



**REGULATION ON THE PROCEDURE FOR INTERNAL REPORTING OF BREACHES
AND APPOINTMENT OF FACILITATOR**

for KONČAR - Distribution and Special Transformers, Inc.



Zagreb – Croatia

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Based on Article 18 of the Act on the Protection of Persons Who Report Breaches (Official Gazette, no. 17/2019) and the Internal Labour Regulation of KONČAR- DISTRIBUTION AND SPECIAL TRANSFORMERS, Inc. (KONČAR-D&ST), Management Board of KONČAR-D&ST at the meeting held on 17 December 2019 adopted the following

REGULATION ON THE PROCEDURE FOR INTERNAL REPORTING OF BREACHES AND APPOINTMENT OF FACILITATOR

I GENERAL PROVISIONS

Article 1

This Regulation on the Procedure for Internal Reporting of Breaches and Appointment of Facilitator (“the Regulation”) shall govern:

- procedure of internal reporting of breaches with the Employer
- procedure and method of appointment of facilitator and deputy facilitator
- protection of persons who report breaches and protection of data received in the report of breaches from unauthorized disclosure, and
- other issues of importance for reporting of breaches and protection of reporting persons.

II DEFINITIONS

Article 2

The following terms used in this Regulation shall have the following meanings:

‘Breaches’ means violations of laws or other regulations, or any non-conscientious management of public assets, public funds, or EU funds, jeopardizing public interest, and related to the performance of work with the Employer.

‘Reporting person’ means a natural person who communicates information on breaches related to his/her performance of work with the Employer, such as Employer’s employee, volunteer, person engaged based on a service contract, student, candidate in recruitment procedure, etc.

‘Affiliated persons’ means a spouse or extramarital spouse, life partner or informal life partner, lineal blood relatives, collateral blood relatives up to the 4th degree, in-laws up to the 2nd degree, guardian, partner - guardian of a child, adoptive parent or adoptive child, as well as other natural or legal persons which on other bases or in other circumstances may justifiably be deemed related by interest with the reporting person.

‘Internal reporting of breaches’ means disclosure of breaches to the Employer.

‘External reporting of breaches’ means disclosure of breaches to a competent authority.

‘Public disclosure of breaches’ means making the information on breaches available in the public domain.

‘Competent authority for external reporting of breaches’ means the ombudsman.

‘Facilitator’ means the Employer’s employee appointed to receive the reports of breaches and facilitate the reporting procedure.

‘Work Performance’ means employment, work out of the scope of the employment, volunteering, performance of duty, service contracts, student jobs, taking part in recruitment procedures in capacity of a candidate, as well as any other participation in the Employer’s activities.

‘Employer’ means KONČAR – DISTRIBUTION AND SPECIAL TRANSFORMERS, Inc.

‘Disadvantageous Treatment’ means: termination of employment contract, harassment, precluding promotion, failure to pay or reduction of salary or other payments, failure to pay bonuses or severance payments, denial of work tasks, changing work hours, precluding education or training, transfer or allocation to another job, failure to take steps for the protection of employee’s dignity due to harassment by third parties, arbitrary referrals to medical check-ups or examinations for assessment of work capacity, or other disadvantageous acts.

III PROCEDURE AND METHOD OF APPOINTMENT OF FACILITATOR AND DEPUTY FACILITATOR FOR THE INTERNAL REPORTING OF BREACHES

Article 3

The Employer shall appoint a facilitator and a deputy facilitator for the internal reporting of breaches.

The facilitator and deputy facilitator shall be appointed by the Employer within 60 days from the adoption of this Regulation, and at latest by 1 April 2020.

The facilitator and deputy facilitator shall be the Employer’s employees.

Article 4

A person may be appointed facilitator or deputy facilitator as set forth in Article 3 above provided he/she enjoys the trust of other employees and is capable of conducting the procedure as set forth herein and in the Act on the Protection of Persons Who Report Breaches.

Article 5

The facilitator shall be appointed by the Employer upon written proposal from at least 20% of the Employer’s employees (Form 2).

Within 15 days from the adoption of this Regulation, the Employer shall duly (in form of invitation to their official e-mail addresses/notice at the official notice boards) invite the employees to propose the facilitator to the Employer.

The proposal of facilitator may also be made by the Employer to the employees.

Article 6

After expiration of 15 days from the Employer’s invitation to propose the facilitator, the Employer shall appoint the facilitator proposed by at least 20% of the Employer’s employees. The facilitator proposal form submitted by the employees to the Employer shall be an integral part of this Regulation (Form 1).

