

RULES OF PROCEDURE OF THE AUDIT COMMITTEE

Zagreb, October 2021

Pursuant to Article 65 of the Auditing Act (Official Gazette no. 127/17) and provisions of the Rules of Procedure of the Supervisory Board of SPAN d.d. Zagreb (hereinafter: Company), the Supervisory Board of the Company at their meeting held on 14 October 2021 adopts the following

RULES OF PROCEDURE OF THE AUDIT COMMITTEE

PREAMBLE

Article 1

These Rules regulate the competence, responsibility and powers of the Audit Committee, the workflow and decision-making of the Audit Committee, fees and work resources of the Audit Committee, as well as other questions in accordance with legislation and acts of the Company.

COMPOSITION OF THE AUDIT COMMITTEE

Article 2

The Supervisory Board determines the number of Audit Committee members, while the number must not be lower than three (3) nor higher than five (5), of which one member is appointed as the Chairman.

At least one (1) member must be an expert in the field of accounting and/or auditing, while members of the committee as a whole must have knowledge of the sector in which the Company conducts business.

Most members of the Audit Committee must be independent in accordance with the provisions of the Auditing Act.

The Supervisory Board appoints the members of the Audit Committee for a mandate of 4 (four) years and they may be appointed again.

The appointment decision shall determine the mandate of the Chairman and the members of the Audit Committee.

The Company Supervisory Board may, by its decision, recall an Audit Committee member before the end of their mandate.

An Audit Committee member may at any time resign from their Audit Committee membership. The resignation is made known to the Supervisory Board in a written form and if it does not state otherwise, it is effective from the day it is issued.

Article 3

Audit Committee members are entitled to fees in accordance with a Supervisory Board decision.

Article 4

The Audit Committee answers to the Company Supervisory Board for their work.

The Audit Committee shall regularly report to the Supervisory Board on their work, as well as any time the Supervisory Board requests of them to do so.

COMPETENCE OF THE AUDIT COMMITTEE

Article 5

In accordance with the Auditing Act, with tasks prescribed by the Regulation (EU) on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, No. 557/ 14 (hereinafter: Regulation) and all relevant legislation, the Audit Committee conducts the following tasks:

- a) it monitors the process of financial reporting and delivers recommendations or proposals to ensure the integrity of the process;
- b) when it comes to financial reporting, it monitors the efficiency of the internal quality control system and system for managing risks, which includes the efficiency of procedures for approving and conducting transactions between members of the Management Board and Supervisory Board and the Company, as well as internal auditing, without violating its independence;
- c) it discusses plans and annual internal audit reports and significant questions relating to this area;
- d) it monitors the carrying out of statutory audit of yearly financial and annual consolidated financial reports, in accordance with the Auditing Act;
- e) it tests and monitors the independence of independent auditors and auditing companies which conduct audits, especially the adequacy of providing non-auditing services which are subject to their prior approval, all in accordance with the Auditing Act;
- f) it is responsible for the procedure of choosing the auditing company and proposes naming the auditing company in accordance with Article 16 of the Regulation;
- g) it reports to the Supervisory Board on the outcome of the statutory audit, all in accordance with the additional report which the authorized auditor must deliver to the Audit Committee, in accordance with the Auditing Act and Regulation and explains in what manner the statutory audit contributed to the integrity of the financial reporting

and explains the role of the Audit Committee in the process.

Article 6

The Audit Committee has the following responsibilities:

- a) recommending employing additional Company auditors to the Supervisory Board outside of the concluded Agreement on conducting annual auditing for Span Group business;
- b) conducting meetings with Company auditor to evaluate the scope and contents of the annual audit and to evaluate the results of engaging its staff;
- c) discussing with Company auditor and internal auditor the results of the audit for the previous year which includes the following:
 - evaluation of audited financial reports;
 - analysis of Company auditor and internal auditor recommendations for improving accounting processes and internal controls;
 - evaluation of the scope of the application of the Company auditor and internal auditor recommendations;
 - evaluation of whether the Company financial reports represent a complete and true picture of the financial results to Company shareholders and creditors;
 - evaluating together with the Company Management Board whether a supervisory mechanism was established for the business of affiliated companies and giving recommendations in connection with this;
 - evaluating together with the Management Board and Company auditor all significant questions relating to litigation, unpredictable expenditures, demands and all-important accounting questions which need to be reported on in financial reports,
- d) recommending to the Supervisory Board naming or dismissing the manager of the function of internal auditing;
- e) evaluating the work of the internal auditor, including:
 - reconciliation of annual internal audit plan,
 - adequacy of the internal control system,
 - scope of internal auditor work, goals, powers and required human resources for achieving goals,

- discussing plans and annual internal auditor reports,
 - discussing cooperation between internal auditor and Company auditor,
- f) evaluating system scope and efficiency of risk management.
- g) Submitting an annual report on activities and conclusions of the Audit Committee to the Supervisory Board, to evaluate the work of the Audit Committee and make decisions on continued Audit Committee member work.

