



tradition.  
knowledge.  
responsibility.



**KONČAR**

Corporate Social Responsibility Report 2013





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## ACRONYMS

Used in the text

Group	KONČAR - Electrical Industry Inc., subsidiaries and affiliated companies
KONČAR Inc.	KONČAR - Electrical Industry Inc.
Parent Company	KONČAR - Electrical Industry Inc.
HEP	Croatian Electricity Company
CPF	Croatian Privatisation Fund
GAMA	Government Asset Management Agency
PBZ	Privredna banka Zagreb
HRK	Croatian Kuna
HPB	Hrvatska poštanska banka

I GENERAL STANDARD DISCLOSURES

**KONČAR** Electrical Industry Group



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## STRATEGY AND ANALYSIS

### Foreword by the Chairman of the Board



During a demanding and much uncertain 2013, the corporate social responsibility principle was embedded in everyday activities and all business segments.

Social responsibility relies on human potential as a basis of company development, facilitates KONČAR in building its reputation and motivates employees to contribute to company's business development. The system of values in which the culture of work, creation and excellence takes an increasingly higher position in our societies.

Even during the gravest operating circumstances, we have prioritized our employees as an inevitable assumption for company's survival and further efficiency. Employing young and professional people, their permanent education and training in required knowledge and skills as well as other activities aimed at enhancing production processes have contributed to good business results, satisfied employees and empowered corporate culture.

Our cooperation with the community has been enriched by new activities every year. The priority is placed on fostering excellence in all segments and ages. Our commitment to investing into the young has proved beneficial not only for KONČAR but also for a wider community by means of awarding grants to pupils and students, promoting research and professional activities carried out by the young and encouraging cultural, sport and other creations as well as quality free time.

We help those who need help the most in their everyday lives or extraordinary situations. We do not neglect social and humanitarian activities - not only in material terms but also through our work, encouragement and organization of volunteering activities.

KONČAR has set environmental management as one of its business priorities. The result is visible in customer satisfaction as well as a large number of certificates proving the Company's compliance with the most significant standards. Our products are important for the life of people as well as energy and transport. Product quality, safety and functionality is achieved without major adverse environmental effects and disturbing the natural balance, which we deem very important.

For keeping in line with world reporting on social responsibility, we have followed the latest G4 reporting guidelines set by the Global Reporting Initiative, the organization which had published our reports on its web pages. We hope this will aid our partners worldwide in easier recognition of the subject of our reports. Similar to previous years, this report has also indicated points regarding the Global Compact principles, thus consolidating it. Proud of everything done during last year, we are sure to continue further implementation of these as well as new activities thus proving the entire scope of our socially responsible behaviour.

Chairman of the Board  
Darinko Bago

A handwritten signature in blue ink, appearing to be 'D. Bago', written over a light blue circular stamp.

## ORGANIZATIONAL PROFILE

The 2013 Corporate Social Responsibility Report was prepared by KONČAR Group consisting of KONČAR - Electrical Industry Inc. as the parent company and 20 dependent companies in which the Parent has a controlling interest (more than 50% of votes in the General Assembly). This report presents a brief overview of efforts that served as a vehicle for KONČAR Group towards ensuring sustainability in all elements of its operations.

KONČAR Group commits to a continuous improvement of its to-date practices and monitoring the progress of all its dependent companies within the Group as well as stakeholder relationship of which it will inform the public in its next report.

Companies within the Group operate under the KONČAR name by adding its own, company name. The head office of the Group's parent company (KONČAR - Electrical Industry Inc.) is in Zagreb, at the address of Fallerovo šetalište 22. Apart from doing business domestically, KONČAR Group also operates abroad through its three representative offices: in Moscow (Russian Federation), in Mostar (Bosnia and Herzegovina) and in Belgrade (Serbia). The Group respects social responsibility principles and the Code of Ethics in its operations in all above stated countries.

### BUSINESS ACTIVITIES OF KONČAR GROUP HAVE BEEN DIVIDED INTO THE FOLLOWING BUSINESS AREAS:

**Energy and Transport:** design and construction of power generation, transmission and distribution facilities and accompanying equipment, thyristor locomotives, trams, trains and electric equipment for stable electric traction installations,

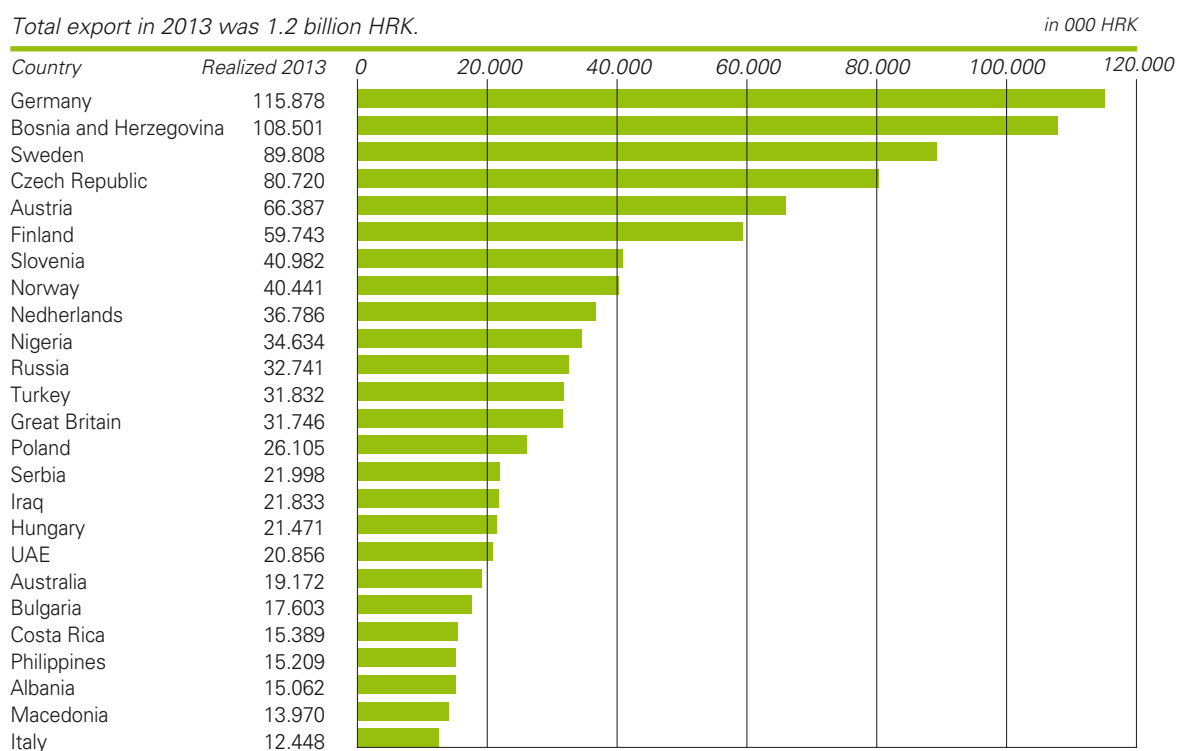
**Industry:** electromotor drives, medium- and low- voltage electric equipment and catering equipment,

**Trade:** electric household appliances, off-the-shelf products and low-voltage devices,

**Special activities:** product research and development and infrastructural services.

The income from sales on the domestic market was recorded in the amount of HRK 1,248.8 million (50%) or 1.8% more compared to the previous year. The income from the sale of product and services abroad was recorded in the amount of HRK 1,225.4 million (50% of total sales), which is equal to export figures recorded in 2012. The most important export markets are the following:

**TABLE 1 - THE MOST IMPORTANT KONČAR GROUP'S EXPORT MARKETS IN 2013**



## Nature of Ownership and Legal Form

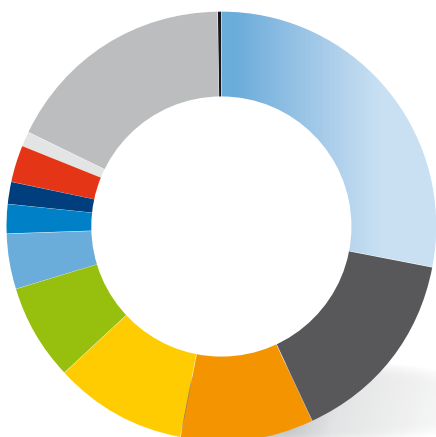
The shares of KONČAR - Electrical Industry Inc. have been quoted in the Official Market of the Zagreb Stock-Exchange. The shares are recognisable under their KOEI-R-A ticker. According to positive regulations, the Company ensures a regular access to information regarding its operations and activities as well as facts and circumstances which might affect the price of shares (price-sensitive information).

The company's shareholders' equity amounts to HRK 1,028,847,600.00 and comprises a total of 2,572,119 common shares with a par value of HRK 400,00 each.

Total turnover recorded by trading KONČAR shares amounted to HRK 120.2 million i.e. 1.1% more than the turnover recorded in 2012. The number of shares traded was 161,810 (21.8% more compared to 2012).

TABLE 2 - OWNERSHIP STRUCTURE IN 2013

Shareholder	31 December 2013		31 December 2012	
	No. of shares	Ownership stake	No. of shares	Ownership stake
HPB d.d. (Kapitalni fond d.d.)	724,515	28.17	724,515	28.17
GAMA/CPII	384,628	14.95	384,628	14.95
GAMA/Republic of Croatia	260,280	10.12	260,280	10.12
Hypo-Alpe-Adria-Bank d.d. / PBZ Croatia Osiguranje	257,117	10.00	164,777	6.41
Societe Generale - Splitska banka d.d. / Erste Plavi obvezni mirovinski fond	184,189	7.16	184,189	7.16
Societe Generale - Splitska banka d.d. / AZ Obvezni mirovinski fond	106,438	4.14	106,438	4.14
Floričić Kristijan	60,714	2.36	85,714	3.33
Linteum savjetovanje	39,791	1.55	139,791	5.43
PBZ d.d. / custodian account	69,731	2.71	32,124	1.25
Hypo-Alpe-Adria-Bank d.d. / RBA OMF	33,213	1.29	35,250	1.37
Other shareholders	447,003	17.38	453,749	17.64
KONČAR d.d. / treasury stock	4,500	0.17	664	0.03
<b>Total</b>	<b>2,572,119</b>	<b>100.00</b>	<b>2,572,119</b>	<b>100.00</b>



## Scale of Organization

On 31 December 2013, KONČAR Group had 3782 employees including 25 PhDs and 62 Masters degrees. The average age of the employee in KONČAR in 2013 was 45. The average age of the newly-employed in 2013 was 30, the same as in 2012. The trend of employing younger highly educated workers graduated from the Faculty of Electrical Engineering and Computing was prevailing.

## ORGANIZATIONAL STRUCTURE

Companies within KONČAR Group are divided into the following business areas:

### KONČAR - Electrical Industry Inc.

ENERGY AND TRANSPORT	INDUSTRY AND TRADE	SPECIAL ACTIVITIES	COMPANIES ABROAD
POWER PLANT AND EL. TRACTION ENGINEERING	HOUSEHOLD APPLIANCES	ELECTRICAL ENGINEERING INSTITUTE	SWITZERLAND
GENERATORS AND MOTORS	CATERING EQUIPMENT	INFRASTRUCTURE AND SERVICES	<b>REPRESENTATIVE OFFICES</b>
HIGH VOLTAGE SWITCHGEAR	TOOLS		RUSSIAN FEDERATION
MEDIUM VOLTAGE APPARATUS	SMALL ELECTRICAL MACHINES		BOSNIA AND HERZEGOVINA
SWITCHGEAR	LOW VOLTAGE SWITCH. AND CIRCUIT BREAKERS		SERBIA
DISTRIBUTION AND SPECIAL TRANSFORMERS			<b>ASSOCIATED COMPANIES</b>
INSTRUMENT TRANSFORMERS			POWER TRANSFORMERS
ELECTRONICS AND INFORMATICS			
METAL STRUCTURES			
ELECTRIC VEHICLES			
ENG. FOR PLANT INSTALLATION & COMMISSIONING			
RENEWABLE SOURCES			

During the reporting period there were no significant changes in the company's size, organization, ownership nor its supply chain. In light of the restructuring process in the companies operating at a loss (KONČAR - Household Appliances, KONČAR - Tools, KONČAR - Catering Equipment), the number of the employed was reduced along with hiring 170 new workers in the companies operating as part of the Group's core activity, primarily the young and the educated.

The production hall for medium energy transformers and the high voltage laboratory essential for further production-sales activities were opened in KONČAR - Distribution and Special Transformers. Wind turbines at the Pometeno brdo windfarm site, as part of KONČAR - Renewable Sources Ltd., were put into commercial operation.



## Structure of Employees

The structure of KONČAR employees is predominantly male. All employees (100 percent) are encompassed by the Collective Agreement. According to employment type, full-time employees are dominant (minimum of 9 months per year and 30 hours a week), while only a small number is employed part-time. There have not been any significant changes in the number of the employed (such as seasonal fluctuations in tourism or agriculture) nor has a significant portion of works been carried out by workers who are legally deemed self-employed.

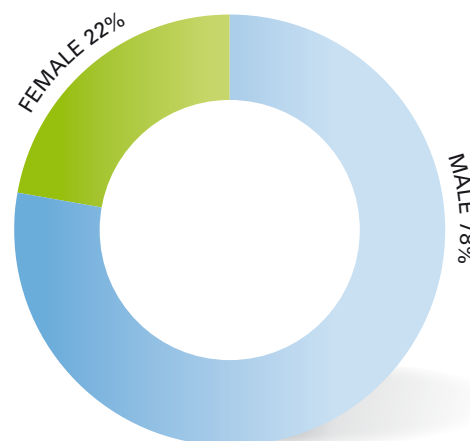
**TABLE 3 - TOTAL NUMBER OF THE EMPLOYED BY THE TYPE OF EMPLOYMENT CONTRACT AND GENDER**

Gender	Contracts					Total
	fixed-term	indefinite term	internship	regarding rights, obligations and salary	regarding special rights, obligations and salary	
M	202	2542	33	154	6	2937
F	32	775	7	31	0	845
Total	234	3317	40	185	6	3782

**TABLE 4 - TOTAL NUMBER OF THE EMPLOYED BY REGION AND GENDER**

	Total	M	F
Croatia	3782	2937	845
B&H	2	1	1
Serbia	1	0	1

**EMPLOYMENT BY SEX**



## Supply Chain

Numerous suppliers for a number of materials, components and services are involved in the process of creating products and services in KONČAR. Out of annual procurement value of about HRK 1.4 billion, more than 50% is procured abroad, primarily in Europe. KONČAR's suppliers come from 30 countries worldwide.

