2025 Sustainability Report

Croatian Bank for Reconstruction and Development

Zagreb, June 2026

CONTENTS

1. INTRODUCTION BY THE PRESIDENT OF THE MANAGEMENT BOARD

The investments we foster today shape the future development trajectory of the Croatian economy. Therefore, HBOR views its role not merely as facilitating access to finance, but also as channelling capital toward projects that strengthen economic competitiveness and resilience and promote the sustainable development of the Republic of Croatia in the long run. Such understanding of HBOR's role is embedded in the new 2025–2029 Business Strategy, with which the Bank entered 2025 and defined its priorities for the coming period.

Throughout 2025, in line with the expectations of the Ministry of Finance and the priorities of the Republic of Croatia, we continued to support investments contributing to balanced regional development, enhancing the Croatian economy's competitiveness and improving the quality of citizens' lives. Through 1,654 supported projects, HBOR's total business activity reached almost EUR 1.8 billion, reaffirming our role in mobilising capital for long-term economic and social development.

The first year of the Strategy implementation demonstrated that we are successfully translating development priorities into tangible results. Investments aimed at strengthening economic competitiveness and resilience accounted for more than two-thirds of the Bank's lending and guarantee activities, whereas more than half of our business activity focused on the internationalisation of the Croatian economy. Simultaneously, activities targeting regional and social development as well as green transition continued to grow in accordance with the strategic goals established for the five-year period.

We have continued to place special emphasis on investments with a broad social impact ranging from the development of social infrastructure and investments in underdeveloped areas of the Republic of Croatia to the support for young, women and start-up entrepreneurs. We believe that such investments lay the foundation for more inclusive and resilient economic development and contribute to reducing development disparities among Croatian regions.

HBOR's development trajectory was further reinforced by the enactment of the new Act on HBOR in June 2026. The Act defined the Bank's role in fostering systematic, long-term sustainable and balanced economic and social development more strongly, while taking sustainability factors into account, and expanded its scope by including the promotion of a climate-neutral and sustainable economy, support for capital market development and participation in the implementation of international development cooperation.

Such legislative framework, combined with the increase in capital through the contribution of the funds of the Republic of Croatia under the National Recovery and Resilience Plan, facilitates the strengthening of HBOR's role. We continue to introduce new financial products and enhance existing ones to channel capital toward investments that contribute to the green and digital transition, boost economic competitiveness and advance national and European development priorities.

Sustainable finance requires continuous adaptation to regulatory developments and the ongoing strengthening of our capacities. We align our financial instruments with European practices and expectations in the field of sustainable finance, particularly in the context of the European Green Deal, the 2030 climate targets, the sustainability reporting requirements and the EU Taxonomy, while striving to respond to the needs of different economic sectors and our clients' investment cycles.

During 2025, we continued to integrate environmental, social and governance (ESG) factors into our business processes by managing climate and environmental risks, developing methodologies and monitoring regulatory requirements. At the same time, we adopted an internal classification framework for identifying sustainable placements that defined the criteria for the green transition and the positive social impact of the financed projects. We continued to strengthen the expertise and tools needed to better understand the impacts of our portfolio as well as the risks and opportunities arising from the economic, social and climate changes we are witnessing.

As part of the international network of development banks, we actively cooperate with the European and international financial institutions that support the transition to a sustainable and resilient economy. Such partnerships provide us with access to specific-purpose sources of finance, expertise and methodologies essential for providing quality support to sustainable investments. In 2025, we used technical assistance from the European Investment Bank to strengthen our understanding and application of criteria for green projects and transition plans and we used advisory support to develop financing models for social and affordable housing.

As a signatory to the United Nations Global Compact and a member of the UN Global Compact Network Croatia, we continue to promote the ten principles in the areas of human rights, labour, environmental protection and anti-corruption. We integrate these principles into our business strategy, corporate culture and daily operations, thereby contributing to the achievement of the United Nations Sustainable Development Goals.

I believe that a development bank finances not only projects but also the future of the economy and society. Therefore, for HBOR, sustainability is not a separate goal but the very foundation of our development mission: to create a more resilient, competitive and sustainable Croatian economy.

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

2. KEY HIGHLIGHTS FOR 2025

The Corporate Sustainability Reporting Directive (CSRD) was transposed into Croatian national legislation. In accordance with the current Accounting Act, HBOR is classified as a second-wave sustainability reporting entity, meaning that HBOR's first sustainability report prepared in accordance with the European Sustainability Reporting Standards (ESRS) was initially expected to be published in 2026, covering the 2025 reporting year.

To ensure a timely transition to reporting in accordance with the new EU sustainability reporting requirements, HBOR took significant steps during 2024 and 2025 to deepen its understanding and support the practical implementation of the CSRD, ESRS and EU Taxonomy requirements. These activities included portfolio analyses, peer analyses of approaches adopted by development and commercial banks, gaining an understanding of the requirements for developing transition plans as well as assessing available methodologies, tools and data solutions relevant to sustainability reporting and the management of ESG factors.

In 2025, a new package of legislative proposals aimed at simplifying EU rules, boosting competitiveness and unlocking additional investment capacity was adopted (the so-called OMNIBUS package). A two-year postponement of the application of sustainability reporting requirements was approved for the second-wave and third-wave entities (the so-called "Stop the Clock" measure). Furthermore, the legislative process concerning substantive amendments to the regulatory framework continued throughout 2025 and into early 2026, including a further narrowing of the scope of entities subject to sustainability reporting requirements.

In the context of these regulatory changes and the transitional period, HBOR continued to develop its approach to sustainability reporting, viewing regulatory simplification as an opportunity to establish a more efficient and operationally practical framework for supporting green and transition investments.

Approach to Preparing the Sustainability Report

In the preparation of the 2025 Sustainability Report, the GRI Standards were still used along with the selected requirements of the ESRS standards, while retaining the main report structure used in the previous reporting cycle.

The collected report data cover the period from 1 January to 31 December 2025. For the purposes of qualitative disclosures, contextual information available by mid-2026 was also used.

The Sustainability Report was prepared by the Sustainable Finance organisational unit in cooperation with other relevant organisational units and the reporting team. Internal controls of quantitative and qualitative data were carried out, whereas feedback and insights from the internal team, management and external stakeholders were incorporated to improve qualitative disclosures. Engagement of external stakeholders took place on an ongoing basis throughout the year. Quantitative data were retrieved from an automated IT system or from manually collected and processed records.The consent to the Report was given by the relevant managers, whereupon the document was submitted to the Sustainable Finance Committee and subsequently to the Management Board for final approval and adoption. Insights and findings of the materiality assessments were presented to the Sustainable Finance Committee and were approved by the Management Board.

During the reporting process, the following risks were identified: omission of material topics, disclosure of information that is not material to stakeholders, and errors in disclosed data. Future reporting processes will include improvements aimed at formalising data collection, data processing and report preparation procedures while further aligning the report’s structure and content with the (voluntarily) selected sustainability reporting standard/framework. In the context of ongoing development of sustainability reporting frameworks and simplification of ESRS, the application of the recommended ESRS reporting structure still poses a challenge due to the specific features of the financial sector, development banks in particular, and the absence of a sector-specific standard for financial institutions. Given the current uncertainty regarding the final content of the simplified ESRS, HBOR continues to monitor regulatory developments and reporting practices in the financial sector and continues to report on a voluntary basis.

Compared to the previous reporting period, there were no significant changes in the scope of qualitative or quantitative information disclosed. The Report contains the topics identified in the materiality assessment along with additional specific topics that HBOR considers relevant for understanding its business model and its development role.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 sustainability governance framework and integrating ESG factors across multiple areas

HBOR further enhanced its sustainability governance framework by strengthening the capacity of the Sustainable Finance organisational unit. During the reporting year, the Sustainable Finance Committee and the Sustainable Finance Leaders continued their active engagement. Alongside an overarching sustainability policy, several internal documents were developed to support the integration of ESG factors into strategy, risk management, classification of sustainable placements, product development and stakeholder engagement.

Assessment of impacts, risks and opportunities

HBOR continued its activities related to the assessment of impacts, risks and opportunities with the aim of gaining a deeper understanding the impacts of its own operations and financing activities. Previously identified material impacts, risks and opportunities were retained and the qualitative descriptions were updated and expanded.

Portfolio analysis in accordance with the EU Taxonomy criteria

Preparations for CSRD reporting continued, and developments relating to technical screening criteria, implementation requirements and reporting scope are being closely monitored. The final approach will depend on the applicable regulatory requirements and the availability of relevant data.

Integration of climate risks into risk management system

HBOR continuously integrates climate risks into its risk management system in order to systematically identify, assess and manage these risks both at the level of individual loan processes and across the entire portfolio.

Financed greenhouse gas emissions

In 2025, HBOR continued calculating the financed greenhouse gas emissions under Scope 1, Scope 2 and Scope 3, while also assessing avoided emissions.

Improvement of data infrastructure

The data infrastructure enhancement project continued, focusing on improving the data collection process, upgrading the IT system, developing higher-quality ESG reporting and improving the management of ESG risks and opportunities. The project was completed in the first half of 2026.

Reporting approach, data quality and availability

HBOR continuously monitors regulatory developments and market practices related to sustainability reporting and takes them into account in the further development of its own reporting approach and in defining ESG data requirements for its clients.

3. GENERAL INFORMATION

3.1. Strategy and Business Model

3.1.1. Strategy

In 2025, HBOR started to implement the 2025-2029 Business Strategy (hereinafter: the Strategy). Through the new Strategy, HBOR pursues 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 economic and social development of the Republic of Croatia.

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 the strategic goals. Sustainability is one of HBOR's values permeating all strategic goals and enablers.

Throughout 2025, HBOR continued providing strong financial support to the Croatian economy and adapting its products and services to market needs through the implementation of financial instruments under the European Union funds, through loan programmes, issuance of guarantees and export credit insurance against non-market and temporarily non-market risks as well as activities aimed at promoting equity investment market.

In 2025, particular emphasis was placed on the development of sustainable finance, through which HBOR provides funding for innovative and sustainable economic activities and projects that contribute to digital and green transition and the creation of a positive social impact.

Through its operations, HBOR actively contributes to the achievement of national and European development goals, including climate goals set by the Paris Agreement and the UN Sustainable Development Goals.

Based on the recommendations resulting from the *Reorient HBOR's Operations towards Sustainable Financing and Green Transition* project (hereinafter: the Sustainable Finance Project), that was completed in 2023, HBOR continued, in 2025, to systematically harmonise its business with the requirements of regulations in the field of sustainability and sustainable finance by integrating environmental, social and governance (hereinafter: ESG) factors into its operations, by fostering a supportive work environment and by strengthening relationships with key stakeholders in the economy and society.

In doing so, HBOR continued to develop the expertise and competencies needed to understand ESG risks and their impacts on HBOR's business as well as the impacts of HBOR's activities on the environment and society.

Pursuant to the Strategy, in 2025, HBOR focused its sustainability activities, as one of its strategic enablers, on four key areas:

Integration of ESG risks into:

1. Business model,
2. Risk management strategy, and
3. Relevant policies

Development of new financial products for the financing of green transition and economic activities that have a positive impact on society

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

Strengthening internal competencies and financial capacities

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.

