



## Corporate Social Responsibility Report 2014

tradition.  
knowledge.  
responsibility.

**KONČAR**





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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.
HRK	Croatian Kuna
PBZ	Privredna banka Zagreb
HPB	Hrvatska poštanska banka
RBA	Raiffeisen Bank Austria



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## I GENERAL STANDARD DISCLOSURES

**KONČAR** Electrical Industry Group

## STRATEGY AND ANALYSIS

### Foreword by the Chairman of the Board



Writing annual reports on corporate social responsibility presents us with an opportunity to analyse what was done in the previous year.

I am extremely pleased that every year our activities are becoming more and more extensive and substantial both in quality and quantity, which proves that they are really being incorporated into the everyday practice of our employees and all stakeholders.

Disastrous floods that hit the eastern part of Croatia once more proved that the awareness of the need to help is exceptionally high so that a spontaneous reaction to the first newflash soon grew into a number of organized activities aimed to help the people affected by floods. Beside material and financial help, it is important to point out the assistance of our volunteers who took part in various works: cleaning and arranging houses and yards, deconstructing levees, mowing, distributing and adjusting household appliances and other works in the flood-affected areas. Beside these, the volunteers carried out other activities aimed to help various social groups. Alongside donations and sponsorships to local organizations and institutions, primarily aimed at the youth doing sports, involved in cultural and artistic activities, as well as the economically affected, volunteering became a stable form of cooperation with a local community.

There are a number of activities carried out in the working environment and on the workplace: from internship seminars for the newly employed to various forms of education and trainings, organized leisure and free time activities to health care and other forms of safety and enhancement of conditions on the workplace.

This report contains an overview of the most important activities carried out throughout the year and is harmonized with the reporting guidelines according to GRI and the Global Compact, the most accepted manner of business sector reporting.

We are proud of all the activities in the previous year and especially of business results and the satisfaction of our employees.

Chairman of the Board  
Darinko Bago

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

## ORGANIZATIONAL PROFILE

The 2014 Corporate Social Responsibility Report was prepared by KONČAR Group consisting of KONČAR - Electrical Industry Inc. as the parent and 15 dependent companies engaged in the core business activity, two dependent companies engaged in special business activities (product research and development and infrastructural services) and one dependent company registered abroad. 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.

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 complies with social responsibility principles and the Code of Ethics in its operations in all the 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, electric locomotives, electric trains, trams and electric equipment for stable electric traction installations

**Industry:** electromotor drives, low voltage electric equipment

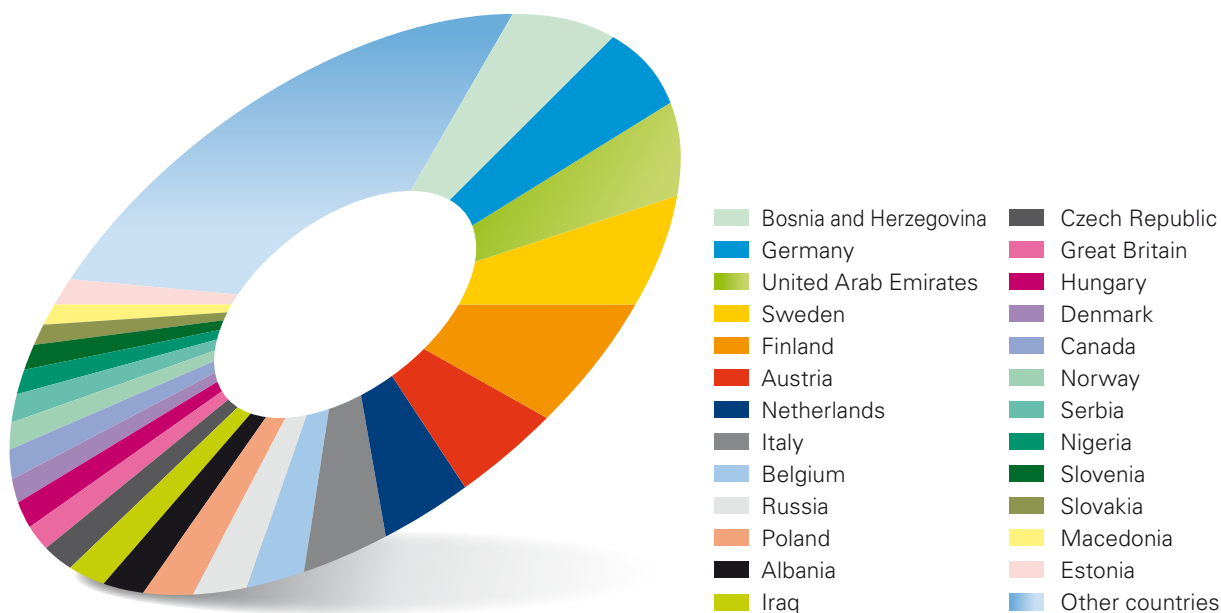
**Trade:** electric household appliances, off-the-shelf products and low voltage devices

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

KONČAR Group commits to the 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.

