

20
19

CORPORATE
SOCIAL
RESPONSIBILITY
REPORT

tradition.
knowledge.
responsibility.

KONČAR

CONTENTS

GENERAL DISCLOSURES	
Organizational profile	6
Ethics and integrity	18
Governance	19
Stakeholder engagement	23
Reporting practices	27
TOPIC - SPECIFIC STANDARDS	
Economic standards	30
Environmental standards	38
Social standards	42
Content	58



2019

CORPORATE SOCIAL RESPONSIBILITY REPORT

STATEMENT
FROM THE
CHAIRMAN OF THE
BOARD
GRI 102-14



Dear readers,

On behalf of the new Management Board appointed in early 2020, I am delighted to thank our predecessors and all employees for their efforts in developing and strengthening KONČAR. We will carry on fostering values that have been created within KONČAR Group for decades and we are committed to bolstering the company which delivers products and services to 120 countries worldwide. All of our activities will continue to be steered by the principles of corporate social responsibility, which have been underpinning our production processes and business practices.

Our results indicate continuous sound operations on the back of another successful year. In 2019 KONČAR Group had a 12.8% surge in revenue year-on-year, as a result of timely activities and measures, combined with new-market expansion. Exports account for 63% of the new contracted business, affirming a strategy focus on new market penetration with retention and growth of existing markets.

We are steadily moving forward with efforts in development of new activities and we are systematically improving structured reporting on corporate social responsibility. KONČAR Group is one of the few Croatian companies whose CSR reports have been entered into the official Global Reporting Initiative database and published on the official UN Global Compact website.

The CSR report, which we have been continuously publishing for fourteen years, is prepared pursuant to GRI Standards, UN GC principles and Sustainable Development Goals Agenda 2030, as yet another example of KONČAR Group's focus on responsibility to our employees, the society and the environment. As corporate social responsibility is one of the building blocks of our development strategy, our 2019 CSR report is even more comprehensive than previous reports and it addresses even more GRI Standards. The pages before you will provide an outline of KONČAR activities across all three dimensions of sustainable development - economic, environmental and social.

I would particularly like to highlight our work on reducing the company carbon footprint – activities such as consuming energy exclusively from renewable sources and investments in energy efficiency of our production facilities. Last year we also intensified our activities aimed at attracting, retaining and motivating our employees. KONČAR launched cooperation with student associations and many faculties, and in November 2019 KONČAR – Electrical Industry was awarded the basic Mamforce© Standard for Family Responsibility and Gender Equality in Management Policy.

In line with our corporate slogan "tradition.knowledge.responsibility" and with our upcoming centenary, we commit to continuous future improvements in all dimensions of corporate social responsibility and in doing so, to building up the market position of KONČAR.

Yours sincerely,

Chairman of the Management Board
Gordan Kolak

ORGANIZATIONAL PROFILE

NAME OF THE ORGANIZATION GRI 102-1

This report on corporate social responsibility (CSR Report) pertains to KONČAR Group consisting of KONČAR – Electrical Industry (parent company) and 14 dependent companies, in which the parent company exercises predominant control (more than 50% of votes at the General Assembly). Moreover, the parent company exercises minority control in two affiliated companies and one joint - venture.

ACTIVITIES, BRANDS, PRODUCTS AND SERVICES GRI 102-2

KONČAR Group business areas are as follows:

- Energy: design and construction of electricity generation, transmission and distribution facilities and equipment, renewables
- Transportation: electric locomotives, electric multiple units, diesel-electric multiple units, tramcars, electrical equipment for railway infrastructure
- Industry: electric motor drives, low voltage electrical equipment
- Special activities: product research and development, certification, infrastructure services

LOCATION OF HEADQUARTERS GRI 102-3

Fallerovo šetalište 22
10 000 Zagreb
Republic of Croatia

LOCATION OF OPERATIONS GRI 102-4

KONČAR Group operates domestically and internationally through two international representative offices: in Mostar (Bosnia and Herzegovina) and in Belgrade (Serbia).

OWNERSHIP AND LEGAL FORM GRI 102-5

KONČAR – Electrical Industry is a joint-stock company. The shares are quoted in the Official Market of the Zagreb Stock-Exchange. The shares are recognisable under the KOEI-R-A ticker. In keeping with the positive regulations, the Company ensures regular access to information on operations and activities and information on any facts and circumstances that may impact the share price (price sensitive information).

Share capital amounts to HRK 1,208,895,930.00 and consists of 2,572,119 ordinary shares with a nominal value of HRK 470.00.

The Company applies the same conditions to all shareholders and treats them equally irrespective of the number of shares in their possession, their country of origin and other properties. Voting rights encompass all shareholders in that the number of votes they are entitled to at the General Assembly equals the number of shares they have in their possession (one-share-one-vote rule).

In 2019, following the decisions of the General Assembly based on the results realised in 2018, shareholders were distributed a dividend in the amount of HRK 38.3 million, which amounts to HRK 15.00 per share.

In 2019 the share price of KONČAR – Electrical Industry followed the overall market trends. The share price peaked in May 2019 at HRK 710.00, while it bottomed out in January at HRK 520.00. As at 31 December 2019 the average share price amounted to HRK 636.47. Total trading turnover for KOEI-R-A shares stands at HRK 55.7 million, up by HRK 17.2 million year-on-year. The total trading volume amounts to 85,915 which is a 45.7% surge compared to 2018.

Market capitalization is HRK 1,626,8 million, HRK 254.2 million increase compared to the 2018 year end.

In the 2019 buyback, the Company acquired 1,309 treasury shares (KOEI-R-A), which represents 0.051% of the total share capital. The shares were acquired at the Regulated Market of the Zagreb Stock Exchange at the price of HRK 630.00 per share.

For further details, please refer to the Business Report, available at www.koncar.hr/en/investors/annual-financial-reports/.

KONČAR – Electrical Industry Inc. ownership structure

SHAREHOLDER	31 Dec 2019		31 Dec 2018	
	No. of shares	Ownership stake %	No. of shares	Ownership stake %
HPB / (Capital Fund)	724,515	28.17	724,515	28.17
Addiko Bank / PBZ Croatia Osiguranje OMF	420,928	16.37	420,928	16.37
OTP Bank / Erste Plavi OMF	394,213	15.33	359,239	13.97
OTP Bank / AZ OMF	377,429	14.67	377,429	14.67
Restructuring and Sale Center / Republic of Croatia	73,162	2.84	81,610	3.17
Floričić Kristijan	50,714	1.97	50,714	1.97
Addiko Bank / RBA OMF	47,636	1.85	47,636	1.85
Zagrebačka banka / AZ Profit Voluntary Pension Fund	35,222	1.37	32,803	1.28
OTP Bank / OTP Index Fund – OIF with public offering	23,189	0.90	20,009	0.78
Zec Branislav	22,843	0.89	22,843	0.89
Other shareholders	386,098	15.01	419,532	16.31
KONČAR / treasury stock /	16,170	0.63	145,861	0.58
TOTAL	2,572,119	100.00	2,572,119	100.00

In 2019, KONČAR Group consolidated product and service sales revenue amounted to HRK 2,811 million, an increase of 12.8% year-on-year.

Revenue from domestic market sales, increased by HRK 106.9 million (10.2%) compared to 2018 and amounted to HRK 1,156,5 million. Exports amounted to HRK 1,654,5 million, which represents a rise of HRK 211.5 million (14.7%) year-on-year. Exports account for 58.9% of the total product and service sales revenue.

In 2019 KONČAR Group delivered products and services to 90 countries worldwide. In the structure of the total sales to international markets, the EU market accounts for HRK 1,079,9 million (65.2% of the total exports), Asian and African markets generated HRK 135.5 million or 8.2%, neighbouring/regional countries (Serbia, Montenegro, North Macedonia, Albania) HRK 107.8 million or 6.5%, while exports to the Americas and Australia amounted to HRK 83.2 million or 5% of the total. Total exports to other countries stood at HRK 249 million.

The majority of exports were delivered to Germany (HRK 211.7 million or 12.7%), followed by Sweden (HRK 196.3 million or 11.9%), Austria (HRK 113.5 million or 6.8%), Hungary (HRK 67.6 million or 4%), Bulgaria (HRK 64 million or 3.8%) and the United Arab Emirates (HRK 60.5 million or 3.6%). There has been a significant year-on-year increase in the product and service revenue generated in the following markets: Bulgaria (HRK 56.9 growth), Guinea (HRK 55.6 growth), Austria (HRK 38.9 million rise) and the United Arab Emirates (HRK 32.1 million rise).

In 2019, KONČAR Group companies contracted new projects in the amount of HRK 3,079,2 million. Of the total amount contracted HRK 1,139,3 million (37%) are domestic market contracts, whereas HRK 1,939,9 million (63%) are export contracts. In 2019, new contracted business increased by HRK 448 million (17%) year-on-year.

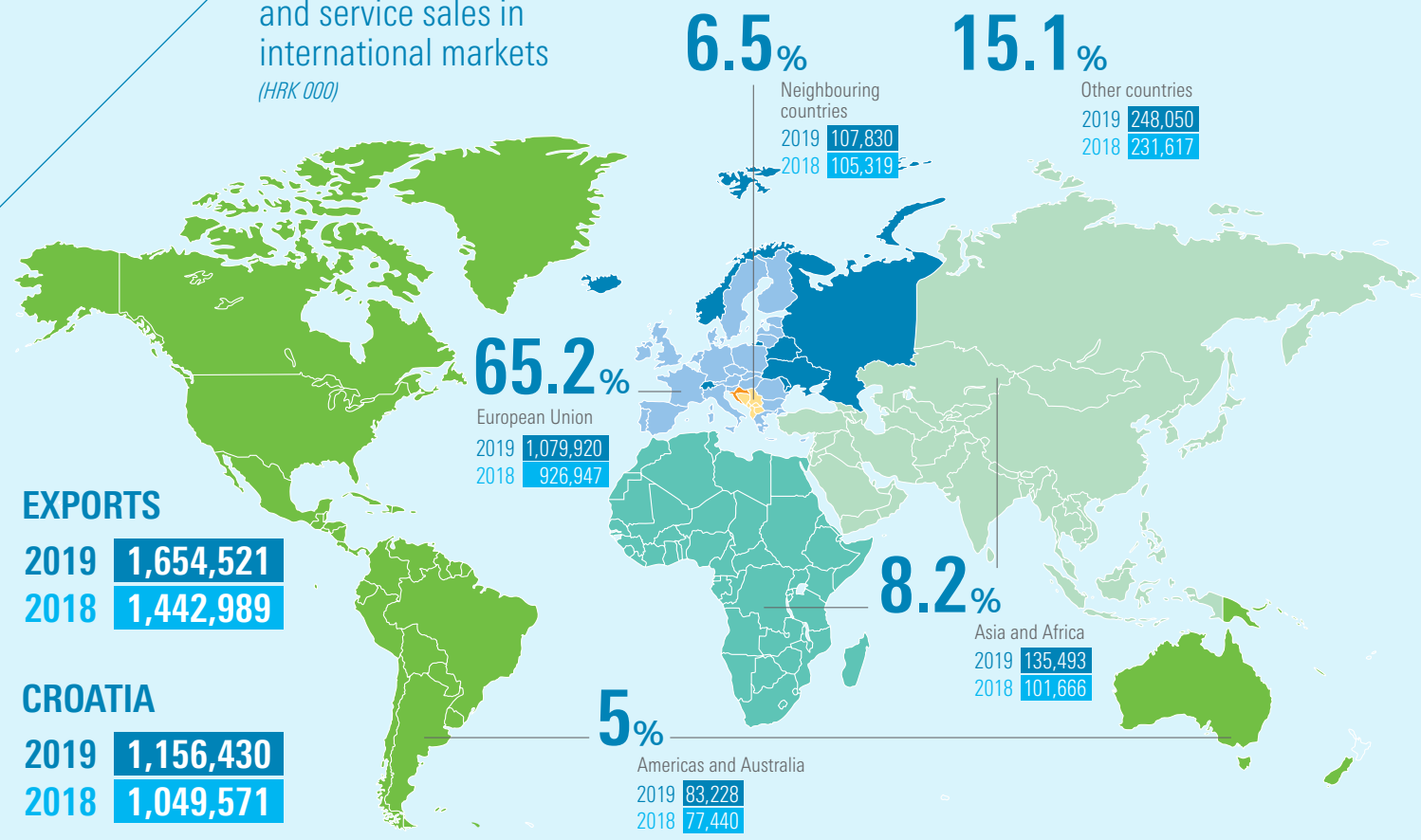
As of 31 December the contracted backlog stood at HRK 3,348,9 million, an increase of 8.7% compared to year start.

For further information on markets served please refer to the Business report available at www.koncar.hr/en/investors/annual-financial-reports/.

MARKETS SERVED GRI 102-6

SCALE OF THE ORGANIZATION
GRI 102-7

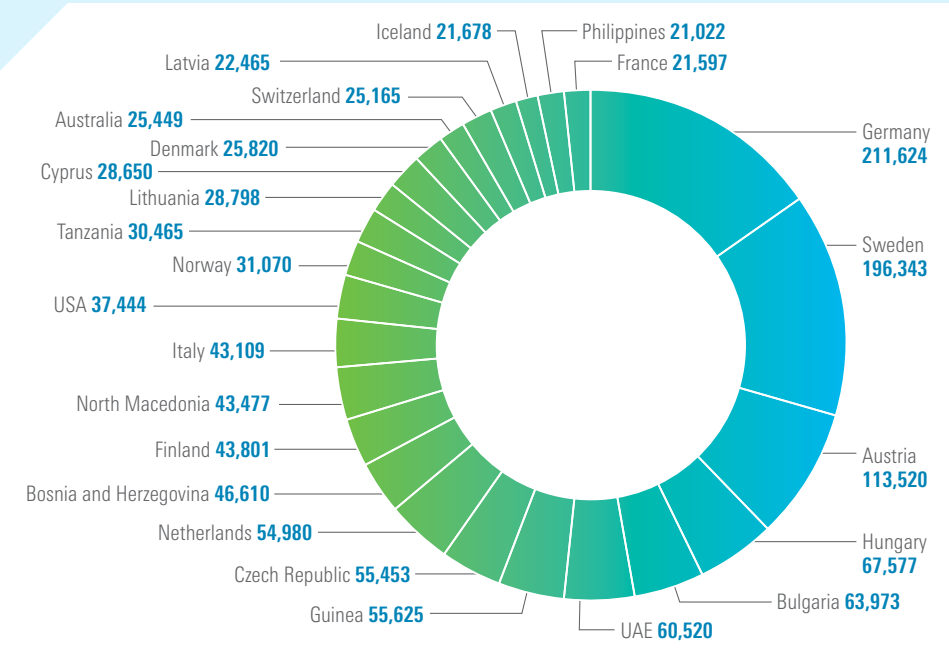
Total revenue from product and service sales in international markets
(HRK 000)



EXPORTS
2019 **1,654,521**
2018 **1,442,989**

CROATIA
2019 **1,156,430**
2018 **1,049,571**

Top markets in 2019
(HRK 000)



	number of employees	TOTAL REVENUE	TOTAL EXPENSES	PROFIT / LOSS AFTER TAXES	SUBSCRIBED CAPITAL	SUBSCRIBED CAPITAL PARENT COMPANY
	2019	2019	2019	2019	TOTAL	
KONČAR – Power Plant and Electric Traction Engineering	235	634,370,080	634,568,216	4,903,058	50,577,000	50,577,000
KONČAR – Generators and Motors	457	220,504,608	219,820,499	539,805	107,927,700	107,927,700
KONČAR – Switchgear	173	118,382,473	113,865,473	4,309,524	105,033,000	105,033,000
KONČAR – Distribution and Special Transformers	624	1,080,672,086	1,031,276,618	47,799,602	153,369,600	80,878,800
KONČAR – Instrument Transformers	260	198,513,317	189,584,705	7,633,538	37,978,200	23,533,200
KONČAR – Electronics and Informatics	238	179,721,960	174,189,077	4,536,007	47,027,280	41,845,600
KONČAR – Metal Structures	368	185,324,958	201,970,112	-16,645,154	119,580,000	119,580,000
KONČAR – Electric Vehicles	257	212,863,974	189,081,280	20,049,987	47,026,800	35,288,700
KONČAR – Renewable Energy Sources	6	27,988,324	55,500,994	-27,512,670	108,170,400	108,170,400
KONČAR – Engineering for Plant Installation & Commissioning	148	125,127,376	122,530,364	1,899,707	11,827,500	5,288,100
KONČAR – Small Electrical Machines	189	102,030,502	90,011,142	9,455,287	41,641,800	41,641,800
KONČAR – Low Voltage Switches and Circuit Breakers	80	30,063,282	28,303,679	1,759,603	60,499,300	60,499,300
KONČAR – Electrical Engineering Institute	167	79,801,174	74,473,593	4,530,680	40,763,520	40,763,520
KONČAR – Infrastructure and Services	156	64,304,866	58,816,749	4,380,617	49,891,600	49,891,600
TOTAL DEPENDENT COMPANIES	3,358	3,310,573,271	3,224,775,622	68,760,761	981,313,700	870,918,720
KONČAR – Electrical Industry (Parent company)	50	122,962,361	115,612,208	7,350,153	1,208,895,930	
TOTAL PARENT COMPANY AND DEPENDENT COMPANIES	3,408	3,433,535,632	3,340,387,830	76,110,914	2,190,209,630	870,918,720

As of 31 December 2019, KONČAR employed 3,408 employees, including 1,343 university graduates with 68% graduates in technical sciences (46% electrical engineers and 22% mechanical engineers), 15% in economics and 17% in other fields.