Strengthening cooperation with stakeholders

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

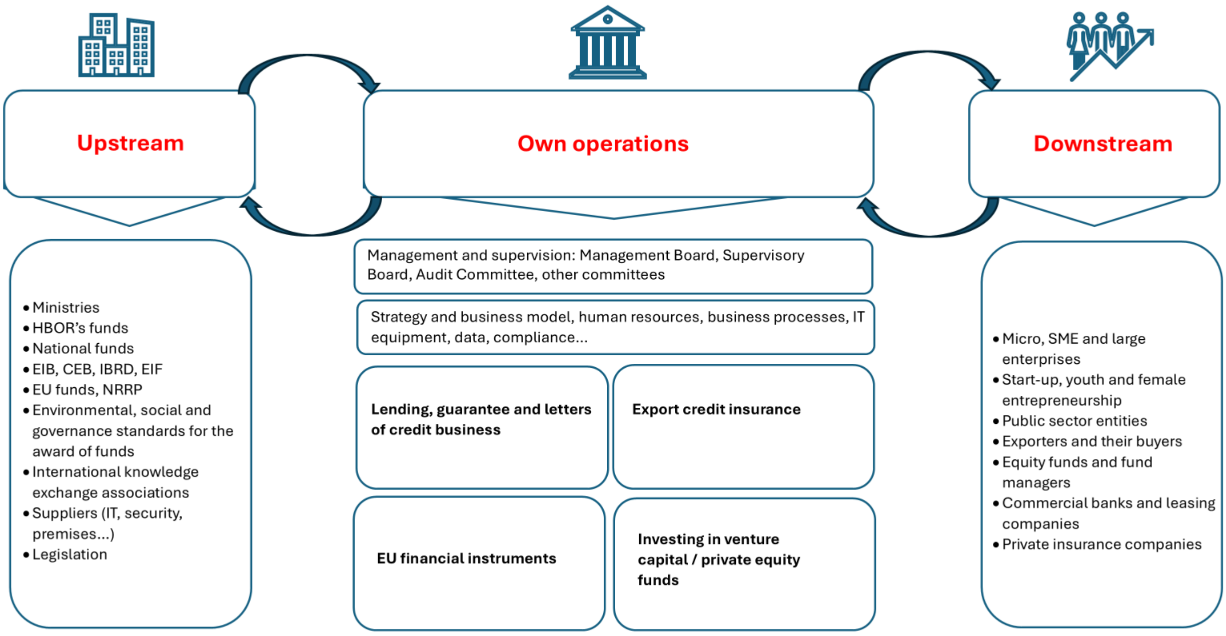
In addition to the above, under the **Flexible and sustainable organisation with a proactive business approach** strategic enabler, a special focus was on improving the reporting system, sustainability reporting included, and on upgrading the process of gathering data required for the quality monitoring of the impacts of HBOR's activities and its 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[1].

HBOR's business model 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.



Upstream Value Chain

HBOR raises funds for the implementation of its programmes from various sources: from international financial institutions such as the European Investment Bank (EIB), the Council of Europe Development Bank (CEB) and the World Bank (IBRD), from 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.

[1] https://www.hbor.hr/pravilnici-akti-i-ostali-dokumenti/2297

Raising of funds from international sources includes requirements for compliance with environmental and social criteria. Furthermore, international financial institutions have set the standards that the beneficiaries must comply with, including human rights protection, health and safety protection, preservation of environment and inclusion of stakeholders in decision-making processes. The EIB, for instance, requires that projects in energy production and related activities, construction of new facilities or renovation of existing ones and procurement of transport vehicles must align with the Paris Agreement, and that a specific portion of funds must be earmarked for green projects, whereas the beneficiaries of funding granted by the Council of Europe Development Bank (CEB) are required to adhere to the Environmental and Social Safeguards Policy that sets the principles and standards for managing environmental and social risks and promoting sustainable and socially responsible development during project preparation and implementation.

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 programmes 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.

HBOR also invests in venture capital funds that have so far supported numerous projects in various 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 using specialised questionnaires.

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, women 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

The euro area economy proved resilient to the increase in US tariffs and the heightened trade uncertainty. The negative effects were milder than previously anticipated, partly due to the new trade agreement between the US and the EU, which reduced trade tensions. In 2025, the Croatian economy recorded stable growth of 3.4%, outperforming the euro area average of 1.5%, and continued to demonstrate resilience despite global shocks. The main driver of growth was personal consumption with additional positive contributions coming from investment activity and government spending. Economic expectations were characterised by heightened uncertainty associated with the risks linked to geopolitical tensions and energy market disruptions resulting from the conflict in the Middle East.

The inflation rate in Croatia, as measured by the Harmonised Index of Consumer Prices (HICP), accelerated to 4.4% in 2025, up from 4.0% the previous year. This was driven by higher energy and food prices and gradual phasing out of fiscal measures. While inflation in the euro area slowed to 2.1%, it remained elevated in Croatia, primarily due to rising prices of services, particularly in the hospitality and accommodation sectors. The inflation outlook indicates high upside risks primarily driven by the energy shock associated with the war in the Middle East.

The labour market remained strong in 2025, with the unemployment rate falling to a historic low of 4.9%. Labour market stability is expected to be maintained in the period ahead. Nevertheless, a labour shortage persists due to a mismatch between available skills and employers' needs, an issue that Croatian companies identify as more significant than companies across the European Union. In this context, investment in education and skills development is becoming crucial for successful digital transformation and long-term productivity growth. [2]

Sustainable management of public finances is important in the context of new priorities at the level of the European Union[3], increased investment in the defence sector included. In 2025, international credit rating agencies reaffirmed Croatia's higher investment-grade rating. The rating was maintained because Croatia demonstrated a combination of political stability, institutional progress, stable growth and fiscal discipline, which reduced the public debt-to-GDP ratio to 56.5% and kept the estimated general government deficit at around 2.9% of GDP.

Croatia ranks among the most successful EU countries in implementing the 2021–2026 National Recovery and Resilience Plan (NRRP). By the end of 2025, the total amount of funds drawn from the NRRP reached EUR 6.4 billion out of a total available EUR 10.0 billion. This confirmed the successful completion of 253 reform and investment milestones across various sectors of the economy, energy, water management, transport, agriculture, public administration, judiciary, digitalisation, labour market and pension system, science, healthcare and construction.

[2] EIB Investment Survey 2025: Croatia overview

[3] Future of European defence – European Commission

Throughout 2025, the European Central Bank continued to ease its monetary policy after the interest rate reduction cycle that had begun in June 2024, and gradually lowered the deposit facility rate to 2.00%. Over the medium term, the inflation outlook and the monetary policy stance remain subject to heightened uncertainty due to geopolitical tensions in the Middle East.

In early 2025, the European Commission presented the Competitiveness Compass[4], a strategic framework for strengthening the growth and resilience of the European Union's economy. The framework focuses on narrowing the innovation gap, linking the green transition with industrial competitiveness and enhancing economic security and strategic autonomy. In this context, development pathways are being defined for Croatia that point to long-term growth potential alongside a simultaneous need to boost investment activity and innovation capacities and to adapt the labour market.

Croatia is currently implementing a strategic framework to further strengthen the capital market,[5] aiming to foster the diversification of funding sources and enhance the resilience of the financial system, thereby contributing to sustainable economic growth and financial stability. In this context, an enhanced role is envisaged for HBOR in the continued development of the venture capital and risk capital market with an objective of boosting the funding of innovative and high-growth enterprises.

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 profound transformation characterised by the integration of sustainability consideration into regulatory frameworks, business models, risk management processes and investment decisions. Sustainable finance is becoming a key pillar of European economic policy, with a focus on financing the climate transition, strengthening economic resilience and directing capital toward sustainable and transition activities.

In recent years, the European Union’s regulatory framework has expanded significantly through the adoption and gradual implementation of sustainable finance regulations, including the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), the Sustainable Finance Disclosure Regulation (SFDR) and regulatory requirements relating to the management of climate and environmental risks.

Financial institutions face growing expectations from regulators, investors and other stakeholders regarding transparency, ESG data quality, climate risk management and demonstration of their contribution to the sustainable transition of the economy. Particular emphasis is placed on developing methodologies for assessing climate and transition risks, analysing financed greenhouse gas emissions, aligning activities with the EU Taxonomy and developing internal data and reporting systems. Furthermore, ESG Pillar 3 requirements for banks are intensifying in parallel with the revision and simplification of the ESRS.

Promotional banks have a specific role in implementing the goals of sustainable development and climate transition owing to their mandate focused on long-term economic development and financing projects of strategic importance. Compared to commercial financial institutions, promotional banks more frequently act as catalysts for transition by financing projects characterised by higher risk levels, longer repayment periods and greater developmental impacts.

Trends in the operations of European promotional banks are increasingly focused on:

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[4] Competitiveness compass – European Commission

[5] Ministry of Finance of the Republic of Croatia – Strategic Framework for Capital Market Development

- Integrating ESG factors into lending and investment processes,
- Developing green and transition finance products,
- Strengthening methodologies for the assessment of climate and environmental risks,
- Developing systems for monitoring financed greenhouse gas emissions,
- Increasing portfolio alignment with the EU Taxonomy criteria,
- Improving the quality of ESG data and reporting, and
- Strengthening internal governance and organisational capacities for sustainability.

At the same time, promotional banks encounter numerous challenges, including limited access to high-quality ESG data, methodological inconsistencies, demanding regulatory reporting requirements and the need to align existing information and management systems. Additional challenges arise from the specific nature of promotional banks' business models and the need to ensure consistency and interoperability across different regulatory and reporting requirements.

In this demanding regulatory and market environment, promotional banks play a vital role in mobilising capital for the green transition and the broader transformation of the economy, developing sustainable financial instruments and supporting the private and public sectors in adapting to evolving regulatory and market requirements.

3.2.1.3. EU Taxonomy: Framework for Redirecting Capital towards Sustainable Activities

The EU Taxonomy is a comprehensive classification system that defines, based on scientifically grounded criteria, which economic activities can be considered environmentally sustainable. It is a central element of the EU's sustainability regulatory framework. The objective of the Taxonomy is to redirect investments towards the activities that make a substantial contribution to environmental objectives, including climate change mitigation, climate change adaptation, , the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the 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 to finance and invest 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 data collected from clients, the institution's business model and the structure of its portfolio and the proportion of clients subject to sustainability reporting requirements 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 in calculating key indicators. In 2025, the Omnibus package of amendments also included simplifications relating to the application of the EU Taxonomy and the calculation of key performance indicators for financial institutions.

In the area of the EU Taxonomy, the proposed amendments include simplifying reporting requirements, reducing the number of data points and reporting templates as well as revising certain technical criteria, in particular those related to the "Do No Significant Harm" (DNSH) principle. Additionally, a provision for voluntary reporting on activities that are partially aligned with the EU Taxonomy criteria has been proposed to support the financing of transition activities and the gradual alignment of the economy with the European Union’s climate and environmental objectives.

One of the key proposals concerns adjustments to the calculation of the Green Asset Ratio (GAR), which would allow credit institutions to exclude exposures to companies that will not be subject to sustainability reporting requirements under the future scope of the CSRD. These amendments are particularly relevant for financial institutions whose portfolios include a significant share of micro, small and medium-sized enterprises.

HBOR uses the EU Taxonomy as a classification tool to assess whether financed investments meet the substantial contribution criterion. 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 under each financial instrument is allocated to financing projects that support the green transition and greenhouse gas emissions reduction. Green transition projects are defined as projects that meet the criterion of substantial contribution in accordance with the EU Taxonomy. The assessment is carried out by experts from HBOR’s Technical Analysis and Environmental Protection Department. Every project financed through NRRP funds must comply with the “Do No Significant Harm” (DNSH) principle in accordance with the Technical Guidance on the Application of “Do No Significant Harm” principle under the Recovery and Resilience Facility Regulation.

Furthermore, since the beginning of Q4 2024, experts from HBOR’s Technical Analysis and Environmental Protection Department have been assessing all direct investment loans to determine whether the financed projects meet the substantial contribution criteria in accordance 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.

Climate risk management
Risk
Upstream, Own Operations, Downstream
Short-term, medium-term and long-term

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

Development of new sustainable finance services
Opportunity
Upstream, Own Operations, Downstream
Short-term, medium-term and long-term

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). Even now, HBOR offers placements aimed at supporting a sustainable economy and conducts expert assessments to determine compliance with criteria and definitions (stipulated by regulators and funding sources). This opportunity extends across short-term, medium-term and long-term time horizons.

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 employee satisfaction surveys regarding work-life balance and working conditions at the 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. Deficiencies/gaps have been identified regarding the appropriate knowledge, skills, and expertise to manage related social and governance risks (ESG risks). The impact of strengthening competencies 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 2025–2029 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.

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

Actual and potential positive impact
Upstream, Own Operations, Downstream
Short-term, medium-term and long-term

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. Since 2025, national promotional banks, HBOR included, have been recognised as a hub for financing affordable and sustainable housing, leading to the identification of new opportunities for housing construction funding from EU sources, which also includes accompanying technical assistance.

End-users

Significant impacts, risks and opportunities

Impacts related to end-user information, access to (quality) information on climate and environmental requirements and end-user engagement processes
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 has been implemented continuously. 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 financing 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 end-users with the requirements. The actual and potential positive impact of establishing regular end-user satisfaction surveys contributes to a better understanding of needs and helps in product development and implementation.

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.

Corporate culture
Actual and potential positive impact
Own Operations, Downstream
Short-term, medium-term and long-term

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 the Corporate Governance Code, the Code of Ethics and the Sustainability Policy. 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 risks and opportunities that may have financial consequences on the company.

During the process conducted under the guidance of an external expert 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.