Despite own range of product and services in some companies, main groups of materials include copper wires, copper sheets, steel sheets, dynamo sheets, steel structures, bearings, paints, plastic, joining material, lubricants and others. Numerous semi-fabricated products and components to be mounted into finished products and facilities are also procured. KONČAR companies have established a good individual business relationship with their suppliers often entering into contracts on business cooperation and procurement for the appropriate period.

Copper materials and steel sheets are regularly procured on commodity exchanges as well. Apart from procuring goods from a manufacturer directly, a minor procurement portion is also conducted via wholesalers.

The construction of energy facilities is an activity which may contain environmental risks. Decisions regarding the site and construction of a facility are made by investors who must comply with relevant regulations and environmental standards. Tenders for equipment procurement are then announced with KONČAR as a potential equipment supplier. KONČAR's products meet the highest standards of equipment safety with a minimum environmental effect. There have been no complaints nor incidents so far. Being aware of the environmental risk resulting from equipment installation, KONČAR implements the precautionary principle. This is especially important if one takes into consideration that our products and plants are often delivered to areas of large biodiversity (rivers, lakes and rural areas). Our products have not caused any registered biodiversity disturbances.

## MEMBERSHIPS IN ASSOCIATIONS AND AND INDUSTRY ORGANIZATIONS

**Aiming at achieving broader social interests, KONČAR has become a member of:**

- Global Compact - International Agreement within the United Nations;
- Association for Socially Responsible Business Operations within the Croatian Chamber of Commerce.

**KONČAR, acting as the Group, its individual companies or individual employees are members of the following organizations domestically or abroad:**

- CIGRÉ (International Council on Large Electric Systems);
- International Council for Distribution Systems (CIRED);
- IEEE (Institute of Electrical and Electronics Engineers);
- Croatian Academy of Engineering;
- Croatian Exporters;
- Croatian Chamber of Commerce;
- Innovative Work Community;
- Renewable Sources Community;
- Community of Railcars;
- Croatian Innovators' Association;
- Croatian Chamber of Architects and Engineers in Construction Industry;
- Society of Engineers and Technicians of Croatian Railways;
- International Electrotechnical Commission (IEC);
- MIPRO (Croatian Association for Information and Communication Technology, Electronics and Microelectronics);
- Croatian Institute for Standards;
- Electrical Engineering Society of Zagreb;
- Croatian Association of Professionals in Nature and Environmental Protection;
- Croatian Association of Infrared Thermography;
- International Institute of Welding;
- Croatian Society for Quality;
- European Company Lawyers Association;
- Association of Corporate Lawyers;
- Association of Lawyers in Economics;
- Croatian Association of Auditors;
- Croatian Community of Accounting and Financial.

KONČAR is a founder as well as an active member of many associations and organisations, primarily in the areas associated with KONČAR's production and business activities or with a view to cover broader community interests. KONČAR's experts participate in professional conferences domestically and abroad every year by presenting KONČAR's works, solutions and products. One form of its engagement into the work of different organizations is by sponsoring and taking active participation in the preparation and organization of conferences in Croatia and abroad. KONČAR thus directly facilitates activities of professional organizations, considering them an important venue for advancing its own knowledge base while exchanging experiences with other domestic and international experts.

### **Awards and Recognitions received in 2013**

The Golden Kuna Award for business excellence and economic contribution in 2012 was awarded to KONČAR - Instrument Transformers by the Croatian Chamber of Commerce in the category of medium-sized companies.

At the formal session of the Economic Council of the Zagreb Chamber, held on December 17, the Golden Kuna plaque of the Zagreb Chamber was awarded to KONČAR - Power Transformers in the category of Zagreb-based large companies.

At the eight convention of the Croatian Exporters, held in Zagreb on May 21, the Golden Key was awarded to KONČAR - Generators and Motors for the best exporter to Turkey in the category of 14 largest Croatian export markets.

At the 11th international exhibition of innovations, new ideas, products and technologies - ARCA 2013 - the ARCA gold medal was awarded to 'Voltage Power Transformer' by a group of authors from KONČAR - Instrument Transformers. The ARCA gold medal and the IFIA Cup, the highest recognitions awarded by the International Federation of Inventors' Associations, were awarded to 'Black Box for Electrical Machines' by a group of authors from KONČAR - Electrical Engineering Institute and KONČAR - Generators and Motors.



At the formal celebration of the 20<sup>th</sup> anniversary of the Croatian Academy of Engineering and the 28th Annual Assembly of the Academy, held on May 21 in the Mimara Museum in Zagreb, Ante Elez, D.Sc., a head of the Monitoring Department at the Rotating Machines Department of KONČAR - Electrical Engineering Institute, was awarded the 'Vera Johanides' prize for a young scientist under 35 with a defended doctoral dissertation and a noted personal scientific or professional progress or exceptional contribution to the area of his/her research achieved in the last five years.

On the occasion of the 135<sup>th</sup> anniversary of the Croatian Engineering Association, at the session held under the auspices of Ivo Josipović, the President of the Republic of Croatia, KONČAR - Electrical Industry Inc. was awarded the Recognition as the largest exporter of technical equipment and a hub of highly expert engineers in practice in the Republic of Croatia.

On the occasion of the Croatian Independence Day, on October 9, Ivo Josipović, the Croatian President awarded KONČAR - Electrical Engineering Institute the Charter for an exceptional contribution to scientific, economic and social development of Croatia.

As part of the CSR Conference, held on April 25 in Zagreb in the organization of the Croatian Business Council for Sustainable Development, the European CSR Award for partnership, innovation and impact for the purpose of awarding best innovative partnership practices between economic and non-profit organizations was awarded for the first time to KONČAR - Electrical Engineering Institute in the category of small and medium-sized companies for a successfully completed project titled 'Innovation through Application of Science' (PRIZNADI). For the fourth time, the Institute was awarded another valuable recognition at the Conference - the Croatian annual CSR Index Award for 2012 in the category of medium-sized companies for best implementation of socially responsible practices in its operations.

On September 19, the Croatian Mediation Association formally marked its tenth anniversary in Zagreb. Legal and physical entities were awarded recognitions and certificates of appreciation for their contribution to the development of mediation in Croatia i.e. for their engagement in the Association. Among others, recognitions were awarded to KONČAR - Electrical Industry and Marina Kralj Miliša, a member of KONČAR Management Board, as well as to Aida Marijan, Director of Legal Affairs in KONČAR, both educated and coach mediators.

Professor Stjepan Car, Sc.D., the CEO of KONČAR - Electrical Engineering Institute was awarded by the Croatian Energy Institute 'Hrvoje Požar' for his professional and scientific contribution to the development of the energy related field.

At the 14<sup>th</sup> regular assembly of HRO CIGRÉ, held in November in Cavtat, the following members were awarded Plaquettes for their long-standing successful work at HRO CIGRÉ : Antun Mikulecky, D.Sc from KONČAR - Electrical Engineering Institute and Boris Ferček from KONČAR - High Voltage Switchgear, while Radovan Milošević, D.Sc. and Krešimir Meštrović, D.Sc. (until recently employed by KONČAR) were awarded Recognitions for their life-long work in creating and operation of HRO CIGRÉ.



## IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

TABLE 5 - LIST OF ENTITIES INCLUDED IN THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

	subscribed capital total	parent's subscribed capital	management of the parent 31 dec 2013	ownership of the parent 31 dec 2013
<b>Dependent Companies</b>	in HRK	in HRK	%	%
Power Plant & El. Traction Engineering	50,577,000	50,577,000	100.00	100.00
Generators and Motors	64,756,620	64,756,620	100.00	100.00
High Voltage Switchgear	30,835,140	30,060,030	98.23	97.49
Medium Voltage Apparatus	19,679,700	8,220,000	69.87	41.77
Switchgear	29,018,600	20,321,470	81.70	70.03
Distribution & Special Transformers	76,684,800	39,655,200	67.80	51.71
Instrument Transformers	18,989,100	8,747,100	72.35	46.06
Electronics and Informatics	37,126,800	27,857,700	75.03	75.03
Metal Structures	24,645,600	18,486,600	75.01	75.01
Electric Vehicles	47,026,800	35,288,700	75.04	75.04
Renewable Sources	103,379,400	103,379,400	100.00	100.00
Plant Installation And Commissioning	11,827,500	5,288,100	79.05	44.71
Small Electrical Machines	41,641,800	41,641,800	100.00	100.00
Tools	1,572,100	1,572,100	100.00	100.00
Catering Equipment	25,447,800	25,447,800	100.00	100.00
Household Appliances	63,938,900	63,938,900	100.00	100.00
LV Switches and Circuit Breakers	60,499,300	60,499,300	100.00	100.00
Electrical Engineering Institute	40,763,520	40,763,520	100.00	100.00
Infrastructure and Services	49,891,600	49,891,600	100.00	100.00
Kones AG	3,115,879	3,115,879	100.00	100.00
<b>Affiliated Company</b>				
Power Transformers	72,764,000	35,654,400	49.00	49.00

In making this report, KONČAR Group has taken care of representing economic, environmental and social dimensions with an equal number of aspects in view of their equal importance for Group's business operations and functioning as a whole.

The economic dimension of the report encompasses all four aspects with at least one indicator. Apart from the Corporate Social Responsibility Report developed according to GRI G4 guidelines and Global Compact principles, KONČAR Group also publishes the annual Business Report with detailed financial results and indicators available at [www.koncar.com](http://www.koncar.com).

The environmental dimension is of utmost importance to KONČAR Group in view of its power generation, transmission and distribution equipment being often installed directly into the environment. The aspects regarding water, energy, materials, biodiversity, compliance and environmental grievance mechanisms have been described in this report with more detail.

The choice of aspects and areas discussed in this report are connected with the production character and company operations. In line with the operational importance and specificities of the Group and its daughter companies, only those topics significant for the area of operations are discussed.

Special attention has been paid to human rights and labour practices and decent work subcategories within the social dimension. Society and Product Responsibility subcategories have become a part of everyday employee practice.

All the above stated material aspects form a part of the Report. KONČAR Group commits to corporate social responsibility reporting in the following period as well as expanding material aspects in line with its activities in all three dimensions.

In the reporting period from January 1 to December 31, 2013 there were no significant changes with regard to Implementation Areas and Aspect Boundaries nor information compared to previous reporting periods.

## STAKEHOLDER ENGAGEMENT

Internal and external stakeholders are involved in developing this report.

Internal: employees, other workers and their trade unions.

External: buyers, local communities (donations), shareholders, capital providers and suppliers.

Aiming at achieving a complete organization and conduct of activities of socially responsible behaviour, the above stated stakeholders were informed throughout the year by direct communication in business relationships and in regular meetings, by special topics discussions and meetings, at fairs and professional conferences.

KONČAREVAC, a monthly newsletter issued in 4200 copies ten times a year, plays a special importance in stakeholder communication. The newsletter covers all topics connected with business operations including regular columns for employees and their hobbies, recreational activities, education and other activities during and outside working hours. Each issue covers topics connected with stakeholders whose activities are fostered through donations and sponsorships, community activities and others. The newsletter is distributed to all KONČAR employees and to about 1000 addresses in Croatia and abroad.

Stakeholder communication is also carried out by means of the web page, particularly with regard to capital providers and shareholders as all relevant notifications are published on the web page.

KONČAR's key stakeholders are its buyers, suppliers, employees and shareholders. According to their interests and key topics, the communication is carried out permanently and variously. Apart from a regular system of reporting on all relevant business activities (KONČAREVAC, web page, Stock Exchange announcements and press releases), the communication is also carried out through joint meetings, discussions, written replies, if needed. Main topics in the previous period regarded collective agreements in relation to the employees, key investment projects and business results in relation to shareholders, contracting important projects in Croatia and abroad as well as development of new products.



## GOVERNANCE

The companies belonging to the Group's structure are legally autonomous entities, while the parent company exercises a supervising role, provides strategic direction and supports them via companies' supervisory boards and shareholders' assemblies pursuant to the Companies Act, the Končar-Electrical Industry Inc. Charter and Charters of individual companies. Furthermore, the parent company also manages a portion of assets invested into companies and acts as a direct or indirect financial support to sales, products and equipment of dependent companies as a credit/guarantee potential.

The Supervisory Board appoints and relieves the Chairman of the Board and Board members. The Chairman of the Board and its members are appointed for the term of five years with an option of reappointment. Pursuant to the Companies Act and the Company Charter, the Management Board runs operations on their own personal responsibility whereas being obliged and authorized to take any and all actions and decision deemed necessary for managing the Company successfully. The Supervisory Board consent is required for adopting certain decisions prescribed by the Charter.

### Management Board and Supervisory Board

The incumbent Management Board of KONČAR - Electrical Industry Inc. was reappointed at the meeting of the Supervisory Board of KONČAR - Electrical Industry Inc. held on 19 December 2013. Pursuant to the Company's Charter provision providing for five to seven members of the Management Board of KONČAR-Electrical Industry Inc., Tomi Dužević was appointed a new Board member as of 1 January 2014.

#### During 2013, KONČAR - Electrical Industry Inc. was managed by the following Management Board:

Darinko Bago	Chairman of the Board
Marina Kralj Miliša	Board Member in charge of Legal, General and HR Affairs
Jozo Miloloža	Board Member in charge of Finances
Davor Mladina	Board Member in charge of Industry and Trade
Miroslav Poljak	Board Member in charge of Corporate Development and ICT

Pursuant to provisions of the Companies Act and the Charter of KONČAR-Electrical Industry Inc., the General Assembly passes decisions on appointing and relieving the Supervisory Board. The Supervisory Board is responsible for appointing and relieving members of the Management Board and for supervising the Company operations. The execution of some sizable transactions (the amount of such transactions is set by the Supervisory Board Rules) and some important business decisions require the consent of the Supervisory Board.

#### The Supervisory Board consists of nine members:

Nenad Filipović	Chairman of the Supervisory Board
Jasminka Belačić	Deputy Chairwoman of the Supervisory Board
Boris Draženović	Member
Kristina Čelić	Member
Ivan Rujnić	Member
Vicko Ferić	Member
Tomislav Radoš	Member
Petar Vlaić	Member
Dragan Marčinko	Member



Pursuant to the Audit Act (Article 28) and the Corporate Governance Code, the Supervisory Board founded the Audit Committee. Pursuant to provisions set by the Audit Act and the Corporate Governance Code, the Audit Committee is in charge of monitoring the financial reporting procedure, the efficiency of the control system, conduct of annual financial statements audit, auditors' independence, making recommendations to the Supervisory Board regarding the selection and to the General Assembly regarding the auditor's appointment.

