



SOCIAL  
RESPONSIBILITY  
REPORT

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2013

## DALEKOVOD GROUP

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## GENERAL STANDARD INFORMATION



### STRATEGY AND ANALYSIS

#### Introductory note by the President of the Management Board

In 2013, Dalekovod JSC faced numerous challenges in its business operations, primarily due to the recession, which is still present in Croatia. Dalekovod's business operations were further marked by the administrative settlement process, which we underwent last year. The agreement process with our creditors was supposed to be completed in an extremely short timeframe, however, due to the lack of alignment of legislation and judicial practice, over a year was necessary to conclude a settlement. Due to the stated circumstances, Dalekovod faced numerous difficulties in signing new deals, as well as additional challenges in its everyday business operations.

After the successful completion of the administrative settlement process, we began to focus on our core business – the design, production and construction of transmission lines, as well as accompanying infrastructure, as part of which we additionally develop sustainable business operations and introduce new business processes, in order to be able to achieve our long-term sustainability goals. Dalekovod's focus in the forthcoming period is to strengthen exports and attract foreign investments, and more specifically to build transmission lines, substations and infrastructure facilities.

Despite facing numerous challenges in our everyday business operations, we have always kept in mind the implementation and the advancement of all areas related to sustainability. Due to the previously mentioned business conditions, in the short-term, we were concentrated on maintaining business operations and jobs, which were additional reasons for reducing the consumption of all resources, thereby further enhancing sustainability.

Given that we are one of the leading companies in the transmission line construction business segment, we always keep up to date with the trends followed by leading global companies, and in this manner we have remained at the very top of leading global companies. In production, we have introduced processes for lean and green manufacturing, which immediately had an effect on our business operations, and in the long-term it will contribute to protect the environment for future generations. A key event for our business operations was the successful conclusion of an administrative settlement, after which we focused on long-term goals, including among others the elaboration of an employee rewards program.

The main challenges in the upcoming period are certainly maintaining all jobs, which is why we have additionally committed to sustainable business operations.

Dalekovod, which has been in business for 65 years already, must always keep in mind future generations, to which we leave, among other things, our knowledge and experience. Although Dalekovod has been present for many years already in European countries, we are working on further strengthening our position in all foreign markets, since we have all the necessary predispositions as a leading company in the design, production and construction of transmission networks in Europe and beyond. Dalekovod's greatest assets are skills, knowledge and quality, as well as respecting delivery and construction deadlines.

In addition to the aforementioned, for several years already we have been working on development projects aimed at sources of renewable energy. Among other things, we have developed the wind power plant project.

Furthermore, taking into consideration the strategy of renewing transmission lines in Europe that was prepared by the European Union, as well as the individual member countries of the European Union, along with Norway, Sweden and other non-members of the European Union, it is estimated that, by the end of 2020, the investment cycle will, according to some estimates, amount to approx. 200 billion euro. A stronger focus on foreign markets has brought Dalekovod into a position to increase its exports, especially in the segment of suspension and jointing equipment, as well as steel lattice towers, and of course, in the segment of providing transmission line construction services. We believe that a significant number of the planned investments will be awarded to Dalekovod.

The level of investments in the Croatian market has slowed due to the economic situation, and, for this reason, there are fewer contract opportunities, while for the small number of investments for which there are tenders, in most cases, we encounter unfair competition. Nevertheless, we believe that an economic recovery will occur, and, in accordance with this, an increase in investments in infrastructure projects.

In the past year, we have been awarded new contracts in the Ukraine, Poland, Slovenia, Kosovo and other countries, while production is working at ever increasing capacities, and we hope for an increase in contracted jobs, which will give us a solid foundation for the future development of our sustainable business operations.

Respectfully yours,

President of the Management Board of Dalekovod JSC  
Goran Brajdić

## 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 JSC is a signatory of the UN Global Compact, we believe that, concerning financial and environmental indicators, the companies Dalekovod Proizvodnja LLC and Dalekovod Projekt LLC 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.

The Dalekovod Group consists of the following companies:

In the Republic of Croatia:

- Dalekovod JSC for engineering, production and construction
- Dalekovod Proizvodnja LLC for production and galvanizing
- Dalekovod Projekt LLC for design, supervision, consulting and engineering
- Dalekovod TIM JSC – expanded metals factory
- Unidal LLC for manufacturing of forged steel
- Dalekovod Professio LLC for real estate, trade, consulting, management and services
- Dalekovod OIE LLC for renewable energy resources
- Dalekovod EMU LLC for production, trade and services.

Worldwide:

- Dalekovod LLC Mostar, Bosnia and Herzegovina
- Dalekovod TKS Doboj a.d., structures and poles factory, Doboj, Bosnia and Herzegovina
- Dalekovod Inženjering in trgovina LLC, Ljubljana, Slovenia
- Dalcom LLC, Freilassing, Germany
- Dalekovod Poljska Spółka Akcyjna, Warsaw, Poland
- Dalekovod Ukrajina LLC, Kiev, Ukraine.

Subsidiaries:

- Dalekovod NUF, Tonsberg, Norway
- Dalekovod AG Zweigniederlassung, Freilassing, Germany
- Dalekovod Albanija, Tirana, Albania
- Dalekovod Skopje, Skopje, Macedonia
- Dalekovod Kazakhstan, Astana, Kazakhstan
- Dalekovod Ukrajina, Kiev, Ukraine
- Dalekovod utibu a Islandi, Keflavik, Iceland
- Dalekovod Švedska, Vesteras, Sweden.

Branch Office:

- Dalekovod Ukrajina, Kiev, Ukraine.

## Business activities of the Dalekovod Group

The Dalekovod Group is a modern organization which offers services including design, engineering, manufacturing and construction. The company has specialized in carrying out contract works based on turn-key solutions in the following areas:

- Electrical power utility, especially 0.4 to 1000 kV transmission lines
- Substations of all types and voltage levels up to 500 kV
- Air, underground and marine cables rated up to 110 kV
- Telecommunications utilities
- All types of networks and antennas
- Production of suspension and jointing equipment for all types of transmission lines and substations between 0.4 and 500 kV
- Development and construction of all metal parts for roadways, especially for: road lighting, protective fencing and traffic signalization
- Tunnel lighting and traffic management
- Electrification of railway and tramway lines in cities.

The Dalekovod Group has many years of experience in testing and quality control of its products, taking into consideration environmental protection and other ecological requirements. Special attention is given to work safety practices, fire protection, chemical protection and other protective measures at the work place.

## ISO systems

The Dalekovod Group has established and applied the following management systems:

- Quality management system
- Environmental management system
- Health management and occupational safety management system.

### // ISO standard

	ISO 9001	ISO 14001	OHSAS 18001	ISO 17025	EN 1090	EN 40	EN 1317
DALEKOVOD JSC	✓	✓	✓	✓			
DALEKOVOD PROIZVODNJA LLC	✓	✓	✓		✓	✓	✓
DALEKOVOD PROJEKT LLC	✓	✓	✓				
DALEKOVOD TIM JSC	✓	✓					✓
DALEKOVOD - TKS a.d.	✓						
DALEKOVOD EMU LLC	✓			✓			

Dalekovod Laboratory for electromechanics and chemical research is accredited in compliance with the requirements of the HRN EN ISO/IEC 17025:200710 standard, recognized by the Croatian Accreditation Agency.

## Ownership structure

Dalekovod is an entirely private joint-stock company. The company share capital amounts to HRK 229,381,200.00 and is divided in 2,293,812 A series common stocks, the nominal value of which is HRK 100 per share.

Two Employees Stock Ownership Plans have been implemented so far at Dalekovod – ESOP 2000 and ESOP 2001 in the year 2000 with 53% employees and in 2001 with 37% employees, in such a way that a total of 37% of the Company's share capital was sold to employees. The effects of the successful implementation of the ESOP program are also evident by the excellent operating indicators, to which the motivation of all employees of Dalekovod JSC has significantly contributed.

