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HOLDING**

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ANNUAL REPORT

2024





ZAGREBAČKI
HOLDING

Annual Consolidated Report of the
Zagrebački Holding Group for the Year 2024

Impressum

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Zagrebački holding d.o.o.

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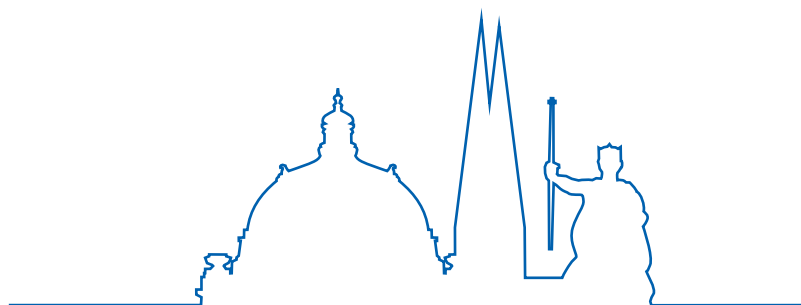
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For the publisher

Strategy, business development and compliance

Accounting

The preparation of this report involved the expert
departments of all members of the Zagrebački Holding Group



Zagrebački Holding Group

ANNUAL REPORT

2024

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MANAGEMENT REPORT



BASIC INFORMATION

ABOUT THE ZAGREBAČKI HOLDING GROUP

Zagrebački holding d.o.o. (hereinafter: the Company or ZGH) is a company 100% owned by the City of Zagreb. It performs its main activities through 12 subsidiaries, and it also owns 5 companies and a health institution. The community of subsidiaries, affiliated companies and health institutions consists of the Zagrebački holding Group (hereinafter: the Group), whose leading company in the creation of business policies is Zagrebački holding d.o.o.

The business group consists of the company Zagrebački holding d.o.o., Gradska plinara Zagreb d.o.o. (hereinafter: GPZ), Gradska plinara Zagreb - Opskrba d.o.o. (hereinafter: GPZ-O), Gradsko stambeno komunalno gospodarstvo d.o.o. (hereinafter: GSKG), Vodoopskrba i odvodnja d.o.o. (hereinafter: VIO), Zagreb plakat d.o.o., the institution Gradska ljekarna Zagreb (hereinafter: GLJZ), and Gradska plinara Bjelovar d.o.o., a subsidiary of the affiliated company Gradska plinara Zagreb d.o.o.

The Group provides a wide range of services that are grouped into business areas of utility, energy and market activities. It also provides services from the portfolio of public water supply and public drainage and pharmacy activities.

Main activities of Group companies

- » Public and unclassified state roads: management, maintenance and protection of unclassified roads, road facilities and equipment, maintenance and execution of traffic signals, traffic lights and production and installation of asphalt
- » Landscaping and maintenance services of green areas
- » Cleanliness maintenance and waste management and disposal services
- » Warehousing and lease services
- » Parking, towing and moving of vehicles in public areas
- » Maintenance of cemeteries and crematoria within the cemetery
- » Construction and management of electronic communication infrastructure and electronic communication networks
- » Publishing activities
- » Water collection, treatment and distribution
- » Gas distribution and supply
- » Management and maintenance of real estate
- » Supply and manufacture of medicinal products, supply of medical devices and other means of health protection

Group companies primarily operate on the domestic market.

