

Zagreb, 29 June 2018

DALEKOVOD d.d.
SOCIAL
RESPONSIBILITY REPORT



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GENERAL STANDARD INFORMATION

REPORT PROFILE

The Social Responsibility Report that Dalekovod prepares at the annual level has been prepared for the 1 January – 31 December 2017 reporting period. It was prepared by the Dalekovod Group and covers three companies within the Group, in which the parent company has the dominant influence. The last report was published in 2017 (for the 2016 calendar year). The person responsible for questions related to the report and its content is the Head of Corporate Communications. The Dalekovod Group selected the option of core compliance with G4 guidelines. The report has not been externally verified. Until the next report, the Dalekovod Group commits to continually improve current practices and to monitor the progress of all companies within the Group, as well as relations with stakeholders, and to notify the public of this in the subsequent report and to consider the option of external verification.

ORGANIZATION PROFILE

The Social Responsibility Report was prepared by the Dalekovod Group, although such a form of the Group has not been legally registered. Nevertheless, given that Dalekovod d.d. is a signatory of the UN Global Compact, we believe that, concerning financial and environmental indicators, the companies Dalekovod proizvodnja d.o.o. and Dalekovod-Projekt d.o.o. must not be ignored, because, together, they form a whole, and this in the design, production and construction of transmission lines, and with their financial reports and environmental indicators have a significant impact on the sustainable operations of the Dalekovod Group.


The Dalekovod Group is continuously working on improving current practices and monitors the work of its companies. We believe that our efforts will be visible in future reports.

SUPPLY CHAIN

Nearly all of our vendors in the past year are from Europe, which is understandable given that all of our projects last year were carried out in Europe.

During cooperation with vendors, particular care is taken to respect the following standards:

- ISO 9001 – continual improvement of quality of products and process management
- ISO 14001 – environmental management
- OHSAS 18001 – improvement of occupational health and safety.



On the basis of these standards, operating procedures for all business processes, as well as for the procurement process, are defined in the Dalekovod Group. As part of the implementation of these work procedures, during cooperation with vendors compiled is a Vendor List. The method of forming the Vendor List is defined according to internal procedures; however, it essentially consists in verifying new vendors by means of questionnaires and visits to major new suppliers by our quality control department.

Permanent vendors on the Vendor List are evaluated at the end of each year in such a manner as to measure quality and delivery deadlines.

As Dalekovod Group is essentially a design, production and engineering company, the structure of vendors can vary significantly from one year to the next depending on the projects themselves, and the purchase process begins at the stage of offering projects, when potential suppliers and the conditions with which to enter the bidding process are defined, and often investors within the tender documents predefine a few vendors whose equipment must be used in the actual implementation of the project. The result of a job obtained through the tendering process is the signing of a contract with the best equipment vendors for each individual project.

Annual contracts with vendors are signed for numerous areas for anticipated purchases that are repeated regardless of the projects themselves. Other annual contracts are related to services and certain materials whose procurement is carried out independently of the projects themselves.

MEMBERSHIP IN ASSOCIATIONS

With the objective of achieving wider social objectives, Dalekovod is a member of:

- Global Compact
- Croatian Chamber of Economy's Corporate Social Responsibility Board
- American Chamber of Commerce in Croatia
- Nordic Chamber of Commerce in Croatia

Dalekovod, as a group, an individual company or employees, is a member of the following organizations at home and abroad:

- Croatian Exporters
- Croatian Chamber of Economy
- CIGRE (International Council on Large Electric Systems)
- HO CIRED (Croatian National Committee)

- MIPRO (Croatian Society for Information and Communication Technology, Electronics and Microelectronics)
- IEEE (Institute of Electrical and Electronics Engineers)
- PMI (project Management Institute)
- Croatian Standards Institute
- Croatian Welding Society
- Croatian Society for Quality, Croatian Public Relations Association (HUOJ)
- Croatian Employers' Association
- Croatian Chamber of Architects and Civil Engineers
- Association of Production of Metals and Metal Products
- Association of Production of Electric and Optic Equipment
- Association of Power Supply – Community of Renewable Energy Sources
- HED (Member of World Energy Council)

Owing to such memberships, experts working for Dalekovod D.D. participate in professional meetings at home and abroad, contributing with their papers every year, where they present the work, solutions and products of Dalekovod D.D.. By sponsoring and actively participating in the preparation and organization of meetings that are held in Croatia, Dalekovod D.D. directly helps the activities of professional organizations, considering them important places for the promotion of their knowledge and for the exchange of experience with other experts.

IDENTIFIED MATERIAL ASPECTS AND LIMITS

Affiliated companies included in this report are Dalekovod D.D., Dalekovod Projekt LLC and Dalekovod Proizvodnja LLC. In the preparation of this report, taken into consideration was the representation of economic, environmental and social dimensions from an equal number of aspects because they are equally important to the business operations and functioning of the Group.

This report was written according to GRI4 guidelines and Global Compact principles. Given the nature of business operations – design, production and construction, the environmental dimension is extremely important. The aspects of water, energy, materials, biodiversity, compliance and dispute resolution mechanisms in relation to the environment must certainly be highlighted here, and they are described in detail in this report. In accordance with the importance and specific characteristics related to business operations, these two companies follow those topics that are significant to their areas of activity.

RESEARCH & DEVELOPMENT ACTIVITIES

Focus on investors and partners and ongoing innovation are the Group values governing its market research and new product development activities. We regularly undertake market research activities to better understand the market needs and provide services and products to meet any challenges. At the same time, we monitor trends and developments on highly developed markets with a focus on Scandinavia and potential expansion beyond Europe.

Company Dalekovod in 2017 launched several research and development (R&D) activities resulting in 3 major R&D projects.

These activities and projects are focused on the area of implementation of information and communication (ICT) technology into building and reconstruction of infrastructure thus resulting in major applications in areas such as Smart Cities and Smart Grids.

All 3 R&D projects were also registered at the tender call for research, development and innovations tendered by Ministry of Economy, Entrepreneurship and crafts in cooperation with Croatian Investment Agency HAMAG BICRO. Tender call was listed under the reference name KK.01.2.1.01 and was named "The increasement of development of new products and services resulting from the research and development activities ". Tender call was funded by European structural and investment funds in the operating program Competitiveness and Cohesion 2014. – 2020.

These registered projects are listed in following table:

| | | | |
|-------------------|---|---|--|
| Project proposal: | Revitalization and upgrade of public lighting infrastructure based on innovative technology solutions | Monitoring of external objects based on advance sensor networks | Power grid monitoring based on synchronized measurements |
| Applicant: | Dalekovod d.d. Zagreb | Dalekovod d.d. Zagreb with partner Ubique d.o.o. | Dalekovod d.d. Zagreb |
| Reference No | KK.01.2.1.01.0035. | KK.01.2.1.01.0083. | KK.01.2.1.01.0087. |

Within these activities numerous co-operations are being settled with various small and medium enterprises (SMEs) as well as local Universities and Institutes but also start-up community bringing



new, innovative and advance technology into existing products and services of Dalekovod as a group.

During 2017. for the R&D project with reference number KK.01.2.1.01.0035. funding contract was signed on 28.12.2017.

The signing of funding contract for R&D projects with reference numbers KK.01.2.1.01.0083. and KK.01.2.1.01.0087. is expected in 2018.

Full commercialization of new products and services resulting from these R&D activities is expected in 2019.

INVOLVING STAKEHOLDERS

Internal and external stakeholders were involved in the preparation of sections of the report.

Internal: employees, other workers and their unions.


External: customers, local communities (donations), shareholders and providers of capital and vendors.

Taking into consideration the production program and business strategy, most companies within the Dalekovod Group are focused on the business market and/or the public sector, and less on the market of individual end users.

Group companies often act within a consortium organized for an individual project, which additionally may result in a reduction in the establishment of direct contact of a Group company with customers and/or communities. Therefore, besides customers, employees (including labor unions with which they are associated), suppliers and the public sector (acting in the double role of a party ordering a product and a business conditions regulator) may be recognized as key participants.

Key participants are identified through an analysis of business processes and circumstances and risks brought about by relationships with individual participants. Communication is conducted on a continual basis with key participants through meetings, and while conducting business, their legitimate interests are taken into consideration.

Within corporate social responsibility activities, communication with a wide range of representatives of civil society and individuals is maintained. To achieve full implementation of the organization and implementation of corporate social responsibility activities communication with the above stakeholders took place in several manners: direct communication in business relationships and regular meetings, special thematic discussions and meetings, trade shows and professional conferences.



