

Pursuant to Article 26 of the Articles of Association of Hrvatska elektroprivreda d.d., the Management Board of Hrvatska elektroprivreda d.d., as at 2 September 2019 adopts

CODE OF ETHICS

I GENERAL PROVISIONS

Article 1

Code of ethics is adopted in order to achieve the vision, mission, core values and strategic objectives of HEP Group's companies (hereinafter: HEP), so that it becomes a reputable and recognizable power utility on the basis of its business method, business success and the quality of provided services, with characteristics in line with the European practice.

Code of ethics governs the rules of good behavior of all HEP Group's employees and Management Board members, as well as directors of HEP Group's companies, based on the Constitution, laws, Code of ethics in the business of the Croatian Chamber of Economy, valid Anti-corruption strategy with the accompanying Action plan and other accompanying implementing documents as well as general acts of companies within HEP Group.

II PRINCIPLES OF BUSINESS CONDUCT

Article 2

Principles of business conduct should be based on the following ethical values: legality of work and business, professionalism, competence, conscience, objectivity, independence, transparency and impartiality in work, responsibility and zero tolerance of corruption.

Principles of good business conduct particularly refer to HEP's business activities, which affect its reputation and position in the business environment. The principles define the mode of operation and business conduct, in line with professional labor standards and basic ethical values for HEP's Management Board, companies' directors and employees.

II 1 Legality of work and business

Article 3

Board members, companies' directors and employees should consistently apply and obey laws and other regulations and legislation of HEP in their work, as well as apply and implement professional, business standards and norms as well as ethical principles and in that way ensure business reputation and market position of HEP.

II 2 Professionalism, competence, conscience, objectivity, independence, transparency, impartiality and responsibility in work

Article 4

While doing their jobs and performing tasks, Management Board members, companies' directors and employees shall work in a professional, competent, conscious, objective, independent, transparent, responsible and impartial manner.

Management Board members, companies' directors and employees should avoid participating in activities that may affect their professionalism, competence, conscience, objectivity, independence, transparency, impartiality and responsibility and they shall refrain from activities opposed to HEP's interests.

Promoting and substituting employees, especially those at working places with special powers and responsibilities, are defined in line with HEP's bylaws. It is recommended that equivalent jobs and tasks, which belong under contracts with special rights and obligations, may be performed by one employee for the period of eight year at the longest.

II 3 Zero tolerance of corruption

Article 5

In its business HEP shall promote the approach of zero tolerance of corruption. The objective of promoting the approach of zero tolerance of corruption is preventing, combating, disclosing and punishing all types of corruption as a harmful social phenomenon infringing basic social values.

III CONFIDENTIALITY AND SECRECY IN BUSINESS AND DATA PROTECTION

Article 6

HEP's Management Board members, companies' directors and employees are obliged to ensure confidentiality and secrecy as well as protection of business data, documents and information on work and business, in line with provisions of company's general act on trade secret. Information they receive, to use or to gain insight of, while performing their jobs, shall be used in line with HEP's bylaws. It shall not be used for personal advantage or in a manner that may negatively affect HEP's business reputation, business results or market position.

Maintaining confidentiality of data and secrecy of information available to Management Board members, companies' directors and employees within work, in case their publication may influence HEP's position in market competition is obligatory. Confidential information and data on customers, creditors and other interested parties shall not be disclosed, with the exception of those prescribed by a special law. In line with HEP's bylaws, without further approval of the Management Board, company's director or superior head, employees cannot disclose information publicly or give statements or interviews to the representatives of the media, or to third persons.

Without former written approval of a business partner, confidential information of business partners cannot be shared with external persons or institutions, with an exception of a justified request by competent state authorities. Confidential information may be shared within HEP only with the coworkers, for whom it is essential to perform their work.

IV CONFLICT OF INTEREST

Article 7

HEP's Management Board members, companies' directors and employees are obliged to be loyal to HEP. Therefore, they are not allowed to participate in any activities which challenge loyalty to HEP or which may lead to conflict of interest and negatively affect HEP's business or reputation.

