

# Sustainability Strategy 1.0

2024–2026

**KONČAR**

Inspired by challenge

**Inspired by  
challenge,  
we are leading the  
way towards  
a responsible and  
sustainable  
energy future**

The expertise, knowledge and dedication of all our employees allow us to lead the way in energy transition and decarbonization of the power sector in Croatia and worldwide.

As a regional leader in technological development we are consistently developing new advanced solutions and business models that benefit both the community and the environment.

In addition to strong focus on the environmental aspect of our ESG strategy, corporate governance and the social aspects of our business are essential components of all our operations.

# KONČAR

## Sustainability Strategy 1.0.

KONČAR Group, a regional leader in technological innovation and Croatia's foremost net exporter, is actively contributing to the decarbonization of the electric energy sector both in Croatia and around the globe. We are committed to continually innovating and developing business models and solutions that serve the well-being of both our community and the environment.

Among the first in Croatia, we have committed to aligning our strategies and operations with universal principles of human rights, labour, environment, and anti-corruption. Since March 2007, we have been proud members of the United Nations Global Compact, the world's largest corporate sustainability initiative.

The growing demand for our solutions offers numerous benefits and presents several challenges. In March 2024, we launched our first-ever Sustainability Strategy, which expands on our existing frameworks for monitoring and managing risks and opportunities.

This strategy ensures that sustainability aspects are fully incorporated into our business processes. As a result, we are better equipped to manage the growing complexity of market, regulatory, and community demands, greatly enhancing our endeavours to promote a greener and fairer future.

“ We are part of an industry where overall competitiveness is driven by our ability to quickly adapt and efficiently innovate in research and development.

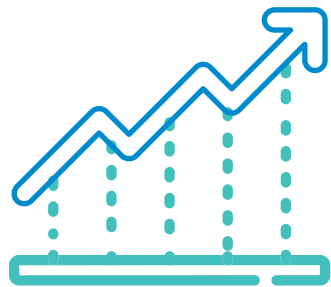
**We have set high standards for ourselves to excel further in this sector and to sustain our position as a regional leader in green energy, urban mobility, and digital solutions and platforms.**

Commitment to our customers, pursuit of excellence, fostering innovation, and preserving natural resources remain fundamental to our operations. Our reputation is built upon our dedication to our employees and the community, as well as our efforts to promote a thriving economy and a sustainable society. ”