Where several facilitator proposals are made by the employees, the Employer shall appoint the person proposed by a higher number of the employees. Where different proposals are submitted by equal numbers of the employees, the Employer shall select one of the proposals.

Article 7

Where no proposal is made by the employees or where no proposal receives support of at least 20% of the employees, upon expiration of the 15-day term from the invitation, as set forth in Article 5 above, the Employer shall appoint the facilitator of its own choice.

Article 8

Deputy facilitator shall be appointed by the Employer at the facilitator's proposal.

Deputy facilitator shall perform tasks of the facilitator when the latter is absent from work.

Facilitator and deputy facilitator shall be appointed by the Employer with their prior consent.

The Employer's special decision shall set forth the sum, method, and conditions of payment of the remuneration to the facilitator and deputy facilitator for the performance of tasks related to the reporting of breaches.

Article 9

The Employer shall without delay revoke the appointed facilitator upon proposal from at least 20% of the employees, provided such revocation is requested in written form by at least 20% of the Employer's employees.

Where the facilitator is revoked as laid out in section 1 of this Article, the Employer shall remove from office the appointed facilitator and appoint a new one within 30 days from the adoption of the revocation decision.

The facilitator may ask the Employer for revocation in written form, in which case the Employer shall revoke the facilitator and notify the employees about it.

The capacity of facilitator automatically ends upon termination of the person's employment.

In cases as set forth in the preceding paragraphs of this Article, election of the new facilitator shall be governed by Articles 3, 4, 5, 6, 7, and 8 above.

Where a new facilitator is appointed, deputy facilitator shall be appointed by the Employer at the new facilitator's proposal. The appointment of the new deputy facilitator ends the term of office of the former deputy facilitator.

Article 10

Until the decision is made on the appointment of the new facilitator, the facilitator's tasks are performed by his/her deputy, unless circumstances point to a need for provisional appointment of a third person to serve as facilitator.

Such third person shall be appointed on provisional basis by the Employer's decision.

Article 11

The Employer shall ensure conditions for independent and undisturbed work to the facilitator and/or deputy facilitator.

Facilitator and/or deputy facilitator shall not suffer any adverse consequences due to their actions in good faith.

Facilitator and/or deputy facilitator shall perform their tasks in a lawful, timely, and conscientious manner, and shall not abuse their powers at the expense of the reporting person and/or the Company.

Article 12

Facilitator or deputy facilitator performing the facilitator's tasks are entitled to:
-protection in accordance with the reporting procedures as set forth in the Act on the Protection of Persons Who Report Breaches,
-legal protection, and
-damages.

Article 13

The Employer shall not disadvantageously treat the facilitator and/or deputy facilitator, or influence or attempt to influence their actions taken within their scope of their powers as required for the protection of persons who report breaches.

IV REPORTING OF BREACHES

Article 14

Preventing the reporting of breaches in the Employer's organisation is prohibited.

The Employer's general or specific bylaws or transactions prohibiting the reporting of breaches shall have no legal effect.

Article 15

A reporting person shall conscientiously and fairly report any breach which he/she acquired knowledge of and believes to be true at the moment of report.

Any abuse of the reporting of breaches is banned.

Abuse of the reporting of breaches occurs where a person:

- knowingly reports false information
- when requesting follow-up on the report also requests personal unlawful gain
- takes any other action only with a view of causing loss to the Employer.

Abuse of the reporting of breaches as set forth in this Article shall be deemed breach of work duty.

In cases set forth in paragraph 3 of this Article, the Employer as the injured party may institute adequate proceedings before the competent authorities against the person who abused the right to report breaches.

Article 16

A reporting person must not be disadvantageously treated in any way due to the reporting of breaches.

Protection laid out in the preceding paragraph is enjoyed also by an affiliated person if they show they were adversely treated due to their connection with the reporting person.

Reporting of breaches is not deemed to constitute violation of confidentiality.

Article 17

The reporting person's identity or data which may identify them, or other data laid down in the report of breaches must remain protected, unless the reporting person consents to disclosure of such data, or where the reporting person's identity must be disclosed in the

course of the procedure, in accordance with the regulations governing personal data protection.

Article 18

Person whom the reporting person has reported breaches to and any other person participating in the follow-up of the report of breaches is obliged to protect data which it acquires knowledge of in the report.

Persons set forth in paragraph 1 of this Article shall sign Confidentiality Statement.

V REPORTING PROCEDURE

Article 19

A report of breaches may be submitted to the facilitator directly in written form, sent by regular mail, in electronic form (zvizdac@koncar-dst.hr) or orally on record.

The report may be submitted directly to the facilitator or through the Employer.

The facilitator or the Employer must confirm the report date to the reporting person in written form.

