to secure that employees and persons related to them do not make use of undisclosed, price sensitive information when deciding to acquire or dispose of the company's securities.