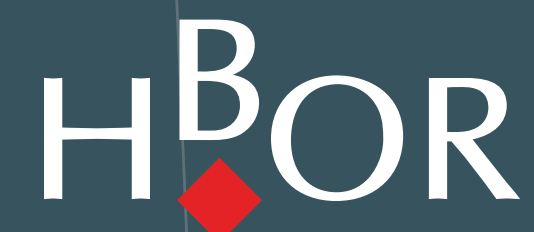


# 2024 Sustainability *Report*

Zagreb, June 2025



CROATIAN BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

# CONTENTS

<b>1. INTRODUCTION BY THE PRESIDENT OF THE MANAGEMENT BOARD__</b>	<b>2</b>	
<b>2. 2. PREPARATION FOR CSRD/ESRS AND OMNIBUS _____</b>	<b>5</b>	
<b>3. GENERAL INFORMATION _____</b>	<b>9</b>	
<b>3.1. Strategy and Business Model .....</b>	<b>9</b>	
3.1.1. Strategy .....	9	
3.1.2. Value Chain and Business Model .....	13	
<b>3.2. Results of Double Materiality Assessment .....</b>	<b>17</b>	
3.2.1. Sustainability Context .....	17	
3.2.1.1. General Developments .....	17	
3.2.1.2. Sustainability Trends in the Financial Sector of the European Union with a Special Focus on Promotional Banks ..	18	
3.2.1.3. EU Taxonomy: Framework for Redirecting Capital into Sustainable Activities .....	19	
3.2.2. Results of Double Materiality Assessment .....	21	
<b>3.3. Description of Double Materiality Assessment Methodology .....</b>	<b>27</b>	
3.3.1. Stakeholder Engagement .....	30	
<b>3.4. Risk Management Relating to Sustainability Issues .....</b>	<b>32</b>	
3.4.1. Role and Composition of Top Governance Bodies .....	34	
3.4.2. Remuneration .....	39	
3.4.3. Diversity and Expertise of HBOR's Governance Bodies in Terms of Sustainability .....	40	
<b>4. HBOR'S SUSTAINABILITY-RELATED BUSINESS ACTIVITIES ____</b>	<b>41</b>	
4.1. Climate Change .....	41	
4.2. Portfolio Reorientation .....	41	
4.3. Strategy, activities, programmes and measures aimed at climate transition, strengthening of positive socio-economic impact and resilience of the economy .....	44	
<b>5. ENVIRONMENT _____</b>	<b>53</b>	
5.1. Energy Consumption and Greenhouse Gases Emissions .....	53	
5.2. Other Environmental Impacts .....	57	
5.2.1. Water Consumption .....	58	
5.2.2. Waste Management .....	59	
<b>6. SOCIETY _____</b>	<b>60</b>	
6.1. Employees .....	60	
<b>7. GOVERNANCE _____</b>	<b>72</b>	
<b>8. ORGANISATION PROFILE _____</b>	<b>83</b>	

# 1. INTRODUCTION BY THE **PRESIDENT OF THE MANAGEMENT BOARD**

The role of the financial sector remains crucial in the transition towards a sustainable, low-carbon and inclusive economy. We are facing global challenges, climate change is rapidly changing our environment, social inequalities require systemic responses, and economic development must become more resilient and sustainable in the long run. In times of crisis, stability and the ability to adapt quickly are expected. Financial institutions, especially promotional banks, have a crucial role in mobilising capital for projects that strengthen the competitiveness and resilience of the economy and create a positive impact on the environment and society. At the same time, they respond to urgent financing needs during crisis. In this context, sustainable finance is becoming an indispensable concept for the implementation of national and European development policies as well as achieving international commitments under the Paris Agreement and the Sustainable Development Goals.

As a national development bank, HBOR continues to build its role of a strategic partner of the Croatian economy in supporting the green and digital transitions. Several initiatives are currently underway to enhance the EU regulatory framework for sustainable finance, and

HBOR remains committed to this path – strengthening capacities, developing new instruments and supporting projects that contribute to more resilient and equitable society.

The year 2024 was marked by important strategic shifts for HBOR. We have adopted the new five-year business strategy for the 2025-2029 period that embeds sustainability as one of the fundamental principles and prerequisites for achieving strategic goals. This reaffirms our commitment to contribute to the climate and environmental goals of the Republic of Croatia and the European Union, including the obligations under the Paris Agreement and the United Nations Sustainable Development Goals. In the next strategic period, we will pay special attention to monitoring the alignment of HBOR's portfolio with the climate targets set under the Paris Agreement. HBOR will continue to develop new sustainable finance products to support both the public and private sectors in their transition and investment in projects that contribute to environmental objectives, to innovations and to the development of new technologies at favourable financing terms and conditions.

During 2024, HBOR supported more than 3,000 projects with a total amount exceeding EUR 1.17 billion, thus significantly contributing to the sustainable development of entrepreneurship, innovation and public infrastructure throughout the country. Investment loans accounted for as much as 88% of total approved loans, compared to 65% the year before. The largest share, almost EUR 800 million, was approved to the private sector, and the amount of more than EUR 548 million was allocated to micro, small and medium-sized enterprises.

In 2024, under the National Recovery and Resilience Plan, HBOR continued to implement a loan programme for the financing of small and medium-sized enterprises that have difficulties in accessing finance, an interest subsidy programme, and a programme for issuing guarantees for investment projects of mid-cap and large business entities with the aim of promoting digitalisation, green transition and a climate and energy neutral economy. HBOR approved EUR 257 million in investment loans for the digital and green transition in 2024.

A special focus was on the development of financial instruments that, in addition to their primary objective, also support sustainable transformation, including Sustainable Tourism Loans and Urban Development Fund. These financial instruments are designed to encourage investment with positive environmental and social impacts – from increasing energy efficiency and introducing environmentally friendly solutions in tourism facilities, to integrated urban development and revitalisation of public infrastructure through investing in

mixed commercial-public infrastructure, i.e. investments that have a certain commercial content in addition to a public element.

Production Modernisation Loans were launched at the beginning of 2025, and the programme called Energy Efficiency Loans for Entrepreneurs is being prepared. In cooperation with the European Investment Fund (EIF), we have launched several initiatives to enable the financing of fast-growing companies. These activities are part of our broader strategy aimed at encouraging investment in innovative projects and strengthening the investment environment in Croatia.

In parallel with the development of (sustainability-related) financial products and corresponding transition financing terms and conditions, we are building internal capacities to manage sustainability-related risks and opportunities. We are improving our climate risk management system, thus strengthening the resilience and stability of our business model. In response to the requirements of funding sources and regulators regarding sustainability reporting and better management of ESG matters, we have initiated an improvement in our sustainability/ESG-related data infrastructure, which should improve and accelerate internal processes. Simultaneously, we are closely monitoring developments and proposals for simplifying regulations in the area of sustainability reporting. We expect the outcomes of these changes to bring greater clarity and practicality – both for financial institutions and for our clients and partners. Partnerships and stakeholder dialogue – from national multi-sector sustainable

finance platforms to international networks of development and public banks, are a key support for our employees in validating and shaping our approach, measures and activities.

HBOR's progress in embedding sustainable business practices in the previous period was recognized by the Croatian Sustainability Index (HRIO) award, which we received in 2024 in the category of public companies.

As one of the first signatories of the UN Global Compact from Croatia, we continue to support the 10 Principles of the UN Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. We actively contribute to the achievement of the Sustainable Development Goals by consistently embedding these principles into our business strategy, corporate culture and daily operations.

Sustainable development remains a permanent guiding principle for our activities. We are confident that the support we provide to our public and private sector clients in their transition towards sustainable business models and activities as well as our investments in projects that contribute to environmental objectives, innovation and the development of new technologies will foster transformation, resilience and innovation within the Croatian economy.

**Hrvoje Čuvalo, MSc**  
President of the Management Board  
Croatian Bank for Reconstruction and Development

## 2. PREPARATION FOR CSRD/ESRS AND OMNIBUS

In July 2024, the Corporate Sustainability Reporting Directive (CSRD) was transposed into Croatian national legislation. In accordance with the current regulations (the Accounting Act), HBOR is classified as a second-wave sustainability reporting entity, meaning HBOR's first sustainability report aligned with ESRS was initially scheduled for publication in 2026, covering the 2025 reporting year.

To ensure a timely transition to reporting in accordance with the new EU sustainability reporting requirements applicable to HBOR, since 2024, HBOR has been taking significant steps towards the in-depth understanding of the CSRD requirements, the first set of the new European Sustainability Reporting Standard (ESRS), the requirements of the EU Taxonomy, and especially the practical application of the selected requirements. Portfolio analyses and peer analyses of approaches and practices of development banks and of domestic and foreign commercial banks were carried out, market research was conducted investigating available tools. At the same time, various working groups, management bodies and bilateral meetings were used for dialogue and exchanges of views on the issues of sustainability and sustainable finance, transition and

regulatory adjustments.

In February 2025, the European Commission adopted a new legislative package aimed at simplifying EU rules, boosting competitiveness and unlocking additional investment capacity (the so-called OMNIBUS package). It included two key proposals:

- (i) Changes regarding the date of application of certain requirements for corporate sustainability reporting and due diligence (Stop-the-Clock proposal), and
- (ii) Changes regarding certain requirements for corporate reporting and due diligence (Content proposal).

In April 2025, the Stop-the-Clock proposal was adopted and published in the Official Journal of the European Union postponing the application of sustainability reporting requirements for two years for second-wave and third-wave sustainability reporting entities. The deadline for the transposition of changes into national legislations (including Croatian national legislation) is 31 December 2025.

At the same time, the European Parliament and the Council of the

EU started negotiations on the Content proposal. This proposal outlines numerous changes in terms of the: reporting entities scope, disclosures content and disclosures applicable standards, assurance requirements, sector specific standards, etc.

Considering these changes, HBOR continues with sustainability reporting in the transition period, and sees the proposed simplifications as an opportunity to make the framework for corporate sustainability reporting more practical and efficient in supporting green investments.

The activities undertaken so far aimed at timely alignment and the announced regulatory changes will certainly have an impact on the shaping of HBOR's approach and prioritisation of future actions.

In the preparation of the 2024 Sustainability Report, the GRI standard was still used along with the selected requirements of the ESRS standards. Given the uncertainties regarding the outcome of the OMNIBUS proposal, the structure of the report from the previous reporting cycle was retained.

The collected report data cover the period from 1 January to 31 December 2024. For descriptive information, contextual information known at the time of writing the report (until the middle of 2025) was also used. The reflecting of the recommended ESRS reporting structure remains a major challenge given the specific features of the financial sector, especially development banks, and the absence

of a sector specific standard for financial institutions, the adoption of which is uncertain after the European Commission published OMNIBUS proposals for simplification.

The report contains the topics identified in the materiality assessment along with additional topics.

This sustainability report has been compiled on an individual basis for the HBOR Group parent company, i.e. for the Croatian Bank for Reconstruction and Development.

## KEY ACTIVITIES OF ADAPTATION TO CORPORATE SUSTAINABILITY REPORTING

### **Strengthening and operationalisation of governance structure focused on sustainability**

HBOR strengthened its sustainability-oriented governance structure by establishing the Sustainable Finance organisational unit. Besides, in 2024, the Sustainable Finance Committee was established and the Sustainable Finance Leaders were appointed. These steps enabled better coordination and implementation of activities related to sustainable finance and management of ESG matters.

### **Analysis of value chain completed**

Following the initial 2024 value chain assessment, which revealed the

complexity of HBOR's value chain structure, the analysis was repeated. At the same time, disclosures on value chains in the financial sector, and in particular development banks (peer-to-peer analysis), were reviewed. Considering HBOR's business model and its role in Croatia's economy, the analysis identified one value chain of key importance for HBOR. This served as a foundation for further analyses and ensured a relevant and faithful representation of the main areas of impacts, risks and opportunities. An overview and description of HBOR's value chain can be found in Chapter 3.1.2.

### **Assessment of impacts, risks and opportunities repeated**

The assessment of impacts, risks and opportunities enabled a better understanding of possible challenges and opportunities arising from HBOR's activities. A clearer distinction was made among the impacts of HBOR itself in its own operations (offices, employees, management and related impacts), the impacts arising from its main task of developing the Croatian economy and the risks and opportunities arising from its portfolio.

For the purposes of this report, an overview was made of HBOR's impacts, risks and opportunities identified and qualitatively described in the previous reporting cycle (in 2024 for 2023). Based on this review, it was concluded that, by the beginning of preparing this report, no material changes had occurred that could generate new or modify existing material impacts, risks and opportunities. Therefore,

all previously identified material impacts, risks and opportunities were retained, and the qualitative descriptions were reviewed, updated and supplemented where necessary.

### **Portfolio analysis in accordance with the EU Taxonomy criteria**

As part of preparations for CSRD reporting, HBOR initiated an analysis of portfolio eligibility and alignment in line with the EU Taxonomy criteria. HBOR's portfolio was analysed by client structure and intended use of funds. Also, the available relevant data of NFRD/CSRD clients and publicly disclosed data from their sustainability reports were reviewed. Due to the unavailability of data, the business model of HBOR, the portfolio structure and the announced proposal to simplify the EU Taxonomy under the Omnibus, the calculation of Taxonomy-aligned KPIs and the presentation of reporting templates will depend on the final version of the EU Taxonomy amendment proposal.

HBOR uses the EU Taxonomy as a classification tool to assess partial alignment with the EU Taxonomy of the projects with a known use of funds, as described in Chapter 3.2.1.3.

### **Integration of climate risks into risk management system**

To effectively manage climate risks, HBOR undertakes a range of activities aimed at systematic integration of these risks into its risk management system. This integration covers the assessment, measurement and management of climate risks both at the level of

individual loan approval decision and across the entire portfolio.

### **Financed greenhouse gas emissions**

In 2024, HBOR mapped its portfolio of directly approved loans in accordance with the asset classes as described by the PCAF and began testing the calculation of financed emissions under Scope 1, Scope 2 and Scope 3 as well as avoided emissions.

### **Improvement of data infrastructure**

In 2024, HBOR launched a project to enhance its data infrastructure, focusing on improving the data collection process, upgrading the IT system, and developing higher-quality internal and external reports, with a focus on ESG-related data. The project will enable HBOR to better manage ESG risks and opportunities and will improve and accelerate internal processes significantly.

### **Access to reporting, quality and availability of data**

HBOR strives to apply good practices in sustainability reporting, recognising its dual role – as both a report preparer and a user of ESG information disclosed by its clients and partners. HBOR actively monitors developments related to the simplification of reporting requirements and evolving market practices. These insights will shape both HBOR's approach to its own sustainability reporting and its expectations regarding the data collected from clients.

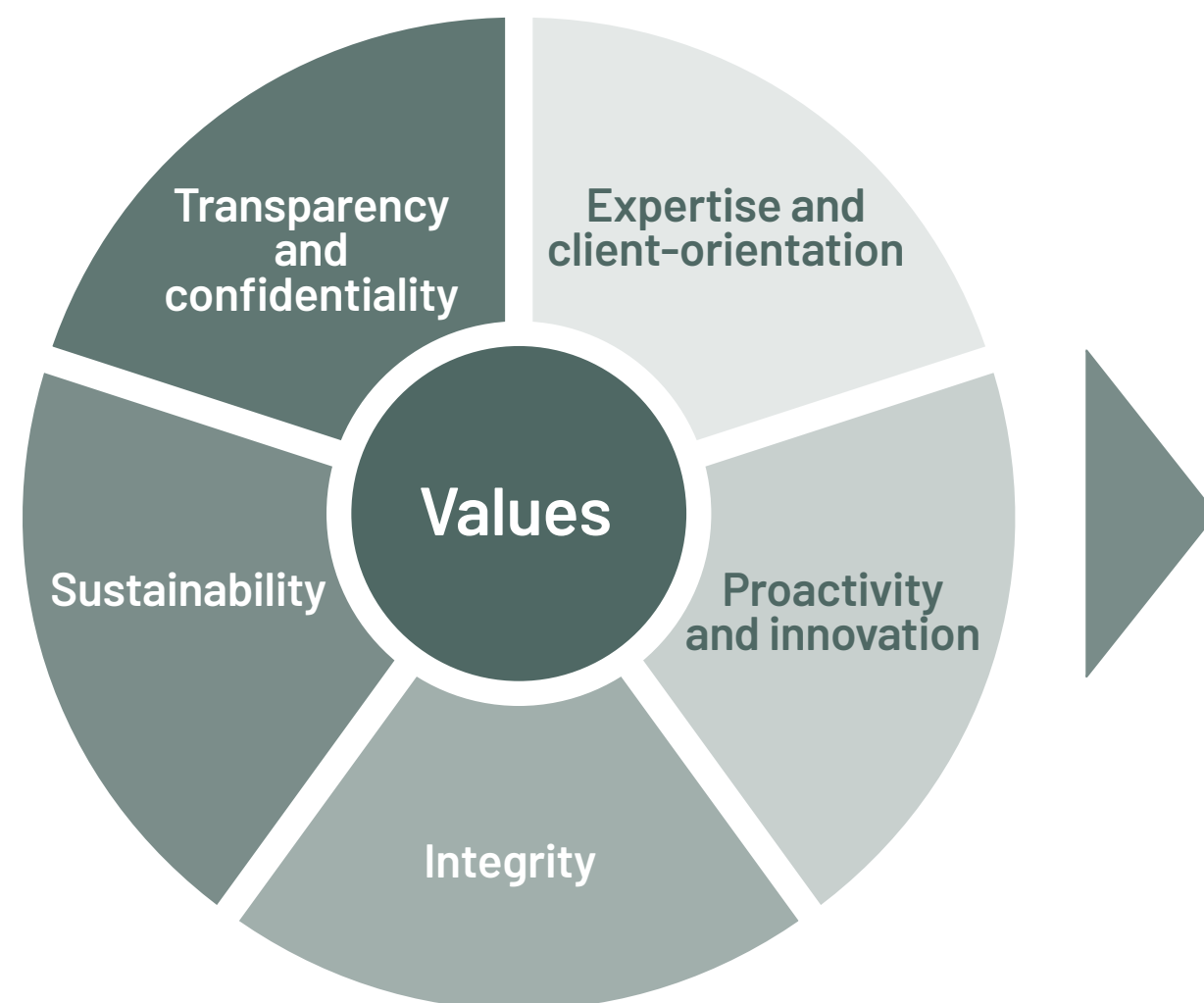
## 3. GENERAL INFORMATION

### 3.1. Strategy and Business Model

#### 3.1.1. Strategy

In December 2024, HBOR adopted the 2025-2029 Business Strategy (hereinafter: the Strategy). The Strategy builds on the previous HBOR's 2020-2024 Business Strategy, and HBOR will continue striving to achieve its vision of being a driver of innovation and sustainable development of the Republic of Croatia and its mission of providing proactive support to the development of the Republic of Croatia. The new Strategy is aligned with the priorities of the National Development Strategy of the Republic of Croatia by 2030. When preparing the Strategy, the results of the assessment of impacts, risks and opportunities were taken into account that had been carried out in 2024 during the preparation of the 2023 Sustainability Report.

The Business Strategy is based on five strategic goals that define HBOR's key areas of activity and on four strategic enablers that are necessary for the achievement of strategic goals. Sustainability is one of HBOR's values and it permeates all strategic goals and enablers.



STRATEGIC GOALS	
	Promoting the development of venture capital, private equity and quasi-equity market (Equity) <b>EUR 100 million for new HBOR's investments in alternative investment funds</b>
	Promoting the balanced and sustainable economic and social regional development of the Republic of Croatia (Regional and Social Development) <b>Min 40% of total business activity for regional and social development of the Republic of Croatia</b>
	Promoting the internationalisation of the Croatian economy (Internationalisation) <b>Min 40% of total business activity for the promotion of Internationalisation</b>
	Strengthening the competitiveness and resilience of the Croatian economy (Competitiveness and Resilience) <b>Min 70% of total business activity for private sector</b>
	Promoting the green transition of the Republic of Croatia (Green Transition) <b>EUR 1 billion for green transition</b>

STRATEGIC ENABLERS	
	Sustainability
	Active and efficient use of national, EU and other international sources of funds
	Proactive cooperation with stakeholders in the economy and society
	Flexible and sustainable organisation with a proactive business approach

HBOR will put a special emphasis on the development of sustainable finance, through which it will finance innovative and sustainable economic activities as well as activities that contribute to the digital and green transition and have a positive impact on society. Consequently, HBOR will strengthen activities to encourage the development of capital market in the Republic of Croatia with the aim of providing sufficient sources of funds and mobilising private investments in innovative companies, research and development, implementation and commercialisation of innovations, as well as investments in projects of cooperation among companies, research and academic institutions and other stakeholders in the economy and society in order to support innovative projects.

Through its operations, HBOR will contribute actively to the national and EU goals and climate goals set by the Paris Agreement as well as the UN Sustainable Development Goals.

In the previous period, HBOR took important steps in transitioning to operations based on sustainable finance. The Reorient HBOR's Operations towards Sustainable Financing and Green Transition project (Sustainable Finance project), which was implemented with the EU funds and in cooperation with the EC Directorate-General for Structural Reform Support (DG REFORM), was successfully completed in 2023. Following the recommendations, HBOR initiated a systematic alignment to regulatory requirements on sustainability and sustainable finance, and will continue working on it during

the new strategic period. HBOR has strengthened its governance structure focused on sustainability by establishing the Sustainable Finance Committee and the Sustainable Finance organisational unit. HBOR will continue to integrate environmental, social and governance (hereinafter: ESG) matters into its operations through risk management, project assessment, ensuring stimulating working environment and strengthening relationships with key stakeholders in the economy and society. HBOR will continue to strongly develop its professional knowledge and competence for understanding ESG risks and their impacts on HBOR's operations as well as HBOR's impact on the environment and society.

Pursuant to the Strategy, HBOR will aim its activities in the field of sustainability, one of the strategic enablers, in four directions:

<b>Integration of ESG risks into:</b>  1. Business model, 2. Risk management strategy, and 3. Relevant policies	<b>Development of new financial products for the financing of green transition and economic activities that have a positive impact on society</b>  1. Monitoring the compliance of HBOR’s portfolio with the goals of the Paris Agreement (financed emissions) and the Low-Carbon Development Strategy of the Republic of Croatia by 2030, 2. Promoting the transition towards a sustainable economy, 3. Directing financial resources towards green transition projects and activities, 4. Becoming a competence centre for sustainable finance
<b>Strengthening internal competencies and financial capacities</b>  HBOR will strengthen cooperation with international financial institutions to ensure favourable sources of funding for sustainable finance as well as exchange of knowledge and practices. In this way, HBOR will additionally strengthen its capacities for assessing environmental, social and governance impacts, risks and opportunities with the aim of better project assessment and redirection of capital into green transition projects and activities.	<b>Strengthening cooperation with stakeholders</b>  1. Continuing cooperation with local, regional and international sustainable finance stakeholders to mobilise the funding sources and knowledge needed to increase the portfolio of sustainable investments, 2. Strengthening cooperation with entrepreneurs who need transition finance, 3. Cooperating actively with complementary partners in the matter of sustainable finance, such as commercial banks and leading international financial institutions, which will enable HBOR to expand its range of activities and performance, develop resources to support sustainable development of the Croatian economy

In addition to the above, under the **Flexible and sustainable organisation with a proactive business approach** strategic enabler, HBOR's activities will focus on improving the reporting system that includes, among others, sustainability reporting, on upgrading the process of gathering data required for reporting as well as on monitoring the impact of HBOR's activities and the contribution to the UN Sustainable Development Goals.

