

# **POLICIES AND PROCEDURES FOR APPROVING AND DISCLOSING TRANSACTIONS WITH RELATED PARTIES**

## **I. INTRODUCTION**

### **Article 1**

Policies and procedures for approving and disclosing transactions with related parties and the reporting procedure of the Company and its subsidiaries are adopted with the aim of better regulation and improvement of the Company's corporate governance system.

## **II. APPLICATION OF POLICIES AND PROCEDURES**

### **Article 2**

These Policies and Procedures apply to transactions with related parties. In accordance with the provisions of Article 263a, paragraph 1 of the Companies Act (Official Gazette 152/11, 111/12, 68/13, 110/15, 40/19, hereinafter: CA), transactions with

related parties are legal transactions and actions:

- 1) by which the subject or some other asset value is alienated, encumbered or left for a fee or free of charge and
- 2) which are undertaken with related parties within the meaning of paragraph 2 of this Article.

Related parties are considered to be "related companies or persons" within the meaning of International Financial Reporting Standards, which have been adopted by Commission Regulation (EC) no. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) no. Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1), as last amended by Regulation (EU) 2018/519 (OJ L 87, 3.4.2018, p. 3).

Related party transactions are not ordinary activities of the Company that it undertakes with related parties under normal market conditions.

Related party transactions are not:

- 1) transactions with subsidiaries, provided that the Company is directly or indirectly their only member or that in these subsidiaries no person related to the Company has a share directly or indirectly,
- 2) matters to be approved by the General Assembly,
- 3) all affairs and actions undertaken with the consent or approval of the General Assembly, and in particular
  - a) actions related to the increase or decrease of share capital (Articles 304 to 354 of the CA), entrepreneurial contracts (Articles 479 to 492 of the CA) and activities undertaken on the basis of these contracts,
  - b) transfer of all company assets or structural changes referred to in Article 552 of the CA
  - c) the acquisition of treasury shares in accordance with Article 233 (1) of the CA
  - d) contracts to which the rules on the continuation of establishment referred to in Article 194a of the CA apply,
  - e) transfer of shares of minority shareholders in accordance with Articles 300.f to 300.k of the CA,

f) business conduct within the framework of mergers, acquisitions, divisions and transformations in accordance with the CA,  
4) tasks determining the remuneration of members of the Management Board or members of the Supervisory Board in accordance with Article 247a (2) and Article 269 (3) of the CA  
5) transactions concluded by a credit institution on the basis of measures aimed at protecting their stability and adopted or approved by the competent authority in charge of prudential supervision within the meaning of European Union law,  
6) jobs offered to all shareholders on equal terms.

### **III. PURPOSE AND OBJECTIVES OF THE POLICY AND PROCEDURES**

#### **Article 3**

Policies and procedures are a set of rules by which the Company establishes mechanisms for approving and disclosing transactions with related parties and the reporting procedure at the level of the Company and its subsidiaries.

Policies and procedures establish rules for approving and disclosing transactions with related parties as well as rules governing responsibilities and reporting procedures at the level of the Company and its subsidiaries.

### **IV. REGISTER OF RELATED PARTIES**

#### **Article 4**

For the purpose of recording related parties, the Company keeps a Register of related parties.

Pursuant to the Company's acts, members of the Management Board and members of the Supervisory Board are obliged to inform the Management Board - Head of Legal Af-

fairs - about their memberships in the Management Board or Supervisory Board of other companies, as well as their shares over 5% in other companies which according to relevant regulations can be considered related parties in relation to the Company in legal affairs.

### **V. APPROVING TRANSACTIONS WITH RELATED PARTIES**

#### **Article 5**

The Company may not undertake related party transactions without the prior consent of the Supervisory Board if the value of such transactions alone or together with other transactions undertaken by the Company in the last twelve months before such transactions exceed 2.5% of the sum of long-term and short-term assets identified in the most recent consolidated annual financial statements.

A member of the Supervisory Board who is also a related person with whom the Company undertakes business is excluded from voting when voting on giving prior consent to undertake business with related parties.

#### **Article 6**

The Company's Management Board with the prior consent of the Company's Supervisory Board must approve transactions with related parties that are not regular and other activities in terms of the provisions of paragraphs 3 and 4 of Article 2 of this Policy.

The Management Board is obliged to request a preliminary consideration of the proposal to the Presidium of the Supervisory Board before submitting the proposal of the legal transaction with related parties for approval to the Supervisory Board.

If the Presidium of the Supervisory Board proposes to the Supervisory Board to deny prior consent to undertake business with a

related party, the Supervisory Board may give consent to undertake such business only if the appointed auditor confirms that the legal transaction between the Company and the related party is appropriate with regard to the Company and shareholders who are not also related parties.

In the event that the Supervisory Board of the Company denies prior consent to undertake business with related parties, the Management Board may request the consent of the General Assembly. A shareholder who is also a related person with whom the Company undertakes business is excluded from voting.

## **VI. APPROVING TRANSACTIONS WITH RELATED PARTIES**

### **Article 7**

All transactions with related parties are disclosed in accordance with the Company's internal rules and relevant regulations.

The Company must without delay publish all transactions with related parties that require the prior consent of the Company's Supervisory Board on the website of the Zagreb Stock Exchange d.d., the Croatian Financial Services Supervisory Agency, the Croatian News Agency and on its own website.

The notice of a transaction with a related party must contain all relevant information necessary to assess whether the transaction is appropriate from the perspective of the Company and non-related party shareholders. The content of the notice shall include at least information on the nature of the relationship with the related party, the names of the related parties, the date and value of the transaction.

The provisions of this Article shall apply to transactions of subsidiaries accordingly.

## **VII. RESPONSIBILITIES AND REPORTING PROCEDURES AT THE LEVEL OF THE COMPANY AND ITS SUBSIDIARIES**

### **Article 8**

The Management Board of the Company regularly supervises the activities in its subsidiaries and other companies that make up Valamar Group in accordance with the powers it has as the General Assembly and/or through its representatives/members of the bodies of these companies.

The procedure in the sense of the previous paragraph is carried out in accordance with the rules and procedures prescribed by the relevant regulations and acts of the Company, in particular with regard to the rules and procedures of compiling, determining and publishing financial and other reports of Valamar Group.

## **VIII. MANAGEMENT BOARD REPORT ON RELATED PARTY RELATIONSHIPS**

### **Article 9**

In cases provided for by the provisions of Article 497 of the CA, the Management Board is required to prepare a report on relationships with related parties.

The external auditor of the Company's annual financial reports examines reports on related-party transactions.

The Management Board must submit the relationship with related-parties report together with the auditor's report to the Supervisory Board for examination. The Supervisory Board is obliged to examine the reports on relationships with related-parties and report to the General Assembly in its report.

Reports on relations with related-parties are not made public.

## **IX. FINAL PROVISIONS**

### **Article 10**

The Company's Audit Committee evaluates the effectiveness of these Policies and Procedures annually.