

### SUSTAINABILITY REPORT 2023









Dear stakeholders,

Welcome to the Sustainability Report of KONČAR – D&ST for the year 2023. The report is intended to inform our stakeholders about the efforts we invest in sustainable business and describes the development direction, management approach, relevant indicators and projects in the areas of environmental and social impacts of KONČAR – D&ST.



Global economic, market and political developments confronted us with various challenges in 2023 as well as opportunities for the development of our business. In the context of the post-pandemic effects on markets and supply chains, the rise in energy prices, and consequently raw materials and materials necessary for our production, transportation prices, as well as inflationary effects, the need for accelerated adjustments, changes and investments in business has increased. On the other hand, the progress of the European Green Deal, investments in sustainable technologies and solutions as well as a significant development of sustainable production and energy supply and electromobility have greatly increased the demand for our products. At KONČAR – D&ST, we managed to utilize these trends, relying on our long business tradition, market position, proven quality and good reputation. We have successfully adapted our production and operations to the growing standards of sustainability and quality in extremely demanding foreign markets, aware that investments in sustainability bring significant advantages, both to our customers and to the prosperity of our Group.

In addition to record contracting, which at the end of 2023 resulted in a 116 percent increase of contracts, we were committed to significant investments and invested a total of 8.4 million euros. Our investments were mainly focused on the investment project "Sustainable SETup for the development of socially and environmentally sustainable production", that is, the optimization of business processes and the improvement of the flow of materials, resources, equipment and final products.

With our high efficiency transformers, KONČAR – D&ST contributes to the decarbonization of the energy sector, but also to the goals of adapting to climate change and reducing its impacts. We are aware of our responsibility, role and potentials by which we can contribute to sustainable development. With that in mind, in 2023 we took a significant step forward, having launched the development of the Sustainability Strategy (ESG Strategy) which contains targets and performance indicators in all relevant material areas.

Market success, ambitious development of sustainability and social responsibility is generated by diligent work of our employees. We strive to provide them with a safe and healthy working environment, attractive working conditions and opportunities for professional development and advancement. In doing so, we take care to create equal opportunities for everyone, based on the principles of diversity and inclusiveness. Consistent with our desire to constantly develop, in 2023 we became a member of the Croatian Business Council for Sustainable Development.

On behalf of KONČAR – D&ST, I would like to thank our customers, employees, shareholders, suppliers, business partners and other stakeholders for their trust and constant encouragement in our efforts towards a more sustainable future.

for the Management Board of KONČAR – D&ST

A stylized handwritten signature in blue ink, appearing to read 'Burul'.

Vanja Burul

President of the Management Board

## KEY DATA

Exports

**90.8 %**

Deliveries to over

**40**  
countries



Sales increase

**34.6 %**  
over 2022

Total sales

**342**  
mil. €



Growth in contracted  
agreements

**116 %**  
over 2022

Contracted  
agreements

**677.6**  
mil. €



Increase in earnings  
before taxation

**61 %**  
over 2022

Earnings before  
taxation in 2023

**65.2**  
mil. €

Includes the results of KONČAR – D&ST and its subsidiary PET, Poland. In realized sales, KONČAR – D&ST participates with EUR 323 million, which is 94%, while PET, Poland participates with EUR 19 million, or 6%.



## In 2023, we are proud of:



Cca

# 25 %

of total electricity consumption  
(1,420 MWh) was produced by our  
own photovoltaic power plant

# 100 %

of electricity  
from renewable sources



# 766

employees at the  
end of 2023

# 99 %

permanent contracts



## MAMFORCE Standard

for dedication to creating a  
family-friendly work environment  
for mothers and fathers

## INC.Q EQUAL PAY certifikat

for equal pay for work of equal value  
for men and women



First transformers  
made from materials  
with a reduced  
CO<sub>2</sub> footprint

KONČAR – D&ST  
became the majority  
owner of Ferokotao

Development of the first  
Sustainability strategy 2024-2026







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# Over a century of tradition

KONČAR – D&ST is a regional leader in the production of medium power, distribution, and special transformers. We are among the leading European manufacturers of transformers with a power of 160 MVA and a voltage of up to 170 kV.

Our transformers have been delivered to more than 110 countries worldwide. Designed and manufactured to the highest quality standards, they are the result of the most advanced calculation and design methods, production processes, and final controls.

Annually, we deliver over 10,000 transformers, thereby creating new value for our shareholders, customers, employees, suppliers, and the communities in which we operate.





## 1.1. About KONČAR – D&ST

KONČAR - Distribution and Special Transformers Inc. (D&ST) is a joint stock company headquartered at Josipa Mokrovića 8, 10090 Zagreb. The company was registered on February 6, 1991, following a reorganization based on market principles and operates as an independent joint-stock company within the KONČAR Group.

KONČAR - ELECTRICAL INDUSTRY Inc. holds a majority stake of 52.73% in KONČAR – D&ST. The companies within the KONČAR Group are independent commercial entities, with KONČAR - ELECTRICAL INDUSTRY Inc., as the controlling company, exercising oversight through the company's Supervisory Board and General Assembly, in accordance with the Companies Act and the Articles of Association of KONČAR – D&ST.

As of December 31, 2023, the share capital of KONČAR – D&ST consisted of 388,376 ordinary shares and 122,856 preferred shares, totaling 511,232 shares with a nominal value of 40 euros per share. Both ordinary and preferred shares are listed on the regular market of the Zagreb Stock Exchange, ([www.zse.hr](http://www.zse.hr)).

The company PET Sp. z o.o., in which KONČAR – D&ST acquired a majority stake on May 8, 2017, and increased to 100% ownership in May 2020, operates at Czerwonak, Gdinska 83, Poland.

On December 20, 2023, KONČAR – D&ST increased its ownership from 16% to 51%, becoming the majority owner of Ferokotao d.o.o., a manufacturer of tanks for distribution, energy, and special transformers. Ferokotao operates in Donji Kraljevec at Kolodvorska Street 78/a.



## 1.2. Our products and services

The key business activities of KONČAR – D&ST include the development, sales, and production of distribution oil transformers up to 8 MVA and 36 kV, special transformers, and medium power transformers up to 160 MVA and 170 kV.

PRODUCTS
<b>Oil distribution transformers, with rated power up to 8000 kVA and voltage up to 36 kV:</b> <ul style="list-style-type: none"><li>• Conventional transformers with off-load tap changers</li><li>• Transformers with on-load tap changers</li><li>• Transformers for energy transition (for photovoltaic solar plants, cogeneration plants, EV charging stations, battery storage systems)</li><li>• Transformers with a low carbon footprint</li><li>• Transformers with reduced electromagnetic radiation</li></ul>
<b>Dry distribution transformers, with rated power up to 5000 kVA and voltage up to 24 kV</b>
<b>Special transformers:</b> <ul style="list-style-type: none"><li>• Transformers for network grounding</li><li>• Auxiliary distribution transformers</li><li>• Rectifier transformers</li><li>• Transformers for electric traction (locomotives, electric multiple units, battery-electric multiple units)</li><li>• Transformers for metallurgical furnaces</li><li>• Vibration-resistant transformers</li><li>• Transformers for offshore power plants</li><li>• Various autotransformers</li><li>• Railway transformers</li><li>• Transformers for mobile substations</li></ul>
<b>Compensation reactors, for metallurgical plants, rectifying devices, and short-circuit limitations and ground-fault current limitations</b>
<b>Medium power transformers, with rated power up to 160 MVA and voltage up to 170 kV:</b> <ul style="list-style-type: none"><li>• With on-load tap changers</li><li>• With off-load tap changers</li><li>• Without tap changers</li></ul>
SERVICES
<b>Transformer servicing and repairs</b>

### Product and service development

In our technical development departments (Product Development and Production Development), we employ 22 highly educated specialists with multidisciplinary backgrounds in electrical engineering, mechanical engineering, and computer science. Our employees continually advance their skills and participate in professional transformer symposiums. We maintain ongoing collaborations with external institutions and universities, including the Končar Institute of Electrical Engineering, the Faculty of Electrical Engineering and Computing in Zagreb, the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, the Poznań University of Technology in Poland, and others.





## Customer relations and product quality

At KONČAR – D&ST, commitment to product quality is regulated by ISO 9001 certification, which sets requirements for establishing processes that ensure products or services meet client requirements and relevant regulations while continually improving.

The control and quality of incoming raw materials, components, manufacturing processes, as well as finished products and plants, are continuously adapted to the highest global standards. Customer satisfaction is one of the main criteria for assessing business performance. KONČAR – D&ST has a detailed procedure for measuring customer satisfaction, the procedure is conducted once a year for the previous year.

### Q Module Project

In late 2023 and early 2024, the implementation of software that systematizes customer complaints was completed. Currently, configuring systems for managing supplier deviation reports, audits (both internal and external), and quality control plans are underway. The implemented program will utilize a different systematization and evaluation of errors, facilitating the tracking of complaints and corrective actions.

In 2023, we recorded 19% less complaints and 6% less internal non-conformities compared to 2022. Each non-conformity and complaint are processed in the new software, and consequently appropriate corrective measures are created.





## 1.3. Business performance results

### High demand for transformers driven by the European Union's green energy transition continued in 2023.

The KONČAR – D&ST Group successfully navigated numerous challenges in international markets throughout the year. Sales of goods and services increased by 34.6% compared to 2022, reaching EUR 342 million. Sales activities in 2023 totalled EUR 629.7 million, an 86% increase compared to 2022. The order backlog at the end of the year amounted to EUR 585.4 million, an increase of 116% compared to the end of the previous year.

Market challenges include the expansion of non-European competition offering lower prices and faster deliveries. Thanks to the quality and reliability of its products, reputation, superior product features, and certifications for reduced carbon footprint, KONČAR – D&ST maintains its market position. Transformers, as fundamental components of power grid systems, enable efficient transmission and distribution of electricity, which is essential for the use of renewable energy sources. They are also key for integrating distributed energy sources into the grid, allowing for diversified and decentralized production and greater energy efficiency. Increased transformer efficiency reduces energy losses during transmission and distribution, directly contributing to reduced greenhouse gas emissions and improved energy efficiency. With ongoing investments in innovation and development integrating new sustainable materials and technologies, we pay special attention to developing a circular economy and prudent resource use. Our customers recognize this, and we see sales growth in almost all markets.

In 2023, goods and services worth EUR 31.3 million were delivered in Croatia, representing a 20% in-

Financial results*	2021	2022	2023
<b>Sale of goods and services</b>			
Croatia	23,891	25,851	31,335
Exports	165,153	228,199	310,698
<b>Total</b>	<b>189,044</b>	<b>254,050</b>	<b>342,033</b>
<b>Orders at the end of the year</b>			
Croatia	9,746	10,261	11,661
Exports	175,270	277,747	611,337
<b>Total</b>	<b>185,016</b>	<b>288,008</b>	<b>622,998</b>
<b>Net profit</b>	<b>13,185</b>	<b>23,147</b>	<b>54,007</b>

<b>Number of employees</b>			
<b>Total on 31.12.</b>	<b>750</b>	<b>815</b>	<b>1,142</b>
<b>KONČAR – D&amp;ST (parent company)</b>	<b>678</b>	<b>744</b>	<b>766</b>
PET Poland	72	71	88
Ferokotao	-	-	288

\* Financial results are expressed in millions of EUR and include the results of the parent company KONČAR – D&ST and the subsidiary company PET, Poland. The results of the company Ferokotao for 2023 are not consolidated in the financial statement, considering that the acquisition date (December 20, 2023) occurred at the very end of the business year.

crease compared to EUR 26 million in 2022.

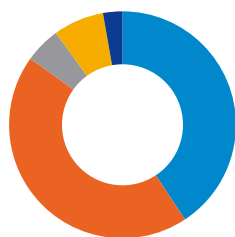
In European countries close to Croatia (Bosnia and Herzegovina, Slovenia, Macedonia, Montenegro, Austria, Italy, Czech Republic, Slovakia, Hungary, Serbia, and Romania), goods and services worth EUR 73.3 million were delivered in 2023, representing a 75% increase compared to EUR 42 million in 2022.

In other European countries (Sweden, Switzerland, Germany, Finland, Iceland, France, the UK, Ireland, Poland, Estonia, Latvia, Lithuania, Cyprus, Spain, Denmark, Norway, Malta, the Netherlands, Belgium, and Greece), goods and services worth EUR 210.8 million were delivered in 2023, representing a 32% increase compared to EUR 160 million in 2022.

In Asian, African, and American countries, goods and services worth EUR 7.7 million were delivered in 2023, representing a 45% decrease compared to EUR 14 million in 2022.

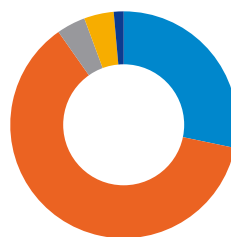


Realization by assortment  
in 2023

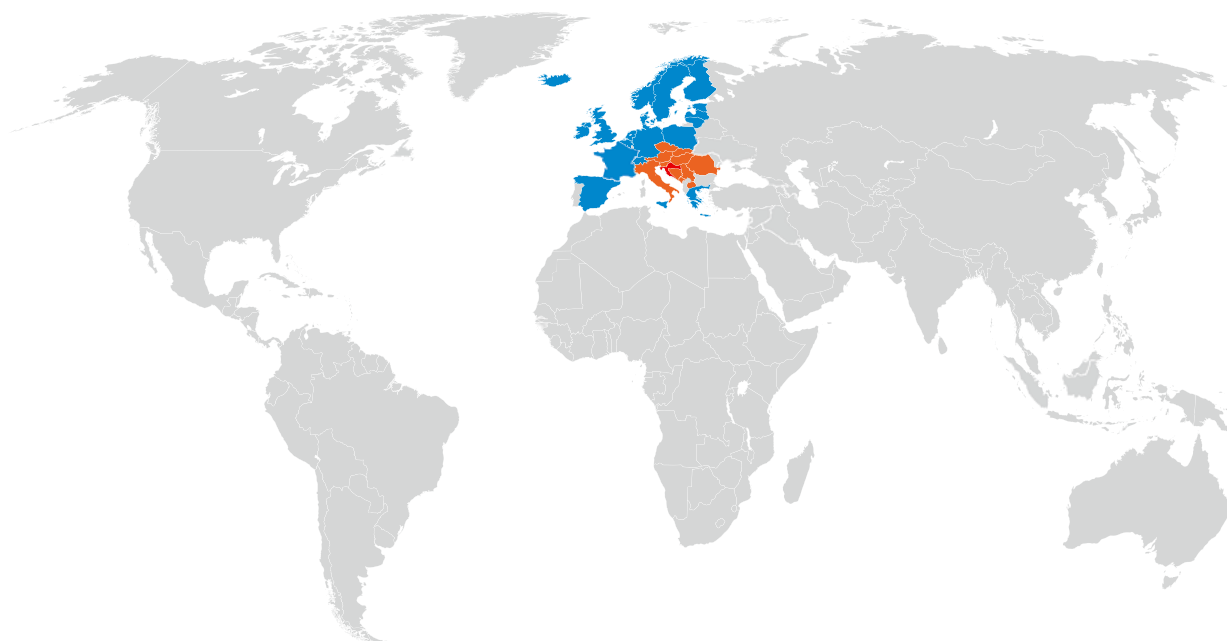


Power transformers	44%
Distribution transformers	41%
Services	7%
Dry and special transformers	5%
Materials and semi-finished products	3%

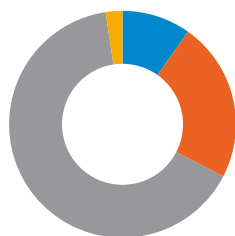
Contracted by assortment  
in 2023



Power transformers	62%
Distribution transformers	28%
Services	4%
Dry and special transformers	4%
Materials and semi-finished products	2%

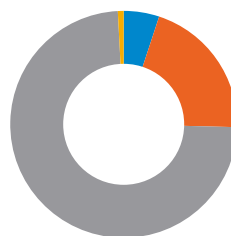


Sales by markets  
in 2023



Closer European countries	23%
Other European countries	65%
Asia, Africa and the Americas	2%
Croatia	10%

Contracted by markets  
in 2023



Closer European countries	20%
Other European countries	74%
Asia, Africa and the Americas	1%
Croatia	5%



## 1.4. Corporate governance

KONČAR – D&ST is listed on the Zagreb Stock Exchange and applies the Code of Corporate Governance in accordance with the rules of the Zagreb Stock Exchange. KONČAR – D&ST d.d. applies most of the provisions of the Code of Corporate Governance prepared by the Zagreb Stock Exchange and HANFA, which is published on the official website of the Zagreb Stock Exchange.

Exceptions are made only for certain provisions that the company deems unnecessary to apply in the prescribed form. The Supervisory Board and the Audit Committee are composed mostly of non-independent members, which is considered appropriate given the current situation of the company within the KONČAR Group.

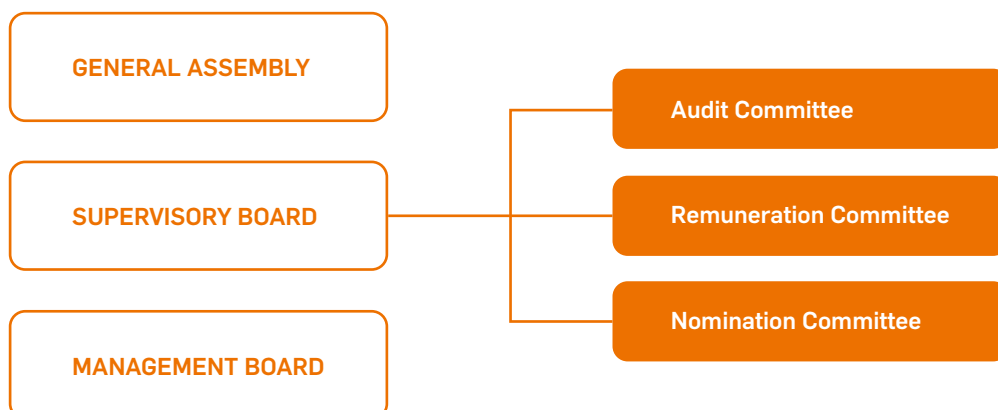
The company believes that non-compliance with some of the Code's provisions does not compromise the high level of business transparency and will not significantly impact current and potential investors in making their investment decisions

The compliance questionnaire contains precise answers to questions about which provisions of the Code the Company applies and is publicly available on the official websites of the Zagreb Stock Exchange ([www.zse.hr/en](http://www.zse.hr/en)) and the company's websites ([www.koncar-dst.hr/en](http://www.koncar-dst.hr/en)).

Within its organizational model, in which it operates and within which all business processes take place, KONČAR – D&ST has developed internal control systems at all important levels. These systems, among other things, enable the objective and correct presentation of financial and business reports.

### Management structure and delegation of responsibilities

Effective corporate governance at KONČAR – D&ST is based on a well-defined corporate structure. The main bodies of the company include the General Assembly, the Supervisory Board with its associated committees (the Audit Committee, the Remuneration Committee, and the Nomination Committee), and the Management Board led by the President of the Management Board of KONČAR – D&ST. The authorities and responsibilities of these bodies are clearly defined according to Croatian legislation, the Articles of Association of KONČAR – D&ST, and all relevant internal acts. The Rules of Procedure for the Management Board and the Rules of Procedure for the Supervisory Board and its committees are publicly available documents.



## Supervisory Board

Supervisory Board is the body that oversees the work of the Management Board, evaluates the implementation of business policies and plans, and makes decisions on key issues concerning KONČAR – D&ST's operations. The Supervisory Board also monitors financial performance, risk management, and regulatory compliance, and appoints and dismisses members of the Management Board. The Supervisory Board consists of five members, four of whom are elected by shareholders at the General Assembly, while one member is a workers' representative on the Supervisory Board. The Supervisory Board typically meets quarterly, and in 2023, it held 39 meetings, including four regular and 35 correspondence meetings.

### The Supervisory Board of KONČAR – D&ST in 2023:

- **Gordan Kolak**, Chairman of the Supervisory Board
- **Ivan Bahun**, Member of the Supervisory Board
- **Josip Ljulj**, Member of the Supervisory Board
- **Miki Huljić**, Member of the Supervisory Board
- **Ana-Marija Markoč**, Member of the Supervisory Board

### Diversity of Governance Bodies of KONČAR – D&ST

Age	<30	30-49	>50	Total	Gender	m	f
Supervisory Board	0	1	4	5	Supervisory Board	4	1
Management Board	0	4	1	5	Management Board	4	1

The Supervisory Board of KONČAR – D&ST operates through three committees. The Supervisory Board appoints three members to each committee.

## Audit Committee

The Audit Committee is responsible for auditing financial statements, overseeing internal controls, assessing business risks, and evaluating the independence of the audit process. Its role is to ensure the transparency and reliability of financial reports and to monitor compliance with regulations and internal rules. The committee also evaluates the effectiveness of internal audits and communicates with external auditors to ensure an independent assessment of financial statements.

## Remuneration Committee

The Remuneration Committee plays a crucial role in managing the rights and remuneration of the Management Board members and other senior employees. The Committee reviews employment contracts, rights, and reward systems for Management Board members and senior staff. It ensures compliance with regulations, transparency and appropriate procedures in appointments and remuneration.

## Nomination Committee

The Nomination Committee is responsible for nominating and evaluating candidates for the Management Board. Its role includes conducting the selection process, identifying qualified candidates, and providing recommendations for appointments or dismissals of the Management Board members. The Committee also monitors compliance with internal rules, regulations, and standards, ensuring transparency in the nomination process. The importance of the Committee lies in ensuring the appropriate composition of the governing bodies and promoting best practices in corporate governance.









## Management Board

The Management Board is the executive body of the company that leads and manages its operations. It is responsible for making business decisions and achieving the goals and interests of KONČAR – D&ST. The Management Board oversees implementing strategic guidelines, managing risks, financial operations, and appointing and dismissing members of the company's management structures. The Management Board of KONČAR – D&ST consists of five members, appointed, and dismissed by the Supervisory Board. All members of the Management Board are equal in position and status, with the President of the Management Board coordinating the work of the entire board. In 2023, the Management Board held 43 meetings.

### The management of the company KONČAR – D&ST d.d. is led by the Management Board:

- **Vanja Burul**, President of the Management Board
- **Petar Bobek**, Member of the Management Board, Director of the SET Profit Center
- **Martina Mikulić**, Member of the Management Board, Director of the DT Profit Center
- **Dominik Trstoglavec**, Member of the Management Board, Director of Product and Business Development
- **Petar Vlaić**, Member of the Management Board, Director of Finance, Purchasing, and HRL

### The management of the company PET Sp. z o.o. was led by:

- **Ivor Grubišić**, President of the Management Board
- **Maciej Malolepszy**, Member of the Management Board
- **Bolesław Brodka**, Member of the Management Board

### The Supervisory Board of the company PET Sp. z o.o.:

- **Vanja Burul**, President of the Supervisory Board
- **Petar Vlaić**, Member of the Supervisory Board
- **Mate Biloš**, Member of the Supervisory Board

### The management of the company Ferokotao d.o.o. was led by the Management Board:

- **Branimir Šopar**, President of the Management Board
- **Nenad Lesjak**, Member of the Management Board

### The Supervisory Board of the company Ferokotao d.o.o.:

- **Vanja Burul**, President of the Supervisory Board
- **Petar Vlaić**, Member of the Supervisory Board
- **Dominik Trstoglavec**, Member of the Supervisory Board
- **Josip Vugrinec**, Member of the Supervisory Board
- **Branko Jumić**, Member of the Supervisory Board (until 20 December 2023)
- **Željko Horvat**, Member of the Supervisory Board (until 20 December 2023)

## Preventing conflict of interest

At KONČAR – D&ST, conflict of interest is actively prevented through the implementation of a strict policy that includes clear guidelines on the ethical behavior of Management Board and Supervisory Board members. These procedures ensure that business decisions are made solely in the best interest of KONČAR – D&ST, and Management Board and Supervisory Board members are required to immediately report any conflicts of interest to the Supervisory Board or to other members. Conflicts of interest are further addressed by avoiding the participation of Management Board members in decisions on matters in which they have a personal or economic interest. Additionally, all significant business transactions require prior approval from the Supervisory Board.



# Organizational structure

## GENERAL ASSEMBLY SUPERVISORY BOARD

- Gordan Kolak, President
- Ivan Bahun, Member
- Josip Ljulj, Member
- Miki Huljić, Member
- Ana-Marija Markoč, Member

## MANAGEMENT BOARD

President of the Management Board  
Vanja Burul

Office of the Management Board

### Profit centre MEDIUM POWER TRANSFORMERS

Director **Petar Bobek**  
Business Secretary

SALES & MARKETING	TECHNICAL DEPARTMENT	PRODUCTION PLANNING	PRODUCTION	QUALITY	DISPATCHING & PACKING
Sales I	Electrical Design I	Production planning	Insulation I	Test station	Packing
Sales II	Electrical Design II	Warehouses	Insulation II	Final Inspection	
After sales service			Core stacking		
	Mechanical Design I		Machining workshop		
	Mechanical Design II		Winding workshop I		
	Mechanical Design Development		Winding workshop II		
			Assembly I A		
			Assembly I B		
			Assembly II A		
			Assembly II B		

### Profit centre DISTRIBUTION TRANSFORMERS

Director **Martina Mikulić**  
Business Secretary

SALES & MARKETING	TECHNICAL DEPARTMENT	PRODUCTION PLANNING	CORE CUTTING CENTER	PRODUCTION	QUALITY
Sales North	Electrical Design DT	Production Planning	Core cutting	Windings I	Test Station
Sales South	Electrical Design ST	Warehouses	Core production I	Windings II	Final Inspection
After sales service			Core production II	Assembly I	
	Mechanical Design DT			Assembly II	
	Mechanical Design Development			Final Assembly	
				Production SDT	



Auditors  
KPMG Croatia Ltd.