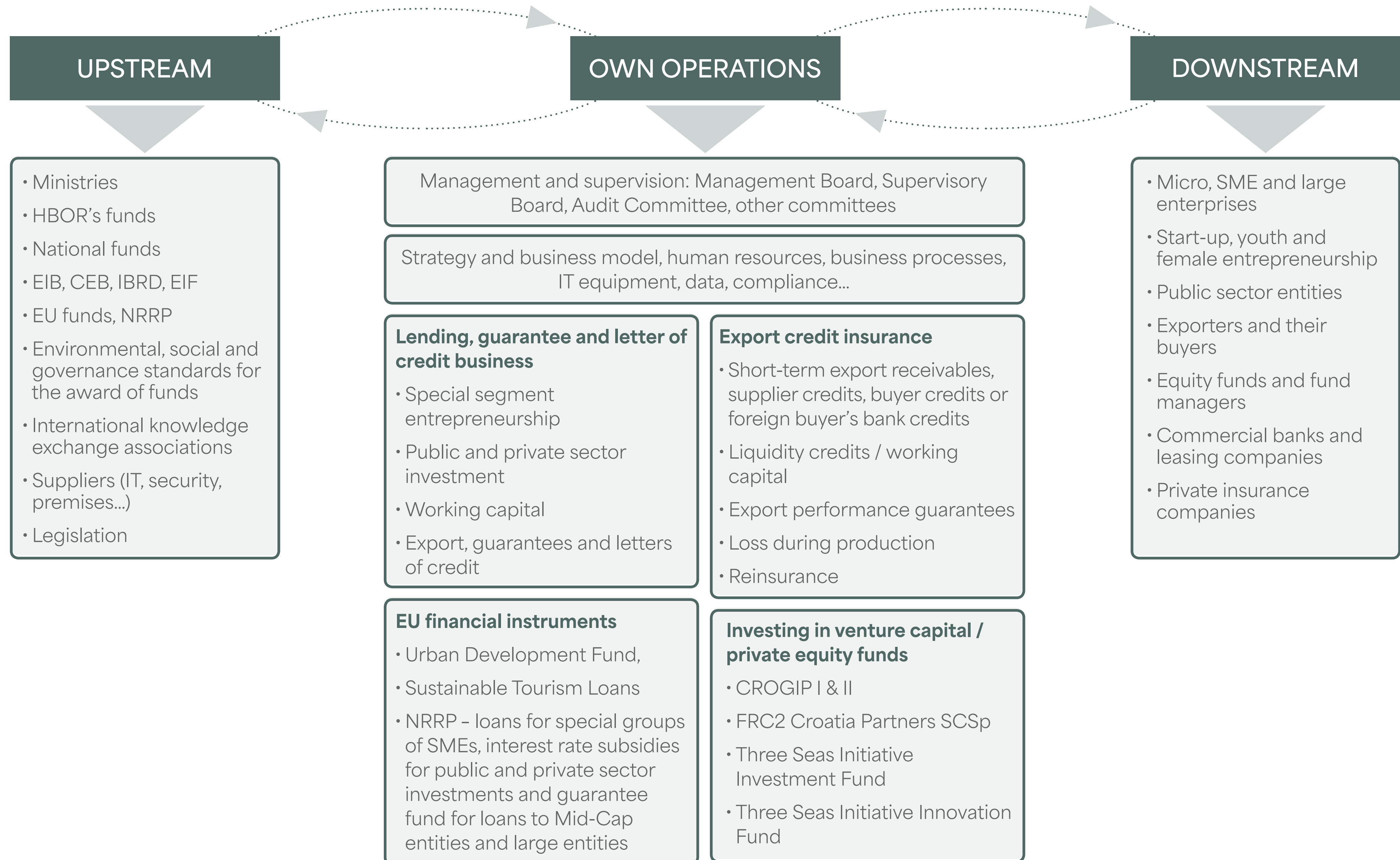
### 3.1.2. Value Chain and Business Model

HBOR is the only promotional and export bank and export credit agency in the Republic of Croatia established by a special Act<sup>1</sup>.

The business model of HBOR is based on the provision of targeted financial products and services that contribute to the sustainable development of the Republic of Croatia. A key element of HBOR's strategy is the timely identification of market gaps and needs through cooperation with stakeholders and continuous monitoring of economic developments. Based on these analyses, HBOR develops its programmes aimed at the financing of the public and private sectors.

The analysis of HBOR's value chain covered (i) relevant resources and environmental, social and governance criteria (ESG criteria) as well as regulatory requirements for a particular financial product or service at the very beginning of the value chain, (ii) HBOR's business activities and collaborations in the provision of financial products and services, and (iii) beneficiaries to whom the funds are granted. The objective of the analysis was to collect as much information as possible about the value chain and thus enable the assessment of significant impacts, risks and opportunities throughout the value chain.

<sup>1</sup> <https://www.hbor.hr/document-library/184>



## Upstream Value Chain

HBOR raises funds for the implementation of its programmes from various sources: international financial institutions (such as the European Investment Bank (EIB), the Council of Europe Development Bank (CEB) and the World Bank (IBRD)), European Union funds, national sources, commercial banks and its own sources. In parallel, partner institutions also have a significant role, such as the Ministry of Regional Development and EU Funds in the implementation of EU financial instruments, the European Investment Fund (EIF) in the development of venture capital/private equity funds, and various state administration bodies.

HBOR's sources of funds are classified into balance sheet activities, which include its own, commercial and international funds, and mandate activities, within the framework of which HBOR manages funds on behalf of the Republic of Croatia, for example funds under the National Recovery and Resilience Plan (NRRP).

Raising of funds from international sources includes requirements for compliance with environmental and social criteria. For example, the EIB requires that projects in the field of energy production and related activities, construction of new or renovation of existing facilities, and procurement of transport vehicles be in line with the Paris Agreement, and a certain portion of funds must be earmarked for green projects. Furthermore, international financial institutions have set environmental and social standards that the beneficiaries must

comply with, including human rights protection, health protection, and involvement of interested parties in decision-making processes.

Part of the upstream section of the value chain also includes key operational suppliers: IT infrastructure and security service providers, external data centres and business premises used by HBOR after the Zagreb earthquake. This ensures business continuity and the resilience of the operational structure.

## Own Operations

Management and supervision of HBOR's activities are described in detail in chapters 3.4.1. Role and Composition of Top Governance Bodies and 7. Governance.

HBOR uses available funds for lending, issuing guarantees and letters of credit, subsidising interest rates, for export credit insurance activities and for investing in private equity and quasi-equity funds. Financial products are available to final beneficiaries directly or through financial intermediaries such as commercial banks, leasing companies and agencies.

Special emphasis is put on vulnerable groups and projects located in underdeveloped areas of Croatia. Bearing in mind that HBOR is an export bank and an export credit agency, special finance conditions are also offered to Croatian exporters.

Special place in HBOR's business model is occupied by the pro-

grammes focused on projects with significant development potential – innovations, digital transformation, energy efficiency, renewable energy sources, business internationalisation, investments in research and development as well as in green and digital transition. In this way, HBOR actively contributes to improving the competitiveness of the Croatian economy.

Loan programmes cover various segments – from investments in business start-up and development, investments in public and private infrastructure to financing of working capital, exports, research and development projects as well as investments co-financed by EU funds. Under the NRRP, HBOR enables the issuance of guarantees and subsidises interest rates. Besides, HBOR offers new lending models – for example, under the loan programmes “Urban Development Fund” and “Sustainable Tourism Loans”, the beneficiaries are entitled to a capital discount of up to 50% of the principal if they meet predetermined criteria, one of which is a contribution to energy efficiency/sustainability.

HBOR also invests in venture capital funds that have so far supported numerous projects in the IT, healthcare, advanced technologies, environment and infrastructure sectors, thereby actively contributing to the development of capital markets and the strengthening of innovation capacities.

HBOR assesses the environmental and social risks of financed projects as well as the impact of financed projects on the environment and

society. For all projects, clients are required to submit a completed Self-Assessment Questionnaire, which is aligned with the Technical Guidance on Sustainability Proofing for the InvestEU Fund. Based on the Questionnaire and project documentation, an environmental and social assessment is conducted, resulting in an expert evaluation of environmental protection and sustainability. Relevant sustainability indicators are assigned, and where necessary, risk mitigation measures are proposed.

In 2024, HBOR launched a data infrastructure improvement project, which included improvements in data collection processes, IT systems, and the development of higher-quality reports for internal and external stakeholders with a particular focus on ESG-related data. The project will enable HBOR to better manage ESG risks and opportunities and to improve and accelerate internal processes significantly.

### **Downstream Value Chain**

HBOR places its services directly or through financial intermediaries.

The beneficiaries of HBOR’s funds include a wide range of entities, including micro, small, medium, mid-cap enterprises, large enterprises, local and regional government units, companies and institutions owned by them and/or by the Republic of Croatia. Special attention is given to start-up entrepreneurs, young entrepreneurs, female entrepreneurs, and projects focused on export, innovation,

research and development, energy efficiency, renewable energy sources and environmental protection as well as investments in underdeveloped areas of the Republic of Croatia. HBOR also supports local and regional government units in the development of infrastructure projects, including the financing of public sector investments co-financed from EU grants.

## 3.2. Results of Double Materiality Assessment

### 3.2.1. Sustainability Context

#### 3.2.1.1. General Developments<sup>2</sup>

During 2024, the Croatian economy was characterised by a high level of resilience despite challenging external conditions, including subdued economic activity in the euro area and heightened geopolitical tensions. Real gross domestic product (GDP) grew by 3.9%, significantly outperforming the euro area average (0.8%). The main drivers of growth were personal consumption, supported by real income growth in a context of subdued inflation, and strong invest-

ment activity, supported by the use of EU funds and an expansionary fiscal policy.

The inflation rate in Croatia, as measured by the Harmonised Index of Consumer Prices (HICP), decreased to 4.0%, down from 8.4% in the previous year. However, inflation remained higher than in the euro area (2.4%), mainly due to higher service price inflation, which was particularly driven by wage growth in an environment of stronger domestic economic activity. The outlook for a further decline in inflation remains uncertain due to potential risks related to global trade policy and geopolitical tensions.

The labour market continued to record favourable developments: unemployment fell to its lowest level in the last decade, while nominal wages continued to grow. The increase in the share of foreign workers and the return of some retirees to the labour market additionally contributed to employment. The labour market is expected to remain stable in the coming period, with challenges related to structural mismatches and a shortage of qualified labour.

Croatia's fiscal position continued to improve: the ratio of public debt to GDP decreased to 57.6%, i.e. below the Maastricht criterion (<60%), while the budget deficit was estimated at 2.4% of GDP. During 2024, the government continued the process of diversifying its sources of finance through the issuance of the so-called "national" bonds and treasury bills. Yields on long-term Croatian bonds with a remaining maturity of ten years slightly decreased to below 3% by the end of 2024.

<sup>2</sup> Eurostat, Croatian National Bank, European Commission – 2024 Country Report Croatia

At the end of 2024, three major international credit rating agencies upgraded Croatia's rating, i.e. Croatia was assigned the highest credit rating to date. This upgrade was based on strong economic growth, fiscal stability and the approximation of living standards to the EU average, with preserved political stability.

According to the latest data, Croatia's GDP per capita has reached 77% of the EU average, up from 73% in 2023. Convergence towards the EU average is based on a stable economic environment, the implementation of reforms under the National Recovery and Resilience Plan (NRRP) and the efficient use of EU funds.

In the context of sustainable development, Croatia is making progress in the green transition. The share of renewable energy sources in gross indirect energy consumption reached 28.1%, while the EU average stood at 24.6%. To achieve the climate neutrality goals, Croatia needs to reach a share of RES of 36.4% in gross energy consumption by 2030. This also requires the harmonisation of the regulatory framework, the acceleration of the issuance of permits and the attraction of private investment in green energy infrastructure.

Despite positive trends, the sustainability of the Croatian economy faces several structural challenges. Research and development spending (1.39% of GDP in 2023) remains below the European average (2.3%) and the targeted 3%. In 2023, the business sector share in total investment of only 0.76% of GDP was insufficient, which indicates the need to attract private investment in innovation activities more

strongly. According to the European Innovation Scoreboard (EIS), Croatia is classified as an "emerging innovator" with performance at 69.6% of the EU index – which is above the average of countries in the same group, but still indicates a lag in key dimensions such as science-industry cooperation, digitalisation and commercialisation of research results.

In addition, the Croatian capital market and the alternative sources of finance remain poorly developed compared to the rest of the EU, which represents a constraint for the growth of companies, especially SMEs. Insufficient availability of capital and a shortage of skilled labour stand out as key obstacles to accelerating the transition to a more sustainable, innovation-driven economy.

### **3.2.1.2. Sustainability Trends in the Financial Sector of the European Union with a Special Focus on Promotional Banks**

The financial sector in the European Union (EU) is undergoing significant changes under the influence of regulatory changes initiated by the 2018 Action Plan on Financing Sustainable Growth, which established a sustainable finance framework. In 2021, the European Commission adopted the Strategy for Financing the Transition to a Sustainable Economy.<sup>3</sup>

<sup>3</sup> [Strategy for financing the transition to a sustainable economy, COM\(2021\) 390 final](#)

These significant changes in the financial sector have been driven by the regulatory framework, in which a prominent place have the following regulations: the EU Taxonomy<sup>4</sup>, the Sustainable Finance Disclosures Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD). Several initiatives are underway to improve the regulatory EU framework for sustainable finance in terms of corporate sustainability reporting, the EU Taxonomy and the SFDR.

Promotional and investment banks have a key role in promoting sustainable finance. They provide capital for the projects that contribute to sustainable development, including infrastructure, renewable energy and environmental projects. Their mission includes not only economic development but also environmental sustainability and social inclusion.

European public banks provide long-term finance and support the European economy and society in the field of major reforms and social changes. At the same time, they provide emergency finance in crisis situations. They have a key role as intermediaries between market and public finance. In conditions where public resources are limited, public banks can mobilise private investment. Key and

current priorities set by EU public banks in 2024 are as follows<sup>5</sup>:

- Priority 1: Championing inclusive and sustainable communities by enhancing the usability of the EU sustainable finance framework, with a special focus on social projects, and to help SMEs and the public sector adapt to climate change
- Priority 2: Enhance the competitiveness of the EU economy by improving the conditions for financing the transformation<sup>6</sup> and empowering SMEs
- Priority 3: Streamlined regulatory processes for unleashing potential: Reduce administrative burden in EU funding programmes
- Priority 4: Ensuring stability and change in crisis: Supporting the defence and resilience of the EU

### 3.2.1.3. EU Taxonomy: Framework for Redirecting Capital into Sustainable Activities

The EU Taxonomy is a comprehensive classification system that defines, on scientifically based criteria, the economic activities that can be considered sustainable, and it is a central element of the EU regulatory framework for sustainability. The objective of the Taxonomy is to redirect investments towards those activities that significantly contribute to environmental objectives, such as reducing

<sup>4</sup> [REGULATION \(EU\) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on establishing a framework to facilitate sustainable investment and amending the Regulation \(EU\) 2019/2088](#)

<sup>5</sup> According to: *EAPB views on the EU's political priorities, September 2024*, <https://eapb.eu/>

<sup>6</sup> Funding of the measures to address major societal challenges such as climate change, digitalisation, and peacekeeping

greenhouse gas emissions, adapting to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

The EU Taxonomy has a significant impact on the financial sector and helps financial institutions identify and manage sustainability-related risks and identify opportunities to invest in sustainable projects.

The Green Asset Ratio (GAR) is a key performance indicator for credit institutions that measures the proportion of credit institutions' assets that are used for financing of and investing in economic activities aligned with the EU Taxonomy expressed as a share of total assets covered. However, the calculation of GAR depends significantly on the availability and quality of sustainability-related data collected from clients, the institution's business model and portfolio structure, and the proportion of clients subject to sustainability reporting obligations and from whom relevant data can be obtained.

The application of the EU Taxonomy has proven to be very challenging in practice, primarily due to limited data availability and methodological complexities calculating key indicators.

As part of the Omnibus proposal, the European Commission has also proposed simplifications related to the implementation of EU Taxonomy. Key elements of the proposal include: the option for voluntary reporting on activities that are partially aligned with the EU

Taxonomy, intended to encourage the gradual ecological transition of activities, the introduction of a financial materiality threshold for Taxonomy related disclosures, the reduction in reporting templates by approximately 70% and the simplification of the most complex criterion of the Do No Significant Harm principle, specifically regarding pollution prevention and control resulting from the use and presence of hazardous chemicals, which is the first step in a broader revision of DNSH across all environmental objectives. It has also been proposed to adjust the GAR indicator methodology. Under the proposal, banks would be permitted to exclude exposures related to companies outside the future scope of application of the CSRD from the denominator of the Green Asset Ratio.

As part of its preparations for reporting under the CSRD, HBOR initiated an analysis of its portfolio's eligibility and alignment with the EU Taxonomy criteria. HBOR's portfolio was analysed by client structure and intended use of funds. Also, the available relevant data of NFRD/CSRD clients and their publicly disclosed data from the sustainability reports were reviewed. Due to the unavailability of data, HBOR's business model, portfolio composition (most of HBOR's clients are micro, small and medium-sized enterprises that are not subject to mandatory sustainability reporting, which is why exposures to these clients are excluded from the GAR numerator) and the announced Omnibus proposal to simplify the EU Taxonomy framework, HBOR's calculation of key indicators and the presentation

of reporting templates will depend on the adopted version of the EU Taxonomy amendments.

HBOR uses the EU Taxonomy as a classification tool to assess whether financed investments meet the substantial contribution. Namely, under the NRRP, HBOR was entrusted with the implementation of six financial instruments with a total value of EUR 256 million. A portion of the funds from each financial instrument is allocated to financing projects that support green transition and greenhouse gas emissions reduction. Green transition projects are those projects that meet the criterion of substantial contribution in accordance with the EU Taxonomy. The assessment is carried out by experts from HBOR’s Environment and Climate Change Unit. Every project financed through NRRP funds must comply with the Do No Significant Harm (DNSH) principle, in line with the *Technical Guidance<sup>10</sup> on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation*.

Furthermore, since the beginning of the fourth quarter of 2024, experts from HBOR’s Environment and Climate Change Unit have been assessing direct investment loan applications to determine whether the financed projects meet the substantial contribution criteria in line with the EU Taxonomy.

3.2.2. Results of Double Materiality Assessment

Climate change

Significant impacts, risks and opportunities

Greenhouse gas emissions, Scope 3 (financed emissions)

Potential positive and potential negative impact  
Upstream, own operations, downstream  
Medium-term and long-term

Aligning the portfolio with the goals of the Paris Agreement enables HBOR to significantly reduce the financed emissions, better manage climate risks and greenhouse gas emissions reduction targets and reduce the portfolio’s impact on the climate. Portfolio alignment represents a significant potential positive impact of HBOR in the fight against climate change. A potential negative impact relates to the absence of the above-mentioned measures.

Support for low-carbon development of Croatia

Actual and potential positive and negative impact  
Own operations, downstream  
Short-term, medium-term and long-term

By aligning its portfolio with the Low-Carbon Development Strategy of the Republic of Croatia by 2030, HBOR supports energy transition and directly contributes to reducing the financial gap in the fight against climate change. Aligning the portfolio means increasing the share of the activities that contribute to achieving the environmental objectives of climate change mitigation and adaptation in the sectors that contribute the most to greenhouse gas emissions. Support for Croatia's low-carbon development means that HBOR supports its clients in their decarbonisation efforts. HBOR already has a positive impact on the decarbonisation of Croatia by investing in the projects of energy efficiency, renewable energy sources and environmental protection (sustainable management of natural resources). A potential positive impact of HBOR on the low-carbon development of Croatia relates to the targeted redirection of funds to green projects in line with the 2030 and 2050 emission reduction targets. A potential negative impact relates to the absence of the above-mentioned measures.

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**Climate risk management**

Risk

Upstream, own operations, downstream

Short-term, medium-term and long-term

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Of all environmental, social and governance risks, climate risks are most relevant. Climate risks constitute a subcategory of environmental risks

and include physical and transition risks. The main feature of these risks is their spillover into traditional types of risks (primarily credit risk, followed by liquidity, operational, market and reputational risks). As a result of the physical risks (flood, fire, etc.) that climate change poses to the physical assets serving as collateral for loans and/or being the main generator of clients' income and/or being used by clients to conduct their business activities, the clients are exposed to possible financial losses, which then spill over into HBOR's exposure to traditional types of risks.

In the case of transition risks, due to the requirements placed on clients (especially those operating in sectors sensitive to decarbonisation) in terms of their need to adapt to regulatory changes, market conditions, etc., negative impacts on their creditworthiness are possible, and thus HBOR's exposure primarily to credit risk is increased.

HBOR's approach to climate risk management is focused on identifying climate risks, understanding their severity and likelihood of occurrence, and determining how to manage them. This is a developing area of great complexity as it involves consideration of a wide range of potential climate scenarios and economic impacts.

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**Development of new sustainable finance products and services**

Opportunity

Upstream, own operations, downstream

Short-term, medium-term and long-term

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HBOR has a significant potential for expanding the range of financial products and services both in the environmental and social aspects that are aimed at accelerating the low-carbon and climate-resilient development of the Republic of Croatia and/or eliminating and/or mitigating the negative consequences of climate change (just transition). This opportunity extends over the short-term, medium-term and long-term time horizon.

Own workforce

Significant impacts, risks and opportunities

Working conditions (adequate pay)

Actual and potential positive and negative impact  
Own operations  
Short-term, medium-term and long-term

Non-competitive salaries within an organisation were, during the assessment of material impacts in previous periods, assessed as one of the three potential or actual negative impacts with the highest probability of occurrence. Since 2022, HBOR has been conducting a dialogue on salaries with trade union representatives and has been working on salary corrections. Since 2023, data on the ratio of salaries of men and women and the ratio of the highest and lowest salary

have been calculated and disclosed. The actual and potential positive impact relates to past and future salary increase measures aiming to mitigate the effects of the price increase of a large number of goods and services. The negative impact, actual or potential, relates to the absence of measures and corrections.

Working conditions (hybrid work model)

Actual and potential positive and negative impact  
Own operations  
Short-term, medium-term and long-term

The issue of working hours, overtime work and work during annual leave and sick leave was, during the assessment of material impacts of HBOR in previous periods, assessed as a potential or actual negative impact with the highest probability of occurrence. These issues are closely related to the issue of the hybrid work model (working both at the office and from home). All HBOR' employees had the opportunity to work from home, with the exception of the employees whose workplace was connected to office premises. The actual and potential positive impact relates to past and future measures aimed at maintaining or improving flexible working conditions and hybrid work model conditions, working conditions in offices and ensuring equal conditions in different office locations or in different organisational units. The negative impact, actual or potential, relates to the lack of monitoring and the absence of measures and corrections.

**Working conditions (working hours, work-life balance)**

Actual and potential positive and negative impact  
Own operations  
Short-term, medium-term and long-term

During the assessment of material impacts of HBOR in previous periods, the imbalance between private and work life was also assessed as a potential or actual negative impact with the highest probability of occurrence. This working conditions issue is also related to the hybrid work model that was introduced after March 2020 (due to COVID and the earthquake). HBOR does not yet conduct employee satisfaction surveys regarding work-life balance; however, employees can express their satisfaction and expectations individually through the internal performance management and monitoring system. A potential negative impact relates to the lack of surveys of employee satisfaction with work-life balance and working conditions at various locations. A potential positive impact includes continuous monitoring of employee satisfaction in this segment and, if necessary, defining of goals, indicators and measures.

**Professional competencies in climate risks**

Actual and potential positive and negative impact  
Own operations, downstream  
Short-term, medium-term and long-term

HBOR strengthens internal capacities and expertise for the successful management of sustainable finance. This includes the management of climate risks as an indispensable part of the planned strengthening of sustainable finance. The impact of competence strengthening is actual and potential and has a positive aspect in terms of the strengthening of internal capacities and professional expertise of employees. A negative aspect of the impact is reflected in potential leaving of key team members and/or internal transfers, which results in the loss of continuity needed for the implementation of activities and recommendations. The risk is reflected in the competitive labour market and the lack of qualified experts in the field of sustainable finance.