The income from sales on the domestic market was recorded in the amount of HRK 1,351 million (51 percent of total income from the sale of products and services) or 6.7% more compared to the previous year. The income from the sale of product and services abroad was recorded in the amount of HRK 1,298 million (49 percent of total income from the sale of products and services), which is 4.4% more than in 2013.

GRAPH 1 - MOST IMPORTANT KONČAR GROUP'S EXPORT MARKETS IN 2014 (IN HRK '000)



## 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).

Having made a decision on equity increase passed by the General Assembly on 22 May 2014, the company's shareholders' equity amounts to HRK 1,028,895,930.00 and comprises a total of 2,572,119 common shares with a par value of HRK 470,00 each.

Total turnover recorded by trading KONČAR shares amounted to HRK 64.9 million i.e. 46% less than the turnover recorded in 2013. The number of shares traded was 94,699 (41 percent less compared to 2013).

TABLE 1 - OWNERSHIP STRUCTURE IN 2014

	Ownership share%
HPB d.d. (Kapitalni fond d.d.)	28.17
The Office of State Asset Management / Croatian Pension Insurance Institute (HZMO)	14.95
The Office of State Asset Management / Republic of Croatia	10.12
Hypo-Alpe-Adria-Bank d.d. / PBZ Croatia Osiguranje	9.95
Societe Generale - Splitska banka d.d. / Erste Plavi Compulsory Pension Fund	7.86
Societe Generale - Splitska banka d.d. / AZ Compulsory Pension Fund	4.14
Floričić Kristijan	3.21
Linteum savjetovanje	1.55
Hypo-Alpe-Adria-Bank d.d. / RBA OMF	1.15
PBZ d.d. / custodial account	1.06
Other shareholders	17.77
KONČAR d.d. (treasury stock)	0.07
	100.00



## Scale of Organization

On 31 December 2014, KONČAR Group had 3667 employees including 27 doctoral and 57 master's degrees. The average age of the employees in KONČAR in 2014 was 44. The average age of the newly-employed in 2014 was 32. The trend of employing younger highly educated workers with a degree 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	SMALL ELECTRICAL MACHINES	INFRASTRUCTURE AND SERVICES	<b>REPRESENTATIVE OFFICES</b>
HIGH VOLTAGE SWITCHGEAR	LOW VOLTAGE SWITCH AND CIRCUIT BREAKERS		RUSSIAN FEDERATION
MEDIUM VOLTAGE APPARATUS			BOSNIA AND HERZEGOVINA
SWITCHGEAR			SERBIA
DISTRIBUTION AND SPECIAL TRANSFORMERS			<b>ASSOCIATED COMPANY</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 continuous restructuring of its portfolio, the following companies were unbundled in 2014: KONČAR - Catering Equipment, KONČAR - Tools and a portion of its household appliance programme. The activity of household appliance trade has remained within KONČAR's portfolio in light of its commercial position in terms of the brand protection.





### 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 with 40 hours a week.

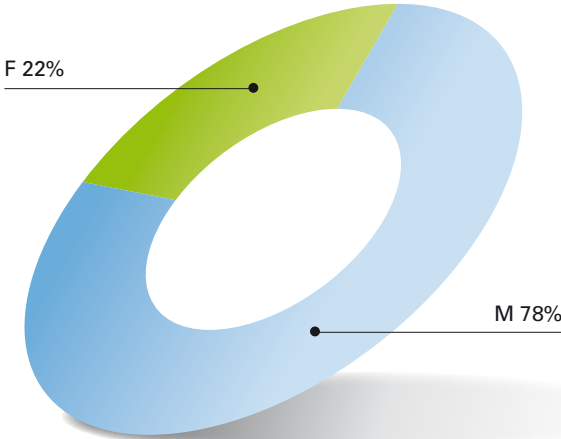
TABLE 2 - TOTAL NUMBER OF THE EMPLOYED BY TYPE OF EMPLOYMENT CONTRACT AND GENDER

Gender	Contracts					Total
	fixed-term	indefinite term	internship	regarding rights, obligations and salary	regarding special rights, obligations and salary	
M	268	2414	20	145	18	2865
F	28	729	11	24	10	802
Total	296	3143	31	169	28	3667

TABLE 3 - TOTAL NUMBER OF THE EMPLOYED BY REGION AND GENDER

	Total	M	F
Croatia	3664	2864	800
Bosnia and Herzegovina	2	1	1
Serbia	1		1

EMPLOYED BY GENDER



## Supply Chain

Numerous suppliers of various materials, components and services are involved in the process of creating products and services in KONČAR. Out of the annual procurement value of about HRK 1.3 billion, more than 50 percent 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 and 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 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);
- International Electrotechnical Commission (IEC);
- International Institute of Welding (IIW);
- European Company Lawyers Association;
- Croatian Academy of Engineering;
- Croatian Exporters;
- Croatian Chamber of Commerce;
- Innovative Work Community;
- Renewable Sources Community;
- Community of Railcars;
- Croatian Innovators' Association;
- Croatian Engineering Association;
- Croatian Chamber of Architects and Engineers in Construction Industry;
- Society of Engineers and Technicians of Croatian Railways;
- 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;
- Croatian Society for Quality;
- Association of Corporate Lawyers;
- Association of Lawyers in Economics;
- Croatian Association of Auditors;
- Croatian Community of Accounting and Financial Professionals;
- Croatian Journalists' Association.