In 2019 KONČAR had 40 employees holding PhDs, 46 holding master's degrees, 28 university specialists and 108 specialist graduates. The median age of KONČAR employees for the reporting period was 43 years. Among new recruits, 42% were between the ages of 25 and 34. Most new recruits hold qualifications in electrical engineering, mechanical engineering and information technology.

As in the previous reporting cycle, throughout 2019 there have been difficulties in recruitment and retention of qualified employees in the Croatian labour market. KONČAR has been affected in recruiting and retaining sufficient numbers of highly qualified and experienced professionals and retaining young professionals, as they are often attractive for foreign employers in Europe and worldwide once they gain significant experience in KONČAR Group. Outflow rates in 2019 were most pronounced for electrical and mechanical technicians, machinist and welders. Despite outflow rates, KONČAR has thus far been successfully recruiting and retaining sufficient numbers of highly qualified workers.

Male gender prevails in the employee structure, with the average age of 43 years. Most of the employees are Gen Y, between the ages between 25 and 39. Permanent full-time employment of 40 hours per week was the dominant employment type.

INFORMATION ON EMPLOYEES AND OTHER WORKERS
GRI 102-8

UN GC 6

Gender	KONČAR Group						As at 31 December 2019
	Contracts						Total
	fixed-term	permanent	traineeship	rights, obligations and compensation	special rights, obligations and compensation	before recall	
M	273	2,227	19	113	35	8	2,675
F	50	635	4	24	19	1	733
Ukupno	323	2,862	23	137	54	9	3,408

Employees by gender and age

Generation (age)	No. of men	No. of women	Total
Gen Z (up to 25 years)	132	4	136
Gen Y (25 – 39 years)	1,096	270	1,366
Gen X (40 – 54 years)	822	252	1,074
Baby boomers (more than 55 years)	626	206	832
Total	2,676	732	3,408

In 2019, six KONČAR employees obtained their PhD degrees upon defending dissertations on topics directly related to their work.

Stjepan Tvorčić from **KONČAR – Electrical Engineering Institute** defended his doctoral dissertation “Rotor faults detection in squirrel-cage induction motor based on magnetic field analysis in air-gap” from the Faculty of Electrical Engineering and Computing, University of Zagreb, on 10 May 2019.

Dubravko Krušelj from **KONČAR – Electronics and Informatics** defended his doctoral dissertation “Direct torque control of induction machine based on optimal voltage vector determination according to criterion of torque ripple reduction” from the Faculty of Electrical Engineering and Computing, University of Zagreb, on 5 September 2019.

Marijo Šundrica from **KONČAR – Power Plant and Electric Traction Engineering** defended his doctoral dissertation “Speed control system of synchronous machine based on deterministic observers and feedback linearization method” from the Faculty of Electrical Engineering and Computing, University of Zagreb, on 28 October 2019.

Miroslav Petričić from **KONČAR – Electrical Engineering Institute** defended his doctoral dissertation “Coupling of Electromagnetic Forces and Vibrations of Synchronous Generator Stator Core” from the Faculty of Electrical Engineering and Computing, University of Zagreb, on 3 December 2019.

Marina Mrđa Lalić from **KONČAR – Power Transformers** defended her doctoral dissertation “Development of methods for assessing protective properties of the coating in extreme corrosive environments” from the Faculty of Chemical Engineering and Technology, University of Zagreb, on 17 December 2019.

Ana Tomasović Teklić from **KONČAR – Electrical Engineering Institute** defended her doctoral dissertation “Method for calculation of flicker propagation caused by electric arc furnace connection to power system network” from the Faculty of Electrical Engineering and Computing, University of Zagreb, on 19 December 2019.

Supply chain management is of strategic importance for KONČAR Group. Suppliers have been segmented by their strategic importance, according to value added to the Company.

**SUPPLY CHAIN
GRI 102-9**

In compliance with high quality standards, a segment of supply turnover has been carried out with local and primary producers, thereby contributing to development and stability of local communities. KONČAR Group has cooperated with suppliers from more than 80 countries worldwide. EU suppliers have accounted for the majority of the import structure (58%).

KONČAR Group companies have established multi-year business relationships with suppliers and have frequently entered into business cooperation agreements. Annual procurement value stands at about HRK 1.7 billion, with 47% procured internationally.

While individual KONČAR Group companies have developed their own specific ranges of products and services, the main groups of materials have remained standard and include copper wires, copper sheets, steel sheets, dynamo sheets, steel structures, bearings, paints, plastic, joining material, lubricants and other.

Copper materials and steel sheets have been regularly procured through commodity exchanges. Apart from procuring directly from manufacturers, a segment has been procured through intermediaries.

The Management Board of KONČAR – Electrical Industry, with the consent of the Supervisory Board has continually carried out operational restructuring in order to retain KONČAR Group’s market position, profitability and enhance further development.

**SIGNIFICANT
CHANGES TO THE
ORGANIZATION
GRI 102-10**

In 2019, KONČAR continued the restructuring process of those companies which operate activities outside KONČAR Group core business areas. The shares of KONČAR – Household Appliances have been sold off in a MEBO (management and employee buyout) and the company no longer operates as a member of KONČAR Group. KONČAR – Low Voltage Switches and Circuit Breakers was set up as an SPV company and sold off thereafter to Lovato Electric S.p.A from Bergamo. Lovato Electric S.p.A has affirmed their dedication to production continuity and workplace retention by opting to carry on manufacturing rotary cam switches and retaining the appropriate workforce number with a guarantee of rights and entitlements arising from the Collective Agreement.

Activities related to the investment in the Metal Processing Centre at KONČAR – Metal Structures continued throughout 2019 as previously set out in the project roadmap. Based on the findings of a feasibility study, it has been decided to reorganize KONČAR – Metal Structures and establish it as the Metal Processing Centre at KONČAR Group level. The establishment of the centre is expected to increase synergy and thus boost the profitability of all stakeholders.

**PRECAUTIONARY
PRINCIPLE OR
APPROACH
GRI 102-11**

**EXTERNAL
INITIATIVES
GRI 102-12**

KONČAR has been implementing the Precautionary Principle in all business operations pursuant to the Environment Protection Act. This approach is based on avoidance of all potential risks arising from the implementation of new technology until complete knowledge and understanding of environmental and health impacts has been obtained. For further information about the Precautionary Principle please refer to GRI Standard 304.

KONČAR accepts and applies international and local principles, charters and standards, which contribute to better quality of products, work processes and production as well as to preservation and improvement of the natural and social environment.

KONČAR business policy is based on:

- customer, supplier and stakeholder satisfaction
- environmental, health and safety protection
- continuous improvement in products and processes
- employee participation and motivation.

The Management and Supervisory Boards of KONČAR – Electrical Industry have adopted principles of corporate governance on 17 April 2008. The corporate governance principles are defined and refer to:

- prudent management
- definition of corporate governance procedures based on recognized standards adopted internationally
- supervision of business operations, all for the purpose of establishing high corporate governance standards and transparency of operations as the basis for protection of shareholders, investors and other stakeholders, employee well-being, sustainable development and environmental protection.

A systematic approach has generated policy and objectives of quality management, environmental protection, occupational health and safety, acknowledged by certificates obtained from accredited autonomous bodies. In line with the Sustainable Development Policy, KONČAR Group has implemented ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001/ISO 45001 Occupational Health and Safety Management System, ISO/IEC 27001 Information Security Management System and ISO/IEC 50001 Energy Management System. A number of other standards and norms have been applied to individual products as per requirements specified by customers and users. For further details on certificates, please refer to GRI Standard 416-2.

**MEMBERSHIP OF
ASSOCIATIONS
GRI 102-13**

- International Council on Large Electric Systems (CIGRÉ)
- International Council for Distribution Systems (CIRED)
- IEEE - Institute of Electrical and Electronics Engineers
- IEC - International Electrotechnical Commission
- IW - International Institute of Welding
- ECLA - European Company Lawyers Association
- European Committee for Electrotechnical Standards (CENELEC)
- Croatian Branch of the International Council on Large Electric Systems (HRO CIGRÉ)

- Croatian Exporters (HIZ)
- Croatian Chamber of Commerce (HGK)
- Croatian Academy of Engineering (HATZ)
- Croatian Association for Information and Communication Technology, Electronics and Microelectronics (MIPRO)
- Croatian Standards Institute (HZN)
- Croatian Innovators' Association (UIH)
- Croatian Chamber of Electrical Engineers (HKIE)
- Croatian Chamber of Mechanical Engineers (HKIS)
- Croatian Chamber of Architects and Engineers in Construction Industry
- Innovative Work Community
- Renewable Sources Community
- Electrical Engineering Society of Zagreb (EDZ)
- Croatian Engineering Association
- Community of Railcars
- Society of Engineers and Technicians of Croatian Railways
- Croatian Association of Railway Engineers (HDŽI)
- 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 Mediation Association
- Croatian Association of Auditors
- Croatian Community of Accounting and Financial Professionals
- Croatian Journalists' Association (HND)
- Croatian Public Relations Association (CPRA)
- Global Compact-International Agreement within the United Nations
- Association for Socially Responsible Business Operations within the Croatian Chamber of Commerce


Vera Johanides Award for KONČAR employee

Annual Croatian Academy of Engineering Awards were presented at the 37th annual meeting on 20 May 2019. Miro Antonijević, Head of Real-time applications Dept. at KONČAR – Power Plant and Electric Traction Engineering was awarded 2019 *Vera Johanides Award* for Young Scientists. The award is presented to young scientists in industry with a PhD, under the age of 35 and who, during the last five years, have either made significant scientific or professional progress, or have made a remarkable contribution to the field of their research.



Golden Key Award for best exporters to Algeria

Golden Key awards were presented at the 14th Convention of Croatian Exporters held in Zagreb on 5 June 2019, for best Croatian exporters in 2018. KONČAR – Power Plant and Electric Traction Engineering, received the award for the Best Exporter to Algeria (African market).

Two ARCA medals for KONČAR

The 17th International Innovation Exhibition ARCA 2019 was held in Zagreb 17 - 19 October.

"RTGo (Real-Time-Go) - digital maintenance system with SCADA integration and process data visualization using augmented reality" developed by Miro Antonijević at KONČAR – Power Plant and Electric Traction Engineering was awarded the ARCA Gold Medal.

ARCA Silver Medal was awarded to KONČAR – Electrical Engineering Institute for the innovation "Circuit breaker mechanism for single pole operated GIS K8D.6-N 145 kV" developed by Predrag Čanžar and Mladen Vidović.



HRO CIGRÉ awards

In 2019 the 14th Session of the Croatian National Committee of the International Council of Large Electric Systems – HRO CIGRÉ was held in Šibenik. In the Opening ceremony, HRO CIGRÉ awards were presented to distinguished members of the Croatian National Committee. KONČAR employees Darinko Bago, Davor Mladina, Šime Miliša i Antun Mikulecky were awarded HRO CIGRÉ Lifetime Achievement Award, while Božena Musulin i Dalibor Gorenc were awarded HRO CIGRÉ Recognition Awards.

KONČAR Group is exposed to various market and financial operating conditions. The business environment risk is affected by political, economic and social conditions existing in operating markets. KONČAR monitors all the risks and takes measures to mitigate their potential impact on the financial stability.

Market risk

Market risk emerges as a result of potential losses stemming from less-than-favourable economic conditions and decline in market demand. KONČAR Group operates domestically and internationally. KONČAR core activity is energy and transportation-related equipment and products. The production portfolio heavily depends on investments in these areas. Periods of straightforward contracting of new business correlate with periods of increased demand. Conversely, contracting new business is more challenging in periods of general recession and economic downturn, often coupled with a decline in profit margin.

Due to the impacts of global recession and geopolitical insecurity, some markets favour awarding contracts to domestic enterprises. In addition to volatile prices of key raw materials in 2019, there has also been a strong competitive pressure on the price of equipment and profit margins in the power equipment market. Competitiveness of our products and services is also impacted by changes of operating conditions for both the KONČAR Group and our customers. Management Boards of individual KONČAR Group companies price their products autonomously.

Risk in the procurement market

Prices of major raw materials and commodities (copper, sheet metal, steel...) have been subject to unpredictable changes in recent years (vast growth or decline over a short period of time).

Within the transformers program, KONČAR has been protected from the risk of sudden price changes of strategic raw materials in several ways. In case of copper, given that it is a London Metal Exchange listed raw material, forward contracts are used to negotiate with copper suppliers on the quantities and prices for future periods according to stock and contracting forecasts. In case of steel, transformer sheet and some of the most crucial supply parts, risk is mitigated by employing semi-annual or annual contracts with suppliers. Certain long-term customer contracts employ a sliding formula based on material price changes.

Technological and development risks

KONČAR has continuously invested significant assets in key technologies and strategically important segments of production to mitigate risks of falling behind the competition in technology and development. In the upcoming period, KONČAR Group companies are planning to invest significant resources in new product development and upgrade of the existing product portfolio.

Human resources risks

Usual turnover and changes in the HR structure have not significantly affected KONČAR Group operations. Sudden or bigger turnover of employees with specialist knowledge (e.g. EU labour markets deregulation for workers from Croatia) might affect business operations. Continuous investments in training and financial incentives offered to key company employees tend to hedge against HR risks.

Capital management risk

KONČAR Group has managed the capital to ensure operating as a going concern while maximising shareholder return through optimisation of debt-to-equity ratio. KONČAR Group has managed capital and made appropriate adjustments in line with changes in economic conditions on the market and risk characteristics of the assets. KONČAR Group can decide if retained earnings should be distributed to shareholders, if equity needs increasing or decreasing, if assets should be sold off in order to decrease liabilities.

Currency risk

The official currency of KONČAR Group is Croatian Kuna. However, some transactions executed in foreign currency are converted to Croatian Kuna, by applying exchange rate in effect at balance sheet date. Resulting exchange rate gains and losses are being credited or debited against profit and loss account. The companies hedge against F/X risk by continuously planning and monitoring their cash flow, contracting sales and procurement in the same currency where possible, adjusting inflow and outflow dynamics, as well as term F/X purchases in line with cash inflows and outflows plan. Companies with a higher share of exports in the total revenue employ financial derivatives to hedge against financial risk exposure.

Interest rate risk

KONČAR Group companies are exposed to interest rate risk because a portion of the loans is subject to floating (variable) interest rates while the majority of assets are non - earning. Individual companies within KONČAR Group have contracted hedge exposure to interest rate risk in contractual relations with foreign currency payments.

Credit risk

Credit risk is the risk of a counterparty defaulting on contractual obligations resulting in financial loss. KONČAR Group has adopted a policy of dealing exclusively with creditworthy organisations thus mitigating risks of financial loss arising from defaults. KONČAR Group uses data and opinions obtained from credit rating agencies, the Chamber of Commerce and other publicly available financial information on companies' financial status and uses its own data base to rate major customers. KONČAR Group risk exposure and changes in credit ratings of partners are continuously being monitored. As a principle, contracts are entered into only with creditworthy partners when appropriate payment insurance instruments are obtained (L/C, guarantee, etc.).

Exposure to credit risk is affected mainly by individual characteristics of each customer. KONČAR has established impairment loss allowance as an estimation of incurred losses in respect of expected losses from receivables and investments.

Liquidity risk

Liquidity risk reflects the inability to meet financial obligations as they mature. Risk management is a responsibility of individual Management Boards of KONČAR Group companies. KONČAR Group has managed this risk by continuously monitoring estimated cash flow, comparing and adjusting it to the actual revenue and expenses. Overall, there has been no significant exposure of the KONČAR Group to liquidity risk.

