**REGULATION OF THE PU-DST-P41**

**MANAGEMENT BOARD**

Rev. D

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**CODE OF BUSINESS CONDUCT**

KONČAR – Distribution and Special Transformers d.d.

10090 Zagreb, Josipa Mokrovića 8





Zagreb - CROATIA

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**I. FOREWORD FROM THE MANAGEMENT BOARD**

This Code of Business Conduct (hereinafter: Code) has been prepared in compliance with the business principles KONČAR-D&ST is committed to follow in its operations and taking into account the importance and role of each employee in that process.

The Code promotes the fundamental organisational values of KONČAR-D&ST and represents the aims of KONČAR-D&ST to consistently comply with and implement the principles of ethics, sustainability, and corporate social responsibility in its daily operations and production activities.

The Code is applicable to all employees of KONČAR-D&ST, regardless of their position or level of authority, and serves as a guide for employee conduct and action in their work.

This Code does not prescribe the appropriate conduct for every individual situation, and therefore we trust that each individual employee will make prudent and well-considered decisions in a given situation that comply with the principles outlined in this Code.

Management of KONČAR-D&ST

Vanja Burul Martina Mikulić Dominik Trstoglavec Petar Vlaić President Member Member Member

**II. MISSION AND VISION**

The **Mission** ofKONČAR-D&ST is to create value for its shareholders, customers, employees, suppliers and the community in which it operates, through the sale, development, production, and maintenance of distribution, medium power, and special transformers up to 160 MVA and 170 kV.

The **Vision** ofKONČAR-D&ST is to achieve and constantly improve its position among Europe’s top 10 producers of transformers up to 160 MVA and 170 kV for power distribution systems, railways, and industry.

Special company values include: quality, environmental protection, occupational health and safety, abidance by and responsibility for commitments, abidance of the law, standards, and best business practices, creating above-average business results, caring for our employees and ongoing investments into their professional development to create an environment in which employees can achieve their full potential, respecting diversity among employees through openness, trust and inclusion in teamwork, good business relations with customers and suppliers, and continually taking the initiative for positive change.

**III. BUSINESS ETHICS AND SCOPE OF APPLICATION**

KONČAR-D&ST, as part of the KONČAR Group, is part of the United Nations Global Compact initiative for corporate social responsibility. KONČAR-D&ST implements active measures for improvements in the areas of human rights, labour relations, corporate governance, environment, and fair business practices.

KONČAR-D&ST is a signatory of the Business Code of Ethics of the Croatian Chamber of Economy. As a signatory of this Code, KONČAR-D&ST accepts the commitment to act in accordance with the principles of responsibility, truthfulness, effectiveness, transparency, quality, acting in good faith and abiding by good business practices towards business partners, the corporate and social environment, and company employees.

This CODE OF BUSINESS CONDUCT (CODE), reflects the positive approach of KONČAR-D&ST in the sense of sustainable, socially responsible, and ethical operations that we believe to be essential in our relations with our employees, persons who work on behalf of KONČAR-D&ST, our suppliers, partners and other persons working with KONČAR-D&ST.

**THE PURPOSE OF THIS CODE IS TO:**

● Promote the fundamental corporate values;

● Establish clear rules and a framework for the professional conduct of employees of KONČAR-D&ST

● Raise awareness of the importance of preventing and avoiding situations in which the employees of KONČAR-D&ST participate in unethical acts or socially unacceptable behaviour

● Secure a framework for business conduct that suppliers, partners and all stakeholders can expect from KONČAR-D&ST.

Conduct in compliance with the principles and standards of this Code is the personal and professional obligation and responsibility of all employees at KONČAR-D&ST.

KONČAR-D&ST management is required to continually emphasize the importance of ethics in business, and compliance with the rules and regulations, and to apply this in their daily work and promote this through their personal leadership and education of employees.

