

# BOSQAR INVEST

## CODE OF CORPORATE GOVERNANCE BOSQAR D.D.

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# CODE OF CORPORATE GOVERNANCE

## 1 INTRODUCTORY PROVISIONS

BOSQAR d.d. (hereafter: BOSQAR d.d. or Company) as a business entity that acts and develops its business on the Croatian and international markets, is aware of the importance of the responsibility and ethically based behavior of business entities as the necessary precondition for developing quality relations, loyal competition and effective functioning of the market and integration of the Croatian economy in international waters. In that sense, BOSQAR d.d. develops and acts in accordance with good practice of cooperative management and seeks to, with its business strategy, business policy, key bylaws and business practice, contribute to a transparent and effective business and to higher quality relations with the business environment in which it acts.

The purpose of this Code is to establish the high standards of corporative management and transparency of the business of BOSQAR d.d. to facilitate the approach to the capital with lower costs, since the procedures of corporative investments that are based on international standards are clearly defined, one of the basic criteria for the management, i.e. the monitoring of business and managing functions of the Company, is primarily protected by investors, and secondly by other holders of interests.

BOSQAR d.d. is aware that the management includes conducting business, but only if simultaneous managing and conducting are not synonymous. The conduct of businesses involves daily decision making, while the purpose of managing includes establishing a vision and standard that affect those decisions. Management includes questions such as the purpose of the Company, relations with other persons and expected behavior of the administrator and employees of the Company. Bearing the aforementioned in mind, BOSQAR d.d. is aware that Companies with a good managing standard and transparency easily attract capital because of higher trust of the investors, which is why the benefit does not arise only for individual Companies but for the market and the economy of the whole country as well. Likewise, the companies that act ethically and have constructive relations with stakeholders have a good reputation which contributes to their success.

The goals and principles of corporate management performed by BOSQAR d.d. derive from the following principles:

- conducting business in accordance with the valid provisions of the countries in which they perform their activities
- satisfying the highest standards through the organization of businesses and application of modern business principles in all activities and relations of the Company in all areas of work, and
- applying recognized international guidelines and their implementation in the business practice and procedures of the Company.

The basic principles of the Code are:

- transparency of business,
- clearly defined procedures for the operation of the Supervisory Board, Management Board, and other bodies and structures which make important decisions,
- avoiding conflict of interest,
- effective inner control,
- effective responsibility system.

Any interpretation of this Code has to primarily respect these principles and goals.

The provisions of the Code are directed to the upgrading of corporative relations that arise from valid legal provisions and internationally accepted principles and experiences of the best practice of corporative management.

## 2 LEADERSHIP

The Supervisory Board and Management Board will ensure that the establishment of the strategy of the Company, its resources, risk managing system and inner control together with the relations with the shareholders support the long-lasting success of the Company and sustainable development.

Furthermore, the Supervisory Board and Management Board will ensure the adequate systems that will create effective collaboration in the best interest of the Company possible.

The members of the Supervisory Board and Management Board will act with integrity and in accordance with the legislation and inner code of conduct of the Company and will, with their behavior, set an example for all employees of BOSQAR d.d.

### 2.1 Collaboration

- i. The Statute and other bylaws will clearly determine the competence of the Supervisory Board and Management Board, in accordance with relevant laws and arrangements by which the Management Board and Supervisory Board collaborate. The Statute will be available free of charge on the website of the Company.
- ii. The Management Board and the Supervisory Board will agree on the categories of the decisions and legal businesses that need previous approval of the Supervisory Board and those on which the Management Board must consult the Supervisory Board before making a decision. The Supervisory Board must adopt a decision in which it will state those categories, and their summary must be made available free of charge on the website of the Company. For important decisions that affect the strategy of the company, expenses, risk exposure and reputation, a previous approval of the Supervisory Board must be sought.
- iii. The Management Board must ensure that the Supervisory Board and its committees have timely access to buildings and rooms of the Company, as well as to higher management and employees when it is necessary for executing of their duties, and to all documents necessary for such purpose. These procedures must be determined in the bylaws of the Company with the approval of the Supervisory Board.
- iv. Along with the reports obligatory by law, the Management Board must report to the Supervisory Board in regular intervals on operative results of the Company, financial situation, important financial and non-financial risks and results of interaction with the shareholders and other stakeholders. The Management Board and the Supervisory Board will agree on the form and frequency of these reports.
- v. The Chairperson of the Management Board must immediately inform the Supervisory Board if there is, or if there will possibly be, an event that might significantly influence the results, financial position or reputation of BOSQAR d.d.