The review was conducted by an internal team. Recent contextual information gathered during various discussions and exchanges of experience within national and international associations and stakeholder platforms was taken into account. The review confirmed the relevance and materiality of the identified topics. Therefore, the number of material topics was maintained, with only minor additions. Minor revisions were made to the descriptions and titles of certain sub-topics compared with 2024 and 2025 and these have been incorporated into the text above (see Section 3.2.2).

- CLIMATE CHANGE, Development of new sustainable finance services
  Descriptions of impacts related to criteria verification and definitions of sustainable placements added
- OWN WORKFORCE, Professional competencies in climate risk
  Impacts expanded to also include competencies related to social and governance risks
- SOCIO-ECONOMIC IMPACT AND STRENGTHENING OF ECONOMIC RESILIENCE, Financing of social rights of communities (municipal and social infrastructure, access to finance, vulnerable groups, regional development, special areas, reduction of inequality, affordable housing*)*
  Sub-topic expanded to include affordable housing
- END-USERS, Impacts related to end-user information, access to quality information on climate and environmental requirements and end-user engagement processes
  Sub-topic expanded to include end-user engagement processes, description of end-user engagement in the form of a satisfaction survey added

Following the approach introduced at HBOR in 2024, the Double Materiality Assessment conducted by HBOR includes the following steps:

1. <u>Understanding of the context</u>: development of a comprehensive overview of organisation's activities, business relationships and the broader context of environmental, social and governance matters.

2. <u>Identification of impacts, risks and opportunities</u>: identification of actual and potential impacts, risks and opportunities related to sustainability matters through own operations and upstream and downstream value chain. The assessment of risks and opportunities draws on available data and analyses conducted to date.

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 future reporting cycles with the aim of continuously improving the relevance and faithful representation of HBOR's impacts, risks and opportunities.

4. Reporting: documenting in the form of an audit trail and disclosure of the methodology and the results of the impact materiality assessment.

Stakeholder engagement during report preparation

The double materiality assessment included the perspectives of both internal and external stakeholders. Given their place and role in HBOR's value chain, representatives of various stakeholder groups (banks, clients, associations, employees, etc.) were included. In previous periods, stakeholder views were gathered through various forms of engagement, from surveys and in-depth interviews to thematic meetings and consultations.

More than 30 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 expected legislative development to the CSRD/ESRS, as well as in a dedicated meeting where material topics and sub-topics were reviewed through discussion and additional contextual information was gathered. Throughout the year, members of the Sustainable Finance Committee were regularly informed about legislative developments, the approaches adopted by development, public and commercial banks, the content and approach sustainability reporting, the outcomes of materiality assessment, and the status of plans, activities and measures addressing material topics. External stakeholders were engaged through desk-based 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 within various associations and platforms, as well as through bilateral meetings. The results and insights obtained through 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 includes ongoing consultation as part of HBOR's 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, stakeholder engagement is the responsibility of one or more organisational units. Relationships with stakeholders are governed through several internal documents such as the Corporate Governance Code, the Code of Ethics, the Sustainability Policy, the Ordinance on End-User Satisfaction Surveys, the Ordinance on Strategy Preparation and Implementation Monitoring and other ordinances.

Forms of engagement of stakeholder groups are diverse and continuous. Periodic thematic surveys of employee and client views are conducted, various thematic conferences and meetings are organised, and employees participate in expert working groups within various associations or stakeholder platforms, contributing to the development of expert studies and the piloting of methodologies.

During the development of products and services, specific stakeholders are engaged such as: competent ministries, EU bodies, international financial institutions like 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 work 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 Visits and thematic meetings 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 research 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 work 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 2025

3.4. Risk Management Relating to Sustainability Issues

By policies, ordinances, methodologies, instructions and other internal documents, HBOR establishes 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.

In the Risk Catalogue, HBOR has identified environmental, governance and social risks as relevant for its operations. Based on the assessment of the severity and probability of the occurrence of potential adverse events arising from direct exposure to these risks, viewed in terms of expected financial effects and the impact on business continuity, their direct impact has been rated as low. However, their materiality stems from spillover effects, primarily on credit risk and subsequently on liquidity, operational, and market risks. Accordingly, ESG risks are integrated into the existing risk management framework through the processes of creditworthiness assessment and strategic planning.

The integration of ESG risks into business model, risk management strategy and relevant internal documents are recognised in the new Strategy as one of the key directions within the "Sustainability" strategic enabler. HBOR continuously strengthens its internal capacities and expertise in the field of sustainable finance, ESG risk management included, with the aim of systematically and comprehensively integrating them into the existing risk management framework. Such approach enables the timely identification, assessment, measurement and management of ESG risks, with a particular emphasis on climate risks.

HBOR recognises exposure to ESG risks primarily through the financing of its clients, taking into account potential negative impacts on the environment and society.

Regarding the management of environmental risks, climate risks in particular, HBOR is developing a more detailed approach to assessing transition risks at the level of client business activities or individual projects. To identify physical climate risks, it is planned to ensure the most precise possible assessment of exposure through the use of an appropriate tool.

As part of managing the risks related to sustainability, HBOR performs, among other things, a review of compliance of projects with environmental and climate requirements. Based on the documents submitted by a loan applicant (loan/security/guarantee application, 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,
- 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 for export transactions, 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/security/guarantee approval procedure and is issued for the overall assessment of eligibility, i.e. the risk category of project/investment.

At the loan portfolio level, activities are continuously being carried out to improve the availability and quality of ESG data and to develop methodologies for assessing and measuring ESG risks with the aim of ensuring the effective and timely management of these risks.

Identifying and measuring ESG risks as well as recognising the opportunities associated with sustainable finance are the key prerequisites for the long-term resilience and stability of HBOR's business model. This ensures that financing is directed towards sustainable projects while simultaneously reducing the exposure to ESG risks.

3.4.1. Role and Composition of Top Governance Bodies

The responsibilities of governing 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 Sustainable Finance organisational unit started to operate in 2024.

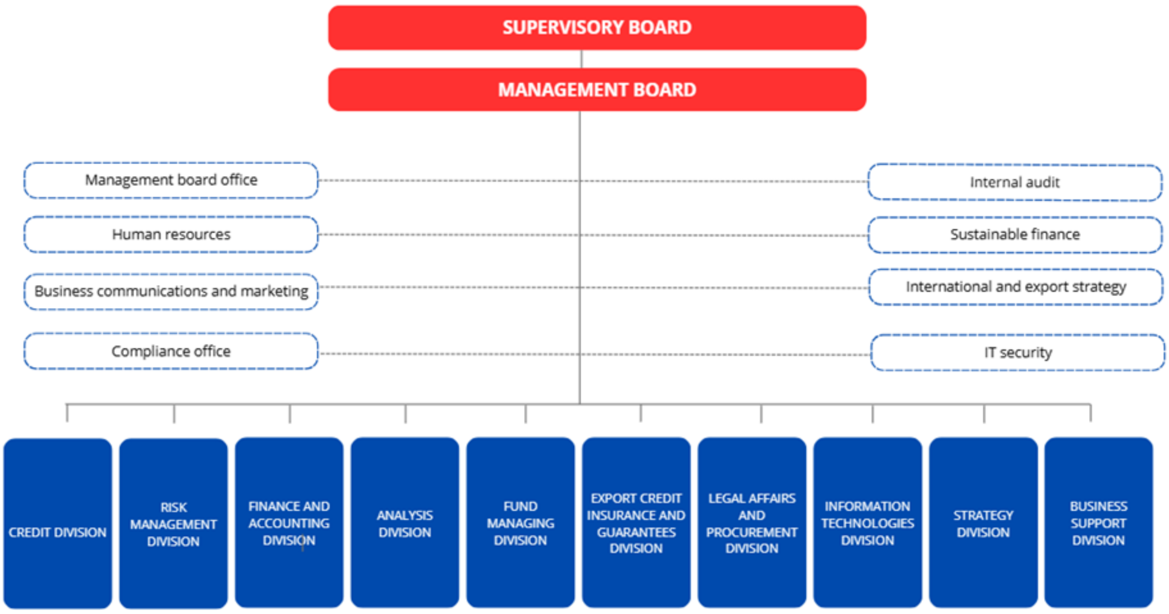
Presentation of HBOR's sustainability-related governance structure

The establishment of the sustainability-related governance structure, which began in 2023, was completed in 2024 with the establishment of the Sustainable Finance Committee and the appointment of the Sustainable Finance Leaders. Both the Committee and the Leaders continued their active work throughout 2025.

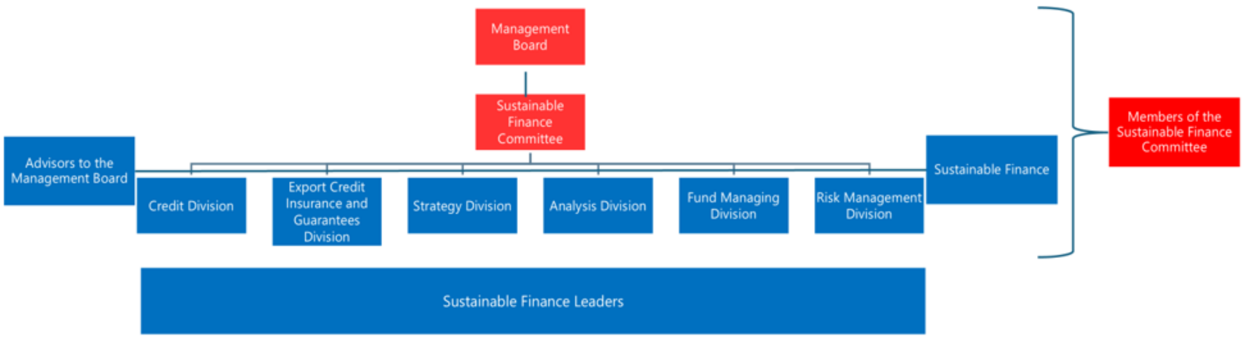
Bodies	Role and responsibilities
Supervisory Board	The Supervisory Board determines the principles of operating policy and strategy, supervises the business activities of the Bank, adopts the Annual Financial Statements, considers the Internal Audit reports and the reports drafted by external independent 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 sustainability-related governance structure



In 2025, altogether 11 meetings of the Supervisory Board, 52 meetings of the Management Board, 47 meetings of the Credit Committee and 7 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 2025 covered numerous sustainability and ESG-related topics. Some of the topics about which the Management Board was informed and on which decisions were made during the meetings in 2025 included:

- Adoption of the 2024 Sustainability Report,
- Implementation of the 2025-2029 Business Strategy,
- Organisational changes,
- Adoption of new or amendments to existing internal documents relating to the integration of sustainability matters across various organisational units (including procedures for processing sustainability-related loan applications, amendments to the General Eligibility Criteria, strategic operational plans, Ordinance on Determining Sustainable Placements, amendment to the Ordinance on the Introduction of Business Changes and New Products introducing the criterion of a business change's impact on sustainable operations as one of the criteria influencing the priority ranking of the proposed business change, Ordinance on Assessing HBOR’s End-User Baseline Satisfaction, etc.),
- Adoption of new finance and loan programmes (including programme of preferential financing under HBOR’s loan programmes: subsidies for investments in RDI, green projects and digitalisation, loan programme: Production Modernisation Loans),
- Amendments to loan terms and conditions (e.g. amendments to Urban Development Fund loan programme),
- Business cooperation agreements (including on the implementation of interest subsidy activities for projects of a comprehensive waste management system under HBOR’s loan programmes; on the implementation of the financial instrument "ERDF Portfolio Guarantees" from EU funds (CCP 2021-2027); on the implementation of the financial instrument "ERDF Individual Guarantees" from EU funds (CCP 2021-2027),
- Information on technical assistance (EIB’s advisory support for social and affordable housing, EIB Green Gateway),
- ESG-related activities, appointments and initiatives carried out through various domestic and international associations and thematic stakeholder platforms (e.g. Sustainable Finance Support Forum, joining PCAF).

Since 2024, the Audit Committee monitors developments in corporate sustainability reporting and the related amendments to the Accounting Act and the Audit Act and has called for HBOR's timely alignment.

Altogether six meetings of the Sustainable Finance Committee took place in 2025 (7 in 2024). The meetings addressed topics within the Committee's scope of work, primarily focusing on sustainability reporting, strategy, policies, plans, objectives, and other internal documents as well as stakeholder engagement. In 2025, attendance ranged from 11 to 17 participants per meeting (Committee members and other participant) (12 to 19 in 2024). A wide range of topics was discussed (18 topics across several categories), such as the status of the Omnibus regulation, comparisons of material topics identified and related activities, the status of sustainable finance activities, EU Taxonomy calculations for working capital and investments, preliminary calculations of financed emissions using the PCAF methodology, a proposal to revise the approach to sustainability data collection for small exposures, and proposals for new internal documents: Ordinance on Assessing End-User Satisfaction and associated methodologies, Ordinance on the Development and Monitoring of HBOR's Strategy, the Gender Equality Action Plan, etc.