**The Audit Committee consists of four members:**

Jasminka Belačić	Chairwoman
Boris Draženović	Member
Ivan Rujnić	Member
Vicko Ferić	Member

At its meeting held on 28 September 2012, the Supervisory Board set up the Strategic Development Committee. This Committee carries out tasks entrusted by the Supervisory Board regarding topics and activities from the scope of work of the Supervisory Board, particularly emphasizing KONČAR Group's long-term viability, risk assessment, Group's strategic priorities, restructuring needs and development of strategic HR potential within KONČAR Group.

**The Strategic Development Committee consists of four members:**

Nenad Filipović	Chairman
Kristina Čelić	Member
Tomislav Radoš	Member
Petar Vlaić	Member

## REPORT PROFILE

The Corporate Social Responsibility Report issued by KONČAR Group annually has been produced for the reporting period from January 1 to December 31, 2013. It was prepared by KONČAR Group for all companies within the Group in which the Parent has dominant influence. The last report was issued in 2013 (for the calendar 2012). Contact person in charge of all issues relating to the report and its content is the Director of Marketing and Communication. KONČAR Group has opted for the G4 guidelines 'in accordance' core option meeting higher criteria than minimally prescribed. The report has not been externally assured.

KONČAR Group commits to continuous improvement of its to-date practices and monitoring the progress of all the companies within the Group as well as stakeholder relationship, of which it will inform the public in its next report and consider the possibility of external assurance.

## ETHICS AND INTEGRITY

On 12 September 2005, KONČAR - Electrical Industry Inc. signed the Declaration on accepting the Code of Ethics in Business Operations. It was ratified by the Assembly of the Croatian Chamber of Commerce in May 2005. The provisions contained in the Code of Ethics must be communicated to the employees of KONČAR Group and its business partners on an ongoing basis

### ECONOMIC, SOCIAL AND ENVIRONMENTAL CHARTERS, PRINCIPLES AND STANDARDS SUPPORTED BY KONČAR

**KONČAR's business policy is based on the following business principles:**

- satisfaction of customers, suppliers and other stakeholders;
- environmental protection, health and safety;
- continuous improvement of products and processes;
- engagement and motivation of all employees.

The principles are based on positive regulations of the Republic of Croatia and adopted international standards. KONČAR accepts and implements international and local principles, charters and standards that contribute to product quality, better work and production processes as well as preservation and enhancement of natural and social environments.

The Corporate Governance Principles adopted by the Management Board and the Supervisory Board of KONČAR - Electrical Industry Inc. on 17 April 2008 refer to:

- accountable management;
- definition of corporate governance procedures based on adopted recognised international standards and
- monitoring operations, with the underlying purpose of establishing high corporate governance standards and transparency of operations as the groundwork for protecting shareholders, investors and other stakeholders, as well as for caring for employees, sustainable development and environmental protection.

The company's policy and objectives are being achieved by a systematic approach to quality management, environmental protection, occupational health and safety, acknowledged by certificates awarded by accredited independent institutions. In accordance with our Sustainable Development Policy, we implement ISO 9001:2000 Quality Management System, ISO14001:2004 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System. Many other sets of standards and norms are being adhered to in case of individual products keeping in line with client and user requirements.

**TABLE 6 - ISO 9001, ISO 14001, OHSAS 18001, ISO/IEC 27001 CERTIFICATES**

	ISO 9001	ISO 14001	OHSAS 18001	ISO/IEC 27001
KONČAR - Tools				
KONČAR - Distribution and Special Transformers				
KONČAR - Electric Vehicles				
KONČAR - Medium Voltage Apparatuses				
KONČAR - High Voltage Switchgears				
KONČAR - Electronics and Informatics				
KONČAR - Energy and Maintenance				
KONČAR - Generators and Motors				
KONČAR - Electrical Engineering Institute				
KONČAR - Power Plant and Electric Traction Engineering				
KONČAR - Household Appliances				
KONČAR - Small Electrical Machines				
KONČAR - Metal Structures				
KONČAR - Instrument Transformers				
KONČAR - Engineering for Plant Installation and Commissioning				
KONČAR - Low Voltage Switches and Circuit Breakers				
KONČAR - Switchgear				
KONČAR - Catering Equipment				
KONČAR - Renewable Sources				
<b>Affiliated company</b>				
KONČAR - Power Transformers				
<b>Parent company</b>				
KONČAR - Electrical Industry				
<b>Total</b>	<b>17</b>	<b>18</b>	<b>6</b>	<b>1</b>

Taking part in initiatives, discussions and projects at the national level, KONČAR has opted for a proactive approach in all aspects of corporate social responsibility.

## II SPECIFIC STANDARD DISCLOSURES

**KONČAR** Electrical Industry Group



tradition.  
knowledge.  
responsibility.

## ECONOMIC

All aspects of economic dimensions are recognized as material. In the reporting period, KONČAR Group recorded sound financial results explained in more detail in the revised financial statement adhering to the International Audit Standards, available at [www.koncar.com](http://www.koncar.com).

### ASPECT: ECONOMIC PERFORMANCE

In 2013, KONČAR Group recorded positive financial result. Group's consolidated profit before tax amounted to HRK 179.3 million i.e. 2.5% more than planned in 2013 and 10.3% less than achieved in 2012.

In 2013, income from the sale of product and services amounted to HRK 2,509.1 million i.e. 2.8% more than 2012. Income from the sale of product and services on the domestic market amounted to HRK 1,248,8 million i.e. 1.8% more than in 2012. Income from the sale of product and services abroad amounted to HRK 1,225.4 million i.e. 49% of total income from the sale of product and services.

**TABLE 7 - GENERATED AND DISTRIBUTED ECONOMIC VALUE**

*in 000 HRK*

	2011	2012	2013
Revenue from sale of product and services	2,362,202	2,441,558	2,509,099
Operating cost - raw materials, service cost, cost of sold goods	1,545,612	1,714,979	1,664,459
Gross wages	474,923	473,602	497,178
Payments to providers of capital (interest)	17,962	12,785	14,562
Dividend payment	30,750	30,857	30,811
Income tax	18,582	21,667	15,647
Community investment (donation and sponsorship)	1,118	901	853

### Financial implications and other risks and opportunities for the organization's activities due to climate change

Matters of sustainability in terms of energy resources, power generation, transmission and distribution, as well as climate change, are of extreme importance to KONČAR, since most of its products are used in natural environment or urban areas, thus making it responsible for regular and safe operations as well as possible repercussions. Continuous investment in new technologies, development and marketing new products based upon principles of energy efficiency and use of renewable energy are part of permanent activities and challenges of mitigating the climate change effects and the associated risk.

### Financial Assistance received from Government

In 2013, KONČAR Group did not receive any significant financial assistance from the Government or the State.

#### ASPECT: MARKET PRESENCE

KONČAR primarily employs domestically i.e. in Croatia. Very rarely and in insignificant numbers, the Company employs workers in other countries, mainly under fixed-term contracts and in connection with works conducted on individual projects. In such cases, local workforce is treated in line with legal regulations of the country of domicile.

#### ASPECT: INDIRECT ECONOMIC IMPACTS

The production of passenger transport vehicles (trams and trains) affects significantly the community of their operation as well as the entire environment, especially urban. In times of increased environmental pollution, such infrastructural investments are assessed to largely facilitate the process of unloading city traffic and reducing CO<sub>2</sub> emissions.

