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| Orhideja Gjenero / Branka Vučemilo Elezović | Supervisory Board and Management Board of Ericsson Nikola Tesla d.d. | | |
| Document Number | Revision | Date | Reference |
| ETK-2022:000428 Uen | C | 2022-05-02 | |

Corporate Governance Principles of Ericsson Nikola Tesla d.d.

Corporate Governance Principles have been adopted by the Supervisory Board and the Management Board of the Company and they provide a framework for corporate governance at the Ericsson Nikola Tesla d.d.

1. INTRODUCTION

Corporate social responsibility is an integral part of the business strategy of Ericsson Nikola Tesla Group. The Supervisory Board and the Management Board of the joint-stock company believe that the Company must maintain high standards of corporate governance, take care of its employees, sustainable development and environmental protection, as well as to be a good corporate citizen. Ericsson Nikola Tesla d.d. adheres to the principles of the United Nations related to human rights and considers these principles as the prerequisite for sound and long-term business. Ericsson Nikola Tesla d.d. recognizes its social responsibility and operates accordingly.

Corporate governance principles imply that business operations are performed in compliance with the relevant legal provisions of the country where the company performs 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 Companies Act, the Capital Market Act and the Rules of the Zagreb Stock Exchange, as Ericsson Nikola Tesla d.d. is a company registered in the Republic of Croatia and the shares of Ericsson Nikola Tesla d.d. are listed at the Regular Market of the Zagreb Stock Exchange.

Corporate governance of the company aims to create long-term economic value for its shareholders. In fulfilling this mission, the Management Board and the Supervisory Board will consider the interests of other stakeholders. The objective of these Corporate Governance Principles is to describe certain processes and procedures in order to provide reasonable assurance that those to whom the shareholders have entrusted the management and success of the Company, act in the best interests of the Company and its shareholders.



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2. DUTIES AND RESPONSIBILITIES OF THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND AUDITORS

The Management Board (Managing Director)

The role of the Management Board (Managing Director) in conducting business has been defined by the Companies Act, the Articles of Association and internal rulebooks of Ericsson Nikola Tesla d.d.

It is the responsibility of the Management Board (Managing Director) to conduct the Company's business with the care of a good and conscientious manager in the interest of the Company and its shareholders.

Member of the Management Board is not allowed to hold more than two positions in the Management Board or the Supervisory Board in the companies which do belong to Ericsson Nikola Tesla Group.

Member of the Management Board is not allowed to perform activities that compete with the business of the Company, she/he is not allowed to be member of the Management Board or the Supervisory Board of the companies that carry out such activities nor hold more than 5% shares in such companies.

Ericsson Nikola Tesla has a Management Board that consists of one member, the Company's Managing Director (President of the Company), who is appointed for a five-year term, and may be reappointed by the Supervisory Board.

The Management Board and the Supervisory Board report to the Company's Annual General Meeting. The Management Board, together with the Supervisory Board, shall secure equal treatment of shareholders.

The management structure of Ericsson Nikola Tesla d.d. shall be organized by the Management Board.

The Management Board shall especially take care of relations with shareholders and their interests.

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

The Management Board has the following non-transferable rights and obligations:

- to define the Company's strategy and business plan and to secure its implementation;
- to report regularly to the Supervisory Board pursuant to the Companies Act, Ericsson Nikola Tesla d.d. Articles of Association and Rules of Procedure of Ericsson Nikola Tesla Supervisory Board;
- to secure the foundation for conducting business of the Company and for that purpose adopt relevant enactments (decisions, rules, policies, guidelines, etc.);
- to organize a consistent accounting and financial control complying with valid regulations and financial planning;



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- to determine the business organization, to appoint and recall the members of executive management with the purpose to establish an effective organizational structure and to determine the principles of their remuneration;
- to secure the monitoring of the executive management, to reach decisions on the scope of their authorization and responsibilities;
- to supervise whether the work of executive management is in line with the relevant legal provisions, Articles of Association of Ericsson Nikola Tesla d.d., decisions and general enactments issued by the Management Board, and the business plan;
- to evaluate the first-line executive managers and secure a succession and development plan;
- in compliance with the Croatian Companies Act and other valid regulations, prepare business report, point out deviations of the actual business development from previously defined plans and objectives, indicating the reasons for that;
- to convene Ericsson Nikola Tesla joint-stock company's Annual General Meeting and implement its resolutions;
- The Management Board is bound by the Company's best interests and may not pursue personal interests in making decisions or use business opportunities intended for the Company for herself/himself.
- The Management Board must inform the Chairperson of the Supervisory Board on the existing or a potential conflict of interest;
- The Management Board must immediately inform the Supervisory Board if an event occurs, or it is likely that an event will occur, that potentially may have a significant impact on the results, financial position or the Company's reputation;
- The Management Board must inform the Supervisory Board on all detected deviations (related to reporting non-compliance) and agree upon the measures that must be implemented;
- If the Management Board holds shares in the companies with which the Company is in the competition, the Management Board must inform the Secretary of the Company of all the shares in such companies. The details of these shares will be available free of charge on the Company's website.

The Supervisory Board

The Supervisory Board's role in monitoring the Company's business is determined by the Croatian Companies Act, Ericsson Nikola Tesla d.d. Articles of Association and Rules of Procedure of Ericsson Nikola Tesla Supervisory Board. The Supervisory Board represents the Company towards the Management Board (Managing Director).