FINANCE, ACCOUNTING,  
PURCHASING & HRL

Director **Petar Vlaić**

LEGAL  
AFFAIRS  
& HRL

FINANCE &  
ACCOUNTING

— Finance  
Accounting

— Controlling

STRATEGIC  
PURCHASING

OPERATIONAL  
PURCHASING

PRODUCT & BUSINESS  
DEVELOPMENT

Director **Dominik Trstoglavec**

STRATEGIC  
INVESTMENT

— Strategic  
investment

— Maintenance

PRODUCT  
DEVELOPMENT  
&  
STANDARDISA-  
TION

PRODUCTION  
DEVELOPMENT

BUSINESS  
EXCELLENCE

MANAGE-  
MENT  
SYSTEM  
DEVELOP-  
MENT

— ISO 9001,  
ISO 14001,  
ISO 45001

— Safety at work

INCOMING  
INSPECTION

IT  
DEPART-  
MENT

BUSINESS  
IT

MARKETING



## Business Committees

HSE Committee  
(Health, Safety, and Environment Committee)

ESG Committee

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Committee for Health and Safety at Work

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Quality Committees

- QA/QC Committee DT
  - QA/QC Committee SET
- 

Technical-commercial Committees:

- Committee for Insulating Oils, Drying, and Filling Process
- Committee for Copper and Aluminum
- Committee for Transformer Steel
- Committee for Solid Insulation and Sealing Materials
- Committee for Transformer Tanks, Coolers, and Corrosion Protection
- Committee for Marketing
- Committee for Agency Contracts

## 1.5. Strategy for further development

The main business activities of KONČAR – D&ST will continue to be the development, sale, and production of distribution oil transformers up to 8 MVA and 36 kV, special transformers, and medium power transformers up to 160 MVA and 170 kV.

KONČAR – D&ST d.d. is currently implementing an investment project called "Sustainable SETup for the Development of Socially and Environmentally Responsible Production" (abbreviated: "Sustainable SETup"). The primary goals of this project are to normalize the existing production volume and expand storage capacities, which will enable the optimization of business processes and better management of material, raw material, equipment, and finished product flows. In the upcoming period, market conditions of competitors and suppliers will be monitored and analyzed, and potential opportunities for business expansion will be considered. The KONČAR – D&ST Group, positioned high among the leading European manufacturers of distribution, special, and medium power transformers, will ensure its excellence by recognizing and meeting customer needs, building partnership relationships with suppliers, committing to quality and sustainable development, and further technical and organizational development. All this, along with continuous training and motivation of employees, recognizing the value of unity and teamwork.





# 1.6. Key risks, impacts, and opportunities

## Risk management

In 2023, the parent company of the KONČAR – D&ST Group revised the Risk Management Regulations and the Risk Management Policy, which are aligned with the ISO 31000:2018 standard (Risk Management – Guidelines) and the principles of ERM (Enterprise Risk Management). The purpose of risk management is to create and protect value for KONČAR – D&ST. The scope of risk management includes managing strategic, operational, financial, and other risks. Through risk management, KONČAR – D&ST improves operations, encourages innovation, and supports the achievement of goals. The risk management process is an integral part of management at KONČAR – D&ST and part of the decision-making process, integrated into all structures, operations, activities, and processes. The risk management process is applied at the strategic level, the operational level, and the level of individual projects. The Management Board is responsible for designing, implementing, adapting, improving, and overseeing the risk management system.

According to the Policy, risk management in the Group is:

- integrated into all business processes and decision-making processes;
- structured and comprehensive, which contributes to consistent and comparable results;
- adapted and in accordance with the external and internal context of the company; it considers the external and internal context of the Group and is based on the best available information;
- inclusive and includes a wide range of professionals starting from the Management Board and the Supervisory Board, through sector and area directors, managers and heads of departments and workshops, to all employees and external stakeholders;
- dynamic, because new risks can appear, change or disappear in accordance with changes in the external and internal context;
- based on the best available information, based on historical and current information, as well as on future expectations;
- based on awareness of human and cultural factors;
- based on continuous improvement, because it is constantly improved through learning and gaining experience;

Risk management framework



Risk management process





Respecting the business strategy and business goals, KONČAR – D&ST determines a moderate (average) tendency to take risks. The lowest risk appetite is in the area of safety and compliance objectives, including employee health and safety. There is a slightly higher tendency towards risk in the area of strategic and operational goals. This means that reducing risks arising from our systems, equipment, products and work environment to reasonably practicable levels and complying with legal obligations will take precedence over other business objectives.

In accordance with the defined risk management methodology, at the end of 2023, the Risk Catalogue was revised in which the main strategic, operational and financial risks were identified, analyzed and evaluated, as well as certain risk reduction measures, as well as the persons responsible for risk management (risk owners). Risks have been identified in all organizational units of the Group.

The business year 2023 was marked by rising interest rates, high inflation, the continuation of Russian aggression against Ukraine, as well as the beginning of the war in Israel/Palestine and unrest in the Middle East, with numerous consequences for the European and world economy. The Group adequately responded to the mentioned risks, mitigating them with available measures and actions, and the 2023 business year ended without a negative impact on the Group's business results.

### Key impacts, risks and opportunities

**Demand** for transformers in the target markets is one of the main risk factors for the Group's operations. The business year 2023 was characterized by increased demand for transformers for a number of reasons, the most significant being investments in renewable energy sources and electromobility in the EU, the forecast of further growth in the prices of energy sources, raw materials and materials, and uncertainty due to disruptions in supply chains. Also, in 2023 there were indications of the beginning of a recession in Germany and the EU, which, if this trend continues, could have a long-term negative impact on the demand for transformers.

**The offer** of transformers by other manufacturers – i.e. competitive pressure – is the next very important risk factor for the Group's business. The behavior of existing competitors and the entry of new competitors (primarily from Turkey, but also from some other countries) into the target markets of the KONČAR – D&ST Group create very strong competitive pressure in most of the target markets. The entire transformer industry has undergone considerable changes in recent years, with numerous restructurings, separations and/or sales of the energy part of the business to large corporations, takeovers and mergers (consolidation), and such trends continue.





**Risks on the procurement market** were also present in the business year 2023, in which the prices of the main raw materials and materials (copper, aluminum, transformer sheet, transformer oil, steel) stabilized at a high level, with a further increase in raw material processing prices. Increased demand led to longer delivery times, and increased transport costs. At the end of 2023, the crisis with maritime freight shipping through the Red Sea and the Suez Canal escalated, and the maritime shipping time around Africa to European ports was significantly extended (by approx. 4-6 weeks) with a further increase in transport and insurance costs. This again highlighted the logistical problems of supplying raw materials from Asia. Considering the possibilities available to it, the Group protects itself from the risk of sudden changes in the prices of strategic raw materials in several ways. The most important method in the last three years has been the introduction of sliding formulas for materials in sales contracts with customers. In the case of copper, the risk mitigation policy for those contracts where there is no sliding formula is such that, considering that it is a raw material listed on the commodity exchanges (London Metal Exchange), quantities and prices are contracted with copper suppliers through forward contracts for periods in the future according to condition and contract assessments. In the case of transformer sheet metal and some other important procurement parts, half-yearly contracts with suppliers try to reduce this risk and ensure the necessary quantities. Changes in material prices are included in the calculations when creating new offers for products.

**Technological development risks.** At the moment, the Group has modern transformer manufacturing technology and appropriate technical solutions for the products from its program, and is able to follow technical-technological development at an enviable level. In the future, technical-technological lagging behind the main competitors is not expected.

**Risks relating to strategic investments and acquisitions.** In 2023 in KONČAR – D&ST d.d. intensified activities on the strategic investment project "Sustainable SETup for the development of environmentally and socially sustainable production", and continued the intensive support for the development of PET in Poland. Also, at the end of 2023, KONČAR – D&ST acquired a majority share (51%) in the company Ferokotao d.o.o., Donji Kraljevec, whose activity is the production of transformer boilers. This group of risks is mitigated by appropriate analysis and evaluation of potential risks, taking appropriate measures to mitigate risks, and active involvement of the Management Board and relevant key managers and employees in managing the process.

Among the financial risks, the most pronounced are currency risk, credit risk and liquidity risk.

**Currency (exchange rate) risk** is expressed in the Group's operations, considering the large percentage of exports and imports in revenues, and considering that part of the monetary items of assets and liabilities are expressed in foreign currencies. The company protects itself from currency risk by forward contracts with banks and internal techniques by harmonizing currency inflows and outflows, as well as by harmonizing the balance of monetary items in foreign currencies in the balance sheet.

**Credit risk** manifests as the danger that an individual debtor of the Group (e.g. a customer to whom a delivery was made without sufficient payment insurance) will not be able or will not make a payment to the Group in accordance with what was agreed, and that the Group will therefore incur write-off or write-off losses claims. The Group mitigates credit risks with payment insurance instruments (L/C, guarantees, promissory notes, etc.) and by evaluating the creditworthiness of customers in cooperation with external agencies for evaluating solvency and creditworthiness. Also, claims insurance is provided for individual customers at specialized institutions.

**Liquidity risk** manifests as the danger that the Group will not be able to fulfill its obligations to creditors within the agreed terms. The Group has contractual relationships with commercial banks on framework debt, which enables it to quickly overcome the current need for liquid funds under known conditions. In 2023, customer advance financing increased significantly, which had a favorable effect on the Group's liquidity. Also, receivables with relatively long maturity periods are sometimes collected by the Group by selling them to financial institutions (factoring, forfaiting).

**Management and personnel risks.** Ordinary fluctuations and changes in management, leading experts and employees do not significantly affect the Group's operations, while sudden and larger fluctuations in management, key and other employees could affect the Group's business results. The company actively manages these risks. In addition to those listed above, there are also to a certain extent IT risks, design and construction risks, production risks, political risks and other groups of risks.



## 1.7. Memberships in associations, recognitions and awards

Croatian Business Council for Sustainable Development - CBCSD (HR PSOR)

Croatian Chamber of Economy (HGK)

Croatian Chamber of Electrical Engineers (HKIE)

Croatian Chamber of Mechanical Engineers (HKIS)

Croatian Exporters (HIZ)

Croatian Chapter of the International Council on Large Electric Systems (HRO CIGRÉ)

Croatian Standards Institute (HZN)

International Conference on Electricity distribution (CIRED)

International Council on Large Electric Systems (CIGRÉ)

Association of Corporate Lawyers

Institute for Materials Protection

Croatian Association of Corporate Treasurers (HUKR)

### UN GLOBAL COMPACT

In March 2007, KONČAR - ELECTRICAL INDUSTRY Inc. for manufacturing and services joined the UN Global Compact, the world's largest initiative in the field of socially responsible business that brings together the business sector, associations and organizations. The Global Compact represents a platform for stronger engagement of the business sector in matters of social development, and is based on the promotion of ten principles of ethical business in the areas of human and labor rights, environmental protection and the fight against corruption. KONČAR – D&ST, as a company of the KONČAR Group, accepts and applies the ten basic principles promoted by the UN Global Compact in its business process.

### Recognitions and awards

The Institution for Professional Rehabilitation and Employment of Persons with Disabilities Uriho Zagreb awarded the charter Ivančica to KONČAR – D&ST for its outstanding contribution to the activities of professional rehabilitation and employment of persons with disabilities.





# Sustainability management

We recognize the future of sustainability in collaboration with our stakeholders. By regularly participating in industrial, cross-sectoral, scientific, collaborative and other initiatives we strive to improve the sustainability of the economy and society in dialogue with our stakeholders.

2



### Statement by the Member of the Management Board and Chief Sustainability Officer

With the development of international standardization and regulations of the European Union, sustainability issues are becoming central themes of business strategies, policies, programs and projects. Companies are required to strategically and consistently manage their impact on the climate, environment, society, and people, including human rights, throughout the entire value chain.

At KONČAR – D&ST, we have long integrated sustainability elements into our business operations, production, and stakeholder care, utilizing various standards and certifications. To further align our business goals with environmental, social, and governance (ESG) criteria, we began developing a Sustainability Strategy in 2023.

Our approach to sustainability is based on our contribution to the climate and environment, particularly the role our products play in the energy transition. Therefore, we direct the development of our products and manufacturing processes towards global sustainability goals and the framework of the European Green Deal. We focus on areas where we can achieve the most, especially in the energy transition to low-carbon production, energy efficiency, and the circular economy.

Our quality depends on professional, reliable and hardworking employees. We pay special attention to providing our colleagues with a pleasant and stimulating work environment in which everyone has equal opportunities for professional development. In doing so, we strive to respond to the needs of all generations and professional profiles, with a special desire to encourage a stronger representation and role of women in STEM. We implement and verify our efforts with certifications such as Mamforce and Equal Pay.

The shares of KONČAR – D&ST are listed on the Zagreb Stock Exchange and we are committed to transparent and ethical management and communication with our shareholders as well as all other stakeholders. Along with an extensively established system of policies that guarantee responsible and sustainable business, we constantly improve our management approach.

We recognize the future of sustainability in collaboration with our stakeholders. By regularly participating in industrial, cross-sectoral, scientific, collaborative and other initiatives we strive to improve the sustainability of the economy and society in dialogue with our stakeholders. With a belief that we are a reliable and valuable partner in these endeavors, we look forward to future opportunities that sustainable development will enable.

**Dominik Trstoglavac,**  
*Management Board member and Chief Sustainability Officer*



### Statement by the Sustainability Specialist

Working in an energy company like KONČAR – D&ST represents a challenge and an opportunity that I accept with great enthusiasm. I am engaged with projects that focus on ESG issues, which allows me to apply my knowledge in an area that truly inspires me. The importance of supporting young talents and women in energy is deeply rooted in our organizational culture. Through transparent recruitment processes, development programs and a stimulating work atmosphere, KONČAR – D&ST truly provides equal opportunities for personal development and advancement, regardless of age, gender or any other characteristics.

For us, sustainability is not just a trend; it is integrated into all aspects of our business, and we are constantly exploring new ways to improve business and introduce more innovative solutions, in an environment where not a single idea is less important or redundant.

With a firm belief that our industry is crucial to creating a better future, I look forward to the shared journey we have ahead of us to shape tomorrow's more sustainable generations. Therefore, we proudly stand behind our vision of sustainability and look forward to every step that brings us closer to achieving the desired goals.

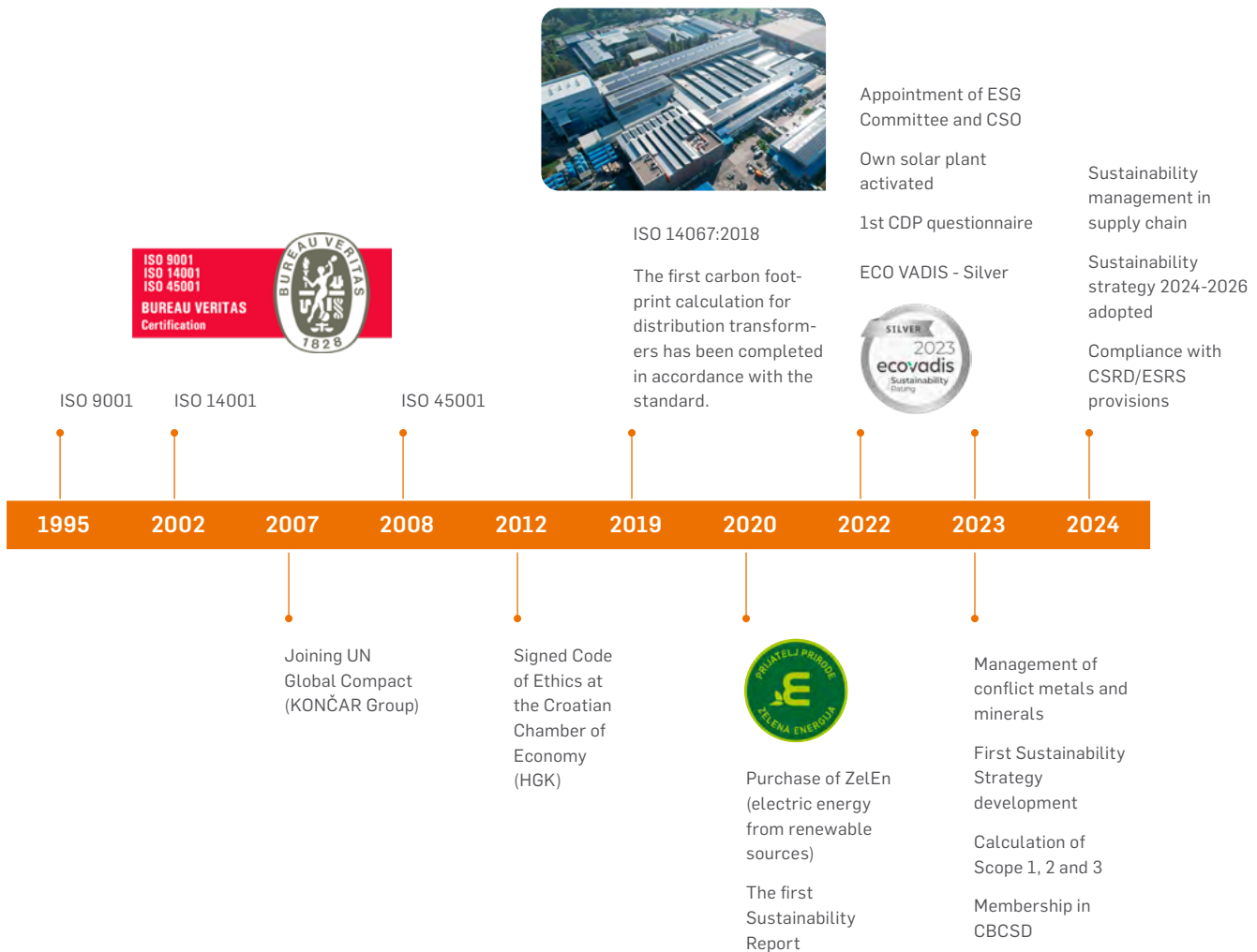
**Božena Odobašić,**  
*Sustainability Specialist*

## 2.1. Sustainability at KONČAR – D&ST

Sustainability management is an indispensable part of business at KONČAR – D&ST. We are aware that realizing long-term economic success is closely related to the achievement of social and environmental goals. Therefore, we continuously integrate sustainability into all segments of our business, with the involvement of all relevant stakeholders - especially our customers, employees and business partners.

By appointing the Director of Technical and Business Development as the Management Board member responsible for sustainability issues (Chief Sustainability Officer - CSO) and forming an ESG Committee that meets regularly every two weeks, we clearly emphasize our commitment to sustainable business at the highest management levels. The ESG Committee is composed of experts from relevant fields and ensures cross-sector cooperation on sustainability issues.

Sustainability topics are also regularly addressed at Board meetings to ensure engagement at the highest management levels. Every six months, at the Board meetings, the performance of the management systems for environmental protection and health and safety at work are carefully evaluated according to ISO 14001:2015 and ISO 45001:2018 standards. The review includes an inspection of internal and external factors, an assessment of risks and opportunities for upgrading management systems, and an assessment of the achievement of defined objectives. Management is also regularly informed about the results of internal and external audits and about customer satisfaction and supplier relations. Assessment of compliance with legal and other regulations as well as analysis of non-compliance and implementation of corrective measures is continuously carried out.





The introduction of CSO as a member of the Management Board, regular meetings of the ESG Committee and periodic impact analysis are the foundations of our systematic approach to sustainability. In 2023 we initiated the development of the first Sustainability Strategy of KONČAR – D&ST for the period 2024 – 2026. The Strategy will support us in advancing the existing and developing new processes. Additionally, it will enable the integration of all ESG issues in risk management as well as ensure the transition to a circular economy and a lower-carbon future.

We publish the sustainability report once a year, whereby the CEO is responsible for its final approval. All members of the Management Board are regularly educated on sustainability topics, participating in workshops, conferences and sectoral educations that further strengthen our commitment to sustainable business. During the reporting period, the Management Board participated in several workshops and educations dedicated to sustainable business, and the topic of sustainability was also discussed in the framework of conferences in which the Management Board members participated. We would especially like to highlight the sectoral workshops of the Croatian Chamber of Economy (HGK) on the topic of sustainability and IEDC Bled: Sustainability strategy – tools and implementation, which was attended by four out of five members of the Management Board. Continuous education of the Management Board as well as managers and other employees, was also recognized as part of the 2024-2026 Sustainability Strategy.

## 2.2. Sustainability Strategy 2024-2026: towards net-zero transition

In August 2023, KONČAR Group initiated the process of creating its first Sustainability Strategy in order to guarantee the integration of all aspects of sustainability into its business processes and thus ensure better management of the increasingly dynamic demands of the market, regulators and communities. Strategic goals were presented to the Board in December 2023, and the entire strategy was adopted in March 2024.

At the same time, the process of creating a strategy for KONČAR – D&ST was launched, which relies on the priority areas of the KONČAR Group, with adaptation to the specifics of KONČAR – D&ST. A team was formed that was involved in all steps of strategy development and worked closely with consultants, and additional representatives of individual sectors were included when necessary. Also, representatives of KONČAR – D&ST were included in the team responsible for strategy development at the level of KONČAR Group. The sustainability strategy is adopted by the KONČAR – D&ST Management Board, which is also responsible for regularly monitoring the progress of achieving sustainability goals.

The core team:

**Vanja Burul**, President of the Management Board

**Petar Bobek**, Member of the Management Board, Director of the Profit Center SET

**Martina Mikulić**, Member of the Management Board, Director of the DT Profit Center

**Dominik Trstoglavec**, Member of the Management Board, Director of Product and Business Development

**Petar Vlaić**, Member of the Management Board, Director of Technical and Business Development

**Martina Barbarić Baričević**, Head of Human Resources Management, Legal and Corporate Affairs Department

**Darko Krpan**, Head of Accounting and Finance Department

**Renata Jurišić**, Head of Management System Development

**Vlatka Šerkinić**, Sustainable Business Specialist

**Božena Odošić**, Sustainable Business Specialist

The first sustainability strategy of KONČAR – D&ST was developed in accordance with eight priority areas defined at the level of KONČAR Group - two for the environment, four for society and two for governance. The areas cover the topics of decarbonization of production, efficient use of resources, circular economy, health, safety and development of employees, diversity and equal opportunities, attracting and developing young people, investing in the quality of life of local communities and ethical and responsible management in workplace and supply chain. Strategic objectives were set within these areas, along with associated targets and key performance indicators.

Priority Areas of Sustainability Strategy

ENVIRONMENTAL (E)	SOCIAL (S)	GOVERNANCE (G)
FUTURE WITHOUT EMISSIONS	HEALTH AND SAFETY	RESPONSIBLE AND TRANSPARENT GOVERNANCE
CIRCULAR ECONOMY	EMPLOYEE DEVELOPMENT AND SATISFACTION	RESPONSIBILITY IN THE SUPPLY CHAIN
	YOUTH IN FOCUS	
	EMPOWERED COMMUNITIES	

The adoption of the Sustainability Strategy marks a significant milestone in advancing sustainability at KONČAR – D&ST. Although for many years D&ST has been investing in the development of business processes that contribute to various segments of sustainability, the Strategy is a document that consolidates previous efforts and determines future direction for the incorporation of environmental, social and governance criteria into business. The Sustainability Strategy is adopted to ensure compliance of KONČAR – D&ST to new regulatory requirements, but also to direct action plans that can achieve sustainability goals and meet the expectations of various stakeholders, from investors and financial institutions, through customers, business partners and suppliers to own employees and communities.

Since the Strategy was not adopted at the time this report was being drafted, all details will be published in the report for 2024.



## 2.3. Sustainability reporting

The fourth sustainability report of KONČAR – D&ST provides non-financial information about the business year 2023 as well as measures and activities for the management of certain sustainability topics, that is the impact of operations on society, the economy and the environment. Although transformers play a key role in the formation of electric power networks of different voltage levels, and thus are an essential link in the implementation of green transition, KONČAR – D&ST continuously strives to reduce its negative and enhance the positive impacts of its operations and relations in the entire value chain.

The presented non-financial information includes only the parent company KONČAR – D&ST, while information and data for the companies PET in Poland and Ferokotao are not included in this reporting period. PET, Poland realized investments to improve working conditions, increase production efficiency, product quality and energy efficiency of buildings. The project of expansion and renovation of the new main warehouse was partially realized. KONČAR – D&ST d.d. ensured additional resources in 2023 to provide active support to the PET company in Poland, resulting in further improvements in business operations. Considering that the acquisition of Ferokotao took place at the very end of the business year, no measures were taken.

With an aim of strengthening transparency and raising the quality of reporting and fully complying with the requirements of the CSRD, in 2023 a systematic data harmonization was initiated for the daughter companies as well. A consolidated Sustainability Report will be available in the next reporting period.

The content of the report is defined based on the identified material topics and the strategic approach of KONČAR – D&ST and relies on the contribution to the UN Sustainable Development Goals (SDGs). The Sustainability Report of KONČAR – D&ST for the year 2023 was prepared in accordance with Global Reporting Initiative (GRI) standards, ensuring a balanced and transparent presentation of sustainability impacts of KONČAR – D&ST. This is also the last report prepared according to GRI standard. In the next reporting year, the content will follow the guidelines and requirements of the new CSRD and the European Sustainability Reporting Standards (ESRS). Alignment with the requirements began at the level of the KONČAR Group and at the level of KONČAR – D&ST in 2023 and will intensify during 2024.

The data for the preparation of the report was collected through internal data collection and analysis systems and in direct contact with the departments in charge of a particular sustainability topic, with the support of external consultants from Hauska & Partner. Three-year trends are displayed for categories with available historical data. In cases where such data were not available, only data for the year 2023 were presented. The data for the GHG emissions were compiled by Energy Institute Hrvoje Požar (EIHP), while the data for the EU Taxonomy was prepared and calculated by consultants from Ernst & Young. External assurance of the report was not carried out.

This Sustainability Report is available in digital form in Croatian and English and is published on the KONČAR – D&ST website: <https://koncar-dst.hr/en/social-responsibility/>

For additional information, impressions on the content of the report or suggestions for improving our sustainability practices, please contact us via e-mail:

[vlatka.serkinic@koncar-dst.hr](mailto:vlatka.serkinic@koncar-dst.hr) (Vlatka Šerkinić, Sustainable Business Specialist)

[bozena.odobasic@koncar-dst.hr](mailto:bozena.odobasic@koncar-dst.hr) (Božena Odobašić, Sustainability Specialist)

Information update: There has been a change in the thermal energy consumption data. The corrected value now reads 8,413.00 MWh compared to last year's report, which stated 6,713.58 MWh. This discrepancy was due to a malfunction that recorded a lower amount than the actual energy consumed. Material topics have been aligned with the sustainability strategy, with minor adjustments made to the naming and grouping of these topics.



## 2.4. Stakeholders and material topics

Sustainability management would not be possible without the continuous engagement of our stakeholders who complement and guide our efforts. Their engagement is crucial in defining material topics, policies and measures as well as when setting targets and KPIs. Therefore, continuous communication and involvement are of utmost importance.