**Socio-economic impact and strengthening of economic resilience**

**Significant impacts, risks and opportunities**

**Strengthening the competitiveness and resilience of the economy**

Actual and potential positive impact  
Upstream, own operations, downstream  
Short-term, medium-term and long-term

In December 2024, HBOR adopted the new Business Strategy that builds on the previous HBOR’s Business Strategy. Therefore, HBOR will continue to foster competitiveness and resilience, internationalisation, balanced regional development, green transition, and the development of private equity and quasi-equity markets. Under the National Recovery and Resilience Plan, HBOR implemented six financial instruments with a total value of EUR 256 million, whose aim was to encourage the strengthening of investment activities in the domestic economy, enable the strengthening of competitiveness of domestic economic entities, and also enable a successful transition towards green and digital technologies as the basis for the future sustainability and competitiveness of the domestic economy. The actual and potential positive impact includes strengthening the resilience of the Croatian economy and society to future market disruptions and also the transition to climate and environmental sustainability.

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**Financing of social rights of communities (municipal and social infrastructure, access to finance, vulnerable groups, regional development, special areas, reduction of inequality)**

Actual and potential positive impact  
Upstream, own operations, downstream  
Short-term, medium-term and long-term

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HBOR’s activities are aimed at achieving positive socio-economic

impacts. Special attention is paid to entrepreneurs who usually have difficult access to finance, such as start-ups, young entrepreneurs and female entrepreneurs. HBOR also places particular emphasis on sustainable and balanced regional development as a prerequisite for a stable and sustainable social and economic environment. By financing social infrastructure (kindergartens, schools, hospitals, nursing homes, etc.) and municipal infrastructure (water supply and sewage disposal, roads, garages, utility vehicles, etc.), HBOR contributes to the development of a sustainable economy and society. Special conditions apply to special areas of the Republic of Croatia. These projects have a positive actual and potential impact on strengthening the development of local social and municipal infrastructure, eliminating/reducing inequality, supporting the most vulnerable groups, developing special areas and protecting or increasing the number of jobs.

**End-users**

**Significant impacts, risks and opportunities**

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**Impacts related to user information, access to (quality) information on climate and environmental requirements**

Actual and potential positive impact  
Upstream, own operations, downstream

Short-term, medium-term and long-term

Adaptation of the reporting system to the requirements of financial institutions and regulators was an extremely actual topic in 2024. Improving data infrastructure is one of the most important activities related to meeting the requirements of special purpose funding sources and of new sustainability data disclosure regulations. This adjustment helps to better embed sustainability matters and better manage sustainability-related processes. At the same time, HBOR is focusing significant efforts on improving the data collection and recording processes with the aim of simplifying the processes for clients and centralising recording, processing and reporting. A simpler process can have a positive impact on clients by reducing the administrative burden and encouraging vulnerable groups to take advantage of HBOR's finance programmes. The challenges lie in the existence of parallel reporting requirements/frameworks that are not harmonised in terms of terminology and content and in the continued uncertainty regarding the application, scope and content of mandatory and voluntary reporting standards. An actual and potential aspect of the positive impact relates to the simplification of requirements for the provision of information and the active, continuous information and detailed familiarisation of potential users with the requirements.

**Data leakage and/or misuse**

Actual positive impact and risk  
Upstream, own operations, downstream  
Short-term, medium-term and long-term

HBOR uses data loss prevention software and tools that monitor and control endpoint activity, filter data flows on computer networks and monitor data in a cloud to protect data at rest, in motion and in use. Reporting is provided to meet security requirements and identify areas of weakness and anomalies for forensics and incident and event response.

**Business conduct**

**Significant impacts, risks and opportunities**

**Cyber security, attack prevention and vulnerability detection, prevention included**

Actual positive impact and risk  
Upstream, own operations, downstream  
Short-term, medium-term and long-term

Cyber-attacks can lead to loss of stakeholder trust, operational and reputational risk, as well as legal consequences. HBOR has advanced security systems such as endpoint protection, vulnerability and upgrade management, access control to critical resources, mobile device protection and data loss prevention. The system of information security and digital resilience is proactively managed in accordance with the regulations of the authorities of the Republic of Croatia and the European Union in the area of risk management of credit institutions as well as security standards in financial business sector.

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#### **Corporate culture**

Actual and potential positive impact

Own operations, downstream

Short-term, medium-term and long-term

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HBOR fosters corporate culture in business behaviour in accordance with the regulatory framework with an emphasis on social responsibility and sustainable development. Behaviour is defined by HBOR's Corporate Governance Code and HBOR's Code of Ethics. By incorporating sustainability into the strategic framework and corporate governance and by defining it as one of the fundamental values, HBOR builds on its corporate culture and puts a focus on the development of sustainable finance in the Croatian market to achieve long-term benefits for the environment and society.

### **3.3. Description of Double Materiality Assessment Methodology**

The concept of double materiality is central to ESRS sustainability reporting. It includes the materiality of the company's impact on society and environment and the financial materiality arising from the company's risks and opportunities with financial consequences.

During the process conducted in 2024, impacts were identified based on sustainability matters covered by the ESRS thematic standards, and matters specific to HBOR with respect to the business sector were identified. For the aspect of financial materiality, risks and opportunities were identified that could reasonably be expected to affect HBOR's future development, financial position and results in the short, medium and long term. The financial materiality assessment considers matters such as regulatory changes, market dynamics and stakeholder expectations, which may change the financial environment of the company. Dependencies on natural, human and social resources can be a source of financial risks and opportunities. The ESRS requirements and the European Banking Authority (EBA) comment during the public consultation on the draft ESRS related to the definition of the value chain were used for the value chain analysis.

In this reporting cycle, the basis for the double materiality assessment was the assessment we conducted in 2024, in which we applied the

ESRS guidelines and recommendations for the first time. The then identified impacts, risks and opportunities were reviewed again. As there were no material changes in HBOR's organisational and operational structure by the start of the report preparation and as there were no material changes in external factors that could generate new or change existing material impacts, risks and opportunities, it was concluded that it was not necessary to change the identified impacts, risks and opportunities. Contextual information from the environment was taken into account that was collected during various discussions and exchanges of experience within national and international associations and stakeholder platforms. In addition, the analysis of HBOR's value chain was completed that had been started during the previous reporting period, so that the entire value chain was taken into account when assessing the impacts, risks and opportunities.

In this way, and following the approach introduced at HBOR in 2024, the Double Materiality Assessment conducted by HBOR includes the following steps:

1. Understanding of the context: development of a comprehensive overview of organisation's activities, business relationships and the wider context of environmental, social and governance issues.
2. Identification of impacts, risks and opportunities: identification of actual and potential impacts, risks and opportunities related to sustainability issues through own operations and upstream

and downstream value chain. For the assessment of risks and opportunities, the currently available data resulting from the analyses carried out so far were used.

3. Prioritisation of material impacts, risks and opportunities: application of criteria for impact materiality and financial materiality to determine which impacts, risks and opportunities are material. This includes setting appropriate qualitative thresholds that will be further elaborated in subsequent reporting cycles with an objective of continuously improving the relevance and faithful representation of HBOR's impacts, risks and opportunities.
4. Reporting: documentation in the form of an audit trail and disclosure of a description of the methodology and the results of the impact materiality assessment.

The assessment of HBOR's material impacts, risks and opportunities (above steps 2 and 3: identification and prioritisation of impacts, risks and opportunities) included the following:

- Results of the material impact assessment conducted in 2023 for 2022 sustainability report, which included an assessment of the importance of sustainability topics and the quality of the management of the sustainability topics, in-depth discussions with experts and an assessment of the actual and potential negative impacts of HBOR,

- List of sustainability matters to be included in the materiality assessment under thematic ESRS,
- Results of the Sustainable Finance project,
- Overview of material impacts, risks and opportunities of other banks (public banks and commercial banks),
- Review of the reports of IPCC, Copernicus, European Environment Agency, UNEP FI, European Central Bank and other relevant documents (science as a “silent stakeholder”),
- Internal presentation of the preliminary list of significant impacts on the environment and society as well as exchange and harmonisation of views,
- For certain sustainability matters, previously reported by HBOR, additional analyses and calculations have shown that they are not material (significant)
- Review, confirmation and update of descriptions of identified impacts.

### Engagement of stakeholders during report preparation

The double materiality assessment included the perspectives of internal and external stakeholders. Given their place and role in HBOR’s value chain, representatives of multiple stakeholder groups (banks, clients, associations, internal stakeholders, etc.) were included. In previous periods, stakeholder opinions were obtained through

various forms of engagement, from surveys and in-depth interviews to thematic meetings and consultations.

Altogether 33 HBOR’s employees from various organisational units were involved in the review of the assessment of HBOR’s impacts, risks and opportunities, including the Sustainable Finance Leaders and their deputies. They participated in informative consultative meetings where they were informed about the latest status and likely development of the legislation on amendments to the CSRD/ESRS, and where material topics and subtopics were reviewed. Members of the Sustainable Finance Committee were informed about the development of the legislation and the approach of other development/public and commercial banks during several Committee meetings. External stakeholders were engaged through desk analyses of the latest reporting practices of reporting entities in the financial sector (development banks and commercial banks) and entities in Croatia, and through thematic exchanges and discussions at meetings of several associations, without specific engagement in the form of new surveys or interviews. The results and insights obtained by engaging external stakeholders in previous periods remain relevant, especially the results of in-depth discussions with experts in 2023 and the inclusion of nature as a “silent stakeholder” in 2024.

In accordance with the results of the double materiality assessment, HBOR is focused on the activities that will mitigate negative impacts, enhance positive impacts, and actively manage identified risks and opportunities.

### 3.3.1. Stakeholder Engagement

Stakeholder engagement at HBOR includes ongoing consultation as part of its regular business activities. Several stakeholder groups have been identified:

- Government and public administration bodies,
- Clients,
- Financial institutions,
- Regulatory bodies,
- Rating agencies,
- Employees,
- Local community,
- Non-governmental organisations,
- Suppliers/investors and
- Media

Depending on the stakeholder group, engagement is the responsibility of one or more organisational units, and the relationship with stakeholders is regulated through several internal documents such as the Corporate Governance Code, the Code of Ethics and several other ordinances.

Stakeholder engagement is ongoing and takes various forms.

Thematic surveys of employee and/or client perspectives are occasionally conducted. HBOR facilitates and participates in thematic conferences and meetings. Employees engage in expert groups within industry associations or multi-stakeholder platforms, supporting the development of technical studies and piloting of methodologies.

During the development of products and services, targeted stakeholder engagement is conducted with relevant actors, such as: competent ministries, EU bodies, international financial institutions such as the EIB, the CEB, the IBRD, other development banks and export credit agencies, commercial banks, leasing companies, fund management companies, HAMAG BICRO, local and regional government units (LRGUs), various business associations and others.

Overview of key/selected HBOR’s stakeholder groups and corresponding engagement forms (tabular presentation)

STAKEHOLDERS	ENGAGEMENT FORMS		ENGAGEMENT PURPOSE
GOVERNMENT AND PUBLIC ADMINISTRATION BODIES REGULATORY BODIES	Meetings Opinions and standpoints Stakeholder working groups		Implementation of national goals and programmes Consultation and harmonisation with legislation Providing support for green transition/sustainable finance
FINANCIAL INSTITUTIONS	Annual and thematic meetings Study visits and thematic missions Workshops and consultations	Partnerships and initiatives Internships and exchange programmes	Development and implementation of products and distribution channels Integration of ESG matters into governance processes Exchange of views and knowledge
CLIENTS	Satisfaction survey Meetings in-person/online Contacts by phone/written/online Info days and workshops	Conferences Publications on the web and social networks Materiality assessments	Open and two-way dialogue Development and implementation of products and innovative solutions Understanding customer/value chain needs Identification of key material topics
ASSOCIATIONS	Meetings in-person and online Surveys, opinions and standpoints Thematic events, discussions and panels Governing bodies and working groups	Education and development programmes Joint initiatives and Declarations Sectoral studies and operational guides	Transparent public advocacy Exchange of knowledge and best sector practices Direct communication with experts Support for the sustainable development of the economy Contribution to development goals (development aid)
EMPLOYEES	Consultation with employee/union representatives Thematic announcements and announcements on the intranet Satisfaction research and thematic surveys	Grievance mechanisms Annual employee evaluation Team meetings Live annual employee and management meetings	Information and communication with own workforce Development of competences and skills Obtaining feedback and incorporating it into management processes Management of employee development Management of business processes

Note: the presentation provides recorded forms of engagement in previous periods (occasional or regular), not only in 2024

### 3.4. Risk Management Relating to Sustainability Issues

By policies, ordinances, methodologies, instructions and other internal documents on risk management, HBOR defines individual risks, establishes a risk management system and the manners of identifying, measuring/assessing, monitoring, containing, controlling and reporting on risks as well as the roles and responsibilities of the organisational units participating in the process of managing the risks to which HBOR is exposed or could be exposed in its operations.

The risks to which HBOR is exposed or could be exposed in its operations are identified in accordance with HBOR's Risk Catalogue. The purpose of this internal document is to identify the risks that are assessed to have or could have a potential negative impact on HBOR's business activities in order to set up and take timely measures to control them and to further develop the measures already established that are aimed at avoiding, preventing, transferring and/or reducing the negative impact of risks on current and future business indicators and the value of HBOR's capital.

HBOR's Risk Catalogue provides an up-to-date risk profile of HBOR and is a prerequisite for the further improvement of risk management. It is updated annually, and, if necessary, more frequently. All HBOR's organisational units are included in the risk identification procedure, which ensures the covering of all risks to which HBOR is or could be

exposed, which are inherent to HBOR's operations, products, activities, processes and systems and which may result in significant financial losses. The Risk Catalogue contains definitions of all identified risks and a risk table containing the following information for each identified risk: risk significance, coverage by internal documents, method of risk assessment and measurement, method of risk management and assessment of the degree of risk mitigation. For identified risks, HBOR continuously implements activities aimed at improving the management of these risks and reducing the initial exposure by introducing risk management measures. The most significant risks, to which HBOR is exposed in its daily operations, are: credit risk, liquidity risk, interest rate risk in the bank's book, operational risk, legal risk, information system risk, compliance risk, reputational risk and money laundering and terrorist financing risk.

In the Risk Catalogue, HBOR has identified environmental, governance and social risks. Based on the assessment of the severity and probability of a possible adverse event, due to HBOR's exposure to environmental, governance and social risks in terms of the expected financial consequences or impacts on business continuity, their significance (materiality) has been categorised as low.

Full integration of ESG risks into business model, risk management strategy and relevant policies is recognised in the new Strategy as one of the key directions within the "Sustainability" strategic enabler. HBOR continuously strengthens internal capacities and expertise

for the successful management of sustainable finance, including the management of ESG risks. The full integration of ESG risks into the risk management framework ensures the prerequisites for identifying, measuring and managing ESG risks by giving priority to climate risks. HBOR recognises exposure to ESG risks primarily through the financed activities of its clients.

Identifying and measuring ESG risks and also recognising the opportunities arising from the management of ESG risks are prerequisites for HBOR's long-term and sustainable operations, i.e. for strengthening the resilience and stability of the business model, ensuring that sustainable projects are financed and at the same time reducing HBOR's exposure to other risks associated with adverse impacts on the environment and society.

The process of assessing the environmental and/or climate risk of investments at HBOR includes, among other things, a review of compliance with environmental and climate requirements. These reviews are carried out by the Technical Analysis and Environmental Protection Department, within which the Environment and Climate Change Unit has been formed. Based on the documents submitted by a loan applicant (loan application, environmental protection questionnaire or self-assessment questionnaire, project documentation, other technical documentation, etc.), the Expert Assessment of Environmental Protection and Sustainability is

prepared, which, among other things, verifies project/investment compliance:

- From the standpoint of legality,
- With the relevant environmental legislation of the European Union and the Republic of Croatia,
- With the requirements of the green transition principle in terms of environmental goals,
- With the requirements of the Do No Significant Harm (DNSH) principle depending on the loan programme implemented,
- With other requirements (Paris Agreement, OECD Guidelines, InvestEU, etc.) depending on the loan programme implemented and the source of finance.

The expert assessment includes also classification of project into risk category (A, B+, B-, C), assessment of project eligibility, certain key indicators, environmental risk mitigation measures, the need to monitor the project in the preparation, finance and loan repayment phases, etc. The expert assessment prepared is included in the loan approval procedure and is issued for the overall assessment of eligibility, i.e. the risk category of the project/investment.

To support the assessment and measurement of climate related risks at the loan portfolio level, HBOR continuously undertakes activities aimed at securing adequate data and identifying the most appropriate

approach to managing these risks (e.g. for assessing physical risks – collecting as granular data as possible on relevant locations, analysis of tools available in the market for assessing physical risks, etc.).

### **3.4.1. Role and Composition of Top Governance Bodies**

The responsibilities of bodies or individuals in the bodies are prescribed by the Act on HBOR, the By-Laws and the Corporate Governance Code of HBOR. The Management Board of HBOR actively engages with sustainable finance matters. In accordance with the findings and recommendations of the Sustainable Finance project, HBOR's sustainability-related governance structure has been established that addresses environmental, social and governance (ESG) matters and consists of the following:

- Sustainable Finance Committee,
- Sustainable Finance independent organisational unit,
- Sustainable Finance Leaders.

The new organisational unit Sustainable Finance started to operate in 2024.

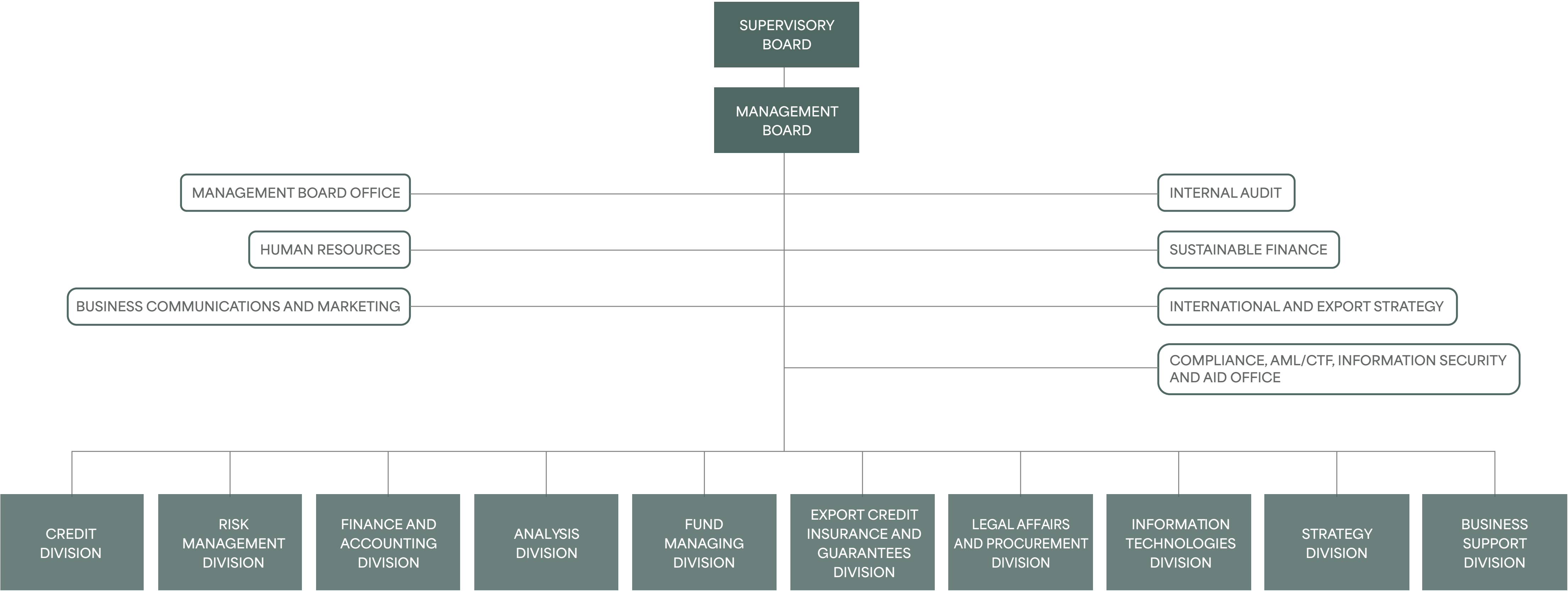
Presentation of the new HBOR’s sustainability-related governance structure

The establishment of the new sustainability-related governance structure, which began in 2023, was finalised with the establishment of the Sustainable Finance Committee and the appointment of the Sustainable Finance Leaders in 2024.

