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## Rules of Procedure of ETK Supervisory Board

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## 1 Introduction

The purpose of this document is to supplement mandatory provisions of the Companies Act (hereinafter: the "CA") and Statute of ERICSSON NIKOLA TESLA d.d. (hereinafter: "ETK" or "Company") which relate to Supervisory Board of ETK (hereinafter: "SB"). Furthermore, to follow the best practices of corporate governance, these Rules of Procedure provide for alignment with Corporate Governance Code adopted by Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange (hereinafter: the "Code") and ETK Governance Model.

As a result, SB should have a clear view on how to perform its duties and competences and cooperate with other bodies of ETK in the best interest of Company.

## 2 Composition

### 2.1 General

SB shall be composed in such a way that it is able to execute its tasks effectively, bring a different perspective into decision-making process, and exercise independent and objective judgement in the best interest of Company.

SB shall consist of five members, or more if it would be so prescribed by the ETK Statute, who are elected for a period of four years with possibility for re-election.

Four members of SB are elected by ETK General Assembly (hereinafter: "GA") and one is elected by the employees of Company.

Among its members, SB shall elect a Chairperson and a Deputy Chairperson. SB Chairperson or SB Deputy Chairperson will be independent within the meaning of the Code.

SB will set a target for the percentage of female members of SB to be achieved within the next five years counting from the day of these Rules of Procedure coming into force. Progress on the plan will be reported annually to SB by SB Chairperson.

Current members of the SB, as well as candidates for members of SB will undergo vetting conducted by external supplier agency. The same will apply to current members and candidates for ETK Audit Committee (hereinafter: "AC"). Obligation to undergo a vetting will not apply to dependent SB and AC current members and candidates for members who have already been Vetted by their mother company.

Upon their election by GA, new members of SB shall undergo an introduction training.

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## 2.2 SB Chairperson's Duties and Competences

SB Chairperson shall:


- a) agree the agenda of SB meetings with MB;
- b) convene the SB meetings;
- c) chair SB meetings, thereby enabling open and constructive discussion;
- d) ensure that Vetting under Paragraph 2.1. (*General*) above is performed;
- e) ensure that SB, its committees and their individual members have the resources, support and information needed for effective performance of their tasks;
- f) ensure that SB regularly receives information needed for performance of SB's tasks;
- g) ensure that any matter regarding remuneration of SB and/or MB members is addressed timely and in accordance with CA, Statute and internal acts of ETK; and
- h) perform activities set out in Item 2.2.1 (*Continuity of SB and MB*) below

### 2.2.1 Continuity of SB and MB

Within the limit of its powers, SB will ensure the continuity of SB and MB. This includes succession planning and setting up of formal and transparent procedures regarding election of members of SB and appointment of members of MB.

SB Chairperson should lead the above-mentioned activities by:

- a) preparing succession plans for SB and MB;
- b) preparing role and candidate descriptions for vacancy positions that are consistent with each board's profile and scope of duties;
- c) discussing terms of engagement and potential roles with the candidates for SB and providing recommendations for interviewed candidates to be included in the SB proposal for election which will be submitted to GA;
- d) discussing terms of engagement and potential roles with the candidates for MB and providing recommendations for interviewed candidates to be appointed by SB;
- e) overseeing the performance of the statutory process regarding SB proposal for election of its members which will be submitted to GA;
- f) overseeing the performance of the statutory process regarding SB appointment of members of MB; and

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- g) monitoring the progress regarding target percentage of female members of SB and MB.

## 2.3 Help and Assistance to SB

### 2.3.1 Committees

To make its operation more efficient, SB can form its committees. Such committees have a role to help SB with performance of its tasks but cannot assume the role and responsibilities of SB. Committees can be composed of members of SB and outside professionals. Foundation, adoption of their policies and appointment and recall of members of the committees are sole responsibility of SB.

### 2.3.2 Experts

SB can seek assistance from experts inside and outside ETK organization. Request for such assistance shall be submitted to MB which will ensure that it is adequately provided. The same applies for committees of SB.

### 2.3.3 Company Secretary

Company secretary is responsible for ensuring that SB procedures are complied with, advising the SB on governance and legal matters, and supporting of SB Chairperson in its duties.

## 3 SB Role and Cooperation with MB

### 3.1 SB Duties and Competences

Key duties and competences of SB are:

- a) monitoring of managing of Company by MB; without interfering with statutory duties of MB;
- b) appointing and recalling members of MB;
- c) representing Company towards MB;
- d) issuing authorization to statutory auditors of Company to examine the annual non-consolidated and consolidated financial statements of Company;
- e) not disclosing anything they learn by performing their duties as SB members, including but not limited to information obtained from confidential reports and advices given to Company, as these constitute business secret;

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- f) acting in the best interest of Company;
- g) ensuring that ETK SB members disclose any information required under the ETK Policy on Management of Conflict of Interest;
- h) ensuring that duties and competences of SB set by other provisions of these Rules of Procedure are duly fulfilled; and
- i) ensuring that SB members have enough time available to exercise their duties and competences with care and diligence.

## 3.2 Decisions of MB that Require Prior Approval or Consultation with SB

Managing Company is sole responsibility of MB. Responsibility of SB is to monitor managing of Company by MB. To enhance cooperation between SB and MB in the best interest of Company, certain decisions by MB shall be adopted with prior approval or consultation with SB.

This paragraph regulates which decision by MB require prior approval and which prior consultation with SB.

