HBOR

CROATIAN BANK FOR
RECONSTRUCTION AND DEVELOPMENT

SUSTAINABILITY POLICY

OF THE CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

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Overview of document version

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		Member of the Management Board, Josip Pavković

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- https://hbor.sharepoint.com/sites/Intranet
- https://www.hbor.hr

CONTENTS:

Pursuant to Article 14 of the By-Laws of the Croatian Bank for Reconstruction and Development (hereinafter: "HBOR"), the Management Board of HBOR, on its 13th session held on 02 April 2026 adopted the

SUSTAINABILITY POLICY

OF THE CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

PART ONE

INTRODUCTORY PROVISIONS

Article 1

(1) The Sustainability Policy of HBOR (hereinafter: the Policy) outlines the approach and guidelines by which HBOR is governed in its efforts to adhere to applicable regulatory requirements and voluntary initiatives in terms of sustainability.

(2) HBOR continuously reviews, updates and enhances its approach to sustainability, all in line with best national and international practices applicable to HBOR.

Terms

Article 2

The terms used in this Policy are defined in the following manner:

a) SUSTAINABILITY is an approach to business that implies the integration of ESG factors into HBOR’s strategy, business processes and risk management, for the purpose of preserving long-term stability, resilience and responsible contribution to the economy and society.

b) ESG Factors (*Environmental, Social, Governance*) are a group of environmental, social and governance aspects that may have real or potential negative effect on the financial result and long-term sustainability of other contracting party or invested assets of HBOR.

c) OPERATIONAL FOOTPRINT - SCOPE 1: direct emissions from stationary energy sources, direct emissions from mobile energy sources, direct fugitive emissions, direct emissions and land-use removal, land-use change, and forestry.

d) OPERATIONAL FOOTPRINT - SCOPE 2: indirect emissions of greenhouse gases that occur outside the location of organisation, and are connected with the purchase and consumption of electricity, thermal and cooling energy: indirect emissions due to the consumption of electricity, indirect emissions due to the consumption of thermal and cooling energy.

e) FINANCED EMISSIONS - SCOPE 3: other indirect emissions resulting from activities in the organisation's value chain (e.g. emissions of the supplier or product user).

f) UN GLOBAL COMPACT is the world's largest corporate sustainability initiative under the auspices of the United Nations. It brings together more than 23,000 companies in more than 160 countries that have voluntarily committed to align their operations with ten universal principles of sustainable business.

g) UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS represent a global standard for preventing and addressing business-related human rights risks.

h) GLOBAL REPORTING INITIATIVE, abbreviated: GRI, is an international independent organisation that develops the world's most widely used standards for sustainability reporting (ESG). The standards enable companies to transparently report their environmental, social and economic impact, helping stakeholders make informed decisions.

i) EUROPEAN SUSTAINABILITY REPORTING STANDARDS, abbreviated: ESRS, represent a framework for sustainability reporting and lay a foundation for a standardised common language for sustainability-related disclosures in Europe. In accordance with the Corporate Sustainability Reporting Directive, ESRS define both the content and the format of sustainability information, ensuring that such information is high-quality, comparable and relevant to users' needs.

j) UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE, abbreviated: UNEP FI is a partnership between the UN Environment Programme (UNEP) and the global financial sector. Its objective is to promote private investment in sustainable development, cooperating with more than 450 banks, insurers and investors to integrate ESG criteria (environmental, social and governance) into financial operations.

k) UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS are a set of 17 interconnected goals aimed at solving global challenges by 2030.

PART TWO

GUIDING PRINCIPLES OF INTEGRATION AND ESG GOVERNANCE

Article 3

(1) HBOR assesses environmental and social risks of financed projects, as well as the impact of financed projects on the environment and the society.

(2) HBOR develops programmes aimed at supporting projects with elements of innovation, internationalisation, investments in research and development as well as green and digital transition.

Article 4

(1) HBOR recognises that ESG factors may affect business activities and represent the risk for HBOR's successful operations, but in some cases, they may also serve as a source of additional business and development opportunities.

(2) HBOR, a development and export bank and export credit agency, plays an important role in the development of sustainable financial products and in contributing to the implementation of the United Nations Sustainable Development Goals. HBOR carries out this role by encouraging its clients to adopt sustainable practices. By mitigating the adverse impacts of climate change and leveraging the opportunities arising from the transition to a green economy, HBOR contributes to ensuring long-term stability and resilience of the economy to climate related risks, while simultaneously generating positive impacts on the environment and society.

(3) HBOR's operations are inseparable from responsibility towards the environment, society, the working environment, employees, clients and other stakeholders in the economy and society.

