

KONČAR Group Anti-Corruption Policy





Pursuant to the resolution passed at its 25th session held on 9 July 2024, the Management Board of KONČAR – Electrical Industry Inc. for manufacturing and services, hereby adopts the following

KONČAR Group Anti-Corruption Policy

Introduction

Corruption is defined broadly as the misuse of entrusted power for personal or collective advantage, in both public and private sectors. Such actions violate the public interest, breach moral and legal standards, and undermine the rule of law. A corrupt person is any official or responsible party who, seeking personal gain or the benefit of an affiliated group, disregards the public interest they are charged with protecting, in line with their legal responsibilities, position, and assigned authority.

KONČAR Inc. and KONČAR Group maintain business relationships with a wide network of domestic and international partners, public authorities, and local government institutions, and regularly participate in public procurement activities. We recognise the essential role of integrity and are fully committed to combating corruption. The members of our governing bodies (Management Board and Supervisory Board), employees, and business partners are informed of and adhere to the Group's anti-corruption policies and procedures, guided by the principles outlined in KONČAR Group Code of Conduct.

Rooted in the principles of the Corporate Governance Rules and the Code of Conduct, this Anti-Corruption Policy sets out the KONČAR Group's commitment to preventing corruption, promoting professional and ethical behaviour at all levels of the organisation, enhancing employee and customer satisfaction, and strengthening socially responsible business practices.

This Policy is applicable to all employees and managers within the KONČAR Group and to those employed by companies where KONČAR Inc. holds a majority shareholding or majority voting rights. It also applies to external collaborators engaged through special contracts (including consultants, students, and agency workers), ensuring that the fundamental principles of this Policy are incorporated into their contracts or those of their affiliated organisations.

1. General provisions

1.1. Overview

KONČAR Group adheres to anti-corruption legislation across all jurisdictions in which it operates and maintains a firm zero-to-tolerance approach to any form of corruption. The Group has earned a reputation in domestic and international markets as a loyal and responsible business partner. No cases of corruption have been identified to date.

1.2. Guiding principle of the Anti-corruption policy

The cornerstone of KONČAR Group's anti-corruption efforts is the strict application of the principle of **zero tolerance toward corruption and unethical conduct**. The Group enforces a zero-tolerance approach to all corrupt practices, strictly prohibiting them in any form, whether direct or indirect. KONČAR Group employees are compensated for their work and must not accept inappropriate gifts, monetary payments, or other benefits from contractors, customers, or any other parties. Should they become aware of any offer, solicitation, or acceptance of money or other advantages intended to influence or circumvent a particular activity, they are required to decline and immediately report the matter to their direct supervisor. Any individual within the KONČAR working environment who suspects or becomes aware of corrupt activities involving KONČAR Group employees must report the matter without delay to the Confidential Person and/or the Deputy Confidential Person. Reports will be handled in accordance with the Act on the Protection of Persons Reporting Irregularities and the Internal Whistleblowing Procedure, with strict safeguards to protect the identities of the whistleblower, any associated individuals, and the reported party.

Observing all laws and regulations concerning fair competition, anti-corruption, anti-money laundering, and other applicable requirements is a foundational commitment of the KONČAR Group.

We likewise expect all our business partners to uphold the same high standards of legal and regulatory compliance in their activities.



2. Monitoring of high-risk business areas

KONČAR Group recognises that certain business areas carry an increased exposure to corruption risk among individuals and entities participating in business processes. The following areas have been classified as high-risk:

- Donations and sponsorships
- Gifts
- Suppliers and other KONČAR Group collaborators
- Recruitment processes
- Conflicts of interest
- Accounting and financial reporting.

2.1. Donations and sponsorships

No donations or sponsorships are approved, nor are sponsorship agreements executed, with the intention of obtaining preferential business terms. The approval process is designed to ensure transparency and includes a structured procedural assessment of all applicants seeking donations or sponsorships. Sponsorships and donations are not provided to political parties or election campaigns; individuals or organisations that promote racial, gender, religious, minority, or any other form of discrimination; organisations or individuals whose activities have harmed or could potentially harm the reputation and standing of the KONČAR Group; or organisations reasonably suspected of engaging in activities that may constitute economic or financial criminal offences. All sponsorships and donations are awarded in accordance with the Group's Rules on Donations and Sponsorships.