Covid-19 risks

Covid-19 (coronavirus) outbreak, which had been reported in December 2019, spread across a large number of countries in the early 2020, causing disruptions in business operations and economies worldwide.

KONČAR Group has been closely monitoring the impact of Covid-19 on the economy and the potential impact on the business. Possible negative impacts hinge on the duration of the lockdown and several other factors, including:

- suspended and reduced sales due to a reduction in overall business activities in the key markets of KONČAR Group
- suspended and delayed deliveries from suppliers who had been significantly exposed to the Covid-19 pandemic
- weakened access to other sources arising from various restrictions and diminished capacity of suppliers in less exposed areas
- disruptions in road transport as a result of restrictions in the supply chain and the shipping channels
- restricted travel and contract finalisation including on site assembly of contracted works and final delivery
- downtime risk due to inability to set up production in the event of the virus spread

The Covid-19 outbreak had no significant impact on the business operations of KONČAR Group companies in 2019 (nor in January and February 2020), this report therefore does not discuss it in detail. In view of the fact that at the time of this report, the Covid-19 pandemic is ongoing, a quantitative assessment of the potential impact on KONČAR Group is not feasible. KONČAR Group Management has continuously mitigated possible negative impacts that the outbreak might have on the business operations, by following up with assessments of relevant domestic and international economic experts, timely introducing measures and aligning business processes with recommendations. All efforts will be reported in detail in the subsequent CSR report.



KONČAR wind park Pometeno brdo, near Split

ETHICS AND INTEGRITY

VALUES,
PRINCIPLES,
STANDARDS
AND NORMS OF
BEHAVIOUR
GRI 102-16

By taking part in initiatives, discussions and projects on national level, KONČAR has opted for a proactive approach in all aspects of corporate social responsibility. On 12 September 2005, KONČAR Group companies signed the Declaration on the Adoption of the Code of Ethics in Business Operations, ratified by the Assembly of the Croatian Chamber of Commerce. The Code has been made available to all employees of KONČAR Group and business partners.

MECHANISMS
FOR ADVICE
AND CONCERNS
ABOUT ETHICS
GRI 102-17

KONČAR has set up in-house mechanisms for providing advice on ethical and legal behaviour and issues related to organisational integrity. Depending on the size and organisation of a respective KONČAR Group company, advice may be requested from legal departments, persons responsible for HR, Committee for employee dignity, works councils and/or trade union commissioners.

Mechanisms have been put in place for making requests not related to the organization including regional trade union commissioners, State Inspectorate Office and labour inspectorate or relevant ministries.

The Whistleblower Protection Act came into force in 2019 (Official Gazette 17/19) and KONČAR has complied with the provisions of the Act. In November 2019 the Company adopted the Rules of Procedure regulating internal reporting procedures and the appointment of a competent person. Further relevant activities were also rolled out.



220/6 kV switchyard Koman in Albania, fully revitalised by KONČAR

GOVERNANCE

GOVERNANCE
STRUCTURE
GRI 102-18

KONČAR Group consists of KONČAR – Electrical Industry as the parent company and 14 dependent companies, in which the parent company exercises predominant control (more than 50% of votes at the General Assembly). Moreover, the parent company exercises minority control in two affiliated companies and one joint – venture.

KONČAR Group companies 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 Articles of Association and the Articles of Association of individual companies. Furthermore, the parent company manages a portion of assets, which is not invested into companies, but is directly and indirectly in function of the financial support of sales, products and the equipment of dependent companies as a credit/guarantee potential.

KONČAR Group and KONČAR – Electrical Industry operate a two - tier board structure, composed of the Supervisory Board and the Management Board. Together with the General Assembly, and pursuant to the Articles of Associations and the Companies Act, they constitute the three governance bodies.

COMPOSITION
OF THE HIGHEST
GOVERNANCE
BODY AND ITS
COMMITTEES
GRI
102-22/23/24

The rules regulating the appointment and recall of the members of the Supervisory Board and the Management Board are set forth in the Articles of Association and are aligned with the relevant provisions of the Companies Act. The rules do not contain discriminatory restrictions on the basis of gender, age, education, professional qualifications and similar restrictions. The authority and competences of the Management Board members comply with the provisions of the Companies Act and are laid down by the provisions of the Articles of Association and Management Board Rules of Procedure.

The **General Assembly** is a body that allows shareholders to exercise their rights in Company matters. The work of the General Assembly, its authority and competences, shareholders rights and the manner in which they are exercised are set out in the Company Articles of Association.

The General Assembly is convened, operates and exercises authority pursuant to the provisions of the Companies Act and the Company Articles of Association; while calls, proposed resolutions and rendered resolutions are publicly disclosed pursuant to the relevant provision of the Companies Act, Capital Market Act and Zagreb Stock Exchange Rules. In order to exercise their voting right in the General Assembly shareholders are required to submit applications of participation pursuant to statutory deadlines as defined by the Companies Act. There are no holders of security entitlements (securities with special rights) and there are no restrictions on voting rights. The Company regulations provide for one-share-one-vote rule.

Ordinary General Assembly was held on 6 June 2019 with the purpose of rendering resolutions pursuant to relevant legislation and Company Articles of Association. The Assembly adopted the resolution on granting discharges to the Members of the Management and Supervisory Boards, resolution on the distribution of dividend to the Company shareholders in proportion to the number of shares they hold, the resolution on the appointment of the Chairman of the Supervisory Board and the resolution on the appointment of the external auditor for the current business year.

As of 31 December 2019 the **Supervisory Board** of KONČAR – Electrical Industry has eight members. The Members of the Supervisory Board are as follows: Luka Gašpar - Chairman of the Supervisory Board, Josip Lasić - Deputy Chairman, and members Nikola Anić, Jasminka Belačić, Vicko Ferić, Branko Lampl, Joško Miliša and Vladimir Plečko.

The Members of the Supervisory Board are remunerated for their work and are entitled to remuneration aligned with the duration of their appointment, duties carried out and the Company business conditions and operations. Remuneration is determined by the resolution of the General Assembly.

Three committees operate within the Supervisory Board, providing support services to the work of the Board: Audit Committee, Appointments and Remuneration Committee and Strategic Development Committee. Each committee has four members appointed from the members of the Supervisory Board.

Members of the Management Board of KONČAR – Electrical Industry in 2019 were as follows: Darinko Bago - President of the Management Board, Gordan Kolak - Deputy President, Miki Huljić - Member of the Management Board responsible for finance, Marina Kralj Miliša - Member of the Management Board responsible for HR, legal and general affairs, Miroslav Poljak - Member of the Management Board responsible for electricity generation, corporate development and ICT and Ivan Tomšić - Deputy Member of the Management Board responsible for complex export project coordination and digital transformation.

New Supervisory Board Chairman and Deputy Chairman elected and new Management Board appointed

At the Supervisory Board session held on 20 December 2019, former Deputy Chairman of the Management Board Gordan Kolak was appointed Chairman of the Management Board of KONČAR – Electrical Industry.

At the Supervisory Board session held on 14 January 2020 Josip Lasić resigned as the Deputy Chairman of the Supervisory Board and from the membership in the Supervisory Board as of 14 March 2020 in order to take up the appointment as the Member of the Management Board. At the same session, Joško Miliša was elected Chairman of the Supervisory Board and Nikola Anić was elected Deputy Chairman.

On the proposal of the President of the Management Board, the Supervisory Board appointed new members to the Management Board; Ivan Bahun as the Deputy President of the Management Board and Josip Ljulj, Božidar Poldrugač and Josip Lasić as Members. Gordan Kolak, Ivan Bahun and Josip Ljulj took office on the Management Board as of 20 January 2020, while Božidar Poldrugač took over as of 2 March 2020 and Josip Lasić took over as of 15 March 2020.

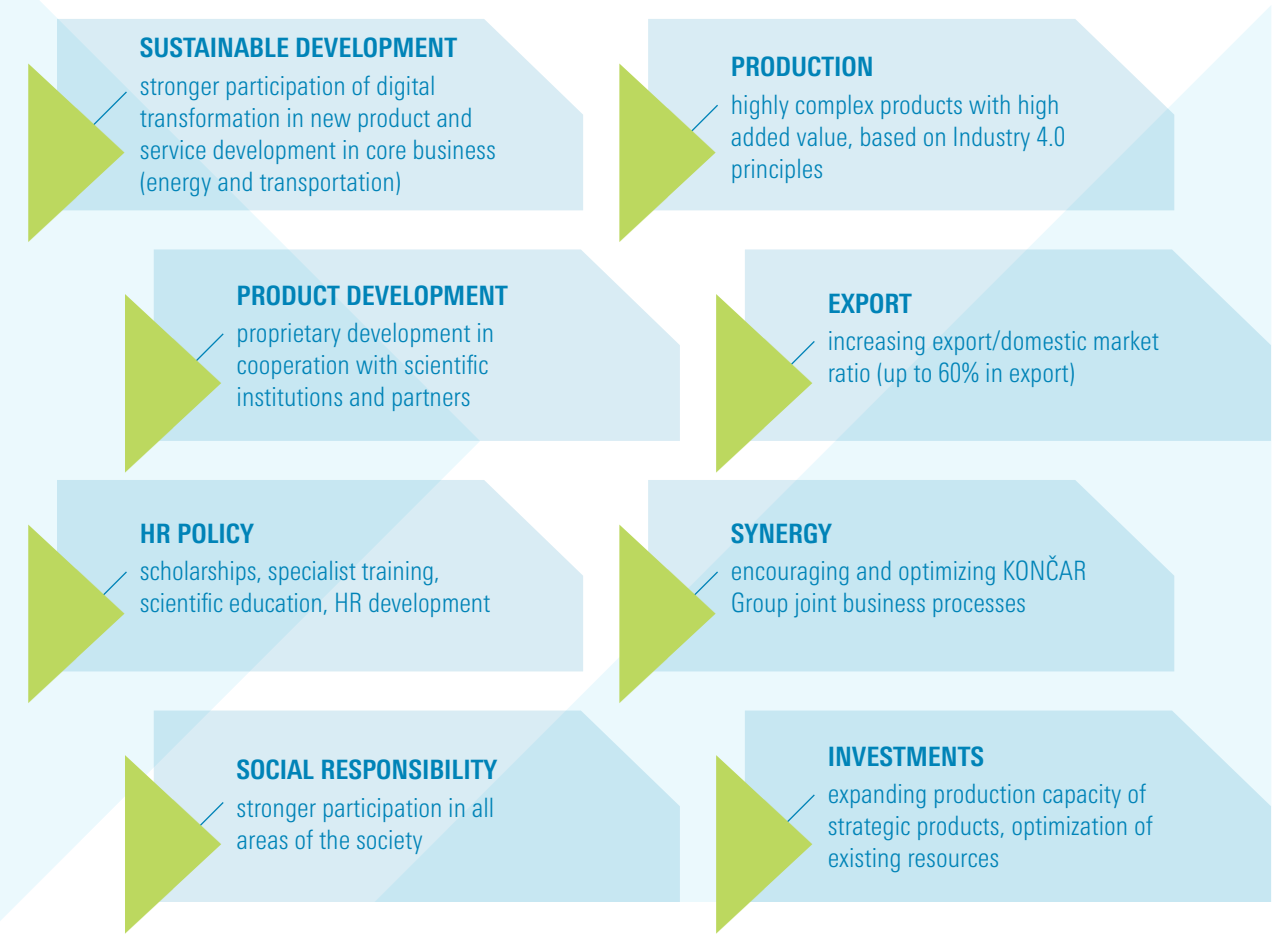
The Supervisory Board at the session held on 12 March 2020, on the proposal of the President of the Management Board, appointed Miki Huljić as Member of the Management Board. Mr Huljić was appointed as of 16 March 2020.

The President, Deputy President and Members of the Management Board were appointed for a term of four years.

KONČAR Group bases the development strategy on the priority task of manufacturing the most complex products for end customers in the core business areas, electric power engineering and transportation. This category includes complex products such as high voltage substations, hydropower plants, wind parks, trams, electric and diesel-electric trains.

In the upcoming period, the focus will be on the export orientation and processes directed towards expanding export activities, with the aim of reducing the domestic market dependence. Export orientation is recognized as a guarantee of KONČAR Group’s long-term viability, profitability and liquid operations.

The Strategy is based on the following assumptions and business objectives



Digital transformation program

Digital transformation program activities continued throughout 2019. The key activities have been highlighted and include the need to provide sales support to the existing product portfolio, define new digital solutions, select technology platforms, develop digital strategy, prepare implementation plans and set up coordination processes and procedures. The digital transformation elements have been defined within the program scope:

- modernisation and upgrade of the internal IT infrastructure
- business process digitisation and optimisation
- innovation and development of KONČAR Group product portfolio using sensor and digital technologies
- development and upgrade of the existing digital products and services
- organisation of production segments according to Industry 4.0 principle

Strategic Development Committee is assigned tasks by the Supervisory Board on topics and activities falling under the remit of the Supervisory Board with specific emphasis on KONČAR Group long-term viability, risk assessment, strategic priorities, restructuring needs and development of strategic human resources within KONČAR Group. The Committee is chaired by Joško Miliša with Nikola Anić, Branko Lampl and Vladimir Plečko as members.

STRATEGY
GRI 102-26



STRATEGIC
DEVELOPMENT
COMMITTEE
GRI 102-30

AUDIT COMMITTEE
GRI 102-31

Audit Committee analyses financial statements in detail, supports the Company accounting department and sets up appropriate and efficient controls system in the Company. The Committee ensures the integrity of financial information, specifically the validity and consistency of accounting methods used in the Company and KONČAR Group, including the criteria for consolidated financial reporting. Moreover, the Committee is tasked with monitoring internal controls system and risk management, to allow the Company to identify, publicly disclose and appropriately manage the major risks that it is exposed to. The Committee is chaired by Vicko Ferić with Nikola Anić, Jasminka Belačić and Josip Lasić as members.

Internal Audit Department set up

In 2019 the Internal Audit Department was set up at KONČAR Group level. KONČAR Group Internal Audit Department operates as an independent audit and controls system. It informs the Management through comprehensive reports on performed audits (providing findings and recommendations for improvements). The Department is responsible for assessing risk management levels in business processes and audits the efficiency of the controls system with the aim of improving risk management and procedural compliance. It is in charge of scrutiny and analysis of compliance of the existing business systems with adopted policies, plans, procedures, legislation and regulations which might have a significant impact on business reports. Internal Audit recommends preventive measures in the area of financial reporting, compliance, operations and controls system in order to eliminate risks and possible failures which might lead to process inefficiencies or fraudulent practices. The Department reports to the Management Board, Audit Committee and the Supervisory Board. The findings and recommendations allow the Management to improve the processes, preemptively eliminate potential risks or reduce them to acceptable levels.

REMUNERATION POLICY
GRI 102-35

Appointments and Remuneration Committee nominates candidates for the Management Board of KONČAR – Electrical Industry, outlines the Management contacts and determines the structure of their remuneration. The Committee members are as follows: Vladimir Plečko - Chair, Nikola Anić - Member, Vicko Ferić - Member and Branko Lampl - Member.

PROCESS FOR DETERMINING REMUNERATION
GRI 102-36

Remuneration of KONČAR Group Members of the Management Boards/Directors has been set forth by the Resolution of the Management Board of KONČAR – Electrical Industry. It is based on clearly defined business-related criteria including achieved performance, plan realization, consolidated plan realization, EBITDA, signed contracts.

KONČAR – Electrical Industry has set out to be an employer that encourages employee engagement, growth and development. Employee performance is recognised and rewarded. KONČAR is looking to balance monetary and non-monetary rewards and base and variable compensation. Monetary and non-monetary rewards are correlated with KONČAR values and strategies. Compensation is determined as base salary and variable pay. Base salary reflects relevant professional experience, competencies and the level of the organisational responsibility of the employee. Variable pay is based on the realisation of the Company plans and objectives. Variable pay schemes provide incentive for cautious long - term risk - taking and risk management.

Remuneration of the Management Board of KONČAR – Electrical Industry has been laid out in the Contract on the Rights and Obligations between the Chair, the Members and the Chairman of the Supervisory Board. Remuneration is considered more appropriate and aligned with the position of KONČAR and its results.

Information on the overall compensation and premiums of the Members of the Management Boards and directors is disclosed in annual reports.

STAKEHOLDER ENGAGEMENT

One of the essential prerequisites for comprehensive implementation of CSR is identification of stakeholders. KONČAR has recognized this and segmented all stakeholders - individuals, communities and organizations affecting or being affected by KONČAR Group operations.

Stakeholders have been involved in preparation of this Report segment. Communication with stakeholders was maintained throughout the year, permanently and as the need arises.