**IV. ETHICS PRINCIPLES**

All employees and other stakeholders in operations with KONČAR-D&ST are required to comply with the following ethics principles and fundamental principles of business conduct:

● Principle of lawfulness;

● Principle of professionalism, expertise and impartiality;

● Principle of integrity;

● Principle of business sustainability;

● Principle of social responsibility;

● Principle of transparency.

*Lawfulness*

All employees are required to comply with and apply the provisions of the Constitution, laws and other valid regulations, subordinate legislation, general Company acts, and this Code in their work.

Each manager and each employee is obliged to draw attention of employees participating in a work process to the duty of compliance with the laws, regulations, corporate bylaws and this Code.

KONČAR-D&ST ensures that all employees are familiarised with all relevant provisions and rules pertaining to their rights and responsibilities at work and associated with work, and combats and works to prevent all forms of irregularities.

*Professionalism, expertise and impartiality*

Every employee of KONČAR-D&ST is required to:

* Perform their work tasks professionally, conscientiously, ethically and in line with the rules of the profession,
* Base their positions and decisions on the principles of objectivity, autonomy, and verified facts,
* Maintain and stimulate cooperation in professional relations and in communications with other by respecting the principles of partnership, integrity, impartiality, transparency, and mutual respect,
* Protect the interests and contribute to the reputation of KONČAR-D&ST,
* Ensure a professional appearance and appropriate presentation before business partners and other persons.

*Integrity*

In its operations, KONČAR-D&ST is particularly committed to integrity.

All employees of KONČAR-D&ST, including managers at all levels, are required to act with integrity and to make every effort to act appropriately in all situations (“always do the right thing, even when no one is looking”), to equal extent in their relations with business partners, employees, owners, and the public.

Business integrity is essential as it promotes competitiveness and the development of skills, and the best results are achieved through reliability and trust in relations between parties. Business integrity must exist from the commencement of negotiations, throughout the contract term and until contract completion.

KONČAR-D&ST does not make promises that it cannot fulfil successfully and on time.

*Sustainability*

KONČAR-D&ST places a significant focus on recognising and monitoring the effects of its operations on the environment and society, and the economy as a whole.

Aware of the needs to protect the environment and the health and safety of all participants, we are especially dedicated to continuously managing our positive influences on these aspects.

The environmental protection management strategy is based on the rational use of resources (materials, energy, water), use of environmentally-acceptable technologies and materials, reducing the use of hazardous chemicals and their replacement with those that are better for the environment and humans, and product design that focuses on the circular economy.

All employees of KONČAR-D&ST are required to comply with ecological standards and the valid regulations, to properly and responsibly handle all types of materials and wastes, and to rationally use raw materials and energy.

Our products are developed, produced and marketed with a minimum negative impact on the environment.

*Social responsibility*

KONČAR-D&ST is committed to socially responsible business and its activities serve not only its own economic and technical interests, but also protect and improve the conditions in the community.

*Transparency*

KONČAR-D&ST operates transparently, though clear internal and external communications with all stakeholders, particularly employees, shareholders, business partners, and the local community.

In communications with the public, the company ensures that all communications are clear and effective, and the data presented are accurate and true.

**V. STANDARDS OF BUSINESS CONDUCT**

1. **Respect** **for human rights**

Respect for human rights is guaranteed under international conventions of the United Nations and International Labour Organisation, and is one of the primary principles upon which KONČAR-D&ST bases its business.

KONČAR-D&ST promotes equality among all its employees, regardless of gender, age, nationality, ethnic origin, race, religion, language, social or economic status, sexual orientation, affiliation to political or other organisations, in the area of work and working conditions, including selection criteria and opportunities for recruitment, advancement, and professional training.

All forms of discrimination are prohibited, and the dignity of all employees is protected by securing working conditions and a working environment in which employees will not be exposed to undesirable forms of behaviour.

The violation of human rights in any form is unacceptable.

* 1. Prohibition of forced labour

KONČAR-D&ST supports the elimination of all forms of forced labour, and expects its business partners to actively contribute to this goal.