#### ASPECT: PROCUREMENT PRACTICES

When selecting a supplier of individual groups of materials and services, care must be taken of meeting set quality requirements, delivery dates, payment terms as well as protection of occupational health and safety and environment. Only those suppliers whose materials and components are safe for people and the environment and can be recycled or safely disposed after the end of their life term are selected. Suppliers are requested proofs (certificates) of complying with these as well as other requirements.

All existing and future suppliers are entered into the database which is permanently updated and confidential. Apart from basic information regarding suppliers (name, address, phone number, fax number, e-mail, contact person), the database also contains other information which might affect the supplier selection such as supplier references, complaint data, quality system data, occupational health and safety data and the environmental data.

## ENVIRONMENTAL

The environmental dimension is of special importance in view of installing a large part of equipment directly into the environment (substations, hydropower plants...). KONČAR has a defined Environment Management Policy, which is available at [www.koncar.com](http://www.koncar.com) and communicated to all employees. Materials, Energy, Water, Biodiversity, Compliance and Environmental Grievance Mechanisms aspects are recognized as material.

GLOBAL  
COMPACT  
PRINCIPLE 8

### ASPECT: MATERIALS, ENERGY AND WATER

In view of KONČAR Group business activity being conducted on four locations, individual fuel measurements have not been carried out.

GLOBAL  
COMPACT  
PRINCIPLE 9

During the reporting period, a number of activities had been conducted within the facilities to reduce fuel consumption and achieve fuel savings as well as waste, waste water and emission reductions.

The project of constructing an underground fuel oil tank as a replacement of existing tanks which had been removed was completed at the Jankomir site. As part of the process of obtaining the water permit, the rehabilitation of a part of the sewage system at the Jankomir site was completed as well as all required drainage system waterproofing. KONČAR - Infrastructure and Services Ltd. was thus issued the five-year water permit.

Pipelines in the heating station of the SF<sub>6</sub> hall and the new office building at the Borongaj site were reconstructed i.e. central heating circulation pumps were adjusted and mounted.

The roof of the Acu- and compressor stations was repaired and asbestos plates removed (about 500 m<sup>2</sup>).

The water network pipeline was renovated resulting in a reduction of the water loss from 17 to 5 percent.

Pruning of ornamental plants and trees as well as removal of sick trees was carried out resulting in more than 200 m<sup>3</sup> of biowaste which will be processed into compost. Apart from regular mowing of green surfaces around production and office areas, hay was also mowed and removed from about 100.000 m<sup>2</sup> of lawn surface in the direction of the Campus.

A number of works and reconstructions on the electric power and mechanical part of the energy facility at the Fallerovo site was conducted resulting in increased supply security, work rationalization as well as energy and water consumption savings.

The reconstruction of the heating station was carried out for the Business Facility 'B'. Outdated direct operating transmitting station was replaced by a new, safer, indirect heating system. Harmonization with HEP District Heating, a heat energy supplier for this facility, was thus carried out.

The consumption of process and potable water has been put under full supervision across the Fallerovo site resulting in significant consumer savings.

A partial reconstruction of some substations was carried out resulting in increased supply security. These works are planned to continue in the following period.



### ASPECT: BIODIVERSITY

KONČAR Group operates on four locations in Zagreb and by three registered representative offices abroad (Mostar, Belgrade, Moscow). KONČAR Group companies do not operate in the vicinity of protected nor highly biodiverse areas outside protected zones.

### ASPECT: COMPLIANCE AND ENVIRONMENTAL GRIEVANCE MECHANISMS

No major fines nor non-financial sanctions due to non-adherence to environmental law and regulations have been registered. There were no environmental impact disputes settled via formal grievance mechanisms.

GLOBAL  
COMPACT  
PRINCIPLE 7

## SOCIAL; LABOR PRACTICES AND DECENT WORK

### ASPECT: EMPLOYMENT

A total of 170 new workers were employed in the reporting period. The youngest employed was 19 and the oldest 63 thus averaging at 30. The average age of leaving employees was 47, the youngest was 19 and the oldest 68. A total of 280 workers left the company. Regardless of their contract type, all KONČAR Group employees were ensured equal benefits.

### ASPECT: OCCUPATIONAL HEALTH AND SAFETY

The Collective Agreement, under which rights and obligations of employees and the employer for all the companies within KONČAR Group are set, was concluded between the Croatian Metalworkers' Trade Union and the Management Board of KONČAR D Electrical Industry Inc. The Collective Agreement was signed by all the companies within KONČAR Group. It included some health (paid leave in case of serious illness of a near family member, unpaid leave in case of illness, extra vacation days for workers with proven disability) and safety issues (special work conditions extra payment).

### ASPECT: TRAINING AND EDUCATION

Education and professional training are very important elements of KONČAR operations. They have systematically been conducted in numerous ways: by encouraging education in the regular education system, specialized forms within the company and engaging into special forms in professional and other organizations. Apart from knowledge required for specific jobs, foreign language courses have also been permanently organized as well as courses in sales and presentation skills, computer skills, learning about new regulations, work safety and other areas. Extraordinary results achieved in the process of education are encouraged and awarded.

GLOBAL  
COMPACT  
PRINCIPLE 6

#### Doctoral Dissertations

KONČAR got four more doctors of science, who connected their dissertations with jobs they performed. In 2013, the D.Sc degree was awarded to the following:



**Dijana Vrsaljko** from KONČAR - Electrical Engineering Institute. She successfully defended her doctoral dissertation titled 'Degradation of Solid Transformer Insulation in Laboratory Aging Conditions' at the Faculty of Chemical Engineering and Technology of the Zagreb University on February 14.



**Goran Leci** from KONČAR - Power Plant & El. Traction. He successfully defended his doctoral dissertation titled 'Coordinated Regulation of Energy Transformer Voltages' at the Faculty of Electrical Engineering and Computing of the Zagreb University on April 26, 2013.



**Tomislav Dragičević**, industrial research assistant at KONČAR - Electrical Engineering Institute. He successfully defended his doctoral dissertation titled 'Hierarchical Management of Direct Current Microgrid with Energy Storage Systems in Distributed Topology' at the Faculty of Electrical Engineering and Computing of the Zagreb University on April 26.



**Stjepan Sučić** from KONČAR - Power Plant & El. Traction Engineering. He successfully defended his doctoral dissertation titled 'Middleware Platform for Distributed Remotely Controlled Advanced Electric Power Network Subsystems' at the Faculty of Electrical Engineering and Computing of the Zagreb University on November 28.



### **KONČAR Award for the Best Doctoral Industry-applied Dissertation**

The annual 'KONČAR' award for a doctoral dissertation defended in 2012/2013 academic year for exceptional scientific achievements in the area of technical industry-applied sciences, awarded for the tenth consecutive year, went to Tomislav Dragičević, D.Sc. for his doctoral dissertation titled 'Middleware Platform for Distributed Remotely Controlled Advanced Electric Power Network Subsystems' and to Vedrana Spudić, D.Sc. for 'Coordinated Optimal Management of Windpower Plant Active Power'.

For a number of years, KONČAR - Electrical Engineering Institute has been handing out the cash prize along with the bronze 'Josip Lončar' plaque. This year's laureate was Saša Barić.

On the occasion of the Day of the Faculty of Chemical Engineering and Technology of the Zagreb University, on October 21, apart from the Vjera Marjanović Krajovan Award, KONČAR - Electrical Engineering Institute awarded for the first time the cash prize to Tamara Hruška, who graduated from the Chemistry and Material Engineering Department 'summa cum laude'.

