

**KONČAR-DISTRIBUTION & SPECIAL TRANSFORMERS INC.
MANAGEMENT BOARD OF THE COMPANY**

**RULES OF PROCEDURE OF MANAGEMENT BOARD
KONČAR-DISTRIBUTION & SPECIAL TRANSFORMERS INC.**

Zagreb, 27 October 2020

Pursuant to Article 240, paragraph 3 of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19) and Article 49 of the Articles of Association of Končar-Distribution & Special Transformers Inc., Mokrovićeva 8, 10090 Zagreb (hereinafter: Company), at the meeting held on 27 October 2020, the Company's Management Board unanimously adopted the following

RULES OF PROCEDURE OF MANAGEMENT BOARD

In accordance with Article 43 of the Company's Articles of Association, the Company's Supervisory Board gave its approval to these Rules of Procedure at the meeting held on 25 November 2020.

Management Board composition, status and division of duties among Management Board members

Article 1

The Company's Management Board consists of 5 members, specifically:

1. President of the Management Board
2. Member of the Management Board in charge of Profit Centre (hereinafter: PC) Distribution Transformers (alternatively: Director of PC Distribution Transformers)
3. Member of the Management Board in charge of PC Medium Power Transformers (alternatively: Director of PC Medium Power Transformers)
4. Member of the Management Board in charge of business development, product development, production development, marketing, investments and maintenance (alternatively: Director of Development)
5. Member of the Management Board in charge of finances, accounting, procurement, human resources, legal and general affairs (alternatively: Financial Director)

All Management Board members have equal position and status, and the President of the Management Board coordinates the work of the Management Board as a whole.

Where a document requires indicating the names and/or signatures of all Management Board members, they will be indicated in the following order: President of the Management Board first, followed by the Management Board members in alphabetical order of their last names.

Basic operating principles of Management Board

Article 2

In performing its work, the Management Board shall observe the following basic principles:

- All Management Board members have equal rights and responsibilities in managing the Company's business, and the President of the Management Board coordinates the work of the Management Board as a whole.
- Management Board shall manage the Company's business in accordance with the legislation, Company's Articles of Association, these Rules of Procedure and managerial contracts.
- Management Board members shall manage the Company's business with due care and diligence of a prudent businessmen. Management Board members who violate their obligations are jointly and severally liable to the Company for any damage incurred.

- In managing the Company's business, Management Board members shall always act in the best interests of the Company. Those interests include interests of all the shareholders, interest of employees and the Company's general interests.
- Management Board shall manage the Company's business in the manner that ensures the Company's long-term stability and profitability and timely eliminates any possible obstacles and risks that could jeopardize the Company's business or continued existence.
- Any obligations undertaken on behalf of the Company shall be performed properly and in a timely manner, protecting the Company's reputation, good standing and credibility.
- Each Management Board member has the right to any information they request regarding the business operations of the Company or any of its segments.
- All Management Board members shall inform and consult each other on any matters of significance for managing the Company's operations and have the right and duty to mutually control the work of all Management Board members with the aim of improving the work of the Management Board as a whole and of managing the Company efficiently.
- Notwithstanding the scope of responsibility of each Management Board member under Articles 3 through 8 of these Rules of Procedure, all Management Board members are responsible for the overall managing of the Company's business.
- At the Management Board meetings, Management Board members shall keep each other informed of the activities in their respective business areas. Any activities undertaken by a Management Board member based on internal division of duties falls under the competence and responsibility of all the Management Board members.
- Any Management Board member has the right to request that a matter under the competence of another member be decided upon by the Management Board.
- The Management Board coordinates the managing of operations in individual business areas through joint objectives, strategy and plans of the Company as a whole.