Through its policies and actions, KONČAR-D&ST actively contributes to preventing and combatting slavery, exploitation, forced labour, human trafficking, and all forms of modern slavery in its business environment and with its suppliers.

1.2. Prohibition of child labour

KONČAR-D&ST strongly opposes all forms of child exploitation and forced labour, and is committed to preventing and eliminating all forms of child labour in its supply chain.

KONČAR-D&ST does not employ workers under the legal minimum working age, and applies procedures and controls during employment to ensure compliance with the valid regulations.

1.3. Right to dignified work and non-discrimination of employees

The relation between employees, and the relation between employees and their superiors must be based on mutual respect, the abidance of regulations and ethical values.

Any form of employee intimidation is prohibited, particularly if employees are put in such a position where they are forced to perform actions contrary to the internal acts of KONČAR-D&ST. All verbal, non-verbal or physical forms of conduct directed at or resulting in a violation of human dignity or a frightening, hostile or demeaning work environment are prohibited.

Any employee who feels that their dignity has been violated, or that they are the victim of any form of discrimination in the work place, may contact the person appointed by the employer to receive complaints pertaining to the protection of employee dignity.

KONČAR-D&ST respects and accepts the right of workers to organise, and the right to work in a safe, healthy and humane work environment.

1.4. Protection of health and safety

KONČAR-D&ST places great significance on the health and safety of its employees in its daily operations.

Accordingly, KONČAR-D&ST continuously supports the development of occupational health and safety systems, with the aim of ensuring ongoing improvements in this area. Some measures include ensuring safe and healthy working conditions, elimination of hazards in the workplace, raising awareness among all employees and partners, training, replacement of existing processes, materials and equipment with less hazardous options, and the inclusion of workers in consultations.

All employees, visitors and service providers at KONČAR-D&ST are required to comply with the prescribed occupational health and safety regulations and system procedures. In that sense, a system of rules of conduct and on-site movement has been established, with which all visitors are acquainted.

1.5. Human resource development

The development of human potential at KONČAR-D&ST and raising work success is achieved through equal opportunities for education and training, a transparent rewards system, equal opportunities in the sense of salary and advancement, regardless of sex, gender identity, age, nationality, ethnicity, race, creed, language, social or economic status, sexual orientation, affiliation to a political or other organisation, and also through concerns for occupational health and safety and care for the disabled.

KONČAR-D&ST pays special attention to achieving a work-life balance.

KONČAR-D&ST stimulates its employees to engage in ongoing development and the mastery of different types of knowledge and skills, and encourages them to take advantage of life-long learning.

KONČAR–D&ST defines its general policy and strategy for new recruitment with the aim of recruiting new employees that possess the capabilities, skills and personality traits required for the successful performance of the work, in which all candidates are placed in an equal position regardless of age, nationality, ethnicity, race, creed, language, social or economic status, sexual orientation, affiliation to political or other organisations.

1.6. Reporting irregularities

It is possible to report irregularities, regardless of the type, to the dedicated e-mail address: prijava.nepravilnosti@koncar-dst.hr.

Reports are received by the irregularities officer, appointed by the employer, pursuant to the internal Rules of Procedure for Internal Reporting of Irregularities and Appointment of an Irregularities Officer, adopted pursuant to the Directive of the European Parliament and of the Council on the Protection of Persons Reporting Breaches of Union Laws, and the Act on Protection of Persons Reporting Irregularities.

If the irregularities officer establishes that the reported irregularity falls within the scope of the Directive of the European Parliament and of the Council on the Protection of Persons Reporting Breaches of Union Laws, and the Act on Protection of Persons Reporting Irregularities, they will initiate the procedure pursuant to the Rules of Procedure for Internal Reporting of Irregularities and Appointment of an Irregularities Officer.