### 2.2 Code of Conduct

- i. The Supervisory Board and Management Board will agree on the code of conduct of the members of the Management Board, Supervisory Board, employees and others that act for the account of BOSQAR d.d. The rules and measures that will be taken in case of their violation must be set in the Code of Conduct or in other bylaws and must be made available free of charge on the website of the Company. The Supervisory Board grants its agreement with the Code of Conduct or other bylaws and will supervise its application and follow its efficiency.

## 3 THE DUTIES OF THE MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

For a Company to realize long-term success, the leadership of the Company must be dedicated to the accomplishment of that goal. The success could be compromised if the members of the Management Board and the Supervisory Board decide, instead, to follow their own goals, which can sometimes be opposite to the long-term interests of the company.

Therefore, it is necessary that all members of the Management Board and the Supervisory Board have a common duty to always put the interests of the Company first and resolve all conflicts of interest. This applies to the members of the Supervisory Board and the members of the Management Board, regardless of whether they were appointed by the General Assembly, majority shareholders or employees.

Taking the above into consideration, the members of the Supervisory Board and the Management Board will act in the best long-term interests of the Company, and not in their own interests or in the interests of individual shareholders or other parties. While evaluating the interests of the Company, the members of the Management Board and Supervisory Board will take into consideration the interest of the employees, shareholders (minority shareholders included) and other stakeholders.

### 3.1 Conflict of Interest

- i. The members of the Management Board and the Supervisory Board shouldn't be allowed to make decisions based on personal interest with persons related to them and shouldn't take part in decisions they have a conflict of interest in. The Supervisory Board must give previous approval to the policy for managing the conflict of interests, which must be made available free of charge on the website of the Company.
- ii. If a member of the Management Board or the Supervisory Board believes that s/he is in a conflict of interest regarding a certain decision, s/he must inform other members of the Management Board or the Supervisory Board of this. The members of the Management Board must also inform the Chairperson of the Supervisory Board of such a circumstance. The Supervisory Board must keep records of all information related to the conflict of interest.
- iii. If a member of the Management Board or the Supervisory Board has reasons to believe that some other member of the Management Board or Supervisory Board did not report an existing or potential conflict of interest, s/he must notify the Chairperson of the Supervisory Board. If any one of them believes that the Chairperson of the Supervisory Board is in a conflict of interest, s/he must notify the Deputy Chairperson.

### 3.2 Prohibition of Competition

- i. The members of the Supervisory Board and the Management Board are not allowed to perform activities that are in competition with the business of the Company, whether on their own or someone else's account. They are not allowed to be members of the Management Board or Supervisory Board in the companies performing such activities, nor are they allowed to hold significant shares in such Companies. The Members of the Management Board and the Supervisory Board must notify the secretary of the Company on all shares in such Companies. The details on those shares must be made available free of charge on the website of the Company.

### 3.3 Transactions with Related Parties

- i. The business of the members of the Management Board or the Supervisory Board and the Company (or persons related to any party) may not be concluded without the prior consent of the Supervisory Board if the value of this business alone or together with other business undertaken by the Company within the current business year exceeds 1,5% of the sum of long-term and short-term assets

determined in the last annual consolidated financial statements. Long-term and short-term assets are determined in accordance with the applicable regulations at the time of application. However, only in the case of a transaction that requires the consent of the Supervisory Board under this item of this Code, The Supervisory Board, if deemed necessary, may request the opinion of an independent expert on the fair value of the transaction if it is a transaction where the Company transfers or acquires tangible assets from a related person (shares in the company, real estate or other tangible assets). When, for example, services are the subject of a transaction, such an opinion is not necessary due to objective reasons - the absence of a meaningful expert opinion that would determine the value of the service.

- ii. The Supervisory Board must ensure the adoption of the procedures for approving and performing such transactions, which will be in accordance with the legal provisions and standards of financial reporting. The audit committee must evaluate the efficiency of such procedures at least once a year.

## 4 APPOINTING MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The organs of BOSQAR d.d. ensuring the application of good corporate governance practices are:

- the General Assembly
- the Supervisory Board
- the Management Board.

The Supervisory Board will ensure the establishment of formal and transparent procedures for naming of the members of the Management Board and Supervisory Board, as well as the existence of the quality plan of inheritance for the Management Board and Supervisory Board.