Headquarters:	Ulica grada Vukovara 41, Zagreb
Reg. No.:	080042653
Personal ID. No.:	85584865987
Share capital:	EUR 421,666
Number of employees as at 31 December 2024:	7,792
Number of listed bonds on the Official Market of the Zagreb Stock Exchange:	305,000,000
Date of issue:	11 January 2023
Date of maturity:	11 July 2028
Interest:	fixed 4.90%, with semi-annual payment
Ownership:	The City of Zagreb is the founder and 100% owner of Zagrebački holding d.o.o.
Management Board	<p>The members of the Management Board of the Parent Company are:</p> <ul style="list-style-type: none"> » Ivan Novaković, President of the Management Board » Matija Subašić-Maras, Member of the Management Board » Dubravko Karačić, Member of the Management Board » Damir Novinić, Member of the Management Board
Supervisory Board	<p>The members of the the Supervisory Board of the Parent Company:</p> <ul style="list-style-type: none"> » Suzana Brenko, President of the Supervisory Board from 14 June 2021 to 2 July 2024 » Andro Pavuna, member from 22 December 2023, Deputy President from 26 January 2024, and President of the Supervisory Board from 23 July 2024 » Kristijan Starčević, Member from 13 February 2023, Deputy President from 23 July 2024 » Martina Jurišić, Member from 22 December 2023 » Željko Matijašec, Member from 22 December 2023
Audit Committee	<p>The members of the Audit Committee:</p> <ul style="list-style-type: none"> » Ivan Čevizović, Member from 16 November 2021, President from 14 June 2022 » Josip Teklić, member from 16 November 2021, Deputy President from 14 June 2022 » David Krmpotić, member from 16 November 2021 » Suzana Brenko, member from 14 June 2022 to 2 July 2024 » Kristijan Starčević, Member from 22 November 2024
Assembly	<p>The only member of the Assembly of the Parent Company is the City of Zagreb, and the representatives of the member are:</p> <ul style="list-style-type: none"> » Tomislav Tomašević, from 7 June 2021 » Danijela Dolenec, from 7 June 2021 » Luka Korlaet, from 7 June 2021

COMMENT FROM THE MANAGEMENT BOARD

ON THE 2024 PERFORMANCE

Financial stability

In 2024, the Company achieved a positive financial result, despite market challenges and changes in the regulatory environment. This success is largely the result of strategic reforms implemented in previous years, including the reorganisation of business processes, the centralisation and optimisation of operations and the introduction of new technologies. We are extremely proud that these reforms, together with our dedicated work, have led to an improvement in the Company's credit rating, which confirms the trust of rating agencies and investors in our ability to manage risks and maintain financial stability, as well as the implementation of strategic goals for the development of Company.

Financial result of operations for the year ended 31 December 2024

Greater business activity of operational components of the Group, implemented organisational and financial changes, with a reduction of inflationary pressure and harmonisation of utility prices with the growth of input costs caused by external circumstances, jointly contributed to the improvement of business results and greater profitability of the Group.

The Group generated a higher comprehensive income in 2024 by EUR 93.32 million (2024: EUR 115.65 million in 2023: EUR 22.33 million) as a result of a total of EUR 857.79 million in revenues and EUR 825.79 million in total expenses, and items of income and expenses that are not recognised in the profit and loss account. Operating profit (EBIT) increased in 2024 by EUR 19.94 million (2024: EUR 57.86 million; 2023: EUR 37.92 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounts to EUR 113.50 million, which is an increase of EUR 21.43 million compared to the previous comparative reporting period. When the one-off effect of gains from the change in fair value of investment property in the amount of EUR 15.8 million is excluded, the realised EBITDA amounts to EUR 97.70 million.

In 2024, operating income amounted to EUR 846.65 million and increased by EUR 60.25 million or 8% compared to 2023.

The most significant growth in revenues compared to 2023 was achieved in the segments of landscaping and maintenance of green areas by 48%, cleanliness maintenance and waste disposal by 23%, sales of medicines by 16%, water supply and drainage by 13% and management and maintenance of public roads by 12%. The reduction in sales revenues by 20% was recorded in the segment of sales and distribution of gas due to lower quantities of distributed gas and a lower number of customers as of 1 October 2024, when the change of gas supplier in the public service obligation as well as in the segment of facility management occurred due to lower revenues from the implementation of public projects that are submitted to the ownership of the City of Zagreb after the expiry of the lease. In 2024, an increased level of coverage of costs related to the public service of collecting municipal waste, costs of collecting and disposing of plastic, costs of rehabilitation of landfills and operating costs of water services from the City Budget was achieved.

In 2024, operating expenses amounted to EUR 788.79 million and increased by EUR 40.32 million or 5% compared to 2023. In the structure of operating expenses in 2024, the most significant increase was in staff costs, which were higher by EUR 37.78 million, as a result of higher material rights determined by collective agreements of Zagreb Holding and subsidiaries from the first half of 2024 and an increase in the average number of employees by 6%. The increase in the number of employees mainly refers to operational workers in the subsidiaries Čistoća, Zagrebačke ceste, Zrinjevac and VIO, as well as the transition of employees from Zagrebačke otpadne vode. Cost of material and services decreased by EUR 4.56 million, primarily due to a decrease in the cost of goods sold, which is the result of lower delivered quantities of gas. With the closure of the Jakuševac and Čret composting plants, the costs of utility services and fees increased significantly due to the need to hand over bio-waste to an external recuperator. Cost of value adjustment is higher by EUR 9.78 million due to the value adjustment of non-current assets and trade receivables.