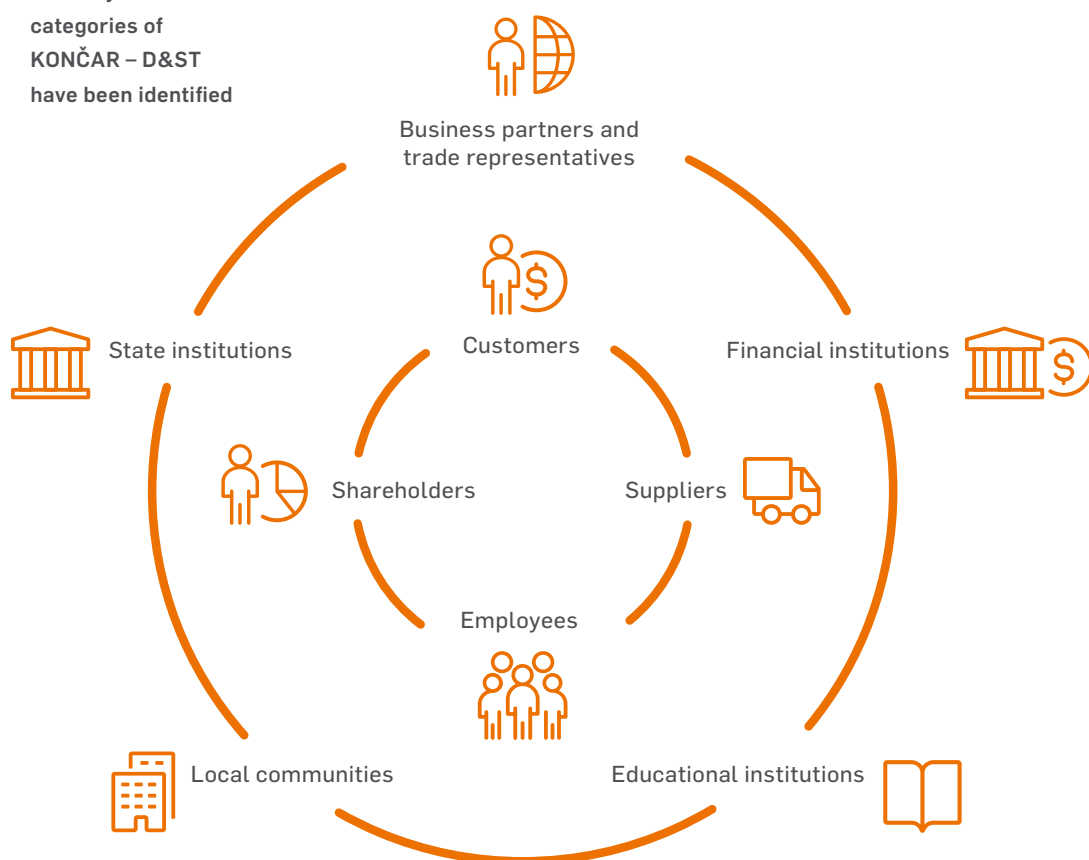
KONČAR – D&ST has established internal procedures for identifying stakeholders with whom profit centers, administrative services, employees and company bodies most often interact in daily operations. We monitor and analyze stakeholder requests, frequency of interaction, ways of communicating with stakeholders, as well as the importance of individual stakeholders in relation to KONČAR – D&ST's sustainability management.

### Stakeholder engagement was performed in three steps:

1. KEY STAKEHOLDERS' IDENTIFICATION
2. STAKEHOLDERS' MAPPING ACCORDING TO THEIR IMPACT ON OUR BUSINESS
3. ANALYSIS OF STAKEHOLDERS' EXPECTATIONS AND COMMUNICATION WITH STAKEHOLDERS

Transparency and quality of stakeholder relations is under the auspices of the Management Board, which is obliged to take care that the company respects all stakeholder rights and considers their interests, respecting legal provisions and good business practices. We regularly inform our stakeholders about our activities, news and plans through various channels.

Nine key stakeholder categories of KONČAR – D&ST have been identified



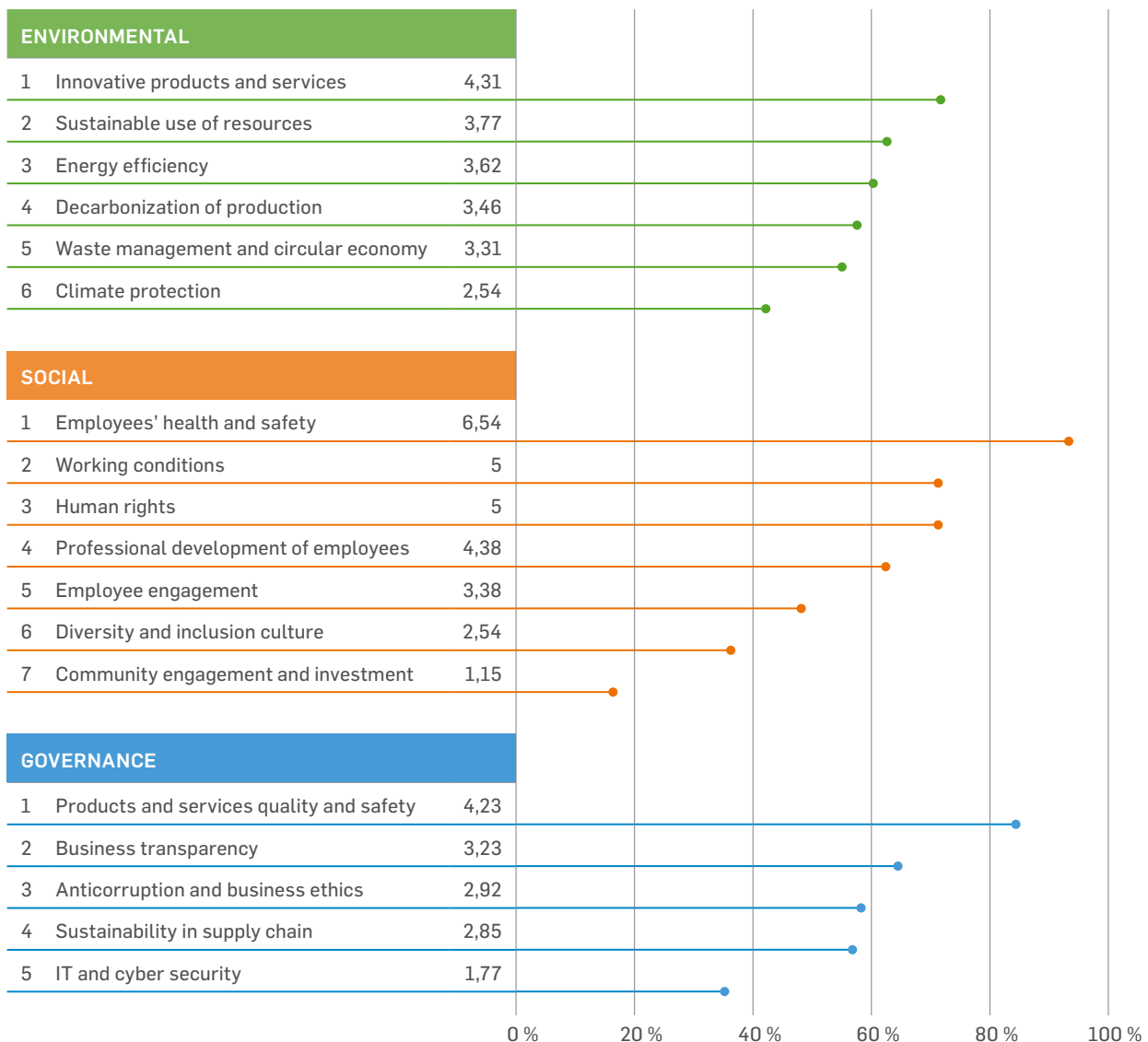
Stakeholder Group	Stakeholders' needs and concerns	Type and frequency of communication
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality of products and related services</li> <li>• Compliance with deadlines and contractual obligations</li> <li>• Management of relations with customers and methods of resolving complaints (claims)</li> <li>• Continuously product development and improvement</li> <li>• Respect for ethical principles</li> <li>• Privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Resolution and analysis of complaints</li> <li>• Annual satisfaction survey</li> <li>• Surveys on the importance of certain topics in the field of sustainability and social responsibility</li> <li>• Fairs and gatherings</li> <li>• Official website, continuously</li> <li>• e-mail, continuously</li> <li>• Regular customer visits</li> <li>• Annual Financial Report</li> <li>• Sustainability Report</li> <li>• Leaflets and prospectuses</li> <li>• LinkedIn</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Salaries and benefits</li> <li>• Positive working environment</li> <li>• Personal development, respect and reward</li> <li>• Stable business</li> <li>• Health and safety in the workplace</li> <li>• Training and development</li> <li>• Non-discrimination and equal opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Employee satisfaction survey, every 2 years</li> <li>• Pulse checks on specific issues that are of interest to employees</li> <li>• Education and training, continuously</li> <li>• Intranet, e-bulletin boards, continuously</li> <li>• e-mail, continuously</li> <li>• Monthly meetings with all managers</li> <li>• Annual Financial Report</li> <li>• Sustainability Report</li> <li>• Manuals</li> <li>• LinkedIn</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Business strategy</li> <li>• Profitability</li> <li>• Growth in the value of shares</li> <li>• Dividend payment</li> <li>• Business growth and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• General Assembly</li> <li>• Posts on websites, continuously</li> <li>• Annual Financial Report</li> <li>• Sustainability Report</li> <li>• e-mail, regular mail</li> <li>• LinkedIn</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Mutual benefit and long-term relationships</li> <li>• Management systems</li> <li>• Ethics in business</li> <li>• Business volume</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Participation in trade fairs</li> <li>• Official website, continuously</li> <li>• e-mail, continuously</li> <li>• LinkedIn</li> </ul>
<b>State institutions</b>	<ul style="list-style-type: none"> <li>• Payment of taxes, contributions and fees</li> <li>• Compliance with legal regulations</li> <li>• Reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Participation in trade fairs</li> <li>• Official website, continuously</li> <li>• e-mail, continuously</li> <li>• LinkedIn</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Investing in local initiatives</li> <li>• Protection and reasonable use of resources (economic, environmental and social)</li> </ul>	<ul style="list-style-type: none"> <li>• Regular visits and joint activities</li> <li>• Donations and sponsorships</li> <li>• Official website, continuously</li> <li>• Annual Financial Report</li> <li>• Sustainability Report</li> <li>• LinkedIn</li> <li>• Publications in the media</li> </ul>
<b>Financial institutions</b>	<ul style="list-style-type: none"> <li>• Compliance with contractual obligations</li> <li>• Mutual benefit and long-term relationships</li> <li>• Ethics in business</li> </ul>	<ul style="list-style-type: none"> <li>• Official web pages, continuously</li> <li>• Annual Financial Report</li> <li>• Sustainability Report</li> <li>• e-mail, continuously</li> <li>• Meetings</li> <li>• Participation in conferences</li> <li>• LinkedIn</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>• Official web pages, continuously</li> <li>• Annual financial report</li> <li>• Report on sustainable business</li> <li>• e-mail, continuously</li> <li>• Meetings</li> <li>• Participation in conferences</li> <li>• LinkedIn</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings</li> <li>• Participation in fairs</li> <li>• Official website, continuously</li> <li>• e-mail, continuously</li> <li>• LinkedIn</li> </ul>
<b>Education institutions</b>	<ul style="list-style-type: none"> <li>• Research and development projects</li> <li>• Informing about opportunities for student and student internships</li> <li>• Scholarship requirements</li> <li>• Employment possibilities for young people</li> <li>• Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Official web pages</li> <li>• Publications in the media</li> <li>• Sustainability Report</li> <li>• e-mail, continuously</li> <li>• Meetings</li> <li>• Participation in conferences</li> <li>• Joint activities</li> <li>• LinkedIn</li> </ul>

## Materiality assessment

As part of Sustainability Strategy development, an examination of material topics was conducted at the KONČAR Group level, during which external and internal stakeholders were engaged through a questionnaire. The key focus of the survey was to determine the perception of the importance of material topics and the assessment of the materiality management in KONČAR Group. In addition to the previously stated key categories of external stakeholders, additional ones were engaged: professional community and interest associations, regulatory and supervisory bodies, financial analysts, non-governmental organizations, media, users of donations and sponsorships, trade unions. Stakeholder engagement included 262 respondents, that is 152 external and 110 internal stakeholders. Respondents evaluated topics that are particularly important for sustainability within the energy sector, grouped into several segments: governance, supply chain, products, clients/customers, workplace, communities, and climate and environment. Ultimately, 17 topics were determined at the level of the KONČAR Group, within which priority areas were defined for setting strategy targets.

For the purposes of preparing of the Sustainability Report of KONČAR – D&ST, a comparison and harmonization with the material topics from 2022 was carried out. Material topics were prioritized at the level of the Management Board and directors of key sectors. The prioritization was separately conducted for each ESG segment. Compared to the previous period, certain topics have been grouped together.

### Material topics of KONČAR – D&ST 2023





**Limitations:** It should be noted that not a single examined topic received a total score lower than 7.42. This may indicate an understanding of the importance and interdependence of ESG topics, but also the challenges related to an adequate assessment by stakeholders. Considering that only the impact materiality assessment has been conducted, it is necessary to carry out a double materiality assessment by the end of 2024, in order to be able to fully comply with the ESRS requirements in the 2024 Sustainability Report.



## 2.5. Contribution to UN Sustainable Development Goals (SDGs)

KONČAR – D&ST recognized the need to act in accordance with the UN Sustainable Development Goals, UN SDGs. As part of the Sustainability Report for the year 2022, KONČAR – D&ST identified the contribution to the following goals: SDG 4, 5, 7, 8, 9, 11 and 12. In the process of creating the Sustainability Strategy, the contribution to the goals SDG 3, 10, 13, 16 and 17 was additionally recognized.



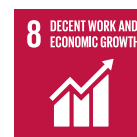
### SDG 7: AFFORDABLE AND CLEAN ENERGY

KONČAR – D&ST directly and indirectly increases the share of renewable energy sources and enables the implementation of the energy transition. KONČAR – D&ST procures electricity from renewable sources and produces its own (photovoltaic power plant). In all business processes of KONČAR – D&ST, the provisions of the current legislation are applied, which, among other things, include the provisions of the Law on Environmental Protection, the Law on Energy Efficiency and the Ordinance on Energy Audits for Large Enterprises. In this way, we contribute to the global and Croatian goal of achieving energy independence and increasing the efficiency of energy use.



### SDG 8: DECENT WORK AND ECONOMIC GROWTH

KONČAR – D&ST actively builds a healthy, safe and inclusive working environment, supports the employment of persons with disabilities and contributes to increasing the employability of young people. KONČAR – D&ST contributes to the development of young professionals, frequently in collaboration with higher education institutions. Additionally, it screens suppliers for ESG risks in preventing and combating unethical practices such as forced and/or child labor. All this contributes to sustainable economic growth and decent work for all.



### SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Through continuous investments in resilient infrastructure KONČAR – D&ST supports innovation and invests in research and development to improve production and encourage and enable inclusive industrial transformation. KONČAR – D&ST contributes to increasing the resilience of its customers by implementing advanced technologies and systems that ensure more efficient use of resources, thereby reducing the vulnerability of industrial sectors to global risks and contributing to reducing the carbon footprint of its customers.



### SDG 13: CLIMATE ACTION

KONČAR – D&ST incorporates concern for climate protection, i.e. measures to reduce greenhouse gas emissions, in its policies and processes. One of the goals of the Sustainability Strategy is the adoption of a Climate Transition Plan that, in addition to the short-term, will include medium- and long-term targets, thus creating the conditions for a net-zero transition. Also, KONČAR – D&ST continuously educates and develops organizational skills for adapting to and mitigating climate change.



### SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

KONČAR – D&ST actively applies the principles of rational use of resources and use of environmentally acceptable technologies. It pays special attention to the management of conflict metals and minerals and the design of products with a reduced impact on the environment. It also improves waste prevention practices and educates employees about efficient use of resources. KONČAR – D&ST regularly publishes an annual report on sustainable business in accordance with legal regulations, covering all relevant ESG aspects, participates in sharing knowledge about sustainable practices and cooperates with educational institutions. It also screens strategic suppliers for ESG risks and encourages the implementation of sustainable practices.





### SDG 3: GOOD HEALTH AND WELL-BEING

As a production company, KONČAR – D&ST takes special care of the health and safety of its employees. By applying the ISO 45001:2018 standard, it systematically manages this aspect. KONČAR – D&ST offers its employees the possibility of supplementary health insurance and additional insurance and medical examinations. KONČAR – D&ST continuously improves and develops welfare programs and pays special attention to parents returning from maternity or parental leave, to make the transition as easy as possible and the harmonization of business and family obligations.



### SDG 4: QUALITY EDUCATION

KONČAR – D&ST places great emphasis on the continuous education of its employees through various internal and external professional trainings according to the requirements of the job and strives to provide all its employees with opportunities for development, advancement and realization of their potential. KONČAR – D&ST prepares young people to enter the labor market with school and student internships. By cooperating with educational institutions and increasing the number of student and student scholarships, as well as student/student internships, KONČAR – D&ST strives to provide quality education to young people so that they can integrate into the business world in a quality way.



### SDG 5: GENDER EQUALITY

KONČAR – D&ST takes care of ensuring gender equality in the workplace by applying equal opportunities for women and men and taking care of equal representation and balanced conditions. KONČAR – D&ST strives to increase the number of women in management positions, as well as contribute to their empowerment, to ensure the equal and effective participation of women in its business. Remuneration in KONČAR – D&ST is equal by gender for positions of the same value.



### SDG 10: REDUCED INEQUALITIES

KONČAR – D&ST adopts policies and implements activities that ensure equal opportunities and working conditions for its employees, regardless of their differences, and prohibits any form of discrimination, which is also applied when selecting candidates for employment. KONČAR – D&ST, with its policies and procedures, actively participates in the prevention and fight against all forms of violations of human dignity, especially in the prevention of child labor, forced labor and all forms of modern slavery in its business environment and with suppliers.



### SDG 11: SUSTAINABLE CITIES AND COMMUNITIES

In its production, KONČAR – D&ST continuously improves its prevention practices and its separation; continuously optimizes business processes and educates employees about efficient use of resources and informs strategic customers about proper waste management and disposal of products.



### SDG 16: PEACE, JUSTICE AND STRONG INSTITUTIONS

KONČAR – D&ST implements corporate governance rules that ensure ethics and transparency, based on the laws of the Republic of Croatia and international standards. KONČAR – D&ST actively contributes to the fight against corruption with zero tolerance for bribery and corruption. It transparently reports on business practices and sustainability and continuously improves reporting to meet all regulations and standards. KONČAR – D&ST's corporate governance rules, as well as specific policies and measures that promote inclusivity, diversity and equality, ensure the reduction of discrimination in employment, service provision or any other aspects of business. KONČAR – D&ST additionally encourages suppliers to respect and/or adopt ethical values in accordance with own corporate values.



### SDG 17: PARTNERSHIPS FOR THE GOALS

KONČAR – D&ST promotes the development of environmentally friendly technologies and solutions and cooperates with its customers and suppliers in developing more advanced solutions. Through participation and cooperation in professional associations, it exchanges knowledge and experiences about sustainability with its stakeholders. By sponsorships and donations and the promotion of the culture of corporate volunteering and participation in the development of the culture of sustainability, KONČAR – D&ST strives to encourage partnerships to contribute to the community and the quality of life of the local population.



# Climate and environmental responsibility

Environmental impact management is a fundamental value of KONČAR – D&ST. In addition to production management, KONČAR – D&ST considers its impact throughout the entire product life cycle.

# 3



### 3.1. Environmental protection management

Environmental impact management is a core value of KONČAR – D&ST. In addition to managing production, KONČAR – D&ST considers its impact throughout the entire product life cycle.

To systematically manage its impact on the environment, reduce the negative impacts of activities and continuously improve performance in the field of environmental protection, KONČAR – D&ST implemented an environmental protection management system in 2002 according to the ISO 14001 standard. Since 2018, KONČAR – D&ST has included calculations and verification of the Carbon Product Footprint (CFP), for products at customer request.

The list of all certificates and the year of accession and recertification can be checked in chapter [5. Transparent and ethical governance](#).

In compliance with all relevant laws and regulations, the measures are aimed at reducing greenhouse gas emissions, increasing the use of energy from renewable sources (including own production), more efficient use of natural resources, managing conflict metals and minerals, reducing the use of packaging materials and/or increasing their recyclability, reduction of waste generation, as well as the possibility of product recycling at the end of the product's life cycle. In this way, it is possible to develop products and processes with reduced environmental impact, improve competitive advantage on the market and comply with the requirements of an increasingly changing business and regulatory environment. In 2023, there were no violations of legal regulations related to environmental protection.

During 2023, engagement of all departments in environmental and climate protection management intensified. The adoption of the 2024-2026 Sustainability Strategy will further strengthen the comprehensive approach to environmental protection management.

### 3.2. Energy and emissions

Green transition and the increasing need for energy independence have influenced a significant increase in the demand for transformers. Additionally, customers, investors, and other stakeholders in the transformer market have become increasingly sensitive to environmental impacts over the years. This has led to a higher demand for sustainable products, including sustainable transformers, presenting numerous opportunities, but also challenges.

Energy is a significant and necessary resource for the business of KONČAR – D&ST and can represent a large cost. In addition to economic costs, high consumption of energy (especially from non-renewable sources) can have a negative impact on the environment and climate, but also on the wider community. Accordingly, we are dedicated to improving the energy efficiency of our own production and prudent energy management. Monitoring and managing energy consumption and other environmental aspects is carried out daily in line with the environmental protection management standard ISO 14001:2015.

KONČAR – D&ST utilizes two main energy sources in its activities: electricity and thermal energy. Monitoring and management of energy consumption is of great importance for efficient energy management, and it is under the authority of KONČAR – Infrastructure and services Ltd., a company within the KONČAR Group that takes care of supplying the KONČAR – D&ST location with energy. KONČAR – D&ST independently manages its own electricity from renewable sources through the Sunny portal.

\* Corrected value compared to last year's report (6.713,58 MWh) due to a malfunction that recorded a lower amount than the actual energy used.

\*\* Energy for mobile combustion includes diesel (forklifts, cars, light commercial vehicles) and gasoline (cars, light commercial vehicles); for unit conversion, 1 liter of oil = 10 kWh (EIHP).

Energy consumption	Unit	2021	2022	2023
Electricity	MWh	4,717.10	4,823.35	4,755.24
Thermal energy	MWh	8,413.00*	10,214.92	9,739.80
Energy for mobile combustion**	MWh	444.58	510.15	552.77
<b>Total energy consumption</b>	<b>MWh</b>	<b>13,574.68</b>	<b>15,548.42</b>	<b>15,047.81</b>
Energy intensity / unit of revenue	MWh/mil. EUR	71.81	61.20	44.00
Energy intensity / unit of product	MWh/MVA	0.90	1.02	0.92



## Energy efficiency and electricity from renewable sources

Energy management and reduction of emissions in KONČAR – D&ST are focused on the use of electricity exclusively from renewable sources and increasing the production of electricity from its own photovoltaic power plant. The plan is to continue reducing total energy consumption as well as energy intensity and to initiate the creation of a climate transition plan in 2024 to comply with the goals of the European Green Deal and the requirements of the Corporate Sustainability Reporting Directive (CSRD).

Since October 2019, KONČAR – D&ST utilizes the ZelEn mark, which HEP Opskrba uses to certify that the purchased electricity is produced from exclusively renewable sources, enabling the reduction of greenhouse gas emissions. In 2023, 100% of our electricity was sourced from renewable sources, with the majority being purchased electricity (ZelEn), and 23% generated by our own 1.1 MW photovoltaic power plant, commissioned at the end of 2022. There was a significant increase in the use of electricity from our photovoltaic power plant in 2023, generating 1,422.98 MWh of electricity. KONČAR – D&ST consumed 1,099.76 MWh (77%), other entities on the site consumed 245.53 MWh (17%), and a surplus of 77.69 MWh (5.46%) was delivered to the grid.

Going forward, the goal is to maintain 100% of the purchased electricity from renewable sources, as well as to increase the share of own energy from the photovoltaic power plant. In addition to the rationalization of overhead costs of KONČAR – D&ST, the implementation of this project is estimated to reduce CO<sub>2</sub> emissions by about 30-35%, or 480,532.80 kgCO<sub>2</sub>/year.

Electricity from renewable sources	Unit	2021	2022	2023
Purchased electricity from renewable sources (ZelEn) (I)	MWh	4,127.00	4,626.00	3,652.00
Electricity from renewable sources (PVP Končar energy transformers) (II)	MWh	-	-	3.01
Own electricity from renewable sources (III)	MWh	-	38.17	1,099.76
Own electricity from renewable sources delivered to other companies on location (KPT and MT)	MWh	-	-	245.53
Own energy from renewable sources delivered to the grid	MWh	-	0	77.69
<b>Total consumption of electricity from renewable sources (I+II+III)</b>	<b>MWh</b>	<b>4,127.00</b>	<b>4,664.17</b>	<b>4,755.00</b>
Share of electricity from renewable sources	%	87.50	96.69	100
Share of own electricity from renewable sources	%	-	0.82	23.13
Share of electricity from renewable sources in the total energy mix	%	30.40	30.00	31.60

Energy efficiency is important not only in production processes and daily operations within KONČAR – D&ST, but also in the delivery of transformers with lower losses, i.e. more energy efficient transformers for our customers, which is described in chapter [3.5. Products with a reduced impact on the environment](#),

## Emissions

Reducing greenhouse gas emissions is crucial for environmental preservation and climate stability. In 2022, KONČAR – D&ST did not report greenhouse gas emissions, but this has been addressed in this year's report. The calculations were conducted in accordance with the GHG Protocol and ISO 14064:2018 standard, with 2021 designated as the base year. Besides improving the accuracy of calculations and better understanding the sources of KONČAR – D&ST's emissions, reporting transparency has also been enhanced.





Direct emissions from Scope 1 at KONČAR – D&ST include emissions from stationary (solvent used in the drying process) and mobile energy sources (KONČAR – D&ST's vehicle fleet), as well as fugitive refrigerant emissions (gases in cooling systems). Indirect emissions from Scope 2 include purchased thermal and electrical energy from distributors.

In 2023, all necessary preparations for the calculation of emissions from Scope 3 were carried out. The first report of emissions from all three scopes is expected in 2024. The complete overview of greenhouse gas emissions is the basis for the adoption of a climate transition plan and joining the SBTi.

