

# Sustainability Report

31 December 2022

# Sustainability Report for 2022

Foreword by the President of the Management Board, **mr. sc. Gordan Kolak**



**“Despite pressures on operating costs, the investment cycle oriented on investments in research and development, modernization of manufacturing capacities and digital transformation continued in the course of 2022. In the upcoming year, KONČAR plans to channel investment towards development of eco-friendly products in power engineering, development of components and equipment for battery and hybrid trains, and projects in digital technologies.”**

Dear readers,

The recently published audited financial statements of KONČAR Group accentuate another record business year. A considerable growth of income was matched with rising volumes and expanding share of revenue generated in foreign markets, increased profit, expanding order intake and record backlog of EUR 1 billion at year-end. Good order intake at the start of 2022 resulted in an expansion of revenue generated from the sales of products and services across all markets.

Early in 2022, we contracted the construction of three new solar power plants in Croatia, further reinforcing the role of the regional leader in the construction and revitalization of renewable energy plants. The construction of the new power plants commenced against the backdrop of the Russian aggression on Ukraine, which caused unprecedented disruptions in global markets and led to surging prices of energy and raw materials, long lead times, and in some cases, even cancellations of deliveries by suppliers. Together with our partners we invested additional efforts to successfully complete the construction projects in H1 2023. This achievement is another affirmation of KONČAR's expertise and competence in delivering complex engineering projects. Cutting-edge technological solutions were used in the construction of the power plants, including our PROZA NET platform, the backbone of plant digitalization, and other proprietary solutions for grid connections.

At the end of 2022, we completed the construction of our second integrated photovoltaic power plant, with a total connection power of 1.1 MW. Electricity will be generated in 4,266 modules installed across 7,000 m<sup>2</sup> on the roof tops of our manufacturing facility. The plant is estimated to generate 1,456.16 MWh annually, and meet up to 35% of the annual electricity consumption used in transformer manufacturing, while any surplus will be fed to the power grid. The plant will reduce CO<sub>2</sub> emissions by about 35%, or 480,532.80 kg CO<sub>2</sub> annually. The construction of two new integrated photovoltaic power plants installed on the roof tops of our facilities is also underway. Photovoltaic power plants with a capacity of 450 kW and 350 kW are slated for commissioning this year.

Our integrated power plants will additionally increase energy efficiency, that is, power generation which will partially meet the energy needs of the Group members, while reducing CO<sub>2</sub> emissions. They will also bring down the costs of electricity consumption and increase the degree of energy self-sufficiency, while simultaneously reducing CO<sub>2</sub> emissions. Pioneering renewable sources, KONČAR developed and constructed the first Croatian wind farm back in 2012, with annual generation of 25 million kWh. Rational energy consumption, application of eco-friendly technologies and materials suitable for recycling, use of energy generated exclusively from renewable sources, photovoltaic power plants installed on the roof tops of our manufacturing facilities - these are just some of the contributions that KONČAR has made in the field of sustainable development.

The use of renewable energy sources and investment in energy efficiency are the lifeline of the European Green Deal, with the overarching aim of making the EU climate neutral. On the journey towards net-zero economy, KONČAR champions investments in a resilient, green and digital economy and drives sustainable energy transition. We are firmly committed to redirecting capital flows towards sustainable development and promoting sustainable investments that drive down our carbon footprint and strengthen our position within circular economy.

Financial restructuring of Dalekovod was completed in 2022 and conditions were acquired for supervision and integration of Dalekovod Group members into KONČAR Group operations. Dalekovod accounts for EUR 114.4 million or 16% of the total sales revenue. We have also consolidated Dalekovod into our non-financial reporting.

Despite pressures on operating costs, the investment cycle oriented on investments in research and development, modernization of manufacturing capacities and digital transformation continued in the course of 2022. In the upcoming year, KONČAR plans to channel investment towards development of eco-friendly products in power engineering, development of components and equipment for battery and hybrid trains, and projects in digital technologies. The EUR 60 million investment cycle continues in 2023, with a focus on investments in new equipment and machinery. In 2022, the hard work and the engagement of our people made it possible not only to reach, but to outperform almost all of the targets set out in KONČAR Group 2020+ Integral Strategy.

Allow me to briefly unpack the challenges we face as we embark on the green transition. Croatia is the European leader in terms of the use of renewable energy sources, and this is the result of a significant share of electricity generated from hydropower. However, the fact remains that an

**“People are the core of each of our success, the scientists, the engineers, the technologists, the shop-floor workers, their invaluable contribution is key to our our successful operations.”**

insufficient number of such projects have been developed in the last ten years. In 2022 alone, solar power plants with a capacity of 41.4 GW and wind power plants with a capacity of 16 GW were installed in the European Union, which represents about 0.13 GW per million people. In the same year, due to the failure to pass subordinate legislation, the development of new RES projects in Croatia was more or less halted. I am aware of the future challenges before the power industry, however the burning issue is whether we have sufficient knowledge to tackle them? The development of the power industry has historically been incremental, and today we are engaged in a dramatic transformation, which requires significant development and manufacturing capacities. Currently, the delivery time for instrument transformers is around three years. What can we expect when the power grid reconstruction in Ukraine starts? It is necessary to accelerate preparation and development of RES projects and to remove the administrative barriers that impede our progress. The issue of energy independence should be our top priority, as it is the case in other European countries.

KONČAR can parallel any global tech leader in terms of engineering, technological and professional competencies and accumulated expertise. This is evident in the extremely complex and technologically demanding products that we successfully deliver to international markets. People are the core of each of our success, the scientists, the engineers, the technologists, the shop-floor workers, their invaluable contribution is key to our our successful operations.

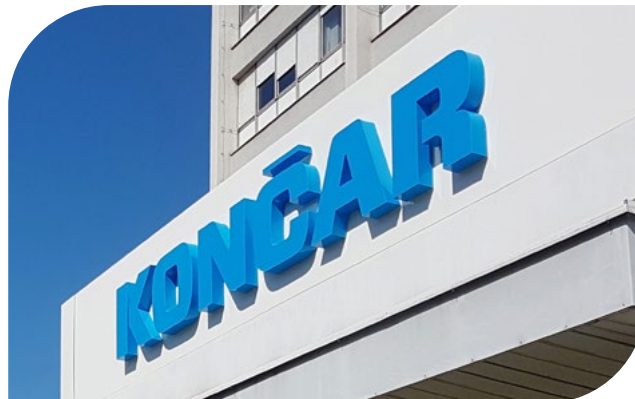
I am delighted to report that we have adapted the material topics in this Sustainability Report to significant changes in regulations, primarily in terms of the EU Taxonomy and the European Green Deal, which sets out the principles for achieving economic sustainability and the obligation to publish relevant information on ESG factors. The list of material topics and corresponding ESG indicators has been expanded, taking into consideration the expectations and requirements communicated by all stakeholders during the reporting period.



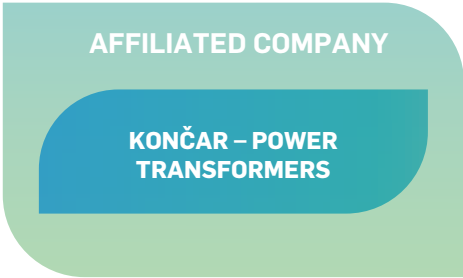
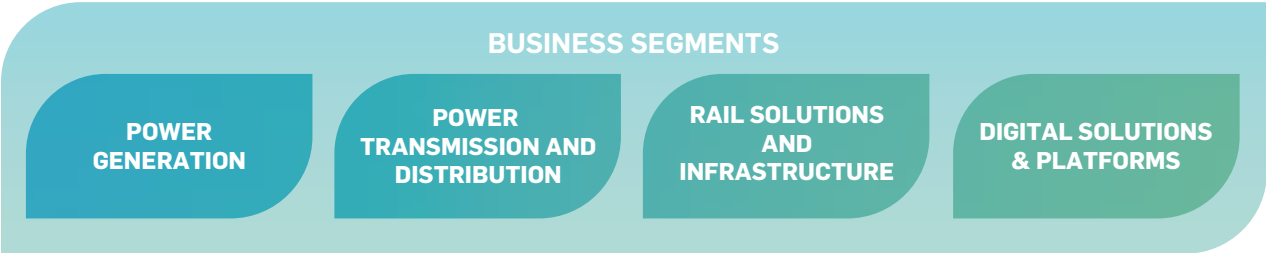
# Organizational Profile

## Name of the organization

The Sustainability Report herein pertains to KONČAR Group.



## Organization structure



GRI 2-1

GRI 2-2

## Business segments

The main business segments of KONČAR Group are power generation, power transmission and distribution, rail solutions and infrastructure, and digital solutions and platforms with a focus on propriety innovation and development, as well as laboratory testing and certification.

### Power generation

- hydro power plants
- solar (photovoltaic) power plants
- wind farms
- thermal power plants
- equipment manufacturing
- turnkey projects, maintenance, overhauls, reconstruction and revitalization of plants

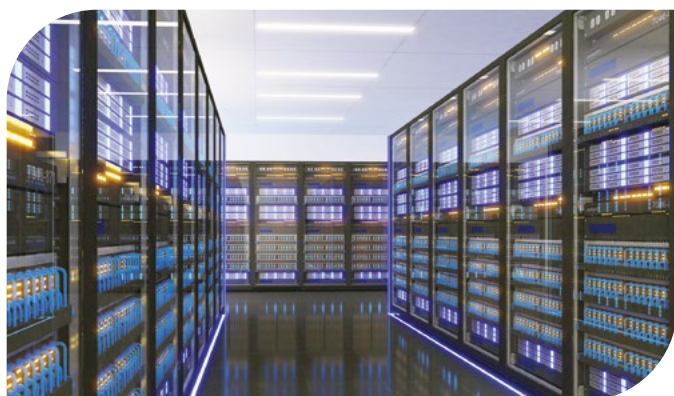


### Power transmission and distribution

- transformer stations
- transmission lines
- equipment manufacturing
- customer – specific solutions
- construction, reconstruction, overhaul and revitalization of transmission and distribution plants
- turnkey projects, design, maintenance, consulting services and 24/7 field support

### Rail solutions and infrastructure

- low-floor electric, diesel-electric, battery and hybrid trains
- measurement trains
- low-floor trams
- components and systems for railway vehicles
- railway infrastructure



### Digital solutions & platforms

- remote monitoring and management of critical and urban infrastructure
- SCADA and IoT systems
- communication devices, computer networks and cyber security
- data centers
- smart city solutions

## Location of headquarters

Fallerovo šetalište 22  
10000 Zagreb  
Republic of Croatia

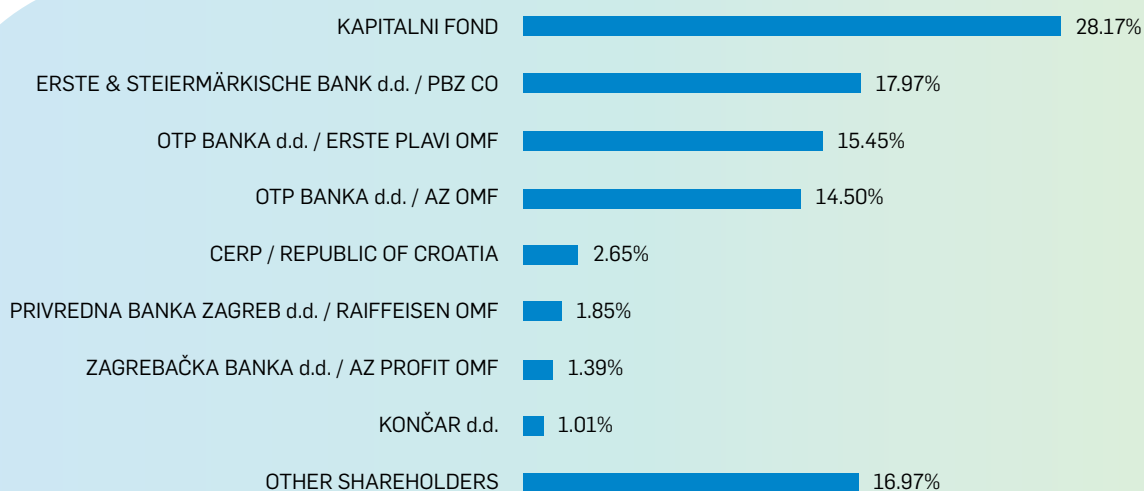
### Branch offices

Mostar Branch Office (Bosnia and Herzegovina)  
and Belgrade Branch Office (Republic of Serbia).

## Ownership and legal form

Shares of KONČAR – Electrical Industry Inc. are listed on the Official Market of the Zagreb Stock Exchange. The shares are identified by the symbol KOEI-R-A, ISIN: HRKOEIRA0009. 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 influence the share price (price sensitive information). The Company's share capital amounts to HRK 1,208,895,930.00 and consists of 2,572,119 ordinary shares each in the nominal value of HRK 470.00.

KONČAR's ownership structure is stable and diversified, with Kapitalni fond, mandatory and voluntary pension funds holding the majority share.



The war in Ukraine and the consequences of the conflict have reflected strongly on the global economy and capital markets. The trajectory of global indices and their downward pressures have manifested on the Croatian capital market. Crobex ended 2022 with a 4.8% loss. KONČAR share value recorded a somewhat lower decline of 3.9%.

The EPS attributed to the Parent Company Shareholders amounts to HRK 86.91, which represents HRK 22.83 or 35.6% increase year-on-year.

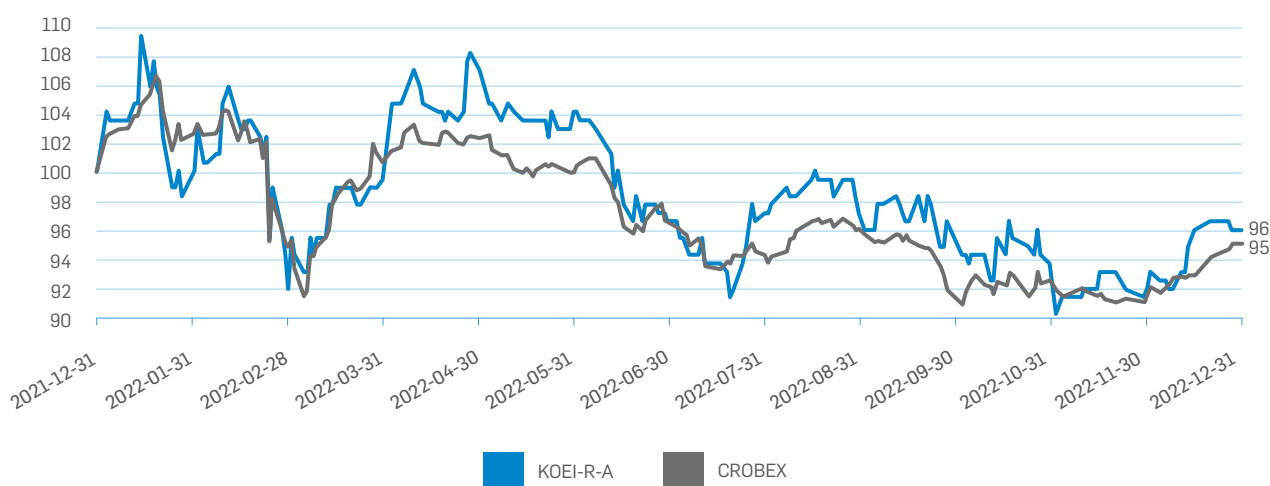
Market capitalization amounts to HRK 2,201.8 million, which is HRK 89.1 million decrease as at 2021 year-end.

The General Assembly of the Shareholders of KONČAR – Electrical Industry Inc. was held on 10 June 2022. The Assembly adopted the resolution to distribute dividends to the Company's Shareholders in the amount of HRK 13.00 per share. The dividend was distributed on 10 July 2022 to all Shareholders registered in the Issuer's Register (Book of Shares) as at 25 June 2022.

KOEI-R-A	31 December 2021	31 December 2022	Index
Final price (HRK)	900.00	865.00	96.1
Highest price (HRK)	900.00	980.00	108.9
Lowest price (HRK)	580.00	810.00	139.7
Volume	91.767	56.466	61.5
Turnover (HRK)	65,270,145.00	50,091,015.00	76.7
Market capitalization (HRK)	2,290,904,100	2,201,813,385	96.1
Earnings per share (HRK)	64.41	102.27	158.8

(profit of the parent company owner / weighted average number of shares)

## Trajectory of the KOEI-R-A share price index



More information on share price changes can be found in the Management Report at <https://www.koncar.hr/en/investors/annual-financial-reports/>

## Markets

KONČAR Group has successfully overcome all operational challenges in 2022 and upheld a high level of operations. Income expansion was recorded across all business segments, year-on-year.

The Group focused on a strong investment cycle channelled towards the development of infrastructure for distributed electricity generation, in particular wind farms and photovoltaic plants, and the business segment of power distribution and transmission recorded a record 54% upsurge year-over-year. Income exceeding HRK 1.2 billion was realized. The rail solutions and infrastructure segment grew by 42%, which is a result of deliveries of trains to HŽ Passenger Transport and a delivery of trams to a Latvian customer. Income realization across all other business segments was also recorded.

Consolidated revenue from the sales of products and services is planned in the amount of HRK 5,303.3 million, which is HRK 1,825.9 or 52.5 percent increase year-on-year. Dalekovod accounts for HRK 861.7 million or 16.2% of the sales revenue (consolidated data Q2-Q4 2022).

Revenue generated in the domestic market amounts to HRK 2,059.4 million, representing a year-on-year increase by HRK 644.7 million. Exports account for 38.8 percent of the total product and service sales revenue.

In the structure of revenue from the sales of products and services on the domestic market, revenue from the sales of products and services to HEP Group companies (HEP-Proizvodnja, HEP-Operator distribucijskog sustava, HOPS) amounts to HRK 876.9 million (16.6% of total revenue from the sales of products and services on the domestic market).

Income from the sales of products and services to HŽ Passenger Transport, HŽ Infrastructure and Rolling Stock

Technical Services amounts to HRK 527.9 million (10.0 % of the total revenue generated from the sales of products and services). The most significant amount pertains to the realization of the Purchase and Sale Agreement for trains with HŽ Passenger Transport (a total of 10 EMUs delivered).

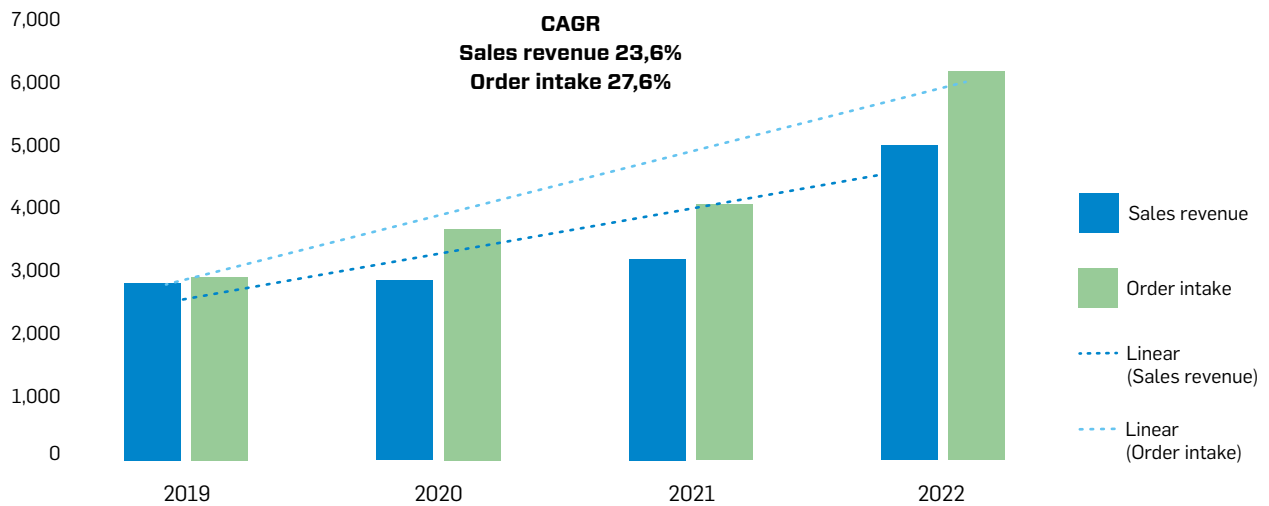
Revenue generated from the sales of products and services in international markets amounts to HRK 3,243.9 million, representing an increase of HRK 1,181.2 million or 57.3% year-on-year. Export account for 61% of the total product and service sales revenue. Dalekovod accounts for HRK 600.1 million or 18.4% of the total export.

By country, the most significant sales were realized in the Swedish market, in the amount of HRK 538.3 million, accounting for 16.8 percent of the total export (HRK 264.8 million increase year-on-year). Goods and services exported to Germany amount to HRK 478.0 million (14.9% of the total export); to Norway HRK 215.6 million (6.7% of the total export).

Revenue generated from the exports of products and services is up across all markets year-over-year. The most significant growth is recorded in the EU market with an advance in export amounting to HRK 766.3 million. HRK 2,359.7 million of export to EU countries was realized, which accounts for 72.7% of the total export. Year-over-year, export to non-EU countries in Europe grew by HRK 261.1 million, while export to America and Australia is up by HRK 62.3 million. Export delivered to Asia and Africa went up by HRK 62.1 million, and HRK 29.3 million rise in export was recorded in the neighbouring countries.

More information on markets can be found in the Management Report at <https://www.koncar.hr/en/investors/annual-financial-reports/>

Order intake/Revenue

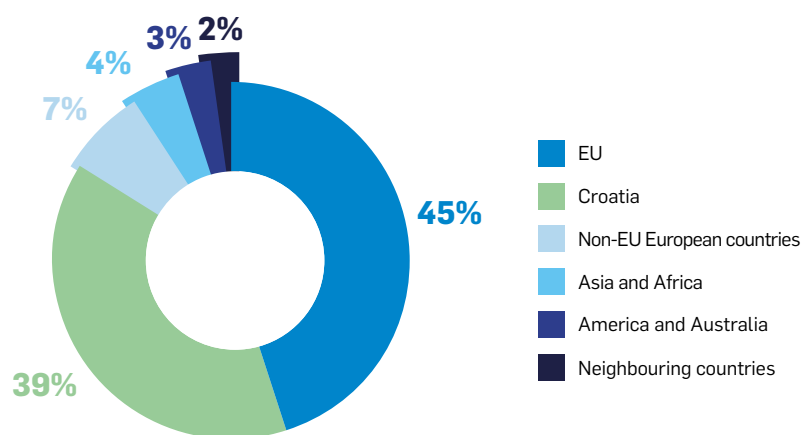


Revenue by regions

	2022		2021	
	HRK'000	%	HRK'000	%
<b>Croatia</b>	<b>2,059,402</b>	<b>38.80%</b>	<b>1,414,720</b>	<b>40.70%</b>
EU	2,359,650	44.50%	1,593,342	45.80%
	<b>4,419,052</b>	<b>83.30%</b>	<b>3,008,062</b>	<b>86.50%</b>
Asia and Africa	221,993	4.20%	159,877	4.60%
Neighbouring countries*	129,768	2.40%	100,502	2.90%
America and Australia	142,545	2.70%	80,236	2.30%
Non-EU European countries	389,968	7.40%	128,776	3.70%
	<b>884,274</b>	<b>16.70%</b>	<b>469,391</b>	<b>13.50%</b>
	<b>5,303,326</b>	<b>100.00%</b>	<b>3,477,453</b>	<b>100.00%</b>

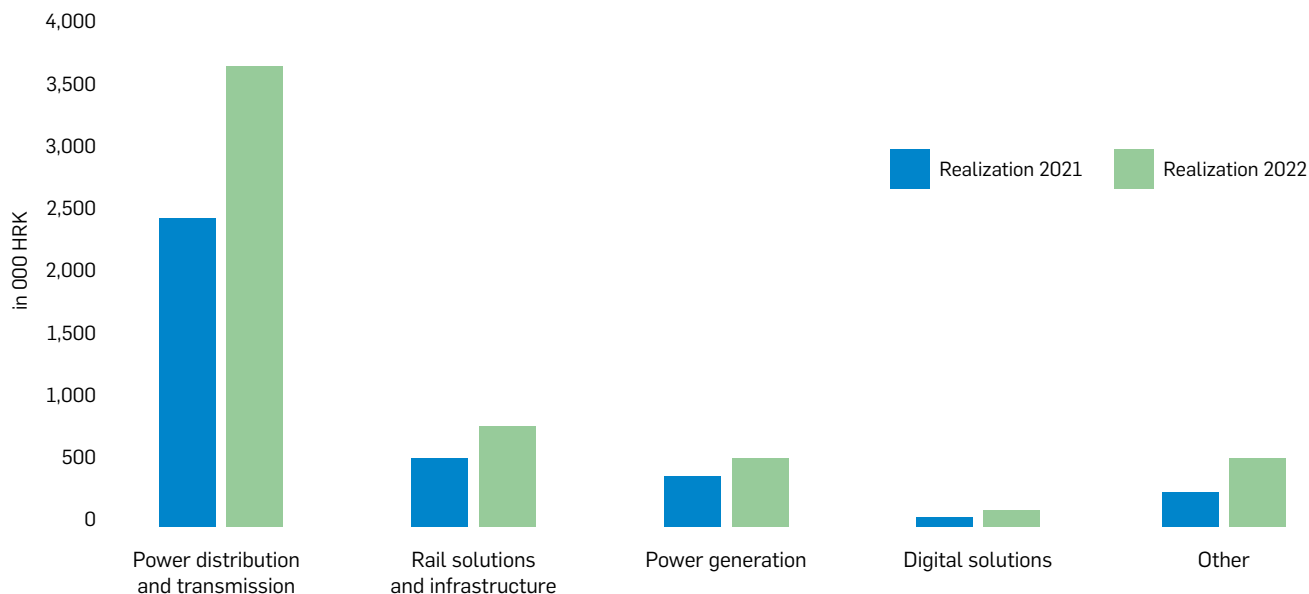
\*Neighbouring countries include Serbia, Montenegro, Albania, BiH and North Macedonia

Revenue by regions



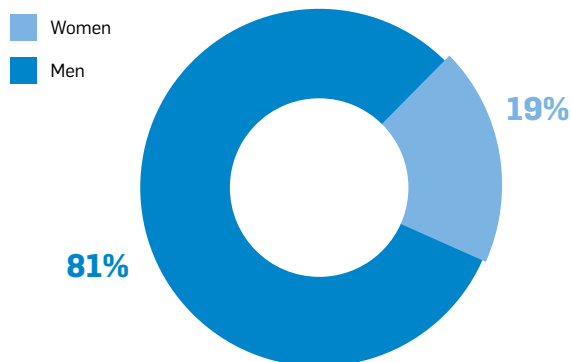


### Revenue by segments

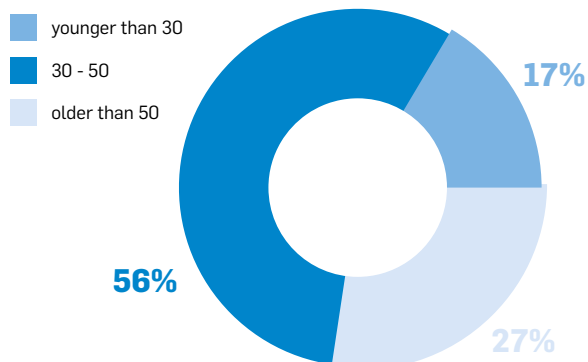


### Employees

#### Employees by gender



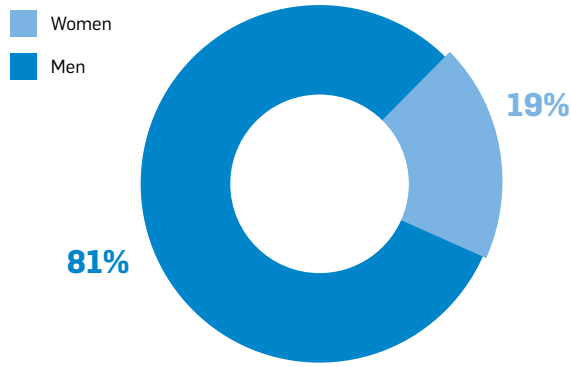
#### Employees by age groups



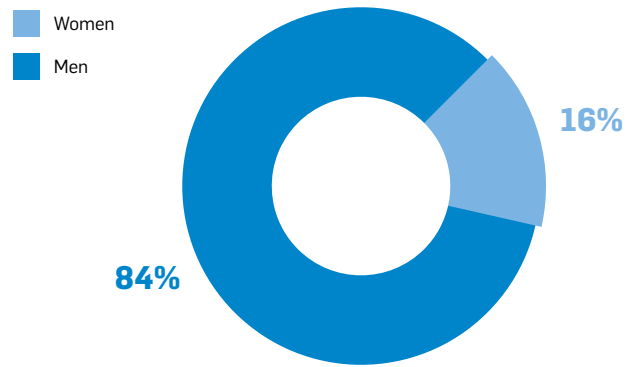
	Total number of employees (by gender)			Total number of employees (by age groups)		
	Men	Women	Total	younger than 30	30 - 50	older than 50
KONČAR - Electrical Industry Inc.	19	42	61	2	33	26
KONČAR - Switchgear Ltd.	165	34	199	15	72	112
KONČAR - Digital Ltd.	41	11	52	7	41	4
KONČAR - Distribution and Special Transformers Inc.	633	175	808	151	546	111
KONČAR - Electric Vehicles Inc.	323	48	371	84	186	101
KONČAR - Electronics and Informatics Ltd.	196	40	236	40	112	84
KONČAR - Infrastructure and Services Ltd.	96	38	134	5	58	71
KONČAR - Generators and Motors Ltd.	339	99	438	75	214	159
KONČAR - Electrical Engineering Institute Ltd.	143	47	190	45	108	37
KONČAR - Engineering Ltd.	327	58	385	57	221	95
KONČAR - Motors and Electrical Systems Ltd.	161	58	219	42	114	63
KONČAR - Metal Structures Ltd.	363	18	381	74	192	117
KONČAR - Instrument Transformers Inc.	156	130	286	43	185	58
KONČAR - Renewable Sources Ltd.	4	2	6	1	3	2
Dalekovod Group	940	120	1060	157	625	278
<b>TOTAL</b>	<b>3906</b>	<b>920</b>	<b>4826</b>	<b>798</b>	<b>2710</b>	<b>1318</b>

GRI 2-7  
UN GC 6  
GRI 405-1

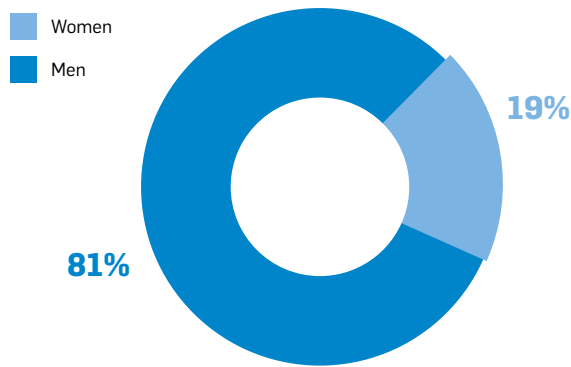
Employees with permanent contract (by gender)



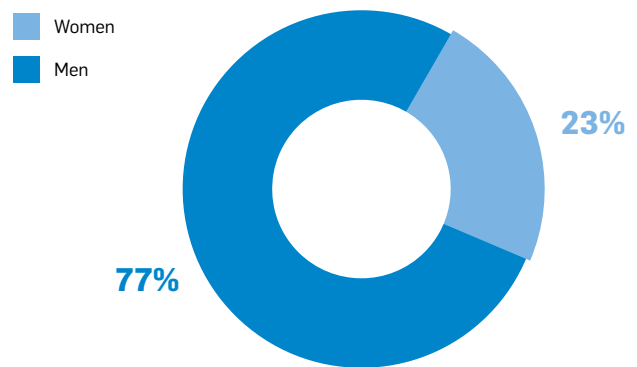
Employees with fixed-term contract (by gender)



Full time employees (by gender)

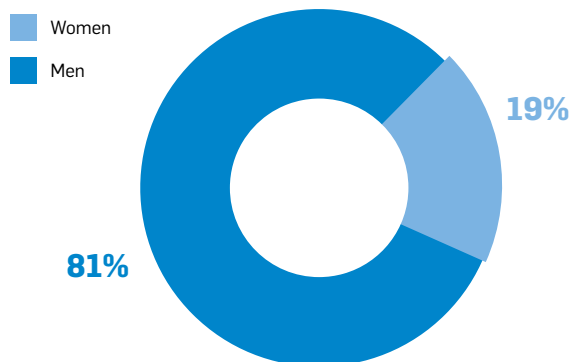


Part time employees (by gender)

