

CODE OF BUSINESS CONDUCT



KONČAR

D&ST

KONČAR - Distribution and Special
Transformers, Inc.

10090 Zagreb, Josipa Mokrovića 8



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I. INTRODUCTION BY MANAGEMENT BOARD

Dear Sirs and Madams,

This Code of Business Conduct (hereinafter referred to as CODE) has been prepared in compliance with the business principles KONČAR-D&ST is committed to follow in its operations and taking into account the importance and role of each employee in that process.

The CODE promotes the fundamental corporate values of KONČAR-D&ST and represents the KONČAR-D&ST efforts to consistently comply with and implement social responsibility principles in its daily operations and production activities.

The CODE applies to all KONČAR-D&ST employees, regardless of their position or level of authority and responsibility and serves as guidance in conduct and proceeding at work.

The CODE does not stipulate the adequate conduct for each particular situation and we trust that each individual employee will make a prudential and right decision suitable to a specific situation in alignment with the principles described herein.

KONČAR-D&ST-a Management Board

Vanja Burul
President

Petar Bobek
Member

Martina Mikulić
Member

Dominik Trstoglavac
Member

Petar Vlaić
Member



KONČAR

II. MISSION AND VISION

Mission of KONČAR-D&ST is to create new values for its shareholders, customers, employees, suppliers and the community through the sales, development, production and maintenance of distribution, medium power and special transformers up to 160 MVA and 170 kV.

Vision of KONČAR-D&ST is to reach and constantly improve its position among 10 best European manufacturers of transformers up to 160 MVA and 170 kV for power distribution companies, railways and industry.

Our specific values include: quality; environment protection and occupational health and safety; integrity and responsibility for undertaken obligations; respect of laws, standards and best practice in operations; superior performance; care for our employees and constant investment in their professional development, and thereby creation of an environment where employees can reach their full potential; respect of differences among our employees through openness, trust and teamwork; good relations with our customers and suppliers, and continuous incentives for positive changes.



III. BUSINESS ETHICS AND SCOPE OF APPLICATION

KONČAR-D&ST, as part of the KONČAR Group, is party of the UN Global Compact, an incentive for socially responsible business. KONČAR-D&ST implements active measures for improvement in the field of human rights, labour rights, corporate management, environment and fair business practices.

KONČAR-D&ST is a signatory of the Code of Business Ethics of the Croatian Chamber of Economy. As such, KONČAR-D&ST undertakes to act in alignment with the principles of responsibility, truthfulness, efficacy, transparency, quality, good faith and compliance with good business customs toward its business partners, business and general community and its own employees.

This CODE reflects the positive approach by KONČAR-D&ST with regard to socially responsible and ethical business we find essential in relations with our employees, representatives, suppliers, partners and other persons KONČAR-D&ST does business with.

THE PURPOSE OF THIS CODE:

- To promote fundamental corporate values;
- To establish clear rules and framework for professional conduct of KONČAR-D&ST employees
- To raise the awareness of the importance of prevention and avoidance of situations where KONČAR-D&ST employees could take part in unethical acts or unacceptable conduct
- To provide framework for business conduct that may be expected from KONČAR-D&ST by its suppliers, partners, and all stakeholders.

Conduct in compliance with the principles and standards of this CODE is a personal and professional duty and responsibility of all KONČAR-D&ST employees.

KONČAR-D&ST management must continuously emphasize the importance of ethics in business and compliance with the regulations and rules and should apply and promote them in daily activities through personal leadership and employee training.



IV. ETHICS PRINCIPLES

All employees and other stakeholders doing business with KONČAR-D&ST are obliged to comply with the following ethics principles and fundamental principles of business conduct:

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

Lawfulness

All employees are obliged to comply in their work with the Croatian Constitution, laws and other applicable regulations, subordinate legislation, corporate bylaws and this CODE.

Each manager and each employee is obliged to draw attention of the employees participating in a work process to the duty of compliance with the laws, other regulations, corporate bylaws and this CODE.

KONČAR-D&ST takes account of introducing its employees into all relevant provisions and rules concerning their rights and liabilities at or related to employment and to combat and prevent all forms of irregularities.