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In order to fulfill their tasks and responsibilities, members of the Supervisory Board receive and are entitled to request from the Management Board to submit timely and reliable information about the business operations of the Company and its subsidiaries (Group).

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

The Supervisory Board shall apply high ethical standards and shall consider the interests of the Company and its shareholders.

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

The Supervisory Board shall be comprised of members who have the required knowledge, competencies and professional experience to properly carry out their tasks.

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

Members of the Supervisory Board are not allowed to perform activities that compete with the business of the Company, are not allowed to be members of the management or supervisory board of the companies that carry out such activities nor hold more than 5% shares in such companies.

Obligations and responsibilities of the Supervisory Board

- The task of the Supervisory Board is to supervise the Management Board in conducting business;
- The Supervisory Board appoints and recalls the Management Board, i.e. the Managing Director. Appointment of a well-qualified and ethical Managing Director of the Company is one of the most important functions of the Supervisory Board;
- The Supervisory Board is obliged to submit a written report to the Annual General Meeting with reference to performed monitoring of business operations. In that report, it shall state whether the Company operates pursuant to the applicable regulations, the enactments of the Company and decisions made at the Annual General Meeting, whether the annual financial statements have been prepared in accordance with the business records, and whether they properly indicate the business status and assets of the Company and its subsidiaries, as well as their standpoint on the allocation of net profit as proposed by the Management Board;
- The Supervisory Board issues the audit mandate to an Auditor to examine the annual financial statements of the Company and the Group;
- Members of the Supervisory Board shall not disclose confidential information about Ericsson Nikola Tesla Group;
- Members of the Supervisory Board shall ensure that they have enough time available to exercise their duties carefully and conscientiously;
- The Supervisory Board gives a prior approval of transactions involving the members of the Management Board or the Supervisory Board and the Company,



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i.e. persons related to either party (related party transactions). The fair value of all material transactions, as defined by law, must be confirmed by an independent expert prior to the transaction. The report of an independent expert should be made available free of charge on the Company's website. The Supervisory Board should ensure that procedures are in place for approving and publicly announcing transaction with related parties in a way that they comply with legal provisions and financial reporting standards. The Audit Committee must evaluate the effectiveness of these procedures as well as the process of verifying whether the Company has undertaken transactions with related parties under standard market conditions, at least once a year;

- Members of the Supervisory Board must disclose to the entire Supervisory Board that they are in the existing or a potential conflict of interest. In such cases, the interests of the Company without exception have priority and members involved in a conflict of interest shall not take part in voting;
- Members of the Supervisory Board who hold shares in the companies with which the Company is in the competition, have to inform the Secretary of the Company of all the stakes in such companies. The details of these stakes will be available free of charge on the Company's website;
- Supervisory Board members must inform the Secretary of the Company about their membership in the Supervisory Board or the Management Board of other companies;
- Supervisory Board may convene the Annual General Meeting of the Company; and it must do this when this is necessary for the welfare of the Company.

Auditors

Independent auditors who are appointed at the Company's Annual General Meeting carry out annual audit of financial and business reports to assure independent, fair opinion on the preparation and presentation of financial statements. The report of the independent auditor to the Annual General Meeting is an integral part of the Annual Report.

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

3. RELATIONS WITH SHAREHOLDERS

Shareholders and the Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting and vote there. Each share carries one vote. At the Annual General Meeting shareholders decide on the allocation of net profit and give a discharge from liability to the Managing Director and the Supervisory Board.



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Furthermore, at the Annual General Meeting it is decided on the recall and election of the members of the Supervisory Board, on the amendments to the Articles of Association, on the 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's Articles of Association.

Shareholders that are present at the Annual General Meeting have the right to ask questions to the Management Board and the Supervisory Board.

The Annual General Meeting is convened by the Management Board who gives 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 the Annual General Meeting and may propose additional items to the Agenda under conditions determined by the Croatian Companies Act and the Company's Articles of Association.

Invitation to the Annual General Meeting and the details of the Agenda are published on the Company's website, on the website where the publications of the entities entered in the court register of the Commercial Court in Zagreb are placed as well as other appropriate places, in accordance with the Companies Act.

4. REPORTING AND TRANSPARENCY

The Management Board and the Supervisory Board of Ericsson Nikola Tesla d.d. believe that the Company's credibility increases with the correct behavior towards stakeholders and having a reputation of being a socially responsible Company.

The Company will disclose without delay all new facts that may substantially influence the price of the Company's shares and shall secure that all stakeholders are timely, accurately and regularly informed about the Company's business performance.

The Company operates in compliance with the Zagreb Stock Exchange Rules and regularly submits to the Stock Exchange its financial and business statements, notices related to the Annual General Meeting, including the regular reporting on activities that, if disclosed, may influence the price of shares.

Investors and shareholders may ask and timely receive information about Ericsson Nikola Tesla Group from the Management Board and the Supervisory Board via e-mail, listed in Contacts on the Company's web pages.

To improve the relations with investors and shareholders related to reporting on business and financial performance, the Management Board 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 key events that are important to the investors shall be published on the Company's website.



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Any employee having privileged information about the Company shall act in compliance with the Rulebook on inside information and transfer of securities of Ericsson Nikola Tesla d.d. The purpose of this Rulebook is to secure that certain employees and the persons related to them do not make use of undisclosed price-sensitive information when deciding to acquire or dispose of the company's shares.