STAKEHOLDERS AND THEIR ENGAGEMENT
GRI 102-40/42/43/44

STAKEHOLDERS TYPE OF COMMUNICATION STAKEHOLDERS TYPE OF COMMUNICATION

STAKEHOLDERS	TYPE OF COMMUNICATION	STAKEHOLDERS	TYPE OF COMMUNICATION		
Employees	<ul style="list-style-type: none"> intranet/internal servers official company website education and professional training KONČAREVAC LinkedIn e-mail Business reports CSR reports organizational climate questionnaire 	Local communities	<ul style="list-style-type: none"> Volunteers Club donations and sponsorships official company website LinkedIn direct contact (visits, meetings) KONČAREVAC written (e-mail, memos) CSR reports 		
				State authorities	<ul style="list-style-type: none"> direct contact (visits, meetings, audits) written communication (e-mail, memos) conferences and topic-based meetings memberships KONČAREVAC
		Financial public	<ul style="list-style-type: none"> Zagreb Stock Exchange (ZSE) Croatian Financial Services Agency (HANFA) Croatian news agency (HINA) official company website KONČAREVAC Business reports CSR reports meetings with prospective investors 		
		Owners / shareholders	<ul style="list-style-type: none"> regular and extraordinary assemblies Zagreb Stock Exchange (ZSE), Croatian Financial Services Agency (HANFA) Croatian news agency (HINA) official company website KONČAREVAC Business reports CSR reports 		
				Suppliers	<ul style="list-style-type: none"> direct contact (visits, meetings, audits) written (e-mail, memos) official company website fairs

COMMUNICATION WITH STAKEHOLDERS

KONČAREVAC corporate magazine

All news related to KONČAR Group business and topics pertaining to numerous stakeholders such as employees, support to local and other communities are published in KONČAREVAC. KONČAREVAC has ten annual issues with a circulation of 3,850. It is distributed to employees and delivered to about one thousand addresses in Croatia and internationally. In December 2019, KONČAREVAC no. 1,452 was published.

KONČAREVAC - 55 years of uninterrupted publication

KONČAREVAC was launched on 9 November 1964, replacing earlier factory bulletins "Svjetlost" (published since 1947) and "Vjesnik Tvornice Rade Končar" (published since 1956).

It was originally published as a weekly on Thursdays, with occasional supplements, on eight pages in tabloid format, in black and blue, and in black and red to mark important dates. KONČAREVAC was published weekly until 18 October 1990. Following bankruptcies and changes in KONČAR and the environment, it was relaunched in December 1990 as a magazine with ten annual numbers. It remains published in this format today, even though it has undergone several conceptual and design overhauls since.

The circulation has grown from the starting 10,000 copies in the early years, up to 20,000, making it one of the most widely circulated factory bulletins in the former country. Besides Croatian, in the late 1980s, the magazine ran a Macedonian issue to serve factories that KONČAR operated at the time in Skopje and Bitola. When KONČAREVAC jubilee is combined with the publication track record of its predecessors - factory bulletins Svjetlost and Vjesnik, it is evident that corporate communications have been present at KONČAR for over seventy years, almost as long as the production of generators and transformers.

Although the number of corporate publications has been on the decline recently, KONČAR has maintained that format of internal and external communications, which have been increasingly gaining prominence in the contemporary world. Good communications allow the Company to realise key business functions, set goals, make plans, organise human and other necessary resources, recruit and develop employees, lead and motivate them and create a positive climate as an important element of the overall business policy.

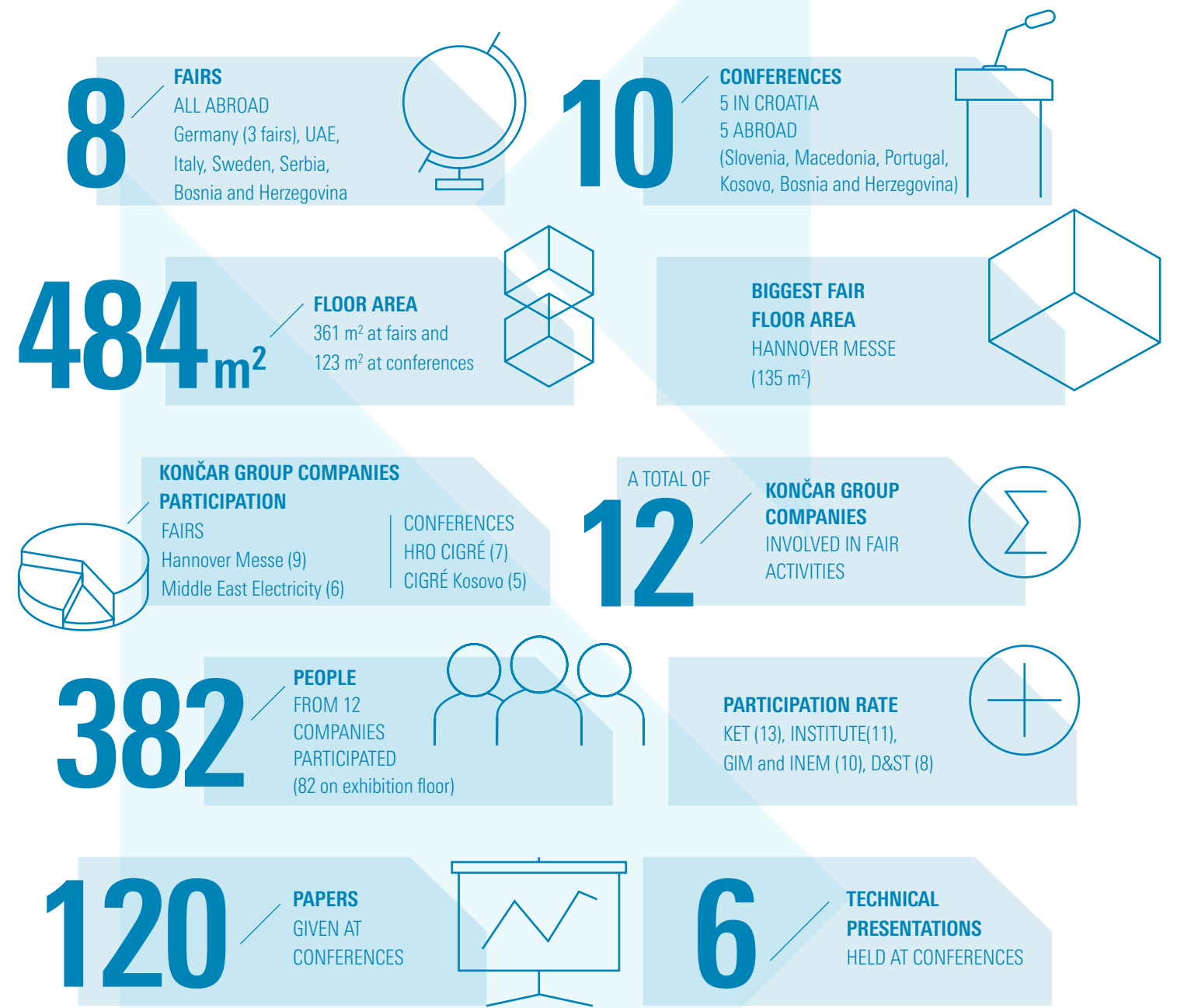
Recently, communications have undergone profound changes. Contemporary communications are faster, more dynamic, more direct and far-reaching, however they still do not replace traditional communication channels, but rather supplement them. Communications in KONČAR are rooted in these principles, and KONČAREVAC as the key platform for internal communications reflects and builds on the tradition - it brings together the traditional and the contemporary and never neglects its primary purpose - to chronicle the times and promote the harmony of KONČAR Group employees.



Fairs and conferences

In 2019, KONČAR participated in 18 trade fairs and conferences in eleven countries, with exhibition space totalling nearly 500 m². All eight fairs were held internationally, in six countries (United Arab Emirates, Italy, Sweden, Serbia, Bosnia and Herzegovina and Germany).

Five out of ten expert conferences were held in Croatia, and five were held abroad (Slovenia, North Macedonia, Portugal, Kosovo and Bosnia and Herzegovina). KONČAR experts have had 120 papers accepted and presented and gave six technical presentations at international conferences.



KONČAR Group official website

www.koncar.hr/en provides key business, product and other KONČAR Group related information. In addition, most of dependent companies have their own websites containing details on their business activities and references.

Social media

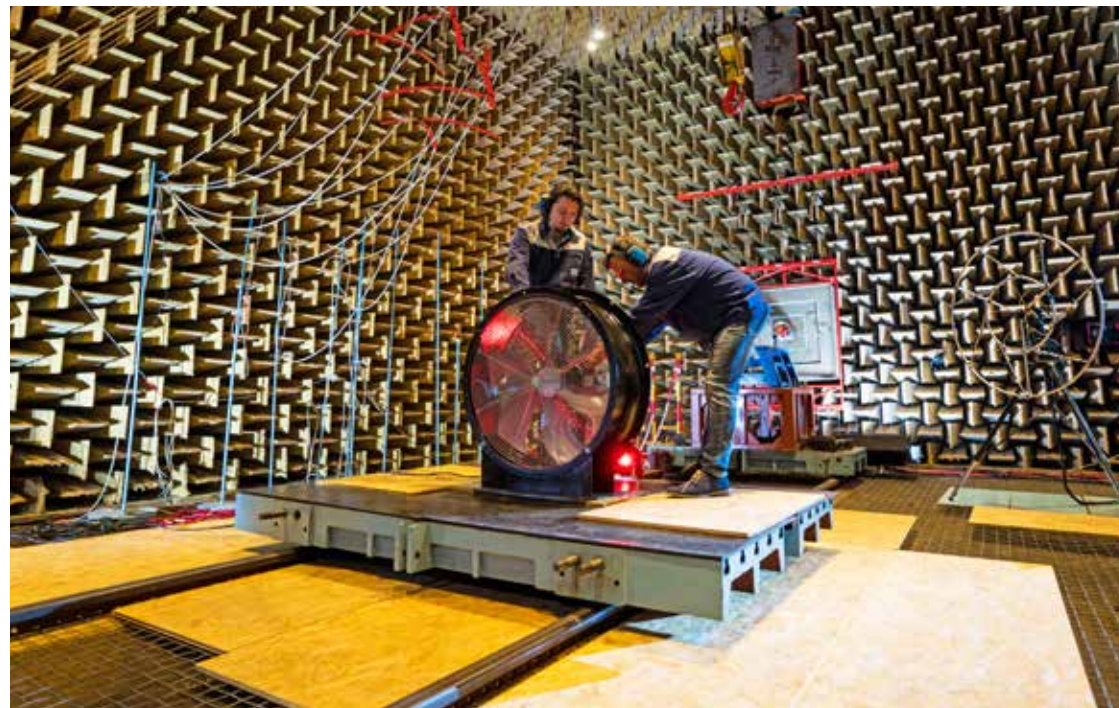
In keeping with trends of greater online presence, KONČAR in 2019 continued with LinkedIn activities - the world's largest business social network. At the end of 2019, profiles of KONČAR Group companies had over sixteen thousand followers and more than 550 posts. The surge in the number of followers (over 20%) is a result of KONČAR's boosted presence in the social media.

Media

In 2019, 1,305 pieces of news pertaining to KONČAR were published in newspapers, on the radio, television and online. Most frequently, topics in such releases were related to new business, project and services delivered and share price trajectory in the market.

In the structure of all KONČAR - related media coverage, annual analysis of media releases in the observed period by media and tone has indicated a positive coverage in more than 90% of the total media releases. The major share of positive coverage occurred in radio (88%) and television news (75%), with a somewhat lower share of positive coverage in print (57%) and online (52%). In relative numbers, the proportion of negative incidence of KONČAR Group is extremely low - less than 1%.

The Collective Agreement includes all employees (100%).



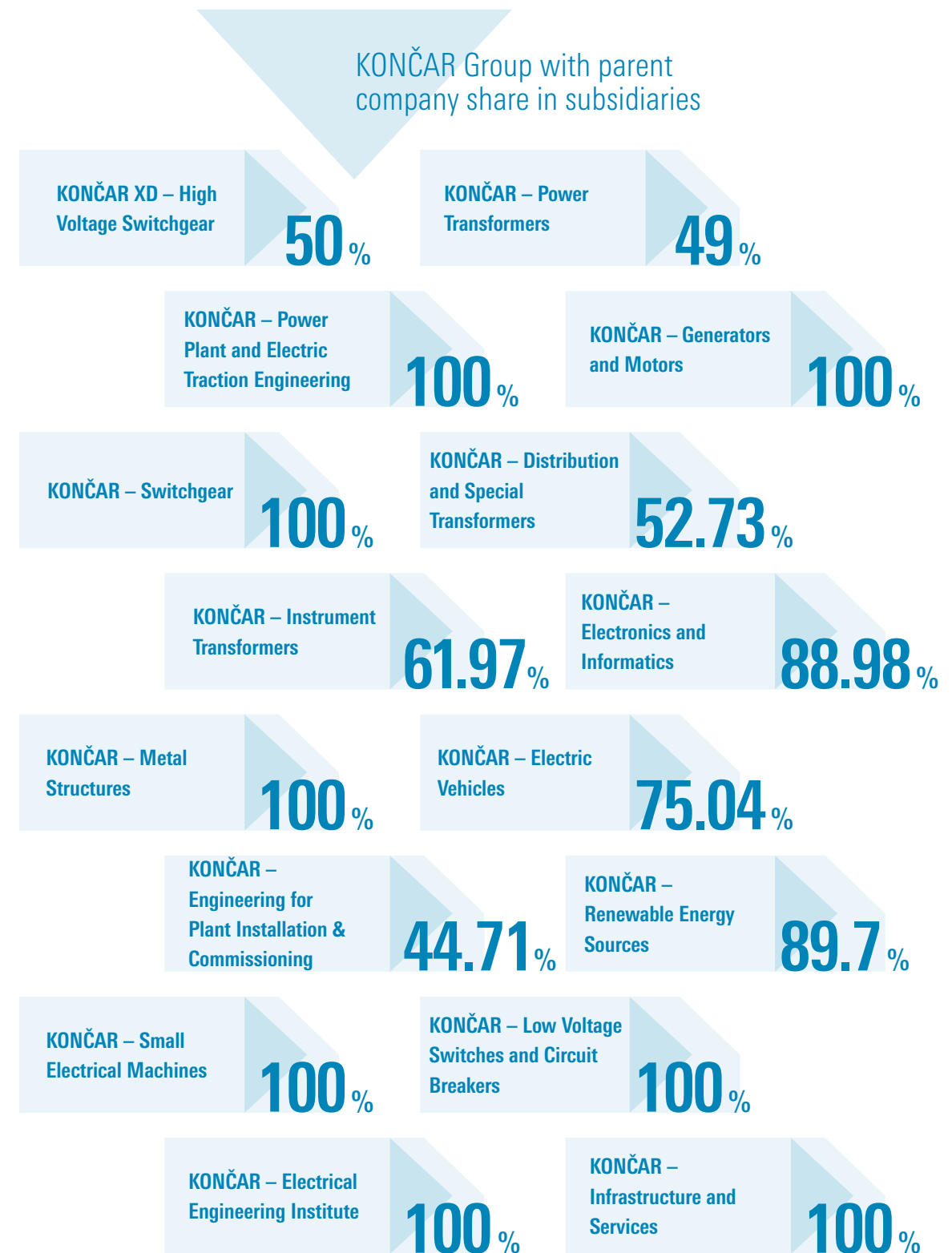
Large anechoic chamber for noise and vibration testing at Laboratory Center at KONČAR – Electrical Engineering Institute

COLLECTIVE BARGAINING AGREEMENTS GRI 102-41

UN GC 3

REPORTING PRACTICES

ENTITIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS GRI 102-45



LIST OF MATERIAL TOPICS
GRI 102-47

ECONOMIC STANDARDS:

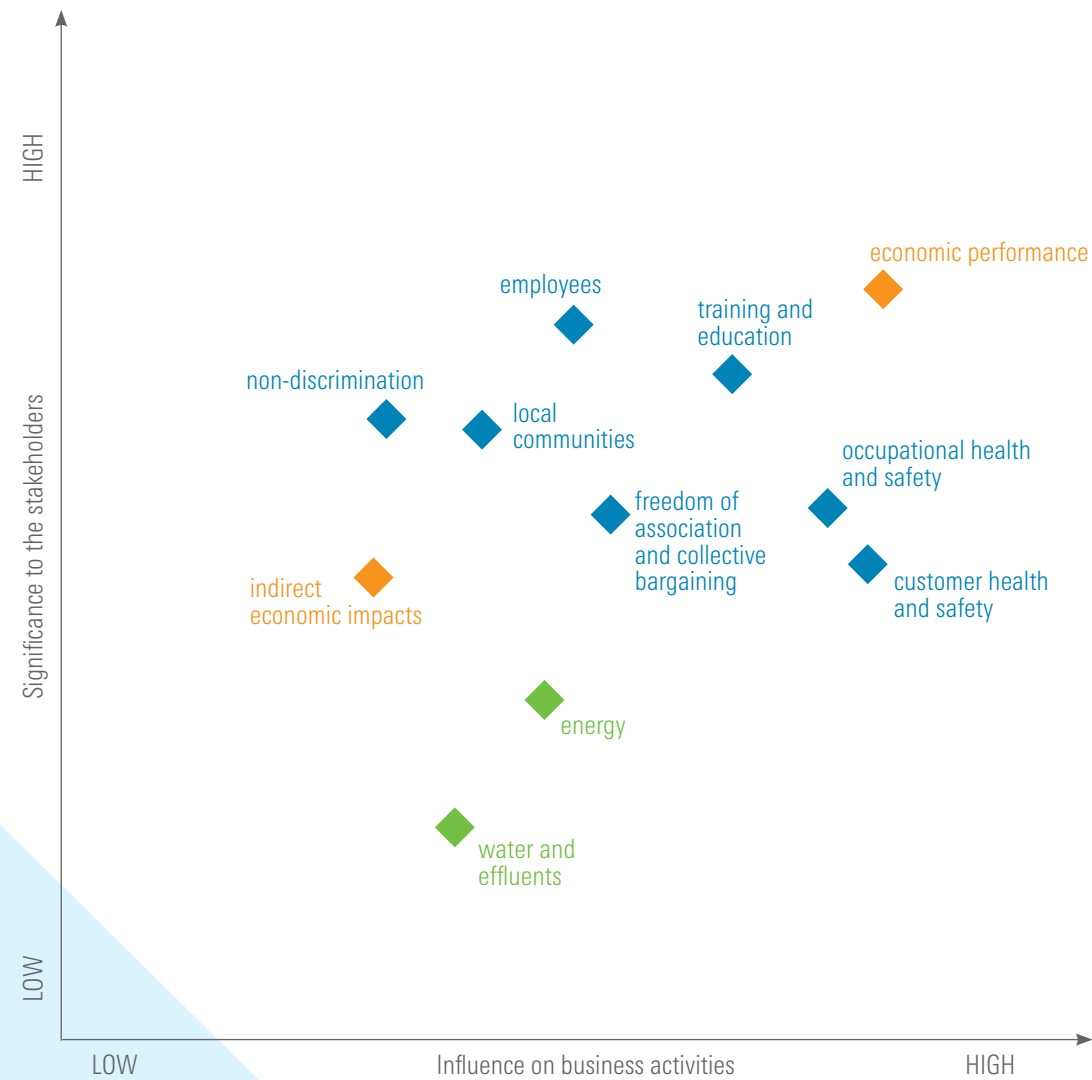
- economic performance, GRI 201
- indirect economic impacts, GRI 203

ENVIRONMENTAL STANDARDS:

- energy, GRI 302
- water and effluents, GRI 303

SOCIAL STANDARDS:

- employees, GRI 401
- occupational health and safety, GRI 403
- training and education, GRI 404
- non-discrimination, GRI 406
- freedom of association and collective bargaining, GRI 407
- local communities, GRI 413
- customer health and safety, GRI 416.



In 2019, KONČAR continued the restructuring process of those companies which operate activities outside KONČAR Group core business areas. The shares of KONČAR – Household Appliances have been sold off in a MEBO (management and employee buyout) and the company no longer operates as a member of KONČAR Group. KONČAR – Low Voltage Switches and Circuit Breakers was set up as an SPV company and sold off thereafter to Lovato Electric S.p.A from Bergamo. For more details on significant changes in the organisation please refer to GRI Standard 102-10.

During the reporting period there have been no significant changes in the scope of reporting. In line with GRI standards, this year's report has included 11 material topics with appropriate qualitative and quantitative indicators. The option of core harmonization with the GRI Standards, UN GC principles and Sustainable Development Goals Agenda 2030 have been selected for the report. The report has not been externally assured.

CSR reporting cycle is annual and this report has covered the period from 1 January to 31 December 2019. The preceding Report was published in June 2019.

This CSR Report encompasses all KONČAR Group companies. It was prepared by KONČAR – Electrical Industry. The contact person for any queries regarding the Report and its content is the Director of the Corporate Marketing and Information Department.

"This report has been prepared in accordance with the GRI Standards: Core option"



KONČAR has manufactured and delivered 142 low-floor trams for the City of Zagreb

RESTATEMENTS OF INFORMATION
GRI 102-48

CHANGES IN REPORTING
GRI 102-49

REPORTING CYCLE AND REPORTING PERIOD
GRI 102-50/51/52

CONTACT PERSON FOR QUERIES REGARDING THE REPORT
GRI 102-53

CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS
GRI 102-54

TOPIC - SPECIFIC STANDARDS: ECONOMIC

ECONOMIC
PERFORMANCE
GRI 201

In 2019 KONČAR Group generated HRK 2,810.9 million in revenue from product and service sales in international markets, a 12.8% upsurge year-on year, which is a direct result of proper activities and market expansion measures. Exports account for 59% of the total sales revenue. New contracts in the amount of HRK 3,079,2 million outweigh 2018 by HRK 448 million. Export contracts account for 63% of the total new contracts, which reinforces the strategy of the new-market orientation with retention and expansion in established markets.

Results in 2019 reveal the sustained growth of revenue generated in international markets, but also a growth in the domestic market. Sales revenue account for 95.8% of the total operating revenue, representing an increase of 12.8% year-on-year. Operating revenue, which accounts for 98.1% of the total revenues, has gone up by 10.3%. Total revenues rose by 8.8% year-on-year.

KONČAR Group total profit after tax stands at HRK 55 million and is down by HRK 73.8 million year-on-year. Profit in the amount of HRK 27.4 million is attributable to the parent company shareholders, and non-controlling interest is attributable profit in the amount of HRK 27.6 million.

Group profit amounts to HRK 52.7 million, when the income from discontinued operations is removed from the total Group profit. Group net profit attributable to the parent company owners amounts to HRK 25.3 million, and Group net non-controlling interest profit amounts to HRK 27.4 million.

Of the 15 KONČAR Group companies, thirteen generated a profit, while two finished the year with a loss in the total amount of HRK 44.5 million which is entirely attributable to the shareholders of the parent company.

In the structure of sources of funds, subscribed capital, reserves, retained earnings, current year profits and non-controlling (minority) interest amounted to HRK 2,542.2 million, which was HRK 4.7 million more than as at 31 December 2018. Capital and reserves account for 64.7% of the total sources of funds. Long-term provisions amount to HRK 201.4 million accounting for 5.1% of the total sources. Long-term and short-term liabilities amount to HRK 1,183.8 million, which represents HRK 200.3 million build up year-on-year and account for 30.1% of the total sources of funds. In the structure of short-term liabilities, accounts payable in the amount of HRK 437.4 million make up 11.1% of the total sources. Total loans (including long-term and short-term) stand at HRK 327.9 million, up by HRK 153 million from 31 December 2018 and constitute 8.3% of the total sources.

Long-term sources of funds (capital, long - term provisions and long - term liabilities) exceed non - current assets and inventory balance by HRK 745 million. Current assets exceed short - term liabilities by 2.3 times.

For further details on the economic performance, please refer to the 2019 Annual financial reports <https://www.koncar.hr/en/investors/annual-financial-reports/> and 2019 Business report.

TOPIC - SPECIFIC STANDARDS:
ECONOMIC

DIRECT ECONOMIC
VALUE GENERATED
AND DISTRIBUTED
GRI 201-1

Direct economic value generated and distributed	2019	2018	2017
Direct economic value generated (revenue)	2,985,117	2,741,870	3,094,080
Employee wages and benefits	547,701	538,502	554,786
Payments to government (taxes)	17,037	13,497	16,356
Operating costs	1,883,316	1,705,845	1,469,011
Net financial costs	10,920	5,259	4,088
Community investments (donations and sponsorships)	2,360	1,359	1,667
Economic value retained (net profit)	54,954	128,708	108,104

KONČAR Group companies make regular payments towards contributions in the generation solidarity system for all employees at 20% rate under the 1st pension pillar. The 1st pillar contribution rate for all those insured under both mandatory pillars is 15%, while 5% contribution is paid towards the 2nd pension pillar into personal accounts set up in mandatory pension funds.

In the preparation of annual financial statements for 2019, a provision was made for the cost of jubilee awards and severance indemnities in the amount of HRK 46.7 million. The amount includes an estimated amount of regular employee benefits (regular severance indemnities and jubilee awards) and severance indemnities which are provided to KONČAR Group employees in line with the Collective Agreement. The current value of the provision is calculated on the basis of the number of employees, pension amount, and length of service as of the balance sheet date and discount rate of 1%. The reserved amount fully meets planned severances and rewards for employees who had met these conditions in 2019.

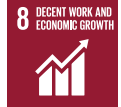


In 2019 KONČAR manufactured 7500 oil-immersed distribution transformers

DEFINED BENEFIT
PLAN OBLIGATIONS
AND OTHER
RETIREMENT
PLANS
GRI 201-3



**SIGNIFICANT
INDIRECT
ECONOMIC
IMPACTS
GRI 203-2**



KONČAR - a pioneer in cyber security for power grids

In March 2019 TÜV NORD certifying body issued KONČAR – Power Plant and Electric Traction Engineering a certificate in accordance with the international industrial standard IEC 62443-2-4. KONČAR PROZA NET digital platform for automation of power systems was issued with the world's first certificate for critical infrastructure security.



Remote meter and sensor reading - SenzoriKA project

KONČAR – Electronics and Informatics in partnership with Transmitters and Communications Ltd and the Town of Karlovac have entered into a pilot project "Remote meter and sensor reading - SenzoriKA project". The project will include the implementation of a smart city test system with data visualization and distribution for city operated companies, which will allow the collection of data on the consumption of all energy sources and water, as well as the information about air quality and temperature, waste collections and parking space availability.



Laboratory Centre at KONČAR – Electrical Engineering Institute

In 2019, the Laboratory Centre at KONČAR – Electrical Engineering Institute was successfully accredited in accordance with the requirements of the HRN EN ISO/IEC 17025:2017 standard, thus certifying its impartiality and competence in providing laboratory and field testing services. The LC was launched in response of the business needs of KONČAR Group, the Croatian economy and global market needs. It consists of eight laboratories equipped to carry out various testing and calibration methods in line with international standards and technical specifications.

The work of the Centre is rooted in 70 years of professional expertise and competence at KONČAR – Electrical Engineering Institute and it is built on quality, rapid response and cutting - edge testing and measuring equipment. The LC operates as a one - stop testing centre, providing a wide range of testing services in accordance with international standards. These services had previously been carried out at various individual laboratories for over 20 years.

Electromagnetic field monitoring system - MEP

During 2019 KONČAR – Electrical Engineering Institute has installed the Electromagnetic field monitoring system (KONČAR MEP) in six cities. Developed in KONČAR – Electrical Engineering Institute, the system measures and provides visual and text data to the public on the sources of non-ionizing electromagnetic radiation in the environment, including radiation from radio and television signals. The data are update hourly and a cumulative value for the total radiation and a historical overview of the measured values are also made available to the public.

Safe human-robot interaction

The *SafeLog* project is in its final stage. The project is being developed under the Horizon 2020 program, and its aim is to provide a safe interaction between humans and robots in flexible logistics centres. For this purpose, hardware and software are being developed for safety vests designed to protect the wearer from any injuries when entering a warehouse or from any other unacceptable interaction with robots.

The SafeTRAM project

The SafeTRAM project - System for increased driving safety in public urban rail traffic - is in its final stage. The goal of the project is to develop an innovative system that would increase traffic safety by implementing safety functions for urban rail traffic, thus lowering the number of accidents causing great material damage and human casualties. KONČAR – Electrical Engineering Institute partnered up with FER – Faculty of Electrical Engineering and Computing, University of Zagreb and the funds are provided from EU funds.



Development of Central converter for photovoltaic power plants KonSol 720

KonSol 720 is a high-power energy converter with a flexible structure and various operational options in advanced networks (Smart Grids) and advanced monitoring system for photovoltaic (PV) power plants. The converter was developed on its own modular platform consisting of hardware, software and energy components, and in its more advanced version the converter connects photovoltaic panels of voltage up to 1000 VDC with a medium voltage network into which it feeds up to 720 kW of power. It is suitable for photovoltaic (PV) power plants with high and large capacity.

In 2019 successful cooperation continued with a number of scientific and educational institutions. Various projects and activities in cooperation with a number of scientific and educational institutions helped facilitate identification, definition and implementation of a number of projects.

Cooperation Agreement between KET and Croatian universities

In 2019, KONČAR – Power Plant and Electric Traction Engineering (KET) continued its successful cooperation with the academic community. A Cooperation Agreement was signed with the Faculty of Electrical Engineering, Computer Science and Information Technology Osijek (FERIT) and the Faculty of Chemical Engineering and Technology (FKIT), University of Zagreb, covering the use of scientific, professional, technical and spatial resources and promoting trainings, research and activities related to applied field research in the area of electrical engineering and information technology. The cooperation includes research and development projects. During the signing ceremony, KET donated PROZA NET SCADA system to FKIT and FERIT with an aim of strengthening the cooperation between the university and the industry and preparing students for the work in this industry.

Working together with Knowledge at Work Foundation

In cooperation with Knowledge at Work Foundation and Ruđer Bošković Institute, KONČAR – Electronics and Informatics opened its doors, in 2019, to secondary-school students participating in “STEM. Grow. Explore” program. The project aims to involve the students in practical research of problems in the area of natural sciences, of mathematical and technical problems and phenomena, and to introduce them to STEM and experts working in related professions. After learning more about KONČAR Group and its production program and services, the students were given a tour of installation process and test station and learned about the process, from a schematic diagram of power feed device up to its completion and final inspection.



Support to STEM Games

The second STEM Games, international competition for university students from STEM faculties, were held in 2019. The project arose from a joint initiative of the students at the Faculty of Electrical Engineering and Computing (FER) and the Faculty of Natural Sciences and Mathematics, University of Zagreb, and aims to increase interdisciplinarity, knowledge sharing through joint competitive and innovative problem-solving



activities, and promotion of sports and healthy living. More than 1,500 top students from 17 universities participated in the Games, of which 250 participants were students and employees from FER (Faculty of Electrical Engineering and Computing), and their participation was supported by KONČAR.

KONČAR Prize for Best Doctoral Dissertation

Marking the Day of the Faculty of Electrical Engineering and Computing (FER) of the University of Zagreb, the 16th annual KONČAR Prize for doctoral dissertations for outstanding scientific achievements in the area of technical industry-applied sciences was presented. Prizes for the academic year 2018/2019 were awarded to Igor Žiger for “Method of calculating losses in open-core power voltage transformers” and to Hrvoje Novak for “Coordinated Multi-level Model Predictive Control of Energy in Electric Railway Traction Systems” doctoral dissertation.

Best Graduate Thesis Prize at FER (Faculty of Electrical Engineering and Computing)

As part of the activities of the Economic Council of the Institute for Electronic Systems and Information Processing (ZESOI), the Faculty of Electrical Engineering and Computing at the University of Zagreb organised this year's competition of graduate students - DIRA 2019.

DIRA workshop is an annual event bringing together graduates, professors and ZESOI's Economic Council, which consists of experienced professionals, managers, board members, development leaders and engineers from well-established companies that employ FER graduates. The purpose of the workshop is to present graduate theses, and thus introduce students and businesspeople to ZESOI activities and enable interaction between them.

Following presentations of theses, members of the Economic Council decided on the winners and KONČAR sponsored the prize for the best thesis in 2018/2019 academic year.

Awards to best students at the Zagreb University of Applied Sciences

To mark KONČAR Day and 98th anniversary of KONČAR Group, the traditional KONČAR Award was awarded to the best graduate students at the Zagreb University of Applied Sciences on 24 January 2019. Under the motto “Best investments are investments in people”, established in April 2003, the best students of specialist studies in electrical engineering, computing, information technologies, mechanical engineering and mechatronics were presented with awards.



A study visit from teachers from Carinthia

As part of the annual study visit, teachers of secondary schools and technical colleges from the Austrian region of Carinthia, visited KONČAR – Distribution and Special Transformers (D&ST). Following a presentation of KONČAR’s and D&ST’s activities, the guests were given a tour of the facility and learned about the transformer production processes.