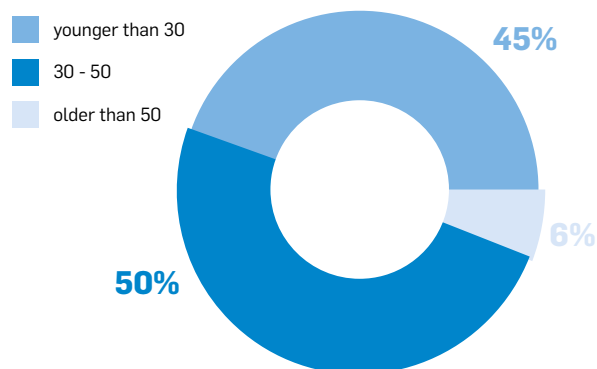


	The number of employees with permanent contract			The number of employees with fixed-term contract			Full time employees			Part time employees		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
KONČAR - Electrical Industry Inc.	19	42	61	0	0	0	19	42	61	0	0	0
KONČAR - Switchgear Ltd.	151	32	183	15	1	16	160	34	194	5	0	5
KONČAR - Digital Ltd.	41	11	52	0	0	0	40	11	51	1	0	1
KONČAR - Distribution and Special Transformers Inc.	617	171	788	12	8	20	633	175	808	0	0	0
KONČAR - Electric Vehicles Inc.	249	43	292	74	5	79	323	48	371	0	0	0
KONČAR - Electronics and Informatics Ltd.	184	37	221	12	3	15	191	37	228	5	3	8
KONČAR - Infrastructure and Services Ltd.	96	32	128	1	5	6	95	38	133	1	0	1
KONČAR - Generators and Motors Ltd.	295	71	366	59	15	74	337	99	436	5	0	5
KONČAR - Electrical Engineering Institute Ltd.	121	42	163	22	5	27	143	46	189	0	1	1
KONČAR - Engineering Ltd.	287	47	334	36	5	41	326	57	383	0	0	0
KONČAR - Motors and Electrical Systems Ltd.	147	50	197	14	8	22	161	58	219	0	0	0
KONČAR - Metal Structures Ltd.	307	14	321	68	0	68	361	19	380	0	0	0
KONČAR - Instrument Transformers Inc.	142	117	259	17	10	27	158	127	285	1	0	1
KONČAR - Renewable Sources Ltd.	4	2	6	0	0	0	4	2	6	0	0	0
Dalekovod Group	891	113	1004	49	7	56	938	118	1056	2	2	4
<b>TOTAL</b>	<b>3551</b>	<b>824</b>	<b>4375</b>	<b>379</b>	<b>72</b>	<b>451</b>	<b>3889</b>	<b>911</b>	<b>4800</b>	<b>20</b>	<b>6</b>	<b>26</b>

## New employees (by gender)



## New employees (by age groups)



	New employees (by gender)			New employees (by age groups)		
	Men	Women	Total	younger than 30	30 - 50	older than 50
KONČAR - Electrical Industry Inc.	7	8	15	0	10	5
KONČAR - Switchgear Ltd.	14	2	16	8	2	4
KONČAR - Digital Ltd.	20	3	23	4	17	2
KONČAR - Distribution and Special Transformers Inc.	68	20	88	38	49	1
KONČAR - Electric Vehicles Inc.	59	4	63	31	31	1
KONČAR - Electronics and Informatics Ltd.	19	3	22	11	8	3
KONČAR - Infrastructure and Services Ltd.	2	3	5	1	2	2
KONČAR - Generators and Motors Ltd.	28	4	32	13	21	1
KONČAR - Electrical Engineering Institute Ltd.	27	5	32	21	10	1
KONČAR - Engineering Ltd.	36	2	38	12	24	0
KONČAR - Motors and Electrical Systems Ltd.	22	9	31	16	15	0
KONČAR - Metal Structures Ltd.	29	1	30	12	19	0
KONČAR - Instrument Transformers Inc.	22	11	33	20	13	0
KONČAR - Renewable Sources Ltd.	1	0	1	0	0	1
Dalekovod Group	73	27	100	49	42	9
<b>TOTAL</b>	<b>427</b>	<b>102</b>	<b>529</b>	<b>236</b>	<b>263</b>	<b>30</b>

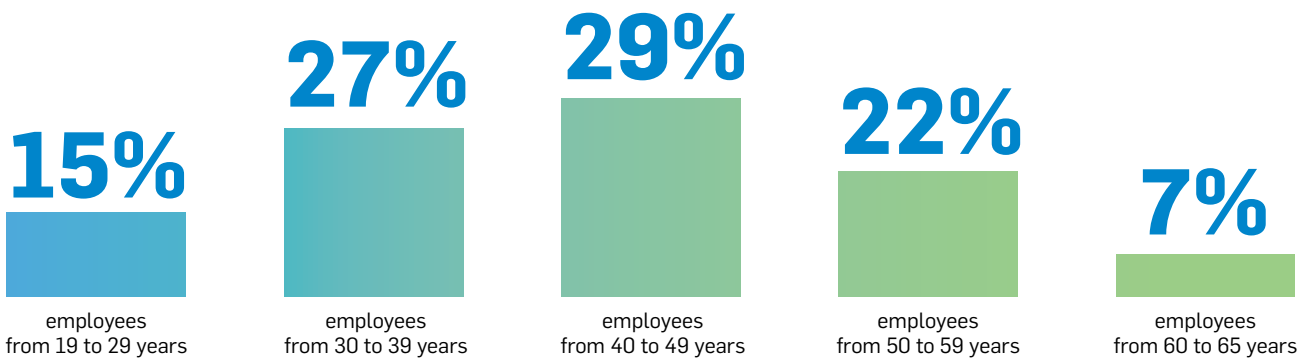
At as 31 December 2022 KONČAR employed a total of 4,826 people, of which 3,906 are men, and 920 are women. Of the total number of workers, 71 percent are employed in engineering / manufacturing jobs, and among them the leading occupations are in the field of electrical engineering and mechanical engineering.

The associate company KONČAR - Power Transformers, a joint venture with Siemens Energy, employs 543 people, of which 35% hold higher educational degrees and 5 hold a PhD.

**In 2022, KONČAR Group employed**



**Age structure of employees in 2022 in KONČAR Group**



In terms of gender, the majority of KONČAR's employees are men (81%), while a breakdown by employment type shows that FTEs, working 40 hours/week, are dominant.

In the next 5 years, 9.5% of employees will qualify for retirement, by turning 65 years of age and 15 years work experience. The data as at 31 December 2022.

Employees by professional qualifications	31 December 2022
PhD degree	1%
master's degree, university specialists	2%
university degree, master's degree, specialist graduates	26%
higher vocational qualifications, polytechnic degree, university and professional bachelor's degree	9%
secondary school qualifications / diploma	50%
≤ vocational qualification	12%

Employees by job type	31 December 2022
engineering / manufacturing jobs	71%
administrative jobs	29%

## In 2022, four KONČAR employees earned PhD degrees.

### Mario Perić earns a PhD

On 4 May 2022, Mario Perić from KONČAR-Engineering successfully defended his doctoral dissertation *Stochastic multicriterial optimization of an industrial microgrid* at the Faculty of Electrical Engineering and Computing, University of Zagreb, earning a PhD in the field of technical sciences, i.e., in electrical engineering.



### Nina Meško Mekanović earns a PhD

Nina Meško Mekanović from KONČAR – Distribution and Special Transformers defended, on 13 June 2022, her doctoral dissertation *Short circuit withstand capability of oval foil windings in distribution transformers*, earning a PhD from the Faculty of Electrical Engineering and Computing, University of Zagreb, in the area of technical sciences, specifically, in the scientific field of electrical engineering.



### Siniša Majer earns a PhD

On 26 October 2022, Siniša Majer from KONČAR-Electrical Engineering Institute defended his doctoral dissertation at Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb. With his doctoral thesis *Sources of windage power losses in salient pole hydrogenerators* he graduated magna cum laude, earning a PhD degree in the area of technical sciences, and scientific field of mechanical engineering.



### Leila Luttenberger Marić earns a PhD

On 25 November 2022, Leila Luttenberger Marić from KONČAR-Digital defended her doctoral dissertation *Modelling of aggregated residential energy savings based on minimal available input data set* at the Faculty of Electrical Engineering and Computing, the University of Zagreb. The three-member committee awarded the dissertation magna cum laude, and Luttenberger Marić earned a PhD degree in the field of technical sciences, scientific field of electrical engineering.



**KONČAR employee Mario Jurković tells of his journey towards earning a PhD**

On 2 June 2022, the seventh PhD Day was held at the Faculty of Electrical Engineering and Computing. Three PhD graduates presented their doctoral research results and shared their experience of conducting research and writing doctoral dissertations. One of the outstanding and awarded doctoral dissertations defended in academic year 2020/2021 at the Faculty of Electrical Engineering and Computing, was the doctoral dissertation by Mario Jurković *Calculation of Transformer Short-Circuit Voltage Using Conformal Mappings*, which earned him a PhD.



**Supply chain**

Supply chain management is of strategic importance for KONČAR Group. Suppliers are segmented by their strategic importance, according to value generated for KONČAR.

In compliance with high quality standards, a segment of supply turnover is carried out with local and domestic producers, thereby contributing to the development and stability of the community. KONČAR Group cooperates with suppliers from more than 80 countries worldwide. EU suppliers account for the majority of import structure.

In most cases, KONČAR Group subsidiaries have established longstanding multiannual relationships with suppliers and frequently enter into business cooperation agreements with them. Annual procurement value stands at about HRK 2.9 billion, with 60% of procurement activities carried out abroad.

Although individual Group members have developed their own specific range of products and services, the main groups of materials (used by several subsidiaries) include copper wires, copper sheets, steel sheets, dynamo sheets, steel structures, bearings, paints, plastic, joining materials, lubricants and other. Copper-made materials and steel sheets are regularly procured on commodity exchanges. Besides direct purchase from producers, a smaller portion of materials is procured through intermediaries.

Surging prices of energy was prompted by the outbreak of the crisis in Ukraine, and the price volatility of raw materials and commodities continued in the course of 2022.

Energy costs rose 27% year-on-year. The share of energy costs in total material costs structure remains approximately on the same level.

On KONČAR Group level, the share of raw material and commodity costs in total sales revenue increased by 5 percentage points, and some of the manufacturing subsidiaries, particularly those with longer lead times, even up to 11 percentage points year-on-year. Escalating prices of raw materials have been pressuring the profit margins. The declining margins have, to some extent, been offset by improved work efficiency and savings realized on other costs. While the headcount remains approximately on the same level as in 2021, income has grown by 27%.

The financial stability of the Group and its members enabled measures and activities to be taken in order to mitigate the impact the rising prices have on operations (timely inventory management, semi-annual and annual contracts with suppliers, multi-year contracts with customers using a sliding formula based on material prices).

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. KONČAR Group members cooperate only with those suppliers whose materials and components do not cause harm to humans and the environment and can be recycled after the end of their life cycle or disposed of without harming people or the environment. Selection of suppliers of respective materials and services is subject to meeting defined quality levels, lead times, credit term requirements, and takes into account occupational health and safety and environmental protection. Suppliers are required to provide evidence (certificates) of compliance. The Group members have created databases of the existing and potential suppliers. Apart from the general information (name, address, phone, e-mail, contact person), the database also contains other information which may affect the selection of a supplier such as their references, complaint information, quality system data, health and work safety data, environment protection data.

## Significant changes to the organization

The Management Board of KONČAR – Electrical Industry Inc., with the consent of the Supervisory Board, continually carries out operational restructuring in order to reinforce KONČAR Group's market position, profitability and to enhance further development.

In addition to operational tasks and realization of financial goals, in 2022 sustained efforts were focused on partnerships and acquisitions that enable the expansion of manufacturing capacities and build up competences in segments where the Group development is limited by time and operational resources.

Financial restructuring of Dalekovod was completed and conditions were acquired for supervision and integration of Dalekovod Group members into KONČAR Group operations. The integration of Dalekovod into the operations of KONČAR Group, primarily into the segment related to the reconstruction and modernization of the power transmission and distribution grid will expand the portfolio of services and comprehensive solutions and the increase the share of revenue from export, adding greater value.

At the end of 2022, a Share Purchase Agreement on the purchase of 75 percent of equity share in limited liability companies Kodeks systemske integracije and Exa Globe was signed by KONČAR - Digital Ltd.. This acquisition will reinforce the capabilities, expand operations both in Croatia and regionally, while focusing on integration of new digital solutions for efficient and cost-effective management of advanced networks, water and drainage management, smart cities, data centres and e-mobility. At the end of December, the acquisition by KONČAR - Switchgear Ltd. of 100 percent equity share in KONČAR - Electrical Equipment Inc. Split was completed. The company's core services are in the field of design, supervision, construction, testing and commissioning of complete power plants of low, middle and high voltage levels, as well as comprehensive power solutions for the generation, transmission and distribution of electricity in both the domestic and foreign markets. In December 2022, KONČAR - Engineering Ltd. completed the acquisition of 100% equity share in Telenerg - Inženjering d.o.o., a limited liability company specialized in power engineering for electrical utilities and industry. The acquisitions will further strengthen and enhance the market position of KONČAR in both the domestic and international markets. KONČAR - Renewable Resources Ltd. acquired 51% equity share of Solarna elektrana Deponija fosfopipsa d.o.o. at the end of 2022, with the aim of expanding capacities in the segment of renewable energy sources.

By signing the Purchase and Sale Agreements, all prerequisites for the completion of the transactions have been acquired. The incorporation with the Commercial Court Register at the beginning of 2023 was carried out, executing the transfers of title and thereby meeting all conditions for the integration of the acquired companies into the operations of KONČAR Group.

## Precautionary Principle or approach

KONČAR implements the Precautionary Principle in all business operations pursuant to the Environmental Protection Act. This approach is based on avoidance of all potential risks arising from implementation of new technology until complete knowledge and understanding of its environmental and health impacts has been obtained. More information on the Precautionary Principle can be found in this Report under GRI Standard 304.

KONČAR promotes human rights and applies high ethical standards in relation to its employees, business partners, and the wider community. Vulnerable groups are treated with special care, for example, people with disabilities, parents, migrant workers, etc. Protection against discrimination and preservation constitute fundamental principles at KONČAR.

## External initiatives

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.

Pursuant to the Companies Act and the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, the Management Board of KONČAR – Electrical Industry Inc. applies the Corporate Governance Code. In line with the Code, the Company develops and operates in compliance with corporate governance best practices. The Company leverages its corporate and business strategies, policies, internal acts and practices to contribute to transparent and efficient operations and good relationships with the business environment it operates in. The Corporate Governance Code was adopted for the purpose of:

- prudent management,
- defining procedures of corporate governance based on recognisable international standards, and
- supervision over business operations,

and 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.

The Corporate Governance Code is based on legal regulations of the Republic of Croatia and adopted international standards, as well as their incorporation into the Company's business practices. The Corporate Governance Code is available to all stakeholders at [www.koncar.hr/en/investors/corporate-management/](http://www.koncar.hr/en/investors/corporate-management/)

A systematic approach has generated policy and objectives of quality management, environmental protection, occupational health and safety, acknowledged by certificates obtained from accredited independent bodies. In line with the Sustainable Development Policy, the Group has implemented ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 14001 Occupational Health and Safety Management System, ISO/IEC 18001 Information Security Management System and ISO/IEC 45001 Energy Management System. A number of other standards and norms have been applied to individual products as per requirements specified by customers and users. More information on the Group companies' certificates under the standards can be found in the GRI Standard 416-2 section.

### **Construction of three new integrated photovoltaic power plants installed on the roof tops of KONČAR's manufacturing facilities**

In its day-to-day operations KONČAR also contributes to investments in a resilient, green and digital economy and drives sustainable energy transition to low-carbon economy. In 2022, KONČAR - Distribution and Special Transformers (D&ST) secured the funds for the construction of the first photovoltaic power plant with a 1.1MW capacity, which was successfully completed and commissioned at the beginning of 2023. Electricity generation will take place in 4,266 modules installed on the roof tops of the manufacturing facility and it is estimated that they will generate 1,456.16 MWh annually. The panels cover over 7,000 m<sup>2</sup> of the rooftop area and the electricity produced will cover about 35% of the subsidiary's electricity need. In addition to realising significant financial savings in overheads, it is estimated that the implementation of this project will reduce CO<sub>2</sub> emissions by about 35%, or 480,532.80 kg CO<sub>2</sub> annually.

KONČAR - Generators and Motors (GIM) also started with the construction of integrated photovoltaic power plant. A 450 kW photovoltaic power plant is installed on the roof tops of GIM manufacturing facilities, and it is planned to be commissioned at the end of 2023. It will be used partly to meet GIM's electricity needs, and any surplus will be delivered to the public power grid.

In addition to D&ST and GIM, KONČAR - Motors and Electrical Systems also launched the project of constructing 350 KW integrated photovoltaic power plants. Completion of the construction and commissioning of their power plant is also expected in 2023.





## Membership in various associations

- International Council on Large Electric Systems (CIGRÉ)
- International Council for Distribution Systems (CIRED)
- Institute of Electrical and Electronics Engineers (IEEE)
- International Electrotechnical Commission (IEC)
- International Institute of Welding (IIW)
- International Chamber of Commerce (ICC)
- American Chamber of Commerce (ACC)
- International Buyer Association
- German Croatian Chamber of Industry and Commerce (AHK)
- Nordic Chamber of Commerce in Croatia
- Austrian Chamber of Commerce in Croatia
- International Institute for Climate Action
- European Committee for Electrotechnical Standards (CENELEC)
- Croatian Business Council for Sustainable Development (HRPSOR)
- Croatian Branch of the International Council on Large Electric Systems (HRO CIGRÉ)
- Croatian Exporters (HIZ)
- Croatian Chamber of Economy (HGK)
- Association of electrical and electronic engineering industries within the Croatian Chamber of Economy, ICT Association within the Croatian Chamber of Economy, Energy Association within the Croatian Chamber of Economy, Renewable Sources Association within the Croatian Chamber of Economy, Smart City Association within the Croatian Chamber of Economy, Association of Railcars within the Croatian Chamber of Economy, Association for Environmental Protection in Business within the Croatian Chamber of Economy
- Croatian Employers' Association (HUP)  
(Council of Members and Assembly, Electroindustry Association, Energy Association, Renewable Sources Coordination, Metal Industry Association, ICT Association)
- 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
- Electrical Engineering Society of Zagreb (EDZ)
- Croatian Engineering Association (HIS)
- Society of Engineers and Technicians of Croatian Railways (HDŽI)
- Croatian Association of Professionals in Nature and Environmental Protection (HUSZPO)
- Croatian Association of Infrared Thermography (HUICT)
- Croatian Society for Quality (HDK)
- American Chamber of Commerce in Croatia (AmCham)
- ECLA – European Company Lawyers Association
- Association of Corporate Lawyers
- Association of Lawyers in Business
- Association of Lawyers within the Croatian Chamber of Economy
- Croatian Mediation Association
- Croatian Audit Chamber
- Croatian Community of Accounting and Financial Professionals (RIF)
- Croatian Journalists' Association (HND)
- Croatian Public Relations Association (CPRA)
- Global Compact - International Agreement within the United Nations
- Process Manufacturing and Technology Association (UPIDuT)
- Exporters Club Lider



### Creating better opportunities across the global market

An inaugural session of the Process Manufacturing and Technology Association was held in Zagreb on 28 June 2022, with KONČAR- Electrical Industry as one of the 14 founders. The pandemic prompted the establishment of the association and revealed the need to strengthen the position and further the growth of manufacturing in Croatia, an industry which significantly adds to the stability and development of the economy in times of hardship and unpredictable crises. The aim of the association is to improve the conditions for the manufacturing industry and technology-oriented sector, together with related services, so that they become leading industries based on their share of GDP, a leading export branch, and the driving force behind the growth of the Croatian economy. One of the members of the Governing Committee is Božidar Poldrugač, Member of the Management Board of KONČAR - Electrical Industry.

### Davor Baković – new president of the Croatian Exporters' Association

On 22 September 2022, the 23rd session of the Croatian Exporters' Association (HIZ) was held in Zagreb, to elect governing bodies for the next four-year term, starting as of 25 September. Davor Baković, director of KONČAR – Instrument Transformers (KMT) was elected the new president of the Croatian Exporters' Association. Baković built his career at KMT, one of the leading exporters within KONČAR Group, which delivers over 90% of the manufactured products across hundred global markets.



The Croatian Exporters' Association is a non-profit, non-partisan and non-governmental association and a representative body of companies and organizations that work together to promote and represent the interests of Croatian exports. It was founded in 2004 on the initiative of large exporters, one of which was KONČAR.

### KONČAR employees appointed to working bodies

At the session of the Croatian Chamber of Economy's Renewable Energy Sources of Croatia Association, held on 1 July 2022, Ivo Čović, CEO of KONČAR - Renewable Sources was elected the President of the Association. At the session of the Croatian Chamber of Economy's Energy Association held on 13 June, Željko Tukša from KONČAR-Engineering was elected Deputy President of the Association. At the session of the Croatian Chamber of Economy's Association of Electricity and Electronics Industry, held on 1 June 2022, Mladen Puškarić from KONČAR – Electronics and Informatics was elected the President of the Association's Council, while Željko Bago from KONČAR – Switchgear also serves as a member. At the session of the Association for Environmental Protection in Economy held on 20 May, Goran Romac from KONČAR - Infrastructure and Services was elected President.

### KONČAR - D&ST leading exporter for the second consecutive year

At the 17th Convention of Croatian Exporters - KONČAR - D&ST won in the category of the best leading exporter for the second consecutive year. KONČAR - Electric Vehicles received a special recognition for the achievements and contribution to digital transformation and green transition. KONČAR - Power Transformers, a joint venture between Siemens Energy and KONČAR, received the Golden Key award in the category of the best exporter to Canada.



### KONČAR - Infrastructure and Services joins the very best

Financial Agency's (FINA) 14th Golden Balance Sheet award was presented on 30 June 2022. The award is given to the most successful entrepreneurs for their financial results. The award is presented based on the overall ranking according to 11 financial indicators in 5 categories, i.e., profitability, liquidity, indebtedness, activity and economic aspect. KONČAR - Infrastructure and Services (EIU) ranked third in the category *Most successful entrepreneur in electricity, gas, steam and air-conditioning supply*.

### Golden Marten plaque awarded by Croatian Chamber of Economy (HGK)

At a ceremony held at the Croatian National Theatre on 11 November 2022, the Golden Marten Award was awarded by the Croatian Chamber of Economy (HGK). The Chamber has been presenting the award since 1993 to the most successful companies and individuals in Croatia. Golden Marten for lifetime achievement was awarded to Darinko Bago, the long-serving leader of the Croatian Exporters and KONČAR-Electrical Industry, primarily for his personal contribution to the development of the Croatian economy, especially to the field of export-oriented industry.



# Ethics and Integrity

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

KONČAR fully implements the adopted acts and positive regulations, which are publicly available to all stakeholders and can be found at the website [www.koncar.hr/en/investors/corporate-management/](http://www.koncar.hr/en/investors/corporate-management/).

Pursuant to the Articles of Association, the main priorities of the Company's business operations are:

- Profit generation
- Development and growth of the Company and KONČAR Group members
- Ensuring high quality of life and work environment

This includes the application of the Corporate Governance Code adopted by the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange, and the Code of Conduct approved by the Supervisory Board.

The purpose of the Code of Conduct is:

- To establish clear rules and framework for professional conduct of the Company employees
- To promote core corporate values
- To raise the awareness of the importance of prevention and avoidance of situations where employees take part in unethical acts or socially unacceptable conduct.

In organizing its business, the Company observes the following principles of business ethics:

- Principle of lawfulness in business
- Principle of professionalism, expertise and impartiality
- Principle of integrity
- Principles of equality, fairness, respect for human rights and dignity
- Principle of social responsibility
- Principle of business transparency.

The Corporate Governance Code is available to all stakeholders at [www.koncar.hr/en/investors/corporate-management/](http://www.koncar.hr/en/investors/corporate-management/).

## Mechanisms for advice and concerns about ethics

KONČAR has set up internal mechanisms for providing advice on ethical and legal conduct and issues related to the organisational integrity. Depending on the size and organization of each subsidiary within the Group, advice can be obtained from the organizational units responsible for legal affairs, human resources, individuals authorized to receive and resolve grievances pertaining to the protection of workers' dignity and respectful work practices, the Works' Council, and/or trade union representatives.

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.

In the course of 2022, the new Whistleblowing Act was passed (OG 46/22), and in this respect, activities related to alignment of internal acts i.e., Whistleblowing Rules of Procedure and the appointment of the confidential person. In 2022, no instances of whistleblowing were reported at KONČAR.

# Governance

The Sustainability Report herein pertains to KONČAR Group consisting of KONČAR - Electrical Industry Inc. (Parent Company) and 14 dependent companies (subsidiaries), including Dalekovod Group member companies, and one associate company that is consolidated in the financial statements using the equity method (joint venture between KONČAR and Siemens Energy).

The members operating within the Group are legally autonomous entities, while the Parent Company exercises a supervising role, provides strategic direction and supports them via supervisory boards and general assemblies pursuant to the Companies Act, KONČAR - Electrical Industry Inc. Articles of Association and the Articles of Association of individual subsidiaries. Furthermore, the Parent Company manages a portion of assets which is not invested into subsidiaries 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 – Electrical Industry Inc. and KONČAR Group have a two-tier board structure, composed of the Supervisory Board and the Management Board. Together with the General Assembly, pursuant to the Articles of Association and the Companies Act, they constitute the three governance bodies of the Company. The composition and work of the Management Board, Supervisory Board and General Assembly, as well as information about the Company's shareholders, are part of the Corporate Governance Code, which was adopted by the Management Board of KONČAR – Electrical Industry Inc. on 15 December 2020 and with the consent of the Supervisory Board.

## Corporate risk management

In 2022, at KONČAR Group level, the Risk Management Regulations and the Risk Management Policy were revised and updated in accordance with ISO 31000:2018 (Risk management - Guidelines), and in line with ERM (Enterprise risk management) principles. Pursuant to the policy, Group risk management is:

- integrated into all Group business and decision-making processes,
- structured and comprehensive, taking into account the external and the internal Group context, and is based on best available information,
- inclusive, and encompasses a wide range of people, from the Management Board and the Supervisory Board, down to division and department directors, heads of units and shop floor, across all employees and external stakeholders,
- dynamic, as new risks may emerge, change or disappear, reflecting the external and the internal context,
- based on continuous improvements in management, learning and experience acquisition.

With respect to the business strategy and corporate goals, the Group has determined a moderate (average) risk appetite. The lowest risk appetite pertains to the areas of safety and compliance, including occupational health and safety at work. A slightly higher risk appetite pertains to strategic and operational goals, meaning that mitigating the risks arising from our systems, equipment, products, and work environment to reasonably achievable levels and compliance with our legal obligations takes priority over other business goals.

In line with the defined risk management methodology, the Risk Catalogue was revised at the end of 2022. The main operational, and financial risks were identified, analysed, and evaluated, and measures for risk mitigation were established, as well as the responsible persons for risk management (risk owners). The risks were identified across all Group organizational units.

In order to ensure effective risk management, all members of KONČAR Group operate in accordance with the following principles:

- Risk management is an integral part of the governance process.
- Risk management is an integral part of the decision-making process in the organisation.
- Risk management pertains to all activities that involve any uncertainty.
- Risk management is structured and timely.
- The risk management system is based on precise available information and data.
- Risk management is situation-specific.
- Risk management takes into account human and cultural factors.
- Risk management is transparent and inclusive.
- Risk management is dynamic and sensitive to change.
- Risk management supports measures and procedures conducted with the aim of improvement and development.

All Group subsidiaries regularly monitor and manage their balance sheets, liquidity and capital adequacy, set measures focused on illiquidity cause, prevention or elimination, take measures focusing on subsidiaries' sufficient long-term sources of funding in view of the scope and type of their business activity, and regularly monitor capital adequacy level.

At Group level, long-term sources of funding (capital, long-term provisions and long-term liabilities) exceed non-current assets and average inventory balance, which indicates a sound funding maturity structure. The structure of the consolidated balance sheet indicates overall financial soundness of the Group.

The subsidiaries within the Group manage risks that might affect the Group's operations by monitoring business processes and internal reports on the risks to identify and analyse the exposure by degree and magnitude of risks.

### **The impact of Russian aggression on Ukraine**

KONČAR Group operations with entities in Russia, Belarus and Ukraine pertained to the execution and completion of contractual obligations from 2021, with the majority realized in Q1 2022.

The impact and the risks of the agreements are not considerable due to the fact that KONČAR Group's operations with entities in Russia, Belarus and Ukraine are of low material significance. The share of income generated from exports to Russia, Belarus and Ukraine in 2022 stands at 0.3%.

The share is insignificant with respect to total income and has no impact on the realized EBITDA and EBITDA margin. Energy costs increased by 27% in 2022 year-over-year. The share of energy costs in total material costs remains at approximately the same level.

Overall, the Russian attack on Ukraine caused a surge in energy prices, accelerating inflation and soaring prices of commodities and raw materials. The share of costs of raw materials and commodities in sales income increased by 5 percentage points on average, at Group level, reaching up to 11 percentage points in subsidiaries with long lead times. Surging commodity prices have reflected on profit margins. Cost savings, improvements in productivity and stable headcount were leveraged to boost the income by 27% year-on-year.

We continuously monitor new developments, assess potential indirect risks and explore risk mitigation options.



### **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. The Group's core activity is energy and mobility related equipment and products. The scope of production heavily depends on investments in those 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 crisis and geopolitical instability in certain parts of the world, there is risk that some markets might become limited or even completely closed, and as a result there is a growing tendency to award contracts to domestic enterprises. In addition to volatile prices of key raw materials in 2022 in the power engineering equipment market, there has also been a strong competitive pressure on the price of equipment and profit margins. Competitiveness of our products and services is also impacted by changes of operating conditions for both the Group and our customers.

The 2022 business year was marked by growing demand for transformers, driven by investments in renewable energy sources and e-mobility across the EU, forecasts of further rise in the prices of energy, commodities and raw materials, and uncertainties caused by disruptions in supply chains.

Management Boards of individual subsidiaries price their products autonomously.

### Risk in the procurement market

Risks in the procurement market were noticeable in 2022. The major challenges arose from shortages and surging energy prices prompted by the war in Ukraine. Prices of main commodities and raw materials necessary for the manufacturing processes (copper, aluminium, sheet metal, transformer oil, insulation, steel) have been increasingly volatile, recording rapid and significant peaks and troughs over the year. The Group has leveraged available options to hedge against the risk of sudden price shocks of strategic raw materials. The most significant measure deployed over the last two years has been the introduction of sliding price formula for materials in purchase and sale agreements. In case of copper, given that it is listed on the London Metal Exchange, risk is mitigated by using forward contracts to negotiate with copper suppliers on the quantities and prices for future periods according to stock and estimates of signed contracts. In case of transformer sheet metal and some of the most crucial supply parts, risk is mitigated by employing semi-annual agreements with suppliers, seeking to ensure necessary quantities. Changes in the prices of materials are taken into account when preparing new offers.

### Technological and development risks

Group subsidiaries have 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 subsidiaries 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 the Group's operations. Sudden or bigger turnover of employees with specialist knowledge (e.g., EU labour markets opening to 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 manages capital to ensure operating as a going concern while maximising shareholder return through optimisation of debt-to-equity ratio. The Group manages capital and makes appropriate adjustments in line with changes of economic conditions on the market and risk characteristics of its assets.

### Foreign exchange risk

Foreign exchange risk was significant for the Group's operations until the beginning of 2023, given that the Group generates a considerable share of income from export and import operations, and taking into account that a part of monetary items of assets and liabilities are expressed in foreign currencies.

The Group hedges against F/X risk by implementing forward agreements with banks and by internally leveraging inflow and outflow dynamics, as well as adjusting the balance of items expressed in foreign currency.

### Interest rate risk

KONČAR Group subsidiaries 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-interest-bearing. Ensuring fixed interest rate allows the subsidiaries to mitigate interest rate risk. The Group has a low level of indebtedness and is not significantly exposed to interest rate risk. The estimated effect of the reasonably possible change in variable interest rates on the result before tax is not material.

### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss for the other party. The Group has adopted a policy of conducting business mainly with creditworthy organizations, thereby reducing the possibility of incurring financial losses due to default. The Group uses data and opinions collected from specialized credit rating companies or the Chamber of Commerce, as well as publicly released information on the financial position of customers and its own database to rank key customers. The Group's risk exposure and changes in credit ratings of its partners are continuously monitored. In principle, transactions are contracted with creditworthy partners and appropriate payment security instruments (L/C, guarantees, etc.) are obtained.

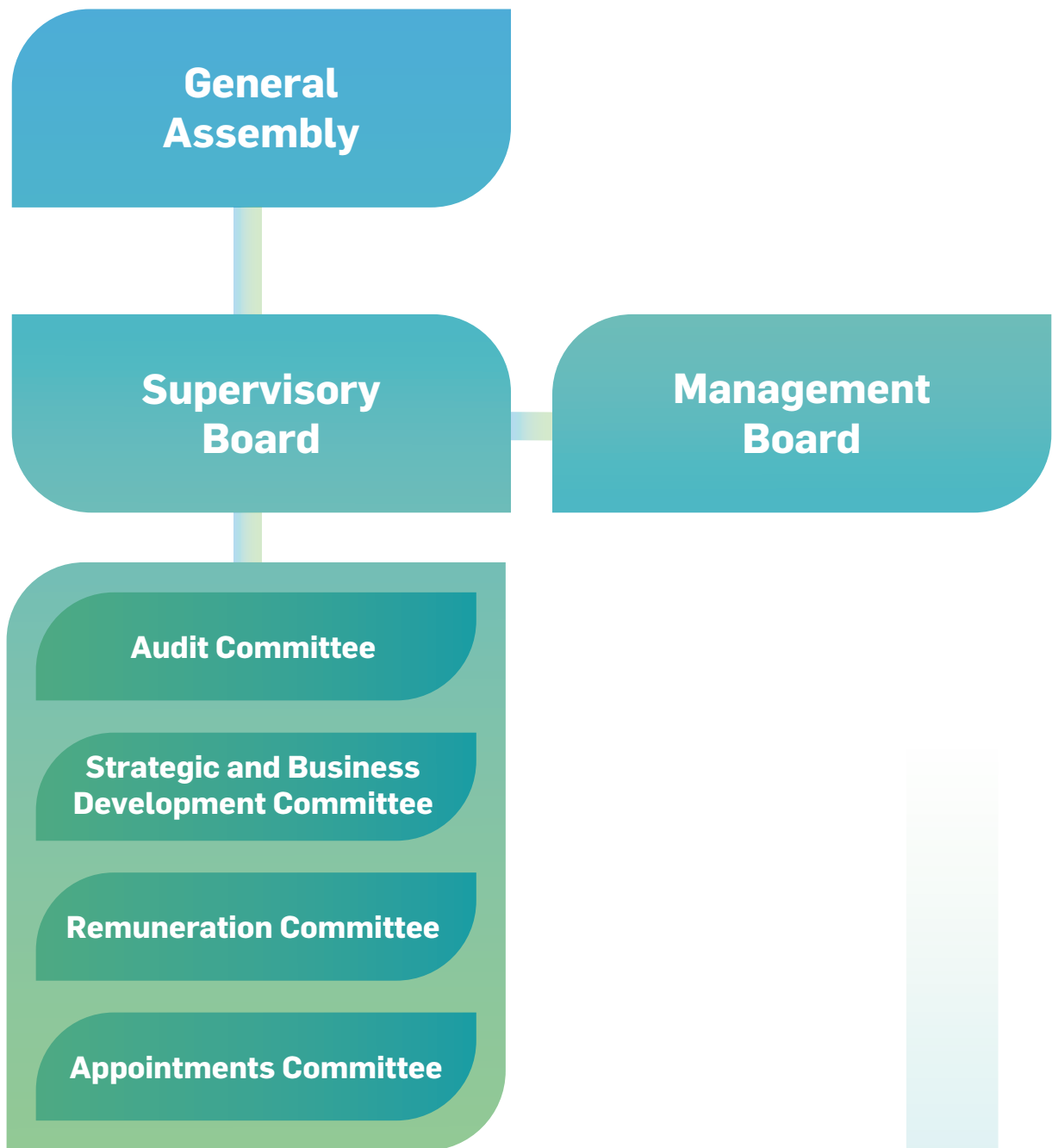
Exposure to credit risk is affected mainly by individual characteristics of each customer. The Group performs impairments of trade receivables as an estimation of expected losses from receivables and investments.

### Liquidity risk

Liquidity risk reflects the Group's inability to meet financial obligations as they mature. Liquidity risk management is the responsibility of the Management Boards of Group subsidiaries. The Group manages 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 Group to liquidity risk.

**Governance structure**

Rules regulating the appointment and recall of the Members of the Management Board and appointment and election of the Members of Supervisory Board are set forth in the Articles of Association and comply with the Companies Act. The rules do not contain any discriminatory restrictions on the basis of gender, age, education and professional qualifications or other similar restrictions. The authority and competence of the Management Board Members comply with the Companies Act and are laid down in the Articles of Association and Management Board Rules of Procedure.



GRI 2:9



## General Assembly

The General Assembly is a body that enables the Shareholders to exercise their rights in Company matters. The work of the General Assembly, its authority and competence, Shareholders' rights and the manner in which they are exercised are set out in the Company's Articles of Association. The General Assembly is competent for the election and granting of discharge to Supervisory Board Members, decides on the distribution of profit, grants discharges to Management and Supervisory Board Members, appoints auditors and decides on amendments to the Articles of Association, increases and reductions of the share capital and other matters falling under its competence by law. All resolutions adopted at General Assembly sessions have been published in accordance with legal regulations and are available on the websites of the Company ([www.koncar.hr](http://www.koncar.hr)), Zagreb Stock Exchange and HANFA.

## Supervisory Board

The Supervisory Board is responsible for supervising business management, representing the Company in dealings with the Management Board and adopting decisions on matters not falling under the General Assembly's competence. The Supervisory Board directs the Management Board when adopting strategic decisions and establishing a governance framework. The Articles of Association of KONČAR – Electrical Industry Inc. provide for particular types of tasks can be performed only with the previous consent of the Supervisory Board.

Pursuant to the Corporate Governance Code adopted by the Zagreb Stock Exchange and HANFA, applicable as of 1 January 2020, the Supervisory Board consists predominantly of independent members who have no business, family or other relations to the Company, a majority Shareholder or a group of majority Shareholders, or a member of the Management or Supervisory Board or a majority Shareholder.

The Supervisory Board has nine Members. Five Members are appointed and recalled by the General Assembly, one Member is appointed by employees pursuant to the provisions of the Labour Act and three Members are appointed, in line with the Companies Act by the Shareholder Kapitalni fond d.d. as long as it holds Company shares representing 25 percent plus one share in the Company's share capital. In the event of decrease of the number of shares held by Kapitalni fond d.d., the number of Supervisory Board Members it appoints shall be reduced accordingly. The percentage of women in the Supervisory Board is 22 percent.

The President of the Supervisory Board is elected by the Members, who are elected by the General Assembly. Deputy President is elected by the appointed Members from Kapitalni fond d.d., from among their own ranks. Supervisory Board Members are appointed for a four-year term and may be reappointed. Members appointed by Kapitalni fond d.d. may be appointed for two consecutive terms at most.

Pursuant to the Decision of the General Assembly of KONČAR – Electrical Industry Inc. of 12 July 2016, monthly remuneration for Supervisory Board Members was determined in the gross amount of 1.5 average (gross) salary paid in KONČAR Group (without Dalekovod) in the month preceding the month of remuneration calculation. Every Member of the Supervisory Board is entitled to a fixed monthly remuneration starting from the date of appointment to that duty until the date of the recall thereof. In order to maintain their independence and objectivity, remuneration of Supervisory Board members does not depend on the Company's performance and does not include variable remuneration.

The Supervisory Board operates the Audit Committee, the Strategic and Business Development Committee, the Remuneration Committee and the Appointments Committee.

The Appointments Committee is competent for holding discussions and submitting proposals to the Supervisory Board with respect to the decisions on the appointment and election of Management Board Members.

Supervisory Board operated with the following membership in 2022:

Joško Miliša	President
Darko Horvatin	Deputy President
Branko Lampl	Member
Ivan Milčić	Member
Maja Martinović	Member
Ruža Siluković	Member
Mario Radaković	Member
Zvonimir Savić	Member
Danko Škare	Member

## Management Board

The Company's Management Board is the governing body solely responsible for overall business operations. It is appointed and recalled by the Supervisory Board. Duties of Management Board Members have been defined in accordance with business segments, activities, processes and markets. The Management Board is responsible for prudent business risk management. At its regular meetings, it reviews the Company's economic, environmental and social impacts. The efficiency of the Company's Management Board and the Management Boards of the subsidiaries is considered, evaluated and assessed by the Supervisory Board based on key performance indicators and efforts to maintain and build a positive reputation of the Company.

Through their membership in the Supervisory Boards and Assemblies and based on other rules adopted, Management Board Members coordinate, direct, supervise and monitor performance in KONČAR Group subsidiaries. Members of the Management Board of KONČAR – Electrical Industry Inc. do not receive remuneration for their work in the Supervisory Boards of dependent companies.

Pursuant to the Articles of Association, the Management Board may consist of three to seven Members. At present, the Management Board operates with six Members. Management Board Members are appointed for a five-year term and may be reappointed without any limitations with regard to the number of terms. Every Management Board Member manages the operations in their respective business segment individually, at their own responsibility, with due care and diligence of a prudent businessman, and makes all their decisions only in the best interest of the Company. When deciding on key business policy matters or matters related to business segments of other Management Board Members, a Management Board Member shall present such matters to the Management Board, to be decided on by the Management Board jointly as a body. The rights and obligations of the Management Board Members are defined by virtue of a Management Board Member Contract.

The Management Board of KONČAR – Electrical Industry Inc. in 2022 operated with the following membership:

Gordan Kolak	President of the Management Board in charge of the power segment and sustainable development
Ivan Bahun	Deputy President of the Management Board in charge of research, development and mobility
Josip Ljulj	Member of the Management Board in charge of the industry segment
Miki Huljić	Member of the Management Board in charge of real estate management
Josip Lasić	Member of the Management Board in charge of economics and finance
Božidar Poldrugač	Member of the Management Board in charge of digital solutions, ICT and urban infrastructure

## Strategy

KONČAR Group 2020+ Integral Strategy and operating model were defined in 2021. The aim of the Integral Strategy is to set out the main development directions and enhance KONČAR Group's business operations, strengthen the business and manufacturing portfolio, target markets and customer segments, human resource development and key issues of modernisation and development of the technological basis of business operations.

The purpose of the Strategy to reinforce the power engineering portfolio, strengthen the role of KONČAR Group in the segment of development and delivery of renewable energy solutions and focus on digitalization, complex products and advanced professional services. This will increase the Company's competitiveness and long - term presence in the existing markets, and consequentiality enable the Company to win new markets. The core convergent solutions from the product and sales portfolio include testing, maintenance and management services for power generation from renewable sources, transmission and distribution systems, rail solutions and infrastructure, and the digitalization of critical infrastructure.

The four main strategic objectives of the Integral Strategy are to increase competencies by recruiting new experts, enhance competitiveness by investing in development and technology, strengthen exports to new markets and grow the revenue side. In 2022, the hard work and the engagement of our people made it possible not only to reach, but to outperform almost all of the targets set out in KONČAR Group 2020+ Integral Strategy.

### MISSION

Inspired by challenge, we develop modern solutions for the electrical industry, we contribute to local manufacturing and energy sustainability of the society.

### VISION

An innovative partner for advanced solutions on the path of green energy transition and mobility.

## Strategic and Business Development Committee

The Strategic and Business Development Committee operates within the Supervisory Board. It consists of five members and its task is to provide support to the Supervisory Board in the area of strategic planning. The Committee is in charge of monitoring and assessing development and changes in the environment, as well as of evaluating the Company's short-term

and long-term objectives, assisting with strategic decisions pertaining to acquisitions, joint ventures, restructuring and development of strategic human resources. The Strategic Development Committee is chaired by Ivan Milčić, and its Members are Branko Lampl, Zvonimir Savić, Joško Miliša and Maja Martinović.

## Audit Committee

The Audit Committee operates within the Supervisory Board and analyses financial statements in detail, supports the Company's accounting department and sets up appropriate and efficient internal controls. 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 of Group companies. Moreover, the Committee is tasked with monitoring the internal controls and risk management system with the aim of allowing the Company to identify, publicly disclose and appropriately manage the major risks to which it is exposed.

Darko Horvatin chairs the Audit Committee, and Mario Radaković and Joško Miliša are the Members. In 2022, the Audit Committee held five meetings. All the Members of the Audit Committee participated in decision-making at all the meetings. At the meetings, the Committee Members discussed, made decisions and gave recommendations to the Supervisory Board on the following matters: reports on the implementation of the annual internal audit plan, implementation of the policy on the provision of non-audit services for 2022, supervision of the statutory audit and consolidated and unconsolidated annual financial statements for 2022, making recommendations for the adoption of those reports, and appointing auditors for 2022. The Audit Committee is independent in its work and most of its Members possess the appropriate expertise in the field of accounting and audit.

## Remuneration policy

The Remuneration Committee operates as part of the Supervisory Board. Its task is to outline the content of Management Board Member contracts and determine the structure of their remuneration. The Committee is also in charge of drawing up the Remuneration Policy for Members of the Management and Supervisory Boards.

The Committee is chaired Branko Lampl, and Maja Martinović and Ruža Siluković are the Members. In 2022, the Committee held one meeting, which was attended by all the Committee members.

### Remuneration

Remuneration of the Management Board Members of the Group subsidiaries is established on performance related criteria (financial performance) and contribution to the implementation of the KONČAR Group 2020+ Integral Strategy. It is based on clearly defined criteria including: sales revenue, normalized EBITDA, order intake and realization of strategic initiatives.

KONČAR has set out to be an employer that encourages employee engagement, growth and development. Employee performance is recognised and rewarded. KONČAR is dedicated to balancing monetary and non - monetary rewards and base and variable compensation. Monetary and non-monetary rewards are correlated with the Company's core values and strategies. Remuneration is determined as base salary and variable pay. Base salary reflects an employee's relevant professional experience, competencies and the level of organizational responsibility. Variable pay is based primarily on the realization of the Company's plans and objectives set in advance. Variable pay schemes provide an incentive for cautious long-term risk-taking and prudent risk management.

KONČAR Group members provide their employees with statutory benefits and allowances in line with internal acts, depending on the provisions of the specific collective agreement, internal regulations and/or decisions (for example additional payments towards a holiday, Christmas and Easter bonus, a gift for children under the age of 15, jubilee and length of service awards, travel/commute allowance, additional and supplementary health insurance policy, work-related health insurance policy, (un)paid leave for training and education and other milestones (first day of school for children), financial aid, severance pay etc.). KONČAR Group provides employees with fringe benefits such as Multisport scheme - addressing and promoting all employee well-being and work-life balance.

Remuneration of the Management Board of KONČAR – Electrical Industry Inc. has been laid out in the Management Board Member Agreement, which is concluded between the President and Members of the Management Board and the Supervisory Board. The remuneration is considered appropriate and aligned with the position of the Company and its results. Information on the overall remuneration and benefits of the Members of the Management Boards and is fully disclosed in annual financial statements.

The Remuneration Policy and the Report on remuneration paid to the Members of the Management Board and the Supervisory Board are publicly disclosed on the official website of the Company and constitute an integral part of the Notification of convocation of the General Assembly.

# Stakeholder Engagement

KONČAR Group recognizes of the significance of providing regular information and engaging in communication with all stakeholders, as important factors of KONČAR's operations. KONČAR has identified and segmented all stakeholders - individuals, communities and organizations which contribute to or are impacted by the Group's operations. In line with market developments, the Group creates new channels of communication through which stakeholders can be involved and obtain all relevant information about the Group. Stakeholders have been involved in preparation of this Report segment.

Stakeholders	Stakeholder needs and expectations	Type and frequency of communication
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality of products and services</li> <li>• Compliance with lead times and contractual obligations</li> <li>• Customer relationship management and complaint procedures</li> <li>• Prudent resource management</li> <li>• Compliance with ethical principles</li> <li>• Privacy policy</li> <li>• Continuous product development and improvement</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings, workshops, conferences</li> <li>• Professional training - when necessary</li> <li>• Resolution and analysis of complaints, requests and suggestions, when necessary</li> <li>• Annual Customer Satisfaction Survey</li> <li>• Fairs, conferences, meetings, continuously</li> <li>• Official company website</li> <li>• Email, regularly</li> <li>• Regular customer visits</li> <li>• Annual CSR report</li> <li>• Business reports</li> <li>• Leaflets and brochures</li> <li>• LinkedIn, continuously</li> <li>• Končarevac, continuously</li> <li>• Newsletter</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Remuneration and compensation</li> <li>• Engaging working environment</li> <li>• Personal development, recognition and rewards</li> <li>• Stable operations</li> <li>• Occupational health and safety</li> <li>• Training and development</li> <li>• Non - discrimination</li> <li>• Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Education and professional training, continuously</li> <li>• Intranet and internal services, continuously</li> <li>• Email, regularly</li> <li>• Annual CSR report</li> <li>• Meetings, when necessary</li> <li>• Business reports</li> <li>• LinkedIn, continuously</li> <li>• Official company website</li> <li>• Končarevac, continuously</li> <li>• Newsletter</li> </ul>
<b>Owners / Shareholders</b>	<ul style="list-style-type: none"> <li>• Corporate business strategy</li> <li>• Profitability</li> <li>• Value added</li> <li>• Business growth and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• General Assembly</li> <li>• Letters, emails, when necessary</li> <li>• Annual CSR report</li> <li>• Business reports</li> <li>• LinkedIn, continuously</li> <li>• Official company website</li> <li>• Email, regularly</li> <li>• ZSE, HANFA</li> <li>• HINA</li> <li>• Končarevac</li> <li>• Newsletter</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Mutual benefit and long - term relationships</li> <li>• Management systems</li> <li>• Ethical conduct</li> <li>• Business volume</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in fairs and conferences</li> <li>• Audits, visits, meetings, when necessary</li> <li>• Official company website</li> <li>• Annual CSR report</li> <li>• Email, regularly</li> <li>• Business reports</li> <li>• LinkedIn, continuously</li> <li>• Newsletter</li> </ul>

<b>Business partners and sales agents</b>	<ul style="list-style-type: none"> <li>• Mutual benefit and long - term relationships</li> <li>• Compliance with contractual obligations</li> <li>• Market competitiveness</li> <li>• Ethical conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings, continuously</li> <li>• Participation in fairs</li> <li>• Official company website</li> <li>• Email, regularly</li> <li>• LinkedIn, continuously</li> <li>• Končarevac</li> <li>• Newsletter</li> </ul>
<b>Works' council / trade unions</b>	<ul style="list-style-type: none"> <li>• Employee involvement</li> <li>• Compliance with legal regulations</li> <li>• Freedom of association and collective bargaining</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings, when necessary</li> <li>• Bulletin boards, continuously</li> <li>• Annual CSR report</li> <li>• Business reports</li> <li>• Official company website</li> <li>• Končarevac, continuously</li> </ul>
<b>Business and professional public</b>	<ul style="list-style-type: none"> <li>• Financial support</li> <li>• Upskilling and competence building</li> </ul>	<ul style="list-style-type: none"> <li>• Membership, continuously</li> <li>• Working groups, working bodies, continuously</li> <li>• Participation in conferences</li> <li>• Professional and trade publications</li> <li>• Topic-based meetings, when necessary</li> <li>• Annual CSR report</li> <li>• Business reports</li> </ul>
<b>Scientific and scholarly community</b>	<ul style="list-style-type: none"> <li>• Applied research and development</li> <li>• Knowledge transfer</li> <li>• Joint projects</li> </ul>	<ul style="list-style-type: none"> <li>• Scholarly and scientific papers</li> <li>• Seminars and workshops, when necessary</li> <li>• Participation in conferences and congresses</li> <li>• Memberships</li> <li>• Joint activities</li> <li>• Topic-based meetings</li> <li>• Annual CSR report</li> <li>• Annual financial statements</li> <li>• Končarevac</li> </ul>
<b>State authorities</b>	<ul style="list-style-type: none"> <li>• Payments towards taxes, contributions and fees</li> <li>• Compliance with legislation</li> <li>• Reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Working groups, continuously</li> <li>• Email, memos, continuously</li> <li>• Official company website</li> <li>• Annual CSR report</li> <li>• Meetings, continuously</li> <li>• Participation in conferences and topic-based meetings, when necessary</li> <li>• Končarevac, continuously</li> <li>• Memberships, continuously</li> </ul>
<b>Local community</b>	<ul style="list-style-type: none"> <li>• Investment in local initiatives through donations and sponsorships</li> <li>• Protection and prudent use of resources (economic, environmental and social)</li> </ul>	<ul style="list-style-type: none"> <li>• Visits, meetings and joint activities</li> <li>• Sponsorships and donations</li> <li>• Official company website</li> <li>• Annual CSR report</li> <li>• Business reports</li> <li>• LinkedIn, continuously</li> <li>• Volunteers' Club</li> <li>• Končarevac, continuously</li> <li>• Email, memos, continuously</li> </ul>
<b>Financial public</b>	<ul style="list-style-type: none"> <li>• Financial statements and business / management reports</li> </ul>	<ul style="list-style-type: none"> <li>• ZSE</li> <li>• HANFA</li> <li>• HINA</li> <li>• Official company website</li> <li>• Končarevac</li> <li>• Business reports</li> <li>• CSR reports</li> <li>• Regular meetings with interested and potential investors</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Providing information about KONČAR's operations and financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews, stories, releases, when necessary</li> <li>• Regular and extraordinary press conferences</li> <li>• Končarevac, continuously</li> <li>• Press releases, when necessary</li> <li>• Official company website</li> <li>• LinkedIn, continuously</li> </ul>

## Communication with stakeholders

### KONČAREVAC, corporate magazine

All news related to KONČAR Group's operations, as well as topics pertaining to its numerous stakeholders, such as customers and employees, or to support to local and other communities, are published in KONČAREVAC. KONČAREVAC is published ten times a year with a circulation of 3,200. It is distributed to employees and delivered to about one thousand addresses in Croatia and abroad. In December 2022 KONČAREVAC issue no. 1482 was published.

### Corporate magazines: Končarevac, Vjesnik and Svjetlost: Good communication - part of our business culture for 75 years

The corporate magazine Končarevac and its predecessors Vjesnik and Svjetlost were and remain the most complete chronicles of times, promoting a sense of unity among KONČAR Group employees. The magazines have been running for over 75 years, keeping employees and the general public informed, and in that period thousands of articles and photos have been published. Today they are one of the oldest legacies of KONČAR Group. The magazines changed their format and design, but remained true to their purpose - to provide high-quality and comprehensive coverage of events inside and outside the company. They chronicled KONČAR's rich history - the ups and downs, restructuring and adaptations to new and more complex business conditions, successful development and business performance, and the consistent efforts to win domestic and international customers. The first issue of Svjetlost, printed in medium newspaper format, came out on 7 November 1947, and since January 1956, the bi-monthly Vjesnik, printed in magazine format, has been keeping employees and the general public informed of events and company performance. The first issue of Končarevac was published on 9 November 1964, as a weekly issue, and this continued until 18 October 1990. In December 1990, Končarevac was re-launched, as a monthly magazine. Today, it is distributed to employees and delivered to about 600 addresses in Croatia and internationally. Although there are few corporate magazines in Croatia today, KONČAR has internal and external communications, which has been again gaining ground in the modern corporate world.



### Fairs and Conferences

Fairs and conferences remain invaluable in integrated marketing communications and are a pivotal marketing assets in communication with the market, and therefore an integral part of KONČAR's strategic marketing concept.

The Management Board of KONČAR - Electrical Industry Inc. encourages organized participation in international conferences where KONČAR experts participate with papers. The Parent Company co - finances the participation costs in partnership with the Group member company where authors are employed.

In the course of 2022 KONČAR participated in 14 fairs and conferences, all of which were held in-person. Additionally, digital content was provided to complement and enhance these events. In total, we participated in 7 fairs and 7 professional conferences.

All trade fairs and events in 2022 were coordinated on the Group level, and Group members explored synergy and diligently teamed up in the organization of joint participation at each of the events, with the overall aim to ensure the best possible execution and success of all activities.

### 1. RENEXPO INTERHYDRO, Austria, Salzburg, 3 - 4 March

RENEXPO is regarded as the Austrian and German-speaking area industry meeting place for hydropower. KONČAR – Engineering, KONČAR – Generators and Motors, KONČAR – Electronics and Informatics and KONČAR – Electrical Engineering Institute showcased their hydropower product portfolios at the exhibition area. They also held meetings with other equipment manufacturers, sales prospects and key customers from Austria and Germany visited KONČAR's exhibition area.

### 2. MIDDLE EAST ENERGY, UAE, Dubai, 7 - 9 March

KONČAR exhibited at Middle East Energy Dubai 2022, MENA and Asia's largest energy industry trade fair, which exceeded all expectations of exhibitors and visitors. The fair is an excellent opportunity for KONČAR to explore business potential of UAE, Qatar, Iran, Iraq, Saudi Arabia, Oman and other participating countries.

The 47th MEE brought together leading manufacturers and industry experts from around the world and shed light on five specific product sectors: smart solutions, renewable and clean energy, energy generation, transmission and distribution and energy consumption and management.

Experts from seven KONČAR Group members (KONČAR - Engineering, KONČAR - Digital, KONČAR - D&ST, KONČAR - Instrument Transformers, KONČAR - Electrical Engineering Institute, KONČAR - Electronics and Informatics, KONČAR - Switchgear) displayed their products, solutions and services in the segments of power generation, transmission and distribution, digital solutions and platforms, spanning the exhibition area of 48 m<sup>2</sup>.



KONČAR sponsored Croatia's 2022 participation at the World Expo 2020, where 192 countries from around the world took part. Croatia marked its National Day at Expo 2020 Dubai on 6 March with a celebration of the country's innovative thinkers.

### 3. INTERNATIONAL ECONOMY FAIR, BiH, Mostar, 5 - 9 April

The International Business Fair Mostar represents one of the most significant and well attended business events, serving as a central hub for connecting with the market in Bosnia and Herzegovina, as well as the regional markets and former Yugoslavia countries.

KONČAR has been traditionally present at the fair, and in 2022, 4 Group members (KONČAR – Engineering, KONČAR – Digital, KONČAR – D&ST, KONČAR – Switchgear) exhibited their solutions at the 54 m<sup>2</sup> area, presenting solutions in power engineering, while KONČAR – Digital presented the BDV system for transformer oil quality control.

### 4. HYDRO 2022, France, Strasbourg, 25 - 27 April

KONČAR took part in and sponsored HYDRO 2022, the 27th international conference and technical exhibition.

The focus of the conference was on the role and the importance of hydropower in the global economic recovery and the global energy transition. The technical exhibition featured 135 manufacturers and contractors operating in hydropower industry, while KONČAR's 24 m<sup>2</sup> exhibition area hosted 4 Group subsidiaries (KONČAR - Engineering, KONČAR - GIM, KONČAR - Electrical Engineering Institute, KONČAR - Electronics and Informatics).

KONČAR demonstrated its products and solutions in the power generation segment. Igor Bartulović (from KONČAR - Electronics and Informatics) delivered a conference presentation titled *KONČAR Excitation Systems for Synchronous Machines*, which was also published in the HYDRO 2022 Conference Proceedings.

### 5. CWIEME, Germany, Berlin, 10 - 12 May

KONČAR has been a regular exhibitor at the leading global one-stop shop for the international coil winding, electric motor, transformer, generator and e-mobility supply chain, which has been running for 25 years.

At the fair, alongside component manufacturers and providers of new technology solutions, e-mobility service providers also showcased their solutions. Additionally, numerous thematic seminars and lectures were held during the event. KONČAR took up a 36 m<sup>2</sup> exhibition area and 3 Group members took part: KONČAR - Steel Structures, KONČAR - Motors and Electrical Systems and KONČAR - Generators and Motors. The exhibition space featured prominently displayed motors and transformer fans, while visitors were also presented with various types of generators and metal structures for a variety of purposes.

### 6. AMPER, Czech Republic, Brno, 17 - 20 May

In 2022, the 28th International Fair for Electrical Engineering, Automation and Communication was held. Although the fair is of a regional character, with a greater emphasis on the Czech and Slovak markets, it is also of interest to a broader audience, particularly exhibitors from Germany, Austria, Hungary, and Poland.

The exhibition space, covering an area of 36 m<sup>2</sup>, featured the most active companies in that market: KONČAR - D&ST and KONČAR - Instrument Transformers. The companies displayed their products in the power transmission and distribution segment.

### 7. MIPRO, Croatia, Opatija, 23 - 27 May

MIPRO 2022, the 45th International ICT Conference, traditionally focused on information, communication, and electronic technology, linking them to other high-tech sectors. Last year's conference was held under the slogan *ICT in Smart Digital Ecosystems*, and KONČAR was the Gold Sponsor and co-organizer of the event. Some of the topics covered in the series of workshops, presentations, and discussions included Industry 5.0, data science, the digital economy, blockchain and cryptocurrencies in advanced ecosystems, renewable sources, green transition, GDPR, and digital transformation.

Božidar Poldrugač, Member of the Management Board of KONČAR participated in a particularly attractive plenary discussion was held on the topic of *Achieving Smart and Green Croatia*. The panel sought to provide an answer to the question of how to connect and develop technology while simultaneously taking care of environmental protection through collective collaboration, openness, partnership, responsibility, and initiative.

### 8. HANNOVER MESSE, Germany, Hannover, 30 May - 2 June

HANNOVER MESSE is the most important international platform and hot spot for industrial transformation - with excellent innovations or unusual products. KONČAR occupied the exhibition area of 84 m<sup>2</sup>. KONČAR - Digital showcased its digital solutions for the management of critical and urban infrastructure, smart cities and data centers, which are based on modern software platforms PROZA HAT and KONČAR MARS.

A total of 7 KONČAR Group members participated in the corporate exhibition: KONČAR – Engineering, KONČAR – Digital, KONČAR – D&ST, KONČAR - Instrument Transformers, KONČAR – GIM, KONČAR – Electrical Engineering Institute and KONČAR – Switchgear.

With Portugal as the partner country, the fair encompassed current topics of industrial transformation such as Industry 4.0, Logistics 4.0, information security, circular economy, decarbonization, hydrogen application, and artificial intelligence in industry.

KONČAR – Digital and RITTAL Croatia signed a Cooperation Agreement at Hannover Messe. This cooperation agreement and joint market approach create new opportunities for the development of IT infrastructure and efficient management of data centres in Croatia and the region.





### 9. SEERC, Austria, Vienna, 30 May - 2 June

CIGRE South Eastern Regional Council (SEERC) consists of national committees from 17 countries: Austria, Bosnia and Herzegovina, Croatia, Czech Republic, Slovakia, Greece, Georgia, Hungary, Israel, Italy, Kosovo, North Macedonia, Montenegro, Romania, Serbia, Slovenia and Turkey. After the inaugural forum in Portorož in 2016 and the forum held in Ukraine in 2018, the third CIGRE SEERC was hosted in Vienna in 2022. KONČAR was the Silver Sponsor of the forum, and KONČAR - Generators and Motors, KONČAR - Electronics and Informatics and KONČAR - Engineering participated in the forum.

The main topics of the forum were related to innovations and changes in the energy sector and the electricity market, with a particular emphasis on enhancing security of the supply, automation, advanced grids, innovations in energy systems hardware and software, and comprehensive digitalization. At the SEERC forum participants shared the latest research findings and comprehensive insights into the future of the power grid and the electricity market in South East Europe. It served as a platform for enhancing the existing partnerships and fostering new collaborations, making it a valuable opportunity for networking and establishing new connections.

### 10. CIGRE Session, France, Paris, 29 August - 2 September

The International CIGRE CIGRE is a collaborative global community committed to the world's leading knowledge development programme for the creation and sharing of power system expertise. After a four year hiatus, CIGRE once again opened its doors to a record number of 6,000 participants from the energy sector, representing over 90 countries worldwide. The conference featured over 800 accepted technical papers and 950 poster sessions.

KONČAR experts were exceedingly active in the work of the Session, and at poster sessions presented professional papers with the latest knowledge in the field of power engineering. The third CEO Forum also took place held during the Session, with more than 100 participants from nearly fifty countries, including Gordan Kolak, CEO of KONČAR. The Session 2022 Global Technical Exhibition brought together a record number of more than three hundred companies. Experts from five KONČAR Group members (KONČAR - Engineering, KONČAR - D&ST, KONČAR - Instrument Transformers, KONČAR - Electrical Engineering Institute, KONČAR - Switchgear) displayed their products, solutions and services in the segments of power generation, transmission and distribution, spanning the exhibition area of 25 m<sup>2</sup>.