Company's operations managed independently by individual members of the Management Board

Article 3

Each Management Board member may manage the following operations **independently and individually**:

- Planning, organizing, directing, managing, coordinating and controlling the work of employees in business areas of their responsibility. That includes planning of annual leave, days off work, business trips in Croatia and nearby European countries lasting no more than 5 days, and overtime of up to 10% of the regular total hours worked in a particular month.
- Proposing to the Management Board to define, draw up and implement strategies and plans in their respective business area.
- Continually improving the quality and efficiency of the Company's operations in their respective business area and, consequently, improving the Company's market competitiveness, and proactively cooperating with other Management Board members.
- Developing human resources in their respective business area and proposing employment, termination, promotions, rewarding, sanctioning and other activities related to human resources management, all in cooperation with the Human Resources, Legal and General Affairs Department.
- Proposing organisational changes with the aim of improving the effectiveness and efficiency of the Company's business operations.
- Building and developing partnerships within their scope of work with the aim of accomplishing the Company's business strategy and long-term prosperity.

- Deciding on acquisition of fixed assets necessary for normal operations and improvement of work in their business area up to the single amount of HRK 50,000.00, or annual amount of HRK 500,000.00.
- Proposing employment and termination of employees in their business area to the Management Board, within the framework of employment policy defined by the Management Board, in accordance with the defined number of employees required for the work planned, in accordance with their own estimate of optimal number of employees and in cooperation with the Head of Human Resources, Legal and General Affairs Department.
- Devising and proposing to the Management Board business policies for their business segment and implementing the business policy adopted by the Management Board in their business segment.
- Coordinating and being in charge of occupational health and safety (hereinafter: OHS) in line with provisions of the OHS Act and the OHS Rules.
- Using the Company's entertainment expenses fund up to the annual amount of HRK 60,000.00.
- Using the donation and sponsorship fund up to the annual amount of HRK 10,000.00.
- Proposing fixed assets sale, donation, write-off, removal from inventory and alike to the Management Board.
- Executing employment contracts with employees in their area of responsibility, such contracts being previously initialled by the Head of Human Resources, Legal and General Affairs Department, in accordance with contractual terms previously adopted by the Management Board.

Any decisions which Management Board members cannot take independently and individually will be taken by the Management Board.

Management Board Members may delegate some of their powers and duties to their associates and other employees, but they cannot delegate the pertaining responsibility.

Every Management Board member shall manage the operations in their respective business area individually, at their own responsibility, with due care and diligence of a prudent businessman, and shall make all their decisions only in the interest of the Company. Notwithstanding this provision, any key business policy matters, matters relating to business areas of other Management Board members, or matters that are materially significant or sensitive must be presented to and decided upon by the Management Board as a whole.

In case of doubt regarding the nature of a particular matter, decision shall be made by the Management Board as a whole.

Article 4

President of the Management Board may manage the following operations individually and independently:

- Coordinating the work of the Management Board, providing for its efficient functioning, and ensuring for the Company as a whole to function harmoniously, efficiently and be geared toward achieving its objectives and realizing its interests.
- Coordinating business development and implementation of the Company's strategy and business plan.
- Initiating work on projects of strategic importance for the Company, in cooperation with other members of the Management Board.

- Convening and organizing regular weekly meetings of the Management Board, as well as its off-site and extraordinary meetings, especially those dealing with: preparation of the Supervisory Board and General Assembly meetings, adoption of annual and other plans, significant changes in the organization and functioning of the Company, adoption of important strategic decisions, major reorganization of human resources and alike.
- Coordinating activities with the Supervisory Board, shareholders, civil and judicial authorities and other important stakeholders.
- Responsibility for socially responsible business, environmental protection, human rights and workers' rights and responsibility for measures related to prevention and sanctioning bribery and corruption.
- Coordinating ICT department.
- Coordinating and ensuring for the functioning of the ISO-9001; ISO-14001, and ISO-45001 systems.
- Leading and chairing important committees of the Company (e.g., Quality Committee, Occupational Safety Committee, Marketing Committee, Committee for Agency Agreements and Relationships, etc.).
- Representing the Company at the highest level externally, in contacts with important customers, agents, suppliers, banks, scientific institutions, state institutions and participating in conferences, science events, business, commercial and public events, fairs, etc.,
- Coordinating sales activities and relationships with major customers in Croatia (HEP, HOPS, HŽ, INA, etc.) and sales representatives (agents / distributors).
- Representing the Company at the assembly meetings of the companies in which the Company owns holdings or shares and accepting appointments and participation in the work of supervisory boards of such companies.
- Participating in regular weekly coordination of human resources and rights.
- Coordinating and preparing reports and reviews on the state of affairs in the Company.