### // The position of securities in 2013

Owner/holder of account (VAT No.) / Co-beneficiary/holder of securities (VAT No.)	Status	[%]	Account type
1. SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/ AZ OBVEZNI MIROVINSKI FOND (59318506371)	245.626	8,57	Custody account
2. SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/ERSTE PLAVI OBVEZNI MIROVINSKI FOND (37688683890)	200.248	6,98	Custody account
3. TELEGRA D.O.O. (05002572170)	164.753	5,75	Basic account
4. HYPO ALPE-ADRIA-BANK D.D. (14036333877)/PBZ CROATIA OSIGURANJE OBVEZNI MIROVINSKI FOND (99318944138)	132.137	4,61	Custody account
5. DRUGI PARK D.O.O. (36197825327)	115.391	4,02	Basic account
6. PRVI PARK D.O.O. (51323952511)	90.259	3,15	Basic account
7. PBZ D.D. (02535697732)	80.863	2,82	Custody account
8. PBZ D.D. (02535697732)	55.571	1,94	Custody account
9. SOCIETE GENERALE-SPLITSKA BANKA D.D. (69326397242)/ AZ PROFIT DOBROVOLJNI MIROVINSKI FOND (22134623145)	49.004	1,71	Custody account
10. HRVATSKA POŠTANSKA BANKA D.D. (87939104217)/KAPITALNI FOND D.D. (08269700991)	44.071	1,54	Custody account
<b>Total:</b>	<b>1.177.923</b>	<b>41,08</b>	

The position of securities of the first ten accounts with the largest quantity of securities for the DLKV-R-A security can be seen at [www.sda.hr](http://www.sda.hr)

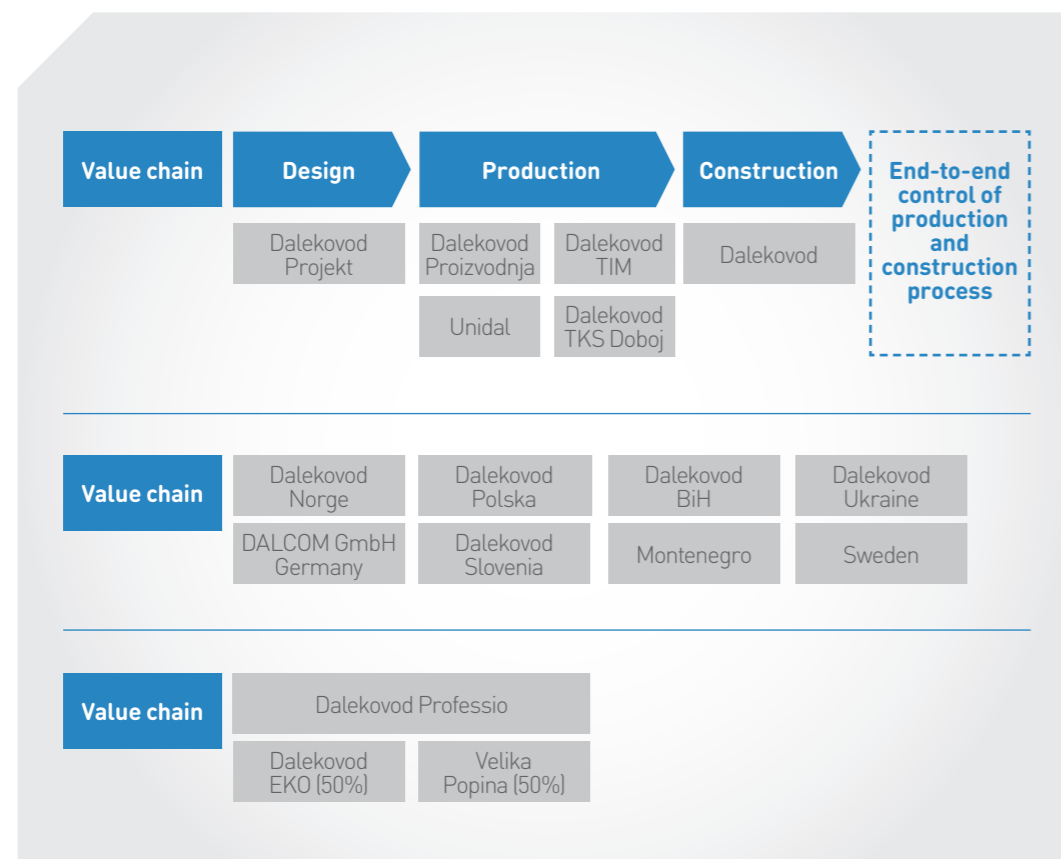
<b>Dalekovod JSC</b>	Registered shares: 2,293,812 series A
<b>Dalekovod Projekt LLC</b>	100% owned by Dalekovod JSC
<b>Dalekovod Proizvodnja LLC</b>	100% owned by Dalekovod JSC

## Fundamental business activities

According to Article 37, paragraph 3.4 of the Building Act (Official Gazette, no. 175/03 and 100/04) in connection with Article 353, paragraph 2, subparagraph 2 of the Town Planning and Building Act (Official Gazette, no. 76/07) and Article 3, paragraph 2 of the Regulation of conditions and standards for giving consent for initiation of construction (Official Gazette, no. 89/06 and 139/06), a consent has been obtained from the Ministry of Environmental Protection, Physical Planning and Construction for carrying out construction works and performing some individual works on structures which is available at <http://www.mzopu.hr/>.

This report points out the activities that Dalekovod JSC has obtained consent for:

1. Building structures of the first group of complexity (construction of buildings, engineering structures, low-rise construction and infrastructure)
2. Carrying out of some individual construction works on structures of the I, II, III, IV complexity group (construction of facilities, structures of engineering construction, low-rise construction and infrastructure, construction of roads, construction of railways, tunnels and underground structures, hydro-works, drainage and pipelines, demolition, earth works, geotechnical works, environmental development, development of sporting venues and playgrounds, interim construction works that require special performance and equipment, electrical installations and installations rated up to 1 kV, electrical installations and installations between 1 kV and 36 kV, electrical installations over 36 kV)



3. Carrying out less complex construction works on structures of the I, II, III, IV complexity group (final internal and external construction works on buildings, as well as installation and insulation works)
4. Carrying out specialist works on structures of the I, II, III, IV complexity group (construction works)

The above consent is in compliance with the activities entered in the Articles of Association of the company Dalekovod JSC.

## Organization size

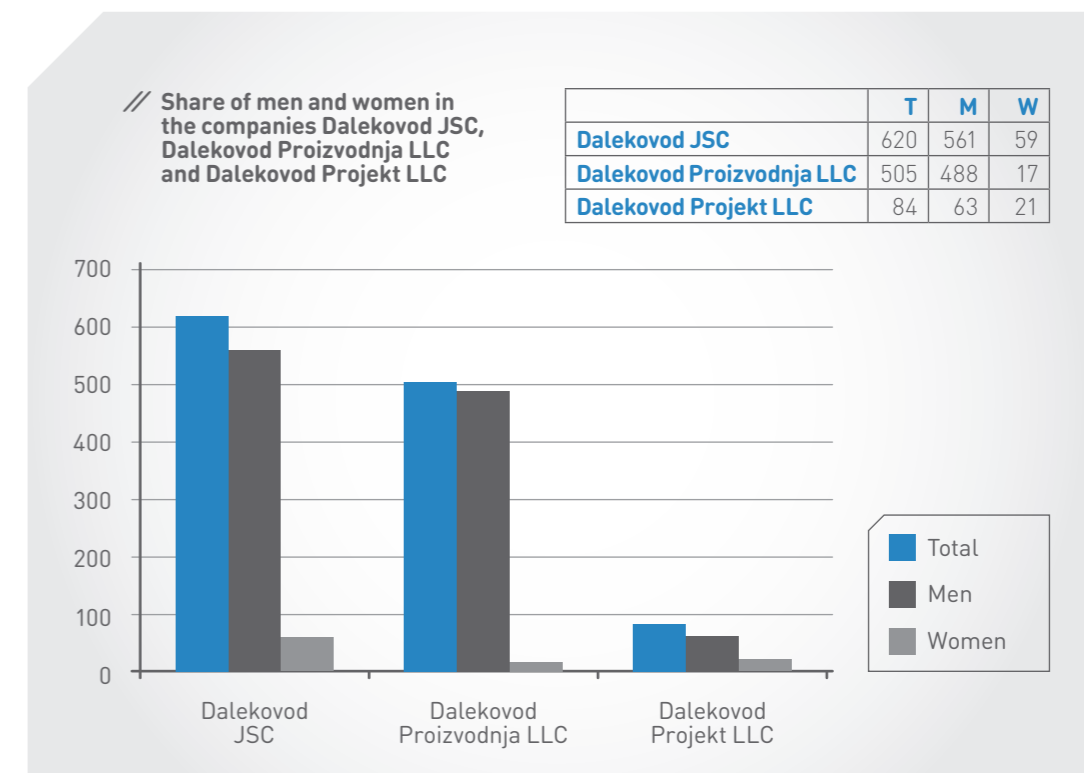
On 31 December 2013, the Dalekovod Group had 1209 employees.

