

## **Ericsson Nikola Tesla d.d.**

In accordance with Article 247.a and in connection with Article 276a, paragraph 1 of the Companies Act, the Supervisory Board of Ericsson Nikola Tesla d.d. proposes to the General Meeting to be held in 2021 the approval of the following:

# **Remuneration policy for the Management Board**

## **Introduction**

This Remuneration policy for the Management Board is based on the principle of attracting, motivating, and retaining highly qualified professionals, with the aim of promoting good and effective management. Its purpose is to support, reward, and acknowledge accomplishments of the Management Board and their contribution to the Company's success.

The policy aims to ensure balanced, sustainable, and transparent remunerations that strongly foster the culture of performance related payment and implementation of the Company's long-term strategy. In doing so, relevant regional, local and global business practices regarding remunerations for high-ranking staff in positions of management were taken into consideration, because the Company wants to ensure attractive employment conditions whose important elements, in addition to remunerations, include personal development and training, work environment and intellectually stimulating environment. Accordingly, the Policy contributes to achieving the Company's strategic goals and guidelines.

For the purpose of this policy implementation, the Company carries out a system for the evaluation of jobs, which reflects the contribution to results and the Company's success in general. Rewarding system is reviewed at least once a year in order to initiate necessary adjustments and to maintain competitiveness on the labor market.

## **Remuneration elements**

The Management Board receives a monthly ie an annual target salary and additional perks of the job, among other things, in the form of bonuses and benefits.

The annual target salary, variable components related to performance and other elements of compensation, as well as other forms of non-monetary compensation and services, may be defined in individual employment contracts.

## **Annual target salary**

The amount of basic (contract) salary is determined based on responsibility level, complexity and size of organization, diversity of business segments and technologies involved, taking into account companies in the labor market, relevant in terms of core business, size, and complexity. The monthly contract salary is agreed in individual employment contracts.

Annual target salary includes the contract salary and the variable component for achieving the annual business targets at the Commitment level. Annual target salary is reviewed once a year and, if necessary, adjustments are made under the condition that there are assets in the budget secured for this purpose.

## **Short Term Variable (STV)**

In addition to fixed basic salary, annual target salary for Management Board also includes a variable component, which depends on the performance, ie on the Company's achieved business goals.

The share of the variable part in the Management Board's annual target salary is defined by the Supervisory Board.

STV bonus scheme is used for Management Board. It is used to reward the achievement of the Company's targets, mainly financial ones, over the course of one year.

The Management Board's goals are defined in line with the Company's business goals which have been approved for a certain year and strategic determinants of the future business development.

The Supervisory Board approves the Company's annual goals based on the approved Business Plan. Following the approval of annual financial reports, total performance is evaluated as the basis of calculation.

The ratio of the fixed basic annual salary and the annual bonus within one annual target salary for the Management Board is a minimum of 80:20. In the case of achieving defined targets at the Stretch level, the ratio is 67:33.

## **Allocation of treasury shares**

If treasury shares are allocated to the Management Board, such allocation is based on the decision made by the Company's Supervisory Board, usually for a period of 3-4 years, and is conditioned by exceptionally good results in the past period, ie high expectations for the coming period.

The Management Board is obliged to keep the shares for at least one year from the date of their allocation (trading shares prohibition period).

The option of allocating treasury shares is a long-term compensation instrument based on which the Management Board enters the ownership structure and enable them to benefit from the success of the share on the capital market.

## **Additional perks of the job**

In addition to the above components, compensation includes other additional benefits. Additional benefits are non-monetary benefits and services provided by the Company as well as receipts in kind, eg company car, meals in the company, medical check-up for the Management Board, severance pay when leaving the company, various education, etc.

## **Individual employment contracts**

The contract with the Management Board defines the rules and obligations, monthly contract salary and other benefits and perks of the job.

The obligation to give severance pay arises in case of terminating a contract due to business/personal reasons or retirement. The obligation to give severance pay does not exist in case an employment contract is terminated due to misconduct by an employee, including but not limited to violation of the Code of Business Ethics or unlawful conduct by the Management Board.

In case a contract is terminated by the Company due to personal/business reasons with a simultaneous termination of employment, the Company is obliged to give the Management Board severance pay in the amount of 60% of an average monthly gross contract salary paid over the 3 months preceding the termination of employment for every year of service with the Company, within 30 days from the day of termination of employment in the Company.

In case of retirement, severance pay is given in the amount of 18 average monthly contract gross salaries paid over the 3 months preceding the termination of employment.

Individual employment contracts may include additional perks of the job as well: company car, schooling or education programs, payment into a pension fund, etc.

In the case of changes in circumstances and the situation in the Company that would significantly affect the ability to meet contractual rights and obligations, the contractual terms may be further adjusted to the new situation, which is appropriately defined by an annex to the existing contract or if more appropriate new contract.

In order to avoid conflict of interest and protect the Company's legitimate interest, the contracts contain/refer to additional provisions:

- a) obligation of professional secrecy: The Management Board is obliged to protect business secrets of the Company during and permanently after termination of employment, regardless of the reasons for termination of employment, whereby the obligation of professional secrecy includes business secrets of affiliated companies as well;
- b) non-compete clause: The Management Board may not, without the prior written consent of the Supervisory Board for its own or someone else's account, enter into activities from the Company, who in any way compete with the activities and operations of the Company, except in cases when Management Board is obliged to do so by the Supervisory Board or another competent body of the Company.

Moreover, they may not be a founder or a co-owner of a company or an organization or a member of the management board or a supervisory board of a company which in any way competes with the Company's activities and business, except in companies and organizations in which the Company is a shareholder, owner or co-owner.

The Management Board bear all material responsibility for the damage suffered by the Company due to violation of these provisions.

The Management Board may not be employed by another person who is in market competition with the Company for a period of one year, and may not enter into transactions with the Company for their own account or for the account of a third party.

In case the Management Board violates the provision on the contractual prohibition of competition, he/she is obliged to pay the Company all the damage suffered by the Company because of that and return all payments received on that basis.

The contract may be terminated in accordance with legal provisions.

The Management Board is not entitled to compensation when taking over membership in Supervisory Boards and similar positions / functions in companies in which the Company directly or indirectly owns its share or in associations to which the Company belongs.

In a case of a change in market conditions, the Supervisory Board may propose to the General Meeting a change in policy in accordance with applicable regulations.

This Policy shall enter into force on the day of the approval of the General Meeting and shall apply until a different decision of the General Meeting.



Franck Pierre Roland Bouetard  
Chairman of the Supervisory Board