Dalekovod's key stakeholders are customers, suppliers, employees and shareholders. Communication is conducted with all of them depending on key issues and interests. In addition to the usual reporting system, for all relevant business activities (mail newsletter, website, announcements on the Stock Exchange and in the media), communication is conducted in other ways as deemed necessary: joint meetings, debates, written replies. The main topics over the course of the previous period were related to the administrative settlement process, the restructuring of the company, key investment projects and business results with shareholders, significant contracts at home and abroad.

Communication with employees is conducted by e-mail: svi_Dalekovod@dalekovod.hr ; svi_projekt@dalekovod.hr and svi_Proizvodnja@dalekovod.hr, and by means of different notices and decisions by the Company. Websites are recognized as an important method of communicating with partners at home and abroad, but also the public in general. We also have the following websites: www.dalekovod.com, www.dalekovod-proizvodnja.com, www.dalekovod-projekt.com.

This is the reason why great importance is to be paid to this kind of communication with the intention of making information on the website timely, accurate and suitable to the media used. In compliance with market requirements and needs, the websites of Dalekovod d.d. and all the above-listed companies within the Dalekovod Group are translated into English. Our main page www.dalekovod.com has additional available versions in Norwegian and Swedish.

A special, internal web intended for employees, containing several directories with documents enabling information sharing, has been created. Key topics that arise from communication with participants include the future development of the company and safety of employment, professional development of employees, the manner and dynamics of the privatization of the parent company and dependent or affiliated companies, and satisfaction of growing market, environmental and regulatory standards required for acting on (especially international) markets.

BUSINESS ETHICS

On 4 July 2005, Dalekovod signed a Statement on Acceptance of the Code of Business Ethics, which was confirmed in May 2005 by the Assembly of the Croatian Chamber of Economy. The provisions of the Business Code must be constantly conveyed to employees of the Dalekovod Group and partners.

Dalekovod's business policy is founded on the following business principles:

- Satisfaction of customers, vendors and other stakeholders
- Environmental protection, protection of health and safety



- Constant improvement of products and processes, as well as
- Involvement and motivation of all employees.

The principles are founded on the positive regulations of the Republic of Croatia and adopted international standards. Dalekovod accepts and conducts international and local principles, charters and standards that contribute to improved products, work processes and production, as well as for protecting and advancing the natural and social environment.



SPECIFIC STANDARD INFORMATION

ENVIRONMENTAL DIMENSION

Environmental management

The Dalekovod Group has opted for sustainable development by achieving a balance between the environment, society and our activities, to meet the requirements for the development, without jeopardizing the perspective of future generations. Sustainable development, transparency and conformity are basic components of the economic growth of Dalekovod.

Environmental management promotion:

- The Dalekovod Group believes that the environmental management and promotion of environmental management activities in accordance with economic activities are among the basic responsibilities of the top management
- The Dalekovod Group performs monitoring, measurement and analysis of the achieved results to determine goals in relation to reducing environmental impact and preventing pollution
- The Dalekovod Group is continuously trying to improve environmental management by performing internal audits
- The Dalekovod Group meets all legal regulations, requirements of investors and its own guidelines relating to environment
- The Dalekovod Group seeks to be open in communication with the local community and interested parties, and transparently report on its environmental impacts
- The Dalekovod Group seeks to raise awareness of environmental protection through continuous training of its employees
- The Dalekovod Group operates on a global scale and promotes environmental protection activities in all the Dalekovod Group's activities accordingly


Reporting period

- This report refers to the results of the activities from 1.1.2017 to 31.12.2017, and may refer to the results before and after the observed period that occurred prior to the publication of this report

Publication

- The latest publication of ecological performance with the data for 2016 was published in the Social responsibility report 2016 on the UN Global Compact webpage 14.07.2017





Reference guidelines

- GRI (Global Reporting Initiative)

Significant changes made by the Dalekovod Group which had an impact on environmental management

- The environmental management system policy was reviewed and the new one was accepted in February 2018. It is published on the web page of the Dalekovod Group Management system policy
- The Dalekovod Group is certified in accordance with ISO 14001 standard since 2001. The transition to ISO 14001:2015 issue of the standard was carried out in 2017. Bureau Veritas certification agency carried out the certification audit and issued a new certificate on March 15, 2018

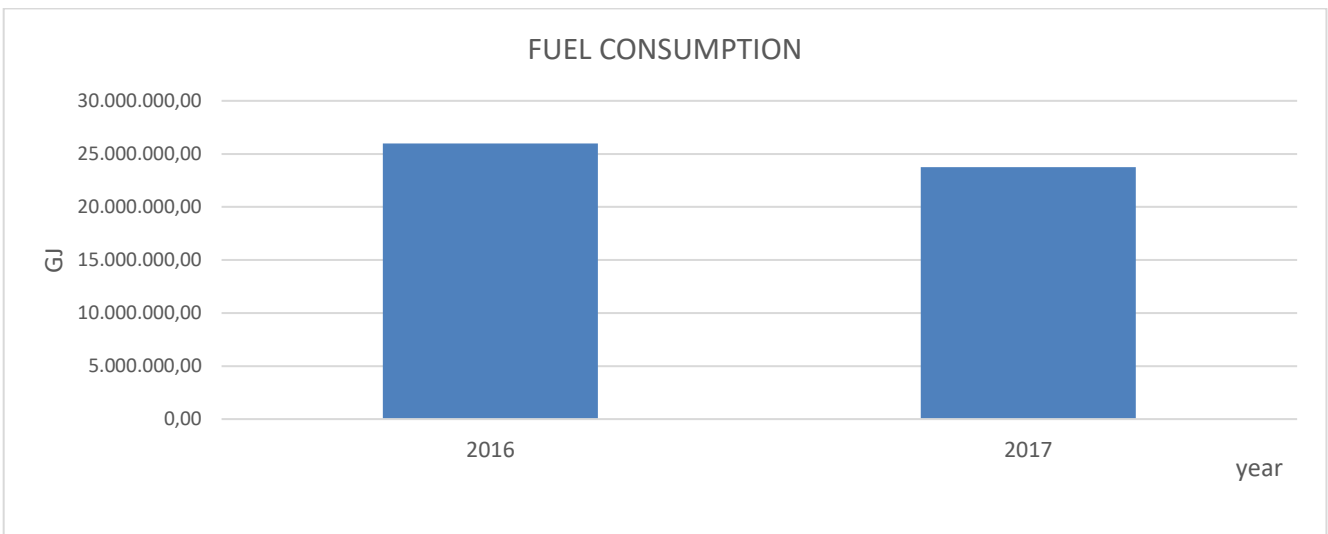
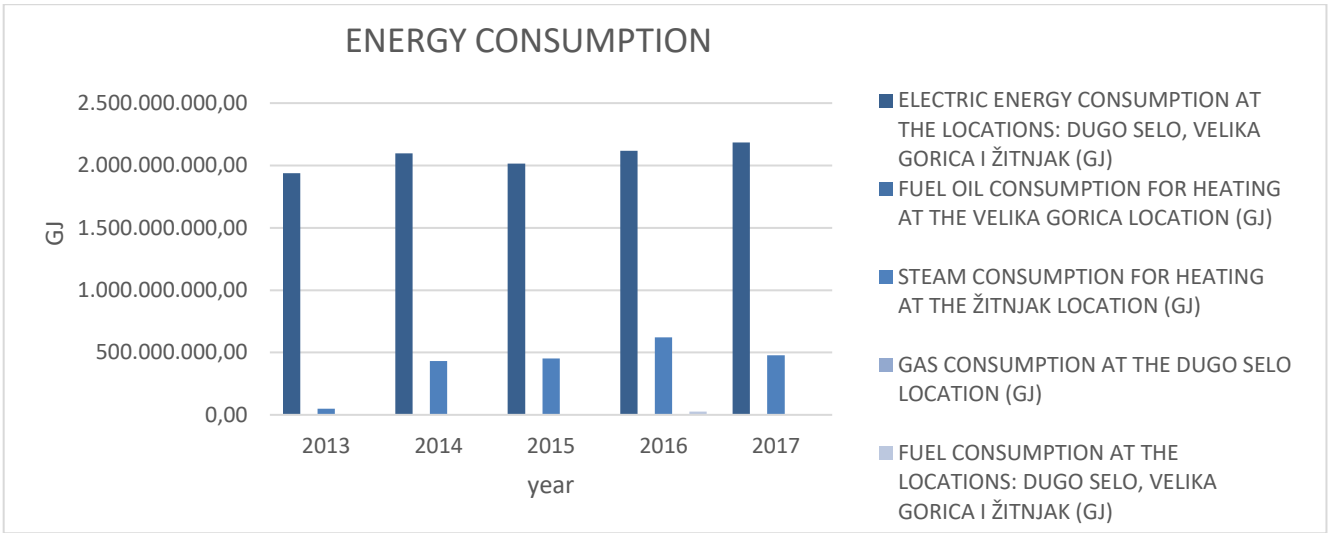
Materials

Strategic materials used in the manufacture of metal structures, suspension and jointing equipment, anti-corrosion steel protection by Dalekovod Proizvodnja d.o.o. are iron, zinc, aluminum, bronze, hydrochloric acid, paints and varnishes. Countries of origin for metal materials are Czech Republic, Italy, Poland and Spain. Chemicals used in production processes are purchased from suppliers from Hungary, Sweden and Croatia. Product lifetime is 50-70 years. Dalekovod Proizvodnja d.o.o. exports 85 % of its products to over 80 countries around the world.