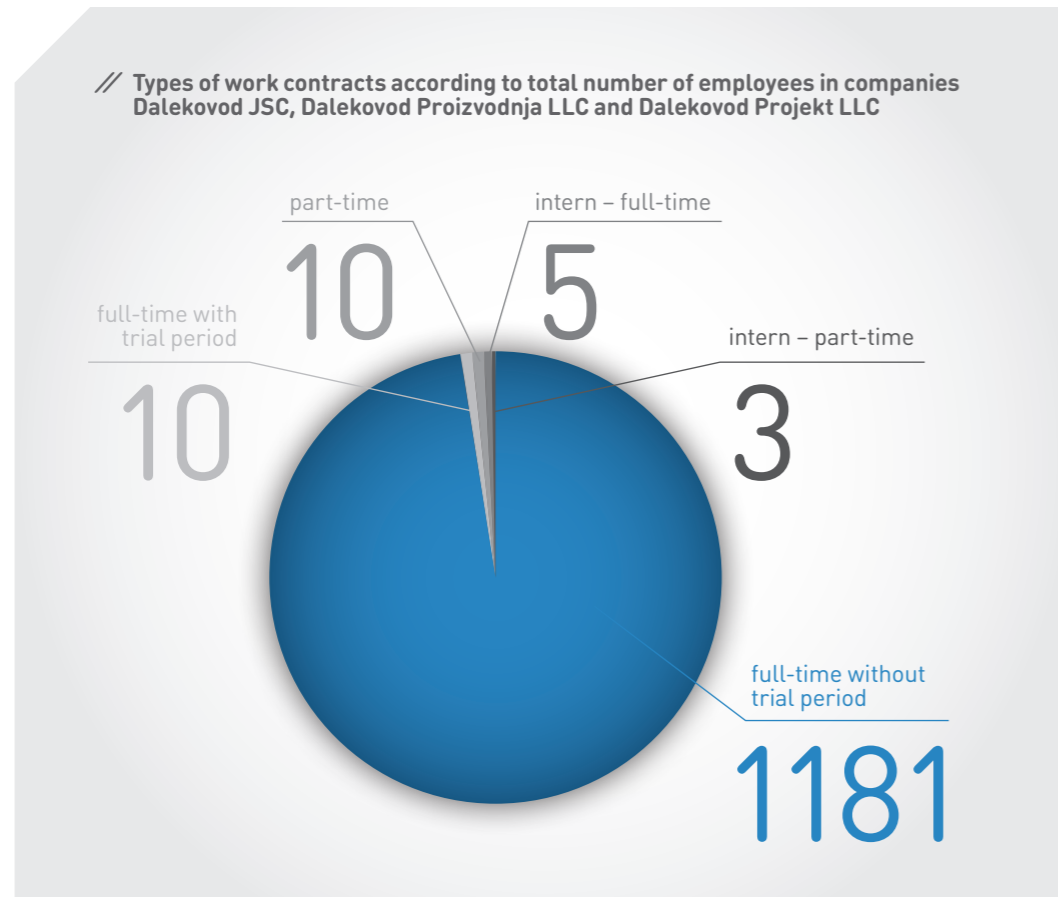
## Employee structure

Dalekovod JSC is a signatory of the UN Global Compact. However, since Group members Dalekovod Proizvodnja LLC and Dalekovod Projekt LLC have a significant impact on financial and environmental indicators, we believe that it is important to include them in this report. Here we will also provide an overview of the employee structure in Dalekovod JSC, Dalekovod Proizvodnja LLC and Dalekovod Projekt LLC.

## Dalekovod Group employee structure

Given the nature of its business activities, men are dominant in the employee structure.





## Supply chain

The total value of purchases in 2013 amounted to approx. 755,000,000.00 HRK, of which approx. 190,000,000.00 HRK is related to Dalekovod Proizvodnja. 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. Among others, particular emphasis should be placed on the fact that, last year, we concluded two annual contracts for the purchase of ferrous metallurgy, where our strategic suppliers were Bepro and Strojopromet. 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.

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)
- 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.

Owing to such memberships, experts working for Dalekovod JSC participate in professional meetings at home and abroad, contributing with their papers every year, where they present the work, solutions and products of Dalekovod JSC. By sponsoring and actively participating in the preparation and organization of meetings that are held in Croatia, Dalekovod JSC 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 JSC, 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.

## 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.

In order 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.

Particular importance in communication with stakeholders is played by the Dalekovod Novosti bulletin, which is distributed via e-mail and bulletin boards on a monthly basis.

Covered in the bulletin are all topics related to business, and permanent sections are dedicated to employees and their hobbies, leisure activities, education and other activities during and outside of working hours. Each issue covers topics related to stakeholders whose activities are supported in various ways (donations, sponsorships), as well as activities in the community and other. In addition to Dalekovod employees, the bulletin is uploaded to the Dalekovod website, [www.dalekovod.com](http://www.dalekovod.com), so that it can be viewed by providers of capital and shareholders, since all relevant announcements are published on the website. Dalekovod Novosti is also uploaded to Facebook and to the Dalekovod LinkedIn group. 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 (Dalekovod Novosti, 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\\_Dalekovodd.d@dalekovod.hr](mailto:svi_Dalekovodd.d@dalekovod.hr); [svi\\_projekt@dalekovod.hr](mailto:svi_projekt@dalekovod.hr) and [svi\\_Proizvodnja@dalekovod.hr](mailto: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](http://www.dalekovod.com), [www.dalekovod-tim.com](http://www.dalekovod-tim.com), [www.dalekovod-proizvodnja.com](http://www.dalekovod-proizvodnja.com), [www.dalekovod-projekt.com](http://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 JSC and all the above-listed companies within the Dalekovod Group are translated into English.

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.



## MANAGEMENT

The Company's Management Board consists of: Goran Brajdić (President of the Management Board) and members of the Management Board: Krešimir Anušić, Marko Jurković, Željko Lekšić.

At the meeting of the Supervisory Board held on 17 September 2013, Goran Brajdić was appointed President of the Management Board instead of Matjaž Gorjup.

Pursuant to the provisions of the Companies Act and the Articles of Association of Dalekovod JSC, the General Assembly makes decisions on the appointment and recalling of members of the Company's Supervisory Board. The Company's Supervisory Board has six members and consists of:

- Marijan Pavlović, LL.M.  
Position – President of the Supervisory Board
- Nataša Ivanović, MA (Econ)  
Position – Member of the Supervisory Board
- Dubravko Štimac, MA (Econ)  
Position – Member of the Supervisory Board
- Davor Doko, MA (Econ)  
Position – Member of the Supervisory Board
- Ante Ćurković, PhD, MEng  
Position – Member of the Supervisory Board
- Viktor Miletić  
Position – Member of the Supervisory Board – Works Council Representative

According to the authorities provided by the Companies Act, Articles of Association and Standing Orders of the operations of the Supervisory Board of Dalekovod JSC, the Supervisory Board overlooks the company's business operations. Sessions of the Supervisory Board are held at least four times annually (more frequently if required); members of the Supervisory Board often discuss the strategy and operational plan of the Company at such sessions. The Supervisory Board exclusively acts as a single body for management and supervision; sub-committees (commissions) with special responsibilities have been defined.

Dalekovod JSC is represented in the company Supervisory Board by representatives appointed by the Company. In compliance with the Labor Act, employees also have their representative in the Supervisory Board. The general shareholders influence on management processes is specified by the Companies' Act.

The fees payable to the members of the Supervisory Board are fixed and are not subject to their presence at meetings. The qualification and expertise of the members of the Supervisory Board for strategic management of the organization in terms of economic, environmental and social issues are not evaluated separately. However, the members of the Supervisory Board are expected to have expertise and abilities to recognize risks and circumstances arising from the operations of Dalekovod JSC and from its surrounding (which also includes the issues relating to social responsibility in business operations). For this purpose, additional training courses are scheduled for members of the Supervisory Board. It is necessary to additionally advance the Super-

visory Board's procedures for supervising the management of economic, environmental and social effects, including some significant risks and circumstances, as well as adherence to or compliance with internationally agreed standards, codes of conduct and principles.

The Supervisory Board has its sub-committees that make the work of the Supervisory Board easier through their actions, thereby discussing the issues within their scope of competence and contributing to giving proposals for decisions accompanied by reasons for and against acceptance thereof.

The Supervisory Board may form the following sub-committees:

- Subcommittee for strategy and relations with interest and influential groups
- Subcommittee for audit
- Subcommittee for appointment and rewarding.

## REPORT PROFILE

The Social Responsibility Report that Dalekovod prepares at the annual level has been prepared for the 1 January – 31 December 2013 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 2013 (for the 2012 calendar year). The person responsible for questions related to the report and its content is the Public Relations Manager. 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.

## 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 business 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

### ECONOMIC DIMENSION

Dalekovod JSC is traditionally assigned the role of one of the key economic entities in the production sector in Croatia – not only owing to its size, but also to its presence in international markets, technological potential and multiplicative effects on other companies, participants and all of society. Despite great changes in its surrounding and organization, during the period of transition, Dalekovod JSC retained its stability in business operations, and during the last few years it has strengthened its market position.

#### Aspect: Economic impact of the Dalekovod Group in 2013

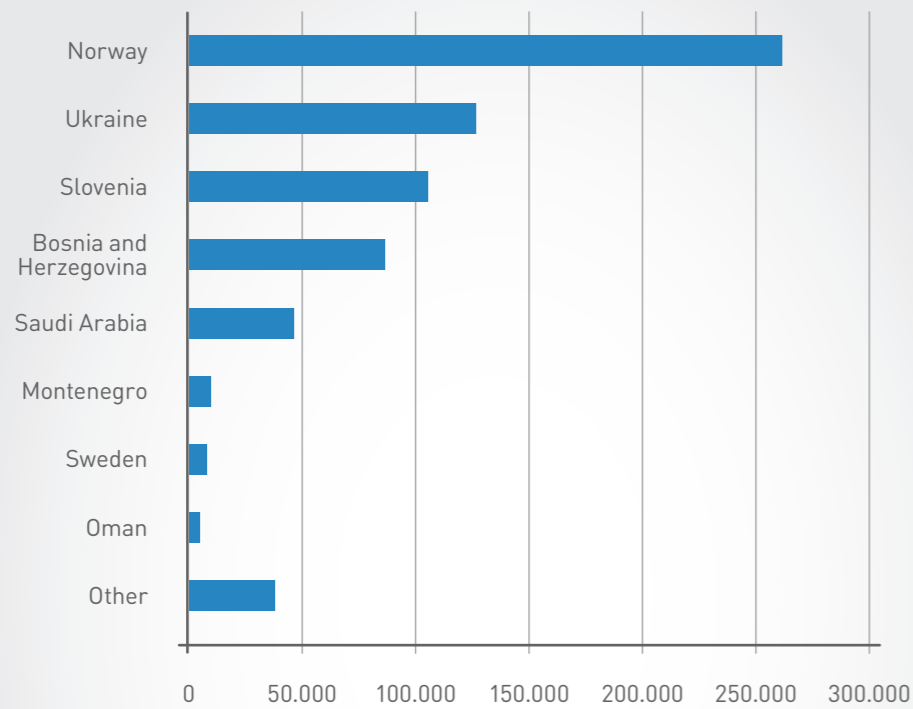
##### // Economic value generated and distributed by the Dalekovod Group in 2013

in 000 HRK	2011	2012	2013
Revenues from sales of goods and services	1.130.793	1.253.799	1.145.501
Material costs - raw materials and other materials, cost of services, cost of goods sold	791.175	950.590	734.904
Gross salaries	304.854	259.414	259.971
Interest expense	83.270	96.214	26.696
Dividend payment	0	0	0
Profit tax	4.009	8.175	13.639
Donations and sponsorships	4.704	1.326	913

In 2013, the Dalekovod Group achieved a negative financial result. The consolidated loss before tax amounted to 109,229 thousand HRK, which is 74.13 percent less than the loss generated in 2012.