Emissions	Unit	2021	2022	2023
Scope 1	tCO <sub>2</sub> e	143.60	199.70	218.40
Scope 2	tCO <sub>2</sub> e	2,107.50	2,479.90	2,335.00
<b>Total Scope 1+2</b>	<b>tCO<sub>2</sub>e</b>	<b>2,251.20</b>	<b>2,679.60</b>	<b>2,553.50</b>
Emissions intensity / unit of product	tCO <sub>2</sub> e/MVA	0.15	0.18	0.16
Emissions intensity / unit of revenue	tCO <sub>2</sub> e/mil EUR	11.91	10.55	7.47

### 3.3. Water

Maintaining high standards in water management is important for KONČAR – D&ST. Legal regulations relating to drinking and wastewater are strictly observed, with compliance with the guidelines prescribed by the water permit. The holder of the water permit for the location Končar transformers - Jankomir is KONČAR – Infrastructure and Services Ltd.

Although the production of transformers is not considered an activity that requires significant water consumption compared to other sectors such as agriculture, at KONČAR – D&ST we are aware of the importance of reducing consumption and handling this resource responsibly. Water in KONČAR – D&ST is used daily for drinking and sanitary purposes and in certain stages of the production process, such as equipment cooling and cleaning. By installing remotely monitored control water meters, it is possible to quickly detect and solve possible leaks, which additionally contributes to the efficient use of water resources.

Water consumption	Unit	2021	2022	2023
Total	m <sup>3</sup>	10,206.67	13,559.97	20,484.58
Intensity / unit of product	m <sup>3</sup> /MVA	0.68	0.89	1.25
Intensity / unit of revenue	m <sup>3</sup> /mil. EUR	54	53.40	59.90

In 2023, a significant increase in water consumption, 51% compared to the previous year, was recorded, primarily due to an increase in the number of employees and an increase in production and production-related activities. During the year, multiple checks of pipes inside and outside the buildings were carried out to detect possible leaks. The final inspection revealed a leak on the hydrant, which also contributed to the increase in water consumption.

### 3.4. Circular economy

KONČAR – D&ST is dedicated to achieving sustainability goals, reducing the impact on natural resources in the entire value chain and implementing the principle of circularity in all stages of production. From constant advancements in product design and management of input materials needed to manufacture transformers to management of produced waste and packaging materials.

The Life Cycle Assessment (LCA) and the Carbon Footprint of Products (CFP) together with the product's impact on the environment are presented based on the ISO 14067:2018 standard. The goals considering the product life cycle in KONČAR – D&ST include reducing the use of natural resources and emissions into the environment, as well as improving the environmental impact in different stages of the product life cycle. The eco-design of products in KONČAR – D&ST is aligned with Commission Regulation (EU) no. 548/125/EC, the so-called Eco Directive.

## Waste

Responsible waste management plays a key role in preserving the environment and successfully managing impacts on natural resources. KONČAR – D&ST is dedicated to reducing the generation of waste by optimizing production processes. The generated waste is handled in accordance with legal regulations and company values. Waste is systematically monitored in a dedicated software that enables detailed analysis and reporting of almost all types of waste.

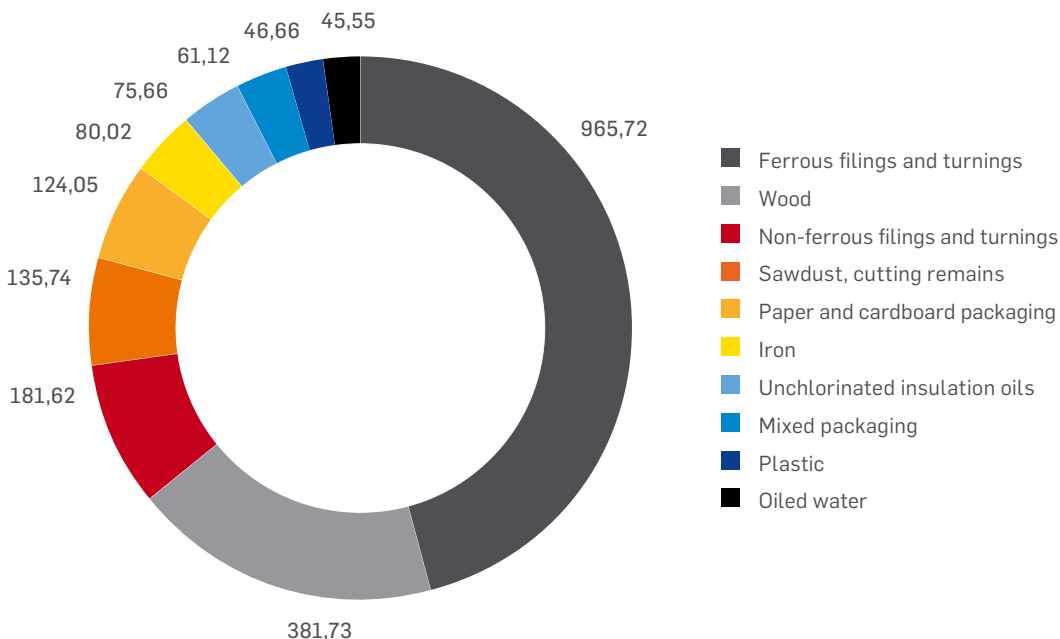
In addition to transparency, such an approach enables a better understanding of the types of waste and the place of their origin, which makes it possible to improve targeted reduction measures. All waste generated at the location is collected and sorted at three temporary disposal sites at the location, and then taken over by authorized recyclers and/or waste disposal providers.

Besides the regular internal reporting to top management on the total amount of waste generated, costs and methods of its disposal, as well as innovations and trends in this area, KONČAR – D&ST regularly reports to the authorized ministry and institutions on the amount of waste generated. All information is also available to other stakeholders upon request.

The two main groups of waste within KONČAR – D&ST are production waste and municipal waste. Production waste can be non-hazardous and hazardous, while municipal waste is created as a residue after adequate sorting of all previously generated types of waste. In 2023, a total of 2,183 tons of production waste was produced, of which 2,023 tons were non-hazardous waste and 160 tons were hazardous waste.

The representation of different types of waste shows that the majority consists of iron-containing shavings and filings, followed by wood waste, shavings and filings of non-ferrous metals (mainly aluminum and copper), sawdust and cutting residues, and paper and cardboard. Most of the waste originates from the production itself and some from the packaging and shipping process.

The most significant types of waste in 2023



Waste type	2021		2022		2023		Disposal method
	Quantity (t)	Ratio	Quantity (t)	Ratio	Quantity (t)	Ratio	
Ferrous filings and turnings	1,086.18	50.18%	1,048.75	46.73%	965.72	44.25%	Recovery
Wood	312.18	14.42%	390.09	17.38%	381.73	17.49%	Recovery
Non-ferrous filings and turnings	148.85	6.88%	170.64	7.60%	181.62	8.32%	Recovery
Sawdust, cutting remains	135.18	6.25%	136.79	6.09%	135.74	6.22%	Recovery
Paper and cardboard packaging	98.26	4.54%	113.45	5.05%	124.05	5.68%	Recovery
Iron	71.94	3.32%	71.80	3.20%	80.02	3.67%	Recovery
Mixed packaging	57.72	2.67%	61.98	2.76%	61.12	2.80%	Recovery
Plastic	31.22	1.42%	39.36	1.75%	46.66	2.14%	Recovery
Plastic packaging	27.62	1.28%	23.06	1.03%	39.42	1.81%	Recovery
Other non-hazardous waste recovered <sup>1</sup>	2.57	0.12%	4.54	0.20%	3.28	0.15%	Recovery
Other non-hazardous waste not recovered <sup>2</sup>	5.31	0.25%	3.35	0.15%	3.25	0.15%	Disposal
<b>TOTAL NON-HAZARDOUS WASTE (I)</b>	<b>1,977.02</b>	<b>91.33%</b>	<b>2,063.80</b>	<b>91.95%</b>	<b>2,022.61</b>	<b>92.67%</b>	
Unchlorinated insulation oils	99.61	4.60%	81.07	3.61%	75.66	3.47%	Disposal
Oiled water	58.77	2.72%	66.52	2.96%	45.55	2.09%	Disposal
Absorbents	21.33	0.99%	24.59	1.10%	28.97	1.33%	Disposal
Sludge from the separator	1.80	0.08%	4.40	0.20%	4.90	0.22%	Disposal
Packaging with residues of dangerous substances	4.83	0.22%	3.51	0.16%	3.97	0.18%	Disposal
Other hazardous waste not recovered <sup>3</sup>	0.97	0.04%	0.42	0.02%	0.53	0.02%	Disposal
Other hazardous waste recovered <sup>4</sup>	0.28	0.01%	0.12	0.01%	0.32	0.01%	Recovery
<b>TOTAL HAZARDOUS WASTE (II)</b>	<b>187.58</b>	<b>8.67%</b>	<b>180.62</b>	<b>8.05%</b>	<b>159.89</b>	<b>7.33%</b>	
<b>TOTAL WASTE (I+II)</b>	<b>2,164.60</b>	<b>100%</b>	<b>2,244.42</b>	<b>100%</b>	<b>2,182.49</b>	<b>100%</b>	

<sup>1</sup> Other non-hazardous waste recovered: municipal glass, construction glass, waste textile bags

<sup>2</sup> Other non-hazardous waste not recovered: ceramic insulators, waste fiber glass-based material - HGV, toners, alkaline batteries

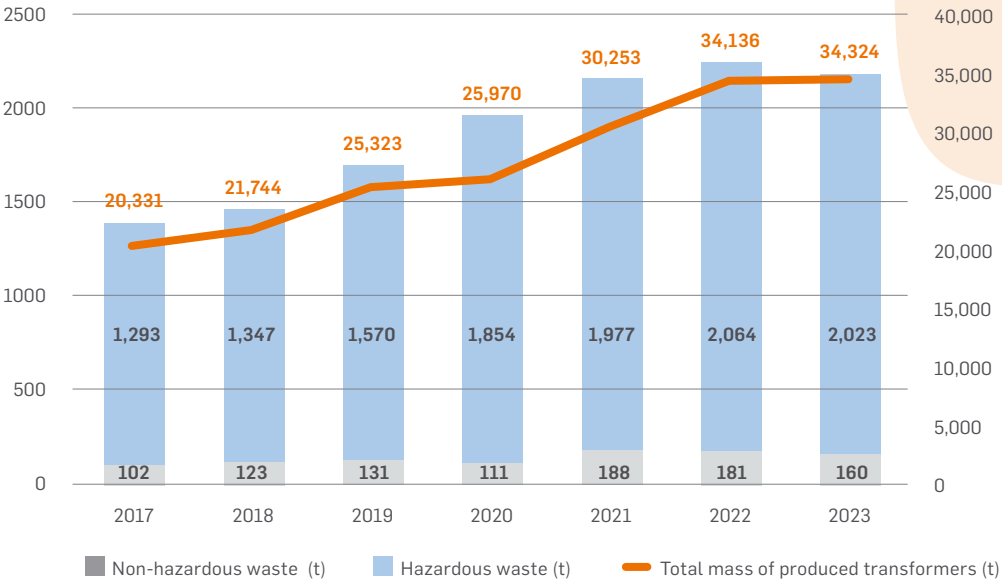
<sup>3</sup> Other hazardous waste: chiller, waste oils, flue pipes, waste adhesives and sealants, lead batteries, laboratory chemicals

<sup>4</sup> Other hazardous waste that is recovered: electronic waste



The image below shows the growth of production through the total mass of produced transformers in tons (distribution, special and medium power transformers), which is compared with the mass of total produced waste. Also, the mass of hazardous and non-hazardous waste is shown to make it easier to understand the negative impact on the environment through the share of hazardous waste, which is in the case of the company KONČAR – D&ST, is negligible.

Growth of production over the years compared to the total mass of generated waste



## Disposal methods

In 2023, out of a total of 22 types of waste, 11 types of waste were handed over to disposal companies and the practice so far has shown that they will be recovered. The remaining 11 types of waste (mainly hazardous waste) were disposed with other methods (e.g. sludge from separators, non-chlorinated oils, etc.).

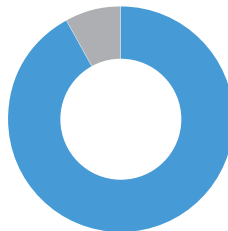
Waste management companies are obliged to handle waste in accordance with the law of the Republic of Croatia. Companies in Croatia do not have insight into information about the further handling of waste, which can represent a potential risk in the waste management segment. However, given the growing trend of sustainable business practices across all sectors of the economy, it is expected that waste with the potential for recycling and/or reuse will eventually be utilized in such a manner.

DISPOSAL METHODS	2021		2022		2023	
	quantity (t)	share (%)	quantity (t)	share (%)	quantity (t)	share (%)
<b>NON-HAZARDOUS WASTE</b>						
Recovery	1,971.72	91.09%	2,060.45	91.80%	2,019.36	92.53%
Disposal	5.31	0.25%	3.35	0.15%	3.25	0.15%
<b>HAZARDOUS WASTE</b>						
Recovery	0.28	0.01%	0.12	0.01%	0.32	0.01%
Disposal	187.30	8.65%	180.50	8.04%	159.57	7.31%
<b>TOTAL</b>						
Recovery	1,972.00	91.10%	2,060.57	91.81%	2,019.68	92.54%
Disposal	192.61	8.90%	183.85	8.19%	162.82	7.46%

Average recovery of waste produced from 2021 to 2023

**92%**

■ Waste recovery  
■ Waste disposal



## Reduction of waste generation

Effective waste management is the responsibility of specific departments in KONČAR – D&ST, which primarily oversee the supervision of material and waste flows but it is also duty of every employee. Process engineers are responsible for managing production parameters that can influence the reduction of generated waste as well as for market research regarding the procurement of sustainable raw materials/materials. The Purchasing Department gives preference to suppliers who work under the principles of sustainability, taking into account the quality of the raw material. The Management System Development Department and the Maintenance Department ensure responsible disposal of waste by handling it over to authorized waste management companies, and explore alternatives for turning production by-products into semi-finished products or raw materials.

### Reduction of transformer sheet waste

KONČAR – D&ST is reducing the amount of transformer sheet that is treated as waste, increasing the amount of sheet that is sold as a semi-finished product. In the sheet metal cutting process, special attention is paid to maximum utilization in order to reduce the amount of waste sheet metal. In 2023, 233 tons of transformer sheet were put into circulation in this way, or 2% of the total ordered quantity.

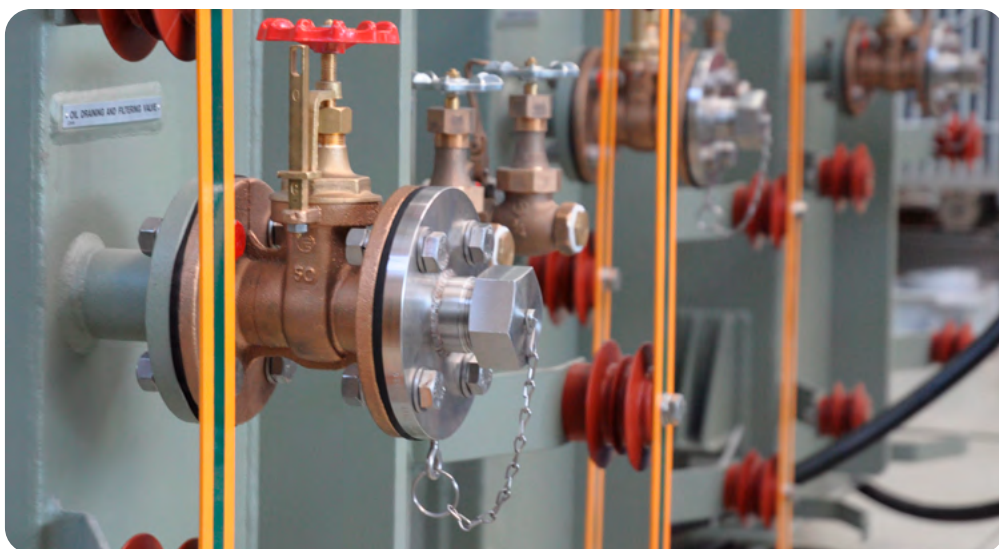
## Management of input materials

### Strategic materials

In 2023, a total of 33,263 tons of strategic materials were procured, including transformer sheet, insulating liquid, carbon steel (transformer boilers, covers, conservators, coolers and other accompanying equipment), copper, aluminum and rigid insulation. In addition to strategic materials, other, non-strategic materials were also acquired, such as various equipment, cabinets, etc., which are included in the "other" category in the table below. KONČAR – D&ST currently does not monitor the proportion of recycled materials, which represents the next step in management of materials, as to ensure an increase in those cases that do not pose a threat to product quality and safety.

Input materials	Unit	2021	2022	2023
Transformer sheet	t	11,570	18,834	11,878
Insulating liquid	t	6,158	6,568	6,778
Carbon steel - boilers/clamps	t	4,471	4,476	5,401
Carbon steel - coolers	t	879	813	885
Copper	t	3,788	4,783	4,769
Aluminum	t	2,175	2,368	2,775
Solid insulation	t	547	750	777
Other	t	3,982	2,596	2,114
<b>TOTAL</b>	<b>t</b>	<b>33,570</b>	<b>41,188</b>	<b>35,377</b>

KONČAR – D&ST is in the process of creating internal procedures and work instructions related to the collection of data on the raw material passport (RMP), conflict metals and minerals (3TG), as well as the calculation of the carbon footprint of the product (CFP), environmental product declaration (EPD) and their verification. It is expected that these procedures will be fully completed and implemented during the last quarter of 2024.





## Conflict metals and minerals

Conflict metals and minerals include ores, concentrates and metals containing tin, tantalum, tungsten and gold (3TG). Supervision over the definition and procurement of materials and parts that are installed in the transformers, which potentially contain 3TG for distribution, special and medium power transformers, were established by a special ordinance. According to Annex I of Regulation (EU) 2017/821, "List of minerals and metals covered by the scope of Regulation (EU) 2017/821 classified according to the combined nomenclature", and the analysis of the quantities of materials used by KONČAR – D&ST on an annual basis for the needs of its production, the quantitative thresholds of 3TG minerals and metals are not exceeded.

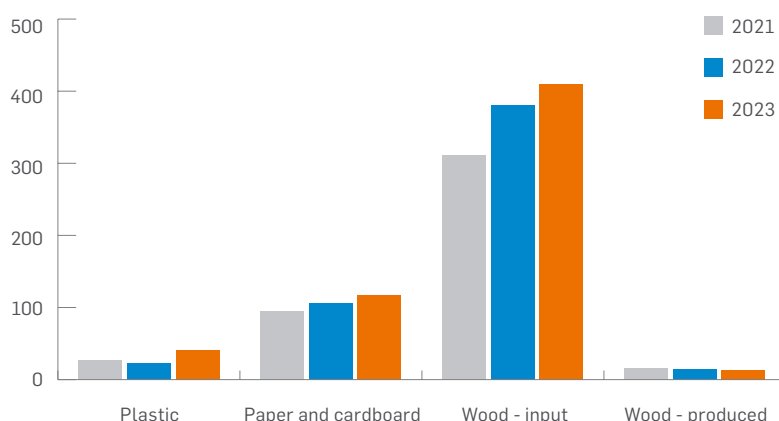
Tin is the only among conflict metals and minerals which KONČAR – D&ST uses. On an annual level, 285 kg of tin was used for the entire production range (the stated threshold for the quantity of tin according to the EU regulation is 3,500 kg/year). The management of these materials is described in more detail in chapter [5. Transparent and Ethical Governance](#).

## Packaging materials

In 2023, KONČAR – D&ST records an increase in the use of packaging materials, which is accompanied by an increase in production. KONČAR – D&ST continuously works on the development and implementation of the circular economy model to ensure efficient reuse of materials after use, encouraging their recycling and re-use. We are actively working with suppliers to find new types of packaging materials that are key to solving the challenge of sustainable packaging. Our focus is on the development of packaging materials that can be easily recycled after use, and we strive to increase the proportion of recycled material in the packaging. With this approach, we reduce the amount of generated waste and the negative impact of packaging on the environment.

Packaging materials	Unit	2021	2022	2023
Plastic	t	26.54	22.25	40.92
Paper and cardboard	t	94.91	106.59	117.03
Wood - input	t	311.47	381.24	410.44
Wood - produced	t	15.67	14.62	12.83
<b>TOTAL</b>	<b>t</b>	<b>448.59</b>	<b>524.70</b>	<b>581.22</b>

Packaging materials



## Repurposing packaging

Wooden packaging is repurposed and returned to the process to be used again. Whenever possible, KONČAR – D&ST tries to apply the concept of multiple use of resources. The goal of repurposing non-returnable packaging at the location for more efficient management of resources has been set, and it is expected that this goal will be achieved in 2024. This initiative emphasizes the importance of reducing waste and reusing materials to preserve natural resources and reduce the negative impact on the environment.

## 3.5. Products with a reduced environmental impact

Transformers play a key role in the formation of electric power networks of different voltage levels, and thus are an essential link in the global goals of reducing environmental impacts. The green transition has encouraged the increasing penetration of renewable energy sources, as well as the accelerated development of the energy industry, which has a pronounced effect on the technological development of transformers. In this segment of the industry, there is a noticeable tendency to reduce the impact of products on the environment while at the same time increasing the safety of transformer operations. This is partly achieved by using biodegradable liquids and intensive work on the development of transformers with reduced noise, losses and carbon footprint. In addition, materials and components with a lower carbon footprint, as well as those with a higher proportion of recycled content, are being increasingly used, while the presence of circular economy principles is also growing. KONČAR – D&ST designs transformers following the standards and requirements of the EU Eco-design Directive, setting high standards in sustainable design and production of transformers.

### Cooperation with customers and partners

To meet the aforementioned requirements, KONČAR – D&ST cooperates with end customers and partners, strives to develop and apply new technologies, and continuously invests in the design and development of transformers of increased efficiency. Product specifications are determined based on customer requirements to which production is adjusted. Most of the product parameters are determined in the tender itself, which requires flexibility and adaptation of production processes to successfully meet new customer requirements, to which KONČAR – D&ST successfully responds.

In search for more advanced solutions in product development, KONČAR – D&ST cooperates with the academic community. In cooperation with the Faculty of Electrical Engineering and Computer Science in Zagreb (FER), a project for targeted scientific research entitled "Reducing additional losses in transformers using soft magnetic composites" was submitted. The tender for the mentioned project was issued by the Ministry of Science and Education (MZO) with the aim of improving cooperation between research organizations and companies. The implementing body is the Croatian Research Fund (HRZZ), with financed research and development. The application is currently under evaluation.

### Product carbon footprint certificate (CFP)

In 2023, KONČAR – D&ST delivered two 40 MVA transformers to a customer in Spain, for whom a Carbon Footprint of Product (CFP) project was completed. Additionally, the carbon footprint verification audit by the certification body SGS was successfully completed in February of the same year. The previous year, the first CFP project for a medium power transformer (80 MVA) was completed for the same customer, and a certificate with the total CO<sub>2</sub>eq quantities was issued.

Verification / Validation	2021	2022	2023
CFP	DT: 1 CFP for 2x250 kVA and 2x400 kVA	SET: 1 CFP for 80 MVA;  DT: 1 CFP for 3x250 kVA, 2x630 kVA and 4x400 kVA	SET: 1 CFP for 2x40 MVA  DT: 1 CFP footprint reduction for 2022 CFP 9 transformers
EPD	DT: 1 EPD for 2x400 kVA	DT: 1 EPD for 2x400 kVA	SET: 1 EPD for 2x40 MVA



In 2019, in cooperation with KONČAR – D&ST, SGS created a CFP study according to the guidelines of the ISO 14067:2018 standard, which contains the principles, requirements and guidelines for quantification and reporting on the carbon footprint of products. In the area of distribution transformers, a series of successful calculations and verifications of CFPs continued along with the issuance of EPDs (Environmental Product Declarations) published on the EPD Italy environmental portal. In 2023, the EPD for medium power transformers with a capacity of 40 MVA was created and issued for the first time for a customer from Spain. It is important to point out that the first certificates were obtained back in 2019, which underlines the company's long-term engagement in promoting the transparency and sustainability of its products and its focus on customer requirements.

#### **Transformer with built-in BLUEMINT transformer sheet**

The green transition has encouraged the increasing penetration of renewable energy sources, and thus the accelerated development of the energy industry, which has a pronounced effect on the technological development of transformers. In this segment of the industry, there is a noticeable tendency to reduce the impact of products on the environment while at the same time increasing the safety of transformer operations. This is partly achieved by using biodegradable liquids and intensive work on the development of transformers with reduced noise, losses and carbon footprint. In addition, materials and components with a low carbon footprint are increasingly being used, as well as those with a higher proportion of recycled matter, so the presence of the circular economy principles is also strengthening.

At KONČAR – D&ST, we successfully respond to the mentioned challenges by developing and applying ecological and sustainable solutions in the production of transformers in cooperation with our customers and partners. The first of the five contracted regulating 63 MVA, 115/21 kV transformers for a long-term customer was tested in the first quarter of 2024, and it was confirmed that this new, more environmentally friendly product has all the characteristics and performance of existing types of transformer sheets.

By using hydrogen in production instead of coal in the future, our partner and manufacturer Thyssenkrupp Electrical Steel (TKES) will actively contribute to achieving climate neutrality. This innovation will not only reduce CO<sub>2</sub> emissions but also represents a concrete step towards meeting the ambitious goals of the EU Green Deal. Our partnership with TKES allows us to advance towards a more sustainable future through joint efforts.





## 3.6. EU Taxonomy

The EU Taxonomy is a key part of the European Union's (hereinafter EU) ambition to become the first climate-neutral continent by 2050. The Taxonomy represents a classification system that helps investors and other market stakeholders identify sustainable economic activities. Regulation (EU) 2020/852 establishes the framework for the EU Taxonomy, adopted in June 2020, and defines criteria for determining whether an economic activity is environmentally sustainable.

The EU Taxonomy defines six environmental objectives:

1. Climate change mitigation (CCM) – defines activities that reduce greenhouse gas emissions;
2. Climate change adaptation (CCA) – defines activities that help adapt to existing or expected climate changes;
3. Sustainable use and protection of water and marine resources (WTR) – defines activities that contribute to sustainable water management;
4. Transition to a circular economy (CE) – defines activities that promote resource efficiency and waste reduction;
5. Pollution prevention and control (PPC) – defines activities that prevent or control pollution;
6. Protection and restoration of biodiversity and ecosystems (BIO) – defines activities that conserve or restore ecosystems.