2.2. Gifts

For the purposes of this Policy, a gift is defined as money, items (regardless of value), rights, or services provided free of charge, which place or may place the recipient in a position of dependence or create an obligation toward the giver. Gifts and offers are recognised as potential corruption risks.

Recognising that gifts are often an inherent part of business relationships; it is neither practical nor necessary to exclude them entirely. However, to minimise the risk of corruption, strict and transparent rules must govern the giving and receiving of gifts. No employee, nor any individual acting on behalf of the KONČAR Group, may offer, promise, provide, request, or accept any payment or item of value intended to influence public or government officials, private individuals, or companies for the purpose of securing an undue business advantage.

The acceptance or provision of cash or cash equivalents is strictly prohibited. The giving and receiving of gifts and hospitality is permitted only when all of the following conditions are met:

- The value does not exceed EUR 100
- The gift or hospitality serves a legitimate business purpose or reflects customary business practice,
- It is not intended to improperly influence the recipient or any third party.

It is not permitted to accept or solicit any gift that could impair the ability to make objective decisions in the best interests of the company.

Likewise, employees must not request or enter into agreements conditioned upon any gift, service, or favour offered by a customer, supplier, consultant, service provider, or any third party.

2.3. Suppliers and other KONČAR Group collaborators

KONČAR Group establishes business relationships with suppliers, consultants, intermediaries, business partners, and other collaborators strictly based on an assessment of their expertise, professionalism, competitiveness, and business integrity. We engage only with trusted suppliers, selected through clear, documented criteria, in accordance with transparent procedures that avoid any actual or potential conflict of interest. The Group's established procurement system is designed to uphold the integrity and legality of all procurement activities. Suppliers play a critical role in enabling sustainable and responsible business operations. As such, we expect them to embrace and act in accordance with KONČAR Group's business principles and standards of professional conduct.

Employees of KONČAR Group are strictly prohibited from accepting inappropriate gifts, monetary payments, or favours intended to establish, secure, or expedite a business relationship. The final selection of suppliers of goods and services is made according to established criteria, with deviations permitted only in formally prescribed or exceptional circumstances.

2.4. Recruitment processes

The Code of Conduct sets out the policy and approach for recruiting new employees, focusing on attracting candidates who possess the skills, expertise, and personal attributes required to excel in their roles. Equal consideration is given to all applicants, regardless of age, gender, religion, or national background. Candidate evaluations follow a comparative assessment process that reviews qualifications, experience, competencies, and motivation relative to the position's requirements. This ensures fairness, transparency, and the prevention of any undue influence or unethical practices.

2.5. Conflicts of interest

All KONČAR Group employees must refrain from any form of competitive activity and avoid both business and personal situations that could create a conflict between their personal interests and those of KONČAR Group. Employees who, in the regular course of their duties, have access to trade secrets or confidential information may not, without prior authorisation:

- Engage in business activities for their own benefit or on behalf of another party that competes with KONČAR Group
- Serve as a member of the management or supervisory board of any company competing with KONČAR Group.

Any violation of non-compete obligations constitutes a breach of employment duties and will be subject to disciplinary measures in accordance with applicable laws, regulations, and the Group's internal employment policies.

2.6. Accounting and financial reporting

KONČAR Group adheres to established accounting principles and standards, ensuring that financial information is reported accurately and comprehensively. The Group maintains robust internal controls and procedures to ensure that all accounting and financial reporting comply with applicable laws and regulations.

3. Corruption risk assessment

The purpose of the corruption risk assessment is to identify any corruption risks related to a specific business transaction, project, or contract, so that, where necessary, appropriate measures can be implemented to reduce the risk to an acceptable level. The criteria for assessing corruption risk may vary depending on the circumstances and the nature of the business relationship. However, the general criteria applied to each case include:

- The corruption risk associated with operations in the specific country
- The type of customer, particularly whether they belong to the private or public sector
- The circumstances of the specific case (contract value, complexity of the work, type of procurement)
- The business partner or intermediary (including whether an agent or intermediary is involved, the partner's reputation, their relationship with the client, role and scope of work, company size, and the level of remuneration)
- The existence of proportionality between effort, risk, and reward.