As at 31 December 2024, the total net assets of the Company amounted to EUR 760.58 million, which is an increase of EUR 135.93 million compared to the balance as at 31 December 2023.

Non-current assets increased by EUR 379.56 million, i.e. 23%, which is primarily the result of an increase in the value of property, plant and equipment in the amount of EUR 381.45 million. This increase results from the entry of assets by taking over the Central Wastewater Treatment Plant of the City of Zagreb (CUPOVZ), in accordance with the decision of the City Assembly of the City of Zagreb of 25 January 2024 (+222.53 million EUR), and the merger of public suppliers from the same water service area with the company VIO, in accordance with the conclusions of the City Assembly of the City of Zagreb of 7 November 2024 (+35.72 million EUR), which together contributed to a growth of EUR 273.44 million. An additional increase, in the amount of EUR 109.11 million, refers to changes in the fair value of non-current assets held under IAS 16 and subject to revaluation every five years. During 2024, investments in the amount of EUR 70.21 million were realised, while the annual depreciation and amortisation at the Group level amounts to EUR 55.64 million. Net working capital decreased by EUR 38.42 million. Although receivables increased by EUR 54.16 million, the main changes are in the structure of receivables. The main reason for the growth and change in structure is the increase in receivables from the Republic of Croatia in the amount of EUR 90.1 million. These receivables are based on the Amendments to the Regulation on the elimination of disturbances on the domestic energy market, which defines the right to reimbursement of the price difference for gas suppliers. Consequently, GPZ-O claims a total of EUR 186.6 million. At the same time, trade receivables and related parties decreased by EUR 35.94 million, which is a consequence of the reduced number of households supplied with gas by GPZ-O, the expiration of part of the contract on the lease of public facilities and the collection of receivables for the rehabilitation of the consequences of the storm from 2023 in the amount of EUR 8.6 million. Within the current liabilities of the Group, liabilities to suppliers increased by EUR 100.34 million, and relate to the unpaid difference between the agreed purchase and regulated selling price of gas for the supply of customers within the public service, which the amount of GPZ-O claims from the Republic of Croatia.

Net debt as at 31 December 2024 amounted to EUR 505.95 million, which is a decrease of EUR 79.86 million compared to the previous year. The decrease was due to regular repayments of loans and leases, early repayment of the principal of the club loan in the amount of EUR 30.6 million and an increase in the balance of cash by EUR 27.15 million.

Other non-current and current liabilities increased by EUR 285.40 million, primarily due to deferred income recognition in the amount of EUR 263.70 million. This amount refers to the above-mentioned property of the CUPOVZ, which was taken over by the company VIO during the year, and which was received or financed by local self-government units.

The equity of the Company increased on the basis of the net profit for the current year, the growth of revaluation reserves due to the revaluation of real estate and the entry of ownership rights over real estate (CUPOVZ) in the amount of EUR 15.5 million into the parent company Zagrebački holding d.o.o.

Digital transformation and strategic investments

One of the key strategic goals of Zagrebački holding was to increase operational efficiency through the digitalisation of business. As one of the main elements of the above, the Company continued to implement the SAP integrated information system in 2024, which will enable the centralisation of financial operations, improvement of reporting and planning. We expect that this system, when fully implemented during the 1st quarter of 2026, will significantly increase our operational efficiency and enable us to make faster decisions.

The 2024 strategy also included the continuation of the implementation of key infrastructure projects. For example, a project to increase the capacity for separate waste collection was successfully implemented – 150 underground tanks were installed and preparations for the installation of an additional 600 semi-underground tanks were started in 2025. This project not only contributes to the visual arrangement of the city, but also provides greater capacity for waste separation and recycling, thus contributing to the preservation of the environment.

In 2024, the Company continued with the renovation of the utility vehicle fleet and began preparatory activities for the rehabilitation of landslides at the location Jakuševac - Prudinec.