For an economic activity listed under any of the environmental objectives to be environmentally sustainable, it must meet the significant contribution criterion, the "Do No Significant Harm" (DNSH) criterion, and be conducted in accordance with minimum safeguards.

In preparing this report on the EU Taxonomy, besides the main regulation, all delegated regulations related to the EU Taxonomy were taken into account:

1. Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, which sets technical criteria for activities significantly contributing to climate change mitigation or adaptation;
2. Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, regulating the content and presentation of information on environmentally sustainable economic activities published by companies;
3. Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, regarding amendments to economic activities in certain energy sectors and specific public disclosures on those economic activities;
4. Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023, supplementing economic activities and technical criteria for climate change mitigation or adaptation;
5. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023, setting technical criteria for activities significantly contributing to the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems, and supplementing the content and presentation of public disclosures by companies.

### EU Taxonomy key performance indicators (KPIs)

Since the economic activities listed under environmental objectives are not limited to activities for which the company is registered (NACE codes), the KONČAR – D&ST Group (hereinafter the Company or Group) has conducted a review of all its activities to identify economic activities relevant to the EU Taxonomy. After identifying relevant activities, the Group calculated Key Performance Indicators (KPIs) for its turnover, CapEx, and OpEx. A multidisciplinary team covering various areas within the Group participated in identifying economic activities and calculating KPIs to ensure accuracy and transparency of information and calculations. In calculating the KPIs, special attention was given to avoiding double counting, which is a principle within the EU taxonomy that ensures one economic activity cannot be counted multiple times for contributions to different environmental objectives or for different entities.



In the 2022 reporting year, the main activity of the KONČAR – D&ST Group was not covered by the EU Taxonomy. However, with the entry into force of Commission Delegated Regulation (EU) 2023/2485, additional activities were prescribed within the environmental objective of climate change mitigation, specifically 3.20 (Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation) and 3.19 (Manufacture of rail constituents), which partly relates to the main activity of the Group.

In contrast to 2022, for the calculation of EU Taxonomy key performance indicators in 2023, data from the entire KONČAR – D&ST Group was used. This will be a legal obligation in the coming years, so we have adjusted the calculation to future requirements.

Below are the calculated KPIs for turnover, CapEx, and OpEx. Mandatory tables according to the delegated regulation (EU) 2021/2178, and its amendment 2023/2026, are attached to this chapter.



## Turnover from taxonomy-eligible and taxonomy-aligned activities

The KONČAR – D&ST Group achieved revenues from several taxonomy-eligible activities during 2023, and these revenues were materially significant relative to the total revenues from the production and sale of transformers included in the economic activities of the EU Taxonomy as previously mentioned (activity 3.20). Below is an overview of taxonomy-eligible activities from which KONČAR – D&ST generated revenue in 2023:

Sector	Section	Activity	Revenue in thousands of EUR
3. Manufacturing (CCM)	3.19.	Manufacture of rail rolling stock constituents	2,042
	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	151,774
5. Services (CE)	5.2.	Sale of spare parts	139
	5.4.	Sale of second-hand goods	16
5. Water supply; sewerage, waste management and remediation activities (CCM)	5.5.	Collection and transport of non hazardous waste in source segregated fractions	1,160
7. Construction and real estate (CCM)	7.7.	Acquisition and ownership of buildings	248
<b>TOTAL NUMERATOR</b>			<b>155,379</b>
<b>TOTAL DENOMINATOR</b>			<b>342,294</b>
<b>% Taxonomy-eligible turnover</b>			<b>45%</b>
<b>% Taxonomy-non-eligible turnover</b>			<b>55%</b>

The largest portion of revenue for the KONČAR – D&ST Group comes from a segment of transformer production - an activity that is taxonomy-eligible, meaning that its operations can significantly contribute to reducing greenhouse gas emissions and thus greatly contribute to achieving the first environmental objective, climate change mitigation. The largest part of the taxonomy-eligible turnover is generated from the sale of distribution transformers with a capacity of 50 to 8000 kVA and a maximum operating voltage of up to 36 kV (activity 3.20) and from transformers used as components of railway vehicles (activity 3.19). This results in a significant increase in indicators compared to the previous year when the same activity was Taxonomy-non-eligible. Additionally, there are revenues from the sale of used goods, sale of spare parts, sale of non-hazardous waste, and rental income from real estate. None of the identified economic activities meet the criteria for significant contribution and therefore cannot be aligned with the EU Taxonomy. For potential future alignment, it would be necessary to determine which activities can meet the prescribed criteria.

The percentage of revenue according to environmental objectives is as follows:

### Proportion of turnover/absolute turnover

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
<b>CCM</b>	0.00%	45.35%
<b>CCA</b>	0.00%	0.00%
<b>WTR</b>	0.00%	0.00%
<b>CE</b>	0.00%	0.05%
<b>PPC</b>	0.00%	0.00%
<b>BIO</b>	0.00%	0.00%





## Capital expenditure (CAPEX KPI)

CapEx includes all capitalized acquisitions related to tangible and intangible assets, right-of-use assets, real estate investments, and the like.

Sector	Section	Activity	Revenue in thousands of EUR
3. Manufacturing (CCM)	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	3,140
6. Transport (CCM)	6.5.	Transport by motorbikes, passenger cars and light commercial vehicles	98
7. Construction and real estate (CCM)	7.2	Renovation of existing buildings	213
	7.6	Installation, maintenance, and repair of renewable energy technologies	8
	7.7	Acquisition and ownership of buildings	5,107
<b>TOTAL NUMERATOR</b>			<b>8,566</b>
<b>TOTAL DENOMINATOR</b>			<b>14,860</b>
<b>% Taxonomy-eligible Capex</b>			<b>58%</b>
<b>% Taxonomy-non-eligible Capex</b>			<b>42%</b>

The largest part of taxonomy-eligible capitalized costs for the KONČAR – D&ST Group in 2023 was generated through the acquisition of a 51% stake in Ferokotao, which had the effect of acquiring buildings and equipment of the dependent company. Since Ferokotao produces tanks for other external companies that manufacture transformers, the equipment is recognized in the percentage of revenue that Ferokotao generates from the sale of boilers to KONČAR – D&ST Group in relation to total business revenues, which for 2023 amounts to 1,385 thousand EUR.

In addition to the above, significant is the purchase of equipment for the production of transformers recognized in 2023 as eligible within the manufacturing sector, point 3.20. Regarding the activity 7.7, the amount of 5,047 thousand EUR relates to buildings of the company Ferokotao.

Compared to the previous year, there was a decline in taxonomy-eligible CapEx because in 2022 the Group had significant real estate acquisitions to increase the production capacity of KONČAR – D&ST, and the installation of a solar power plant.

The percentage of capital expenditures according to environmental objectives is as follows:

### Proportion of capital expenditure / Absolute capital expenditure

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
<b>CCM</b>	0.00%	57.64%
<b>CCA</b>	0.00%	0.00%
<b>WTR</b>	0.00%	0.00%
<b>CE</b>	0.00%	0.00%
<b>PPC</b>	0.00%	0.00%
<b>BIO</b>	0.00%	0.00%

## Operative expenditure (OPEX KPI)

OpEx includes: maintenance costs of long-term assets, non-capitalized research and development costs, and non-capitalized rental costs.

Sector	Section	Activity	Revenue in thousands of EUR
3. Manufacturing (CCM)	3.20.	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	262
6. Transport (CCM)	6.5.	Transport by motorbikes, passenger cars and light commercial vehicles	144
7. Construction and real estate (CCM)	7.3	Installation, maintenance and repair of energy efficiency equipment	216
	7.6	Installation, maintenance, and repair of renewable energy technologies	10
	7.7	Acquisition and ownership of buildings	267
9. Professional, scientific and technical activities (CCM)	9.1	Close to market research, development and innovation	1,078
<b>TOTAL NUMERATOR</b>			<b>1,977</b>
<b>TOTAL DENOMINATOR</b>			<b>5,042</b>
<b>% Taxonomy-eligible Opex</b>			<b>39%</b>
<b>% Taxonomy-non-eligible Opex</b>			<b>61%</b>

The most significant part of taxonomy-eligible OpEx relates to the purchase and ownership of buildings, as well as research, development, and innovation with market potential. The remainder relates to maintenance staff salary costs in the percentage related to the production of transformers recognized within activity 3.20., then transport, and other construction activities. Category 9.1. Close to market research, development and innovation was recognized as a taxonomy-eligible activity in 2023, and its significant contribution was noted, as in the previous year, and the taxonomy-eligible OpEx remained at the levels of the previous year.

The percentage of operational expenditures according to environmental objectives is as follows:

### Proportion of operating expenditure / Absolute operating expenditure

	Taxonomy-aligned per objective	Taxonomy-eligible per objective
<b>CCM</b>	0.00%	39.21%
<b>CCA</b>	0.00%	0.00%
<b>WTR</b>	0.00%	0.00%
<b>CE</b>	0.00%	0.00%
<b>PPC</b>	0.00%	0.00%
<b>BIO</b>	0.00%	0.00%



# KPU Turnover

2023		Substantial contribution criteria										DNSH criteria ("Does not significantly harm")														
Economic activities (1)			Codes (a)(2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)					
				EUR thousand	%	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D/N	D/N	D/N	D/N	D/N	D/N	D/N		%	O	P				
A. TAXONOMY ELIGIBLE ACTIVITIES																										
A.1. Environmentally sustainable activities (Taxonomy-aligned)																										
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0		0%																			0%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(g)																							0%			
						EL: N/ EL(f)	EL: N/ EL(f)	EL: N/ EL(f)	EL: N/ EL(f)	EL: N/ EL(f)	EL: N/ EL(f)	EL: N/ EL(f)									0%					
Manufacture of rail rolling stock constituents	CCM 3.19	2,042	0.60%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0%							0%					
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	151,774	44,34%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0%							0%					
Sale of spare parts	CE 5.2	139	0.04%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N/EL	N/EL	0%									0%				
Sale of second-hand goods	CE 5.4	16	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N/EL	N/EL	0%									0%				
Collection and transport of non hazardous waste in source segregated fractions	CCM 5.5	1,160	0.34%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.41%									0.11%				
Acquisition and ownership of buildings	CCM 7.7	248	0.07%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.11%									0.52%				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		155,379		45,39%		45,35%		0%		0%		0.05%		0%								0.52%				
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		155,379		45,39%		45,35%		0%		0%		0.05%		0%								0.52%				
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																										
Turnover of Taxonomy-non-eligible activities		186,915		54,61%																						
TOTAL		342,294		100,00%																						

CCM: Climate Change Mitigation  
CCA: Climate Change Adaptation  
WTR: Water and Marine Resources  
CE: Circular Economy  
PPC: Pollution Prevention and Control  
BIO: Biodiversity and Ecosystems





## KPU CapEx

2023		Substantial contribution criteria					DNSH criteria ("Does not significantly harm")																						
Economic activities (1)			Codes (a)(2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)		Climate change adaptation (6)		Water and marine resources (7)		Pollution (8)		Circular economy (9)		Biodiversity and ecosystem (10)		Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)		
				EUR thousand	%	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D: N: N/EL (b) (c)	D/N	D/N	D/N	D/N	D/N	D/N	D/N	%	O	P		
A. TAXONOMY ELIGIBLE ACTIVITIES																													
A.1. Environmentally sustainable activities (Taxonomy-aligned)																													
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0		0%																								0%	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(g)																													
						EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)	EL: N/EL(f)								0%				
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	3,140	21.13%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%				
	CCM 6.5	98	0.66%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								1.89%				
	CCM 6.13	0	0.00%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N/EL	N/EL	N/EL								0.14%				
	CCM 7.2	213	1.43%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N	N	N/EL	N/EL	N/EL								0%				
Installation, maintenance, and repair of renewable energy technologies	CCM 7.6	8	0.05%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								9.25%				
Acquisition and ownership of buildings	CCM 7.7	5107	34.37%	N	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								63.92%				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)					8,566	57.64%	57.64%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%								75.20%				
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)					8,566	57.64%	57.64%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%								75.20%				
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																													
CapEx of Taxonomy-non-eligible activities					6,294	42.36%																							
TOTAL			14,860	100.00%																									

2023	Substantial contribution criteria										DNSH criteria ("Does not significantly harm")									
Economic activities (1)																				
	Codes (a)(2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystem (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystem (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)	
Text		EUR thousand	%	D: N; N/EL (b) (c)	D: N; N/EL (b) (c)	D: N; N/EL (b) (c)	D: N; N/EL (b) (c)	D: N; N/EL (b) (c)	D: N; N/EL (b) (c)	D/N	D/N	D/N	D/N	D/N	D/N	D/N	%	O	P	
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)				0		0%														
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)				<b>0%</b>																
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(g)																				
Manufacture, installation, and servicing of high-, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	262	5.20%	N	N/EL	N/EL	N/EL	N/EL	N/EL	0%										
	CCM 6.5	144	2.86%	N	N/EL	N/EL	N/EL	N/EL	N/EL	2.56%										
	CCM 6.6	0	0.00%	N/EL	N/EL	N/EL	N/EL	N	N/EL	0.31%										
	CCM 7.3	216	4.28%	N/EL	N/EL	N/EL	N/EL	N	N/EL	2.37%										
Installation, maintenance, and repair of renewable energy technologies	CCM 7.6	10	0.20%	N	N/EL	N/EL	N/EL	N/EL	N/EL	0.00%										
Acquisition and ownership of buildings	CCM 7.7	267	5.30%	N	N/EL	N/EL	N/EL	N/EL	N/EL	14.52%										
Close to market research, development and innovation	CCM 9.1	1078	21.38%							17.41%										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2.)		1,977	39.21%	39.21%	0%	0%	0%	0%	0%	37.17%										
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		1,977	39.21%	39.21%	0%	0%	0%	0%	0%	37.17%										
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities					3,065	60.79%														
TOTAL						5,042	100.00%													



# Responsibility in the workplace

KONČAR – D&ST continuously improves  
its work environment, which is of critical  
importance to employees.





Employee health and safety are prioritized, with ongoing efforts to ensure a safe working environment and effective prevention of workplace injuries.

Through various programs and measures, KONČAR – D&ST encourages the development of knowledge and skills of employees, providing opportunities for personal and professional advancement. Simultaneously, continuous efforts are made to provide a range of benefits that support employee well-being, motivation, and work-life balance.

KONČAR – D&ST is committed to promoting diversity, equality, and inclusion both within the organization and beyond, with ongoing investments in the development of measures that support these values. Various mentoring, education, and support programs create a stimulating environment that encourages women to advance professionally and develop their careers.

Additionally, we actively collaborate with student organizations and educational institutions to stay in touch with young talent, offering them insights into real business opportunities and challenges. Continuous collaboration with faculties and students is of utmost importance to KONČAR – D&ST, aiming to attract the best talent and ensure the continuity of innovation and excellence in its operations.

## 4.1. Our employees

**99%**

of all contracts were  
permanent in 2023

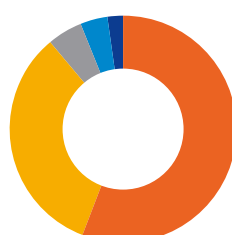
In 2023, KONČAR – D&ST employed 766 full-time employees, showing a continuous increase in the total number of employees over the last three years. The number of employees rose from 678 in 2021 to 766 in 2023, indicating stable company growth and business expansion. At KONČAR – D&ST, special attention is given to providing stable conditions for employees. Almost 99% of all contracts at KONČAR – D&ST are permanent, reflecting our commitment to long-term workforce stability and contributing to creating safer working conditions and dignified living for all of our employees.

Employees in KONČAR – D&ST	2021			2022			2023		
	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL
Total number of employees	540	138	678	589	155	744	611	155	766
Limited time contracts	4	5	9	12	7	19	3	4	7
Permanent contracts	536	133	669	577	148	725	608	151	759

The provided data reflects the number of employees as of December 31st.

Employees structure according to education level (%)	2021	2022	2023
University education	34%	33%	33%
College and undergraduate education	4%	5%	5%
High school	56%	56%	56%
Vocational schools	3%	4%	4%
Trained workers with primary school education	3%	2%	2%

Employee  
qualification  
structure in  
2023



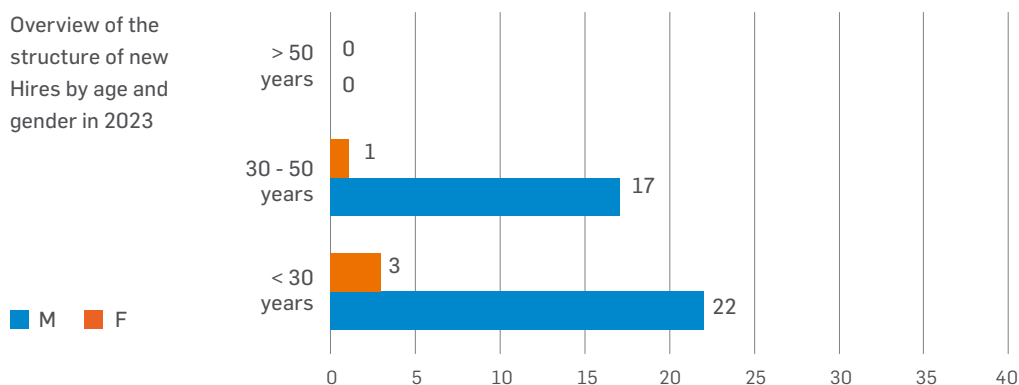
- High school 56%
- University education 33%
- College and undergraduate education 5%
- Vocational school 4%
- Trained workers with primary school education 2%



Hires	2021				2022				2023			
	M		F		M		F		M		F	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
< 30 years	20	43.5	4	8.7	31	35.2	7	8	22	51.2	3	7
30-50 years	17	36.9	5	10.9	36	40.9	13	14.8	17	39.5	1	2.3
> 50 years	0	0	0	0	1	1.1	0	0	0	0	0	0
<b>Total</b>	<b>37</b>		<b>9</b>		<b>68</b>		<b>20</b>		<b>39</b>		<b>4</b>	

The table above presents the arrivals of employees according to demographics for the past three reporting periods. The percentages displayed relate to the arrivals of specific age and gender groups in relation to all arrivals in that year. The employment of young workers (under 30 years old) and workers aged 30 to 50 years shows a gradual increase, confirming the interest of young talents and experienced workers in employment at KONČAR – D&ST. From the departures table, it is clear that the total number of departures increased during and after the Covid-19 pandemic, but they remain relatively stabilized. These trends indicate the importance of implementing employee retention measures and introducing development plans to ensure stability and continuity, as well as to encourage employees to develop their careers within the company.

Overview of the structure of new Hires by age and gender in 2023



Departures	2021				2022				2023			
	M		F		M		F		M		F	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
< 30 years	0	0	0	0	3	16	0	0	6	24	1	4
30-50 years	6	31.6	0	0	10	53	1	5	9	36	2	8
> 50 years	9	47.4	4	21	4	21	1	5	5	20	2	8
<b>Total</b>	<b>15</b>		<b>4</b>		<b>17</b>		<b>2</b>		<b>20</b>		<b>5</b>	

Turnover	2021	2022	2023
Total annual turnover rate	2.6%	3.0%	3.3%
Annual rate of unexpected turnover	0.8%	1.9%	1.85%
Annual rate of expected turnover	1.8%	1.1%	1.45%

### Workers who are not employed by the organization

A contract was made with the cleaning company for the cleaning of the premises of KONČAR – D&ST, a total of 12 employees of the external company were employed, while this number amounted to 11 in 2022 and 2021. The proportion of workers who are not employees compared to those who are in 2023 amounted to 1.43%.

### Student practice and internships

Student internships and programs for practitioners represent an important pillar of sustainability for KONČAR – D&ST in the development of human resources, ensuring direct interaction with future talents and innovators. Besides contributing to the education of young professionals, these programs also ensure that KONČAR – D&ST remains at the forefront of technological innovation and green solutions. Keeping in touch with talented individuals is key to staying competitive in the market. This gives us access to new ideas, perspectives, abilities and skills that are crucial for further success and long-term sustainability. Student internships and practices in KONČAR – D&ST are regulated by the Rulebook on Student Internships.

KONČAR – D&ST has been nurturing cooperation with students for many years, therefore it offers internship programs and student practice, and the number of students in the company has remained stable and approximately the same throughout the last three years. In 2023, we had visits from many students from the Faculty of Mechanical Engineering and Shipbuilding, who completed their mandatory professional practice in the Construction Department of SET. In addition to the opportunity to learn to work in the CATIA (Computer Aided Three-dimensional Interactive Application) program at a high level, the students were given the opportunity to get to know the product, the production process, as well as the dynamics of work in such a large company. The managers had the chance to meet students at a slightly higher level and use their stay with us to create a "pool" of potential future employees.

Internship and practice	2021		2022		2023	
	No.	%	No.	%	No.	%
Students	33	4.87%	37	4.97%	34	4.43%
Professional practice	16	2.35%	21	2.82%	22	2.87%
Interns	5	0.74%	6	0.80%	4	0.52%
<b>Total</b>	<b>54</b>	<b>7.96%</b>	<b>64</b>	<b>8.59%</b>	<b>60</b>	<b>7.82%</b>

KONČAR – D&ST actively awards scholarships under the program 'Become a StipenD&ST', aimed at outstanding students from various universities. In addition to financial support, during the remaining period of education, scholarship holders are given the opportunity to write a thesis on a topic related to the transformer industry and the opportunity to start an internship at KONČAR – D&ST after completing their studies. You can read more about this activity in chapter [6. D&ST in the community](#).



## 4.2. Diversity and equal opportunities

The right to dignified work and non-discrimination is deeply embedded in our values. Creating a work environment where all employees feel safe and accepted is crucial to our organization. KONČAR – D&ST actively promotes equality among all employees regardless of personal characteristics such as gender, age, nationality, ethnicity, race, religion, political affiliation, language, social or economic status, and sexual orientation. This is defined in detail in the Code of Business Conduct, which prohibits any behavior that could undermine the dignity of our employees or create a hostile work environment.

In addition to the Code of Business Conduct, which is a publicly available document, KONČAR – D&ST uses internal regulations to specify promoted equal opportunities in specific business segments. The Labor Ordinance ensures clearly defined procedures and employee rights compliant to the national legislation and international standards, while the Employment Ordinance regulates employment processes in detail, emphasizing the equality of candidates. Also, the Rulebook on postgraduate and graduate studies and company's participation in their financing reflects the company's commitment to the development of human resources, ensuring transparent criteria for participation in educational programs and incentives for lifelong learning. These documents jointly form a solid structure that ensures fair, ethical and transparent management in the working environment.

With an aim of supporting transparency and ethics, a channel for reporting complaints is available to employees. During the reporting period, there were no reports of irregularities related to discrimination. Mechanisms for expressing concerns are described in chapter [5. Transparent and Ethical Governance](#).

### Fair compensation and rewards

The well-established compensation and reward system in KONČAR – D&ST, based on the Labor Law and prescribed by the internal Labor Regulations and the Ordinance on Salaries, Rewards and Promotion, is key to ensuring fairness and transparency in the payment of salaries. These regulations allow employees to receive equal pay for equal work, based on the grading of the complexity of jobs and the evaluation of work performance, and provide a structure for determining the basic salary, allowances and variable parts, with additional benefits such as working under special conditions or bonuses related to business results of the company.

The revised Ordinance on Salaries, Rewards and Promotion is in force from June 1, 2023, which clearly defines the structure of salaries and the basis for their calculation. Every employee has the right to a basic salary and a variable part of the salary that depends on personal performance and work results. In addition, salary supplements are determined for work under special conditions, such as night and shift work, work on Sundays and holidays, and overtime work. For workers in production, overtime hours are financially compensated, which is regulated by the Ordinance on Salaries, Remuneration and Promotion. Employees with flexible working hours can use the excess working hours as free hours or days off. In 2023, the salary base was increased by 23%, while the bonus for past work was abolished and included in the base salary.

Employees are provided with additional benefits of a monetary and non-monetary nature, the amount and scope of which is prescribed by a special attachment to the ordinance, which is updated annually. The reward for the work and personal performance of an individual employee is related to the results of work and business of the company and is awarded in the form of a bonus based on achieved business results in a certain business year. Christmas, Easter and holiday bonuses are non-taxable benefits paid in the maximum non-taxable amount according to the Income Tax Act.

Employee advancement is possible throughout the entire career, and decisions on promotions are made by the Management Board based on the proposal of Human Resources Department and particular department heads, along with an objective assessment of work performance.





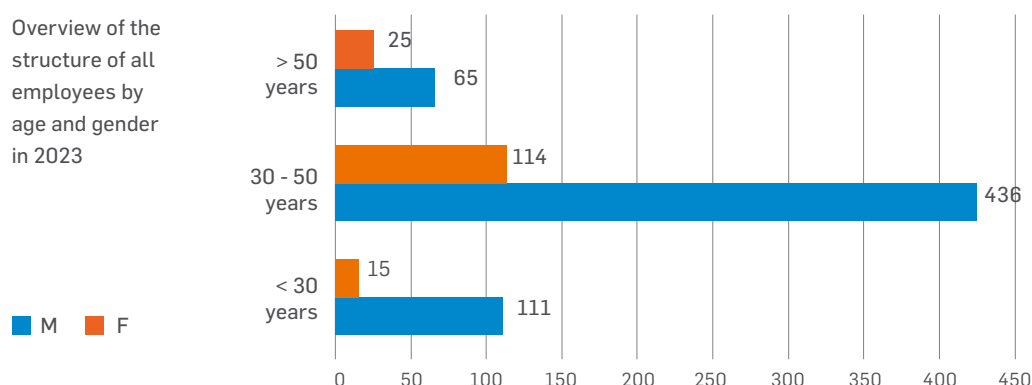
## Gender equality in KONČAR – D&ST

We are aware of the importance of gender equality and ensuring equal opportunities for all. Analyzing the trends of employees by gender in the past three years, we notice a positive trend in the increase in the number of employed women of all ages. Gradual increase in the number of employed women under the age of 30 is particularly significant, which indicates the engagement of KONČAR – D&ST in attracting and retaining young talent. Also, the number of employed women in middle and older age remains relatively stable, which suggests that KONČAR – D&ST manages to maintain a gender balance at all levels. These developments indicate our commitment to support women in their career development.