If the irregularities officer establishes that the reported irregularity does not fall within the scope of the Directive of the European Parliament and of the Council on the Protection of Persons Reporting Breaches of Union Laws, and the Act on Protection of Persons Reporting Irregularities, they will forward the report for action to Legal Affairs. Legal Affairs considers the received report and, depending on the type of irregularity, forwards the report for further action pursuant to the company’s internal regulations and procedures. Legal Affairs may initiate an internal inquiry into the irregularity or incident, during which they will question the participants and witnesses before giving their findings and recommendations aimed at preventing such events in the future.

1.7. Reports of violations of dignity and discrimination of employees

The manner of reporting, procedure, and person authorised to resolve such reports of employees concerning the protection of dignity and protection from discrimination is prescribed in the company’s internal acts.

**2. Business compliance**

In fulfilling its mission and vision, KONČAR-D&ST operates transparently and in compliance with market competition principles. In all countries where it does business, KONČAR-D&ST operations are in compliance with the valid laws and regulations.

Compliance with the law and rules on fair market competition, anticorruption and anti-money laundering laws, and all other relevant legal regulations is a principle deeply interwoven into company operations. In order to ensure that all employees are familiar with these provisions and their implementation in practice, KONČAR-D&ST organises education sessions and publishes brochures.

KONČAR-D&ST expects all of its business partners to apply and operate in line with the valid laws and regulations.

**3. Cooperation with business partners**

The key principles applied by KONČAR-D&ST in its relations with its business partners (suppliers, representatives, agents and intermediaries) include abidance of good business practices and ethical principles, and standards of social responsibility, environmental protection, and corporate governance.

KONČAR-D&ST is prepared to cooperate with and support its business partners in their intent to improve and abide by these standards for their business partners.

KONČAR-D&ST expects ethical and professional conduct from its business partners, both in doing business with KONČAR-D&ST and in doing business with third parties.

3.1. Cooperation with customers – customer satisfaction

Customer satisfaction is the fundamental goal of KONČAR-D&ST. Every delivered product and provided service should be a reference for the next contract.

The products and services bearing the KONČAR-D&ST name are recognised as a sign of quality, and KONČAR-D&ST builds and fosters trust and open communications with its customers and service users.

2.2. Cooperation with suppliers

Končar-D&ST has developed the *Code of Conduct for KONČAR-D&ST Suppliers* that outlines the rules of conduct that are essential in relations with suppliers and other business partners, and pertain to compliance with the law, abidance of human rights and employee rights, occupational health and workplace safety, preventing environmental pollution, combating bribes and corruption, and the protection of confidential data.

KONČAR-D&ST has established a system of procedures in the procurement process that are intended to ensure integrity and legality of the procurement process.

Our suppliers play a key role in the sustainable operations of KONČAR-D&ST, which is why we expect our suppliers to accept and act in accordance with the business principles and business conduct standards described within this Code and the *Code of Conduct for KONČAR-D&ST Suppliers*.

2.3. Cooperation with intermediaries and agents

In its business, KONČAR-D&ST uses and develops a network of intermediaries and agents who act to promote KONČAR-D&ST products in a large number of countries.

KONČAR-D&ST nurtures partnership relations with its intermediaries and agents, ensuring the protection of interests and satisfaction of all sides included in business ventures.

KONČAR-D&ST has familiarised its intermediaries and agents with the principles and values that KONČAR-D&ST applies in its operations, and with this Code, and expects its intermediaries and agents to abide by these principles and values and ensure their compliance.

4. **Business practices**

4.1. Prevention of bribery and corruption

Corruption is every form of abuse of authority and position for personal benefit or benefit of the group to which an employee or other person belongs.

KONČAR-D&ST applies the principle of zero tolerance for corruption and continuously works on its prevention, disclosure and sanctioning.

Corruption does not necessarily involve personal financial benefit but may involve other forms of conduct, such as allocation of positions to ineligible persons based on family relations, party affiliation or friendship, as well as any other selective application of the laws that discriminates in favour of certain persons or organisations.

All KONČAR-D&ST employees are aware of the KONČAR-D&ST standpoint and zero tolerance for corruption, due to the education of newly employed personnel and periodic training for all employees.