The project for the construction of the Waste Management Centre, which began in 2024, is a key component of our waste management strategy and achievement of circular economy goals in Zagreb. At the same time, the takeover of the management and ownership of the Central Wastewater Treatment Plant of the City of Zagreb by the company VIO in accordance with the decision of the City Assembly of the City of Zagreb of 25 January 2024 on the unilateral termination of the Concession Agreement for the Project of Infrastructure Facilities for the Construction of the Central Wastewater Treatment Plant of the City of Zagreb, signed agreements between the City of Zagreb, VIO, ZOV and ZOVUIP on the transfer of property and workers on 19/22 July 2024 and the signed Agreement on the transfer of ownership rights of the municipal water facility CUPOVZ

between the City of Zagreb and ViO d.o.o. of 30 December 2024 link the goals of wastewater management and sustainable water resource management.

In 2024, we continued to invest in innovation, for example, we implemented a system for automatic recognition of vehicle registration plate, whose capacities are planned to increase in the future. Our LoRaWAN network project, which started in 2024, supports our strategic goal of creating a smart city, enabling improved monitoring and management of key infrastructure services such as traffic, parking and waste.

Activities for the implementation of significant projects for the modernisation of utility infrastructure are being carried out, including: the Zagreb 2021-2027 project with the aim of improving the water and utility infrastructure; the construction of the Klaićeva garage, which improves the availability of parking; the revitalisation of Zagreb's markets, which will increase the quality of the offer for citizens and the tourist attractiveness of the city; the renovation of buildings in Mirogoj, which contributes to the reconstruction of the historical and cultural heritage of the city; the technological development of the gas distribution system by implementing advanced technologies.

Through the PVMax project, the Group actively invests in solar power plants on the roofs of its facilities, which ensures greater energy independence, reduction of CO₂ emissions and an increase in the share of renewable energy sources in total consumption.

Development, sustainable business and corporate governance

The readiness and ability to adapt to the new circumstances was demonstrated by the Group by switching the GPZ-O to a market-based gas supply service on competitive terms. By changing the status of the supplier in the obligation of the public service of gas supply, GPZ-O successfully adapted its business model and concluded contracts at market conditions with more than 170,000 customers, which proves their confidence in the quality and reliability of GPZ-O as a supplier.

During 2024, the Group made significant progress in sustainable development projects, which form the foundation for our future. In addition to implementing ISO 9001 and ISO 14001 standards, we have further improved our environmental and quality management processes through a number of specific measures. We have started projects aimed at decarbonisation and energy efficiency. We increased the percentage of separately collected waste by 14%, i.e. to 42% in 2023, which was officially confirmed by the Ministry of Environmental Protection and Green Transition as the largest individual growth in the separate collection of municipal waste. The share of separately collected municipal waste, i.e. waste removed from the landfill for 2024 is 48.27%, which represents a further significant increase in this key activity.

The implementation of the system of internal controls based on the "three lines of defence" model, as well as the establishment of the Compliance Department and the Risk Management Department, significantly improved the corporate governance framework. These activities contribute to the stability of the Group and reduce exposure to regulatory and operational risks. The Group has started to comply with the NIS2 Directive on cybersecurity. As part of this project, we have started preparing for the establishment of a Security Operational Center (SOC) that will enable us to better protect our information systems and data.

Our commitment to sustainable business was also recognised through winning the award of the **Croatian Sustainability Index (HRIO)** in the category of greatest progress compared to last year.

Responsibility towards users, own workers and the community

In addition to working on improving utility services, a significant focus was placed on improving the quality of the customer experience. The expansion of digital payment services through the KEKS Pay application and the introduction of card payment through self-service devices enabled the Company's users to make payments for services more easily and faster. This is just one of a number of steps in the modernisation of our business, which includes improving communication with customers through new digital channels, which shows the Company's commitment not only to sustainability but also to improving the quality of life for citizens of Zagreb.

One of the important strategic goals in 2024 was to invest in human resources. Therefore, a new Collective Agreement was signed, which brings an increase in the salary base and other material rights for our employees. By introducing new educational programs for new employees, we strengthen the corporate culture that encourages excellence, equality, transparency and

ethical business. In 2024, we employed 922 new workers, which strengthened our operational capacities, especially in our largest subsidiaries such as Čistoća, Zagrebačke ceste and Zrinjevac.