(4) HBOR's approach to the management and governance of ESG matters is based on the following principles:
   a) Managing and improving the impacts of projects financed by HBOR on the environment and society;
   b) Strengthening the integration of environmental, social and governance risk management into overall risk management system and decision-making process;
   c) Integrating ESG considerations through dedicated products and services;
   d) Staying abreast of regulatory landscape and adapting to new applicable requirements in accordance with HBOR's specific characteristics;
   e) Continually improving ESG governance in its operations;
   f) Applying the proportionality principle in risk management, including the implementation of additional due diligence procedures in high-risk sectors;
   g) Managing client relationships by encouraging sustainable practices and economic activities, and supporting clients in their transition towards sustainable business models and technologies;
   h) Managing ethically relevant areas of business and preserving and promoting fundamental ethical values in decision-making processes in accordance with HBOR's Code of Ethics.

PART THREE

ENVIRONMENTAL FACTORS

Climate change

Article 5

(1) Climate change is one of the most significant challenges of our time. The key environmental and social challenges, such as global population growth, energy security, biodiversity loss and access to drinking water and food, are closely intertwined with climate change.

(2) Climate change is a source of both strategic financial and non-financial risks for HBOR. The consequences of climate change may disrupt business activities, affect the value of assets, and affect the ability of HBOR's client to meet their obligations in due time.

(3) In managing climate-related risks, HBOR applies an integrated climate approach. This approach strengthens HBOR's resilience to the adverse impacts of climate change, reduces its exposure to climate-related risks, and supports clients in their low-carbon transition efforts. This is achieved through four strategic areas:
  a) Climate risk management;
  b) Addressing market gaps in the financing of sustainable projects;
  c) Strengthening internal capacities and
  d) Developing external networks and partnerships in the sustainable finance field.

(4) HBOR manages the adverse impacts of climate change through:
  a) Reducing its own operational footprint under Scope 1 and Scope 2 emissions;
  b) Measuring and monitoring financed emissions (Scope 3);
  c) Strengthening internal capacities to understand climate-related impacts on HBOR's operations;
  d) Increasing the resilience of own business to climate-related risks;
  e) Supporting clients and the economy of the Republic of Croatia in the transition to a low-carbon economy through favourable financing conditions and own advisory role;
  f) Pursuing of opportunities and possibilities created by climate change.

Environmental risk integration

Article 6

(1) HBOR recognizes environmental risks as an integral part of ESG risks and integrates them into its business decision-making process.

(2) In the process of approving investment loans, an environmental risk assessment conducted, whereby investments are classified according to the level of identified risk. Projects with increased environmental risk are subject to an enhanced assessment, with the definition of appropriate risk mitigation measures, where necessary.

PART FOUR

SOCIAL FACTORS

Stakeholder engagement and reporting

Article 7

(1) HBOR's sustainability objectives and priority activities are continuously aligned with the interests and views of its stakeholders.

(2) Stakeholder engagement is conducted regularly and takes place through various forms of communication and cooperation such as: advice and consultations, analyses and research,

thematic collaborative initiatives and projects as well as regular reporting and transparent disclosure of activities and products and services.

(3) Engagement with stakeholders supports to the monitoring of the effectiveness of HBOR's measures and activities, enhances the understanding of market needs, facilitates alignment with regulatory requirements and contributes to the development of sustainable finance solutions.

(4) HBOR's stakeholders are state and public authorities, clients, financial institutions, regulatory authorities, rating agencies, export credit agencies, associations, employees, local communities, non-governmental organisations, suppliers, investors and the media.

(5) HBOR regularly publishes annual sustainability reports outlining its approach and principles as well as the ant material topics relevant to the sustainability of its operations.

(6) In the preparation of sustainability reports, HBOR strives for good practices and uses applicable reporting frameworks and standards. It is guided by frameworks such as the United Nations Global Compact, UN Guiding Principles on Business and Human Rights, Global Reporting Initiative (GRI), European Sustainability Reporting Standards (ESRS) and similar.

(7) HBOR regularly and actively monitors the development of sustainability reporting frameworks and incorporates them into its reporting practices as well as into its data collection requirements for clients.

(8) HBOR is a member of the United Nations Environment Programme Finance Initiative and the United Nations Global Compact network, which are focused on environmental, social and sustainability topics. HBOR cooperates with national and multilateral development banks and organisations in the exchange of best practices in terms of sustainable finance and sustainable development.

Human rights

Article 8

(1) HBOR promotes and respects human rights in all business activities.

(2) HBOR is a participant in the United Nations Global Compact and applies its principles in the areas of human rights, labour, environmental protection and fight against corruption in order to contribute to broader social goals. By signing the UN Global Compact, HBOR has committed itself to the following:

a) Integrating the 10 principles of the UN Global Compact (two of which relate to human rights and four to labour rights) into its operations so that they become an integral part of its business strategy, daily activities and organisational culture;
b) Incorporating the 10 principles into decision-making processes at the level of the highest governing body;
c) Contributing to the achievement sustainable development goals through partnerships;
d) Disclosing, in a public document, a description of how it applies the principles and supports broader development goals;

e) Promoting responsible business practices through advocacy and active engagement with employees, partners, clients, borrowers and the wider public.

Diversity and inclusion

Article 9

(1) HBOR embraces and values diversity in all its forms, whether of gender, age, ethnicity or cultural background, etc.