75 % of the revenue of Dalekovod d.d. is generated from foreign projects. For the realization of construction projects of transmission lines and substations on foreign construction sites, products of suppliers chosen by the investor are installed. For projects in the Republic of Croatia, metal structures and suspension and jointing equipment produced by Dalekovod Proizvodnja d.o.o. are used.

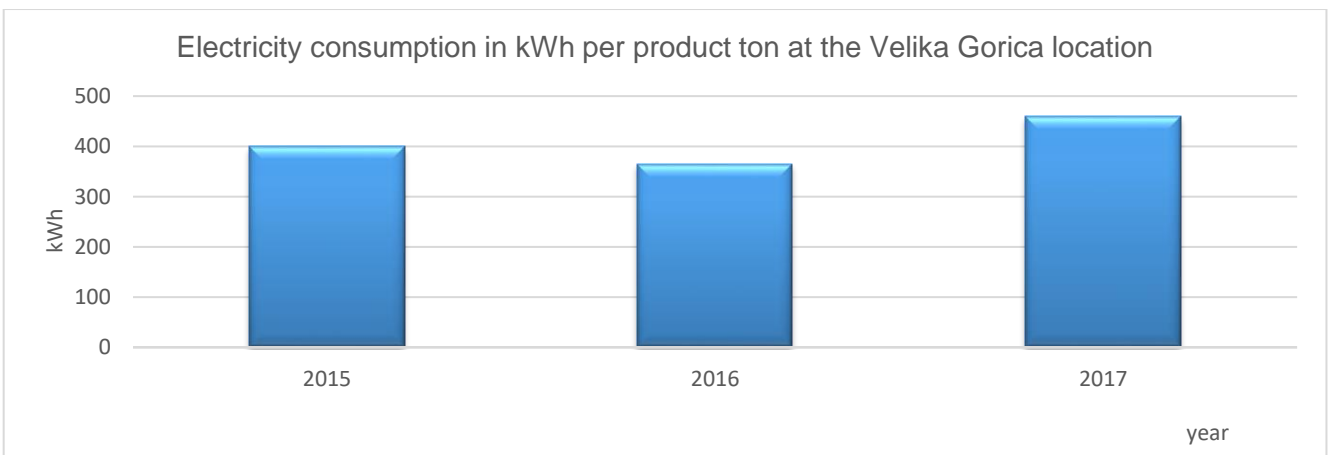
Energy

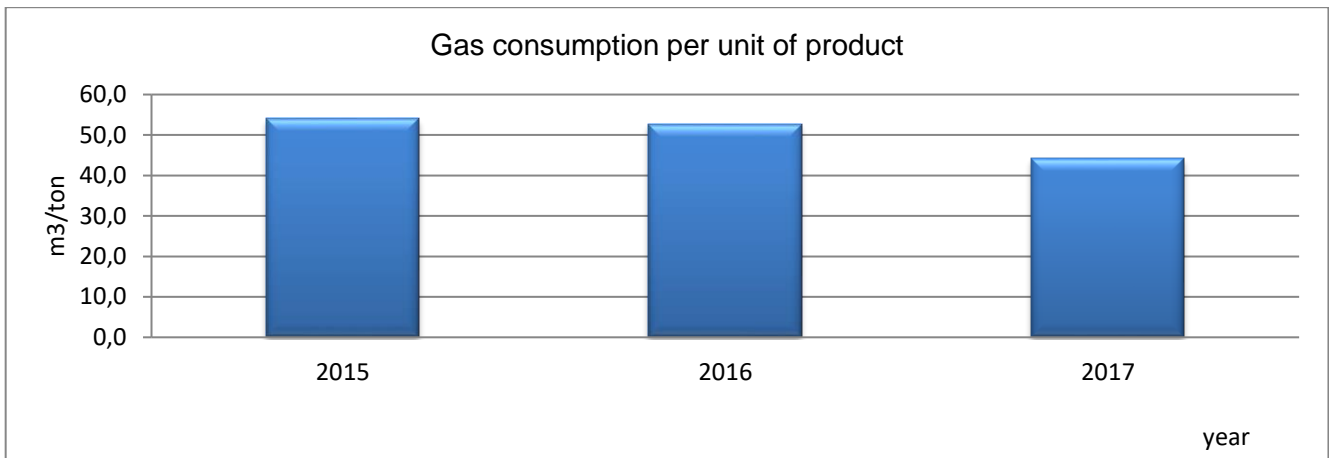
The energy used within the organization refers to the consumption of electric energy, natural gas, steam, fuel oil and fuel (fuel is used for transport within the organization and transport of people and products outside the organization). The energy used comes from non-renewable sources.



Energy intensity

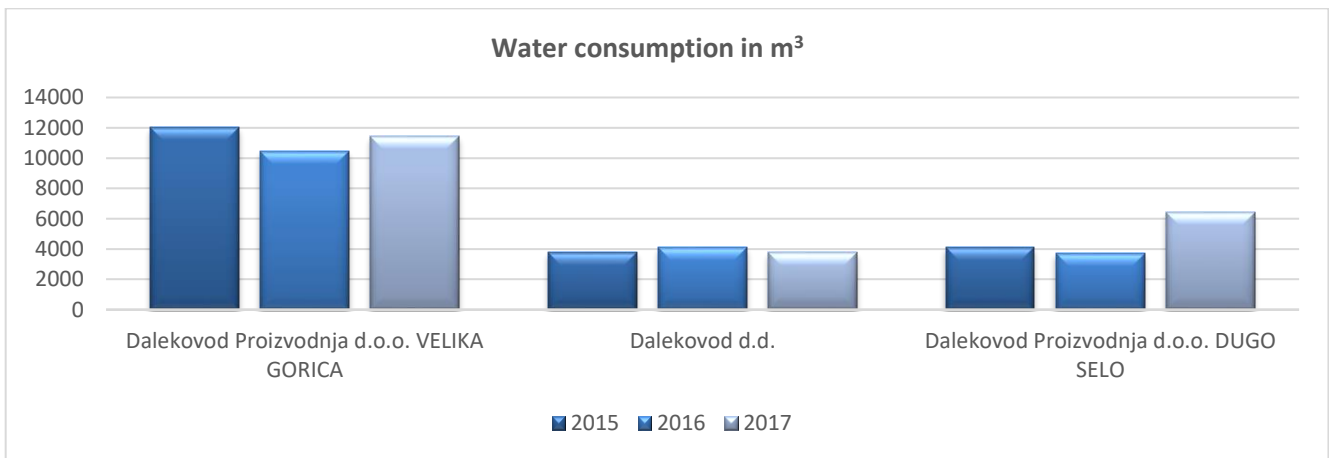
Electric energy consumption per unit of product is the most significant for the Velika Gorica location. Natural gas consumption per unit of product defines the energy intensity for the Dugo Selo location.