In addition, topics related to sustainability and ESG-related matters were also addressed by other committees: the Asset and Liability Management Committee and the Business Change Management Committee.

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[6] 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.

Employees

At HBOR, 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.

[6] https://www.sukobinteresa.hr/hr/smjernice-upute/dopuna-smjernice-o-zabrani-primitka-dodatne-naknade

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

In 2025, the Supervisory Board consisted of 10 members, of which there were three women and seven men on 31 December 2025. The Management Board consisted of three male members. The Sustainable Finance Committee consisted of 12 members, of which six women and six men.

Governance body	Total number of members	Number of women	% of women
Supervisory Board	10	3	30 %
Management Board	3	0	0 %
Sustainable Finance Committee	12	6	50 %

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. 69-70), e.g. in their governance bodies, in thematic events, discussions or panels[7].

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.

In terms of sustainability, HBOR's experts also actively participated in the work of several international associations through thematic working bodies such as:

EAPB:

- *Expert Working Group on Sustainable Finance (previously EWG on ESG Risk Management*)
- *Consultation and Advocacy Group ESG Financial Markets and Non-Financial Reporting* and
- *Consultation and Advocacy Group on Sustainable Infrastructure*;

IDFC:

- *SDGs alignment*
- *Gender Equality*
- *Biodiversity*
- *Climate Change.*

Additionally, HBOR's representatives participate in the work of OECD working bodies through *Meetings of the Practitioners of the OECD Working Party on Export Credits and Credit Guarantees (ECG).*

[7] 2025 Annual Report of the Croatian Bank for Reconstruction and Development Group, p. 40 – 41

4. HBOR’S SUSTAINABILITY-RELATED BUSINESS ACTIVITIES

4.1. Climate Change

Climate change is one of the greatest global challenges with far-reaching impacts on the environment, society and the economy. According to data from the European Union's Copernicus Programme, 2024 was the hottest year on record and the first calendar year in which the global average temperature exceeded 1.5°C above the pre-industrial times. Global temperatures remained exceptionally high throughout 2025, making it the third-hottest year on record, accompanied by continued pronounced climate disruptions and record-high greenhouse gas concentrations.

Extreme weather events, including heatwaves, droughts, wildfires and floods, continued to cause significant economic and social impacts worldwide throughout 2025. Scientific assessments indicate that climate change is intensifying and that the primary driver of continued global warming is human activity, particularly greenhouse gas emissions associated with the use of fossil fuels.

The banking sector plays a key role in the climate change mitigation and financing the green transition. Financial institutions, such as HBOR, can contribute to reducing greenhouse gas emissions significantly by directing finance towards sustainable projects and investments. As the Croatian development and export bank and export credit agency, HBOR plays an important role in advancing sustainable finance and the contributing to the achievement of the UN Sustainable Development Goals and Croatia’s Paris Agreement climate objectives.

This role is also recognised in HBOR's 2025-2029 Business Strategy, in which sustainability is defined as one of the key strategic enablers for achieving 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

Given its role as the national development bank, HBOR will continue to be a key partner in Croatia’s transition towards a green and sustainable economy. The reorientation of the portfolio implies a stronger strategic focus on supporting the implementation of the Low-Carbon Development Strategy of the Republic of Croatia and the achievement of the objectives of the Paris Agreement. For many years, HBOR has applied various climate and environmental-related requirements arising from the conditions of dedicated funding sources.

The goal of the portfolio reorientation is to ensure the continuous implementation of sustainable finance activities that include investing in renewable energy sources, energy efficiency in buildings, sustainable mobility, decarbonisation solutions in industry and low-carbon agriculture. These activities are aligned with national policies and strategic frameworks and they provide HBOR with a double (financial and social) and triple (financial, social and environmental) bottom line potential.

A portfolio analysis is conducted as part of the process of adopting a transition plan. The analysis aims to determine the contribution of individual sectors to total emissions, and based on the findings, identify priority sectors with the highest climate risks and the largest portfolio exposures, with the ultimate goal of reducing exposure to 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 divided into physical climate risks and transition risks.

Physical climate 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 stem from regulatory, technological, market and reputational risks. 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. Reputational risks can manifest themselves through damage to the client's reputation due to real or perceived negative impact on the environment, non-compliance with sustainable practices or inadequate adaptation to climate policies.

To effectively manage climate risks, HBOR is working on the integration of climate risks into its risk management system, with a primary focus on the loan approval and monitoring processes. Assessing and managing climate risks not only helps reduce potential losses for the bank but also creates opportunities to develop new sustainable products and services. HBOR continuously develops, 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 the energy, building and transport sectors. 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 the asset classes defined by PCAF and began testing the calculations. The calculations cover financed emissions under Scope 1 and Scope 2 for clients or projects, Scope 3 emissions where relevant, as well as avoided emissions. These activities continued throughout 2025.

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 and user engagement processes

In 2024, HBOR initiated a project to upgrade its data infrastructure, which was completed in the first half of 2026. Enhancing the reporting system will simplify processes for clients, enable centralised data recording and processing, and consequently increase efficiency, improve automation and reduce operational risk. Clients will benefit from the simplified process as it will reduce administrative burdens and encourage particularly vulnerable groups to use HBOR’s financing programmes. The project also aims to identify possible solutions for improving data collection processes and ensuring their timely review. The Ordinance on End-User Satisfaction Surveys, adopted in 2025, defines the principles, rules and responsibilities regarding the monitoring of satisfaction among the various user groups to which HBOR provides its products and services. Establishing a regular survey schedule (conducted annually to assess baseline satisfaction and periodically based on needs and strategic goals or in response to significant changes in circumstances or regulatory requirements) ensures the systematic collection, analysis, and interpretation of user feedback and fosters the meaningful engagement of users who have an interest in, or are affected by, HBOR’s activities.

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

In 2025, HBOR started the operational implementation of the Strategy, whereby strategic goals were linked to identified material sustainability matters and operationalised through concrete activities and achieved results.

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*

In 2025, HBOR intensified its activities aimed at developing the venture capital, private equity and quasi-equity markets. The Programme of Investing in Alternative Investment Funds (AIF) was launched, under which an investment of EUR 100 million was planned over the strategic period, while HBOR committed itself to investing EUR 17.2 million in 2025. In this way, it actively contributed to the development of innovative and fast-growing companies, especially in their early stages of development.

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)*

In 2025, HBOR directed 53% of its lending and guarantee activities toward projects that contributed to the balanced regional and social development of the Republic of Croatia. Financing included the public sector, social infrastructure in the private sector, underdeveloped areas and placements to special target groups (women, youth and start-up entrepreneurs).

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.

In 2025, as an export bank and export credit agency, HBOR approved EUR 1.13 billion to support exporters in strengthening their competitiveness and presence in foreign markets, which accounted for 63% of HBOR's total operating activities. Of this amount, EUR 623 million related to export credit insurance against non-market risks, whereby HBOR, as the national export credit agency, provided an additional boost to exporters in the demanding conditions of international market competition, where export projects carried a series of risks that could be mitigated with appropriate insurance instruments. In 2025, through export credit insurance activities, the export of Croatian goods and services to 43 countries worldwide was supported.

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

In line with the strategic goal of strengthening the competitiveness and resilience of the Croatian economy, 68% of HBOR's lending and guarantee activities were directed towards supporting the private sector, with a focus on small and medium-sized enterprises, digitalisation and automation as well as research and development.

Research, development and innovation, alongside digital transition, are key drivers of economic growth and resilience. Accordingly, in 2025, HBOR approved more than EUR 143.5 million in loans and guarantees for projects in these areas.

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*

The transition toward a sustainable economy was promoted through the approval of almost EUR 350 million in loans and guarantees for the financing of public and private sector projects focused on green transition.

Simultaneously, in 2025, HBOR collaborated with the Ministry of Regional Development and EU Funds (MRRFEU) to develop two new financial instruments for green transition: "Energy Efficiency Loans for Entrepreneurs" and "Loans for Energy Renovation of Multi-Apartment Buildings" aimed at financing activities focused on increasing energy efficiency, using renewable energy sources, enhancing building safety and resilience and improving housing accessibility and quality.

Throughout 2025, HBOR continued to strengthen its framework for sustainable operations and align with regulatory requirements, particularly in the areas of risk management, corporate sustainability reporting, establishment of a sustainable finance framework, and strengthening of internal capacities through training and enhancement of reporting databases. Through these activities, HBOR continued to build its own capacities and support sustainable economic projects as well as projects that contributed to green transition and had a positive impact on society.

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

In its 2025 Annual Report, the Croatian Bank for Reconstruction and Development Group 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 2025. 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)

In cooperation with the relevant ministries and competent authorities of the Republic of Croatia, HBOR actively participated during 2021 in drafting the National Recovery and Resilience Plan within the framework of the Recovery and Resilience Facility (RRF), on the basis of which HBOR was entrusted with the implementation of six financial instruments with a total value of EUR 256 million.

The NRRP contributes 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, it 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 ecosystems.

During 2025, HBOR implemented six 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 and a climate and energy neutral economy as well as promoting the development of new private equity and quasi-equity funds.

As at 31 December 2025, the implementation of all six financial instruments generated a total investment value of EUR 1.5 billion, achieving a sixfold multiplier on the initially committed amount, which demonstrates exceptional success in the implementation.

Further details on the implementation of financial instruments under the NRRP are described in the 2025 Annual Report of HBOR Group.

NRRP and the Paris Agreement – compliance assessment

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.

The Questionnaire has been prepared in accordance with the climate, environmental and social standards of the Technical Guidance on Sustainability Proofing for the InvestEU Fund[8]. The goal of the Questionnaire is 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 is 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.

Additionally, during 2025, HBOR introduced a new Paris Agreement Compliance Assessment Questionnaire, further strengthening the framework for assessing the climate and environmental impacts of funded investments. The Paris Agreement Compliance Assessment Questionnaire was introduced to assess and ensure that the funded projects align with emission reduction and sustainable development goals, particularly in the areas of energy production, building construction or renovation, and procurement of transport vehicles.

New EU financial instruments

In the 2021–2027 programming period, HBOR was once again entrusted with the implementation of financial instruments, whereby European Union funds, as in the previous period, are channelled through financial instruments implemented by HBOR either directly or through commercial banks.

During 2025, the direct implementation of financial instruments developed in cooperation with the Ministry of Regional Development and EU Funds (MRRFEU) as the Managing Authority continued: "**Urban Development Fund**" and "**Sustainable Tourism Loans**", and furthermore the third loan programme was launched: "**Production Modernisation Loans**".

Under these financial instruments, individual loans are contracted and disbursed to beneficiaries from the funds of the European Regional Development Fund (ERDF) within the framework of the 2021-2027 Competitiveness and Cohesion Programme and from HBOR's own resources in a 50:50 ratio.

Such lending model offers beneficiaries favourable borrowing terms and conditions through a number of benefits:

- The possibility of achieving a capital discount, i.e. a write-off of a part of loan principal (up to 50% of the total loan principal) upon meeting pre-defined criteria, whereby a portion of the loan funded by ERDF resources is written off;
- The portion of the loan funded by ERDF resources is granted interest-free, meaning the interest rate for the beneficiary is 0.00%, while a fixed interest rate is determined for the portion funded by HBOR resources based on a risk assessment;

[8] COMMISSION NOTICE – Technical guidance on sustainability proofing for the InvestEU Fund (2021/C 280/01)

- Fee exemption in the way that the portion of the loan funded by ERDF resources is exempt from all standard fees, while the portion funded by HBOR resources is free of application processing fee and commitment fee.

During 2025, HBOR developed two new financial instruments: "**Energy Efficiency Loans for Entrepreneurs**" and "**Loans for Energy Renovation of Multi-Apartment Buildings**", which will be implemented through commercial banks selected in a public procurement procedure. The loans will be granted from ERDF resources and commercial banks' resources following the same finance model on a 50:50 basis with the possibility of a loan principal reduction of up to 50% of the total disbursed amount upon meeting pre-defined criteria. The portion of the loan funded by ERDF resources is granted free of interest and fees, ensuring more favourable finance terms and conditions for the borrowers.