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 aiming to cover broader community interests. KONČAR's experts participate in annual professional conferences domestically and abroad by presenting KONČAR's works, solutions and products.

One form of its engagement in 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 2014**

On the occasion of the 10th anniversary of the Croatian Exporters Association, the 'Platinum Key' award was presented to those exporters who had proven their continuous operating excellence and excellent export results throughout the Golden Key award ceremonies. These awards were presented during the 9th Convention of the Croatian Exporters held on 3 June. Among 11 awarded companies, two were from KONČAR Group: KONČAR - Distribution and Special Transformers (5 Golden Key awards and 4 nominations) and KONČAR - Power Transformers (4 Golden Key awards and 5 nominations). They were ranked first and second under the set criteria.

During the formal session of the Economic Council of the Croatian Chamber of Commerce held on 17 December, KONČAR - Instrument Transformers were awarded the Golden Kuna Plaque as the best medium-sized company in the Zagreb area in 2013.

On the occasion of the Day of the City of Zagreb, during the formal session of the City Assembly held on 31 May at the Old City Town Hall, KONČAR - Power Transformers were awarded the City of Zagreb Award for Economy as a public recognition for particular success, achievements and work efforts.

At the 12th international exhibition of innovations, new ideas, products and technologies, the ARCA Grand Prix was awarded to the 'Low Floor Diesel Electric Train' developed by the project team from Electric Vehicles, Electrical Engineering Institute, Generators and Motors, Electronics and Informatics and Metal Structures. The World Best Invention award was also presented by the delegation of the Islamic Republic of Iran. The Golden ARCA Plaque was awarded to KONČAR - Bushing monitoring by a group of authors from KONČAR - Electrical Engineering Institute.

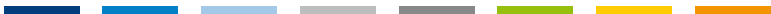
As part of the 5th national CSR Conference held on 25 March in Zagreb in the organization of the Croatian Business Council for Sustainable Development, the CSR Index Awards were presented to companies with the best implementation of the responsible operations principle. KONČAR - Electrical Engineering Institute was awarded in the Community Relations category. This has been the fifth CSR Index for the Institute awarded in the medium-sized companies category.

At its 95th anniversary on 28 November, the Faculty of Mechanical Engineering and Naval Architecture in Zagreb awarded KONČAR - Power Transformers the recognition for its multi-year cooperation - field lectures and student practice as well as for their employees taking post-graduate studies at the Faculty.

On 27 October, the 2013 state science awards were presented in the Croatian Parliament. The life achievement award for technical sciences was presented to Tomislav Kelemen, D.Sc., who spent his work life in KONČAR - Electrical Engineering Institute. Professor Kelemen is the first economic scientist to be awarded this prize for his entire scientific and research work in technical sciences, primarily due to his scientific contributions in transformer development.

At the 29th annual assembly of the Croatian Academy of Engineering held on 16 May, Dalibor Filipović Grčić, D.Sc., Head of the High Voltage Laboratory in the Transformer Department of KONČAR - Electrical Engineering Institute was awarded the Vera Johanides prize for a young scientist under 35 years of age with a doctoral degree, who had achieved a recognized personal scientific or professional improvement or made exceptional contribution to the area of his/her research in the last five years.

The International Nikola Tesla Award by the Petrović-Njegoš Foundation was presented to Ante Elez, D.Sc., Head of the Rotational Machines Department in KONČAR - Electrical Engineering Institute on 20 September in the Montenegrin National Theatre in Podgorica for his to-date scientific work and creativity inspired by the work of Nikola Tesla.



## IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

TABLE 4 - LIST OF ENTITIES INCLUDED IN THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

	subscribed capital total	parent's subscribed capital	management of the parent 31 Dec 2014	ownership of the parent 31 Dec 2014
<b>Dependent Companies</b>	in HRK	in HRK	%	%
Power Plant and Electric Traction Engineering	50,577,000	50,577,000	100.00	100.00
Generators and Motors	86,342,160	86,342,160	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 and Special transformers	76,684,800	39,655,200	67.80	51.71
Instrument Transformers	18,989,100	8,747,100	72.39	46.14
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	130,312,400	130,312,400	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
Household Appliances	27,553,300	27,553,300	100.00	100.00
Low Voltage 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	3,184,054	3,184,054	100.00	100.00
<b>Affiliated Company</b>				
Power Transformers	72,764,000	35,654,400	49.00	49.00

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 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.hr](http://www.koncar.hr).

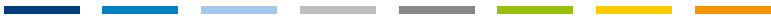
The choice of aspects and areas discussed in this report are connected with the production character and company operations. In line with the operational importance and specificities of the Group and its daughter companies, only those topics significant for the area of operations are discussed.

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 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.

In the reporting period from January 1 to December 31, 2014 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, during regular meetings, special topic 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 in different ways (donations and sponsorships), community activities and others. The newsletter is distributed to all KONČAR employees and to about 1000 addresses in Croatia and abroad.