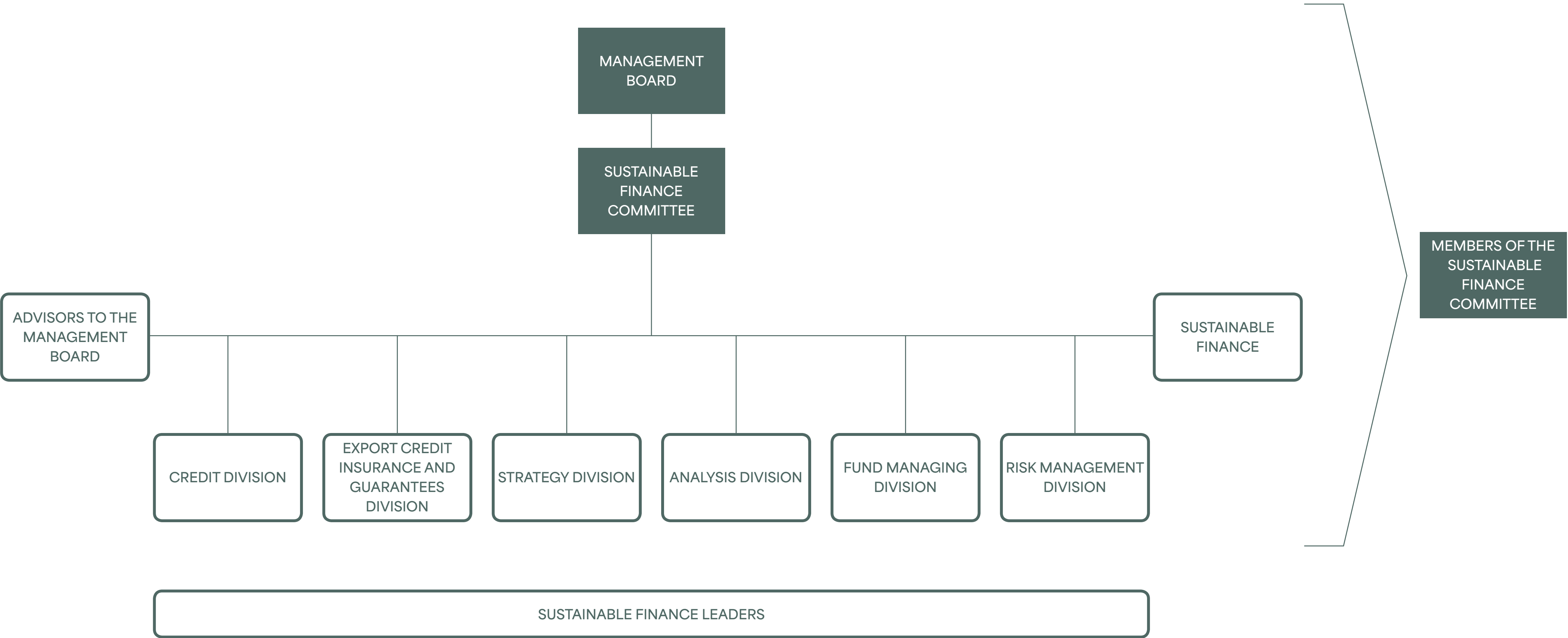
Bodies	Role and responsibilities
Supervisory Board	The Supervisory Board determines the principles of operating policy and strategy, supervises the business activities of the Bank, adopts the Annual Financial Statements, considers the Internal Audit reports and the reports drafted by external independent auditors and by the State Audit Office. The Supervisory Board also monitors and controls the legality of the business activities of the Management Board and appoints and dismisses the President and the Members of the Management Board. Pursuant to the Act, the Supervisory Board consists of ten members: six ministers in the Government of the Republic of Croatia, three Members of Parliament, and the President of the Croatian Chamber of Economy.
Management Board	Pursuant to the Act on HBOR and the By-Laws of HBOR, the Management Board represents HBOR, conducts HBOR’s business at its own risk and administers HBOR’s assets, and is obliged and authorised to undertake all actions and pass all resolutions it considers necessary for the legal and successful conduct of business. The powers of the Management Board also include adopting normative documents that determine the manner of operations and the internal organisation of HBOR, adopting programmes and general terms and conditions of business, making individual approval decisions on financial and other transactions, making decisions on the appointment and dismissal of employees with special powers, making decisions on the rights and obligations of employees and reporting to the Supervisory Board. The Management Board of HBOR is comprised of three members, one of whom holds the position of the President of the Management Board. The members of the Management Board are appointed by the Supervisory Board.
Sustainable Finance Committee	The Sustainable Finance Committee has altogether 12 members, including three Members of the Management Board, two advisers to the Management Board and directors of six divisions and one department. The Committee is chaired by the President of the Management Board, and a Member of the Management Board is the Deputy Chair. The Committee considers proposals for the implementation of activities in the area of sustainable finance, determines their interdependencies, assesses the necessary resources, determines responsibilities, roles and deadlines for the implementation of activities, and assesses the impact on the risk and/ or on the operations of the involved organisational units and HBOR as a whole. It also considers reports on the status of activities in the area of sustainable finance and other documents that Committee members deem necessary to consider at a Committee meeting. It also makes conclusions regarding strategy, policies, plans, goals and other documents in the area of sustainable finance, development of sustainable finance products, integration of ESG risks into the overall risk management process, regulatory and voluntary reporting on sustainability, necessary resources and competencies in the area of sustainable finance, cooperation with relevant stakeholders and other measures and activities in the area of sustainable finance.
Sustainable Finance organisational unit	The Sustainable Finance is a separate organisational unit, functionally and organisationally, whose tasks are related to adaptation to the regulatory requirements of corporate sustainability reporting and coordination of incorporation of sustainable finance in HBOR. The Sustainable Finance reports directly to the Management Board of HBOR and performs the following activities: 1) runs and coordinates the activities of adaptation to the regulatory requirements of corporate sustainability reporting in terms of disclosing environmental, social and governance information; 2) coordinates the activities of implementing sustainable finance at HBOR that are carried out by different organisational units; 3) develops and encourages cooperation with different groups of stakeholders in the area of sustainable finance and sustainable development.
Sustainable Finance Leaders	Sustainable Finance Leaders actively contribute to the implementation of sustainable finance activities. They propose and implement ESG matters within their organisational units and scopes of work. Sustainable Finance Leaders come from the Analysis Division, the Credit Division, the Export Credit Insurance and Guarantees Division, the Fund Managing Division, the Strategy Division and the Risk Management Division.

# HBOR’s Macro-Organisation

HBOR’s organisational structure as at 31 December 2024



HBOR’s sustainability-related governance structure



In 2024, altogether 12 meetings of the Supervisory Board, 57 meetings of the Management Board, 47 meetings of the Credit Committee and 6 meetings of the Audit Committee took place.

The following topics were discussed:

- **Supervisory Board:** consents to loan approvals and guarantees, changes to loan terms and conditions, adoption of and amendments to internal documents, various information, plans and reports;
- **Management Board:** approvals of loans and guarantees, changes to loan terms and conditions, adoption of and amendments to internal documents, topics in the areas of export credit insurance and guarantees, human resources, sponsorships and donations, various information and reports;
- **Credit Committee:** approvals of loans and guarantees, non acceptance of loan applications, changes to loan terms and conditions, various information and reports;
- **Audit Committee:** information, plans and reports.

The agendas of the Management Board meetings in 2024 covered numerous topics related to sustainability and ESG matters. Some of the topics about which the Management Board was informed and on which decisions were made during the meetings in 2024 included:

- Adoption of the 2023 Sustainability Report,

- Adoption of the 2025-2029 Business Strategy,
- Organisational changes,
- Adoption of new or amendments to existing internal documents regarding the incorporation of sustainability matters in various organisational units (procedural proceedings in processing sustainability-related loan applications, amendments to the General Eligibility Criteria, new strategic operational plans, new Code of Ethics, etc.),
- Adoption of new loan programmes (Urban Development Fund, Sustainable Tourism Loans),
- Amendments to loan terms and conditions for special target groups (Youth, Female and Start-Up Entrepreneurship),
- Business cooperation agreement (HAMAG "PLUS" Programme: issuing of individual guarantees to micro, small and medium sized entrepreneurs),
- Information and acceptance of technical assistance (EIB Green Gateway),
- ESG activities, appointments and initiatives carried out within various domestic and international associations and thematic stakeholder platforms (e.g. Sustainable Finance Support Forum).

The Audit Committee monitors the changes in corporate sustainability reporting and the resulting amendments to the Accounting Act and the

Audit Act and has requested HBOR's timely alignment with emerging regulatory requirements. In addition, sustainability related topics were also addressed at the Asset and Liability Management Committee meetings, particularly in relation to upcoming requirements from special financial institutions such as the EIB (in terms of the criteria for the financing of green projects and the compliance of projects with the Paris Agreement) and the CEB (in terms of the target groups and finance areas).

In 2024, the newly established Sustainable Finance Committee held a total of seven meetings. The Committee addressed topics within its mandate, primarily focusing on sustainability reporting, including ESG data and sustainability-related data infrastructure. Discussions also covered: strategy, policies, plans, goals and other documents as well as integration of ESG risks. The first year of Committee's operation was marked by well-attended meetings (from 12 to 19 attendees per meeting) and broad scope of discussion (26 topics across 6 categories).

### 3.4.2. Remuneration

#### Remuneration policies

##### Governance bodies

The salaries of the President and Members of HBOR's Management

Board are determined by the Decision on Salaries and Other Income of Presidents and Members of Management Boards of Companies (Official Gazette of the Republic of Croatia, Nos. 83/2009, 3/2011, 3/2012, 46/2012, 22/2013, 25/2014 and 77/2014). The Supervisory Board of HBOR is defined by the Act on HBOR (Official Gazette of the Republic of Croatia, Nos. 138/06 and 25/13), and the Members of the Supervisory Board perform their functions without remuneration. The remuneration of the Members of the Audit Committee is determined by a Decision of the Supervisory Board. A Member of the Audit Committee who is also a Member of the Supervisory Board as a state official has no legal right to remuneration, and the other two Members have the right to remuneration pursuant to Article 2, paragraph 11 of the Audit Committee Procedure Ordinance.

The salaries and severance pays of the Members of the Management Board are regulated by employment contracts, and they do not have the right to a variable part of the salary like other employees of HBOR. Pursuant to the Act on the Prevention of Conflicts of Interest, the Commission for Decisions on Conflicts of Interest issued the guidelines<sup>7</sup> that determined which receipts, in addition to salary, must not be received by the entities subject to the application of the abovementioned Act, including the Members of HBOR's Management Board, and which receipts they may receive, to which HBOR adheres in its activities.

<sup>7</sup> <https://www.sukobinteresa.hr/hr/smjernice-upute/dopuna-smjernice-o-zabrani-primitka-dodatne-naknade>

Employees

Excellence in work is rewarded and encouraged by an incentive part of the salary in the form of a salary supplement that is based on the quarterly assessment of competence and goal attainment through the performance management system. The amount of the incentive part of the salary is determined in a range that depends on the overall assessment of the achievement of goals and competencies in a certain period and that was further elaborated through internal documents in 2024.

Governance body	Total number of members	Number of women	% of women
Supervisory Board	10	2	20%
Management Board	3	0	0%
Sustainable Finance Committee	12	6	50%

3.4.3. Diversity and Expertise of HBOR’s Governance Bodies in Terms of Sustainability

In 2024, the Supervisory Board consisted of 10 members, of which two women and eight men. The Management Board consisted of

three male members. The Sustainable Finance Committee consisted of twelve members, of which six women and six men.

The Members of the Management Board expand their expertise in the field of sustainability through active participation in the work of various domestic and international associations, of which HBOR is a member (for the list of associations see Memberships, pages 87-88), in their governance bodies, in thematic events, discussions or panels<sup>8</sup>.

Besides the Management Board, HBOR’s management and employees expand their expertise through participation in associations’ expert groups, available education and exchange programmes, projects, sectoral studies and operational guides.

HBOR’s experts also actively participated in the work of several EAPB’s working bodies and took part in discussions on topics of European importance for public banks, and, in terms of sustainability, the following working bodies were the most prominent:

- Expert Working Group on ESG Risk Management,
- CAG ESG Financial Markets and Non-Financial Reporting, and
- CAG Sustainable Infrastructure.

<sup>8</sup> 2024 Annual Report of the Croatian Bank for Reconstruction and Development Group, p. 34 -36

## 4. HBOR'S SUSTAINABILITY-RELATED BUSINESS ACTIVITIES

### 4.1. Climate Change

Climate change is one of the greatest global challenges with far-reaching effects on the environment, society and the economy. According to the latest report of the Intergovernmental Panel on Climate Change (IPCC), 2024 was the first year with the global average temperature surpassing 1.5°C above pre-industrial levels and the second record-breaking year in a row after 2023 record-breaking temperature increase. Several global records were broken: greenhouse gas levels, air temperatures and sea surface temperatures, which contributed to extreme events such as floods, heat waves and wildfires. These data indicate that climate change is accelerating as a result of human activities.

The banking sector has a key role in the fight against climate change. Financial institutions, such as HBOR, can contribute to reducing greenhouse gas emissions significantly. As the Croatian development and export bank and export credit agency, HBOR has a key role in the development of a sustainable financial industry and its contribution to the achievement of the Sustainable Development Goals and the Paris Agreement climate goals for Croatia.

This role is also recognised in HBOR's 2025-2029 Business Strategy, which builds on the business strategy for the previous period, and in which sustainability is defined as one of the basic strategic enablers for the fulfilment of all strategic goals, with the Green Transition being highlighted as one of the five strategic goals.

### 4.2. Portfolio Reorientation

#### **Portfolio Reorientation in line with the Low-Carbon Development Strategy and the Paris Agreement**

Owing to its role as the national development bank, HBOR shall continue to be the key partner in the transition of Croatia towards a green and sustainable economy. The reorientation of the portfolio implies the strengthening of the strategic focus in support of the achievement of the Low-Carbon Development Strategy of the Republic of Croatia and the goals of the Paris Agreement. HBOR already applies a number of environmental requirements related to the climate and the environment that originate from the requirements

of special purpose fund sources.

The goal of the portfolio reorientation is to ensure the continuous implementation of the activities aimed at sustainable finance that include renewable energy sources for electricity generation, energy efficiency in buildings, sustainable mobility, decarbonisation solutions in industry and low-carbon agriculture. These activities are aligned with national policy and strategic frameworks and they provide HBOR with a double (financial and social) and triple (financial, social and environmental) bottom line potential. To update the share of individual sectors in total financed emissions, HBOR launched, in 2024, a new portfolio analysis, incorporating data quality controls to identify priority sectors. Following the analysis, it was decided to focus on clients operating in sectors with the highest climate risks and highest financial exposure in order to avoid, mitigate or prevent those risks.

## Climate risk assessment

Climate change poses a significant risk to financial institutions because it can affect various aspects of business operations and financial stability. Climate risk assessment includes the identification, analysis and management of the risks related to climate change that may have an impact on the bank's operations. These risks are usually divided into physical risks and transition risks.

Physical risks include the direct effects of climate change such as

extreme weather, rising sea level, floods, droughts and heatwaves. Such events can cause significant material damage to clients' assets, infrastructure and operations, which can lead to increased insurance costs, decreased collateral value and increased loan default risk.

Transition risks are associated with the process of transition to a low-carbon economy and include changes in legislation, technology and market conditions. Regulatory risks may arise from stricter greenhouse gas emissions regulations or carbon taxes, which may increase the clients' operating costs in high-emissions industries. Technological risks include the risks associated with the costs of transition to technologies with a lower level of emissions and/or replacement of products or services with those that have a lower impact on biodiversity or dependence on ecosystem services. Market risks can manifest themselves through changes in consumer and investor preferences towards more sustainable products and services.

To effectively manage climate risks, HBOR is working on the comprehensive integration of climate risks into its risk management system. This includes embedding climate risk assessment, measurement and management into both the credit approval process and across portfolio-level. Assessing and managing climate risks not only help reduce potential financial losses, but also create opportunities for the development of new sustainable products and services. HBOR is continuously developing, both independently and in

cooperation with relevant ministries and special financial institutions, a range of products and services aimed at financing green transition projects.

Through proactive climate risk management, HBOR contributes to building a more resilient and sustainable financial system.

### **Financed greenhouse gas emissions**

In 2023, HBOR initiated the calculation of financed greenhouse gas emissions in three sectors: energy, buildings and transport. The calculation was primarily based on projections and the methodology of the Partnership for Carbon Accounting Financials, (PCAF). HBOR joined the PCAF initiative to take advantage of membership benefits, including access to databases. PCAF is a global initiative led by financial institutions, and it was established to enable consistent and comparable measurement and disclosure of greenhouse gas emissions associated with financial activities. In response to increasing demands for standardised global accounting and reporting of GHG emissions, PCAF developed the Global GHG Accounting and Reporting Standard for the Financial Industry (hereinafter: the Standard). The Standard provides guidance on how to measure and report on financed emissions resulting from activities in the real economy that are financed by loans or investments by financial institutions.

By joining the PCAF, HBOR gained access to key resources, including a database of emission factors. For the calculation of financed emissions, institutions are expected to use client-reported emissions data, where available. In cases where such data is not accessible, financed emissions are estimated based on emission factors. Given that HBOR's client base predominantly consists of SMEs, which are currently not subject to mandatory GHG emissions disclosure and typically lack internal emissions data, HBOR relies on emission factor databases for most of its existing exposure.

In 2024, HBOR mapped its portfolio of directly approved loans in accordance with asset classes defined by the PCAF and initiated testing of financed emissions calculation across Scope 1, Scope 2 and Scope 3, as well as avoided emissions.

Financed emissions from Scope 3 represent the largest share in total emissions of financial institutions. According to the CDP (Carbon Disclosure Project) 2023 report, the financed emissions were on average 750 times higher than the emissions resulting from own operations (Scopes 1 and 2). However, these data are not complete because they do not include the total portfolio of financial institutions. The analysis and systematic monitoring of financed emissions enable HBOR to integrate climate related measures into its lending and other activities.

## Impacts related to information for users, access to (quality) information on climate and environmental requirements

The improvement of the Reporting System will simplify the process for clients, enable centralised recording and processing of data and consequently increase efficiency, improve automation and reduce operational risk. A simpler process will positively affect clients by reducing administrative burden and encouraging particularly vulnerable groups to use HBOR's finance programmes. The aim of improving the data infrastructure, among other things, is to identify possible solutions for improving the data collection process and their timely revision.

## 4.3. Strategy, activities, programmes and measures aimed at climate transition, strengthening of positive socio-economic impact and resilience of the economy

### HBOR's 2025-2029 Business Strategy

The Strategy describes in detail all strategic goals, including priority areas and activities. This report provides a brief overview of the connection between strategic goals and material sustainability issues.

The new Strategy is based on five strategic goals that define the key areas of HBOR's operations. All strategic goals are linked to specific identified material impacts, risks and opportunities.

**Promoting the development of venture capital, private equity and quasi-equity market (Equity)** - link to the material issue of sustainability – *Strengthening the competitiveness and resilience of the economy*

Despite the progress in the development of private equity and quasi-equity markets, significant market gaps remain. The main challenges include the limited size of the market, the low awareness of the benefits

of private equity finance, the lack of investors and the general lack of systemic support.

HBOR actively encourages the establishment of alternative investment funds aimed at supporting companies at all stages of development, which are typically fast-growing and innovative.

In the 2025-2029 period, the amount of EUR 100 million was provided for new HBOR's investments in alternative investment funds.

**Regional and social development** – link to the material issue of sustainability – *Financing the social rights of communities (municipal and social infrastructure, access to finance, vulnerable groups, regional development, special areas, reducing inequalities)*

Through the financing of infrastructure and entrepreneurial projects, HBOR will seek to reduce regional disparities, improve living conditions in less developed regions and encourage sustainable regional development in Croatia. HBOR's support will be focused on achieving balanced regional development in Croatia with a special emphasis on demographic challenges, improvement of the quality of life and business, and reduction of negative social and economic trends.

HBOR plans to direct at least 40% of its total business activity to the regional and social development of the Republic of Croatia in the 2025-2029 period.

**Promoting the Croatian economy internationalisation (Internationalisation)** – link to the material issue of sustainability – *Strengthening the competitiveness and resilience of the economy*

The internationalisation of the Croatian economy is key to its long-term growth and competitiveness on the global level.

As an export bank and export credit agency, HBOR provides exporters with the opportunity to use HBOR's loan programmes and export credit insurance programmes in all phases of the export cycle. Through export credit insurance programmes, exporters are provided with the possibility of protection against the risk of non-payment and easier access to new markets, and their access to finance is facilitated through the use of insurance policies as collateral for bank placements.

HBOR plans to direct at least 40% of its total business activity to the promotion of internationalisation in the 2025-2029 period.

**Competitiveness and resilience** – link to the material issue of sustainability – *Strengthening the competitiveness and resilience of the economy*

HBOR has a key role in the transformation of the Croatian economy towards a modern, technologically advanced, competitive and resilient economy by providing financial support to entrepreneurs, especially SMEs, through loan and investment products, with an emphasis on research and development, innovation and development of new technologies and digital transition.

HBOR plans to direct at least 70% of its total business activity to the private sector in the 2025-2029 period.

**Green transition** – link to the material issue of sustainability – *Climate change and Strengthening of internal capacities and professional knowledge of employees in the field of climate risks*

Through its operations, HBOR will actively contribute to national and EU goals and climate objectives set by the Paris Agreement as well as the UN Sustainable Development Goals and will ensure HBOR's long-term sustainable operations.

HBOR will continue to be a key partner in achieving environmental objectives through its financial products and services, by supporting projects that create an environmentally and economically sustainable future for Croatia. HBOR will continue to finance projects that contribute to the reduction of greenhouse gas emissions, energy efficiency, the use of renewable energy sources and innovations in green technologies. HBOR will develop new sustainable finance products that enable more affordable financial terms and conditions for green transition projects in various sectors of the economy and the green transition of entrepreneurs. HBOR will also monitor the compliance of its portfolio with climate neutrality goals, ensuring that financial products support global and European greenhouse gas emissions reduction targets.

During the new strategic period, HBOR plans to direct at least EUR 1.0 billion of its total business activities to the green transition.

## **Activities, programmes and measures aimed at climate transition, strengthening of positive social/economic impact and resilience of the economy**

In its 2024 Annual Report, the Croatian Bank for Reconstruction and Development (HBOR) described in detail its business activities during the reporting year. For the purposes of this report, the following text highlights the business activities that were focused on supporting sustainability goals during 2024. These business activities are described in the same chapter because they often have an impact on multiple material sustainability matters at the same time, such as green transition and socio-economic impact.

### **National Recovery and Resilience Plan (NRRP)**

The Implementation of the 2021-2026 National Recovery and Resilience Plan (NRRP) is planned until 31 August 2026 at the latest. In this period, the NRRP will contribute to the achievement of four general objectives at the EU level: promoting economic, social and territorial cohesion in the Union, strengthening economic and social resilience, reducing social and economic effects of the crisis, and encouraging green and digital transition.

Every project that uses the funds under the NRRP must meet the principles of Do No Significant Harm (DNSH) in terms of excluding ineligible activities and verifying their sustainability, and must comply with the relevant legislation, which is an explicit EU requirement

that HBOR has integrated into its application approval procedures. A certain amount of funds under each financial instrument is aimed at financing projects of green transition and reduction of greenhouse gas emissions.

Green transition projects include the projects that, in accordance with the criteria of the EU Taxonomy and the related regulations (delegated legislation), contribute significantly to the achievement of at least one of the following environmental objectives:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystem.

Also in 2024, HBOR implemented five financial instruments under the National Recovery and Resilience Plan through a loan programme for the financing of small and medium-sized enterprises that have a difficult access to finance, through an interest subsidy programme and a guarantee issuance programme for investment projects of mid-cap and large business entities with the aim of promoting digitalisation and green transition as well as a climate and energy neutral economy. For the sixth financial instrument, Promotion of

Development of Venture Capital Funds, a selection procedure for venture capital fund management companies is being carried out. The deadline for completing the procedure is June 2026.

The interest rate for financing green transition projects via direct loans through the Special SME Segments Investment programme under the NRRP was only 0.40%, per annum, fixed.

Financial instruments for subsidising interest rates for the private and public sectors provide more favourable terms and conditions for financing investments, including investments in the green transition, i.e. the possibility of reducing the interest rate by a maximum of 75%, up to 3 percentage points (for SMEs), or up to 2 percentage points (for mid-cap and large entities).

In 2024, 80 loans totalling EUR 262 million were reported to the NRRP in support of green transition projects<sup>9</sup>.

### **NRRP – Self-Assessment Questionnaire**

Experts from HBOR's Environment and Climate Change Unit assess for each proposed project whether it is eligible for financing and whether its climate, environmental and social effects have the characteristics of a sustainable project based on, among other things, the data contained in the Self-Assessment Questionnaire.

<sup>9</sup> Including loans, interest rate subsidies and guarantees

The Questionnaire was prepared in accordance with the climate, environmental and social standards of the Technical Guidance on Sustainability Proofing for the InvestEU Fund<sup>10</sup>. The goal of the Questionnaire was to ensure compliance of the measures with the Technical Guidance on the application of Do No Significant Harm principle under the Recovery and Resilience Facility Regulation in accordance with the proposition contained in the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Croatia in terms of the implementation of Financial Instruments and the approval of loans to final beneficiaries, for which HBOR was in charge as an implementing body.

In the case of a project, for which it is necessary to carry out a detailed review and check of climate, environmental and social requirements in accordance with the Technical Guidance on Sustainability Proofing for the InvestEU Fund, HBOR retains the right to subsequently request additional information and documentation from clients in order to determine possible risks more completely.

## New EU Financial Instruments

The use of EU funds for the 2021-2027 financial period is planned through financial instruments that will be implemented through HBOR and commercial banks. The novelty for the 2021-2027 period relates to the possibility of combining financial instruments with grants in the form of a write-off of a part of principal (capital discount). It is important to emphasise that all projects/investments financed under the new Financial Instruments must be aligned with:

- Do No Significant Harm (DNSH)<sup>11</sup> principle, and
- Technical guidance on the climate proofing of infrastructure in the period 2021-2027 (2021/C 373/01)<sup>12</sup>

In 2024, HBOR started the implementation of two new financial instruments: "Urban Development Fund" and "Sustainable Tourism Loans" intended for the financing of public and private sector investment projects.

