

Prepared (also subject responsible if other)		No.		
ETK Audit Committee		ETK-2017:000159 Uen		
Approved	Checked	Date	Rev	Reference
ETK Supervisory Board		2020-07-20	RevB	

Information copy:

Receiver:

ETK Audit Committee Charter

(hereinafter: the “**Charter**”)

Preamble

This Charter is prepared in consideration of applicable provisions of the Croatian Companies Act, Croatian Audit Act, ETK Article of Association and Code of Corporate Governance adopted by Croatian Financial Services Supervisory Agency (HANFA) and Zagreb Stock Exchange (ZSE).

1 General Provisions

The role of the Audit Committee of the ETK (hereinafter: the “**AC**”) under this Charter is to assist the Supervisory Board of the ETK (hereinafter the “**SB**”) in performing its tasks and to conduct other activities required under mandatory rules of applicable laws and other provisions.

AC shall operate as specialized body of the SB and thus authority of the AC shall be derived from the authority of the SB.

The secretary of the SB shall also be the secretary of the AC.

2 Cooperation with Other Bodies and Persons

In order to fulfill its tasks and manage its responsibilities, the AC shall collaborate with ETK Management Board (hereinafter the “**MB**”), the ETK Finance Director, the persons responsible for ETK internal controls and risk and security management and other organizational units and employees of ETK responsible for and/or involved in the financial reporting activities, external audit and internal control, risk and security management and other activities of the AC.

3 Membership

The AC is composed of at least three members. The total number of AC members must always be an uneven number. At least one member of the AC shall have competence in accounting and/or audit.

The members of the AC shall be appointed by the SB. Members of the MB or executive directors (i.e. LT members) of ETK cannot be appointed as members of the AC.

The AC members as a whole shall have competence relevant to the ICT sector.

Prepared (also subject responsible if other) ETK Audit Committee		No. ETK-2017:000159 Uen		
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A majority of the members of the AC shall be independent from ETK.

The AC's chairman shall be appointed by ETK SB between the independent SB members.

4 Responsibility

The AC is responsible for:

- informing the SB of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the AC was in that process;
- monitoring the financial reporting procedure and submitting recommendations or proposals to ensure its integrity;
- monitoring the effectiveness of the ETK's internal quality control and risk management systems and its internal audit regarding the financial reporting without breaching its independence;
- ensuring the independence and adequacy of the internal audit function;
- monitoring the statutory audit of the annual unconsolidated and consolidated financial statements taking into account any findings and conclusions by the competent authority;
- monitoring and reviewing the independence, the qualification and the effectiveness of the statutory auditor(s), and the appropriateness of the provision of non-audit services to the ETK by the statutory auditor carrying out its statutory audit in accordance with the Exhibit A to this Charter (*ETK Audit Committee Pre-Approval Policy*);
- the procedure of the selection of statutory auditor(s);
- submitting a recommendation to the SB for the appointment of the statutory auditor(s);
- agreeing an annual work plans and annual report of the internal audit as well as important issues regarding this area;
- monitoring the implementation of actions identified as a result of external and internal audit and its own monitoring; and
- monitoring of activities with regards to compliance with laws, ETK articles of association, ETK Corporate Governance Code and other company's internal acts.

Meetings and Frequency

The committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

Work Plan

The AC will collaborate with SB and MB to establish annual work plan to ensure that the responsibilities of the AC are scheduled and will be carried out.

Prepared (also subject responsible if other) ETK Audit Committee		No. ETK-2017:000159 Uen		
Approved ETK Supervisory Board	Checked	Date 2020-07-20	Rev RevB	Reference

Meeting Agenda

The AC chairman will establish agendas for audit committee meetings in consultation with AC members.

The AC meeting shall be convened by the secretary of the AC with the previous consent of the chairman of the AC.

The invitation shall comprise the meeting agenda as well as envisaged time and place of the meeting.

The invitations shall be delivered to the members of the AC, and if needed, to any of the visiting participants listed below.

The invitation can be delivered personally or via electronic mail. In particularly urgent cases, the invitation can be delivered via telephone but then compulsory annotation in that respect shall be included in the minutes of the meeting.

Visiting Participants

The following visiting participants can attend meeting(s) of the AC:

- the member(s) of the MB;
- the Finance Director of the ETK;
- the person responsible for ETK Internal controls
- the persons responsible for ETK risk and security management;
- the Compliance Officer of ETK
- the Legal Department Director of the ETK;
- external auditors; and
- the financial or legal experts and other specialists familiar with the specific topic of interest in the AC.

If not already bound by the duty of confidentiality on grounds of employment or other existing contract(s) or by mandatory provisions regulating their profession, before joining the meeting of the AC, the visiting participants shall be obliged to sign a non-disclosure agreement.

For avoidance of any doubt, the visiting participants shall attend only the part of the meeting(s) of the AC which refers to the discussion on the action point(s) for which they have been invited.

Minutes of the Meeting

The minutes of the meeting of the AC shall be signed by the chairman of the AC and the secretary of the AC.

Each member of the AC and the SB is entitled to a copy of the minutes of the meeting of the AC signed in accordance with the previous paragraph.

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Certain action point(s) from the minutes of the meeting of the AC can be shared with other organizational units and employees of the ETK, providing such sharing is done under the explicit instructions of the AC.

The minutes of the meeting of the AC shall be kept in the archive of the secretary of the AC.

Remuneration of the audit committee members

Work in the AC should be remunerated for all the members of the AC.

Levels of the remuneration for the chairman and other members of the audit committee should reflect the time commitment and responsibilities involved.

Remuneration should not include variable or other performance – related elements.

SB will decide on the levels of remuneration for the chairman and other members of the AC.

5 Reporting responsibilities

The chairman of the AC shall report formally to the SB on its proceedings after each meeting on all matters within its duties and responsibilities.

The AC shall make whatever recommendations to the SB it deems appropriate on any area within its remit where action or improvement is needed.

The AC shall prepare on annual basis or often if required so by the SB a report on its role and responsibilities and the actions it has taken to discharge those responsibilities.

The AC shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the SB.

6 Coming into Force and Interpretation

This Charter shall come into force and be applied when approved by the SB.

This Charter will be made freely available and easily accesible on the website of ETK.

The SB shall be responsible for interpretation of this Charter.

Chairman of the Supervisory Board

Franck Pierre Roland Bouétard