In 2013, revenues from sales of goods and services amounted to 1,145,501 thousand HRK, which is 8.64 percent less than in 2012, while total operating expenses compared to 2012 decreased by 22.14 percent. In the domestic market, revenues from sales of goods and services amounted to 459,887 thousand HRK, which is 23.61 percent less than in 2012. Export revenues from sales of goods and services amounted to 685,614 thousand HRK, and make up 60 percent of total revenues from sales of goods and services.

Major export markets for the Dalekovod Group in 2013



EXPORT MARKET	in 000 HRK
Norway	261.035
Ukraine	127.161
Slovenia	104.672
Bosnia and Herzegovina	85.286
Saudi Arabia	46.631
Montenegro	10.066
Sweden	7.582
Oman	5.496
Other	37.685
<b>Total exports in 2013</b>	<b>685.614</b>

In the domestic market, revenues from sales amounted to 459,887 thousand HRK. As for exports, revenues from sales of products and services amounted to 685,614 thousand HRK, which are at the same level as exports generated in 2012.

The socially responsible operations are connected with donations and other types of investments in the community, which also depend on the available resources. In the future, a system of processes relating to donation awards for the purpose of transparency and efficient connecting with business strategy will be considered wherever possible.

Economic effect indicators

Direct, generated and distributed economic value, including revenues, operational expenses, fees to employees, donations and other investments in the community, retained profit and disbursements to those who introduced capital and other payables to the state.

Comparison of Dalekovod average monthly net salaries with average salaries in the Republic of Croatia	2010	2011	2012	2013
Dalekovod JSC	6.093	6.206	6.093	6.519
Republic of Croatia	5.343	5.441	5.344	5.515
Construction	4.446	4.522	4.564	4.643
Processing industry	4.670	4.749	4.829	5.331
Production of metal-made products, except for machines and equipment	4.516	4.530	4.641	5.552
City of Zagreb	6.291	6.395	6.373	6.442

Note: For the calculation of net salaries, taken into consideration was ALL taxable income, except taxable severance, subsidies for the use of company vehicles, subsidies for meals and subsidized interest rates for loans disbursed in Croatia.

## ENVIRONMENTAL DIMENSION

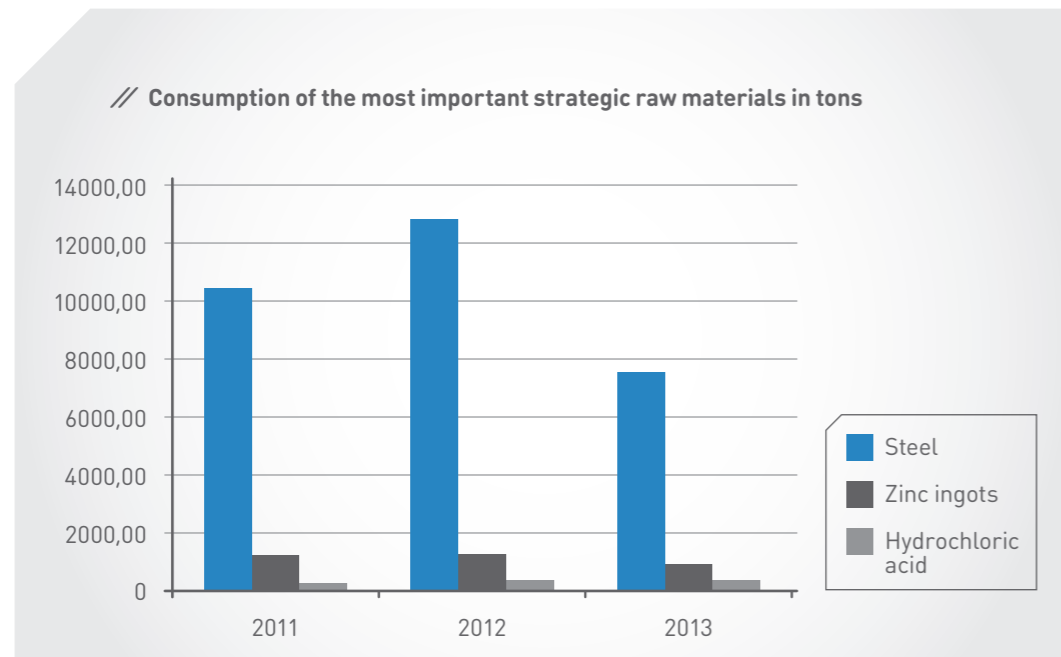
Through its activities, the Dalekovod Group has a direct impact on the environment. The design and construction of electric transmission lines and facilities, telecommunication lines and poles are conducted in accordance with the legislation in effect in the Republic of Croatia, as well as with the legislation and provisions of countries in which the works are being conducted. The aspect of biodiversity and compliance to legislation are considered material. In the production of steel structures, suspension and jointing equipment, at the location in Velika Gorica, as well as in the anti-corrosion protection process by hot galvanization, at the location in Dugo Selo, the following are recognized as material aspects: materials, power, water, emissions and compliance to legislation. The environmental management system is certified in accordance with the ISO 14001:2004 standard <http://www.dalekovod.com/certifikati-i-norme.aspx>, system compliance is verified during internal and external assessments. Dalekovod Proizvodnja at the Dugo Selo location has obtained a Decision on integrated environmental requirements (environmental permit) [http://www.mzoip.hr/doc/IPPC/Rjesenje\\_04\\_03\\_2013\\_1.pdf](http://www.mzoip.hr/doc/IPPC/Rjesenje_04_03_2013_1.pdf).

### Aspect: Materials

#### G4-EN1

#### Materials used by weight and volume

In the production of metal structures, suspension and jointing equipment, as well as in the anti-corrosion protection process, closely followed is the consumption of raw materials (metals: steel, zinc, aluminum, bronze, for the chemical preparation of products: hydrochloric acid, gim cleaner, galvoxin, tegoflux, gim rea, ammonium hydroxide, the following gases are used in cutting and welding processes: liquid O<sub>2</sub>, liquid CO<sub>2</sub>, argon and



acetylene. Most of the input materials are non-renewable materials. The most significant consumption includes steel, zinc and hydrochloric acid. Set is a goal related to consumption of hydrochloric acid per product unit of 25 kg/t +/- 5%, which is in accordance with BAT (according to BAT (Best Available Techniques), the consumption of hydrochloric acid must be within 9.2 – 40 kg/t). Used as packing material are wooden crates, beams, planks, stretch foil and plastic straps for packing. All input materials are derived from suppliers on the vendor list. Input materials are tracked by means of an Oracle application.

#### G4-EN2

#### Percentage of materials used that are recycled input materials

Due to production requirements used in Dalekovod are materials that originate from non-recycled sources.