### 4.1 The Role of the Supervisory Board

- i. The Supervisory Board is responsible for appointing and recalling members of the Management Board and for suggesting candidates of the Supervisory Board to the General Assembly. It must also ensure the existence of formal and transparent procedures for appointing members of the Management Board and Supervisory Board.
- ii. Every five years, the Supervisory Board must set a percentage of female members of the Supervisory Board and Management Board as a goal that must be realized within the next five years. Every goal must be published in the annual report, together with the explanation why it was chosen and its realization plan. Improvement according to the plan must be performed every year.

### 4.2 The Role of the Appointment Committee

The main responsibilities of the appointment committee are:

- supervision of the appointments into the Supervisory Board and Management Board to ensure that they are fair and transparent;
- development of the description of the roles and candidates for every vacancy in accordance to the profile of the Management Board or the Supervisory Board (if necessary, after consulting the Chairperson of the Management Board, i.e. Supervisory Board) and the identification and recommendation of the candidates to the Supervisory Board.
- while searching for independent candidates of the Supervisory Board it determines whether the candidates are independent (according to the definition under point 12 of this Code)
- agreeing on the conditions of the appointment with potential members of the Management Board, i.e. Supervisory Board, including the expected time necessary for performing their function
- preparation of the plan of succession for a reappointment or replacement of the members of the Supervisory Board and Management Board, after consulting the Chairperson of the Supervisory Board, i.e. Management Board.
- supervision of the improvement in reaching the desired percentage of female members of the

- Supervisory Board and Management Board.
- supervision of the policy of the Management Board and appointment of higher management.

#### 4.3 Selection of the Members of the Supervisory Board at the General Assembly

- i. When suggesting the candidates for the Supervisory Board to the General Assembly, the Company will, among the materials for the General Assembly, make the following information available, free of charge, on the website of the Company:
  - the resumes of the candidates containing their skills, knowledge, education and experience that will allow them to effectively perform the role of the member of the Supervisory Board,
  - an explanation on how the candidate contributes to the profile of the Supervisory Board,
  - any relations between the candidate and the Company or persons related to the Company,
  - whether the candidate was suggested as an independent member of the Supervisory Board and if s/he was, why the Supervisory Board believes that the candidate is independent and
  - other activities of the candidate, including the membership in the Supervisory Board or Management Board of other Companies
- ii. in case that a current member of the Supervisory Board is suggested, materials for the General Assembly must contain information on the attendance of that member on the sessions of the Supervisory Board and its committees during his/her previous mandate, as well as the conclusions of the latest evaluation of his/her results.
- iii. This information must be made available free of charge on the website of the Company when the employee representative is appointed, or any other member of the Supervisory Board that is not elected by the shareholders at the General Assembly.

## 5 THE SUPERVISORY BOARD AND ITS COMMITTEES

The Supervisory Board will be composed in such a way that it can effectively perform strategic and supervisory tasks, encourage the diversity of thought in its debates, and make independent and objective evaluations.

The Supervisory Board will ensure the politics, processes, information, time and resources necessary for an efficient and effective functioning.

The Supervisory Board will establish its committees to help it in performing its tasks and ensure that they are composed and have access to resources necessary for an effective performance of duty.

The members of the Supervisory Board and its committees will perform their duties with due diligence and devote sufficient time to them.

### 5.1. Competence of the Supervisory Board

- i. Except for special functions set in this Code, the tasks of the Supervisory Board include:
  - appointment and recall of the members of the Management Board and planning succession,
  - contribution to the development and authorization of the strategies of the Company, business plan, and budget, and
  - supervision of the accomplished results of the Management Board in the realization of goals and the way it performs its duties, as well as the way it collaborates with the shareholders and other stakeholders.



## 5.2 Structure

- i. The Supervisory Board must have enough members to effectively perform its duties and the duties of its committees. It also has to compile a profile of the Supervisory Board that determines the minimum number of members and the combination of skills, knowledge and education, as well as professional and practical experience, required in the Supervisory Board.
- ii. The Supervisory Board must include members of different sexes, ages, profiles and experience to ensure a diversity of perspective in the decision making.
- iii. Most members of the Supervisory Board must be independent. The Chairperson or Deputy Chairperson of the Supervisory Board must be independent.