The Company, through cooperation with UNICEF and the signed agreement, actively contributes to the community through promotional campaigns and support for projects aimed at environmental protection, humanitarian initiatives and cultural programs. This confirms its commitment to creating a better and more sustainable world, emphasising the importance of engagement and solidarity in building a society based on the values of humanity, environmental awareness and cultural diversity.

Geopolitical risks and resilience of the Company

The continuation of the war in Ukraine, energy volatility and global inflationary trends also affected the business environment of the Company. Although the Company operates predominantly on the domestic market, geopolitical risks are manifested through increased costs of procurement of equipment and energy products, and increased regulatory requirements, especially in the field of security, sustainability and digital infrastructure.

Accordingly, the Company's Management Board took a number of measures to strengthen resilience – diversification of suppliers, monitoring of global indicators of the raw materials and energy market, and intensification of internal scenario analyses through newly formed risk and compliance services.

Geopolitical risk is becoming an integrated part of strategic planning, and maintaining operational flexibility and liquidity, together with resilient supply and information systems, are key elements of the long-term sustainability of the Company's operations.

Final word and looking ahead

Looking ahead, Zagrebački holding continues to implement strategic projects such as the construction of the Waste Management Center, business digitalisation, the modernisation of the fleet, the project of construction of solar power plants at the Group's facilities and the revitalisation of Zagreb markets. A strong focus remains on the development of the circular economy, reducing CO₂ emissions, digitalisation and improving the quality of life for citizens.

The strength of Zagreb Holding is not only in its resources, but in its people, organisational resilience and a clear strategic vision – to become an example of a responsible, transparent and sustainable utility company that contributes to a better quality of life for its users and the community as a whole.

SIGNIFICANT BUSINESS EVENTS

IN 2024

Supervisory board:

Changes in the Supervisory Board in the period from 1 January 2024 to 31 December 2024:

1. Suzana Brenko, President of the Supervisory Board from 14 June 2021 to 2 July 2024
2. Andro Pavuna, President of the Supervisory Board from 23 July 2024
3. Kristijan Starčević, Deputy President of the Supervisory Board from 23 July 2024

Audit Committee:

Changes in the Audit Committee in the period from 1 July 2024 to 31 December 2024:

1. Suzana Brenko, member from 14 June 2022 to 2 July 2024
2. Kristijan Starčević, Member from 22 November 2024

Changes in subsidiaries of Zagrebački holding d.o.o.

1. Subsidiary Zrinjevac
 - » Damir Grgić, head of the subsidiary from 15 February 2022 to 29 March 2024
 - » Božena Cvitanović, head of the subsidiary from 30 March 2024
2. subsidiary Tržnice Zagreb
 - » Božena Cvitanović, head of the subsidiary for the period from 7 February 2022 to 30 June 2024
 - » Marin Rončević, head of the subsidiary from 1 July 2024
3. subsidiary ZAGREBPARKING
 - » Dubravko Karačić, head of the subsidiary from 1 December 2023 to 9 December 2024
 - » Dinko Herman, head of the subsidiary from 10 December 2024

Changes in companies affiliated to Zagrebački holding d.o.o.

1. VODOOPSKRBA I ODVODNJA D.O.O.
 - » Janja Mihalić, Deputy Director in the capacity of Deputy Member of the Management Board from 26 March 2024
 - » Damir Grgić, Member of the Supervisory Board from 7 June 2022 to 24 April 2024
 - » Jurica Krlježa, Member of the Supervisory Board since 24 April 2024, Deputy President of the Supervisory Board since 30 April 2024
 - » Ivan Čipin, Member of the Supervisory Board (Employee's Representative) until 11 June 2024, when his term of office expired, and again as a Member of the Supervisory Board as a Employee's Representative from 25 June 2024

2. GRADSKO STAMBENO KOMUNALNO GOSPODARSTVO d.o.o.

- » Marko Šarić, Director from 18 June 2021 to 15 December 2024
- » Slaven Sladoljev, Director since 16 December 2024

3. ZAGREB PLAKAT d.o.o.

- » Kristina Šalković, President of the Supervisory Board since 19 November 2024
- » Mihovil Soldo, Deputy President of the Supervisory Board since 19 November 2024
- » Ana Dobrić, Member of the Supervisory Board (Employee's Representative) from 12 December 2022 to 18 October 2024
- » Krešimir Radišić, Member of the Supervisory Board (Employee's Representative) from 18 October 2024

Status change in the company Vodoopskrba i odvodnja d.o.o.