Professionalism, expertise and impartiality

Each KONČAR-D&ST employee is obliged:

- To perform his or her tasks in a professional, conscientious, ethical manner, in alignment with the rules of profession,
- To base his or her attitudes and decisions on the principle of objectivity, autonomy and verified facts,
- To maintain and stimulate cooperation in professional relations and, in communication with others, to respect the principle of partnership, integrity, impartiality, transparency and mutual respect,

- To protect the interests and contribute to the reputation of KONČAR-D&ST in public,
- To take account of the professional appearance and appropriate presentation before business partners and other persons.

In the performance of tasks entrusted by the Employer, each KONČAR-D&ST employee is obliged to protect trade secret.

KONČAR-D&ST employees are obliged to keep as trade secret all personal information about customers, suppliers and other individuals they come in contact with during their employment.

The employees must not disclose confidential data or information to a third party including other KONČAR-D&ST employees not involved in the performance of a specific task.

Integrity

In its operations, KONČAR-D&ST is particularly committed to integrity.

All KONČAR-D&ST employees, including managers at all levels, are obliged to act with integrity and make efforts to act correctly in all situations (“always do the right thing, even when no one is watching”), to equal extent in their relations with business partners, other employees, owners and public.

Business integrity is essential as it promotes competitiveness and development of skills and best results are achieved through reliability and trust in relations between parties. Business integrity must exist from the commencement of negotiations, throughout the contract term and until the contract completion.

KONČAR-D&ST does not make promises it is not capable to fulfil timely and in due manner.

Equality, fairness, respect of human rights and dignity

KONČAR-D&ST promotes equality of all employees, notwithstanding their gender, age, nationality, ethnic origin, race, religion, language, social or economic status, sexual orientation, affiliation to political or other organizations, in the field of employment and work conditions, including criteria for selection and conditions at recruitment, promotion and professional training.

With its policies and procedures, KONČAR-D&ST actively participates in the prevention and combat against all forms of infringements of human dignity, particularly in prevention of slavery, child labour and exploitation, forced labour, human trafficking and any other form of modern slavery in its corporate environment and with its suppliers.

All forms of discrimination are prohibited and the dignity of employees is protected through providing the conditions for work and the work environment where they will not be exposed to unwanted forms of behaviour.

Social responsibility

KONČAR-D&ST is committed to socially responsible business and its activities do not serve only its own economic and technical interest but also protect and improve the conditions in the general community.

Transparency

KONČAR-D&ST operates transparently, through high quality internal and external communication with its employees, shareholders, business partners and local community.

In the public relations, account is taken to ensure the communication is clear and efficient and the information is accurate and true.



V. STANDARDS OF BUSINESS CONDUCT

All KONČAR-D&ST employees are obliged to implement the following standards of business conduct in their work and operations, in compliance with KONČAR-D&ST interests:

- Compliance with the rules of business ethics,
- Compliance with the customer rights,
- Compliance with the interests of suppliers and other business partners,
- Avoidance of conflict of interests,
- Prevention of bribe and corruption,
- Development of human resources,
- Protection of health, safety and environment.

1. COMPLIANCE WITH THE RULES OF BUSINESS ETHICS

Rules of business ethics include good business practice and business customs.

Good business practice means the rules of conduct established as ethical and fair in the social life without origin in a specific piece of legislation.

Business customs mean business practice established and widespread among parties in transactions and as such regularly taken into consideration by the parties in their operations although not yet widely accepted in a specific business field and without characteristics of a commercial custom.

2. COOPERATION WITH BUSINESS PARTNERS

Key principles KONČAR-D&ST complies with in relations with its business partners (suppliers, representatives, agents, intermediaries) include respect of good business practice and ethics principles as well as standards of social responsibility, environment protection and corporate management.

KONČAR-D&ST is willing to cooperate with and support its business partners with the aim of improvement and compliance with the abovementioned standards by its business partners.

It is prohibited to receive inappropriate gifts or other forms of benefits from business partners or third parties.

No employee of KONČAR-D&ST shall in any circumstances receive any commission or any award from any business partner.

KONČAR-D&ST expects from its business partners ethical and professional conduct in business with KONČAR-D&ST as well as with third parties.

2.1. COOPERATION WITH CUSTOMERS – CUSTOMER SATISFACTION

The fundamental aim of KONČAR-D&ST is customer satisfaction. Each supplied product and service provided should be reference for future transactions.