## 5.3 Chairperson

- i. Except for the special functions set out in this Code, the Chairperson of the Supervisory Board must:
  - ensure that the Supervisory Board, its committees and individual members have access to resources, support, and information necessary for efficient work,
  - chair the meetings of the Supervisory Board in a way that encourages an open and reasonable discussion,
  - maintain contact and ensure the collaboration with the Management Board, and
  - ensure a regular and effective work of the General Assembly

## 5.4 Committees of the Supervisory Board

- i. The Supervisory Board must establish at least the appointment committee, remuneration committee, and the audit committee. The Supervisory Board must determine the mandate and the activity of its committees.
- ii. When the Supervisory Board has less than five members, the functions of the appointment committee and the remuneration committee can be combined into one committee.
- iii. The Supervisory Board must ensure that members of each of its committees have the necessary skills, education and knowledge, as well as professional and practical experience for the effective performance of the activities of the committee.
- iv. Each committee must have at least three members. Most members of each committee must be independent, and the Chairperson must be an independent member of the Supervisory Board. The members of the Management Board cannot be members of the Supervisory Board.
- v. The description of each committee must be made available free of charge on the website of the Company. The Company must include the work report on each member of the Supervisory Board in the annual report, which must contain information on the number of meeting held and the members of the board.

## 5.5 Time Load

- i. The expected minimal time load of every member of the Supervisory Board must be set at the moment of their appointment. It must include the time necessary for the committees of the Supervisory Board, as well as for the Supervisory Board. In the annual report, the Company must publish the record of attendance of every member on the meetings of the Supervisory Board and its committees.
- ii. The members of the Supervisory Board must notify the secretary of the Company of their membership in the Supervisory Boards or Management Boards of other Companies.

## 5.6 Frequency and Manner of Holding Meetings

- i. The frequency of the meetings of the Supervisory Board must be determined in accordance with the needs of the Company, but they have to be held at least once every three months. The Chairperson of the Supervisory Board must ensure the existence of the work plan and that the time when future meeting will be held, and the agenda of future meetings enable the Supervisory Board to perform duties efficiently and effectively. The committees of the Supervisory Board must meet as frequently as necessary for an effective performance of their duties and must regularly inform the Supervisory Board of its activities.
- ii. It is common that the members of the Management Board attend meeting of the Supervisory Board, but the Supervisory Board must have the right to meet without the participation of the Management Board when it believes that this is appropriate. The members of the Management Board shouldn't attend meetings on which the Supervisory Board discusses results and remuneration of the Management Board and their members. Persons that are not members of the Supervisory Board may attend the meeting only when invited by the board.

## 5.7 Support

- i. The Company must choose a person that will perform the activities of the secretary of the Company. This person is responsible for acting in accordance with the procedures of the Supervisory Board, consulting the Supervisory Board on management issues, support the Chairperson of the Supervisory Board, and help the Supervisory Board and its committees to function effectively.

## 5.8 Quality and Timeliness of Information

- i. All materials necessary for the Supervisory Board or a committee of the Supervisory Board must be delivered to their members at least a week before the meeting.
- ii. The minutes from the meeting of the Supervisory Board must be available to all members of the Supervisory Board. Minutes must be composed clearly and in accordance with the law. The report on all decisions must be followed by the results of the voting, if it is applicable, including the details on the votes of individual members.
- iii. The Supervisory Board has the right to take information from, or consult with, persons outside the Company at the expense of the Company if it believes that this is necessary for performing its duties. This procedure must be specified in the bylaws made by the Management Board with the previous approval of the Supervisory Board

## 5.9 Training and Development

- i. The Chairperson of the Supervisory Board must ensure that all members of the Supervisory Board undertake introductory training for their role during the appointment, as well as continuous training and education to refresh and improve their skills and knowledge.
- ii. The Chairperson must ensure that the Supervisory Board obtains regular news and summaries from the Management Board and experts on issues that are important to the Company and on the duties of the members of the Supervisory Board.

## 5.10 Evaluation of the Supervisory Board

- i. The Supervisory Board has to evaluate its efficiency and composition at least once a year, as well as the efficiency and composition of its committees and the individual results of its members. The evaluation must be led by the Chairperson, i.e. the Deputy Chairperson if the Chairperson is not independent.

- ii. The evaluation must include the improvement rating of the profile of the Supervisory Board and influence the decision on the size and composition of the Supervisory Board and its committees, as well as the individual members of the Supervisory Board suggested for a reappointment. The evaluation is also necessary for identifying whether there is a possibility for improvement in the functioning and preparing of board meetings.
- iii. The report of the evaluation of the Supervisory Board and its committees must be included in the annual report. That report must describe how the evaluation was done, whether external evaluators were involved and who was consulted during the procedure. The report must contain a summary of activities that were taken, or will be taken, based on the results of the evaluation.