The 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 under 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, the Management Board of KONČAR - Electrical Industry Inc. consists of five to seven members.

**During 2014, KONČAR - Electrical Industry Inc. was managed by the following Board members:**

Darinko Bago	Chairman of the Board
Tomi Dužević	Board Member in charge of Export Markets
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
Vicko Ferić	Member
Dragan Marčinko	Member
Petar Mišura	Member
Nikola Plavec	Member
Ivan Rujnić	Member
Petar Vlaić	Member





Note: On 15 December 2014, the extraordinary session of the General Assembly was held. Pursuant to the Decision of the Croatian Government from 4 September 2014, the General Assembly recalled Kristina Čelić as the Member of the Supervisory Board. Due to his leaving for the new post, Tomislav Radoš submitted his resignation from the position of the Member in the Supervisory Board of KONČAR - Electrical Industry Inc. Pursuant to the Decision of the Croatian Government, the Assembly appointed Nikola Plavec and Petar Mišura as new Supervisory Board members.

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 the tasks entrusted to it 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 the 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

Note: On 15 December 2014, the extraordinary session of the General Assembly was held. Kristina Čelić and Tomislav Radoš were recalled as Members of the Supervisory Board and members of the Strategic Development Committee. At the first session of the said Committee in 2015, new Strategic Development Committee members will be appointed instead of Kristina Čelić and Tomislav Radoš.

## REPORT PROFILE

KONČAR Group has opted for the G4 guidelines 'in accordance' core option meeting higher criteria than minimally prescribed. The last report was issued in 2014 (for the calendar year 2013). The contact person in charge of all issues relating to the report and its content is the Marketing and Communications Director. 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.

The Corporate Social Responsibility Report issued annually by KONČAR Group was produced for the reporting period from January 1 until December 31, 2014. It was prepared by KONČAR Group for all companies within the Group in which the Parent exercises dominant influence.

The report has not been externally assured.

## ETHICS AND INTEGRITY

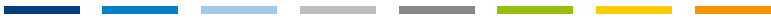
On 12 September 2005, KONČAR - Electrical Industry Inc. signed the Declaration on accepting the Code of Ethics in Business Operations. It was ratified by the Assembly of the Croatian Chamber of Commerce in May 2005. The provisions contained in the Code of Ethics must be communicated to the employees 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 as regards individual products keeping in line with client and user requirements.

**TABLE 5 - ISO 9001, ISO 14001, OHSAS 18001, ISO/IEC 27001 CERTIFICATES**

<b>GROUP COMPANIES</b>	<b>ISO 9001</b>	<b>ISO 14001</b>	<b>OHSAS 18001</b>	<b>ISO/IEC 27001</b>
KONČAR - Distribution and Special Transformers				
KONČAR - Electric Vehicles				
KONČAR - Medium Voltage Apparatuses				
KONČAR - High Voltage Switchgear				
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 - Renewable Sources				
<b>AFFILIATED COMPANY</b>				
KONČAR - Power Transformers				
<b>PARENT COMPANY</b>				
KONČAR - Electrical Industry				
<b>TOTAL</b>	<b>15</b>	<b>17</b>	<b>7</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.



tradition.  
knowledge.  
responsibility.

## II SPECIFIC STANDARD DISCLOSURES

**KONČAR** Electrical Industry Group

## 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.hr](http://www.koncar.hr).

### Aspect: Economic Performance

In 2014, KONČAR Group recorded positive financial result. Group's consolidated profit before tax amounted to HRK 176 million i.e. 13.1% more than planned and 1.8% less than achieved in 2013.

In 2014, income from the sale of product and services amounted to HRK 2,649 million i.e. 5.6% more than 2013. Income from the sale of product and services on the domestic market amounted to HRK 1,351 million i.e. 6.7% more than in 2013. Income from the sale of product and services abroad amounted to HRK 1,298 million i.e. 49% of total income from the sale of product and services or 4.4% more than recorded in 2013.

**TABLE 6 - GENERATED AND DISTRIBUTED ECONOMIC VALUE**

*in 000 HRK*

	2012	2013	2014
Revenue from the sale of product and services	2,441,558	2,509,099	2,648,756
Operating cost - raw materials, service cost, cost of sold goods	1,714,979	1,664,459	1,931,859
Gross wages	473,602	497,178	492,283
Payments to providers of capital (interest)	12,785	14,562	13,150
Dividend payment	30,857	30,811	30,811
Income tax	21,667	15,647	15,986
Donations and sponsorships	901	853	1,841

### 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, new product development and marketing based upon principles of energy efficiency and use of renewable energy are part of permanent activities and challenges of mitigating the climate change impacts and the associated risk.

### Financial Assistance received from Government

In 2014, 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) impacts 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 the 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's references, complaint data, quality system data, occupational health and safety data and the environmental data.