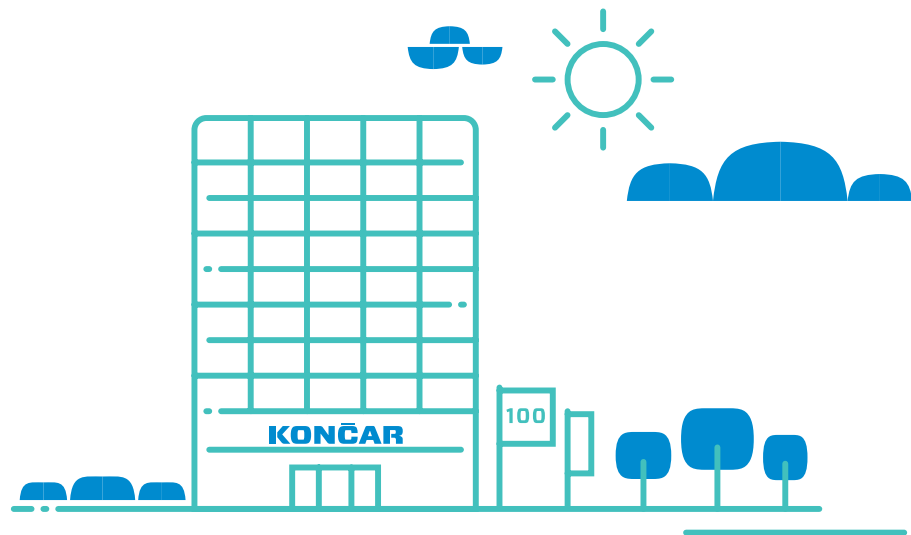
- Gordan Kolak, CEO



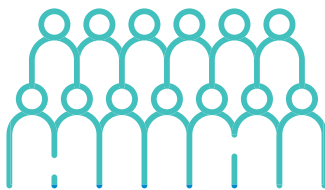
# About us



**SALES REVENUE\***  
EUR 901 million (2023)



**KONČAR GROUP**  
16 subsidiaries and  
1 affiliated company



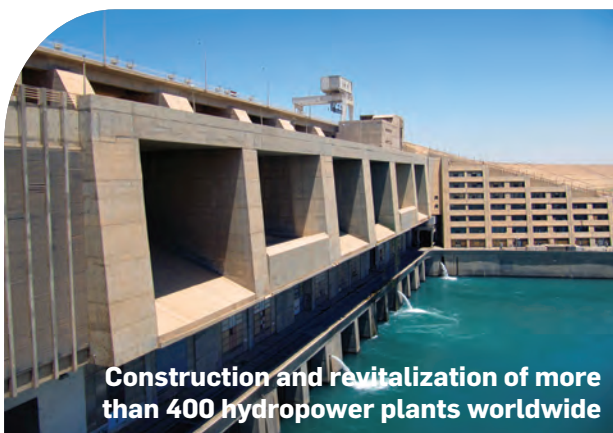
**EMPLOYEES\***  
5200+



**EXPORT\***  
65% of sales  
revenue (2023)

*\*without affiliated company*

# Achievements we celebrate



Construction and revitalization of more than 400 hydropower plants worldwide



Construction of six solar power plants for partners, with a combined output of 52 MW



GREEN LINE instrument transformers with reduced environmental impact



Use of materials with 50% reduced CO<sub>2</sub> emissions in their production compared to a conventional production



Development and construction of battery trains and energy storage devices



FLOOD CONTROL AND WATER MANAGEMENT

Digitalization of the flood protection system

# We set **sustainable benchmarks**



**In-house Laboratory Center conducting over  
700 testing and calibration methods**



**Integrated solar power plants installed at  
roof-tops of manufacturing facilities**



**Wind farm with  
20 MW capacity**



**We source all our electricity from  
certified renewable resources  
(ZelEn Certificate)**



**KONČAR - Infrastructure  
and Services is the first Croatian company  
to be certified with an EMAS certificate**



**KONČAR'S PROZA Station is the world's  
first SCADA solution aligned with the  
international standard for cybersecurity**