At the formal session of the Faculty Council of the Faculty of Mechanical Engineering and Naval Architecture of the Zagreb University, held on November 8, KONČAR - Electrical Engineering Institute awarded for the first time the cash prize to Nino Horvat, the winner of the Davorin Bazjanec Award.

### **Awards to Best Students on KONČAR Day**

On the occasion of the KONČAR Day, the KONČAR Award, established in April 2003, was awarded under the motto 'The best investment is the one made in people'. It is awarded to the most successful students of the Electrical Engineering and IT Department of the Polytechnic of Zagreb during the final academic year.



### **Internship Seminars in 2013**

Seminars for new KONČAR employees are organized for the purpose of getting them acquainted with the KONČAR organization, structure and production range. Three seminars, organized during 2013, were attended by 120 interns and the newly-employed. A three-day programme consisted of numerous lectures and presentations from various operating fields of KONČAR Group, visits to production facilities and a visit to Zakučac, Lešće and Ozalj hydropower plants. KONČAR - Electrical Industry organized the first seminar in early June 2003. During next ten years, 21 seminars were organized in total and attended by more than 800 interns and the newly-employed.

## ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN

There are no recorded cases of gender related unequal remuneration, job title, incentives, promotion or any other workplace status in KONČAR.

### **KONČAR Pensioners' Club (KUK)**

The club had a total of 329 registered members. On Tuesdays and Thursdays, former KONČAR employees get together (read newspapers and magazines, play cards and chess, chat) and discuss Club activities. In 2013, Club members went on 11 excursions (nine single-day and two two-day excursions), saw eight theatre plays and three exhibitions, organized two parties and two birthday celebrations for their 80+ members and visited 18 sick members.

## RECREATIONAL ACTIVITIES IN KONČAR

### **KONČAR's Mounteneering Societies**

There is a long tradition of nature walks among employees. KONČAR supports two mounteneering societies which members are its employees: PD KONČAR and PD KONČAR KET. In 2013, PD KONČAR organized 47 excursions as well as hosted the third 'With KONČAR to Nature' excursion which was attended by 150 climbers. PD KONČAR KET has 130 members. In 2013, their annual excursion took them to the Baltic countries. During those 14 days, 25 climbers of different ages covered 5700 km by land, 60 km by water and visited ten cities.



### **KONČAR's Bike Race**

Some one hundred employees and members of their families, friends and associates participated at the first KONČAR humanitarian bike race. The aim of this two-wheel get-together was to encourage healthy habits through a bike ride and socially responsible behaviour in the community. The race started in front of the KONČAR Business Tower on Fallerovo šetalište in Zagreb. Participants were joined by members of the Šišmiš (Bat) Mountain Biking Club from Samobor. Having reached the finish line along the Jarun Lake, the participants continued having good time by exercising, dancing, music, eating and a raffle. The bike race had a humanitarian character. Darinko Bago, the Chairman of the Management Board of KONČAR, donated an indoor bike to Tatjana Tarandek, Head of the Education and Training Center Dubrava. This is the only institution in Croatia which provides appropriate secondary education to children and young people with motor skills deficiencies and chronic disease simultaneously engaging them in a number of rehabilitation programmes.

### **13<sup>th</sup> Futsal Tournament 'KONČAR 2013'**

In 2013, KONČAR sponsored the 13<sup>th</sup> Futsal Tournament attended by Group's employees. Competitions were organized during two weekends in December, attended by 10 veteran and 17 senior teams. During four days of competitions, 66 matches were played, 212 goals scored and about 300 people participated.



## **SPORT CLUBS DONATIONS**

In line with its possibilities, KONČAR co-finances activities of those sport clubs which are less commercial but gather amateur athletes of all ages.

### **'Končar Zagreb 1786' Shooting Club**

KONČAR has been supporting the activities of the 'KONČAR ZAGREB 1786' Shooting Club for twenty years. Within this period, the Club won 504 medals at Croatian championships, of which 199 gold, 165 silver and 140 bronze ones. Club members were also successful internationally with 103 won medals (34 gold, 41 silver and 28 bronze ones). KONČAR presented awards for best shooters at the annual assembly of 'KONČAR Zagreb 1786'.

### **'KONČAR' Canoe Club**

The KONČAR Canoe Club is one of sport clubs continually supported by KONČAR for the purpose of encouraging young people to take on sports. The KONČAR Canoe Club participated in the organization of the Croatian leg of this year's 58<sup>th</sup> international Danube regatta - TID. Regatta's host in Croatia was the city of Vukovar. KONČAR-Electrical Industry supported the event. TID is the largest and longest international river tourist regatta. It started on June 22 in Ingoldstadt, Germany and finished on September 5 in Sfânt Gheorghe in Romania. The regatta was participated by canoeists from 12 countries. According to results achieved on official international competitions (world cup, world run, European run...), there were four ranked members of the KONČAR Canoe Club. The first one with a total of 1207 points is Tomislav Lepan, the second with 270 points Antonio Obadić, the fourth one with 176 points Jadran Zonjić and the ninth ranked with 94 points Luka Obadić.

### **KONČAR Chess Club**

Two members of the KONČAR Chess Club participated at the senior chess championships of the City of Zagreb - Leo Pećnik and Peter Šribar. Pećnik was ranked first by winning seven points.

## **ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS**

In case of a dispute, alternative resolution method, by mediation, is applied. In case of no resolution, the procedure is taken before the relevant court.

## SOCIAL; HUMAN RIGHTS

GLOBAL  
COMPACT  
PRINCIPLE 1

Respecting human rights in line with the highest standards is an unquestionable value which has a great significance for KONČAR. No cases of human rights violation have been recorded.

GLOBAL  
COMPACT  
PRINCIPLE 2

### ASPECT: NON-DISCRIMINATION

During 2013, as well as in previous years, no cases of discrimination have been recorded. Employee discrimination or harassment on account of his/her gender, religion, race, religious, national or political orientation, physical deficiencies, age, family status, personal characteristics or beliefs has been banned in the process of employment and everyday work.

GLOBAL  
COMPACT  
PRINCIPLE 3

### ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

KONČAR promotes professional development of individuals, values work and talent and aims to provide equal opportunities for promotion as well as other activities that may contribute to satisfaction as it sees motivated employees as the company's biggest asset. Each KONČAR employee may enjoy freedom of association and collective bargaining. By their own choice, employees are members of the Croatian Union of Metalworkers and the Croatian Electrical Workers Union.

### ASPECT: SECURITY PRACTICES

Respecting people and asset security in KONČAR is conducted pursuant to legal regulations of the Republic of Croatia and other norms defining this area. Continuous activity regarding the IT system security and protection has been encouraged in the last few years.

### ASPECT: INDIGENOUS RIGHTS

In view of KONČAR conducting its business operations in Croatia, all its employees have equal rights pursuant to regulations of the Republic of Croatia.

GLOBAL  
COMPACT  
PRINCIPLE  
4 and 5

### ASPECT: CHILD, COMPULSORY AND FORCED WORK

Child labour is a form of exploitation that violates human rights. KONČAR operates in compliance with the applicable legal regulations that prohibit child labour, and children are not being hired in any business activity or form.

## CULTURE

### Cultural Association Postcard

On December 15, the Croatian National Theatre in Zagreb was the venue of the 'Postcard 3', a central national event of the Croatian Cultural Association. The Postcard 3 gathered best representatives of 949 cultural associations from nine national events organized by the CCA. This also marked the 65<sup>th</sup> anniversary of the CCA. The celebration was held under the auspices of Ivo Josipović, the President of Croatia, with KONČAR as one of its sponsors.