- **Energy Efficiency Loans for Entrepreneurs** are intended for entrepreneurs of all legal forms, sizes, and ownership structures who have been registered for activities in the manufacturing industry and in the commercial and service sectors for at least one year. The loans finance investments in energy efficiency, in the use of renewable energy sources and in related activities. Loans are granted with a repayment period of up to 17 years and a maximum amount of up to EUR 3 million. The start of implementation is scheduled for the first half of 2026.
- **Loans for Energy Renovation of Multi-Apartment Buildings** are intended to fund integral, deep, and comprehensive renovation of buildings, with the mandatory requirement of achieving significant energy savings. The funds are earmarked for improving energy efficiency, using renewable energy sources, strengthening the safety and resilience of buildings and improving accessibility and housing quality. During 2026, HBOR will conduct a public procurement procedure to select the banks that will implement the instrument.

Measure for Entrepreneurs in Wood Processing Industry

In cooperation with the Ministry of Agriculture, Forestry and Fisheries, in December 2025, HBOR reintroduced the measure for entrepreneurs engaged in wood processing and furniture manufacturing industries that enabled wood-processing entrepreneurs access to more favourable and affordable financing as well as co-financing of insurance premiums. The measure aims to address liquidity issues and facilitate access to finance for entrepreneurs in the wood-processing industry. To this end, it provides for an interest rate subsidy of 2 percentage points for loans under the Private Sector Investment and Working Capital programmes for the entire duration of the loans along with co-financing of insurance premiums for loans under the Working Capital programme.

New measures for exporters

As part of the effort to enhance the existing export credit insurance programmes, the Insurance of Short-Term Export Receivables for Small and Medium-Sized Entrepreneurs was amended to expand the scope of eligible beneficiaries and include small and medium-sized enterprises with annual export revenues of up to EUR 2.5 million, whereas the programme's duration was extended until 31 December 2030.

A new premium system was also introduced in 2025 for the Insurance of Exporters' Liquidity Loan Portfolio with an objective of lowering the cost of insuring liquidity loans granted by banks to exporters and making the insurance premium amount dependent solely on factors determined by HBOR rather than by the lending bank.

Further details on these programmes as well as their terms and conditions are provided in the 2025 Annual Report of HBOR Group.

European Investment Bank (EIB)

In July 2025, the European Investment Bank (EIB) and HBOR signed a loan agreement worth EUR 150 million to finance mid-caps, large enterprises and public sector entities as well as projects contributing to environmental protection and climate change mitigation. The loan is the first tranche of a EUR 350 million framework loan approved by the EIB to HBOR in 2025 and it directly contributes to achieving HBOR's strategic green transition goals.

All projects financed by EIB's funds must align with the goals of the Paris Agreement. The compliance criteria apply to projects in energy generation and related activities, construction of new facilities or renovation of existing ones and procurement of transport vehicles, and they are verified by using the Paris Agreement Alignment Assessment Questionnaire. The requirements in terms of the alignment with the Paris Agreement are defined in Schedule 1.2 to the General Eligibility Criteria.

Through the Green Gateway technical assistance programme, the EIB enabled HBOR access to advisory services in the field of green finance. Under this programme, HBOR received targeted technical assistance to build internal capacity, improve the assessment of green projects, and integrate EIB's green eligibility standards into its business processes. The Green Gateway programme also strengthened HBOR's role in providing assistance and coordinating training on green finance for the Croatian financial sector. The programme provided support to the Ministry of Finance and the members of the Sustainable Finance Forum, commercial banks included, in further capacity building and the exchange of knowledge and experience related to the implementation of regulations and initiatives in the field of green finance. The programme further strengthened joint efforts focused on the effective application of the regulatory framework and the development of sustainable finance practices.

The National Housing Policy Plan of the Republic of Croatia until 2030 (NPSP), together with the Action Plan for the implementation of the NPSP for the 2025–2027 period, is the first comprehensive strategic document systematically regulating the housing sector in the Republic of Croatia. The new Affordable Housing Act, adopted in 2026, envisages a significant role for HBOR in providing financial support for the implementation of affordable housing projects.

In response to the need for new activities in the housing sector, HBOR and the EIB signed an advisory support agreement for social and affordable housing in July 2025. These activities include an analysis of the housing market in the Republic of Croatia, a review of national strategies and identified challenges, and the conduct of a survey among cities, municipalities and counties to identify potential projects. This technical advisory support will include a comparative analysis of the practices of development banks in EU Member States and an assessment of the need to further strengthen HBOR's capacities. The aim of the advisory engagement is to improve the framework and instruments for financing social and affordable housing.

Council of Europe Development Bank (CEB)

In April 2025, the Council of Europe Development Bank (CEB) and HBOR signed a loan agreement in the amount of EUR 250 million to support investments of micro, small and medium-sized enterprises and public sector projects in the Republic of Croatia, including affordable housing.

The funds are intended, among others, to finance investments by local and regional self-government units in public infrastructure, including educational and health institutions, communal infrastructure and residential buildings. The loan is also aimed at strengthening the competitiveness of SMEs through a more favourable approach to financing investments and working capital, thereby contributing to the resilience of the economy and preserving jobs.

Taking into account the lack of affordable housing units, especially in urban areas and among vulnerable population groups, loan funds are available to cities and municipalities for investments in housing projects, thereby supporting the development of a sustainable, accessible and inclusive housing system in the Republic of Croatia.

All 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 International Bank for Reconstruction and Development (IBRD) has defined the Environmental and Social Framework – ESF, which forms the basis for integrating sustainable development into the projects it finances. The Framework consists of the Vision for Sustainable Development, The World Bank Environmental and Social Policy for Investment Project Financing as well as the set of Environmental and Social Standards.

The Environmental and Social Standards prescribe the requirements and obligations that the borrowers must meet when identifying, assessing and managing environmental and social risks and impacts associated with projects financed by the IBRD, thus ensuring their compliance with the principles of sustainable development and internationally recognised environmental and social standards.

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

In 2025, HBOR approved EUR 798 million for financing investments and working capital to the private sector, with 51% of that amount being earmarked for 1,015 placements to micro, small and medium-sized enterprises as key drivers of economic growth and employment.

Special attention was paid to promoting the development of equity and quasi-equity market in the Republic of Croatia. In 2025, HBOR continued its activities aimed at launching new alternative investment funds and developing new instruments for the promotion of investment in equity and quasi-equity.

In order to provide appropriate sources of finance for the growth of entrepreneurial activities, HBOR launched the Alternative Investment Funds Investment Programme in 2025, in which it plans to invest EUR 100 million of its own funds for the strategic period. During 2025, HBOR committed to invest EUR 17.2 million in two funds.

Besides, in 2025, HBOR concluded three framework loan agreements with entrepreneurial support institutions for the purpose of providing loans to just-established enterprises or enterprises in the establishment phase.

Also, in 2025, HBOR approved 199 placements to special target groups, including women, young entrepreneurs and start-up entrepreneurs, in the total amount of EUR 108 million.

All these activities are described in more detail in the HBOR Group Annual Report for 2025.

Continued regional presence and cooperation with LRGUs

In 2025, HBOR cooperated actively with relevant ministries, local and regional government units, domestic and international financial institutions, associations as well as other relevant stakeholders to continue the activities aimed at supporting the sustainable development of the Croatian economy. In 2025, HBOR also actively cooperated with counties, cities and municipalities through its regional offices in Pula, Rijeka, Osijek, Varaždin, Gospić, Zadar, Split and Zagreb with an objective of better informing entrepreneurs about the possibilities of using HBOR's products in all regions of the Republic of Croatia. The Regional Office for Central Croatia covers the areas of Zagreb County, Bjelovar-Bilogora County and Sisak-Moslavina County.

Simultaneously, HBOR directed 53% of its lending and guarantee activities to projects that contributed to the economically and socially balanced and sustainable regional development of the Republic of Croatia. For this purpose, the amount of EUR 621 million was approved for financing investments and working capital in the public and private sectors, issuing guarantees under the National Recovery and Resilience Plan, providing financial resources to projects that contributed to the improvement of public and business infrastructure and projects with a positive social impact.

In 2025, HBOR approved almost EUR 200 million for financing investments and working capital in underdeveloped areas and in the agricultural sector for entrepreneurs in the wood processing industry.

Interest rate subsidy in individual counties, municipalities and cities

In 2025, HBOR continued to contribute to achieving balanced regional development through cooperation with individual 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.

During 2025, HBOR had 33 active cooperation agreements with local and regional government units.

HBOR's classification of sustainable placements

HBOR reviews and classifies its placements as sustainable according to internal methodology. In 2025, the *Sustainable Finance Classification Ordinance* was adopted, which established the definitions and criteria for sustainable placements that HBOR offers with the aim of supporting the transition towards a sustainable economy. The categories are defined in accordance with applicable regulatory and funding source requirements, such as selected requirements of the EU Taxonomy, Technical Guidance, CSRD Directive, OECD Arrangement on Officially Supported Export Credits, EU financial instruments, EIB, etc. Sustainable placements meet the set green transition criteria for the environmental dimension or for positive social impact.

Sustainable placements in terms of green transition are classified into the following categories: Aligned activity – working capital, Aligned activity - Investments, Substantial Contribution, Green project – EIB, Green project – HBOR, NRRP Green transition project, EU FI Project and Climate-friendly project.

Sustainable placements in terms of positive social impact are classified according to:

- *Type of clients*: Special target groups – young entrepreneurs, women entrepreneurs, start-ups
- *Areas of investment:* social infrastructure – roads, public transport, facilities, water supply services, sewerage facilities and public lighting. The facilities include hospitals, clinics, kindergartens, schools, libraries, elderly care facilities, sports halls, playgrounds, other - cultural centres, cinemas, markets, municipality buildings, etc.

In addition to these specific classifications, other criteria are also evaluated: eligibility criteria of clients, projects or investment costs, all in accordance with HBOR's financing programmes, General Eligibility Criteria and other related acts and procedures.

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.

In 2025, HBOR owned 27 cars, which represents a 35% increase in the fleet compared to the previous year. In addition to 26 diesel-powered vehicles, the first electric vehicle was added to the fleet. Diesel fuel consumption in 2025 increased by 22.1% compared to 2024, and the average diesel consumption per car decreased by 6%.

Resource	Measurement unit	2023	2024	2025	2025 compared to 2024
Electricity	kWh	210,766.24	344,068.34	328,779.54	-4.42%
Thermal energy	kWh	125,457	148,206	162,543	9.67%
Natural gas	m^3	8,045	10,417	12,813	23.00%
Diesel	l	23,661.61	29,890.09	36,497.66	22.11%

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 analysed greenhouse gas emissions from Scope 1 and Scope 2.

Electricity and natural gas consumption in 2025 includes the consumption from business premises leased since 2024.

Diesel fuel consumption 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 [9] and the requirements of HRN EN ISO 14064-1:2018, Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.

The Greenhouse Gas Protocol classifies greenhouse gas emissions into: Scope 1, Scope 2 and Scope 3. ISO14064-1 defines direct greenhouse gas emissions as Scope 1 emissions, energy indirect greenhouse gas emissions as Scope 2 emissions, and other indirect greenhouse gas emissions as Scope 3 emissions.

Scope 1 includes direct greenhouse gas emissions resulting from diesel fuel consumed in HBOR-owned vehicles and natural gas used for heating, while Scope 2 includes indirect greenhouse gas emissions resulting from the consumption of purchased electricity and thermal energy.

Each greenhouse gas has different radiative properties and consequently, a different impact on the climate. To enable a comparison of the contribution of different greenhouse gases to global warming, the greenhouse gas emissions are multiplied by their respective Global Warming Potentials (GWP). The emissions calculated in this way are comparable and are expressed as the equivalent of carbon dioxide emissions (term: CO_2e or CO_2eq).