A visit from students and professors from Rome

In 2019, professors and students from Sapienza University of Rome visited KONČAR – Electric Vehicles. The tour was organised as part of a two-day visit of Italian students to the Department of Railway Transport of the Faculty of Transport and Traffic Sciences. KONČAR’s employees explained how rail vehicles are designed, built, upgraded and maintained and gave students a tour of the production facilities and test station.



PROCUREMENT PRACTICES GRI 204



KONČAR Group companies cooperate only with those suppliers whose materials and components do not bear harm to humans and the environment and can be recycled after the end of their life cycle or disposed of without endangering people or the environment. Selection of a supplier of respective materials and services is subject to meeting defined quality levels, lead times, credit term requirements considering occupational health and safety and environmental protection. Suppliers are required to provide evidence (certificates) of compliance.

KONČAR Group companies keep a database of existing and potential suppliers. In addition to basic information on suppliers (name, address, phone number, e-mail, contact person), the database contains other data that might be relevant for the selection of suppliers, such as, suppliers’ references, information about complaints, information about quality system, occupational health and safety, and environmental protection.

PROPORTION OF SPENDING ON LOCAL SUPPLIERS GRI 204-1

in HRK 000

	2019		2018	
	Investment purchase	Procurement of raw materials	Investment purchase	Procurement of raw materials
Croatia	145,805	741,752	109,336	679,789
Internationally	46,519	741,838	16,723	650,655
Total	192,324	1,483,590	126,059	1,330,444

In the period January - December 2019, procurement amounted to HRK 1,483.6 million. Croatian suppliers account for 50% of total procurement.

KONČAR Group and its employees adhere to the principles of the Code of Ethics and do not endorse corruption in operations and activities. KONČAR Group operates on worldwide markets with diverse business practices, requirements and conditions, and it has enjoyed international reputation of a loyal and fair business partner.

Members of Management Boards, employees and business partners were informed of anti-corruption policies and procedures and adhered to the principles of the Code of Ethics in the course of their business operations and daily activities. KONČAR has enjoyed international reputation of a loyal and fair business partner and there have been no reported cases of corruption at KONČAR Group level.

ANTI-CORRUPTION GRI 205

UN GC 10

COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN GRI 205-2/3

ANTI-COMPETITIVE BEHAVIOUR GRI 206

KONČAR has promoted and executed fair and transparent competition principles across its businesses in dealing with all entities at all locations. Anti-competitive, antitrust or monopoly practices have not been recorded in KONČAR Group.



KONČAR 362 kV high power voltage transformers

TOPIC - SPECIFIC STANDARDS: ENVIRONMENTAL

The issue of the environment is of utmost importance as the major part of the equipment is installed directly in the environment (substations, hydropower plants, other power facilities or traction vehicles). KONČAR has defined an Environmental Management Policy, which is available on www.koncar.hr/en/ and which has been communicated to all employees.

ENERGY
GRI 302

UN GC 7

ENERGY
CONSUMPTION
WITHIN THE
ORGANIZATION
GRI 302-1

7 AFFORDABLE AND
CLEAN ENERGY



Efficient use of energy and renewable energy sources have been essential in combating climate changes and reducing the overall ecological footprint of KONČAR Group.

electricity / kWh	Fallerovo šetalistište facility	Jankomir facility (transformers)	Sesvetski Kraljevec facility	Borongaj facility
2019	10,886,649.30	12,676,740.00	1,075,860.00	2,016,277.60
2018	11,861,118.00	13,047,498.60	1,312,547.00	1,950,875.00
2017	13,213,683.00	11,608,924.00	1,405,712.00	1,605,492.00

heat energy / kWh	Fallerovo šetalistište facility	Jankomir facility (transformers)	Sesvetski Kraljevec facility	Borongaj facility
2019	11,618,220.00	22,503,119.20	1,276,508.00	5,309,392.00
2018	13,239,000.00	24,157,910.36	2,527,484.60	5,434,021.15
2017	12,275,038.00	22,976,898.00	2,948,794.36	5,928,197.65

KONČAR Group has been working continuously on reduction of electric energy consumption and improvement of energy efficiency. In 2019, the company made investments in infrastructure. The procurement process and investment selection took into account environmental criteria so as to ensure optimal environmental effect of selected measures. A case in point is Fallerovo šetalistište facility, with its continuous replacement of lighting and installation of LED lighting fixtures. By the end of 2019, the proportion of LED lighting fixtures at the facility had increased by 37%, compared to 2018. The replacement of lighting at Borongaj facility, which began in 2018, also continued. The measures are believed to have led to reduction in electricity consumption of 16 MWh per year, representing a decrease of approximately 3.5 tons per year in CO₂ emissions.

The photovoltaic power plant at Fallerovo šetalistište facility generated 20,578 MWh of electricity which was used for the facility's own needs. Consequently, CO₂ emissions were reduced by 4.6 tons per year.



Energy from renewable sources

ZelEn product is intended exclusively for customers of HEP Opskrba which decided to implement in their operations social responsibility, environmental protection and energy from renewable sources. Not only do customers have the guarantee that all energy provided through ZelEn product is produced solely from renewable sources, but there is also added value provided by the right to use protected mark ZelEn - Friends of Nature. 15 companies within KONČAR Group use ZelEn product, i.e., energy produced solely from renewable sources. KONČAR – Infrastructure and services was awarded a certificate for 2019, confirming that the company received 11,109 MWh of electricity from renewable sources, intended for supply of KONČAR Group.

Energy efficiency is one of the most profitable ways of improving security of electric power supply and reducing greenhouse gases and other pollutants. So as to determine the level of efficiency, energy audits were carried out (to determine current energy consumption and energy performance) for buildings used for non-production activities of KONČAR Group companies. All buildings were assigned appropriate energy efficiency class and energy efficiency improvement measures were put in place.

In addition to energy audits of buildings, energy audits of large enterprises were also carried out in order to determine and improve energy efficiency (analysis of technical and energy performance of buildings, analysis of all technical and process systems, i.e., of all production, transformation and distribution systems and consumption of energy sources.) KONČAR Group companies which were classified as large enterprises under the criteria prescribed by regulations, decided to avail themselves of the option to introduce and certify ISO 50001 Energy Management System instead of prescribed legal obligations to conduct energy audits. All KONČAR Group companies, regardless of their size, are encouraged to introduce this system.

In December 2019, measures were put in place to specify indicators necessary to monitor energy efficiency, to develop procedures for maintenance of underfloor heating in the stations and to manage heating system in administration building at Fallerovo šetalistište facility.

Gradual replacement of the existing indoor and outdoor lighting with LED lighting also continued and indicators for LED lighting share (EnPI) were introduced as part of annual plans and investments. The replacement process is expected to finish by December 2023.

REDUCTION
OF ENERGY
CONSUMPTION
GRI 302-4

UN GC 8



Introduction of EMAS system

EMAS is an Eco-Management and Audit Scheme. EU EMAS Regulation is a scheme developed by the European Commission and based on the voluntary participation in eco-management. The system is designed to enable organisations to evaluate, report and improve their environmental impact. The system aims to increase awareness at both the organisational level and the level of personal responsibility. The reasons for introduction of EMAS in business operations lie in the fact that excellence in environmental protection presents a strong competitive advantage. Organisations committed to environmental protection seek ways to reduce their environmental impact, to use resources efficiently and to streamline their production process, while, at the same time promoting their efforts.

Before EMAS system, ISO 14001 Environmental Management System and ISO 50001 Energy Management System had been introduced.

In 2019, KONČAR – Infrastructure and Services introduced EMAS system at the Fallerovo šetalistište facility and at the beginning of 2020, the company was entered into the Croatian EMAS Register.

WATER AND EFFLUENTS
GRI 303

UN GC 8



In 2019, continuous projects, investments and regular maintenance were carried out in this area.

The 2018 Report reported on contracts which were realized for plumbing, drainage systems, hydrant network, construction of a bio wastewater treatment plant, and overall construction of main and side roads with outdoor LED lighting at the Sesvetski Kraljevec facility. During 2019, all the works were completed.

Water consumption in m³ during 2019

Fallerovo šetalište facility	Jankomir facility (transformers)	Sesvetski Kraljevec facility	Borongaj facility
45,922.0	26,341.0	*	15,317.0

**As construction works were underway in 2019, data for this facility were not relevant.*

In 2019, a number of activities were undertaken in order to improve control and management of water consumption. In addition to control and monitoring, a non-return valve was installed, thus stabilizing variations in water consumption readings at the Fallerovo šetalište facility. In 2019, works were done on the road alongside C building at the Fallerovo šetalište facility. The works included reconstruction of road infrastructure, water supply and drainage system.

KONČAR Group companies have their production sites and commercial premises at five locations in Zagreb and two registered offices abroad (Mostar, Beograd). KONČAR Group companies do not operate in the vicinity of protected nor highly biodiverse areas.

KONČAR products and equipment meet the highest safety standards and have minimal environmental impact as evidenced by no recorded cases of complaints or incidents to date. Investors that decide to construct facilities using equipment supplied by KONČAR are required to comply with environmental protection regulation and standards. Aware of the environmental risk, KONČAR implements the precautionary principle. This is especially important as our products and facilities are often delivered to areas of high biodiversity (rivers, lakes). There have been no incidents of the loss of biodiversity due to our products thus far. In accordance with the Precautionary Principle, when intervening in the environment, components of environment should be used sparingly and managed in such a way so as to take into consideration possible reuse of natural and material resources, preventing any environmental pollution, preventing waste generation and possible adverse effects on the environment, to the greatest extent possible.

In addition, any intervention in the environment must be planned and carried out with the minimal possible environmental impact, taking into consideration prudent use of natural resources and energy. In order to prevent any risks and harm to the environment, when planning and implementing any project, all defined environmental protection measures should be adhered to, such as: use of good practices, use of products, equipment and devices, production processes and systems of maintaining designed parameters of the facility, which have the least adverse impact on the environment. For the prevention purposes, when intervening in the environment, it is necessary to apply the best available techniques and world-renown facility maintenance systems. When faced with the risk of real and irreversible

BIODIVERSITY
GRI 304

UN GC 7

SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS, AND SERVICES ON BIODIVERSITY
GRI 304-2



NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS
GRI 307-1

UN GC 8

damage to the human health and environment, necessary prevention measures must be undertaken without delay, even in cases when such risk is not entirely scientifically explored. In addition, it is necessary to cancel, i.e., not perform activity and/or project, for which there is scientific or presumed evidence of likely harmful and permanent adverse impact on the environment, particularly on the components of the environment biodiversity and landscape.

Throughout 2019 there were no major fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

There were no environmental impact cases brought through dispute resolution mechanisms for this reporting period.



Zakučac hydro power plant on the river Cetina

TOPIC - SPECIFIC STANDARDS: SOCIAL

NEW EMPLOYEE
HIRES AND
EMPLOYEE
TURNOVER
GRI 401-1



In 2019, a total of 349 new workers were employed, and the average age was 33 year. The youngest new employee was 18 years old. The average age of workers who left was 43, with the youngest being 18 and the oldest 65. Total of 439 workers left KONČAR during the reporting period.

Induction seminar for new employees

An induction seminar for new hires and trainees is organised every year in order to introduce them to the organisation, production program, activities and colleagues from other companies. The first seminar for trainees at KONČAR – Electrical Industry was organised in 2003. Twenty-seven have been held to date, attended by nearly 900 trainees and new hires.



Summer work experience program in KET

In 2019, the second summer work experience program for students was organised in KONČAR – Power Plant and Electric Traction Engineering (KET). Although many students expressed an interest in participating, a decision was made to accept only a smaller number of students, thus putting greater emphasis on the quality and dedication of mentors. The programs which attracted the most interest were the following: Systems Engineer program - SCADA PNET, LKKU, systems administration and Systems Engineer program - Development and construction of solar power plants, as well as Software Engineer program- Application development in Python, JavaScript and .NET. Following interviews with candidates, seven students from FER (Faculty of Electrical Engineering and Computing) were selected.

The feedback was extremely positive. What students appreciated the most was interesting assignments, pleasant atmosphere and mentors who were always at their disposal for any additional questions. At the end of the summer, during a small gathering, the students were awarded certificates for their attendance of this work experience program.

Erasmus+ student traineeship program

Since 2016, KONČAR – Electronics and Informatics have participated in Erasmus+ project, hosting students from Berlin Higher School Center for Technical IT, Industrial Electronics and Management in Energy (OSZ-TIEM). The co-operation was initiated by the Secondary School of Electromechanical engineering in Zagreb, which organised work experience in KONČAR Group.

Erasmus+ is the EU's program to support education and training, aimed at strengthening knowledge and skills and encouraging cooperation with business sector. One of the key activities was Mobility for Individuals.



Agreements aimed at recruiting new employees

In 2019, a Cooperation Agreement was signed with Effectus University College. In addition, cooperation was initiated with students' associations, aiming to bring together employers and university students in their final years of

university education. KONČAR Group companies took part in a number of events, such as, BEST Career Day, Career Speed Dating, FER Job Fair and discussion forums, using such opportunities to meet prospective employees.

Regardless of contract type, race, gender and age, all KONČAR Group employees are entitled to equal benefits proportionally to their length of service. The Collective Agreement stipulates that all Group companies shall make payments for loyalty/service awards, holiday, Christmas and Easter bonus, a gift for children under the age of 15, various forms of allowances defined by the Collective Agreement, additional allowances for family needs, etc. All KONČAR Group employees are entitled to equal benefits such as annual medical examinations and work-related injury insurance policy.

Employees are also entitled to reimbursement for travel/commute costs and to non-taxable severance pay prior to retirement.

On 12 December 2019, representatives of Croatian Metal Workers' Union - Industrial Union (SMH - IS) and KONČAR management signed the Amendments to the Collective Agreement on rights and obligations of workers and employers. Adopted Amendments to the Collective Agreement refer for the most part to the employees' financial compensation. Previous minimum basic salary of gross HRK 1,700 was increased to gross HRK 2,270. Amendments to the Collective Agreement on the rights and obligations of employees and employer will be applicable as of 1 January 2020.



Remembrance of Homeland War Veterans

The Republic of Croatia marked its Statehood day on 25 June, and on this occasion, a wreath is laid and candles are lit at the memorial site at the Fallerovo šetalište facility, in remembrance and commemoration of the twenty-two war veterans who were KONČAR employees and were killed in the Croatian War of Independence. In addition, every December, the company marks the anniversary of a defence unit established at Fallerovo šetalište facility, which was enlisted in 1991.

KONČAR Pensioners' Club (KUK)

KONČAR Pensioners' Club (KUK) was founded on 17 October 2000 on the initiative of the Coordination of the Croatian Metalworkers Union – KONČAR Industrial Trade Union and with support of KONČAR – Electrical Industry.

At the end of 2019, the Club had 176 registered members. Throughout the year, 20 new members were admitted to the Club, and four members were deleted from the register. Regular medical check-ups and lectures were also organised and held. In 2019, KUK Culture Commission organised seven visits to the theatre and one trip to an exhibition held in Klovičevi Dvori Gallery. KUK's Recreation and Entertainment Committee organised six one-day excursions, 2 multiple-day trips and a ten-day stay in Banja Vrućica. According to the report of the Social Service Commission, throughout the year, 37 members on sick leave were visited and nine members were contacted via phone. The club has a library with 986 registered books, available to all members.

EMPLOYEE
BENEFITS
GRI 401-2

UN GC 6

PARENTAL LEAVE
GRI 401-3

UN GC 6

Pursuant to a decision of the Croatian Health Insurance Fund (HZZO), all female employees are entitled to maternity and parental leave and all male employees are entitled to parental leave.

All female employees resumed work upon completing their maternity leaves, while male employees resumed work following their parental leaves.

KONČAR awarded Basic Mamforce© certificate

As part of the conference "Responsible employers for responsible parenthood 2.0", on 29 November 2019, KONČAR – Electrical Industry was awarded Basic Mamforce Company© Standard certificate for its business strategy seeking to improve policies and working conditions in relation to family life and gender equality. KONČAR's decision to implement Mamforce© standard relied on the fact that women account for a large proportion of the workforce and play an important role in achieving business goals. By implementing recommended activities and measures, KONČAR seeks to improve employee satisfaction, as satisfied employees represent added value and guarantee the success of the organisation.



**LABOUR/
MANAGEMENT
RELATIONS**
GRI 402

In April 2019, an organisational climate assessment was carried out in all KONČAR Group companies. The assessment also included a short evaluation of the level of perceived fairness in the organisation. Based on the findings, the companies developed action plans aimed at improving employee satisfaction. The action plans will continue to be implemented in the following period.