Article 5

Management Board member in charge of PC Distribution Transformers (Director of PC DT) may manage the following operations individually and independently:

- Planning, organizing, directing, leading, coordinating and controlling all the business operations of PC Distribution Transformers in accordance with adopted business plans, which includes the responsibility for the overall business of PC DT.
- Ensuring long-term stability and profitability of PC DT and timely eliminating any possible obstacles and risks that could jeopardize the business and continued existence of PC DT.
- Convening the meetings and organizing the work of the PC DT board, which comprises: PC DT Director, PC DT Sales Director, PC DT Technical Director and PC DT Production Director.
- Making sure the planned level of profitable sales of products from the PC DT product range is achieved, in cooperation with the PC DT Sales Director and PC DT Technical Director, and in cooperation with sales representatives (agents and distributors) for individual markets and customers, all in accordance with the sales strategy and predefined sales policy and procedures.
- Responsibility for organizing production, drafting technical documents, procurement of necessary materials and components, testing and delivery of products to customers; providing for the overall realization of sales contracts, including the ensuring that collection from customers is reliable, in cooperation with the Finance Department.
- Following the development of distribution and special distribution transformers and their components in cooperation with PC DT Technical Director and Department of Technical

Product Development, and introducing new technical solutions and new materials in order to increase the competitiveness and maximize the profit of PC DT.

- Following the development of new and optimal production technologies in cooperation with Production Development Department and implementing such technologies in the production of transformers from the PC DT product range, in cooperation with the PC DT Production Director.
- Providing for standardization and practical application of the latest technical solutions, in cooperation with PC DT Technical Director of and in cooperation with the Department of Technical Product Development and Production Development Department.
- Providing for IT support for PC DT and for its improvement.

Article 6

Management Board Member in charge of PC Medium Power Transformers may manage the following operations individually and independently:

- Planning, organizing, directing, leading, coordinating and controlling all the business operations of PC Medium Power Transformers in accordance with adopted business plans, which includes the responsibility for the overall business of PC MPT.
- Ensuring long-term stability and profitability of PC MPT and timely eliminating any possible obstacles and risks that could jeopardize the business and continued existence of PC MPT.
- Convening the meetings and organizing the work of the PC MPT board, which comprises: PC MPT Director, PC MPT Sales Director, PC MPT Technical Director and PC MPT Production Director.
- Ensuring the achievement of the planned level of profitable sales of products from the PC MPT product range, in cooperation with the PC MPT Sales Director and PC MPT Technical Director, and in cooperation with sales representatives (agents and distributors) for individual markets and customers, all in accordance with the sales strategy and predefined sales policy and procedures.
- Responsibility for organizing production, drafting technical documents, procurement of necessary materials and components, testing and delivery of products to customers; providing for the overall realization of sales contracts, including the ensuring that collection from customers is reliable, in cooperation with the Finance Department.
- Following the development of medium power transformers and their components in cooperation with PC MPT Technical Director and Department of Technical Product Development, and introducing new technical solutions and new materials in order to increase the competitiveness and maximize the profit of PC MPT.
- Following the development of new and optimal production technologies in cooperation with Production Development Department and implementing such technologies in the production of transformers from the PC MPT product range, in cooperation with the PC MPT Production Director.
- Providing for standardization and practical application of the latest technical solutions, in cooperation with PC MPT Technical Director and in cooperation with the Department of Technical Product Development and Production Development Department.
- Providing for IT support for PC MPT and for its improvement.