## ENVIRONMENTAL

By influencing the implementation of environmentally acceptable technologies and materials suitable for recycling by already existing production processes, product and production development and suppliers, the environmental protection awareness has been encouraged. The environmental dimension is of special importance in view of installing a large part of equipment directly into the environment (substations, hydropower plants...). Materials, Energy, Water, Biodiversity, Compliance and Environmental Grievance Mechanisms aspects are recognized as material. KONČAR has a defined Environment Management Policy, which is available at [www.koncar.hr](http://www.koncar.hr), and communicated to all employees.

GLOBAL  
COMPACT  
PRINCIPLE 8

### Aspects: Materials, Energy and Water

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.

In 2014, several work activities were conducted on the KONČAR site in Sesvetski Kraljevac: rehabilitation of the remaining part of Hall 1 by replacing heating, electrical installations, crane repair and floor recovery, replacement of the worn out steel gas pipeline with the new plastic one, the construction of the new gas reducing station.

The energy certification of a number of facilities (business premises and workshops) owned by KONČAR - Electrical Industry Inc. was carried out on the Fallerovo šetalistište site. The building envelope was also renewed thus providing maximum harmonization with legal regulations. Aiming at making further savings, thermal radiator valves were also installed. The roof of Hall A was also repaired.

Issued certificates, apart from presenting our legal obligation, are also an indicator for further processes in monitoring energy fuel and water consumption.

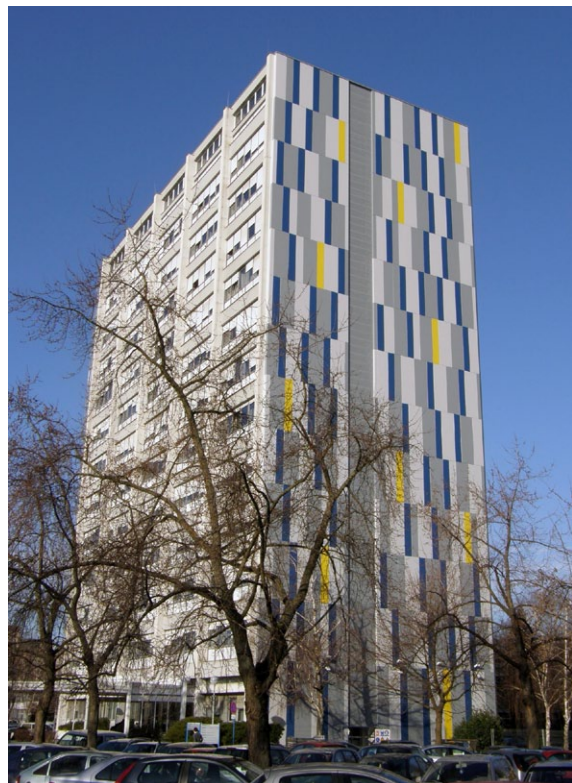
A number of recovery and reconstruction works was conducted in Hall SF6 at the Borongaj site. One part of the pipeline was removed from the Hall's substation, the pipeline and deposits were irrigated thus achieving better heat energy efficiency in the Hall. Works conducted in the heating station of the new office building (installation of a new regulation valve and a new circulation pump for domestic hot water) resulted in energy efficiency exceeding 90 percent thus reducing the emission of polluting gases.

### Aspect: Biodiversity, Compliance and Environmental Grievance Mechanisms

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.

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 9



GLOBAL  
COMPACT  
PRINCIPLE 7

## **SOCIAL; LABOR PRACTICES AND DECENT WORK**

### **Aspect: Employment**

A total of 307 new workers were employed in the reporting period. The youngest employed was 19 and the oldest 63, thus averaging at 32. The average age of leaving employees was 47, the youngest was 18 and the oldest 64. A total of 419 workers left the company. Regardless of their contract type, all KONČAR Group employees were ensured equal benefits.

### **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.

### **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 - 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 regular education system, specialized trainings within the company and engaging in special training programmes 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, presentation and computer skills, new regulations, work safety and other areas. Extraordinary results achieved in the process of education are encouraged and awarded.

### **INTERNSHIP SEMINARS**

Seminars for KONČAR interns and new employees are organized every year for the purpose of getting them acquainted with the organization, production range, various operating departments of KONČAR as well as colleagues employed by other KONČAR companies. The seminar in 2014 was attended by 46 interns from 11 companies who visited facilities, the Žerjavinec substation (KONČAR was the equipment producer) and attended numerous lectures from working relations, how to achieve the desired, social responsibility, quality management and environmental protection, the history of KONČAR and its current position

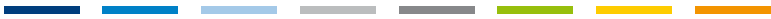


on the world market. KONČAR - Electrical Industry organized the first seminar in early June 2003. During the following eleven years, 22 seminars were organized in total attended by more than 800 interns and the newly-employed.

In 2014, the 4th educational 13 module series was completed. The tailor made programme of the series included not only education focused on the acquisition of professional knowledge but also the development of general and managerial competences and skills including employee motivation, leadership, team work, communication skills etc.

As part of the Export Strengthening Strategy, education was conducted for some KONČAR employees focused on doing business abroad - representative offices, affiliates and companies, joint venture-differences and implementation, KONČAR experiences.