**MINIMUM
NOTICE PERIODS
REGARDING
OPERATIONAL
CHANGES**
GRI 402-1

UN GC 3

Every 12 weeks, the employer is required to inform the Works' Council on the situation, business results and organisation of work, as well as other issues relevant for employees' economic and social status. Before rendering any decisions pertinent to workers' status, the employer is required to consult the Works' Council about any such decisions. The Works' Council is required to inform Trade Union of any such decisions. If the employer has not set up a Works' Council, the rights and obligations of the Works' Council are conferred on a trade union commissioner. Workers' meetings are to be held twice a year, with the aim of disclosing and discussing operational activities. Pursuant to the Labour Act, information is disclosed to trade unions and/or Works' Council, by organizing workers' meetings, and through the workers' representative on the Supervisory Board.

The Collective Agreement for KONČAR Group stipulates a procedure for collective bargaining following a termination by any of the parties upon the expiry of a three month period. In addition, a provision stipulates that the Collective Agreement may be amended.

**FORMAL JOINT
COMMITTEES**
GRI 403-1

UN GC 3

Pursuant to the provisions of the Labour Act, the Occupational Health and Safety Act and in line with Employer's obligations, all KONČAR Group companies (employing more than 50 workers) have set up Work Safety Committees.

**OCCUPATIONAL
HEALTH
SERVICES**
GRI 403-3

At KONČAR, there have not been any occupations characterized by a high incidence or a high risk of specific illnesses. When assigning employees to jobs requiring specific work conditions, procedures are taken in line with legal requirements and workers, before being assigned to a specific job, undergo a medical assessment of fitness for work. In accordance with the established rules, a fit to work assessment is regularly carried out.

**HEALTH AND
SAFETY TOPICS
COVERED
IN FORMAL
AGREEMENTS WITH
TRADE UNIONS**
GRI 403-4

Formal agreements with trade unions have promoted dual responsibility of both parties and development of a positive occupational health and safety culture. The Collective Agreement regulates the rights and obligations of all KONČAR employees.

The Collective Agreement encompasses certain health issues such as paid leave entitlement in the event of severe illness of a near family member, unpaid leave in the event of illness and additional leave days for workers with disability and safety issues that encompass special work conditions and additional payment.

**TRAINING AND
EDUCATION**
GRI 404



In order to develop the potential of all employees, KONČAR companies have systematically been conducting education and professional training in various ways: encouraging participation in regular education system, specialized on-the-job trainings as foreign language courses, presentation and communication skills, computer skills as well as gaining and upgrading other knowledge relevant for performance and professionalism.

**TRAINING AND
EDUCATION
PER YEAR PER
EMPLOYEE**
GRI 404-1



In 2019 there was an increase in total average investments made for training purposes. The cost of education at the end of the year increased compared to 2018 and amounted to HRK 5.71 million.

**PROGRAMS FOR
UPGRADING
EMPLOYEE SKILLS**
GRI 404-2



Training cycles at KONČAR Academy

KONČAR has given special attention to management selection and to timely identification of talent by investing into development and creating space for further advancement. One of the ways to achieve this is through training programs at KONČAR Academy. Two professional training cycles started throughout 2019 (5th and 6th cycle) including 52 students from KONČAR Group companies.

After a successful presentation of their final papers, the fifth professional training cycle at the KONČAR Academy ended in December 2019, and the sixth professional training cycle will have finished in February 2020. Since the Academy launch in 2010, a total of 168 KONČAR Group employees have enrolled in this program of talent management training.



SUPPORT TO
SPORTS CLUBS

Končar Zagreb 1786 Shooting Club

KONČAR has traditionally supported one of the most popular sports clubs in Croatia, SC Končar Zagreb 1786. In 2019, club members continued winning medals at numerous competitions including the Zagreb Air Weapons Championship in senior and junior categories, the Croatian Championship for senior categories and two international tournaments in Slovenia.



KONČAR Canoe Club

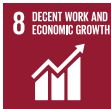
KONČAR has continuously supported activities of the KONČAR Canoe Club which was exceptionally successful in 2019 as well. The club is proud that its members, who are also members of the national team, won all Croatian medals at the European Wild Water Downhill Championships held in Slovenia, on the Soča River, between Kobarid and Bovec, and continued the successful series of winning medals at major competitions. In addition, for the Croatian national team, members of CC Končar won two silver medals at the World Junior Championship and the U23 Championship in kayak-canoe downhill races, on the wild waters on the Vrbas River near Banja Luka.

KONČAR Chess Club

KONČAR Group has traditionally supported the work of the KONČAR Chess Club, which celebrated its 70th anniversary and becoming the oldest Zagreb and Croatian chess club. The club has a rich history of active involvement in pedagogical work and cooperation with primary schools and the community. It has developed numerous chess masters (cadet and junior winners of national championships and cups) and academic citizens. Working with children, i.e. schooling and education, has always been at the core of the club's work, and a free chess school for children has been launched, which starts at the beginning of the school year. Since 2015, the club has continued the successful tradition by winning the Zagreb City Cup three times and today is the strongest amateur club in Zagreb.

Diversity is one of the fundamental values in contemporary societies. KONČAR Group attaches great importance and emphasizes the value of its employees. By regulation of labour relations and internal organization, KONČAR Group companies comply with applicable regulations, collective and individual agreements and protect human and civil rights, dignity and reputation of every employee. Continuous education and professional training have always been an important determinant of KONČAR strategy in the creation of the learning organisation. KONČAR Group, exporter to over 120 countries worldwide, embraces and encourages diversity and continuously promotes a respectful working environment for all employees, customers and other partners.

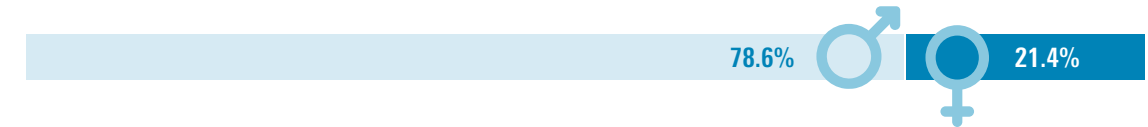
DIVERSITY AND EQUAL OPPORTUNITY
GRI 405



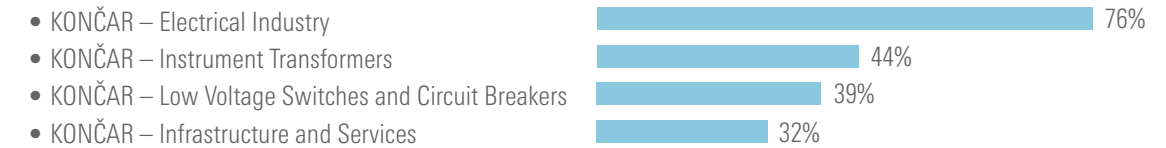
EMPLOYEE DIVERSITY
GRI 405-1



Men account for 78.6%, and women account for 21.4% of the total number KONČAR employees.



In relation to the total number of employees, the majority of women are employed in the following KONČAR Group:



Women hold 82 senior management positions out of the total number of 477 in KONČAR Group companies.



Women in engineering

After the 47th International Conference of CIGRÉ - International Council on Large Electric Systems held in 2018 in Paris, it was concluded that the involvement of women in the work of CIGRÉ should be increased, given that only seven of the 58 national branches had a women's section. CIGRÉ has encouraged other national branches to establish women's sections. Within the Croatian branch, a women's section was established, with Minea Skok as the President, and the Vice President Dijana Vrsaljko from KONČAR – Electrical Engineering Institute. All women members of HRO CIGRÉ, 108 from 29 companies, are also members of the women's section, and most of them come from KONČAR Group. The HRO CIGRÉ section gathers not only engineers, but also all women in the energy sector.

KONČAR Group does not discriminate based on gender and applies principles of equal remuneration policies for both women and men.

No case of racial, ethnic, gender, religious, political, national or social discrimination has been recorded during the reporting period. Under the provisions of the Collective Agreement, the Employer has undertaken to protect employee dignity in the course of their work, and to ensure working conditions in which employees will not be exposed to sexual and non-sexual harassment by the Employer, managers, colleagues, or other persons with whom employees come into regular contact in the course of their work.

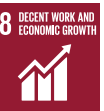
RATIO OF BASE SALARY AND REMUNERATION OF WOMEN TO MEN
GRI 405-2



INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN
GRI 406-1

UN GC 2

UN GC 6



All KONČAR employees are entitled to a freedom of association and collective bargaining. KONČAR employees may choose to join either the Croatian Metalworkers Union – Industrial Trade Union KONČAR, the Union of Electrical Industry Workers of Croatia or the New Trade Union.

Open Days

Many KONČAR companies have traditionally organised Open Days events every year, when families of employees have been invited to visit production plants and office premises. In 2019, KONČAR – Electrical Industry, on Christmas Eve organized the first Children's Day for all children of employees up to 15 years of age. In KONČAR headquarters a joint workshop was organized for children, during which they could draw, play board games and make Christmas decorations. After spending time together, the children visited their parents' offices and workplaces. The fun and pleasure of both adult and young visitors served as a confirmation that such an event should become a tradition at KONČAR – Electrical Industry.



Summer camp for children of KONČAR employees

In 2019, KONČAR Group organized a trial children's summer camp for the children of employees. It was held just before the start of the new school year and numbered 32 children aged 6 to 13.

The children were given kayaking lessons and accompanied by the coach of the Canoe Club Končar, they experienced the first kayak and canoe rides. The beautiful weather allowed for many outdoor activities such as playing football, volleyball, hockey, dodgeball, chess and billiards, and they happily learned about archery and science of knots. This first KONČAR children's camp proved to be a place for gaining new experiences, unforgettable adventures and memories, making new friendships, all through fun and sports.

KONČAR Champion Futsal Tournament

During two weekends in December 2019, the Coordination of the Croatian Metalworkers Union - KONČAR Industrial Trade Union, organised the "19th KONČAR Champion Futsal Tournament". The competition was organised in two categories with participation of twenty teams from eleven KONČAR Group companies. In the senior category, 12 teams from eight companies participated, and veterans played in eight teams from eight companies. During the four-day competition, 48 matches were played with a total of 158 goals scored.



KONČAR team at the B2Run race

The largest business race B2Run Croatia was held in Zagreb on 3 October 2019 for the fifth time. KONČAR took part for the second time as one team. KONČAR team consisted of 283 employees from 15 Group companies. In the overall team ranking, KONČAR team came 13th (out of a total of 414 companies) and in the large company category the team finished 7th out of 107 companies.



Blood drives

KONČAR has a long tradition of voluntary blood donation, and employees are happy to respond to Red Cross initiatives every year. During 2019, the Croatian Red Cross organised a number of blood drives at three KONČAR facilities, and several colleagues received awards for their long-term commitment to this humanitarian act. The Croatian Red Cross awards jubilee donors annually to mark the National Blood Donor Day and five KONČAR employees were present at the ceremony held in the Old City Hall. Ivan Muranić was awarded a large silver medal for 75 blood donations, and Ljiljana Perić, Željko Besednik, Siniša Pavlović and Zlatan Rabuzin were awarded small silver coins for 50 blood donations for men, and for 35 blood donations for women.



CHILD, FORCED
OR MANDATORY
LABOUR
GRI 408
GRI 409

UN GC 4

UN GC 5

SECURITY
PERSONNEL
TRAINED IN HUMAN
RIGHTS POLICIES OR
PROCEDURES
GRI 410-1

As a socially responsible company which respects human rights, KONČAR does not tolerate child labour, nor does it implement mandatory or forced labour in any of its business activities or forms.

One of the KONČAR Group companies, KONČAR – Infrastructure and Services, employs a total of 55 security officers and security guards who are deployed at all KONČAR locations. They have all received formal training in the organization's human rights policies, environmental policies and other specific procedures and their application to security within KONČAR.

HUMAN RIGHTS
GRI 412-1

When making decisions pertaining to the location of business operation, KONČAR has greatly considered human rights. Human rights have been observed across all company business activities.

8 DECENT WORK AND
ECONOMIC GROWTH



LOCAL
COMMUNITY
ENGAGEMENT
GRI 413-1

UN GC 1

11 SUSTAINABLE CITIES
AND COMMUNITIES



You are not alone - come with us

KONČAR has been supporting "You are not alone - come with us" project which provides support to women suffering from malignant diseases - primarily by accompanying and organizing transportation to and from chemotherapy.

Alka of Sinj

The KONČAR Group sponsored the 304th anniversary of the Alka of Sinj, a knight's game celebrating the victory over the Turkish invaders on 14 August 1715. It is a unique historical, cultural, ethnographic and sporting event in the Cetina region, in which only members of the Alka Knights Society of Sinj can participate. Its value has won it numerous awards. In 1979, it was declared a movable cultural monument of the highest category, in 2007 it was inscribed in the Register of Cultural Heritage of the Republic of Croatia, and in 2010 it was inscribed in the UNESCO Representative List of the Intangible Cultural Heritage of Humanity.

Project in the Technical School Sisak - SOELA

Organized by the Technical School Sisak, a three-day SOELA 2019 event was held, which has been supported by KONČAR from the very beginning, and includes a solar-powered car race, an expert conference and an exhibition of electric and hybrid vehicles. SOELA has been expanding its program every year and has attracted growing interest of experts and the public. This year, more than 1,000 people came to watch the race, and almost 20,000 people live streamed all events. At the 5th exhibition of electric and hybrid vehicles, fifteen cars available on Croatian market were presented. On the first day, the 4th conference was held, on the topic "Space technology - a challenge for the education system and the economy".

Despite the rich program, the 7th solar-powered car race on the streets of Sisak attracted the greatest interest. Students from 20 technical and vocational schools from Croatia, Bosnia and Herzegovina and Slovenia participated in the race in solar-powered vehicles they had designed and built themselves. For the first time a team from the Faculty of Electrical Engineering, Computing and Information Technology from Osijek also joined the race.



Code Club Končar KET

The idea for the launch of the project "Code Club Končar KET" at KONČAR – Power Plant and Electric Traction Engineering Inc. (KET) arose from two basic premises of corporate social responsibility: responsibility to the community in which it operates and responsibility to employees. Given that our education system has not yet sufficiently provided training and development of IT skills to primary school children, the desire was to enable the acquisition of such knowledge through extracurricular activities in Code Club Končar KET, with the ultimate goal of motivating children to acquire knowledge from STEM areas. Although originally conceived as free coding workshops for the children of KET employees, the project has been expanded to include the children of employees from across KONČAR Group. Cooperation has also been established with the Tin Ujević Elementary School, where the workshops are held.

During the year, Code Club Končar KET organized two workshops. One workshop in Scratch coding language for children who took the coding workshops for the first time, and the second in Python coding language is for children who have mastered the basic of coding.



Donation on the occasion of KONČAR Day

Once a year, to mark KONČAR's anniversary, a donation is made to educational, cultural, scientific and charitable causes. As part of the celebration of the 98th KONČAR anniversary, on 24 January 2019, a donation for the purchase of school equipment was made to the school of science and mathematics – V. gimnazija in Zagreb. In January 2019, V. gimnazija marked its 80th anniversary, and on that occasion the school launched the campaign Five for the Fifth.

Computer donation for first IT steps to Petar Pan kindergarten

The unique IT program adapted to preschool age "First IT Steps" at the Zagreb kindergarten Petar Pan was supported by KONČAR with a donation of desktop computers. The training is organised in small groups for children 5+ twice a week for 45 minutes. The training allows children to build and create an image of themselves on the computer, while indirectly learning to use the computer skilfully and adopt basic computing. Part of the lesson also focuses on the development of the child's cognitive abilities, through educational and interactive computer games. At the same time, children learn English, while using a computer operating system and browsing the Internet.

Computer donation to FER

In 2019, KONČAR donated 12 desktop computers and 12 monitors to the Faculty of Electrical Engineering and Computing at the University of Zagreb (FER). The donated computers will be used in the newly renovated facilities for laboratory training in the undergraduate courses at FER, which are attended by a very large number of students.

KONČAR employees at the humanitarian tournament for the wards of the Children's Home Zagreb

Initiated and organized by the Football Club Laduč, a humanitarian indoor futsal tournament was held for the wards of the Children's Home Zagreb, a branch in Laduč that takes into care children from the Zagreb County and the City of Zagreb. The aim of the initiative was to raise funds for the purchase of a van for the Home. Among the participants at this commendable event was also a team composed of football teams from KONČAR Group. Laduč branch provides care to children without parents or without adequate parental care, children whose development was at risk in their own families (age group from 7 to 18) and their primary, foster and adoptive families.