## 6 MANAGEMENT BOARD

The Management Board is primarily responsible for conducting business, achieving set and strategic goals, and for reflecting the reputation of BOSQAR d.d. as a responsible and reliable Company. In that sense, it is crucial to ensure that the Management Board has all the necessary competencies and resources for the efficient performance of its duties and that the results of the Management Board and its individual members are regularly checked, and all disadvantages taken care of immediately, before they provoke a loss of value or reputation of the Company.

The Management Board will have the necessary skills, knowledge, experience and diversity to successfully perform its common duties. Every individual member will have adequate expertise necessary for his/her specific duties.

### 6.1 Duties of the Management Board

- i. The duties of the Management Board must include:
  - developing and implementing the Company's strategy and business plans,
  - managing the Company's activities and resources,
  - realizing the values and ethics of the Company,
  - selecting and appointing members of senior management,
  - implementing effective risk management and internal control systems, and
  - maintaining constructive relationships with all shareholders and important stakeholders.
- ii. The Management Board must adopt its own rules of procedure, which will define the distribution of responsibilities and the manner of cooperation between the members of the Management Board, including the procedures for holding meetings and making decisions. The Rules of Procedure of the Management Board must be approved by the Supervisory Board.
- iii. In the event that the leading company in the group is the company BOSQAR d.d., the Management Board must ensure effective supervision of the activities of other companies in the group, as well as the existence of appropriate cooperation within the group, and the existence of rules governing responsibilities and reporting procedures at the level of the leading company and subsidiaries.

### 6.2 Composition

- i. The Supervisory Board must ensure that the Management Board has sufficient members to carry out its responsibilities effectively. It is necessary to create a profile of the Management Board that determines the minimum number of members and a combination of members who have the skills, knowledge, and education, as well as the professional and practical experience required for the Management Board.

### 6.3 Chairperson

- i. The Chairperson of the Management Board must be a person with overall responsibility for the day-to-day business of the Company. The Chairperson must:
  - lead the development and implementation of the Company's strategy, business plan, and budget,
  - assign responsibilities to other members of the Management Board and monitor their performance,
  - ensure that the Board functions effectively, and
  - maintain contact with the Supervisory Board, shareholders and important stakeholders.

#### **6.4 Restrictions on Other Appointments**

- i. The Members of the Management Board must obtain the prior approval of the Supervisory Board before accepting the appointment to the Management Board or the Supervisory Board of a company that is not part of the same group as BOSQAR d.d. Members of the Management Board may not hold more than two positions on the Management Boards or Supervisory Boards of other such companies.

#### **6.5 Evaluation of the Management Board**

- i. The Supervisory Board must evaluate the effectiveness of the arrangement for the cooperation between the Supervisory Board and the Management Board, at least once a year, as well as the adequacy of the support and information it receives from the Management Board. The results must be included in the report of the Supervisory Board within the annual report.
- ii. At least once a year, the Management Board must evaluate its own effectiveness, as well as the effectiveness of individual members, and report on the conclusions to the Supervisory Board.

## **7 REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD**

The Supervisory Board will ensure the existence of prescribed and transparent policies and procedures for determining the remuneration for members of the Management Board that align their interests with the long-term interests of the Company and the successful and ethical implementation of the Company's strategy.

#### **7.1 The role of the Remuneration Committee**

- i. The main duties of the remuneration committee are to:
  - recommend the remuneration policy for members of the Management Board to the Supervisory Board at least every three years,
  - recommend the remunerations that should be received by the members of the Management Board to the Supervisory Board every year, based on the assessment of the results of the Company and their personal results, and after consultation with the Chairperson of the Management Board,
  - recommend a remuneration policy for the members of the Supervisory Board to the Supervisory Board, which will then be submitted for approval to the General Assembly,
  - monitor the amount and structure of remuneration to senior management and employees as a whole and make recommendations to management regarding its policies, and
  - supervise the preparation of the statutory mandatory annual report on remuneration for the approval of the Supervisory Board.

#### **7.2 Remuneration of the Members of the Board**

- i. The Supervisory Board must determine the annual remuneration of each member of the Management Board, based on the recommendations of the remuneration committee and in accordance with the

approved remuneration policy. The remuneration policy must be prepared in accordance with the relevant legal requirements.

- ii. The level of remuneration for the members of the Management Board and key performance indicators taken into account in determining the part of remuneration based on business performance must be appropriate to the agreed strategy, risk appetite, economic environment in which the Company operates, and salaries and conditions of the employees of the Company.
- iii. If shares have been allocated to a member of the Management Board as part of the package of remuneration, a member of the Management Board may not dispose of those shares for at least two years from the day on which they were allocated to him/her. If stock options have been allocated to a member of the Management Board as part of the package of remuneration, a member of the Management Board may not use those stock options for at least two years from the day on which they were allocated to him. The remuneration policy must include provisions that will specify the circumstances in which a part of the remuneration of a member of the Management Board would be retained or its return would be requested.