[9] Joint project of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

The Global Warming Potentials used to calculate greenhouse gas emissions, based on a 100- year time horizon, were taken from the latest Sixth Assessment Report[10] of the Intergovernmental Panel on Climate Change (IPCC) and are shown in the following table:

Table -1 Global Warming Potentials values for a time horizon of 100 years

Greenhouse gas	Chemical formula	GWP values for a time horizon of 100 years
Carbon dioxide	CO_2	1
Methane fossil origin	CH_4	29.8
Nitrogen oxide	N_2O	273

Emission factors from the Croatian Database of National Emission Factors [11] shown in the table below, were used to calculate Scope 1 direct emissions from mobile and stationary energy sources:

Type of fuel	EF CO2 (kg/MJ)	EF CH4 (kg/TJ)	EF N2O (kg/TJ)
Diesel	0.0741	3.9	3.9
Natural gas	0.0561	1	0.1

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

The database contains emission factors for the period from 2015 to 2022 as well as sector-specific emission factors for fuels, electricity, heat, passenger transport, freight transport, land use, land use change and forestry (LULUCF), waste and air conditioning. The emission factors were determined separately for each greenhouse gas and a CO_2-equivalent emission factor was also established. For this analysis, the latest available emission factors from 2022 were used, and are presented in the following table:

Type of energy	EF CO2 combustion kg/MWh	EF CH4 combustion kg/MWh	EF N2O combustion kg/MWh	EF CO2 equivalent combustion kg/MWh
Electricity	144.331866	0.016735	0.003265	145.699141
Thermal energy	213.622868	0.003880	0.000401	213.845620

The location-based method was used to calculate greenhouse gas emissions. The total greenhouse gas emissions resulting from fuel combustion in HBOR-owned vehicles and the consumption of natural gas in 2025 amounted to 128.91 t CO_2eq, while the total greenhouse gas emissions resulting from the consumption of electricity and thermal energy in 2025 amounted to 88.08 t CO_2eq. The total Scope 1 and Scope 2 emissions in 2025 amounted to 216.99 t CO_2eg, which is 474.81 kg CO2eq per employee. The total Scope 1 and Scope 2

[10] *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.*

[11] https://mingor.gov.hr/o-ministarstvu-1065/djelokrug/uprava-za-klimatske-aktivnosti-1879/ugljicni-otisak/8960

emissions in 2024 amounted to 182.37 t CO_2eq, which is 408.90 kg CO2eq per employee. The 16.1% increase in emissions per employee in 2025 is mainly the result of expansion of the car fleet.

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

Scope	Source of emissions	Greenhouse gases 2025			
		CO_2 (t)	CH_4 (t)	N_2O (t)	CO_2eq (t)
Scope 1	Direct emissions from mobile sources	97.57	0.0051	0.0051	99.12
	Direct emissions from stationary sources	29.69	0.0027	0.00006	29.79
Scope 2	Indirect emissions from electricity consumption	52.77	0.0054	0.0010	53.32
	Indirect emissions from thermal energy consumption	34.70	0.0008	0.0001	34.76
	Total	214.74	0.0141	0.0063	216.99

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 financed emissions.

5.2. Other Environmental Impacts

The approach to managing HBOR's environmental impacts, particularly those related to climate change, encompasses the activities relating to both impacts arising from its own operations and those occurring across its value chain, primarily through the promotion and implementation of projects that contribute to the development of the green economy.

Impacts of HBOR’s Activities on the Environment

Given the nature of its business activities, which are predominantly related to administrative tasks and analysis of collected data, HBOR does not generate significant adverse environmental impacts.

HBOR’s management policies are based on environmental protection and sustainable waste management legislation. The relevant legal requirements are incorporated into internal policies and procedures, thereby preventing potential adverse environmental impacts. Environmental matters addressed by these policies relate primarily to energy consumption and waste management. The approach to managing environmental matters is evaluated as part of HBOR’s asset management performance assessment which is conducted on a quarterly basis.

The internal environmental impact management policy is implemented by the Property Management and Maintenance Unit, a dedicated organisational unit within the Strategy Division. In accordance with its business policies, HBOR has adopted House Rules that prescribe the conduct expected of employees in their daily work. Among other things, employees are required to use resources responsibly and efficiently in order to minimise waste generation and reduce energy consumption.

All employees are familiar with internal policies available 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 arising from HBOR's own operations is not significant.

The consumption is recorded using water meters., At the Gajeva and Strossmayerov trg locations, in addition to water consumption meters for each building, separate water meters for hydrants are installed.

In the reporting year, a total of 1,848.00 m^3 of water was consumed at all locations, an increase of 5.6% compared to 2024. Average water consumption per employee in 2025 was 4.04 m3, an increase of 3.8% compared to 2024. The building at Strossmayerov trg was still in reconstruction in 2025 and no water consumption was recorded at that location.

Locations of operation and consumption	Measurement unit	2023	2024	2025	2025 compared to 2024
Zelinska 3	m^3	718.00	727.00	717.00	-1.4%
Gajeva 33	m^3	330.00	289.00	345.00	19.4%
Strossmayerov trg 9	m^3	-	-	-	-
Leased premises	m^3	-	733.00	786.00	7.2%
Total water consumption	m^3	**1,048.00**	**1,749.00**	**1,848.00**	**5.6 %**

5.2.2. Waste Management

The use of resources and waste streams at 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 2025, a total of 16,254.00 kg of waste was produced, of which 15,952.00 was non-hazardous and 302.00 kg was hazardous waste. 10.712,00 kg of mixed municipal waste was generated, 3,920.00 kg of bulky waste, 1,320.00 kg of paper and cardboard, 190.00 kg of toner cartridges waste, 43.00 kg of fluorescent light tube waste and 69.00 kg of batteries and accumulators waste. The total amount of generated waste in 2025 was 16,254.00 kg, a decrease of 32.1% compared to 2024, when it was 23,931.50 kg. If the amount of generated waste is observed per employee, in 2025, 36 kg of waste was generated per employee on average. Compared to 2024, when 54 kg of waste was generated per employee, a decrease of 33.3% of generated waste per employee was achieved.

The total amount of hazardous waste in 2025 increased by 55.7% compared to 2024, which reflects the regular cycles of equipment and plants maintenance. All hazardous waste was properly disposed of via authorised companies.

The positive trend in reducing the total generated waste is a direct result of application of internal acts on handling with disposed tangible assets and introducing the procedures according to the principles of circular economy. Consistent application of the principle of disposing of tangible assets after all options for repair, sale or donation have been exhausted, has prevented the generation of significant amounts of bulky waste that would otherwise have been generated during ongoing building renovation and office modernisation activities.

Type of waste	Measurement unit	2023	2024	2025
Hazardous waste	t	0.6851	0.1940	0.3020
Non-hazardous waste	t	25.504	23.7375	15.9520
Total waste mass	t	**26.1891**	**23.9315**	**16.2540**

6. SOCIETY

6.1. Employees

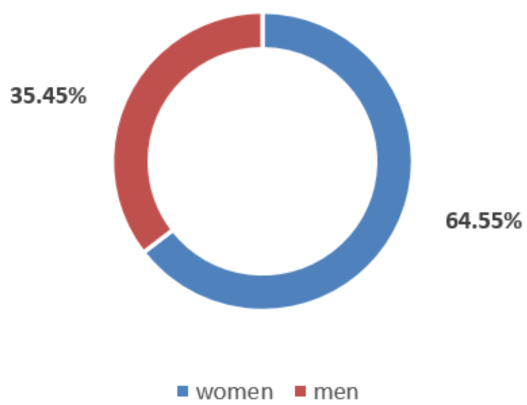
The basic document from which the fundamental rights and obligations of employees derive is the Labour Ordinance. The Ordinance is regularly harmonised with changes and amendments to the Labour Act and other applicable regulations. Any amendments to the Labour Ordinance are subject to prior consultation with the trade union representative, who exercises the rights and duties of the Workers' Council.

HBOR has been participating in the human resources management process certification (Employer Partner certification) since 2006. The certification is awarded by Selectio, a Croatian human resources consulting company 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 contribute to both their professional and personal development. Through various trainings, 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 also 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. Through training on sustainability and gender equality, employees acquire knowledge that is essential for building an inclusive and sustainable work environment. Strengthening organisational capacities and continuously investing in employees' professional development are key to achieving the strategic goals of HBOR.

Employees

In 2025, there were 457 employees at HBOR, of which 295 were women and 162 men. The total number of employees compared to 2024, when there were 446 employees, increased by 2.47%. Data on employees relate to 31 December 2025 and include all employees who have a contract with HBOR.



Of a total of 457 employees, 452 of them have a permanent employment contract, i.e. 98.91%, and 455 employees are employed full-time, or 99.57%. HBOR regularly publishes vacancies for recruiting of trainees and during 2025, 3 were employed in HBOR, whose traineeship will end during 2026.

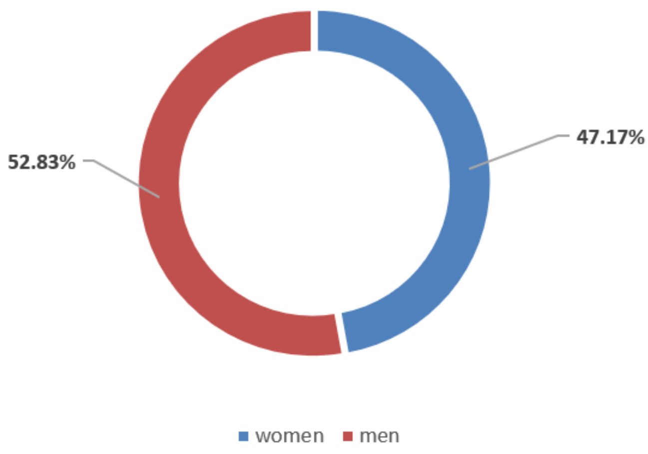
Illustration:

	2023	2024	2025	2025 compared to 2024
Total number of employees	**409**	**446**	**457**	**2.47%**
women	267	293	**295**	**0.68%**
men	142	153	**162**	**5.88%**
Number of employees permanently employed	**399**	**430**	**452**	**5.12%**
women	261	283	**294**	**3.89%**
men	138	147	**158**	**7.48%**
Number of employees temporarily employed	**10**	**6**	**5**	**-16.67%**
women	6	5	**1**	**-80%**
men	4	1	**4**	**300%**
Number of full-time employees	**405**	**445**	**455**	**2.25%**
women	262	292	**294**	**0.68%**
men	143	153	**161**	**5.23%**
Number of part-time employees	**4**	**1**	**2**	**100%**
women	4	1	**1**	**0%**
men	0	0	**1**	**100%**

Note: data on the number of trainees are presented sepa

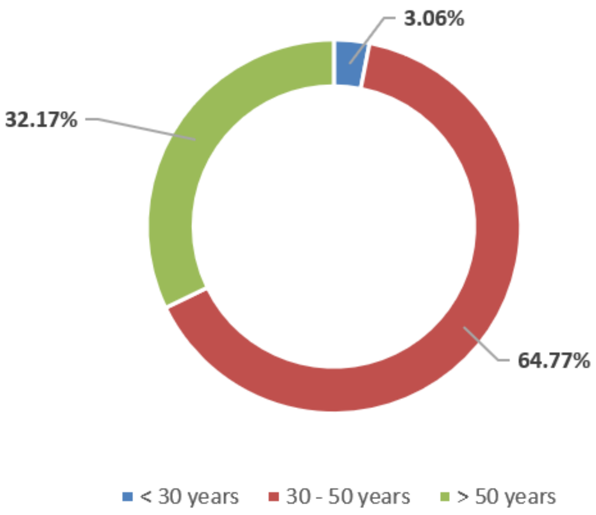
*rately, since these are not the same employment relationships as temporary employees (2023: 5, 2024: 10; 2025: 3).*Of the total of 457 employees, 424 are highly educated, i.e. 92.77%.

In 2025, the share of women in in the total number of employees was 64.55% (2023: 65.28%, 2024: 65.70%), however, this share is somewhat lower in management positions: of the total of 53 management positions, 25 were held by women, i.e. 47.17% (2023: 49.09%, 2024: 48.21%).



In HBOR, most of employees are in the category of 30 to 50 years, i.e. 296 of them, or 64.77% (2023: 66.01%, 2024: 66.59%) .

Age categories	2023.	2024.	2025
< 30 years	11	15	14
30 - 50 years	270	297	296
> 50 years	128	134	147



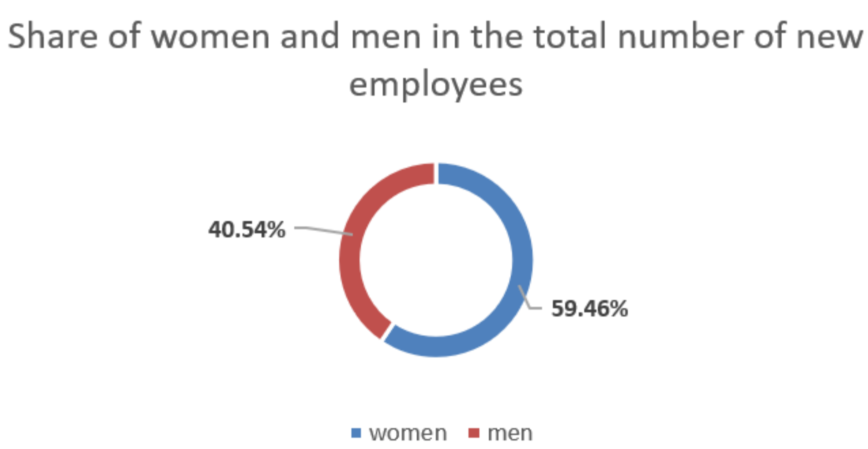
Recruitment of New Employees and Turnover of Employees by Age and Gender

HBOR's recruitment process [12] 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 2025, HBOR hired 37 new employees, of which 22 women and 15 men. The largest number of new employees belongs to the category of 30 to 50 years of age, i.e. 32 of them, which makes 86.49% of new employments.

