

2020

REPORT ON  
CORPORATE SOCIAL  
RESPONSIBILITY  
AND  
SUSTAINABILITY





The image features a vibrant blue sky filled with fluffy white clouds. In the lower portion, there is a 3D geometric structure composed of several orange and red rectangular blocks of varying heights and orientations, creating a modern architectural look. A large, semi-transparent rectangular area is overlaid on the sky, containing a dashed white border. Inside this area, the word "CONTENTS" is centered in a white, sans-serif font, enclosed within a thin black rectangular border.

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1.

MESSAGE FROM  
THE MANAGEMENT BOARD





Dear readers,

The beginning of 2020 suggested another year of stable market conditions. However, the COVID-19 outbreak in early March abruptly changed the habits of individuals and society at large. The initial unpreparedness of the global economy led to adverse consequences and disruptions in supply chains, causing uncertainty in project completion and overall operations. As the initial instabilities were successfully surmounted in a relatively short term, our good market position on target markets yielded stable growth in revenues and increased rates of growth in new contracts despite the usual competition pressures.

Despite all these challenges, a stable business model and corporate culture have demonstrated our resilience to sudden changes in the environment and our readiness to adapt quickly to new circumstances.

The mutual understanding and cooperation of all stakeholders - customers, suppliers, employees, owners and the community - has enabled the company to maintain its business continuity and fulfil all contractual obligations.

The core business activities of Končar D&ST will continue to be development, sales and production of distribution oil transformers up to 8 MVA and 36 kV, special transformers, and medium power transformers up to 160 MVA and 170 kV. Končar D&ST will continue to secure its high position among the leading European manufacturers of distribution, special and medium power transformers through the recognition and fulfilment of the needs of its target customers, commitment to quality and sustainable development, technical and organisational development, and through employee training and incentives to promote excellence through teamwork.

**As in our operations to date, through investments in new technologies, KONČAR D&ST will continue to develop solutions and products that are both sustainable in the long term and environmentally friendly. The contribution of such products to decarbonisation of the energy sector by reducing the CO<sub>2</sub> footprint to mitigate the impacts of climate change and to encourage the transition to a circular economy are the goals and business strategies for the years ahead.**

Sincerely,

**Vanja Burul,**

President of the KONČAR D&ST  
Management Board

A handwritten signature in blue ink, appearing to read 'Vanja Burul', written over a white background.

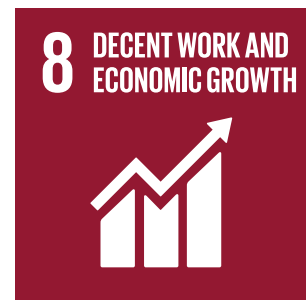
**102-14**

STATEMENT  
OF THE  
MANAGEMENT  
BOARD



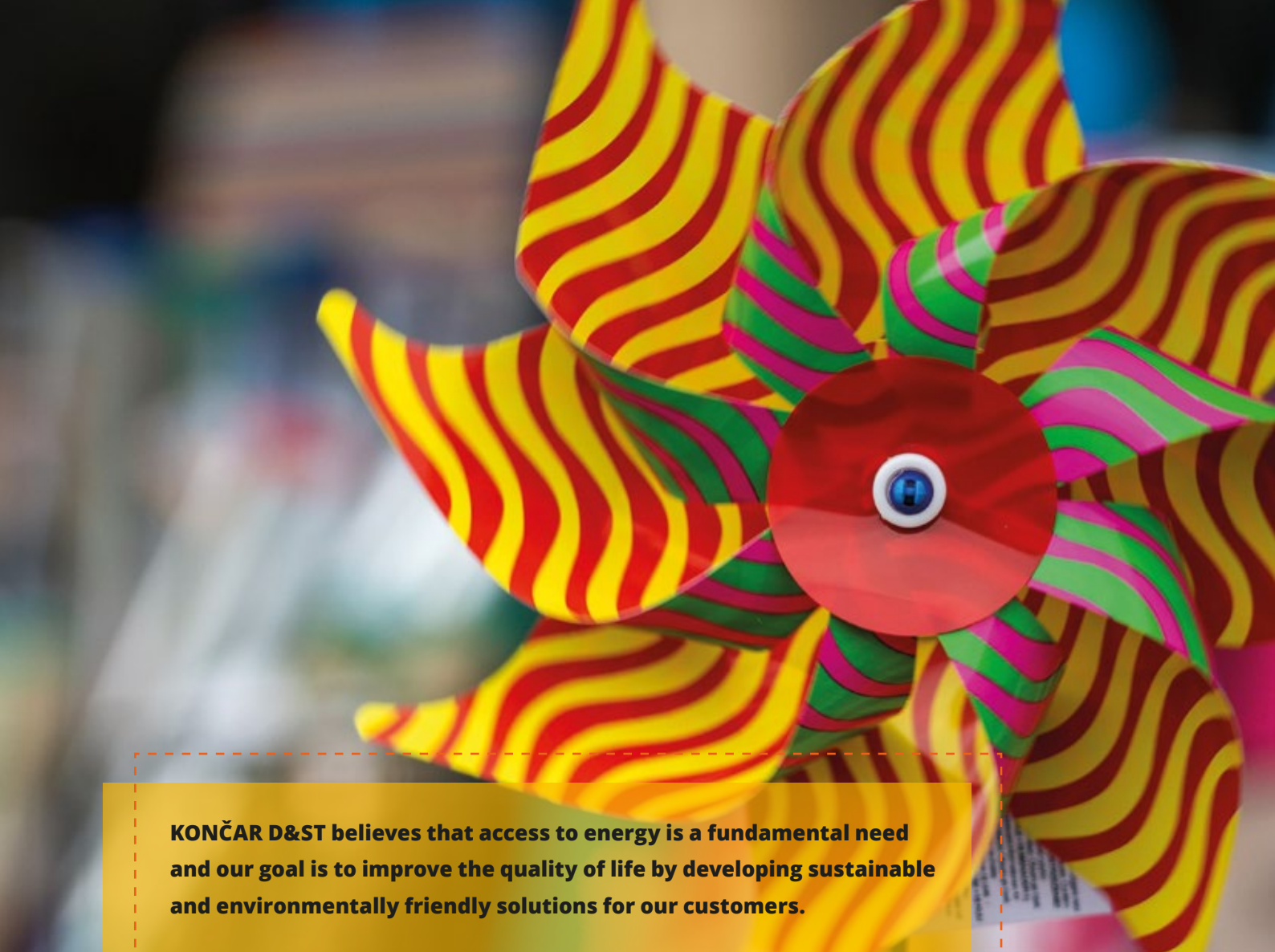
# 2.

## KONČAR D&ST ENGAGEMENT IN ACHIEVING THE 2030 GLOBAL SUSTAINABLE DEVELOPMENT GOALS



**The UN has set the 2030 global sustainable development goals** for the purpose of combating global poverty, improving education and health conditions, creating better jobs and addressing key environmental challenges. We have identified six goals closely related to the company's business activities that can be used to monitor our contribution towards their achievement.





**KONČAR D&ST believes that access to energy is a fundamental need and our goal is to improve the quality of life by developing sustainable and environmentally friendly solutions for our customers.**

The materials, equipment and technology we use in the production and testing of transformers include state-of-the-art global development trends that contribute to modernising electricity distribution networks. In line with market demands and development of new technologies, there is an increasing share of our customers that are engaged in renewables, battery energy storage and data centres.

Končar D&ST also participates in projects to modernise ongoing projects and upgrade railway infrastructure, with an emphasis on sustainable development, electrical losses optimization and environmental progress of society.

Through rational energy consumption and investing in the product development, production processes and infrastructure, we can minimise adverse effects.

We encourage personal development and training of our employees through vocational education, foreign language learning, IT training and education and training in the quality, environmental protection, and occupational health and safety management systems. The company has a well-established onboarding system for new employees through special mentoring and induction schemes, as well as developed internal education and knowledge exchange programmes.

Through constant development and joint efforts to conquer new markets and find new customers, the company is continually growing according to all key indicators, thereby establishing the preconditions for recruitment and creation of new desirable jobs.

Our goal is to provide all employees with a safe and healthy work environment.







**Medium power transformers**  
**Oil immersed distribution transformers**  
**Special transformers**  
**Dry type distribution transformers**

**7 AFFORDABLE AND CLEAN ENERGY**

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

**11 SUSTAINABLE CITIES AND COMMUNITIES**

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

# 3. GENERAL DISCLOSURES

## ORGANISATIONAL PROFILE

**102-1,3**  
 NAME OF THE ORGANISATION,  
 LOCATION OF HEADQUARTERS

KONČAR – DISTRIBUTIVNI I SPECIJALNI TRANSFORMATORI d. d. is a company located at Josipa Mokrovića 8, 10090 Zagreb.

Following reorganization, the company was registered on 6 February 1991 in accordance with market principles and operates as an independent joint stock company within the KONČAR Group.







The core business of the company KONČAR D&ST is the development, production and sale of transformers; namely medium power transformers, oil immersed distribution transformers, special transformers and dry type distribution transformers. These transformers are designed and manufactured according to the highest quality standards, using the most advanced methods of calculation and design, production and technological processes and final control.

## 102-2

ACTIVITIES, BRANDS,  
PRODUCTS AND  
SERVICES

### **Medium power transformers**

KONČAR D&ST medium power transformers are a very important component in many electricity transmission and distribution systems across the world. KONČAR D&ST offers medium power transformers and autotransformers up to 160 MVA with a maximum voltage of 170 kV, intended for outdoor and indoor use. KONČAR D&ST offers complete service: design, production, transport, installation, field testing and commissioning. The materials, equipment and technology we use in the production and testing of transformers include the latest global development trends. Voltage regulation is performed by regulation tapplings with on-load tap changer and off-load tap changer or by switching below tank cover in off-circuit condition. Transformers are manufactured and tested in accordance with the IEC 60076 standard, and designs according to other international standards are also possible.

### **Oil immersed distribution transformers**

These transformers are dimensioned for rated power from 50 to 8000 kVA and voltage up to 36 kV. These are three-phase transformers, immersed in liquid (mineral oil, synthetic or natural ester), naturally cooled (ONAN, KNAN), suitable for indoor and outdoor use. Transformers comply with the standards IEC 60076, EN 50588-1 (Commission Regulation (EU) no. 548/2014 and 2019/1783), and, if necessary, other national standards and specific customer requirements.

### **Special transformers**

Special transformers and medium voltage reactors have a long tradition in KONČAR D&ST and are known throughout the world. The production of special transformers and reactors is organised in a separate production hall, where each production process is specially designed for the production of special transformers and reactors – winding machines, drying plants, oil and ester purification devices, testing station etc.

### **Dry type distribution transformers**

The transformers are dimensioned for rated power from 50 to 5000 kVA and voltage up to 24 kV. These are three-phase, dry type, naturally cooled (AN) transformers, suitable for indoor use. Transformers comply with the standards IEC 60076, EN 50588-1 (Commission Regulation (EU) no. 548/2014 and 2019/1783), and, if necessary, other national standards and specific customer requirements.

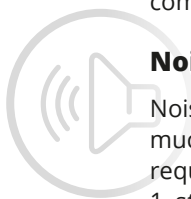


# THE MOST IMPORTANT CHALLENGES FOR THE DEVELOPMENT OF **ENVIRONMENTALLY SUSTAINABLE PRODUCTS**



## **Electrical losses**

The electrical losses of transformers have been significantly reduced in the last few years in line with the requirements of European legislation and the EN50588-1 standard. In order to respond to the growing demand for transformer efficiency and environmental design requirements, KONČAR D&ST constantly monitors the development and possibilities for improving materials. Since copper and aluminium have not improved in terms of their electrical conductivity, in order to reduce losses, the emphasis was placed on the transformer sheet metal. These days, KONČAR D&ST mostly uses the highest quality laser sheets in its transformers, and 3D finite element method (FEM) is commonly used in the production of cores for electrical loss prevention.



## **Noise**

Noise, along with losses, is one of the aspects to which KONČAR D&ST has devoted much effort in recent years to be able to meet even the most demanding customer requirements, which are often even stricter than the requirements of EN50588-1 standard. Such low noise values cannot be measured under normal conditions at a testing station and for this purpose an anechoic chamber was built at KONČAR D&ST, which largely eliminates environmental influences on measuring results. When designing transformers, special attention is devoted to noise and the highest quality transformer sheet metal, and measures are applied to reduce noise levels.



## **Magnetic field surrounding the transformer**

When designing a transformer, it is necessary to take into account the magnetic field around the transformer. This is especially important for distribution transformers that are located “closer to end users” as a part of the electricity system. In this regard, all transformers are designed to meet the international recommendations for the protection against non-ionizing radiation (ICNIRP) as well as Croatian regulations (Act on Protection from Non-Ionizing Radiation, Ordinance on protection against electromagnetic fields) which prescribe significantly more stringent requirements than the international guidelines. Transformers manufactured by KONČAR D&ST can meet even the most stringent requirements, where the magnetic field around the transformer must not exceed 1 microTesla, which is two hundred times more stringent than international recommendations.

*Transformer design with reduced magnetic field*







**Electrical losses**

**Noise**

**Magnetic field surrounding the transformer**

**Insulating fluids**

**Corrosion protection**



### **Insulating fluids**

KONČAR D&ST follows the current trends of using environmentally friendly insulating fluids. Environmentally friendly insulating fluids are esters (natural and synthetic) that have been in use for years. Ester insulating fluids have high fire and flash points and are biodegradable, which gives them an advantage over mineral insulating oils.

Also, mineral ecologically friendly (biodegradable) insulating fluids have recently appeared. We were the first in the region to produce a transformer with a nominal power of 40 MVA, filled with mineral biodegradable oil produced from biowaste.



### **Corrosion protection**

Over the last decades, organic and inorganic coatings have been widely used to protect metals from corrosion. However, today new ways of achieving more environmentally and economically acceptable protection are being explored. Therefore, current trends in the field of corrosion protection are aimed at reducing the use of solvent-based paints in order to minimise emissions of volatile organic compounds (VOCs) and search for environmentally and economically acceptable alternative. The latest trends in corrosion protection in the transformer industry are Cathodic E-dip coating for radiators with a VOC content of less than 1%, as well as powder coating systems for corrugated tanks and equipment. Powder coatings contain 100% dry matter, i.e., are completely free of organic solvents, which is in line with the legislation on reducing the VOC content. As the application of these systems is limited by the dimensions of the tub and chambers for the powder coating process, their use is currently limited to certain type of equipment and smaller tanks. However, a number of advantages of these coatings have been recognized, such as: more environmentally friendly coating, lower material consumption, uniform coating thickness and better mechanical resistance.





## 102-4

### LOCATION OF OPERATIONS

In 2020, the Company operated at a single location in the Republic of Croatia at the address: Josipa Mokrovića 8, 10090, Zagreb.

PET Sp. z o.o., the company in which Končar D&ST d.d. acquired the majority share on 8 May 2017 and increased its share to 100% in May 2020, operates in Czerwonak, Gdinska 83, Poland.

In order to monitor the transport and assembly of medium power transformers in Morocco, a branch office was operational from 15 March 2012 to 25 May 2021 in Casablanca, Morocco, operating under the name Koncar D&ST Succursale Maroc.

## 102-5

### OWNERSHIP AND LEGAL FORM

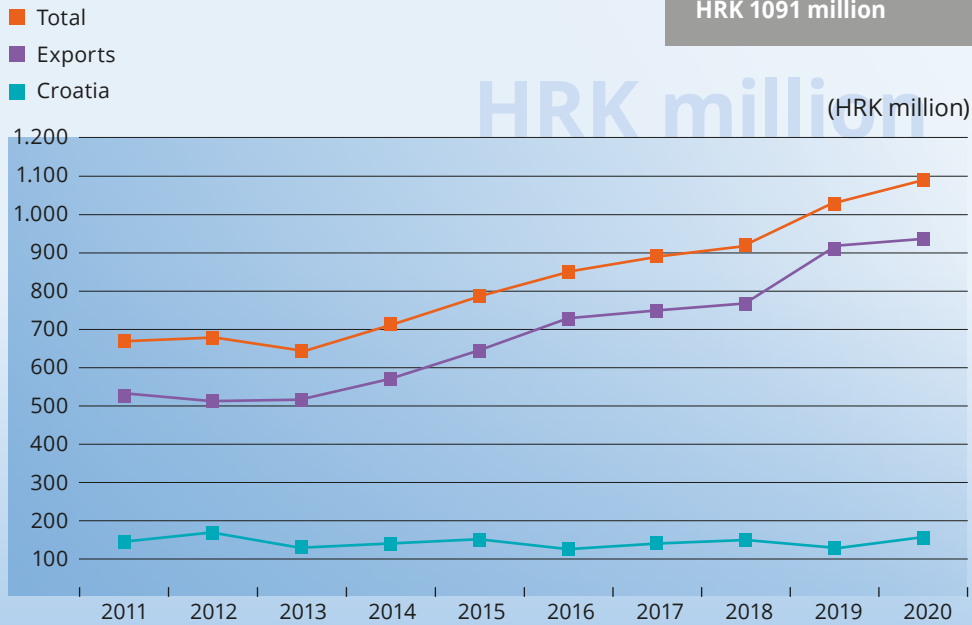
KONČAR D&ST is a joint stock company within the KONČAR Group, in which KONČAR - ELEKTROINDUSTRIJA d.d. (KONČAR Electrical Industry Inc.) has a majority share of 52.73%. The companies within the KONČAR Group are independent companies, and KONČAR - ELEKTROINDUSTRIJA, as the parent company, supervises them through the company's bodies - the Supervisory Board and the General Assembly, in accordance with the Companies Act and the Articles of Association of KONČAR D&ST. The company's share capital is divided into 511,232 shares, of which 388,376 ordinary registered shares with a nominal value of HRK 300.00 each and the code KODT-R-A, and 122,856 preferred non-voting registered shares, with a nominal value of HRK 300.00 each and code KODT-P-A in the depository of book-entry securities kept by the Central Depository Agency. Ordinary and preferred shares are listed on the regular market of the Zagreb Stock Exchange, [www.zse.hr](http://www.zse.hr).





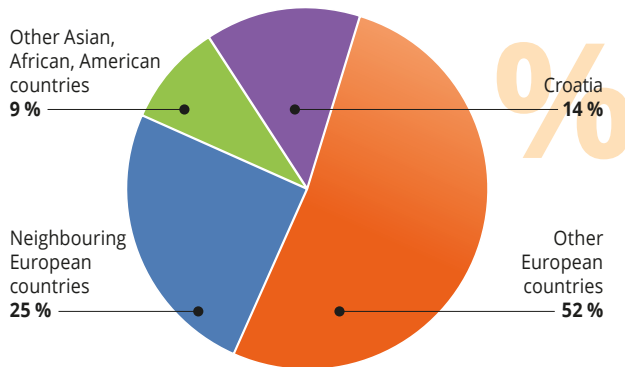
In 2020, the sales of goods and services increased by 5.8% compared to 2019 and amounted to HRK 1091 million

### Sales revenue trend 2011 – 2020

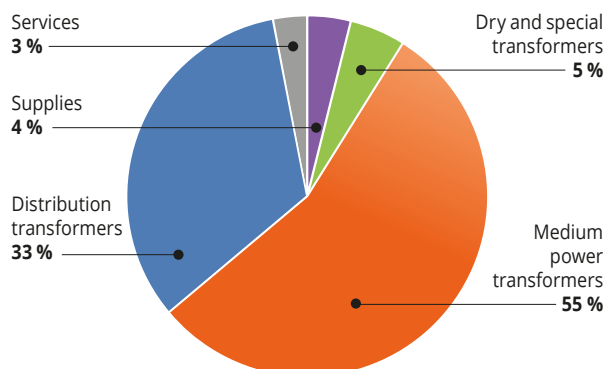


**102-6**  
MARKETS

### Sale by groups of markets in 2020



### Sales structure per product group 2020



### Sales by major markets

**Croatia:** the 2020 sales reached HRK 153.1 million which, compared to HRK 128.2 million in 2019, was a 19.4% growth.

**Neighbouring European countries:** Bosnia and Herzegovina, Slovenia, North Macedonia, Montenegro, Austria, Italy, Czechia, Slovakia, Hungary, Kosovo, Serbia, Bulgaria, Romania, Albania - in 2020, the sales reached HRK 271.3 million and, compared to HRK 270.6 million in 2019, remained at the same level.

**Other European countries:** Sweden, Switzerland, Germany, Finland, Iceland, France, United Kingdom, Ireland, Poland, Estonia, Latvia, Lithuania, Cyprus, Spain, Denmark, Norway, Malta, Netherlands, Belgium, Greece - sales in 2020 reached HRK 572.3 million which, compared to HRK 491.2 million in 2019, marked an increase of 16.5%.

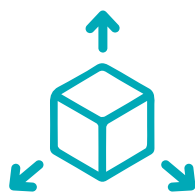
**Other Asian, African and American countries:** 2020 sales were recorded at HRK 94.1 million which, compared to HRK 140.9 million in 2019, was a decline of 33.2%.





**102-7**

SCALE OF THE ORGANISATION



In terms of its size and indicators, pursuant to the Accounting Act of the Republic of Croatia, KONČAR D&ST is classified as a

**LARGE COMPANY**



on 31 December 2020, the total number of employees

**651**



According to the National Classification of Activities (NKD), the activity is classified under code

**2711**

Manufacture of electric motors, generators and transformers





## The sectors of operation of KONČAR D&ST

The customers of KONČAR D&ST come from both the private and public sectors, with a special focus on the private sector. KONČAR D&ST delivers its products and services to customers and partners in the sectors of production, transmission and distribution of electricity, project engineering and solutions companies, and to a lesser extent to various industrial customers.

In line with market demands and development of new technologies, there is an increasing share of customers engaged in renewables, battery energy storage and data centres.

Končar D&ST also participates in projects for the modernization of ongoing projects and railway infrastructure, with an emphasis on sustainable development, electrical losses optimization and environmental progress of the society.

**With its products and services, KONČAR D&ST contributes to the development of infrastructure in some 40 countries worldwide every year.**

Net sales of goods and services in 2020

**HRK 1091 million**

On 31 December 2020, capital and reserves amounted to

**HRK 459.5 million**

(i.e., 52% of liabilities)

On 31 December 2020, the market capitalization was

**HRK 699.4 million**

Product group	Pieces	kVA total
DISTRIBUTION TRANSFORMERS	7 373	3 378 333
MEDIUM POWER TRANSFORMERS	238	7 599 570
DRY AND SPECIAL TRANSFORMERS	271	479 605
<b>D&amp;ST TOTAL</b>	<b>7 882</b>	<b>11 457 508</b>





The Company continuously monitors and records data and indicators related to its employees. At the beginning of 2020, there were 623 employees in Končar D&ST. By the end of the year, 44 new employees were hired and 16 left, ending the year with 651 employees. The age structure of the employees varies. The youngest person recruited in 2020 was 20, and the oldest 50. The average age of the Končar D&ST employees is 39.

In the area of employee training, continuous training is conducted, including university and polytechnic studies. The company supports enrolment in postgraduate and graduate studies, which has led to a growing number of employees attending study programs at different institutions. Rewarding and promoting of professional and scientific training significantly enriches the know-how of the company and deepens its contacts with the relevant university institutions.

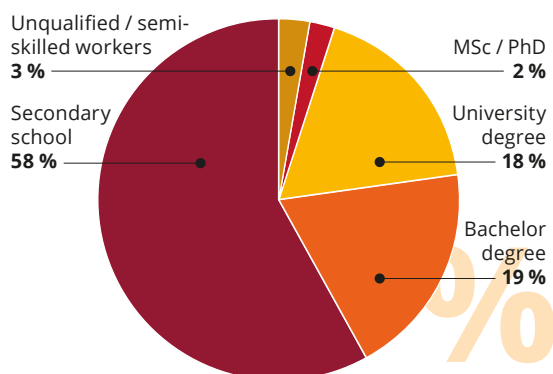
## 102-8

### INFORMATION ON EMPLOYEES

#### Employee qualification structure

	2020	2019
UNIVERSITY DEGREE (16 and more years of education)	225	219
COLLEGE AND BACHELOR'S DEGREE (14 to 16 years of education)	24	23
SECONDARY SCHOOL (12 years of education)	360	335
QUALIFIED WORKERS (11 to 13 years of education)	23	25
PRIMARY SCHOOL AND ON-THE-JOB TRAINING (8 years of education)	19	21
<b>TOTAL</b>	<b>651</b>	<b>623</b>

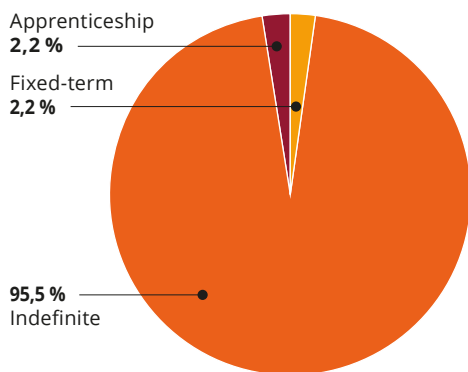
#### Structure of employees by qualifications



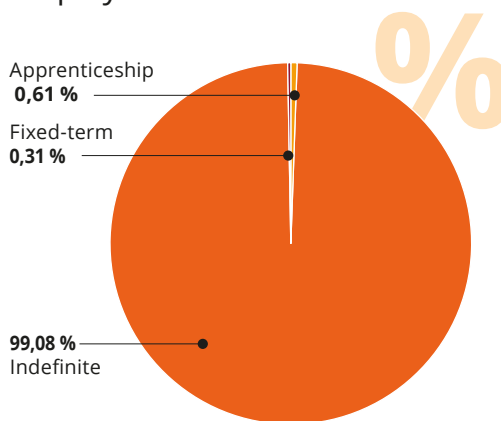




### New employees according to the type of employment contract in 2020



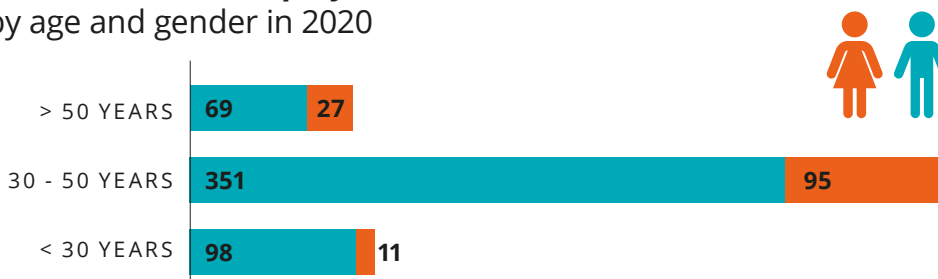
### Overview of all employees according to the type of employment contract in 2020



### Overview of new employee structure by age and gender in 2020



### Overview of all employee structure by age and gender in 2020





## 102-9

### SUPPLY CHAIN

#### **The business activities of KONČAR D&ST involve a large number of domestic and foreign suppliers and business partners.**

KONČAR D&ST, in cooperation with its suppliers, strives to build strong partnerships, and when selecting suppliers, preference is given to those who share similar business principles as KONČAR D&ST. On daily basis, KONČAR D&ST cooperates with more than a hundred domestic and as many foreign suppliers, and its database contains over a thousand registered suppliers with whom it has occasional business relations. The company purchases supplies and raw materials ranging in value from HRK 600 to 700 million per year.



Decisions on the selection of suppliers are made in accordance with professional criteria and competencies, and the process of procurement and selection of suppliers is carried out in an objective and transparent manner. In order to ensure the highest level of product and service quality while respecting price criteria and payment terms, commercial-technical committees for strategic materials are established for specific product and service groups to discuss all important elements of procurement policy. Efforts are made to forecast needs as far ahead as possible to ensure sufficient quantities of supplies and raw materials at known prices. Raw materials listed on commodity exchange markets (e.g., copper) are reserved 15 months in advance.

KONČAR D&ST is a signatory of the Code of Business Ethics of the Croatian Chamber of Economy. As a signatory, the company accepts the obligation to act in accordance with the principles of accountability, truthfulness, efficiency, transparency, quality, acting in good faith and respecting good business practices towards business partners, business and social environment and its own employees.

For many years KONČAR D&ST has implemented its own Code of Business Conduct for suppliers, which reflects its positive approach regarding socially responsible and ethical corporate practices required in its relations with suppliers and which is an integral part of the contract between KONČAR D&ST and its suppliers.

KONČAR D&ST expects its suppliers to respect good business practices and ethical principles as well as the norms of social responsibility, environmental protection and corporate governance. The company is willing to cooperate and support its suppliers so that they can improve and respect the stated standards. In this regard, the implementation of compliance with the above-stated norms is monitored through:

- self-assessments
- periodic audits.

KONČAR D&ST expects its suppliers to conduct all activities in accordance with applicable legislation. Each employee of the supplier is expected to comply with the laws and regulations relating to their job and economic activity of the supplier.

Procurement market risks were also prominent in 2020, and such trends will continue into 2021. Prices of major raw materials and supplies for the production of transformers (copper, aluminium, transformer metal sheets, transformer oil, insulation, steel, etc.) have been volatile in recent years, sometimes with enormous growth or drop in a relatively short time period. Risks related to availability of appropriate quantities, and with raw materials and supplies transport costs and options are also additionally expressed in the conditions of the COVID-19 pandemic.



### Strategic project

In 2020, the activities were completed on the strategic project of Distribution Transformer Production Capacity Increase (DTPCI). All planned production equipment was installed and the new production flows established. Jointly with the Cutting Centre established last year, an integral production unit was created, and this increased the technological and production capacities of the Company.

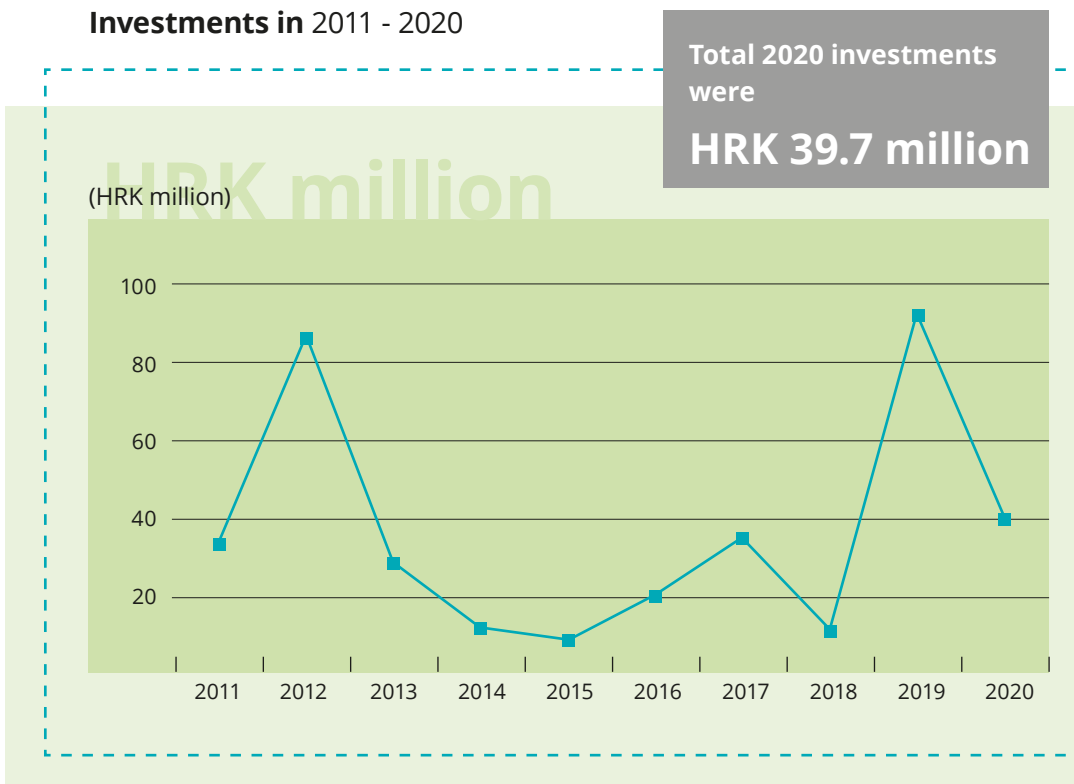
**102-10**

SIGNIFICANT  
CHANGES DURING  
THE REPORTING  
PERIOD

### Modernisation of production equipment

In the production of distribution transformers, the LFH (low frequency heating) plant for transformer drying became operational together with the new testing laboratory, new foil winding facility, and various special equipment and logistic accessories.

### Investments in 2011 - 2020



### Technical Development and Product Innovation

Technical development is seen by Končar D&ST as a key requirement for success in the context of positive responses to future technical and technological changes and growing market challenges. Technical development consists of a multidisciplinary team of experts. Two departments, Product Development and Production Development, have more than 20 highly educated professionals in the field of electrical engineering, mechanical engineering, and software development. Two among them hold doctoral diploma and several of our young professionals are currently enrolled in specialist and doctoral study programmes at different faculties at the University of Zagreb.





In line with Commission Regulation (EU) no. 548/2014 - Tier 2, which entered into force on 1 July 2021, laying down a significant reduction of electrical losses in the field of distribution transformers, an emphasis has been placed on the evaluation and technological adoption of new improved transformer sheets. Furthermore, the criteria of short circuit sizing for distribution transformers have been improved and design software upgraded and improved, particularly in the range of special distribution transformers.

In the field of medium power transformers, in cooperation with the Faculty of Engineering, University of Rijeka; Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb, and Končar – Institute for Electrical Engineering, comprehensive research was conducted to reduce the transformer noise levels. Jointly with Končar – Institute for Electrical Engineering, the foundations for sizing the internal winding insulation were improved.

### **PET Poland**

Through the investment in the company Power Engineering Transformatory Sp. z o.o. Czerwonak (PET) Poland, on 8 May 2017, Končar D&ST d.d. became its majority owner with a 74% share. On 8 May 2020, the remaining share were acquired and the company is now in a 100% ownership of Končar D&ST d.d.. The company is engaged in sales, development, production and repair of medium power transformers of 5 to 63 MVA and 145 kV.

After implementation of the investment plan which modernized the production and testing equipment and adopting advanced technology solutions and business organization - in 2020, the company was strengthened with a new chairperson of the Management Board and Management Board member from Zagreb, which significantly increased its sales and share in the medium power transformer market in Poland. Considering the character of the investment, the return on investment is expected in the medium-term. On 31 December 2020, PET had 67 employees.

PET continuously directs its investments in the improvement and modernization of processes that need to be raised to a higher technological level. In parallel with the investment in production equipment, investments were made in the development of IT and communication equipment.

### **Appointment of new KONČAR D&ST Supervisory Board members**

In early 2020, a new Management Board of KONČAR - ELEKTROINDUSTRIJA d. d. was appointed with a mandate of four years. The changes in the Management Board of KONČAR - ELEKTROINDUSTRIJA d. d. were followed by changes in the composition of the Supervisory Board of KONČAR D&ST.

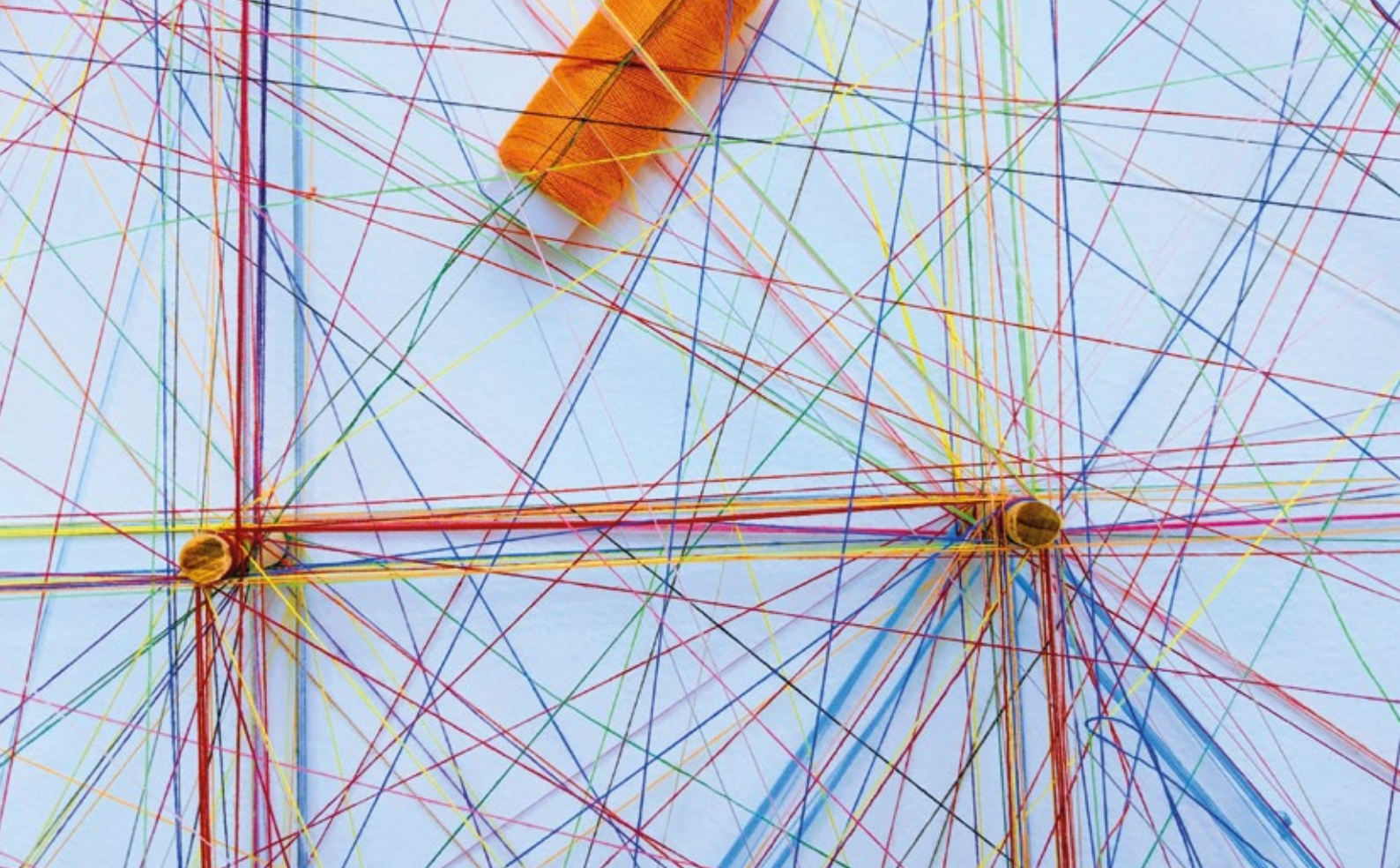
## **102-11**

### **PRECAUTIONARY PRINCIPLE**

In 2020, KONČAR D&ST adopted the new Risk Management Rules and issued the Risk Management Policy, which are in accordance with ISO 31000:2018 (Risk Management - Guidelines), and in accordance with ERM (Enterprise Risk Management) principles. In accordance with the defined methodology of risk management, a Catalogue of Risks was drawn up, identifying, analysing, and evaluating the main strategic, operating, and financial risks, and measures were defined to reduce the risks, and designating the persons responsible for managing those risks (risk owners). The risk management policy is available on the company website.

In its business practices KONČAR D&ST is guided by the precautionary principles in accordance with the Environmental Protection Act to its best capacity. The precautionary principle implies that, if possible environmental and health hazards are identified through an objective assessment based on scientific methodology, action is taken to prevent them even if the danger has not been proven yet.





### Corporate governance principles

The Company implements most of the provisions of the Code of Corporate Governance, prepared by Zagreb Stock Exchange and HANFA and released on the Zagreb Stock Exchange official website ([www.zse.hr](http://www.zse.hr)).

A questionnaire on compliance contains precise answers regarding the implemented and non-implemented provisions of the Corporate Governance Code. The questionnaire is publicly available on the Zagreb Stock Exchange official website ([www.zse.hr](http://www.zse.hr)) and the Company's website ([www.koncar-dst.hr](http://www.koncar-dst.hr)).

## 102-12

EXTERNAL  
INITIATIVES

KONČAR – D&ST d. d. undertook commitments under the following external initiatives:

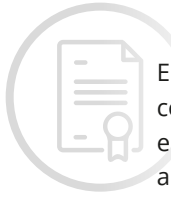
- Code of Business Ethics of the Croatian Chamber of Economy (HGK)
- Internationally recognised standards – ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and ISO 45001 (Occupational Health and Safety Management System).

The compliance audits of all three management systems are performed twice a year by the international Certification body Bureau Veritas.

During 2020, within the scope of a recertification audit of the occupational health and safety management system, transition took place from OHSAS 18001:2007 to ISO 45001:2018. Parallel with that, a recertification audit of the environmental management system according to ISO 14001:2015 took place, when most documents of the environmental management system were integrated with the occupational health and safety management system documents.







Established management systems ensure continuous improvement and improvement of established processes and interrelationships, adaptation to market requirements, training and motivating employees, preservation of organizational knowledge and the establishment of partnerships with suppliers.

Aware of the need to preserve the environment and maintain health and safety at work, we are committed to continuous management of our own impact, both on the environment and on health and safety at work.



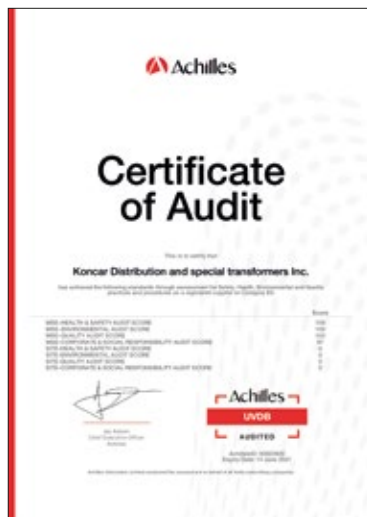
**ISO 9001**  
QUALITY MANAGEMENT SYSTEM



**ISO 14001**  
ENVIRONMENTAL MANAGEMENT SYSTEM



**ISO 45001**  
OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM



An Achilles audit is held every year to demonstrate compliance with the requirements of the UVDB verified Category B2 protocol regarding management systems and related elements such as business continuity plan, human rights, competencies, working hours, occupational safety, carbon footprint, use of work equipment and machinery.



Croatian Chamber of Electrical Engineers (HKIE)  
Croatian Chamber of Mechanical Engineers (HKIS)  
Croatian exporters (HIZ)  
Croatian branch of the International Council for Large Electric-Power Systems (HRO CIGRÉ)  
Croatian Standards Institute (HZN)  
International Conference on Electricity Distribution (CIRED)  
International Council for Large Electric Systems (CIGRÉ)  
Association of Corporate Lawyers  
Institute for Material Protection  
Croatian Association of Corporate Treasurers (HUKR)

**102-13**

MEMBERSHIP IN  
ASSOCIATIONS

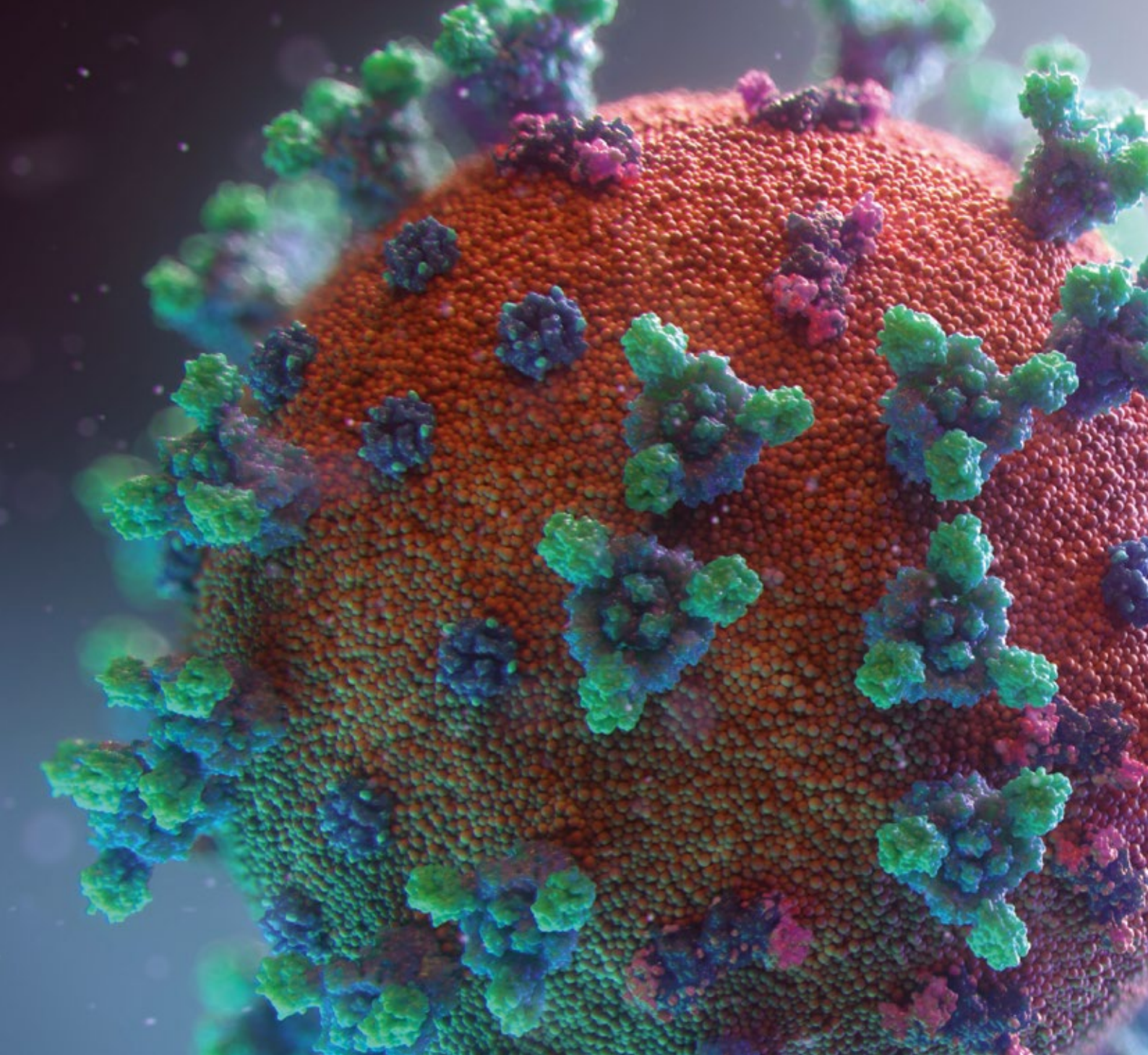
### **KONČAR D&ST - Golden key award for the best exporter to Austria in 2019**

As a member of the Croatian Exporters, KONČAR D&ST was awarded the Golden Key award as the best exporter to Austria in 2019. The award was presented to Ivan Klapan, President of the Management Board of KONČAR D&ST, at the 13th award ceremony held on 8 September 2020, as part of the 15th Convention of Croatian Exporters entitled "The impact of the coronavirus crises on the Croatian economy and exports".

KONČAR D&ST has won a number of Golden Key awards to day: in 2008 in the category of the best large exporter, as well as in 2010 when it was awarded as the best exporter to Nigeria, in 2009 and 2011 as the best large exporter to the United Arab Emirates, and in 2014 it won Platinum Key award in the category of the best exporter in continuity and special recognition as the exporter of excellence among companies who won that prize.







# 4. STRATEGY

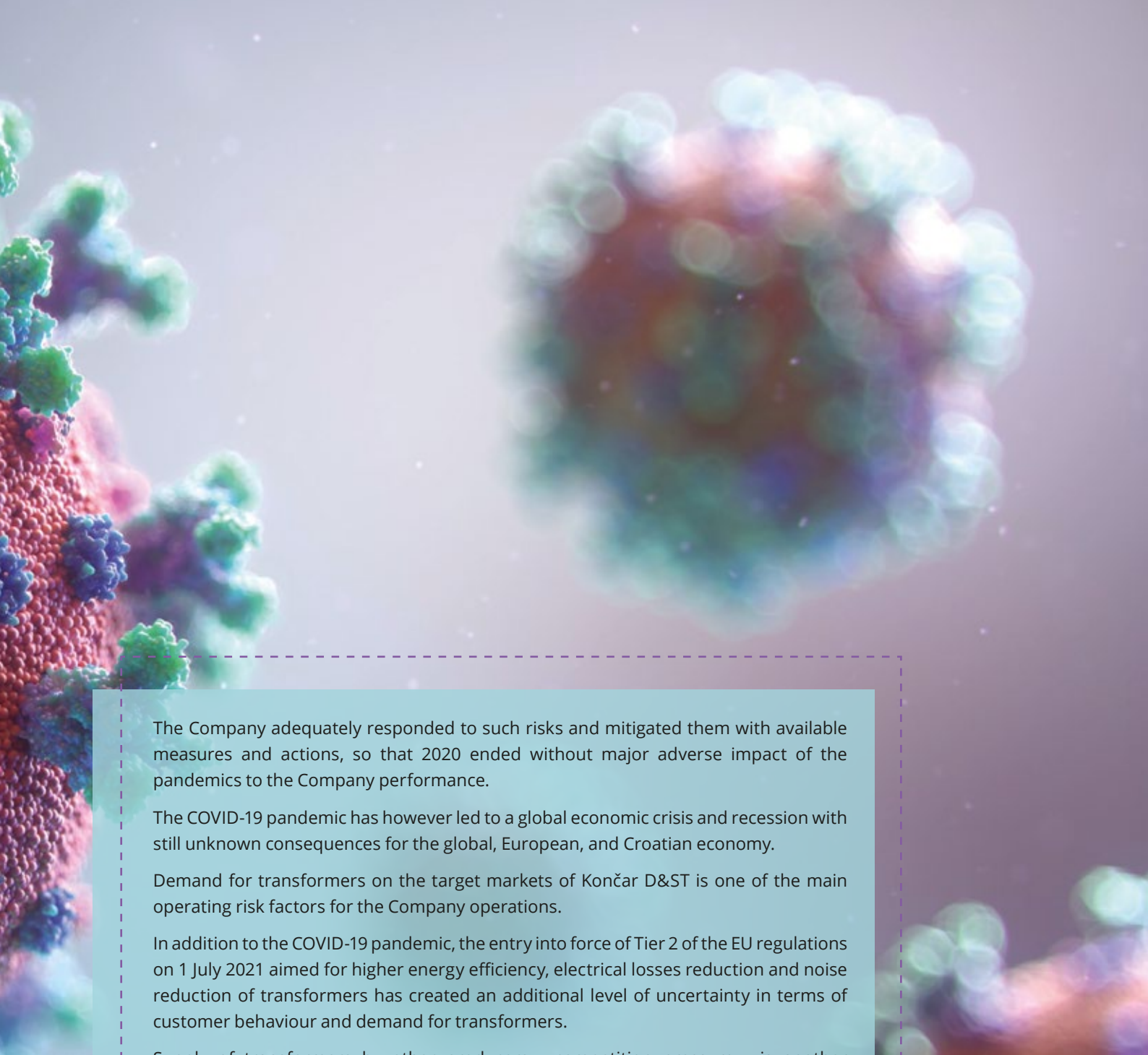
## 102-15

### KEY IMPACTS, RISKS AND OPPORTUNITIES

The 2020 business year was marked with the COVID-19 pandemic, generating numerous risks, the most expressed among them being those related to employee health, organisation of operating, production, and corporate processes, logistics risks in the procurement of raw materials and supplies, and in delivery of finished products, risks related to customer behaviour change in product ordering, and similar risks.







The Company adequately responded to such risks and mitigated them with available measures and actions, so that 2020 ended without major adverse impact of the pandemics to the Company performance.

The COVID-19 pandemic has however led to a global economic crisis and recession with still unknown consequences for the global, European, and Croatian economy.

Demand for transformers on the target markets of Končar D&ST is one of the main operating risk factors for the Company operations.

In addition to the COVID-19 pandemic, the entry into force of Tier 2 of the EU regulations on 1 July 2021 aimed for higher energy efficiency, electrical losses reduction and noise reduction of transformers has created an additional level of uncertainty in terms of customer behaviour and demand for transformers.

Supply of transformers by other producers - competition pressure - is another significant risk factor for Končar D&ST operations. The behaviour of existing competitors and entries of new competitors onto Končar D&ST target markets has created strong competition pressure on the majority of target markets. The entire transformer industry has been through major changes in the recent years, with a number of restructurings, de-mergers and/or sale of power transformer businesses by large corporations, winding-ups or bankruptcies of plants, opening of new plants, take-overs and mergers (consolidations), and such trends are expected to continue.

Procurement market risks were also expressed in 2020, and such trends will continue into 2021. Prices of major raw materials and supplies for the production of transformers (copper, aluminium, transformer metal sheets, transformer oil, insulation, steel, etc.) have been volatile in recent years, sometimes with enormous growth or drop in a relatively short time period. Risks related to availability of appropriate quantities, and with raw materials and supplies transport costs and options are also additionally expressed in the conditions of the COVID-19 pandemic.





# 5. ETHICS AND INTEGRITY

## 102-16

VALUES, PRINCIPLES, STANDARDS AND NORMS OF BEHAVIOUR

KONČAR D&ST, as a part of the KONČAR Group, participates in the United Nations Global Compact corporate social responsibility initiative. KONČAR D&ST implements active measures for improving human rights, labour relations, organizational management, environment and fair business practices.

### Code of Business Ethics

KONČAR D&ST is a signatory to the Code of Ethics in Business of the Croatian Chamber of Economy. Signatories of the Code accept the commitment to act in accordance with the principles of responsibility, truthfulness, efficiency, transparency, quality, acting in good faith and respect for good business practices towards business partners, the business and social environment, and company employees.

### Code of Business Conduct

In 2017, KONČAR D&ST adopted its own Code of Business Conduct for its employees, which reflects the positive approach of KONČAR D&ST regarding socially responsible and ethical business practices, which we consider an essential element of all our relations with our employees, persons working in KONČAR D&ST, and our suppliers, partners and other persons with whom the Company establishes business cooperation.

### The purpose of the Code is:

- promoting basic organizational value
- establishing clear rules and frameworks for professional conduct of KONČAR D&ST employees
- raising awareness of the importance of preventing and avoiding situations in which KONČAR D&ST employees could engage in unethical practices and socially unacceptable conduct
- establishing a framework for the business conduct suppliers, partners and all interested parties can expect from KONČAR D&ST.





Behaving in accordance with the principles and standards of the Code is a personal and professional obligation and responsibility of all KONČAR D&ST employees. The Management Board and managers of KONČAR D&ST are obliged to constantly emphasize the importance of business ethics and compliance with regulations and rules, and to apply and promote them in their daily activities through personal guidance and education of employees.

## Ethical Principles

All employees and other stakeholders involved in business activities with KONČAR D&ST are obliged to respect the following ethical principles and basic principles of business conduct:

- principles of legality of work and business
- principles of professionalism, competence and impartiality
- the principle of integrity
- the principles of equality, justice, respect for human rights and human dignity
- the principle of social responsibility
- the principle of corporate transparency
- care for employees.

The development of human resources and enhanced work performance in KONČAR D&ST is achieved through equal opportunities for education, training and advanced training, a transparent reward system, equal conditions in terms of salary and promotion, regardless of gender, age, nationality, ethnic origin, race, religion, language, social or economic status, sexual orientation and political or other affiliations.

KONČAR D&ST pays special attention to achieving a balance between work and private life.

KONČAR D&ST encourages its employees to continuously develop and improve various types of knowledge and skills and encourages them to lifelong learning.

In 2019, KONČAR D&ST adopted the Regulation on the procedure for internal reporting of breaches and appointment of facilitator. These Regulations prescribe in detail the procedure for internal irregularity reporting, the procedure and manner of appointing an irregularities officer and mechanisms for protecting whistle-blowers and ensuring their rights.

According to the Regulation on the procedure for internal reporting of breaches and appointment of facilitator, it is not allowed to offer, promise or give presents, fees or other forms of benefits to business partners and other persons with the intention of gaining an unfair advantage or influencing an official procedure in any inappropriate manner.

An employee of KONČAR D&ST is obliged to inform their manager and/or the KONČAR D&ST Management Board of any knowledge or suspicion that other employees have been involved in corrupt activities. In case of reasonable doubt regarding corruption, the KONČAR D&ST Management Board will inform the competent national authorities.

KONČAR D&ST has no recorded cases of irregularities.

## 102-17

MECHANISMS  
FOR ADVICE AND  
CONCERNS ABOUT  
ETHICS







# 6. GOVERNANCE

**102-  
18-24**

GOVERNANCE  
STRUCTURE AND  
DELEGATING  
AUTHORITY

**KONČAR D&ST is a joint stock company within the KONČAR Group, in which KONČAR - ELEKTROINDUSTRIJA d. d. holds a majority share of 52.73%. The companies within the KONČAR Group are independent companies.**

In 2020, the business processes were organised through the Distribution Transformers (DT) Profit Centre, the Medium Power Transformers (MPT) Profit Centre, and the shared services covering the entire company. The Profit Centres were managed by the teams of directors consisting of the Profit Centre Director, who is also a member of the company Management Board, and the Directors of Sales, Engineering and Production.



## **Management Board**

The Management Board consists of five members, namely the President of the Management Board, a Member of the Management Board for Profit Centre Distribution Transformers, Member of the Management Board for Profit Centre Medium Power Transformers, Member of the Management for the development of operations, products and production, marketing, investments and maintenance, and a Member of the Management for finance, accounting, purchasing, human resources management, legal and general affairs. All members of the Management Board are equal in position and status, and the President of the Management Board coordinates the work of the entire Management Board. The KONČAR D&ST Management Board is responsible for the conduct of business, and it is obliged and authorized to take actions and make decisions that it deems necessary for the successful management of the Company. Certain decisions prescribed by the Articles of Association are subject to prior consent of the Supervisory Board.

**Throughout 2020, Končar D&ST d.d. was managed by the Management Board consisting of the following members:**

- Ivan Klapan, President of the Management Board
- Petar Bobek, Member of the Management Board, Operation Development Director
- Vanja Burul, Member of the Management Board, MPT Profit Centre Director
- Martina Mikulić, Member of the Management Board, DT Profit Centre Director
- Petar Vlaić, Member of the Management Board, Finance, Procurement, Legal Affairs and HR Director



The Supervisory Board appoints and dismisses the Management Board and, in accordance with the provisions of the Articles of Association, decides on the number of members of the Management Board and their term of office. The Appointments Committee also participates in the appointment of the Management Board proposing candidates for members of the Management Board to the Supervisory Board.

The Management Board has evaluated its overall effectiveness, as well as the profiles and competencies of its members in 2020. The evaluation was led by the President of the Management Board. The Management Board has established that its activities are effective, that it has a well-balanced system, and that its members possess the required knowledge, capacities, experience and expertise corresponding to the Company management requirements. The evaluation results have been reported by the Management Board to the Supervisory Board.

## Supervisory Board

The company Supervisory Board consists of 5 members, 4 of them elected by shareholders at the General Assembly, and 1 is an employee representative.

**In 2020, the Supervisory Board members were:**

- Gordan Kolak, Deputy President (until 30 June 2020), President (since 1 July 2020)
- Ivan Bahun, member (since 1 July 2020)
- Josip Ljulj, member (since 1 July 2020)
- Miki Huljić, member (since 1 July 2020)
- Ana Marija Markoč, member - employees' representative
- Darinko Bago, President (until 20 January 2020)
- Davor Mladina, member (until 30 June 2020)
- Miroslav Poljak, member (until 30 June 2020)

In 2020, the Supervisory Board held 32 meetings, including 3 regular meetings and 29 telephone meetings, in which all the Supervisory Board members took part.

The Supervisory Board has evaluated its overall effectiveness, as well as the profiles and competencies of its members in 2020. The evaluation was led by the Supervisory Board President. No external evaluators took part in the evaluation process.

The Supervisory Board has established that its activities are effective, that it has a well-balanced system, and that its members possess the required knowledge, capacities, experience and expertise corresponding to the company supervision requirements.

The Supervisory Board has set the target minimum share of 20% women among its members and among Management Board members, which is an adequate share corresponding to the share of women in the total number of company employees. In 2020, the percentage of women in the Management Board and the Supervisory Board was 20%.

There are three committees within the Supervisory Board: Audit Committee, Remuneration Committee, and Appointments Committee. Each committee has three members.

## General Assembly

Shareholders exercise their rights in the company at the General Assembly. During 2020, one regular general meeting of shareholders was held on 29 June 2020.

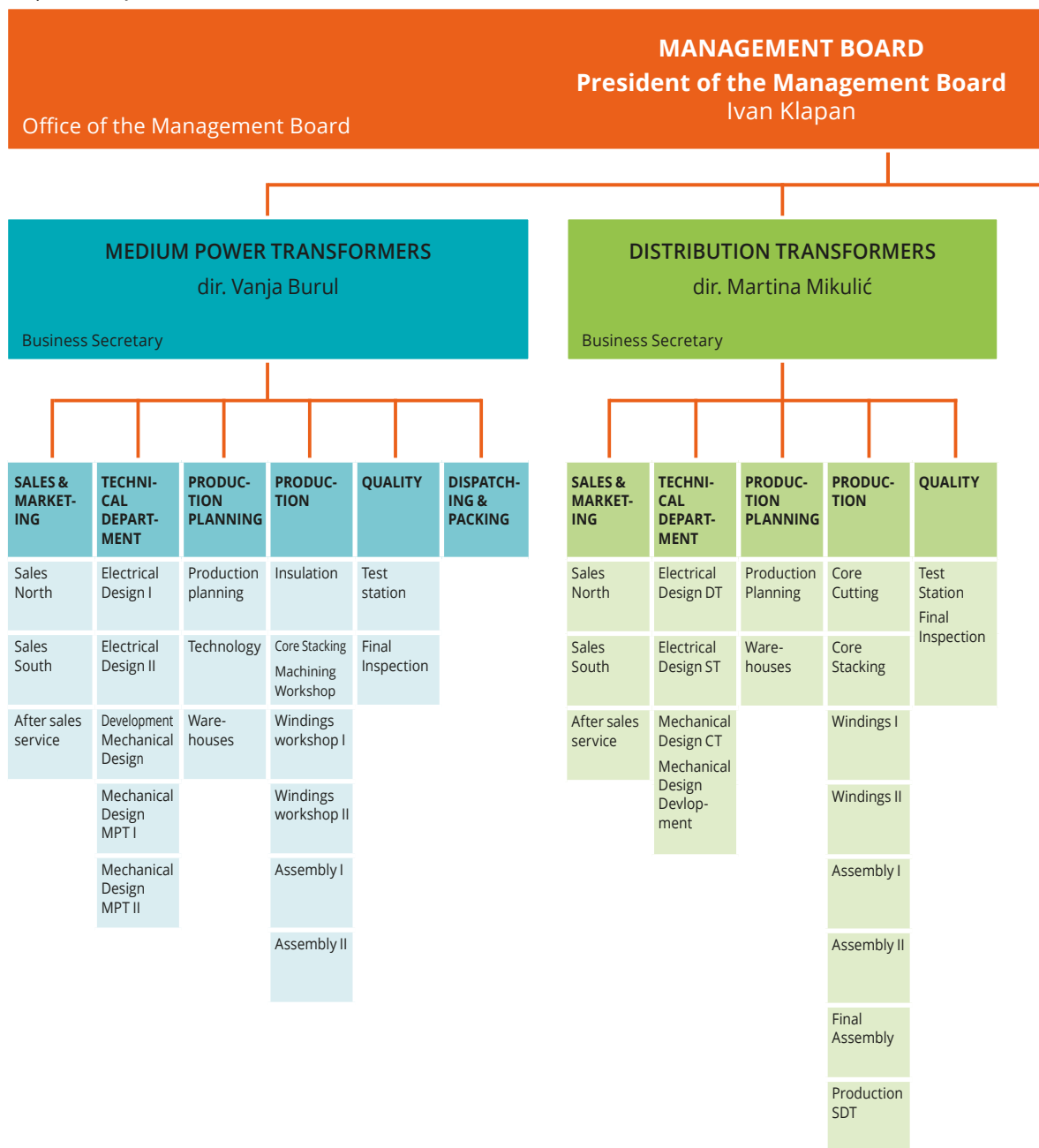
Company shares are listed in the regular market quotation of the Zagreb Stock Exchange, [www.zse.hr](http://www.zse.hr). The company implements most of the provisions of the Code of Corporate Governance, prepared by Zagreb Stock Exchange and HANFA and released on the Zagreb Stock Exchange official website ([www.zse.hr](http://www.zse.hr)).

## Organisational scheme

The basic organization structure of the company is determined by the Management Board of the Company in agreement with the Supervisory Board.

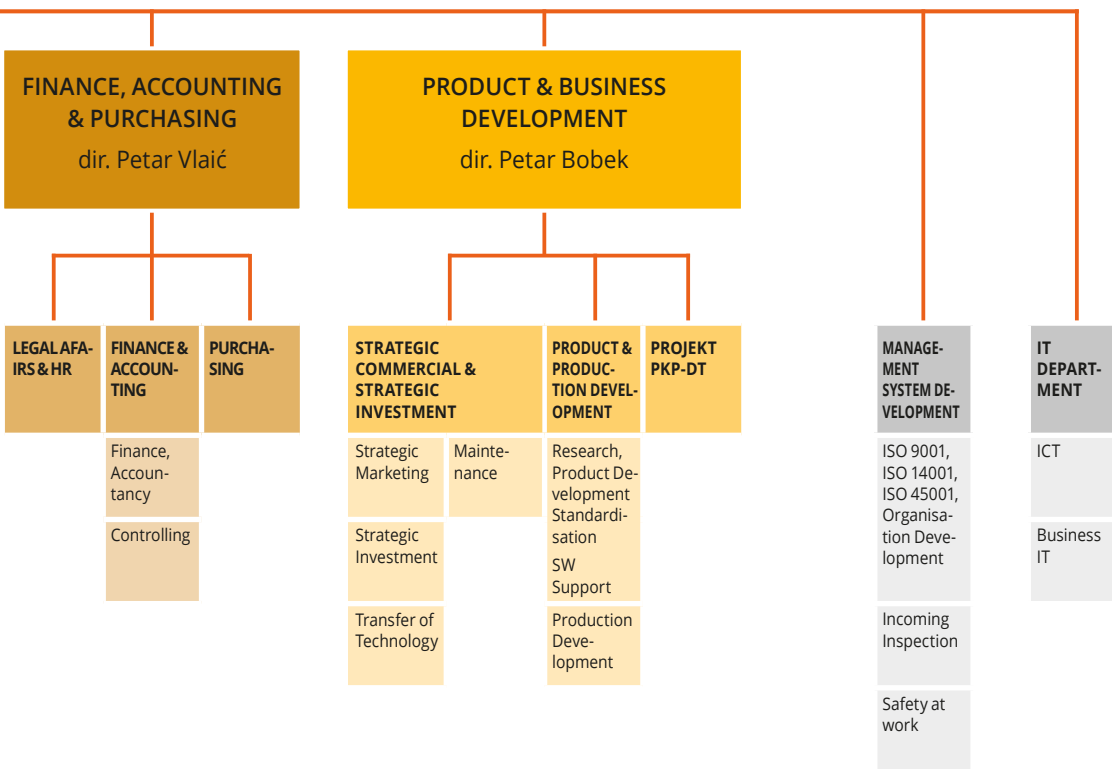
## Organisational scheme KONČAR D&ST Inc. 1. 7. 2020.

General Assembly  
Supervisory Board





## Auditors





# 7. STAKEHOLDER ENGAGEMENT

## 102-40

### LIST OF STAKEHOLDER GROUPS

Eight key categories of KONČAR D&ST stakeholders have been identified. Stakeholders, their needs and expectations, and the type and frequency of communication are presented in the table below: Stakeholders, needs and expectations (p. 31).

## 102-41

### COLLECTIVE BARGAINING AGREEMENTS

All employees are guaranteed the rights defined under the Collective Agreement.

## 102-42

### IDENTIFYING AND SELECTING STAKEHOLDERS

KONČAR D&ST has established internal procedures for identifying stakeholders with whom profit centres, joint services, employees and company bodies most frequently interact during their daily activities, stakeholder requirements, frequency of interaction, modes of communication, and the importance of individual stakeholders for the sustainable development of KONČAR D&ST.

**The process of determining stakeholder involvement consisted of three steps:**

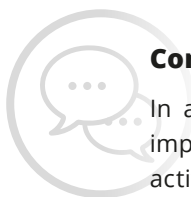
1. Identification of key stakeholders
2. Mapping stakeholders according to their business impact
3. Determining stakeholder expectations and modes of communication.



Stakeholders	Stakeholders' needs and expectations	Type and frequency of communication
<b>Customers</b>	<ul style="list-style-type: none"> <li>Quality of products and associated services</li> <li>Compliance with deadlines and contractual obligations</li> <li>Customer relationship management and complaint resolution methods</li> <li>Continuous product development and improvement</li> <li>Observance of ethical principles</li> <li>Privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Resolving and analysing complaints</li> <li>Annual satisfaction survey</li> <li>Fairs and conventions</li> <li>Official website, continuous</li> <li>E-mail, continuous</li> <li>Regular customer visits</li> <li>Annual financial report</li> <li>Flyers and brochures</li> <li>LinkedIn</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Salaries and allowances</li> <li>Positive work environment</li> <li>Personal development, respect and rewards</li> <li>Stable business</li> <li>Occupational health and safety</li> <li>Training and personal development</li> <li>Non-discrimination and equal opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction survey, every two years</li> <li>Opinion polls for employees on specific issues of interest to them, as appropriate</li> <li>Education and training, continuous</li> <li>Intranet, e-bulletin boards, continuous</li> <li>email, continuous</li> <li>Monthly meetings with all managers, quarterly with leading employees</li> <li>Annual financial report</li> <li>Manuals</li> <li>LinkedIn</li> </ul>
<b>Shareholder</b>	<ul style="list-style-type: none"> <li>Business strategy</li> <li>Profitability</li> <li>Increased stock value</li> <li>Dividends</li> <li>Business growth and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>General Assembly</li> <li>Publications on the website, continuous</li> <li>e-mail, regular mail</li> <li>LinkedIn</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Mutual benefit and long-term relationships</li> <li>Management systems</li> <li>Business ethics</li> <li>Business volume</li> </ul>	<ul style="list-style-type: none"> <li>Regular audits</li> <li>Official websites, continuous</li> <li>e-mail, continuous</li> <li>Participation in fairs and conferences</li> <li>LinkedIn</li> </ul>
<b>Business partners and commercial agents</b>	<ul style="list-style-type: none"> <li>Mutual benefit and partnership</li> <li>Compliance with contractual obligations</li> <li>Competitiveness in the market</li> <li>Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Participation in fairs</li> <li>Official website, continuous</li> <li>E-mail, continuous</li> <li>LinkedIn</li> </ul>
<b>State institutions</b>	<ul style="list-style-type: none"> <li>Payment of taxes, contributions and fees</li> <li>Compliance with legislation</li> <li>Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence, email, continuous</li> <li>Official website, continuous</li> <li>Annual financial reports</li> <li>LinkedIn</li> </ul>
<b>Local community</b>	<ul style="list-style-type: none"> <li>Investing in local initiatives</li> <li>Protection and rational use of resources (economic, environmental and social)</li> </ul>	<ul style="list-style-type: none"> <li>Regular visits and joint activities</li> <li>Donations and sponsorships</li> <li>Official website, continuous</li> <li>Annual financial statement</li> <li>LinkedIn</li> </ul>
<b>Financial institutions</b>	<ul style="list-style-type: none"> <li>Compliance with contractual obligations</li> <li>Mutual benefit and long-term relationships</li> <li>Ethical business</li> </ul>	<ul style="list-style-type: none"> <li>Official websites, continuously</li> <li>email, continuous</li> <li>Meetings</li> <li>Participation in conferences</li> <li>LinkedIn</li> </ul>







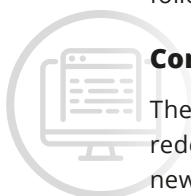
### **Communication with stakeholders**

In addition to direct communication, which was reduced due to the restrictions imposed by the COVID-19 pandemic, intensified communication in all business activities was conducted through digital communication channels. By combining direct and indirect communication and using all other available communication tools, the newly created obstacles were overcome and business operations were not affected by the impossibility to organise direct meetings and appointments.



### **Social media**

It is evident that the launch of the company's corporate profile on business social network LinkedIn in early 2020 contributed to successful communication with all key stakeholders of the company. By the end of the year, the profile had over 1000 followers.



### **Company website**

The company's first website was launched in 2001 at [www.koncar-dst.hr](http://www.koncar-dst.hr). It was redesigned in 2014. During 2020, the current website was again redesigned, and the new look of the company's website is planned for the beginning of 2021.

Through the site, the company informs the public about financial results, news, activities and achievements.



### **Fairs and professional conventions**

In 2020, KONČAR D&ST had planned to participate in seven fairs and the same number of professional convention and conferences.

Due to COVID-19 outbreak, most fairs and meetings were either postponed or cancelled, so KONČAR D&ST participated in the following fairs and meetings:

- physical participation - Middle East Electricity 2020, Dubai
- virtual participation - 2nd conference of BH K/O CIRED, Mostar, 25-27 October 2020.

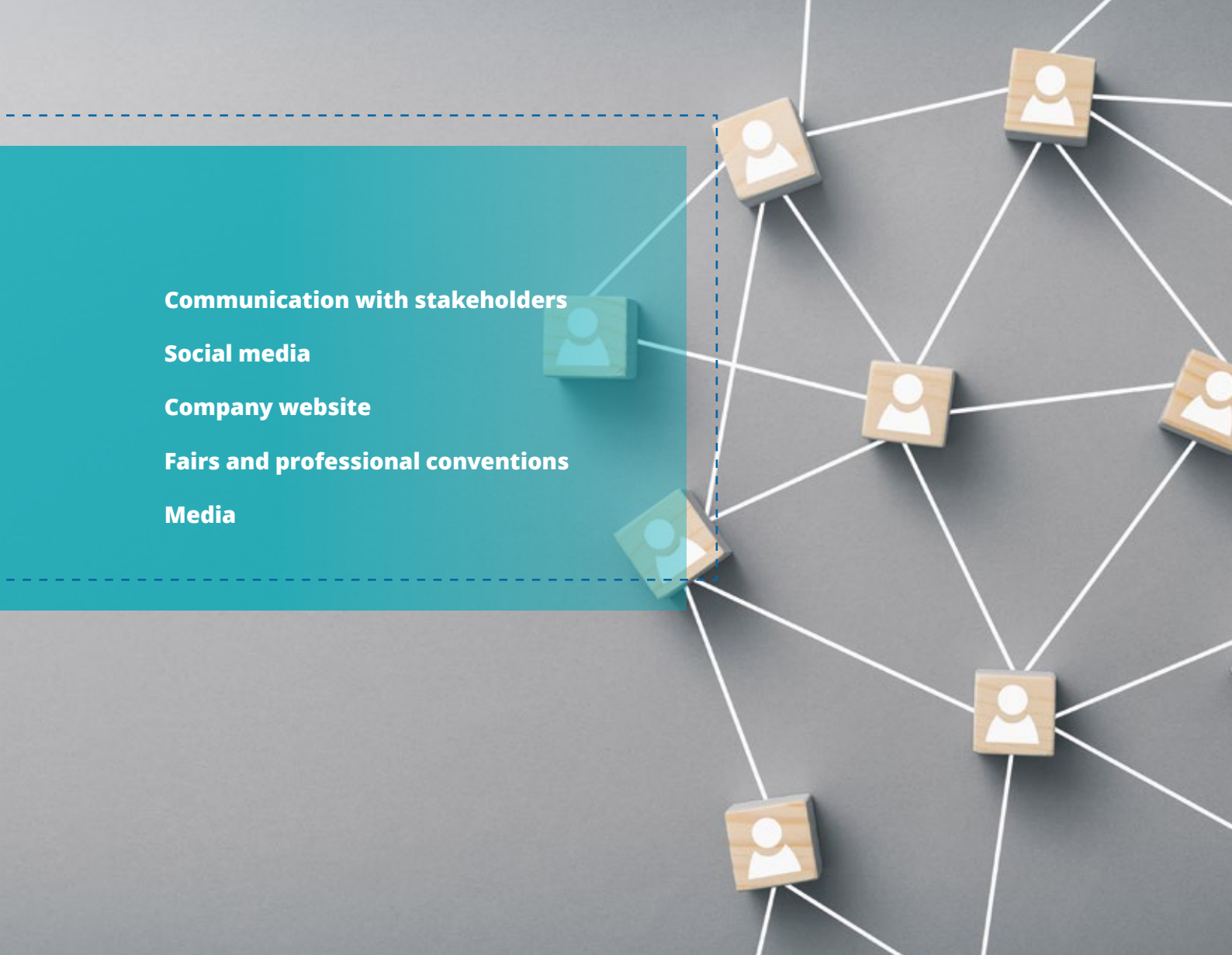


### **Media**

During 2020, two corporate films were prepared, and their release is planned for 2021.

As part of the group's PR activities, a total of 1,070 announcements related to KONČAR were published in the press, on radio and television stations and on Internet portals.





**Communication with stakeholders**

**Social media**

**Company website**

**Fairs and professional conventions**

**Media**

The content of the Report includes all requests, expectations and satisfaction scores related to sustainable development topics received during the reporting period from the stakeholders involved. It also includes the results obtained from customer satisfaction surveys and the results of employee surveys on their perception of the importance of a particular topic.

Stakeholders involved: employees, shareholders, customers, suppliers and partners.

**102-43**

APPROACH TO  
STAKEHOLDER  
ENGAGEMENT

In the reporting period, the following topics were considered as key or material according to requirements and interests of stakeholders:

- key economic indicators (employees, customers, shareholders) - GRI 201 Economic performance
- investment in the development and entry into force of Commission Regulation (EU) no. 548/2014 – Tier 2 as of 1 July 2021 (customers, business partners, state institutions) - GRI Economic performance
- interest of customers and partners in KONČAR D&ST’s attitude towards the environment (customers, partners, state institutions) stimulated environmental issues as being considered material - GRI 301 Materials, GRI 302 Energy, GRI 306 Effluents and waste, and GRI 307 Environmental Compliance.

**102-44**

KEY TOPICS AND  
CONCERNS RAISED



# 8

## REPORTING PRACTICE

### 102-45

ENTITIES INCLUDED IN  
THE CONSOLIDATED  
FINANCIAL STATEMENTS

The Company's Annual Report and the 2020 Consolidated Annual Report of the KONČAR D&ST Group are available on the company's website at [www.koncar-dst.hr](http://www.koncar-dst.hr).

### 102-46

DEFINING REPORT  
CONTENT AND TOPIC  
BOUNDARIES

Opinion polls, research and consultations with our stakeholders have helped us make up the matrix of material topics. The requirements of our customers and partners contained in tender documentation and directly transferred to the company KONČAR D&ST, the results of customer satisfaction surveys and employee surveys on the perceived materiality of individual topics, and the suggestions of all our stakeholders are carefully recorded to enable us to focus on the most important sustainability issues and to apply the GRI Materiality principle.

The data obtained in the reporting period are analysed and the most important sustainability topics established through five steps: identification, prioritization of topics, involvement of stakeholders, analysis of materiality for the reporting period, and verification.

When aligning harmonising the business activities of the company KONČAR D&ST with the expectations and requirements of its stakeholders, the following topics of special interest were identified:

- stable and sustainable economic growth (employees, shareholders, suppliers and partners)
- investments in the development and creation of added value (shareholders, suppliers and partners, employees)
- responsible energy consumption and minimising the environmental impact (employees, shareholders, customers, government institutions)
- fair employment and new job creation (employees, shareholders)
- investment in competencies and know-how (employees, customers).

### 102-47

LIST OF MATERIAL  
TOPICS

GRI 201 Economic Performance  
GRI 301 Materials  
GRI 302: Energy  
GRI 306: Effluents and Waste  
GRI 307: Environmental Compliance  
GRI 401: Employment  
GRI 403: Occupational Health and Safety  
GRI 404: Training and Education  
GRI 413: Local Communities

### 102-48

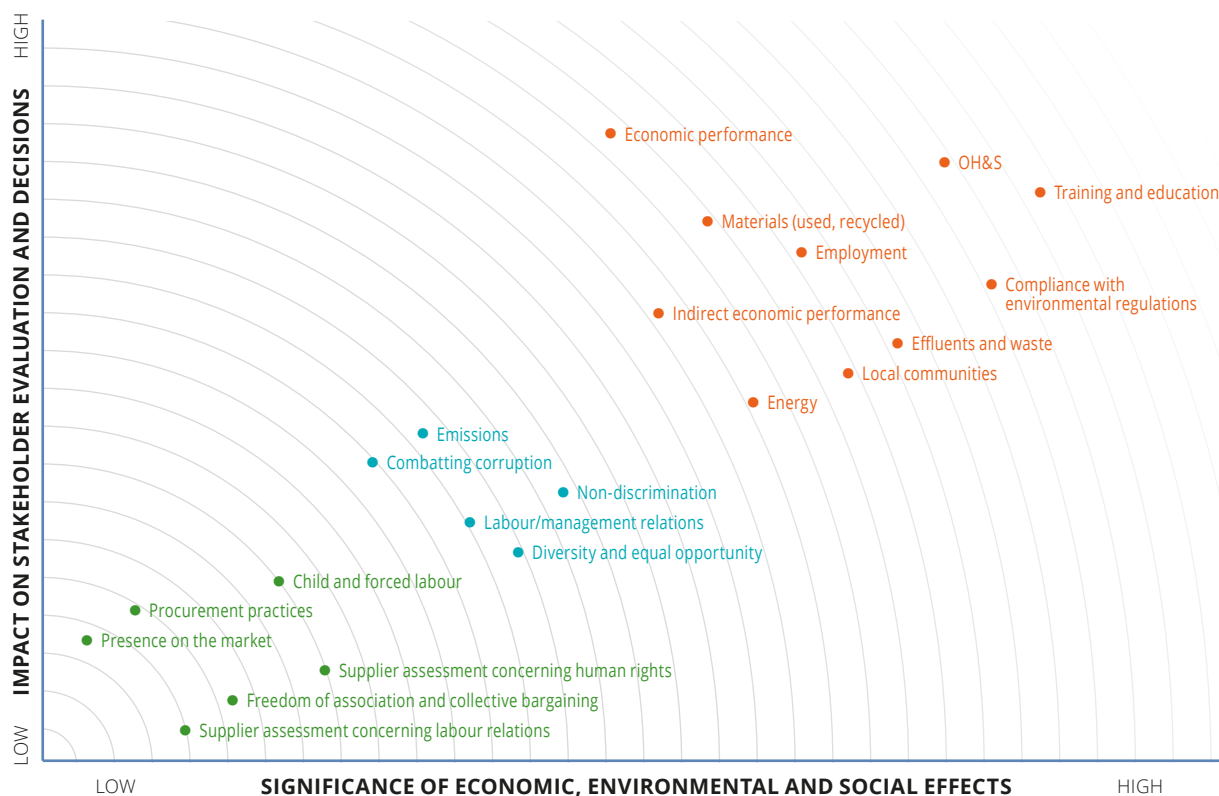
RESTATEMENTS OF  
INFORMATION

Not applicable since this is the Company's first report drafted in line with the 2020 GRI Guidelines.





## Matrix - materiality of the topic



KONČAR D&ST decided to issue its first Corporate Social Responsibility and Sustainability Report in line with 2020 GRI standards.

The first report was published in October 2021, and the next is planned for June 2022.

The planned reporting cycle is one year, and it has been anticipated to cover the results of the previous calendar year.

The contact person responsible for report and its contents is: Martina Barbarić Baričević, Head of Human Resources, Legal and General Affairs, [martina.barbaric@koncar-dst.hr](mailto:martina.barbaric@koncar-dst.hr).

The 2020 Corporate Social Responsibility Report of the company KONČAR D&ST has been drafted in accordance with GRI standards: Core Option. The use of the internationally recognized methodology, i.e., Global Reporting Initiative (GRI), in drafting of the report assures a balanced and transparent overview of the company's sustainability impacts.

**102-49-54**

No external assurance of the Report has been carried out.

**102-56**

EXTERNAL ASSURANCE





# 9. TOPIC-SPECIFIC DISCLOSURES

8 DECENT WORK AND ECONOMIC GROWTH



## 9.1. ECONOMIC TOPICS

### GRI 201 ECONOMIC PERFORMANCE

#### GRI 103 MANAGEMENT APPROACH

##### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

The economic growth of KONČAR D&ST is based on state-of-the art products and cutting-edge technologies that keep abreast with both global trends and global market requirements.

In developed countries, policies and trends focus on plants using renewable energy sources. This focus leads to new challenges arising from the introduction of such plants into the power supply system. As products, transformers play an important role in the transmission and distribution of electrical energy.

Thanks to the continuous development of products and know-how, transformers manufactured in Končar D&ST meet high environmental and technical criteria set on demanding European markets.

This topic is material due to the major interest of all our stakeholders – employees, shareholders, customers and suppliers.

##### 103-2

THE MANAGEMENT APPROACH AND ITS COMPONENTS

Končar D&ST is an export-oriented company. In 2020, less than 15% of revenues from sales of transformers were generated in Croatia, while the rest was generated in almost 50 countries worldwide.

The most important markets are those in Europe that have set high environmental and other standards as far as performance efficiency of transformers is concerned.

As the market is extremely competitive, success is reserved for companies that have a clearly defined market niche customer group, adequate human capital, and knowledge and modern technologies for the production of transformers and that continuously keep in line with market requirements, invest in product quality and performance, are dedicated to efficiency of their processes and organisation and comply with delivery deadlines and other contractual obligations.



The ratios of certain balance sheet positions show that the company can fulfil its obligations and that its operations are financially stable. In 2020 they were satisfactory and within the limits considered as acceptable.

Current liquidity ratio is also very good because current assets are 2.25 times higher than short-term liabilities. If we subtract the value of stocks from current assets and compare them with short-term liabilities, this ratio is still higher than 1.

Fixed assets are 2.28 times covered by long-term sources, which is an indicator of the company's good financial stability.

The efficiency of asset utilization, taken as the 2020 total asset turnover ratio, is 1.27, showing that the revenues generated in 2020 were up 27% compared to total assets as at 31 Dec 2020. Stock management, as the most important current assets category in 2020, was worse due to the COVID-19 pandemic and the average Days of Inventory on Hand was 118.

## 103-3

### EVALUATION OF THE MANAGEMENT APPROACH

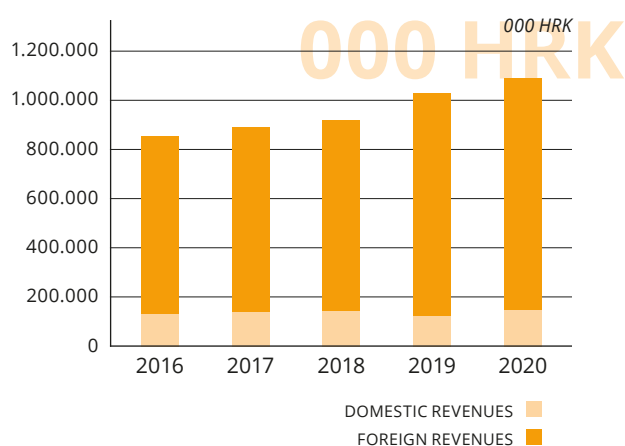
Although the beginning of 2020 announced yet another year of stable market conditions, the onset of the COVID-19 pandemic in early March brought about negative consequences and disturbances in supply chains and caused many uncertainties with regard to the realisation of projects. At the same time, the uncertainties surrounding the pandemic impacted on the decrease in demand for distribution transformers, which have a shorter investment cycle. On the other hand, the demand for medium power transformers, which have longer investment cycles, has remained stable. The current situation also spurred thinking about the sustainability of our dependence on the "carbon economy" and directed attention towards the creation of the framework that would enable increased investments in renewable energy sources.

As initial instabilities were successfully overcome within a short time span, the company's good position on target markets led to a stable revenue growth and increased growth rates of new transactions despite the usual competitive pressure.

## 201-1

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Sales revenues 2016 – 2020



In 2020, the sale of goods and services recorded a 5.8% growth with respect to 2019 and amounted to HRK 1091 million.

Changes by product group in 2020 with regard to 2019 were the following:

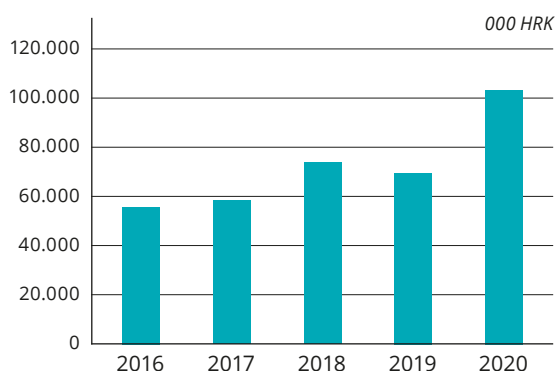
- distribution transformers: 2.9% decrease
- medium power transformers: 16.7% growth
- dry and special transformers: 21.3% decrease
- other goods and services: 16.1% growth.

A total of 6.4% more transformers expressed in MVA was delivered, with a total weight 2.5% more than in the previous year.

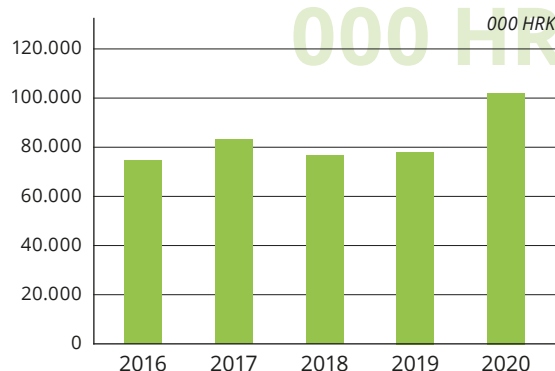




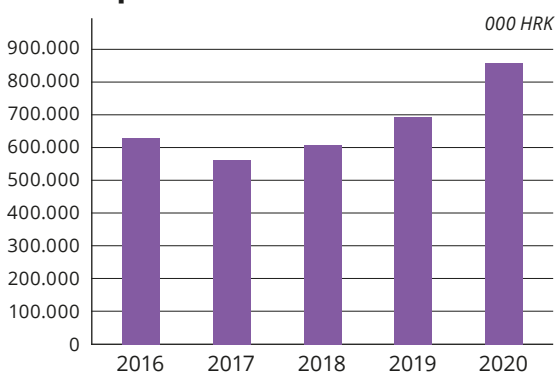
## EBITDA



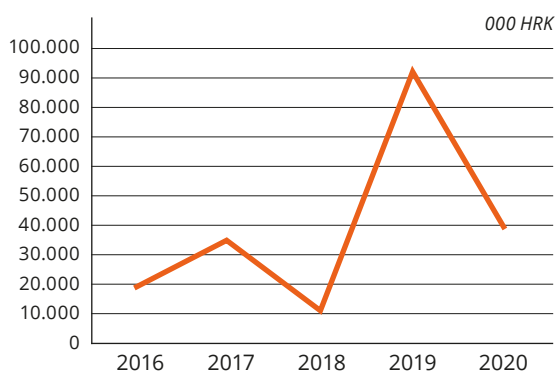
## Normalised EBITDA



## Open orders as of 31 Dec



## Investments achieved 2016 - 2020



**Normalized EBITDA:** EBITDA decreased/increased by net provisions, extraordinary income, value adjustments of current assets

The order book at the end of 2020 was 23% up with regard to the previous year.

The investment cycle initiated in 2018 under the working title "Increase in the production capacities for distribution transformers" was completed in early 2020. This project covered the introduction of an additional production, storage and office space, the purchase and installation of new equipment for the manufacture of transformers, the recruitment of experts and the appropriate organisational adjustments. The project investments amounted to just over EUR 17 million. Project objectives included a 50% increase in the production capacities for distribution transformers, the manufacture of highly efficient transformers for demanding European markets, the increase in production efficiency and generally the creation of the prerequisites for the company's better positioning on the market.

The following graph shows the investments realized over the last five years.

## 201-2

### FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

In order to prevent any environmental pollution in a timely and efficient manner, KONČAR D&ST continuously supervises and manages processes having an environmental impact and actively, through their evaluation (risk assessment), manages all recognized environmental aspects. It also contributes to environmental protection by ensuring the rational use of natural resources, choosing environmentally friendly raw materials and promoting recycling.

In line with the contract concluded with an Italian customer, the Carbon Footprint of Products study was drafted (in line with ISO 14067:2018 guidelines) and verified for a part of the production range of distribution transformers. Under that contract, KONČAR D&ST was required to plant trees in 2020 to neutralise its carbon footprint.



A forest of “green transformers” — 398 beech trees — was planted by KONČAR D&ST in cooperation with our business partner in Calabria in southern Italy. Each of those planted trees will absorb 22 kg of our carbon footprint. The forest of 150 trees will absorb 3300 kg of CO<sub>2</sub> per year while generating oxygen, while at the same time purifying water and helping maintain more than 80% of global biodiversity.



**“Green transformers” transform harmful consequences of work into favourable ones, namely into those that transform and improve the quality of life of the entire community.**

In order to contribute to the eco-friendly production of electrical energy and due to the suitability of the roofs of its manufacturing plants in Zagreb, in Q4 2020, the company started construction of a 1.1 MW solar energy plant. To receive the subsidies for renewable energy sources, the company submitted the project to the Environmental Protection and Energy Efficiency Fund’s call for project proposals for “Increasing energy efficiency and use of renewable energy sources in manufacturing industries”.

The majority of facilities owned by KONČAR D&ST have either been constructed or refurbished or are undergoing refurbishment in line with the rules on the energy efficiency of buildings in order to reduce heating and cooling costs. This approach to natural resources significantly contributes to decreasing costs related to the infrastructure of KONČAR D&ST, which as far as the space and installations are concerned is very substantial and demanding and without which the company would not be able to operate.

KONČAR D&ST makes regular contribution payments for all its employees. The 1st pillar of the pension plan is 15% of the gross salary, while a 5% contribution is paid towards the 2nd pension pillar into personal accounts set up in mandatory pension funds.

The company pays severance payments to employees when they retire and years-of-service awards to the maximum non-taxable amount, for which it has the reserved funds amounting to HRK 5,413,000.00.

KONČAR D&ST supports employee savings in the 3rd pillar of the pension plan, and decides each year on the manner and amount of benefits the company gives its employees for this way of saving. The amount paid by the Company in the 3rd pillar during 2020 totalled HRK 1,925,147.05.

### **Tax benefits for investments**

In October 2020, the company was granted benefits for its project “Increase in the production capacities for distribution transformers” in the amount of HRK 28,114. On the basis of these benefits, the company can reduce its future tax obligations relating to income tax for the years ending as with 31 December 2028, up to a 75% tax rate reduction on an annual level. On the basis of the Management Board assessment of the utilization of this tax benefit, in its 2020 financial statements the company recognized the entire approved tax benefit amount as deferred tax asset and tax income, of which HRK 9551 was already used to reduce tax obligations for the current year.

*View the video on the reforestation campaign in Italy.*



## **201-3**

DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

## **201-4**

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT





**9** INDUSTRY, INNOVATION  
AND INFRASTRUCTURE



## 9.2. ENVIRONMENTAL TOPICS

### GRI 301 MATERIALS

### GRI 103 MANAGEMENT APPROACH

#### 103-1

EXPLANATION OF THE  
MATERIAL TOPIC AND  
ITS BOUNDARY

The company KONČAR D&ST pays the utmost attention to the selection of raw material suppliers and to the quality of all materials used in production. Through regular supplier audits, it checks the quality of raw materials, suppliers' commitment to green technologies and sustainable economy, and it strives to support the local industry by choosing mostly the manufacturers from the region and its surroundings. Furthermore, the importance is imparted not only to the quality of raw materials themselves, but also to the ratio of recycled materials used in various products.



*Transformers in the  
Finished Products  
Warehouse*





The production range of KONČAR D&ST comprises of several major product groups: medium power, distribution and special distribution transformers. By continuously keeping abreast with market trends, customer requirements, and material and supplier availability, the company can to a certain extent have an influence on the raw materials and semi-finished products it uses in its production processes while, of course, meeting the criteria for maximum product quality. When selecting the appropriate raw materials suppliers, the company carries out qualification audits whereby it assesses all major criteria useful in making a decision on any future cooperation. After their selection, all suppliers are checked in defined intervals, either through audits or laboratory testing of raw materials and semi-finished products. In line with the reported findings, either additional checks are carried out or certain changes are made to business processes.

## 103-2

### THE MANAGEMENT APPROACH AND ITS COMPONENTS

As KONČAR D&ST is ISO 9001:2015 and ISO 14001:2015 certified, it continuously, at least twice a year, holds management review meetings where the company Management Board evaluates the efficiency of governance systems and presents data on stakeholder satisfaction with the quantities and types of materials used in production units per year, the quantity of generated waste with regard to the product output, etc. Special attention is paid to customers, suppliers and materials and customer satisfaction, and to the compliance with tender requirements, which are increasingly focusing on the sustainable economy. On the other hand, information on market novelties, including the quantities of recycled materials used in the production of raw materials,

## 103-3

### EVALUATION OF THE MANAGEMENT APPROACH

are presented at the meetings held for individual material groups. The result of all these processes is the evaluation of suppliers and materials against key criteria, whereby certain suppliers are given advantage over the others.



*Manufacture of distribution transformers*

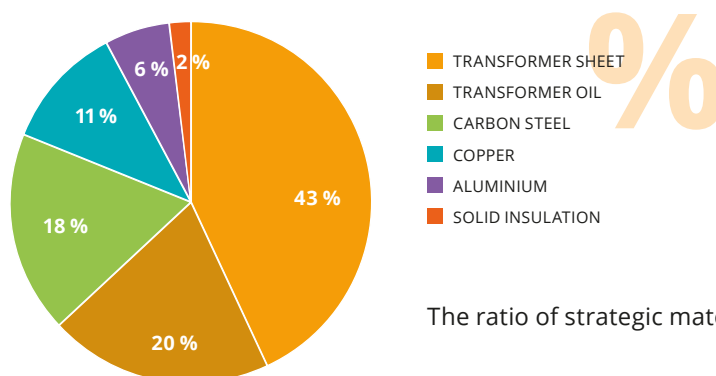


## 301-1

### MATERIALS USED BY WEIGHT OR VOLUME

The main parts of transformers are the core and the windings, which form its active part, as well as the tank, oil and other components (connections, insulation and cooling system) and protective devices (thermometer, pressure relief device, oil level indicator, etc.). Each of these groups of transformer parts is made of different types of materials, where transformer sheet, transformer oil, carbon steel, copper, aluminium and solid insulation are considered strategic materials. In 2020, the total quantity of these materials amounted to 27.035 tonnes. It should be taken into account that the mass of all manufactured transformers is higher and that the difference in mass refers to other materials not considered strategic and not given in the graph below. Depending on transformer type, mass ratios (and total quantities in kg) of individual strategic materials may vary – with the exception of dry transformers where there is no oil as an insulation medium.

### Strategic materials in 2020



The ratio of strategic materials in 2020

## 301-2

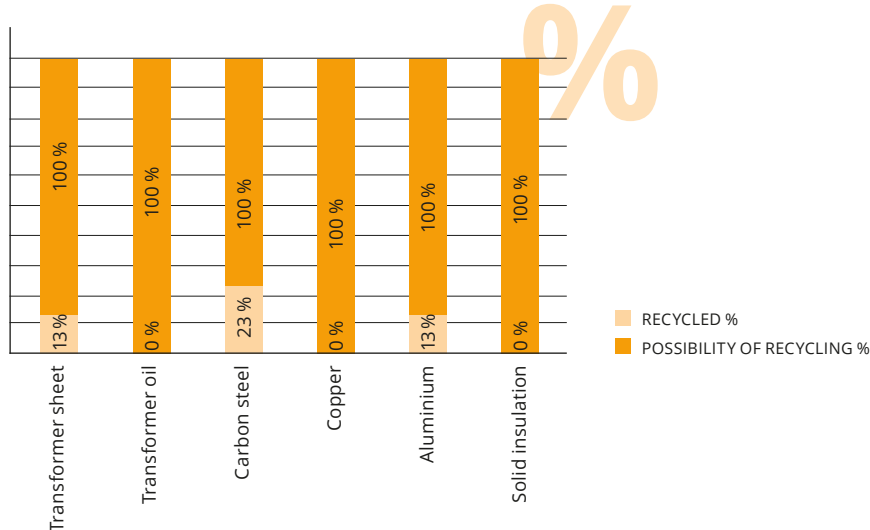
### RECYCLED INPUT MATERIALS USED

On the basis of the currently available information and that obtained so far from the suppliers with whom the company KONČAR D&ST cooperates most often, the graph below was prepared, showing the possible percentage of recycled materials in certain raw materials and the percentage at which these materials can be recycled at the end of their life cycle. As seen in the graph, transformer sheet and aluminium, which possibly can contain about 13% recycled materials, can be used in an average transformer, while steel can contain about 23% recycled material. These figures, however, vary and depend on individual suppliers and on market situation at a given moment. On the other hand, all these materials can be completely recycled at the end of their life cycle.

At this moment, the ratio of recycled materials in a product still depends solely on customer requirements.



## Possible ratio of recycled materials

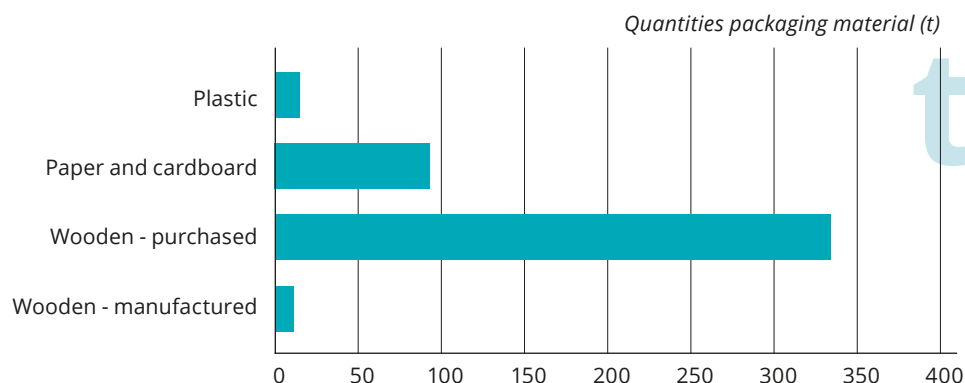


All raw materials and semi-finished products delivered to KONČAR D&ST are packed in a certain type of packaging material, mostly wooden packaging and paper and plastic packaging. Wooden packaging materials are reused to a maximum extent so they can be used multiple times and consequently to minimize waste generation. Furthermore, a part of the packaging material is returnable, such as pallets and spools (packaging material for conductors). This material is not kept on site and it is returned to the supplier. The company also satisfies its demand for wooden packaging material by producing it from wooden raw materials. The quantity of different types of packaging placed on the Croatian market (both produced and purchased) is shown in the graph below. These are the data for 2020 reported to the Environmental Protection and Energy Efficiency Fund in accordance with the Sustainable Waste Management Act (Official Gazette 94/13 and 73/13) and the Ordinance on packaging material and waste packaging material (Official Gazette 116/17). The data are reported quarterly and the statutory fee is paid for all types of produced/purchased packaging material.

## 301-3

### RECLAIMED PRODUCTS AND THEIR PACKAGING MATERIALS

## Quantities of individual types of packaging material







**7 AFFORDABLE AND CLEAN ENERGY**

**11 SUSTAINABLE CITIES AND COMMUNITIES**

## 9.2. ENVIRONMENTAL TOPICS

### GRI 302 ENERGY

#### GRI 103 MANAGEMENT APPROACH

##### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Energy management is one of the basic principles of the environmental management system at KONČAR D&ST. In order to improve the energy, environmental and economic performance of our production processes, we are dedicated to the rational use of natural resources. Our energy consumption is monitored in line with the ISO 14001 environmental management standard, Energy Efficiency Act and Ordinance on energy audits for large companies.

Four major energy sources are supplied to the site of KONČAR D&ST in Jankomir, Zagreb: electrical energy, thermal energy (process steam), water and compressed air.

Compressed air used for production processes is supplied from three compressor stations situated in the company's production plant.

This topic is material for the company KONČAR D&ST due to significant environmental and economic impacts related to energy efficiency and the interests of its stakeholders – employees, partners, shareholders, local community.

##### 103-2

THE MANAGEMENT APPROACH AND ITS COMPONENTS

Rational use of natural resources, influence on the awareness of all our employees and contract partners and definition of annual environmental protection objectives enables us at KONČAR D&ST to make improvements in terms of reduced utility consumption. One of the strategic goals in this field is the construction of a 1.1 MW solar power plant in 2021/2022 at the company's site in Jankomir.

##### 103-3

EVALUATION OF THE MANAGEMENT APPROACH

In line with its commitment to environmental protection, communities in which it operates and sustainable development, KONČAR D&ST has been a proud user of the ZelEn product from HEP Opskrba since the end of 2019 and in its operations, it has been using exclusively the energy obtained from renewable sources.



The consumption of all energy sources is continuously monitored in order to upgrade its analysis and to reduce consumption. Monitoring is carried out on the group level, and the company KONČAR - Infrastructure and Services Ltd. is responsible for collecting the key data and submitting them to other group members.

Key data that are collected include: consumption of electrical and thermal energy in MWh and water in m<sup>3</sup> per month. Out of the total energy consumption in 2019, 677,159 MWh originated from renewable sources, and as of early 2020 all electrical energy purchased by KONČAR D&ST comes from renewable energy sources.

## 302-1

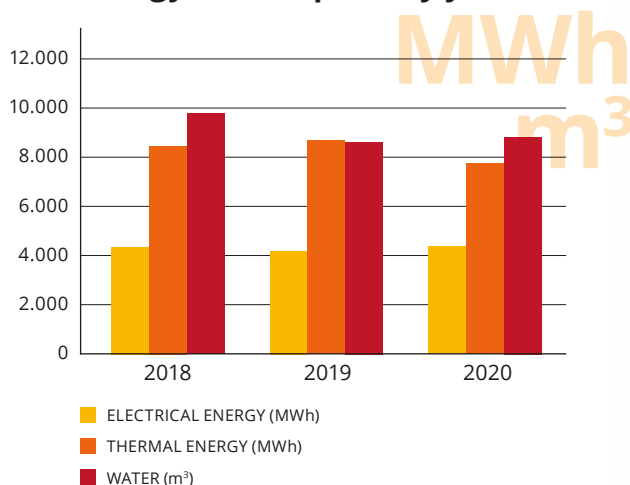
ENERGY CONSUMPTION WITHIN THE ORGANIZATION

### Energy consumption

	2018	2019	2020
Electrical energy (MWh)	4,363.00	4,237.54	4,445.46
Thermal energy (MWh)	8,481.43	8,715.67	7,802.58
Water (m <sup>3</sup> )	9,752.67	8,634.66	8,887.93

Despite the increased production volume with respect to 2019, energy consumption in 2020 remained on similar levels, which is an indicator of efficient resource management.

### Energy consumption by year



*Eco-friendly distribution transformer*

## 302-4

REDUCTION OF ENERGY CONSUMPTION

Keeping abreast with market trends and meeting the requirements of its customers, KONČAR D&ST invested considerable effort in project design and development of transformers with increased efficiency. Continuous product development, along with the use of new materials and technologies, has enabled us to meet all eco-design requirements. Taking into account all environmental aspects, KONČAR D&ST has harmonised its operations with the Commission Regulation (EU) No. 548/125/EC relating to eco-design requirements. The objectives of eco-design include the improvements in energy efficiency and environmental compliance in general, while reducing CO<sub>2</sub> emissions. Through the approximation with this Regulation, we have focused on reducing electrical losses of transformers and on clearer and more visible technical labelling of power transformers.

## 302-5

REDUCTION IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES





**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



## 9.2. ENVIRONMENTAL TOPICS

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### GRI 306 WASTE

#### GRI 103 MANAGEMENT APPROACH

##### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

For a number of years, KONČAR D&ST has been continuously monitoring waste generation processes. The purpose of this monitoring is to both comply with regulatory requirements and to systematically upgrade production processes with an aim to minimize waste generation at the very beginning. The fact that the company has been ISO 14001:2015 certified since 2002 and that since then it has continuously worked to upgrade the system in its entirety, supports this good practice. Stakeholders imparting the greatest importance to this topic are the employees themselves: for example, process engineers striving to optimize production processes in order to minimize the generation of waste materials, management system development engineers looking at the big picture of the system and environmental care and trying to monitor all waste generation and waste management processes; customers constantly imposing more developed trends in circular economy and complete environmental care; and suppliers who are forced by Western trends to increase the use of recycled materials in their semi-finished products.

##### 103-2

THE MANAGEMENT APPROACH AND ITS COMPONENTS

In accordance with legal requirements of the Republic of Croatia, each type of waste has its unique numerical code – key waste number - based on which it is possible to monitor all types of generated waste and the means of its management on the state level. By using a material and waste flow system monitoring system integrated into its production processes, the company KONČAR D&ST supervises each type of waste generated in its production plants – its quantity, time of transport from the site and the manner of disposal. In line with its legal obligations, the company uses this monitoring method to fulfil its reporting obligations towards the competent authorities of the Republic of Croatia. This tool also serves as a source of information, which is the basis for improving the environmental protection system.





Each and every employee of the company KONČAR D&ST is fully aware of the importance of efficient waste management, which is mostly reflected in their initiatives and actions in the field of environmental protection. Furthermore, systematic investments in infrastructure on site encourage the development of green habits; environmental care on the factory site, appropriate classification of generated waste, tree planting campaigns on nearby Mt. Medvednica, cycling to work, etc. These efforts are supported by the fact that an increased number of contracts is concluded with Northern European customers for whom the green economy is a top priority. Also, KONČAR D&ST has not received any complaints or appeals from any government or non-government body (green associations) and has been ISO 14001:2015 certified for a number of years, which shows that the company has an efficient environmental management system.

## 103-3

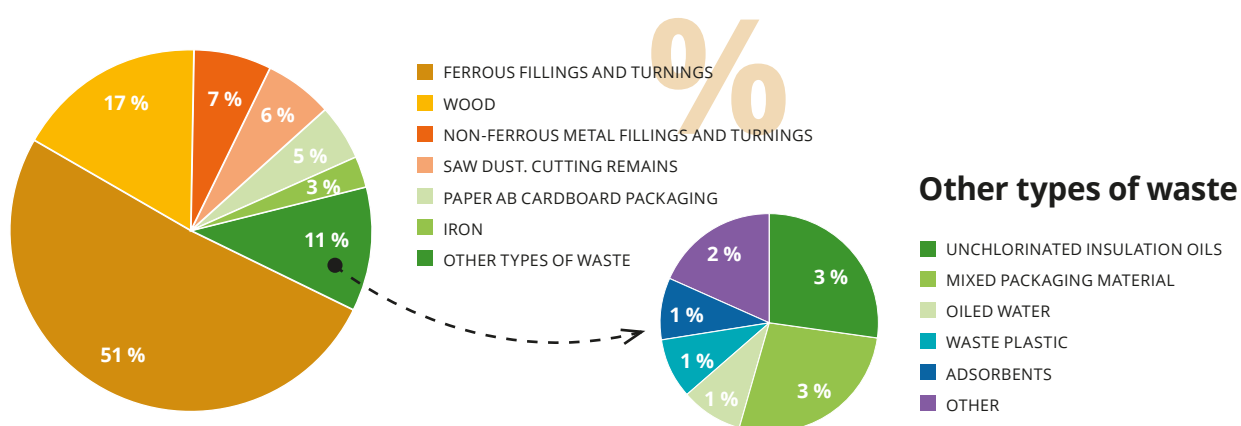
### EVALUATION OF THE MANAGEMENT APPROACH

The waste at KONČAR D&ST is generated mainly as a by-product of manufacturing processes and, to a lesser extent, as a consequence of indirect manufacturing activities. Therefore, the generated waste can be divided into two main categories: process waste and municipal waste. Process waste can be divided into hazardous and non-hazardous waste, while municipal waste is generated as the remainder after the appropriate sorting of all previously generated waste types. In 2020, the company generated a total of 1965 tonnes of process waste, of which 1854 tonnes of non-hazardous and 111 tonnes of hazardous waste. The layout of the percentage of individual types of waste shows that more than 60% of waste refers to metal waste (ferrous metal filings and turnings and piece iron, non-ferrous metal filings and turnings), about 23% to wooden waste, 5% to paper and cardboard packaging material and the remaining 11% to all other types of waste. Based on the graph below, it can be concluded that the majority of waste originates from production processes, packaging (packaging material) and shipment.

## 306-1

### WASTE GENERATION AND SIGNIFICANT WASTE-RELATED IMPACTS

#### Percentage of waste types in 2020



Based on the above, it can be concluded that the optimisation of production processes and the multiple use of packaging material (especially for the packaging of incoming semi-finished products) can impact on the reduction of generated waste and the reduction of production "surpluses". Production process engineers, with the support of environmental engineers, are responsible for these processes at KONČAR D&ST.



## 306-2

### MANAGEMENT OF SIGNIFICANT WASTE-RELATED IMPACTS



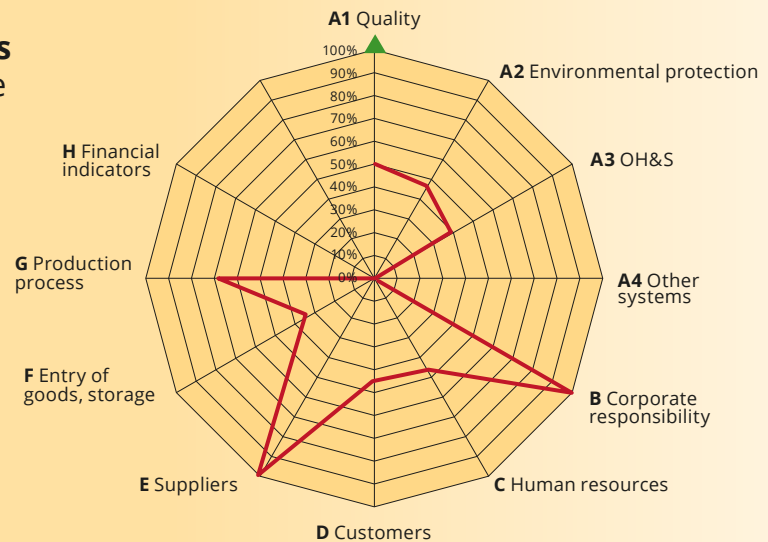
Waste sorting bins at Končar – D&ST

The management of significant waste-related impacts can be divided into two main categories: the management of production parameters during waste generation and the appropriate handling of waste after it leaves the production process. In managing waste during the process of its generation, the key is to optimize manufacturing processes and thus minimize potential surpluses, use recycled materials to a maximum extent possible and enable multiple use of the incoming packaging material. Each engineer in charge of an individual manufacturing phase invests maximum efforts as far as sustainability and circular economy are concerned.

This is also true for procurement which, in addition to giving advantage to the quality of raw materials, performs supplier selection and gives advantage to those suppliers that also apply sustainable development principles in their respective industries. After production is finalized, the generated waste is appropriately sorted already in production halls and disposed of in appropriate containers located at external in-process waste disposal sites. In order to optimize the management of significant waste-related impacts, the company continuously invests in upgrading its production processes and raising employee awareness of sustainable development principles, as well as in infrastructure, waste bins and waste generation and disposal monitoring systems.

### Audit results supplier, date

RESULT
50 %
47 %
40 %
0
100 %
48 %
46 %
100 %
33 %
67 %
0



An example of supplier audit results

## 306-3

### WASTE GENERATED

As already described, process waste is divided into two main categories: hazardous and non-hazardous waste. The table below shows the data about the total quantity of generated waste in tonnes in the period 2017–2020.

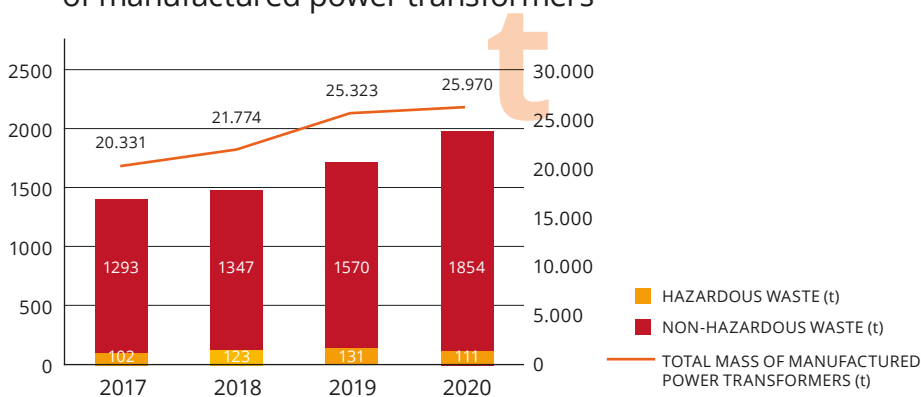
### Type and quantity of waste generated by year

Types of waste generated by year (t)	2020	2019	2018	2017
Generated hazardous waste	111	131	123	102
Generated non-hazardous waste	1854	1570	1347	1293
<b>TOTAL GENERATED WASTE</b>	<b>1965</b>	<b>1701</b>	<b>1470</b>	<b>1395</b>



The increase in the quantity of the generated waste is related to increased production. As transformers are the main product of KONČAR D&ST, an increase in the number of units (distribution, special and medium power transformers) produced over the years implies that the quantity of the generated waste will also increase to a certain extent. In order to facilitate understanding of the quantity of generated waste, the total mass of manufactured transformers, and not their number, is taken as an indicator of production growth over the reported period.

### Quantities of waste generated with regard to the total mass of manufactured power transformers

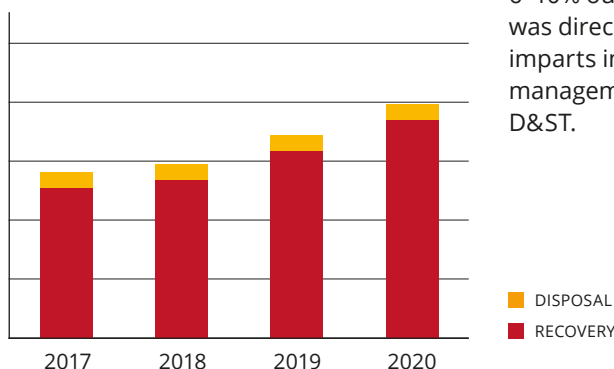


There are two umbrella regulations related to waste management in the Republic of Croatia: Sustainable Waste Management Act (Official Gazette 94/13, 73/17, 14/19 and 98/19) and Ordinance on waste management (Official Gazette 81/20). In these documents, management procedures are divided into two main categories: recovery and disposal. Entities producing waste in the Republic of Croatia may enter the information about only one of these two types of waste management into the document accompanying the waste when engaging an authorised waste disposal company and the exact information about waste processing is no longer known after its shipment. In 2020, KONČAR D&ST generated 22 types of waste, out of which 13 non-hazardous types and nine hazardous types of waste. The types of waste generated from year to year remain the same. About 80% of generated non-hazardous waste and two types of hazardous waste are transferred for recovery, while other types of waste are directed to disposal.

## 306-4

WASTE DIVERTED FROM DISPOSAL

### Methods of procedure with generated waste



The overview of the waste generated over a four-year period shows that only 6–10% out of the total waste quantity was directed to disposal, which certainly imparts importance to the overall waste management processes at KONČAR D&ST.

## 306-5

WASTE DIRECTED TO DISPOSAL







**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



## 9.2. ENVIRONMENTAL TOPICS

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### GRI 307 ENVIRONMENTAL COMPLIANCE

#### GRI 103 MANAGEMENT APPROACH

##### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Within the scope of its operations KONČAR D&ST undertakes to comply with legal regulations of the Republic of Croatia, obligations arising from ISO 14001:2015 and applicable stakeholder requirements.

Legal and other regulations from the field of environmental protection are consulted by using different sources, such as: Official Gazette, journals and literature related to this field, communication with professional associations, ministries, directorates, institutes, participation at symposia (seminars, conferences, lectures), internet.



When defining annual environmental protection objectives, the requirements arising from legal regulations and other accepted regulations are taken into account. The company's compliance with legal regulations is reported at least once a year to the Management Board. Furthermore, during regular evaluation of environmental aspects, compliance with all statutory and non-statutory (external documents setting environmental requirements with regard to company's processes, products or services – acts, regulations, ordinances, guidelines, recommendations, customer inquiries, etc.) requirements are taken into consideration.

## 103-2

THE MANAGEMENT  
APPROACH AND ITS  
COMPONENTS

Environmental compliance is regularly audited. The most recent by the State Inspectorate – Sector for Environmental Protection Supervision in the field of supervision of air protection, climate change and sustainable waste management was carried out in June 2020. The audit did not find any regulatory violations. The inspection is carried out through regular annual audits of the environmental management system by accreditation company and through two annual cycles of internal audits. Regular communication regarding environmental compliance (implementation of REACH Directive, GHG report, carbon footprint, environmental protection management plan, etc.) is communicated with customers and other stakeholders.

## 103-3

EVALUATION OF  
THE MANAGEMENT  
APPROACH

As the inspection did not establish any violations of laws and regulations, there were no fines or other sanctions. No incident requiring emergency measures in the event of sudden pollution has been recorded either.

## 307-1

NON-COMPLIANCE  
WITH ENVIRONMENTAL  
LAWS AND  
REGULATIONS





**8** DECENT WORK AND ECONOMIC GROWTH



## 9.3. SOCIAL TOPICS

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### GRI 401 EMPLOYMENT

#### GRI 103 MANAGEMENT APPROACH

##### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

As a large employer with diverse expert staff, the company KONČAR D&ST recognises the importance of every employee in the successful accomplishment of the company mission and vision. All employees are provided with safe and stable working conditions, a balance between private and work life, and professional growth and development is stimulated. The company is building a corporate culture and communication to ensure a pleasant and stimulating workplace.

The topic of employment is of significant interest in achieving top business results, and is therefore important for employees, shareholders and the company KONČAR D&ST.

##### 103-2

THE MANAGEMENT APPROACH AND ITS COMPONENTS

The company is recording constant growth in the number of employees, and the selection of future workers in the company KONČAR D&ST is an area to which substantial attention is focused, with the aim of finding the best candidates whose competencies and characteristics best suit the company.





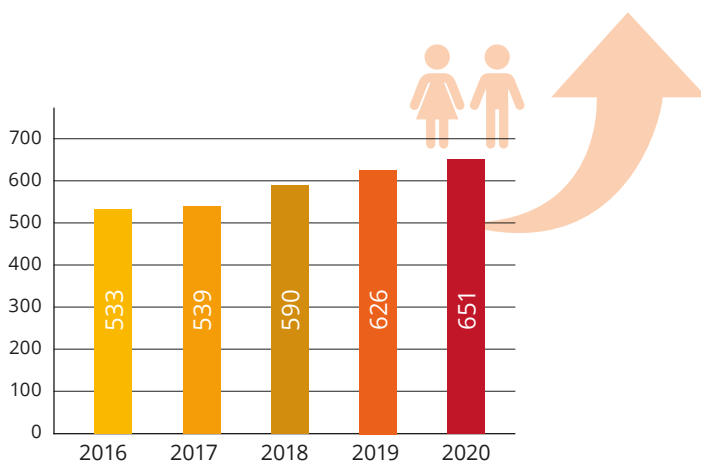
This growth in the number of employees also requires an adaptation to the dynamics of the labour market, particularly since the most common recruitments, with the exception of workers in the production plant, are currently highly sought-after professions such as highly educated engineers in STEM fields. In addition to the standard recruitment channels, such as advertisements on websites and on official career pages, the company also cooperates with educational institutions, particularly secondary schools and universities. Pupils in secondary technical schools are given the opportunity to perform their practical learning at the company KONČAR D&ST, while university students are mentored while developing their final or graduate thesis on relevant topics, with the possibility of stipends for excellent students who later are offered the opportunity to take an internship position in the company.

It is important to also focus on existing employees and to maintain their motivation in the workplace, to prevent possible early departures from the organisation. Every two years, as part of the organisational climate survey, employee satisfaction is tested and the results obtained are used to consider possible measures. The company KONČAR D&ST supports all professional development and education of employees in order to meet their full potential in the workplace. Company management is nearly always selected through internal competitions among existing employees, to give talented individuals in the company the opportunity to achieve both professional development and hierarchical advancement for interested workers.

Internal documents such as the Recruitment Rulebook, Code of Business Conduct and the handbook Corporate Culture and Communication lay down and ensure proper conduct during recruitment, selection, retaining and care of employees. Further, new trends in human resources management are followed, with the aim of their timely implementation to ensure the company is ready to respond to new challenges on the labour market.

The relatively low fluctuation rate (outlined below) and the small early turnover are indicators of successful recruitment management.

### Trends in new recruitments in the past five years



## 103-3

EVALUATION OF THE MANAGEMENT APPROACH

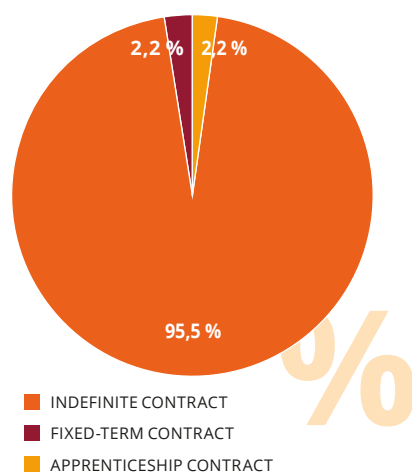
## 401-1

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

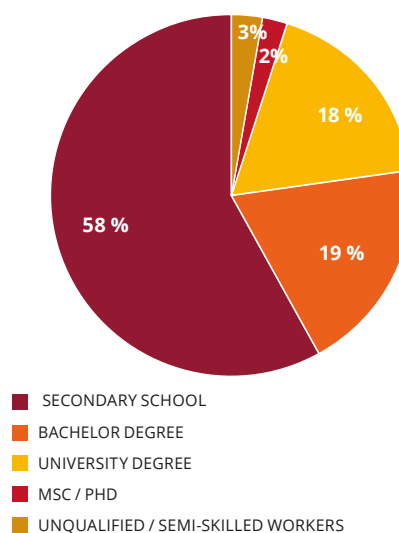


The majority of employees at KONČAR D&ST are employed on unlimited time contracts.

### New employees by type of contract in 2020



### Structure of employees by qualifications in 2020



The fluctuation rate in the company KONČAR D&ST is relatively low, and in the case of turnover, an exit survey is conducted and based on the responses given, interventions are considered. In 2020, only one case of early turnover was recorded in the company KONČAR D&ST (the reason cited was dissatisfaction during the trial period).

Year	Total annual fluctuation rate	Annual rate of undesired fluctuation	Annual rate of desired fluctuation
2020	2.5 %	1.1 %	1.4 %

### Cooperation with the Institute for Rehabilitation of the Disabled Through Professional Rehabilitation and Employment (URIHO)

Cooperation with URIHO began in 2010 with the aim of unburdening the isolation processing workshop and reducing costs. Since the first phase of outsourcing the production of the necessary parts was successful in terms of cost, production deadlines and quality, further expansions of cooperation were achieved in 2014.

Since 2016, the Act on the Professional Rehabilitation and Employment of Disabled persons and the Ordinance on establishing quotas for employment of persons with disabilities prescribe that those employers with more than 20 employees are required to employ a certain number of persons with disabilities, depending on the total number of employees and the activities they perform. This quota can also be fulfilled by concluding a business cooperation agreement with a protected workshop. Since URIHO has the status of a protected workshop, the company KONČAR D&ST has been able to take advantage of this opportunity, thanks to the previous years of successful cooperation.



In 2018 a new investment in the production plant of distribution transformers and an increase in capacities were announced to URIHO in order to prepare themselves for an increase in the work volume and to continue to keep up with the company in the conditions of increased demand without delays. During 2020, the project to increase the production capacity of distribution transformers was completed, and the cooperation with URIHO was at a satisfactory level, which was beneficial for both sides.

All rights and benefits offered to full-time employees have also been secured for persons employed on temporary contracts or part-time contracts:

		
PARENTAL LEAVE	JUBILEE AWARDS	ADDITIONAL HEALTH INSURANCE
		
CHRISTMAS AND EASTER BONUSES, VACATION BONUS	PAYMENTS INTO THE 3RD PENSION FUND PILLAR	RETIREMENT BENEFITS

## 401-2

BENEFITS PROVIDED TO FULL-TIME EMPLOYEES

All employees, regardless of gender, are entitled to take parental leave.

During 2000, nine women and three men took advantage of parental leave. The return rate after parental leave was 100%. The retention rate 12 months after the end of parental leave was 91.7%.

## 401-3

PARENTAL LEAVE







**8** DECENT WORK AND ECONOMIC GROWTH

## 9.3. SOCIAL TOPICS

### GRI 403 OCCUPATIONAL HEALTH AND SAFETY

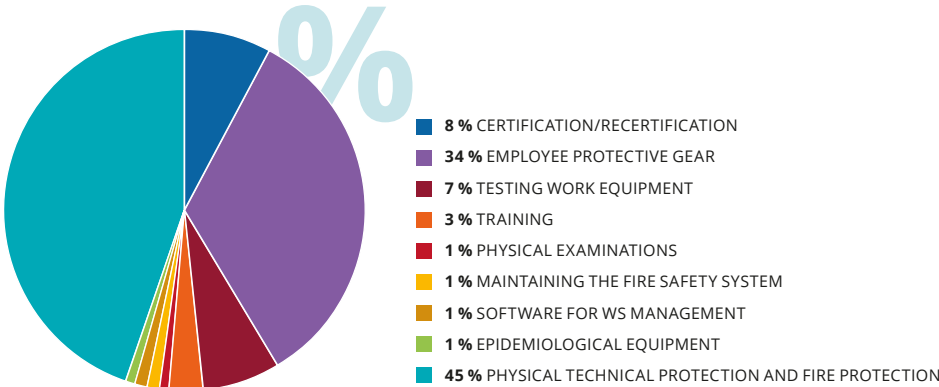
#### GRI 103 MANAGEMENT APPROACH

#### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

KONČAR D&ST aims to ensure the unhindered application of the legal and system regulations in the protection of occupational health and safety, and is continuously work to improve and direct the work climate and culture to a higher level. Meanwhile, it is focused on improving quality and replacing work equipment, and the company has secured the required funds for that purpose. In that area, in cooperation with company employees, the company performs testing of all existing parameters so as to be aligned with the development of knowledge, technology and materials and their practical application. The company also considers employee initiatives.

#### Investments in health and safety in 2020



KONČAR D&ST manages all occupational health and safety processes in accordance with the legal requirements, systematic procedures and examples of good practice. This implies the process of participation of all company employees as interested parties, and also the participation of interested third parties. This area is managed at multiple levels of the organisation, where each level participates in line with its responsibilities and with mutual coordination. The organisational approach is achieved via the Workplace Safety Board (WS) and the Occupational Health & Safety Board (OH&S) as the bodies responsible for the direct alignment and information of all interested parties, and for specific and set course and schedule for resolving topics.

This manner of management enables a rapid response to incompliances and positively affects an improvement of the state of affairs.

The policies of the company Management Board, like all other effects on occupational health and safety, as listed in the policy, are required to abide by all legal regulations and requirements of the standard ISO 45001:2018. The policy is applied to the complete scope of operations of the company, and is an integral part of the Handbook for environmental protection and occupational health and safety. The company applies and implements the adopted policies in their full scope.

Goals implemented at the annual level are part of the tools used to document the way improvements are implemented, enabling a proactive approach to the topics of occupational health and safety.

The company publishes its policy and goals via the announcement board, interactive monitors in the company, and in the company information system, and they are available to everyone.

The company KONČAR D&ST regularly conducts assessments of the efficiency of the occupational health and safety management system. Assessments are conducted through reports of the WS Board and OH&S Board, through internal and external audits, and at meetings in which the company Management Board assesses the efficacy based on all defined parameters of the system and in compliance with the requirements of the standard ISO 45001:2018. The assessment of the Management Board of efficacy of the management system, and the internal and external audits by certified auditors are conducted on a six-month cycle. Interested parties conduct audits based on their needs, and these are usually part of prequalification processes.

In the scope of its operations, KONČAR D&ST is committed to abiding by the legal regulations of the Republic of Croatia ensuing from acceptance of the requirements of standard ISO 45001:2018, and the application of requirements of interested parties.

The company continually supports the development of occupational health and safety, with the aim of successfully executing the strategy and goals, and ongoing improvement of results in the area of the management system and that affect occupational health and safety by:

- ensuring safe and healthy working conditions for the prevention of work-related injuries and ill health, to eliminate dangers,
- acting on the awareness of all employees and contractual partners, and using administrative measures including training
- replacing existing processes with less dangerous processes, operations, materials or equipment
- including employees in consultations and participating for the purpose of eliminating hazards and reducing OH&S risks while using the appropriate personal protection equipment.

## 103-2

### THE MANAGEMENT APPROACH AND ITS COMPONENTS

## 103-3

### EVALUATION OF THE MANAGEMENT APPROACH

## 403-1

### OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM



The company KONČAR D&ST also stimulates interested parties to apply the principles that are directed towards environmental protection and the protection of occupational health and safety.

The occupational health and safety management system is managed by Department of Development of Management Systems, in close cooperation with the WS Service that is responsible for monitoring and implementing the legal requirements in this area, and for conducting the necessary reporting pertaining to incidents, potentially hazardous situations, and workplace injuries. The experts in the WS Service undergo regular education through various professional development programmes at the annual level.

## 403-2

### HAZARD IDENTIFICATION, RISK ASSESSMENT, AND INCIDENT INVESTIGATION

Work processes in the company and the hazards associated with them and assessed risks are encompassed by the legal regulations and management system according to standard ISO 45001:2018. All assessed risks are primarily considered through the Risk assessment, as the fundamental risk management document. The tools to control and recognise risks are dispersed throughout the system, such that all process participants, regardless of whether they are directly or indirectly associated with the activity, follow the established procedures and protocols. In cases of extraordinary or hazardous occurrences, they have the possibility of influence, traceability and controls. A hierarchical structure of responsibility has been established to the occupational health and safety system, with defined responsibilities and authorities, and accordingly this ensures the implementation of the management policies and prescribed internal acts and procedures. All company employees are educated on the content and importance of risk management, and are encouraged to give their initiatives to contribute to the development of health and safety as one of the most important factors of a safe working environment and climate. Reported incompliances or initiatives in the company are approached in line with the prescribed procedures, are processed, the source of the incompliance is determined, and corrective or preventative activities are carried out, for the purpose of development and improvement of the Company pertaining to occupational health and safety issues. All employees are familiar with the legal and systematic measures of occupational health and safety. Workers may not expose themselves to hazards or risks at any time unless the prescribed protection measures are in place and good practices are used, and further, their actions may not in any way jeopardize the health and safety of anyone else in the work process.

Through constant monitoring of the parameters of the established occupational health and safety management system, conclusions on the efficacy of adopted measures are made and used to set goals for the forthcoming period, which may include new investments or employee education.

## 403-3

### OCCUPATIONAL HEALTH SERVICES

All employees are sent for the first physical exam with the occupational health specialist with whom the company KONČAR D&ST has signed a cooperation agreement. According to the dynamics of the legally prescribed requirements, employees working in work post with special conditions, and those working on a computer are sent for periodical exams, and in certain cases for extraordinary exams. Further, the occupational health specialist conducts inspections of the workplace to ensure that the necessary measures are met from the medical standpoint in adapting the working conditions to better suit employees. The occupational health specialist makes systematic annual reports to the WS Board and the company Management Board on the established condition of examined employees with regard to professional illnesses, or any work-related ill health or illnesses.





**Company employees participate in all risk management processes directly, in line with the legal and systematic regulations. In that sense, employees are able to influence processes via:**

- risk assessments available at all work posts
- employee commissioner and deputy commissioner
- hierarchical structure
- employee initiatives
- OH&S and WS Boards.

The company places great attention on thematic meetings that are dedicated to occupational health and safety, and in that sense, two boards have been formed: Workplace Safety Board (WS, meets quarterly) and the Occupational Health and Safety Board (OH&S, meets twice annually, every six months). Through the work of these boards, the most important decisions concerning the management of occupational health and safety are made.

**Upon employment, company employees are trained in accordance with the legal regulations and requirements of the implemented standard ISO 45001:2018. As part of the basic training, every company employee must be trained for:**

- Training for work in a safe manner and basic fire extinguishing
- Training for the management system for environmental protection and occupational health and safety.

**Based on the work they perform, and in line with risk assessments, every employee is required to be additionally or professionally trained for:**

- Employer representatives
- Employee commissioner
- Work equipment handler
- Dangerous chemical handler
- Specific professional education pertaining to the specific work.

Within the implemented occupational health and safety management system, and based on the need to regularly examine and assess the system internally, thereby ensuring its progressive development, the company educates its employees as internal auditors in the system ISO 45001.

Depending on the topic, education and training is organised either by the company itself or by authorised institutions/persons. All education consists of specific ways to assess success.

The costs of education are borne by the company, and they are organised in such a way that the employee is educated during their working hours.

As a tool to improve the state and awareness of employees towards safer and healthier work, the Workplace protection service organises workshops or education associated with observing problems in the form of incidents or nonconformities, or based on the proposals and conclusions of the OH&S and WS Boards.

Employee training is ongoing, with the aim of ensuring a better turnout and readiness for any possible extraordinary situations.

## 403-4

WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

## 403-5

WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY



## 403-6

### PROMOTION OF WORKER HEALTH

As an additional measure to ensure high quality health care, the company KONČAR D&ST has enabled all its employees to have supplementary health insurance through one of the offered medical institutions. The company also stimulates employees to engage in sporting activities, and participations in programmes oriented towards the provision of diverse sports services.

## 403-7

### PREVENTION AND MITIGATION OF OCCUPATIONAL HEALTH AND SAFETY IMPACTS DIRECTLY LINKED BY BUSINESS RELATIONSHIPS

At the company KONČAR D&ST, all participants directly or indirectly involved in work processes are acquainted with the functioning of those process that they are engaged in or with which they could come into contact. This familiarisation is performed for contacts even before their physical arrival at the location, via requests or previously established control forms and information, or via the fulfilment of requirements on health and safety through pre-qualifications or agreements.

The rules of conduct on site are implemented and systematically monitored through the legislative and systematic regulations, and in accordance with the risk assessments.

The processes consisting also of equipment or substances must also abide by all parameters of the legal and standard requirements on health and safety through the Croatian and EU regulations.

On the other hand, company employees who perform various activities towards the customers of our products and services are trained and meet all those health and safety requirements that are in effect in their home countries.

## 403-8

### WORKERS COVERED BY AN OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

All employees, visitors and service providers at the company KONČAR D&ST are required to abide by health and safety measures prescribed by the legislation and system procedures. In that sense, supervisory and control parameters of the entry into the process, manner of mobility, and rules of conduct have been established. In order to ensure that all these requirements are documented, every external participant of the process is required to sign to confirm their familiarity with the occupational health and safety measures.



## Data on work-related injuries

2020	2019	2018		
1,374,766	1,312,143	1,211,581	Number of worked hours	
651	628	586	Number of employees	
12	6	7	Work-related injuries	
8	6	4	Number of injuries requiring medical treatment (MT)	
0	0	0	Number of prohibited work cases (RW)	
8	6	4	Number of injuries resulting in lost work time (LT)	
0	0	0	Number of fatalities (FA)	
5.81	4.56	3.3	Lost Time Injury Rate (LTIR)	<b>-1</b>
11.63	9.14	6.6	Total Recordable Injury Rate (TRIR)	<b>-2</b>
241	181	49	Total number of lost calendar days (TLD)	
0.17	0.13	0.04	Rate of seriousness (Rs)	<b>-3</b>
0	0	0	Prohibitions by the labour and WS inspection	

$$\text{-1 LTIR} = \frac{(LT+FA) \times 1.000.000}{\text{Number of worked hours}}$$

$$\text{-2 TRIR} = \frac{(MT+RW+LT+FA) \times 1.000.000}{\text{Number of worked hours}}$$

$$\text{-3 Rs} = \frac{\text{TLD} \times 1,000}{\text{Number of total hours performed}}$$

For the observed period, there were no recorded cases of professional ill health or work-related ill health. During the calendar year, the occupational medicine specialist informs the WS Board and company Management Board of the state of physical exams and medical cases and potential illnesses that could be work-related.

## 403-10

WORK-RELATED  
ILL HEALTH







4 QUALITY EDUCATION



## 9.3. SOCIAL TOPICS

### GRI 404 TRAINING AND EDUCATION

#### GRI 103 MANAGEMENT APPROACH

##### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Education, training and personal development of employees is of critical importance for the operations of the company KONČAR D&ST, as applying the attained new knowledge and skills during business activities brings results. Investing in the acquisition and development of employee competencies enables them to master specialist skills, keep up with trends and new technology, and to increase innovativeness. This in turn increases the quality of work, creates a market advantage and improves the existing and develops new products and services.

This is also of significant interest for stakeholder engagement – employees and customers, as personal development of employees contributes to their motivation and capabilities to respond to customer requests.

##### 103-2

THE MANAGEMENT APPROACH AND ITS COMPONENTS

KONČAR D&ST systematically, plans and regularly implements activities for the training, development and education of employees, with the aim of attaining professional knowledge, technical knowledge, foreign language knowledge, IT knowledge, managerial knowledge, development of personal competencies, and knowledge in the fields of occupational health and safety, environmental protection and quality systems. The financing of graduate and post-graduate specialist and doctoral studies is stimulated, as is active and passive participation in seminars and congresses in Croatia and abroad, taking foreign language and computer skills courses, participating in workshops to attain leadership skills and manager development programmes, participating in soft skills and personal development workshops, education of auditors for the management of quality systems, and other training programmes.

Training is carried out in accordance with internal procedures and associated work instructions, and in line with the Annual training plan that is drawn up at the company level. The Department for Human Potential Management is responsible for drawing up the training plan, and management and the Management Board, the representative Board member for quality management, environmental protection, occupational health and safety, and the representative of the workplace protection service all take part in planning educational activities.

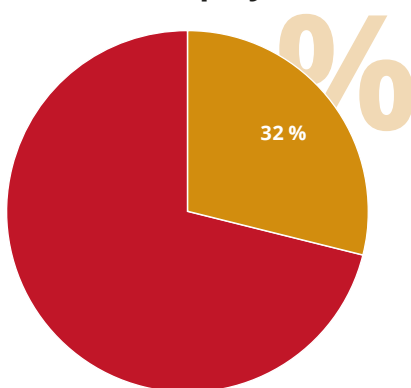


The initiated training activities are regularly monitored, and employee satisfaction with those activities is also surveyed. At the beginning of the year, the Department for Human Resources draws up to the annual training report for the previous year. All achieved activities are evaluated, the state of employee training assessed, and the effectiveness of education assessed once a year at the meeting of the expanded collegium of the company KONČAR D&ST, and the final grade with recommendations is given by the Management Board. KONČAR D&ST is constantly striving to improve processes of training and education, and to develop systems of competencies management, internal training programmes, the availability and selection of external training programmes, and monitoring the implementation and effects of educational activities.

## 103-3

EVALUATION OF THE MANAGEMENT APPROACH

### Share of employees receiving education in 2020



During 2020, 32% of company employees took part in some form of training or education. The average time of training per employee was 38 hours.

Last year was highly specific due to the COVID-19 pandemic, which negatively reflected on the dynamics of delivery educational activities due to bans on gatherings. Accordingly, the number of available congresses, seminars, workshops and courses that employees had the opportunity to take part in was reduced substantially.

## 404-1

AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

During 2020, employees of KONČAR D&ST received training through internal and external professional education based on the demands of their specific jobs, training for management systems, training for safe work, and training of managerial staff.

#### Foreign language courses

In 2020, the company KONČAR D&ST financed or co-financed foreign language courses for 25 employees. The most frequent courses were German and English, followed by Spanish, French, Russian and Arabic.

#### IT courses

A group course for the advanced use of MS Excel was organised exclusively for employees of KONČAR D&ST, and 10 employees successfully completed the course. Internal education was also organised for the use of the application 3 CX for 16 employees, and training for invoice approval using the IOS system was attended by 61 employees.

#### Acquiring professional and scientific qualifications

Two employees enrolled in adult prequalification programmes for the professions of electrical engineers, two employees attended graduate studies at higher education institutions, 16 employees attended specialist post-graduate study at the Faculty of Electrical Engineering and Computer Science or the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb. Two employees attended doctoral studies at the Faculty of Electrical Engineering and Computer Science. The Chairman of the Management Board, Vanja Burul, enrolled in the EMBA programme at the Cotrugli Business School in Zagreb. Management Board member Petar Vlaić, attained the title of Doctor of Business Administration from the institution Swiss Business School in Zurich.

## 404-2

PROGRAMS FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMS



### **Professional development for managing internal transport machinery**

During 2000, 100 training sessions were held for employees in work posts in production to handle forklifts, cranes, electric carts, hydraulic platforms and signalisation.

### **Training for quality systems, environmental protection and workplace safety**

Basic internal training for management systems was held for 36 new employees during 2020. Training or upgrading auditor knowledge was held regarding the standards ISO 9001, ISO 14001 and ISO 45001.

### **Orientation for new employees**

During 2000, 44 new employees were hired, and an orientation programme was designed and each employee received a mentor. The mentor system is in place for employees in all work posts, both in production and offices. As part of the orientation programme, employees are familiarised with the how the organisation is organised and its internal acts, how the work is organised, what departments do, and about their own role and the roles of colleagues in their unit and other organisational units. Mentors provide support and guidance for new employees as they learn their work tasks, in line with the set goals. In order to facilitate the initial adaptation of employees to their new environment, and to ensure that important information is easily accessible to them, in 2020, KONČAR D&ST published the Employee Handbook.



### **Employee Handbook**

The employee handbook is available in digital and print format and contains important orientation information – including site layouts, organisational charts, working hours, rules of conduct, salary calculations, lists and benefits and more.

## **404-3**

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

During 2020, KONČAR D&ST started a new product to introduce a competency management system at the company level, which defines the behavioural and professional competencies for each employee. An assessment of the competencies of each employee was performed, and compared with the desired level of competency so as to identify development goals. As a continuation of the project to introduce competency models, education was planned for managers for performing the annual employee performance review, aimed at tracking work impacts and individual development of employees. The fundamental principle of giving feedback to employees and planning development activities for the forthcoming period was also introduced. Currently, employees receive feedback on their own work effect indirectly, on the basis of the percentage of the stimulative part of their salary which is allocated to all employees by their direct supervisor on a quarterly basis.





## Internally developed **educational programmes**

### **Electrical principles and transformers**

KONČAR D&ST has developed an 8-hour education programme entitled “Electrical principles and transformers”. Through lectures and demonstrations in the production plant, employees are familiarised with the purpose of transformers, how they function and how they are made. The education programme includes familiarisation with the fundamental concepts in electrical engineering, principles of transformer function, types of transformers, basic parts of transformers and the technical and economic evaluation of transformers. The training includes a tour of the workshop and laboratories for testing transformers. Training is mandatory for all new employees in work posts with a higher complexity level, and two versions are offered: basic (for non-engineer employees) and advanced (for engineers). From the 2015–2019, 19 cycles of training were provided and attended by 278 employees. In 2000, 17 employees underwent this training. Regular surveys of participant satisfaction are conducted after every training cycle, and shows constant high quality of this programme.



### **Smart Wednesdays**

“Smart Wednesdays” is a cycle of talks held by internal lecturers – by employees for employees – with the aim of sharing specific knowledge, information about the newest trends in the industry and operations, and other topics useful for raising employee competencies. The programme was started in 2019 and since then, 19 lectures have been held, with an average of 44 employees in attendance at each. During 2000, three lectures were held with 136 employees in total attending. However, due to the unfavourable epidemiological situation and prescribed distancing measures, the programme was temporarily put on hold.

### **Education for on-site transformer assemblers**

During 2000, an internal training programme was held for the employees of medium power transformer assembly workshops for the tasks of on-site assembly. The programme consists of 10 hours of theory in lectures that covers professional content, description of work procedures, psycho-social aspects of field work and health and safety measures while working in the field. It also consists of 240 hours of practical training where employees learn alongside mentors to independently perform work tasks as an on-site assembler. At the end of 2020, 6 employees successfully completed the plan after being selected for these posts in internal job competitions.

### **Leadership skills: leading oneself and others**

In 2020, a new education programme was launched for the managerial staff at KONČAR D&ST, entitled “Leadership skills: leading oneself and others”, aimed at developing management competencies. As part of this two-day workshop, managers learn about tools and techniques to increase personal and team effectiveness and motivation. During 2020, two cycles of the workshop were held for a total of 17 employees in managerial positions. The education was assessed as highly positive and it is planned to be offered regularly.





## 9.3. SOCIAL TOPICS

### GRI 413 LOCAL COMMUNITIES

#### GRI 103 MANAGEMENT APPROACH

### 103-1

EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY

Cooperation between the company KONČAR D&ST and the academic community has always been nurtured and further development, as this is essential for technological development and innovation with the aim of creating applicable product improvements that are used by both KONČAR D&ST and the broader community. Through cooperation with science and the economy, the academic community is guided towards applicable research areas intended to generate high tech improvements.

Joint activities between KONČAR D&ST and the academic community:

- partnership in joint scientific research projects
- participation in teaching
- mentorship, membership in expert committees, boards, commissions
- education (graduate, postgraduate, doctoral, specialist studies)
- expert visits, professional pupil and student training (co-operative education)
- articles, conferences and expert meetings.

The contribution of the company KONČAR D&ST to the sustainable development of the academic community:

- applicability of scientific research
- innovations
- inclusion of the scientific community in the development of the economy
- contribution to education institutions.

The topic is material due to the significant interest of all engaged stakeholders – employees, the academic community and KONČAR D&ST.



The inclusion of the scientific community in the business activities of the company KONČAR D&ST has led to applicable and measurable improvements: in the area of medium power transformers in cooperation with the Technical Faculty, University of Rijeka; Faculty of Mechanical Engineering and Naval Architecture, University of Zagreb, and Končar - Institute for Electrical Engineering, wide-reaching research has been conducted with the objective of reducing noise levels of transformers. Together with Končar - Institute for Electrical Engineering, improvements were made to the base for sizing the internal isolation of winding, in other words, the cooperation with Končar - Institute for Electrical Engineering is constant and comprehensive, and pertains to a wide spectrum of technical areas. Cooperation in the area of electromagnetic budgets is ongoing with the Faculty of Electrical Engineering and Computer Science, Faculty of Zagreb, and in the area of materials with the Faculty of Chemical Engineering and Technology.

A visible and measurable effect is seen in the number of published articles and papers, supported conferences and expert meetings, postgraduate studies and defended doctoral dissertations, and supported professional pupil and student visits, and the effect is also visible through the number of professional associates in higher education institutions.

	2017	2018	2019	2020
Number of published articles and papers	16	14	21	9
Number of those enrolled in doctoral studies	3	3	3	3
Number of defended doctoral dissertations	1			1
Number of associates in higher education	3	2	2	2

The inclusion of the scientific community in the economy and the economy in the scientific community is essential to drive social progress: in the light of effective and improved industrial solutions, guided education and subsequent employment, support for the education system through practical learning, mentorships and professional visits.

Aware of the responsibility of the influence the company KONČAR D&ST has on the broader community - society, business community and on the environment - it has integrated its concern for social issues and environmental protection in its day-to-day operations, which still achieving sustainable economic results.

The dedication and contribution to the community it operates in have been an important component of the business strategy of KONČAR D&ST since its inception.

KONČAR - D&ST works together with the community through a series of activities achieved through donations and sponsorships, and volunteering. The company aims to help all members of society, particularly those small and poorly visible initiatives that act through social engagement and work to help those members of society that are most vulnerable and most in need. For that reason, the selection of societies, associations, projects, programmes and initiatives the company supports is very diverse. Further, KONČAR D&ST is always ready to take part in projects organised by students, and the professional and scientific communities.

Due to the substantial restrictions in place due to the COVID-19 pandemic, the number of social activities and event held of all forms that we would have otherwise supported, was significantly decreased. However, the needs in this challenging year 2020, marked by exceptional situations caused by the pandemic and the earthquake that struck Zagreb on 22 March 2020 were no less, and therefore a greater portion of funds was allocated to help and mitigate the consequences caused by these two unfortunate events.

## 103-2

### THE MANAGEMENT APPROACH AND ITS COMPONENTS

## 103-3

### EVALUATION OF THE MANAGEMENT APPROACH

## 413-1

### OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMS





We also supported the work of humanitarian organisations, perhaps more needed now than ever before, that care for the needs of the weak and children, as well as rehabilitation centres, sports clubs and cultural associations.

In following the long tradition of corporate social responsibility in the companies of the KONČAR Group, to which the company KONČAR D&ST belongs, a million kuna was donated to procure protective and medical equipment needed to combat the virus SARS CoV-2. Funds were donated in the campaign "Croatia against the coronavirus" and the equipment procured for health care workers include FFP2 and FFP3 protective masks, protective clothing, glasses and visors, artificial ventilators, and monitors for supervising patient vital functions.

#### Croatian Children's Village



After the second devastating earthquake in 2020, which struck Sisak-Moslavina County on 29 December 2020, together with the KONČAR Group, a donation of HRK 500,000 was made for earthquake victims, and employees of KONČAR D&ST from the affected areas received financial support.

In 2020, KONČAR D&ST also donated and sponsored various charity activities, in the total amount of HRK 299,250.

KONČAR D&ST is a long-time supporter of Caritas of the Zagreb Archdiocese and the SOS – Croatian Children's Village, and our support was not lacking in this challenging year.

In aiming to increase our support for the work of associations focused on working with children with developmental disabilities,

KONČAR D&ST is pleased to support the following organisations: Zagreb Rehabilitation Centre; FALA – Association for promoting social sensitivity, protection and improving the quality of life and popularising therapy and recreational horseback riding; Angels Association; Down Syndrome Association; and the Potočnica kindergarten, which received assistance to purchase equipment for groups of children with disabilities.

The company KONČAR D&ST is a long-time supporter of the association International Police Association Hrvatska, a section that is engaged in publishing free prevention and education brochures that cover a wider range of social issues that most often affect children and youth. The theme of the brochure in 2020 was "Sexual abuse of children", which according to the statistics is the least reported form of abuse, while the number of criminal charges is on the rise. The brochure warns of the issue and teaches youth, parents and teachers how to help victims and how to act preventatively. The brochure is distributed free of charge and is widely available at schools and other education institutions, sports clubs, state institutions, municipalities and towns.

In the field of sports, which aims to stimulate a healthy spirit in a healthy body for all employees, the company supports and co-financing sporting activities in employee free time, and also supports the work of less prominent sports clubs, societies and initiatives.

The company has also recognised the needs of the women's handball team Lokomotiva, a club from Zagreb established on 1 February 1949. Alongside the team Podravka from Koprivnica, it is one of the two most successful clubs in the women's handball league.

Support is also allocated to the Hrabri disabled sports club and the Špiro shooting club.

Cultural and creative associations are also supported: Kreativna manufaktura association and the Prijatelji Svetog Roka association.

The work of the very active Retirees club KONČAR was also not neglected, as this club celebrated its 20th anniversary in 2020.

Students, and the professional and scientific community are also supported; the 24th International Consultation on the Protection of Materials and Industrial Finishing, organised by the Croatian Materials Protection Society, was also supported.



In 2020, KONČAR D&ST also donated and sponsored various charity activities, in the total amount of

**HRK  
299,250**



As society aims to nurture values such as empathy, solidarity, helping one another, volunteering and giving back to the community, so are these values transferred and stimulated amongst our employees wherever possible. Accordingly, employees are able to give blood three times per year at the Jankomir location, where three Končar transformation factories are located. This initiative was organised for the first time back in 1953. Despite the turbulent events, this campaign was also organised in 2020 with a large number of employees turning out to give blood; 550 doses of blood were collected at Končar in 2020.

### **KONČAR D&ST for green leaves and clean air on Mt. Medvednica**

The company KONČAR D&ST organised the volunteer campaign with its employees to plant trees on Mt. Medvednica.

Forests are among the most complex ecosystems on Earth, and nearly half the terrestrial land area of Croatia is forested. Managing natural forests is a great privilege for Croatia, but also a great challenge and responsibility. Finding the balance between the development of the economy and preserving forests is the main task of the profession, such as the company Croatian Forests, and also of businesses. In addition to caring about their impact on nature and the community, businesses can also serve as an example in raising awareness of the need to preserve and protect forests.

Guided by this, at the end of 2020, the volunteer green campaign entitled “KONČAR D&ST for green leaves and clear air” was organised in cooperation with Croatian Forests, with the aim of supporting the sustainable management of forests, conserving forests that are faced with climate change, ensuring forest protection, and improving ecosystems.

The volunteers from KONČAR – D&ST planted 1500 sessile oak (*Quercus petraea*) trees in the Zagreb Forest District, economic unit Mt. Medvednica – Medvedgrad forest, section 27j, Under Medvedgrad.

According to some research, in one year the average tree can sequester 12 kg of CO<sub>2</sub>, and produces enough oxygen to supply a four-person family. By transforming the negative consequences of human activities into positive effects, these 1500 planted trees – or as the KONČAR D&ST employees like to call them “green transformers” – will sequester about 18,000 kg of carbon dioxide and produce oxygen for some 1500 four-person families.



*Video on the volunteer campaign.*

Similarly, in the desire to include our staff in charity campaign, all employees were invited to take part in a number of campaigns, including the UNICEF Milky Way charity run. The Končar team finished a proud 20th, with five of the total 20 Končar participants coming from KONČAR D&ST. Together, the team raised HRK 2206.10 for children with disabilities, enabling a further donation to the Croatian branch of UNICEF.

In general, the employees of KONČAR D&ST also participate in the joint volunteer campaigns of the KONČAR Group, just as KONČAR D&ST participates in various other sponsorship and donation initiatives organised and supported by the KONČAR Group.



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# 11.

## ABBREVIATIONS USED IN THIS REPORT

Group, KONČAR Group	KONČAR – Elektroindustrija d. d. and affiliated companies
KONČAR – D&ST	KONČAR - DISTRIBUTION AND SPECIAL TRANSFORMERS INC.
CSR	Corporate social responsibility
GRI	Global Reporting Initiative
GRI standards	GRI Standards for sustainability reporting
SDT	Sustainable development targets
PC SET	Profit centre – medium power transformers
PC DT	Profit centre – distribution and special transformers
OH&S	Occupational Health and Safety
WS	Workplace Safety
LFH	Low frequency heat transformer drying plants



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**KONČAR**  
**Distribution and Special Transformers, Inc.**  
Mokrovićeva 8  
P.O.Box 100  
10090 Zagreb, Croatia  
Phone: + 385 1 378 3713  
Fax: + 385 1 379 4051  
E-mail: [info@koncar-dst.hr](mailto:info@koncar-dst.hr)  
[www.koncar-dst.hr](http://www.koncar-dst.hr)