Diversity of employees	2021		2022		2023	
	M	F	M	F	M	F
< 30 years	99	12	116	16	111	15
30-50 years	380	103	410	114	436	114
> 50 years	61	23	63	25	65	25

Male-female ratio	2021		2022		2023	
	M	F	M	F	M	F
Management Board	80%	20%	80%	20%	80%	20%
Managers	73%	27%	73%	27%	73%	27%

Overview of the structure of all employees by age and gender in 2023



## Female engineer of the year

The employees of KONČAR – D&ST elected electrical engineer **Dragana Gašić**, MSc, Head of the Project Department of Medium Power Transformers, for D&ST's Engineer of the Year. As a candidate of KONČAR – D&ST, Dragana will take part in the first edition of the Female Engineer of the Year contest as part of an initiative that aims to promote female engineers from companies all over Croatia, thereby inspiring young girls to pursue an engineering career and strengthening the links between the economy and the education system.



## Equal pay

In April 2023, KONČAR – D&ST became the first Croatian company to receive the INC.Q EQUAL PAY Certificate. The certificate is based on a standard that confirms that we fully ensure equal pay for equal jobs performed by women and men and that there is no gender discrimination in relation to salaries. The metric used for verification is the difference in the average gross salary between women and men performing the same job or jobs of equal value. The certificate is valid for three years, after which a verification is done to ensure that the company continues to respect the standards set for achieving the certification. This certificate with an important mark - number 1, is a confirmation that in KONČAR – D&ST all colleagues are fairly and equally valued for their contributions, regardless of gender, which is extremely important to us.

## Work-life balance

### Parental leave

KONČAR – D&ST enables all its employees to use the parental leave and encourages them to take parental leave regardless of gender. Moreover, during the years 2023 and 2022, a positive trend is observed with more and more men taking paternity leave, which is proof that we provide an encouraging atmosphere for fathers to decide on paternity leave. In 2023, as many as 24 men took parental leave, while in 2022 there were 15 of them. We find it important to enable our employees to align their personal goals and desires with organizational values and goals. Creating a stimulating atmosphere for starting a family is a part of that vision.

Parental leave	2021		2022		2023	
	M	F	M	F	M	F
Total number of employees that were entitled to parental leave	244	56	256	54	269	52
Total number of employees that took parental leave	10	8	15	5	24	10
Total number of employees that returned to work in the reporting period after parental leave ended	10	8	15	5	24	10
Return to work rate* following parental leave	100%	100%	100%	100%	100%	100%
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	10	8	14	5	100	100
Retention rate** of employees that used the parental leave	100%	100%	100%	100%	100%	100%

\* Return to work rate = (Total number of employees that did return to work after parental leave / Total number of employees due to return to work after taking parental leave) x 100

\*\* Retention rate = (Total number of employees retained 12 months after returning to work following a period of parental leave / Total number of employees returning from parental leave in the prior reporting periods) x 100





### MAMFORCE standard

Our sincere desire to achieve a non-discriminatory working environment for everyone led us to another important well-deserved confirmation - in March 2023, KONČAR – D&ST was awarded the MAMFORCE certificate. By receiving a certificate, we adopted a detailed action plan for creating a friendly working environment for families, mothers and fathers. MAMFORCE ensures that KONČAR – D&ST implements best practices, knowledge and tools create an even more balanced work environment in reconciling private and professional life, dedicated to gender equality and creating equal opportunities for all. To achieve this certification, payroll mapping was done, during which each element of the salary is mapped in detail and connected to the corresponding business processes, work tasks and work results. Legal requirements, industry standards and internal policies of the organization are also considered. This process enables gaining a better insight into the salary structure, identify potential problems or inconsistencies. This project will bring additional benefits to employees, especially mothers and fathers, but also to the entire community, by promoting work-life balance and employee equality.

The plan is to develop a special onboarding process for mothers returning from maternity leave, for whom it is planned to introduce a more flexible work regime in the first weeks after returning to work.

### Employees with disabilities

Having in mind that we are a manufacturing industry, direct employment of people with disabilities is a challenge. During 2023, we successfully continued cooperation with the Institution for Professional Rehabilitation and Employment of Persons with Disabilities (URIHO). With the contract on business cooperation with the protective workshop, KONČAR – D&ST orders production parts from the URIHO range and thus fulfills the replacement quota for the employment of persons with disabilities and, more importantly, supports the professional rehabilitation and socialization of persons with disabilities in the community. For 2023, KONČAR – D&ST, obliged by the legal provisions of quota employment, fulfilled the substitute quota, which replaced the employment of 63 persons with disabilities.

## Employee engagement

We value the opinion of our employees. They actively submit their proposals for improving productivity, reducing costs, enhancing workplace conditions, and for the protection of the environment, health and safety at work. The proposals collected are considered at the integrated Committee for the Environment, Health and Safety at Work, which meets at least twice a year and is attended by members of the Management Board. Quality initiatives are then forwarded to the relevant directors or managers to implement the necessary actions.

At KONČAR – D&ST employees are engaged by frequent pulse checks of employee attitudes, which are considered before making certain decisions (e.g. a survey on the need to purchase new lift desks for employees who work with computers, a survey on the necessity to build a new parking lot for bicycles and similar). We take care to ensure that all employees are covered and have access to the pulse check and that it is available through various channels. After each pulse check conducted, employees are informed about the results of the survey and the further steps that will be taken.

## Internal communication

KONČAR – D&ST cultivates regular and clear internal communication, to ensure the timely transfer of important information, facilitated collaboration and quality interpersonal relations. Accordingly, the regulation by the Management Board entitled Communication and Initiatives was published, which determines the forms of communication, obligations and responsibilities for establishing and maintaining internal and external communication at KONČAR – D&ST.

With the purpose to improve internal communication at KONČAR – D&ST, the development of an intranet portal was launched. It will serve as unified online space accessible to all employees, containing important information, policies, business updates, and current announcements. Additionally, it will facilitate the exchange of information among employees, such as buy-and-sell ads. Everyone will be able to access the intranet portal from their own mobile devices or computers. Likewise, during 2023, at the KONČAR Group level, all employees were given access to the Jenz social network, where they can share private and official information with other Jenz users within the Group. Notice boards are placed at the entrance to each building and production facility, as well as electronic notice boards where all important information for KONČAR – D&ST employees is regularly published. It is also possible to publish video material on electronic bulletin boards, which is particularly useful for various educational content (e.g. occupational safety topics) or the dissemination of important messages.

KONČAR – D&ST publishes the newsletter Novosti on a quarterly basis with all current topics in business. The newsletter is available to everyone in print and distributed to official e-mail addresses of employees. In the past reporting period, with the aim to strengthen collective and collaborative spirit, team buildings were designed with employees.

## Annual review interviews

The Rulebook on Annual Review Interviews in KONČAR – D&ST provides the structure and guidelines for conducting annual employee evaluations. The annual interview includes a review of the employee's achievements in relation to the set goals, providing constructive feedback and setting new goals for the next period. This evaluation allows employees to meaningfully improve their skills, while the organization can identify and reward excellence and address areas that require improvement. The complete annual evaluation process ensures transparency, motivates employees and supports their professional development.

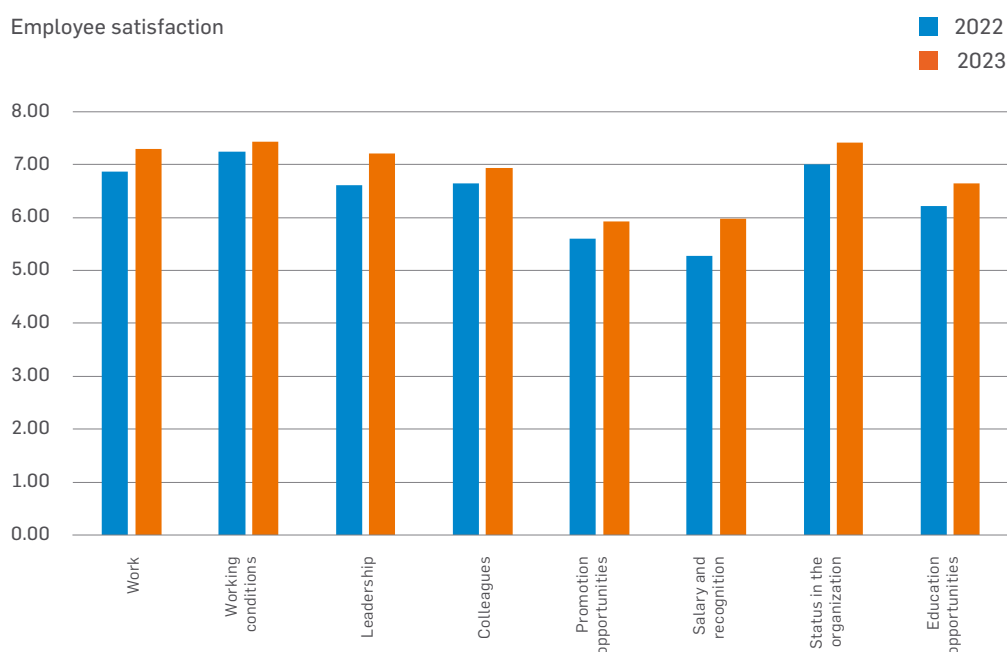




## Employee satisfaction survey

In November 2023, a survey was conducted at the level of the KONČAR Group with the aim of examining employee satisfaction in individual companies and at the level of the Concern. The survey included all employees of KONČAR – D&ST and was conducted on an online platform. The purpose of the survey is to understand employee satisfaction and attitudes towards certain aspects of employment and the workplace. The results of the survey serve as a basis for the creation of action plans with the aim of improving the areas in which the need has been identified. 47% of KONČAR – D&ST employees participated in the survey.

The employee survey encompassed questions on satisfaction with certain aspects of work, an index of employee satisfaction and willingness of employees to recommend their company to others as a place to work (eNPS). According to this year's results, employees of KONČAR – D&ST express the greatest satisfaction with working conditions, status in the organization and workplace. They understand their work contributes to the team and organization's goals, know what is expected of them and have all the necessary means to work. Also, they believe that they have an adequate work-life balance and satisfactory help and support from colleagues.



Results on all satisfaction scales are higher in 2023 compared to the previous survey. Additionally, in 2023 there was a higher Employee Satisfaction Index (ESI) - 67.27 compared to 62.77 in 2022, and an increased level of employee satisfaction and loyalty - eNPS (36 compared to 22 in 2022).

Employees are to a lesser extent satisfied with salary and recognition, as well as the career perspectives in the company. However, according to the eNPS indicator, **most employees are ready to recommend KONČAR – D&ST as an employer of choice.**

As a result of previous satisfaction surveys and the suggestions made by our employees, certain actions were taken during this and the previous year to improve working conditions and employee satisfaction. Taking into account the feedback from the latest survey, the management of KONČAR – D&ST has decided to:

- Enhance educational opportunities for production employees;
- Form a working group to define clearer criteria for employee rewards;
- Review and potentially expand the possibilities within the existing employee professional advancement system.

### 4.3. Health and safety at work

Ensuring a safe and healthy workplace is fundamental to maintaining productivity and efficiency, and it is an unquestionable value that guarantees the long-term well-being of our employees. Our primary goal is to reduce the incidence and severity of workplace injuries and ensure quick and effective responses when injuries occur.

In addition to legal obligations under the Occupational Safety and Health Act, KONČAR – D&ST enhances employee safety through the ISO 45001:2018 Occupational Health and Safety Management System. Workplace safety issues are further internally elaborated and regulated by the Occupational Safety and Health Rulebook, supplemented by procedures that address various specific situations. This approach ensures an adequate risk assessment for all workers, jobs, workplaces, and third parties involved in our processes. All risks are addressed in a risk assessment, which is the basic tool for identifying hazards and protection measures. All employees, higher and direct authorized personnel, and workers' representatives are involved in the risk assessment process, either directly (through non-compliance reports, employee initiatives, or via the web tool) or indirectly (through higher immediate organizational levels, authorized personnel, worker representatives, the OHS Committee, or in collaboration with the OHS Department).

Occupational health and safety are managed through the Occupational Safety and Health Committee and the Environmental, Health and Safety Committee. The committees' activities are harmonized for the purpose of managing OHS issues. Once a year, the Management Board adopts the objectives which support the advancement of the entire system and enable a proactive approach to health and safety at work. The assessment of the effectiveness of the occupational health and safety management system is regularly carried out by the reports of the stated committees, as well as internal and external audits. KONČAR – D&ST currently employs three occupational safety specialists of the II. degree. Hiring of the third member will enable the OHS Department to perform more intensive internal supervision and be more present in production facilities through advice and assistance to employees and managers in the implementation of OHS and firefighting measures as well as improving the safety at work.

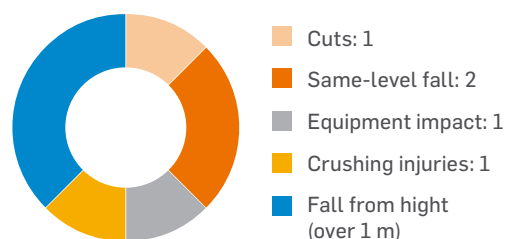


At the beginning of their employment, all employees are referred to the first medical check-up by a contracted occupational medicine specialist. According to the dynamics of legally stipulated obligations, employees who work at workplaces with special conditions and those working with a computer are referred to periodic examinations, and in some cases to extraordinary examinations. Likewise, with an occupational medicine specialist, inspections of individual workplaces are carried out to determine the necessary measures and possible adjustment of working conditions. Through systematic reports at the annual level, the occupational medicine specialist reports to the Management at the OHS Committees on the determined state of the examined employees regarding occupational diseases and work-related illnesses and diseases.

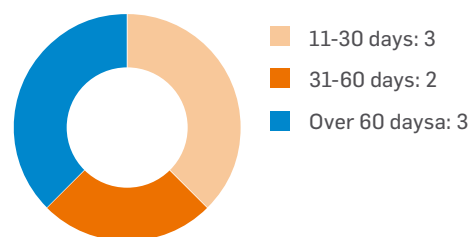
All employees, visitors and service providers at KONČAR – D&ST are obliged to comply with health and safety measures prescribed by law and procedures, and a system of rules of conduct and movement at the location has been established, with which all visitors are familiarized upon arrival.

Injuries at work	2021	2022	2023
Number of working hours	1,419,428	1,546,723	1,593,624
Number of workers	678	744	766
Injuries at work	10	8	8
Medical treatment provided (MT)	10	8	8
Number of work-related fatalities (FT)	0	0	0
Restricted work cases (RW)	0	0	0
Lost time (LT)	10	8	8
Total number of lost hours	4,656	3,312	5,064
Total number of lost days	582	414	633
Lost time incident rate (LTIR)	7.04	5.17	6.9
Total recordable incident rate (TRIR)	14.09	10.34	10.04
Prohibitions by labor inspection – OHS (Rs)	0	0	0

Causes of injuries at work in 2023



Days of sick leave by duration



During the last three years, KONČAR – D&ST has shown significant progress in its safety indicators, which can be attributed to the successful implementation of safety measures. The number of work hours as well as the number of workers, is continuously increasing, while injuries at work and the medical assistance provided have decreased and stabilized. Although lost work hours and days increased in 2023, the number of injuries remained constant, suggesting that injuries required a longer recovery. The reduction in Lost Time Injury Rate (LTIR) and Total Recordable Incident Rate (TRIR) indicates an improvement in safety conditions, while the long-term absence of prohibitions from labor inspections demonstrates a high level of regulatory compliance.

KONČAR – D&ST recognizes the importance of the involvement of all interested parties to eliminate hazards in the workplace, reduce the number of injuries to a minimum, and to respond adequately if injuries occur. In the process of sustaining an injury at work, all authorized persons are trained to act in accordance with organizational procedures and report each incident according to prescribed methodologies ("5 whys" or "8 D" analysis).

We continuously educate all our employees on occupational safety topics and encourage them to engage in safety management by participating in initiatives and reporting internal non-compliance. All the mentioned forms of participation are prescribed by procedures, and employees have at their disposal a special complaint mechanism related to health and safety.

Education of employees related to HSE is stipulated by law, and targeted education is created according to recognized needs. Thus, in this reporting period, training for working at height was carried out for more than 100 employees who work above one meter in height.

Nonconformities are systematically processed using a pre-defined procedure, i.e. the "5 whys" method, which investigates the root cause and describes the actions taken and the verification of the implemented actions. All listed non-conformities are monitored through monitoring, status and value tools, in accordance with organizational procedures aimed at eliminating the real causes. Continuous efforts are invested to reduce the number of non-conformities in all four categories listed in the table.

Non-compliance	2021	2022	2023
Procedures	14	8	5
Documentation	12	18	6
Workspace	12	12	12
Potentially hazardous situations	10	6	8
<b>Total</b>	<b>48</b>	<b>44</b>	<b>31</b>

In 2023, graphic marking of firefighting signs and evacuation plans was carried out. Fire extinguishers were deployed, and all firefighting systems were marked with signs in order to improve the situation in the production halls and to enable the creation of accurate graphic evacuation plans. Likewise, in September 2023, an evacuation and rescue exercise was conducted for all departments in Hall 1 for a simulated earthquake emergency, which was successfully carried out. The exercise also showed the lack of equipment for rescuing from the ruins, stretchers and the poor visibility of fire extinguishers in the area. Following the findings, the premises will be additionally furnished with appropriate equipment.





## 4.4. Knowledge and skills development

Professional development and employee training are essential for maintaining a high-quality workforce and attracting and retaining top talent. To retain our market advantage, it is crucial to enhance existing products and services and develop new ones.

KONČAR – D&ST systematically and continuously implements targeted activities of training and education of employees to enable the acquisition of the necessary knowledge for successful work and personal development. In this way, we ensure the quality of our products and services, monitoring of trends and technologies, and innovation development.

Every year, KONČAR – D&ST strives to increase investments in employee development and introduce customized internal education programs according to specific needs, as well as to ensure timely and appropriate transfer of knowledge through continuous development plans. For the purposes of training and ensuring the accessibility of education, an internal digital platform was developed through which more than 100 programs are available. In 2023, 56% of employees accessed the platform.

In addition to individual development plans and inhouse education, graduate, postgraduate specialist and doctoral studies are encouraged and financed by KONČAR – D&ST, which is a very important component of building professional workforce. Employees of KONČAR – D&ST regularly participate in national and international seminars and congresses.

We are continuously improving the onboarding process, and each new employee is assigned a mentor who pays special attention to the effective induction of new employees. During 2023, the process of improving the onboarding process of employees in management positions was initiated, and for this purpose, a Manual for new managers was designed, which familiarizes managers in detail with their responsibilities within the framework of human resources management and the values that KONČAR – D&ST promotes in employee relations.

Among the main indicators of success are the number of hours of training, the percentage of employees covered by training, and employee satisfaction with training opportunities and individual programs, which is surveyed on an annual basis.

### Percentage of employees covered by education programs

2021	2022	2023
56%	58%	92%

Hours of education	2021	2022	2023
Total	17,100	20,700	20,333
Average per employee	45	48	40

The percentage of employees covered by training in 2023. was 92%, and the reason for the large growth of this number is the LEAN management training, which included 381 employees (mainly plant workers), in the duration of one hour. Therefore, the average number of hours of education per employee is slightly lower in this reporting period. For 2021 and 2022, the number of hours is not broken down by category and is shown in the total amount. For the year 2023, and in order to achieve greater transparency, the data is monitored separately for two categories: management and employees.

### Hours of education 2023

Management		Employees	
Total	Average per person	Total	Average per person
3,353	56	16,980	24

## EDUCATION TAILORED TO EMPLOYEES

KONČAR – D&ST carefully monitors the competencies of employees according to their roles and creates individual annual competence development plans. Managers and employees jointly define professional development activities, including mentoring programs, on-the-job training and additional education. Group programs such as workshops, seminars and internal trainings encourage teamwork and knowledge sharing. Regular evaluation of programs ensures their effectiveness and continuous improvement. The implementation of the work performance assessment system is being introduced at the level of the KONČAR Group, and the full implementation of the process in KONČAR – D&ST is expected in 2024, the plan is to cover senior management down to the B-2 level.

## LEADERSHIP ACADEMY

Launched in 2022 at the level of the KONČAR Group, it ensures constant progress in the approach to human resources management and adequate adaptation to changes in employee expectations. The educational program is designed to develop competencies in management, motivation, and leadership, and was conducted through five modules. In 2023, 30 managers from KONČAR – D&ST participated.



## KONČAR – D&ST INVESTS IN AGILITY

In 2023, we started with the introduction of LEAN methodology in KONČAR – D&ST. After the initial training sessions held in March and April, the situation was evaluated and the first activities of implementing LEAN tools in the Cutting Center and the SET and DT productions were launched. The current emphasis is on the implementation of 5S tools and the detection of potential opportunities for improving existing processes that would facilitate and speed up the current way of working and improve working conditions. 5S methodology is a component of LEAN management, aimed at improving organization and management of workspace and tasks. Its purpose is to increase effectiveness and eliminating losses, improving growth and reducing complex processes. The key actions when implementing the 5S method are observation, analysis, collaboration, identifying and removing unnecessary things from the work environment.

## SMART WEDNESDAY

As part of the Smart Wednesday program, lectures on Wednesdays have been organized for years by employees for employees, providing the opportunity to exchange knowledge internally with colleagues. A total of 12 Smart Wednesdays were held in 2023, attended by more than 500 participants.



## 4.5. Benefits for employees

KONČAR – D&ST cares for its employees and with various monetary and non-monetary benefits it tries to create a stimulating working environment and additionally contribute to the work-life balance as well as provide fair compensation for work.

Concern for the well-being of employees permeates all levels of the organization, from management to workers, to ensure that their needs and satisfaction always come first. Such an integrated approach contributes to productivity, engagement and overall employee satisfaction.

Additional payments: Christmas bonus, holiday pay, Easter bonus

Jubilee bonuses

Payments to the 3rd pension pillar

Subsidized daily meals and commuting

Opportunities for further education, training, and career advancement

Flexible working hours for office employees

Multisport membership for sports and recreational activities

Supplementary health insurance

Additional health insurance - comprehensive medical check-ups

Benefits for Parents - Newborn Support, Gifts for children on St. Nicholas Day

Retirement Severance Packages

### Additional payments and anniversary awards

KONČAR – D&ST guarantees its employees additional payments such as Christmas bonus, holiday pay, Easter bonus, jubilee bonus, support for a newborn and gifts for children for St. Nicholas day.

### Payments in the third pension pillar

KONČAR – D&ST encourages savings in a voluntary pension fund of choice (3rd pillar), and all employees are paid the initial amount into the fund of their choice. Depending on personal contributions of employees, at the end of the year KONČAR – D&ST pays the amount up to the highest non-taxable amount for this purpose, up to a maximum of EUR 663.

### Daily meal and commuting

All employees are entitled to compensation for food and commuting. The meal allowance is used either as a monthly fixed amount up to the highest tax-free amount, or as financing of a meal at the restaurant on site - depending on the model chosen by the employee. Transportation costs are paid in the amount of the cost of long-distance and local transportation that is the most favorable to the employer.

### Health insurance

All employees are provided with a voluntary health insurance policy, which includes preventive and targeted medical check-ups as well as specialist examinations and diagnostic tests. Employees can participate in medical check-ups during working hours. Also, starting in 2023, employees are provided with a supplementary health insurance policy. All employees are insured against the consequences of accidents and death.

### Compensation for disability

KONČAR – D&ST pays disability benefits for employees registered in the Register of Persons with Disabilities.

### Paid holidays

Employees can use paid leave for getting married, in the cases of the birth of a child, death of a close family member, home relocation, serious illness of a close family member, participation in sports or cultural events organized by KONČAR – D&ST, voluntary blood donation, and the first day of school/kindergarten of the employee's child. Employees also have the right to paid leave during education and training, as well as education for the needs of the workers council or trade union.

### Flexible working hours

Employees at workplaces where this is possible (those not related to production and shift work) work in flexible working hours, which are described in the Rulebook on working hours and the use of daily breaks.

### Subsidized sports activities

KONČAR – D&ST is dedicated to promoting a healthy lifestyle among its employees and encourages active participation in sports activities. Employees can use the MultiSport program, which includes many contractual sports entities. Also, at their suggestion, employees are allowed to rent indoor soccer halls financed by KONČAR – D&ST.

### Benefits for parents

KONČAR – D&ST provides a one-time allowance for the birth of a child and additional paid leave for parents, including the first day of school.

### Gruntek: local, seasonal and eco

During 2023, a co-financing model of Gruntek eco vegetables was developed for employees who decide to use Gruntek services. The initiative started on January 1, 2024, and employees pay only 40% of the contracted price of vegetables.

# Transparent and ethical governance

Respecting laws on fair competition, anti-corruption, and money laundering, along with all other pertinent legal regulations, this is a core principle to our business practices.

# 5





## 5.1. Ethics and compliance

In every country where it operates, KONČAR – D&ST adheres strictly to all applicable laws and regulations. Respecting laws on fair competition, anti-corruption, and money laundering, along with all other pertinent legal regulations, this is a core principle to our business practices. KONČAR – D&ST also expects all its business partners to comply with applicable laws and regulations.

The KONČAR – D&ST Code of Business Conduct is the cornerstone document that lays out the rules and framework for the professional conduct of all employees and stakeholders within the organization. It is essential for maintaining integrity, upholding ethical standards, and avoiding unethical situations, and it is supplemented by the Handbook on Corporate Culture and Communication. This handbook aims to provide employees a clear guidance on expected behavior, values, and the communication style. Through specific provisions and guidelines, the Code sets out expected behaviors in various situations, including interactions with clients, colleagues, and partners, managing conflicts of interest, protecting confidential information, and complying with legal and regulatory requirements. The Code is regularly updated to reflect relevant regulatory changes and legal obligations. Key provisions of our code include:

### 1. INTEGRITY AND HONESTY:

- Commitment to avoiding all forms of corruption, including bribery, gifts, or any other advantages that could influence business decisions.
- Transparency is required in all business transactions and communication with clients, suppliers, and other stakeholders.
- Promotion of a culture that respects integrity and ethical values across all business segments.

### 4. COMPLIANCE WITH LAWS:

- Overview of relevant laws, regulations, and internal rules related to the company's operations, along with training mechanisms on employees' obligations and responsibilities.
- Implementation of mechanisms for monitoring and enforcing legal requirements and regular audits to ensure compliance with the regulatory framework.

### 2. CONFIDENTIALITY:

- Clearly defined guidelines for protecting confidential information, including client data, business plans, technological innovations, and other sensitive data.
- Obligation to safeguard confidential documents and restrict access to such information to authorized personnel only.

### 5. DIGNITY AND RESPECT:

- Promoting diversity, inclusion, and respect for differences among employees, with zero tolerance for discrimination, harassment, or inappropriate behavior.
- Commitment to ensuring a safe work environment and fostering cooperation and team spirit among all members of the organization.