HEP's Management Board members, companies' directors and employees, as well as their immediate family members cannot perform and undertake the following activities:

- Have a company, either owned or majority-owned, have stakes in a company, whose business activity is the same or very similar to HEP's business activity entered in the register of the commercial court and have business relations with HEP, without the agreement of the company's Management Board, its director or Supervisory Board
- Be a member of the Management Board, the Supervisory Board or the President of the Assembly or other bodies in companies – HEP's business partners, or companies which have the same or similar business activities like HEP – without the agreement of the company's Management Board, i.e. the Supervisory Board
- Perform business activities in the name of HEP with companies either owned or majority-owned by them or owned by their immediate family members, or with companies where their immediate family members work
- Perform any mediator functions for the third person in HEP's business relations
- If they own a stake, or have other interest in a company outside HEP, they cannot offer services or be engaged as advisors or auditors without the agreement of the company's Management Board, its director, i.e. the Supervisory Board.

In case of reasonable doubt regarding the existence of stated conditions, Management Board members, company's directors and other employees at work places with special powers, in line with internal bylaws should demand a written approval from the Supervisory Board, i.e. the Management Board, to perform given jobs, and HEP's employees should demand a written approval from the director of their organizational unit to perform given jobs.

V GIFTS

Article 8

With respect to this Code of ethics, a gift is: money, things of higher value, rights and services free of charge, which lead or may lead the receiver to a dependent relation or may create an obligation towards the donor.

Giving and receiving gifts between business partners is not allowed. As an exception, it is allowed to receive and keep the gift from a business partner worth up to HRK 500 (five hundred), which has been given on one's own initiative and pursuant to good business practices.

Giving and receiving gifts between business partners should always serve to improve the company's reputation, along with respecting the practices of the business environment.

VI HUMAN RIGHTS, SAFE WORK PRACTICES AND ENVIRONMENT PROTECTION

Article 9

Employees' human rights, relation towards customers, business partners, the media, the public and all interest groups shall be established and maintained at a very high ethical level. Discrimination of any person is unacceptable, and HEP's employees cannot be discriminated against their race, gender, age, religion, nationality, sexual orientation, marital status, membership or non-membership in a political party or a trade union, physical or mental difficulties or against any other foundation.

Procedures and measures for the protection of employees' dignity are prescribed by a special internal bylaw of the company.

HEP's Management Board, directors and employees are obliged to comply with the rules of procedure, in a safe manner, in line with valid regulations and company's bylaws and thereby care for personal safety and health, for the safety and health of other employees, for the security of the facility and equipment and pay special attention to environment protection.

In their work, everybody is obliged to take care of the least possible adverse effect on the environment.

VII PUBLIC RELATIONS

Article 10

HEP performs a public service so its business has to be transparent and open to the public – customers, the media and other interest groups.

Work and activities of HEP's Management Board, companies' directors and employees directly influence the public perception of HEP, its basic values, market position, business results, understanding of strategic objectives and the overall business policy.

HEP's Management Board members, companies' directors and employees cannot affect HEP's reputation negatively, and they cannot consciously participate in activities opposing laws and HEP's activities and this Code of ethics.

HEP's Management Board members, companies directors and employees shall promote HEP's values in their relation to customers and business partners.

President of HEP's Management Board and employees he authorizes, may give information on HEP's business as well as other information on activities inside HEP to the media and other carriers of public opinion and interest groups.

Directors of HEP's affiliated companies within HEP Group, i.e. employees they authorize may give information to the media and other carriers of public opinion only from the scope of work of the company they manage.

Technical information, such as electricity and heat energy supply outage, gas supply outage, breakdowns, works etc., may be given only by directors of related organization units they manage in generation and distribution areas.

Employees in charge of providing information to the media and other carriers of public opinion by HEP's bylaw, shall do that correctly, thoughtfully, kindly and in good intention, bearing in mind the objectives and tasks of business policy and HEP's reputation.

In case unauthorized HEP's employees give false, malicious and for HEP's reputation damaging information to the media and other carriers of public opinion, measures shall be

undertaken against them pursuant to HEP's general acts governing such procedures.

VIII HIRING AND TRANSFERRING/PROMOTING EMPLOYEES

Article 11

In the procedure of hiring or selecting employees, as well as their transfer/promotion, ethical principles about hiring and transferring/promoting employees shall be respected. Hiring and transferring/promoting employees should be based solely on professionalism, effort and results of their work.

In line with good business practice, regarding transfer of employees, the employer is obliged to pay attention to effective work performance and business procedures by the company, department, section or unit from which the employee is being transferred.