Water consumption

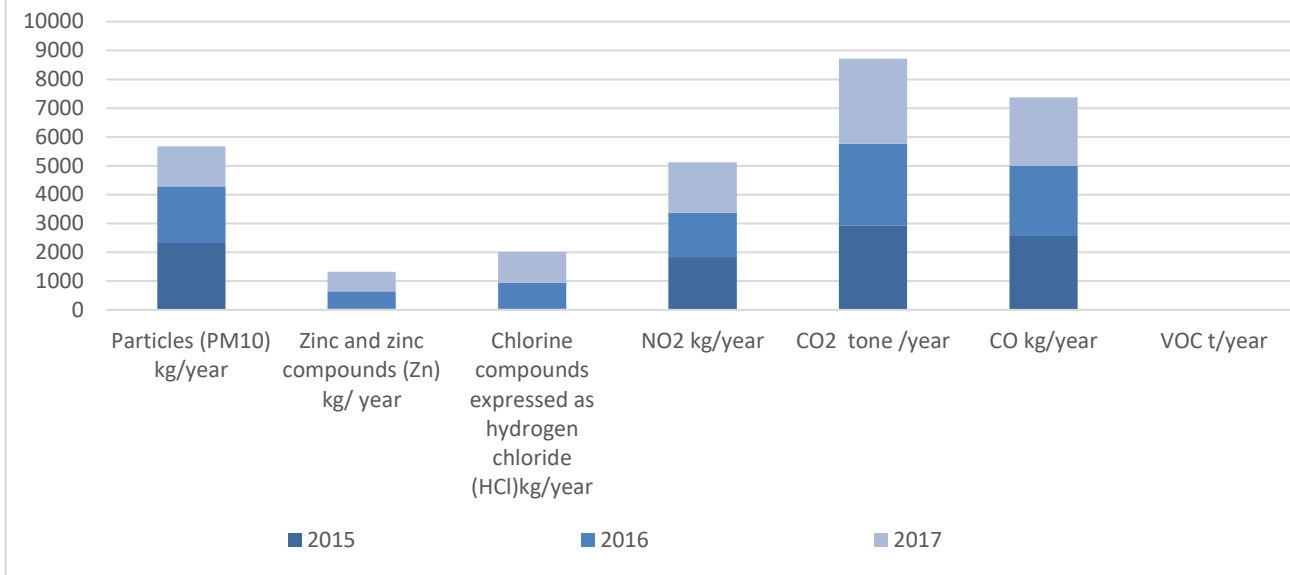
Water is supplied from local waterworks. Water consumption is monitored according to purpose: sanitary water, technological water, cooling water and reclaimed water. More than 65 % of the spent water refers to sanitary water consumption. In 2017, water consumption at the Dugo Selo location increased due to a pipeline burst. Additional water meters were installed at the key points of consumption.



Emissions

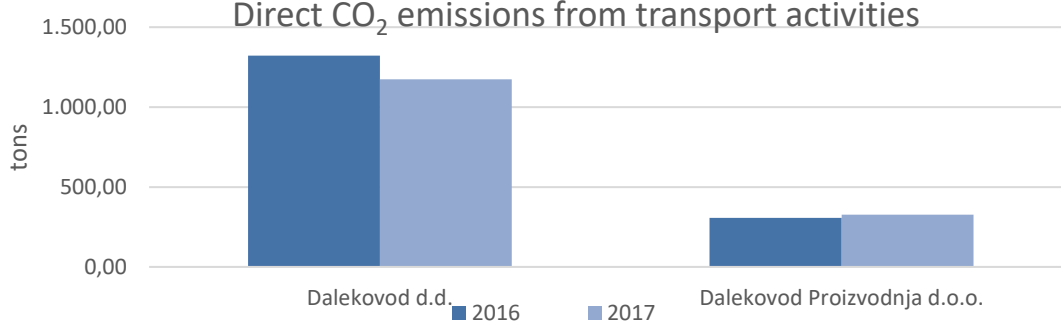
Direct greenhouse gas emissions in Dalekovod Proizvodnja d.o.o. occur at the Velika Gorica location from fuel oil combustion during the mechanical room operation, and at the Dugo Selo location from gas combustion during the mechanical room operation and from combustion for the needs of process technology. The emissions of particles, zinc, zinc and chlorine compounds and VOC occur during technological processes. Measurement of technological process emissions for Dalekovod proizvodnja d.o.o. at the Dugo Selo location is regulated in Decision on integrated environmental protection conditions from 2013 as well as in Decision on amendments to the decision from 2017.

Direct GHG emissions to air for Dalekovod Proizvodnja at the Velika Gorica and Dugo Selo locations



Direct emissions have also been calculated on the basis of fuel consumption for the transport of materials and employees.

Direct CO₂ emissions from transport activities



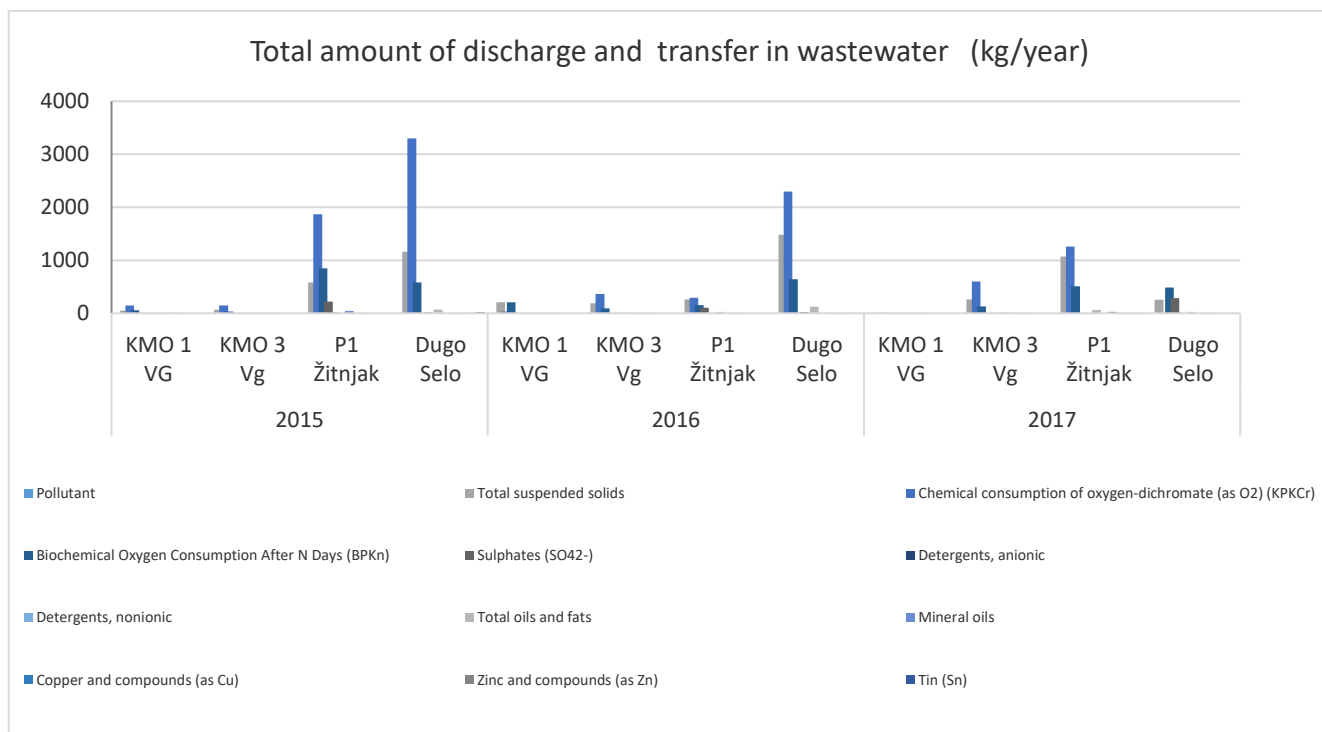
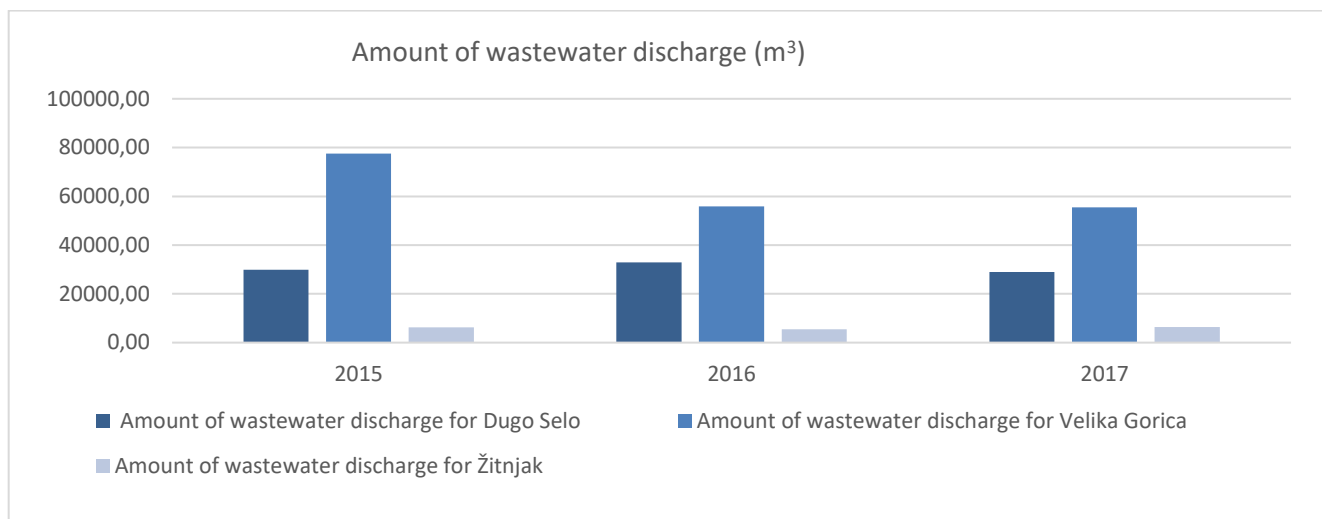
Indirect emissions refer to the consumption of electricity for the operation of machines, air conditioners.