Monitoring and ensuring the efficiency of internal control and internal auditing systems, as well as risk management systems, entails that the Audit Committee shall conduct an evaluation of the quality of the internal control and risk management systems at least once a year, with the aim of identifying the main risks the Company is exposed to (including the risks connected with complying to legislation) in an appropriate manner and to publish it publicly and to manage risks in an appropriate manner.

Article 7

The Audit Committee has the following powers:

- a) supervises activities which are within the framework of the Audit Committee's competence,
- b) it may request from the internal auditor or other persons who received special authorisations from the Company and affiliated companies or from any other appropriate employee any and all information and documentation necessary for the Committee to conduct tasks within its competence,
- c) it may request internal, as well as external legal help and professional consultations to exercise its powers, at the expense of the Company with prior Supervisory Board agreement.

Article 8

During the process of supervising the performance of the audit of the Company's annual financial report, the Audit Committee cooperates with the appointed Company auditor.

The Audit Committee coordinates the manner and deadlines of reporting to the Audit Committee with the Company auditor on the execution of the auditing of the financial report by the Company auditor.

Within the framework of auditing the financial reports, the Audit Committee evaluates and discusses with the Company auditor the appropriateness of the accounting policies which it determined with the Company Management Board.

The Audit Board shall report on their objections and proposals related to applying and the need for change of the accounting policy in written form to the Company Management Board.

The Audit Board is responsible for supervising and checking financial information which is published in the financial reports before they are presented and published publicly.

If the Company Management Board does not accept the objections and proposals connected with the accounting policies, which could result in a non-objective presentation of the financial situation and success of the Company's business dealings, the Audit Board must, in written form, report this to the Supervisory Board before the meeting at which the Supervisory Board reviews the financial reports for the business year.

For conducting their tasks, the Audit Committee has the right to conduct a search of all Company business documents and records.

The request for the use of documents and access to records and cooperation with experts in conducting its tasks is submitted by the Chairman of the Audit Committee in written form (email) to the Company Management Board.

In accordance with the request from the previous paragraph, the Company Management Board is obligated to comply with the Audit Committee request.

WORK FLOW OF AUDIT COMMITTEE

Article 9

The Audit Committee works and makes decisions at meetings.

Audit Committee meetings are held at least once every three months, as a rule, before a Supervisory Board meeting of the Company and can be held more frequently if required, whenever the Committee Chairman decides that a meeting is required.

Audit Committee meetings are, in general, held at the Company's main office.

Audit Committee meetings can be held in the following ways as well:

- (i) in writing;
- (ii) by e-mail;
- (iii) using conference phone connection or other audio and visual communication equipment so that all persons which participate in the meeting work can communicate at the same time with each other.

Article 10

An Audit Committee agenda proposal is created by the Chairman in agreement with the members of the Audit Committee.

The Audit Committee Chairman regularly sends a meeting invitation to members of the Audit Committee, to the representative of the Company auditor and internal auditor via email, together with materials on the agenda items if required.

Each member of the Audit Committee may, along with listing the reasons and purposes, ask that the President of the Committee call for an Audit Committee meeting. The meeting shall be held within 15 days from the day it was called for.

If the request from the previous paragraph is not approved, each Audit Committee member may call for an Audit Committee meeting by stating reasons for calling for a meeting and stating a meeting agenda.

Members of the Supervisory Board, Management Board and other employees may participate in the meetings if they are invited by the Audit Committee.

Article 11

The Audit Committee holds a meeting where annual results are sufficiently considered before holding the Supervisory Board meeting where the annual results of the Span Group are determined.

The Annual Audit Committee Report is submitted by the Chairman of the Audit Committee at the Supervisory Board meeting where subjects are determined by the Supervisory Board which are sent to the General Assembly for voting.

Article 12

The Audit Committee makes decisions through majority vote. Every member of the Audit Committee has one vote. Voting at an Audit Committee meeting depends on how the meeting was held, so a vote may be cast in writing, email or other means of expressing intent.

The Audit Committee can make decisions if the meeting was attended by at least half of the appointed members. Absent members may participate in making decisions in such a way that their vote is given to another member of the Audit Committee in writing. If votes are equally split when making a decision, the deciding vote is cast by the Audit Committee Chairman.

The minutes of the Audit Committee meeting are verified, in general, at the next Committee meeting, as the first item of the agenda.

If the members of the Audit Committee, at the time of verification of the minutes of the meeting, have an objection to the minutes, and this objection is accepted by Committee members, it is entered into the minutes at the Audit Committee meeting at which the verification process is being conducted. Otherwise, if there are no objections or if the voiced objections do not receive a majority of cast votes, the minutes are deemed to be accepted (verified), without a special vote.

Article 13

The Company Management Board, in agreement with the Audit Committee, ensures that expert employees are going to carry out expert and administrative tasks for the Audit

Committee (preparing calls, managing and composing minutes, creating decisions, managing archives and so on).

Material costs are planned for the work of the Audit Committee in accordance with the Company's Annual Expenditure Plan.

FINAL PROVISIONS

Article 14

These Rules shall enter into force on the day they are adopted.

Each member of the Audit Committee shall receive these Rules.

PRESIDENT OF THE SUPERVISORY BOARD

Jasmin Kotur