The report submission date to the Employer shall be deemed the date of report to the facilitator.

The exact data for submission of reports of breaches shall be made available on the intranet and on notice boards of the Employer, or in another suitable manner.

Article 20

The report of breaches includes:

- data on the reporting person
- Employer's name
- indication of the relationship between the reporting person and the Employer
- data on (legal and/or natural) person(s) the report refers to
- report date
- description of reported breaches
- signature of the reporting person (unless the report is submitted in electronic form).

Where possible, the report of breaches must be accompanied with proofs of the presented facts.

Article 21

Where the report of breaches does not include all data set forth in Article 20 above and/or includes such deficiencies that the facilitator cannot act on its basis, the facilitator shall call the reporting person to make a report without deficiencies within 3 working days.

Where the reporting person fails to act in accordance with paragraph 1 of this Article, or where the report of breaches still includes such deficiencies that the facilitator cannot act on its basis, the report shall be dismissed by the facilitator without examination of the breaches.

Article 22

Where a report of breaches includes all data as laid down in Article 20 above, the facilitator shall form a file including all documents, records, and any other information related to the report.

Article 23

Where a report of breaches is submitted anonymously, the facilitator shall examine it only where the facts laid down in the report and/or proofs enclosed demonstrate a high level of probability that the breach actually occurred.

In case of subsequent identification of the person submitting an anonymous report as set forth in this Article, provisions of this Regulation shall *mutatis mutandis* apply retroactively.

Article 24

The facilitator shall keep a Record of Reports, including a list of all received reports (Form 3). Anonymous reports are entered in the Record only in the case set forth in Article 23 above.

The Record laid down in paragraph 1 of this Article shall include:

- number of report;
- date of receipt;
- list of accompanying documents;
- date and manner of resolving the matter;
- remark whether the report has been forwarded to competent authorities; and
- notification to the ombudsman.

The Record set forth in this Article must not include data that could identify the reporting person.

VI FOLLOW-UP BY FACILITATOR UPON RECEIPT OF REPORT

Article 25

The facilitator must examine a received report without delay, and at latest within 60 days from the receipt date.

The report receipt date shall be deemed to be the date when the report is received by the facilitator in person, when the report is made orally on record, when the report is received by the facilitator in electronic form, or when the report is delivered to the postal service if sent by registered mail.

Article 26

The report may be examined in a procedure of direct resolving or in an inquiry.

Article 27

By way of exception from Article 25, paragraph 1, the facilitator shall without delay take actions within their scope of competence, as required for the protection of the reporting person where the reporting person demonstrates the probability they could be retaliated against due to the report.

Article 28

The facilitator shall notify the reporting person at the latter's written request about the course and actions taken in the follow-up procedure and provide the reporting person with the insight into the file within at latest 30 days from the receipt of the report.

Article 29

The facilitator shall notify the reporting person in written form without delay about the outcome of the report assessment after its completion.

Article 30

The facilitator may directly examine and decide whether the report has valid grounds where the reporting person has laid down all facts or submitted the required proofs based on which the actual facts can be established or where they can be established based on generally known facts or official data available to the facilitator.

Article 31

The facilitator shall conduct an inquiry where necessary to establish the facts or circumstances relevant for deciding whether the report has valid grounds, by examining all allegations made in the report, taking care in the inquiry not to breach the reporting person's rights and not to adversely affect the Employer's operations. The established facts and all actions taken shall be recorded by the facilitator in written form.

The facilitator shall request proofs in the inquiry where required to explain the matters and supplement the facts and present evidence on the facts not yet presented or not yet established, which are needed to determine the actual facts.

Article 32

All persons participating in the inquiry of the reported breach shall cooperate with the facilitator in a manner ensuring the timeliness and accuracy of the provided information.

Where persons set forth in this Article tacitly or explicitly deny cooperation in the inquiry of the report, which renders the inquiry of the reported breach impossible, the facilitator shall notify the Employer about it in written form without delay.

Article 33

After the inquiry, the facilitator shall decide on the grounds for the report, decide whether the breach can be resolved with the Employer or should be forwarded to external authorities competent to proceed based on the report.

By way of exception from the preceding paragraph, where the report is well-founded but the breach has already been remedied, it shall be stated by the facilitator in a special decision.

Where the breach can be resolved with the Employer, the facilitator shall in agreement with the Employer take all actions required to remedy the breach and act preventively to avoid any repeated breach.

Article 34

During the inquiry into the reported breach and the process of establishing the facts, the facilitator shall conduct all activities, including collection of statements from employees or other persons, in a manner as laid down in the confidentiality and personal data privacy policies.