Nepotism is unacceptable in hiring and transferring/promoting employees.

IX DISPUTE SETTLEMENT BETWEEN EMPLOYER AND EMPLOYEE

Article 12

In line with the principles of good business conduct and practice, in case of potential disputes arising from working relations, HEP as the employer and employees, as parties to the proceedings may mutually consider the options of settling those disputes consensually, i.e. amicably, if the conditions of each case allow it.

The options defined in the preceding paragraph hereto do not question the obligation of action of parties to the proceedings pursuant to positive legislation of the Republic of Croatia and HEP's general acts.

X BUSINESS COOPERATION WITH SUBJECTS TO WHICH HEP HAS DAMAGED BUSINESS RELATIONS

Article 13

Following the principles of good business conduct and practice, HEP retains its discretion to consider and review the possibilities and possible effects of potential future cooperation with business clients, with which it is in litigation, i.e. any other disputes before the competent authorities, i.e. to which it has damaged business relation on any ground. In cases when mutual business cooperation is the result of implementing procedures based on laws (public procurement etc.) future cooperation is conditioned by the existing respective legal provisions.

XI ETHICS OFFICERS

XI 1 APPOINTMENT OF ETHICS OFFICERS

Article 14

In any company within HEP Group, the President of the Management Board/the director of the company appoints the ethics officer among employees.

Depending on needs, in a certain company more ethics officers may be appointed.

In case the ethics officer is absent for a longer time, the President of the Management

Board/the director of the company may appoint the deputy ethics officer, who takes over the power and obligations from the absent ethics officer, until his/her return.

The data about the person who is the ethics officer, along with the data on his work place and e-mail address shall be posted on all bulletin boards of the employer and published on intranet portal Infohep and HEP's website.

The employer is obliged to enable the appointed ethics officer to attend necessary education, perform the duties of ethics officer during working hours and ensure him/her the conditions for smooth work and activities.

XI 2 Rights and obligations of ethics officer

Article 15

Ethics officers monitor the application of the Code of ethics in the company they are appointed, they promote ethical behavior in employees' relations and relations of employees to customers, they give advice to employees on ethical behavior, receive complaints of employees and other interested natural or legal persons (hereinafter: interested persons) about unethical and possible corruptive activities of employees, they implement the procedure of complaint validity examination and keep records on received complaints.

Upon request of ethics officer, the President of the Management Board/the director of the company is obliged to free the ethics officer from performing jobs at his/her work place during the procedure of complaint validity examination.

Ethics officer is independent in his/her work and decisions.

XI 3 Receiving complaint and examining complaint validity

Article 16

The complaint from Article 15 hereof may be filed in written form and/or as an e-mail.

Ethics officer shall implement the procedure of complaint validity examination and anonymous complaint.

If the filed complaint does not refer to unethical and possibly corruptive activities in line with provisions hereto, ethics officer shall not consider it and shall inform the complainant about it.

If the filed complaint refers to employees' rights' protection and/or employees' dignity protection, and the procedure and protection measures are defined by employer's bylaws, ethics officer shall not take the complaint into consideration and shall inform the complainant about it.

In case there are doubts about handling the complaint from paragraphs 3 and 4 herein, ethics officer shall ask the Ethics Committee for their opinion.

In the procedure of complaint validity examination, ethics officers independently present evidence, collect written statements from employees, against whom has been complained, witness statements, and if necessary, statements from complainants; they ask for written statements from authoritative organization units and undertake other actions necessary for determining the facts. All the documents collected during the procedure of complaint validity examination are considered confidential.

Ethics officers are obliged to hand in a written report along with their opinion on complaint

validity to the President of the Management Board/director of the company, within reasonable time and within 30 (thirty) days at the longest, from the day of receiving the complaint.

The President of the Management Board/ the director of the company shall within 8 (eight) days consider the report and if necessary initiate the procedure established by law, another regulation or company's bylaw and inform the ethics officer about it.

The President of the Management Board/the director of the company makes a response to the complaint within 60 (sixty) days from the day it was received.

In case the President of the Management Board/the director of the company fails to send the response to the complaint within 60 (sixty) days from the day it was received or the complainant is not satisfied with the response, the complainant has the right to file a complaint to the Ethics Committee.