## DOCTORAL DISSERTATIONS

KONČAR got four more doctors of science, who connected their dissertations with jobs they performed. In 2014, the D.Sc degree was awarded to the following:



**Ante Martinić** from KONČAR - Power Plant and Electric Traction Engineering. He successfully defended his doctoral dissertation titled 'The Integrated Framework of Project Management with Virtual Teams' at the Faculty of Electrical Engineering and Computing of the Zagreb University on 20 January.



**Domagoj Peharda** from KONČAR - Power Plant and Electric Traction Engineering. He defended his doctoral dissertation titled 'The Assessment of the Electric Power System Conditions in the Time Domain by Measuring Voltage Angles' at the Faculty of Electrical Engineering and Computing of the Zagreb University on 5 February.



**Josip Babić** from KONČAR - Electrical Engineering Institute. He defended his doctoral dissertation titled 'The Model Approach to Development of Embedded Computer Operating Systems for Real Time Work by Integrating Inherited Components' at the Faculty of Electrical Engineering and Computing of the Zagreb University on 10 July.



**Nenad Težak** from KONČAR - Electrical Engineering Institute. He successfully defended his doctoral dissertation titled 'Active Suppression of Low Frequency Current Disturbances by Applying Energy Converters Controlled Network Interfaces in Railway Vehicles' at the Faculty of Electrical Engineering and Computing on 10 November.

## THE KONČAR AWARD FOR THE BEST DOCTORAL INDUSTRY-APPLIED DISSERTATION

The annual 'KONČAR' award for the doctoral dissertation defended in the academic year 2013/2014 for exceptional scientific achievements in the area of technical industry-applied sciences, awarded since 2003 on the occasion of the Day of the Faculty of Electrical Engineering and Computing, went to Stjepan Sučić, D.Sc. for his 'Mediation Platform for Allocated Remotely Controlled Advanced Electric Power System Subsystems' and to Stjepan Stipetić, D.Sc. for his 'Optimization of the Electromagnetic Calculation of the Synchronous Engine Series with Permanent Magnets'.

For a number of years on the occasion of the Day of the Faculty of Electrical Engineering and Computing, KONČAR - Electrical Engineering Institute has been handing out the cash prize along with the bronze 'Josip Lončar' plaque for achieving significant success during the studies. This year's laureate was Tin Bariša.

At the formal session of the Faculty Council of the Faculty of Mechanical Engineering and Naval Architecture of the Zagreb University, held on November 28, KONČAR companies were among those which awarded prizes for encouraging excellence and providing support to best students. Cash prizes were awarded by Metal Structures and Electric Vehicles to Danijel Miler and Perica Hajdarović, respectively.



#### **AWARDS TO BEST STUDENTS ON KONČAR DAY**

On the occasion of the KONČAR Day held on 24 January, the KONČAR Award, established in April 2003, was awarded under the motto 'The best investment is the one made in people' to the most successful students of the Electrical Engineering and IT Department of the Polytechnic of Zagreb during the academic year 2013/2014: Nikola Premor, Dražen Šukec, Martina Vučićević, Andrijana Petrović, Matej Velenik, Karlo Petravić, Toni Domazet and Kristijan Župan.



#### **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.

## RECREATIONAL ACTIVITIES IN KONČAR

### KONČAR'S BIKE RACE

In 2014, KONČAR's Bike Section organized the Mountain Bike Race for all those in love with this type of recreation. The enthusiasts were not discouraged by the climb to the Sljeme peak nor by the rain. Taking shorter stops, they climbed 12 km from the hill bottom and Bliznec Street to the top and enjoyed their company on the top of Medvednica.



### KONČAR'S MOUNTENEERING SOCIETIES

There is a long tradition of nature walks among employees of KONČAR, which supports two mounteneering societies gathering its employees: PD KONČAR and PD KONČAR KET.

In 2014, PD KONČAR organized numerous excursions including the fourth 'With KONČAR to Nature' excursion.

PD KONČAR KET has 130 members. Their annual ten-day excursion in 2014 took them to Sardinia and Corsica. During the trip, members visited numerous locations, climbed nearby hills and tracks and admired magnificent landscape in the manner of all true climbers.

### 14TH FUTSAL TOURNAMENT FOR THE TITLE OF THE KONČAR CHAMPION

In 2014, KONČAR sponsored the 14th Futsal Tournament attended by the Group's employees. The competitions were organized during two weekends in December and were attended by the total of 24 teams from 13 KONČAR companies. There were 16 senior and 8 veteran teams. 48 matches were played and 194 goals scored. Goals were scored in each match.



## 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 21 years. Within this period, the Club won over 500 medals at the Croatian championships, the tradition which continued in 2014. Some of the most significant results achieved at the Croatian Championships include four first places, eight second and three third ones in individual disciplines as well as the first place won as a team in 6 disciplines and the second in four. Let's not forget numerous medals won at international competitions.

At its annual Assembly held in 2014, KONČAR awarded the best shooters. The 'KONČAR ZAGREB 1786' Shooting Club awarded KONČAR the special recognition for its wholehearted help.

### **'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. Club members participated in numerous competitions in Croatia and abroad achieving significant results.