Other members of SB hereby authorize SB Chairperson to perform consultation with MB as described under this paragraph.

### 3.2.1 Categories of Decisions by MB that Require Prior Approval by SB

Decisions by MB that require prior approval by SB include:

- a) transactions with related parties in accordance with Art 263b of the CA;
- b) decisions on setting business strategy of Company for at least 1-year period(s);
- c) annual targets of ETK;
- d) business deals which have significant effect or might have significant effect on the Company (as assessed by MB), in particular those having considerable impact on financial stability and performance and/or structure and organization of the Company;
- e) establishment and dissolving of daughter companies and branch offices;
- f) mergers with and acquisitions of other companies (including ETK Group<sup>1</sup>);

<sup>1</sup>Companies from ETK Group are companies in which ETK owns more than 50% of shares and/or voting rights.

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- g) On balance customer financing for the amounts equal and above 4 MUSD;
- h) Long term borrowings for the amounts equal to and above 40 MHRK;
- i) CAPEX investments higher than 5 MHRK.

### 3.2.2 Categories of Decisions by MB that Require Prior Consultation with SB Chairperson

Decisions by MB that require prior consultation with SB include:

- a) selection of candidates and appointment of members of ETK Leadership Team;
- b) allocation of treasury shares to employees of Company; and
- c) Membership in SB of companies that are not part of ETK Group.

### 3.2.3 Proposal on the Use of Profits (Dividend)

Notwithstanding the Items 3.2.1 and 3.2.2 above, before exercising its statutory right to prepare and submit to GA a proposal on the dividend, MB shall align such proposal with SB.

## 4 SB Meetings

### 4.1 Agenda and Support

MB shall submit proposals for SB meeting agenda to SB Chairperson no later than 10 days before the meeting.

The regular meeting agenda items shall include:

- a) adopting Minutes of the previous SB meeting by the SB;
- b) business environment/key account business overview/risks;
- c) current financial results, investments;
- d) AC report;
- e) real estate/facility management;
- f) business overview and activities of key ETK units;
- g) innovation management;
- h) Human Resources & Organization;

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- i) Company projects (i.e. Digital Transformation, Energy Efficiency, Real Estate);
- j) compliance and security reports;
- k) investor activities; and
- l) events and other important activities.

Points relating to Items 3.2.1./b) and c) and 3.2.3 above, will be discussed and approved once a year or more frequently, if needed.

All supporting materials required for the SB meetings will be provided by SB secretary to all members of SB at least one week before the meeting.

## 4.2 Voting on the Meetings

Decisions of SB will be adopted by the majority votes of all of its members.

The vote in SB meeting may be given verbally or in writing by letter, telephone, email or fax.

## 4.3 Meeting Notifications and Timelines

The frequency of SB meetings is determined by needs of Company but should be held at least 4 times per calendar year.

SB secretary shall ensure that meeting notifications, including the agenda and supporting materials for the SB decisions and reports will be distributed, if possible, not later than one week before SB meeting. SB Secretary will make sure that all supporting materials are distributed at the same time to all SB members who will then notify SB Chairperson when the materials are received.

Notification on extraordinary meetings shall be made in time reasonably possible before the meeting. Any supporting documents for extraordinary SB meetings shall be distributed in time reasonably possible before the meeting.

Meeting invitation shall comprise the meeting agenda, as well as the proposed time and place of the meeting. The invitations shall be delivered by SB secretary. The invitation can be delivered by electronic mail or in person. In particularly urgent cases, the invitation can be delivered via telephone.

## 4.4 Minutes of the Meeting

Minutes of SB meeting shall be prepared by SB secretary.

The minutes of SB meetings shall contain at least the following:

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- relevant parts of the supporting documentation, oral or written, which formed the basis for the decision by SB;
- decisions adopted by SB;
- list of Action Points (AP) including the responsible person, completion time and status;
- results of closed APs; and
- information on the voting results including details on the voting of individual members.

Minutes of SB meeting shall be co-signed by SB Chairperson and SB secretary and the original shall be kept in the archive of SB secretary.

The minutes of the meeting will be made available to all members of SB.

## 5 Evaluation

At least once a year, SB should evaluate its effectiveness, as well as effectiveness of its individual members. The same shall apply for AC.

## 6 Confidentiality

All information provided to SB and AC members from the Company and which is not published shall be treated as strictly confidential and shall not be disclosed to third parties unless allowed by SB Chairperson and MB, in each individual case. In case that SB and AC members obtain inside information, such information under the law cannot be disclosed to anybody and the members of SB and AC cannot trade with shares of Company (or advise anybody else to do such trading).

## 7 Decision by SB and Confirmation

These Rules of Procedure are a result of the decision adopted by SB. As a confirmation of such decision, these Rules of Procedure are signed by SB Chairperson.

## 8 Coming into Force and Publication

These Rules of Procedure shall come into force on the day of their adoption by the SB and shall be published on ETK intranet pages after their signing by the SB Chairperson.



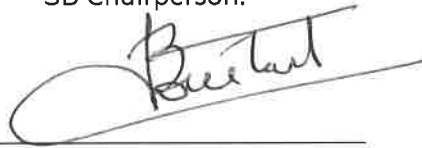
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## References

- [1] Companies Act
- [2] Statute of ETK
- [3] Corporate Governance Code adopted by Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange
- [4] ETK Governance Model
- [5] AC Charter
- [6] ETK Policy on Management of Conflict of Interest

SB Chairperson:



Franck Pierre Roland Bouétard