### 3. CONFLICT OF INTEREST:

- Establishing clear rules for identifying situations that may present a conflict of interest, such as personal relationships with clients or business partners.
- Obligation to report potential conflicts of interest to the company's relevant authorities for assessment and resolution.

### 6. ACCOUNTABILITY:

- Defining clear responsibilities and authorities for each employee, encouraging autonomy, initiative, and personal responsibility in their roles.
- Establishing monitoring and evaluation of duty performance to ensure consistent application of the code of conduct and identify opportunities for improvement.

Given that we are a signatory of the Corporate Governance Code of the Zagreb Stock Exchange and HANFA, we complete the Compliance Questionnaire annually. The Compliance Questionnaire provides precise answers regarding which provisions of the Code the organization applies, and it is publicly available on the official websites of the [Zagreb Stock Exchange](#) and [KONČAR – D&ST](#).

KONČAR – D&ST is also a signatory of the Code of Business Ethics at Croatian Chamber of Commerce. As signatories, we commit to operating in accordance with principles of responsibility, truthfulness, efficiency, transparency, quality, good faith, and respect for good business practices towards business partners, the business and social environment, and our employees.

As a part of the KONČAR Group, we are involved in the United Nations Global Compact (UNGC) initiative for corporate social responsibility. This means we commit to the highest principles of responsible and sustainable business practices, ensuring that financial profit is not generated at the expense of people, society, or the environment.

Each department, specifically the department head, is responsible for monitoring changes in legal regulations and ensuring compliance within that segment. The company's legal counsel reviews contracts and ensures regulatory compliance. When necessary, we seek interpretation from external consultants or lawyers regarding unfamiliar legal issues.

KONČAR – D&ST recorded no instances of non-compliance with environmental protection laws, labor rights violations, or competition law in 2023.

During this reporting period, special attention was given to implementing measures aimed at further aligning internal product labels with relevant legislation, such as the Eco design Tier 2 directive, ensuring our products meet high standards for European markets. We continuously monitor and adapt to new EU directives and heed customer demands, who increasingly emphasize ethical and sustainable business practices.

To ensure employees are familiar with these acts and their practical implementation, KONČAR – D&ST organizes training sessions and creates brochures aimed at making this area more accessible to employees.



## 5.2. Anti-corruption

KONČAR – D&ST upholds a zero-tolerance policy towards corruption and continuously works on preventing, uncovering, and sanctioning corrupt practices. Corruption, including nepotism and selective application of laws favoring certain individuals or organizations, is strictly condemned, and not tolerated within our company. All our employees are aware of this stance and are expected to adhere to high standards of integrity and professionalism.

The Code of Business Conduct obliges all employees to act impartially and professionally. It is prohibited to offer or accept inappropriate gifts or benefits to gain unfair advantages or benefits that do not align with our values or legal regulations. If an employee finds themselves in a situation where they are offered gifts or benefits, or where they are expected to offer inappropriate gifts or benefits, they must report this to their immediate supervisor, who will consult the legal department if necessary.

In cases of suspected corrupt activities or unethical behavior by other employees, we expect our employees to promptly inform their supervisor or the Management Board of KONČAR – D&ST. The Management Board will take necessary steps and notify the relevant state authorities if required.

At the end of 2023, we initiated the upgrade of the Code of Business Conduct, regarding the anti-corruption policy and handling gifts and hospitality. The amendments were adopted at the beginning of 2024. Employees are allowed to receive gifts with a market value of up to 100 EUR. Gifts exceeding this value must be reported to the legal department for further action.

The most important method for preventing and mitigating corrupt activities is the timely education of employees and partners. During this reporting period, an internal educational program on anti-corruption was initiated for all employees, along with an internal program on contract law specifically for sales employees. Employee education on zero tolerance for corruption is available via the e-learning portal and will be mandatory for all KONČAR – D&ST employees starting July 1, 2024.

The Code of Ethical and Professional Conduct in Procurement sets high standards for relationships with suppliers, prevents conflicts of interest, and promotes respect for the law and integrity. Employees are encouraged to uphold honesty, personal integrity, and respect for the law and are reminded of the prohibition on accepting gifts or commissions from suppliers. Additionally, the code outlines the obligations and responsibilities of employees and sets standards of conduct for suppliers, including the adoption of the Code of Conduct. Regular audits of the Code and evaluations of suppliers are conducted to ensure compliance with ethical standards, the inconsistencies may result in termination of cooperation.

## 5.3. Human rights

Respecting human rights as guaranteed by international conventions of the United Nations and the International Labor Organization is one of the primary principles underpinning our business operations. We actively promote equality among all employees, regardless of gender, age, nationality, ethnic origin, race, religion, language, social or economic status, sexual orientation, political or other affiliations, in areas of employment and working conditions, including criteria for selection, terms of employment, promotion, and professional training and development. All forms of discrimination are prohibited, and we ensure the dignity of all employees by providing conditions and a work environment free from unwanted behavior. Special attention is dedicated to children and vulnerable groups.

Our Code of Business Conduct, which outlines our policies and procedures, applies to all our employees, detailing the obligations of both employers and employees to ensure the respect of human rights throughout our operations. The Supplier Code of Conduct applies to all our suppliers, who must accept it upon entering a partnership with KONČAR – D&ST. Additionally, some suppliers are evaluated through a questionnaire to assess compliance with regulations ensuring the preservation of human rights. In our dealings with customers, we either adhere to their Code of Business Conduct or apply our own. All policies are publicly available, and any changes or new policies are communicated to employees via email. The most important policies are published on both electronic and physical notice boards.

### Prohibition of forced labor

KONČAR – D&ST is committed to eliminating all forms of forced labor and expects its business partners to actively contribute to this goal. Through our policies and procedures, we actively participate in preventing and combating slavery, exploitation, forced labor, human trafficking, and all forms of modern slavery within our business environment and among our suppliers.

### Prohibition of child labor

We are firmly opposed to all forms of child exploitation and forced labor and are committed to preventing and eliminating all forms of child labor in our supply chain. We do not employ workers below the legally prescribed age and apply procedures and controls during hiring to ensure compliance with applicable laws.

## 5.4. Complaints mechanisms

In 2022, a new Rulebook on the Procedure for Internal Reporting of Irregularities and the Appointment of a Confidential Person was adopted, aligning with the requirements of the Directive on the Protection of Persons Who Report Breaches of Union Law and the substantive regulations of the Republic of Croatia. The Rulebook details the procedure for internal reporting of irregularities, the process and manner of selecting a confidential person, and the mechanism for protecting the whistleblower and their rights.

Irregularities can be reported, regardless of their type, to a dedicated email address: [prijava.nepravilnosti@koncar-dst.hr](mailto:prijava.nepravilnosti@koncar-dst.hr). Additionally, reports can be made verbally or in writing to the headquarters of KONČAR – D&ST or by placing the report in the designated employee initiative box at the organization's headquarters.

The appointment of the confidential person is conducted through employee proposals, and any proposal receiving at least 20% of votes is accepted. If there are insufficient proposals or none receive the required support, the organization may directly appoint a confidential person and a deputy.

If the confidential person determines that a report falls under the Directive on the Protection of Persons Who Report Breaches of Union Law, they will conduct the procedure in accordance with the Rulebook on Internal Reporting of Irregularities and the Appointment of a Confidential Person, which thoroughly regulates the reporting process.

Every whistleblower has the right to protection if they believe the information they report is true. Protection includes immunity from liability for the report, ensuring confidentiality of identity and information, and preventing retaliation. Irregularities can be reported in writing or verbally, and the confidential person is obliged to ensure the security of the information.

Upon receiving a report, the confidential person investigates within 30 days and reports the findings to the whistleblower and potentially the relevant authority. The confidential person has the authority to examine the report and, if all relevant data is provided, pass a decision. If the irregularity is confirmed, measures are taken to address it, and the whistleblower is informed of the outcome. Keeping records of submitted reports, reports of identified irregularities, and storing documentation are mandatory steps to ensure transparency and proper procedure management.

If the confidential person determines that the report does not fall under the Directive on the Protection of Persons Who Report Breaches of Union Law, the report will be forwarded to the Legal Department for action. The Legal Department will review the received report and, depending on the type of irregularity, forward it for further action in accordance with the organization's internal regulations and procedures. The Legal Department may conduct an internal investigation, questioning of participants and witnesses, and subsequently provide findings and recommendations to prevent such incidents in the future.

There were no recorded cases of irregularities in 2023, nor in the previous two reporting periods.





### Discrimination reports

The Labor Ordinance includes a chapter on the protection of dignity and prevention of discrimination, prohibiting any form of discrimination and outlining the procedure for complaints related to discrimination or violations of employee dignity. The company has also enabled the submission of discrimination and dignity violation complaints, appointing two persons to handle these complaints. The commission is required to investigate all claims made by employees, ensuring that the investigation process does not harm the dignity of the complainant or other employees, nor affect the employer's business operations. Regarding the established facts and all actions taken, the Commission prepares a report which includes the decision on the employee's complaint. In 2023, only one complaint was received, which did not confirm any discrimination or dignity violations. There were no such cases in the previous three reporting periods.

## 5.5. Information security and data protection

At KONČAR – D&ST, we take information security matters very seriously, and this responsibility falls under the IT department. We operate in accordance with the certification requirements of ISO 27001:2022, and although official certification has not been obtained, our processes are aligned with the standard. The Information Security Policy prescribes principles and processes to ensure the security of information systems at KONČAR – D&ST, including data classification by confidentiality level, assigning roles and responsibilities for information security, and procedures for managing security incidents and events. The three fundamental principles defined within the policy are confidentiality, integrity, and availability.

Vulnerability testing (pen test) of IT systems is conducted after the introduction of new IT services or significant system upgrades. More complex tests are performed in collaboration with external partners.

Employees who use computers in their daily work undergo information security training, including recognizing spam and phishing emails. In 2023, internal training was conducted to raise awareness of security risks (KnowB4), which was completed by all computer-using employees. Additionally, security training sessions are conducted to test user reactions and potentially organize additional training based on the results.

KONČAR – D&ST is in the process of developing a digital strategy that aims to set clearer goals for the information security.

### Personal data protection

The Personal Data Protection Policy regulates procedures and measures related to the collection, processing, and use of personal data of employees and other individuals. Key provisions define the categories of data subjects, principles of personal data processing, legal bases for processing, access to personal data, data protection measures, procedures in case of data protection breaches, and the rights of data subjects. This policy ensures compliance with applicable data protection legislation and guarantees that the company operates according to the highest data protection standards.

All questions or complaints related to personal data protection can be sent to the email address [personaldataprotection@koncar-dst.hr](mailto:personaldataprotection@koncar-dst.hr), in person, or by mail to the company's headquarters.

In the last three years, we have not received any complaints regarding privacy breaches or losses of customer data.

## 5.6. Sustainability in the supply chain

In accordance with procurement market risks, we place particular emphasis on sustainability of our supply chain. To ensure the continuity and quality of procured products and services, we actively monitor supplier performance, market conditions, and geopolitical situations to timely identify risks and find appropriate solutions. We strive to avoid dependence on a single source of supply by combining multiple sources of equal quality to have ready alternative solutions.

The fundamental prerequisite for implementing planned and controlled procurement processes is cooperation with secure and verified suppliers. Long-term relationships ensure the procurement of products without deviations in quality or delivery deadlines, with optimal incoming inspection or subsequent corrective actions. The supplier list is reviewed annually or as needed in case of significant changes. Most of our strategic suppliers are from the EU. Additionally, we have two suppliers of carbon products from India, one supplier of transformer steel from Japan, and one supplier each from Korea, the USA, China, and Turkey.

In 2023, KONČAR – D&ST acquired a majority stake in Ferokotao d.o.o., one of the largest manufacturers of tanks for distribution, energy, and special transformers in the region, headquartered in Donji Kraljevec. Ferokotao has been a long-standing important supplier to KONČAR – D&ST. By acquiring a majority stake, reliable supply of transformer tanks has been ensured, further strengthening KONČAR – D&ST's competitive advantage in the market.

Ratio of domestic and foreign suppliers	2021	2022	2023
Domestic	29%	24%	27%
Foreign	71%	76%	73%

### Supplier Code of Conduct

In addition to expecting all KONČAR – D&ST employees to adhere to ethical principles and maintain professional conduct in dealings with suppliers, we also require all KONČAR – D&ST suppliers to exhibit ethical and professional behavior during all procurement transactions. To this end, KONČAR – D&ST has developed the Supplier Code of Conduct which outlines the necessary rules of conduct in supplier relations. These rules cover compliance with relevant law, respect for human and workers' rights, health and safety protection, environmental pollution prevention, anti-bribery and anti-corruption measures, and the protection of confidential information.

The Code was distributed to existing key suppliers immediately after its adoption, and it is mandatory to provide it to new suppliers when initiating a business relationship. Suppliers are obliged to accept and adhere to the conditions outlined in the Code.

### Supplier assessment and audit

The supplier evaluation process is regulated by the procedure for assessing and monitoring suppliers and is conducted in two phases. Supplier self-assessment is carried out through a supplier evaluation questionnaire. Depending on the analysis results, an additional supplier audit is conducted, which includes visits to production, storage, testing, and control sites. By analyzing existing supplier reports or using information from other users of the same service/product, the evaluation team can also make an internal decision to approve a potential supplier without the need for on-site assessment and audit.

The integration and further development of suppliers are integral to supplier relationship management and are significant factors in managing risks related to the stability and resilience of the supply chain. This can be achieved through properly set criteria for supplier monitoring and regular considerations for possible improvements in the entire supply chain process. Supplier monitoring is conducted by evaluating their key performance indicators. For strategic material suppliers, it is carried out periodically within a specified period. For other suppliers, it is conducted as needed.



**Audits aim to:**

- determine the level of compliance with requirements of quality management systems, environmental protection, occupational health and safety, and other legal obligations in these domains;
- assess the level of corporate responsibility and compliance with applicable law;
- evaluate from the perspective of business sustainability (commitment to social responsibility, responsibility towards environmental impacts, and other relevant issues);
- verify compliance with documented processes;
- assess organizational culture – care for human resources, relationships with suppliers and customers;
- evaluate the supplier's competence to perform the required tasks, current production capacity, and consistency in quality.

To gather data on the level of sustainability awareness within the supply chain, annual surveys will be conducted among key suppliers due to the large volume of procurement materials. The survey will use an 80:20 distribution within material assortment groups (transformer steel, carbon steel, copper, aluminum, insulating liquids, solid insulation, transportation).

KONČAR – D&ST, through its policies and procedures, actively participates in the prevention and fight against all forms of violations of human dignity, especially prevention of slavery, child labor and exploitation, forced labor, human trafficking, and all forms of modern slavery within its business environment and among its suppliers. KONČAR – D&ST has not identified any activities or suppliers that are considered to pose a significant risk of child labor or expose of young workers to hazardous tasks.

**Managing conflict metals and minerals**

The production of transformers requires certain raw materials that fall into the category of conflict minerals and metals, which are materials whose production may be associated with the risk of human rights violations.

As a socially responsible company, KONČAR – D&ST demonstrates its concern for the welfare of society and the community, supporting human rights organizations' efforts to end violence in conflict-affected and high-risk areas. In 2023, Ordinance for Managing Conflict Minerals was adopted. The purpose of the regulation is to avoid using conflict minerals and metals from suppliers who directly or indirectly finance armed groups that violate human rights, in accordance with the adopted Conflict Minerals and Metals Policy.

KONČAR – D&ST's suppliers, whose products potentially contain 3TG minerals and metals, are periodically subjected to detailed reviews regarding the suppliers of raw materials and materials that constitute their supply chain for products delivered to KONČAR – D&ST.

**Conflict minerals and metals** include ores, concentrates, and metals containing tin, tantalum, tungsten, and gold (3TG). According to Annex I of Regulation (EU) 2017/821, the analysis of the quantities of materials used in KONČAR – D&ST's annual production shows that the quantity thresholds for 3TG minerals and metals are not exceeded.



## 5.7. Certificates

In 2023, recertifications were conducted for the environmental management system (ISO 14001) and the occupational health and safety management system (ISO 45001), along with a surveillance audit of the quality management system (ISO 9001). There were no nonconformities in the areas of quality and environmental management, but one nonconformity was detected in the domain of health and safety measures - a standard requirement for monitoring, measuring, analyzing, and evaluating performance related to the inspection of first aid cabinets. The cabinets were adequately stocked, and as a corrective action, it was proposed to prescribe an additional mechanism for monitoring the first aid cabinets. After the proposed actions to address the nonconformity were accepted, the conditions for the certificate extension were ensured. The validity of the ISO 14001 and ISO 45001 certificates was extended for the next three years. Regular training sessions are conducted for internal auditors for each achieved certification.

Compliance with the requirements of these internationally recognized standards is verified by the certification body Bureau Veritas on a six-month basis. This periodic review of certified management systems ensures the improvement of processes and their interrelationships, the advancement and continuous adaptation to increasingly demanding business and market conditions, the training and motivation of employees, the preservation of organizational knowledge, and the establishment of partnership relationships with both customers and suppliers.

### ECO VADIS - SILVER MEDAL

For 2023, KONČAR – D&ST reearned the Silver EcoVadis medal again, placing us among 25% best companies. The EcoVadis methodology is built on international sustainability standards, including the Global Reporting Initiative, the United Nations Global Compact, and ISO 26000. The EcoVadis is a recognized and trusted global sustainability rating, with more than 75,000 companies across various industries and represents an independent external excellence assessment.



Certificates / ratings	First year of certification/ rating	Last re-certification/ rating
<b>ISO 9001</b> The quality management system	1995	2022
<b>ISO 14001</b> The environmental management system	2002	2023
<b>ISO 45001</b> The occupational health and safety management system	2008	2023
<b>Mamforce Standard</b>	2023	2023
<b>INC.Q EQUAL PAY</b>	2023	2023
<b>UVDB verified protocol</b> (questionnaire + audit)	2020	2023
<b>EcoVadis</b>	2022 Silver	2023 Silver
<b>CDP</b> Climate Change	2022 D	2023 D





Bureau Veritas Certification



**KONČAR D & ST**  
**DISTRIBUTIVNI I SPECIJALNI TRANSFORMATORI**  
J. Mokrovića 8, 10000 Zagreb, Hrvatska

Bureau Veritas Certification potvrđuje da je proveden audit sustava upravljanja navedene organizacije te je utvrđena sukladnost sa zahtjevima sljedeće norme za sustave upravljanja

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**ISO 14001:2015**  
*Opseg certifikacije*

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PROJEKTIRANJE, PROIZVODNJA, ISPITIVANJE I SERVIS DISTRIBUTIVNIH, SPECIJALNIH I ENERGETSKIH TRANSFORMATORA SNAGE DO 160 MVA I NAPONA DO 170 kV

Datum prve certifikacije: 26-07-2002

Istek valjanosti zadnjeg certifikata: 25-07-2020

Datum recertifikacijske/certifikacijske provjere: 20-05-2020

Datum početka recertifikacijskog/certifikacijskog ciklusa: 25-05-2020

Uz uvjet trajne zadovoljavanja primjene sustava upravljanja organizacijom, ovaj certifikat vrijedi do: 25-07-2023

Broj certifikata: HR007597    Verzija br.: 1    Datum izdavanja: 25-05-2020




Lokalni ured: Ciotina 17a, 51000 Rijeka, Hrvatska

Sva ostala podrijetla u odnosu na opseg certifikacije i primjenu certifikata sustava upravljanja mogu se dobiti kod organizacije. Za provjeru valjanosti certifikata molimo nazivati: 00 385 51 213 672

1/1

Bureau Veritas Certification



**KONČAR D & ST**  
**DISTRIBUTIVNI I SPECIJALNI TRANSFORMATORI**  
J. Mokrovića 8, 10000 Zagreb, Hrvatska

Bureau Veritas Certification Holding SAS – UK Branch potvrđuje da je proveden audit sustava upravljanja navedene organizacije te je utvrđena sukladnost sa zahtjevima sljedeće norme za sustave upravljanja

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**ISO 45001:2018**  
*Opseg certifikacije*

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PROJEKTIRANJE, PROIZVODNJA, ISPITIVANJE I SERVIS DISTRIBUTIVNIH, SPECIJALNIH I ENERGETSKIH TRANSFORMATORA SNAGE DO 160 MVA I NAPONA DO 170 kV

Datum prve certifikacije: 04-06-2020

Datum isteka prethodnog certifikacijskog ciklusa: NA

Datum certifikacijske / recertifikacijske provjere: 21-05-2020

Datum početka certifikacijskog / recertifikacijskog ciklusa: 04-06-2020

Uz uvjet trajne zadovoljavanja primjene sustava upravljanja organizacijom, ovaj certifikat vrijedi do: 12-06-2023

Broj certifikata: HR007611    Verzija: 1    Datum izdavanja: 04-06-2020




Adresa certifikacijskog tijela: 5th Floor, 66 Prescot Street, London, E1 6HG, Velika Britanija  
Adresa lokalnog ureda: Ciotina 17a, 51000 Rijeka, Hrvatska

Sva ostala podrijetla u odnosu na opseg certifikacije i primjenu certifikata sustava upravljanja mogu se dobiti kod organizacije. Za provjeru valjanosti certifikata molimo nazivati: 00 385 51 213 672

1/1

Bureau Veritas Certification



**KONČAR D & ST**  
**DISTRIBUTIVNI I SPECIJALNI TRANSFORMATORI**  
J. Mokrovića 8, 10000 Zagreb, Hrvatska

Bureau Veritas Certification Holding SAS – UK Branch potvrđuje da je proveden audit sustava upravljanja navedene organizacije te je utvrđena sukladnost sa zahtjevima sljedeće norme za sustave upravljanja

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**ISO 9001:2015**  
*Opseg certifikacije*

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PROJEKTIRANJE, PROIZVODNJA, ISPITIVANJE I SERVIS DISTRIBUTIVNIH, SPECIJALNIH I ENERGETSKIH TRANSFORMATORA SNAGE DO 160 MVA I NAPONA DO 170 kV

Datum prve certifikacije: 14-07-1995

Datum isteka prethodnog certifikacijskog ciklusa: 13-07-2022

Datum certifikacijske / recertifikacijske provjere: 11-05-2022

Datum početka certifikacijskog / recertifikacijskog ciklusa: 10-06-2022

Uz uvjet trajne zadovoljavanja primjene sustava upravljanja organizacijom, ovaj certifikat vrijedi do: 13-07-2025

Broj certifikata: HR008926    Verzija: 1    Datum izdavanja: 10-06-2022




Adresa certifikacijskog tijela: 5th Floor, 66 Prescot Street, London, E1 6HG, Velika Britanija  
Adresa lokalnog ureda: Ciotina 17a, 51000 Rijeka, Hrvatska

Za daljnja pojašnjenja u vezi s opsegom i aktivnostima ovog certifikata te primjenjivosti certifikata sustava upravljanja, nazivati: 00 385 51 213 672

1/1

Bureau Veritas Certification



# Certificate of Audit

This is to certify that

**Koncar Distribution and special transformers Inc.**

has achieved the following standards through audit for Safety, Health, Environmental and Quality practices and procedures as a registered supplier on UVDB Verify Category B2 Audit - Category B2.

UVDB Verify Category B2 Audit	Score
MSE-HEALTH & SAFETY AUDIT SCORE	97
MSE-ENVIRONMENTAL AUDIT SCORE	100
MSE-QUALITY AUDIT SCORE	100
MSE-CORPORATE & SOCIAL RESPONSIBILITY AUDIT SCORE	100
SITE-HEALTH & SAFETY AUDIT SCORE	100
SITE-ENVIRONMENTAL AUDIT SCORE	100
SITE-QUALITY AUDIT SCORE	100
SITE-CORPORATE & SOCIAL RESPONSIBILITY AUDIT SCORE	100



1st Edition  
Issue 01 01/2022, Category B2



**VERIFIED**  
Achieved: 0002930  
Expiration Date: 14 June 2022

\*Further information: UVDB awarded this audit on behalf of all UVDB Verify Category B2 Audit subsector companies.



# KONČAR – D&ST in the community

KONČAR – D&ST's commitment to positive change extends beyond its manufacturing activities.



For many years, KONČAR – D&ST has been actively involved in the development of the local community through various initiatives and activities. KONČAR – D&ST contributes to the advancement and cooperation with the academic community, initiates and participates in projects that have a positive impact on the environment and society, and directly supports the work of associations and initiatives whose primary goal is to improve the quality of life and contribute to the common good. KONČAR – D&ST employees volunteer in numerous community projects, further enhancing engagement and connection with the local community, strengthening corporate social responsibility, and raising awareness of the importance of active participation in improving social welfare.

## 6.1. Cooperation with academia

The cooperation between KONČAR – D&ST and the academic community has been a success for many years. D&ST supports educational institutions through joint professional and development projects, innovations, and applied scientific research. This form of cooperation strengthens the academic community and connects D&ST with future professionals who may become potential employees.

Joint activities that strengthen the relationship between KONČAR – D&ST and the academic community include partnerships on collaborative scientific research projects, participation in educational programs at various levels (graduate, postgraduate, doctoral, and specialist studies), mentorships, memberships in professional committees, boards, and commissions, organized professional visits, publishing articles, and participating in conferences and professional gatherings. Notable events include the International CIRED Conference in Rome, the Croatian CIRED Branch in Trogir, CIGRE in Macedonia, HRO CIGRE in Šibenik, the International Transformer Colloquium, and the Conference organized by Transformers Magazine. KONČAR – D&ST offers professional internships for students, as described in previous sections of the report. These activities contribute to mutual development and the creation of valuable links between the industry and the educational sector.

### Scientific research projects

A wide group of university experts and researchers actively shares their academic knowledge with the industrial sector. This type of collaboration is crucial for technical development and innovation, aiming to create practical manufacturing improvements that benefit not only KONČAR – D&ST but also the economy and the wider community. The undertaken projects are extensive and methodologically demanding, combining technical expertise with R&D components. This form of collaboration between science and industry fosters joint projects to enhance the competitiveness of the domestic industry. In 2023, the preparation of the "Targeted Scientific Research" project began in collaboration with the Faculty of Electrical Engineering and Computing in Zagreb (FER), aiming to optimize losses in the transformer core and clamping system.

Notable collaborations in 2023 include projects with the Faculty of Mechanical Engineering and Naval Architecture in Zagreb, the Faculty of Electrical Engineering and Computing, the Faculty of Chemical Engineering and Technology, and KONČAR – Institute for Electrical Engineering.