Energy indirect GHG emissions



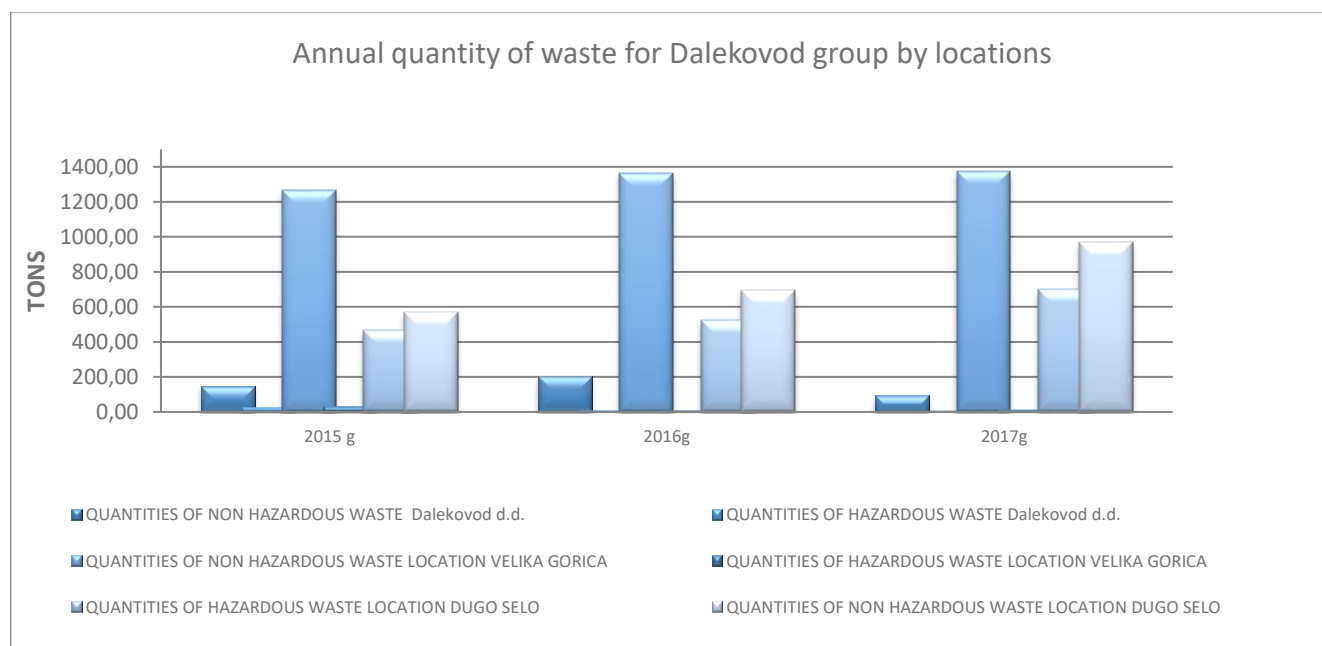
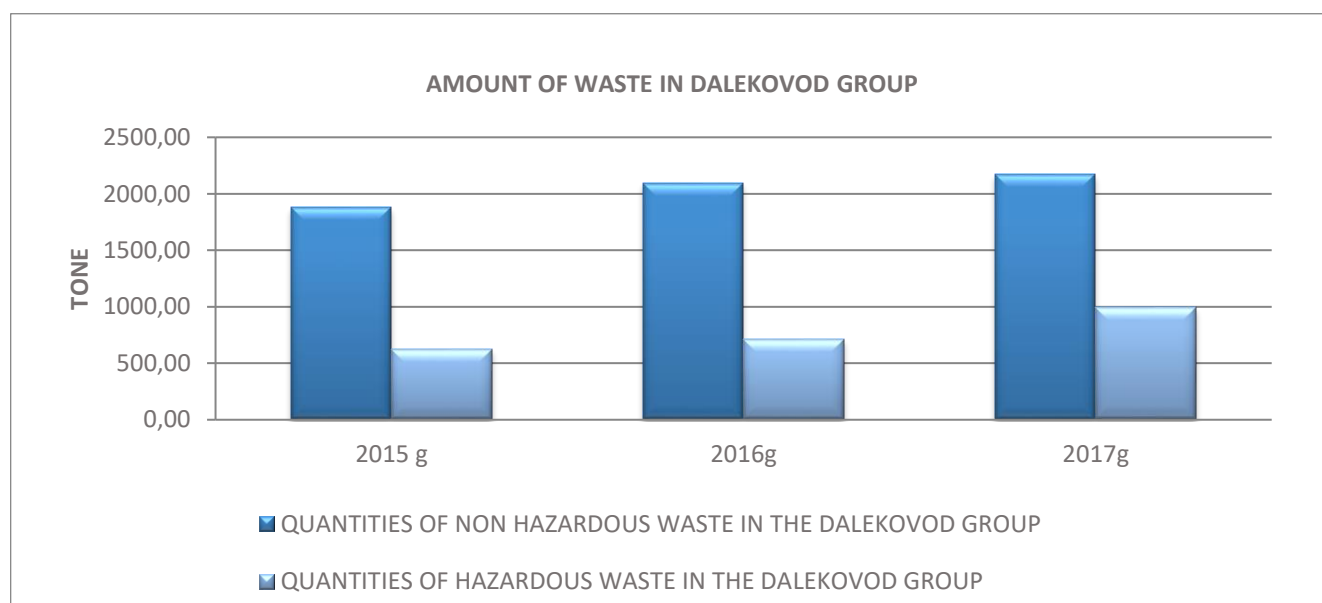
Effluents and waste

Water discharge includes all discharge water and rainwater from its own locations. At the location Dugo Selo, sanitary water and rainwater are discharged, technological water is not released into the recipient. At the Velika Gorica location all water from the manipulative surfaces as well as water from technological processes is discharged through the separator. All tests are performed by an accredited laboratory. At the sites of Velika Gorica and Žitnjak, all the tests are carried out in accordance with valid water permits, at the location of Dugo Selo in accordance with the Decision on integrated environmental requirements. All wastewaters through the public sewerage network are discharged into the water area of the Sava river. In 2017, new water rights permits were granted for Žitnjak and Velika Gorica.



Waste management

Wastes are selected, collected, temporarily disposed and dispatched in accordance with legal requirements. For storage of production waste at our own locations we have been registered in the register of certain persons who are storing their own waste. When disposing of waste, the applicable legal documentation that accompanies waste is fulfilled. Waste is handed over to the waste collectors who have a Waste management license. From non-hazardous waste, the highest percentage of waste generation refers to recyclable metal waste, the most significant hazardous waste is hydrochloric acid generated in the process of chemical treatment before hot deep galvanizing process.





Regulatory compliance

The monitoring of legislation is conducted systematically. The procedure is as follows: continuously review the official website of the Official Gazette (Narodne novine), www.nn.hr, is checked whether a new issue of the Official Gazette has been published. All beneficiaries receive information on new changes by email. Operating procedures of the management system are aligned if there have been significant amendments to legislation that affect Dalekovod. Once annually, an assessment of alignment of the management system to legislation is conducted. On foreign construction sites, legal regulation is done on portals of ministries responsible for: environmental protection, health and safety and construction. In 2017, Inspection of Environmental Protection and Water Inspection was carried out in Dalekovod, d.d., no compliance with the regulations was established. In Dalekovod proizvodnja d.o.o. Inspection of environmental protection was carried out at Dalekovod proizvodnja at location Velika Gorica.

Due to non-compliance with laws and regulations relating to environmental protection Dalekovod did not have to pay fines or non-monetary sanctions. Up till now there were no fines imposed and no non-monetary sanctions for non-compliance with environmental laws and regulations.

