

Corporate governance principles of Ericsson Nikola Tesla d.d.

Corporate Governance Principles* have been adopted by our Supervisory Board and the Managing Director and they provide a framework for corporate governance at joint-stock company Ericsson Nikola Tesla d.d.

I. INTRODUCTION

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

Corporate governance principles imply that business developments take place in compliance with 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 d.d. is a company registered in the Republic of Croatia and that Ericsson Nikola Tesla d.d. shares are traded in 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 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 have entrusted the management and success of the company, act in the best interests of the company and its shareholders.

II. DUTIES AND RESPONSIBILITIES OF ERICSSON NIKOLA TESLA d.d.'s MANAGING DIRECTOR AND SUPERVISORY BOARD AS WELL AS ITS AUDITORS

The Managing Director

The role of the Managing Director in conducting the business has been defined in the Company Act, the Articles of Association and internal rulebooks of Ericsson Nikola Tesla d.d.

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

The Managing Director of Ericsson Nikola Tesla (President of the Company) is appointed for a five-year term and may be re-appointed by the 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 d.d.

The Managing Director shall especially take care of shareholders' relations and 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 company's strategy and business plan as well as to secure its implementation;
- to report regularly to the Supervisory Board pursuant to the Company Act and Ericsson Nikola Tesla d.d. Articles of Association;
- to secure the basis for conducting business of Ericsson Nikola Tesla d.d. and for that purpose 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 d.d.;
- to supervise the compliance of management actions with relevant legal provisions, with Ericsson Nikola Tesla d.d. Articles of Association, with decisions and general enactments issued by the Managing Director and with the business plan;
- to assess first-line managers and secure a succession and development plan;
- in compliance with the Croatian Company Act and other valid regulations prepare business reports, point out deviations of the actual business development from previously defined plans and objectives, indicating the reasons for that;

- to prepare Ericsson Nikola Tesla joint-stock company's Annual General Meeting and implement its resolutions;
- The Managing Director 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 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 Act and Ericsson Nikola Tesla d.d. Articles of Association.

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

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 period 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, abilities 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.

Obligations and responsibilities of the Supervisory Board

- The task of the Supervisory Board is to supervise the Managing Director in conducting the business.
- The Supervisory Board appoints and recalls 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 General Assembly with reference to its monitoring role. In that report, it shall state whether the Company operates pursuant to the law, the enactments of the Company and decisions made at the Annual General Meeting, whether annual financial reports are prepared in full compliance with the business records, and whether they properly indicate the business status and assets of the Company, as well as 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 d.d.
- Members of the Supervisory Board shall not disclose confidential information about Ericsson Nikola Tesla d.d.
- Members of the Supervisory Board shall ensure that they have enough time available to exercise their duties carefully and conscientiously.
- Members of the Supervisory Board must disclose conflicts of interest to the chairperson of the Supervisory Board. In such cases, 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 an independent company auditor.
- Independent auditors who are appointed at the Annual General Meeting 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 Annual General Meeting is an integral part of the Annual Report.

III. 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 income and give a discharge from liability to the Managing Director and the Supervisory Board in relation to the exercise of their duties.

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 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's Articles of Association.

Shareholders that are present at the Annual General Meeting are entitled to put questions to the Managing Director.

The Annual General Meeting is convened by the Managing Director 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 provided by the Croatian Company 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 page where the court register is located and other appropriate places in accordance with the Companies Act.

IV. REPORTING AND TRANSPARENCY

Ericsson Nikola Tesla believes that the Company's credibility increases with correct behavior towards stakeholders and with the company having a reputation of being socially responsible.

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

The company operates in compliance with the Zagreb Stock Exchange Rules and regularly delivers 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 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 that are important to the investors shall be published on the website of the Company.

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 persons related to them do not make use of undisclosed, price-sensitive information when deciding to acquire or dispose of the company's securities.

* Corporate governance principles of Ericsson Nikola Tesla d.d. were adopted in April 2005. The document was further brought into conformity with the legislation in October 2018 and graphically designed in November 2020 (ETK-2020:000957 Uen).