(2) Equal opportunity is an integral part of the recruitment process as HBOR seeks to develop an internal community of diverse talent.

(3) HBOR implements and supports activities aimed at fostering a positive workplace, free from discrimination and harassment, and promotes the pay equity and mutual respect, promoting an environment of fairness and equality.

(4) HBOR's commitment to diversity and inclusion applies across all levels of the organisation.

(5) HBOR recognises that diversity strengthens business results and promotes long-term value.

(6) HBOR adopts multi-year Action Plans for the promotion and establishment of gender equality. These plans provide an internal framework for action, support the integration of gender equality principle and ensure the continuity of its integration into HBOR's regular business activities and internal management processes.

PART FIVE

GOVERNANCE FACTORS

Corporate governance

Article 10

(1) HBOR systematically monitors regulatory requirements and best practices in the field of corporate governance and regularly applies them in its own business activities.

(2) The duties, responsibilities and rights of the members of the Management Board and the Supervisory Board of HBOR are determined by the Act on the Croatian Bank for Reconstruction and Development, the By-Laws of the Croatian Bank for Reconstruction and Development and other internal acts of HBOR.

(3) The Supervisory Board monitors and controls the legality of the work of the Management Board and it appoints and dismisses the President and members of the Management Board.

Sustainable finance governance structure

Article 11

(1) With the aim of managing ESG factors, HBOR has:
   a) Established the Sustainable Finance Committee (hereinafter: the Committee);
   b) Established the Sustainable Finance organisational unit;
   c) Appointed the Sustainable Finance Leaders in certain organisational units of HBOR, i.e. employees who are involved in the application of ESG factors and who participate in the development of policies, ordinances and methodologies related to sustainable finance.

(2) The Rules of Procedure of the Committee regulate all issues of relevance for the work of the Committee, in particular:
   a) Objectives and role;
   b) Members;
   c) Powers and responsibilities;
   d) Organisation of meetings;
   e) Work of the Committee;
   f) Other issues of relevance for the work of the Committee.

(3) The Committee considers the proposals for the implementation of activities in the field of sustainable finance, determines their interdependencies, reviews the necessary resources, determines the responsibilities, roles and deadlines for the implementation of activities and assesses the impacts on the risk and/or on the operations of the involved organisational units and HBOR as a whole. The Committee adopts conclusions regarding the strategy, policies, plans, objectives and other documents in the field of sustainable finance, development of sustainable finance products, integration of environmental, social and governance risks into the overall risk management process, regulatory and voluntary sustainability reporting, necessary resources and competencies in the field of sustainable finance, cooperation with relevant stakeholders and other measures and activities in the field of sustainable finance.

(4) The Sustainable Finance unit is a functionally and organisationally independent unit that reports directly to the Management Board of HBOR and performs tasks related to the harmonisation with regulatory requirements of corporate sustainability reporting and the coordination of implementation of sustainable finance in HBOR. The Sustainable Finance performs the following tasks:
   a) Leads and coordinates the activities of harmonisation with the regulatory requirements for corporate sustainability reporting relating to the disclosure of environmental, social and governance information,
   b) Coordinates the activities of implementation of sustainable finance at HBOR carried out by various organisational units,
   c) Develops and promotes the cooperation with various stakeholder groups in the field of sustainable finance and sustainable development.

Corporate culture

Article 12

(1) The aim of the Corporate Governance Code of HBOR is to establish, maintain and improve the corporate governance standards and transparency of HBOR's operations for the purpose of efficient and responsible management of funds and operations of special social importance with a view to develop the Croatian economy.

(2) The basic principles of HBOR's corporate governance are: legality, transparency and publicity of operations, division of duties, powers and responsibilities, i.e. clearly established procedures for the work of the Supervisory Board, the Management Board and other bodies and structures which make important decisions, preventing the conflict of interest, efficient internal supervision and internal control system, strengthening of personal responsibility and socially responsible operations.

(3) HBOR's Code of Ethics defines the core values of HBOR that serve as guidelines for business decisions and actions towards internal and external stakeholders.

PART SIX

SUSTAINABLE FINANCE FRAMEWORK

Sustainable finance framework

Article 13

(1) In order to establish a sustainable finance framework, the Management Board of HBOR adopted the Sustainable Finance Classification Ordinance that establishes the definitions and criteria of sustainable placements offered by HBOR with the aim of supporting the transition towards a sustainable economy and ensuring compliance with the applicable regulatory requirements and the requirements of sources of funds, i.e. lenders.

(2) Sustainable Finance Classification Ordinance prescribes classification rules, eligibility criteria and applicable requirements for the environmental dimension: green transition and positive social impact.

PART SEVEN

TRANSITIONAL AND FINAL PROVISIONS

Article 14

(1) The Sustainable Finance organisational unit is responsible for the interpretation and updating this Policy.

(2) The Policy enters into force on the date it is adopted.

(3) All HBOR’s employees are obliged to act in the manner prescribed by this Policy.

(4) The Policy is published on HBOR's Internet and Intranet pages.