Article 7

Management Board Member in charge of business development, product development, production development, marketing, investments and maintenance may manage the following operations individually and independently:

- Planning, organizing, directing, leading, coordinating and controlling business development, product development and production development, in accordance with adopted business plans.
- Coordinating product development in cooperation with directors and technical directors of PC DT and PC MPT. Undertaking initiatives for product innovation. Participating in regular meetings for product development coordination.
- Initiating the procurement, design or upgrading of modern development software, programs and other development tools, and coordinating the work on their design, implementation, efficient use and upgrading.
- Coordinating cooperation with scientific institutions, universities, institutes and similar scientific and development institutions.
- Following the development of new production technologies and new machines and equipment for transformer production, their purchase and implementation into the production process in accordance with predefined policy and procedures and in cooperation with Directors of profit centres and Production Directors of PC DT and PC MPT. Participating in regular meetings for production development coordination.
- Undertaking initiatives for continuous improvements in the production process, with the purpose of organizing a more efficient production process and reducing production costs, in cooperation with Production Directors of PC DT and PC MPT.
- Coordinating marketing activities in cooperation with Sales Directors of PC DT and PC MPT, and preparing proposals for the Marketing Committee.
- Monitoring the consumption of electricity, gas, water, heat and other infrastructural costs, and proposing measures for their reduction and rationalization.
- Agreeing on the performance of any works or making any changes on the communal infrastructure with other companies at Jankomir.
- Managing large and strategic investment projects. Participation in regular coordination meetings for follow-up on investments.
- Coordinating the work of the Maintenance Department.

Article 8

Management Board Member in charge of finances, accounting, procurement, human resources, legal and general affairs may manage the following operations individually and independently:

- Planning, organizing, directing, leading, coordinating and controlling finances, accounting, procurement, human resources management, legal and general affairs, in accordance with adopted business plans.
- Responsibility for ensuring the Company's liquidity, in cooperation with other Management Board members and departments having the greatest impact on liquidity and in cooperation with financial institutions.
- Ensuring favourable financing channels, following financial markets and selecting and cooperating with banks, factoring companies, leasing companies, insurance companies and other financial institutions that meet the defined criteria, all for the purpose of increasing the Company's competitiveness and maximizing its profit.

- Company's short-term borrowing and issuance of all types of bank guarantees in accordance with the business policy and adopted plans and in accordance with the frameworks approved by the banks. Placement of short-term cash surpluses under favourable terms, taking into account the security of such placements.
- Participating in determining customer credit limits, assessing creditworthiness of customers and other business partners, participating in the assessment of acceptability of security instruments for collection (letters of credit, guarantees, bills of exchange, promissory notes, mortgages, and alike), and generally participating in the Company's credit risk management, in cooperation with Sales Directors and all sales departments.
- Representing the Company in the assembly meetings of companies in which the Company owns holdings or shares, together with the President of the Management Board, and accepting appointment and participation in the work of supervisory boards of such companies.
- Proposing and defining procurement policies and procedures and overseeing their application, participating in the work of all strategic procurement and technical committees, participating in negotiations with major suppliers.
- Proposing and defining human resources management policies and procedures and overseeing their application, participating in solving legal issues, participating in regular weekly meetings for coordination of human resources and rights.
- Organizing education and training of employees, organizing selection process for new employment or termination, as well as other tasks involved in human resources management, and other legal and general affairs.
- Responsibility for normal functioning and improvement of the business information system Infor XA, business reporting and BI, in accordance with approved business plans, in cooperation with the IT Department and consulting agencies.
- Timely preparation of basic accounting reports, cooperation with the Company's auditors, responsibility for tax liabilities of the Company and cooperation with tax authorities, coordinating relationships with investors, Zagreb Stock Exchange, HANFA (Croatian Financial Services Supervisory Agency) and Central Depository and Clearing Company, cooperation with the Company's attorneys, Commercial Court and other courts.

Article 9

From time to time, every Management Board member shall adequately inform other members on the operations they manage individually and independently, in regular meetings of the Management Board, especially through various types of reports, reviews, tables, analyses and in other appropriate ways.