KONČAR – Institute helps the community at axe throwing contest

By participating in the humanitarian event HURA! 2019, KONČAR – Electrical Engineering Institute joined the fund raising campaign for the residents of the Center for Autism Zagreb. At this year's HURA!, held in early June at the Zagreb Hockey Center, an axe-throwing competition was organised. The aim of this event was to raise funds for the procurement of communication aids for children and adults, members of the Center for Autism Zagreb. Such aids increase the educational and living quality of the Center's members and facilitate



**KONČAR
VOLUNTEERS
CLUB**

Collective Tree Planting Days in Croatia

As part of the citizens' initiative organized under the name Collective Tree Planting Days in Croatia, a volunteer activity "Plant a tree, don't be a stump" was held in October and was supported by KONČAR volunteers. KONČAR Group employees planted 11 trees within the factory facility at Fallerovo šetalište, and thus contributed to the initiative, which was supported by fifteen thousand people throughout Croatia. The goal of the initiative is to encourage citizens, associations, companies and institutions to make urban areas greener and plant as many trees as possible, and in doing so contribute to the fight against climate change.

Earth Day

In order to raise ecological awareness and to actively engage in preservation of the planet Earth, an Earth Day action "Make Our Environment More Beautiful" has been traditionally held at KONČAR HQ in Fallerovo šetalište in Zagreb. The event has been organised by KONČAR Volunteers' Club aiming at making the factory grounds greener. In 2019, the members of KONČAR Pensioners' Club and 20 volunteers from Group companies participated in weeding, planting herbs and flowers and landscaping the existing greenery.



KONČAR Group has not made any financial or non-monetary contribution to political objectives, directly or indirectly, nor to the state or any user.

Equipment and products manufactured by KONČAR Group for electricity generation, transmission and distribution require a high degree of two-fold responsibility - primarily operational safety and reliability (so as not to generate additional problems in electricity supply) and protection of the environment in which such equipment is installed. Apart from the above, passenger transport must also contain a safety feature as a key characteristic of trams and trains manufactured by KONČAR along with a major environmental component. As KONČAR Group bears immense responsibility for products it offers on the market, it has been managing the entire production chain by supervising the quality of individual production processes.

**PUBLIC POLICY
GRI 415-1**

UN GC 3

**ASSESSMENT OF
THE HEALTH AND
SAFETY IMPACTS
OF PRODUCT
AND SERVICE
CATEGORIES
GRI 416-1**



**COMPLIANCE
GRI 416-2**



Violations of regulations and voluntary codes in relation to products and services affecting health and safety have not been recorded in the reporting period which is further affirmed by ISO 9001, ISO 14001, OHSAS 18001/ISO 45001, and ISO/IEC 27001 standards.

ISO 9001 Quality Management System has been certified in thirteen Group companies. The core purpose of the system is related to the management of key processes that affect the quality of products or services aimed at reaching customer satisfaction. ISO 9001 Certificate, issued by authorised independent certification institutions, provides customers with a degree of assurance concerning the capacity of an organisation to meet their demands. Buyers have been increasingly auditing their partners (i.e. carrying out on-site verification of the quality of management system operations in order to ensure the Company's capacity to deliver on their requirements and expectations), especially during prequalification process when contracting certain products.

ISO 14001 Quality Management System has been certified in fifteen companies. By applying this system, companies have continuously monitored and analysed various aspects of the environment while performing their business activities, carrying out their processes, looking into environmental impact of products and services they deliver, and taking adequate measures to mitigate any adverse effects. ISO 14001 Certificate is issued by authorised independent certification institutions, assuring all stakeholders, ranging from central governments to local communities, of the company's responsible behaviour towards the environment.

OHSAS 18001/ISO 45001 Occupational Health and Safety Management System has been certified in ten Companies. By applying this system, companies have been continuously monitoring and analysing workplace hazards and have carried out measures for prevention and mitigation of accidents which might lead to the loss of health, life and material goods. OHSAS 18001/ISO 45001 certificate issued by authorized independent certification institutions provides assurance to all stakeholders of the company's conduct of legal and other measures aimed at the provision of safe working environment and work-related injury protection.

ISO/IEC 27001 Information Security Management System has been certified in four companies. By applying this system, companies have achieved information system, property, and business information protection. ISO/IEC 27001 Certificate issued by certified independent certification institutes proves that information security management system provides data protection under the principles of secrecy, integrity and controlled availability, enables information security implementation and reduces fraud risk, loss of information or unauthorized disclosure of information, improves organization's credibility and opens up business opportunities for cooperation with customers aware of security needs.

ISO 50001 Energy Management System has been certified in two companies. By applying this system, companies have achieved ongoing improvement of energy management, better resource and infrastructure utilization, and lower energy consumption i.e. lower costs while limiting and controlling environmental impacts.

The first ISO 45001 certificate for KONČAR

At the end of 2018, the Management Board of KONČAR – Generators and Motors (GIM) made a decision to roll out the certification process for the international standard for occupational health and safety. Such a decision was made to reinforce the top management to care for the health, safety and well-being of GIM workers. The company did not have a certified system according to OHSAS 18001 and the certification was initiated according to the ISO 45001 system. Following the successful preliminary audit on 10 and 11 June 2019, a certification audit was also conducted. The auditors assessed that GIM had implemented all the requirements of the ISO 45001 standard in its operations. Based on that assessment, the Company was awarded a certificate for the Occupational Health and Safety Management System according to the ISO 45001 standard. KONČAR – Generators and Motors became the first company within KONČAR Group to certify the occupational health and safety management system according to the ISO 45001 standard.

	ISO 9001	ISO 14001	OHSAS 18001/ISO 45001	ISO/IEC 27001	ISO 50001
KONČAR – Power Plant and Electric Traction Engineering					
KONČAR – Power Transformers					
KONČAR – Engineering for Plant Installation & Commissioning					
KONČAR – Electronics and Informatics					
KONČAR – Instrument Transformers					
KONČAR – Metal Structures					
KONČAR – Distribution and Special Transformers					
KONČAR – Electrical Engineering Institute					
KONČAR – Switchgear					
KONČAR – Electric Vehicles					
KONČAR – Generators and Motors					
KONČAR – Small Electrical Machines					
KONČAR – Low Voltage Switches and Circuit Breakers					
KONČAR – Infrastructure and Services					
KONČAR – Renewable Energy Sources					
KONČAR – XD High Voltage Switchgear					
KONČAR – Electrical Industry (Parent company)					

Training in the Area of Standardized Management System (ZPO)

In line with the requirements of KONČAR Group companies, a training program in the area of standardized management system has been carried out covering standardized management systems, applied norms and technical regulations. Identifying the training needs in twelve KONČAR companies, six seminars and three courses were organised for 126 participants throughout 2019. This program takes various forms (courses, seminars, workshops, topic-related forums ...) and is held by authorized external experts and KONČAR company professionals. The number of participants who have completed in-house training in the area of standardized management system once again confirmed that ZPO is widely accepted across all Group companies and that this twenty-year practice should continue in the following years.

In line with organisational procedures, each product has been equipped with a 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 have been prepared. In addition, when deemed necessary, training seminars for end users of specific products or services, have been organised.

REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELLING
GRI 417-1

COMPLIANCE
GRI 417-2/3

Violation of product and service data and labelling-related regulations and voluntary codes has not been recorded in the reporting period. All KONČAR Group companies have consistently applied fair and responsible practices in their customer relations. These practices have included responsible marketing and transparent communications on economic, environmental and social impacts of products and services. KONČAR Group has not recorded any instances of misleading, inaccurate and discriminatory information (including advertising, promotion and sponsorship) or abuse arising from insufficient knowledge or failure to provide choice to customers.

CUSTOMER PRIVACY
GRI 418

KONČAR Group takes all measures to respect customer privacy by limiting personal data collection, collecting data by lawful means and providing transparency about how data are gathered, used, and secured. KONČAR does not disclose or use personal customer information for any purposes other than those agreed upon, and communicates any changes in data protection policies or measures to customers directly.

General data protection regulation "GDPR" has applied directly in all EU member states as of 28 May 2018, and during 2018 harmonization activities with the GDPR requirements and the GDPR implementation across KONČAR were finalized. In 2019, work continued on improving and implementing all activities and procedures.

SOCIOECONOMIC COMPLIANCE
GRI 419

During the reporting period, KONČAR Group did not record any regulatory non-compliance and did not fail to comply with international declarations, conventions and treaties and there were no cases brought against the organization through the use of international dispute mechanisms or national dispute mechanisms.



Low-floor EMU developed and manufactured at KONČAR

SUSTAINABLE DEVELOPMENT GOALS



In all business activities, KONČAR devotes particular attention to the integration of seven out of the total seventeen Sustainable Development Goals, part of the global development Agenda 2030.

SDG 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

SDG 5 Achieve gender equality and empower all women and girls.

SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all.

SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SDG 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

SDG 11 Make cities and human settlements inclusive, safe, resilient and sustainable.

SDG 12 Ensure sustainable consumption and production patterns.

GENERAL DISCLOSURES

	page	
GRI 102-14	Statement from the Chairman of the Management Board	5
GRI 102-1	Name of the organization	6
GRI 102-2	Activities, brands, products and services	6
GRI 102-3	Location of headquarters	6
GRI 102-4	Location of operations	6
GRI 102-5	Ownership and legal form	6
GRI 102-6	Markets served	7
GRI 102-7	Scale of the organization	9
GRI 102-8	Information on employees and other workers	9
GRI 102-9	Supply chain	11
GRI 102-10	Significant changes to the organization	11
GRI 102-13	Membership of associations	12
GRI 102-11	Precautionary Principle or approach	12
GRI 102-12	External initiatives	12
GRI 102-15	Key impacts, risks, and opportunities	15
GRI 102-16	Values, principles, standards and norms of behaviour	18
GRI 102-17	Mechanisms for advice and concerns about ethics	18
GRI 102-18	Governance structure	19
GRI 102-22/23/24	Composition of the highest governance body and its committees	19
GRI 102-26	Strategy	20
GRI 102-30	Strategic Development Committee	21
GRI 102-31	Audit Committee	22
GRI 102-35	Remuneration policy	22
GRI 102-36	Process for determining remuneration	22
GRI 102-40/42/43/44	Stakeholders and their engagement	23
GRI 102-41	Collective bargaining agreements	26
GRI 102-45	Entities included in consolidated financial statements	27
GRI 102-47	List of material topics	28
GRI 102-48	Restatements of information	29
GRI 102-49	Changes in reporting	29
GRI 102-50/51/52	Reporting cycle and reporting period	29
GRI 102-53	Contact person for queries regarding the report	29
GRI 102-54	Claims of reporting in accordance with the GRI standards	29

GRI CONTENT INDEX 102-55

TOPIC - SPECIFIC STANDARDS: ECONOMIC

GRI 201	Economic performance	30
GRI 201-1	Direct economic value generated and distributed	31
GRI 201-3	Defined benefit plan obligations and other retirement plans	31
GRI 203-2	Significant indirect economic impacts	32
GRI 204	Procurement practices	36
GRI 204-1	Proportion of spending on local suppliers	37
GRI 205	Anti-Corruption	37
GRI 205-2/3	Confirmed incidents of corruption and actions taken	37
GRI 206	Anti-Competitive Behaviour	37

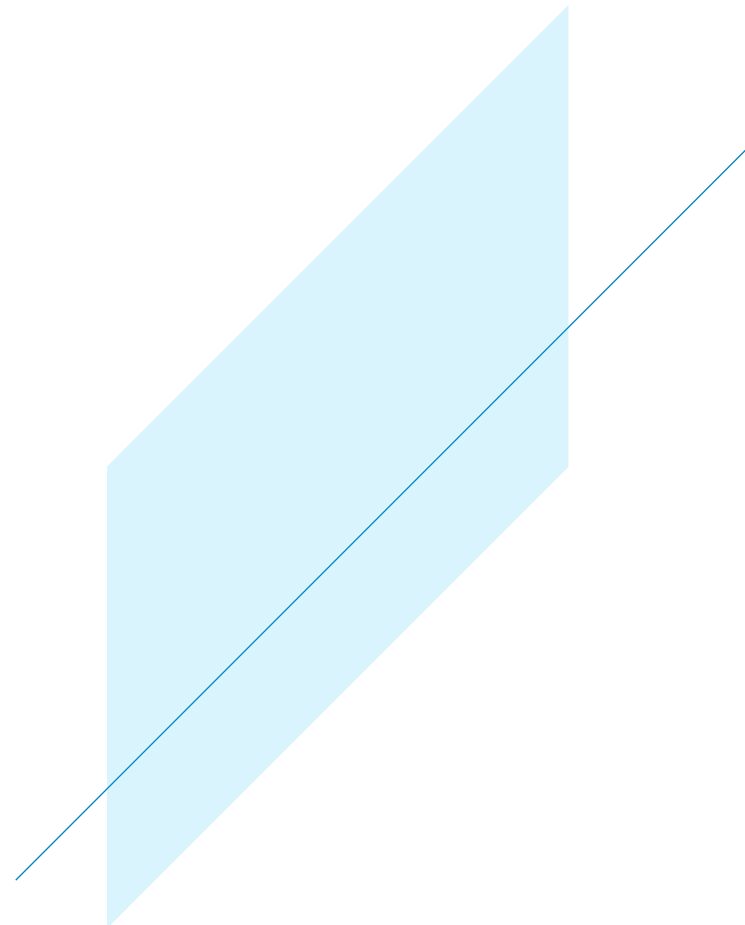
TOPIC - SPECIFIC STANDARDS: ENVIRONMENTAL

GRI 302	Energy	38
GRI 302-1	Energy consumption within the organization	38
GRI 302-4	Reduction of energy consumption	39
GRI 303	Water and effluents	40
GRI 304	Biodiversity	40
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	40
GRI 307-1	Non-compliance with environmental laws and regulations	41

TOPIC - SPECIFIC STANDARDS: SOCIAL

GRI 401-1	New employee hires and employee turnover	42
GRI 401-2	Employee benefits	43
GRI 401-3	Parental Leave	44
GRI 402	Labour/management relations	44
GRI 402-1	Minimum notice periods regarding operational changes	44
GRI 403-1	Formal Joint Committees	44
GRI 403-3	Occupational health services	44
GRI 403-4	Health and safety topics covered in formal agreements with trade unions	45
GRI 404	Training and Education	45
GRI 404-1	Training and Education per year per employee	45
GRI 404-2	Programs for upgrading employee skills	45
GRI 405	Diversity and Equal Opportunity	46
GRI 405-1	Employee diversity	47
GRI 405-2	Ratio of base salary and remuneration of women to men	47
GRI 406-1	Incidents of discrimination and corrective actions taken	47
GRI 407	Freedom of Association and Collective Bargaining	48
GRI 408	Child, Forced or Mandatory Labour	50
GRI 409		

GRI 410-1	Security personnel trained in human rights policies or procedures	50
GRI 412-1	Human Rights	50
GRI 413-1	Local Community Engagement	50
GRI 415-1	Public policy	54
GRI 416-1	Assessment of the health and safety impacts of product and service categories	54
GRI 416-2	Compliance	55
GRI 417-1	Requirements for product and service information and labelling	56
GRI 417-2/3	Compliance	57
GRI 418	Customer privacy	57
GRI 419	Socioeconomic Compliance	57



Areas of social values	Global Compact Principles	GRI Standards	COR	page
Human rights	PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights.	412-1, 413-1	8, 11	50
	PRINCIPLE 2: Businesses should make sure they are not complicit in human rights abuses.	406-1, 410-1, 412-1, 418	8	47, 50, 57
Labour rights	PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	102-41, 402, 402-1, 403-1, 403-4, 407, 415-1		26, 44, 45, 48, 54
	PRINCIPLE 4: Businesses should eliminate all forms of forced and compulsory labour.	409		50
	PRINCIPLE 5: Businesses should abolish child labour.	408		50
	PRINCIPLE 6: Businesses should eliminate discrimination in respect of employment and occupation.	102-8, 401-2, 401-3, 405, 405-1, 405-2, 406-1	5, 8	9, 43, 46, 47
Environment	PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges.	302, 304	7	38, 40
	PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.	302-4, 303, 307-1	7, 12	39, 40, 41
	PRINCIPLE 9: Businesses should encourage the development and diffusion of environmentally friendly technologies..	102-26	9	20
Anti-corruption	PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery	205, 205-2/3		37



KONČAR

KONČAR - Electrical Industry Inc.
Fallerovo šetalište 22, 10000 Zagreb, Croatia
www.koncar.hr/en