### 11. INNOTRANS, Germany, Berlin, 20 - 23 September

InnoTrans is the leading international trade fair for transport technology and the premier destination for rail vehicle manufactures and railway infrastructure sector, sub-divided into the five trade fair segments: railway technology, railway infrastructure, public transport, interiors and tunnel construction.

The fair occupies all 42 halls available at Berlin Exhibition Grounds, with more than 145,000 visitors and about 2,830 exhibitors from 60 countries exhibiting across the 200,000 m<sup>2</sup> display area.

The messages of the fair were related to the fact that the transport sector accounts for the largest share of global CO<sub>2</sub> emissions, and achieving zero-emission mobility is one of the greatest challenges of our time.

KONČAR has exhibited its rail vehicles at InnoTrans on several occasions, and in 2022 we rolled out another achievement in the successful series of new solutions - the flagship TMK 2300 LT low-floor tram created and manufactured for the needs of Liepājas Tramvajs in Latvia. In addition to the new tram, which was exhibited at the 21 meter-long outdoor and track display area, KONČAR was also found at the 87 m<sup>2</sup> stand where it displayed a 1,300 kg low-floor train engine.



### 12. BH K/O CIRED, BiH, Mostar, 16 - 18 October

The third conference of the Bosnian and Herzegovinian branch of the International Conference on Electricity Distribution (CIRED) offered solutions for modern concepts of advanced distribution grids that have the capability to integrate a large number of renewable energy sources and energy storage systems, their market allocation, and management.

KONČAR was the main patron and sponsor of the conference, and within the conference, a professional presentation titled *KONČAR - New Breakthroughs in the Most Challenging Markets* was given, providing an overview of past activities in some the most competitive international markets, outlining complex engineering projects and sharing experience in their implementation.

### 13. HRO CIGRE, Croatia, Cavtat, 6 - 9 November

The 15th Symposium of the Croatian National Committee of CIGRE (HRO CIGRE) took place in 2022, gathering a remarkably large number of delegates, exhibitors, and guests. KONČAR was the Gold Sponsor and a presentation *New Generation of Digital Solutions for the Power System Management* was delivered by the Member of the Management Board of KONČAR - Digital, Stjepan Sučić.

The new generation of digital solutions for energy management systems (EMS) and the product portfolio in the field of power engineering were exposed at the exhibition. KONČAR's experts offered their papers and delivering presentations at all study group sessions.

At KONČAR's exhibit area at the Symposium, KONČAR - Digital and PSI Software from Germany signed a partnership agreement on strategic cooperation in the field of design, construction and management of urban centres for mobility in public transport and control centres for data, water, gas and heating.

### 14. SPS, Germany, Nuremberg, 22 - 24 November

The 2022 Smart Production Solution (SPS) was the industry highlight of the automation sector and, with its unique concept, represented the complete spectrum of smart and digital automation - from simple sensors to intelligent solutions, from what is feasible today to the vision of a comprehensively digitized industrial world. It provided a forum for meaningful dialogue and problem-solving among customers, partners, and suppliers. The trade fair covered a wide range of control technology, IPCs, power drive systems and components, human-machine interfaces and devices, industrial communication, manufacturing software and IT solutions, mechanical infrastructure, and sensor technology.

KONČAR was allocated an exhibition space of 35 m<sup>2</sup>, where KONČAR - Generators and Motors and KONČAR - Electrical Engineering Institute exhibited their latest products in propulsion technology - general purpose low and medium voltage motors, Laboratory Centre and embedded computer system solutions.

**Besides the fairs and conferences, KONČAR also participated in several additional conferences, exhibitions and webinars.**

### KONČAR at Croatia's National Day at EXPO 2020

KONČAR supported Croatia's participation at EXPO 2020, which was aimed at the business community, government and public institutions, and individual visitors. The exhibition involved the participation of 192 countries worldwide.

Croatia's National Day at EXPO 2020 took place on 6 March 2022. The ceremony began with the raising of the flags of the Republic of Croatia and the United Arab Emirates at Al Wasl Plaza, followed by the performance of the national anthems of both countries. Croatia's National Day at EXPO in Dubai was attended by Prime Minister Andrej Plenković and cabinet ministers, and they were welcomed by the local delegation led by Sheikh Nahyan bin Mubarak Al Nahyan, a member of the UAE's Cabinet and the Minister of Tolerance. The event was also attended by Gordan Kolak, CEO of KONČAR, and Željko Tukša, CEO of KONČAR - Engineering and Member of the Management Board Ivan Tomšić.

Following the official speeches, LADO national ensemble performed a concert focused on the intangible cultural and historical heritage of Croatia. This included performances of traditional Dalmatian a capella singing, Istrian and Croatian coastal polyphonic singing, traditional folk singing from different regions such as ojkavica, Međimurje folk songs popevka, and bečarac.

Later that day, the Dubai-Croatia Business Forum was held, organized by two chambers of commerce, which was attended by representatives from over 40 companies, ministries, and chambers of commerce from the UAE and other countries. Many of them expressed interest in meeting with representatives from KONČAR.



### KONČAR at the H2 Mobility Conference

On 31 March 2022, the 8th International Expert Conference on Hydrogen H2 Mobility was held in Zagreb, organized by the Croatian Association for the Development and Application of Hydrogen Fuel Cells and with the support of KONČAR as a reputable manufacturer of rail vehicles. During the conference, it was widely agreed that hydrogen holds great potential alongside wind, solar, biomass, and geothermal sources as a sustainable energy source.

Janko Breški, Deputy Technical Director at KONČAR - Electric Vehicles (KEV), presented KONČAR's initiatives in the transport sector, with a focus on the decarbonization policies of Croatia and the EU, as well as the ongoing development of battery-powered and hybrid trains. He outlined the plans for the introduction of hydrogen technology and its application in KEV's product portfolio, while also highlighting the current shortcomings in the legal framework, regulations, certification process, financing, and utilization of the available hydrogen technology. He also participated in a panel discussion on commercial intermodal transport (rail vehicles, trucks, buses, and utility vehicles), where he underscored the need for significant efforts to establish an appropriate financial, technological, and operational environment that will enable the full utilization of hydrogen technology in Croatia.

The common conclusion was that the Croatian Hydrogen Strategy until 2050 is both ambitious in its goals and realistic in its possibilities. It has the potential to position Croatia among the European and global leaders in the application of hydrogen technologies.

### KONČAR at the Energy Democracy Summit

The Energy Democracy Summit (SED) 2022 took place in Pula on 3 - 4 April. It was a regional event where panel discussions were held on topics that shape and implement the energy transition. The summit, with KONČAR as its 2022 partner, gathered business leaders, policy makers and leading experts that agreed there was no alternative to the green transition.

In the panel discussion on the challenges and opportunities arising from renewable energy in the current power sector, moderator Vlatka Kamenić Jagodić from KONČAR emphasized that Croatia has a national energy company that has not halted investments in renewable sources despite the pandemic and the current geopolitical situation. KONČAR is a competitive domestic manufacturer of products and components, as well as ICT solutions in the energy sector, with references worldwide. In addition to KONČAR, key speakers from HEP, E.ON and HGK participated in the discussion. The panellists agreed that renewable energy sources and digitalization are the way forward for the energy sector. Currently, most projects are being carried out in the area of solar power plants.

### KONČAR at LEAP Summit 2022

In May 2022, the seventh edition of the largest youth conference in Southeast Europe, the LEAP Summit, took place in Zagreb. KONČAR was one of the sponsors of the event. The conference brought together participants from around twenty countries, and the focus of the presentations and panel discussions, featuring 60 domestic and international experts from globally renowned companies, was on a multidisciplinary approach to topics such as entrepreneurship, sustainable development, innovation, digital technologies, the European Green Deal, startups, and career development.

The LEAP Summit is an event with a mission to educate and inspire innovators, entrepreneurs, leaders, and trailblazing changemakers. One of the stages featured a presentation by Miro Antonijević from KONČAR - Digital, captivating the audience with the story of the company's origins, vision, and goals. The audience was introduced to KONČAR's cutting-edge solutions focused on the green energy transition and digital transformation projects, as well as digital solutions for advanced energy management, critical and urban infrastructure, and smart cities.



### Green Arena webinars

As part of the Green Arena conferences, organized by the WOOM.zone, two webinars were held, with representatives from leading Croatian companies, including KONČAR.

The first webinar, *Virtual Power Plants - A New Energy Market Player* was held on 24 May. Lučijano Sangaleti, Business Development Manager at KONČAR - Digital, participated in the webinar, alongside representatives from HOPS, KOER, and Klimaoprema. During the webinar, participants could learn about the benefits virtual power plants offer to consumers and producers, and about the advantages of energy storage systems that can be located anywhere within the Croatian electricity grid.

The second webinar, *The Importance of ESG Goals for Corporate Financing* took place on 1 June and Jasminka Belačić, a specialist in business reporting and investor relations represented KONČAR. The webinar focused on the significance of ESG goals for corporate financing. In her presentation, Jasminka Belačić provided an overview of the many activities that KONČAR has been consistently carrying out in the field of corporate social responsibility and sustainable development. She also outlined the changes that KONČAR is undergoing in order to better align with European reporting regulations.

### HYDROVISION 2022 - unlocking the hydropower of KONČAR

In May 2022, the HydroVision International conference was held in Denver, USA. Although the conference is primarily focused on the North American market, it is the largest gathering of hydropower producers that offers attendees countless opportunities to network, share best practices, meet with product and service providers, and more. There were 219 exhibitors at the conference, and KONČAR - Generators and Motors (GIM) returned to the conference as an exhibitor.

The conference was preceded by technical tours of facilities, and during the three-day event, the main topics revolved around equipment refurbishment and maintenance, power plant efficiency, energy storage, new technologies, engineering services, hydropower plant equipment, and the like.



The aim of the conference was to highlight the promise of hydropower, explore challenges affecting hydro resources, and assist participants in developing a vision for addressing these challenges and ensuring sustainable development of hydropower.

As part of MATCH! program, GIM set up meetings with target customers and potential partners, and numerous meetings were additionally organized during the conference. Meetings were also held with representatives from North American utilities, such as Ontario Power Generation, which counts GIM among its suppliers. These meetings provided an opportunity to discuss prospective partnerships and collaborations in the energy sector. The conference was exceptionally successful for GIM - a large number of contacts were made, and deals were put into motion for future activities.

### KONČAR - Electrical Engineering Institute at INMR World Congress and Exhibition

In October 2022, the INMR World Congress and Exhibition was held in Berlin, attended by the representatives of the Laboratory Centre (LC) at KONČAR - Electrical Engineering Institute.

INMR is a skills-building and technical enrichment event for engineers and other professionals in the field of power transmission and distribution. In addition to participating in the congress, the Laboratory Centre was included in the INMR Laboratory Guide, a portal that brings together leading global high voltage and high power laboratories.

The Institute's exhibition space showcased accredited testing and calibration services provided by the LC, with a focus on comprehensive type testing of products such as insulators, cables and cable equipment, protective ropes with integrated optical fibres, medium and high voltage equipment, and transformers.

During the congress, interest in testing services exceeded expectations, and high attendance at the Institute's exhibition space was recorded. In addition to existing service users, the exhibition space was visited by many potential customers and partners from Europe, as well as from the United States, Canada, Brazil, India, Egypt, and Saudi Arabia. Contacts for potential future collaborations were established.

## Green Future - conference on green and sustainable future

On 9 and 10 June 2022, Green Future conference was held in Split. KONČAR participated at the event and was one of the sponsors. It is an important event for the green transition, which represents one of the key areas for business, public policy, mobility and finances. Therefore, the conference gathered international and Croatian technology leaders, companies, policy makers, scientists and other stakeholders from the sustainable development sector. The main goal of the conference was to foster innovation and boost investment in new technologies that guarantee sustainability. By participating in this conference, KONČAR's goal was not only to present its smart digital solutions and services, but also to showcase our digital solutions and services, focused on protecting and preserving the environment, natural resources and on a sustainable future.



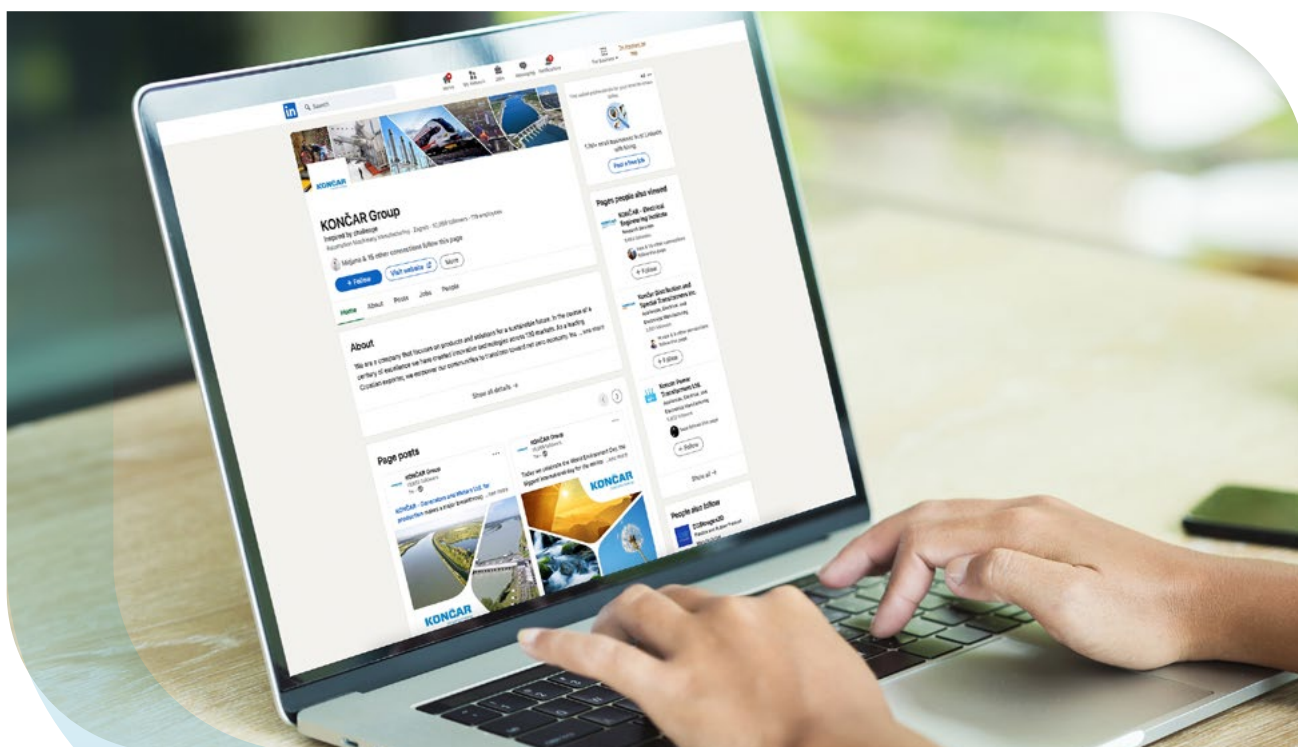
## Digital marketing

### KONČAR Official company website

The website [www.koncar.hr](http://www.koncar.hr) contains the most important information about products and services, efforts to enter new markets and strengthen the presence in the existing markets, and about corporate social responsibility. The website also contains investor news, business reports and financial statements, every issue of the corporate magazine KONČAREVAC and news on KONČAR's participation in fairs and conferences around the world. The website is available in Croatian and English. Most KONČAR Group subsidiaries operate their own websites containing details on their business operations and the most significant references.

### Social media

KONČAR is present on LinkedIn with eleven profiles that are managed individually by the Group subsidiaries and one profile run by KONČAR – Electrical Industry which represents the entire KONČAR Group. KONČAR Group corporate profile has gained prominence and achieved great results. In the period from December 2021 to December 2022 our profile gained 2,536 new followers, reaching a total of 9,958 followers. The profile is deployed to post weekly news on order intake, contract signing, donations, sponsorships, fairs, job vacancies, recognitions and awards that KONČAR receives, financial results, export - related news, etc. A variety of formats is leveraged to increase audience engagement and grow the Group visibility. The primary objective of KONČAR Group LinkedIn profile is to create awareness about KONČAR, to engage with current and future employees, customers and business partners. KONČAR employees regularly share KONČAR news on their personal profiles. KONČAR Group's YouTube channel has been active since 2011 and contains 23 videos.



**KONČAR News**

KONČAR launched the newsletter KONČAR News on 9 May 2022 to a base of approximately 1,000 subscribers. Since then, the newsletter, published in English, has been sent monthly. In 2022, a total of 8 newsletters were sent, featuring a variety of news from KONČAR Group. The newsletter aims to highlight the flagship projects and achievements, and to keep the subscribers up-to-date with all our activities.

**Media**

Given that the overall communication objective of KONČAR Group for 2022 was to further position itself as a modern high-tech company, intensive communication of numerous CSR activities was one of the prominent topics throughout the year. Accordingly, regular cooperation with an integrated marketing communication agency continued, and the scope of activities and direction of communication messages is based on the successful results achieved in 2021. Agency representatives continued their ongoing advisory engagement in defining communication topics and concepts, as well as planning their implementation through the most appropriate communication tools and channels based on the topic and format. At the same time, the agency team also provided the necessary operational support in drafting materials for communication with target audiences through the national media and its own channels, and KONČAR maintained regular two-way communication with media representatives, with the aim of strengthening relations and better understanding of the key topics relevant for KONČAR Group - particularly in the context of CSR. The successful execution of strategic communication and marketing activities allowed the Company to outperform the 2022 marketing and communication targets. More specifically, in 2022, there were 1,514 media releases and pieces of news related to KONČAR (an increase of 13%), achieving AVE of EUR 2,145,876 EUR (up by 37%). The overall positive PR value reached EUR 4,345,672 (35% growth), while the total impressions amount to 193,064,806 (12% increase). Croatian Public Relations Association (HUOJ) awarded KONČAR for this remarkable achievement with the Grand Prix in the category of Public Relations for Large Commercial Companies. This is the most prestigious domestic professional recognition in PR.

The screenshot displays the 'News' section of the KONČAR website. At the top, there is a blue header with the KONČAR logo and the tagline 'Inspired by challenge'. Below the header, a large image shows a concrete dam with water flowing through its spillways. Underneath the image, the headline reads 'KONČAR wins a powerful contract'. A short text snippet follows: 'KONČAR the regional leader in the electric power industry, has signed an agreement worth EUR 65 million, with Iraq's Ministry of Electricity (MOE) for the revitalization of HPP Haditha. The plant built in the 1980s, with the installed capacity of 6x128 MVA, is one of KONČAR's flagship projects.' A 'Read more' button is positioned below the text. Further down, two smaller images are shown side-by-side: on the left, a red and white tram; on the right, an aerial view of a city with a large circular structure in the water. Below these images are two more buttons: 'Join us at InnoTrans 2022' and 'Unusual delivery method'.

**Collective Bargaining Agreement**

As of 31 December 2022, 98.7% of employees at KONČAR are subject to the Collective Agreement. For employees who were not subject of the Collective Agreement, the Company has guaranteed, by way of internal acts and decisions, at least the minimum standard of rights and entitlements afforded to by the Collective Agreement.

Social dialogue at KONČAR has been consistently advanced and facilitated through collaboration with the Works' Council and trade unions. This is achieved through regular meetings and discussions with social partners, including collective bargaining. At the end of 2022, a new round of collective bargaining commenced with the aim of revising the material rights of workers in collaboration with the representative trade union.

In accordance with the Collective Agreement, the trade union participates in the process of appointing the Commission for the Protection of Workers' Dignity.

The procedure for the peaceful resolution of individual labour disputes and grievances is defined by the Collective Agreement and the special Regulations on mediation in labour disputes. Workers are entitled to independently decide on their trade union membership and affiliation.

The first Collective Agreement at Dalekovod was concluded on 14 June 1996 and it applied to all employees. The Collective Agreement has been revised several times since then. The last amendments were adopted in June 2022. Notification of significant changes in business operations are issued in compliance with the provisions of the Labour Act and are not specified in the Collective Agreement. Notification of significant changes in business operation are delivered to the Works' Council, or, in the event when the Council has not been formed in a particular subsidiary, to the main trade union commissioner.

UN ECG 3  
GRI 2-30

# Reporting Practices

## Entities included in the consolidated financial statements

Consolidated subsidiaries registered in Croatia:	31 December 2022 Voting rights (%)
KONČAR – Motors and Electrical Systems Ltd, Zagreb	100.00
KONČAR – Engineering Co. Ltd for production and services, Zagreb	100.00
KONČAR – Infrastructure and Services Ltd., Zagreb	100.00
KONČAR – Electrical Engineering Institute Ltd, Zagreb	100.00
KONČAR – Generators and Motors Ltd, Zagreb	100.00
KONČAR – Steel Structures Ltd, Zagreb	100.00
KONČAR – Switchgear Ltd	100.00
KONČAR – Renewable Energy Sources Ltd., Zagreb	100.00
<i>Direct ownership</i>	<i>91.25</i>
<i>Indirect ownership</i>	<i>8.75</i>
KONČAR – Electric Vehicles Inc., Zagreb	75.04
KONČAR – Electronics and Informatics Inc., Zaareb	97.64
KONČAR – Instrument Transformers Inc., Zagreb	99.77
KONČAR – Distribution and Special Transformers Inc., Zagreb	67.90
KONČAR – Investments Ltd, Zagreb	100.00
KONČAR – Digital Ltd, Zagreb	100.00

Indirectly owned companies in Croatia that consolidate:	31 December 2022 Voting rights (%)
Advanced Energy Solutions Ltd., Zagreb ( <i>Indirect ownership through Končar - Investments Ltd</i> )	51.00
Dalekovod Inc, Zagreb ( <i>Indirect ownership through Advanced Energy Solutions Ltd</i> )	38.33
Production MK Ltd., Velika Gorica ( <i>Indirect ownership through Dalekovod Inc</i> )	38.33
Production OSO Ltd., Velika Gorica ( <i>Indirect ownership through Dalekovod Inc</i> )	38.33
Dalekovod Project Ltd., Zagreb ( <i>Indirect ownership through Dalekovod Inc</i> )	38.33
Dalekovod EMU Ltd., Vela Luka ( <i>Indirect ownership through Dalekovod Inc</i> )	38.33
EL-RA Ltd., Vela Luka ( <i>Indirect ownership through Dalekovod Inc</i> )	38.33
Dalekovod Adria Ltd., Zagreb ( <i>Indirect ownership through Dalekovod Inc</i> )	38.33
Zinc plating service Ltd in liquidation, Velika Gorica ( <i>Indirect ownership through Dalekovod Inc</i> )	38.33
Windfirm Rust Ltd., ( <i>Indirect ownership through Končar - Renewable Energy Sources Ltd</i> )	100.00
Solar power plant Landfill phosphogipsa Ltd., Zagreb ( <i>Indirect ownership through Končar - Renewable Energy Sources Ltd</i> )	51.00
KONČAR - Electrical Equipment Inc., Dicmo Prisoje ( <i>indirect ownership through subsidiary KONČAR - Switchgear Ltd.</i> )	100.00
Telenerg - Inženjering d.o.o., Zagreb ( <i>indirect ownership through subsidiary KONČAR - Engineering Ltd.</i> )	100.00
Kodeks systemske integracije d.o.o., Zagreb ( <i>indirect ownership through subsidiary KONČAR - Digital Ltd.</i> )	75.00
EXA Globe d.o.o., Zagreb ( <i>indirect ownership through subsidiary KONČAR - Digital Ltd.</i> )	75.00

Indirectly owned companies registered outside Croatia that consolidate:	31 December 2022 Voting rights (%)
Power Engineering Transformatory Sp. z O.O. (PET), Poznan, Poland <i>(Indirect ownership through subsidiary Koncar - Distribution and Special Transformers Inc.)</i>	67.90
Dalekovod Mostar Ltd., Mostar, BIH <i>(Indirect ownership through Dalekovod Inc)</i>	38.33
Dalekovod Ljubljana Ltd., Ljubljana, Slovenija <i>(Indirect ownership through Dalekovod Inc)</i>	38.33
Dalekovod Norge AS, Oslo, Norway <i>(Indirect ownership through Dalekovod Inc)</i>	38.33
Dalekovod Ukrajina Ltd., Kijev, Ukrajina <i>(Indirect ownership through Dalekovod Inc)</i>	38.33

Non-consolidated subsidiaries due to immateriality	31 December 2022 Voting rights (%)
Konell Ltd., Sofia, Bulgaria <i>(Indirect ownership through Koncar - Electric Vehicles Inc)</i>	85.00

## Material topics

Material topics have been grouped by segments to accurately describe KONČAR's relationships and impacts on all stakeholders in terms of the economy, society, environment, and corporate governance.

The Group-wide internal Reporting Team, has defined the topics based on priorities, taking into consideration the expectations and requirements communicated by all stakeholders during the reporting period. The significance of individual topics was therefore determined, taking into account risk analysis as well as beneficial and adverse impacts for each material topic.

These requirements are particularly meaningful for environmental topics, primarily in respect of the beneficial impact of our products, operations and other activities on climate change.

We have also additionally identified key stakeholders to be included in the assessment of material topics in the next reporting period, which will allow the Company to additionally verify and confirm the significance of certain material topics and revise them, where necessary.



## Changes in reporting

During the reporting period, there have been no significant changes in the scope of reporting. In line with GRI standards, this year's report includes 16 material topics with appropriate qualitative and quantitative indicators. The 2022 Report includes one new material topic - waste. More information on Waste is available under GRI Standard 306.

The option of core harmonization with the GRI Standards, UN Global Compact principles and the 2030 Agenda for Sustainable Development was selected for the report. The report has not been externally assured.



## List of material topics

### ECONOMIC STANDARDS:

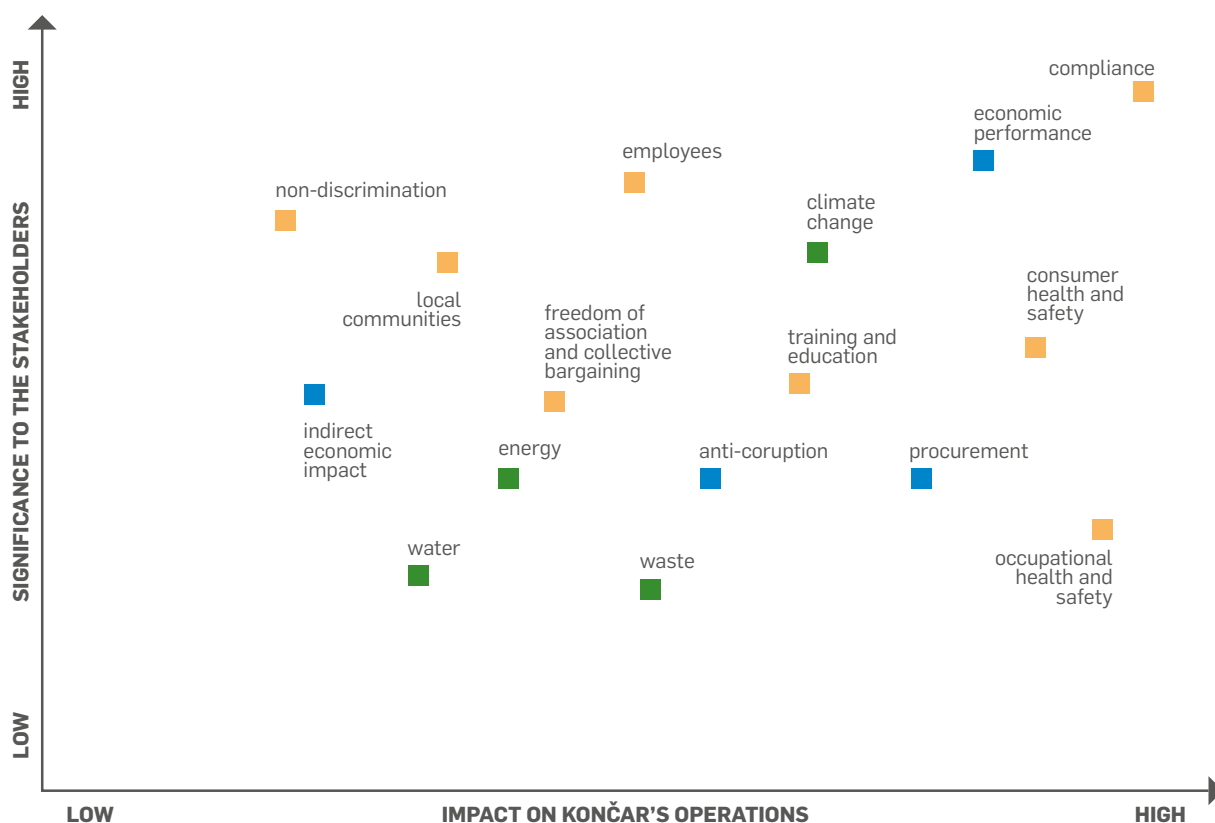
- economic performance, GRI 201
- indirect economic impacts, GRI 203
- anti-corruption, GRI 205
- procurement, GRI 204

### ENVIRONMENTAL STANDARDS:

- energy, GRI 302
- water and effluents, GRI 303
- climate change, GRI 305
- waste, GRI 306

### SOCIAL STANDARDS:

- employees, GRI 2-7
- 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
- assessment of the health and safety impacts of product and service categories, GRI 416
- compliance with regulations, GRI 417



■ economic standards      ■ environmental standards      ■ social standards

Restructuring initiatives continued over the course of 2022. More information on significant changes in the organization is available under GRI Standard 2-4.

### Reporting period, frequency and contact point

CSR reporting cycle is annual, and this report has covered the period from 1 January to 31 December 2022. The preceding Report was published in June 2022.

This CSR Report encompasses all KONČAR Group members. The Report was drafted by KONČAR – Electrical Industry Inc. The contact person for any queries pertaining to the Report and its content is the Director of the Marketing and Corporate Communications Department.

## Topic - Specific Standards: Economic

In 2022 KONČAR realized total operating income in the amount of HRK 5,464.5 million, which represents an increase of HRK 1,910.2 million or 53.7% year-on-year.

Revenue generated from sales of product and service accounts for 97.1% of the total operating income, while other income amounts to HRK 161.1 million and accounts for 2.9%. Among other income, the most significant amount pertains to sale of assets not in the function of core business, income from subsidies received, accounts receivable collection write-offs and non-current inventories, income from prior years, lease income, badwill (negative goodwill) and factoring income.

Operating expenses amount to HRK 5,088.4 million, representing a year-on-year increase of 51.4%. With reference to operating expenses, material costs (cost of raw materials and commodities, costs of goods sold and other external costs) amount to HRK 3,760.4 million and are HRK 1,381.0 million (58%) higher year-over-year. The share of material costs in sales revenue, adjusted for inventory value changes, amounts to 69.5%, representing a consolidated increase of 1.9 percentage points compared to the previous year. In some of the manufacturing subsidiaries, particularly those with longer lead times, prices of commodities and raw material account for an even greater share of the sales revenue, up to 11 percentage points year-on-year.

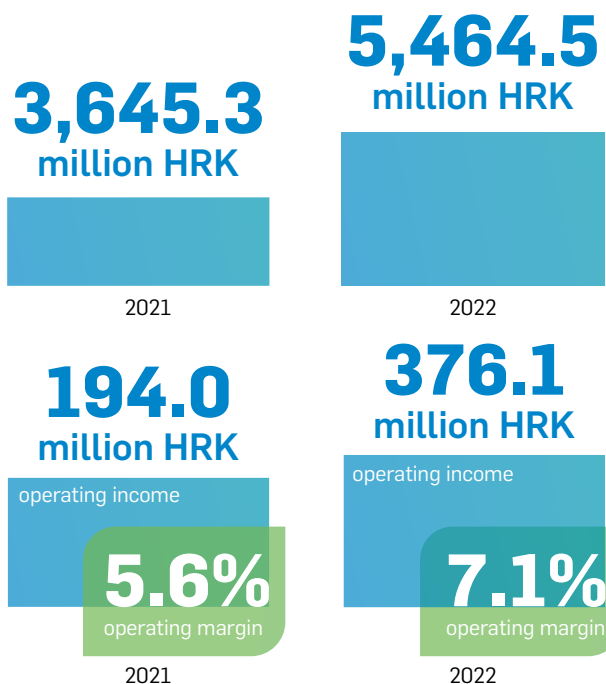
Staff costs amount to HRK 1,015.0 million, representing a year-on-year increase of HRK 285.4 million or 39.1%. The share of staff costs in sales revenue amounts to 18.7%, representing a year-on-year decrease of 2.1 percentage points.