Decisions made by the Management Board as a whole

Article 10

The following decisions shall be made by the Management Board by the **majority** of the total number of its members:

- Management Board's proposal for amendments to the Company's Articles of Association.
- Changes in the organizational structure of the Company.
- Proposal of the Management Board for initiating bankruptcy or liquidation of the Company.
- All decisions that exceed the authority of individual Management Board members.
- All decisions on key matters related to the Company's business policy and strategy.
- All decisions which require the approval of the Supervisory Board.

- Decision on convening the Company's General Assembly meeting, with the proposal of the agenda and all the Management Board's proposals for decisions to be taken by the General Assembly.
- Proposal to convene a meeting of the Supervisory Board if necessary.
- Adoption of the Company's annual plan.
- Adoption of the Company's final accounts and basic accounting reports.
- Profit distribution proposal to be submitted to the Supervisory Board and General Assembly.
- Decision on business hours of the Company.
- Decision on each new employment, at the proposal of the Human Resources Department in cooperation with the competent Management Board member.
- Defining the policies of sales and marketing, procurement and technical development; defining the financing model and policy, inventory policy, production management policy, fixed asset investment policy, employment policy, quality assurance policy, environmental policy, occupational health and safety system, and defining any other significant individual policies that define the overall business policy and strategy.
- Concluding agency agreements, agreements with distributors and similar agreements, as well as long-term and general agreements with individual customers or suppliers.
- Determining the framework for corporate borrowings with banks.
- All long-term borrowings (with maturity of over 3 years) and long-term placements regardless of the amount.
- Mortgages of the Company's assets and fiduciary transfer of ownership.
- Purchase or sale of shares or holdings in other companies regardless of the amount, as well as the establishment of new companies.
- Appointment of any directors and middle managers with whom special contracts are entered into, with included annual bonuses and greater rights and responsibilities.
- Confirming the appointment of any managers below the level of the Management Board, at the proposal of the Management Board members in charge of individual business areas and the Human Resources Department.
- The amount, model and method of determining employee salaries and any possible additional payments (Easter bonus, vacation allowance, Christmas bonus, etc.), as well as any other employee benefits and compensations (service anniversary awards, gifts for children, benefits in kind, etc.)
- Organizing meetings with all the management personnel and senior employees once a month, usually on the first working Thursday of the month, and deciding on the topics of such meetings.
- Organizing the meetings of the Company's management personnel and senior employees, usually once a year, in November, and organizing a meeting with all the employees if necessary, and deciding on the topics of such meetings.
- Organizing various special celebrations and gatherings for employees, sales representatives and business partners, and defining the budget available for particular celebrations/gatherings.
- Deciding on any matter related to managing the Company's business where a Management Board member requests that a decision on such matter be made by the Company's Management Board.
- Deciding on all other materially significant and/or sensitive matters.

Article 11

Decisions on amendments to these Rules of Procedure of the Management Board shall be taken unanimously.

Article 12

Where a member of the Management Board notices any irregularities in the work of the Management Board, non-compliance with the Companies Act, Articles of Association or these Rules of Procedure or notices the conclusion of harmful contracts or any actions generally detrimental for the Company, and faces a lack of support by fellow Management Board members, they may independently refer to the Company's Supervisory Board with their assessments, analyses and proposals.

Management Board operations – meetings of the Management Board

Article 13

The Company's Management Board adopts its decisions at meetings, and only exceptionally by phone, video or audio conference, e-mail, etc.

In addition to Management Board members, the meetings of the Management Board may be attended by other persons - managers, clerks, advisors and reporters, as necessary for discussion of individual agenda items and at the invitation of the Management Board.

Management Board shall constitute a quorum when at least 3 members are in attendance at the meeting, in case other members are prevented from attending.
At the meetings attended by fewer Management Board members than the total number of members (5), decisions shall be taken by the prescribed majority of all the Management Board members required for a particular decision, not by the majority of the attending members. All the Management Board members shall be informed of every meeting in advance. Exceptionally, as necessary, certain decisions may be taken by phone voting, provided that the member voting over the phone subsequently signs the minutes of the meeting.