Article 17

If in certain business procedures within HEP it is determined that there are corruptive or unethical activities, taking into consideration all the conditions of the case, ethics officer may suggest to the President of the Management Board/the director of the company to:

1. Determine the obligation of education and counselling
2. Send a written warning or instruction
3. Initiate a procedure in front of appropriate authorities and/or implement the procedure of employment termination with the offer of a new changed contract or implement the procedure of employment termination, in cases of determined hard corruptive or unethical behavior.

XI 4 Recall of ethics officer

Article 18

If the filed complaint for corruptive behavior refers to ethics officer, the Ethics Committee shall implement the procedure of complaint validity examination. If it is determined that the complaint is invalid, the employer shall recall the ethics officer.

Ethics officer may be recalled at his/her own demand, with a prior written explanation.

In case of the ethics officer's recall, the President of the Management Board/the director of the company shall appoint another person ethics officer in line with the provisions hereof.

XII ETHICS COMMITTEE

Article 19

HEP's Ethics Committee consists of all ethics officers appointed in any HEP Group's company and one representative of trade unions registered in HEP.

Members of the Ethics Committee choose their president among themselves.

Article 20

Ethics Committee is independent in its work and decisions.

Professional work for the Ethics Committee is ensured by HEP's companies, where appointed ethics officers come from.

Article 21

Ethics Committee performs the following tasks:

- Receives and considers complaints of interested persons in case when the person liable does not submit the response to complaint within 60 (sixty) days or the complainant is not satisfied with the response, and receives and considers complaints about possible corruptive behavior of ethics officer, and examines complaint validity.
- Monitors the application of the Code of ethics and gives opinion on the content of the Code of Ethics.
- Monitors international standards regarding ethical conduct and makes suggestion to HEP's Management Board to improve ethical standard in line with international practice
- Gives opinion on ethics officer's demand in case there are doubts from Article 16 hereof
- Gives opinion on ethics officer's demand in case there are doubts whether some questions represent a violation of the Code of ethics
- Analyzes the violations of the Code of ethics and supervises its application
- Informs HEP's Management Board on the implementation of the Code of ethics at least twice a year, and more often if necessary
- Encourages and suggest measures for strengthening ethical standards in HEP, regarding personal behavior of employees, a possible conflict of interest, corruptive or other unethical activities, protection of HEP's reputation.

Ethics Committee adopts the Rules of procedure of the Ethics Committee, which specifies their way of work.

Article 22

When the Ethics Committee receives a complaint by an interested person in case from Article 16, paragraph 10 hereof, it shall promptly demand the report from the President of the Management Board/the director of the company on the implemented procedure of complaint validity examination and undertaken measures.

The President of the Management Board/the director of the company is obliged within 15 (fifteen) days to report to the Ethics Committee on the implemented procedure of complaint validity examination and undertaken measures.

Ethics Committee may, for the purpose of examining complaint validity, collect written statements from employees, against whom has been complained, witness statements, and if necessary, statements from complainants; or ask for written statements from authoritative organizational units and undertake other actions necessary for determining the facts. All the documents collected during the procedure of complaint validity examination are considered confidential.

Ethics Committee gives their opinion on conflict validity and submits it to the complainant and the President of the Management Board/director of the company within 30 (thirty) days from the day of receiving the complaint.

XIII FINAL PROVISIONS

Article 23

Code of ethics adopted as at 1 June 2010, published in the Newsletter of HEP Vjesnik no. 216 shall be terminated on the date of entry into force of this Code of ethics.

Article 24

Ethics officers appointed in line with Code of Ethics (Newsletter of HEP Vjesnik no. 216)

from the previous Article continue with their work.

Companies within HEP Group which do not have an appointed ethics officer in line with Article 14 hereof shall appoint him/her within 30 (thirty) days from the day this Code of ethics comes into force.

Article 25

Ethics Committee shall adjust the Rules of procedure of Ethics Committee to the provisions of the Code of ethics within 60 (sixty) days from the day this Code of ethics comes into force.

Article 26

Pursuant to appropriate provisions from the contract on mutual relations signed between HEP d.d. and affiliated companies, affiliated companies of HEP d.d. shall take over this Code of ethics as their bylaw within 15 (fifteen) days from the day this Code of ethics comes into force.

Article 27

The Code of ethics shall be published in the Newsletter of HEP Vjesnik and it comes into force on the day of its publication.