Other operating expenses amounting to HRK 249.2 million pertain mostly to staff costs and other employees' rights, as well as to non-production services, other provisions, intellectual services, insurance premiums and other.

Operating profit (EBIT) amounts to HRK 376.1 million, representing a double-digit growth year-over-year. Operating margin stands at 7.1%. Normalized operating profit amounts to HRK 328.8 million, while normalized EBIT margin stands at 6.2% (2021:6%).

The difference between financial revenues and expenses is positive and amounts to HRK 2.2 million.

### Total operating income in 2021



Operating profit of HRK 376.1 million, share in the profit of associated parties and joint ventures in the amount of HRK 25.2 million and a positive difference between finance income and expenses in the amount of HRK 2.2 million, resulted in consolidated profit before tax amounting to HRK 403.5 million. Income tax amounts to HRK 33.4 million. The realized net profit for the reporting period stands at HRK 370.1 million.

Reported EBITDA amounts to HRK 503.5 million, representing a year-on-year increase of HRK 212.8 million. EBITDA margin is 9.5% (in 2021 it stood at 8.4%).

Normalized EBITDA amounts to HRK 456.2 million and is HRK 149.3 million higher year-on-year. Normalized EBITDA is EBITDA less the net effect of provisions, asset sale income, loss compensation income, income from state-issued subsidies and one-off effects of transactions related to Dalekovod and increased by value adjustment of non-current and current assets. Normalized EBITDA margin is 8.6% percent (it amounted to 8.8% in 2021).

More information on economic performance can be found at <https://www.koncar.hr/en/investors/annual-financial-reports/> in the 2022 Management Report.

## Direct economic value generated and distributed

Direct economic value generated and distributed - in HRK	2022	2021
Direct economic value generated (income)	5,464,470	3,554,258
Salaries and benefits	1,014,964	729,606
Budget payments (tax)	33,369	26,519
Operating expenses	5,088,393	3,360,266
Net financial expenses	2,202	5,062
Investments in the community (donations and sponsorships)	2,531	1,952
<b>Retained economic value (net profit)</b>	<b>370,155</b>	<b>211,391</b>

## Climate-related risk management

KONČAR, as the regional leader in power engineering and one of the most prominent European manufacturers, has opted to prioritize investments in sustainable development, digital transformation, and solutions and products that combine green and digital technologies.

In 2020, KONČAR developed the then largest solar power plant in Croatia, on the Island of Vis, and in October 2022 we installed and commissioned the storage battery system at the plant, which was developed and manufactured at KONČAR, facilitating the island's journey towards energy self-sufficiency and sustainability.

Furthermore, in 2022 KONČAR developed solar power plants for several partners, including the design and construction of the largest and the most advanced solar power plant in Croatia, Donja Dubrava SPP, developed for HEP (Croatian national energy company).

KONČAR has successfully developed three integrated photovoltaic power plants installed at the roof tops of the Company's facilities; at KONČAR - Distribution and Special Transformers (D&ST), KONČAR - Generators and Motors (GIM) and KONČAR - Motors and Electrical Systems (MES).

In 2022, KONČAR - Engineering Ltd. and Male hidre d.o.o signed an agreement for the construction of the small hydro power plant Otočac (SHPP Otočac), which will boost the energy capacity and upgrade the energy utilization of the existing derivation system at Senj HPP. Research and development of a submersible generator for low-head hydro power plants allows for greater use of hydro power with minimum environmental impact, allowing KONČAR to drive the green transition and expand its market share in this business segment. The product is designed for the global low-head hydro power market, where there are no large dams or water reservoirs, eliminating any adverse environmental impacts.

KONČAR has been creating and applying knowledge and expertise in development, production and maintenance of software solutions for power engineering over a number of decades. With a focus on green transition and digital transformation, the Company has allocated significant resources to the development of digital solutions for management of advanced networks, critical infrastructure and smart cities. In 2022, KONČAR - Digital rolled out the latest version of SCADA software PROZA Station, a cloud-based solution designed to monitor and manage distribution and transmission substations. One of the key benefits of the new solution is its cloud-based application, providing cost-efficient digital management of low and medium voltage distribution substations, which is essential for the construction of a smart power grid. It is important to underscore that KONČAR's products and solutions are manufactured in Croatia, by domestic exports, and are the result of independently developed methods, tools, and solutions. This approach enables KONČAR to be recognized as a key stakeholder in the European green transition, and empowers Croatia to be a competitive and relevant EU member supporting the upcoming sustainable development projects.

**„HEP and KONČAR have partnered up to deliver energy autonomy and self-sufficiency to Croatian islands, teaming up on modern projects such as the first non-integrated solar power plant on the island of Vis. I would like to emphasize that KONČAR's development of KonSol converter enabled direct connection of the power plant to the distribution grid, while at the same time reducing energy conversion losses. I am optimistic that KONČAR will continue supporting HEP's further investments in solar energy, by delivering converters and plant management and monitoring systems”, said Gordan Kolak, KONČAR CEO.**

## Defined benefits plan and other retirement plans

KONČAR Group subsidiaries make regular payments towards contributions in the generation solidarity system for all employees at a 20 percent rate under the first pension pillar. The first pillar contribution rate for all those insured under both mandatory pillars is 15 percent, while a 5 percent contribution is paid towards the second pension pillar into personal accounts opened with mandatory pension funds.

Provisions for length-of-service awards and severance pay amount to HRK 37,665 thousand (2021: HRK 39,904 thousand). The amount includes an estimated amount of regular employee benefits (regular severance pay and length-of-service awards) and severance pay 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, length of service as of the balance sheet date and discount rate of 3.2% (2021: 0.6%).

# Indirect Economic Impacts

Impacts of infrastructure investments can extend outside of the scope of the company's business operations even KONČAR's investments into business operations and the realization of certain projects have had an indirect impact on the wider community, stakeholders and the economy. Similar projects continued over the course of 2022. Some of the most significant initiatives are outlined below.



## Construction of the 3 largest solar power plants in Croatia

On 20 January, KONČAR-Engineering signed an agreement with INA Group, becoming the lead contractor for the construction of Virje and Sisak solar power plants. On 21 January, the Company also signed an agreement with HEP for the design and construction of Donja Dubrava solar power plant. Cutting-edge technological solutions will be used in the construction and KONČAR is responsible for implementation. By signing these agreements, KONČAR has further strengthened its role as a regional leader in the field of construction and revitalization of facilities for electricity generation from renewable sources, and continues to contribute to the decarbonization of the Croatian power sector with its solutions, experience and expertise.



GRI 203

GRI 203-2  
COR 8, 9, 11, 12, 13

### 110 kV submarine cable replacement

The realization of the 110 kV submarine cables project replacement kicked off on 23 February 2022 with the laying of the first submarine cables at the 7,300 m Postira – Dugi Rat section, and 4,180 metre-long section with the island of Krk, which is the first phase of the strategic investment project carried out by the Croatian Transmission System Operator (HOPS) for the period until 2024. The project is of strategic interest for the Republic of Croatia and its goal is to secure reliable and secure supply for the customers on the Adriatic islands. The project also contributes to touristic sector, further development of touristic and industrial capacities and renewable energy sources and retention of people on the islands. One of its environmental goals is to keep the Adriatic Sea clean. The project is fully financed by grants under the National Plan for Recovery and Resilience 2021-2026, with total value for all six planned sections amounting to HRK 440 million, and the works are expected to be completed in June 2024.



### Research and development of software prototypes for the integration of artificial intelligence in SCADA systems

KONČAR – Digital rolled out the latest version of SCADA software PROZA Station designed to monitor and manage distribution and transmission electrical substations. One of the key benefits of the new solution is its cloud-based application, providing cost-efficient digital management of low and medium voltage distribution substations, which is essential for the construction of a smart power grid. Cloud-based PROZA Station is currently being trailed for remote monitoring and management of the distribution substation in the area of Tuzla in Bosnia and Herzegovina, and the test results with JP Elektroprivreda BiH confirm the full functionality of the SCADA system, with significantly increased efficiency and reduced implementation and maintenance costs.

**First medium power transformer to be awarded Product Carbon Footprint (CFP) Verification Statement.**

KONČAR - Distribution and Special Transformers (D&ST) delivered, to a new customer in Spain, an 80 MVA transformer, the first with the Product Carbon Footprint (CFP) Verification Statement for medium-voltage transformers, in accordance with ISO 14067:2018. In February, the transformer successfully passed the carbon footprint audit carried out by the certification company Société Générale de Surveillance (SGS) and this is the first project to be awarded this verification statement.



**High voltage transformer from GREEN LINE program launched**

KONČAR - Instrument Transformers completed a multi-year cycle of rigorous tests with bio-degradable insulating liquids on the whole line of high-voltage transformers marketed under GREEN LINE name. The first transformers from the series have already been delivered their customers and have been commissioned, which is another acknowledgement of KONČAR's global leadership in the application of eco-friendly fluids in the field of instrument transformers.

### The Smart Museum in Karlovac unveiled

As part of the Karlovac Smart City project, in which KONČAR - Digital and the company Odasiljači i veze (OIV -Transmitters and Communications) have been partnering up for several years, the Karlovac City Museum presented a new technological solution, the first of its kind in Croatia, designed to optimize the processes necessary for the protection of museum materials, based on a unique IoT platform. Within the pilot project, a system based on OIV's Smartino multi-purpose communication platform for the Internet of Things, was implemented and integrated with KONČAR's MARS software platform for data collection, processing and visualization. KONČAR MARS is a modern software platform for the Industrial Internet of Things and digital solutions for smart cities, critical and urban infrastructure and energy. This open and modular platform enables real-time monitoring, management, analysis and reporting. It is used in the power industry, water supply and sewage, public lighting, parking lots and electric vehicle charging stations, in order to detect losses and improve energy efficiency. Its primary environmental applicator is noise and air quality monitoring and waste management. The platform ensures data integrity and operations with cyber-secure systems.

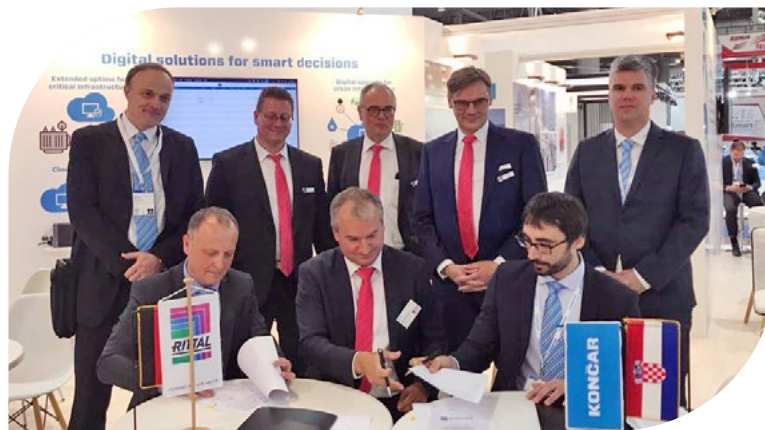
### Final tram delivery to Liepājas tramvajs

In November 2022, KONČAR - Electric Vehicles (KEV) delivered the last of the contracted fourteen low-floor trams for public transport in the Latvian city of Liepāja, which was immediately commissioned and included in regular traffic. KONČAR - Electric Vehicles and Liepājas tramvajs signed an agreement in November 2018 for the delivery of six low-floor trams, with the option of additional delivery. The company secured subsequent funds for additional trams and KONČAR was again entrusted with the task of their manufacture and delivery. The vehicles were co-funded by the EU as part of the Comprehensive Reconstruction of Tram Route and Adjacent Territory program, and the value of this agreement stands at nearly €21 million. The low-floor tram and all associated sub-systems have been developed by KONČAR Group subsidiaries.



**KONČAR - Digital and RITTAL partner up to build data centres in the region**

KONČAR – Digital and RITTAL Croatia signed a Cooperation Agreement at Hannover Messe. This cooperation agreement and joint market approach create new opportunities for the development of IT infrastructure and efficient management of data centres in Croatia and the region.



**High performance explosion proof motors certified**

KONČAR – Motors and Electrical Systems (MES) invests in research and development and is one of the first and leading producers to certify high performance explosion proof motors. This is a key innovation in the portfolio of the company which is a global trend leader in synchronous reluctance motors. Such motors have recently proven to be a commercially viable and highly efficient alternative to asynchronous motors. The motors boast low energy losses and reduced CO<sub>2</sub> emissions.

**KONČAR wins an agreement for the revitalization of HPP Haditha in Iraq**

KONČAR - Engineering signed an agreement worth EUR 65 million, with Iraq's Ministry of Electricity for the revitalization of HPP Haditha. The agreement marks the Company's return on the Iraqi market, and includes the revitalization of the largest hydro power facility with the installed capacity of 6×128 MVA, KONČAR's turnkey project built 35 years ago.





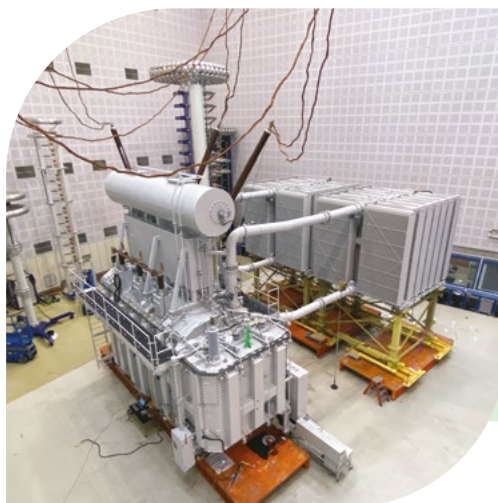


### Zaprešić - Zabok railway line modernized and electrified

As part of the HŽ Infrastruktura's project for the modernization and electrification of Zaprešić - Zabok railway line, KONČAR - Engineering (KET) carried out works on the construction of power, traffic management, control, command and signalling infrastructure subsystems. Other KONČAR subsidiaries participated in this complex project together with KET. The realization of this project is a significant credential for KONČAR in modernization and electrification of railway infrastructure, and specifically in the segment of traffic management and control, command and signalling sub-systems. The reconstruction of the section has improved the level of safety and efficiency of passenger and freight transport and enabled its full integration into the suburban railway system in the area of Zagreb agglomeration.

### Offshore transformers delivered to the USA

As part of the Vineyard Wind 1 project, KONČAR-Power Transformers (KPT), a joint venture between Siemens Energy and KONČAR, delivered two 245 kV offshore transformers with nominal power of 450 MVA. These are also the largest offshore transformers that KPT has ever manufactured, installed at the largest wind farm in the USA, which will supply more than 400,000 households, while reducing CO2 emissions by more than 1.6 million tons per year. KPT also delivered two 450 MVA auto-transformers for onshore substations within same project.



### An agreement for seven diesel-electric multiple units

KONČAR - Electric Vehicles signed with HŽ Passenger Transport an annex to the EUR 31 million Sale and Purchase Agreement for seven diesel-electric multiple units, financed by a loan from the European Company for the Financing of Railroad Rolling Stock (EUROFIMA). This regulated the last phase of the agreement from 2014 on the manufacturing of 44 trains (32 EMUs for suburban and regional transport and 12 DEMUs for regional transport).

**Transformers delivered for the construction of Lithuanian energy storage system**

KONČAR-Distribution and Special Transformers (D&ST) signed an agreements for the delivery of four 55 MVA, 115/20 kV transformers to a customer in Lithuania, for one of the largest projects both in the Baltics and Europe - the implementation of a battery storage system for electricity storage that will ensure the reliability and stability of the local transmission system. In July 2022, the customer took over the transformers from D&ST after a successful completion of factory acceptance testing, and by the end of August all 4 transformers arrived at their final installation destination in Lithuania.



**Tramway propulsion drive converter with supercapacitor module and development of the new-generation numerical protection devices**

KONČAR - Electronics and Informatics (INEM) successfully completed two four-year projects, co-financed from the European Regional Development Fund, intended for increasing the development of new products and services that result from research and development activities, as part of the Operational program Competitiveness and Cohesion 2014 - 2020. Within KONTRAC - Tramway propulsion drive converter with supercapacitor module project tramway propulsion converters with a braking energy storage unit for the vehicle and its subsequent use were innovated and developed. KONPRO 2 - development of new-generation numerical protection devices project developed numerical protection relay RFX 743 which is in the commercialisation phase, and INEM continues with the development of other relay types on the platform. The Zagreb Faculty of Electrical Engineering and Computing partnered up with INEM in both projects.

**Elektroprivreda HZHB ceremoniously opened the new dispatch centre**

On 7 September, Elektroprivreda HZHB ceremoniously opened the new dispatch centre in Mostar. The dispatch centre enables the monitoring and management of all plants in the power distribution system through the main centre in Mostar, as well as 4 regional centre in Grude, Livno, Novi Travnik and Orašje. This demanding project, worth EUR 5 million, was carried out by KONČAR - Engineering in cooperation with the German consortium partner PSI AG. KET was responsible for the design and development of the technical solution, the complete implementation of the advanced SCADA system, installation and the commissioning of digital automation systems at the plant. This project is another flagship achievement for KONČAR, the regional leader in the implementation of new complex digital solutions for remote control in energy projects.



### New generation of embedded computer systems for EMUs

In 2021, KONČAR - Electrical Engineering Institute (Institute) as a provider of train management equipment, signed with KONČAR - Electric Vehicles (KEV) an agreement for the delivery of equipment for 21 EMUs to HŽ Passenger Transport. Most of the equipment for this train series is based on the emerging proprietary KonECS hardware and software platform that enables configuration of industrial embedded computer systems (ECS) of various purposes. KonECS (Končar Embedded Computer Systems) platform represents a culmination of decades of development activities carried out at the Institute. The platform offers a series of new communication and computer capabilities, while maintaining all functionalities from the earlier versions.



### Lean management - more values with less resources

Lean management is the best-known strategic methodology globally applied by business and manufacturing systems in order to optimize the use of company resources, boost productivity and competitiveness, drive down costs, bolster employee motivation and minimize the adverse impact of work process by-products on the environment. The founder and senior advisor at the Lean Enterprise Institute, James P. Womack, visited KONČAR - Power Transformers (KPT), a joint venture between Siemens Energy and KONČAR, and was given a tour of the manufacturing capacities and a presentation of the practical application of the Lean model. KPT is an example of the best practice of Lean management in Croatia, given that it has been applying it in daily operations since 1998, when the Company made a strategic decision to drive down manufacturing costs by at least 30%. At the end of his visit, Mr Womack expressed his satisfaction with Lean practices at KONČAR - Power Transformers. Over the past 8 years, Lean methodology has been introduced at KONČAR - Distribution and Special Transformers (D&ST), and Lean is at the heart of KONČAR - Switchgear's efforts to continuously improve efficiency and strengthen the integration between business units. Lean has also been introduced at KONČAR - Motors and Electrical Systems (MES), within the project Advanced and Integrated Operations at KONČAR - MES, with the aim to transform the business model utilizing digital technologies.

### KONČAR signs an agreement for the construction of Otočac SHPP

On 11 October 2022 in Otočac, Male hidre d.o.o., a joint venture of HEP and KONČAR-Renewable Sources, signed a HRK 90 million worth agreement with KONČAR-Engineering for the construction of Otočac Small Hydro Power Plant (Otočac SHPP). The heart of the power plant is a submersible machine consisting of a permanent magnet generator and a variable-speed turbine. This is the result of an R&D project co-financed by the European Regional Development Fund. The plant is designed with 1.5 MW connection power and will comprise three independent 500 kW power generation units. Components, such as the generator, static converter, control system, transformer and switchgear, will be manufactured by KONČAR and the rest of the equipment will be manufactured in the domestic market. The submersible machine is connected to the grid through a converter, and it is designed for the global low-head hydro power market. This type of solution is ideal for future hydro power projects with a dozen or so generators on a low dam or bridge. R&D of such products one of the many ways in which KONČAR contributes to the green transition and one that will boost market share in this business segment.



### Special transformers for two projects in Iceland

In October 2022, KONČAR - Distribution and Special Transformers (D&ST) delivered two special distribution transformers with a rated power of 5 MVA to a long-term customer - Rarik Distribution in Iceland. One transformer is delivered for the Kópasker substation in the town of Kópasker with about 130 inhabitants working in agriculture, and the new substation will be reinforced with additional 11 and 33 kV cabinets, while the existing transformer will be replaced with a new one. The second transformer will be installed at the substation in Lax-árvatn, replacing the existing 2.1 MVA (33/19 kV) unit in order to meet the electricity demand in that large agricultural area.

### Battery storage system on Vis in trial operation

In November 2022, KONČAR-Electronics and Informatics installed a 1 MW battery storage system with storage capacity of 1.44 MWh at the solar power plant site on the island of Vis, which was built by KONČAR-Engineering in 2020. The core service provided by Vis battery storage system is to reduce peak load and balance load diagram at the 35/10(20) kV Vis substation. This upgrade will primarily be used in the summer months, at peak consumption during the tourist season. In addition, it can be utilized for a number of other services, such as voltage regulation and loss reduction at Vis SPP, load balancing, generation optimization in accordance with the daily weather forecast, and minimising the need to shut off the solar power plant.



## KONČAR rolls out next-generation digital solutions for power management systems

From 6 until 9 November 2022, the Croatian Branch of the International Council for Large Electric Power Systems – HRO CIGRE organised the 15th Symposium on Power System Management, and KONČAR was a golden sponsor. The symposium brought together a large number of participants, more than 700 experts and scientists from the power industry. At KONČAR's exhibit area at the Symposium, KONČAR - Digital and PSI Software from Germany signed a partnership agreement on strategic cooperation in the field of design, construction and management of urban centres for mobility in public transport and control centres for data, water, gas and heating. The cooperation enables KONČAR to share digital solutions, provides market access, and creates new opportunities for accelerated digitalization of critical and urban infrastructure in Croatia and across the region.



## Digital Factory Lab - DFL

In order to successfully keep up with, adopt and apply technological trends, KONČAR has established the Digital Factory Lab - DFL. The goal of the DFL is to build up and strengthen Industry 4.0 strategic competencies and organizational capabilities, using advanced digital tools and technologies in order to develop and improve manufacturing, i.e., ensure technological prerequisites necessary to deliver marketable complex digital solutions.

Eleven KONČAR subsidiaries have set up the Digital Factory Lab, and KONČAR – Electrical Engineering Institute coordinates and spearheads the project.

Over the course of 2022, 11 training sessions were held with a total of 281 participants, covering the following topics:

- practical use of advanced digital tools and technologies
- project, process and product management
- planning methods and developing operational plans and strategies
- dynamic production planning
- advanced modelling methods
- structural simulations, electromagnetic simulations and fluid simulations



## Cooperation with the academic community

Since establishment, KONČAR has been dedicated to education and has consistently included its leading experts in teaching or encouraged them to pursue academic and scientific careers. For decades, KONČAR Group has nurtured a tradition of academic excellence and has made exceptional efforts in the training and development of domestic experts, working closely with Croatian higher education institutions, primarily technical faculties. We have fostered a mindset that the economy and science must parent up for long-lasting success and this was also reflected in various activities and projects undertaken in partnership with educational institutions in 2022.

### KONČAR bolsters the cooperation with the academic community

In January 2022, KONČAR's President of the Management Board, Gordan Kolak, was elected a member of the Program Board of the MBA in Energy Economics at the Faculty of Economics and Business of the University of Rijeka. On 1 April, KONČAR was a host for the 11th generation of students of MBA program as part of which Mr Kolak held a presentation KONČAR Integral Strategy in the global transition of the electric power sector. KONČAR continues to work closely with the academic community, and this cooperation dates back to the 1940s.



### Better education, better Croatia

KONČAR endorsed the seventh conference *Better education, better Croatia*, which was held on 5 March at the Zagreb Innovation Centre - Zicer, bringing together all stakeholders in the field of education - from ministries, faculties, distinguished scientists and professors to students and employers. Miro Antonijević from KONČAR – Digital participated in one of the three Business experience panels: *How to create employees of the future today?*, saying that KONČAR provides people with opportunities to work on unique and challenging projects, encourages further training and development - PhD, MBA, MSc, specialist study programs, certification and other trainings, provides the funds for the studies and enables people to apply the newly-acquired knowledge in practice and to improve the operations. KONČAR also set up a summer boot-camp, co-organized courses at the Faculty of Electrical Engineering and Computing, thus attracting potential employees as early as possible.

### Belgian students visit KONČAR

During their seven-day study trip in Croatia in March, about fifteen industrial engineering students from HELMo Gramme University from Liège, one of the largest universities in the French community of Belgium, visited KONČAR - Electrical Engineering Institute. The students learned some general information about KONČAR Group and were given an detailed insight into the work and capabilities of the Laboratory Centre, under the expert guidance of Danijel Brezak, Head of High-Voltage Lab. The Laboratory Centre consists of nine laboratories internationally accredited for nearly 700 testing and calibration methods. The Laboratory Centre and the Certification Department (SCERT) within KONČAR - Institute have become globally recognizable for their adaptability, expertise and one stop testing approach, and this is the result of accreditations obtained from the Croatian Accreditation Agency, the accreditation as a notified body for relevant EU directives and membership in the Certification Body Testing Laboratories, the exclusive group of the world's leading laboratories.





### **KONČAR partners up with Zagreb University of Applied Sciences (TVZ) for Mc2 contest**

The TVZ contest Mc2, organised by the Students' Council of Zagreb University of Applied Sciences, was officially opened on 9 February 2022. It is the largest student competition in Croatia for mobile, network and IoT solutions, giving employers an opportunity to meet entrepreneurial and motivated students. KONČAR endorsed the organization as a Senior Partner of the competition, and Ivan Cindrić from KONČAR - Digital and Biserka Vincek from KONČAR - Electrical Engineering Institute participated as mentors. The two subsidiaries provided work experience program and further professional training to the most ambitious students.

### **Keeping children safe online**

KONČAR recognizes the importance of protecting children online and on 8 February, the Company marked the Safer Internet Day by launching the Internet Alphabet project, of which it is a proud sponsor. KONČAR's project included children from as many as 36 elementary schools across Croatia, together with the children of our employees, who were able to actively participate in the project during the year, and the aim was to promote more responsible and safer use of the Internet and digital technologies. Through online presentations, students were encouraged to participate in discussions with teachers, school psychologists and pedagogues. The content was divided into 5 modules and was presented to the children in a fun, humorous and straightforward way. The project was endorsed by the Agency for Education and the Ministry of Science and Education of the Republic of Croatia.



### **KONČAR is the main sponsor of the largest job fair in Croatia**

More than five thousand students from the Faculty of Electrical Engineering and Computing (FER) and other related faculties visited the Job Fair, which was organized by FER. The students were able to meet and get to know the most attractive domestic employers in one place. Among 134 present exhibitors, power engineering and IT companies were in focus. KONČAR was the main sponsor and the biggest participant at the fair. Representatives of several KONČAR subsidiaries had the opportunity to meet candidates and potential future colleagues, and provided the students with useful information about internships, scholarships, term papers and final theses, as well as career and developmental opportunities.

### A Cooperation Agreement signed with Effectus - Entrepreneurial Studies - University College

Cooperation with educational institutions is an important part of KONČAR's operations. To that end, in March 2022, KONČAR - Electrical Industry renewed its cooperation with Effectus – Entrepreneurial Studies University College, which dates back to 2018. The Agreement allows KONČAR experts to be guest lecturers at Effectus and envisages other forms of cooperation agreed between the parties. As an added value for the employees of the signatory companies, the Agreement provides for more favourable tuition fees for Effectus study programs for employees and their immediate family.



### KONČAR attends career fair organised by Zagreb School of Economics and Management

Student Future Day is a traditional career fair organised by Zagreb School of Economics and Management. The event gathers a large number of leading companies and students from Zagreb School of Economics and Management. This was an excellent opportunity for our experts to present KONČAR Group's business segments, strategy and business goals. The students also learned more about employment opportunities in KONČAR, and how young employees are provided with opportunities for further development and training.

### Connecting theory and practice

Technically-oriented high school and university students regularly visit KONČAR subsidiaries. It is often their first direct contact with manufacturing, an opportunity for students to see the theory they learn put into practice. As part of the field learning, around 20 students from the Engineering Technical School Fran Bošnjaković in Zagreb, together with their headmaster and their electrical engineering teacher, visited KONČAR - Electrical Engineering Institute on 19 May. Second-grade students, training for mechatronics technicians, were welcomed by the Institute's associates, who presented only a small part of capabilities of the Laboratory Centre, which consists of eight laboratories equipped to carry out almost 700 testing and calibration methods according to the requirements of international standards and technical specifications.







### Award to best students of the Faculty of Electrical Engineering, Computer Science and Information Technology Osijek (FERIT)

To mark the 44<sup>th</sup> anniversary of the Faculty of Electrical Engineering, Computer Science and Information Technology Osijek, at the formal session of the Faculty Council, awards were presented to the best students for their achievements in specific study programs, i.e., for extracurricular activities that contributed to the reputation of the Faculty. Awards were also presented to prominent young scientists and to lecturers for excellence in teaching, as well as the Dean's Award. KONČAR continues to foster excellence among young people in the course of their education and traditionally presents awards to best students from various polytechnics and faculties, and awards the best doctoral dissertations with industry application. The Company also provided co-funded this event.

### Annual KONČAR Award

The Day of the Faculty of Electrical Engineering and Computing (University of Zagreb) was marked on 25 November 2022. For the nineteenth consecutive year, the Annual KONČAR Award was awarded for doctoral dissertations with outstanding scientific achievements in the field of industry-applied technical sciences. The event was attended by many guests, representatives of scientific and educational institutions and businessmen. Ivan Bahun, Deputy President of the Management Board, presented the 2021/2022 Award to Filip Jukić for his doctoral thesis *Sensorless control of permanent magnet wind generator based on sliding-mode observer*. As in previous years, KONČAR-Electrical Engineering Institute presented a cash award to one of the winners of the *Josip Lončar* bronze plaque for successful completion of graduate studies. Siniša Marijan, President of the Institute's Management Board, presented this year's award to Marko Filip Horvat, a student in Electrical Engineering and Information Technology, specializing in Electrical Engineering systems and technology, with a grade point average of 4.96.





**Marking the 103rd anniversary**

On 11 November 2022, the Faculty of Mechanical Engineering and Naval Architecture (FSB) celebrated the Day of the Faculty, marking its 103th anniversary. During the formal session of the Faculty Council, the best students, lecturers and employees were awarded. KONČAR has a long-standing cooperation with the Faculty and this year it presented the award in order to foster excellence and provide support to the best students. This year recipient is Aaron Bišćević, as the best undergraduate student of mechatronics and robotics with an average grade of 4.917 and the award was presented by Siniša Marijan, President of the Management Board of KONČAR-Electrical Engineering Institute. From 7 to 11 November, as part of FSB Days, Career Days and Career Speed Dating were also held, and KONČAR subsidiaries Distribution and Special Transformers, Generators and Motors, Instrument Transformers and Motors and Electrical Systems showcased themselves at the events as potential employers.

**Industrial partner for the Nuqleus project**

Nuqleus, a new program to support researchers and scientists in the commercialization of scientific research results, was launched on 30 November, at the Alumni Club of the Faculty of Electrical Engineering and Computing, University of Zagreb. Nuqleus gathers scientific and research institutions, industry and the startup ecosystem, harnessing of the best aspects that each of these three worlds offer. KONČAR - Digital is one of Nuqleus's chosen industrial partners, supporting the development of new Croatian IT companies based on innovative technology.

**40th anniversary of FER's Freshers' Party**

The Freshers' Party organized by the Faculty of Electrical Engineering and Computing (FER) is the largest event of the kind in Croatia, and on 12 November 2022, students flocked to the premises of the Faculty, marking the event's 40<sup>th</sup> anniversary. KONČAR was the golden sponsor of the event, attended by a dozen representatives from KONČAR - Electrical Engineering Institute, KONČAR - Electric Vehicles and KONČAR - Generators and Motors. This was an excellent opportunity to enhance the corporate image through an informal meet-up with ambitious students, and the focus was on the career opportunities for students in the form of work experience programs, internships or employment.



**Procurement practices**

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. KONČAR Group members cooperate only with those suppliers whose materials and components do not cause 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 suppliers of respective materials and services is subject to meeting defined quality levels, lead times, credit term requirements, and takes into account occupational health and safety and environmental protection. Suppliers are required to provide evidence (certificates) of compliance. The Group members have created databases of the existing and potential suppliers. Apart from the general information (name, address, phone, e-mail, contact person), the database also contains other information which may affect the selection of a supplier such as their references, complaint information, quality system data, health and work safety data, environment protection data.

