

KONČAR Group Sustainability policy



KONČAR
Inspired by challenge



Pursuant to the resolution passed at its 43rd session held on 10 December 2024, the Management Board of KONČAR – Electrical Industry Inc., for manufacturing and services, hereby adopts the following

KONČAR Group Sustainability policy

1. Introduction

With a legacy spanning more than a century, KONČAR Group is a regional leader in technological innovation and Croatia's top net exporter. The skill, knowledge, and deep commitment of our people are the driving forces behind our contributions to the global energy transition and decarbonization, both at home and worldwide. We fully embrace the challenges of today's complex energy landscape. Inspired by the opportunity to facilitate a smoother and more efficient shift to renewable energy through our innovative and forward-looking solutions, we are taking the lead in building a sustainable and resilient world for generations to come.

Since 2007, as one of the earliest Croatian signatories to the United Nations Global Compact, we have upheld the highest standards of ethical business conduct, encompassing human rights, labour rights, environmental responsibility, and anti-corruption. Our unwavering commitment to sustainability and climate neutrality is a defining element of our corporate identity and strategic direction, far exceeding transient market expectations.

We recognize the pivotal role we play in advancing the green transition. While increased demand for our solutions presents significant opportunities, it also places a profound responsibility on us to uphold the highest standards of social and environmental stewardship. Through this Sustainability Policy, we establish the foundational guidelines, objectives, and principles that will inform our practices and ensure the comprehensive integration of sustainability across all business processes. With this framework, we reaffirm our dedication to fostering a greener, fairer future while maintaining our leadership in green energy, rail transportation, and cutting-edge digital solutions and platforms.

2. Purpose and scope

This Sustainability Policy applies to all entities within the KONČAR Group and extends to all employees, leadership, and partners. It establishes a framework for embedding sustainability into every business process, strategic decision, and aspect of our corporate culture. Through this approach, we strive to generate lasting value for all stakeholders and actively contribute to shaping a more sustainable and equitable society.

3. Core sustainability principles

3.1. Environmental stewardship

- **Climate change mitigation:** We are firmly committed to decarbonisation by systematically reducing greenhouse gas (GHG) emissions. We actively pursue this by developing energy-efficient products and services and by integrating renewable energy sources across our operations and value chains.
- **Climate change adaptation:** We proactively strengthen the resilience of our infrastructure, operations, and product portfolio in response to climate-related risks. At the same time, we develop and deliver adaptive solutions that help our customers and partners better anticipate and respond to the impacts of climate change.
- **Resource efficiency:** We apply a responsible and forward-looking approach to resource stewardship. We advance energy and material efficiency while minimising waste, guided by the principles of the circular economy and life-cycle thinking.
- **Environmental protection:** Through the adoption of best available techniques (BAT) and industry-leading practices, we ensure that our environmental footprint - across air, water, and soil - is minimised. Full compliance with applicable environmental legislation and standards underpins all our environmental management efforts.

3.2. Commitment to employees and communities

- **Health and Safety:** We are dedicated to providing a safe, healthy, and supportive work environment for all our employees and partners. We continuously enhance occupational safety protocols and foster a culture of prevention, awareness, and shared responsibility.
- **Upholding labour rights:** We ensure respect for fundamental labour rights by promoting fair and equitable working conditions. This includes just compensation, regulated working hours, and measures to support a sustainable work-life balance.
- **Employment stability and security:** We foster long-term employment through strategic workforce planning, transparent internal communication, and continuous professional development. These efforts contribute to employee engagement, organizational resilience, and market competitiveness.
- **Professional development:** We invest in lifelong learning and tailored capacity-building programs to cultivate individual potential and support career progression at all levels of our organization.
- **Diversity, equity, and inclusion:** We actively advance diversity and inclusion by fostering an equitable and respectful workplace. We promote equal opportunities regardless of gender, age, ability, ethnic background, or any other form of individual identity.
- **Community engagement and social impact:** Through strategic partnerships and active involvement, we contribute to the social and economic vitality of the communities in which we operate. Our key areas of focus include investments in education, support for vulnerable populations, promotion of cultural and sporting activities, and encouragement of employee volunteerism.
- **Consumer health, safety, and satisfaction:** We are committed to delivering reliable, high-quality products and services that meet our customers' needs while ensuring their safety and wellbeing. Stringent quality assurance and compliance measures underpin all stages of the product lifecycle.
- **Social dialogue and freedom of association:** We uphold the rights to freedom of association and collective bargaining. We facilitate open, inclusive, and constructive social dialogue, ensuring that our employees' voices are reflected in decision-making processes, in line with international labour standards and national regulations.