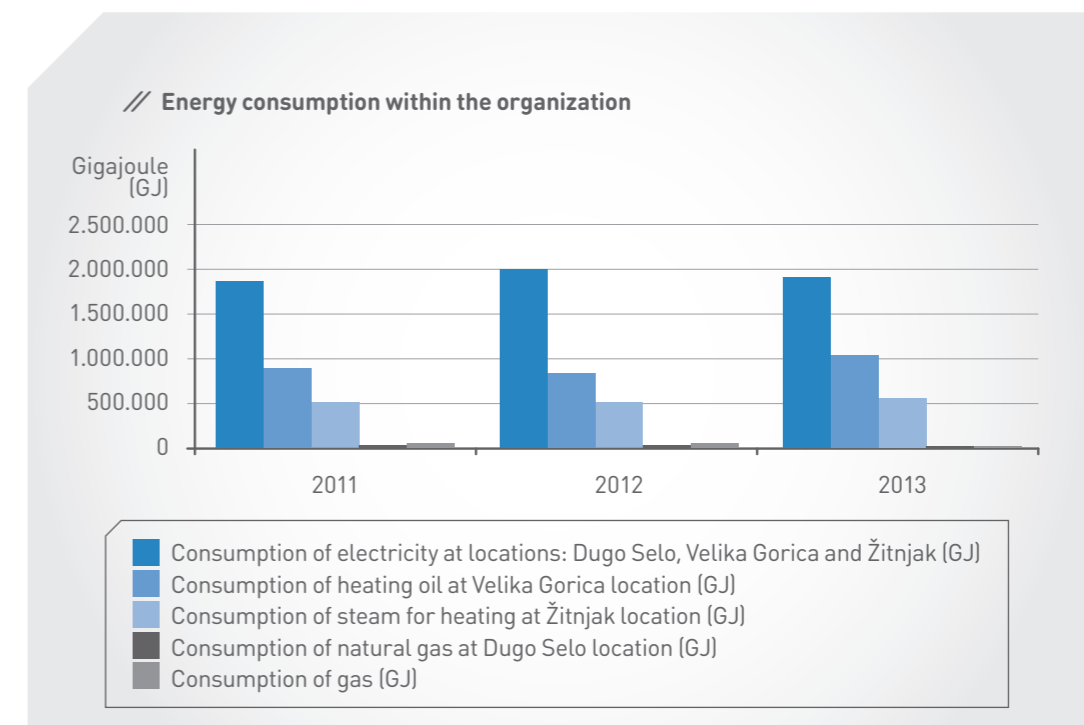
### Aspect: Energy

#### G4-EN3

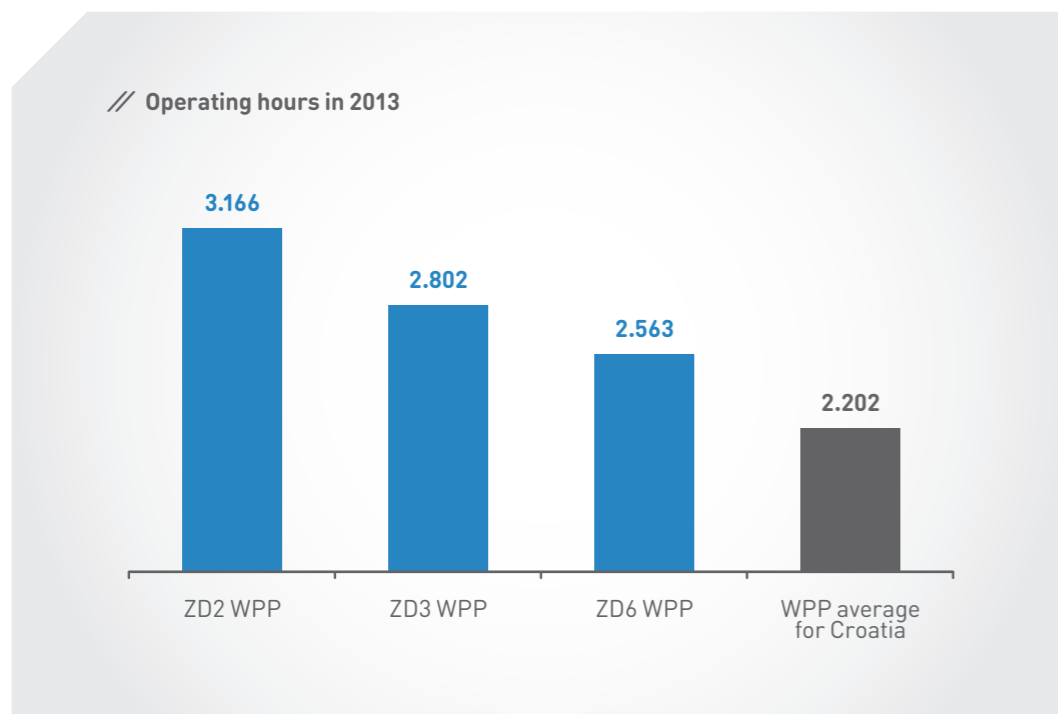
#### Energy consumption within the organization

Used in the technological process at the Dugo Selo location is natural gas. The zinc temperature in the galvanizing bath is maintained at a constant 447°C 24 hours per day. In order to reduce heat dissipation outside the work process, a protective cover is placed over the galvanizing bath.

Fuel from non-renewable sources is used, and it is used for transport.



In compliance with the energy strategy of the Republic of Croatia, which defines a share of renewables sources of energy of 20% by 2020 and a share of energy of 9-10% from wind power, the program for the design and construction of wind power plants has the objective of increasing the total percentage of renewable sources of energy in the Republic of Croatia. Four wind parks, with a total capacity of 95 MW, are in various phases of realization. Three wind parks are in operation, ZD6 as of 2011, and ZD2 and ZD3 as of 2012. The electricity produced by the wind power plants is sold to HEP (Hrvatska Elektroprivreda – the power company).



**G4-EN4**

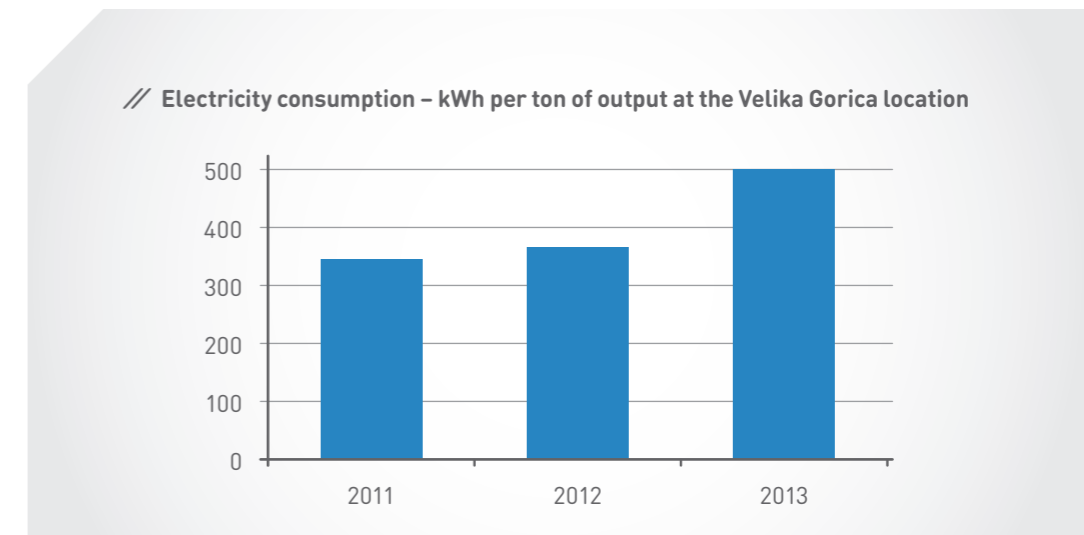
Energy consumption outside of the organization

Energy consumption for the transport of products, employees in the field, as well as for business trips is shown in the G4-ENR section as total fuel consumption.

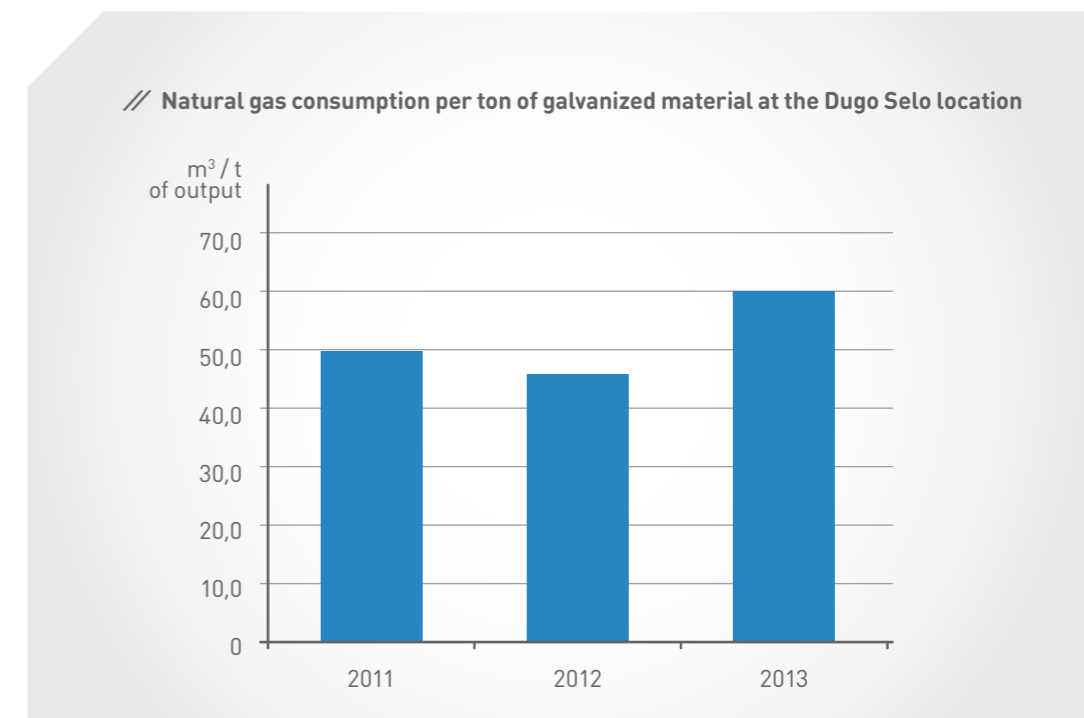
**G4-EN5**

Energy intensity

At the Velika Gorica location, in production, most significant is the consumption of electricity. Energy intensity is defined as the ratio between electricity consumption per unit of output. For the founding process, electricity is used to maintain the temperature of the molten mass regardless of whether or not it is being founded.