In May 2014, the KONČAR Canoe Club, the Zagreb Canoe Association, the Croatian Canoe Federation and the Croatian Association of Technical Culture participated at the Technical Culture Festival.

The great success was achieved in late 2014 by winning first three places at the end of the season - at the 19th Tibor Šaramo Memorial.

KONČAR supports the Kanu newsletter published by this sport association.

### **KONČAR CHESS CLUB**

One of the oldest chess clubs in Croatia has also been named after KONČAR. In late 2014, KONČAR Chess Club started its team rejuvenation and strengthening. The combination of young enthusiasm and experience will surely result in even greater success.

### **THE SUPPORT TO TABLE TENNIS PLAYER ANDREJ GAČINA**

KONČAR has been supporting Andrej Gačina for years. This table tennis player has been climbing the table tennis rankings year after year. In 2014, Andrej won the Croatian Male Tennis Table Championship for the sixth time (fifth consecutive time). He is ranked 30th on the International Table Tennis Federation rankings.

Apart from the above, he was also named the best player of the Federal Table Tennis League in Germany in the spring part of the competition. He plays for TTC Zugbrücke.

## SOCIAL; HUMAN RIGHTS

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.

### Aspect: Non-discrimination

During 2014, 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.

### 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. Employees choose to be members of the Croatian Union of Metalworkers and the Croatian Electrical Workers Union.

### 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.

### Aspect: Security Practices

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.

## Culture

### THE INTERNATIONAL CULTURAL CENTER IN GROŽNJAN

Ever since its establishment in 1969, the activities of the International Cultural Center of the Croatian Music Youth in Grožnjan, supported by KONČAR as well, gathered more than 30,000 young people and their mentors from 100 countries. In 2014, Grožnjan as a meeting place of musicians, dancers, architects, actors, composers, painters and other artists from all around the world celebrated its 45th anniversary with the 'Creativity as an Imperative' exhibition and an even more prolific artistic summer including 30 workshops, seminars and symposiums.



GLOBAL  
COMPACT  
PRINCIPLE 1

GLOBAL  
COMPACT  
PRINCIPLE  
2 and 6

GLOBAL  
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PRINCIPLE 3

GLOBAL  
COMPACT  
PRINCIPLE  
4 and 5



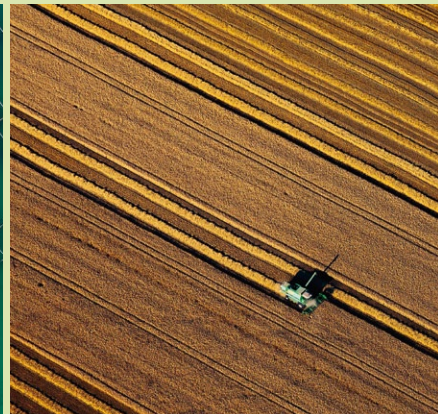
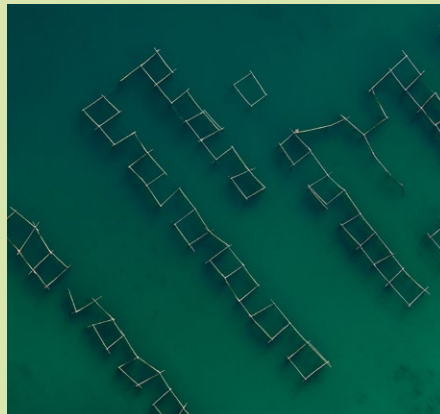
### THE BEST YOUNG MUSICIAN'S AWARD

The Croatian Music Youth has been awarding the Ivo Vujljević Award for 28 years to the most prominent young musicians in the previous year, thus focusing the public attention on their talents, efforts and abilities. The award, supported by KONČAR in 2014, was presented to two musicians - percussionist Kaja Farszky and violinist Marco Graziani.

### 50TH ANNIVERSARY OF KEREMPUH THEATRE

In March 2014, Zagreb's Kerempuh Satirical Theatre, sponsored by KONČAR for years, celebrated its 50th anniversary. Since its establishment, Kerempuh put on 215 premieres, showed 20,392 plays seen by 6,640,062 spectators. On the occasion of its 50th anniversary, the Monograph by Hrvoje Ivanković was presented and the star dedicated to the Kerempuh's founder, a longtime leader and house writer Fadil Hadžić was unveiled in front of the theatre.

### PHOTO EXHIBITION 'CROATIA FROM ABOVE'



The exhibition 'Croatia from Above' by Davor Rostuhar was put on on the premises of the Croatian Association of Artists. This exhibition supported by KONČAR included more than the bird's-eye-view 200 photographs capturing Croatian natural beauties, people and customs.

The exhibition consisted of five levels and two multimedia projections, of which one was put on the gallery floor, 18 meters in diameter. Having completed its Zagreb promotion, the exhibition moved to Dubrovnik, Split, Hvar, Zadar, Varaždin, Rijeka and Osijek during summer months. Its promotion is planned abroad in 2015. 'The Croatia from Above' Monograph has also been published, and the selection of its photographs is included in the KONČAR's 2015 desk calendar.