3.3. Ethical conduct and responsible governance:

- **Ethics and integrity:** We are committed to conducting business with the highest standards of ethics and integrity. We foster a culture of transparency, responsibility, and fairness, embedding these values across all levels of decision-making and operations.
- **Anti-corruption and business integrity:** We apply a zero-tolerance approach to all forms of corruption and bribery. We have established a comprehensive compliance framework, supported by clear policies and internal controls, to prevent, detect, and address any misconduct or unethical behaviour.
- **Prohibition of child labour forced labour, and human trafficking:** We strictly prohibit all forms of child labour, forced labour, and human trafficking. We operate in full compliance with international and national regulations and collaborate exclusively with partners who uphold the same principles.

- **Sustainable and ethical supply chain management:** We expect our suppliers and partners to uphold robust standards of environmental, social, and governance (ESG) performance. We actively engage with our value chain partners to promote responsible business practices, ethical sourcing, and long-term sustainability.
- **Whistleblower protection:** We provide secure and confidential channels for reporting concerns related to unethical, unlawful, or non-compliant conduct. We ensure the protection of individuals who report in good faith, in accordance with international best practices and applicable legal provisions.
- **Values-driven corporate culture:** We cultivate a corporate environment that encourages innovation, mutual respect, and shared responsibility. By empowering our employees to act with integrity and accountability, we foster a cohesive, purpose-driven culture that underpins our long-term business success.
- **Data privacy and information security:** We uphold the right to privacy for all stakeholders and safeguard the confidentiality and security of personal data through appropriate technical and organisational measures, fully aligned with applicable laws and ethical standards.

4. Principle of double materiality and responsible business conduct

We recognise that environmental, social, and governance (ESG) factors are fundamentally interconnected and shape both our business performance and the broader world in which we operate. Our actions influence the environment and society, just as evolving environmental and social dynamics impact our business.

We fully embrace the principle of double materiality in assessing our impacts—evaluating both how our activities affect the environment and society, and how these external factors influence our strategic and operational decisions. With this understanding, we are committed to responsible business conduct embedded throughout our operations and decision-making processes.

We strive to align with leading industry practices, proactively manage risks, anticipate and resolve potential conflicts, and create lasting value for our employees, investors, and the communities we serve.



5. Key strategic goals

In pursuit of the principles established in this Sustainability Policy, we have prioritised three key areas, which are further detailed in our Sustainability Strategy. Our Sustainability Strategy elaborates on these priorities and sets forth the specific actions, plans, and initiatives that will enable us to achieve our goals.

5.1. Climate and resource stewardship

For over a century, we have been leading the charge towards a responsible and sustainable energy future. Our relentless pursuit of innovation and development of advanced solutions positions us at the forefront of the green transition.

Goal 1: A Zero-emission future

We aim to reduce Scope 1 and 2 emissions and have already embarked on our net-zero transition.

We will develop a climate transition plan grounded in scientific principles to support our pathway toward climate neutrality and actively contribute to mitigating climate change.

Goal 2: Circular economy

We are committed to reducing waste generation and promoting the efficient and responsible use of resources in our production processes.

We promote responsible resource management, support circular business models, and contribute to conserving natural resources and strengthening the circular economy.

5.2. Employees and community engagement

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

Goal 3: Health and Safety

We are committed to ensuring a healthy and safe working environment for all employees and associates.

We continuously enhance occupational health and safety measures, promote a strong safety culture, and strive to achieve a zero-incident workplace.

Goals 4 & 5: Employee welfare and satisfaction

We promote inclusion, diversity, and equal opportunity.

We champion gender equality, the employment of persons with disabilities, and the creation of an inclusive work environment where diversity is valued.

We foster professional growth and career development.

We invest in continuous learning, skills enhancement, and leadership development to equip our employees to successfully navigate the challenges of a dynamic business environment.

Goal 6: Youth in focus

We aim to engage with young talent and strengthen KONČAR's reputation as a desirable employer.

Through collaboration with academic institutions, we encourage young talent, offer internships, scholarships, and support their development through mentorship and educational initiatives.

Goal 7: Empowered communities

We are committed to continuously investing in the development and well-being of local communities.

We actively support sports, cultural, and social initiatives, foster employee volunteerism, and collaborate with local partners on initiatives that deliver mutual benefit.

5.3. Responsible governance

Our corporate governance vision goes beyond fulfilling legal obligations; it promotes ethical conduct, transparency, and the long-term sustainability of our business.

Goal 8: Accountability and business transparency

We are committed to responsible and ethical management and to embedding sustainability across all aspects of our operations. We will build a comprehensive framework for managing ESG principles and risks and will foster continuous learning across the KONČAR Group to empower our managers and employees to drive ethical and sustainable practices.

Goal 9: Ethical and sustainable value chain

We safeguard our ethical integrity and uphold KONČAR's values across our supply chain. Through collaboration with our suppliers, we will work to elevate sustainability standards, promote responsible business practices, and encourage the transition toward more sustainable operations throughout the value chain.



6. Implementation and governance

- **Integration into business operations:** We embed sustainability into our business strategies, plans, and processes, with clearly defined responsibilities at all levels of the organisation.
- **Education and awareness:** We provide ongoing education on sustainability and empower our employees to engage proactively in initiatives that drive progress toward our goals.
- **Robust and transparent management systems:** We apply internationally recognised management systems for quality, environment, energy, and occupational health and safety, ensuring the continuous improvement of our performance.

7. Stakeholder engagement approach

- **Suppliers and partners:** We cultivate relationships founded on trust and shared values, working together to advance sustainable practices and uphold ethical business conduct throughout the value chain.
- **Customers:** We are dedicated to customer satisfaction, delivering high-quality, safe, and innovative products and services that help our customers achieve their own sustainability objectives.
- **Communities and society:** We maintain open and constructive dialogue with local communities, non-governmental organisations, and other key stakeholders. We actively engage in initiatives that promote social and economic progress.

8. Accountability and oversight

- **Management Board:** As KONČAR Group Management Board, we hold overall responsibility for the implementation of this policy and for ensuring the allocation of necessary resources and support to achieve the defined goals.
- **Employees:** We expect all employees to uphold the principles and guidelines established in this policy and to actively contribute to sustainability initiatives.
- **Monitoring and reporting:** We systematically monitor progress toward our goals and report on our performance, ensuring transparency, accountability, and continuous improvement.

9. Review and updates

This Sustainability Policy will be periodically reviewed and updated to reflect changes in the business landscape, regulatory requirements, technological advancements, and evolving stakeholder expectations, ensuring its ongoing relevance and effectiveness.

10. Conclusion

We remain steadfast in our commitment to embedding sustainability at the centre of our business, driving long-term value for our stakeholders and contributing to a more sustainable and equitable future. We will continue to lead through technological advancement and sustainable practices, embracing challenges and pursuing meaningful change.

KONČAR – Inspired by challenge, we are taking the lead in building a sustainable and resilient world for generations to come.

KONČAR Inc.

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