Products and services bearing KONČAR-D&ST trademark are recognized as a sign of quality and KONČAR-D&ST builds and fosters trust and open communication with its customers.

2.2. COOPERATION WITH SUPPLIERS

All KONČAR-D&ST employees are expected to act in alignment with the highest professional conduct standards in their relations with the suppliers. Each employee should apply good judgment, high ethics standards and integrity in all tasks. For that purpose, all employees should comply with the following rules and principles:

- All business transactions must be conducted with honesty, personal integrity, in alignment with fair play principles and in accordance with applicable laws and regulations;
- All information obtained in confidentiality shall be treated with discretion and shall not be used for personal benefit and shall not be disclosed to any unauthorized person;
- Each proposed business practice that is inappropriate must be immediately rejected and reported without delay to the superiors and, where required, to Management Board;

- No gift or entertainment may be received from a supplier (customer, competitor, business partner) unless (all items below must be fulfilled cumulatively):
 - a. the gift is not pecuniary;
 - b. such gift is customary in business practice;
 - c. the gift is of small value (or at least not of excessive value);
 - d. it would not be considered bribe by an impartial person.

Končar-D&ST has prepared “Code of Conduct for KONČAR-D&ST Suppliers” governing the rules of conduct that are essential in relations with suppliers and other business partners, and are related to compliance with the laws, respect of human rights and employees’ rights, occupational health and safety, prevention of environment pollution, combat against bribe and corruption, and confidentiality.

KONČAR-D&ST has established a system of procedures in the procurement process aiming to ensure the integrity and lawfulness of procurement.

2.3. COOPERATION WITH INTERMEDIARIES AND AGENTS

In its operations, KONČAR-D&ST uses and develops a network of intermediaries and agents operating and promoting KONČAR-D&ST products in a large number of countries.

With its intermediaries and agents, KONČAR-D&ST fosters partnerships, taking into account the interests and satisfaction of all parties involved in a venture.

KONČAR-D&ST has introduced its intermediaries and agents into the principles and values applied by KONČAR-D&ST in its operations and into this CODE and expects them to respect and comply with such principles and values.

3. CONFLICT OF INTEREST

Conflict of interest exists when personal interests of KONČAR-D&ST employees are in conflict with the KONČAR-D&ST interests.

All employees shall refrain from any competition with KONČAR-D&ST and avoid any business or personal situations that may lead to conflict of their personal interests with the KONČAR-D&ST interests.

Where an employee becomes aware of a potential conflict of interest, in particular in business relations with customers, suppliers and other business partners, the employee shall notify his or her direct superior.

4. PREVENTION OF BRIBE AND CORRUPTION

Corruption means any form of abuse of authority and position for personal benefit or for benefit of a group the employee or another person belongs to.

KONČAR-D&ST applies the principle of zero tolerance for corruption and continuously works on its prevention, disclosure and sanctioning.

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 laws discriminating in favour of certain persons or organizations.

All KONČAR-D&ST employees are aware of the KONČAR-D&ST standpoint and zero tolerance for corruption, due to the education of newly employed personnel and training of all employees conducted from time to time.

The KONČAR-D&ST employees are expected to act impartially and professionally in the performance of tasks pertaining to their positions. It is particularly prohibited to offer inappropriate gifts or benefits in pecuniary or another form (travelling or alike) for obtaining any advantage or benefit that is inappropriate, inadequate, unethical and disproportional with the services provided or contrary to the legal provisions.

Any offering, promising or providing of gifts or other benefits to business partners or other persons is prohibited if intended to gain unlawful advantage or impact any official procedure in any inappropriate manner.

Where an employee is being offered gifts or other benefits or expected to offer inappropriate gifts or benefits, the employee shall report it to his or her direct supervisor or, where required, apply for advice to the legal department.

The employee shall report to the manager and/or Management Board of KONČAR-D&ST where the employee becomes aware of any corruptive activities of other employees or where such activities are suspected.

The Management Board will report to the competent national authorities any case of justified suspicion of corruption.

4.1. WHISTLE-BLOWERS' POLICY

In 2019. KONČAR- D&ST adopted the Regulation on the procedure for internal reporting of irregularities and the appointment of a trusted person which describes in detail the procedure of internal reporting of irregularities, appointment of a trusted person and safety measures for protection of rights of a whistle-blower.