In April 2024, a Finance Agreement was signed with the Ministry of Regional Development and EU Funds of the Republic of Croatia (MRRFEU) for the implementation of the financial instrument "Loans for Energy Efficiency of Entrepreneurs", and another Finance Agreement for the implementation of the financial instrument "Production Modernisation Loans" was signed with the same ministry in November, whose launch is expected to take place at the beginning of 2025.

<sup>10</sup> [COMMISSION NOTICE – Technical guidance on sustainability proofing for the InvestEU Fund \(2021/C 280/01\)](#)

<sup>11</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=oj:JOC\\_2021\\_058\\_R\\_0001](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=oj:JOC_2021_058_R_0001)

<sup>12</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=oj:JOC\\_2021\\_373\\_R\\_0001](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=oj:JOC_2021_373_R_0001)

## Urban Development Fund

The "Urban Development Fund" financial instrument is intended for the public sector capital investments (investments in fixed assets – tangible and intangible assets) in mixed commercial-public infrastructure, i.e. investments that, in addition to the public element, also have a certain commercial content. Loans are approved directly by HBOR from ERDF funds and HBOR funds in a 50:50 ratio.

Borrowers may exercise the right to a write-off of a part of loan principal (up to 50%) by fulfilling the criteria for a capital discount in three categories: sustainability, aesthetics and inclusiveness.

## Sustainable Tourism Loans

The "Sustainable Tourism Loans" financial instrument is intended for micro, small and medium-sized entrepreneurs. The loans finance sustainable investments that contribute to the green transition goals, i.e. result in the diversification of the tourism offer, the extension of the tourism season, the reduction of excessive tourism, sustainable business and generally higher quality of the tourism offer. Loans are approved directly by HBOR from ERDF funds and HBOR funds in a 50:50 ratio with a possibility of writing off up to 50% of disbursed principal amount upon the fulfilment of the criteria that include:

- Investments result in higher levels of energy efficiency

- Investments are in the categories of the Tourism Development Index (TDI)
- Upon completion of project implementation, investments result in hospitality facilities for accommodation classified into a type and/or category obtaining a new Decision
- Investments in new additional or optional content and/or investments in the expansion and/or improvement (reconstruction/renewal) of existing additional or optional content created with the aim of providing other services at an accommodation hospitality facility of a minimum 3 star category in the "Hotels" group or in the "Camping" group by investment value.

## Loans for Energy Efficiency of Entrepreneurs

The "Loans for Energy Efficiency of Entrepreneurs" financial instrument is intended for entities, regardless of their legal form, size and ownership structure, that have been registered for the performance of eligible activities in the manufacturing industry and the commercial and service sectors for at least one year prior to the date of submission of the loan application.

Investments eligible for financing are those related to the achievement of energy savings and/or the use of renewable energy sources, as well as those related to the financing of accompanying activities.

Loans will be approved through commercial banks selected in a public procurement procedure from ERDF funds and commercial bank funds in a 50:50 ratio with a possibility of writing off a part of ERDF loan principal upon fulfilment of predefined criteria (up to 50% of total disbursed loan principal amount).

### **Production Modernisation Loans**

The "Production Modernisation Loans" financial instrument is intended for micro, small and medium-sized entrepreneurs who are registered to perform activities in the field of processing industry.

Investments that aim to modernise and digitalise operations, introduce new technologies and products, and increase capacities are eligible for financing.

Loans will be approved by HBOR directly from ERDF funds and HBOR funds in a 50:50 ratio with a possibility of writing off a part of loan principal upon fulfilment of predefined criteria (up to 50% of total disbursed loan principal amount).

### **European Investment Bank (EIB)**

In November 2024, the European Investment Bank (EIB) and HBOR signed a EUR 200 million finance contract for the financing of small and medium-sized enterprises, mid-caps, large companies and

public entities for projects promoting environmental sustainability and combating climate change. This loan is part of the EIB's EUR 500 million framework loan approved to HBOR, under which the first EUR 200 million loan tranche was signed with HBOR in 2023.

Any project financed from the funds of the European Investment Bank must be in line with the Paris Agreement, and the criteria apply to projects in the areas of energy production and related activities, construction of new or renovation of existing facilities and procurement of transport vehicles. The Paris Agreement compliance criteria are incorporated in Schedule 1.2 to the General Eligibility Criteria<sup>13</sup>.

Through the "Green Gateway" technical assistance programme, the EIB enabled HBOR to use advisory services in the domain of green finance. Through this programme, HBOR received targeted technical assistance for developing its own capacities, improving the assessment of green projects and incorporating the EIB's green eligibility standards into HBOR's business processes. The "Green Gateway" programme also strengthens the role of HBOR in providing assistance and coordinating training in the field of green finance to the Croatian financial sector. In addition, the programme provides support to the Ministry of Finance and the members of the Sustainable Finance Forum, commercial banks included, in their efforts to raise awareness and readiness for the implementation of regulations and various initiatives in the field of green finance.

<sup>13</sup> [Document library | HBOR](#)

### **Council of Europe Development Bank (CEB)**

The projects financed from CEB's funds must be aligned with CEB's Environmental and Social Safeguards Policy and must not violate the provisions of the European Convention on Human Rights or the European Social Charter in any way. Furthermore, the projects that include the financing of transport vehicles should be in line with the Paris Agreement in accordance with the Schedule 1.2 to the General Eligibility Criteria.

### **International Bank for Reconstruction and Development (IBRD)**

The IBRD has defined the Environmental and Social Framework that consists of the Vision for Sustainable Development, The World Bank Environmental and Social Policy for Investment Project Financing as well as the Environmental and Social Standards. The Environmental and Social Standards prescribe the obligations that the borrowers must meet when identifying and assessing environmental and social risks and impacts associated with projects financed by the IBRD.

### **HBOR as a partner in the implementation of the InvestEU programme**

In 2024, the European Commission completed the Pillar Assessment procedure of HBOR which confirmed that HBOR operated in accordance with the highest standards and enabled it to manage EU funds directly.

Consequently, HBOR submitted an application for direct guarantees under the InvestEU Fund in 2024 for the development of new financial products and investments, and the negotiations with the European Commission are still ongoing.

### **Promoting sustainable competitiveness of the Croatian economy, especially through support to small and medium-sized companies (SMEs)**

During 2024, 2,580 loans were approved to private sector business entities, which accounts for 95% of total approved loans. Of the total approved loans, almost 70% were approved to micro, small and medium-sized companies.

Special emphasis was also put on the development of private equity market, and HBOR has launched several initiatives that enable financing of fast-growing companies. The Framework Loan Programme for granting of framework loans to entrepreneurial support institutions has been launched to enable financing of entrepreneurs in the earliest stages of development.

All these activities are described in more detail in the Annual Report of HBOR for 2024.

### **ELENA – free technical assistance for the preparation of investments in energy efficiency and renewable energy resources**

In cooperation with the European Commission and the EIB, from

November 2019 to April 2024, HBOR provided the public and private sector business entities with the opportunity to cover 100% of the cost of developing of project documentation for the preparation of investment projects in the field of energy efficiency and renewable energy sources through grants under the ELENA facility.

During the ELENA Facility implementation, the preparation of documentation for 81 projects was financed, of which 85% related to the public sector. Several counties, cities, municipalities and public authorities prepared projects to increase energy efficiency in hospitals, schools, kindergartens, homes for the elderly, sports facilities, shopping centres and entrepreneurial facilities as well as in public lighting systems. The preparation of project documentation was financed from the funds of the ELENA grant in an overall amount of EUR 1,991 million (288 documents).

### **Continued regional presence and cooperation with LRGUs**

In cooperation with counties, cities and municipalities, HBOR actively supported the regional and social development of the Republic of Croatia in the total amount of EUR 379 million by financing infrastructure projects in the public sector and by supporting the private sector through investments and working capital, especially in underdeveloped areas of Croatia.

In 2024, HBOR also actively cooperated with counties, cities and municipalities through its regional offices in Pula, Rijeka, Osijek,

Varaždin, Gospić, Zadar and Split with an objective of better informing entrepreneurs about the possibilities of using HBOR's products in all regions of the Republic of Croatia. In December 2024, the Regional Office for Central Croatia was established in Zagreb, which would cover the areas of Zagreb County, Bjelovar-Bilogora County and Sisak-Moslavina County.

### **Interest rate subsidy in individual counties, municipalities and cities**

In 2024, HBOR continued to contribute to the achievement of balanced regional development through cooperation with counties, cities and municipalities through subsidising of interest rates on HBOR's loans.

Pursuant to business cooperation agreements concluded between HBOR and counties, cities and municipalities, entrepreneurs can make use of interest rate subsidies on HBOR's loans, awarded by a county, city or municipality.

Until the end of 2024, HBOR realised the cooperation with 44 units of local and regional government – LRGUs.

# 5. ENVIRONMENT

## 5.1. Energy Consumption and Greenhouse Gas Emissions

HBOR uses electricity, thermal energy and natural gas from HEP Elektra and HEP Toplinarstvo in its buildings. Energy consumption is monitored for each building in HBOR’s ownership at three locations in Zagreb, Zelinska 3, Gajeva 33 and Strossmayerov trg 9 and for leased business premises. Also, HBOR uses diesel fuel for 20 vehicles in its ownership, as many as it had in 2024.

Resource	Measurement unit	2022	2023	2024	2024 compared to 2023
Electricity	kWh	207,297	210,766.24	343,968.34	63.20%
Thermal energy	kWh	158,783	125,457	148,206	18.13%
Natural gas	m³	8,040	8,045	10,417	29.48%
Diesel	l		23,661.61	29,890.09	26.32%

Energy consumption contributes directly and indirectly to greenhouse gas emissions. Consumption of electricity and thermal energy contributes indirectly, while the consumption of diesel and natural gas contributes directly to greenhouse gas emissions. For the purposes of this report, HBOR for the first time analysed greenhouse gas emissions from Scopes 1 and 2. The analysis included greenhouse gases carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrogen oxide (N<sub>2</sub>O), while the remaining greenhouse gases from the Kyoto Protocol, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>) have not been identified by this analysis.

The consumption in leased business premises is included in the consumption of electricity and natural gas in 2024 that was not included in the calculation in previous reports. This resulted in a deviation in the consumption of the mentioned energy sources in 2024 compared to previous years. It should be noted that in 2024, additional business premises were leased at the address Savska 60, Zagreb. With a new arrangement of work at separate workplace, there was a significant increase in the number of days that employees worked in the office. In 2024, the electricity consumption, without taking into account the consumption in leased business premises, was lower by 4.6% compared to 2023. The consumption of natural gas in 2024, without taking into account the consumption in leased premises, was lower by 15.8% compared to 2023. The consumption of thermal energy in 2024 increased by 18.13% compared to 2023. The

consumption of diesel fuel in 2024 increased by 26.32% compared to 2023. The calculation of HBOR's greenhouse gas emissions is based on the requirements of the GHG Protocol Corporate Accounting and Reporting Standard<sup>14</sup> and the requirements of the HRN EN ISO 14064-1:2018 Specification with guidelines at the organisation level for quantification and reporting on emissions and removal of greenhouse gases.

The Greenhouse Gas Protocol includes a classification of emissions called Scope 1, Scope 2 and Scope 3. By the greenhouse gas standard ISO14064-1, the following terms are defined: direct emissions of greenhouse gases as Scope 1, energy indirect emissions of greenhouse gases as Scope 2, and other indirect emissions of greenhouse gases as Scope 3.

Scope 1 includes direct emissions resulting from the consumption of diesel fuel in vehicles owned by HBOR and natural gas for heating purposes, while Scope 2 includes indirect emissions resulting from the use of electricity and thermal energy.

Each greenhouse gas has different radiative properties and therefore different effects on the climate. To enable a comparison of the contribution of different greenhouse gases to global warming, the greenhouse gas emissions are multiplied by the associated global warming potential (GWP). The emissions calculated in this way are

<sup>14</sup> Joint project of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

comparable and are expressed as the equivalent of carbon dioxide emissions (term: CO2e or CO2eq).

Global warming potentials used to calculate greenhouse gas emissions, which refer to a time period of 100 years, were taken from the latest Sixth Report<sup>15</sup> of the Intergovernmental Panel on Climate Change (IPCC) and are shown in the following table:

Table 1: Global warming potential values for a time horizon of 100 years

Greenhouse gas	Chemical formula	GWP values for a time horizon of 100 years
Carbon dioxide	CO <sub>2</sub>	1
Methane fossil origin	CH <sub>4</sub>	29.8
Nitrogen oxide	N <sub>2</sub> O	273

Emission factors from the Croatian Database of National Emission Factors<sup>16</sup> shown in the table below, were used to calculate the direct emissions of Scope 1 arising from mobile and stationary energy sources:

Type of fuel	EF CO <sub>2</sub> (kg/MJ)	EF CH <sub>4</sub> (kg/TJ)	EF N <sub>2</sub> O (kg/TJ)
Diesel	0.0741	3.9	3.9
Natural gas	0.0561	1	0.1

<sup>15</sup> IPCC, 2021: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, 2391 pp. (p. 1017) doi:10.1017/9781009157896.

<sup>16</sup> <https://mingor.gov.hr/o-ministarstvu-1065/djelokrug/uprava-za-klimatske-aktivnosti-1879/ugljicni-otisak/8960>

To calculate the indirect Scope 2 emission resulting from the use of electricity and thermal energy, emissions factors from the Croatian Database of National Emission Factors were used. The national factors for greenhouse gas emissions are aligned with the methodology for calculating the carbon footprint, the GHG Protocol and the standards ISO 14064-1 and ISO/TR 14069.

The database contains emission factors for 2015, 2016, 2017, 2018, 2019 and 2020 and separately for the following sectors: fuels, electricity, heat, passenger transport, freight transport, land use, land use change and forestry (LULUCF), waste and air conditioning. The emission factors were calculated for each of the greenhouse gases separately, and the CO<sub>2</sub>-equivalent emission factor was also determined. For this analysis, the latest available emission factors from 2020 were used, which are listed in the following table:

Type of energy	EF CO <sub>2</sub> combustion kg/MWh	EF CH <sub>4</sub> combustion kg/MWh	EF N <sub>2</sub> O combustion kg/MWh	EF CO <sub>2</sub> equivalent combustion kg/MWh
Electricity	129.952455	0.013219	0.002574	131.031029
Thermal energy	211.509116	0.005722	0.000663	211.856532

The location method was used for the calculation of greenhouse gas emissions. The total greenhouse gas emissions resulting from the combustion of fuels in HBOR-owned vehicles and the consumption of natural gas in 2024 amounted to 105.39 t CO<sub>2</sub>eq, while the total greenhouse gas emissions resulting from the consumption of electricity and thermal energy in 2024 amounted to 76.98 t CO<sub>2</sub>eq. The total Scope 1 and Scope 2 emissions in 2024 amounted to 182.37 t CO<sub>2</sub>eq, which is 408.90 kg CO<sub>2</sub>eq per employee. The total Scope 1 and Scope 2 emissions in 2023 amounted to 138.14 t CO<sub>2</sub>eq, which is 337.75 kg CO<sub>2</sub>eq per employee. It is necessary to take into account that the emissions of leased business premises were included in the calculation for 2024, but they were not included in 2023. Without the included emissions from leased business premises, Scope 1 and Scope 2 emissions in 2024 were 154.26 t CO<sub>2</sub>eq, i.e. 345,87 kg CO<sub>2</sub>eq per employee. The real increase in greenhouse gas emissions in 2024 compared to 2023 is 2.4%.

The following table shows comparative data of total greenhouse gas emissions in tons of carbon dioxide equivalent:

Scope	Source of emissions	Greenhouse gases 2024			
		CO <sub>2</sub> (t)	CH <sub>4</sub> (t)	N <sub>2</sub> O (t)	CO <sub>2</sub> eq (t)
Scope 1	Direct emissions from mobile sources	79.91	0.0042	0.0042	81.18
	Direct emissions from stationary sources	24.14	0.0022	0.00005	24.22
Scope 2	Indirect emissions from electricity consumption	44.61	0.0046	0.00088	45.07
	Indirect emissions from thermal energy consumption	31.86	0.0008	0.00009	31.91
Total		180.53	0.0110	0.0055	182.37

The analysis of greenhouse gas emissions from HBOR’s own operations (Scope 1 and Scope 2) showed that their impact is not significant compared to Scope 3 emissions, particularly the emissions financed.

## 5.2. Other Environmental Impacts

The approach to managing HBOR’s environmental impacts, especially climate change, encompasses the activities from its own operations and the impacts along the value chain that are primarily related to the promotion and implementation of projects that contribute to the development of the green economy.

### Impacts of HBOR’s Activities on the Environment

Considering the nature of business activities, which are mainly related to administrative tasks and analysis of collected data, HBOR has no significant negative impact on the environment.

The management policies are based on legal regulations in the field of environmental protection and sustainable waste management and are embedded in corresponding internal documents that prevent any potential negative impact on the environment. Environmental matters included in the policies relate to energy consumption and waste management. The approach to the management of environmental matters is evaluated as part of the asset management performance evaluation that HBOR conducts continuously on a quarterly basis.

The internal environmental impact management policy is implemented by the Property Management and Maintenance Unit, a special organisational unit within the Strategy Division. In accordance with its business policies, HBOR has adopted house rules that prescribe

the behaviour expected of workers in their daily work. Among other things, workers are ordered to behave rationally and sparingly in order to make as little waste as possible and reduce energy consumption.

All employees are familiar with internal policies that are available to them on the Intranet and SharePoint. The collection of plastic, paper and cardboard waste is also organised through labelled cardboard containers placed in visible places within the bank's business premises. Boxes for waste paper have also been placed in employees' offices.

5.2.1. Water Consumption

HBOR uses water from the public water supply system of the City of Zagreb for its operations, and all water is discharged into the public sewerage system. The business activities do not require any special conditions regarding the use of water resources, and the impact of water consumption within HBOR's own operations is not significant. The consumption is recorded using water meters, while at Gajeva and Strossmayerov trg locations, in addition to water consumption meters for each building, water consumption meters for hydrants are also installed.

In the reporting year, a total of 1,016.00 m<sup>3</sup> of water was consumed at all locations. Compared to the previous year, there is a visible slight

decrease in total water consumption. The building at Strossmayerov trg was still in reconstruction in 2024 and there was no recorded water consumption at that location.

Locations of operation and consumption	Measure-ment unit	2022	2023	2024	2024 compared to 2023
Zelinska 3	m <sup>3</sup>	635.00	718.00	727.00	+1.3 %
Gajeva 33	m <sup>3</sup>	258.00	330.00	289.00	-12.4 %
Strossmayerov trg 9	m <sup>3</sup>	258.00	-	-	-
Total water consumption	m <sup>3</sup>	1,151.00	1,048.00	1,016.00	-3.1 %

5.2.2. Waste Management

The use of resources and waste streams in HBOR are systematically managed by monitoring the needs and consumption of different resources and by organising separate collection of recyclable waste types at the workplace (paper and plastic). Removal, disposal and recycling of waste is carried out by authorised waste management companies to which the waste is handed over, in accordance with the applicable regulations. Business activities do not require any special conditions regarding waste management, and the impact of the waste generated by HBOR’s own operations is not significant.

In 2024, a total of 23,931.50 kg of waste was produced, of which 23,737.50 kg related to non-hazardous and 194.00 kg to hazardous waste. 12,903.00 kg of mixed municipal waste was generated, 6,756.50 kg of bulky waste, 3,367.00 kg of paper and cardboard, 711.00 kg of electronic waste and 194.00 kg of hazardous waste from toner cartridges. The total amount of hazardous waste in 2024 was by 491.10 kg lower than in 2023, because there was no hazardous waste found during the maintenance of real estate taken over for unpaid receivables. Hazardous waste from regular business activities in 2024 increased by 17.5% compared to the previous year. The total amount of waste generated in 2024 was by 8.6% lower compared to 2023. If the amount of generated waste is observed per employee, in 2023, 64 kg of waste was generated per employee, while in 2024, 54 kg of waste was generated per employee, i.e. 15,6% less waste generated

per employee compared to 2023. The amount of waste was partly reduced by the adoption of an internal document, i.e. the Ordinance for Handling and Recording of Short-Term and Long-Term Assets, which entered into force on 11 April 2024. By the mentioned internal document, procedures for handling tangible assets according to the principles of circular economy have been introduced in such a way that tangible assets are disposed after the cost-effectiveness of their repair has been analysed and when there is no interest in selling or donating tangible assets. New procedures have had an impact on the reduction of bulky waste, and a reduction in electronic waste is also expected in the coming years.

Type of waste	Measure-ment unit	2022	2023	2024
Hazardous waste	t	-	0.6851	0.1940
Non-hazardous waste	t	1.020	25.504	23.7375
Total waste mass	t	1.020	26.1891	23.9315

# 6. SOCIETY

## 6.1. Employees

The basic document from which the fundamental rights and obligations of employees derive is the Labour Ordinance, which during 2023 was harmonised with the Act on Changes and Amendments to the Labour Act and entered into force on 30 June 2023. The adoption of the new Ordinance was preceded by consultations with the trade union representative, who has the rights and duties of the Workers' Council. In 2024, additional amendments to the Labour Ordinance were implemented, and the related consultations with the trade union representative were held.

Croatian Bank for Reconstruction and Development has been participating in the human resources management process certification (Employer Partner certification) since 2006, awarded by Selectio, a consulting company in Croatia for consulting in the field of human resources management. The last certification process was carried out in 2023.

HBOR continuously invests in the development of its employees to

enable them to acquire key competencies and skills that are useful in their business and private lives. Through various educations, employees have the opportunity to improve their professional knowledge and skills needed to perform their work, develop communication skills, time management and personal efficiency. HBOR provides its employees with the opportunity to attend conferences in Croatia and abroad related to their field of work. In addition, HBOR provides funds for employee scholarships that enable them to enrol in postgraduate studies, which further contributes to their professional development. Within the sustainability and gender equality education, employees acquire knowledge that is essential for building an inclusive and sustainable work environment. Strengthening of organisational capacities and continuous investment in the development of professional competences of employees are key to realising the strategic goals of HBOR.

### Employees

In 2024, there were 446 employees at HBOR, of which 293 were women and 153 men. The total number of employees compared to

2023, when there were 409 employees, increased by 9.05%. Data on employees relate to 31 December 2024 and include all employees who have a contract with HBOR.



Of a total of 446 employees, 430 of them have a permanent employment contract, i.e. 96.41%, and 445 employees are employed full-time, or 99.78%. HBOR regularly publishes vacancies for recruiting of trainees and during 2024, 6 trainees were employed in HBOR. Until the end of 2024, 4 trainees received an offer for a permanent employment contract.