### **7.3 Remuneration for the Members of the Supervisory Board**

- i. The level of remuneration for the Chairperson of the Supervisory Board and for other members of the Supervisory Board must reflect their time load and responsibilities, including the time load and responsibilities in the Supervisory Board committees.
- ii. Remuneration of the members of the Supervisory Board will not include variable elements or other elements related to business performance.

### **7.4 Reporting on Remuneration**

- i. The Company must make available, free of charge, its remuneration policy approved by the shareholders at the General Assembly on its website.
- ii. The annual report on remuneration must include data on the remuneration of each individual member of the Supervisory Board. In addition to the information required by law, the report must also include information on:
  - all payments received by any member of the Supervisory Board or the Management Board of the Company from the Company or a person related to the Company in addition to the remuneration received as a member of the Management Board or the Supervisory Board,
  - any loans, advances or guarantees given to each member of the Supervisory Board or the Management Board by the Company or its associated companies, and
  - any gifts, services, or other benefits of significant value received by an individual member of the Supervisory Board or the Management Board.

## **8 RISKS, INTERNAL CONTROL, AND AUDIT**

The Supervisory Board will ensure the establishment of effective structures, policies and procedures for identifying, reporting, managing and monitoring significant risks faced by the Company and ensure the independence and effectiveness of internal and external audit functions.

### **8.1 The Roles of the Supervisory Board and the Management Board**

- i. The Management Board will, with the prior approval of the Supervisory Board, adopt a policy that determines the nature and extent of the risk that the Company must and is willing to take in order to achieve all long-term strategic goals ("risk appetite").
- ii. The Management Board must:

- identify significant financial, operational and external risks associated with the implementation of the strategy and maintenance of the Company's activities,
- prepare and maintain appropriate risk management and internal control systems to manage and avoid those risks, and
- report regularly to the Supervisory Board on the status of significant risks.

## 8.2 The Role of the Audit Committee

- i. The Audit Committee must:
  - monitor the correctness and integrity of the Company's financial statements and accounting policies and other official statements related to the Company's financial results,
  - monitor the effectiveness of the Company's internal financial controls,
  - ensure the adequacy, independence and effectiveness of the external audit function,
  - ensure the independence and effectiveness of the internal audit function,
  - monitor the implementation of measures determined as a result of external and internal audits and its own supervision.
- ii. If this is not done by the Supervisory Board or a special committee of the Supervisory Board, the Audit Committee must:
  - monitor the effectiveness of the Company's overall internal control and risk management system and
  - supervise the application of procedures for reporting violations of the law or the Company's internal rules of conduct.

## 8.3 Relations with the External Auditor

- i. The Audit Committee must oversee the process of selecting and appointing an external auditor in accordance with the legal requirements and make recommendations to the Supervisory Board for the selection of the external auditor and the conditions for his/her appointment.
- ii. The Audit Committee will agree on the annual work plan with the external auditor, including the scope and content of the activities to be audited. The audit committee must meet with the external auditor as necessary to discuss issues identified during the audit and to monitor the quality of services provided.
- iii. The audit committee must monitor the independence and objectivity of the external auditor and approve the policy on permitted non-audit services provided by the external auditor and monitor the implementation of that policy.

## 8.4 Risk management and Internal Control

- i. The Audit Committee must evaluate the effectiveness of risk management and the internal control system as a whole at least once a year and, if necessary, make recommendations to the Supervisory Board and the Management Board of the Company.
- ii. The company must maintain an effective risk management system that is adequate for its objectives, and the size and scale of activities. The system must include procedures that ensure reliable risk identification, measurement, response, reporting and monitoring, and must cover the external risks faced by the Company, as well as financial and operational risks. The company must define clear internal responsibilities for maintaining the risk management system. Persons responsible for the system must maintain close contact with the audit committee.
- iii. The company must establish an internal audit function responsible for overseeing the effectiveness of the internal control system, including risk management. The Audit Committee will agree with the internal auditor on the annual internal audit working plan, receive the internal auditor's reports, and

monitor the implementation of his/her recommendations.

- iv. The Audit Committee must recommend the appointment or dismissal of the head of the internal audit function to the Supervisory Board. If there is no internal audit function in the Company, the audit committee must assess the need for this function once a year as part of its assessment of the internal control system.