# A long-standing commitment to **community care and engagement**



Croatian Paralympic Committee



UNICEF Office in Croatia



KONČAR Volunteer Club



Educational programs for the children of employees

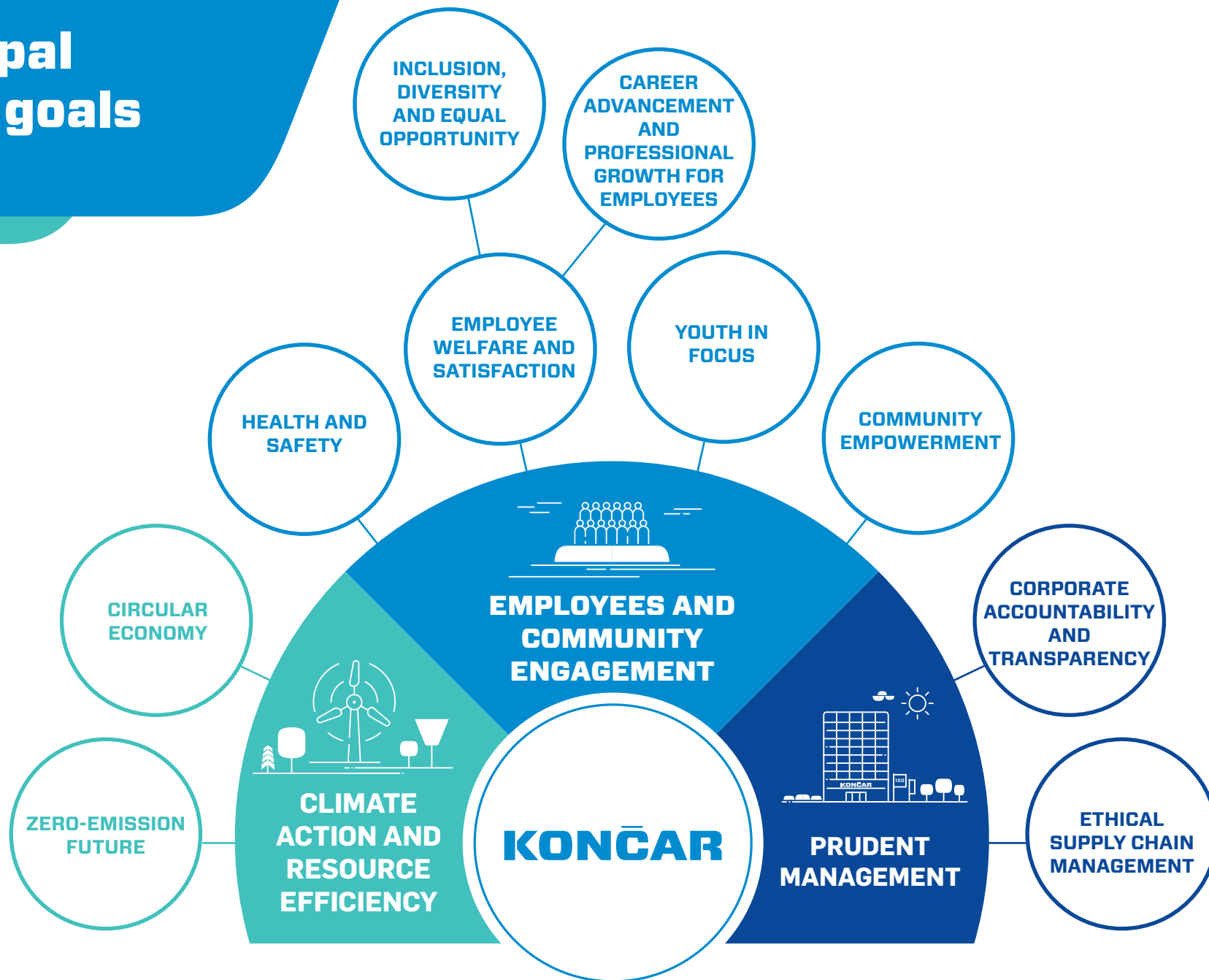


Corporate races



70-year tradition in organizing voluntary blood donation

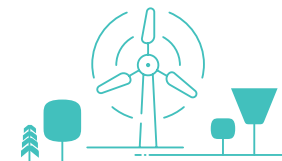
# Our principal strategic goals





# Sustainability Goals to Achieve by 2026

## CLIMATE ACTION AND RESOURCE EFFICIENCY



For over a century, we have been leading the path towards a responsible and sustainable energy future.

Our commitment to innovation and cutting-edge solutions lays a strong foundation for the green transition, driving continuous advancements in energy efficiency for both our products and customers. These persistent efforts not only combat climate change but also significantly mitigate its impacts. We power our operations entirely with renewable energy and are on a path to increase our self-generated energy proportionately. By developing a climate transition plan grounded on scientific principles, we are setting the stage for a seamless move to net-zero emissions.

As we pave the way for a future free of emissions, we are dedicated to using resources responsibly in our production and waste management practices. This approach not only helps conserve natural resources but also strengthens the circular economy.

GOAL

1

### ZERO-EMISSION FUTURE

#### REDUCTION OF SCOPE 1 AND 2 EMISSIONS, INITIATING NET-ZERO TRANSITION

1. Achieve a 45% reduction in Scope 1 and 2 emissions by 2030, compared to 2019 levels
2. Increase energy efficiency by 35% by 2026, from 2019 levels
3. Ensure 15% of our electrical power is sourced from our own renewable resources by 2026
4. Ensure that 100% of our electricity supply is sourced from renewable energy by 2026
5. Developing a climate transition plan

Given the long-term nature of effective climate strategies, we have designated 2030 as our target year.

### CIRCULAR ECONOMY

#### REDUCING WASTE AND PROMOTING RESOURCE EFFICIENCY

1. Achieve an 80% diversion rate of manufacturing waste from landfills by 2026
2. Increase the proportion of recycled content in key material inputs and packaging
3. Enhance the utilization of sustainably sourced wood and cardboard in our products
4. Educate all key customers on effective product disposal and recycling practices
5. In partnership with suppliers, initiate a pilot project for eco-friendly packaging that minimizes environmental impact

GOAL

2

# Sustainability Goals to Achieve by 2026

## EMPLOYEES AND COMMUNITY ENGAGEMENT



Our commitment to our employees and the wider community is fundamental to our success and the development of a thriving economy and society. We prioritize the well-being and safety of our workforce, support their growth and prosperity, and create a workplace that nurtures equal opportunity.

Through targeted initiatives and supportive programs, we are actively enhancing conditions for parents, women, disabled individuals, and foreign workers.

We acknowledge the essential role that ongoing development of knowledge and skills plays in aligning with the individual goals and needs of each employee. By investing in our managers' leadership skills, we empower them to lead and motivate their teams effectively in a fast-evolving workplace, enhancing collaboration and contributing positively to our work environment.