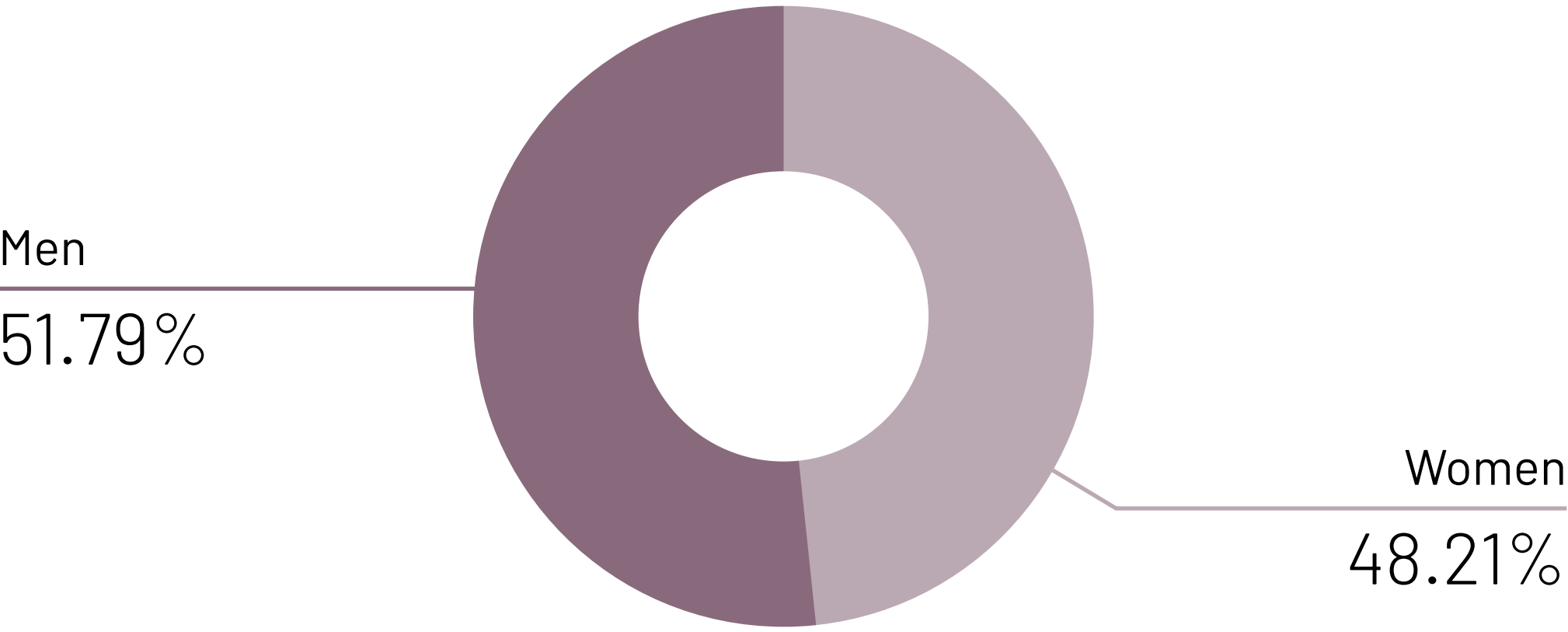
Illustration<sup>7</sup>:

	2022	2023	2024	2024 compared to 2023
Total number of employees	382	409	446	9.05%
women	249	267*	293	9.74%
men	133	142*	153	7.75%
Number of employees permanently employed	377*	399*	430	7.77%
women	247*	261	283	8.43%
men	130*	138*	147	6.52%
Number of employees temporarily employed	5*	10*	6	-40.00%
women	2*	6*	5	-16.67%
men	3*	4*	1	-75.00%
Number of full-time employees	378	405	445	9.88%
women	245	262	292	11.45%
men	133	143	153	6.99%
Number of part-time employees	4	4	1	-75.00%
women	4	4	1	-75.00%
men	0	0	0	0.00%

Note: data on the number of trainees are presented separately, since these are not the same employment relationships as temporary employees (2022: 4, 2023:5, 2024:10).

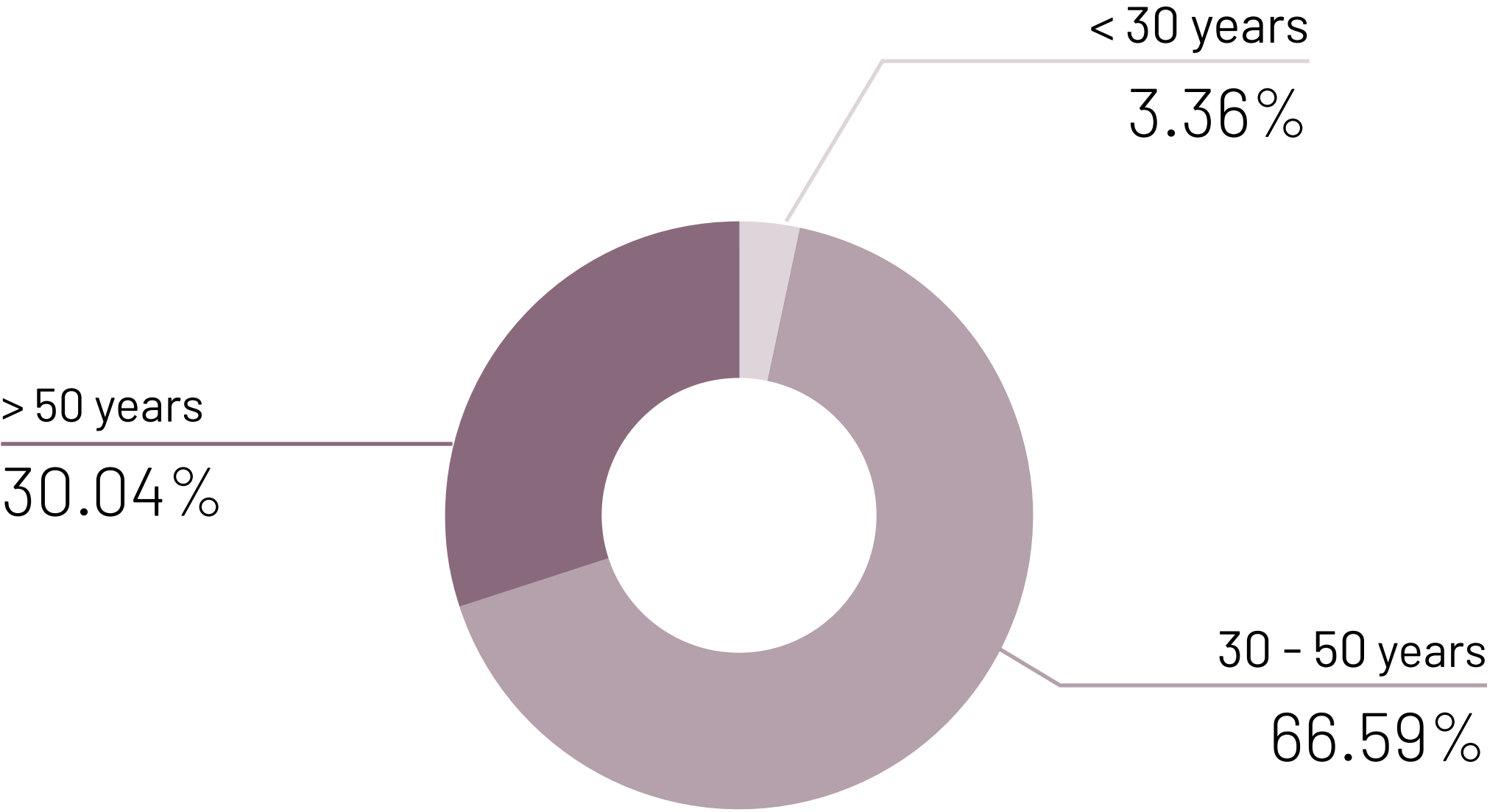
<sup>17</sup> Figures marked with an asterisk have been updated based on re-checking

Of the total of 446 employees, 413 are highly educated, i.e. 92%. In 2024, the share of women in the total number of employees was 65.70% (2022: 65.18%, 2023: 65.28%), however, this share is somewhat lower in management positions: of the total of 56 management positions, 27 were held by women, i.e. 48.21% (2022: 48.00%, 2023: 49.09%).



In HBOR, most of employees are in the category of 30 to 50 years, i.e. 297 of them, or 66.59% (2022: 70.94%; 2023: 66.01%).

Age categories	2022	2023	2024
< 30 years	15	11	15
30 - 50 years	271	270	297
> 50 years	96	128	134



Recruitment of New Employees and Turnover of Employees by Age and Gender

HBOR’s recruitment process<sup>18</sup> is based on the principles of transparency and ensuring equal and fair conditions for all interested candidates, in accordance with the required educational and professional competencies. The improvement of internal recruitment procedures follows HBOR’s organisational needs, enabling more efficient operations and a more flexible approach to candidates.

The recruitment process is organised through open competitions, which are available on the HBOR website, where the results of the competitions are also published. The competitions are also published on the MojPosao portal and the LinkedIn social network. Applicants undergo a selection process that includes professional and psychological tests and interviews. Upon employment, new employees undergo an onboarding programme with internal training to ensure rapid adaptation and efficiency.

In 2024, HBOR hired 53 new employees, of which 35 were women and 18 were men. The largest number of new employees belongs to the category of 30 to 50 years of age, i.e., 37 of them, which makes 69.81% of new employments.

Age groups	2022	2023	2024
< 30 years	3	5	8
30 - 50 years	23	33	37
> 50 years	1	3	8
TOTAL	27	41	53

Share of women and men in the total number of new employees



<sup>18</sup> The employment procedure is embedded in the provisions of internal documents.

At the same time, during 2024, 19 employees left HBOR, 10 women and 9 men. The total fluctuation rate in 2024 was 4.44%, a slight increase compared to 2023, when it was 3.02%.

Age groups	2022	2023	2024
< 30 years	2	1	0
30 - 50 years	11	6	10
> 50 years	6	5	9
TOTAL	19	12	19

Salary and Employee Benefits

The material rights of HBOR employees are defined by internal documents and are harmonised with laws in force. Employees are guaranteed the right to vacation, paid and unpaid leave, as well as the payment of severance pay. In addition, the Ordinance establishes the rights to jubilee award, holiday pay and Christmas bonus, health insurance subsidy, transportation allowance, seniority allowance, food allowance, permanent allowance and financial support, as well as flat-rate compensation for work from home.

Uncompetitive salaries within the organisation were assessed during

the 2022 material impact assessment as one of the three potential or actual adverse impacts with the highest probability of occurrence. Since 2023, HBOR has been engaged in a dialogue on salaries with trade union representatives and has been working on salaries corrections in response to workers’ efforts to compensate for the loss of purchasing power accumulated due to increased inflation, especially during 2022, when the average annual inflation was 10.7% and in 2023, when it was 8.4%. Inflation in Croatia decreased in 2024, when it was 4.0%. In 2024, a one-off salary adjustment was carried out to mitigate the effects of inflation.

Work-Life Balance, Including the Right to Parental Leave

Currently, HBOR does not conduct surveys of employee satisfaction with the work-life balance, however, activities have begun to launch an employee satisfaction survey in 2025/2026.

The exercise of the right to maternity/parental leave is fully complied with applicable legal acts. All employees of HBOR(including adoptive parents) have this right, which is being timely updated through changes and amendments to relevant internal documents. In 2024, a total of 31 employees used maternity/parental leave, of which 24 were women and 7 men. All employees that during 2024 completed their maternity/parental leave have returned to work after having used their maternity/parental leave.

## Hybrid Mode of Work

HBOR employees continued to work in a hybrid work regime (work in business premises and work at a separate workplace) during 2024, the opportunity that was used by the majority of employees. All HBOR employees had this option, except for those whose workplace is exclusively tied to office premises (drivers, writing office). In special circumstances, as provided by the Labour Act, employees could request an exemption from the obligation to work in office premises in order to work exclusively at a separate workplace, which was approved to some employees. In 2024, an average of 10% of employees worked at a separate workplace – mostly parents of small children or employees travelling to work in Zagreb.

## Occupational Health and Safety

A system of occupational health and safety management was established based on the legal requirements of the Occupational Safety and Health Act, the Labour Act and secondary legislation related to the Occupational Safety and Health Act, as well as internal documents related to occupational safety (Occupational Safety Ordinance, Rules of Procedure of the Occupational Health and Safety Committee, HBOR's Risk Evaluation, Ordinance on the Use of Personal Protective Equipment, Evacuation and Rescue Ordinance, etc.). The health and safety management system at the workplace covers all employees.

The basic document of occupational safety is the Risk Assessment, based on which risks are identified and measures to reduce them are prescribed. The Risk Assessment assesses the probability of a harmful event and the magnitude of consequences for a particular workplace.

Taking into account that, according to the Risk Assessment Ordinance, more than 80% of jobs in HBOR are classified as low-risk jobs (mainly administrative jobs), the following risks were identified:

- Demand for high quality work (medium risk – stress).
- Management of means of transport and fieldwork during business trips (medium risk).
- Communication with persons (medium risk – stress).

Risk assessment is carried out in cooperation with employees, based on the job description, tasks actually performed by employees at workplace and their subjective perception of danger and risk.

Pursuant to the Occupational Safety and Health Act, HBOR is obliged to cooperate with employees in the preparation of risk assessment, risk reduction measures, procurement of personal protective equipment and other issues related to occupational safety. All communication with employees takes place on a regular basis, either directly with an individual employee or through the workers' commissioner for occupational safety. Employees participate directly and actively in the preparation of the Risk Assessment together

with occupational medicine and other relevant experts. They also participate indirectly in the drafting of regulations and guidelines through their commissioners and trade union.

Employees are provided within the statutory deadlines with a preventive eye examination that is carried out in the premises of HBOR. There is also a possibility of undergoing an occupational health examination in case of problems with the musculoskeletal system in order to get a recommendation for additional ergonomic workplace arrangement (chair, lifting table, etc.). Employees working in jobs with special working conditions are sent regularly, once a year, to an occupational medicine practice for a medical examination. Employees also have right to a subsidised additional health insurance organised by the Human Resources Department and the Accounting Division, which enables them to access various health services. Employees are also insured with an insurance policy in case of disability, death and hospital stays (policies are contracted by the Human Resources Department). All examinations of employees are performed during working hours and at the expense of HBOR. Content related to occupational health and safety is regularly published on HBOR's intranet pages: back strengthening exercises, contents related to stress, work-life balance, advice in the event of extreme heat conditions.

The Occupational Health and Safety Committee consisting of employee representatives (employees' commissioners), employer's

representatives (employer's authorised representatives), an occupational safety expert and an occupational health medical practitioner operates in HBOR. The Committee is an advisory body that makes proposals to, and advises the Management Board on matters of occupational health and safety, i.e. health and safety of employees. The Committee operates in accordance with the Rules of Procedure of the Committee. Employees themselves participate in the development, application and evaluation of the system either directly or indirectly through their commissioners for occupational safety.

Employees undergo trainings prescribed by law: work in a safe manner, fire protection, training of workers' commissioner for safety at work, training of employer's authorised representatives, professional training as needed. Instructions for work in a safe manner for the jobs that require such education are published on HBOR's intranet pages and are thus available to all employees.

Injuries at work are extremely rare at the workplace and most often occur on the way from home to work and vice versa. Employees report injuries at work to an occupational health expert, who reports injuries to the Croatian Health Insurance Fund (HZZO) via CEZIH portal (on-line). In 2024, one work injury occurred on the way from home to work, as a result of which 38 working days, or 304 working hours, were lost. The injury was reported, and its acknowledgment by the Croatian Health Insurance Fund is expected. There were no reported work-related illnesses or occupational illnesses in 2024.

## Professional Development and Promotion

In January 2025, the new 2025 – 2029 Business Strategy of the Croatian Bank for Reconstruction and Development was adopted, which builds on the 2020 – 2024 Business Strategy of the Croatian Bank for Reconstruction and Development. The new strategy has recognised employees as the key to achieving the strategic goals and long-term development of HBOR. The Strategy represents the most important document in terms of human resources development, in which emphasis is put on further development of internal capacities and strengthening of competencies as well as specialist know-how of its employees that remains recognised as part of key strategic prerequisites that will enable more efficient and proactive achievement of strategic goals.

Continuous strengthening of professional capacities and competences of employees as well as the development of a healthy and motivating work environment is the responsibility of Human Resources organisational unit. The work of this organisational unit is managed by the managing director who reports directly to the Management Board of HBOR. The area of responsibility, the scope of work and the system of managing organisational units is governed by the Macro-Organisation Ordinance of the Croatian Bank for Reconstruction and Development. Regular human resources management processes and activities cover the entire career of HBOR employees and enable management support in human resources management: employee

selection and recruitment, management of goals and competencies, and rewarding and employee development.

Opportunities for advancement, promotion and recognition for HBOR employees are realised on the basis of appropriate work performance and are regulated by an HBOR's internal document. Employees can plan their annual trainings, educations and conferences in accordance with the requirements of their jobs and the development of processes within HBOR. These procedures include an annual training, education and conference attendance plan.

Professional development of employees is supported by the assessment of work performance through quarterly periods and set goals, as defined by an internal document of HBOR introduced in 2015 for systematic monitoring of work performance of every employee. Within this system, competences and achievement of defined goals are monitored quarterly, and new goals are set for the coming quarter. In order to ensure the transparency of the competence and goal monitoring system, quarterly interviews were introduced in which employees receive feedback.

Satisfaction with the opportunities for professional development is monitored through quarterly and annual interviews. Individual goals are set for all employees, and they are provided with specialist and professional contents aimed at their professional development or at conducting their careers towards managerial or head positions. This system continuously encourages further professional development

of employees, enabling them to acquire new skills, mentoring, professional development, promotion, building a business network and independent research within the job description.

All employees of HBOR are included in the education framework, which includes participation in conferences, trainings and study visits. Skills acquisition programmes are planned on an annual basis and implemented with external contractors for three levels of employees: task actors, heads of units and managers.

During 2024, employees from 13 organisational units participated in conferences and training/education related to ESG and sustainability. According to the number of hours, these educations represent about 15% of the total hours of education (2022: 1031 hours, 2023: 1600 hours, 2024: 911.45 hours). These figures do not include in-house training (onboarding, AML/CTF, DPO), internal workshops realised within the framework of projects or consulting services or postgraduate studies, and educations realised through study visits or practical trainings are only partially included, which are additional opportunities used by HBOR. The number of hours of training and training topics are recorded through the internal information system. Most frequent participants in thematic conferences and trainings in 2024 come from organisational units key to the operational implementation of sustainable finance activities (Analysis Division, Credit Division, Sustainable Finance, Strategy Division and Fund-Managing Division).

Topics of conferences and trainings included: sectoral conferences on green building, energy, urban development and sustainable built environment, sustainable construction, solar energy, wood technology, renewable energy, energy sector, annual national conference on sustainable development, implementation of the ESG strategy in business operations, systematic management of environmental, social and governance (ESG) risks, smart cities, women in business, equality/diversity and inclusiveness, ethics, integrity and compliance as well as the new regulation on sustainability. Specific topics included waste management, energy consumption, heating and cooling systems and energy needs of buildings, sustainable finance and ESG, sustainability reporting, corporate sustainability and corporate governance, ESG management and auditing, and the new EU regulations.

According to an internal document of HBOR, it is possible to train employees as preparation for a new job. All 53 new employees in 2024 went through the onboarding programme for new employees.

Also, HBOR offers student scholarship programmes, thus providing permanent employment opportunities. The development and enhancement of key competences of employees is carried out through internal and external educations, enabling them to improve their skills necessary for performing work at HBOR.

During 2024, a total of 6,269.7 hours of education were held, which was recorded through the internal system.

## Professional Competences for Sustainable Finance

The *Sustainable Finance* project has defined a clear need to acquire and improve professional competencies for sustainable finance and/or attracting new employees with appropriate professional competencies. According to Deloitte's study *Taking the Lead in Sustainable Finance*, the main problems in developing skills and talents in sustainable finance are: competing internal priorities, lack of coordination and inadequate budgets for training. In addition, the new regulatory framework for sustainable finance is extremely complex and requires multidisciplinary knowledge and skills and teams that can easily adapt to a changing environment. The study also showed that there is currently a high demand for professional and experienced capacities in sustainable finance. Experiences following the implementation of the Sustainable Finance project showed that the rotation or turnover of employees who participated in the project poses an additional challenge in the development of professional skills. In a context where financial institutions and companies work intensively to integrate ESG factors into their strategic and operational processes, the demand for experts with skills in processing and interpreting ESG data is constantly growing. In addition, proposed amendments to ESRS reporting standards and legal uncertainty regarding the coverage, scope, and content of the related regulations pose new challenges. HBOR leverages available opportunities for knowledge exchange and professional

development, and actively promotes and maintains continuity in ESG/sustainable finance - related education, thus striving to secure and retain adequately skilled workforce.

## Non-discrimination

The Labour Ordinance prescribes the procedure for protecting the dignity of workers, for which commissioners for the protection of dignity are also responsible. The commissioners carry out the dignity protection procedure at the request of an employee. Commissioners for the protection of employees' dignity are appointed by the Management Board, and in accordance with the provisions of the Labour Act, they are of different genders. They are authorised to receive and resolve complaints relating to the dignity of employees and propose to the Management Board that further corrective and preventive actions be taken.

Decent and dignified behaviour without discrimination is also promoted by HBOR's Code of Conduct. By the Labour Ordinance, HBOR is obliged to act in the manner that prevents direct or indirect discrimination when setting up the selection criteria and employment conditions. It is obliged to protect the dignity of employees from direct or indirect discrimination in the field of work and labour conditions, including professional guidance, professional training, promotion, etc. It is also obliged to protect the dignity of employees from actions of superiors, associates, and other persons with whom the employee

comes into contact during the performance of his/her work, if the action is contrary to laws and/or internal documents.

Commissioners for the protection of employees' dignity have an approved budget for the participation in external education for the purpose of expanding the existing and acquiring new knowledge in their field of activity. During 2024, they attended available seminars. During 2024, a total of 3 complaints by HBOR's employees regarding the violation of their dignity have been submitted to the commissioners. In two cases, the complaint was processed and in both cases the conclusion was made that there had been no violation of employee's dignity. In the case of a third complaint, processing showed that the prerequisites for action were not met due to incomplete data on the persons involved in the case of a violation of dignity, and the Commissioner could not properly process the complaint. The Management Board was informed about the circumstances regarding the mentioned complaint and it took notice of it.

### **Diversity and Equal Opportunities**

Diversity and Equal Opportunities are priority of Human Resources, which continuously promote diversity and equal opportunities in employment. HBOR employees are provided with equal opportunities, equal salaries (based on equal work performed), the possibility of using maternity/parental and paternity leave. Equal opportunities are ensured by a series of procedures and internal documents that

determine and structure the range of points and salaries.

Gender Pay Gap has been calculated since 2023, and for this report, it was calculated using the formula: *(Average gross hourly earnings of male employees – average gross hourly earnings of female employees) including variable income / divided by average gross hourly earnings of male employees including variable income*. The calculations were made for 3 job complexity groups (from the least complex category II to the most complex category, VIII), with only employees who were in the same category during the accounting year being taken into account for the calculation.

In 2024, in job groups II, III and IV (less complex jobs), the average gross hourly earning ratio between women and men was -13.83%, in job groups V, VII and VII (jobs of greater complexity) +2.87%, and in job group VIII (Members of the Management Board, President of the Management Board, Senior Executive Directors and Directors) +4.48%. No significant differences in salaries were found. The difference of 13.83% in favour of women's salaries compared to men's salaries in job group II-IV is attributed to the complexity categories and composition of workforce by individual category – small sample, no women in category II, relatively higher share of women in categories III and IV.

Salary differences for 2023, calculated according to the same formula, amount to: -13.18% for job group II-IV, +3.21% for job group V-VII

and +3.27% for job group VIII.

The ratio of the total annual compensation of the best paid employee of HBOR to the median value<sup>19</sup> of total annual compensation for all employees (excluding the best paid one) in 2024 was 2.82 (2023: 3.15).

Compliance with the institutional framework of the Republic of Croatia guarantees respect for all rights arising from the umbrella regulation of the European Parliament and the Council at the HBOR level, especially with regard to the principle of equal opportunities and equal treatment of men and women in matters of employment and work, non-discrimination on any basis, work-life balance, protection of mothers and pregnant women, occupational health and safety, and in establishing a general framework for informing and consulting with employees.

### **Freedom of Association and Collective Bargaining**

The association of employees is formally made possible through the Trade Union of Banking and Financial Employees of Croatia – a trade union branch of HBOR. The main trade union commissioner took over the rights and obligations of the Works Council, and in this role, she represents all employees – both employees and employees

– members of the Trade union. HBOR cooperates closely with the trade union commissioner. Cooperation is regular, through written consultations and requiring of prior consent on individual issues, quarterly notifications as prescribed by the Labour Act, and meetings as needed. In 2024, employee representatives were involved in decision-making on issues important for the position of employees: working conditions, organisational changes, work at a separate workplace, material rights of employees, salary adjustments, and the conditions and manner in which HBOR enables professional development and training of employees, etc.