As a rule, meetings of the Management Board are as follows:

- a. Regular weekly meetings of the Management Board
- b. Extraordinary meetings on important individual matters
- c. Off-site meetings on strategic matters

Article 14

Regular weekly meetings of the Management Board are held every working Tuesday at 11 am. All Management Board members shall organize their work, business trips, other meetings, etc. in the manner which allows their participation in the Management Board meetings as frequently as possible. Where that is not possible, they shall notify the President of the Management Board of their inability to attend no later than on Friday of the previous week.

Where one Management Board member does not attend a regular weekly meeting, the meeting will be held with the remaining four members in attendance.

Where two Management Board members plan not to attend a regular meeting, the President of the Management Board will decide either to postpone the meeting to another day or to hold a meeting at the scheduled time without the non-attending members, depending on the importance of matters to be discussed and in agreement with other Management Board members.

Where two Management Board members are not present at a regular weekly meeting, decisions shall be taken only on pressing matters.

Article 15

Extraordinary meetings on important individual matters are held as necessary and at the request of any member of the Management Board. At such meetings, decisions are taken on e.g., major individual bids, contracts, procurements, investments, salary policy, employment and personnel matters, important business segments, organizational changes, relationships with business partners, adoption of important policies, adoption of strategic documents, important regulations, etc.

Article 16

As a rule, **off-site meetings on strategic matters** are held all day, at a venue outside the Company, usually once or twice a year, on most significant strategic matters related to the overall business policy and operations of the Company. Such meetings are specially prepared and shall be attended by all Management Board members, save for a long-time illness of any of the members.

Convening the meetings, preparing decision proposals and other documents

Article 17

Meetings of the Management Board are usually convened by the President of the Management Board, but they can also be convened by any member of the Management Board.

Proposals for individual items on the agenda and proposals for decisions to be made at regular weekly meetings of the Management Board shall be submitted by all Management Board members every week, by 4 pm Monday, to the Management Board Secretary, who brings them all together, and, in agreement with the President of the Management Board, forms the agenda for the meeting. The Management Board Secretary completes the invitation to the regular Management Board meeting, including all the enclosures and decision proposals, and delivers it to all the Management Board members on Tuesday, by 10:00 am.

For extraordinary and off-site Management Board meetings special reports shall be made, depending on the subjects to be discussed and decided upon, and delivered to Management Board members in advance.

For the purpose of preparing and drafting a specific decision proposal or carrying out a specific task, the Management Board may set up committees or permanent expert, working and advisory bodies of the Management Board (committees, working groups, project teams, commissions, coordination bodies, etc.). Their scope and composition may be determined in more detail by the Management Board decision establishing such bodies.

Decision making, keeping minutes of the Management Board meetings and keeping Management Board decisions

Article 18

Minutes shall be taken at all the meetings of the Management Board, containing all the conclusions and decisions taken by the Management Board and indicating member attendance and details of how individual members voted (usually only "for" or "against").

Prior to opening the meeting of the Management Board, it should be determined whether the meeting was convened in accordance with these Rules of Procedure, whether all the Management

Board members received the invitation and materials for the meeting and whether there is a quorum to hold the meeting.

The attending Management Board members may propose amendments to the agenda. As regards the proposals for amendments to the agenda, a procedure shall be carried out to decide on the inclusion in the meeting agenda.

As regards each item on the agenda, a designated person shall give an introductory statement if requested by any Management Board member. After the introductory statement, each Management Board member has the right to discuss the matter on the agenda. After the President of the Management Board or the member of the Management Board chairing the meeting determines that a specific matter has been discussed to the extent that discussion may be concluded, he will invite the members to vote for a decision on the matter.

Decisions are made by public vote, by show of hands. Management Board Members shall abstain from voting in the event a decision is being taken on their individual right or legal interest and when they are in a conflict of interest.