4.2. CORRUPTION RISK ASSESSMENT

Corruption risk assessment is aimed to establish all corruption risks associated with a specific transaction, project or contract with the purpose of undertaking, where required, all measures to reduce the corruption risk to an acceptable level.

The criteria important for corruption risk assessment vary depending on circumstances and type of business relation, but general criteria taken into account in assessment of each business relation include the following:

- Corruption risk associated with doing business in a specific country;
- Whether the customer is in private or public sector;
- Circumstances of the case (contract value, complexity, form of procurement);
- Business partner/intermediary (where a contract is made through an agent or intermediary, reputation of the business partner, relationship with the customer, role and scope of transaction, size of enterprise, amount of service fee);
- Existence of proportionality of effort, risk and reward

Risk assessment is done if there is a valid reason or if it is an essential condition of a transaction or compulsory requirement.

Methods applied by KONČAR-D&ST for corruption risk reduction and control include:

- Training of employees
- Introducing suppliers into the Code of Conduct for KONČAR-D&ST Suppliers.

The role and exemplary conduct of the Management Board and the managers are key factors in the training about and spreading of the values aimed to put them into practice.

5. HUMAN RESOURCES DEVELOPMENT

Human resources development in KONČAR-D&ST and raising the performance level is achieved through equal opportunities of education, training and improvement, transparency in rewarding, equal conditions in terms of salary and advancement, regardless of gender, age, religion and nationality, care for occupational health and safety, and care for disabled persons.

KONČAR-D&ST is particularly committed to achieving a balance between work and private life.

KONČAR-D&ST encourages its employees to continuous development and improvement of various knowledge and skills and prompts their lifelong learning.

KONČAR-D&ST defines the general recruitment policy and strategy aiming to recruit employees with capacities, skills and characteristics required for successful performance, placing all candidates at equal position notwithstanding their age, gender, religion or nationality.

6. ENVIRONMENT PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

KONČAR-D&ST has recognized the importance of care for environment and included the internationally recognized standard ISO 14001 into its operations. The system is successfully certified by an accredited certification company. A system is in place for the control and measurement of the key characteristics of corporate processes and activities affecting the environment, including control of environment management system compliance with the legal and other regulations in the environment protection field.

Environmental management is an integral part of the overall corporate management.

The environmental management strategy comprises the following:

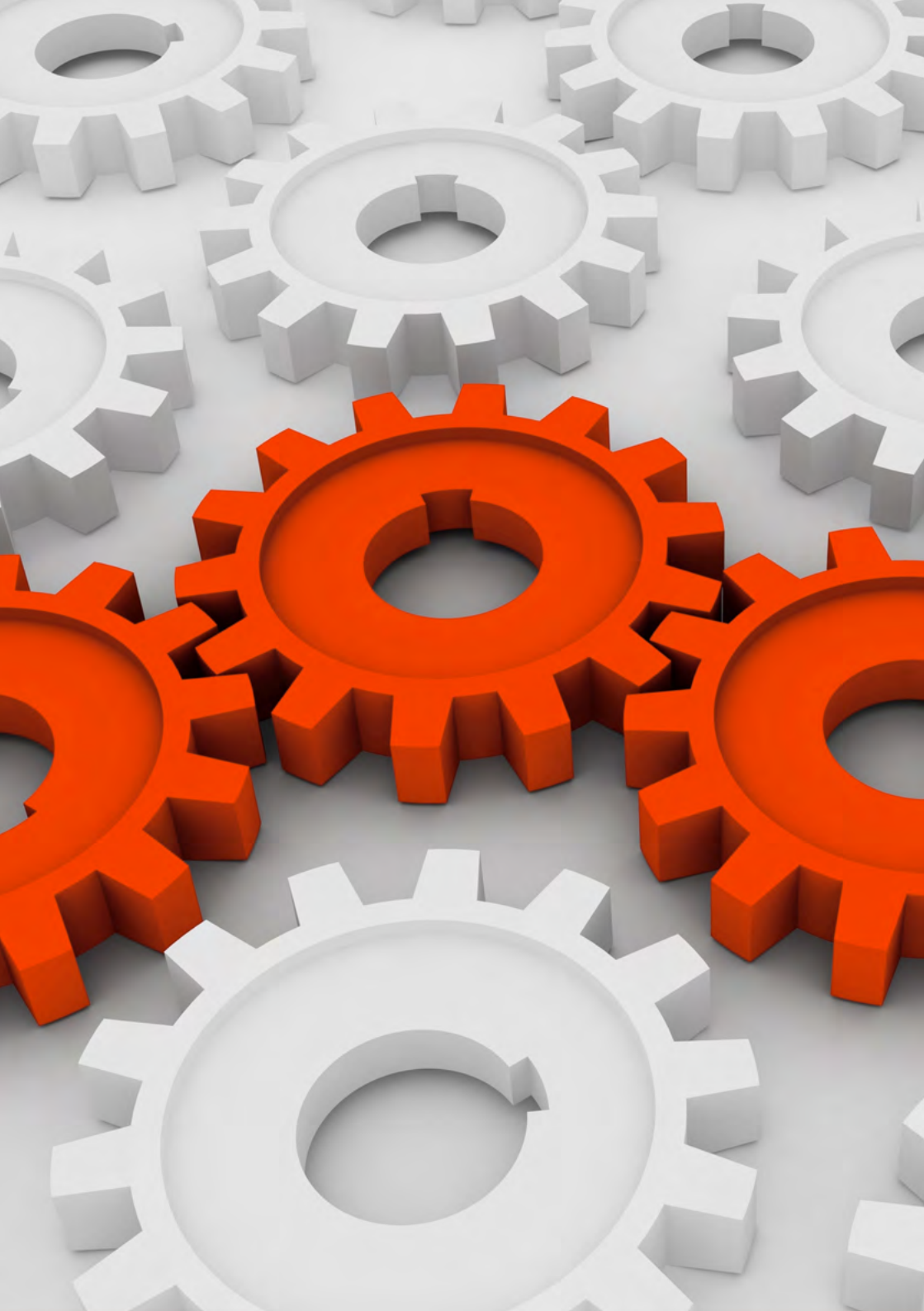
- Rational use of resources (materials, energy, water, overall energy efficiency),
- Environmentally friendly technologies,
- Reduction and elimination of hazardous chemicals and their substitution with environmentally friendly chemicals,

- Product design,
- Information obtained from customers,
- Selection of suppliers,
- Recycling

Occupational health and safety are among the key factors requiring special attention. In addition to fulfilling the legal requirements concerning occupational health and safety, KONČAR-D&ST has introduced an OHS management system and obtained the certificate of compliance with the international standard ISO 45001.

When determining controls and risk reduction measures at KONČAR-D&ST, the following hierarchy is taken into account:

- elimination,
- substitution,
- engineering controls/measures,
- labelling, warnings and/or administrative controls/measures,
- personal protection equipment.



VI. ROLES AND RESPONSIBILITIES

KONČAR-D&ST Management Board is responsible for control of consistent implementation of and compliance with the CODE and of the scheduled anti-corruption measures.

Managers shall control whether the provisions of this CODE are implemented by the employees and timely report if additional training is required. Managers are obliged to attend organized courses and transfer the fundamental principles to their employees.

The responsible person designated by Management Board shall duly introduce and train new recruits and where required other employees about the professional conduct in KONČAR-D&ST. Newly recruited employees shall sign a statement confirming they have been introduced into the provisions of this CODE.

The CODE is reviewed from time to time, once in 3 years as a rule.

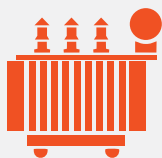
VII. REFERENCES

PU-DST-P19	Company Employment Bylaws
PU-DST-P24	Company Recruitment Bylaws
PU-DST-P31	Company Bylaws on Postgraduate and Graduate Studies and Company Participation in their Funding
PU-DST-P40	Management of Conflict Minerals
OP-DST-G-40	Ethics and Professional Conduct in Procurement Process

VIII. APPENDICES

1. Code of Conduct for KONČAR-D&ST Suppliers
2. Croatian Chamber of Economy Code of Business Conduct, www.hgk.hr/kodeks-etike
3. Statement on the Prevention of Slavery and Human Trafficking by KONČAR-D&ST
4. New Recruit Statement

Printed Management Board regulation is NOT a VALID document! Please check the valid version in electronic form in DMS system.



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