KONČAR-D&ST employees are expected to act impartially and professionality in the performance of tasks within their positions. It is particularly prohibited to offer inappropriate gifts or benefits in pecuniary or another form (travelling or alike) for the purpose of gaining any advantage or benefit that is inappropriate, inadequate, unethical or disproportionate with the services provided or contrary to the legal provisions.

It is not permitted to offer, promise or give gifts, fees or any other form of benefit to business partners or other persons with the aim of achieving an unlawful advantage or influencing an official procedure in any inappropriate manner.

If an employee finds themselves in a situation in which gifts or other benefits are offered, or in a situation where it is expected of the employee to offer inappropriate gifts or benefits, they are required to notify their immediate supervisor who, as required, will request the opinion of the legal department.

The employee is required to notify their supervisor and/or the Management Board of KONČAR-D&ST if they learn of corruptive activities of other employees or suspicions thereof.

In the case of a justified suspicion of corruption, the Management Board of KONČAR-D&ST notifies the competent national authorities.

Gifts and hospitality

It is prohibited to receive money or other monetary equivalents.

Giving and receiving gifts and hospitality is not prohibited according to the company rules, as long as the following criteria are met:

* Value up to 100 EUR
* There is a justified business reason or such gift is customary in business practice,
* They have no aim or influence over the company or a third party.

The employee may receive gifts that are customary in business and is not required to notify the company if their individual value is less than EUR 100. In the case of receipt of a gift whose fair market value exceeds this amount, the recipient is required to notify the legal department of such receipt, and this department will take further steps and notify the Management Board. If the company establishes that such a gift is not customary or if it is culturally inappropriate to reject or return the gift, the company gives the employee to turn over the gift to the company, or to accept the gift with the payment of a donation to charity.

In the case that gifts or hospitality do not fall into the above categories or the employee is not certain of their appropriateness or value, the employee is required to seek the prior approval from their direct superior and legal services before offering or accepting them.

It is not permitted to accept or request a gift that could influence the ability to make objective decisions in the company’s best interests.

It is not permitted to request or conclude contracts on the basis of any gift, service or kindness of customers, suppliers, consultants, service providers, or third parties.

4.2. Assessment of corruption risk

The purpose of assessment of corruption risk establishes all risks of corruption associated with an individual business transaction, project or contract so as to, if required, take measures to reduce the corruption risk to an acceptable level.

The criteria important for assessing the corruption risk vary depending on the circumstances and type of business relationship, though the following general criteria are applied in the assessment for every business relationship:

- Corruption risks associated with doing business in a specific country;

- Type of customer, i.e., public or private sector;

- Individual circumstances (contract value, complexity, form of procurement);

- Business partner/intermediary (if the job is contracted through an agent or intermediary, reputation of the business partner, relations with the customer, role and scope of the work, size of the organisation, amount of service fee);

- Proportionality of effort, risk, and rewards.

The risk assessment is always conducted when there is a justified reason, or when this is an important condition for a job or mandatory requirement.

The methods applied by KONČAR-D&ST to reduce and control and risk of corruption include:

- employee education, and

- familiarising suppliers with the Code of Conduct for KONČAR-D&ST Suppliers.

The role and model behaviour of the management board and management are key factors in education on values, so that these values can spread through the organisation and be actively practiced.

4.3. Conflict of interest

A conflict of interest exists when the personal interests of employees of KONČAR-D&ST are in conflict with the interests of KONČAR-D&ST.

All employees are required to refrain from any competition with KONČAR-D&ST and to avoid professional and personal situations that could lead to a conflict of their personal interests with the interests of KONČAR-D&ST.

If an employee becomes aware that a conflict of interest is possible, particularly in business relations with customers, suppliers and other business partners, they are required to notify their immediate superior and the legal department.

An employee is required to exclude themselves from decision-making procedures that could in any way lead to a conflict of interest between employees and the company, and if required to notify the company of any situations where a potential conflict of interest could arise.