Minutes shall be drawn up by the Management Board Secretary, and subsequently signed by all the Management Board members, even those who did not attend the meeting (indicating "informed") in order to be informed of decisions. Management Board members who remained the minority shall implement all valid decisions of the Management Board.

Each Management Board member is entitled to request that their separate opinion on a particular matter on the meeting agenda be included in the minutes.

Verification of the minutes is usually performed at the next meeting of the Management Board.

Minutes and decisions are archived by years and kept in the archives of the Company's Management Board.

For any major decisions and decisions delivered to someone other than the Management Board, excerpts from the minutes are made in the form of special decisions on individual matters (agenda items), which are identical to the decisions in the original document (minutes) and which must indicate the date of the Management Board meeting at which the decision was taken. These decisions shall be signed only by the President of the Management Board, or, in his absence, by any member of the Management Board. Copies of such individual decisions are kept in the archive of decisions of the Management Board.

Conclusions and decisions of the Management Board that constitute a business secret shall be marked "business secret" and have special secrecy treatment.

Preparing the meetings of the Company's Supervisory Board and General Assembly

Article 19

All members of the Company's Management Board shall participate in preparing reports and materials for the meetings of the Supervisory Board and General Assembly.

All members of the Company's Management Board shall attend the meetings of the Company's Supervisory Board and General Assembly, unless being justifiably prevented from attending.

Representation before third parties

Article 20

Given that under the Company's Articles of Association each Management Board member represents the Company individually and independently, in their dealings with third parties, Management Board members shall make sure to accept on the Company's behalf only the rights and obligations they are authorized to accept independently under the Company's Articles of Association and these Rules of Procedure. Any actions to the contrary will be valid as regards such third parties, but the Management Board member who acted contrary to the internal rules will bear consequences and sanctions in the Company for his actions.

Prior to taking any intended actions in relation to third parties that exceed the authority of an individual Management Board member, the Management Board member shall obtain a relevant decision from the Management Board and act accordingly.

Rules for signing contracts and important documents

Article 21

Each Management Board member independently signs contracts and similar documents, in accordance with their authority to independently conduct business and make decisions under the Company's Articles of Association and these Rules.

Exceptionally, in the event that a Management Board member designated to sign a particular document is justifiably prevented from doing so, and the signing is urgent, documents are usually signed by the President of the Management Board in his stead, and if the President is also prevented, then by another Management Board member. The prevented Management Board member shall be informed of any documents signed in his stead, immediately upon his return.

Conflict of interest

Article 22

A conflict of interest within the meaning of these Rules of Procedure is any situation in which the members of the Management Board objectively have a personal interest contrary or competing to the Company's interest, which may lead to a situation in which business decisions in the Company are made, in whole or in part, based on such private interest and to the detriment of the best interest of the Company. To prevent any conflict of interest, members of the Management Board shall observe, without limitation, the following rules:

- In conducting business, Management Board members shall put the best interests of Company first, i.e., Management Board members shall not make decisions based on their personal interests or use any business opportunities intended for the Company for their own personal purposes,
- Management Board members shall immediately disclose to the Supervisory Board and to other Management Board members any personal interests in the Company's affairs,
- Where a Management or Supervisory Board member has reason to believe that another member of the Management or Supervisory Board has not declared an existing or potential conflict of interest, they shall inform the President of the Supervisory Board. If they believe the President of the Supervisory Board has a conflict, they shall inform the Deputy President of the Supervisory Board.

- Where a matter under discussion at the Management Board meeting is related to personal or economic interest of one of its members, that member may not participate in the adoption of any decisions on the matter,
- In conducting business, Management Board members may not disclose or use any information obtained in the performance of their function for personal interests or interests of any third parties,
- Important dealings between the members of the Management Board, persons related to them and the Company require prior approval of the Company's Supervisory Board.