Natural gas consumption per unit of output defines the energy intensity for the Dugo Selo location. The consumption of gas per galvanized ton increased in 2013. Annually, 657 000 m<sup>3</sup> is used for maintaining passive standby operation.



**G4-EN6**

Reduction of energy consumption

At the Velika Gorica location planned are the renovation of the façade on the administrative

building and the installation of thermostatic valves in all offices with radiators with the objective of reducing the consumption of heating oil by 5% compared to the average consumption over the past five years.

**G4-EN7**

Reductions in energy requirements of products and services

Aspect: Water

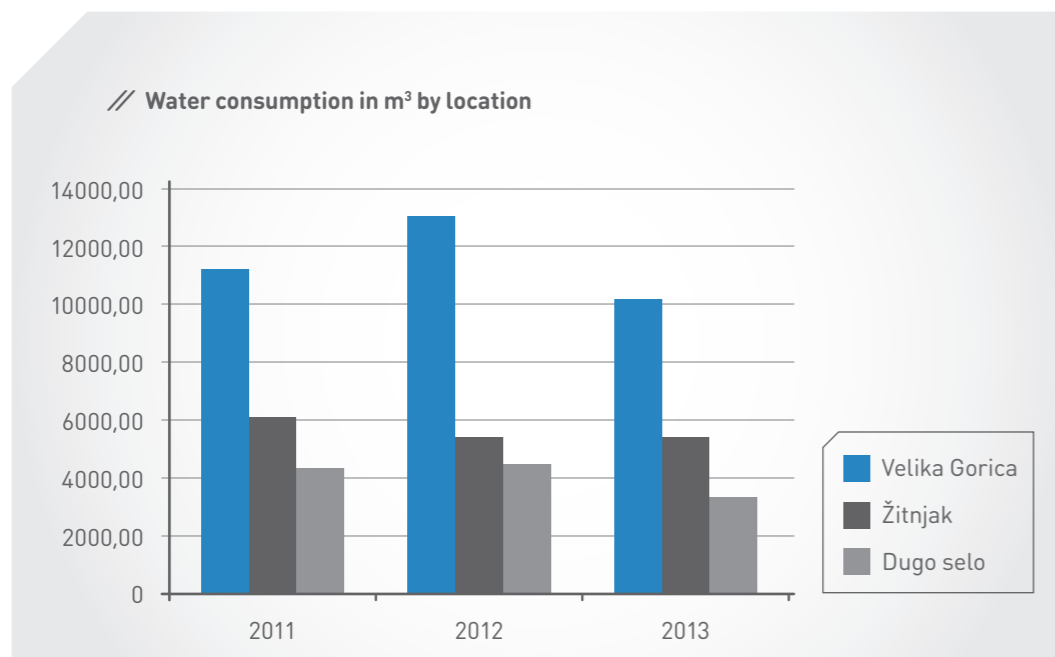
**G4-EN8**

Total water withdrawal by source

At all locations, water consumption withdrawn from local waterworks was reduced in 2013 in comparison to water consumption in 2012, which is in accordance with the set goals; regular water readings, timely reaction if discrepancies from daily consumption are noticed, employee training.

At the Velika Gorica location, of the total water withdrawn, 727 m<sup>3</sup> is used as technological and cooling water, as well as water for recirculation. At the Žitnjak location, the water is used for sanitary purposes.

At the Dugo Selo location, with the introduction of the sanitary water consumption program in 2013, sanitary water consumption went down 10% compared to the previous year. In the technological process, about 1800 m<sup>3</sup> of water is consumed annually to "wash out" acidic gases, which appear above baths during the chemical processing of products prior to galvanization.



Goals were set for 2014 related to water consumption according to location: at the Velika Gorica and Žitnjak locations, planned is the reduction of water consumption by 2%, while for the Dugo Selo location, planned is for 26% of the total water consumed to be used as sanitary water.

**G4-EN9**

Water sources significantly affected by withdrawal of water

Water sources are not endangered by our activities.

**G4-EN10**

Percentage and total volume of water recycled and reused

At the Dugo Selo location, 5% of water is recycled annually. From the process of "washing out" acid gases, water is used for the preparation of acid at the concentration ready for work.

Aspect: 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.

**G4-EN11 to G4-EN14**

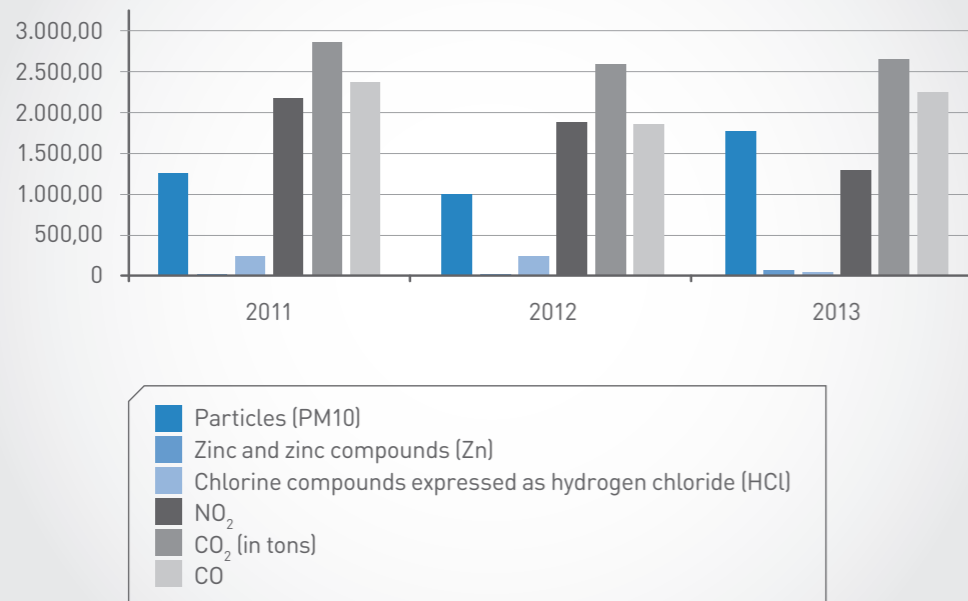
Not applicable.

Aspect: Emissions

In compliance with regulations in effect, as well as the Decision on integrated environmental requirements for the Dugo Selo location, defined are the devices and parameters according to which emissions are controlled.

For the Velika Gorica location, measurements are conducted at 8 outlets, at three outlets from the fuel combustion process to produce thermal energy (boiler), 5 outlets in the air from the production processes without fuel combustion, from processes that include fuel combustion where the products of combustion are used directly in the production process. For the Dugo Selo location, the intensity of and locations for measurement are defined in the Decision on integrated environmental requirements.

// Total air emissions (kilograms and tons of CO<sub>2</sub>/year) including the Velika Gorica and Dugo Selo locations



**G4-EN15 to G4-EN21**

Not applicable.

**Aspect: Wastewater and waste**

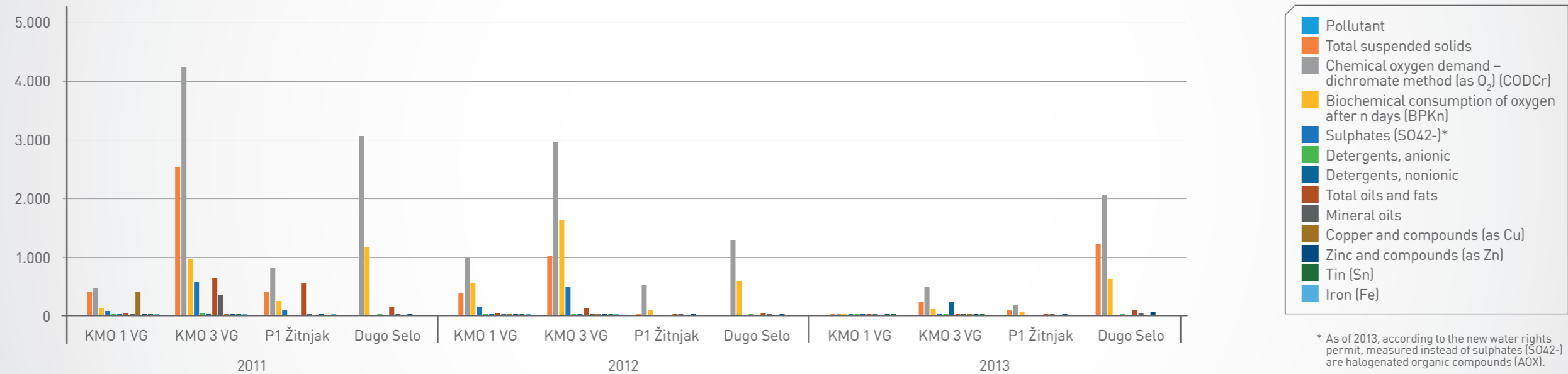
Discharge water implies all withdrawn water and rainfall in handling areas. At the Dugo Selo location, discharged are sanitary water and water from handling areas, technological water is not discharged into the tank. At the Velika Gorica location everything from handling surfaces, as well as water from technological processes, is disposed of through the separator. All testing is conducted by an accredited laboratory; at the Velika Gorica and Žitnjak locations all tests are carried out in accordance with current water rights permits, and at the Dugo Selo location in accordance with the Decision on integrated environmental requirements. All waste water, by means of the public sewage system, is discharged into the water area of the Sava River catchment area.