Total environmental protection expenditures and investments by type


Total expenditures include waste management, wastewater management, tracking and remediation for emissions in air, expenditures for external employee training and, related to environmental protection, salaries of employees in the environmental management system and costs of external certification of the environmental management system. In the period under examination, there were no significant investments for the purchase of equipment, materials with the purpose of reducing pollution. There were no monetary fines for remediation of spills, as well as non-compliance with environmental laws and regulations.

Vendor assessment with respect to environmental impact

Dalekovod has in place a defined list of eligible vendors. Dalekovod vendors that are certified according to ISO 9001, ISO 14001, OHSAS 18001 are automatically entered on the list of eligible vendors, while those that do not have a certified system are checked out by a specified questionnaire. Removing the vendor or changing vendor ranking on the list depends on its significant negative impact

Biodiversity

Our factories at the Dugo Selo and Velika Gorica locations, as well as offices with workshop for maintenance of tools and mechanization at the Žitnjak location are not situated in areas of high value in



terms of biodiversity and protected areas. One of Dalekovod's main business activities is the construction of power transmission lines. The construction takes place in a natural environment, with all the necessary permits and in compliance with national ecological networks, which are adhered to already in the design phase. Avoided in this manner are any negative impacts on protected areas, including biodiversity. Works are performed in periods when they have the smallest impact on biodiversity. During work, it is forbidden to harass and hunt animals and feed wild animals. Seed forests are in accordance with the documentation of the investor or according to national laws. We always try to avoid or minimize any consequences on land use, overhead and groundwater, cultural sites and biodiversity. For impacts that cannot be completely avoided, compensation measures are taken to reduce their impact. Participation and communication with the investor and the interested party (local community, legislative bodies) are important for increasing transparency and meeting the expectations of interested parties.



SOCIAL DIMENSION

HEALTH AND SAFETY AT WORK

Organization of the Safety at Work Committee at the Dalekovod Group

Management Board of Dalekovod d.d. establishes a Safety at Work Committee (hereinafter referred to as the Committee) at the level of the entire Company.

The Management Board decides on the appointment of the President, deputy and Board members

Management Board of Dalekovod Proizvodnja d.o.o. decides about appointing two committees one at Velika Gorica and the other at Dugo Selo.

Management Board of Dalekovod Projekt d.o.o. establishes the Committee and appoints Committee members.

Workers delegates and their Coordinator were elected at the proposal of the Workers' Council, and the union organization in Dalekovod d.d.

Workers delegates in Dalekovod proizvodnja d.o.o. were selected based on proposals by the workers, the Workers' Council and the trade union organization.

Employee delegate in Dalekovod Projekt d.o.o. has been chosen on workers proposal.

Members of the Safety at Work Committee:

- a) Chairman of the Board - Employer's Representative
- b) Deputy Chairman of the Committee - Occupational Safety Expert
- c) authorized representatives of Business Units
- d) Workers' delegates or their coordinator- elected representatives of workers
- e) competent occupational safety specialist
- f) a specialist in occupational medicine (contracted work medicine service),

The Chairperson of the Board or his Deputy convenes a session at least once in three months and defines the agenda depending on the current issue of safety and health at work, regarding the planning and monitoring of the application of the rules on occupational safety.

If the President fails to convene a session within that period, the delegate or Coordinator of delegates, or Works Council or a Trade Union Commissioner with the rights and obligations of the Works Council, has the right to convene a session of the Committee.



Goals and activities of the Committee

- by proposing preventive activities to influence the prevention of incident situations, work-related disorders, work injuries, and work-related illnesses
- proposing activities to strive for a constant improvement of working conditions and improvement of occupational safety
- Encourage risk reduction in all work processes and workplaces
- contribute to the achievement of permanent health protection of all employees
- planning and monitoring the training and notification of workers from safety at work


To achieve these goals, the following activities are undertaken:

- a) define the objectives of safety and health protection as well as plans and programs for their realization in the implementation of legal provisions on occupational safety
- b) define activities that will measure system efficiency and oversee the implementation of corrective and preventive activities that have been adopted at sessions of the Safety at Work Committee.
- c) define priorities in undertaking necessary activities.
- d) to improve co-operation between heads of services and units in solving problems encountered in the Health and Safety Management System.
- e) to propose methods of continuous improvement of working conditions i.e. undertaking preventive activities to reduce the risk of work injuries and occupational illnesses related to work, and to supervise their implementation.

Co-ordination of activities related to organization of Board sessions, collecting input data, and drafting the minutes, is responsibility of Chairman of the Board in co-operation with Occupational Safety Expert.

Minutes from sessions of the Committee are submitted to all members of the Committee and the Workers' Council.

Suggestions for improvement measures and responsible decision-makers who are part of the minutes are sent to the Chairman of the Board for approval.



In Dalekovod d.d., Dalekovod proizvodnja d.o.o. and Dalekovod Projekt in 2017, four sessions were held, with participation of Committee members, representatives of the Workers' Council, trade unions, directors of certain sectors in Dalekovod, as well as members of the Management Board.

A total of 37 improvement measures were adopted in 2017.

Supervision and communication within the activities of the Committee

A total of 270 employees who work at Dalekovod d.d. location Marijana Čavića 4 in Zagreb, are under the direct supervision of the Committee in Dalekovod d.d.

Other 480 employees, who work on domestic and foreign construction sites, communicate via selected delegates with the Coordinator of Workers' Commissions at headquarters.

Records from the Committee are delivered to all domestic and foreign construction sites.

Employees in Dalekovod proizvodnja d.o.o. have two committees, which allows workers at both locations to communicate directly with their commissioners at the site.

All of 89 Dalekovod Projekt d.o.o. employees, are under the direct supervision of the Committee because they work at the location of Marijana Čavića 4, Zagreb

Analysis of injuries in 2017 for Dalekovod Group

The total number of injuries that were recorded in 2017 was 29.

Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

Dalekovod d.d.

| Working hours | 2017 1217000 |
|--|-----------------|
| Injuries/Incidents/Cases | |
| Fatalities | 0 |
| HSE Total Recordable Injuries | 12 |
| Lost time Injuries | 10 |
| Loss of consciousness | 0 |
| Injuries requiring medical treatment (MTI) | 2 |
| Incident requiring first aid | 5 |
| Restriction of work | 5 |
| Cases of substitute work due to injury | 0 |
| Dangerous Occurrences | 1 |
| Near Hits/Misses | 98 |
| HSE/HSA or equivalent improvement notices | 0 |
| HSE/HSA or equivalent prohibition notices | 0 |
| HSE/HSA or equivalent prosecutions | 0 |

Total Recordable Injury Frequencies (TRIF)

LTI - value = $(N \times 200.000) / T$

N = Total number of fatalities, lost time injuries, incidents requiring medical treatment, loss of consciousness, cases of substitute work due to injury

T = Number of hours worked during the year

TRIF

Calculation for 2017 = 1,97

Lost Time Injury Rate (LTIF)

LTI - value = $(N \times 200.000) / T$

N = Total number of accidents, causing a sick leave of at least one day

T = Number of hours worked during the year

LTIF

Calculation for 2017 = 1,64

Severity Rate (SR)

SR - value = N / T

N = Total number of lost workdays

T = Total number of recordable incidents

| |
|-------------------------------|
| SR |
| Calculation for 2017 H = 40,5 |

Dalekovod proizvodnja d.o.o.

| Working hours | 2017 1037000 |
|--|-----------------|
| Injuries/Incidents/Cases | |
| Fatalities | 0 |
| HSE Total Recordable Injuries | 17 |
| Lost time Injuries | 16 |
| Loss of consciousness | 0 |
| Injuries requiring medical treatment (MTI) | 0 |
| Incident requiring first aid | 3 |
| Restriction of work | 0 |
| Cases of substitute work due to injury | 1 |
| Dangerous Occurrences | 0 |
| Near Hits/Misses | 15 |
| HSE/HSA or equivalent improvement notices | 0 |
| HSE/HSA or equivalent prohibition notices | 0 |
| HSE/HSA or equivalent prosecutions | 0 |

Total Recordable Injury Frequencies (TRIF)

LTI - value = $(N \times 200.000) / T$

N = Total number of fatalities, lost time injuries, incidents requiring medical treatment, loss of consciousness, cases of substitute work due to injury

T = Number of hours worked during the year

| |
|-----------------------------|
| TRIF |
| Calculation for 2017 = 3,10 |

Lost Time Injury Rate (LTIF)

LTI - value = $(N \times 200.000) / T$

N = Total number of accidents, causing a sick leave of at least one day

T = Number of hours worked during the year

LTIF

Calculation for 2017 = 3,27

Severity Rate (SR)