	2021	2022	2023
Number of published articles and papers	13	13	13
Number of doctoral students	2	1	0
Number of completed doctoral dissertations	1	1	0
Number of collaborators in higher education teaching	2	2	2



## Our stipenD&STs (scholars)

In 2023, through a public competition titled "Become a stipenD&ST," scholarships were awarded to outstanding students from two Zagreb faculties - the Faculty of Electrical Engineering and Computing (FER) and the Faculty of Mechanical Engineering and Naval Architecture (FSB). Four students from FER, who are enrolled in Electrical Engineering and Information Technology programs (specializations: Electro-mechanical engineering and automation, and Power engineering), and six students from FSB (specializations: Production engineering, Structural engineering, Industrial engineering and management, and Mechatronics and robotics) have been selected.

In addition to financial support during the remaining period of their studies, the scholarship recipients are given the opportunity to write their thesis on a topic related to the transformer industry and the possibility of starting an internship at KONČAR – D&ST upon their graduation. Throughout this reporting period, seven students who were KONČAR – D&ST scholars during their education have been employed.

	2021	2022	2023
Total number of scholarships	7	3	10
Faculty of Electrical Engineering and Computing, Zagreb (FER)	2	1	4
Faculty of Mechanical Engineering and Naval Architecture, Zagreb (FSB)	5	-	6
Faculty of Electrical Engineering, Computing, and Information Technology, Osijek (FERIT)	-	2	-
Number of employed scholars	0	7	0

KONČAR – D&ST provided additional support to FER in 2023 through a donation for the annual "Josip Lončar" award for the most successful FER student.



## Open KONČAR – D&ST

KONČAR – D&ST opens its doors to educational institutions, their students, and pupils to familiarize them with the production program, facilities, and activities of KONČAR – D&ST, as well as potential employment and career opportunities. In 2023, KONČAR – D&ST hosted several groups of students from FER and students from the Department of Electrical Engineering at the University of Split. Additionally, we hosted students from the Zagreb Secondary School of Electrical Engineering, the Samobor Vocational Secondary School, and the Varaždin Electromechanical School. In the fall of 2023, we provided practical training for students from a vocational school in Germany who participated in the Erasmus project.







In addition to organized visits, KONČAR – D&ST has been participating in career fairs for many years to introduce and present career opportunities at KONČAR – D&ST to students. In 2023, KONČAR – D&ST participated in:

- Career Fair organized by the Career Center of FER, Zagreb (booth presentation and tech-talk by a leading KONČAR – D&ST engineer; online Career Speed Dating)
- Career Week at FSB, Zagreb (booth presentation and Career Speed Dating)
- Open Day and Career Day (DOVIK) organized by FERIT (booth presentation and guest lecture)
- Career Week at FOI, Varaždin.

## 6.2. Corporate volunteering

KONČAR – D&ST connects its employees with the community. Through volunteer actions involving the company's employees, D&ST promotes and encourages volunteering as an important socially responsible activity. In 2023, over 130 volunteers participated, and our goal is to strengthen the KONČAR – D&ST corporate volunteering program in the coming period and actively involve employees in its formation.





### KONČAR – D&ST helps the forests

In 2023, KONČAR – D&ST participated in two major domestic reforestation projects, contributing to the restoration and preservation of forests at two locations in collaboration with experts. As part of the KONČAR Group, the collaboration with the **O<sub>2</sub> Project**, which aims to protect the environment and mitigate climate change with active participation from the community and the private sector, continued. KONČAR – D&ST employees participated in an innovative drone reforestation action in the Adica City Park Forest in Vukovar, where drones were used to release seed balls of native, non-invasive species that fit into the existing ecosystem over an area of nearly 484,000 m<sup>2</sup>. With this action, the KONČAR Group became the first company to conduct a reforestation action in the city of Vukovar.

In another action within the **CO<sub>2</sub>MPENSATING BY PLANTING** project, in collaboration with the Croatian Scout Association, HEARTH agency, and Croatian Forests, KONČAR – D&ST employees reforested the Perjasica area in the Karlovac County. A total of 1,000 pedunculate oak seedlings were planted, and the future forest's location can be checked on the project's website. KONČAR – D&ST volunteers thus became a proud part of a large volunteer community of over 5,000 volunteers gathered around this project, and KONČAR – D&ST's 1,000 trees will be part of a larger community of 100,000 trees planted over the past two years. It is estimated that these reforested areas will compensate up to 2,500,000 kg of CO<sub>2</sub> annually in the future, further confirming the importance of supporting similar projects.



### UNICEF Croatia's "Milky Way" run

As a company dedicated to promoting values such as solidarity and empathy, KONČAR – D&ST employees traditionally participate in UNICEF's charity run "Milky Way." KONČAR – D&ST has participated since 2020, and every year, more employees join walking, running, and cycling to support the mental health of children and youth. It is estimated that in Croatia, over 44,000 adolescents (11.5%) aged 10 to 19 have mental health problems, and all funds raised by the campaign are invested in the school support program called – Schools of Support. Participation in UNICEF's "Milky Way" charity run is not just a show of support but also a concrete contribution to making the changes needed to improve the mental health of young people in our community.







### KONČAR – D&ST runs well

KONČAR – D&ST encourages its employees to engage in sports and take care of their health. In 2023 B2Run business race, where teams represent their organizations, KONČAR – D&ST's team of 40 runners achieved the 11th place in the overall ranking of all participating companies. This is a significant improvement compared to last year's 20th place.

### Voluntary blood donation

KONČAR – D&ST has been supporting and promoting voluntary blood donation campaigns for many years, reflecting our commitment to humanitarian initiatives and community care. In 2023, three campaigns were organized at the Jankomir production site, where three KONČAR factories operate. A significant number of KONČAR – D&ST employees regularly participate in these campaigns.

## 6.3. Community investments

KONČAR – D&ST supports a significant number of associations and organizations, such as soup kitchens, sports clubs, retiree associations, veteran associations, and student associations. Many donations are the continuation of long-standing collaborations with various rehabilitation associations and organizations that help and support children with special needs and developmental difficulties. Given the sensitivity to children's needs, the collaboration with the Association for Improving the Quality of Life of Poor and Neglected Children "Mali Zmaj," which operates across Croatia, continued.

In 2023, KONČAR – D&ST supported the following associations through donations:

- Krijesnica Association, an association for helping children and families facing malignant diseases
- Sunce Center for Education and Counseling
- SOS Children's Village
- Slava Raškaj Education and Rehabilitation Center
- Vukovarski Leptirići, an association of parents of children with developmental difficulties
- UAZ - Autism Association Zagreb
- Down Syndrome Association
- Croatian Guide Dog and Mobility Association
- Zagreb Rehabilitation Center – Slobodština Branch

## ESG Indicators

Indicator	Unit		2021		2022		2023	
ENERGY CONSUMPTION								
Thermal energy	MWh		8,413.00		10,214.92		9,739.80	
Electricity	MWh		4,717.10		4,823.35		4,755.24	
Energy for mobile combustion	MWh		444.58		510.15		552.77	
Total energy consumption	MWh		13,574.68		15,548.42		15,047.81	
Energy intensity / unit of revenue	MWh/mil. EUR		71.81		61.20		44.00	
Energy intensity / unit of product	MWh/MVA		0.90		1.02		0.92	
ELECTRICITY FROM RENEWABLE SOURCES								
Purchased electricity from renewable sources (ZelEn) (I)	MWh		4,127.00		4,626.00		3,652.00	
Electricity from renewable sources (PVP Končar energy transformers) (II)	MWh		n/a		n/a		3.01	
Own electricity from renewable sources (III)	MWh		n/a		38.17		1,099.76	
Own electricity from renewable sources delivered to other companies on location (KPT and MT)	MWh		n/a		n/a		245.53	
Own energy from renewable sources delivered to the grid	MWh		n/a		n/a		77.69	
Total consumption of electricity from renewable sources (I+II+III)	MWh		4,127.00		4,664.17		4,755.24	
Share of electricity from renewable sources	%		87.50		96.69		100	
Share of own electricity from renewable sources	%		n/a		0.82		23.13	
Share of electricity from renewable sources in the total energy mix	%		30.40		30.00		31.60	
EMISSIONS								
Scope 1	tCO2e		143.60		199.70		218.40	
Scope 2	tCO2e		2,107.50		2,479.90		2,335.00	
Total Scope 1+2	tCO2e		2,251.20		2,679.60		2,553.50	
Emissions intensity / unit of product	tCO2e/MVA		0.15		0.18		0.16	
Emissions intensity / unit of revenue	tCO2e/mil EUR		11.91		10.55		7.47	
WATER								
Total water consumption	m³		10,206.67		13,559.97		20,484.58	
Intensity / unit of product	m³/MVA		0.68		0.89		1.25	
Intensity / unit of revenue	m³/mil. EUR		54		53.40		59.90	
WASTE								
Shavings and filings containing iron	t	%	1,086.18	50.18%	1,048.75	46.73%	965.72	44.25%
Wood	t	%	312.18	14.42%	390.09	17,38%	381.73	17.49%
Shavings and shavings of non-ferrous metals	t	%	148.85	6.88%	170.64	7.60%	181.62	8.32%
Sawdust, cutting residues	t	%	135.18	6.25%	136.79	6.09%	135.74	6.22%
Paper and cardboard packaging	t	%	98.26	4.54%	113.45	5.05%	124.05	5.68%
Iron	t	%	71.94	3.32%	71.80	3.20%	80.02	3.67%
Mixed packaging	t	%	57.72	2.67%	61.98	2.76%	61.12	2.80%
Plastic	t	%	31.22	1.44%	39.36	1.75%	46.66	2.14%
Plastic packaging	t	%	27.62	1.28%	23.06	1.03%	39.42	1.81%
Other non-hazardous waste recovered	t	%	2.57	0.12%	4.54	0.20%	3.28	0.15%
Other non-hazardous waste not recovered	t	%	5.31	0.25%	3.35	0.15%	3.25	0.15%
Total non-hazardous waste (I)	t	%	1,977.02	91.33%	2,063.80	91.95%	2,022.61	92.67%
Non-chlorinated oils	t	%	99.61	4.60%	81.07	3.61%	75.66	3.47%
Oily water	t	%	58.77	2.72%	66.52	2.96%	45.55	2.09%
Absorbents	t	%	21.33	0.99%	24.59	1.10%	28.97	1.33%
Sludge from the separator	t	%	1.80	0.08%	4.40	0.20%	4.90	0.22%
Packaging with residues of dangerous substances	t	%	4.83	0.22%	3.51	0.16%	3.97	0.18%
Other hazardous waste not recovered	t	%	0.97	0.04%	0.42	0.02%	0.53	0.02%
Other hazardous waste recovered	t	%	0.28	0.01%	0.12	0.01%	0.32	0.01%
Total hazardous waste (II)	t	%	187.58	8.67%	180.62	8.05%	159.89	7.33%
Total waste (I+II)	t	%	2,164.60	100%	2,244.42	100%	2,182.49	100%





Indicator	Unit		2021		2022		2023	
DISPOSAL METHODS								
NON-HAZARDOUS WASTE								
Recovery (I)	t	%	1,971.72	91.09%	2,060.45	91.80%	2,019.36	92.53%
Disposal (II)	t	%	5.31	0.25%	3.35	0.15%	3.25	0.15%
HAZARDOUS WASTE								
Recovery (III)	t	%	0.28	0.01%	0.12	0.01%	0.32	0.01%
Disposal (IV)	t	%	187.30	8.65%	180.50	8.04%	159.57	7.31%
TOTAL recovery (I+III)	t	%	1,972.00	91.10%	2,060.57	91.81%	2,019.68	92.54%
TOTAL disposal (II+IV)	t	%	192.60	8.90%	183.85	8.19%	162.81	7.46%
INPUT MATERIALS								
STRATEGIC MATERIALS								
Transformer sheet	t		11,570		18,834		11,878	
Insulating liquid	t		6,158		6,568		6,778	
Carbon steel - boilers/clamps	t		4,471		4,476		5,401	
Carbon steel - coolers	t		879		813		885	
Copper	t		3,788		4,783		4,769	
Aluminum	t		2,175		2,368		2,775	
Solid insulation	t		547		750		777	
Other	t		3,982		2,596		2,114	
Total	t		33,570		41,188		35,377	
CONFLICT METALS AND MINERALS								
Tin	t		n/a		n/a		0.29	
PACKAGING MATERIALS								
Plastic	t		26.54		22.25		40.92	
Paper and cardboard	t		94.91		106.59		117.03	
Wood - input	t		311.47		381.24		410.44	
Wood - produced	t		15.67		14.62		12.83	
Total	t		448.59		524.70		581.22	
EMPLOYEES								
Total number of employees	Number		678		744		766	
< 30 years	No. m	No. f	99	12	116	16	111	15
30-50 years	No. m	No. f	380	103	410	114	436	114
> 50 years	No. m	No. f	61	23	63	25	65	25
Permanent contracts	%		98.67%		97.45%		99.09%	
Total annual turnover rate	%		2.6%		3.0%		3.3%	
Annual rate of unexpected turnover	%		0.8%		1.9%		1.85%	
Annual rate of expected turnover	%		1.8%		1.1%		1.45%	
Employees structure according to education level								
University education	%		34%		33%		33%	
College and undergraduate education	%		4%		5%		5%	
High school	%		56%		56%		56%	
Vocational schools	%		3%		4%		4%	
Trained workers with primary school education	%		3%		2%		2%	
Representation of women								
Total number of employed women	Number	%	138	20.35%	155	20.83%	155	20.23%
Women in management	%		27%		27%		27%	
Women on Board of directors	Number	%	1	20%	1	20%	1	20%
Women in the Supervisory board	Number	%	1	20%	1	20%	1	20%
Internship and practice								
Students	Number	%	33	4.87%	37	4.97%	34	4.43%
Professional practice	Number	%	16	2.35%	21	2.82%	22	2.87%
Interns	Number	%	5	0.74%	6	0.80%	4	0.52%
Total	Number	%	54	7.96%	64	8.59%	60	7.82%

Indicator	Unit	2021	2022	2023
<b>PARENTAL LEAVE</b>				
Return to work rate following parental leave	%	100%	100%	100%
Retention rate of employees that used the parental leave	%	100%	100%	100%
<b>INJURIES AT WORK</b>				
Medical treatment provided (MT)	Number	10	8	8
Number of work-related fatalities (FT)	Number	0	0	0
Restricted work cases (RW)	Number	0	0	0
Lost time (LT)	Number	10	8	8
Total number of lost hours	Number	4,656	3,312	5,064
Total number of lost days	Number	582	414	633
Lost time incident rate (LTIR)	Number	7.04	5.17	6.9
Total recordable incident rate (TRIR)	Number	14.09	10.34	10.04
Prohibitions by labor inspection – OHS (Rs)	Number	0	0	0
<b>Nonconformities</b>				
Procedures	Number	14	8	5
Documentation	Number	12	18	6
Workspace	Number	12	12	12
Potentially hazardous situations	Number	10	6	8
<b>Total</b>	<b>Number</b>	<b>48</b>	<b>44</b>	<b>31</b>
<b>KNOWLEDGE AND SKILLS DEVELOPMENT</b>				
Percentage of employees included in education programs	%	56%	58%	92%
<b>Total hours of education</b>	<b>Number</b>	<b>17,100</b>	<b>20,700</b>	<b>20,333</b>
Average hours education per employee	Number	45	48	40
Hours education - management	Number	Average pp n/a	n/a	n/a
Hours education - employees	Number	Average pp n/a	n/a	n/a
<b>COOPERATION WITH ACADEMIA</b>				
Number of published articles and papers	Number	13	13	13
Number of doctoral students	Number	2	1	0
Number of completed doctoral dissertations	Number	1	1	0
Number of collaborators in higher education teaching	Number	2	2	2
<b>STIPEND&amp;ST-s (SCHOLARS)</b>				
<b>Total number of scholarships</b>	<b>Number</b>	<b>7</b>	<b>3</b>	<b>10</b>
Faculty of Electrical Engineering and Computing, Zagreb (FER)	Number	2	1	4
Faculty of Mechanical Engineering and Naval Architecture, Zagreb (FSB)	Number	5	-	6
Faculty of Electrical Engineering, Computing, and Information Technology, Osijek (FERIT)	Number	-	2	-
Number of employed scholars	Number	0	7	0



Policy / Regulation	Accessibility
<a href="#">Risk management policy</a>	<a href="#">Public</a>
<a href="#">Environmental protection and occupational health and safety policy</a>	<a href="#">Public</a>
Regulation on the disposal of all types of waste from the technological process	Internal
Conflict Minerals Management	Internal
<a href="#">Corporate Governance Code</a>	<a href="#">Public</a> (Croatian)
<a href="#">Regulation on the procedure for internal reporting of breaches and appointment of the facilitator</a>	<a href="#">Public</a>
<a href="#">Code of business conduct</a>	<a href="#">Public</a>
Human rights protection policy	(part of the Code of business conduct)
Diversity and inclusion policy	(part of the Code of business conduct)
Anti-corruption Policy	(part of the Code of business conduct)
Conflict of interest prevention policy	(part of the Code of business conduct)
Policies and procedures for approving and disclosing transactions with related parties	(part of the Code of business conduct)
<a href="#">Statement on the prevention of slavery and human trafficking</a>	<a href="#">Public</a>
Employment regulations	Internal
Recruitment regulations	Internal
<a href="#">Remuneration policy</a>	<a href="#">Public</a>
Salary, reward, and promotion regulations	Internal
Employee onboarding regulations	Internal
Employee monitoring and annual training regulation	Internal
Business trips and fieldwork regulation on	Internal
Regulation on postgraduate and graduate studies and their funding	Internal
Student internships regulation	Internal
Ethical procurement and professional conduct in procurement processes	Internal
Supplier code of conduct	Internal
Information security regulation	Internal
Personal data protection	Internal
<a href="#">Personal data protection policy for business partners</a>	<a href="#">Public</a>
<a href="#">Privacy policy</a>	<a href="#">Public</a>

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2-13	Delegation of responsibility for managing impacts	2.1. Sustainability at KONČAR – D&ST	28, 29	
2-14	Role of the highest governance body in sustainability reporting	2.1. Sustainability at KONČAR – D&ST	29	
2-15	Conflicts of interest	1.4. Corporate governance	17	
2-16	Communication of critical concerns	2.4. Stakeholders and material topics	33	
2-17	Collective knowledge of the highest governance body	2.1. Sustainability at KONČAR – D&ST	29	
2-18	Evaluation of the performance of the highest governance body	1.4. Corporate governance	14, 17	
2-19	Remuneration policies	4.2. Diversity and equal opportunities	62	
2-20	Process to determine remuneration	4.2. Diversity and equal opportunities	62	
2-21	Annual total compensation ratio	/	/	The information about the total annual compensation for the highest-paid employee in the organization is confidential.
<b>Strategy, policies and practices</b>				
2-22	Statement on sustainable development strategy	CEO's opening remarks	3	
		2.2. Sustainability Strategy 2024-2026: towards net-zero transition	29, 30	
2-23	Policy commitments	2.1. Sustainability at KONČAR – D&ST	28, 29	
		5.3. Human rights	77, 78	
2-24	Embedding policy commitments	2.1. Sustainability at KONČAR – D&ST	28, 29	
2-25	Processes to remediate negative impacts	2.4. Stakeholders and material topics	32, 33	
		4.2. Diversity and equal opportunities	66, 67	
2-26	Mechanisms for seeking advice and raising concerns	5.4. Complaints mechanisms	78, 79	
2-27	Compliance with laws and regulations	5.1. Ethics and compliance	75, 76	In 2023, no financial or non-financial penalties were imposed due to non-compliance with laws or regulations.
2-28	Membership associations	1.7. Memberships in associations	25	
<b>Stakeholder engagement</b>				
2-29	Approach to stakeholder engagement	2.4. Stakeholders and material topics	32, 33	
2-30	Collective bargaining agreements	/	/	Currently, there is no collective bargaining agreement in place at KONČAR – D&ST.
<b>Material topics</b>				
3-1	Process to determine material topics	2.4. Stakeholders and material topics	34	
3-2	List of material topics	2.4. Stakeholders and material topics	34	
3-3	Management of material topics	The description of material topic management is located at the beginning of each thematic chapter.		





GRI	Disclosure	Chapter/topic	Page	Comment
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	1.3. Business performance results	12, 13	
		6.3. Community investments	89	
GRI 204: Procurement Practices 2016				
204-1	Proportion of spending on local suppliers	5.6. Sustainability in the supply chain	80	
GRI 205: Anti-corruption 2016				
205-2	Communication and training about anti-corruption policies and procedures	5.2. Anti-corruption	77	In 2023, there were no confirmed cases of corruption.
205-3	Confirmed incidents of corruption and actions taken	5.4. Complaints mechanisms	77	
GRI 301: Materials 2016				
301-1	Materials used by weight or volume	3.4. Circular economy	46, 47	
301-2	Recycled input materials used	3.4. Circular economy	47	
GRI 302: Energy 2016				
302-1	Energy consumption within the organization	3.2. Energy and emissions	39	
302-3	Energy intensity	3.2. Energy and emissions	39	
302-4	Reduction of energy consumption	3.2. Energy and emissions	39	
302-5	Reductions in energy requirements of products and services	3.2. Energy and emissions	40	
		3.5. Products with a reduced environmental impact	48, 49	
GRI 303: Water and Effluents 2018				
303-1	Interactions with water as a shared resource	3.3. Water	41	
303-5	Water consumption	3.3. Water	41	
GRI 305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	3.2. Energy and emissions	41	
305-2	Energy indirect (Scope 2) GHG emissions	3.2. Energy and emissions	41	
305-4	GHG emissions intensity	3.2. Energy and emissions	41	
305-5	Reduction of GHG emissions	3.2. Energy and emissions	40, 41	
		3.5. Products with a reduced environmental impact	48, 49	
GRI 306: Effluents and Waste 2020				
306-1	Waste generation and significant waste-related impacts	3.4. Circular economy	42	
306-2	Management of significant waste-related impacts	3.4. Circular economy	43	
306-3	Waste generated	3.4. Circular economy	43, 45	
306-4	Waste diverted from disposal	3.4. Circular economy	43, 45	
306-5	Waste directed to disposal	3.4. Circular economy	43, 45	
GRI 307: Environmental Compliance 2016				
307-1	Non-compliance with environmental laws and regulations	5.1. Ethics and compliance	76	In 2023, there were no instances of non-compliance with environmental laws and regulations.
GRI 308: Supplier Environmental Assessment 2016				
308-1	New suppliers that were screened using environmental criteria	5.6. Sustainability in the supply chain	80, 81	Partial disclosure; a detailed analysis of the value chain will be conducted by the end of the strategic period.
GRI 401: Employment 2016				
401-1	New employee hires and employee turnover	4.1. Our employees	60	
401-2	Benefits provided to full-time employees that are not provided to temporary or parttime employees	4.5. Benefits for employees	73	
401-3	Parental leave	4.2. Diversity and equal opportunities	64	

GRI	Disclosure	Chapter/topic	Page	Comment
GRI 403: Occupational Health and Safety 2018				
403-1	Occupational health and safety management system	4.3. Health and safety at work	68	
403-2	Hazard identification, risk assessment, and incident investigation	4.3. Health and safety at work	69, 70	
403-3	Occupational health services	4.3. Health and safety at work	69	
		4.5. Benefits for employees	73	
403-4	Worker participation, consultation, and communication on occupational health and safety	4.3. Health and safety at work	68, 69, 70	
403-5	Worker training on occupational health and safety	4.3. Health and safety at work	70	
403-6	Promotion of worker health	4.5. Benefits for employees	73	
403-9	Work-related injuries	4.3. Health and safety at work	69	
GRI 404: Training and Education 2016				
404-1	Average hours of training per year per employee	4.4. Knowledge and skills development	71	
404-2	Programs for upgrading employee skills and transition assistance programs	4.4. Knowledge and skills development	71,72	
GRI 405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	4.2. Diversity and equal opportunities	63	
GRI 406: Non-discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	5.4. Complaints mechanisms	78	In 2023, there were no confirmed cases of discrimination.
GRI 408: Child Labor 2016				
408-1	Operations and suppliers at significant risk for incidents of child labor	5.3. Human rights	77, 78	Partial disclosure; a detailed analysis of the value chain will be conducted by the end of the strategic period.
		5.6. Sustainability in the supply chain	80, 81	
GRI 409: Forced or Compulsory Labor 2016				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	5.3. Human rights	77, 78	Partial disclosure; a detailed analysis of the value chain will be conducted by the end of the strategic period.
		5.6. Sustainability in the supply chain	80, 81	
GRI 414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	5.6. Sustainability in the supply chain	80, 81	Partial disclosure; a detailed analysis of the value chain will be conducted by the end of the strategic period.
GRI 418: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	5.5. Information security and data protection	79	In 2023, there were no complaints regarding breaches of customer privacy and losses of customer data.
GRI 419: Socioeconomic compliance 2016				
419-1	Non-compliance with laws and regulations in the social and economic area	5.1. Ethics and compliance	76	In 2023, there were no instances of non-compliance with laws and regulations in the social and economic areas.



## List of abbreviations

3TG	Conflict minerals Tin, Tungsten, Tantalum, Gold
CapEx	Capital Expenditure
CATIA	Computer Aided Three-dimensional Interactive Application
CDP	Carbon Disclosure Project
CFP	Carbon Footprint of Products
CSRD	Corporate Sustainability Reporting Directive
CSO	Chief Sustainability Officer
eNPS	Employer Net Promoter Score
EPD	Environmental Product Declaration
ERM	Enterprise Risk Management
ESI	Employee Satisfaction Index
ESG	Environment, Social, Governance
ESRS	European Sustainability Reporting Standards
FER	Faculty of Electrical Engineering and Computing, Zagreb
PVP	Photovoltaic plant
GRI	Global Reporting Initiative
HANFA	Croatian Financial Services Supervisory Agency
HGK	Croatian Chamber of Economy
HR PSOR	Croatian Business Council for Sustainable Development
LCA	Life-Cycle Assessment
LTIR	Long Term Injured Reserve
OpEx	Operating Expense
PC DT	Profit center for distribution and special transformers
PC SET	Profit center for medium power transformers
RMP	Raw Material Passport
SDGs	Sustainable Development Goals
SBTi	Science Based Targets initiative
TRIR	Total Recordable Incident Rate
UNGC	UN Global Compact
UVDB	Utilities Vendor Database Service
ZelEN	HEP product that guarantees electricity from renewable sources
OHS	Occupational health and safety

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