## SOCIAL; SOCIETY

### Local Community, Anti-Corruption and Anti-Competitive Behaviour

Within its Volunteering Club activities and in line with awarded donations, KONČAR Group was actively involved in local community activities in different ways. In 2014, significant funds were awarded for facilitating the work of locally engaged organizations. Special attention was paid to youth associations and sport clubs. KONČAR employees helped the work of the Education and Rehabilitation Centre Dubrava and the Croatian Paraplegic and Tetraplegic Association and got involved in massive volunteering for helping the flooded areas of Slavonia. In the selection of entities which require help, the support was based on the needs of local communities as well as the avoidance of the environmental and social adverse impact.

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 with various criteria and business habits, KONČAR has managed to ensure its reputation of a loyal and correct business partner, which has served as one of the best recommendations for concluding new business deals.

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

#### **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 of IT equipment was made to the Education and Rehabilitation Center Dubrava educating and rehabilitating children and young persons with motor skill disorders and chronic diseases.



#### **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 PENSIONERS' CLUB (KUK)**

The club celebrates its 14th anniversary. In 2014, it had a total of 341 registered member. On Tuesdays and Thursdays, former KONČAR employees get together (read newspapers and magazines, play cards and chess, chat) and discuss Club activities. In 2014, Club members went on 11 excursions (nine single-day and two two-day excursions), saw six theatre plays and two exhibitions, organized five parties and visited 18 sick members.

#### **KONČAR EMPLOYEES' CHILDREN VISIT SANTA CLAUSE**

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

## THE ARCHITECTURAL HANDBOOK FOR CHILDREN

In 2013, KONČAR was a gold sponsor of the architectural handbook titled 'Space around Me' which goal was to make children aware of measures as well as the constructed space and architecture. The handbook intended for primary school pupils was made by the Zagreb Young Architects' Society which designed it as an introduction into a very wide topic which has not been sufficiently covered by the education programme. Children are educated and encouraged to use the creative material acquired. 'The Space around Me' won the Architecture & Children Golden Cubes in the national print media category awarded by the International Union of Architects.

### THE SOLAR CAR RACE IN SISAK

KONČAR supported 'Solea' - the solar car race held during two days in June in Sisak in the organization of the Technical School Sisak. The competition was participated by seven teams consisting of technical and vocational school pupils operating a solar car, which they devised and constructed. The winner was the Industrial and Crafts School from Slavonski Brod.



### DISABELD SPORT ASSOCIATION 'THE BRAVE'

This Association gathers people of all disability categories to help them find rehabilitation methods through sport and recreation. It has over 70 members divided in 7 clubs - sitting volleyball, bowling, archery, table tennis, futsal, swimming and darts. In 2014, they celebrated their 45th anniversary with the traditional international sitting volleyball tournament 'Friendship 2014' supported by KONČAR and attended by athletes from Croatia, Bosnia and Herzegovina and Slovenia.



## The KONČAR Volunteer Club

The KONČAR Volunteer Club is an informal club of KONČAR employees who spend their free time in volunteering activities organized by KONČAR Group according to their possibilities and free time. In 2014, several volunteering activities were organized:

**The Education and Rehabilitation Center Dubrava** is intended for educating and rehabilitating children and young persons with motor skill disorders and chronic diseases who are trained for work under regular, adjusted and special programmes. As a continuation of the multi-year long cooperation, volunteering activities were organized by means of thematic workshops. Students, who were divided into 3 groups, were shown by KONČAR volunteers how to prepare a presentation, write for school newspapers and web page, process photographs and do a text layout. More than 30 students participated in these workshops. KONČAR employees recorded material for logopedic therapy. Nine employees from 7 KONČAR companies volunteered.



### **The premises of the Croatian Paraplegic and Tetraplegic Association**

were equipped by unadequate lighting and suffered damage from a burst sewage pipe. On 15 and 16 May 2014, KONČAR volunteers dismantled the old lighting, made all necessary preparations for wall painting (about 200 m<sup>2</sup>) and painted the premises. Having finished, they mounted new lights,

thoroughly cleaned the premises and returned them in their original condition. KONČAR donated new lights as well as wall paints and space cleaning material. 17 volunteers from 9 KONČAR companies participated.

**Sorting and packing humanitarian aid for Slavonia** occurred immediately following the catastrophic floods which devastated the region of Slavonia (9 June 2014). KONČAR employees donated household and personal hygiene goods, clothes, footwear and food. Having been collected on several locations, the aid was centralized. Volunteers packed it in several packet types (personal hygiene, household hygiene, children, clothes and footwear). 23 volunteers from 11 KONČAR companies participated.

**On 12 July 2014, the first KONČAR humanitarian aid convoy for Slavonia** gathered 63 volunteers from 16 companies. Volunteers came to Slavonia by bus and equipped a total of 89 houses in Strošinci, Đurići and Račinovci with 150 household appliances in one day. Apart from this donation made by KONČAR, they also helped local population mount and operate household appliances, clean their houses and yards and unpack sand bags.



## 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.

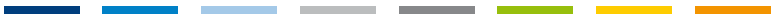


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