SR - value = N / T

N = Total number of lost workdays


T = Total number of recordable incidents

SR

Calculation for 2017 H = 43,8

Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:

| incidents of non-compliance with regulations resulting in a fine or penalty in 2017 | | |
|---|-------------------------|--|
| No | consequence | cause |
| 3 | termination of contract | violation of the rule of non-use of narcotic |
| incidents of non-compliance with regulations resulting in a warning notice in 2017 | | |
| No | consequence | cause |
| 1 | Warning notice | insulting colleagues |
| 1 | Warning notice | Working without PPE |
| 2 | Warning notice | Irresponsible behavior |
| 8 | Warning notice | Violence of safety rules |
| 1 | Warning notice | Violence of procedures |
| incidents of non-compliance with voluntary codes. | | |
| Nr | consequence | cause |
| / | / | / |



The company is in the scope of campaign “Safety culture” determine the rules which workers should follow at the workplace

THE LUCKY 13

During work hours:

- I am not under influence of drugs or alcohol
- While driving, I use a safety belt, hands free equipment and drive according to the conditions on the road

On the construction site:

- I follow the two-barrier rule
- I use the mandatory personal protective equipment
- I use the fall protection equipment for safe working at height
- I secure excavations and open pits
- I do not walk under a suspended load
- I respect the safety zones around working machinery
- I put hazardous and explosive substances under lock and key

In vicinity of electrical installations:

- I follow the correct procedure during setting up and removal of earthing
- I check visible earthing on disconnected lines
- I check visible barriers and protections while working close to installations under voltage
- I make sure all the measures have been implemented to prevent people and machines coming within the outer limit of the live working zone.

EMPLOYMENT, DECENT WORK AND HUMAN RIGHTS

The social sustainability dimension concerns the impact of the organization on social systems within which it acts. In this report, it is divided into segments of employment, decent work and human rights, society and responsibility for the product.

An important strategy guideline of Dalekovod D.D. is directing the development of the Dalekovod Group towards creating a company of knowledge based on the quality of human resources and total intellectual capital.

Because of increased demand for competitiveness, professional development of employees and efficient management of human resources are considered the most important priorities of the organization. When determining labor relations and internal organization, the Dalekovod Group companies comply with applicable regulations, collective and individual agreements and protect human and civil rights, the dignity and reputation of every employee. Neither discrimination nor harassment of employees due to their sex, race, religious, national or political orientation, physical defects, age, family status, personal characteristics or convictions is allowed. The equal salaries for equal work principle is applied in the entire organization. Dalekovod D.D. ensures safe working conditions, which implies minimum differences in health and safety, providing suitable training and insurance from consequences of such risks, where applicable.

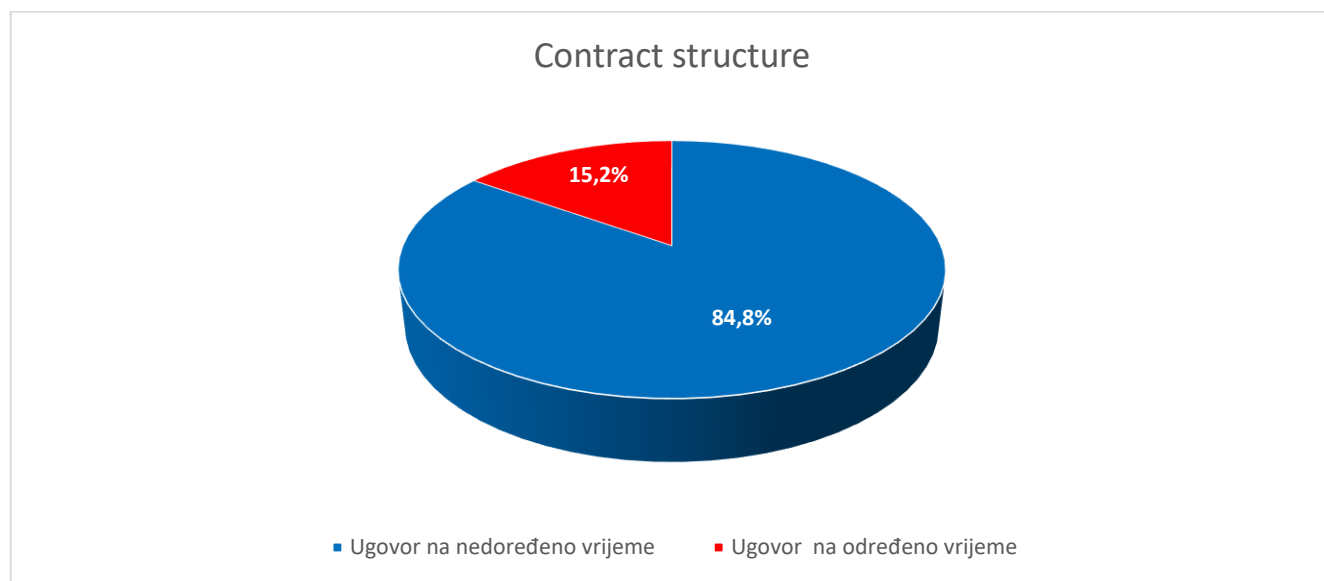
The freedom of association and collective negotiation is not limited, and rights specified by the Collective Agreement extend beyond legal rights and are above average in the industrial sector. In the event of violation of legal or contractual rights, an employee or an associate is entitled to seek resolution of the problem caused and the protection of his/her own rights. Persons with permanent or temporary specific requirements shall, at the time of employment or while performing their work obligations, be treated equally, however, their specific requirements shall be taken into consideration. The Human Resources Department oversees the area of employment. A common policy compliant with the policy of Dalekovod D.D. is implemented (parent company).

Employment and structure of employees

Permanently employed persons work abroad in representative offices and subsidiaries, depending on requirements. The local labor force at construction sites is subject to the requirements of carrying out larger projects in distant areas and is employed on a temporary basis. In Scandinavian countries, where Dalekovod has the largest presence, local management with the knowledge of the local language is employed with aim to further develop this market.

Trends in the labor force area indicate that the inflow is mainly related to recent employment of younger and highly educated staff, but also with specialist knowledge (electro-mechanics, locksmiths, carpenters) because of working requirements at construction sites, while the outflow is mainly related to retirement of employees.

In Dalekovod d.d., employees work for an indefinite period, full-time, while employees hired for a definite period possess, during the period of their employment agreement, the same rights as those employees working full-time, in compliance with applicable regulations.



Collective agreements and employees' rights

The first collective agreement was concluded on 14 June 1996 with the Croatian Metalworkers' Labor Union – Velika Gorica Subsidiary, Croatian Construction Labor Union – Dalekovod subsidiary, Croatian Labor Union Association, Vinkovci Democratic Protection Community and Dalekovod Labor Subsidiary, and it is applied to all employees. The Collective Agreement has been revised several times. The recent changes and amendments were adopted in 2016. Announcements that refer to important changes in business operations are given in compliance with the Labor Act and are not specifically mentioned in the Collective Agreement. Announcements about significant changes in business operations are given to the Workers' Council, that is, if it has not been organized in a company, to the principal labor union commissioner.