### 8.5 Reporting Irregularities

- i. The Management Board must, with the prior approval of the Supervisory Board, adopt and make available, free of charge, the procedure for reporting violations of the law or internal rules of the Company on the Company's website, real or when there is a suspicion that a violation has been committed. The procedure must ensure that employees or outside stakeholders do not suffer negative consequences if they report suspicious behavior.
- ii. The Management Board is obliged to inform the Supervisory Board of all observed irregularities immediately and to agree on the measures that must be implemented. The Audit Committee must evaluate the effectiveness of this procedure at least once a year.

## 9 PUBLICATION AND TRANSPARENCY

The Company will ensure that shareholders and other stakeholders have easy and non-discriminatory access to information regarding the Company's ownership structure, corporate governance, and financial and operational results.

The Supervisory Board and the Management Board are jointly responsible for the accuracy and completeness of the financial and other information published by the Company.

### 9.1 Use of the Company's website

- i. The Company must use its website as the main medium for publishing information of interest to shareholders, potential investors and other stakeholders, including all information that the Company must publish in accordance with the law, listing rules, this Code and its own statute.
- ii. Information that must be made available free of charge and easily accessible through the website must include:
  - the Annual Report of the Company,
  - semi-annual and quarterly reports and other financial information whose publication is required,
  - information on the rules of operation, composition and members of the Supervisory Board, its committees, and the Management Board,
  - the Company's Statute and other internal acts in accordance with this Code,
  - the Company's policies on social and environmental impact, human rights, bribery and corruption,
  - internal rules of the Company and the manner of reporting irregularities,
  - data on the mutual holding of shares where the Company is involved,
  - details on changes in the holding of shares of members of the Supervisory Board and the Management Board, other persons performing managerial duties and persons closely related to them, which must be reported in accordance with applicable laws and other regulations, as well as transactions with related parties,
  - remuneration policy for members of the Supervisory Board and the Management Board and the annual report on remuneration,
  - the calendar of events for the next twelve months, including dates of the General Assembly, announcements of business results, dividend payments, and investor conferences,
  - all materials related to the sessions of the General Assembly, including the decisions from the sessions and the name and contact details of the persons in charge of

investor relations.

- iii. The company must ensure that the information on the website is up-to-date and published within the deadlines prescribed by law and regulations. All information on the website must be made available free of charge and, unconditionally, in both Croatian and English.

## 9.2 Annual Report

- i. In addition to the information that the Companies are obliged to publish in accordance with the legislation and the Rules of the Zagreb Stock Exchange, the annual report must include:
  - record on the number of meetings of the Supervisory Board and the committee of the Supervisory Board and the presence of each member at those meetings
  - particulars on all shares and other financial instruments of the Company held by the members of the Supervisory Board and the Management Board, for which there is an obligation to register according to applicable legislation and regulations, and in other companies whose operations are in competition with the Company's operations
  - particulars of all contracts and agreements between the members of the Management Board or the Supervisory Board and the Company (or persons related to any of the parties)
  - the results of the evaluation of the Supervisory Board regarding its effectiveness and the effectiveness of the arrangement for cooperation with the management and
  - a report on the work of each committee of the Supervisory Board, including information on the number of meetings held, committee members, and records of their attendance.

# 10 SHAREHOLDERS AND THE GENERAL ASSEMBLY

The Company will take measures to ensure equal treatment of all shareholders in order for them to have access to the Company and to be able to fully participate in the General Assembly and will remove obstacles to their participation.

## 10.1 Relations with Shareholders

- i. The Company must ensure that all shareholders, regardless of the number or type of shares they hold, have equal access to information about the Company and about the way in which they can exercise and protect their rights.
- ii. The Company must establish effective formal mechanisms to ensure that minority shareholders have the opportunity to put questions directly to the Chairperson of the Management Board and the Chairperson of the Supervisory Board. The particulars on the functioning of these mechanisms must be made available free of charge on the Company's website.
- iii. The company must designate an individual who will be the contact person in investor relations in relation to all shareholders, and whose duties must include prompt responses to requests for information. The particulars on this person's contact information must be made available free of charge on the Company's website.