Roles, responsibilities and procedures for cooperation with employee representatives are defined in internal documents and decisions. Operational support for cooperation is provided by Human Resources, which have a budget allocated for training in this area, and the ultimate responsibility for cooperation lies with the Management Board.

In the reporting period, there were no initiatives for collective bargaining, and HBOR does not have a collective agreement. All HBOR employees are represented by employee representative.

<sup>19</sup> In the 2023 Sustainability Report, the average total annual compensation for all employees (excluding the highest paid), and not the median (2023: 2.84) was used when calculating the ratio.

# 7. GOVERNANCE

## Members of the Governance Bodies

In 2024, the Supervisory Board of HBOR consisted of 10 members, of which six ministers in the Government of the Republic of Croatia, three Members of Parliament, and the President of the Croatian Chamber of Economy.

In 2024, the members of the Supervisory Board were as follows:

- **Marko Primorac**, PhD, Minister of Finance, President of the Supervisory Board,
- **Damir Habijan**, Minister of the Economy and Sustainable Development, Deputy President of the Supervisory Board, (in office from 11 January 2024 until 28 August 2024),
- **Ante Šušnjar**, Minister of the Economy, Deputy President of the Supervisory Board (in office from 29 August 2024),
- **Nikolina Brnjac**, PhD, Minister of Tourism and Sport (in office until 28 August 2024),
- **Branko Bačić**, Minister of Physical Planning, Construction and State Assets,
- **Šime Erlić**, Minister of Regional Development and EU Funds,
- **Josip Dabro**, Minister of Agriculture, Forestry and Fisheries (in office from 29 August 2024),
- **Marija Vučković**, MSc, Minister of Agriculture (in office until 28 August 2024), Minister of Environmental Protection and Green Transition (in office from 29 August 2024),
- **Luka Burilović**, PhD, President of the Croatian Chamber of Economy,
- **Žarko Tušek**, Member of the Croatian Parliament (in office until 11 July 2024),
- **Branka Juričev Martinčev**, Member of the Croatian Parliament (in office from 12 July 2024),
- **Predrag Štromar**, Member of the Croatian Parliament,
- **Siniša Hajdaš Dončić**, PhD, Member of the Croatian Parliament (in office until 11 July 2024),
- **Boris Piližota**, Member of the Croatian Parliament (in office from 12 July 2024).

The Management Board of HBOR consists of the President and Members of the Management Board. Members of the Management Board of HBOR in 2024:

- **Hrvoje Čuvalo**, MSc, President of the Management Board,
- **Alan Herjavec**, MSc, Member of the Management Board,
- **Josip Pavković**, Member of the Management Board.

In 2024, the Audit Committee consisted of three members as follows:

- **Prof.DSc. Lajoš Žager**, Full Professor, Department of Accounting, Faculty of Economics and Business of the University of Zagreb, Chairman of the Audit Committee,
- **Prof.DSc. Boris Tušek**, Full Professor, Department of Accounting, Faculty of Economics and Business of the University of Zagreb, member and Deputy Chairman of the Audit Committee,
- **Predrag Štromar**, Chairman of the Physical Planning and Construction Committee of the Croatian Parliament, member of the Audit Committee.

### Audit Committee

On the basis of HBOR's Code of Corporate Governance and the Audit Act, the Audit Committee of HBOR has been established pursuant to a decision of the Supervisory Board. The Audit Committee is comprised of three members, one of whom is appointed from among

the members of the Supervisory Board of HBOR, and the other two, at least one of whom must be an independent member, are appointed by the Supervisory Board. The President is appointed from among the independent members of the Audit Committee.

Main goals, tasks and powers of the Audit Committee:

- Monitors the financial reporting process and submits recommendations or proposals to ensure its integrity,
- Reports to the Supervisory Board on the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and explains the role of the Audit Committee in that process,
- In terms of financial reporting, monitors the effectiveness of the internal quality control system and risk management system, including compliance risk and internal audit without violating its independence,
- Monitors the performance of the statutory audit of annual financial statements and annual consolidated financial statements, taking into account all the findings and conclusions of the Ministry of Finance,
- Examines and monitors the independence of the audit company in accordance with the Audit Act and EU Regulation no. 537/2014 of the European Parliament, and in particular the suitability of providing non-audit services that are subject to its prior approval,

- Responsible for the selection process of the audit company and proposes the appointment of the audit company,
- Takes note of the additional report of the audit company that performs the statutory audit in accordance with Article 11 of Regulation EU 537/2014 of the European Parliament.

### Other Committees

The Management Board of HBOR adopts strategies, policies and/or regulations on the management of individual risks, associated methodologies and other internal documents within its authorisation. Documents on the work of control functions, as well as risk management strategies and policies are adopted with the consent of the HBOR Supervisory Board. The Management Board of HBOR is responsible for establishing a complete and effective risk management system through the organisational structure, establishing the delimitation of authority and responsibility, establishing a system of internal controls, ensuring an adequate number of qualified labour, ensuring adequate IT support for risk management, ensuring the adoption and regular revision of internal documents within the framework of the risk management system and the establishment of an appropriate risk culture.

The Management Board of HBOR has established the following committees to which it has delegated tasks and responsibilities from the scope of risk management within the framework prescribed by

internal documents:

- **Credit Risk Assessment and Measurement Committee** – manages credit risk to which HBOR is exposed or might be exposed in its operations with the aim of reducing it,
- **Asset and Liability Management Committee** – manages liquidity risk, interest rate risk and currency risk with the aim of reducing exposure to the mentioned risks,
- **HBOR Information System Management Committee** – manages the resources of the information system and adequately manages the risks that arise from the use of the information technology.

In addition to the above three committees, the following committees also operate in HBOR:

- **Business Changes Management Committee** – considers the proposed business changes, considers necessary resources and the impact on the operations of the involved organisational units and HBOR as a whole,
- **Sustainable Finance Committee** – manages sustainable finance in HBOR and activities of complying with regulatory requirements in the area of sustainable finance.

The President and Members of the Management Board are also members of the aforementioned committees, by which the supervision of their work is ensured.

## Anti-corruption

HBOR's Code of Conduct defines the basic standards of ethical and lawful conduct in the banking business, rules for preventing corruption and ensuring professional conduct in accordance with law. Such conduct includes the provision of true, transparent information, a fair approach to competitors, employees, partners, as well as focusing on social responsibility and sustainable development. The Code applies to all employees of HBOR, regardless of their level of responsibility and position (function). HBOR's Code of Conduct is published on HBOR's intranet and website, and all newly employed employees get familiar with the content of the Code when signing an employment contract.

In 2024, a new HBOR Code of Ethics was adopted. By entry into force of the new Code of Ethics of HBOR (October 2024), the HBOR Code of Conduct was superseded. The HBOR Code of Ethics defines HBOR's core values, which serve as a guideline in making business decisions and actions towards internal and external stakeholders. They determine how HBOR operates, how the management makes its decisions and what the organisational culture is like. The HBOR Code of Ethics applies to all employees of HBOR, including members of the Management Board, and is appropriately applied to the members of the Supervisory Board and the Audit Committee of HBOR, as well as to external stakeholders, including clients, suppliers and other stakeholders to the extent applicable to them. The HBOR Code of Ethics is published on

the Intranet and website<sup>20</sup> of HBOR. All new employees are familiarised with the content of the Code when signing the employment contract, by signing the Employee Statement on Accession to the Code of Ethics.

In the Code of Ethics, particular emphasis is put on a zero-tolerance approach to all forms of corruption activities that aims to prevent, suppress, disclose and sanction all forms of corruption as a harmful phenomenon that violates basic social values, and the forms of corruptive activities are also clarified.

Every year by 31 January, an annual report on submitted reports of violation and initiated procedures based on reported violations of HBOR's Code of Conduct is submitted to the Management Board of HBOR. The new Code of Ethics of HBOR prescribes the reporting on its implementation as part of the regular half-yearly reporting to the competent authorities on the work of the Compliance Monitoring Function. In 2024, the preparatory activities for the implementation of the Methodology for Evaluation of Jobs Exposed to the Risk of Corruption in HBOR continued, and the focus of activities was directed at 2 organisational units/functions, the first covered by the evaluation. In 2024, no reports were submitted related to corruption.

## Conflict of Interest

The interests of HBOR employees must not come into conflict with the obligations they have towards HBOR or which HBOR has towards

<sup>20</sup> <https://www.hbor.hr/document-library/184>

its clients. Employees of HBOR are obliged to separate private from business interests when performing their duties at HBOR.

Members of the Management Board of HBOR are obliged to abide by the Conflict of Interest Prevention Act. If circumstances arise that can be defined as a potential conflict of interest, the obligated person shall declare this in an appropriate manner and resolve it in such a way that the public interest is safeguarded. In this case, the obligated person is exempted from making decisions, i.e. from participating in decision-making processes and concluding contracts that affect his/her own business interest or the business interest of related parties and employers with whom they were employed in the last two years before taking his/her office.

In case of unclarities related to the existence of a conflict of interest, the obliged persons must take all necessary steps to separate the private from the public interest. In case of doubt as to whether a certain behaviour constitutes a violation of the Conflict of Interest Prevention Act or other regulations, the obliged persons must address the Commission for Decision-Making on Conflict of Interest for an expert opinion. HBOR regulates the issues of conflict of interest through various internal documents, including HBOR's Corporate Governance Code, HBOR's Code of Conduct, the Rules of Procedure of HBOR's Management Board, the HBOR's Compliance Monitoring Policy and the Compliance Monitoring Function Methodology. By the new HBOR Code of Ethics, types of conflict of interest are prescribed

and the concept of persons close to HBOR employees in relation to whom a conflict of interest may arise is specified. The provisions on conflict of interest have been expanded with additional clarifications, and the most important situations in which it is necessary to notify a superior without delay and report the circumstances to the CMF. Also, by the end of 2024, educational material was prepared that all HBOR employees were required to go through by February 2025. HBOR employees were required, in addition to successfully completing the training, to sign the Employee Statement on Accession to the Code of Ethics, thus confirming that they had read it, that they understood the obligation to act in accordance with it and the obligation to attend the training, as well as that violating the provisions of the Code of Ethics constitutes a breach of employment obligations.

### **Grievance Mechanisms**

HBOR has several grievance mechanisms, for which several different functions or organisational units are responsible depending on the purpose and type of mechanism.

The grievance officer receives and processes reported irregularities in variety of areas: public procurement, financial services, anti-money laundering, product safety, environmental protection etc., all in accordance with the Ordinance on the Method of Appointing a Grievance Officer and the Procedure for Reporting Irregularities. The person submitting an irregularity may be the person reporting the

irregularity or a third party. The report can be submitted in writing or verbally. Reports can also be submitted anonymously. The e-mail address to which reports can be sent is [povjerljivaosoba@hbor.hr](mailto:povjerljivaosoba@hbor.hr). In addition to the Grievance Officer, irregularities relating to money laundering prevention can also be submitted to the Authorised persons for AML/CTF. Two irregularity reports were submitted in 2024. Both irregularity reports were reviewed and no elements relevant to reporting irregularities were established in accordance with the Act on the Protection of Persons Reporting the Irregularities. The Management Board is regularly provided with information on received irregularity reports and the outcome of their processing. None of the reports received related to the reporting of suspected corruption. The EU Funds and Financial Instruments organisational unit is responsible for receiving reports on irregularities in the implementation of HBOR's financial instruments, as well as objections to decisions by which loan applications are rejected. Reports are submitted to a separate e-mail address: [esif.nepravilnosti@hbor.hr](mailto:esif.nepravilnosti@hbor.hr). There were no reports on this basis in 2024.

Information on the application of the Organisation for Economic Cooperation and Development (OECD) recommendations to lending

<sup>21</sup> Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence - The "Common Approaches", OECD/LEGAL/0393; Recommendation of the Council on Sustainable Lending Practices and Officially Supported Export Credits, OECD/LEGAL/0442; Recommendation of the Council on Bribery and Officially Supported Export Credits OECD/LEGAL/0447.

<sup>22</sup> <https://www.hbor.hr/sustainability/574>

and/or export credit insurance transactions<sup>21</sup>, related internal ordinances of HBOR and supported projects in accordance with these recommendations can be found at HBOR website<sup>22</sup>. All interested stakeholders can send their inquiries about the projects to which these recommendations apply or express any concerns regarding their implementation to the e-mail address: [odrzivost@hbor.hr](mailto:odrzivost@hbor.hr).

The Compliance Monitoring Function receives reports of violations of the HBOR Code of Conduct. Reports can be submitted using the report form, which is available on the HBOR website in Croatian and English, along with a description of how to submit a report and the e-mail address for receipt. The e-mail address to which reports can be sent is: [kodeksponasanja@hbor.hr](mailto:kodeksponasanja@hbor.hr). The Compliance Monitoring Function conducts the procedure for reported violation and is obliged to review the submitted and collected data, investigate the reported violation, draw conclusions on the merits of the reported violations and inform the HBOR Management Board. The Management Board of HBOR establishes the merits of the reported violations and decides on any necessary sanctions. In 2024, three reports of the violations of the HBOR Code of Conduct were submitted and, after the procedure was carried out, the merits of two reports were not established, and the third report, for which the Compliance Monitoring Function was not in charge, was forwarded to the competent expert team for processing.

The new Code of Ethics prescribes the procedure to be followed in

the event of a violation of the Code of Ethics by HBOR employees. The Compliance Monitoring Function receives reports of violations of the Code of Ethics in the area under the jurisdiction of the Compliance Monitoring Function (conflict of interest, gifts and hospitality, political activity or inside information). Since the violation of ethical regulations and conduct contrary to the norms of the HBOR Code of Ethics constitutes a breach of an employment obligation, the HBOR Management Board determines the merits of the report and makes a decision on the severity of the violation and sanctions, and in the case of a report of violation against members of the Management Board, the decision is made by the HBOR Supervisory Board. The report is submitted via Form by electronic mail to the e-address: [etickikodeks@hbor.hr](mailto:etickikodeks@hbor.hr) or via mail to the address: Croatian Bank for Reconstruction and Development, Compliance Monitoring Function, Strossmayerov trg 9, 10 000 Zagreb.

All other questions and concerns related to the implementation of the HBOR Code of Ethics can be expressed via email to the Compliance Monitoring Function at the email address: [etickikodeks@hbor.hr](mailto:etickikodeks@hbor.hr). In 2024, there were no reports related to bribery or behaviour contrary to the principle of free market competition, or violations of the regulations on prohibited agreements by entrepreneurs or monopolies through any mechanisms.

## Transparency and Publicity of Operations

As a bank established by the special Act on HBOR and a public authority to which the Right of Access to Information Act (RAIA) applies, HBOR is guided by openness and the greatest possible transparency of information. In order to fulfil its obligations as a public authority, without breaching the obligation to maintain banking secrecy that it has as a financial institution under the Credit Institutions Act, HBOR incorporated the RAIA clause in the relevant documents in 2019. This includes loan applications, loan contracts, guarantee applications, guarantee agreements, requests for insurance and similar documents.

Under this clause, clients declare that they are aware that the RAIA applies to HBOR and that HBOR will provide applicants with certain data in the event of request for access to information, for example, in the case of a loan: name of the borrower, amount, purpose of the loan and name of the project. The most frequent requests relate to information on borrowers and final beneficiaries of loans, as well as loan amounts, export projects, decisions of the Management Board and the Supervisory Board that relate to projects financed by HBOR as an export bank and export credit agency, minutes of the Supervisory Board meetings and other information. The information officer decides on requests for access to information in consultation with the organisational units in whose jurisdiction the information is requested.

The RAIA also stipulates the obligation to publish certain information proactively. HBOR publishes information such as various regulations, general documents, annual business plans, personnel plans, annual reports on the implementation of RAIA, dates and agendas of meetings of decision-making bodies, decisions taken in the meetings of the said bodies and others, always protecting the data that are banking or business secrets or other protected information. In the period from December 2021 to March 2022, an indirect inspection was carried out at HBOR, which was initiated by the bank itself. Opinions and instructions were obtained on the proper application of the RAIA with regard to the proactive publication of information and the transparency of operations. HBOR's transparency was further increased at that time, as the bank began to publish data that it had not previously published, such as the financial plan and other data. Following the preparations carried out in 2023, HBOR published the data on beneficiaries and amounts of state aid as well as recipients and amounts of de minimis aid granted by HBOR in 2023 on its web site in May 2024. The aforementioned data on aid are available via the links [Zakoni, pravilnici, akti i ostali dokumenti | HBOR](#).

All HBOR organisational units are aware that the Right of Access to Information Act applies to HBOR, and each of them publishes information that falls within its remit on the HBOR website. In addition, HBOR submits certain information prescribed by this Act to the Central Catalogue of Official Documents of the Republic of Croatia,

thus ensuring its permanent availability, while certain information is forwarded to the Open Data Portal. The information officer and other employees involved in the application of the right to access to information are continuously trained in this area.

### **Anti-Money Laundering and Counter-Terrorism Financing**

HBOR continuously implements measures, actions and procedures with the aim of preventing money laundering and terrorism financing in accordance with the internal Anti-Money Laundering and Counter-Terrorism Financing Ordinance and the Methodology for the implementation of these measures. The measures are based on the current Anti-Money Laundering and Counter-Terrorism Financing Act. In 2024, HBOR continued to strengthen this key internal system. The Anti-Money Laundering and Counter-Terrorism Financing Function (AML/CTF) developed and implemented an education programme, as part of which regular annual training session for HBOR employees was organised. The training was focused on the practical application of measures, actions and procedures relevant to AML/CTF. During 2024, 180 employees participated in the training in three groups: newly employed, employees of five relevant divisions and managers.

In addition, during the year, the employees of the AML/CTF Function participated in numerous professional meetings and trainings, which improved their own knowledge, and acquired the competencies necessary for further education of colleagues within the organisation.

The AML/CTF Function also provided continuous advisory and practical support to HBOR employees in various business situations, thereby ensuring constant compliance with legal obligations and strengthening internal capacities to combat money laundering and terrorist financing.

### **Restrictive Measures**

HBOR implements the obligations established by the Act on Restrictive Measures and the regulations adopted on the basis of that act. The policy on the implementation of restrictive measures in HBOR prescribes actions, controls and procedures that are carried out based on binding legal acts of the European Union, the United Nations and other international organizations, as well as restrictive measures adopted by the Government of the Republic of Croatia. Restrictive measures are applied to natural persons and legal entities, states, territories and entities, organisations and other entities, for the purpose of protecting democratic values, the rule of law, human rights and principles of international law, as well as maintaining international peace, preventing conflicts and strengthening international security.

### **Digital Security and Data Protection**

HBOR takes data management and cybersecurity issues seriously. The information security system is provided through the ISO 27001 certificate for information security management, and the business

continuity management system is certified according to the ISO 22301 standard. In addition, the compliance of the security management of digital systems is ensured by the application of security standards of NIST (The National Institute of Standards and Technology).

The area of data security and protection is regulated in HBOR by the Information System Security Policy as well as by a number of ordinances aimed at using the HBOR information system and protecting data properly. On an annual basis, the organisation assesses the risks of the information system, based on which recommendations are made for improving information security controls and business continuity management, all in accordance with the ISO 27001 and ISO 22301 standards. HBOR regularly holds annual trainings for its employees in the area of information security and personal data protection that all HBOR employees go through. Thanks to compliance with these standards, in 2024, no complaints were registered regarding violations of users' privacy and losses of users' personal data.

HBOR continuously implements activities to harmonise HBOR with EU and national regulations governing the field of cyber security and invests in improving its system.

In 2024, HBOR continued with updating and supplementing the Register of Personal Data Processing, adjusting business processes to GDPR, reducing redundancy in data processing by harmonising business applications, and conducting of several internal trainings for employees. Also, HBOR conducted several assessments of the

impact on data protection for processing that includes higher risks, which led to changes in the methods of personal data processing, as well as to the additional reduction of risks related to the processing of personal data of employees and clients of HBOR.

The Data Protection Officer (DPO) also operates in HBOR as an independent function that acts in the interest of protecting the rights of data subjects and their personal data. Some of the tasks of the DPO function is to be the primary point of contact (both for data subjects who want to exercise their rights regarding the processing of personal data and for external supervisory body), to inform and advise the Management Board, and to conduct employee training. In 2024, the DPO function conducted training and testing of employees, which was mandatory for all employees, and additional training for newly hired employees. In 2024, two reports of personal data violation were received, which were processed in accordance with the regulations on personal data protection and the internal ordinance. In both procedures, a report was prepared for the Management Board.

### **Procurement Notice**

As an entity that is obliged to apply the Public Procurement Act, HBOR organises the procurement of necessary goods, services and works in compliance with the provisions of the act and the ordinances regulating the conditions for different types of procurement,

including simple and public procurement. More detailed information about the procedures of public and simple procurement is available on HBOR's web pages. Financial monitoring of the implementation of the Procurement Plan is carried out by the Procurement Department (Legal Affairs and Procurement Division), and the results are published in the annual report that is prepared no later than 15 June of the current year. The report contains data on the total realisation of the Procurement Plan, realisation by types of procedures and realisation by organisational units.

In HBOR's procurement structure, domestic suppliers prevail with 92% of total procurement, while foreign suppliers account for 8% of procurement, generally in procedures for the engagement of legal experts for certain legal fields of foreign law. HBOR is primarily directed to the procurement of services, including financial, consulting and legal services, as well as the services for maintaining applications, licences and subscriptions. Also, HBOR procures printing and graphic services, services of cleaning and securing business premises, procurement of fuel, fixed and mobile telephony services, postal services and electricity services. Of the total number of purchase orders, 3.6% relate to foreign suppliers, which further confirms HBOR's commitment to supporting the domestic economy with the occasional engagement of experts from the international environment for specialised needs.

The Public Procurement Act also prescribes additional criteria that a supplier must fulfil, including grounds for the exclusion of an economic entity. When submitting its tender, an interested economic entity must fill in the ESPD form, which is related to mandatory reasons for exclusion, such as non-fulfilment of the obligation to pay due tax obligations and obligations for pension and health insurance. The public contracting authority can exclude an economic entity from the public procurement procedure if it can adequately prove a violation of obligations in the field of environmental, social and labour law.

HBOR also applies the Conflict of Interest Assessment Methodology in procurement procedures with the intention of excluding the possibility of conflict of interests of its representatives. The methodology contains a series of procedures and controls that ensure the exclusion of all situations in which the interests of HBOR representatives could affect the objectivity and impartiality of the procurement process.

The list of economic entities with which HBOR representatives or connected clients are in conflict of interest is available on the HBOR website and in the procurement documentation.

Besides, in its procurement procedures, HBOR promotes environmental and social responsibility through certificates such as

*Blue Angel*<sup>23</sup>, EU Ecolabel, and the PEFC or FSC for paper products. Procurement procedures in which HBOR applies the green public procurement criteria:

- Procedure for public procurement of cleaning with harmless cleaning products,
- Procedure for public procurement of company cars (EURO pollution standards),
- Procedure for public procurement of office consumables, where recycled paper is requested (*Blue Angel certificate*),
- Procedure for public procurement of electricity, in which the percentage of energy obtained from renewable sources is the criterion for the most economically advantageous offer.

<sup>23</sup> Independent and credible eco-label that is a confirmation of strict standards for environmentally friendly products and services.