### **Best young musician's award**

Traditionally, as part of the Vatroslav Lisinski Music Hall Day on December 29, the Croatian Music Youth presented the Ivo Vuljević Award. It is awarded for the most prominent achievement by a young musician in the previous year. In 2013, it was won by the mezzosoprano Diana Hallar. The Ivo Vuljević Award, with KONČAR as one of the sponsors, has been presented since 1998.

### **The 'Flying Birds' Exhibition by Dina Merhav**

During June, the 'Flying Birds' exhibition by Dina Merhav, an Israeli sculptor of Croatian descent, was organized in the Glyptothèque of the Croatian Academy of Sciences and Arts. These are sculptures representing imaginary birds made of iron on the premises of KONČAR - Metal Structures. The artist and KONČAR started their cooperation in 2010, when Dina's sculpture titled 'Enchanted Forest' was put in front of the production plant as well as the monolith in the entrance hall of KONČAR - Metal Structures.



### **The 'Black House' Musical**

During 2013, KONČAR supported the 'Black House' musical produced by B GLAD. The story by Ladislav Prežigalo, its author and producer, is placed in old Zagreb. It was directed and choreographed by Igor Barberić. It is based on the 16th century legend, in the time of Bishop Stjepan Orković's rule on the Kaptol and the Turkish peril with disagreements raging between Kaptol and Grič.

### **KONČAR Design Department exhibited in the Belgrade History Museum**

In the period from March 24 until June 23, 2013 the 'Good Design' exhibition was held in the Museum of Yugoslav History in Belgrade. The exhibition was organized in the cooperation with the Arts and Crafts Museum from Zagreb and the Museum of Architecture and Design from Ljubljana aiming at stressing important design events and authors from the former Yugoslav territory. As part of the 'Good Design', the exhibition titled 'Hidden Design - Rade Končar Design Department 1971-1990' by curator Koraljka Vlajo was presented.



## SOCIAL; SOCIETY

GLOBAL  
COMPACT  
PRINCIPLE 10

### ASPECT: ANTI-CORRUPTION

KONČAR as a whole as well as its individuals do not recognize corruption as a method of work in its operation and everyday activities. Operating on worldwide markets, which apply various criteria and business habits, KONČAR has managed to ensure its reputation of a loyal and correct business partner, which serves as one of the best recommendations for concluding new business deals.

### ASPECT: ANTI-COMPETITIVE BEHAVIOUR

KONČAR supports correct and transparent market competition relations in all business activities and in all locations. No instances of anti-competitive behaviour have been recorded in the Group.

## SUPPORT TO SPECIAL GROUPS

### Remembrance of the Killed War Veterans

On the occasion of the Croatian Statehood Day, celebrated on June 25, KONČAR remembers with gratitude and respect those who gave their lives for their country. Twenty-two killed defenders, KONČAR employees, are remembered by laying the wreath and lighting candles on the monument raised on the factory grounds on Fallerovo šetalište. Also, the anniversary of forming a unit for defending the KONČAR Fallerovo site in 1991 is marked every year in December.

### KONČAR employees' children visit Santa Clause

Employees' children were invited to a Christmas and New Year's holiday show titled 'Sweet Fairytale'. Apart from the show, children also participated in workshops making Christmas ornaments, train rides and playing in the inflatable castle, while the adults enjoyed in some time off with chocolate cocktails



### Donation on the occasion of the KONČAR Day

Traditionally, on the occasion of the KONČAR Day (January 24), a donation is made. In 2013, the donation was made to the Neurology Institute of the Children's Hospital Zagreb for buying the EEG screening equipment for neurologically seriously ill children with disorders of consciousness.

### **St. Josip Soup Kitchen**

KONČAR also made a donation to the St. Josip Soup Kitchen. In 2013, in St. Josip parish in Zagreb Trešnjevka, a soup kitchen called 'St. Josip Soup Kitchen' was opened. As those using the kitchen services come from the entire area of Zagreb, there are about a hundred cooked meals served daily. These meals, served by some thirty volunteers, are entirely funded through donations.

### **Luka Ritz Counselling**

In 2013, KONČAR supported the Luka Ritz Counselling, a place for meeting, getting together and providing help to children, young people and parents by talking with professional staff and informal education. The counselling provides advisory and professional support in cases of violent and risky behaviour of children and young people as well as develops and implements prevention programmes designing free time activities for the young, educating them to live by respecting human and children's rights, teaching them tolerance and respect towards differences and encouraging them to responsible social behaviour.

### **Awards and Recognitions to jubilee humanitarians - blood donors**

Blood drives are organized several times a year. In 2013, almost a 1000 blood doses were donated by the Group employees. Traditionally, on the occasion of the Blood Donor Day, the ceremony organized by the Croatian Institute for Transfusion Medicine and the Red Cross Zagreb was held awarding jubilee blood donors, ten of whom were KONČAR employees.

### **Volunteering**

Končar employees volunteered at the Croatian Paraplegic and Tetraplegic Association. After having launched the volunteering programme in July 2013, KONČAR employees first activity included the visit to the Croatian Paraplegic and Tetraplegic Association (HUPT). KONČAR employees visited the Association premises, in Zagreb Soboština, and exchanged IT knowledge and experience with HUPT members as well as communication and marketing skills which might facilitate the Association in its presentation. HUPT members also presented their everyday life problems. In view of the expressed interest resulting from this visit, KONČAR will continue to organize similar activities.



HUPT was established in 1999 as an independent, non-governmental and non-profit association of paraplegic and tetraplegic and their families. Spinal cord injuries most often occur as a result of traffic, falls and picking fruit, sport and other activities such as getting wounded during peacetime.

## SOCIAL; PRODUCT RESPONSIBILITY

KONČAR assumes large responsibility for its product. Power generation, transmission and distribution equipment and products require a high degree of responsibility from two aspects – primarily, safety and work reliability preventing additional electricity supply problems (on which everyday activities are dependent) and preserving environment in which the equipment is installed. On the other hand, passenger transport products must also be safe and reliable with a significant environmental component.

### ASPECT: PRODUCT AND SERVICE LABELING

Products have their trial and warranty periods during which the equipment is put into operation, monitored and adapted to other equipment, corrections are made and any possible defects and maladjustments removed. Given the complexity of particular products and plants, servicing and spare parts are provided during and beyond the warranty period. Each product has its manufacturer's label, basic technical data typical of the product category and special data characteristic of or relevant to the given product. For more complex products and plants, technical descriptions and instructions for safe use are prepared. Based on product categories, companies have outlined procedures defining adequate methods and frequency of evaluating customer satisfaction. There is no consolidated data on the results of these examinations in KONČAR Group. KONČAR Group has not had any reported cases of violation in terms of incompliance or non-adherence to voluntary codes of product information or codes relative to consumer health and safety.

### ASPECT: MARKETING COMMUNICATIONS

Code of Ethics in doing business imposes an obligation of pursuing a responsible marketing communication. The communication does not use untrue or offensive facts that may be hurtful to any group or faction, including competitors. KONČAR Group primarily addresses its target user group. In doing so, it emphasizes product quality and safety, references and production capacities.





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KONČAR - Electrical Industry Inc.  
Fallerovo šetalište 22, 10000 Zagreb, Croatia

[www.koncar.com](http://www.koncar.com)