**G4-EN22**

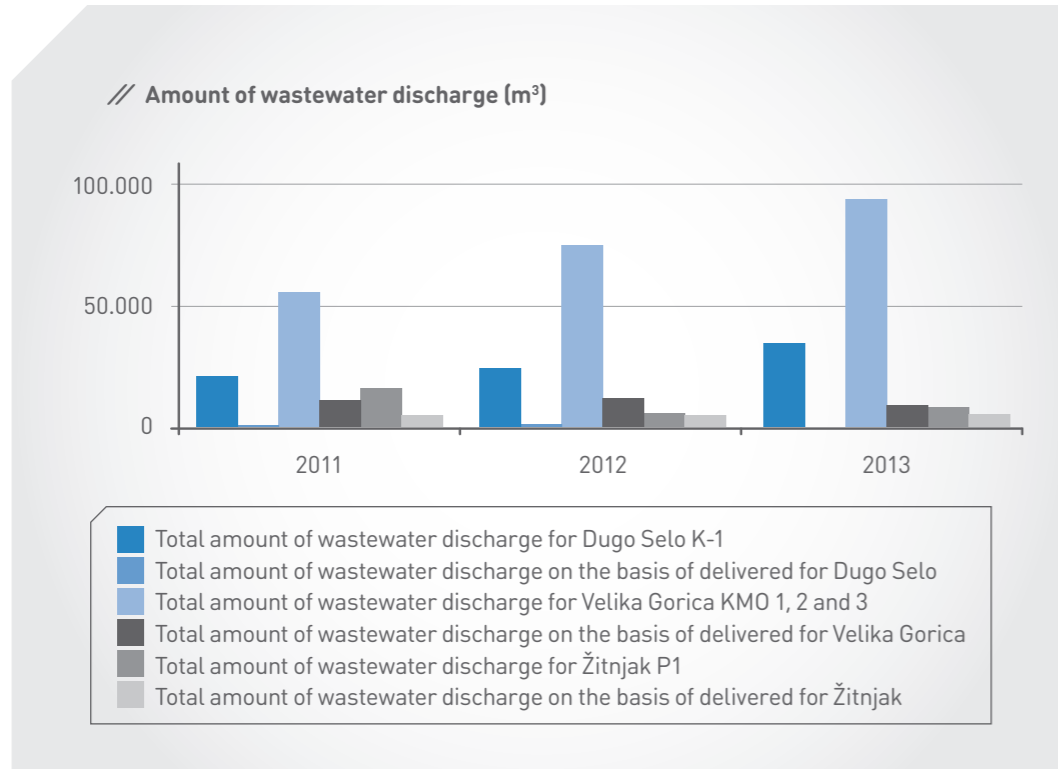
**Total water discharge by quality and destination**

The quantity of discharged water implies the quantity of affected water and the amount of precipitation on the surfaces of locations.

// Total amount of discharge and transfer of emissions in water by location (kg/year)



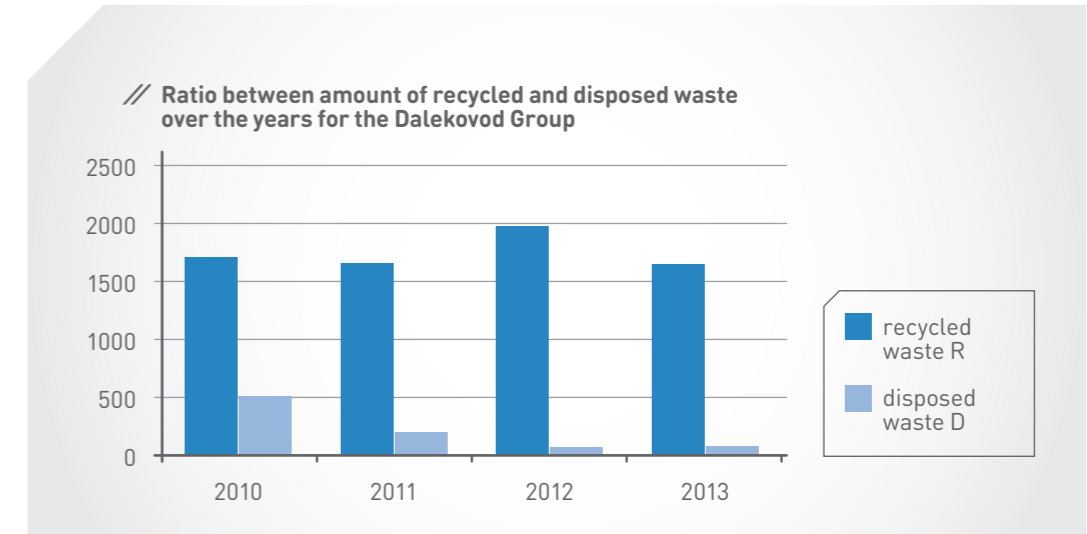
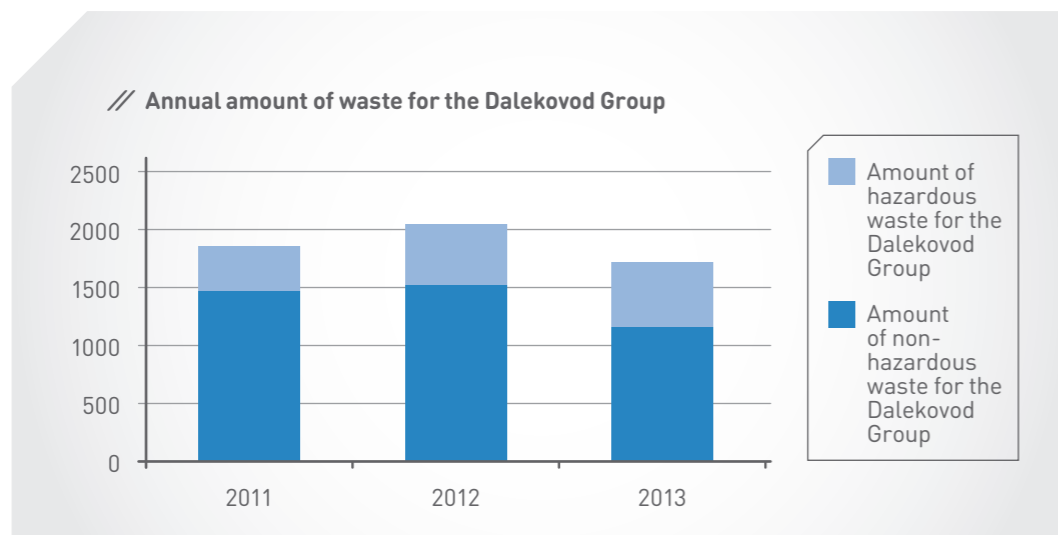
\* As of 2013, according to the new water rights permit, measured instead of sulphates (SO<sub>4</sub><sup>2-</sup>) are halogenated organic compounds (AOX).



**G4-EN23**

**Total weight of waste by type and disposal method**

Waste is submitted to authorized waste collectors, and preference in choosing collectors is given to those that will recycle the waste. The reduction in the amount of waste generated in 2013 was a consequence of reduced production.



**G4-EN24**

**Total number and volume of significant spills**

The Dalekovod Group has not caused significant spills with its activities.

**G4-EN25, G4-EN26**

Not applicable.

**Aspect: Products and services**

Metal structures and suspension and jointing materials do not have a significant impact on environmental pollution, although they are placed directly in the environment (forests, meadows, protected areas). Works may result in contamination of the environment if not conducted according to the rules of the profession. During the design phase, the investor and designer are required to determine the content of the project in compliance with building legislation, bearing in mind that environmental protection is an essential building requirement.

**G4-EN27, G4-EN28**

Not applicable.

**Aspect: Regulatory compliance**

The monitoring of legislation is conducted systematically. The procedure is as follows: On a daily basis, the official website of the Official Gazette (Narodne novine), [www.nn.hr](http://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.

In 2013, a regular supervision by the environmental inspection was carried out at the Dugo Selo location.

**G4-EN29**

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

There were no fines imposed and no non-monetary sanctions for non-compliance with environmental laws and regulations.

Aspect: Transport

**G4-EN30**

Fuel consumption for transport is shown in the G4-EN3 section.

Aspect: General

**G4-EN31**

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.

	2011	2012	2013
Environmental management costs (in HRK)	2.952.632,90	1.163.329,53	1.770.072,22

Aspect: Vendor assessment with respect to environmental impact

Dalekovod has in place a defined list of eligible vendors, an annual vendor evaluation process, a process to integrate new vendors, as well as a method for distributing and storing lists.

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 is conducted by sharing the misaligned values of delivered goods and services (by quality, time of delivery and environmental protection) by vendor in relation to the total value of goods and services supplied by the vendor in the current year.

**G4-EN32, G4-EN33**

Explained under Supply Chain. The rest is not applicable.

Aspect: Mechanisms for resolving grievances about environmental impacts filed

**G4-EN34**

Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms

Up to the present, there have been no grievances about environmental impacts filed.