Competition ban

Article 23

Management Board members shall not, without the approval of the Supervisory Board, engage in activities that compete with the Company's business, either on their own or another's behalf; they shall not be members of management or supervisory boards in other companies that engage in activities that compete with the Company's business, and shall not perform any activities either on their own or another's behalf at the Company's premises. Without said approval, Management Board members cannot be company members who are personally liable for company's obligations where such company is engaged in activities that compete with the Company's business.

Management Board members shall notify the Company Secretary of any holdings in such companies, and details of those holdings shall be made freely available on the Company's website.

Related party transactions

Article 24

No material transactions involving members of the Management Board and the Company (or persons related to either party) shall be made without prior approval of the Supervisory Board. The fair value of all material transactions shall be confirmed by an independent expert prior to the transaction, whose report shall be made freely available on the Company's website.

Cooperation and relationship with the Supervisory Board

Article 25

The Management Board and the Supervisory Board shall cooperate closely in the best interest of the Company, in accordance with the legislation, Articles of Association and internal acts of the Company.

The Management Board shall supply the Supervisory Board with timely, comprehensive reports on all the facts and circumstances that may materially affect the business, financial position and assets of the Company.

In addition to statutory reports, the Management Board shall report to the Supervisory Board at regular intervals on the Company's operational performance, financial situation, major financial and non-financial risks and the results of engagement with shareholders and other stakeholders.

If an event occurs, or seems likely to occur, that has the potential to affect significantly the Company's performance, financial position or reputation, the President of the Management Board shall notify the Supervisory Board immediately.

The Management Board shall provide the Supervisory Board and its committees with timely access to the Company's facilities, premises, senior management and employees when necessary for the performance of their duties, and to any documents needed for these purposes.

The Management Board shall immediately inform the Supervisory Board of any irregularities observed, through the procedure for reporting violations of laws or the Company's internal rules, both when there are actual violations and in case of suspicion that a violation has been committed, and agree on the measures to be taken.

Members of the Management Board must obtain prior approval of the Supervisory Board before accepting appointments to the management or supervisory board of a company outside the same Group. Members of the Management Board shall not assume more than two supervisory or management board mandates in such other companies.

When the Management Board seeks the Supervisory Board's prior approval on decisions, the supporting documents shall explain how the recommended action is consistent with the assessment of the Company's activities on the environment and the community, on the safeguarding of human rights and rights of employees and on prevention and sanctioning of bribery and corruption.

All materials required for a meeting of the Supervisory Board or a Supervisory Board committee shall be delivered to their members no later than one week before the meeting.

At least once a year, the Management Board shall evaluate its own effectiveness and that of its individual members, and shall report the conclusions of the evaluation to the Supervisory Board.

Communication with minority shareholders

Article 26

Minority shareholders may direct their questions directly to the President and the members of the Management Board via email sent to pitanja.dionicara@koncar-dst.hr, published on the Company's website.

Sanctions

Article 27

For non-compliance with the provisions on management of the Companies Act or with internal rules defined by the Company's Articles of Association and these Rules of Procedure in connection with the work of the Management Board, the following is provided:

In case of minor violations of the rules and regulations and violations that are not materially significant, other Management Board members will warn the member violating the rules, and in the case of more serious violations of rules or violations of rules that are materially significant and significantly affect the Company's business, other Management Board members may refer to the Company's Supervisory Board.

Other provisions

Article 28

All amounts expressed in HRK in these Rules of Procedure are calculated according to the mean exchange rate of HRK 7.5 for EUR 1. If the HRK – EUR exchange rate changes by more than 10% than the stated exchange rate, all amounts indicated in the Rules of Procedure will be recalculated for the new exchange rate.

Article 29

These Rules of Procedure are drawn up in two equal counterparts – originals, one of which for the Management Board archive and one for the Company's Supervisory Board.

Article 30

These Rules of Procedure will be published by the Company on its website.

President and members of the Company's Management Board:

*Handwritten
signature*

Ivan Klapan

*Handwritten
signature*

Petar Bobek

*Handwritten
signature*

Vanja Burul

*Handwritten
signature*

Martina Mikulić

*Handwritten
signature*

Petar Vlaić