4.4. Protection of data and protecting privacy

The protection of the confidentiality and integrity of personal data is a key foundation for a reliable business relationship.

KONČAR-D&ST collects, processes and uses personal data pursuant to the legal regulations and internal acts, and access to such data is granted only as required, taking account of the conditions prescribed by the Act on Implementation of the General Data Protection Regulation. The protection of employee privacy is governed by a special rule. In the case that the company is required to share personal data with third parties within the framework of contractual obligations, we ensure that they comply with the same strict conditions and duties concerning the protection of privacy.

4.4.1. Handling confidential information

The company and its employees must protect all confidential information and ensure that there is no unauthorised access or unauthorised use of that information.

Confidential information are all data in any form, tangible or intangible, that are revealed or may be revealed to an employee by the company, in writing, verbally or by observation, that are not public, that are the property of the company, or are business secrets or confidential by their nature, and all data that the employee has received from the employer or has created during their work at the company.

Confidential information always includes data on the financial position and financial transactions of the company, data on customers, suppliers and business partners of the company, and data on contractual relations, data on projects and business plans of the company, data on status, salaries, social and health condition of employees, and all data whose disclosure could cause significant damages for the company.

If it is necessary to reveal or give confidential information to other company employees, it is necessary to inform the recipients that they are of a confidential nature.

Confidential information may not be shared with third parties, unless approved or necessary for business reasons.

The company invests reasonable efforts and ensures appropriate measures to protect the security of information received from third parties, and is committed to handling received information in the same manner as with its own confidential information. Reasonable efforts imply the same efforts that the company applies in the protection of its own confidential information.

Superiors are responsible that all the members of their teams abide by the company rules pertaining to the protection of information.

4.5. Control of exports

Končar-D&ST is an export-oriented company, and has been operating on the international market for many years. In the performance of its business activities, KONČAR-D&ST abides by and applies all national and international regulations pertaining to customs, control of exports, sanctions and trade restrictions, and has established an effective system to monitor and oversee the relevant regulations.

# VI. ROLES AND RESPONSIBILITIES

Employees are required to:

• be well informed with the provisions of the Code,

• understand that the Code is implemented in all company business activities and as an internal regulation that sets the rights and responsibilities for employees,

• apply the provisions of the Code and act in accordance with all applicable laws and regulations in the context of their work position,

• promote the principles of conduct as prescribed in this Code.

The Management Board of KONČAR-D&ST is responsible for overseeing the consistent application and abidance of this Code, and adopted anti-corruption measures .

Management is required to oversee whether their employees are implementing the provisions of this Code, and in the case of a need for additional education, to give timely notification thereof. Management is required to attend organised education and to share these fundamental principles with their employees.

The responsible person appointed by the Management Board is required to introduce and educate new employees, and if needed for existing employees, of professional conduct at KONČAR-D&ST in an appropriate way. New employees sign a statement confirming that they are familiar with the content of this Code.

Violations of the code by company employees represents a violation of the labour contract, and the employer may initiate a procedure to terminate the labour contract and request damages that the company has suffered due to such employee conduct.

This Code is subject to review, as a rule, every three years.

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# VII. RELATED DOCUMENTS

PU-DST-P19 Employment Rules

PU-DST-P24 Recruitment Rules

PU-DST-P31 Rules of post-graduate and graduate studies and company participation in their financing

PU-DST-P40 Managing conflict minerals

OP-DST-G-40 Ethics and professional conduct in procurement processes

**VIII. APPENDICES**

1. Code of Conduct for KONČAR-D&ST Suppliers
2. Code of Business Ethics of the Croatian Chamber of Economy, [www.hgk.hr/kodeks-etike](http://www.hgk.hr/kodeks-etike)
3. Statement on the Prevention of Slavery and Human Trafficking by KONČAR-D&ST
4. New Employee Statement

*A printed regulation of the Management Board IS NOT a valid document! Check for the valid version in electronic form in the DMS system.*