The main challenges in procurement in 2022 were related to supply chain disruptions and surging energy prices caused by the war in Ukraine. Prices of major raw materials and commodities (copper, aluminium, sheet metal, steel, transformer oil, insulation) have been exposed to unprecedented volatility, recording rampant growth or occasional decline over a short period of time. Leveraging available options, the Group has hedged against the risks of sudden disruptions in the prices of strategic raw materials in several ways. Over the last two years, sliding formulas for raw materials and commodities have been utilized in purchase and sale agreements with customers. In case of copper, the risk mitigation policy for those agreements excluding sliding formulas and given that it is a London Metal Exchange listed raw material, futures and forward contracts are used to negotiate with copper suppliers on the quantities and prices, in line with stocks and estimates of future needs. In case of transformer sheet and some of the most crucial supply parts, risk is mitigated by employing semi-annual or annual contracts with suppliers, in order to ensure the necessary quantities. Price changes of raw materials and commodities are calculated into and accounted for when issuing new offers and product price quotations.

GRI 204  
COR 12

## Expenditure on local suppliers

Supplier origin In HRK thousand	Realization Jan-Dec 2021		Realization Jan-Dec 2022	
	Investment Procurement - 3	Procurement of commodities raw materials - 4	Investment Procurement - 5	Procurement of commodities raw materials - 6
Croatia	69,444	905,750	157,559	1,163,979
International	17,922	1,070,243	29,765	1,748,733
<b>Total</b>	<b>87,366</b>	<b>1,975,993</b>	<b>187,324</b>	<b>2,912,712</b>

In the period January - December 2022, unconsolidated procurement amounted to HRK 2,912.7 million. The amount of HRK 337.2 million relates to suppliers within the Group (dependent companies). Croatian suppliers account for 40% of the total procurement.

## Anti-corruption

KONČAR develops and operates in accordance with corporate governance best practices. The Company leverages its corporate and business strategies, policies, internal acts and practices to contribute to transparent and efficient operations and good relationships with the business environment it operates in.

Our core principles are:

- business transparency
- clearly defined procedures for the activities of the Supervisory Board, Management Board and other bodies
- avoidance of conflict of interest
- efficient internal controls
- efficient accountability system
- equal treatment of Shareholders and
- safeguarding of employees' rights and interests.

## Anti-corruption policies and procedures

The Management Board of KONČAR – Electrical Industry Inc. adopted the Code of Conduct, which, among other things, identifies prevention of bribery and corruption as one of the standards of business conduct. KONČAR Group's Code of Conduct defines corruption as any form of abuse of power and office for the purpose of obtaining personal gain or the gain of a group to which an employee or some other individual belongs. KONČAR – Electrical Industry Inc. adheres to the policy of zero tolerance to corruption and continuously invests efforts to prevent, expose and sanction any corruption. All employees have been informed and made aware of the Company's attitude and zero tolerance towards corruption.

Corruption does not necessarily involve personal financial benefit, but may involve other forms of conduct, such as allocation of positions to ineligible persons based on nepotism, political party affiliation or friendship, as well as any other selective application of regulations discriminating in favour of certain persons or organizations.

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

KONČAR - Electrical Industry Inc. has not made any financial or in-kind contribution to any political goals, directly or indirectly, to the state or a user.

KONČAR has promoted and executed fair and transparent competition principles across its operation in dealing with all entities at all locations. No anti-competitive, antitrust or monopoly practices have been recorded within KONČAR Group.

# Topic - Specific Standards: Environmental

The environment is of vital significance for KONČAR, as a major part of our equipment is installed directly in the environment (substations, hydropower plants, other power facilities or traction vehicles). KONČAR has adopted and disclosed the Integrated Environmental Management Policy. The Policy has been made available at the Company's official website [www.koncar.hr](http://www.koncar.hr), and all employees have been informed thereof.

## Energy

Efficient use of energy, reflected in the reduction of energy consumption per unit of income, and in the increase of renewable energy sources, are essential for combating climate change and reducing the overall carbon footprint of KONČAR Group.

Energy efficiency is one of the core business objectives and continuous efforts to increase the share of the use of renewable energy sources are necessary in reducing the impact of climate change and reducing the total carbon footprint of KONČAR Group.

By implementing relevant management systems, KONČAR duly invests efforts in achieving energy and environmental goals.



## Energy consumption within the organization

### KONČAR and Dalekovod

electricity / kWh	KONČAR	Dalekovod Group	Total
2022	20.785.874,11	3.888.820,00	24.674.694,11
2021	20.946.838,33	3.889.720,00	24.836.558,33
2020	19.518.787,73	3.418.490,00	22.937.277,33

heat energy / kWh	KONČAR	Dalekovod Group	Total
2022	36.562.213,26	3.452.800,00	40.015.013,26
2021	38.442.505,47	4.062.240,00	42.504.745,47
2020	36.678.330,74	2.864.770,00	39.543.100,74

## Energy efficiency

### KONČAR and Dalekovod

	2020	2021	2022
Total energy consumption / MWh	75,058.33	86,420.13	81,173.72
Income / (HRK million)	4,513.657	5,215,045	5,694.47
Energy consumption per unit of income / (MWh / HRK million)	16.6	16.6	14.3

Data pertain to non-consolidated income.

Total energy consumption pertains to direct consumption of electricity and heat, fuel consumption in vehicles, as well as indirect consumption of electricity and heat energy.

KONČAR undertakes regular activities and channels investments towards improving energy efficiency. In 2022, the Company made investments in infrastructure taking into account environmental criteria in its procurement process and investment decisions, so as to ensure the optimal environmental effect of the selected measures. Equipment replacement and reconstruction activities were carried out at thermal substations and substations TS E1 and TS A2, located at Fallerovo šetalište facility. In addition, replacement of a part of the underground steam line was realized.

The replacement of lighting fixtures and installation of LED lighting continued throughout 2022. By the end of 2022, the

share of LED lighting fixtures increased by 85% compared to 2020, which is another example of continuous energy efficiency initiatives.

The integrated photovoltaic power plant at Fallerovo šetalište facility, operated by KONČAR - Infrastructure and Services, generated 20.67 MWh of electricity in 2022, which was used for self - supply. This reduced CO2 emissions by 3.3 tonnes per annum.

The integrated photovoltaic power plant at Jankomir facility, operated by KONČAR - Distribution and Special Transformers, generated 38.06 MWh of electricity in 2022, which was used for self - supply. This reduced CO2 emissions by 6 tonnes per annum. The integrated photovoltaic power plant was commissioned on 14 November 2022.

## Energy from renewable sources

KONČAR Group companies use ZelEn products, i.e., energy produced exclusively from renewable sources. KONČAR - Infrastructure and Services was awarded a certificate for 2022, confirming that 29,148 MWh of electricity from renewable sources was delivered for the supply of KONČAR Group. This contributed to a total annual decrease in CO2 emissions of 4,622 tonnes.

The share of energy from renewable sources in the total energy consumption for 2022 amounts to 33.26%.



## Climate change

Breakdown of greenhouse gas emissions in 2020, 2021 and 2022

### KONČAR and Dalekovod

CO <sub>2</sub> emissions / year	2020	2021	2022
Total CO <sub>2</sub> emissions / tonne	14,358.84	16,971.04	15,333.89
Direct CO <sub>2</sub> emissions / tonne	9,416.54	11,196.28	11,039.89
Indirect CO <sub>2</sub> emissions / tonne	4,942.30	5,117.40	4,294.00
Total CO <sub>2</sub> emissions / HRK million	3.18	3.25	2.69
Share of energy consumption from renewable sources in the total consumption / %	24.14	22.50	25.61

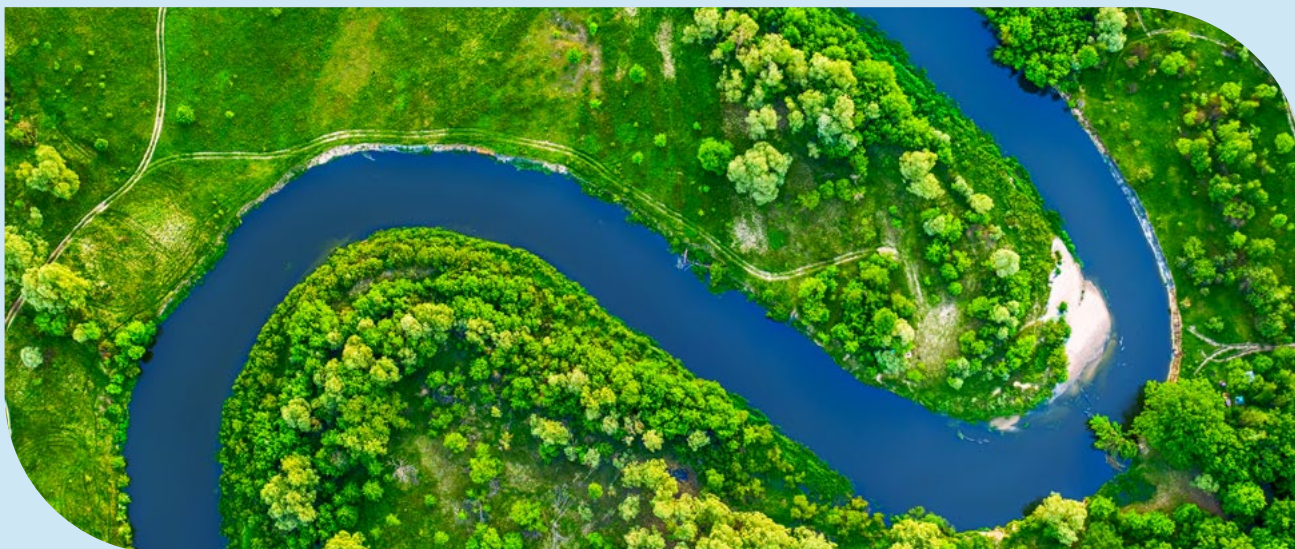
The total GHG emissions generated by KONČAR Group's operations are the result of direct and indirect energy consumption at KONČAR Group's facilities. Emissions occur in the production and consumption of heat and electricity and in the fuel consumption of vehicles.



### Reduction of energy consumption

Energy efficiency can be defined as a reduction in the amount of energy, i.e., energy necessary to perform a particular job or function, which saves money, improves environmental protection, air quality and security of energy supply, resulting in reduced emissions of greenhouse gases and other pollutants. In order to determine the level of efficiency, energy audits have been carried out (to determine current energy consumption and energy performance) of buildings used for non-manufacturing operations of KONČAR Group companies. All buildings have been assigned an appropriate energy efficiency class and energy efficiency improvement measures have been put in place.

In addition to energy audits of buildings, energy audits of large enterprises have also been 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 generation, transformation and distribution systems and consumption of energy sources). Although the Energy Management System according to the ISO 50001 standard has already been implemented at some KONČAR Group subsidiaries, other KONČAR Group members, as large enterprises, are encouraged to introduce and certify an energy management system according to the same standard.



## Water

Further activities have been conducted, aimed at better monitoring and management of water consumption by installing additional water meters.

Water consumption m <sup>3</sup>						
Year	KONČAR				Dalekovod Group	Total
	Fallerovo šetalistište facility	Jankomir (transformers) facility	Sesvetski Kraljevec facility	Borongaj facility		
2022.	43,497.00	31,362.00	2,050.00	11,387.00	9,632.00	97,928.00
2021.	57,651.00	29,331.00	2,160.00	16,299.00	11,013.08	116,454.08
2020.	58,366.00	26,978.00	2,101.50	12,818.00	7,954.00	108,217.05

KONČAR Group members operate from manufacturing facilities and commercial premises based at five sites in Zagreb and at two registered representative offices abroad (Mostar, Belgrade). Certain business and manufacturing facilities are located near water protection areas, and the obtained water permits for wastewater discharge at these locations are a guarantee that the Group complies with high business standards in the segment of water protection. In the course of 2022, at Borongaj, Samobor and Fallerovo šetalistište facilities, new water permits with unlimited validity period, were obtained.

### Significant impacts of activities, products, and services on biodiversity

KONČAR products and equipment comply with the highest safety standards and have had minimal environmental impact as evidenced by no recorded cases of complaints or incidents to date. Investors that have decided to construct facilities using equipment delivered by KONČAR are required to comply with environmental protection regulation and standards. Aware of the environmental risk, KONČAR has been implementing the Precautionary Principle. This is particular significance given that products and facilities are frequently delivered to areas of high biodiversity (rivers, lakes, rural areas). There have been no incidents of the loss of biodiversity due to our products so far. In accordance with the Precautionary Principle, when intervening in the environment, components of the 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 impact on the environment to the greatest extent possible.

In addition, any intervention in the environment is to 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 are to be adhered to, such as: application of best 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 prevention purposes, when intervening in the environment, it is necessary to apply the best techniques available and use globally renowned facility maintenance systems.

Waste

KONČAR and Dalekovod - waste	2020	2021	2022
Hazardous waste, tonne	333.85	437.59	640.47
Non-hazardous waste, tonne	5,485.85	5,056.81	5,799.13
Total waste, tonne	5,819.70	5,494.40	6,439.60
Reuse/recycling			
Redemption of raw materials, tonne	4,055.68	3,621.27	4,145.16
Waste paper (15 01 01)	264.81	260.47	299.60
Bio waste (20 02 01)	23.24	29.04	21.06
Total waste reuse/recycling	4,343.73	3,910.78	4,465.82
Share of waste reuse/recycling in Total waste, percentage	74.64	71.18	69.35

Certain amounts of hazardous and non-hazardous waste are generated in the course of business operations. All waste is separated at the point of origin, temporarily stored and, with appropriate legal documentation, disposed of through authorized legal entities.

It is significant to point out that of the total amount of waste generated, about 70% is reused and recycled (waste metals and paper), while bio waste is composted. This practice significantly facilitates the reduction of the amount of municipal waste that is disposed of at landfills.



Environmental compliance

Throughout 2022, there were no major fines or non-monetary penalties for non-compliance with environmental laws and regulations. In the reporting period, two inspections were conducted by the competent authorities, and their findings confirmed lawful conduct and compliance with environmental protection regulations.

There were no environmental impact disputes settled via the formal grievance mechanisms during this reporting period.



# Topic - Specific Standards: Social

## Employee turnover

In 2022, a total of 529 new workers were employed. During the reporting period, a total of 614 employees left KONČAR and the employee turnover rate was 12,7%.

	Employee turnover (by gender) – percentage*			Employee turnover (by age groups) - percentage*		
	Men	Women	Total	younger than 30	30 - 50	older than 50
KONČAR – Electrical Industry Inc.	12%	12%	12%	0%	13%	12%
KONČAR – Switchgear Ltd.	19%	12%	18%	24%	13%	20%
KONČAR – Digital Ltd.	3%	0%	2%	0%	3%	0%
KONČAR – Distribution and Special Transformers Inc.	3%	2%	3%	3%	2%	8%
KONČAR – Electric Vehicles Inc.	10%	16%	11%	14%	8%	13%
KONČAR – Electronics and Informatics Ltd.	14%	12%	14%	13%	18%	8%
KONČAR – Infrastructure and Services Ltd.	8%	18%	11%	0%	7%	15%
KONČAR – Generators and Motors Ltd.	16%	24%	18%	16%	21%	15%
KONČAR – Electrical Engineering Institute Ltd.	6%	9%	7%	15%	6%	0%
KONČAR – Engineering Ltd.	12%	10%	12%	6%	11%	18%
KONČAR – Motors and Electrical Systems Ltd.	13%	7%	11%	18%	9%	11%
KONČAR – Metal Structures Ltd.	14%	7%	14%	16%	14%	13%
KONČAR – Instrument Transformers Inc.	16%	8%	12%	39%	5%	14%
KONČAR – Renewable Sources Ltd.	0%	0%	0%	0%	0%	0%
Dalekovod Group	24%	10%	23%	48%	22%	11%
<b>TOTAL</b>	<b>14%</b>	<b>10%</b>	<b>13%</b>	<b>20%</b>	<b>12%</b>	<b>13%</b>

### 2022 summer work experience program at KET

KONČAR - Engineering continued its successful cooperation with several Croatian faculties and polytechnics, and in 2022 selected interested students from the Faculty of Electrical Engineering and Computing (FER), Zagreb University of Applied Sciences and the Faculty of Mechanical Engineering and Naval Architecture in Zagreb to complete their summer work experience program at KONČAR. Seven students, young colleagues, worked on projects for three weeks, and some remained even longer.





**KONČAR team best at case studies**

In mid-September 2022, IEDC Alumni Club Croatia - Bled School of Management organized a case study contest, and KONČAR team was one of the participants. Six participants from four subsidiaries (Digital, Generators and Motors, Engineering and KONČAR Inc.) gained knowledge in areas they had never encountered before and learned more about the value of teamwork.

**Employee benefits**

All KONČAR Group employees are entitled to equal benefits proportionally to their length of service, irrespective of contract type, race, gender and age. The Collective Agreement stipulates that all Group companies shall make payments for loyalty / service awards, 3 annual bonuses, a gift for children under the age of 15 and other forms of allowances defined by the Collective Agreement. Employees are also entitled to reimbursement for travel / commute costs and to non-taxable severance pay prior to retirement.

**KONČAR Pensioners' Club (KUK)**

KONČAR Pensioners' Club is a place where former KONČAR Group employees meet. The club was established 22 years ago. At the end of the year, there were 147 active members in the Register. After a two-year hiatus cause by the outbreak of the pandemic, the members began to meet again regularly on Tuesdays and Thursdays. Members can participate in numerous events, such as lectures and presentations, literary events, exhibitions of works of the Club members, belote game tournaments, birthday celebrations, celebrations of the birth of grandchildren and great-grandchildren, special receptions and similar. Members also have at their disposal a well-stocked library with 1,035 books of various genres. On the first Tuesday of the month, the Club organizes a medical check-up carried out by a doctor from the Croatian Red Cross, who measures blood pressure, sugar and cholesterol. During the holiday season, Pensioners' Club members visit members who live at care homes. In 2022, the members went on spa trips, attended theatre, and our retired former employees were especially keen on one-day and multi-day trips.



**In remembrance of the Homeland War veterans**

To mark the Croatian Statehood Day and the Day of Croatian Veterans in Zagreb, KONČAR remembered, with gratitude and respect, those who had laid their lives for their country including twenty-three KONČAR employees. Gordan Kolak, President of the Management Board and Jasmin Kadić, president of KONČAR Homeland War Veterans Association, spoke in remembrance of those who had left an indelible mark on our country. In the presence of war veterans, wreaths were laid and candles were lit at the memorial site at the Fallerovo šetalište facility, erected in remembrance and commemoration of all war veterans killed.



GRI 401-2  
UN GC 6

### Final farewell to Ivo Ban, Homeland War veteran and KONČAR employee & Remembrance Day for the victims of the Homeland War

Representatives of KONČAR Homeland War Veterans Association, KONČAR Management Board and Coordination of the Croatian Metalworkers Union - KONČAR Industry gathered to commemorate the 31st anniversary of the fall of Vukovar, in memory of all killed and missing Croatian veterans and innocent civilian casualties of the Homeland War. They laid the wreaths and lit candles at the memorial site at the Fallerovo šetalište facility. They were joined by Gordana Ban, the widow of Ivo Ban, former KONČAR employee who disappeared in October 1991, in Kukurjovac, near Lipik. His remains were found 31 years later and exhumed on 13 June 2022. He was laid to rest at the Miroševac cemetery on 4 August 2022. A moment of silence was held in memory of the killed Homeland War veterans and civilians, with a special tribute for our colleagues who were killed in the Homeland War. Gordan Kolak, President of the Management Board, spoke in remembrance of those who had left an indelible mark on our country.



### Seniors and veterans win a trip

The winners of the traditional annual futsal tournament competing in KONČAR championship (last held in 2019 before the outbreak of the pandemic), won, along with trophies and medals in the veteran and senior category, a weekend trip to Duće, near Omiš, in the period from 22 to 25 September 2022. Football was again the focal point of the trip, and a joint team of KMT seniors and veterans played a friendly match with the Omiš football team, beating their opponent by a goal difference. In addition to football, there was plenty of time and energy for other sports activities, such as an 11-kilometre whitewater rafting, down the beautiful and intact nature of the Cetina river canyon. Given the fact that the Coordination of the Croatian Metalworkers Union - KONČAR Industry Trade Union organised KONČAR Futsal Tournament and the trip, under the auspices of KONČAR Inc., Miodrag Krnić, its president, also joined the teams.



### Following a two-year hiatus, KETland is back with more fun and events

The aim of KETland is to show the children of KONČAR employees what their moms and dad do, to meet their parents' colleagues and learn about their work, all in an informative and fun way. As the last event was held in 2019, for the 2022 event, we organised more activities and with the support of the hardworking employees of KONČAR - Infrastructure and Services, we successfully held KETland outdoors, in the park at Fallerovo šetalište facility. The event featured a variety of activities such as guided dexterity games, adrenaline challenges, games that enhance logical thinking, face painting and the interactive play *A Young Scientist's Day in the Laboratory*. Fun was guaranteed, children enjoyed themselves, and parents enjoyed a novel day at work.

## Parental leave

Pursuant to a decision of the Croatian Health Insurance Fund (HZZO), all women employees are entitled to maternity and parental leave and all men employees are entitled to parental leave. All women employees have resumed work upon completing their maternity leaves, while men employees have resumed work following their parental leaves.

The paternity leave was introduced in Croatia and enacted with the Act on the Amendments to the Act on Maternity and Parental Benefits, which had entered into force on 1 August 2022.

## Minimum notice periods regarding operational changes

Pursuant to the Labour Act, information is disclosed to trade unions and / or the Works' Council by organizing workers' meetings and through the workers' representative in the Supervisory Board.

Workers' meetings are to be held twice a year, with the aim of disclosing and discussing operational activities.

Every 3 months, the employer is required to inform the Works' Council on the operations, business results and organisation of work, as well as other issues relevant for employees' economic and social status, pursuant to the provisions of the Labour Act. 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 unions of any such decisions.

In cases defined by the Labour Act, the employer can make certain decisions only with the prior consent of the Works' Council. 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.

KONČAR Group Collective Agreement regulates the mutual relationship between the employer, the trade unions and the Works' Council, with respect to regular disclosures of issues relevant for workers. Moreover, the Collective Agreement sets forth the collective bargaining procedure.

## Occupational health and safety

KONČAR Group members regulate occupational health and safety systems using a variety of approaches; some subsidiaries employ occupational health and safety experts, and others have entered into special agreements with persons authorized to provide of occupational health and safety services.

All KONČAR Group members regularly monitor health protection and safety at work, assess health and safety risks and apply measures to mitigate or eliminate risks. All subsidiaries conduct occupational health and safety training for new hires, and regular training for all workers is carried out in order to comply with occupational health and safety measures.

### Operations in the context of COVID - 19 pandemic

The outbreak of the COVID-19 pandemic continued to cause a particular set of challenges to business operations in the course of 2022. In January 2022, the third vaccination campaign for employees was organised at KONČAR's facilities Fallerovo šetališće, Borongaj and Jankomir, with the aim to foster occupational health and safety at work. About 576 workers from all KONČAR Group subsidiaries were vaccinated in the 2022 campaign.

In order to maximize the protection of health and safety of business partners, and other individuals present at KONČAR Group premises, face masks and disinfectants were provided onsite.

Furthermore, as part of the health and safety protection initiatives, employees engaged in administrative roles were granted the option to work remotely in 2022.

## Formal committees

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 50 or more workers) have set up Work Safety Committees.

In compliance with the provisions of the Labour Act, the Work Safety Committee consists of the employer or the employer's authorized occupational health and safety representative, the occupational health and safety expert, occupational medical physician, worker's occupational health and safety representative or their coordinator. The Work Safety Committee plans and monitors the implementation of occupational health and safety rules at the employer's organization. It also organizes the execution of occupational health and safety tasks, provides information and training related to occupational health and safety, and ensures the prevention of work-related risks and their effects on the health and safety of workers.

## Occupational illnesses

At KONČAR, there are no occupations characterized by a high incidence or a high risk of severe illnesses. When assigning employees to jobs involving specific work conditions, procedures are implemented in line with relevant requirements and, before being assigned to a specific job, workers undergo a medical assessment of fitness for work. In accordance with the established rules, a fit to work assessment is carried out regularly.

## Health and safety topics covered in formal agreements with trade unions

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, additional leave days for workers with disability and safety issues that encompass special work conditions and additional payment.

## Prevention and promotion of worker health

In 2022 activities were carried out at KONČAR Group members in order to promote the health and prevention of disease among the Group's employees. These activities include supplementary and additional health insurance coverage and the organization of annual medical examinations for workers.

In order to encourage employees to lead a healthy and active life, some KONČAR Group members provide employees with the benefit of access to numerous sports facilities throughout Croatia.

## Work-related injuries

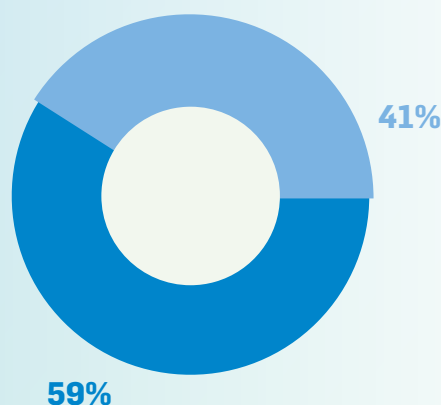
The percentage of lost working hours caused by work - related injuries for KONČAR Group stands at 1.42%.

## Training and education

In order to develop the potential of all employees, KONČAR Group members have been continuously conducting education and professional training programmes in various ways: encouraging participation in the regular education system, specialized internal and extrarenal on-the-job training and foreign language courses. Moreover, particular attention is dedicated to developing presentation, communication and IT skills as well as gaining and upskilling other professional skills.

### Involved employees

- involved employees
- un-involved employees



	Education	
	The number of involved employees	Share
KONČAR – Electrical Industry Inc.	50	82%
KONČAR – Switchgear Ltd.	22	11%
KONČAR – Digital Ltd.	39	75%
KONČAR – Distribution and Special Transformers Inc.	430	53%
KONČAR – Electric Vehicles Inc.	84	23%
KONČAR – Electronics and Informatics Ltd.	83	35%
KONČAR – Infrastructure and Services Ltd.	17	13%
KONČAR – Generators and Motors Ltd.	73	17%
KONČAR – Electrical Engineering Institute Ltd.	130	68%
KONČAR – Engineering Ltd.	250	67%
KONČAR – Motors and Electrical Systems Ltd.	98	45%
KONČAR – Metal Structures Ltd.	96	26%
KONČAR – Instrument Transformers Inc.	105	37%
KONČAR – Renewable Sources Ltd.	5	83%
Dalekovod Group	507	46%
<b>TOTAL</b>	<b>1989</b>	<b>41%</b>

## The cost of education

The share of employees who participated in training and education in 2022 is 41%.

Training and education costs amounted to HRK 7.4 million in 2022 (HRK 3.8 million in 2021). Motivated employees received funding for undergraduate, postgraduate and doctoral studies, as well as seminars, courses and specializations for upskilling. Moreover, the Company awarded 3 MBA scholarships for employees studying an MBA in Energy Economics at the University of Rijeka.

## Programs for upgrading employee skills

### Standardized Management Training Scheme

In February 2022, the 23rd cycle of seminars and courses in the field of standardized management systems, related tools and techniques commenced, aligned with the training needs of KONČAR Group employees.

Based on the training needs of 15 KONČAR Group members, seven seminars and six courses were organized, some of which were held for multiple groups of participants.

The seminars and courses were attended by 246 participants, which is 46 more than in the previous year.

### Professional development

Employees of KONČAR are able to pursue their professional development and attend a number of professional trainings necessary to broaden their knowledge, follow trends and acquire new skills. Throughout the year, various programs have been held in most Group companies.



### Leadership training for 107 people from 13 subsidiaries

Following employee survey results which highlighted a need for greater focus on employee development, trust, openness and inclusion as well as teamwork and cooperation, the Management Board of KONČAR - Electrical Industry, in cooperation with LQ, launched a series of trainings, firstly for the senior management across all KONČAR subsidiaries. Leadership trainings are designed for the development of competencies in the field of management, motivation and leadership. The program included a total of 107 people from 13 KONČAR subsidiaries, spanning a period from July 2022 to January 2023. The participants were divided into 7 groups with 15/16 participants in each group, and the program included 4 two-day modules (Leadership - team development and team management, change and conflict management, self-management and time management, effective communication and feedback skills) and one one-day module (incorporating all topics from previous modules).

## Support to sport clubs

KONČAR devotes great attention to supporting sports clubs, primarily with respect to “non-commercial sports”, which do not attract much attention from advertisers. Sports clubs which have borne KONČAR’s name for years hold a special place and some of them are among the best and most trophied clubs in Croatia.

### Končar Zagreb 1786 Shooting Club

In 2022, Končar Zagreb 1786 Shooting Club succeeded in getting great achievements under its belt, promoting the name of KONČAR at local and international competitions.

We should highlight the Shooting School and the cadet category, which have continuously achieved exceptional results at national championships. In the Zagreb and Croatian Championships for cadets, juniors and seniors, Končar Shooting Club remains the best or one of the best, and the Club ranks in the top three teams in all categories. For instance, senior and junior teams achieved excellent results at airgun championships in Zagreb. In the air pistol category for seniors, Boris Gramnjak won the gold medal with 556 rounds, and in the women’s senior category, Lana Skeledžija was the best, with almost 30 rounds ahead of the runner-up with 565 rounds. The seniors in the air rifle category showed their standard good performance and lived up to the expectations, winning the first and the second place - the gold went to Andrija Mikuljan and the silver to Borna Petanjek. Borna Petanjek, Andrija Mikuljan and Tomo Klabučar won the gold medal as a team, as did the women’s team with Estera Herceg, Ana Adam and Leticija Šimić. Out of four junior disciplines, they were very successful in three - becoming team and individual champions of Zagreb, and Tomo Klabučar achieved the best result with the air rifle, winning a convincing victory and becoming Zagreb champion.

In addition to these excellent results, we should particularly emphasize the recent medals won by Andrija Mikuljan and Borna Petanjek at the European Championship and the World Cup, and a successful performance of Boris Gramnjak (5<sup>th</sup> place) at the Deaflympics held in Brazil. Borna Petanjek is the best ranked member of Končar Shooting Club (winning team gold at the World Cup in Cairo) - he is currently ranked 24<sup>th</sup> in the world ranking list. Of all clubs in Croatia, KONČAR Shooting Club has the best structure of categorized athletes according to the criteria of the Croatian Olympic Committee.



### KONČAR Canoe Club

KONČAR Canoe Club is the biggest and the best-organized canoe/kayak club in the region, and has been active for over 71 years in canoeing and kayaking, with the support of KONČAR, bringing together all generations and creating many world and European champions.

In addition to athletes who are divided into the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> categories, there are also cadets, juniors and seniors and rafting teams. In 2022, the rafting teams competed in *World Championship Banja Luka - Foča 2022*. Sixty-three rafting teams, a total of 400 competitors from 23 countries, competed in different categories rowing down Vrbas and Tara rapids. The Croatian national team, consisting of members of Končar Canoe Club - Danko Herceg, Tomislav Hohnjec, Luka Obadić and Ivan Tolić, ranked 2<sup>nd</sup> in the sprint discipline and the Brazilian team ranked first. In addition to the successful performance of the men's team, the women's national team competed for the first time, winning excellent 7<sup>th</sup> place. They also won the 1<sup>st</sup> place in the European Cup in tandem canoeing, and Janko Presečki won 3<sup>rd</sup> place in the European Junior Championship. At national wild water canoeing championships, juniors, seniors and cadets won first places in all disciplines, whereas in slalom discipline, cadets and juniors ranked first.



In addition to excellent results, we should also point out the rising number of members of the Junior Kayak School, with about 20 children who will later pursue kayaking professionally. The club includes professional and recreational canoeist/kayakers. In 2022, recreational members showed a growing interest in more organized excursions. Canoeing/kayaking events were organised almost on a weekly basis, along many rivers in Croatia, and in France, Austria, Montenegro and Slovenia. Kayaking has become more popular on the coast and many members completed very demanding routes during the year. The 53<sup>rd</sup> River Sava Kayak Marathon was also held, the longest-running team event in Croatia, gathering around hundred participants and 40 children.