## 10.2 General Assembly

- i. The Company may not, in any way, limit the possibility of shareholders to convene the General Assembly, to participate in it, or to add items to the agenda, except for those restrictions provided by legislation or the Rules of the Zagreb Stock Exchange.
- ii. The Company must provide all shareholders with the opportunity to exercise their voting right through a proxy or electronically and will not impose any restrictions on this possibility other than those provided for in the legislation or the Rules of the Zagreb Stock Exchange. An explanation of other ways in which shareholders can exercise their voting rights must be provided in the documents for the



- General Assembly.
- iii. The Company must ensure that the notice of the session of the General Assembly is issued no later than 30 days before the day of its holding. The agenda, decisions and all other materials required for the General Meeting must be available at the same time free of charge on the Company's website. All documents must be in Croatian and English.
  - iv. The Chairperson and Deputy Chairperson of the Supervisory Board, the Chairpersons of the Supervisory Board and all members of the Management Board must be present at the General Assembly and be ready to answer questions from shareholders. The external auditor must be present at the General Assembly on which the financial statements are presented.
  - v. The Company must make the decision of the General Assembly available on its website without delay and free of charge. Within 30 days, the Company must make available the answers to the questions asked at the General Assembly on its website and free of charge.

## 11 STAKEHOLDERS AND CORPORATE SOCIAL RESPONSIBILITY

The Supervisory Board and the Management Board will ensure that the Company's strategy takes into account the potential impact of activities on the environment and the community, and that the Company's policies, culture and values encourage ethical behavior, respect for human rights and are conducive to a stimulating and pleasant work environment.

The Supervisory Board and the Management Board will ensure a regular dialogue between the Company and the main stakeholders.

### 11.1 Corporate social responsibility

- i. The Supervisory Board and the Management Board must agree and adopt the policies:
  - related to the assessment of the impact of the Company's activities on the environment and the community and the management of related risks
  - related to the preservation of human and employee rights and
  - related to the prevention and sanctioning of bribery and corruption.

These policies must be made available free of charge on the Company's website.

- ii. When the Management Board requests prior approval of decisions from the Supervisory Board, the supporting documents must explain how the recommended measure is in accordance with these policies.

### 11.2 Involvement of Stakeholders

- i. The Supervisory Board and the Management Board must jointly identify who they consider to be key stakeholders in relation to the Company. The Management Board must ensure that there are effective mechanisms for regular interaction with key stakeholders, as well as for informing the Supervisory Board about the results of these communications.
- ii. The Supervisory Board must have the right to organize meetings with external stakeholders when it deems it necessary to better understand issues important to the Company, including opinions on the results and the reputation of the Company. The Chairperson of the Management Board must be notified in advance of these communications.
- iii. The powers of each committee of the Supervisory Board must stipulate for what purposes the Chairperson of the board may communicate directly with the stakeholders and which procedure must be followed.

## 12 DEFINITIONS

### 12.1 Independence of the Members of the Supervisory Board and its Committees

- i. A member of the Supervisory Board or one of its committees cannot be classified as independent:
  - if s/he is a significant shareholder or a member of a group of significant shareholders; if s/he represents a significant shareholder or a group of significant shareholders, or if s/he is a spouse, close relative, or a relative-in-law of significant shareholders
  - if, in the last three years, s/he has been a member of the Management Board of the Company or any related company or if s/he is a spouse, close relative, or a relative-in-law of any member of the Management Board
  - if s/he has been an employee of the Company or any subsidiary or affiliated company in the last three years
  - if s/he was appointed as an employee representative
  - if s/he is receiving other payments from the Company, except for the fees received for performing the duties of a member of the Supervisory Board
  - if s/he is or if s/he has been in any significant business relationship with the Company or its affiliates in the last three years, directly or indirectly as a partner, shareholder, member of the Supervisory Board or Management Board or of senior management of an organization with significant business relationships with the Company
  - if s/he is or s/he has been a partner or employee in an audit company that provides or has provided audit or non-audit services to the Company or related companies in the last three years
  - if s/he has significant relations with the members of the Management Board of the Company through their involvement in other companies, bodies or organizations, or
  - if s/he has been a member of the Supervisory Board for more than 12 years.

A Supervisory Board looking for independent members should use these definitions for an initial assessment of independence. Candidates' ability to contribute effectively and independently to the Supervisory Board will also be affected by factors such as their previous experiences, their character, and personal values. When assessing candidates, the appointment committee must take these factors into account.

### 12.2 Significant Shareholders and Stakes

- i. An individual or legal entity that directly or indirectly holds 5% or more of the Company's shares is considered to be a significant shareholder. This definition must be applied when assessing the independence of the Supervisory Board and its members and candidates for appointment to the Supervisory Board or its committees, as well as when assessing whether a member of the Supervisory Board or the Management Board holds more than the allowed number of shares in competing companies.