Risk assessments are conducted systematically whenever justified by the circumstances of a transaction, project, or contractual relationship - or when mandated by internal controls or regulatory obligation.

- Employee training; and
- Informing suppliers about this Anti-Corruption Policy and other internal regulations that establish the company's standards of business conduct.

The leadership and exemplary conduct of the Management Board and managers play a crucial role in promoting these values and embedding them into everyday business practices.

4. Reporting irregularities

4.1. Reporting by employees

Any employee or individual who identifies, becomes aware of, or suspects that a corrupt act has occurred or may occur is required to report the matter without delay.

The reporting procedure guarantees that employees will not face any adverse consequences for raising concerns or reporting suspected or confirmed misconduct related to the activities outlined above.

The process for reporting irregularities is governed by the Internal Whistleblowing Procedure. Reports should be submitted to the Confidential Person, either in writing or verbally. If a report is received by a person who is not authorised to handle such matters, they are required to forward it promptly and without alteration to the Confidential Person, while ensuring the protection of the whistleblower's identity.

The procedure for appointing the Confidential Person, along with their rights and responsibilities, is also defined in the Internal Whistleblowing Procedure.

4.2. Reporting by business partners and third parties

Suppliers, customers, external collaborators, shareholders, and all other business partners may report any suspected corruption or misconduct through the following channels:

Email: povjerljiva_osoba@koncar.hr

Address: KONČAR Inc., Attn: Confidential Person, Fallerovo šetalište 22, 10000 Zagreb, marked "Do not open."

Anonymous reports are also accepted.

4.3. Handling of reports received

All reports will be promptly reviewed by the Confidential Person and/or their Deputy. They will maintain records of each report and provide regular updates to the Management Board. The processing of reports will follow the provisions of the Internal Whistleblowing Procedure.

The outcomes of investigations and any recommended actions will be presented to the Management Board upon completion of the review of each report. Additionally, at least once a year, a summary report will be submitted to the Management Board.

The Management Board must immediately notify the Supervisory Board of any reports and irregularities identified through this process and agree on the necessary corrective measures.

The Confidential Person and their Deputy are responsible for safeguarding individuals who, in good faith, seek advice or report suspected misconduct or potential violations.

Persons submitting a report may seek guidance from the Confidential Person or their Deputy at any time, whether before or after making a report.

The Group strictly prohibits any form of discrimination or retaliation against individuals who report violations. Should any reporting party believe they have been subjected to such actions as a result of a good-faith report, they may raise the issue through any of the available reporting channels. The Group shall take appropriate action to address any such conduct.

5. Violations of the anti-corruption policy

Violations of the Anti-Corruption Policy may result in serious consequences for the employee, including potential termination of employment. The same applies to any employee who engages in threats, retaliation, or intimidation against colleagues who report suspected breaches of the law or this Policy.

Depending on the severity of the violation, the Company may apply a range of disciplinary or corrective measures, which may include, but are not limited to: counselling, a formal warning, mandatory training, a requirement to remedy the breach, financial penalties, termination of employment with an offer of amended contractual terms, or dismissal.

6. Monitoring policy compliance

The Management Board holds overall accountability for the consistent implementation and observance of this Anti-Corruption Policy.

All levels of management are entrusted with overseeing employee compliance, proactively identifying areas requiring additional training, embedding the policy's core values within their respective organisational units, and notifying the Management Board of any significant compliance issues. In addition, managers are required to participate in organised training sessions and to lead by example in promoting the Policy's principles across the organisation.



7. Final provisions

This Anti-Corruption Policy does not prescribe appropriate conduct for every conceivable situation. Accordingly, each employee is expected to exercise sound judgment and make appropriate, principled decisions guided by the values set forth in this Policy.

The Policy was formally adopted by the Management Board of KONČAR Inc. and is publicly available on KONČAR Group's website.

KONČAR Inc.

President of the Management Board
Gordan Kolak



Member of the Management Board
Miki Huljić



Zagreb, 9 July 2024



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