Members of the club are volunteers who invest their time to maintain the building and the surrounding area. They are actively involved in the Red Cross and the Croatia Mountain Rescue Service (HGSS), organising water rescue training and first aid courses in the club, and they also cooperate with environmental associations.

### KONČAR Chess Club

KONČAR chess school was regularly held throughout 2022, and 32% more children attended the school compared to the previous year (40 children currently attend the chess school). As a result of long-term investment, continuous work of the coaches and good results of the members, the chess school has gained recognition in chess circles and beyond. Two young coaches joined the club (candidate masters Bruno Erenda and Matija Zadavec) who were well received by the participants of the chess school.

In 2022, the club had, for the first time, as many as 2 teams in cadet leagues and 16 children entered their first competitions. As many as 12 representatives played for the Club in the City of Zagreb Cadet Cup. The best results were achieved by Andrej Krašnjak (ranked 4<sup>th</sup> in the under-11 category),

Dominik Vražić (ranked 10<sup>th</sup> in the under-11 category) and Ljudevit Miliša (ranked 14<sup>th</sup> in the under-13 category).



In 2022, the club also organised two chess groups per week for adults, and attracted 15 new members. Several new members made exceptional progress, and qualified for the Zagreb City Cup and in the 4<sup>th</sup> senior league. Senior team competed in the 4<sup>th</sup> Croatian Chess League and ranked 4<sup>th</sup>. The best individual results were achieved by Boris Dugandžić (6 points from 8 games played) and coaches at the chess school - Bruno Erenda (7 points from 9 games played) and Bruno Pavčević (6.5 points from 11 games played).



### KONČAR Ski Club

KONČAR Ski Club boasts a long-standing tradition, excellent results and well-organised competitions. It is one of the oldest and most successful clubs in Zagreb, with an unbroken tradition and Ante Kostelić as Honorary President. The club currently has over 70 active competitors in all categories (children, cadets, juniors, seniors, veterans) and it owes its success to the professional team of trainers led by Nataša Bokal, a famous Slovenian skier, who trains the club's junior and cadet sections.

The mission of the club is to help young skiers develop into exceptional people and successful athletes. In terms of results, KONČAR Ski Club once again won the first place in the Plinacro Croski Cup in the 2021/2022 season. All categories contributed to the victory in the Cup, with a total of 34 children competing. The pre-race preparations went according to plan and included ski training in Hintertux, summer camp in Dalmatia and a 10-day training camp in Zagreb, where the athletes learned various skills through roller skating, parkour and other activities aimed at increasing physical fitness, overcoming the fear of speed, height and jumping.

On the other hand, the competition season started with a two-week training session during the winter holidays in Bjelašnica in Bosnia and Herzegovina, and after the winter holidays, daily training sessions took place on Sljeme. The club enters the next season with three full-time coaches with a university degree and with all the resources necessary for the development of children through body conditioning training in order to prepare them for the upcoming races.

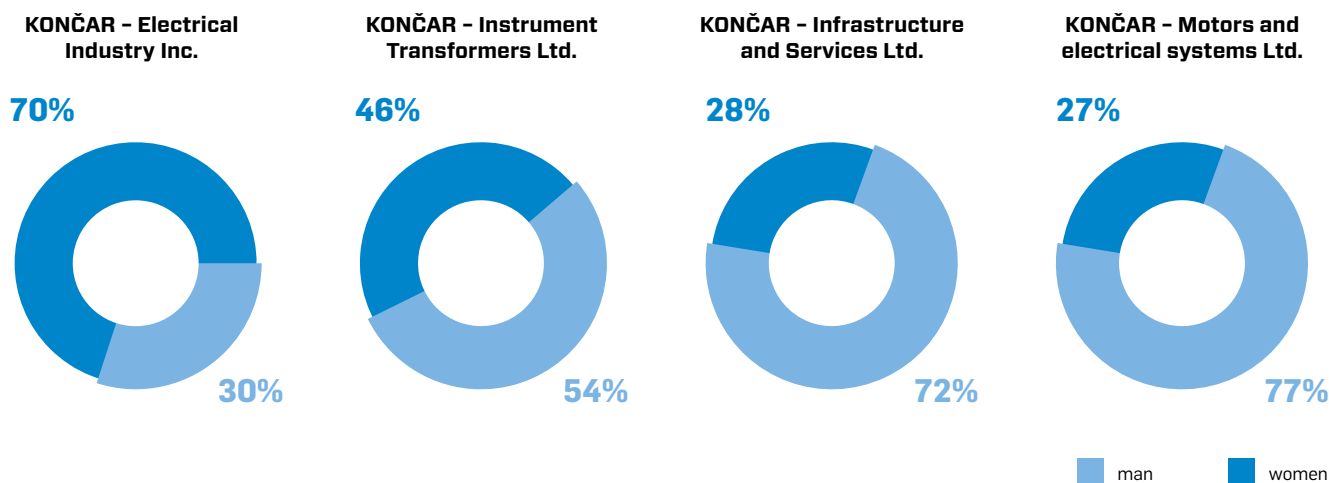
## Diversity and equal opportunity

Diversity is one of the fundamental values in contemporary societies. KONČAR Group attaches great importance and emphasizes the value of its employees. By regulating labour relations and internal organization, and complying with applicable regulations, collective and individual agreements, KONČAR Group companies protect human and civil rights, dignity and reputation of every employee. Continuous education and professional training have always been a meaningful pillar of KONČAR Group's strategy in the creation of a learning organisation. KONČAR Group, exporter to over 130 global markets, embraces and encourages diversity and continuously promotes a respectful working environment for all employees, customers and other partners.

### Diversity of employees

Men account for 81 percent and women account for 19 percent of the total number of employees at KONČAR Group level (average as at 31 December 2022).

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



At KONČAR Group, women hold 67 managerial positions (out of a total of 346). Data as at 31 December 2022.

At KONČAR Group, there is no gender-based discrimination and the base pay and remuneration of women and men is equal.

GRI 405  
COR 8

GRI 405-1  
COR 5

GRI 405-2  
COR 5

**Incidents of discrimination and corrective actions taken**

No case of racial, ethnic, gender, religious, political, national or social discrimination was 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.

**Freedom of association and collective bargaining**

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, or the Union of Electrical Industry Workers of Croatia.

All Dalekovod Group employees are entitled to a freedom of association and collective bargaining, and employees may choose to join Croatian Metalworkers Union – Industrial Trade Union Dalekovod, Croatian Metalworkers Union – Industrial Trade Union Branch Proizvodnja OSO, Croatian Metalworkers Union – Industrial Trade Union Branch Proizvodnja MK. When necessary, Dalekovod enters into project-based collective agreements abroad. No cases of restrictions or limitations of freedom of association have been recorded, both in Croatia and in operations carried out in international markets.

**Voluntary blood drive**

**KONČAR’s 70-year tradition of blood drives**

In 1953, the Croatian Red Cross organised, in collaboration with the Croatian Institute for Transfusion Medicine, a blood drive program for citizens. KONČAR has participated in the program from the early beginnings and several times a year, our employees join blood drives organized at a number of sites.

Three KONČAR facilities hosted thirteen blood drives in 2022. A total of 704 employees donated blood and after donations were tested, a total of 597 doses were collected. The number of employees wishing to donate blood continues to grow, as evidenced by 30 first-time donors in 2022.



**KONČAR employees receive jubilee awards**

To mark the occasion of the National Blood Donor Day on 25 October, the Red Cross Society of the City of Zagreb organized a ceremony and awarded jubilee blood donors. As KONČAR has always supported and organised blood drives, our employees were also awarded for their contributions. Ivan Huljenić from KONČAR - Distribution and Special Transformers (D&ST) was awarded a golden coin for 100 blood donations, and Branko Balija, a pensioner from KONČAR - Generators and Motors, was awarded a large silver coin for 75 donations. Small silver coins for 50 blood donations were awarded to Rudolf Tuden from KONČAR - Electric Vehicles and Željko Budišćak, Davor Karamatić, Mario Kipčić and Marko Poljak from D&ST. In addition to the coins, the award recipients were also presented with certificates of appreciation as an expression of recognition and respect for their dedication and humanity in helping the sick and injured.

## Sports activities of KONČAR employees

### Končar Mountaineering Association Three-day trip to Istria

Following regular one-day hiking tours, members of KONČAR Mountaineering Association embarked on their first multi-day hike at the end of April 2022. Around fifteen members, aged 12 to 81, took part. They stayed in the town of Roč in Istria, and over the course of three days they visited Hum and Motovun, and the most famous and most beautiful hiking trail in Istria - the 15.5 kilometre long Trail of seven waterfalls in Buzet. On their way back to Zagreb, they climbed Krog, one of the lesser known summits on Učka. KONČAR supports the work of the Mountaineering Association, which was established in 2005.



### KONČAR employees run for those who can't

Wings for Life World Run 2022 race started on 8 May from the start line on the Liburnia coast. The race brought together 5,000 participants from thirty countries who ran for those who can't. The race was simultaneously held in 195 countries worldwide, and 161,892 runners raised EUR 4.7 million. One hundred of all entry fees and donations go to a not-for-profit spinal cord research foundation Wings for Life. Elvir Baltić, Goran Tomić and Davor Horvat from KONČAR - Steel Structures and Miļenko Blažević from KONČAR - Infrastructure and Services ran along the famous route along the Jadranska Magistrala (Adriatic Highway) whereas Krešimir Vrdoljak and Tomislav Stupić from KONČAR - Engineering ran in Zagreb, using the *App Run* application.

### **KONČAR employees run a humanitarian race for mental health of children and young people**

In 2022, KONČAR employees joined UNICEF's traditional humanitarian race Milky Way, which took place for the sixth consecutive time. The aim is to raise awareness and raise funds for key investments in UNICEF's programs in Croatia focusing on children's well-being. The 2022 goal set by the organisers was achieved - more than 6,600 participants in the race collected as many as 60,282 green ribbons, which enabled UNICEF Croatia to raise HRK 1.1 million in registration fees, public and corporate donations, which will be channelled towards supporting the mental health of children and young people. KONČAR's contribution to Milky Way has traditionally been impressive, boasting participation of 215 employees this year and ranking again first among teams competing in the corporate teams category (among 66 other teams). This year we also collected a record-breaking number of kilometres.



### **KONČAR runs the Zagreb Marathon again**

In 2022, the jubilee 30<sup>th</sup> Zagreb Marathon was held, with around 3,000 runners in three categories. Three KONČAR employees, recreational runners, participated in the race, while 886 runners took part in the 10-km race, 1,309 runners in the 21-kilometre half-marathon, and 528 in the master running category - the marathon (42 km). The Croatian individual and team championships were held as part of the marathon. The half-marathon was run by Hrvoje Teklić from KONČAR - Distribution and Special Transformers, Vedran Dvorščak from KONČAR - Power Transformers, Antonio Josipović from KONČAR-Engineering, Davor Horvat and Edo Toplak from KONČAR - Steel Structures, and the ten-kilometre race was run by Elvir Baltić from KMK and Milenko Blažević from KONČAR - Infrastructure and Services.



### KONČAR team ranks fourth among fierce competition

KONČAR team ranked fourth in the third season of the Business Basketball League. This league is made up of amateur basketball players with a competitive streak. The aim was to encourage recreational activities, promote healthy lifestyle, have fun and strengthen interpersonal relations between our employees, as evidenced by the fact that KONČAR team consisted of colleagues from KONČAR - Engineering, Electrical Engineering Institute, Electronics and Informatics, Distribution and Special Transformers and Generators and Motors.



### KONČAR employees win a silver medal

The team of KONČAR Homeland War Veterans Association was invited by War Veteran 91 - Sport and Recreation Association to participate for the first time in the 3rd war veteran tournament held as part of 29th Memorial Futsal Tournament Mario Babić. KONČAR-Electrical Industry endorsed the event. In the first match, KONČAR Homeland War Veterans Association team outplayed the Sava team, and in a surprising narrow win against Crni from Siget reached the finals in which it ranked second, winning a silver medal. The tournament was established in 1994 in memory of Mario Babić, the first homeland war veteran to be killed, and is nowadays held in remembrance of all war veterans who laid down their lives for Croatia. The tournament also fulfilled its humanitarian goal.

### KONČAR employees win a hundred-kilometre race

*Inspired by challenge* slogan refers primarily to KONČAR's century of excellence, during which the Company witnessed numerous social and political changes, and faced challenges in the development of new products and services which the employees tackled bravely. Our employees are also inspired by sporting challenges. Highlander Velebit, a hiking adventure, was one of such challenges. Several employees joined this five-day event, during which they had to navigate demanding karst terrain and changing weather conditions in order to cover the 100-kilometre route from Zavižan to Starigrad Paklenica, while carrying all the mandatory equipment in a backpack that can weigh up to 20 kilograms. Igor Žiger and Zlatko Nenadić from KONČAR - Instrument transformers (KMT) decided to take on the challenge and embark on this adventure with a few friends. Tomislav Dubovečak from KONČAR - Electric Vehicles and Goran Kolak, president of the Management Board, also completed this 100-kilometre Velebit adventure. For the third consecutive year, KONČAR sponsored Highlander Velebit, which was held from 20 to 25 August, with a total of 600 participants from 12 countries.



**Two medals and fair-play trophy**

From 29 September to 2 October 2022, the 12<sup>th</sup> Croatian Metalworkers Union - KONČAR Industry Trade Union (SMH-IS) Games were held in Umag. Around hundred KONČAR employees participated, i.e., employees from Electric Vehicles (KEV), Electronics and Informatics (INEM), Power Transformers, Generators and Motors, Motors and Electrical Systems (MES), KONČAR - Steel Structures (KMK) and Coordination of the Croatian Metalworkers Union - KONČAR Industry Trade Union (SMH-IH KONČAR). The 2022 event brought together almost 400 SMH-IS members who competed in bocce game, belote, briscola and tressette, beach volleyball, darts, table tennis, tug-of-war and futsal. KONČAR employees win 2 bronze medals and the Fair Play Trophy. In table tennis competition for single players, INEM representatives were again medal winners, while KONČAR-KEV team was most successful in futsal, winning a bronze medal. The Fair Play Trophy was awarded to the KMK team for tug-of-war game because they let the women's team Đuro Đaković Montaža win the third place and bronze medal. KONČAR employees did not participate only in sporting events, but they also actively helped organise and run certain competition categories.

**KONČAR endorses the Croatian national team**

In 2022, the Croatian Nordic Walking Association (CNWA) organized 4 qualifying races for the Croatian championship and selected 12 members for the Croatian national team, which included Jadranko Ahel, KONČAR's employee and a champion in the 5 and 10 km races in the 60+ category. From 2-4 September, the Croatian national team participated in the first World Nordic Walking Championship held in Poland. Competing internationally for the first time, our national team successfully represented Croatia, achieving good results on a very difficult trail and winning two medals - silver in the women's category and bronze in the men's category - 18-35 years in the 10 kilometre race. The other members also achieved rather good results in individual and relay races and gained valuable and useful experience of competing internationally. The participation of the Croatian national team was supported by KONČAR subsidiaries Electrical Vehicles, Electronics and Informatics, and Engineering.

**KONČAR employees in Stara Sava - Veteran Water Polo Club**

In 2022, the European Aquatics Championship was held in Ostia, near Rome, in which 2 teams (50+ and 60+) from the first Zagreb Veteran Water Polo Club Stara Sava competed, and their participation was also endorsed by KONČAR. In the final ranking, out of a total of 57 teams, the 60+ team ranked ninth, and the 50+ team ranked 10<sup>th</sup>. Two KONČAR employees and keen water polo players competed in the 50+ category, Siniša Gazivoda from the Electrical Engineering Institute as a goalkeeper and Nikica Mikulandra from Electronics and Informatics as a defender.



### D&ST in B2Run

The B2Run five-kilometre corporate race was held in Zagreb on 15 September within the complex of Jarun Recreational Sports Centre. A team of 22 employees from Distribution and Special Transformers (D&ST) represented KONČAR Group. In the overall ranking among 280 companies, D&ST team achieved good results and ranked 20<sup>th</sup>, and in the category of large companies (over 250 employees), the team ranked 16<sup>th</sup> among 89 other teams.



### KONČAR Zagorci and KONČAR REAL DIST veterans celebrate

In 2022, a jubilee 20<sup>th</sup> Christmas futsal tournament for 2022 KONČAR championship took place. It was organized by the Coordination of the Croatian Metalworkers Union - KONČAR Industry Trade Union and under the auspices of KONČAR - Electrical Industry. The tournament was held over a period of two weekends, gathering around three hundred employees from 12 KONČAR Group subsidiaries, who competed in the veteran and senior categories. A total of 26 teams took part, 16 senior and 10 veteran teams, including for the inaugural participation of Dalekovod football team, a member of KONČAR Group since 1 April 2022. The senior category was won by KONČAR Zagorci, a team consisting of employees of KONČAR- Electronics and Informatics, Distribution and Special Transformers and Electrical Engineering Institute, while KONČAR Real DIST team from Distribution and Special Transformers ranked first in the veteran category.



### KONČAR employees play for Zlatko

At the Cedevisa Basketball Dome, at the Zagreb Fair, Deloitte organised, on 4 June, the first memorial basketball tournament, which was held in memory of prematurely deceased partner, colleague, mentor and friend Zlatko Bazianec, one of the leading business consultants and Head of Deloitte's Zagreb office. Deloitte hosted the tournament, with partners' and clients' teams, including KONČAR, competing in the tournament. The tournament was held in a friendly and athletic atmosphere, with exciting and intense basketball matches and the participants went out of their way to show off their skills. Zlatko's family watched the entire tournament.





**The 50<sup>th</sup> jubilee international tournament Friendship in sitting volleyball**

The jubilee 50<sup>th</sup> international sitting volleyball tournament Friendship 2022 was held. The tournament was organised by the Sports Association for People with Disability Hrabri (the brave). KONČAR Inc. and KONČAR-Distribution and Special Transformers have sponsored of the event for a number of years. The tournament is not only a competition, but also an opportunity to meet and socialize with other players, and exchange experience. Hrabri Association was established in 1969, bringing together persons with all types of disabilities, with an aim of finding available psychological and physical rehabilitation options through sports and recreation, and empowering members to navigate the challenges of their daily lives. This continues to be their mission, with more than hundred members for whom sports and recreational activities (sitting volleyball, bowling, archery, table tennis, futsal, swimming and darts) are more than just a pastime. This is also confirmed by the fact that many members have won multiple Olympic, world and European awards, and one of them is Zoran Stojanović, the secretary of the Association and an employee at D&ST.

**Meet-up of KONČAR employees' children before the start of the school**

One week before the start of the 2022/2023 school year, KONČAR - Electrical Industry organized the 5<sup>th</sup> children summer camp at Jarun in Zagreb, for the children of our employees. The five-day camp was held from 29 August to 2 September and brought together 45 girls and boys from 8 KONČAR subsidiaries - Digital, Distribution and Special Transformers, Electric Vehicles, Electronics and Informatics, Generators and Motors, Electrical Engineering Institute, Engineering and KONČAR Inc. The camp was organised by KONČAR Canoe Club, and the children enjoyed a week full of various activities: football, basketball, table tennis, badminton, frisbee, volleyball, dodgeball, board games, quizzes, shooting, flying kites, skating, swimming at SP Mladost swimming pools and visits to the cinema. On the last day, an optional full-day bus trip was organised to Aquapark Istralandia in Istria. The children had an amazing day, gained new experience and knowledge and made new friends.





## Child, forced and compulsory labour

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

## Security personnel trained in human rights policies or procedures

One of KONČAR Group members, KONČAR – Infrastructure and Services, employs a total of 57 security officers and guards, who are deployed at all KONČAR facilities. 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 Group.

## Operations with local community engagement

KONČAR has cooperated with and invested in the community through a variety of sponsorships, donation programmes and through the work of the Volunteers' Club.

### KONČAR celebrates the 101st anniversary and makes a donation to Palčići

On 24 January, KONČAR Group marked its 101st anniversary by making a special donation to the Club of Parents of Premature Babies Palčići. A portion of the donation will be used for purchasing a phototherapy blanket for Našice General County Hospital and the rest will be channelled towards the needs of maternity wards in Slavonia.



### Donation for rare diseases

To mark the World Day of the Sick (11 February) and Rare Disease Day (28 February), KONČAR supported the work of the Croatia Association for Rare Diseases through its program of regular donations.

### Pride of Croatia - KONČAR as a project partner

In 2022, as in previous several years, KONČAR sponsored the project *Pride of Croatia*, which awards individuals who had distinguished themselves during the year with good deeds, acts of kindness and courage. It is a recognition for those who show exceptional humanity, inspire others and make Croatia a better place to live.



### Scholarships for beneficiaries of the Humanitarian Organization Dora

Throughout the year, KONČAR supports, in various ways, numerous associations and other organizations focused on the well-being of children and young people, and fosters traditional cooperation with some of them. The long-term cooperation with the Humanitarian Organization Dora is particularly noteworthy. By participating in the organization's scholarship program, KONČAR provides support and friendship to children from socially disadvantaged families, helping the students to successfully complete their secondary school education. In 2022, three female students receiving scholarship graduated from secondary school and, as a token of appreciation, made hand-made thank-you notes for KONČAR.



### Christmas magic for Mali zmaj association

In the festive spirit, KONČAR has made another special annual *Christmas donation*, brining smiles to children's faces in the run up to Christmas. Driven by the wish to help the most vulnerable among us, a Christmas donation in the amount of HRK 60,000 was made to Mali zmaj association (Little Dragon) that seeks to improve the quality of life of children from socially disadvantaged families. In addition to the financial support channelled towards the regular activities of the association, we also took part in the humanitarian campaign *Letters to Santa Dragon - Christmas Present Appeal*. We provided Christmas presents for children and gift vouchers for 180 socially disadvantaged families across Croatia. KONČAR's employees carefully picked out and prepared the presents that children included in their letters to Santa, and Gordan Kolak, the President of the Management Board, presented the donation to the president of Mali zmaj association.

### Corporate tree-planting campaign in Grubišno Polje

Earth Day was marked by a corporate tree-planting campaign. The corporate action was held in Grubišno Polje. Around thirty volunteers from almost all KONČAR subsidiaries, with the help from experts from *Project 02*, landed 5,000 Seed Bombs, i.e., seed balls containing self-seeding seeds of indigenous and non-invasive species, above the area of 10,000 m<sup>2</sup>, and using drone technology. The primary species was oak, followed by other species such as beech, mountain maple, birch and other components to improve the growth of young trees. KONČAR employees firstly learned more about the *Project 02* and the importance of afforestation, the aim of which is to reduce carbon footprint. Later on they had the opportunity to make the Seed Bombs themselves which were dropped over designated areas by drones. KONČAR Group has a long-standing tradition of community and environmental care, and for many years it has been marking the Earth Day by organising various special events.



### Laptop donation to a student

A first-semester student studying *Digital Economy Entrepreneurship module* at the Zagreb University of Applied Science, with lifelong 100% physical impairment, who has been suffering from a genetic condition (limb-girdle muscular dystrophy) for 22 years, sent KONČAR a request for a donation of a Lenovo Legion 5 laptop, which would allow him to continue working on his IT projects and study the necessary reference literature in a digital format. Burdened by other living expenses and paying for his household aids, he was in need of financial aid. KONČAR was pleased to grant his request and donate a laptop. The student contacted us by email later to follow up and express how immensely grateful he was.

### Public policy

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

### Assessment of the health and safety impacts of product and service categories

Equipment and products manufactured by KONČAR Group for power generation, transmission and distribution require a high degree of two-fold responsibility – primarily in terms of operational safety and reliability (so as not to generate additional disruptions in electricity supply) and in terms of 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 trains and trams 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.

### Compliance with regulations

In the reporting period, no incidents and breaches of regulations and voluntary codes related to the impact of products and services on health and safety during their life cycle were recorded across KONČAR Group members.

KONČAR Group is aware of the potential impact of its products and services and assumes responsibility for their impact on the community and the environment. The Group is committed to risk management and consistently works on improving the beneficial impact of its operations, products, and services. The impacts of products and services on health and safety are assessed at each stage of their life cycle: from product concept development to reuse, recycling, or disposal, where necessary. The Group members continuously develop new advanced solutions, innovative products, and services, thereby ensuring deliveries that meet the expected requirements of users and do not pose a risk to health and safety.

Group members have introduced recognized process management systems in accordance with the requirements of internationally accepted standards. Through the interaction of management systems, the Group members manage their own impact on the quality of products and services, the impact on the environment, and health and safety, while providing and protecting information from misuse or loss and reduction of energy consumption and degradation of natural resources. The management boards of the subsidiaries are firmly committed to compliance with all regulations and applicable requirements of stakeholders.

These policies are implemented across the Group by the application and certification of the management systems as per the requirements of the international ISO 9001:2015 standard for Quality Management System, ISO 14001:2015 for Environmental Management System, ISO 45001:2018 for Occupational Health and Safety Management Systems, ISO/IEC 27001:2018 for Information Security Management, and ISO 50001:2018 for Energy Management.

	ISO 9001w	ISO 14001	ISO 45001	ISO/IEC 27001	ISO 50001
Dalekovod Inc.	■	■	■		■
KONČAR – Switchgear Ltd.	■	■	■		
KONČAR – Digital Ltd.	■	■	■	■	
KONČAR - Distribution and Special Transformers Inc.	■	■	■		
KONČAR – Electrical Industry Inc.	■	■	■		
KONČAR – Electric Vehicles Inc.	■	■			
KONČAR – Electronics and Informatics Ltd.	■	■	■	■	
KONČAR – Infrastructure and Services Ltd.		■			■
KONČAR – Generators and Motors Ltd.	■	■	■		
KONČAR – Electrical Engineering Institute Ltd.	■	■	■		
KONČAR – Engineering Ltd.	■	■	■	■	■
KONČAR – Metal Structures Ltd.	■	■	■		
KONČAR – Instrument Transformers Inc.	■	■	■		
KONČAR – Motors and Electrical Systems Ltd.	■	■	■		

At the beginning of 2022, the Management Board of KONČAR – Electrical Industry Inc. set out to launch the Quality and Occupational Health and Safety Management System. The goal of implementing and applying an integrated management system was to establish the management of all business processes and operations in order to meet applicable requirements while raising awareness of the commitment to environmental protection, preservation of natural resources, as well as employee health and safety.

All activities have been successfully established, and auditors have assessed that KONČAR has successfully met to set objectives and implemented the requirements of ISO standards. New certifications have been awarded for Quality Management System and for the Occupational Health and Safety Management Systems. The certification for the Environmental Management System has been renewed.

The Quality Management System pertains to the management of business or all business processes in the Company in order to ensure that products and services meet all applicable requirements, while measuring progress towards continuous improvement, and development aligned with the strategic orientation. The focus on quality enables the subsidiaries to be present in a competitive global market. Customers tend to audit their partners directly (by 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 pre-qualification process when contracting certain products.

KONČAR – Infrastructure and Services (EIU) introduced Eco-Management and Audit Scheme EMAS. The EU Eco-Management and Audit Scheme (EMAS) Regulation is a voluntary environmental management tool developed by the European Commission. The system is designed to enable organisations to evaluate, report and improve their environmental impact. KONČAR – Infrastructure and Services is focused on continuous improvement of the management system and contributing to environmental protection, energy efficiency and quality of services. Consequently, in early 2020, it was the first Croatian organization, in 100% Croatian ownership, to introduce EMAS. The introduction of EMAS in business operations was propelled by the fact that excellence in environmental protection brings a strong competitive advantage. Organizations committed to environmental protection seek to reduce their adverse environmental impact and optimize their production processes.

At the end of the three-year certification cycle in 2022, a renewal and re-assessment of the EMAS was carried out, which confirmed the continuity of excellence in environmental management and the reduction of the carbon footprint. In November 2022, as part of EMAS reporting, KONČAR – Infrastructure and Services issued its fourth verified EMAS Environmental Statement. This Statement provides an overview of activities conducted in the area of sustainability and environmental protection, as well as an

insight into planned improvements and future objectives. The Environmental Statement is available from the website <https://koncar-eu.hr/izjava-o-okolisu-2022/>.

The Group continuously identifies, manages, and monitors the environmental aspects of operations, products, and services, as well as their environmental impacts. Measures are undertaken to mitigate adverse impacts by employing eco-friendly technologies and materials. Furthermore, the Group focuses on developing products with beneficial environmental impact, particularly in the segments of energy generation from renewable sources, transformer manufacturing, and electric vehicles. The certifications serve as additional confirmation of the commitment to environmental protection and provide assurance of the Company's reputation.

In compliance with the regulations of the Republic of Croatia and the application of this system, the Company continuously identifies hazards, assesses and monitors risks that impact or may impact the health and safety of employees and other stakeholders. The Group members have established and have been implementing a process to determine legal and other requirements, with updates to reflect any amendments. The issued certifications provide assurance that the subsidiaries invest in occupational health and safety by managing risks and improving the beneficial impacts of their activities, products, and services.

By applying this system, the subsidiaries assess the risk and implement certain controls in order to preserve the confidentiality, integrity and availability of information assets. The aim is to secure and protect the Company's information from misuse or loss. Appropriate risk assessment identifies threats and vulnerabilities and allows for effective investment planning to achieve expected levels of information security. Certifications for Information Security Management System affirm that the Group complies with the requirements pertaining to information security.

Energy consumption has become one of the key factors for societies. KONČAR Group members have continuously worked to achieve improved energy efficiency and the increase the share of renewable energy sources. Certifications for Energy Management System ensure that the Group members continuously progress in the field of energy efficiency, reducing energy consumption, and minimizing environmental impacts. These certifications provide assurance to the stakeholders that energy is managed systematically.

## Requirements for product and service information and labelling

In line with organizational 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 facilities, technical descriptions and instructions for safe use of products and services have been prepared. In addition, when deemed necessary, training seminars for end users of specific products or services, have been organised.

## Compliance

No violation of product and service data and labelling-related regulations and voluntary codes was recorded in the reporting period. All KONČAR Group members have consistently applied fair and responsible practices in their customer relations. These practices include 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

KONČAR Group undertakes all technical, organizational, personnel and other safety measures to protect customer privacy and comply with relevant regulations. KONČAR is transparent about data collection, usage and storage with respect to employees, customers and partners.

KONČAR does not disclose or use personal customer information for any purposes other than those agreed upon, and it duly informs the customers of any changes in data protection policies or measures. The GDPR is applied to all activities and procedures related to data collection.

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.

# Sustainable Development Goals



In all business operations, KONČAR devotes particular attention to the integration of eight 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.