## 8. ORGANISATION PROFILE

HBOR promotes systematic, sustainable and balanced economic and social development in accordance with the general strategic objectives of the Republic of Croatia. The headquarters of HBOR is in Zagreb, where the bank operates at three locations. HBOR also has eight regional offices:

- Regional office for Northern Dalmatia
- Regional office for Central and South Dalmatia
- Regional office for Istria
- Regional office for Lika
- Regional office for Primorje and Gorski Kotar
- Regional office for Northwestern Croatia
- Regional office for Slavonia and Baranja
- Regional office for Central Croatia (established in December 2024).

The founder and 100% owner of HBOR is the Republic of Croatia. The state guarantees for HBOR's obligations unconditionally, irrevocably

and upon first call, and without issuing a special guarantee document. The responsibility of the Republic of Croatia as guarantor for HBOR's obligations is joint and several and unlimited.

### Values and Operating Principles

For business entities to successfully accomplish their mission, it is of crucial importance that a set of organisational values is established. These values are the basis for the organisation's vision and culture. Organisational values determine the notion of acceptable actions both within the organisation in terms of activities and behaviours of organisation's members and of products and services provided to clients as well as outside the organisation in terms of values of clients and stakeholders with whom the organisation cooperates. Organisational values are a mirror of what we encourage and value with respect to our current and future employees and to our own business. Considering the role and goals of HBOR as the national promotional and export bank acting in the public interest of the systematic, sustainable and balanced economic and social development of the Republic of Croatia, the organisational culture that enabled the fulfilment of HBOR's vision

and mission in the strategic period 2020 – 2024, was based on the following values:

### **Expertise**

Under the activities established by the HBOR Act, HBOR shall operate as a competence centre for financial structuring and implementation of projects for the public and private sectors by providing users an easy access to financial products, to information regarding available funding sources and to other information relevant for the attainment of the goals set forth in the HBOR Act. Our expertise is based on the knowledge and skills of our employees, to which we pay special attention. We invest considerable own resources in the development of our employees and we effectively use other available sources, such as resources of the EU funds and international financial institutions. We will continue to encourage our own expertise and continuous pursuit of excellence through significant investment in the education and training of our employees who are the basis of our success.

### **Proactivity**

A proactive approach is one of the key values that will be extremely important for HBOR. The role of promotional banks and institutions is to recognise the needs of the domestic economic system in a timely manner, which can be achieved only by a proactive approach to the gathering of information through market research, communication with key stakeholders, development and application of new products

and presentation of HBOR's impacts on the economy in general. Proactivity as an approach and a characteristic of an organisation and employees is permeated through all our activities and organisational values, consequently also through HBOR's strategic goals.

### **Innovation**

Innovation and support for innovative projects are among the key preconditions for creating higher value added, increasing competitiveness, ensuring long-term sustainability and stable development of the domestic economy. Given the lower intensity of investment in research, development and innovation in the domestic economy, HBOR pays special attention to the systematic support for innovation so that they become an indispensable part of the country's business culture. HBOR will promote innovation also by developing innovative financial products that will foster cooperation among various stakeholders in the Croatian business, public and scientific environment and support the development of the domestic financial market. By integrating innovation into own values and organisational culture, HBOR further emphasises continuous improvement, proactiveness and progress as key leverage points for own business and success.

### **Sustainability**

Economically, environmentally and socially sustainable development is one of the main values of national, regional and global development.

Regardless of whether it is about sustainable financing and orientation towards the long-term well-being of the entire community or about HBOR's internal/institutional sustainability, HBOR will strive to provide services, products and activities that contribute to the sustainable development of society, but are at the same time financially justified in terms of HBOR's sustainable operations. HBOR will focus on the development of sustainable finance in the Croatian market as one of the preconditions for the long-term well-being of the entire community, both at the national and international levels. HBOR will carry out the above activities by considering the financial sustainability of the bank's operations.

### **Flexibility and Efficiency**

In order to achieve its goals with respect to the growth of the entire Croatian economy, HBOR will put greater efforts into the harmonisation of its organisational structure and processes with good banking practices and practices of other promotional banks with an objective of increasing efficiency of its operations and ensuring more flexible access to its clients. A more efficient use of technology is an important component of the contribution to the successful attainment of goals.

### **Transparency**

Since HBOR as a financial institution owned by the Republic of Croatia supports business and social environments, one of HBOR's core values is the transparency of activities, towards both internal

and external environments. This includes continuous reporting on activities and clear and informative communicating with all internal and external stakeholders. Furthermore, HBOR will continue to measure and publish its annual results in terms of economic effects achieved in the previous year. HBOR will strive to increase positive impacts and reduce adverse impacts on the environment as well as to appropriately manage human and environment risks arising from HBOR's activities. Business transparency will continue to be ensured through regular audits of operations and through the development of system of reporting on the impacts of HBOR's activities on the overall development of the Republic of Croatia and the society as a whole.

Overview of the most significant financial information for HBOR\*

	In EUR million 2022	In EUR million 2023	In EUR million 2024
Total assets	3,853.25	4,018.68	3,995.91
Gross loans	3,703.40	4,077.56	4,013.43
Total equity	1,421.54	1,457.52	1,503.50
Total expense	(65.82)	(72.48)	(88.77)
Total income	90.53	102.32	128.67
Profit	24.71	29.84	39.90
Interest income*	83.33	94.63	122.30
Interest expense	(21.02)	(28.27)	(47.30)
Net interest income	62.31	66.36	75.00

\* The data are published in the audited Annual Financial Statements of HBOR for 2024. Pursuant to Article 9 of the HBOR Act, HBOR is not liable to pay profit tax. Interest income calculated using the effective interest rate method and income from the cancellation of subsidy deferral at the expense of HBOR's operations.

More about HBOR’s business activities and the structure of approved loans in 2024 can be found in the Annual Report of the Croatian Bank for Reconstruction and Development for 2024.

Memberships

HBOR is a member of, or participates actively in, the work and management of numerous business associations, clubs and chambers. It uses its memberships and available communication mechanisms for business development, improvement of its products and services, exchange of information, and implementation of best practices in its business processes. During 2024, HBOR was a member of the following associations:

International associations	Domestic associations
Banking Association for Central and Eastern Europe (BACEE)	Advantage Austria Zagreb
Berne Union – Prague Club	American Chamber of Commerce in Croatia (AmCham)
European Association of Public Banks (EAPB)	Society for Sports and Recreation of Bank and FINA Employees in the Republic of Croatia
EIF-NPI Equity Platform	Global Compact Network Croatia (GCM Hrvatska)
European Venture Fund Investors Network (EVFIN)	Croatian Business Council for Sustainable Development (HR PSOR)
European Long-Term Investors Association (ELTI)	Croatian SWIFT Group
European Investment Fund (EIF FISG)	Croatian Banking Association (HUB)
The International Chamber of Commerce – the National Committee in Croatia (ICC Croatia)	Croatian Public Relations Association (HUOJ)
Invest Europe	Croatian Association of Accountants and Financial Experts
Information Systems Audit and Control Association (ISACA)	Croatian Institute of Internal Auditors
Inter-Bank Association of the People’s Republic of China and Central and Eastern European Countries	Croatian Green Building Council
International Development Finance Club (IDFC)	Croatian Standards Institute
Network of European Financial Institutions for SMEs (NEFI)	Association of Croatian Exporters (HIZ)
	Croatian Archival Society

International associations	Domestic associations
UN Environment Programme Finance Initiative (UNEP FI) UN Global Compact	Croatian-Austrian Chamber of Commerce Croatian Assessors Association Club of Exporters – Lider Nordic Chamber of Commerce in Croatia German-Croatian Chamber of Commerce and Industry (AHK) Partner Council of Primorsko-Goranska County Partner Council for Preparation and Implementation of the City of Split Development Strategy Business Council for Economic Cooperation with Australia Central State Office for Croats Abroad ACI FMA Croatia (Financial Markets Association Croatia) Association Croatian Accountant Sports Society HBORSPORT

Note: associations in alphabetical order

Description of Activities of Some International Associations

European Association of Public Banks (EAPB)	EAPB gathers European public financial institutions with regard to relevant issues: EU funds, state aid, capital markets and multiannual financial framework reforms. It contributes actively to the development of legislation related to sustainable finance and the shaping of European initiatives such as strengthening of social investment and affordable housing, the water resilience strategy and the European Clean Industrial Deal.
Berne Union	The Berne Union is a worldwide association of export credit insurers, the members of which are export credit agencies, private credit and political risks insurers, as well as multilateral institutions that provide insurance products, guarantees and some types of direct financing of international trade. The mission of the association is to encourage international trade through the implementation of common lending and investment principles.
European Long-Term Investors Association (ELTI)	ELTI brings together national promotional banks and institutions and represents common interests in the field of long-term and sustainable investments, with a focus on the multiannual financial framework of the EU, InvestEU and strengthening of infrastructure for social development and economic resilience. It contributes actively to the shaping of the legislative framework through: contribution to public debates, issues with EU bodies and common positions on regulatory topics.
EIF-NPI Equity Platform	EIF-NPI Equity Platform is a collaborative initiative launched by the EIF that gathers national promotional institutions and promotes knowledge sharing and best practices between the EIF and national promotional institutions across EU members countries. Its goal is to enhance access to funding for micro, small and medium-sized enterprises, support the development of equity markets and provide funds for growth and development of the European economy.
United Nations Environment Programme Finance Initiative (UNEP FI)	United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership of the United Nations Environment Programme (UNEP) and the financial sector, which through its wide network of its members and the activities of the sectoral, thematic or regional working groups encourage understanding and spreading of awareness about the most important environmental and social issues in the field of sustainable finance.
UN Global Compact	UN Global Compact is an international initiative of the United Nations dedicated to aligning the strategies and actions of the private sector with the universal principles in the area of human rights, labour, environment and fight against corruption with the aim of contributing to broader social goals.
Invest Europe	Invest Europe is the world's association of private equity providers. They represent European private equity, venture capital and infrastructure investment companies, as well as their investors, including some of Europe's largest pension funds and insurers. The goal of the association is to promote better understanding of private equity.
International Development Finance Club (IDFC)	IDFC is a global organisation gathering national, regional and multilateral development banks dedicated to the global development in accordance with the Paris Climate Agreement. It acts as a platform to promote and increase investments in climate change adaptation, infrastructure, social development, poverty reduction and environmental protection.
Network of European Financial Institutions for SMEs (NEFI)	NEFI promotes the issues of small and medium entrepreneurship with the EU institutions and other SME-related European associations and monitors financial, political and legal developments in the areas of European economic and financial policies with a focus on facilitating access to financing for small and medium-sized enterprises.

## Donations

HBOR invests in community development by granting donations and sponsorships. The main areas of donation and sponsorship are linked to HBOR's mission, vision and business strategy, and priority is given to projects that contribute to the creation of new values based on knowledge, cultural heritage and natural resources. The aim of these activities is to contribute to the sustainable and balanced development of the Republic of Croatia, while creating a positive atmosphere and promoting excellence in the local community and society as a whole. The procedure and criteria for the award of financial donations and sponsorships are prescribed by the Ordinance on Criteria and Procedures for the Award of Donations and Sponsorships<sup>24</sup>.

In 2024, the announced outsourcing of the HBOR public tender procedures for donations was implemented. As of 2024, donations have been approved exclusively<sup>25</sup> on the basis of public tenders for the award of donations, and tenders are implemented by an external implementing entity. The following main programme areas of financing are defined by the tender: humanitarian work, protection of human rights, promotion of gender equality, environmental and climate protection, sustainable development, education and science, culture, heritage and art.

Thus, for the first time through a simple procurement procedure, HBOR selected an external implementing entity of a public tender for

the award of donations. In October 2024, the Public Tender for the Award of Donations in 2024 was published: "STRONGER THROUGH SHARING", PREVENTION AND PROTECTION OF MENTAL HEALTH OF CHILDREN AND YOUTH. All information about the tender, objectives, selection criteria, eligible applicants, application documentation and deadlines were publicly published on the websites of HBOR and the tender implementing entity. At the same time, an indicative calendar of the tender procedure was published, which contained the deadlines for all stages of the tender from the publication of the tender, application, from processing to the publication of the decision, and the deadlines for submitting documentation and contracting (a total of 4 months), and the tender implementing entity also organised an online info workshop. The tender documentation contained instructions for applicants, various forms and statements, as well as a Questionnaire on the implementation of the child safety protocol.

The overall objective of the tender was to support the creation of a safe and supportive environment that will enable children and young people to face the challenges of modern society and build the foundations for a healthy and productive life. In 2024, the tender was open from 30 September to 4 October, and the results were published in December 2024 on the websites of HBOR and the tender implementing entity. The total budget of the tender was EUR 95,000.00, and a total of 15 projects were selected for financing, in individual amounts of up to EUR 6,500.00.

<sup>24</sup> <https://www.hbor.hr/UserDocslImages/2024/04/Pravilnik%20o%20postupcima%20i%20krit-erijima%20dodjele%20donacija%20i%20sponzorsta.pdf?vel=318194>

<sup>25</sup> An exception to the conditions of the ordinance are extraordinary larger donations in the event of major natural disasters or other emergencies.

In addition, in 2024, HBOR awarded 51 sponsorships (selected from all individually received applications for sponsorships), of which: four in the category Human rights protection and promotion of gender equality, five in the category Environmental and climate protection, sustainable development, five in the category Culture, and thirty-seven in the category Promoting the competitiveness of the Croatian economy.

HBOR publishes all information on public tender procedures for awarding of donations, as well as criteria for awarding of sponsorships on its website in the DONATIONS AND SPONSORSHIPS section, and regularly updates it.

## ESRS Index

ESRS 2	General disclosure	Page
BP-1	General basis for preparation of sustainability statements	5,6,7,8
GOV-1	The role of the administrative, management and supervisory bodies	34,35,36,37
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	38,39
GOV-3	Integration of sustainability-related performance in incentive schemes	39
GOV-5	Risk management and internal controls over sustainability reporting	28,29,32,33
SBM-1	Strategy, business model and value chain	6,7,9,10,11,12,13, 14,15,16,17
SBM-2	Interests and views of stakeholders	30, 31
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model(s)	21,22,23,24,25, 26,27
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	27,28,29,30
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	92

## GRI Index

Topic-specific disclosures		Page
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	86
	201-2 Financial implications and other risks and opportunities due to climate change	43,44,45
	201-3 Defined benefit plan obligations and other retirement plans	64
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	64,70,71
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	44,45,46,47, 48,49,50,51,52
	203-2 Significant indirect economic impacts	44,45,46,47, 48,49,50,51,52
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	81,82
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	75
	205-2 Communication and training about anti-corruption policies and procedures	75,76
	205-3 Confirmed incidents of corruption and actions taken	75
GRI 206: Anti-Competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	78
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	53,54,55,56,57
	302-4 Reduction of energy consumption	53,54,55,56,57
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	58

Topic-specific disclosures		Page
GRI 303: Water and Effluents 2018	303-2 Management of water discharge-related impacts	58
	303-3 Water withdrawal	58
	303-4 Water discharge	58
	303-5 Water consumption	58
GRI 305: Emission 2016	305-1 Direct (Scope 1) GHG emissions	53,54,55,56,57
	305-2 Energy indirect (Scope 2) GHG emissions	53,54,55,56,57
	305-3 Other indirect (Scope 3) GHG emissions	7,43
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	59
	306-2 Management of significant waste-related impacts	59
	306-3 Waste generated	59
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	60,61,62,63,64
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	60,61,62,63,64
	401-3 Parental leave	64
GRI 403: Occupational Health and Safety 2016	403-1 Occupational health and safety management system	65,66

Topic-specific disclosures		Page
GRI 403: Occupational Health and Safety 2016	403-2 Hazard identification, risk assessment, and incident investigation	65,66
	403-3 Occupational health services	65,66
	403-4 Worker participation, consultation, and communication on occupational health and safety	65,66
	403-5 Worker training on occupational health and safety	65,66
	403-6 Promotion of worker health	65,66
	403-8 Workers covered by an occupational health and safety management system	65,66
	403-9 Work-related injuries	66
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	68
	404-2 Programmes for upgrading employee skills and transition assistance programmes	67,68,69
	404-3 Percentage of employees receiving regular performance and career development reviews	67
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	40,60,61,62,63
	405-2 Ratio of basic salary and remuneration of women to men	70,71
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	69,70
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	90,91
GRI 418: Customer Privacy 2018	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	80,81

Glossary<sup>26</sup>

Defined term	Definition
Double materiality	Double materiality has two dimensions: impact materiality and financial materiality. A sustainability matter meets the criterion of double materiality if it is material from the impact perspective or the financial perspective or both.
Impact materiality	A sustainability matter is material from an impact perspective when it pertains to the undertaking’s material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term. A material sustainability matter from an impact perspective includes impacts connected with the undertaking’s own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships.
Value chain	<p>The full range of activities, resources and relationships related to the undertaking’s business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of-life. Relevant activities, resources and relationships include: a) those in the undertaking’s own operations, such as human resources; b) those along its supply, marketing and distribution channels, such as materials and services sourcing and product and service sale and delivery; and c) the financing, geographical, geopolitical and regulatory environment in which the undertaking operates.</p> <p>Value chain includes actors upstream and downstream from the undertaking. Actors upstream from the undertaking (e.g., suppliers) provide products or services that are used in the development of the undertaking’s products or services. Entities downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking. ESRS use the term „value chain” in the singular, although it is recognised that undertakings may have multiple value chains.</p>
Sustainability-related opportunities	Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material positive effect on the undertaking’s business model, or strategy on its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationship partners with regard to sustainability matters. Like any other opportunity, sustainability-related opportunities are measured as a combination of an impact’s magnitude and the probability of occurrence.
Sustainability-related risks	Uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material negative effect on the undertaking’s business model or strategy and on its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationships with regard to sustainability matters. Like any other risks, sustainability-related risks are the combination of an impact’s magnitude and the probability of occurrence.

<sup>26</sup> [https://eur-lex.europa.eu/eli/reg\\_del/2023/2772/oj/eng](https://eur-lex.europa.eu/eli/reg_del/2023/2772/oj/eng)

Defined term	Definition
Sustainability-related impacts	The effect the undertaking has or could have on the environment and people, including effects on human rights, as a result of the undertaking's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term, medium or long-term, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.
Climate resilience	The capacity of an undertaking to adjust to climate changes, and to developments or uncertainties related to climate change. Climate resilience involves the capacity to manage climate-related Scope 1 and benefit from climate-related opportunities, including the ability to respond and adapt to transition risks and physical risks. An undertaking's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties associated with climate change.
Own workforce/own workers	Employees who are in an employment relationship with the undertaking („employees“) and non-employees who are either individual contractors supplying labour to the undertaking („self-employed people“) or people provided by undertakings primarily engaged in employment activities (NACE Code N78).
Carbon dioxide (CO <sub>2</sub> ) equivalent (eq)	The universal unit of measurement to indicate the global warming potential (GWP) of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases on a common basis.
Climate change adaptation	The process of adjustment to actual and expected climate change and its impacts.
Climate change mitigation	The process of reducing GHG emissions and holding the increase in the global average temperature to 1.5°C above pre-industrial levels, in line with the Paris Agreement.
Climate-related opportunity	Potential positive effects related to climate change for an undertaking. Efforts to mitigate and adapt to climate change can produce opportunities for undertakings. Climate-related opportunities will vary depending on the region, market, and industry where an undertaking operates.
Climate-related physical risk	Risks resulting from climate change that can be event-driven (acute) or from long-term shifts (chronic) in climate patterns. Acute physical risks arise from particular hazards, especially weather-related such as storms, floods, fires or heatwaves. Chronic physical risks arise from longer-term changes in the climate, such as temperature changes, and their effects on rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.
Climate-related transition risk	Risks that arise from the transition to a low-carbon and climate-resilient economy. They typically include policy risks, legal risks, technology risks, market risks and reputational risks.

Defined term	Definition
Decarbonisation levers	Aggregated types of mitigation actions such as energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation that fit with undertakings' specific actions.
GHG emission reduction	Decrease in the undertaking's Scope 1, 2, 3 or total GHG emissions at the end of the reporting period, relative to emissions in the base year. Emission reductions may result from, among others, energy efficiency, electrification, suppliers' decarbonisation, electricity mix decarbonisation, sustainable products development or changes in reporting boundaries or activities (e.g., outsourcing, reduced capacities), provided they are achieved within the undertaking's own operations and upstream and downstream value chain. Removals and avoided emissions are not counted as emission reductions.
Global warming potential (GWP)	A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of CO <sub>2</sub> .
Greenhouse Gases (GHG)	The gases listed in Part 2 of Annex V of Regulation (EU) 2018/1999 of the European Parliament and of the Council (13). These include Carbon dioxide (CO <sub>2</sub> ), Methane (CH <sub>4</sub> ), Nitrous dioxide (N <sub>2</sub> O), Sulphur hexafluoride (SF <sub>6</sub> ), Nitrogen trifluoride (NF <sub>3</sub> ), Hydrofluorocarbons (HFC), Perfluorocarbons (PFC).
Indirect GHG emissions	GHG emissions that are a consequence of the activities of an entity but occur at sources owned or controlled by another entity. Indirect emissions are Scope 2 GHG emissions and scope 3 GHG emissions combined.
Scope 1 GHG emissions	Direct GHG emissions from sources that are owned or controlled by the undertaking.
Scope 2 GHG emissions	Indirect emissions from the generation of purchased or acquired electricity, steam, heat or cooling consumed by the undertaking.
Scope 3 GHG emissions	All indirect GHG emissions (not included in Scope 2 GHG emissions) that occur in the value chain of the reporting undertaking, including both upstream and downstream emissions. Scope 3 GHG emissions can be broken down into Scope 3 categories. One of the 15 types of Scope 3 GHG emissions identified by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (adapted from GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard Glossary (Version 2011). Undertakings that choose to account for their Scope 3 emissions based on the indirect GHG emissions categories of ISO 14064-1:2018 may also refer to the category defined in clause 5.2.4. (including indirect GHG emissions from imported energy) of ISO 14064-1:2018.
Affected Communities	People or group(s) living or working in the same area that have been or may be affected by a reporting undertaking's operations or through its upstream or downstream value chain. Affected communities can range from those living adjacent to the undertaking's operations (local communities) to those living at a distance. Affected communities include actually and potentially affected indigenous peoples.

Defined term	Definition
Business model	The undertaking’s system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the undertaking’s strategic purposes and create value over the short-, medium- and long-term. ESRS use the term “business model” in the singular, although it is recognised that undertakings may have more than one business model.
Dependencies	The situation of an undertaking being dependent on natural, human and/or social resources for its business processes.
Physical risks	All global economic enterprise depends on the functioning of earth systems, such as a stable climate and on ecosystem services, such as the provision of biomass (raw materials). Nature-related physical risks are a direct result of an organisation’s dependence on nature. Physical risks arise when natural systems are compromised, due to the impact of climatic events (e.g., extremes of weather such as a drought), geologic events (e.g., seismic events such as an earthquake) or changes in ecosystem equilibria, such as soil quality or marine ecology, which affect the ecosystem services organisations depend on. These may be acute, chronic, or both. Nature-related physical risks arise as a result of changes in the biotic (living) and abiotic (non-living) conditions that support healthy, functioning ecosystems. Physical risks are usually location-specific. Nature-related physical risks are often associated with climate-related physical risks.
Stakeholders	Those who can affect or be affected by the undertaking. There are two main groups of stakeholders: i. Affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking’s activities and its direct and indirect business relationships across its value chain and ii. Users of sustainability statements: primary users of general purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics. Some, but not all, stakeholders may belong to the two groups.
Transition risks	Risks that result from a misalignment between an organisation’s or investor’s strategy and management and the changing regulatory, policy or societal landscape in which it operates. Developments aimed at halting or reversing damage to the climate or to nature, such as government measures, technological breakthroughs, market changes, litigation and changing consumer preferences can all create or change transition risks.

## IMPRESSUM

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