GOAL

3

### HEALTH AND SAFETY

#### IMPLEMENTING A SAFE AND HEALTHY WORKING ENVIRONMENT FOR ALL EMPLOYEES AND ASSOCIATES

1. Aim to reduce the percentage of lost working hours caused by work - related injuries to less than 1%
2. Ensure all employees have access to supplementary health insurance
3. Promote mental health awareness and implement stress prevention measures

### EMPLOYEE WELFARE AND SATISFACTION

#### PROMOTE INCLUSION, DIVERSITY AND EQUAL OPPORTUNITY

1. Increase the representation of women in leadership and highly skilled positions
2. Enhance employment opportunities for individuals with disabilities and foster an inclusive work environment
3. Offer ongoing support to parents beyond maternity or paternity leave
4. Support the integration of foreign workers into our workforce

GOAL

4

#### FOSTERING CAREER ADVANCEMENT AND PROFESSIONAL GROWTH FOR EMPLOYEES

1. Streamline the onboarding process for new hires while continuously refining these procedures
2. Develop personalized growth plans and robust performance management systems for critical roles
3. Commit at least 20% of training hours to the development of employees' digital skills
4. Cultivate a culture that values innovation and active engagement

GOAL

5

# Sustainability Goals to Achieve by 2026

## EMPLOYEES AND COMMUNITY ENGAGEMENT



Partnering with local communities, we aim to improve their well-being, particularly supporting disadvantaged athletes.

By collaborating with the academic community, we actively support the youth, honor student excellence, and offer practical training experiences. Opportunities for doctoral studies are provided with an emphasis on practical application in industry, promoting research and innovation.

We motivate our employees to participate in community service activities, aiming to not only excel within our industry but also to serve as pioneers of positive change in society.

GOAL

6

YOUTH IN  
FOCUS

### FOSTERING YOUTH ENGAGEMENT AND CULTIVATING KONČAR'S IMAGE AS A DESIRABLE EMPLOYER

1. Ensure ongoing student and apprentice programs within all corporate entities
2. Increase the number of scholarships for students and apprentices
3. Sustain continuous partnerships with technical colleges and universities
4. Implement a referral system for new hires

COMMUNITY  
EMPOWERMENT

### CONSISTENTLY INVESTING IN THE DEVELOPMENT AND LIFE QUALITY OF LOCAL COMMUNITIES

1. Fund initiatives through a structured program of sponsorships and donations
2. Strengthen corporate volunteering efforts
3. Support for athletes in amateur sports, particularly focusing on athletes with disabilities

GOAL

7

# Sustainability Goals to Achieve by 2026

## PRUDENT MANAGEMENT



Our corporate governance vision goes beyond fulfilling legal obligations to establishing new standards that enhance ethical conduct, transparency, and the sustainability of our operations. Convinced that ethical integrity is as critical as financial outcomes, we aim to set benchmarks in ethical and transparent business practices.

We are dedicated to constructing a robust framework within the KONČAR Group for managing ESG principles and risks, constantly enhancing the skills our managers and employees need to implement ethical and sustainable practices daily.

We fully recognize that the sustainability of our supply chain is fundamental to our overall business success. By partnering with our suppliers, we are committed to elevating environmental standards, fostering ethical business practices, and driving transitions towards more sustainable operational models.

GOAL

8

### CORPORATE ACCOUNTABILITY AND TRANSPARENCY

## COMMIT TO RESPONSIBLE AND ETHICAL MANAGEMENT AND INTEGRATE SUSTAINABILITY INTO BUSINESS OPERATIONS

1. Integrate ESG criteria into all risk assessment and management strategies
2. Ensure comprehensive ESG training for every employee
3. Adopt a zero-tolerance approach to bribery and corruption
4. Educate employees on the essentials of information security

### UPHOLDING ETHICAL STANDARDS IN THE VALUE CHAIN

## SAFEGUARD ETHICAL INTEGRITY AND CONFORMITY TO KONČAR'S VALUES IN THE SUPPLY CHAIN

1. Screen 100% of strategic suppliers for ESG risks
2. Develop and enforce a supplier code of conduct

GOAL

9

# Contributing to the Sustainable Development Goals (SDGs)

KONČAR acknowledges the crucial role of achieving the UN's Sustainable Development Goals and is dedicated to responsibly forging a better future for all.

We engage deeply with the SDGs through our business operations and strategies, firmly integrating sustainability into all aspects of our operations. Our efforts aim to mitigate negative impacts on the economy, society, and the environment while maximizing beneficial outcomes.

In harmony with UN goals, KONČAR is paving the way for a new generation of energy solutions with reduced environmental footprints. We are dedicated to fostering inclusive and fair economic development, steering our efforts towards a sustainable and prosperous future. This endeavour significantly contributes to advancing Goals 7, 8, 9, and 13.



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**Inspired by challenge** of the new power engineering era, we are taking the lead in **building a sustainable and resilient world** for generations to come.

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**KONČAR**

Inspired by challenge