**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.

**SDG 13:** Take urgent action to combat climate change and its impacts.

# GRI Content Index

## GRI 2: General Disclosures 2021.

### 1. The organization and its reporting practices

2-1 Organizational details.....	4, 6
2-2 Entities included in the organization's sustainability reporting.....	39
2-3 Reporting period, frequency and contact point.....	41
2-4 Restatements of information .....	41

### 2. Activities and workers

2-6 Activities, value chain and other business relationships .....	5, 7, 14, 15
2-7 Employees.....	9

### 3. Governance

2-9 Governance structure and composition.....	21, 24
2-10 Nomination and selection of the highest governance body .....	26
2-11 Chair of the highest governance body .....	26
2-12 Role of the highest governance body in overseeing the management of impacts .....	26, 27
2-18 Evaluation of the performance of the highest governance body .....	26
2-19 Remuneration policies .....	27
2-20 Process to determine remuneration .....	27

### 4. Strategy, policies and practices

2-22 Statement on sustainable development strategy .....	2
2-23 Policy commitments.....	15, 20
2-26 Mechanisms for seeking advice and raising concerns .....	20
2-27 Compliance with laws and regulations .....	64, 85
2-28 Membership associations .....	17

## 5. Stakeholder engagement

2-29 Approach to stakeholder engagement .....	28
2-30 Collective bargaining agreements .....	38

## GRI 3: Material Topics 2021. .... 40

3-1 Process to determine material topics .....	40
3-2 List of material topics .....	41

## TOPIC - SPECIFIC STANDARDS: ECONOMIC

### GRI 201: Economic Performance 2016 ..... 42

201-1 Direct economic value generated and distributed .....	43
201-2 Financial implications and other risks and opportunities due to climate change.....	43
201-3 Defined benefit plan obligations and other retirement plans.....	43

### GRI 203: Indirect Economic Impacts 2016 ..... 44

203-2 Significant indirect economic impacts .....	44
COR 4 Cooperation with the academic community .....	54

### GRI 204: Procurement Practices 2016 ..... 58

204-1 Proportion of spending on local suppliers .....	59
---	----

### GRI 205: Anti-corruption 2016 ..... 59

205-2/3 Anti-corruption policies and procedures .....	59
---	----

### GRI 206: Anti-competitive Behavior 2016 ..... 59

## TOPIC - SPECIFIC STANDARDS: ENVIRONMENTAL

### GRI 302: Energy 2016 ..... 60

302-1 Energy consumption within the organization .....	60, 61
302-3 Energy intensity .....	61, 62

302-4 Reduction of energy consumption.....	62	<b>GRI 405: Diversity and Equal Opportunity 2016 .....</b>	<b>73</b>
<b>GRI 303: Water and Effluents 2018 .....</b>	<b>63</b>	405-1 Diversity of governance bodies and employees .....	73
<b>GRI 304: Biodiversity 2016 .....</b>	<b>63</b>	405-2 Ratio of basic salary and remuneration of women to men .....	73
304-2 Significant impacts of activities, products and services on biodiversity .....	63	<b>GRI 406: Non-discrimination 2016 .....</b>	<b>74</b>
<b>GRI 305: Emissions 2016 .....</b>	<b>62</b>	406-1 Incidents of discrimination and corrective actions taken .....	74
305-1: Direct GHG emissions .....	62	<b>GRI 407: Freedom of Association and Collective Bargaining 2016 .....</b>	<b>74</b>
305-4: GHG emissions intensity .....	62	<b>GRI 408: Child Labor 2016 .....</b>	<b>81</b>
<b>GRI 306: Waste 2020 .....</b>	<b>64</b>	<b>GRI 409: Forced or Compulsory Labor 2016 .....</b>	<b>81</b>
306-3 Waste generated .....	64	<b>GRI 410: Security Practices 2016 .....</b>	<b>81</b>
306-4 Waste diverted from disposal .....	64	410-1 Security personnel trained in human rights policies or procedures .....	81
306-5 Waste directed to disposal .....	64	<b>GRI 413: Local Communities 2016 .....</b>	<b>81</b>
<b>TOPIC – SPECIFIC STANDARDS: SOCIAL</b>		413-1 Operations with local community engagement, impact assessments, and development programs .....	81
<b>GRI 401: Employment 2016 .....</b>	<b>11, 12</b>	<b>GRI 415: Public Policy 2016 .....</b>	<b>83</b>
401-1 New employee hires and employee turnover.....	65	415-1 Political contributions.....	83
401-2 Benefits provided to full-time employees .....	66	<b>GRI 416: Customer Health and Safety 2016 .....</b>	<b>83</b>
401-3 Parental leave.....	68	416-1 Assessment of the health and safety impacts of product and service categories.....	83
<b>GRI 402: Labor/Management Relations 2016 .....</b>	<b>68</b>	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services .....	83
402-1 Minimum notice periods regarding operational changes .....	68	<b>GRI 417: Marketing and Labeling 2016 .....</b>	<b>85</b>
<b>GRI 403: Occupational Health and Safety 2018 .....</b>	<b>68</b>	417-1 Requirements for product and service information and labeling .....	85
403-1 Occupational health and safety management system .....	68	417-2/3 Compliance .....	85
403-3 Occupational health services .....	69	<b>GRI 418: Customer Privacy 2016.....</b>	<b>85</b>
403-4 Worker participation, consultation, and communication on occupational health and safety .....	69		
403-6 Promotion of worker health .....	69		
403-9 Work-related injuries.....	69		
<b>GRI 404: Training and Education 2016 .....</b>	<b>69</b>		
404-1 Average hours of training per year per employee .....	70		
404-2 Programs for upgrading employee skills and transition assistance programs .....	70		



# GRI Standards, UN GC principles and Sustainable development goals comparative table

Areas of social values	UN Global Compact Principle	GRI standard	SDG	Page
Human rights	1st PRINCIPLE: Businesses should support and respect the protection of internationally proclaimed human rights.	408, 409, 413-1	8, 11	81.
	2nd PRINCIPLE: Businesses should make sure they are not complicit in human rights abuses.	406-1, 408, 409, 410-1, 418	5, 8	74., 81., 85.
	3rd PRINCIPLE: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	402, 402-1, 403-1, 403-4, 407, 415-1		68., 69., 74., 83.
Labour rights	4th PRINCIPLE: Businesses should eliminate all forms of forced and compulsory labour.	409		81.
	5th PRINCIPLE: Businesses should abolish child labour.	408		81.
Environment	6th PRINCIPLE: Businesses should eliminate discrimination in respect of employment and occupation.	401-1, 401-2, 401-3, 402, 403, 404, 405, 405-1, 405-2, 406-1	4, 5, 8	65., 66., 68., 69., 73., 74.
	7th PRINCIPLE: Businesses should support a precautionary approach to environmental challenges.	302, 302-1, 302-3, 303, 304, 304-2, 305-1, 305-4	7, 12, 13	60., 61., 62., 63.
	8th PRINCIPLE: Businesses should undertake initiatives to promote greater environmental responsibility.	302-4, 303, 2-27	7, 12, 13	62., 63., 64., 85.
	9th PRINCIPLE: Businesses should encourage the development and diffusion of environmentally friendly technologies.	2-12	9	26.
Anti-corruption	10th PRINCIPLE: Businesses should work against corruption in all its forms, including extortion and bribery.	205, 205-2/3		59.

# The European Union Taxonomy Regulation and Taxonomy Key Performance Indicator Report for KONČAR Group

## 1. Introduction

Climate change and rapid degradation of the environment have been increasingly arising as the major threat to human existence, and the issue of climate-related green transition is one of the major challenges of our time.

The European Union has identified the climate transition as one of the key areas of activity, and has rolled out ambitious policies and actions to address it. The 2019 European Green Deal is the EU plan to make the EU's economy sustainable by turning climate and environmental challenges into opportunities. With the 2030 Climate Target Plan, the European Union proposes to raise the EU's ambition on reducing greenhouse gas emissions to at least 55% below 1990 levels by 2030, with the goal of becoming climate-neutral by 2050.

In order to deliver the 2030 Climate Target Plan, the European Commission has put forward a number of proposals to reduce net greenhouse gas emissions through climate, energy, transport and tax policies.

The realization of such ambitious plans requires significant investments in all segments of economic activities, and the wider community. Given that there was no uniform framework that would facilitate identification of activities and investments that contribute to sustainable development, the European Parliament and the Council of the European Union adopted the Taxonomy Regulation in 2020 and additional delegated acts that together form the EU's taxonomy system of climate-sustainable activities. By defining environmentally eligible and aligned activities, the taxonomy system enables increased transparency of sustainability information, helps identify activities that substantially contribute to environmental objectives, and establishes a framework that facilitates financing and redirects cash flows to sustainable technologies and undertakings. This allows access to new sources of financing in the global capital market and reduces unfair competition from undertakings that use sustainable development for the purpose greenwashing.

Pursuant to the Taxonomy Regulation, for the purposes of establishing the degree to which an investment is environmentally sustainable, an economic activity shall qualify as environmentally sustainable where it meets four basic criteria:

- the activity contributes substantially to one or more of the environmental objectives set out in Article 9 of the Taxonomy Regulation,
- causes no significant harm to any of the other environmental objectives
- is carried out in compliance with the minimum safeguards laid down,
- complies with technical screening criteria that have been established, i.e., with science-based criteria of technical screening.

The Regulation defines the environmental objectives:

- climate change mitigation;
- climate change adaptation;
- the sustainable use and protection of water and marine resources;
- the transition to a circular economy;

<sup>1</sup>Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

In the first year of application and pursuant to Article 8 of the Taxonomy Regulation, any undertaking which is subject to an obligation to publish non-financial information shall include in its 2021 non-financial statement or consolidated non-financial statement information on three indicators associated with the first two environmental objectives - climate change mitigation and climate change adaptation. The disclosed indicators pertain to:

- the proportion of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under the provisions of the Taxonomy,
- the proportion of capital expenditure (CAPEX) related to assets or operations associated with economic activities that qualify as environmentally sustainable under the provisions of the Taxonomy,
- and the proportion of operating expenditure (OPEX) related to assets or processes associated with economic activities that qualify as environmentally sustainable under the provisions of the Taxonomy.

In the second year of the Regulation application, the Report shall include disclosures pertaining to the Taxonomy-eligible and, for the first time, Taxonomy-aligned turnover, capital expenditures, and operating expenditure for 2022, with respect to climate and environmental objectives of climate change mitigation and adaptation, which are currently addressed by the EU Taxonomy.

Comprehensive understanding and interpretation of KONČAR Group disclosed results must take into account that non-eligible activity does not imply environmentally beneficial or adverse activities, but rather those economic activities that have not been identified in the Taxonomy Regulation and by the European Commission as activities contributing substantially to climate change mitigation or climate change adaptation.

## 2. The assessment of Taxonomy-eligible and Taxonomy-aligned activities of KONČAR Group

KONČAR Group's report on the requirements set out by the Taxonomy Regulation and delegated acts is based primarily on activities classified in line with the NACE classification.

The main business segments of KONČAR Group are manufacture of equipment for energy generation, manufacture of renewable energy technologies, energy transmission and distribution, rail solutions and infrastructure, and digital solutions and platforms.

In line with the NACE classification and for the purposes of the report prescribed by the Taxonomy Regulation ("Report"), products and services screened in order to identify Taxonomy-eligible activities are classified into 6 basic sectors:

- Sector 3 Manufacturing
- Sector 4 Energy
- Sector 5 Water supply; sewerage, waste management and remediation activities
- Sector 6 Transport
- Sector 7 Construction and real estate
- Sector 8 Information and communication
- Sector 9 Professional, scientific and technical activities

<sup>2</sup>NACE (Nomenclature of Economic Activities) is the European statistical classification of economic activities. NACE groups organizations according to their business activities and is used to ensure comparability of statistical data collected across the Union.

For the purpose of the disclosures in the Report, with the support of expert consultants, a comprehensive Group-wide screening of the business segments and manufacturing portfolio was conducted. The screening included professional functions such as manufacturing, research and development, and finance.

Making a step forward, Taxonomy-eligible activities screening was extended in 2022 to encompass the criteria determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm. With respect to these criteria, the screening indicated that most of the Group members have not implemented the necessary processes which would enable such type of screening and data monitoring, that is, are not able to provide conclusions ascertaining if certain activities are Taxonomy-aligned. Therefore, the only Taxonomy-eligible activity which is also Taxonomy-aligned is 3.1. Manufacture of renewable energy technologies, carried out by Dalekovod. In order to obtain accurate results and indicators of Taxonomy alignment, in the upcoming period, we plan to conduct a detailed analysis and continuous data processing.

The Management Board of KONČAR - Electrical Industry Inc. has reviewed and adopted the Report and, in cooperation with the professional functions in charge of strategy implementation and activities in the field of sustainable development, agreed on a roadmap of activities in this area. In order to transform to a low-carbon economy and within all business operations, KONČAR has consistently undertaken to invest in technologies that reduce the carbon footprint of both the Company and of our customers, as the end-users of our products.

In all manufacturing activities, the objective is to work towards manufacturing processes that will create quality and long-lasting products with revitalization and reuse capabilities. The methodology of manufacturing processes should be such that the optimal amount of environmentally eligible resources is used to their maximum capacity. Rational use of basic resources (water, gas, electricity) further contributes to sustainable manufacturing.

New product development that advances the reduction of environmental pollution and supports energy savings remains one of the most important objectives, which are outlined by the adopted business strategy.

## 2.1. Income generated from Taxonomy-eligible economic activities

Consolidated income that meets the requirements of the eligible economic activities for 2022 amounts to HRK 1,519 million, or 29% of the total income generated from the sales of products and services in 2022. The most significant portion of revenue from Taxonomy-eligible economic activities pertains to the group of activities related to the manufacture of low-carbon technologies for transport (rail vehicles), activities related to the transmission and distribution of electricity and electricity generation using solar photovoltaic technology.

The list of activities from which income was generated in 2022 is given in the table below:

Activities by sector	Name of activity	Income in HRK thousand
3.1. (S)	Manufacture of renewable energy technologies	4.981
3.3. (S)	Manufacture of low carbon technologies for transport	595.132
4.1. (S)	Electricity generation using solar photovoltaic technology	111.969
4.3. (S)	Electricity generation from wind power	39.662
4.5. (S)	Electricity generation from hydropower	56.574
4.9. (S)	Transmission and distribution of electricity	541.535
4.10. (S)	Storage of electricity	739
5.5. (S)	Collection and transport of non-hazardous waste in source segregated fractions	12.412
6.14. (S)	Infrastructure for rail transport	22.348
6.15. (S)	Infrastructure enabling low-carbon road transport and public transport	24.923
6.15.(P)	Infrastructure enabling low-carbon road transport and public transport	8.782
6.5. (S)	Transport by motorbikes, passenger cars and light commercial vehicles	113
7.1. (S)	Construction of new buildings	6.224
7.7. (S)	Acquisition and ownership of buildings	36.796
8.2. (S)	Data-driven solutions for GHG emissions reductions	57.347
9.1. (S)	Close to market research, development and innovation	1.017
	<b>Total numerator</b>	<b>1.520.554</b>
	<b>Total denominator</b>	<b>5.218.878</b>
	<b>Proportion of income generated from Taxonomy-eligible economic activities</b>	<b>29,14%</b>

Similar to 2021, in 2022 KONČAR Group generated a significant portion of income from an activity classified under C27.11. in NACE classification: Manufacture of electric motors, generators and transformers, which does not meet any of Taxonomy-eligible criteria of environmentally sustainable economic activities. Manufactured transformers, generators and electric motors do not have a substantial adverse environmental impact, particularly if they are installed in devices for the generation of energy from renewable sources (the percentage of such installation is currently not monitored at KONČAR Group level). However, as they form part of the finished product, they do not in themselves fall within the scope of the Taxonomy reporting, therefore this activity is not a Taxonomy-eligible activity for KONČAR Group.

On the other hand, these devices enable our end-customers operating in other sectors to make their activities Taxonomy-eligible and ultimately aligned with the Taxonomy Regulation.

### 2.1.1. Voluntary disclosure - income

Pursuant to the Delegated Sustainable Finance Disclosure Regulations, non-financial undertakings can publish information on key performance indicators on a voluntary basis. Accordingly, a portion of the income generated by KONČAR Group also pertains to the manufacture of renewable energy technologies. However, the activity does not pertain to the manufacture of finished technologies, but rather to transformers, generators and motors that are installed in technologies or finished products and devices for the generation of energy from renewable sources.

Given that there are currently no exact methods of tracking such products, it is thus not possible to present all income generated in 2022 in this regard. Nonetheless, the table below gives the calculation of the portion of the income generated from Taxonomy-eligible economic activities, including the relevant income where it was possible to compute:

Activities by sector	Name of activity	Income in HRK thousand
	<b>Total numerator aligned with 2.1.</b>	
3.1 (U)	Manufacture of renewable energy technologies	155.814
	<b>Total numerator including voluntary disclosure</b>	<b>1.676.368</b>
	<b>Total denominator</b>	<b>5.218.878</b>
	<b>Proportion of income generated from Taxonomy-eligible economic activities</b>	<b>32,12%</b>

<sup>3</sup>Commission delegated regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

<sup>4</sup>Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

## 2.2. Capital expenditure (CAPEX)

Total CAPEX at the level of KONČAR Group pertains to expenditure for assets acquired and includes all capitalized acquisitions related to current and non-current assets, property with the right of use, and investments in real estate.

Eligible capitalized investment costs in accordance with the Taxonomy for 2022 amount to HRK 93 million, which represents 15 % of the total CAPEX. The most significant portion pertains to the acquisition and ownership of buildings, construction of new buildings and freight transport services by road.

The list of activities from which CAPEX was realized in 2022 is given in the table below:

Activities by sector	Name of activity	Income in HRK thousand
3.1. (S)	Manufacture of renewable energy technologies	932
4.3. (S)	Electricity generation from wind power	29
4.9. (S)	Transmission and distribution of electricity	275
4.15. (S)	District heating/cooling distribution	325
6.14. (S)	Infrastructure for rail transport	3.462
6.15.(P)	Infrastructure enabling low-carbon road transport and public transport	1.644
6.5. (S)	Transport by motorbikes, passenger cars and light commercial vehicles	5.582
6.6. (S)	Freight transport services by road	12.648
6.13. (S)	Infrastructure for personal mobility, cycle logistics	85
7.1. (S)	Construction of new buildings	16.243
7.2. (S)	Renovation of existing buildings	8.566
7.3. (S)	Installation, maintenance and repair of energy efficiency equipment	6.340
7.4. (S)	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	77
7.5. (S)	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	80
7.6. (S)	Installation, maintenance and repair of energy efficiency equipment	7.846
7.7. (S)	Acquisition and ownership of buildings	42.922
9.1. (S)	Close to market research, development and innovation	2.393
<b>Total numerator</b>		<b>109.449</b>
<b>Total denominator</b>		<b>573.619</b>
<b>Proportion of Taxonomy-eligible CAPEX</b>		<b>19,08%</b>

## 2.3. Operating expenditure (OPEX)

The operating expenditure (OPEX) indicator is expressed in relation to the total operating expenditure in the statement of comprehensive income, excluding depreciation and amortization. In line with the EU Taxonomy Regulation, the denominator includes direct non-capitalized expenditure related to research and development, building refurbishment measures, short-term leases related to right-of-use assets according to IFRS 16, maintenance and repair, and all other direct expenditure for day-to-day servicing of property, plant and equipment carried out by the undertaking or a third party entrusted with these tasks, necessary for the continued operating of the asset. The numerator in the operating expenditure is related to the above-defined expenditure, and only includes only those expenditure that were incurred by Taxonomy-eligible activities.

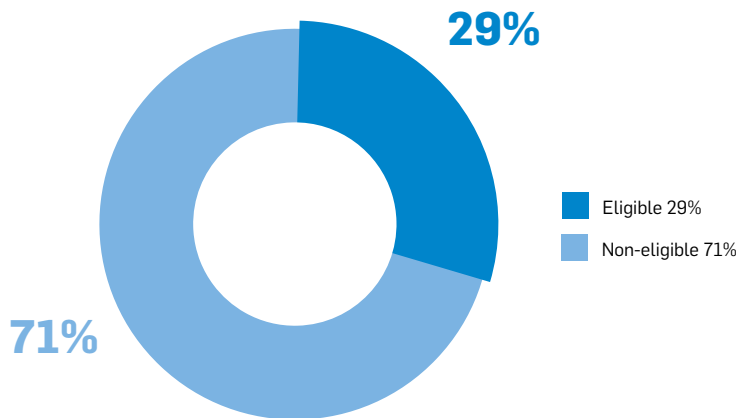
For the year ended 31 December 2022, 49% or HRK 44 million is Taxonomy-eligible operating expenditure in relation to the climate change mitigation target.

The most significant portion of Taxonomy-eligible operating expenditure pertains to transport costs, i.e., primarily to the costs of short-term rental and maintenance of personal vehicles, followed by the costs of acquisition and maintenance of buildings and maintenance of installed equipment at the wind farm Pometeno brdo (electricity generated from renewable energy sources).

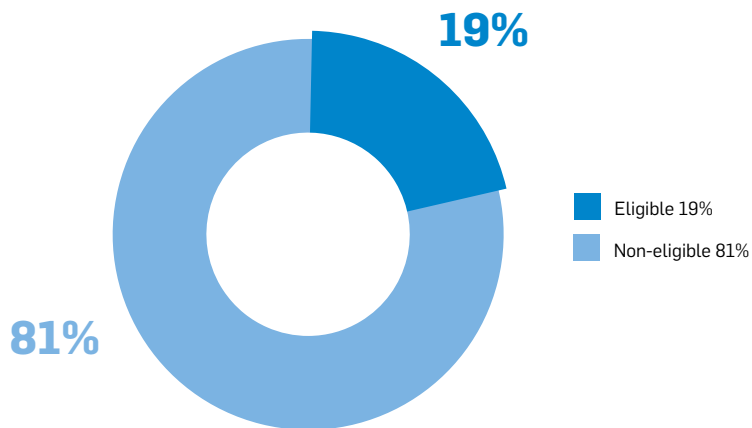
The list of activities from which OPEX was realized in 2022 is given in the table below:

Activities by sector	Name of activity	Income in HRK thousand
3.1.	Manufacture of renewable energy technologies	523
4.1.	Electricity generation using solar photovoltaic technology	33
4.3.	Electricity generation from wind power	2.085
4.9.	Transmission and distribution of electricity	244
4.31.	Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	247
5.4.	Renewal of waste water collection and treatment	5
6.15.	Infrastructure enabling low-carbon road transport and public transport	921
6.5.	Transport by motorbikes, passenger cars and light commercial vehicles	7.043
6.6.	Freight transport services by road	6.393
7.1.	Construction of new buildings	653
7.3.	Installation, maintenance and repair of energy efficiency equipment	1.351
7.3. (CCA)	Installation, maintenance and repair of energy efficiency equipment	14
7.3.1.	Installation, maintenance and repair of energy efficiency equipment	133
7.7.	Acquisition and ownership of buildings	14.630
9.1.	Close to market research, development and innovation	1.564
9.1.	Close to market research, development and innovation (for the purpose of climate change mitigation)	4.017
<b>Total numerator</b>		<b>39.856</b>
<b>Total denominator</b>		<b>91.338</b>
<b>Proportion of Taxonomy-eligible OPEX</b>		<b>43,64%</b>

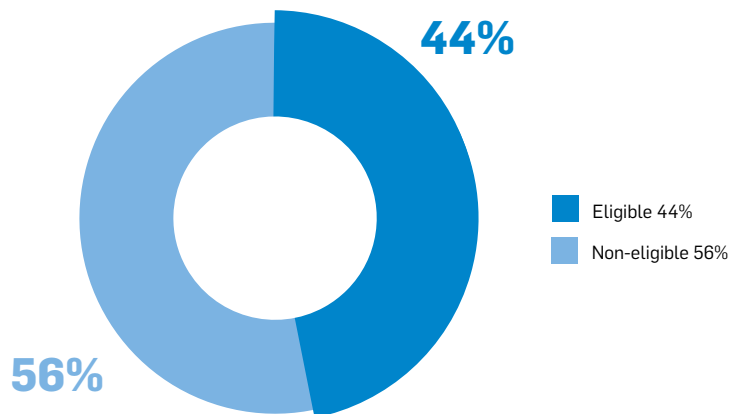
INCOME



CAPEX



OPEX





### 3. Conclusion

By introducing the EU Taxonomy and classifying green and sustainable activities within the defined environmental objectives, a basic framework has been created to enhance the differentiation of activities with positive environmental impacts from greenwashing and make this information more transparent. This will enable investors, financial institutions and other financial market participants to identify activities, undertakings and sectors that make a substantial positive environmental impact and thus contribute to financing the transition to a more sustainable and low-carbon economy.

Notwithstanding good intentions, we maintain that, in order for it to be efficient, the EU Taxonomy should take into account all economic activities which substantially reduce CO<sup>2</sup> emissions. Within the existing regulatory framework, the Taxonomy focuses on the sectors which are direct main contributors to greenhouse gas emissions, however it disregards or neglects many critical technologies, such as electrical equipment and industrial automation, which are necessary and enable renewable energy systems.

The Taxonomy also fails to take into account the management of electricity consumption, which could be rapidly and substantially reduced when widely available and cost-effective technologies are introduced.

In conclusion, we firmly support the EU Taxonomy as a significant step forward in the development of the common classification of sustainable economic activities. Nevertheless, we hold that the classification should be expanded to encompass all economic activities and all sectors that significantly, albeit indirectly, contribute to decarbonization, which is a shortcoming that has already been acknowledged by the EU.

Climate change is a global challenge that requires a global solution and a global perspective. The ultimate objective should be a common global classification system of sustainable activities that is comprehensive, credible, and relevant worldwide. Providing the gaps and shortcomings in the EU Taxonomy are addressed, we believe that it has the potential to serve as a blueprint for and the driver of investments in sustainable development.

## Breakdown of Taxonomy-eligible and Taxonomy-aligned activities of KONČAR Group

### Key Performance Indicator – Income

Economic activities (1)	Code/codes (2)	Absolute income (3) HRK thousand	Proportion in income %	Substantial contribution criterion						No significant harm criterion						Proportion of Taxonomy-aligned income 2024 (18) Percentage	Proportion of Taxonomy-aligned income 2024 (19) Percentage	Category (enabling economic activity) (20) E	Category (transitions economic activity) (21) T
				Climate change mitigation (5)	Climate change adaptation (6)	Sustainable use and protection of water and	Transition to a circular economy (8)	Pollution prevention and control (9)	Protection and restoration of biodiversity and	Climate change mitigation (11)	Climate change adaptation (12)	Climate change adaptation (12)	Sustainable use and protection of water and	Transition to a circular economy (14)	Pollution prevention and control (15)				
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																			
A.1. Environmentally sustainable economic activities (Taxonomy-aligned)																			
3.1. (S) Manufacture of renewable energy technologies		4,981	0.1%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	E		
<b>Income generated from environmentally sustainable economic activities (Taxonomy-aligned) (A.1.)</b>																			
		<b>4,981</b>	<b>0.1%</b>																
<b>A.2. Taxonomy-eligible, but environmentally unsustainable economic activities (Taxonomy-non-aligned)</b>																			
3.3. (S) Manufacture of low carbon technologies for transport		595,132	11.40%																
4.1. (S) Electricity generation using solar photovoltaic technology		111,969	2.15%																
4.3. (S) Electricity generation from wind power		39,661	0.76%																
4.5. (S) Electricity generation from hydropower		56,574	1.08%																
4.9. (S) Transmission and distribution of electricity		541,535	10.38%																
4.10. (S) Storage of electricity		739	0.01%																
5.5. (S) Collection and transport of non-hazardous waste in source segregated fractions		12,412	0.24%																
6.14. (S) Infrastructure for rail transport		22,348	0.43%																
6.15. (S) Infrastructure enabling low-carbon road transport and public transport		24,923	0.48%																
6.15. (S) Infrastructure enabling low-carbon road transport and public transport		8,782	0.17%																
6.5. (S) Transport by motorbikes, passenger cars and light commercial vehicles		113	0.00%																
7.1. (S) Construction of new buildings		6,224	0.12%																
7.7. (S) Acquisition and ownership of buildings		36,796	0.71%																
8.2. (S) Data-driven solutions for GHG emissions reductions		57,347	1.10%																
9.1. (S) Acquisition and ownership of buildings		1,017	0.02%																
<b>Income generated from taxonomy-eligible, but environmentally unsustainable economic activities (Taxonomy-non-aligned) (A.2.)</b>																			
		<b>1,515,572</b>	<b>29.04%</b>																
<b>TOTAL (A.1.+ A.2.)</b>		<b>1,520,554</b>	<b>29.14%</b>																
<b>B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES</b>																			
<b>Revenue from Taxonomy-non-eligible economic activities (B)</b>																			
		<b>3,698,324</b>	<b>70.86%</b>																
<b>Total (A+B)</b>		<b>5,218,878</b>	<b>100%</b>																

Key Performance Indicator - Capital expenditure

Economic activities (1)	Code/codes (2)	Absolute CAPEX (3)	Proportion of CAPEX %	Substantial contribution criterion						No significant harm criterion						Proportion of Taxonomy-aligned CAPEX 2022 (18)	Proportion of Taxonomy-aligned CAPEX 2021 (19)	Category (enabling economic activity) (E)	Category (transitions economic activity) (T)
				Climate change mitigation (5)	Climate change adaptation (6)	Sustainable use and protection of water and marine	Transition to a circular economy (8)	Pollution prevention and control (9)	Protection and restoration of biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Sustainable use and protection of water and marine	Transition to a circular economy (14)	Pollution prevention and control (15)	Protection and restoration of biodiversity and ecosystems (16)				
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																			
<b>A.1. Environmentally sustainable economic activities (Taxonomy-aligned)</b>																			
3.1. (S) Manufacture of renewable energy technologies		932	0.16%	100%															
<b>Income generated from environmentally sustainable economic activities (Taxonomy-aligned) (A.1.)</b>		<b>932</b>	<b>0.16%</b>	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	
<b>A.2. Taxonomy-eligible, but environmentally unsustainable economic activities (Taxonomy-non-aligned)</b>																			
4.3. (S) Electricity generation from wind power		29	0.01%																
4.9. (S) Transmission and distribution of electricity		275	0.05%																
4.15. (District heating/cooling distribution)		325	0.06%																
6.14. Infrastructure for rail transport		3,462	0.60%																
6.15. Infrastructure enabling low-carbon road transport and public transport		1,644	0.29%																
6.5. (S) Transport by motorbikes, passenger cars and light commercial vehicles		5,582	0.97%																
6.8. (S) Freight transport services by road		12,648	2.20%																
6.13. Infrastructure for personal mobility, cycle logistics		85	0.01%																
7.1. (S) Construction of new buildings		16,243	2.83%																
7.2. (S) Renovation of existing buildings		8,566	1.49%																
7.3. (S) Installation, maintenance and repair of energy efficiency equipment		6,340	1.11%																
7.4. (S) Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)		77	0.01%																
7.5. (S) Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		80	0.01%																
7.6. (S) Installation, maintenance and repair of energy efficiency equipment		7,846	1.37%																
7.7. (S) Acquisition and ownership of buildings		42,922	7.48%																
9.1.(P) Close to market research, development and innovation (for the purpose of climate change mitigation)		2,393	0.42%																
<b>Capital expenditure from Taxonomy-eligible, but environmentally unsustainable economic activities</b>		<b>2,393</b>	<b>18.92%</b>																
<b>TOTAL (A.1.+ A.2.)</b>		<b>3,325</b>	<b>19.08%</b>																

Key Performance Indicator - Operating expenditure

Economic activities (1)	Code/codes (2)	Absolute OPEX (3)	Proportion of CAPEX	Substantial contribution criterion						No significant harm criterion						Minimum safeguards (17)	Proportion of Taxonomy-aligned OPEX 2021 (16)	Proportion of Taxonomy-aligned OPEX 2022 (18)	Category (enabling activity) (20)	Category (enabling activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Sustainable use and protection of water and marine resources (7)	Transition to a circular economy (8)	Pollution prevention and control (9)	Protection and restoration of biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Sustainable use and protection of water and marine resources (13)	Transition to a circular economy (14)	Pollution prevention and control (15)	Protection and restoration of biodiversity and ecosystems (16)					
				%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N					
<b>A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES</b>																				
<b>A.1. Environmental and climate enabling economic activities</b>																				
<b>3.1. (S) - Manufacture of renewable energy technologies</b>																				
<b>Operating expenditure from environmentally sustainable economic activities (Taxonomy-aligned) (A.1)</b>		<b>523</b>	<b>1%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>E</b>	<b>T</b>	
<b>A.2. Taxonomy-eligible, but environmentally unsuitable economic activities (Taxonomy-non-aligned)</b>																				
4.1. (S) Electricity generation using solar photovoltaic		33	0.6%																	
4.3. (S) Electricity generation from wind power		2,095	2.29%																	
4.3. (S) Transmission and distribution of electricity		244	0.27%																	
4.3. (S) Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system		247	0.27%																	
5.4. (S) Renewal of waste water collection and treatment		5	0.00%																	
6.15. (P) Infrastructure enabling low-carbon road transport and public transport		921	1.01%																	
6.5. (S) Infrastructure enabling passenger cars and light commercial vehicles		7,043	7.71%																	
6.6. (S) Freight transport services by road		6,303	7.00%																	
7.1. (S) Construction of new buildings		653	0.71%																	
7.2. (S) Installation, maintenance and repair of energy efficiency equipment		1,351	1.48%																	
7.3. (P) Installation, maintenance and repair of energy efficiency equipment		14	0.01%																	
7.3. (S) Installation, maintenance and repair of energy efficiency equipment		133	0.15%																	
7.7. (S) Acquisition and ownership of buildings		14,630	16.02%																	
9.1. (S) Close to market research, development and innovation		1,564	1.71%																	
9.1. (P) Investment for the purpose of climate change mitigation		4,017	4.42%																	
<b>Operating expenditure from Taxonomy-eligible, but environmentally unsustainable economic activities (Taxonomy-non-aligned) (A.2)</b>		<b>39,333</b>	<b>43%</b>																	
<b>TOTAL (A.1 + A.2)</b>		<b>39,856</b>	<b>44%</b>																	
<b>B. TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES</b>																				
<b>OPEX from Taxonomy-non-eligible economic activities (B)</b>		<b>9,472</b>	<b>5%</b>																	
<b>Total (A+B)</b>		<b>91,288</b>	<b>100%</b>																	



**KONČAR - Electrical Industry Inc.**

Fallerovo šetalište 22, 10000 Zagreb, Croatia

phone: +385 1 3655 555

e-mail: [marketing@koncar.hr](mailto:marketing@koncar.hr)

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