Age groups	2023	2024	2025
< 30 years	5	8	1
30 - 50 years	33	37	32
> 50 years	3	8	4
TOTAL	41	53	37



[12] The employment procedure is embedded in the provisions of internal documents.

At the same time, during 2025, 25 employees left HBOR, 19 women and 6 men. The total fluctuation rate in 2025 was 5.55%, an increase compared to the previous year (2023: 3.02%; 2024: 4.44%).

Age groups	2023	2024	2025
< 30 years	1	0	0
30 - 50 years	6	10	20
> 50 years	5	9	5
TOTAL	**12**	**19**	**25**

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, supplementary and/or optional health insurance policy, 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. The average annual inflation in 2025 was 4.4% (2023: 8.4%; 2024: 4.0%)[13]. For the purpose of mitigating the inflation effects, a one-off salary adjustment was carried out in 2024 and at the beginning of 2026.

Work-Life Balance, Including the Right to Parental Leave

HBOR currently does not conduct specific surveys on employee satisfaction with the work-life balance. However, preparations were undertaken in 2025 for the launch of a general employee satisfaction survey. This survey, announced to take place in 2026, will include, among other topics, questions relating to work-life balance.

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 2025, a total of 32 employees used maternity, paternity and/or parental leave[14], of which 24 were women and 8 men (2024: 24W/7M). Of the 8 men, 5 used paternal leave, 2 used parental leave, and 1 man exercised his right both to paternal and parental leave. The source of this data is personnel records based on documentation on recognition of rights, issued by the Croatian Health Insurance Fund (HZZO). All employees that during 2025 completed their maternity/parental leave have returned to work after having used their maternity/parental leave.

[13] https://www.hnb.hr/statistics/main-macroeconomic-indicators

[14] https://hzzo.hr/rodiljne-i-roditeljske-potpore

Hybrid Mode of Work

HBOR employees continued to work in a hybrid work regime (work in business premises and work at remote location) during 2025, the opportunity that was used by most employees. All HBOR employees were eligible for hybrid work, except for those whose workplace is exclusively tied to office premises (drivers, writing office etc.). In specific 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 from a remote location. Such requests where approved to some employees. In 2025, an average of 10% of employees continued to work exclusively from a remote location – due to health related reasons, pregnancy and family responsibilities or providing personal assistance to family members.

Occupational Health and Safety

An occupational health and safety management system 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 Assessment, 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 Risk Assessment is the key occupational health and safety document, 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. The Risk Assessment is prepared in cooperation with employees based on the job description, tasks that employees actually perform at the workplace and their subjective perception of danger and risks.

According to the Risk Assessment Ordinance, more than 80% of jobs in HBOR are classified as low-risk jobs (mainly administrative roles). In 2025, only one medium-risk job was identified. The risk of stress identified in 2024 was no longer identified in 2025. During 2025, risk mitigation measures were implemented, including two online workshops on stress prevention held for all employees.

Overview of identified risks (medium risks):

Assessment valid until 5/2025	Assessment valid from 6/2025
Management of means of transport and fieldwork during business trips (medium risk)	Management of means of transport and fieldwork during business trips (medium risk)
Demand for high quality work (medium risk)	
Communication with persons (medium risk-stress)	

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 internal rules and guidelines through their commissioners and trade union.

All employees have undergone preventive eye examination for computer work in accordance with the dynamics as prescribed by the Occupational Safety Ordinance for employees exposed to static-dynamic, psychophysiological and other work-related strains. Newly hired employees are routinely sent for examinations within 3 months from employment. 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 positions subject to special working conditions are sent regularly, in accordance with the prescribed terms, to an occupational medicine practice for a medical examination. 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, materials on stress management, work-life balance, advice in the event of extreme heat conditions.

HBOR has an Occupational Health and Safety Committee composed of employee representatives (employees' commissioners), employer's representatives (employer's authorised representatives), an occupational safety expert and an occupational health medical. 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: safe work practices, fire protection, training of workers' commissioner for safety at work, training of employer's authorised representatives and otherprofessional training as needed. Safe work procedures for positions requiring specific occupational health and safety training are available on HBOR's intranet pages and are thus available to all employees.

Work-related Injuries are extremely rare and most commonly occur while commuting to and from work. Employees report work-related injuries to the occupational health expert, who reports injuries to the Croatian Health Insurance Fund (HZZO) via CEZIH portal (on-line). In 2025, one work-related injury occurred during an employee's commute to work (2023: 1; 2024: 2), resulting in the loss of 9 working days, or 72 working hours. The injury was reported to, and acknowledged by, the Croatian Health Insurance Fund. There were no reported work-related illnesses or occupational illnesses in 2025 (2024: 0; 2023: 0).

Professional Development and Promotion

In January 2025, HBOR adopted its 2025 – 2029 Business Strategy, building on the 2020-2024 Business Strategy. 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 for the management of human resources and continues to place emphasis on the further development of internal capacities and strengthening of employees' competencies and specialist expertise. These continue to be recognised as part of key strategic prerequisites for the more effective 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 based on individual performance and are regulated by an internal HBOR 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 activities are planned through the annual training, education and conference attendance plan.

Professional development is supported through performance monitoring and goal setting on by quarterly basis, as defined by an internal HBOR document introduced in 2015, to enable the systematic monitoring of each employee's performance.

Within this system, employees' competences and achievement of defined goals are monitored quarterly, and new goals are set for the upcoming quarter. To ensure the transparency of the competence and goal monitoring system, quarterly discussions were introduced, during which employees receive feedback from their managers.

Employee satisfaction with the professional development opportunities is monitored through quarterly and annual discussions. 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, benefit from mentoring, professional development, promotion, building a business network and independent research within the job description.

All HBOR employees 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 2025, employees from 13 organisational units participated in ESG and sustainability-related conferences and trainings. Based on the number of training hours, these activities accounted for approximately 18% of the total hours of education (2023:1,600 hours; 2024: 911 hours; 2025: 1,584 hours). These figures do not include in-house training (e.g. onboarding, AML/CTF, and DPO training), internal workshops realised within the framework of projects or consulting engagements, or postgraduate studies. Training through study visits or practitioner exchanges are only partially included, although they represent additional development opportunities available to HBOR employees. Training hours and training topics are recorded through HBOR's internal information system.

Employees from organisational units that play a key role in the operational implementation of sustainable finance activities accounted for the largest share of participants in thematic conferences and trainings in 2025. These included the Analysis Division, Credit Division, Sustainable Finance, Strategy Division, Fund-Managing Division and Human Resources.

Conference and training topics included: sustainable development, sustainable development goals, sustainable finance, sustainable cities, corporate sustainability, ESG risks, project impact assessment, EU taxonomy, biodiversity, circular economy, energy efficiency, renewable energy resources, affordable housing, economic and social inclusion, diversity and non-discrimination, as well as women in business.

According to an internal document of HBOR, it is possible to train employees as preparation for a new job. All 37 new employees in 2025 went through the onboarding programme for new employees.

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

During 2025, a total of 8,857 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 continuously improve professional competencies for sustainable finance, and a need to attract new employees with relevant professional competencies and experience.

The key challenges arise from the highly complex and evolving sustainable finance regulatory framework, which requires multidisciplinary knowledge, adaptable organisational structures and experts capable of understanding the regulatory, financial, climate and data-related aspects of ESG.

Experience gained through the implementation of the project shows that the rotation or turnover of employees who participate in development and implementation of the ESG processes pose a challenge for preserving institutional knowledge and continuity of professional competences. At the same time, financial institutions and companies intensively integrate ESG factors into their strategic and operational processes, as a result of which the demand for experts with skills in collecting, processing, interpreting and implementing ESG data into investment decision-making process, as well as in understanding of climate and transition risks is constantly growing.

In addition, proposed amendments to ESRS, as well as legal and regulatory uncertainty regarding the future coverage, scope, and content of sustainable finance requirements pose an additional challenge. In such an environment, HBOR continually leverages available opportunities for knowledge sharing, monitoring the market and regulatory trends and professional development of employees through education, professional cooperation and exchange of good practices. In this way, it strives to ensure long-term availability and retaining of adequately skilled workforce necessary for an effective implementation of sustainable finance activities.

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 Ethics. 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 2025, they attended available seminars.

During 2025, one complaint by HBOR's employee regarding the violation of dignity has been submitted to the commissioners. After the compliant had been processed, the conclusion was made that no prerequisites for action were met due to incomplete data on the persons involved in the reported case of a violation of dignity, and the Commissioners could not properly process the compliant. 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 pay grades 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 7 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. The pay gap is expressed as a positive (+) value in favour of men and as a negative (-) value in favour of women. Data from the internal payroll information system was used to calculate the indicators. The calculations and reported indicators were not subject to independent external assurance.

In 2025, in job groups III and IV (less complex jobs) the average gross hourly earning ratio between women and men was -7.39%, in job groups V, VI and VII (jobs of greater complexity) +4.90%, and in job group VIII (Members of the Management Board, President of the Management Board, Senior Executive Directors and Directors) +4.12%. No significant gender-based pay disparities were identified. The difference of 7.39% in favour of women's salaries compared to men's salaries in job group III-IV is attributed to the complexity categories and composition of workforce by individual category – small sample, relatively higher share of women in categories III and IV.

Job group	2023	2024	2025*
II-IV	- 13.18%	- 13.83%	- 7.39%
V-VII	+ 3.21%	+ 2.87%	+ 4.90%
VIII	+ 3.27%	+ 4.48%	+ 4.12%

** by the changes of internal acts from 2024, jobs from the groups I and II were deleted. The stated indicator for 2025 includes jobs in job groups III and IV without group II.*

The ratio of the total annual compensation of the best paid employee of HBOR to the median value[15] of total annual compensation for all employees (excluding the best paid one) in 2025 was 2.53 (2023: 3.15; 2024: 2.82).

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 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, irrespective of whether they are members of the trade union. HBOR cooperates closely with the trade union commissioner.

[15] 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.

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 addition, quarterly e-mail information about selected indicators are regularly sent to employees, and the information is also published on the intranet page. In 2025, the trade union commissioner, who took over the rights and obligations of the works council was involved in in decision-making on issues important for the position of employees: working conditions and safety at work, organisational changes, remote work arrangements, amendments to pay grades for group VI jobs, 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, while the ultimate responsibility for cooperation lies with the Management Board.

During the reporting period, an initiative was launched to start a collective bargaining for the purpose of concluding a collective agreement. Accordingly, the negotiations on concluding a collective agreement were initiated with the *Trade Union of Banking and Finance Employees of Croatia - the trade union branch of HBOR*. No collective agreement had been concluded by the end of 2025, and negotiations continued in 2026.

7. GOVERNANCE

Members of the Governance Bodies

In 2025, 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 2025, the members of the Supervisory Board were as follows:

- Marko Primorac, PhD, Deputy Prime Minister of the Republic of Croatia and Minister of Finance, and President of the Supervisory Board,
- Ante Šušnjar, Minister of the Economy and Deputy President of the Supervisory Board,
- Josip Dabro, Minister of Agriculture, Forestry and Fisheries (in office until 18 January 2025),
- David Vlajčić, Deputy Prime Minister of the Republic of Croatia and Minister of Agriculture, Forestry and Fisheries (in office from 13 March 2025),
- Branko Bačić, Deputy Prime Minister of the Republic of Croatia and Minister of Physical Planning, Construction and State Assets,
- Šime Erlić, Minister of Regional Development and EU Funds (in office until 14 April 2025),
- Nataša Mikuš Žigman, Minister of Regional Development and EU Funds (in office from 15 July 2025),
- Marija Vučković, MSc, Minister of Environmental Protection and Green Transition,
- Luka Burilović, PhD, President of the Croatian Chamber of Economy,
- Branka Juričev Martinčev, Member of the Croatian Parliament,
- Predrag Štromar, Member of the Croatian Parliament,
- Boris Piližota, MSc, Member of the Croatian Parliament.

The Management Board of HBOR consists of the President and Members of the Management Board. Members of the Management Board of HBOR in 2025:

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

In 2025, 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,
- Predrag Štromar, Chairman of the Physical Planning and Construction Committee of the Croatian Parliament, member 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.