Article 35

Where a report needs to be forwarded to authorities authorized to proceed based on the contents of the report, it shall be forwarded to the competent authorities for administrative supervision, State Inspectorate, police, State Attorney's Office, Tax Authorities, or other competent authorities.

Article 36

The facilitator shall report to the Employer's Management Board about any breaches found in the inquiry of the report of breaches and take part in the preparation and updating of internal bylaws governing the report of breaches.

The reports on facilitator's activities may be regular or extraordinary.

Regular reports shall be submitted by the facilitator to the Management Board on annual basis to report about the facilitator's activities, number and types of reports, and results of inquiries into the reports of breaches.

Article 37

The facilitator shall notify the ombudsman about the received reports in written form, within 30 days from the date of decision on the report. In the facilitator's written statement, the facilitator shall laid down the reporting person data, date of receipt of the report, data on person(s) against whom the report was made, short description of the report, date of resolution of the report, decision on whether the report was well-founded or ill-founded, and if well-founded, the actions envisaged or already taken to remedy the breach, all in accordance with the Rules of Procedure issued by the ombudsman in accordance with Article 36 of the Act.

Article 38

All documents gathered in the reporting and inquiry of breaches shall be archived by the facilitator in accordance with the applicable laws and the Employer's internal bylaws.

By way of exception from the preceding paragraph, in case of a dispute, the documents shall be kept until the closure of the dispute, or until the expiration of the period required for the enforcement of a final decision.

VII EXTERNAL REPORTING OF BREACHES

Article 39

The reporting person may, without prior internal reporting of breaches, report breaches directly to the competent authority for external reporting, but only where any of the following conditions has been fulfilled:

- there is direct life, health, or safety hazard, or there is risk of significant loss, or risk of destruction of evidence,
- there is no possibility for the internal reporting of breaches,
- the reporting person has not been notified within a due term in the internal reporting procedure at their request about the results of the actions taken in the follow-up of the report or no such activities have been taken in response to the information submitted,
- there is reasonable fear that the reporting person's right to protection, protection of their identity, or confidentiality of the received information cannot be guaranteed in the internal reporting procedure,
- there is reasonable fear that the reporting person may be disadvantageously treated due to the report of breaches, or the actions taken for their protection after the report have not been effective,
- the reporting person has ceased to be an employee with the Employer.

VIII PUBLIC DISCLOSURE OF BREACHES

Article 40

The reporting person may, by way of exception, without prior reporting of breaches with the Employer or with a competent authority, disclose the information in public in case of direct life, health, or safety hazard, or risk of significant loss, or risk of destruction of evidence.

IX OTHER PROVISIONS

Article 41

Where the Employer's organization uses EU funding, their use shall be controlled with the use of control mechanisms as set forth in the EU funding agreement.

X TRANSITIONAL AND FINAL PROVISIONS

Article 42

The Employer shall duly notify all its employees about the way of acting upon observation of any breaches in the operations, and on the receipt, recording, and inquiry of the reports of breaches.

Article 43

This Regulation shall be made available on the intranet and the Employer's notice boards and shall become effective on the eighth (8th) day following its publication.

For the Employer
Board Chairman

Regulation on the Procedure for Internal Reporting of Breaches and Appointment of Facilitator has been made available on the notice board as of 20 December 2019.

Regulation on the Procedure for Internal Reporting of Breaches and Appointment of Facilitator has become effective as of 28 December 2019.

Management Board Regulation is NOT CURRENTLY VALID document! Please check the applicable version in electronic form in DMS.

Form 2

Based on Article 17 of the Act on the Protection of Persons Who Report Breaches (Official Gazette, no. 17/19) and Article 6 of the Regulation on the Procedure for Internal Reporting of Breaches and Appointment of Facilitator, Management Board of KONČAR - DISTRIBUTION AND SPECIAL TRANSFORMERS, Inc. based on the completed procedure, on this ____ issues the following

DECISION ON APPOINTMENT OF FACILITATOR

Article 1

By this Decision, _____, employed at the position of _____ is appointed facilitator for reporting of breaches in the Company.

Article 2

_____ is appointed at the proposal from at least 20% employees of the Company (or another option, according to the Regulation).

Article 3

At proposal from _____, _____, employed at the position of _____ is appointed deputy facilitator.

Article 4

The facilitator and the deputy facilitator have been appointed with their prior consent.

Article 5

The facilitator and the deputy facilitator shall perform all activities as set forth in the Act on the Protection of Persons Who Report Breaches and the Regulation on the Procedure for Internal Reporting of Breaches and Appointment of Facilitator.

Article 6

This Decision shall apply until withdrawn or amended.

For the Employer:
