

**Corporate
Social
Responsibility
Report**

KONČAR

STATEMENT OF
THE PRESIDENT
OF THE
MANAGEMENT
BOARD
GRI 102-14



Dear readers,

Last year's events have made it clear to us that during unforeseeable crisis, there can be no sustainability without energy and investments in energy systems. Security of electricity supply has emerged as an essential part of a healthy economy and everyday life, indicating a need to invest in sustainable energy solutions. In this context, we can see that the world has turned to investments in and development of renewable energy sources and new technologies, such as pure hydrogen for example — and KONČAR has already stepped into this new playing field. Amidst the pandemic, the EU published numerous documents aimed at supporting the energy transition to green and smart solutions. Many countries, both in Europe and in other parts of the world, have turned their focus on climate neutrality, a concept that requires major investments in the energy sector, specifically investments in advanced networks and renewable sources.

Over the course of a century of experience in numerous markets across the world in construction of power generation, transmission and distribution facilities, KONČAR has offered solutions that contribute to greater market resilience and energy sector strengthening. Together with our longstanding tradition, our advantage comes from continual investment in research and development, which keeps the company up to date with technical and technological trends in the industry and makes it more resilient to future challenges. In addition to developing and improving green products, over the recent years KONČAR has put special emphasis on advanced technologies, through a program aimed at digital transformation of products and services and all other business processes.

These are the areas in which we have emerged as a reliable partner, even a harbinger, on a global scale. In all our business activities, KONČAR is committed to integrating the Sustainable Development Goals as an element of the 2030 Agenda for Sustainable

Development. One of those goals is to build adaptable infrastructure, promote inclusive and sustainable industrialisation, and encourage innovation. We are also committed to sustainable business practises in our manufacturing processes and at our facilities.

Bearing in mind that most of our equipment is installed directly in the environment, making sure to minimise the impact of our activities on the natural world becomes a very important element of our day-to-day operations. Rational use of power sources, eco-friendly technologies and recyclable materials, a solar power plant installed on the roof of one of our manufacturing facilities, and exclusive use of renewable energy — these are just some of the ways we contribute to sustainable development. By publishing our Corporate Social Responsibility Reports, we have been informing our customers, partners, shareholders and employees about this segment of our business for 15 years, further improving our communication with all stakeholders.

I would also like to take this opportunity to remind you that, unfortunately, divisions and disbalances have become a part of everyday lives of people and their rights across the globe, and we must all be more active in advocating a sustainable balance, so that we ensure that our children and the generations to come enjoy a better world. Just like all other socially responsible global companies, KONČAR is committed to contributing to this goal by reducing the carbon footprint of our operations, and this is something we consistently think about. I believe that it is only by setting an example, through raising awareness, education and determination in implementing activities aimed at long term sustainability, that we can and must answer the challenges arising from climate change.

Yours sincerely,

KONČAR CEO
Gordan Kolak, M. Sc. Eng.

KONČAR Group at a glance

Business areas:

- ENERGY
- RAILWAY VEHICLES AND INFRASTRUCTURE
- INDUSTRY
- RESEARCH, DEVELOPMENT AND INNOVATION
- ICT AND DIGITALIZATION

Markets:

- EUROPEAN UNION
- ASIA AND AFRICA
- NORTH AND SOUTH AMERICA
- AUSTRALIA

Operating income in 2020:

3,026.3 million HRK

Increase of operating income compared to 2019:

+5.2%



Export share:

62.2%



Organizational Profile

NAME OF THE ORGANIZATION GRI 102-1

This Corporate Social Responsibility Report (CSR Report) pertains to KONČAR Group, consisting of KONČAR – Electrical Industry (parent company), 13 dependent companies, one affiliated company and one joint venture.

ACTIVITIES, BRANDS, PRODUCTS AND SERVICES GRI 102-2

Core business activities of KONČAR Group are the manufacturing of equipment and plants for electricity generation, transmission and distribution, manufacturing of rolling stock, as well as of transport and industrial equipment.

LOCATION OF HEADQUARTERS GRI 102-3

Fallerovo šetalište 22
10 000 Zagreb
Republika Hrvatska

LOCATION OF OPERATIONS GRI 102-4

KONČAR Group operates in Croatia and abroad and has two branch offices: Mostar Branch Office (Bosnia and Herzegovina) and Belgrade Branch Office (Republic of Serbia).

OWNERSHIP AND LEGAL FORM GRI 102-5

Shares of KONČAR – Electrical Industry Inc. are listed in the Official Market of the Zagreb Stock Exchange. Shares are identified by the symbol KOEI-R-A, ISIN: HRKOEIRA0009. In accordance with applicable regulations, the Company ensures regular access to information on its operations and activities and information on any facts and circumstances that may influence the share price (price sensitive information). The Company's share capital amounts to HRK 1,208,895,930.00 and consists of 2,572,119 ordinary shares with a nominal value of HRK 470.00.

In 2020, financial markets all over the world were strongly affected by the SARS-CoV-2 pandemic. Uncertainty, fear and lockdown also disrupted the Croatian capital market, especially in Q2 2020. Consequently, at one point, the value of the KOEI-R-A share amounted to HRK 430.00, representing a 32.3% decrease compared to the closing price at the end of the previous year. As the market situation stabilised, the price of shares grew and at the end of the reporting period, it amounted to HRK 580.00, representing an 8.9% decrease compared to the end of the previous year. Market capitalisation as at 31 December 2020 amounted to HRK 1,477.4 million.

In 2020, the Company bought 11,350 treasury shares at Zagreb Stock Exchange and as at 31 December 2020, it owned 26,670 treasury shares, which accounted for 1.04% of the Company's share capital. By virtue of the Decision of the General Assembly adopted in July 2020, upon proposal of the Management Board and Supervisory Board, the profit generated in 2019 was allocated to retained earnings.

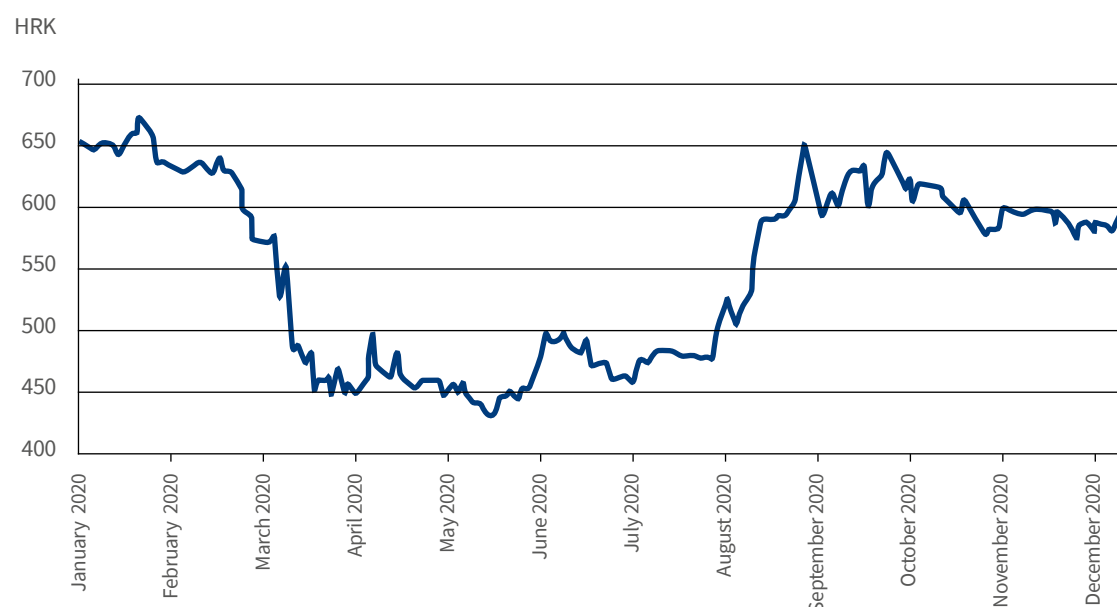
More information on share price changes can be found in the Management Report at www.koncar.hr/en/investors/annual-financial-reports/



Information for Shareholders

KOEI-R-A	31 December 2019	31 December 2020	Index
Final price (HRK)	636.47	580.00	91.1
Highest price (HRK)	710.00	670.00	94.4
Lowest price (HRK)	520.00	430.00	82.7
Volume	85,915	95,131	110.7
Turnover (HRK)	55,681,745	51,579,683	92.6
Market capitalization (HRK)	1,626,960,526	1,477,360,533	90.8

Fluctuations in the price of KOEI-R-A share in 2020



KONČAR – Electrical Industry Inc. ownership structure

Shareholder	31 December 2019		31 December 2020	
	No. of shares	Ownership stake %	No. of shares	Ownership stake %
HPB (Kapitalni fond)	724,515	28.17	724,515	28.17
Addiko Bank / PBZ Croatia Osiguranje Mandatory Pension Fund	420,928	16.37	426,907	16.60
OTP Bank / AZ Mandatory Pension Fund	377,429	14.67	371,162	14.43
OTP Bank / Erste Plavi Mandatory Pension Fund	394,213	15.33	393,972	15.32
Restructuring and Sale Center / Republic of Croatia	73,162	2.84	60,000	2.33
Kristijan Floričić	50,714	1.97	40,714	1.58
Addiko Bank / RBA Mandatory Pension Fund	47,636	1.85	47,636	1.85
Zagrebačka banka / AZ Profit Voluntary Pension Fund	35,222	1.37	35,870	1.39
OTP Bank / OTP Index Fund – Open-ended investment fund with a public offering	23,189	0.90	21,345	0.83
Privredna banka Zagreb	17,536	0.68	20,493	0.80
Other shareholders	391,405	15.22	402,835	15.66
KONČAR (treasury shares)	16,170	0.63	26,670	1.04
	2,572,119	100.00	2,572,119	100.00

In the period from January to December 2020, KONČAR Group companies generated consolidated sales revenue in the amount of HRK 2,972.6 million, representing a year-on-year increase by HRK 161.6 million (5.7%).

Revenue generated in the domestic market amounted to HRK 1,123.0 million, representing a year-on-year decrease by HRK 37.5 million (3.1%). Sales in the domestic market accounted for 37.8% of total sales revenue. In the structure of revenue from sales in the domestic market, revenue from sales of products and services to HEP Group Companies (HEP Generation, HEP Distribution System Operator, and Croatian Transmission System Operator) amounted to HRK 450.3 million (40% of total revenue from sales of products and services in domestic market). Products and services worth HRK 133.6 million were provided to HEP indirectly, i.e., via the companies Brodomerker and

Brodometalurgija, and revenue from sales of products and services to HEP amounted to HRK 583.9 million in total. Revenue from sales to HŽ Passenger Transport, HŽ Infrastructure and Rolling Stock Technical Services amounted to HRK 95.6 million (8.5% of total revenue from sales in the domestic market).

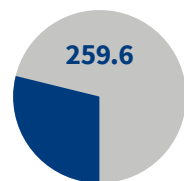
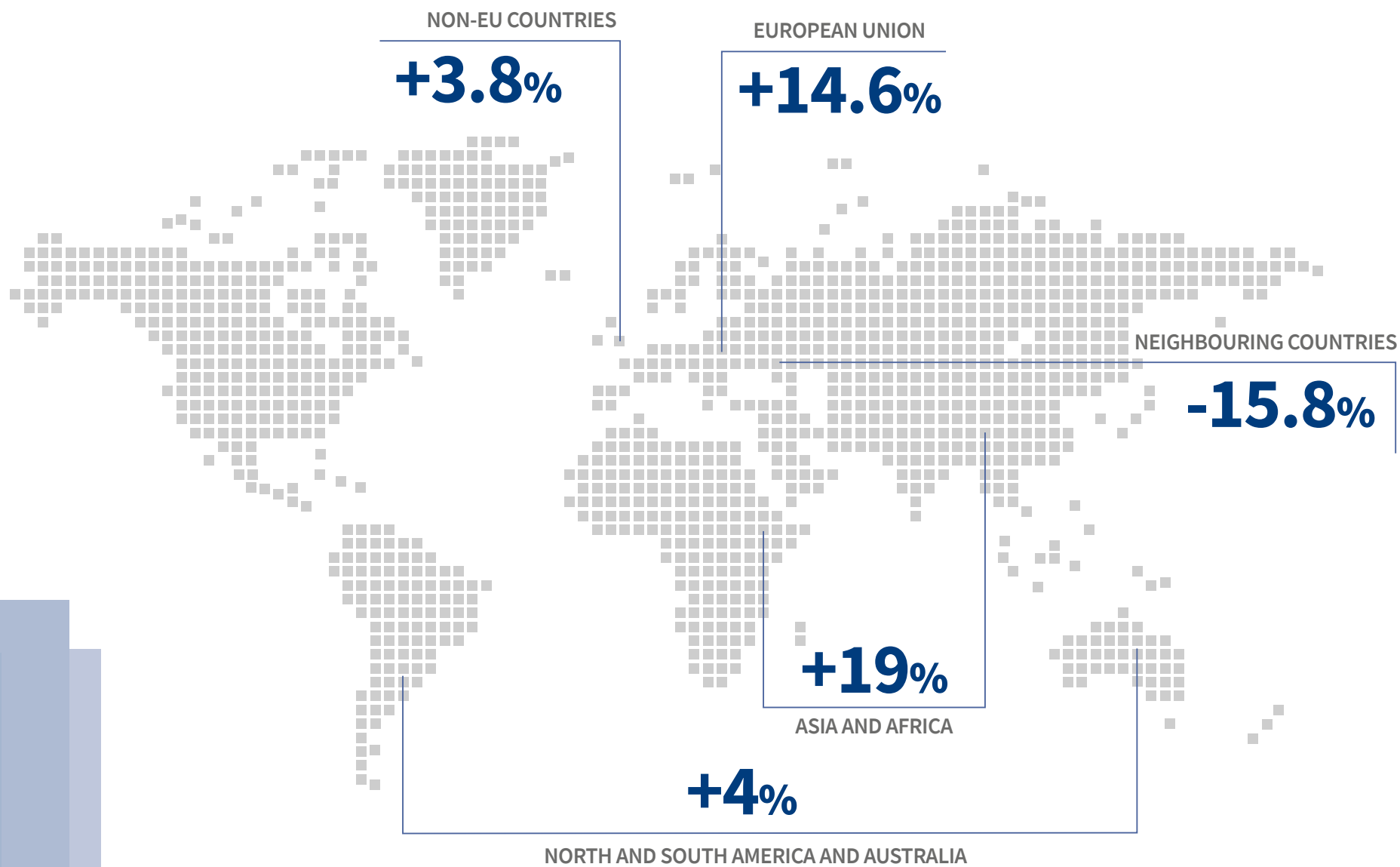
Revenue from sales in foreign markets amounted to HRK 1,849.6 million, representing a year-on-year increase by HRK 199.1 million (12.1%). Export accounts for 62.2% of total sales revenue. When it comes to export by individual countries, the most significant export volume pertains to the Swedish market, amounting to HRK 259.6 million (14% of total export). Compared to the previous year, the value of goods and services exported to Sweden increased by HRK 63.3 million. Goods and services exported to Germany amounted to HRK 225.6 million (12.2% of total export); to Austria

HRK 123.5 million (6.5% of total export); and to Bulgaria HRK 91.2 million (4.8% of total export). Compared to the same period in the previous year, apart from Sweden, a significant increase in revenue from export sale of products and services pertained to the following markets: Great Britain (+HRK 55.3 million); Finland (+HRK 33.9 million); Iraq (+HRK 27.4 million); and Bulgaria (with HRK 27.3 million more in goods and services exported in comparison with the same period in the previous year).

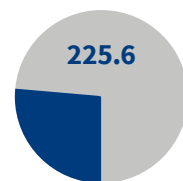
More information on markets can be found in the Management Report at www.koncar.hr/en/investors/annual-financial-reports/

**MARKETS
SERVED
GRI 102-6**

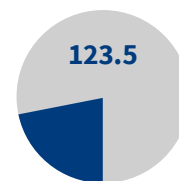
Revenue from export sale (in million HRK and an increase compared to 2019)



Sweden +32%

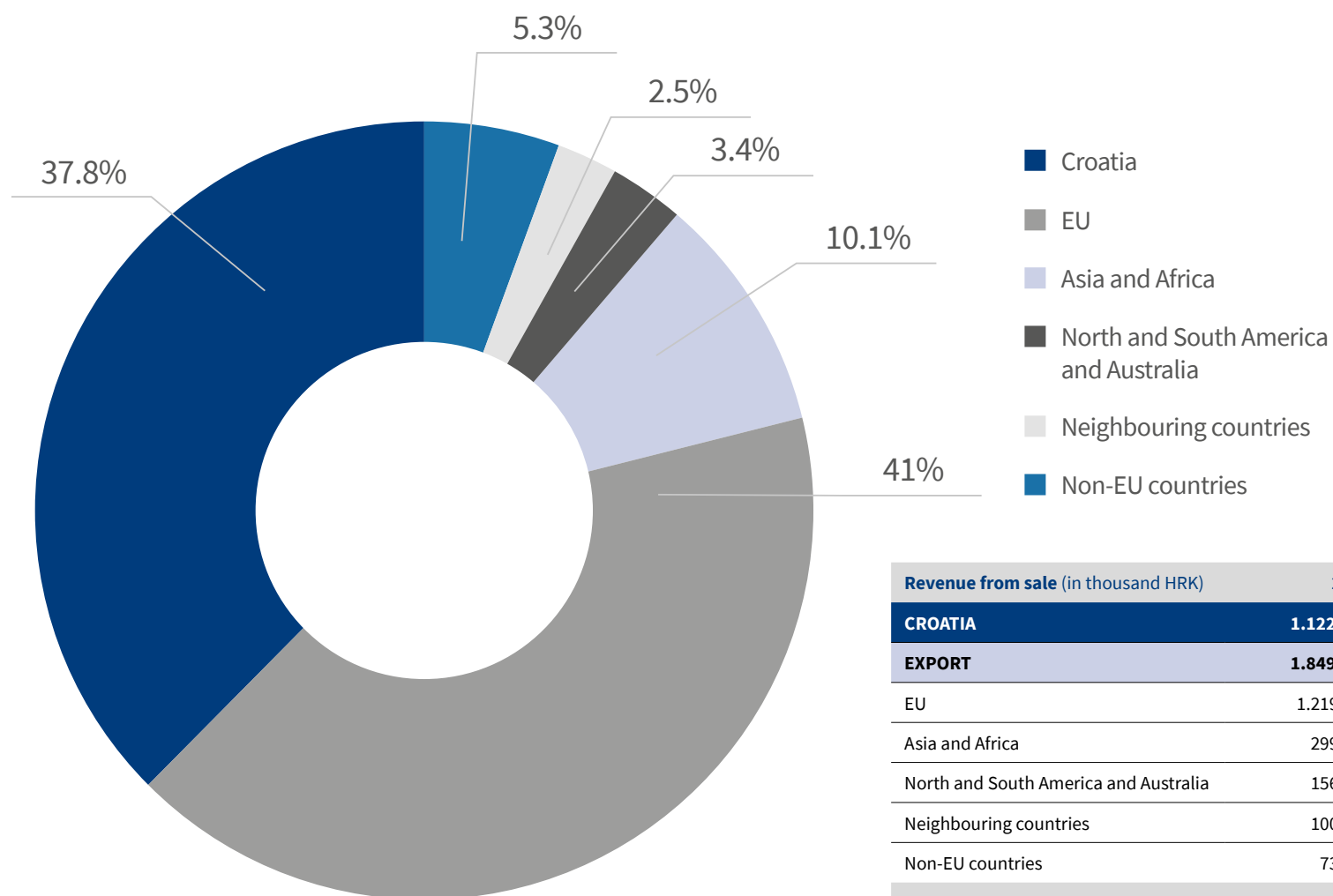


Germany +19%

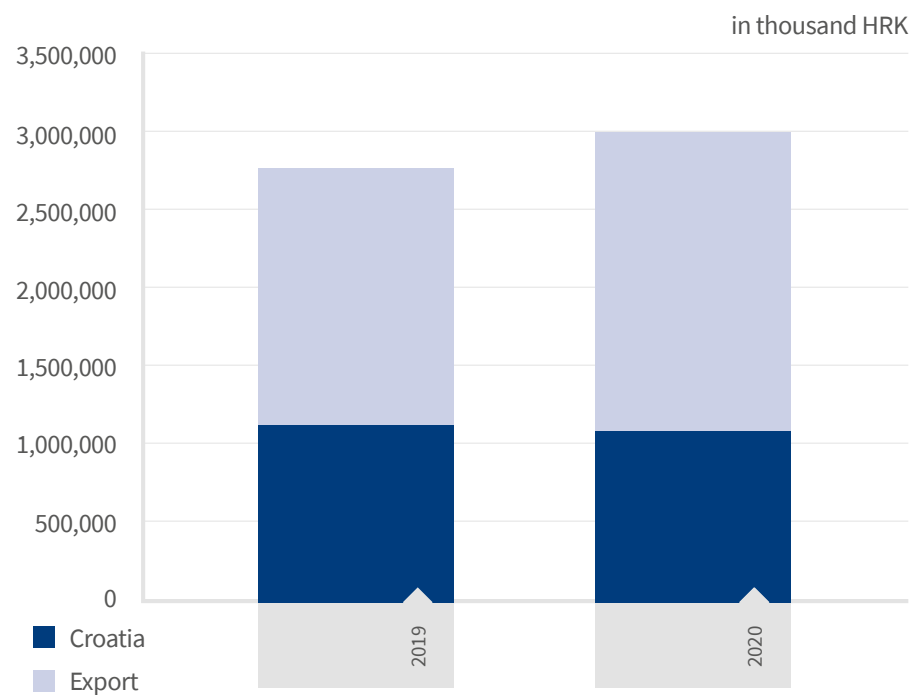


Austria +19%

REVENUE BY
MARKETS
IN 2020



Revenue from sale (in thousand HRK)	2020	2019
CROATIA	1.122.970	1.160.480
EXPORT	1.849.588	1.650.471
EU	1.219.050	1.063.616
Asia and Africa	299.677	251.763
North and South America and Australia	156.070	150.309
Neighbouring countries	100.923	97.013
Non-EU countries	73.868	87.770
TOTAL REVENUE	2.972.558	2.810.951



REVENUE
FROM SALE OF
PRODUCTS AND
SERVICES

SCALE OF THE ORGANIZATION
GRI 102-7

	number of employees As at 31 December 2020	TOTAL REVENUE	TOTAL EXPENSES	PROFIT AFTER TAX	SUBSCRIBED CAPITAL TOTAL	SUBSCRIBED CAPITAL OF THE PARENT COMPANY
KONČAR – Power Plant and Electric Traction Engineering	231	700,660,507	690,006,727	8,041,367	50,577,000	50,577,000
KONČAR – Generators and Motors	468	224,362,788	249,169,057	-19,940,767	107,927,700	107,927,700
KONČAR – Switchgear	238	128,422,333	123,092,164	4,606,252	105,033,000	105,033,000
KONČAR – Distribution and Special Transformers	651	1,201,543,992	1,116,242,967	102,052,622	153,369,600	80,878,800
KONČAR – Instrument Transformers	267	217,251,562	204,847,940	11,198,398	37,978,200	23,533,200
KONČAR – Electronics and Informatics	233	166,572,580	161,251,626	4,399,720	47,027,280	41,845,600
KONČAR – Steel Structures	355	196,307,094	191,517,545	4,789,549	119,580,000	119,580,000
KONČAR – Electric Vehicles	296	178,794,956	157,809,397	17,711,930	47,026,800	35,288,700
KONČAR – Renewable Energy Sources	6	25,935,760	40,247,675	-14,311,915	114,734,400	114,734,400
KONČAR – Engineering Co, for Plant Installation & Commissioning	153	140,434,458	136,448,942	3,132,820	11,827,500	11,448,900
KONČAR – Small Electrical Machines	191	97,396,217	85,199,441	9,969,247	41,641,800	41,641,800
KONČAR – Low Voltage Switches and Circuit Breakers	2	19,508,103	22,303,208	-2,795,105	60,499,300	60,499,300
KONČAR – Electrical Engineering Institute	169	79,861,863	75,287,141	4,718,819	40,763,520	40,763,520
KONČAR – Infrastructure and Services	153	62,087,467	60,124,000	1,575,897	49,891,600	49,891,600
TOTAL DEPENDENT COMPANIES	3,413	3,439,139,680	3,313,547,830	135,148,834	987,877,700	883,643,520
KONČAR - Electrical Industry Inc. (parent company)	48	123,792,842	116,980,535	6,812,307	1,208,895,930	-
TOTAL PARENT COMPANY AND DEPENDENT COMPANIES	3,461	3,562,932,522	3,430,528,365	141,961,141	2,196,773,630	883,643,520

INFORMATION ON EMPLOYEES AND OTHER WORKERS
GRI 102-8
UN GC 6

As at 31 December 2020, KONČAR had 3,464 employees, 78% of whom were employed in engineering and manufacturing positions, mostly in electrical engineering (1,151 employees) and mechanical engineering (1,106 employees).

In 2020, KONČAR had 38 employees holding a doctoral degree, 76 Masters of Science and University Specialists and 963 employees with a master's, specialist and university degree. The share of employees holding higher education qualifications was 42%.

In 2020, the majority of employees were aged 25-39, with 39.4% of employees falling under that age group, followed by the 40-54 age group (31% of employees) and the over-55 age group (25.6%). The lowest percentage of employees (4%) were aged 18-25.

In terms of gender, the majority of KONČAR's employees was male (78.9%), while a breakdown by employment type shows that employees with a permanent full-time employment arrangement, working 40 hours/week, were dominant.

Employees by job type	As at 31 December 2020	
Administrative jobs	777	22%
Engineering/production jobs	2687	78%
Management (≥ two-year degree)	353	
Economics, law and administration	330	
Trade, hospitality and tourism	64	
Other professions	22	
Culture and PR	7	
Electrical engineering	1151	
Mechanical engineering and metalworking	1106	
Traffic	142	
Management (≤ high-skill workers)	138	
Utilities and painting services	78	
Civil engineering	37	
Chemical industry, non-metal products industry and graphic design	35	

Employees by professional qualifications	As at 31 December 2020	
≤ skilled workers	424	12%
secondary school qualifications	1580	46%
high-skill workers, two-year degree, university and professional bachelors	383	11%
university degree, master's degree, specialist graduates	963	28%
master of science degrees, university specialists	76	2%
PhD degrees	38	1%

In 2020, two KONČAR employees obtained their doctoral degrees upon defending their dissertations on topics related to their work.

On 4 September 2020, **Petar Vlaić**, an employee of **KONČAR – Distribution and Special Transformers**, defended his doctoral dissertation titled “Examining the Relationship Between Business Model Innovation and Performance: Evidence from Large Croatian Companies” at the SBS Swiss Business School in Zürich, Switzerland.

On 2 October 2020, **Ivan Lekšić**, an employee of **KONČAR – Generators and Motors**, defended his doctoral dissertation titled “Lean Tool Selection Model in Company Restructuring Process” at the Faculty of Mechanical Engineering and Naval Architecture of the University of Zagreb.

KONČAR Group				As at 31 December 2020			
Gender	Contracts			Total			
	Fixed-term	Permanent	Traineeship	on rights, obligations and compensation	on special rights, obligations and compensation	until recall/end of term	
M	244	2317	27	94	30	22	2734
F	51	625	6	25	21	2	730
Total	295	2932	33	119	51	24	3464

SUPPLY CHAIN GRI 102-9

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

In compliance with high quality standards, a segment of supply turnover is carried out with local and domestic producers, thereby contributing to the development and stability of the community. KONČAR Group cooperates with suppliers from more than 80 countries worldwide. EU suppliers account for the majority of import activities (60%).

In most cases, KONČAR Group companies have established multiannual relationships with suppliers and frequently enter into business cooperation agreements with them. Annual procurement value stands at about HRK 1.8 billion, with 43% of procurement activities carried out abroad.

Although individual companies have developed their own specific range of products and services, the main groups of materials (common to several companies) include copper wires, copper sheets, steel sheets, dynamo sheets, steel structures, bearings, paints, plastic, joining materials, lubricants and other. Copper materials and steel sheets are regularly procured by commodity exchanges. Besides direct purchase from manufacturers, a smaller portion of materials is procured through intermediaries. The year 2020 was extremely demanding in terms of procurement as well. Due to the SARS-CoV-2 pandemic, additional adjustments to business processes were necessary to maintain business continuity and fulfil contractual obligations towards our clients. When the pandemic began, KONČAR too was forced to face the new challenges of logistics in Europe. Owing to the EU's quick reaction in terms of opening the so-called "green corridors", as well as remarkable effort of our employees and excellent coordination with our suppliers, we were able to quickly obtain all the necessary documents and overcome the initial difficulties that arose in supply chains.

SIGNIFICANT CHANGES TO THE ORGANIZATION GRI 102-10

The Management Board of KONČAR – Electrical Industry, with the consent of the Supervisory Board, continually carries out operational restructuring in order to retain KONČAR Group's market position and profitability and to enhance further development. In 2020, KONČAR continued to restructure the companies operating outside of KONČAR Group's core business activities and to establish companies based on market trends.

At the meeting of the General Assemblies of KONČAR – Switchgear and KONČAR – Low Voltage Switches and Circuit Breakers, held on 17 December 2020, the Decision on Approval of the Merger Agreement between KONČAR – Switchgear (as the acquiring company) and KONČAR – Low Voltage Switches and Circuit Breakers (as the acquired company) was adopted. The Decision is applicable as of 1 January 2021.

In July 2020, KONČAR – Renewable Energy Sources (fully owned by KONČAR – Electrical Industry) and Hrvatska elektroprivreda (HEP) established the joint venture Male hidre for project preparation and construction of small hydropower plants.

The company KONČAR – XD High Voltage Switchgear was established as a joint venture of KONČAR – Electrical Industry and China XD Electric CO., in 2018. During 2020, the business operations of KONČAR – XD High Voltage Switchgear were constantly hindered, primarily due to the impact and spread of the SARS-CoV-2 pandemic. In agreement with our partner from the People's Republic of China, it was concluded that the project cannot be realised as planned in the feasibility study. Therefore, we have made a joint decision on the activities necessary to terminate the Company's operations. KONČAR – XD High Voltage Switchgear is planned to be wound up in the first half of 2021.

PRECAUTIONARY PRINCIPLE OR APPROACH GRI 102-11 COR 12

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

EXTERNAL INITIATIVES GRI 102-12

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

In accordance with the Companies Act and the Code of Corporate Governance adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, the Management Board of KONČAR – Electrical Industry, at a meeting held on 15 December 2020, adopted the Corporate Governance Code, which was approved by the Supervisory Board. The preamble of the Code states that KONČAR develops and operates in accordance with good corporate governance and strives, with its business strategy, business policies, internal acts and business practices, to contribute to transparent and efficient performance and better relationship with the business environment in which it operates. The Corporate Governance Code is adopted for the purpose of:

- Responsible management
- Defining procedures of corporate governance based on recognisable international standards, and
- Supervising the management of operations,

for the purpose of establishing high corporate governance standards and transparency of operations as the basis for protection of shareholders, investors and other stakeholders, employee well-being, sustainable development and environmental protection.

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

By adopting a systematic approach to operations, KONČAR implements the policy and fulfils the objectives of quality management, environmental protection and occupational health and safety, which has been confirmed by certificates obtained from accredited autonomous bodies. In line with the Sustainable Development Policy, KONČAR Group has implemented the ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001/ISO 45001 Occupational Health and Safety Management System, ISO/IEC 27001 Information Security Management System and ISO/IEC 50001 Energy Management System. A number of other standards have also been applied to individual products as per requirements specified by customers and users. More information on the Group companies' certificates under said standards can be found in the GRI Standard 416-2 section.

KONČAR – Infrastructure and Services Introduces EMAS

The EU Eco-Management and Audit Scheme (EMAS) Regulation is a voluntary environmental management instrument developed by the European Commission. The system is designed to enable organisations to evaluate, report and improve their environmental impact. KONČAR – Infrastructure and Services continued its business activities that are focused on constant improvement of the management system and contribute to environmental protection, energy

efficiency and quality of services. As a result, in 2020, the company became the first Croatian organisation introducing the EMAS. The reasons for the introduction of the EMAS in business operations lie in the fact that excellence in environmental protection presents a strong competitive advantage these days. Organisations committed to environmental protection seek ways to reduce their environmental impact and optimize their production processes.

In February 2020, as part of EMAS reporting, KONČAR – Infrastructure and Services issued its first validated EMAS Environmental Statement. This Statement provides an overview of activities conducted in the area of sustainability and environmental protection, as well as an insight into planned improvements and future objectives. The Environmental Statement can be found at www.koncar-eu.hr/novosti/.

MEMBERSHIP OF ASSOCIATIONS GRI 102-13

- International Council on Large Electric Systems (CIGRÉ)
- International Council for Distribution Systems (CIRED)
- IEEE – Institute of Electrical and Electronics Engineers
- IEC – International Electrotechnical Commission
- IIW – International Institute of Welding
- International Chamber of Commerce
- European Committee for Electrotechnical Standardization (CENELEC)
- Croatian Branch of the International Council on Large Electric Systems (HRO CIGRÉ)
- Croatian Exporters (HIZ)
- Croatian Chamber of Commerce (HGK)
- Croatian Academy of Engineering (HATZ)
- Croatian Society for Information and Communication Technology, Electronics and Microelectronics (MIPRO)
- Croatian Standards Institute (HZN)
- Union of Croatian Innovators (UIH)
- Croatian Chamber of Electrical Engineers (HKIE)
- Croatian Chamber of Mechanical Engineers (HKIS)
- Croatian Chamber of Architects and Civil Engineers
- Innovative Work Community
- Renewable Sources Community
- Electrical Engineering Society of Zagreb (EDZ)
- Croatian Engineering Association
- Community of Railcars
- Society of Engineers and Technicians of Croatian Railways
- Croatian Association of Railway Engineers (HDŽI)
- Croatian Association of Professionals in Nature and Environmental Protection
- Croatian Association for Infrared Thermography
- Croatian Society for Quality
- American Chamber of Commerce in Croatia (AmCham)
- ECLA – European Company Lawyers Association
 - Association of Corporate Lawyers
 - Association of Lawyers in Economics
 - Croatian Mediation Association
 - Croatian Association of Auditors
 - Croatian Community of Accounting and Financial Experts
 - Croatian Journalists' Association (HND)
 - Croatian Public Relations Association (CPRA)
 - Global Compact – International Agreement within the United Nations
 - Community for Corporate Social Responsibility of the Croatian Chamber of Commerce.



KONČAR Employee Awarded *Vera Johanides Award for Young Scientists and Annual Award to Young Scientists and Artists*

Eduard Plavec, PhD, an employee of KONČAR – Electrical Engineering Institute, has been awarded the Vera Johanides Award, awarded by the Croatian Academy of Engineering (HATZ) to young scientists active in the industry for achieving significant personal scientific or professional advancement and a remarkable contribution to the field of their research. The award was presented on 24 October, 2020 at the 38th Annual Meeting of the Croatian Academy of Engineering.

Eduard Plavec also won the 2020 Annual Award to Young Scientists and Artists awarded by the Society of University Teachers, Scholars and Other Scientists in Zagreb. He won the award for his paper titled “The impact of plunger angle and radius on the force and time response of DC solenoid electromagnetic actuator used in high-voltage circuit breaker”, which was published in the prominent International Journal of Electrical Power & Energy Systems.

ARCA medal awarded to KONČAR

The 18th International Exhibition of Inventions, ARCA 2020, took place between 17 and 19 October at the National and University Library in Zagreb. As usual, KONČAR was a general sponsor of the event.

It was the first physical exhibition of inventions held in Europe in 2020, at which over 180 inventors from Croatia and the world presented solutions and technologies from almost all areas of human activity. KONČAR – Power Plant and Electric Traction Engineering also presented its innovation, which was developed in cooperation with other project partners as part of the BALIHT project – lignin-based organic redox flow battery management system.

ARCA 2020 also included a special part of the exhibition presenting the winners of the “Inventions vs Corona” contest, organised by the International Federation of Inventors’ Associations (IFIA).

The exhibition was traditionally closed after the international jury’s award ceremony, where KONČAR won the ARCA Golden Medal for outstanding contribution to promotion of research, development and innovations essential for economic growth and productivity.



Golden Key Award for the best exporter to Austria

KONČAR – Distribution and Special Transformers (D&ST) was the best exporter to Austria in 2019. The Golden Key Award was presented to Ivan Klapan, President of the Management Board of D&ST at the 13th Award Ceremony held on 8 September 2015 as part of the 15th Convention of Croatian Exporters titled “The Impact of COVID-19 Crisis on Croatian Economy and Export”.

D&ST has won several Golden Key Awards: 2008 – in the category of best large exporter; 2010 – best exporter to Nigeria; 2009 and 2011 for the best large exporter to the UAE. In 2014, it won the Platinum Key for export continuity and the Plaque for the best exporter among those receiving that award.

KEY IMPACTS, RISKS, AND OPPORTUNITIES GRI 102-15

Risk management is an integral part of business operations and organizational management. It represents a function within the governance system aimed at ensuring the Company’s internal capacity to pursue its strategy, mission and vision. In accordance with the Code of Corporate Governance adopted by HANFA and the Zagreb Stock Exchange, which entered into force on 1 January 2020, the Management Board of KONČAR – Electrical Industry adopted the Risk Management Policy at a meeting held on 15 December 2020, and it was approved by the Supervisory Board at a meeting held on 22 December 2020.

The risk management system includes strategies, processes and reporting procedures necessary for identifying, measuring, monitoring and managing risks and includes continuous reporting, on an individual and group basis, about the risks to which the Company is exposed or could be exposed in its operations and about the interdependence of those risks. It is subject to regular internal reviews. The Management Board of KONČAR – Electrical Industry and management boards of its affiliated companies have undertaken to develop all their capabilities so that the risks that could significantly affect the Group’s operations are identified and assessed, that control mechanisms are put in place to achieve the Group’s strategic goals, protect the results and reputation of the Group, ensure financial stability of the Group and protect the interests of all the stakeholders. Risk appetite involves determining the intention to assume risk, as well as risk tolerance in terms of determining the risk level which is acceptable for the Company. This also includes the extent of the risks the Company is willing to assume in order to achieve its long-term strategic objectives. In accordance with the Risk Management Policy and taking into account the business strategy and business objectives, KONČAR Group has found that its risk appetite is moderate. The Company’s Management

Board is required to adopt, document and apply policies and other internal documents pertaining to managing individual risks or groups of related risks to which the Company is exposed. Risk management process in accordance with the ISO 31000 standard constitutes an integral part of the Policy. The Company’s internal audit function is responsible for monitoring the implementation of the risk management system. The Audit Committee is required to review the effectiveness of the risk management and internal control system as a whole at least once a year and make recommendations to the Supervisory and Management Boards as necessary.

Major risks for the business operations of KONČAR Group are as follows:

- Market risk
- Risk in the procurement market
- Technological and development risks
- Human resources risks
- Capital management risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Information security risk.

More information about the major risks for the business operations of KONČAR Group and about how these risks are managed can be found in the Risk Management Policy at www.koncar.hr/en/investors/corporate-management/ and in the 2020 Management Report at www.koncar.hr/en/investors/annual-financial-reports/.

Ethics and Integrity

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

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

By virtue of the Decision of the General Assembly of 2 July 2020, the Articles of Association of KONČAR – Electrical Industry were amended. Amendments are publicly available to all stakeholders and can be found at www.koncar.hr/en/investors/corporate-management/

In accordance with the Articles of Association, the main priorities of the Company's business operations are:

- Generating profit
- Development and growth of the Company and KONČAR Group companies
- Ensuring high quality of life and work environment.

By adhering to applicable regulations, the Articles of Association and other internal documents and by protecting human rights, dignity and reputation of each employee, KONČAR – Electrical Industry regulates its organisation and Code of Conduct independently. In accordance with the Code of Corporate Governance adopted by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange, the Management Board of KONČAR – Electrical Industry, at a meeting held on 15 December 2020, adopted the Code of Conduct, which was approved by the Supervisory Board.

The purpose of this Code is as follows:

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

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

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

The entire Code of Conduct is available to all stakeholders at www.koncar.hr/en/investors/corporate-management/.

MECHANISMS FOR ADVICE AND CONCERNS ABOUT ETHICS GRI 102-17

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

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

In 2020, the Company continued activities pertaining to compliance with the Whistleblower Protection Act (Official Gazette 17/19). After the Ordinance on the procedure for internal reporting of irregularities and the appointment of a confidential person was adopted in the previous reporting period, the Management Board of Končar – Electrical Industry, acting upon a written proposal of at least 20% of the employees, decided on the appointment of a confidential person for internal reporting of irregularities, and of that person's deputy. As published in the regular report, there were no irregularities reported in 2020.

Governance

GOVERNANCE STRUCTURE GRI 102-18

This Corporate Social Responsibility Report pertains to KONČAR Group, consisting of KONČAR – Electrical Industry (parent company), 13 dependent companies, one affiliated company and one joint venture.

The Group companies are legally autonomous entities, while the parent company exercises a supervising role, provides strategic direction and supports them via the companies' supervisory boards and shareholders' assemblies pursuant to the Companies Act, Articles of Association of KONČAR – Electrical Industry and the Articles of Association of individual companies. Furthermore, the parent company also manages a portion of assets which is not invested into companies, but directly and indirectly functions as financial support of sales, products and equipment of affiliated companies as a credit/guarantee potential.

KONČAR – Electrical Industry and KONČAR Group have a two-tier board structure, composed of the Supervisory Board and the Management Board. Together with the General Assembly, pursuant to the Articles of

Association and the Companies Act, they constitute the three governance bodies of the Company. The composition and work of the Management Board, Supervisory Board and General Assembly, as well as information about the Company's shareholders, are part of the Corporate Governance Code, which was adopted by the Management Board of KONČAR – Electrical Industry on 15 December 2020 and approved by the Supervisory Board.

COMPOSITION OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES GRI 102-22/23/24/28/29

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

General Assembly

The General Assembly is a body that allows shareholders to exercise their rights in Company matters. The work of the General Assembly, its authority and competence, shareholders rights and the manner in which they are exercised are set out in the Company's Articles of Association. The General Assembly is competent for the election and granting of discharge to Supervisory Board members, decides on the use of profit, grants discharges to Management and Supervisory Board members, appoints auditors and decides on amendments to the Articles of Association, increasing and reducing of share capital and other matters falling under its competence by law. All decisions adopted at General Assembly meetings have been published in accordance with legal regulations at the websites of KONČAR (www.koncar.hr/en/), Zagreb Stock Exchange and HANFA.

Supervisory Board

The Supervisory Board is responsible for monitoring business management, representing the Company in dealings with the Management Board and adopting decisions on matters not falling under the General Assembly's competence. Direct management of the Company is not performed by the Supervisory Board. Rather, the Supervisory Board directs the Management Board when it comes to adopting strategic decisions and setting a governance framework. The Supervisory Board has also been granted additional authorisations by virtue of the Articles of Association of KONČAR – Electrical Industry, stipulating that particular types of tasks can be performed only with the previous consent of the Supervisory Board.

In accordance with the Code of Corporate Governance adopted by the Zagreb Stock Exchange and HANFA, applicable as of 1 January 2020, the Supervisory Board consists mostly of independent members who have no business, family or other relations to the Company, any majority shareholder or a group of majority shareholders, or to any member of the Management or Supervisory Board of the Company or of a majority shareholder.

The Supervisory Board has nine members. Five members are appointed and recalled by the General Assembly, one member is appointed by employees in accordance with the Labour Act and three members are appointed, in accordance with the Companies Act, by the shareholder Kapitalni fond d.d. as long as it holds Company shares representing 25% plus one share in the Company's share capital. In the event of decrease in the number of shares held by Kapitalni fond d.d., the number of Supervisory Board members shall be reduced accordingly. The percentage of women in the Supervisory Board is 22%.

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

Pursuant to the Decision of the General Assembly of KONČAR – Electrical Industry of 12 July 2016, monthly remuneration for Supervisory Board members was determined in the gross amount of 1.5 average (gross) salary paid in KONČAR Group in the month preceding the month of remuneration calculation. Every member of the Supervisory Board is entitled to a fixed monthly remuneration starting from the date of appointment to that duty until the date of expiry thereof. In order to maintain their independence and objectivity, remuneration of Supervisory Board members does not depend on the Company's performance and does not include variable remuneration.

The Supervisory Board includes the Appointments Committee, a working body in charge of preparing decisions to be adopted by the Supervisory Board. The Appointments Committee is competent for holding discussions and submitting proposals to the Supervisory Board regarding decisions on the appointment and election of Management Board members.

Supervisory Board members in 2020:		
Joško Miliša	President	until 12 Jul. 2020
Nikola Anić	Deputy President	until 12 Jul. 2020
Jasminka Belačić	Member	until 24 Oct. 2020
Vicko Ferić	Member	until 12 Jul. 2020
Branko Lampl	Member	until 12 Jul. 2020
Josip Lasić	Member	until 15 Mar. 2020
Vladimir Plečko	Member	until 01 Jun. 2020
Joško Miliša	President	as of 13 Jul. 2020
Darko Horvatin	Deputy President	as of 17 Nov. 2020
Branko Lampl	Member	as of 13 Jul. 2020
Ivan Milčić	Member	as of 13 Jul. 2020
Maja Martivić	Member	as of 17 Nov. 2020
Ruža Podborkić	Member	as of 29 Oct. 2020
Mario Radaković	Member	as of 14 Oct. 2020
Zvonimir Savić	Member	as of 17 Nov. 2020
Danko Škare	Member	as of 13 Jul. 2020

Management Board

The Company's Management Board is the governing body solely responsible for overall business operations. It is appointed and recalled by the Supervisory Board. Duties of Management Board members have been defined in accordance with business areas, activities, processes and markets. The Management Board is responsible for proper business risk management. At its regular meetings, it reviews the Company's economic, environmental and social impact. The efficiency of the Company's Management Board and the Management Boards of dependent companies is evaluated and assessed by the Supervisory Board based on performance indicators and maintaining and building a positive reputation of the Company.

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

In accordance with the Articles of Association, the Management Board may consist of three to seven members. At the moment, the Management Board has six members. Management Board members are appointed for a five-year term and may be reappointed without any limitations with regard to the number of terms. Every Management Board member manages the operations in their respective business area individually, at their own responsibility, with due care and diligence of a prudent businessman, and makes all their decisions only in the best interest of the Company. When deciding on key business policy matters or matters relating to business areas of other Management Board members, a Management Board member must present such matters to the Management Board, to be decided on by the Management Board as a whole. The rights and obligations of Management Board members are defined by virtue of a Management Board Member Contract.

Members of the Management Board of KONČAR – Electrical Industry in 2020:

Gordan Kolak - President of the Management Board, in charge of the area of energy (electricity generation, transmission and distribution)

Ivan Bahun - Deputy President of the Management Board, in charge of the area of transport

Josip Ljulj - Member of the Management Board, in charge of the area of industry

Miki Huljić - Member of the Management Board, in charge of real estate management

Josip Lasić - Member of the Management Board, in charge of the area of economics and finance

Božidar Poldrugač - Member of the Management Board, in charge of digital solutions, ICT and urban infrastructure

In 2020, term of office expired for the following persons: Darinko Bago, President of the Management Board (19 January); Marina Kralj Miliša, Member of the Management Board (19 January); and Miroslav Poljak, Member of the Management Board (1 March).

COMPOSITION
OF THE HIGHEST
GOVERNANCE
BODY AND ITS
COMMITTEES
GRI 102-
22/23/24/28/29

STRATEGY
GRI 102-26
COR 9

In its first term of office in 2020, besides regular activities, the Management Board of KONČAR – Electrical Industry also defined corporate priorities and the areas representing a foundation for defining further business strategies of the Company and KONČAR Group. KONČAR Group bases its development strategy on the priority task of manufacturing the most complex products for end customers in core business areas, electric power engineering and transportation. This category includes complex products such as high-voltage substations, hydropower plants, wind parks, trams and electric and diesel-electric trains.

The development of the KONČAR Group 2020+ Integral Strategy and Operating Model is currently in progress. It is coordinated directly by KONČAR's Management Board and the company Deloitte is also involved in the process through its subsidiary in Croatia as an external expert associate. The aim of the Integral Strategy is to set the main developmental directions and improve KONČAR Group's business operations, in terms of business and production portfolio, target markets and customer segments, human resource development and important issues of modernising and developing the technological basis of business operations. The complexity of the Group's current organizational structure, combined with highly dynamic changes in technological and market trends, poses a particular challenge as it requires quick, efficient and economically sustainable business decisions at all levels of management. This creates a fundamental need for a detailed analysis of the organizational readiness to respond to the current and predictable changes in market conditions and especially to utilise new business opportunities in the future.

The development of the Integral Strategy and Operating Model consists of five stages. Objectives and guidelines were defined in the first stage. The second stage involves defining the KONČAR 2020+ strategy. The third stage concerns the elaboration of the operating model. The fourth stage is aimed at organizational alignment and the final, fifth stage is focused on elaborating implementation plans and projects.

The task is to reinforce the power engineering portfolio, strengthen the role of KONČAR Group in the area of development and delivery of renewable energy solutions and focus on digitalization, complex products and advanced professional services. This will increase the Company's competitiveness and long-term relevance on the existing markets, consequently making room for entry into new markets. The greatest opportunities for KONČAR can be found in the area of electric transportation infrastructure development, modernization and upgrade of the transmission and distribution network infrastructure, development of renewable energy sources, improvement of digital control of the low-voltage network, structure of energy storage and contribution to new distribution networks.

Strategic and Business Development Committee

The Strategic and Business Development Committee has been established within the Supervisory Board. It consists of five members and its task is to provide support to the Supervisory Board in the area of strategic planning. The Committee is in charge of monitoring and assessing development and changes in the environment, as well as of evaluating the Company's short-term and long-term objectives, assisting with strategic decisions pertaining to acquisitions, joint investments, restructuring and development of strategic human resources. Ivan Milčić is the President of the Strategic and Business Development Committee and its members are: Branko Lampl, Zvonimir Savić, Joško Miliša and Maja Martinović.

Audit Committee

EFFECTIVENESS OF RISK MANAGEMENT PROCESSES GRI 102-30

The Audit Committee operates within the Supervisory Board and analyses financial statements in detail, supports the Company's accounting department and sets up appropriate and efficient internal control in the Company. The Committee ensures the integrity of financial information, specifically the validity and consistency of accounting methods used in the Company and KONČAR Group, including the criteria for consolidated financial reporting of Group companies. Moreover, the Committee is tasked with monitoring the internal control and risk management system with the aim of allowing the Company to identify, publicly disclose and appropriately manage the major risks to which it is exposed. Darko Horvatin is the President of the Audit Committee, and Mario Radaković and Joško Miliša are its members.

Internal Audit Department

REVIEW OF ECONOMIC, ENVIRONMENTAL AND SOCIAL TOPICS GRI 102-31

KONČAR Group's Internal Audit Department performs the independent audit and control function. It informs the managers about performed audits through comprehensive reports (providing findings and recommendations for improvements). The Internal Audit Charter was adopted in October 2018. It defines the scope of activities and main principles applied in the work of KONČAR Group's Internal Audit Department.

The Internal Audit Department is responsible for assessing the levels of risk management in business processes, auditing the effectiveness of the internal control system with the aim of improving risk management and compliance with procedures, examining and analysing the compliance of

existing business systems with adopted policies, plans, procedures, laws and rules that may have a significant impact on business reports. It is tasked with recommending preventive measures in the areas of financial reporting, compliance, operations and control with the aim of eliminating risks and potential deficiencies that could lead to process inefficiencies or fraudulent practices. The Internal Audit Department informs the Management Board, the Audit Committee and the Supervisory Board about its work and the audit plan. Its findings and recommendations help the management with the improvement of processes, preventative elimination of potential risks or the reduction of risk to acceptable levels. In 2020, seven audits were performed in the following areas: procurement processes, sales processes, project profitability monitoring and calculation methodologies for energy sources and services.

REMUNERATION POLICIES GRI 102-35

The Remuneration Committee operates as part of the Supervisory Board. Its task is to outline the content of Management Board member contracts and determine the structure of their remuneration. The Committee is also in charge of drawing up the Remuneration Policy for Members of the Management and Supervisory Board. The President of the Committee is Branko Lampl, and Maja Martinović and Ruža Podborčić are its members. All members of the Committee are also members of the Supervisory Board.

PROCESS FOR DETERMINING REMUNERATION GRI 102-36

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

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

Remuneration of the Management Board of KONČAR – Electrical Industry has been laid out in the Contract on

the Rights and Obligations, which is concluded between the President and Members of the Management Board and the Supervisory Board. Remuneration is considered appropriate with respect to the Company's position and its results. Information on the overall remuneration and benefits of the Members of the Management Boards and directors is fully disclosed in annual financial statements.

Stakeholders

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

One of the essential prerequisites for comprehensive implementation of CSR is identification of stakeholders. KONČAR has recognized this and segmented all stakeholders – individuals, communities and organizations affecting or being affected by KONČAR Group operations. Stakeholders have been involved in the preparation of this Report segment. Communication with stakeholders was maintained throughout the year, on a regular basis and as the need arises.

STAKE-HOLDERS	TYPE OF COMMUNICATION
Employees	<ul style="list-style-type: none"> Intranet/internal servers Direct contact (meetings) Official company website Education and professional training KONČAREVAC LinkedIn E-mail Business reports CSR reports
Customers/users	<ul style="list-style-type: none"> Direct contact (customer calls, meetings, audits) Professional training Official company website KONČAREVAC LinkedIn Fairs and conferences Business reports CSR reports E-mail
Unions	<ul style="list-style-type: none"> Regular and extraordinary meetings KONČAREVAC Bulletin boards
Owners/shareholders	<ul style="list-style-type: none"> Regular and extraordinary assembly meetings Zagreb Stock Exchange (ZSE), Croatian Financial Services Agency (HANFA) Croatian News Agency (HINA) Official company website KONČAREVAC Business reports CSR reports

STAKE-HOLDERS	TYPE OF COMMUNICATION
Suppliers	<ul style="list-style-type: none"> Direct contact (visits, meetings, audits) Written communication (e-mail, memos) Official company website Fairs
Local communities	<ul style="list-style-type: none"> Donations and sponsorships Official company website LinkedIn Direct contact (visits, meetings) Volunteers Club KONČAREVAC Written communication (e-mail, memos) CSR reports
State authorities	<ul style="list-style-type: none"> Direct contact (visits, meetings) Written communication (e-mail, memos) Conferences and topic-based meetings Memberships KONČAREVAC
Financial public	<ul style="list-style-type: none"> Zagreb Stock Exchange (ZSE) HANFA Croatian News Agency (HINA) Official company website KONČAREVAC Business reports CSR reports Meetings with prospective investors
Media	<ul style="list-style-type: none"> Interviews, features, press releases Regular and extraordinary press conferences KONČAREVAC Press releases Official company website LinkedIn
Academia	<ul style="list-style-type: none"> Conferences Memberships Scholarly and scientific papers Topic-based meetings
Business and professional public	<ul style="list-style-type: none"> Conferences Professional publications Topic-based meetings

COMMUNICATION WITH STAKEHOLDERS

KONČAREVAC Corporate Magazine

All news related to KONČAR Group's business, as well as topics pertaining to its numerous stakeholders, such as clients and employees, or to support to local and other communities, are published in KONČAREVAC. KONČAREVAC has ten annual issues with a circulation of 3,200 copies. It is distributed to employees and delivered to about one thousand addresses in Croatia and abroad. In December 2020, KONČAREVAC no. 1462 was published.

Fairs and conferences

At the beginning of the year, KONČAR planned to participate in six fairs and nine conferences (conferences, symposiums, etc.) in Croatia and abroad (UAE, Germany, Austria, France, Bosnia and Herzegovina). Due to the SARS-CoV-2 pandemic, the majority of fairs and conferences were postponed or cancelled. As a result, KONČAR participated in seven fairs and conferences in total, only two of which were physical, while the others were either hybrid or virtual meetings. For this purpose, some new communication channels were used, such as fair newsletters and virtual marketing campaigns, for which KONČAR's YouTube channel was actively used as well. KONČAR experts have had 30 papers accepted and presented and KONČAR Group held 10 technical presentations at conferences in 2020.

KONČAR Group's official website

Key information about business operations, products and other activities and news about KONČAR Group can be found at www.koncar.hr/en/. In addition, most KONČAR Group companies have their own websites containing details on their business activities and references.

Social media

In 2020, following the trend of increasing online presence, KONČAR continued with intensive activities on social media platforms, primarily LinkedIn – the largest business social network in the world. Communication on LinkedIn takes place through the KONČAR Group corporate profile and the profiles of Group companies. All profiles are constantly growing in terms of activity and virtual connection, which resulted in over 20,000 followers and 800 posts by the end of 2020.

Media

In 2020, a total of 1,070 news items pertaining to KONČAR were published in newspapers, on the radio, television and online. Most frequently, topics in such releases were related to new agreements, products and services and share price trajectory in the market. Regarding overall KONČAR-related media coverage in the observed period, an annual analysis of media releases by type of media and tone has shown a years-long trend of a very good PR value of the Group, considering that over 90% of media coverage was positive.

COLLECTIVE BARGAINING AGREEMENTS

GRI 102-41 UN GC 3

The Collective Agreement includes all employees (100%).

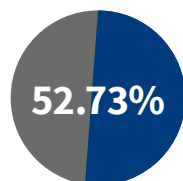
Reporting practices

KONČAR Group with parent company share in subsidiaries

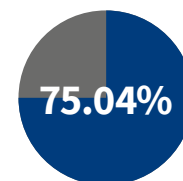
*as at 31 December 2020



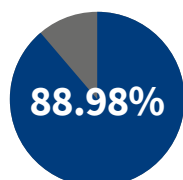
KONČAR - Switchgear



KONČAR - Distribution and Special Transformers



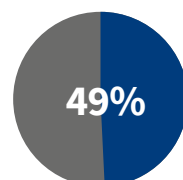
KONČAR - Electric Vehicles



KONČAR - Electronics and Informatics



KONČAR - Infrastructure and Services



KONČAR - Power Transformers



KONČAR - Generators and Motors



KONČAR - Electrical Engineering Institute



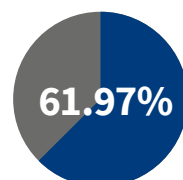
KONČAR - Power Plant and Electric Traction Engineering



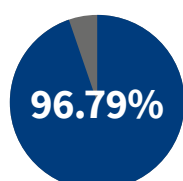
KONČAR - Small Electrical Machines



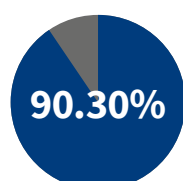
KONČAR - Steel Structures



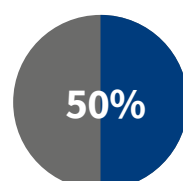
KONČAR - Instrument Transformers



KONČAR - Engineering for Plant Installation & Commissioning



KONČAR - Renewable Energy Sources



KONČAR - High Voltage Switchgear

Economic Standards ■

- Economic performance, GRI 201
- Indirect economic impacts, GRI 203

Environmental Standards □

- Energy, GRI 302
- Water and effluents, GRI 303

Social Standards ■

- Employees, GRI 401
- Occupational health and safety, GRI 403
- Training and education, GRI 404
- Non-discrimination, GRI 406
- Freedom of association and collective bargaining, GRI 407
- Local communities, GRI 413
- Customer health and safety, GRI 416.

RESTATEMENTS OF INFORMATION GRI 102-48

In 2020, KONČAR continued to restructure the companies operating outside of KONČAR Group's core business activities. More information on significant changes in the organization can be found under GRI Standard 102-10.

CHANGES IN REPORTING GRI 102-4

During the reporting period, there have been no significant changes in the scope of reporting. In line with the GRI Standards, this year's CSR Report includes 11 material topics with appropriate qualitative and quantitative indicators.

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

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

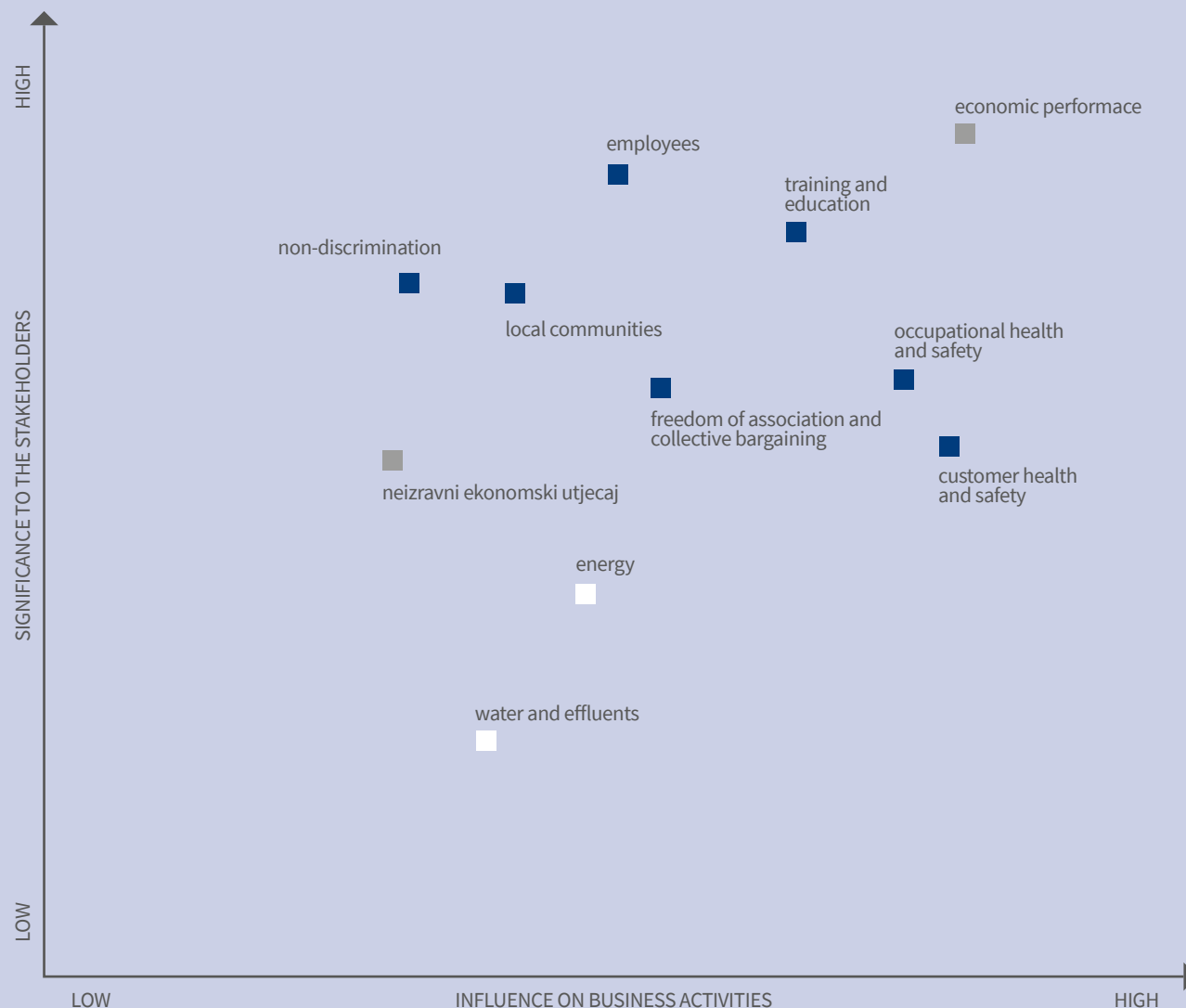
The CSR reporting cycle is annual and this Report covers the period from 1 January to 31 December 2020. The preceding Report was published in June 2020.

CONTACT POINT FOR QUESTIONS REGARDING THE REPORT GRI 102-53

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

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

“This report was prepared in accordance with the GRI Standards: Core option.”



LIST OF MATERIAL TOPICS GRI 102-47

Topic-specific Disclosures: ECONOMIC

ECONOMIC PERFORMANCE GRI 201

In 2020, KONČAR Group operated on markets all around the world, which required rapid adjustment of business processes in the midst of a pandemic of an unknown virus to ensure business continuity in unexpected circumstances and meet all our customers' expectations. When the pandemic began, KONČAR too was forced to face the new challenges of logistics in Europe. Owing to the EU's quick reaction in terms of opening the so-called "green corridors" and also thanks to the remarkable effort our employees put in communication and coordination with our suppliers, we were able to quickly overcome the initial difficulties that arose in supply chains. In all the activities we performed from the beginning of the pandemic until the end of the fiscal year, the biggest attention was focused on the company's responsibility toward our employees and business partners, and on maintaining the company's stability. Health and safety of all participants in business processes were our priorities.

Despite the many negative influences brought on by the pandemic (higher raw material and transport prices, more difficulty in contracting new business deals due to travel bans or limitations), KONČAR Group nevertheless achieved good results in 2020 and realized its plans to the greatest extent possible. With great commitment on the part of its employees, the Company proved to be sufficiently agile and capable of adapting to unforeseen, extraordinary circumstances.

In 2020, KONČAR Group generated operating income in the amount of HRK 3,026.3 million, which was a 5.2% increase compared to the result achieved in the previous year. Sales revenue amounted to HRK 2,972.6 million. Compared to 2019, sales revenue increased by HRK 161.6 million (5.7%).

Export sale accounted for 62.2% of sales revenue. Newly contracted transactions amounted to HRK 3,735 million. Book-to-bill ratio was 1.26. Backlog at the end of 2020 amounted to HRK 4,103.6 million, which represents a 22.8% increase compared to the value at the start of the year.

EBITDA amounted to HRK 182,8 million, representing an increase by 36,9% compared to the result achieved in the same period of the previous year. EBITDA margin was 6.15% (4.75% in 2019).

With good financial results, KONČAR was able to realize numerous business transactions in 2020, not only in the foreign markets but in the Croatian market as well. Share of export in total revenue amounted to just over 62%, two thirds of which pertained to EU countries. This is a good indicator of the fact that KONČAR Group's products and solutions are certainly competitive in the area of power engineering and transport.

Ensured liquidity, a low level of indebtedness and a substantial number of contracts concluded for the upcoming period will surely help us in fulfilling the plans and objectives we have set, which include further development of the Group in the area of renewable energy sources and digitalization of the existing products, services and production capacity.

More information on economic performance can be found at www.koncar.hr/en/investors/annual-financial-reports/ in the 2020 Management Report.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED GRI 201-1

	in HRK	
Direct economic value generated and distributed	2020	2019
Direct economic value generated (total revenue)	3,039,383	2,985,008
Employee wages and benefits	685,997	655,309
Payments to government (taxes)	-9,557	17,037
Operating costs	2,070,100	1,895,281
Net financial costs	7,152	10,920
Community investments (donations and sponsorships)	2,342	2,361
Economic value retained (net profit)	127,576	54,954

DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

GRI 201-3 COR 8

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

In the preparation of annual financial statements for 2020, a provision was made for the cost of years-of-service rewards and severance pay in the amount of HRK 41.3 million. The amount includes an estimated amount of regular employee benefits (regular severance pay and years-of-service rewards) and severance pay provided to KONČAR Group employees in line with the Collective Agreement. The current value of the provisions is calculated based on the number of employees, pension amount, length of service as at the balance sheet date and a discount rate of 0.7%. The provisions fully cover planned severance pay and rewards for employees who met these conditions in 2020.

Indirect economic impacts

Impacts of infrastructure investments can extend outside of the scope of the company's business activities even over a longer period. KONČAR's investments into its own business activities and the realisation of certain projects have had an indirect impact on the wider community, stakeholders and the economy. Such projects were realised even during 2020, and some of the most important ones are listed in the following text.

Research and development project of the company KONČAR – Generators and Motors

The company KONČAR – Generators and Motors (GIM) was awarded grants for its research and development project "Development of submerged generator for small hydropower plants with low head". The project was co-financed from the European Regional Development Fund under "Increasing the development of new products and services arising from R&D activities - Phase II" as part of the Operational Programme Competitiveness and Cohesion 2014 - 2020. Value of the three-year project is approximately HRK 37 million, and GIM's partners are the Faculty of Chemical Engineering and Technology, the Faculty of Electrical Engineering and Computing and the companies Inpirio and Speculum.

Commissioning of solar power plant Vis

In September, the construction and commissioning of the HRK 31 million solar power plant Vis, with connection power of 3.5 MW, was successfully completed. The SPP Vis project, for which KONČAR – Renewable Energy Sources concluded an agreement with KONČAR - Power Plant and Electric Traction Engineering, was a turnkey project. The scope of works included the drawing up of the detailed design, delivery of equipment, execution of construction works, site preparation and assembly



of load-bearing structures, installation of photovoltaic modules, development, delivery, installation and commissioning of KonSol inverters, delivery of the SCADA system ProzaNet and connection of the power plant to the connection facility TS 35/10 kV Vis. SPP Vis will generate approximately 5 million kWh of electricity annually, which is enough to supply 1,600 households. At the end of 2020, KONČAR – Electronics and Informatics concluded an agreement for the design, production and commissioning of a 1 MW battery electricity storage system within solar power plant Vis. It will be able to store 1.5 MW of energy. The battery storage system will ensure more favourable conditions in terms of power for the entire island of Vis, and provide it the possibility to one day become a fully energy self-sufficient island.

SINCRO.GRID project

In November 2020, HOPS (Croatian Transmission System Operator) concluded an agreement with KONČAR - Power Plant and Electric Traction Engineering on the revitalisation of central remote control systems for the power system by upgrading them to a new version, a project worth HRK 49.9 million. This is an extremely complex project of upgrading HOPS's existing SCADA/EMS/AGC/OTS systems to a new version of hardware and software. The project will ensure long-term continuity of operation of the power system and a modern IT platform for secure power system control to be used in conditions in which the share of renewable energy sources being distributed into the Croatian energy system is continuously increasing.

Project of raising the competitiveness of KONČAR – Steel Structures

In November 2020, KONČAR – Steel Structures (KMK) started a project intended to raise competitiveness by research and development of a smart facility for drying liquid coatings by using advanced technology. The project is implemented as part of the Operational Programme Competitiveness and Cohesion 2014 - 2020, under the funding programme "Increasing the

development of new products and services arising from R&D activities - Phase II" and is co-funded from the European Regional Development Fund. KMK's partners in this three-year project, which is worth almost HRK 28 million, are the Faculty of Mechanical Engineering and Naval Architecture and the company Agenor automatika.

Remote meter reading project

KONČAR – Electronics and Informatics (INEM) completed the SCADA/DMS/OMS (SDO) project for HEP - Generation. The project included connection and remote read-outs of all meters in the client's system (more than 190 individual meters) by using INEM's central application - MARS. The project also included development of specific data control and advanced analysis functions, as well as an automated reporting system. This project gave HEP-Generation complete and continuous control over the energy generated in the system and delivered to HOPS and ODS (Distribution System Operator).

Helping the earthquake-stricken community

Immediately after the devastating earthquake that struck the Sisak-Moslavina County, KONČAR placed its teams at the disposal of HEP and HOPS, and the teams then went out in the field to help normalise the electricity supply in the affected areas. KONČAR's team got the 400 kV main busbar system of substation TS 400/110 kV Tumbri, which includes the Žerjavinec, Krško 1 and GS/PS bays, back online. TS Tumbri, which is one of five substations connected to the 400 kV network, plays an important role in Croatia's power system. Consequently, its outage, along with other faults that occurred in TS Mraclin, TS Velika Gorica and TS Petrinja, caused an interruption in the electricity supply even in some parts of Zagreb. In addition, the earthquake of 29 December also damaged Sisak thermal power/heating plant, including two transformers of KPT. Končar's team immediately went out in the field to examine the plant, detect damage, disconnect primary transformer connections and make the necessary repairs.

**SIGNIFICANT
INDIRECT
ECONOMIC
IMPACTS
GRI 203-2
COR 8, 9, 11, 12**

A forest of "green transformers" in Italy

The company KONČAR – Distribution and Special Transformers (D&ST) and its long-standing Italian business partner, company ENEL, co-operated in the initiative "Donate a tree" and created a forest of "green transformers" by planting 398 beech trees in Calabria in the south of Italy. This was an opportunity for D&ST to add to the already lasting contribution it made when it installed its distribution transformers into the Italian energy system, by participating in a commendable tree planting initiative as well. Each of those planted trees will absorb 22 kg of carbon dioxide per year and turn it into oxygen, while at the same time purifying water and helping maintain overall

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. Although D&ST already acts in a conscientious and socially responsible manner on a local level, it is happy to have had this opportunity to cross Croatian borders and contribute on a global level thanks to its partnership with ENEL.

Such multi-level cooperation almost erases the limitations of business relationships and helps establish friendly and neighbourly relations that last for generations.

Video on the green campaign "Donate a tree"



COOPERATION
WITH THE
ACADEMIC
COMMUNITY
COR 4

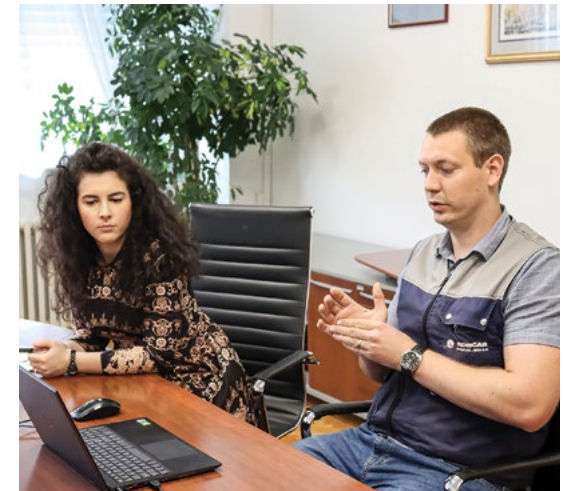
Traditional cooperation with the scientific and expert community continued in 2020 as well. Various projects and activities in cooperation with a number of scientific and educational institutions helped facilitate identification, definition and implementation of a number of projects.

Agreement with the Croatian Academy of Engineering

In 2020, KONČAR concluded an agreement on supporting membership in the Croatian Academy of Engineering (HATZ). Based on this agreement, KONČAR and HATZ intend to strengthen cooperation between technical and biotechnical sciences on the one side, and industry and economy on the other, by means of joint projects, conferences, seminars and other activities. HATZ will make scientific and professional potential of its members available to KONČAR as a supporting member, including HATZ's possibilities available through its membership in international associations of engineering academies.

Online lecture at the Faculty of Electrical Engineering and Computing

Experts from KONČAR – Small Electrical Machines gladly accepted the invitation to hold a guest lecture as part of the graduate course “Design of Electric Machinery” at the Faculty of Electrical Engineering and Computing (FER) of the University of Zagreb. Considering that the Croatian Civil Protection Headquarters cancelled regular lectures at all educational institutions due to the SARS-CoV-2 pandemic, on 20 May 2020, Marina Medić, Electrotechnology Manager and Marko Marić, Project and Electrotechnology Manager held an online lecture. After an introductory presentation of the products and services of KONČAR – Small Electrical Machines, Marko Marić spoke about optimizing motors and improving their efficiency. He gave students an insight into how to test and optimize losses, accompanied by a number of practical examples.



Job Fair Meetup

In cooperation with the Club of Electrical Engineering Students (KSET), Job Fair Meetup was held at the Faculty of Electrical Engineering and Computing from 19 to 23 October 2020. About 300 students looking for a job, traineeship or networking opportunities got the chance to learn about 40 companies, exchange knowledge and experience during short, topic-based presentations and acquire new skills by participating in workshops. On the first day of the event, KONČAR – Power Plant and Electric Traction Engineering and KONČAR – Generators and Motors participated in the thematic session titled “Automation, Radiocommunications, Energy”.

KONČAR – Power Plant and Electric Traction Engineering was introduced in the workshop titled “Management and Supervision of Power Plants by Using PLC and the PROZA NET SCADA System”, held by Ivan Bratić. Students had the opportunity to learn more about the process of digitalizing management and supervision of power plants using the SCADA system and to write their own code segment for the SCADA system. Antonio Josipović, who held a presentation titled “Engineering Challenges of the Working Day at KONČAR – Power Plant and Electric Traction Engineering”, made an overview of a project of revitalization of power plants to demonstrate the complexity of an engineer's work as a project manager and the challenges they face. He also presented the course of development of engineers and various engineering career options available at KONČAR – Power Plant and Electric Traction Engineering.

Speaking about the importance of hydropower, which is rarely mentioned today in comparison with other “modern” renewable energy sources, Vladimir Poljančić presented some interesting facts about future career options in production at KONČAR – Generators and Motors. He presented the factory, products, technical office, competencies and the kind of production which no longer exists in this part of Europe.



KONČAR supports “Be Better” project

Be Better, an association from Osijek, launched the “Be Better” project seven years ago. The project is now also supported by KONČAR. “Be Better” is an educational and creative project focused on preparing young people to continue their education, enter the labour market and become entrepreneurs. It includes secondary schools from Osijek-Baranja and Vukovar-Srijem Counties.

More than 150 activities were organised over the years as part of the project, involving a total of 20,000 students. Over 50 secondary schools all over Croatia hosted numerous meetings with more than 70 guest lecturers, including Siniša Marijan, PhD, Director of Končar – Electrical Engineering Institute, who participated in the project in 2018. In the next cycle of activities, project organizers plan to include 20 more secondary and primary schools, hoping that the project will also see international expansion in the near future through cooperation with partners from neighbouring countries.

Cooperation agreement signed with university from Saudi Arabia

On 31 July 2020, KONČAR – Power Plant and Electric Traction Engineering digitally signed a cooperation agreement with Prince Sultan University, College of Engineering, Renewable Energy from Saudi Arabia.

This agreement represents a continuation of cooperation between KONČAR – Power Plant and Electric Traction Engineering with higher education institutions and this is the first case of such cooperation outside of the region. Prince Sultan University was established in 1999 as Prince Sultan Private College. In 2003, it was declared a university by the Ministry of Higher Education. The purpose of the University is to create a better world through education, research and innovation. Cooperation with KONČAR – Power Plant and Electric Traction Engineering, which ensures support to the renewable energy sources laboratory, development projects, organisation of laboratory exercises and additional facilities, will help the University achieve these objectives.

Career Speed Dating

KONČAR – Instrument Transformers participated in Online Career Speed Dating, an event organized by the FER Career Center and eSTUDENT association, which was held from 8 to 10 December 2020. The idea behind the event is to allow employers and students a relatively large number of job interviews in a short period of time. Each interview lasts only eight minutes. During that time, a student and an employer have to introduce themselves and see whether they are compatible in terms of their wishes and expectations. KONČAR – Instrument Transformers participated in this event for the second time and it was represented by an expert jury consisting of Dora Gazivoda, Mateo Golub and Igor Žiger.



Besides KONČAR, a total of 44 employers participated in the event. According to students' evaluation, KONČAR – Instrument Transformers was ranked the 8th best among all employers registered for the event.

Visit from Belgian students

Nine industrial engineering students enrolled in the study programme of Sustainable Energy Engineering at the HELMo Gramme Institute in Liège, Belgium, visited KONČAR – Power Plant and Electric Traction Engineering in early 2020 during their study visit to Croatia.

Students were first introduced to KONČAR Group and KONČAR – Power Plant and Electric Traction Engineering, after which they were familiarised with the process of managing and supervising power plants, such as hydropower plants, using the PLC and Proza Net SCADA system developed by KONČAR – Power Plant and Electric Traction Engineering. Afterwards, they had the opportunity to see the production process at KONČAR – Generators and Motors. After a presentation of the Pometeno Brdo Wind Park at KONČAR – Renewable Energy Sources, using a hololens device, students also had the opportunity to take a virtual tour of KONČAR's wind park, which is about 300 km away.



KONČAR Best Doctoral Dissertation Award

This year's celebration of the Day of the Faculty of Electrical Engineering and Computing of the University of Zagreb took place on 20 November on a much smaller scale and in accordance with all epidemiological measures in force at the time.

The Annual KONČAR Doctoral Dissertation Award was handed out for the 17th time for outstanding scientific achievement in the area of technical industry-applied sciences. This year's winner was Anita Martinčević, PhD, for her paper titled "Hierarchical Model Predictive Control of Temperature in Building Zones".

Award for successful completion of graduate studies

KONČAR – Electrical Engineering Institute presented a monetary award to the winner of the "Josip Lončar" Bronze Plaque for successful completion of graduate studies. This year's winner was Mario Sučevac, a student in Electrical Engineering and Information Technology, Profile Electrical Engineering Systems.



Awards to best students at the Zagreb University of Applied Sciences

To celebrate KONČAR Day and the 99th Company anniversary, the traditional KONČAR Award was awarded to the best graduate students at the Zagreb University of Applied Sciences on 24 January 2020. Under the motto "Best investments are investments in people", awards for the best students in specialist studies in Electrical Engineering, Computing, Information Technologies and Mechatronics were presented for the 16th time on this occasion.

PROCUREMENT PRACTICES GRI 204 COR 12

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

KONČAR Group companies keep a database of existing and potential suppliers. In addition to basic information on suppliers (name, address, phone number, e-mail,

contact person), the database contains other data that might be relevant for the selection of suppliers, such as suppliers' references, information about complaints, information about the quality system, occupational health and safety and environmental protection.

The extraordinary situation caused by the SARS-CoV-2 pandemic required quick adjustment of all business processes in all companies in the Group in order to maintain business continuity and ensure delivery of contracted goods or services as agreed. Sufficient inventory of raw materials enabled production to go on unaffected during the first month of the pandemic outbreak, and the introduction of so-called "green corridors", as well as orientation toward local and

alternative suppliers made it possible to ensure further continuity of production and operations. In Q1 2020, performance projections were made for each company, involving adjustment of certain assumptions in the event of the crisis and pandemic continuing throughout the entire financial year. In line with the prescribed epidemiological measures and instructions given by the Civil Protection Headquarters of the Republic of Croatia, the company introduced working in shifts in the companies active in production, and as far as employees whose jobs entail working in an office are concerned, they were instructed to work from home. Business trips were reduced to a minimum and contacts with customers took place mostly via digital platforms.

	2020		2019	
	Investment purchase	Procurement of raw materials	Investment purchase	Procurement of raw materials
Croatia	200,389	798,893	145,805	741,752
Abroad	64,647	703,360	46,519	741,838
Total	265,036	1,502,253	192,324	1,483,590

in HRK thousand

PROPORTION OF SPENDING ON LOCAL SUPPLIERS
GRI 204-1

In the period January – December 2020, procurement amounted to HRK 1,767.3 million. Croatian suppliers account for 66% of total procurement.

ANTI-CORRUPTION GRI 205 UN GC 10

KONČAR develops and operates in accordance with good corporate governance and strives, with its business strategy, policies, internal acts and business practices, to contribute to transparent and efficient performance and better relationship with the business environment in which it operates.

The basic principles of KONČAR Group are as follows:

- Business transparency
- Clearly defined procedures for the activities of the Supervisory Board, Management Board and other bodies
- Avoidance of conflict of interest
- Efficient internal control
- Efficient responsibility system
- Equal treatment of shareholders and
- Safeguarding of employees' rights and interests.

COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES, CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN GRI 205-2/3 UN GC 10

At a meeting held on 15 December 2020, the Management Board of KONČAR – Electrical Industry adopted the Code of Conduct, which, among other things, identifies prevention of bribery and corruption as one of the standards of business conduct. In KONČAR Group's Code of Conduct, corruption is defined as any form of abuse of authority and position for personal benefit or for benefit of a group to which the employee or another person belongs. KONČAR – Electrical Industry applies the policy of zero tolerance for corruption and continuously works on its prevention, exposure and sanctioning. All Company employees are aware of the Company's standpoint and policy of zero tolerance for corruption, owing to the training of employees, which is conducted from time to time.

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

Employee's reporting to the Company's Management Board, responsible persons or competent state authorities where the employee has reason to suspect any corruptive activities, or filing a report on such suspected activities to one's superior, does not constitute a justifiable reason for termination of employment. Employees are guaranteed protection of anonymity.

ANTI-COMPETITIVE BEHAVIOUR GRI 206

KONČAR promotes and executes fair and transparent competition principles across its businesses in dealing with all entities at all locations. No anti-competitive, antitrust or monopoly practices were recorded in KONČAR Group.

Topic-specific Disclosures: ENVIRONMENTAL

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

ENERGY GRI 302 UN GC 7

Efficient use of energy and renewable energy sources are essential for combating climate change and reducing the overall carbon footprint of KONČAR Group.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

GRI 302-1 COR 7

Electricity / kWh	Fallerovo Šetalište facility	Jankomir facility (transformers)	Sesvetski Kraljevec facility	Borongaj facility
2020	10,976,033.70	13,787,573.40	1,038,336.00	1,750,769.60
2019	10,886,649.30	12,676,740.00	1,075,860.00	2,016,277.60
2018	11,861,118.00	13,047,498.60	1,312,547.00	1,950,875.00

Electricity / kWh	Fallerovo Šetalište facility	Jankomir facility (transformers)	Sesvetski Kraljevec facility	Borongaj facility
2020	12,510,950.00	24,176,074.00	1,396,673.00	5,186,830.00
2019	11,618,220.00	22,503,119.20	1,276,508.00	5,309,392.00
2018	13,239,000.00	24,157,910.36	2,527,484.60	5,434,021.15

KONČAR Group has been working continuously on reduction of electricity consumption and improvement of energy efficiency. In 2020, the Company made investments in infrastructure taking into account environmental criteria in its procurement process and investment selection so as to ensure the optimal environmental effect of selected measures. One such example is KONČAR's facility where old hot water pipes were replaced in 2020, which resulted in a decrease in heat losses at the location.

A case in point is also the facility located in Fallerovo Šetalište street, with its continuous replacement of lighting and installation of LED lighting fixtures. By the

Energy from renewable sources

KONČAR Group companies use ZelEn products, i.e., energy produced solely from renewable sources. KONČAR – Infrastructure and Services was awarded a certificate for 2020 confirming that the Company received 56,576.00 MWh of electricity from renewable sources intended for supply of KONČAR Group. This contributed to a total annual decrease in CO₂ emissions of 13,285 tonnes.



REDUCTION OF ENERGY CONSUMPTION

GRI 302-4 UN GC 8 COR 12

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

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

With the aim of improving energy efficiency, measures were put in place in December 2019 to specify indicators necessary to monitor energy efficiency, to develop procedures for maintenance of thermal substations and to manage the heating system in the administration building at the Fallerovo Šetalište facility. In 2020, new thermostatic radiator valves were installed in the administration building and a frequency-regulated pump was installed in the heating substation, which resulted in a decrease in heat losses.

end of 2020, the proportion of LED lighting fixtures at the facility increased by 102% compared to 2019. The replacement of lighting at the Borongaj facility, which began in 2018, also continued. The measures are believed to have led to a reduction in electricity consumption by 44 MWh per year, representing a decrease of approximately 10.3 tonnes per year in CO₂ emissions.

The photovoltaic power plant at the Fallerovo Šetalište facility generated 21.38 MWh of electricity, which was used for the facility's own needs. Consequently, CO₂ emissions were reduced by 5.02 tonnes per year.

WATER AND EFFLUENTS

GRI 303
UN GC 8
COR 7, 12

In 2020, the Company continued with the projects, investments and regular maintenance in this area.

Water consumption in m³ during 2020

LOCATION	m ³
Fallerovo šetalište facility	58,366.00
Jankomir facility (transformers)	26,978.00
Sesvetski Kraljevec facility	2,101.50
Borongaj facility	12,818.00

BIODIVERSITY

GRI 304
UN GC 7

KONČAR Group companies have their production sites and commercial premises at five locations in Zagreb and in two registered offices abroad (Mostar, Beograd). KONČAR Group companies do not operate in the vicinity of any protected or highly biodiverse areas.

SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS AND SERVICES ON BIODIVERSITY

GRI 304-2
COR 12

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

In addition, any intervention in the environment must be planned and carried out with the minimal possible environmental impact, taking into consideration prudent use of natural resources and energy. In order to prevent any risks and harm to the environment, when planning and implementing any project, all defined environmental protection measures should be adhered to, such as the use of good practices, as well as products, equipment, devices, production processes and systems of maintaining designed parameters of the facility which have the least adverse impact on the environment. For prevention purposes, when intervening in the environment, it is necessary to apply the best techniques available and use world-renowned facility maintenance systems. When faced with the risk of real and irreversible damage to the human health and environment, necessary prevention measures must be undertaken without delay, even in cases when such risk is not entirely scientifically explored. In addition, it is necessary to cancel, i.e., not perform an activity and/or a project for which there is scientific or presumed evidence of a likely harmful and permanent adverse impact on the environment, particularly on the components of the environment – biodiversity and landscape.

COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

GRI 307-1
UN GC 8

Throughout 2020, there were no major fines or non-monetary sanctions for non-compliance with environmental laws and regulations. There were no environmental impact cases brought through formal dispute resolution mechanisms in this reporting period.



KONČAR hands out manuals to children to teach them about identifying and sorting waste

A program titled “Together for Children and Planet Earth” was developed as part of the citizens’ initiative launched in 2012 in Koprivnica by the Association for Sustainable Development of Croatia (UZOR) with the aim of educating children about sustainable development.

KONČAR joined in the latest cycle of environmental workshops, which were held near the Renaissance city fortress walls in Koprivnica in early October 2020. Interesting and diverse environmental workshops were aimed at teaching children from

Tratinčica kindergarten about all the secrets of identifying, reusing, sorting and recycling waste. Children gained first-hand knowledge about KONČAR Group’s environmental protection methods and they were extremely excited to learn that KONČAR manufactures the electric trams they remember Zagreb by. At the end of the event, children were handed out manuals for identifying and sorting waste. KONČAR recognized the importance of such manuals and was happy to support their issuing.

Topic-specific Disclosures: SOCIAL

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER GRI 401-1 COR 4

In 2020, a total of 433 new workers were employed. During the reporting period, a total of 384 employees left KONČAR and the employee turnover rate was 11%. Compared to the previous year, there were 85 more employees and 55 fewer employees leaving KONČAR Group in 2020.

EMPLOYEE BENEFITS GRI 401-2 UN GC 6

Regardless of contract type, race, gender and age, all KONČAR Group employees are entitled to equal benefits in proportional to their length of service. The Collective Agreement stipulates that all KONČAR Group companies shall pay years-of-service rewards, vacation allowance, Christmas and Easter bonus, a gift for children under the age of 15, various forms of allowances defined by the

Collective Agreement, additional allowances for family needs, etc. All KONČAR Group employees are entitled to equal benefits, such as annual medical examinations and work-related injury insurance policy. Employees are also entitled to reimbursement for travel/commute costs and to non-taxable severance pay prior to retirement.

Summer work experience program at KONČAR – Power Plant and Electric Traction Engineering

In 2020, KONČAR – Power Plant and Electric Traction Engineering continued the successful cooperation with the Faculty of Electrical Engineering and Computing (FER) of the University of Zagreb following a cooperation agreement pertaining to work experience programs. Therefore, the company selected six undergraduate and graduate FER students and one undergraduate student from the Zagreb University of Applied Sciences to participate

in a summer work experience program. Four engineers from KONČAR – Power Plant and Electric Traction Engineering mentored the five young men and two young women over at least three weeks, while some of them attended the program even longer, depending on their preferences and business requirements of KONČAR – Power Plant and Electric Traction Engineering.



Induction seminar for new employees

Two induction seminars for new employees were held at KONČAR in 2020. The first one was held from 1 to 3 June and was attended by 20 trainees and 20 new employees. The second seminar was held from 8 to 10 June for 21 trainees and 23 new employees. The attendees had the opportunity to consider all aspects of KONČAR as a company and take a look at its almost one-hundred-year-long history in the form of lectures held by their colleagues. They were familiarized with the activities in the area of corporate social responsibility, references that make KONČAR a global player in the global market, and the strength and importance of synergy

between KONČAR Group companies. During a three-day event, the attendees could take a look at the production facilities of KONČAR – Electric Vehicles, KONČAR – Instrument Transformers, KONČAR – Distribution and Special Transformers, KONČAR – Generators and Motors, KONČAR – Steel Structures, KONČAR – Electrical Engineering Institute and KONČAR – Switchgear, as well as the Žerjavinec substation near Zagreb as a power facility established by KONČAR. Since 2003, when the first seminar of this kind was organized, there have been 29 seminars attended by almost 1,000 trainees and new employees.



Remembrance of Croatian soldiers who lost their lives in the Homeland War

The Republic of Croatia celebrates the Statehood Day on 30 May. Every year on this occasion, a wreath is laid and candles are lit at the memorial site at the Fallerovo Šetalište facility in remembrance and commemoration of the twenty-two KONČAR employees who lost their lives fighting in the

Croatian War of Independence. In addition, every December, the Company celebrates the anniversary of a defence unit established at the Fallerovo Šetalište facility, which was enlisted in 1991.

KONČAR Pensioners' Club (KUK)

On 20 October 2020, at KONČAR – Electrical Industry headquarters, the KONČAR Pensioners' Club (KUK) celebrated its 20th anniversary in accordance with the epidemiological situation at the time. KONČAR Pensioners' Club was founded on 17 October 2000 on the initiative and with the support of KONČAR's Management Board and KONČAR Coordination of the Croatian Metalworkers Union. Over the 20 years of the Club's work, 412 pensioners registered in the Register of Members, 175 of whom (87 women and 88 men) are still active members today. In the last 20 years, the members of the Club have organized 195 one-day and multiple-day excursions, of which 12 abroad. Club members went sightseeing in almost every part of Croatia, from Ilok to Poreč, Čakovec to Dubrovnik, National and Nature Parks, archaeological sites, sacral architecture, castles and museums, birth homes of famous historical figures, as well as energy facilities built by KONČAR.

Since 2012, on every first Tuesday of the month, medical check-ups have been organized at the Club for Club members, where a physician from the Croatian Red Cross checks their blood pressure, sugar and lipids. The Club also hosts lectures and presentations, literary events, exhibitions of Club

members' works and Belote tournaments. Club members can also use the library, which has a collection of about 1,000 books of various genres. To celebrate the Club's 20th anniversary, an Almanac was published in memory of the two decades of its existence and get-togethers at the Club.



PARENTAL LEAVE

GRI 401-3
UN GC 6

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

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

Earthquake relief

LABOUR/MANAGEMENT RELATIONS

GRI 402

On 22 March 2020, an earthquake with a magnitude of 5.5 on the Richter scale hit Zagreb. It was the most devastating earthquake in this area in the last 140 years. The earthquake and a number of aftershocks damaged the homes of many KONČAR employees.

In accordance with the Collective Agreement and the Agreement concluded with the Trade Union on 8 April 2020, it was decided that the employees would receive an earthquake relief in a minimum net amount of HRK 2,000.00 for the purpose of repairing the damage caused by the earthquake to the employees' places of residence. The employees filed the applications to the Commission and all employees who met the relevant criteria were paid aid based on the degree of property damage.

MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

GRI 402-1
UN GC 3

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

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

FORMAL JOINT COMMITTEES

GRI 403-1
UN GC 3

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

OCCUPATIONAL HEALTH SERVICES

GRI 403-3

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

HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS

GRI 403-4

Formal agreements with trade unions promote dual responsibility of both parties and development of a positive occupational health and safety culture. The Collective Agreement regulates the rights and obligations of all KONČAR employees. The Collective Agreement covers certain health issues, such as paid leave entitlement in the event of severe illness of a close family member, unpaid leave in the event of illness and additional leave days for workers with disability, as well as safety issues that involve special work conditions and additional payment.

TRAINING AND EDUCATION

GRI 404
COR 4

In order to develop the potential of all employees, KONČAR companies have been continuously conducting education and professional training programmes in various ways: encouraging participation in the regular education system, specialized on-the-job training inside and outside the Company and foreign language courses. Moreover, particular attention is paid to developing presentation, communication and computer skills as well as gaining and upgrading other knowledge relevant for performance and professionalism.

TRAINING AND EDUCATION PER YEAR PER EMPLOYEE

GRI 404-1
COR 4

In 2020, with the occurrence of the COVID-19 pandemic, KONČAR carried out a rationalisation of all costs and reduced its employee education and professional training costs. The cost of training and education at the end of the year decreased compared to 2019 and amounted to HRK 4.6 million (in comparison to HRK 5.7 million in 2019).



Training cycles at KONČAR Academy

PROGRAMS FOR UPGRADING EMPLOYEE SKILLS
GRI 404-2
COR 4

On 21 February 2020, at KONČAR headquarters, participants in the KONČAR Academy's sixth education cycle for potential managers, titled "Manager Education Programme – Basics of Business Management", presented their final papers to their Management Boards, mentors and colleagues from the previous education cycle. As usual, the presentation group consisted of employees from several KONČAR Group companies, who studied the assigned topic as a team, presented it and proposed a joint solution.

The sixth education cycle started in March 2019 and it included 13 thematic units divided into 10 education modules, i.e., 126 hours of lectures, workshops and case studies. The topics studied included communication skills, basics of management and leadership, strategic

and change management, decision-making and priority-setting, dealing with stress, basics of financial management, responsibility-taking, human resources as a strategic partner or human resources of the future, innovation management and intellectual property, organizational culture and teamwork, conclusion of agreements and payment security instruments, presentation skills and synergy at KONČAR.

At a ceremony held on 24 February, Gordan Kolak, President of the Management Board of KONČAR, awarded the certificates of completion of the Manager Education Programme, congratulating the participants on their achievement. This education programme, which is aimed at creating high-quality KONČAR staff, has been completed by 168 employees so far.



Training in the Area of Standardized Management System (ZPO)

A seminar titled "Project Management in Practice", held on 18 June 2020, concluded the 21st Training in the Area of Standardized Management System (ZPO) of KONČAR Group. Designed in accordance with the training needs and conducted in cooperation with specialized external associates from BV Croatia, this year's training consisted of eight in-house seminars and two courses. Topics were focused on innovation, project and risk management and team leading. In 2020, seven KONČAR Group companies participated in the training with a total of 146 employees applied.

This year, seminars were also held by two new lecturers, while one seminar was converted into a webinar as a result of the social distancing measures due to the SARS-CoV-2 pandemic. This form of work was well-received by the attendees, who also described other aspects of the training, such as the location, duration and dynamics of the training, usefulness of individual seminars for their work, quality of education tools and work materials as very good or excellent. This year's lecturers also received high ratings from the attendees for their knowledge of the subject matter, presentation style and clear answers to their questions. The attendees were also praised by the lecturers.

Support to Sports Clubs

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

KONČAR Canoe Club

The SARS-CoV-2 pandemic halted the activities planned for 2020 at the KONČAR Canoe Club as well. Besides virtual meetings via videoconferences and individual dryland fitness training sessions on an embankment, virtual exercises were held throughout the year on a regular basis. Individual Club members were also actively engaged in assisting Zagreb citizens after the earthquake in March and Končar Canoe Club also prepared a camp in the event that another, larger natural disaster had happened.

KONČAR Ski Club

We also boast our traditional cooperation with the Končar Ski Club, established in 1994. Many national champions started their careers at the Club, which has made a significant contribution to the progress of Croatian skiing. The Club currently has over 70 active competitors in all categories and it has won multiple consecutive titles at the Croatian Alpine Skiing Championship (CroSki Cup), in which it won the 2nd place last year. The 2019/2020 skiing season ended by winning the 1st place in the categories “Children’s CroSki Cup” (for children and cadets aged 8 to 15) and “FIS CroSki Cup” (for juniors and seniors aged 16 to 35). The SARS-CoV-2 pandemic affected the Club’s activities in 2020, but despite that fact, training sessions were held successfully via video calls. After SARS-CoV-2 restrictions had been loosened, training sessions continued outdoors. In mid-June, a skiing training session was also held at the Hintertux Glacier in Austria. Later during the summer



holiday, a summer sports camp was organised for all Club members. It was attended by many children who enjoyed adventure activities.

Končar Zagreb 1786 Shooting Club

KONČAR has traditionally supported one of the most popular sports clubs in Croatia, Končar Zagreb 1786 Shooting Club.

In 2020, the Club won medals at numerous competitions, the most important of which was the European Championship in Wrocław, Poland. In early March 2020, not long after all competitions had been cancelled due to the SARS-CoV-2 pandemic, Croatian national team players and Končar Zagreb 1786 SC players achieved great results in the air gun shooting competition. During 2020, they participated in three Zagreb championships and three Croatian championships, where they won 31 gold, 19 silver and 14 bronze medals, both in individual and team competitions.

Končar Zagreb 1786 SC also participates in the project titled “Hit the mark” – free school of shooting for children, young persons, disabled persons and persons with developmental disabilities at risk of social exclusion. The project is intended especially for persons with behaviour disorders and developmental disabilities in order to improve their focus and strengthen their physical endurance and self-control, consequently improving their socialization and inclusion. The project, which is co-funded by the EU European Social Fund, was launched by the Zagreb Shooting Association, with the City of Zagreb Sports Association as its partner.

KONČAR Chess Club

In February and March, students of Končar Chess Club’s chess school participated in cadet championships in Zagreb, where some players achieved excellent results. In April, after all “physical” competitions had been

cancelled due to the SARS-CoV-2 pandemic, Končar Chess Club players organized April virtual training sessions – an online tournament at lichess.org, while in June, they trained at the Club. The Croatian Cadet Championship was held in August 2020 in Trogir, in U7, U9, U11, U13 and U15 categories. Regarding students of Končar Chess Club’s chess school, brothers Andrej and Luka Krašnjak competed in U9 and U13 categories. In early October, since there were no official competitions, chess players organised the second memorial fast chess tournament titled “Power of the Bishop Pair”, commemorating prominent Club members Petar Šribar and Željko Fabris. The “new normal” forced the KONČAR Chess Club to convert its chess school to an online format and the digital year was concluded by launching a new Club website.

KONČAR sponsored Special Power League project

In mid-June, “Special Power League” sports meetings were held at several football and handball courts in Rovinj. Special Power League is a unique league for children with developmental disabilities, organized as part of the umbrella project “Youth Movement Power (YMP)”. YMP is the largest and most significant project of this kind in this part of the world. The project founder, Health Life Academy, and the company ATI, as the technical organizer, fully adapted this year’s meetings to the pandemic situation, paying utmost care to protect the participants’ health. Prior to the beginning of this year’s sports meetings, a racewalking event was organized for sports meeting participants. About 100 young people divided into about a dozen teams walked from the “Pod Lipom” sports court to the centre of Rovinj as part of the “Croatia Like Walk” initiative. The meeting was ended by a joint performance of the Special Power League team and youngsters from Rovinj Handball Club, which increased the inclusiveness of the project even further.



DIVERSITY AND EQUAL OPPORTUNITY
GRI 405
COR 8

Diversity is one of the fundamental values in contemporary societies. KONČAR Group attaches great importance and emphasizes the value of its employees. By regulating labour relations and internal organization, and complying with applicable regulations, collective and individual agreements, KONČAR Group companies protect human and civil rights, dignity and reputation of every employee. Continuous education and professional

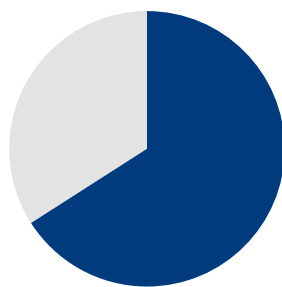
training have always been an important determinant of KONČAR strategy in the creation of a learning organisation. KONČAR Group, with references in almost 130 countries worldwide, embraces and encourages diversity and continuously promotes a respectful working environment for all employees, customers and other partners.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES
GRI 405-1
COR 5

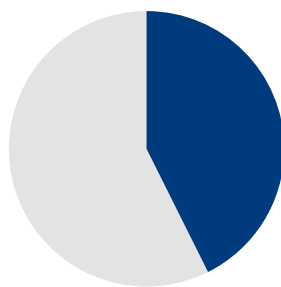
Men account for 78.9% and women account for 21.1% of the total number KONČAR employees.

Women hold 82 senior management positions in KONČAR Group companies (out of 492 in total).

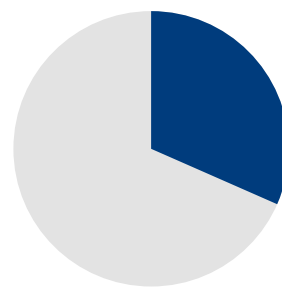
In relation to the total number of employees, the majority of women are employed in the following KONČAR Group companies:



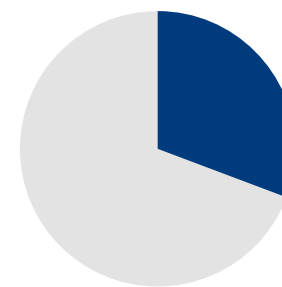
67%
 KONČAR -
 Electrical Industry



44%
 KONČAR - Instrument
 Transformers



29%
 KONČAR - Infrastructure
 and Services



28%
 KONČAR - Small
 Electrical Machines

RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN

GRI 405-2
COR 5

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

INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

GRI 406-1
UN GC 2 | 6
COR 5 | 8

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

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI 407
UN GC 3

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

Summer camp for children of KONČAR employees

Encouraged by positive experiences from the last year's summer camp, in 2020, KONČAR organised two summer camps for 43 children of KONČAR employees at Jarun in Zagreb. The camp was attended by primary school children, who had the opportunity to participate in many various activities over the course of five days. The camp base was yet again set up on the premises of the Končar Canoe Club, where children engaged in numerous activities every day.



Milky Way humanitarian race

KONČAR team participated in The Milky Way Run, a humanitarian race organised by UNICEF, and achieved a great result by finishing the race 20th. Twenty representatives from 11 Group companies, walked and ran 2,206.10 kilometres for children with disabilities, thus ensuring a praiseworthy donation to UNICEF Croatia. This is a result of KONČAR's decision to support this humanitarian project by participating in an additional humanitarian initiative, which involved donations to those who need it the most based on total distance walked/ran.

Over the 16-day run, 7,210 participants, including 970 children, 21 associations, 58 companies and 706 teams collected 367,080 symbolic kilometres of support throughout Croatia with the same goal – to make children with disabilities children with opportunities.

Končar Mountaineering Association

Končar Mountaineering Association was registered on 24 May 2005 and it was established by KONČAR employees and their friends. The Association, supported by KONČAR, currently has about 40 regular members, who meet once a week at the Fallerovo Šetalište facility, on the KONČAR Pensioners' Club premises. They organize trips to Samobor Hills and Medvednica on a regular basis, one-day mountain climbing trips away from Zagreb County (usually to Gorski Kotar) on a monthly basis and several multi-day trips all around Croatia when possible.



Blood drives

KONČAR has a long tradition of voluntary blood donations. The first voluntary blood donation initiative at KONČAR was organized as early as in 1953. Today, voluntary blood donation initiatives are carried out at three locations on KONČAR factory premises – Fallerovo Šetalište facility, transformers facility and Electric Vehicles facility. Three such initiatives take place at each location every year. At the transformers facility, each initiative lasts for two days. Despite the extraordinary events in 2020, the schedule of quarterly voluntary blood donations at KONČAR was not interrupted. KONČAR employees

were glad to take part in Red Cross initiatives this year, donating 550 blood units in total. In accordance with the epidemiological measures, in celebration of the World Blood Donor Day, a donor award ceremony was held on 22 October 2020, where several KONČAR employees were yet again recognised for their commitment to blood donation. Tomislav Kolman, an employee of KONČAR – Electronics and Informatics and Ivica Perečinec, an employee of KONČAR – Power Transformers received a Certificate of Appreciation and recognition for making 50 blood donations.

CHILD, FORCED OR COMPULSORY LABOUR GRI 408 GRI 409 UN GC 4 AND 5

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

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

One of KONČAR Group companies, KONČAR – Infrastructure and Services, employs a total of 56 security officers and guards, who are deployed at all KONČAR locations. They have all received formal training in the human rights policies, environmental policies and other specific procedures relevant to business activities of KONČAR Group.

HUMAN RIGHTS GRI 412-1 COR 8

When making decisions pertaining to the location of business operations, KONČAR pays great attention to human rights. Human rights have been observed across all KONČAR Group business activities.

OPERATIONS
WITH LOCAL
COMMUNITY
ENGAGEMENT
GRI 413-1
UN GC 1
COR 11

KONČAR Group cooperates with and invests in the community through a variety of sponsorships and donation programs and through the work of the Volunteers' Club. Unpredictable circumstances occurring during 2020 (the SARS-CoV-2 pandemic and earthquakes in Zagreb and Sisak-Moslavina County) had a great impact on the ratio of sponsorships and donations. For the majority of the year, numerous sports, education and cultural events were cancelled or postponed, while the earthquakes and the pandemic emphasized the importance of corporate social responsibility even further. In that context, KONČAR focused the largest part of its activities in 2020 on donations by means of which it provided support to vulnerable social groups.

KONČAR helps furnish Caritas' House of Love in Zagreb

By providing necessary kitchen and laundry room appliances, KONČAR helped furnish Caritas' House of Love in Zagreb. Caritas of the Archdiocese of Zagreb has four homes in which it takes care of about 80 children without parental care. The House of Love houses underage and adult pregnant women and mothers with children up to one year of age as well as children without adequate parental care up to three years of age. Considering that the house was opened almost 30 years ago, it needed refurbishing. Therefore, the house was recently refurbished and renovated and KONČAR helped with the realization of the project.

Help with transport of the elderly and disabled

KONČAR helped cover the transportation costs of volunteers of the Ecumenical Volunteer Palliative Care Team, who assist the elderly and disabled. Funds were also provided to successfully realize a year-long entertainment and educational programme titled "Let's play!". These programmes are organized by the Dalmalino Children's Club for children with developmental disabilities and disabled persons with the aim of improving their quality of life and helping them integrate in the local community. The project, which has been carried out for six years, has engaged over 1,800 persons with disabilities, their families, experts, therapists, entertainers, friends and guests in playing games and having fun together.

Donation on the occasion of KONČAR Day

Once a year, to celebrate KONČAR's anniversary, a donation is made to educational, cultural, scientific and charitable

causes. As part of the celebration of the 99th KONČAR anniversary, on 24 January 2020, the Company made a donation for the construction and furnishing of a new Pediatric Oncology and Hematology Department of the University Hospital Centre Zagreb – Rebro.



KONČAR supports 60th International Children's Festival in Šibenik

The Town of Šibenik hosted the 60th International Children's Festival, which was held from 20 June to 4 July 2020. This event is the world's oldest festival dedicated to children's creativity and art for children. It is fully supported by UNICEF and UNESCO and permanently sponsored by the President of the Republic of Croatia. KONČAR is a proud sponsor of cultural events encouraging creativity, especially when it comes to children, as well as of events developing and preserving material and non-material culture. Therefore, the Company also supported this year's International Children's Festival.

KONČAR's Christmas donation to Special Hospital in Gornja Bistra

Special Hospital for Chronic Diseases of Children in Gornja Bistra is the only Croatian health institution that takes care of children with chronic diseases requiring long-lasting treatment.

With the aim of helping the Hospital, KONČAR decided to make a donation to improve the quality of life of patients and make the work of the hospital staff easier. In December 2020, medical equipment with educational toys was handed over to the Hospital Director by Gordan Kolak, M.Sc., President of the Management Board of KONČAR, and a shade for a playground located on hospital grounds was also set up.



Assistance in SARS-CoV-2 prevention

Following in the long-established tradition of corporate social responsibility, KONČAR Group companies donated HRK 1,000,000 for procurement of protective and medical equipment required for SARS-CoV-2 prevention. The funds were donated to the “Croatia against Coronavirus” initiative. The equipment procured for health professionals includes FFP2 and FFP3 masks, protective clothing, gloves and face shields, respirators and vital signs monitors.

ASSISTANCE
DUE TO
UNPREDICTABLE
CIRCUMSTANCES
IN 2020

Assistance for earthquake-stricken Sisak-Moslavina County

After a devastating earthquake, which hit Sisak Moslavina County on 29 December 2020, KONČAR Group made a donation of HRK 500,000, which was paid to the state budget via a special account opened for victims of the earthquake. The Company also provided financial support to the Company employees whose homes were damaged.

Funds for reconstruction of largest Croatian maternity ward

By launching the “Let’s Return Premies to Petrova hospital” initiative, the Parents of Premies Club “Palčići” intended to collect funds to purchase expensive medical equipment damaged in the strongest earthquake in the last 140 years, which hit Zagreb on 22 March 2020. In an effort to help the little fighters and their parents create a better and healthier future, members of the Management and Supervisory Boards of KONČAR – Electrical Industry joined the initiative. By giving up a portion of their salaries for April, May and June 2020, they raised the funds necessary to purchase an incubator, which was donated to the University Hospital Merkur as part of the initiative.



PUBLIC POLICY

GRI 415-1
UN GC 3

KONČAR Group has not made any direct or indirect financial or non-monetary contribution to political objectives, the state or any user.

ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

GRI 416-1
COR 9

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

	ISO 9001	ISO 14001	OH SAS 18001	ISO/IEC 27001	ISO 45001	ISO 50001	EMAS* <i>*only Fallerovo Šetalište facility</i>
KONČAR – Power Plant and Electric Traction Engineering	■	■	■	■		■	
KONČAR – Power Transformers	■	■	■	■			
KONČAR – Engineering for Plant Installation & Commissioning	■	■	■	■			
KONČAR – Electronics and Informatics	■	■	■	■			
KONČAR – Instrument Transformers	■	■	■				
KONČAR – Steel Structures	■	■	■				
KONČAR – Distribution and Special Transformers	■	■	■				
KONČAR – Electrical Engineering Institute	■	■	■				
KONČAR – Switchgear	■	■	■				
KONČAR – Electric Vehicles	■	■					
KONČAR – Generators and Motors	■	■			■		
KONČAR – Small Electrical Machines	■	■					
KONČAR – Infrastructure and Services		■				■	■
KONČAR – Renewable Energy Sources							
KONČAR – Electrical Industry (parent company)		■					

COMPLIANCE CONCERNING THE HEALTH AND SAFETY IMPACTS

GRI 416-2 COR 12

No violations of regulations and voluntary codes in relation to products and services affecting health and safety have been recorded in the reporting period, which is further affirmed by the ISO 9001, ISO 14001, OHSAS 18001/ISO 45001 and ISO/IEC 27001 standards. ISO 9001 Quality Management System has been certified in twelve KONČAR Group companies. The core purpose of the system is related to the management of all processes in the Company aimed at ensuring the quality of products or services and achieving customer satisfaction. ISO 9001 Certificate, issued by authorised independent certification institutions, provides customers with a degree of assurance concerning the capacity of an organisation to meet their demands. Nevertheless, customers tend to audit their partners directly (by carrying out on-site verification of the quality of management system operations in order to ensure the company's capacity to deliver on their requirements and expectations), especially during pre-qualification process when contracting certain products. ISO 14001 Environmental Management System has been certified in fourteen KONČAR Group companies. By applying this system, KONČAR Group companies continuously monitor and analyse various aspects of the environment while performing their business activities and carrying out their processes, by looking into environmental impact of products and services they deliver, and taking adequate measures to mitigate any adverse effects. ISO 14001 Certificate, issued by authorised independent certification institutions, assures all stakeholders, ranging from central governments to local communities, of the Company's responsible behaviour towards the environment. OHSAS 18001/ISO 45001 Occupational Health and Safety Management System has been certified in ten KONČAR Group companies. By applying this system, KONČAR Group companies continuously monitor and

analyse workplace hazards and carry out measures for prevention and mitigation of accidents which might lead to impaired health or death of an employee or to property loss. OHSAS 18001/ISO 45001 certificate issued by authorized independent certification institutions provides assurance to all stakeholders of the company's implementation of legal and other measures aimed at ensuring a safe working environment and protecting employees from work-related injuries. ISO/IEC 27001 Information Security Management System has been certified in four KONČAR Group companies. By applying this system, KONČAR Group companies have achieved information system, property and business information protection. ISO/IEC 27001 Certificate issued by certified independent certification institutes proves that information security management system provides data protection under the principles of secrecy, integrity and controlled availability, enables information security implementation and reduces fraud risk, loss of information or unauthorized disclosure of information, improves the organization's credibility and opens up business opportunities for cooperation with customers aware of security needs. ISO/IEC 50001 Energy Management System has been certified in two KONČAR Group companies. By applying this system, KONČAR Group companies achieve ongoing improvement of energy management, better resource and infrastructure utilization, and lower energy consumption i.e., lower costs, while at the same time limiting and controlling environmental impacts.

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

In line with organizational procedures, each product has been equipped with a manufacturer's label, basic technical data typical of the product category and special data characteristic of, or relevant to the given product. For more complex products and facilities, technical descriptions and instructions for safe use of products and services have been prepared. In addition,

when deemed necessary, training seminars are organized for end users of specific products or services.

COMPLIANCE GRI 417-2/3

No violation of product and service data and labelling-related regulations and voluntary codes has been recorded in the reporting period. All KONČAR Group companies have consistently applied fair and responsible practices in their customer relations. These practices have included responsible marketing and transparent communications on economic, environmental and social impacts of products and services. KONČAR Group did not record any instances of misleading, inaccurate and discriminatory information (including advertising, promotion and sponsorship) or abuse arising from insufficient knowledge or failure to provide choice to customers.

CUSTOMER PRIVACY GRI 418

KONČAR Group takes all measures to protect customer privacy by limiting personal data collection. KONČAR is transparent about how data are collected, used and stored. KONČAR does not disclose or use personal customer information for any purposes other than those agreed upon, and it communicates any changes in data protection policies or measures to customers in a timely manner. The GDPR is applied to all activities and procedures related to data collection.

SOCIOECONOMIC COMPLIANCE GRI 419

In the reporting period, KONČAR Group found no instances of non-compliance with the laws or regulations, nor were there any instances of violation of international declarations, conventions and agreements or any procedures initiated against KONČAR using international or national dispute resolution mechanisms.

SUSTAINABLE DEVELOPMENT GOALS

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

SDG 4

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

SDG 5

Achieve gender equality and empower all women and girls.

SDG 7

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

SDG 8

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

SDG 9

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

SDG 11

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

SDG 12

Ensure sustainable consumption and production patterns.



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	PRINCIPLE 2: Businesses should make sure they are not complicit in human rights abuses.	406-1, 410-1, 412-1, 418	8	30, 31, 34
Labour rights	PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	102-41, 402, 402-1, 403-1, 403-4, 407, 415-1		15, 27, 30, 33
	PRINCIPLE 4: Businesses should eliminate all forms of forced and compulsory labour.	409		31
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	PRINCIPLE 6: Businesses should eliminate discrimination in respect of employment and occupation.	102-8, 401-2, 401-3, 405, 405-1, 405-2, 406-1	5, 8	8, 26, 27, 30
Environment	PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges.	302, 304	7	24, 25
	PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.	302-4, 303, 307-1	7, 12	24, 25
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Anti-corruption	PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.	205, 205-2/3		23

GRI STANDARDS,
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PRINCIPLES AND
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