Health and occupational safety

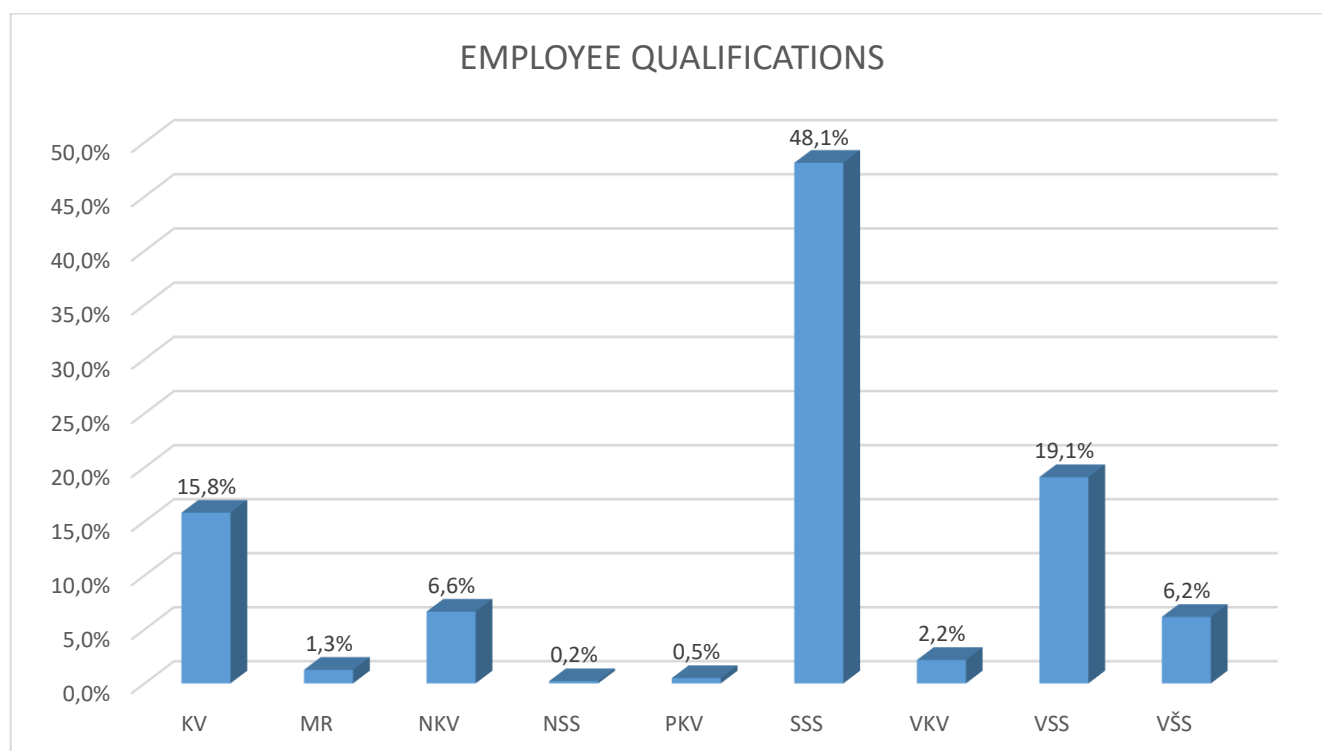
There are two Occupational Safety Boards in Dalekovod LLC. The boards consist of authorized persons of the company and employee representatives for every business unit, and two experts for occupational safety and occupational physician. The board session is convened at least once every three months.

Training and education


Dalekovod Group companies are constantly working on the professional and personal development of employees, from the moment they are hired to the present. Trainees, who are employed for the first time after completing their education, are introduced into the jobs and assignments for their posts by the companies that hire them.

Trainees are introduced to the organization, the entire production program, references, marketing and promotional activities, corporate social responsibility and other activities in Dalekovod Group. As part of their training, they visit factories at the Dugo Selo and Velika Gorica locations, and are introduced to their production processes.

Employee training and development is an important task that is conducted by the Human Resources Department. The quality, frequency and right timing for the training and development of employees have a significant impact on the sustainability and competitiveness of the companies.



The education program attempts to adapt to the requirements of the companies, and it is becoming increasingly complex, and includes in itself the required qualifications for the current job (for instance, training for bridge crane operator, training for chainsaw and rotating tools operator etc.), the possibility of expanding knowledge of tasks that employees conduct – supplementary training and the possibility for advancement of motivated and capable individuals.



The education program adapted to employee requirements is divided into several forms of education: acquisition of IT knowledge, learning foreign languages, certification exams, as well as various training (various professional seminars, education program for managers, undergraduate study program, graduate study program, doctorate program).

Furthermore, the Human Resources Department encourages the learning and improving of foreign languages, which is organized in accordance with the requirements of their jobs, and languages are also learned depending on company needs in specific markets such as Norwegian or other Scandic languages.

Pursuant to the Occupational Safety Act, a certain number of workers are qualified to administer first aid. For every 50 workers, one worker is trained in first aid. Therefore, it must be said that, due to the well-organized security and occupational safety system, as evidenced by the low rate of injuries and cases of professional incompetence, there was no need to further extend risk counseling, prevention and control.

Regarding communication with employees, regular meetings of teams, departments and direct supervisors are held. Communication with employees is conducted via the e-mails svi_Dalekovod.dd@dalekovod.hr, the spokesperson, and by means of various Company decisions and announcements.

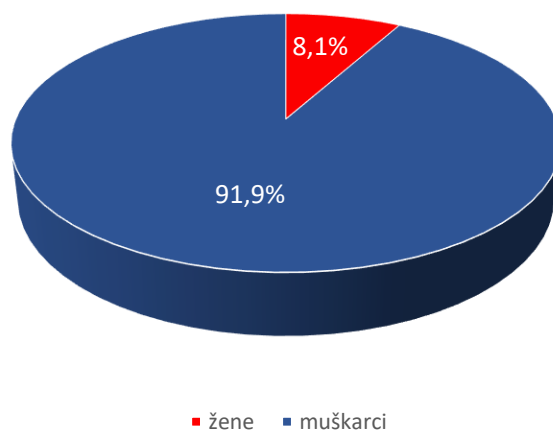
Percentage of employees who receive a regular rating for work performance and individual development.

Work performance and individual development is monitored with 60% of employees.

Diversity and equal possibilities

The composition of managerial bodies and the structure of employees by categories according to gender, age groups, belonging to minority groups and other variety indicators. The ratio between basic salary for men and women according to the employee category Basic salary for men and women is identical in all employee categories.

EMPLOYEE GENDER STRUCTURE



Human rights

No cases of discrimination based on gender, race, age, national orientation, political and religious convictions and other applicable criteria have been recorded. The principles of equality and uniformed criteria are complied with when managing human resources and making other relevant business decisions.

Freedom of association and collective negotiation

Within all companies of the Dalekovod Group and in all other business activities, there is the freedom of association and collective negotiation. No cases of their restriction have been recorded. This applies to business activities outside of Croatia as well.

Community

The level of activities in which Dalekovod Group members are present at specific locations and in specific communities is not sufficient to be able to systematically monitor the impact of business activities on the above communities.

Child labor, compulsory and forced labor

Dalekovod D.D. conducts its operations in compliance with applicable legal regulations that prohibit child labor. Dalekovod D.D. thereby conducts its operations in accordance with the Constitution and applicable legal regulations prohibiting forced and compulsory work.



DONATIONS AND SPONSORSHIPS

In accordance with its development strategy as a social responsible company, Dalekovod has for years been active in sponsoring science and education, culture and the arts, sports and sustainable development and health. There is a significant impact on humanitarian activities as well. The aim is to create a society based on knowledge and to create opportunities for young people.

SOCIAL AND RECREATIONAL ACTIVITIES

Mountaineering Association "Dalekovod"

During the 1980s, a group of enthusiasts and aficionados of nature and companionship decided to found the "DALEKOVOD" Mountaineering Association. Today, the Association draws together many members and it has numerous programmes which serve both for companionship and to show people the way of responsible behavior towards the nature. The company encourages and finances the activity of the mountaineering association throughout the year.

DESCRIPTION OF PRODUCTS AND SERVICES

Over time, Dalekovod d.d. has become specialized in performing contracts on a turnkey basis in the following areas:

- electrical facilities, especially transmission lines between 0.4 and 750 kV
- transformer stations of all levels and voltages up to 500 kV
- air, underground and underwater cables up to 110 kV
- telecommunication facilities, all types of networks and antennas
- production of suspension and joining equipment for all types of transmission lines and transformer stations between 0.4 and 750 kV
- production and installation of all metal parts for roads, especially for road lighting, security barriers and traffic signals, tunnel lighting and traffic management
- electrification of railway tracks and tramways

MANAGEMENT BOARD

Alen Premužak – Chairman of the Management Board

Helena Jurčić Šestan – Management Board Member

Marko Jurković – Management Board Member

Ivica Kranjčić – Management Board Member

Ivan Kurobasa – Management Board Member

SUPERVISORY BOARD

Marko Lesić – Chairman of the Supervisory Board

Ivan Peteržilnik – Deputy Chairman of the Supervisory Board

Krešimir Ružđak – Supervisory Board Member

Vlado Čović – Supervisory Board Member

Hrvoje Markovinović – Supervisory Board Member

Milan Račić – Supervisory Board Member

Marko Makek – Supervisory Board Member

Mirela Tomljanović Radović – Supervisory Board Member

Rajko Pavelić – Supervisory Board Member

AUDIT COMMITTEE

Krešimir Ružđak – Chairman

Marko Makek – Vice Chairman

Mladen Štahan – Member

Dalekovod Dioničko društvo za inženjering, proizvodnju i izgradnju

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E-mail: dalekovod@dalekovod.hr

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IBAN: HR8323600001101226102, ZABA Zagreb

Reg. No. (MBS): 080010093, Commercial Court in Zagreb

Stat. No. (MB): 3275531

PIN (OIB): 47911242222

Activity code: 4222 (Construction of utility projects for electricity and telecommunications)