## SOCIAL DIMENSION – HEALTH AND SAFETY AT WORK

### Analysis of injuries in the Dalekovod Group in 2013

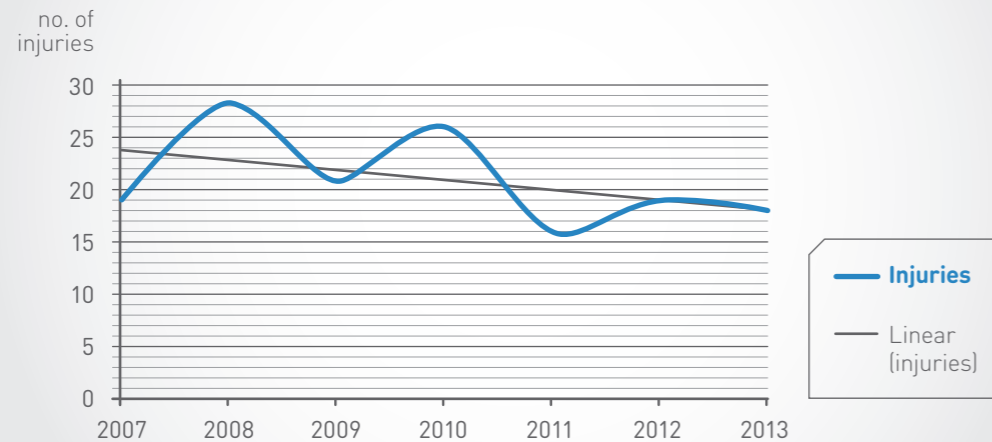
Compared to the previous year, when there were a total of 28 injuries, in 2013, there was a reduction in the number of injuries at the level of the entire Dalekovod Group by 21%.

In Dalekovod LLC, the number of occupational injuries decreased by 7%.

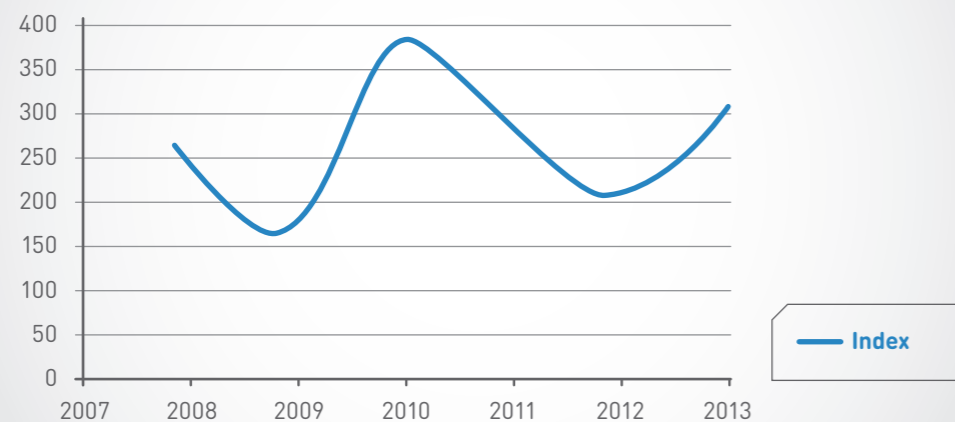
Dalekovod Proizvodnja LLC recorded a drop in the total number of injuries by 21%, while the number of injuries at the workplace remained at the same level as the previous year.

In Dalekovod Projekt LLC, no injuries were registered.

// Injuries 2007-2013



// Index of the gravity of occupational diseases in the past six years



// Index of gravity of occupational injuries at the workplace during the last six years

$$It = \frac{v.u. / \text{total loss of working time} /}{n.i. / \text{number of injuries} /}$$

2008	2009	2010	2011	2012	2013
260.39	163.4	377.27	282.26	205.5	305.3

By the next report on sustainable development, we will strive to reduce injuries through the implementation of general and specific objectives that will be placed in the relative categories (number of injuries / 1,000 employees). Accordingly, a program will be proposed to reduce injuries, which will focus on the prevention of common injuries observed up till now. The basic postulates of the new program are primarily the training of managerial personnel, supervision of work processes, improved reporting system and improved qualification of employees.

// Legend

#### 1. INJURY RATE (IR)

$$H - \text{value} = (N \times 1\,000\,000) / T$$

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

T = Number of hours worked during the year

Calculation for 2013 H = 7.28

#### 2. OCCUPATIONAL DISEASES RATE (ODR)

$$H - \text{value} = (N \times 1\,000\,000) / T$$

N = Total number of work-related illnesses

T = Number of hours worked during the year

Calculation for 2013 H = 0.81

#### 3. LOST DAY RATE (LDR)

$$H - \text{value} = (N \times 1\,000\,000) / T$$

N = Total number of lost workdays

T = Number of hours worked during the year

Calculation for 2013 H = 278.1

#### 4. ABSENTEE RATE (AR)

$$H - \text{value} = (N \times 1\,000) / T$$

N = Total number of lost workdays

T = Number of workdays during the year

Calculation for 2013 H = 2.225

#### 5. WORK RELATED FATALITIES RATE

Calculation for 2013 H = 0.00

## SOCIAL DIMENSION – 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 JSC 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.

As a result 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 JSC ensures safe working conditions, which implies minimum differences in the area of 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 is in charge of the area of employment. A common policy compliant with the policy of Dalekovod JSC 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.

Trends in the labor force area indicate that the inflow is mainly related to recent employment of younger and highly educated staff, but also low-educated employees as a result of working requirements at construction sites, while the outflow is mainly related to retirement of employees.

In Dalekovod JSC, employees work for an indefinite period of time, 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 April 2011. 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 particular 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 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, Velika Gorica and Topusko 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, especially during times of crisis.

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). Reports on the planned and realized training show that the realization of training programs at the Dalekovod Group level is at 50-70% because certain

types of education (graduate study programs and obtaining university qualifications) is transferred into the next year.

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 the German and Russian 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, Dalekovod Novosti, and by means of various Company decisions and announcements.

The company is committed to providing scholarships to pupils and students when there is a need and the conditions are in place. In the 2013/2014 academic year, Dalekovod JSC granted five scholarships to students who attend the following faculties: Faculty of Civil Engineering in Zagreb, Polytechnic Velika Gorica, Faculty of Mechanical Engineering, Electrical Engineering and Shipbuilding in Split, Faculty of Economics and Business in Zagreb, Polytechnic of Zagreb. Furthermore, in 2013, three scholarship recipients were employed in the Dalekovod Group.

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

Work performance and individual development is monitored with 90% 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.

## Socializing and recreation

Dalekovod JSC supports activities undertaken by employees and their guests, such as socializing through sports activities. Through regular recreational activities, several sports events have become a tradition – they are held on a regular basis and attract an ever greater number of people interested in them.

The Dalekovod Mountaineering Society was established in the 1980s. Today, it is a reputable mountaineering society, that is, the Mountaineering Society has an attractive program of activities, and experienced and sociable members, with an ever greater number of young people joining the Society.

The Society aims to develop its program even more in the forthcoming years by establishing new sections, primarily environmental, as well as alpinist and speleological, which represents a challenge to new, young Society members.

The Dalekovod Chess Society was founded in 1968 as a part of employee sports activities in Dalekovod as a chess section consisting of some ten chess players. They participated as Dalekovod's chess players in employee sports competitions, Zagreb chess leagues and the Chess Cup.

## 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.

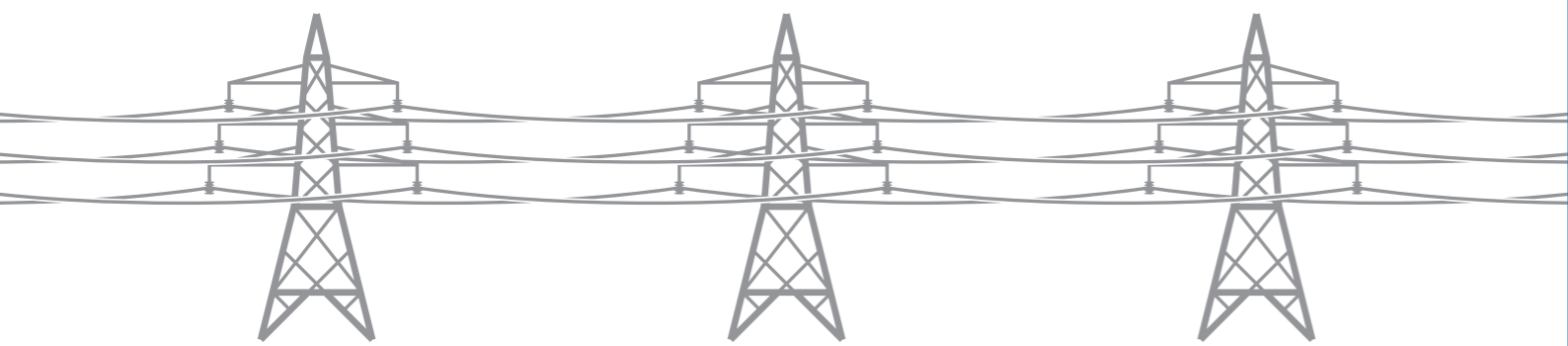
## Community

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





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