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 introduction and prioritising of business changes, monitors the use of resources with respect to business changes and manages business changes in HBOR.
- 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

The HBOR Code of Ethics defines HBOR's core values that serve as a guideline in business decision-making and actions towards internal and external stakeholders. They determine how HBOR operates, how the management makes decisions and what the organisational culture is like. The HBOR Code of Ethics applies to all employees of HBOR, including the 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[16] 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.

Reporting on the implementation of the HBOR Code of Ethics is carried out as part of the regular half-yearly reporting to the competent authorities on the work of the Compliance Monitoring Function. In 2025, the implementation of the Methodology for Evaluation of Jobs Exposed to the Risk of Corruption in HBOR continued, and it is planned to be continuously implemented through the entire 2026 and probably in 2027 as well. In 2025, 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 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,

[16] https://www.hbor.hr/pravilnici-akti-i-ostali-dokumenti/2297

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 Ethics, the Rules of Procedure of HBOR's Supervisory Board, the Rules of Procedure of HBOR's Management Board, the Rules of Procedure of HBOR's Credit Committee, the HBOR's Compliance Monitoring Policy and the Compliance Monitoring Function Methodology. By the 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 Compliance Monitoring Function. All HBOR employees are obliged to attend the education on ethically critical areas that are the subject matter of the HBOR Code of Ethics. This is a regular education that is continuously implemented, and the success of mastering the material is checked with a knowledge test. In addition to successfully completing the education, employees are required 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. In addition to the Grievance Officer, irregularities relating to money laundering prevention can also be submitted to the Authorised persons for AML/CTF. In 2025, one irregularity report was submitted. The report was reviewed, and it was established that there were no elements relevant to reporting irregularities 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. There were no reports on this basis in 2025.

Information on the application of the Organisation for Economic Cooperation and Development (OECD) recommendations to lending and/or export credit insurance transactions[17], related internal ordinances of HBOR and supported projects in accordance with these recommendations can be found at HBOR website [18]. 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: hbor@hbor.hr.

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 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. In 2025, one report was received and a procedure was initiated based on violation of the provisions of the Code of Ethics. The establishment of merits of this report began in 2026. In 2025, 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 direct loan: name of the borrower, loan amount, purpose of the loan and name of the project financed through the respective loan. 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

[17] *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.*

[18] https://www.hbor.hr/odrzivost

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 required 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 publication of the above data has become a practice, since HBOR also published data on beneficiaries and amounts of state aid in May 2025, as well as beneficiaries and amounts of de minimis aid awarded by HBOR in 2024. The data on aid are available via the links Pravilnici, akti i ostali dokumenti.

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 2025, 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 2025, 133 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. The AML/CFT and Restrictive Measures Department has developed and implemented a training programme, which includes regular annual training of HBOR employees in the field of restrictive measures. The training was aimed at raising awareness about the importance of implementing restrictive measures in HBOR's operations. During 2025, 178 employees participated in the training in two groups: employees of 6 relevant divisions and two independent departments directly responsible to the Management Board, as well as managers. Additionally, employees of the AML/CFT and Restrictive Measures Department participated in numerous professional conferences and training courses during the year, thereby improving their own knowledge and acquiring the competencies necessary for further education of colleagues within the organisation.

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 2025, no complaints were registered regarding violations of users' privacy and losses of users' personal data. HBOR implements activities to harmonise HBOR with EU and national regulations governing the field of cyber security and continuously monitors, supervises and improves its systems by continuously investing into their further development and resilience.

In 2025, 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 implemented a project that includes disposal of a large amount of data, i.e. physical documentation for which the retention period has passed. Several assessments of the impact on data protection for processing that includes higher risks were conducted, 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 2025, the DPO function conducted training and testing of employees on personal data protection and on the basics of literacy in relation to artificial intelligence systems that was mandatory for all employees, and additional training for newly hired employees. In 2025, no reports of personal data violation were received (2024: 2).

Procurement

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 96.84% of total procurement, while foreign suppliers account for 3.16%, 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. Of the total number of purchase orders (186), 4.84% relate to foreign suppliers.

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.

HBOR in its procurement procedures promotes environmental and social responsibility through the application of sustainable solutions by using certified paper products (PEFC and FSC), procurement of energy efficient solutions, application of emission standards for vehicles and criteria related to share of renewable sources energy.

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 electricity, in which the percentage of energy obtained from renewable sources is the criterion for the most economically advantageous offer.

8. ORGANISATION PROFILE

HBOR promotes systematic, sustainable and balanced economic and social development in accordance with the general strategic goals of the Republic of Croatia. The headquarters of HBOR is in Zagreb, where the bank operates at four 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.

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, the organisational culture in the 2025 – 2029 strategic period is based on the following values:

Expertise and client-orientation
HBOR relies on the knowledge and expertise of its employees to find the best solutions. Teamwork is focused on achieving common goals through the cooperation of employees with different and complementary competences. HBOR creates stimulating working conditions for its employees and supports them in professional development in order to achieve the full development of their personal and professional capabilities. HBOR achieves its business goals through work with well-selected teams. Clients are at the centre of HBOR's business activities and are approached professionally, conscientiously and with confidence, and the relationship between HBOR employees and clients fosters accessibility, reliability, equality and professional responsibility.

Proactivity and innovation
In HBOR, knowledge and experience are shared, and with a proactive and innovative approach, HBOR develops through continuous improvements of its business processes and digitisation of operations. Proactivity is important not only in internal relations, but also in relations with external stakeholders. HBOR exchanges experience with other national development and export banks, export credit agencies and other domestic, EU and international financial institutions and is in a constant interaction with key stakeholders of the economy.

HBOR timely identifies the needs of the economy that are not covered by the market and creates innovative solutions with the aim of supporting the economic and social development of the Republic of Croatia.

Integrity

HBOR raises the awareness of its employees about ethical behaviour both towards partners and clients, as well as in mutual relationships and in relation to the tasks undertaken. HBOR creates an ethical culture that implies compliance with regulations, internal rules, but also respect for high business standards and ethical rules, by which HBOR encourages a high level of conscientious conduct of each employee. In their actions and decisions, HBOR employees act conscientiously, responsibly and professionally, which can be seen in the areas of good governance, financial responsibility, environmental and social responsibility as well as risk management. In their work, HBOR employees adhere to all relevant regulations, internal rules and high professional and ethical standards.

Sustainability

Through its activities, HBOR strives to be an example of sustainable and responsible business, contributing to building a better future for all. HBOR wants to make a positive contribution to sustainable development, create responsible attitudes and behaviour among its employees and other stakeholders, and responsible use of available resources that enable further development and better living conditions for us today, but also for future generations. Sustainability is a key value of HBOR, which represents the foundation for responsible and efficient operations of HBOR, successful achievement of strategic goals and long-term sustainable development of the economy and society of the Republic of Croatia. Environmental, Social and Governance (hereinafter: ESG) factors and associated risk and opportunity assessment will be an integral part of HBOR's operations and decision-making at all levels. HBOR will continue to integrate ESG factors into its operations through risk management, project assessment, ensuring a stimulating working environment and strengthening relationships with key stakeholders in the economy and society. HBOR will continue to develop services and products for economic activities that respect nature and the ecosystem on which the economy, human community and financial system depend, as well as to implement activities that contribute to the achievement of social goals such as respect for human rights, the combat against inequality and discrimination, social inclusion, encouraging the economy of less developed regions and financial inclusion of vulnerable social groups, provided that such activities are carried out by business entities that follow good governance practices. HBOR will continue to strongly develop its professional knowledge and competencies for understanding ESG risks and their impacts on HBOR's operations as well as HBOR's impact on the environment and society.

Transparency and confidentiality

HBOR reports regularly on its activities to internal and external stakeholders and publishes its annual business results in terms of achieved economic impacts. Growing expectations and demands for transparency are also related to sustainability, and HBOR responds to this challenge by developing its processes, product offering and accountability reporting. HBOR places particular emphasis on the protection of personal data of all stakeholders whose personal data it processes, including its employees, and continuously promotes the awareness of the need for appropriate and lawful handling of personal data and privacy protection. HBOR keeps confidential data and information it collects in the course of its business activities, especially those that may be considered banking or business secrets under special regulations.

Overview of the most significant financial information for HBOR

	In EUR million 2023	In EUR million 2024	In EUR million 2025
Total assets	4,018.68	3,995.91	4,056.04
Gross loans	4,077.56	4,013.43	3,842.26
Total equity	1,457.52	1,503.50	1,568.32
Total expense	(72.48)	(88.77)	(89.58)
Total income	102.32	128.67	152.61
Profit	29.84	39.90	63.03
Interest income*	94.63	122.30	118.19
Interest expense	(28.27)	(47.30)	(47.37)
Net interest income	66.36	75.00	70.82

*The data are published in the audited Annual Financial Statements of HBOR for 2025. 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 2025 can be found in the Annual Report of the Croatian Bank for Reconstruction and Development for 2025.

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 2025, 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 Association of Guarantee Institutions (AECM)	Croatian Banking Association (HUB)
European Investment Fund (EIF FISG)	Croatian Association of Accountants and Financial Experts
The International Chamber of Commerce – the National Committee in Croatia (ICC Croatia)	Croatian Institute of Internal Auditors
Invest Europe	Croatian Green Building Council
Information Systems Audit and Control Association (ISACA)	Croatian Standards Institute
Inter-Bank Association of the People's Republic of China and Central and Eastern European Countries	Association of Croatian Exporters (HIZ)
International Development Finance Club (IDFC)	Croatian Archival Society
Network of European Financial Institutions for SMEs (NEFI)	Croatian-Austrian Chamber of Commerce
The Partnership for Carbon Accounting Financials (PCAF)	Croatian Assessors Association
UN Environment Programme Finance Initiative (UNEP FI)	Club of Exporters – Lider
UN Global Compact	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
	Sports Society HBORSPORT
	ACI FMA Croatia (Financial Markets Association Croatia)
	Association Croatian Accountant

Note: associations in alphabetical order

Description of Activities of Some International Associations

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.
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.
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 to the shaping of the legislative framework through contribution to public debates, issues with EU bodies and common positions on regulatory topics.
European Association of Guarantee Institutions (AECM)	AECM brings together private and public sector financial institutions, guarantee funds and development banks with guarantee departments. Common mission: to provide credit guarantees to small and medium-sized entrepreneurs who have economically viable projects but do not have sufficient bank collateral. Activities are focused on representing the interests of its members towards EU institutions and multilateral organisations, exchanging knowledge and experience, and promoting guarantee instruments.
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, affordable housing and public infrastructure at the national, regional and local levels.
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.
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 of human rights, labour, environment and fight against corruption with the aim of contributing to broader social goals.
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.

Note: associations in alphabetical order

Donations and sponsorships

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 [19].

The activities of awarding donations and sponsorships are managed by an independent organisational unit under the Management Board - Business Communications and Marketing (fund planning and applications administration, administrative checking of received sponsorship applications, quality assessments of received sponsorship applications, proposals to the Management Board, contracting, receiving and evaluating final sponsorship reports, and designing and announcing Public Tenders for awarding donations and coordinating their implementation).

In 2024, HBOR published the Public Tender for the Award of Donations: "STRONGER THROUGH SHARING", PREVENTION AND PROTECTION OF MENTAL HEALTH OF CHILDREN AND YOUTH, the funds of which are intended for projects that, through the sharing of knowledge and skills, are aimed at the development and protection of the mental health of children and youth. During 2025, the implementation of 15 projects selected for co-financing began, and their completion is planned in the first half of 2026.

In the reporting year, HBOR awarded 52 sponsorships (selected from all individually received applications for sponsorships), of which 6 in the category Human rights protection and promotion of gender equality, 6 in the category Environmental and climate protection, sustainable development, 4 in the category Culture, and 36 in the category Promoting the competitiveness of the Croatian economy.

HBOR connects the main areas of sponsorship and donation with its mission, vision and business strategy.

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 HBOR in the Community section, and regularly updates it.

[19] https://www.hbor.hr/UserDocsImages/2024/04/Pravilnik%20o%20postupcima%20i%20kriterijima%20dodjele%20donacija%20i%20sponzorsta.pdf?vel=318194

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Glossary[20]

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	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. 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.
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.

[20] https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=OJ:L_202302772

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_2) 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.
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_2.
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 (CO2), Methane (CH4), Nitrous dioxide (N2O), Sulphur hexafluoride (SF6), Nitrogen trifluoride (NF3), 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.
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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