Other public water service providers in the same Service Area were merged with VIO as the acquiring company 11. As at 31 December 2024, the share capital of VIO consisted of a total of 4 business shares:

- » business share of ZGH d.o.o., which gives 97.75% of the membership rights in the Company;
- » the business share of the City of Jastrebarsko, which gives 1.66% of the membership rights in the Company;
- » business share of the Municipality of Stupnik, which gives 0.46% of the membership rights in the Company and
- » business share of the Municipality of Klinča selo, which gives 0.13% of the membership rights in the Company.

SUSTAINABLE BUSINESS OF THE COMPANY

The goal of the Company is to establish a sustainable business through a long-term strategic framework for sustainability management. The Company has adopted a sustainable business strategy that leads to the development of a green and circular economy and contributes to increasing the quality of services and socially responsible behaviour. So far, the implemented activities of organisational, operational and financial restructuring mark the completion of the financial stabilisation of the Company, and the transformation of operations and commitment to the sustainable development strategy contribute to self-sustainable operations.

With its activities and projects, the Company is continuously focused on achieving key strategic goals:



**Quality,
reliable and
innovative
service**



**Quality
control**



**Urbanisation and
environmental
protection**



**Quality of
urban life**

The Sustainable Development Goals as well as the measures implemented to achieve the goals are described in more detail in the Sustainability Report.

Responsible corporate governance

Improvement of the management system in ZGH

During 2024, the management and corporate responsibility system was further improved by the following practices:

1. the internal control system based on the methodology of the 3 pillars of defence

The Company has implemented a model of three lines of defence that regulates the responsibilities of employees (first line of defence), control functions: compliance, risk management and security (second line of defence) and internal audits (third line of defence), thus contributing to the maintenance of an effective system of internal controls in the Company.

During 2024, the Company further improved the internal control system by establishing 2 control functions:

1. The Risk Management Department, processes and management systems, which jointly supervises the management of the Company's strategic and operational risks and reports to the Management Board and senior management on the identified risks and mitigation measures. In order to improve and optimise the organisation and automation and digitalisation of business processes, the Department also deals with process modelling. The primary focus is on strategic and user processes.
2. The Business Compliance Department, whose main goal is to reduce the risk of non-compliance with legal regulations, permits, standards and internal rules, which may result in regulatory measures, penalties, loss of various permits, reputational damage, etc. The Department also deals with the handling of reports related to corruption and conflicts of interest, as well as potential conflicts of interest and reports in the field of ethics and morality

The Department for Strategy, Development and Sustainability of Business was established within the Sector for Strategy, Development and Compliance, which includes development projects and projects related to sustainable business. By establishing a service whose core activity is sustainable business, the Company shows its commitment to sustainable development.

2. implementation of an integrated quality management and environmental management system

During 2024, the Company implemented an integrated quality and environmental management system and was certified in accordance with ISO 9001 and ISO 14001 standards. The ISO 9001 certificate confirms that the Company has implemented high standards of quality management of its services. This step is the result of ZGH's efforts in optimising its processes, increasing transparency and sustainability, as well as improving the user experience. The ISO 14001 certificate reflects the commitment to environmental protection through effective and responsible practices in everyday business.

In addition to these umbrella certificates, individual subsidiaries and affiliated companies go a step further and are certified with additional ISO certificates:

- » subsidiary Čistoća in the field of health and safety at work, ISO 45001,
- » subsidiary Gradska Groblja for funeral services, ISO 15017,
- » subsidiary Tržnice Zagreb in the field of food quality and safety HACCP,
- » GPZ in the field of health and safety at work ISO 45001, for the energy management system ISO 50001 and in the field of information security ISO 27001,
- » VIO in the field of food safety ISO 22000 and the Technological Service of Drainage - Laboratory has the accreditation according to HRN EN ISO/IEC 17025:2017.

Improved business policies and practices

The *Policy Book of Zagrebački Holding* adopted in 2024, is a key document that defines the guidelines, principles and obligations that shape our business and relations with various stakeholders. In times of rapid changes and growing expectations, the Company is focused on sustainability, quality of services, environmental protection, health and safety of employees and the rights of end users, which are determined by the following policies:

1. Sustainability policy
2. Quality management and environmental protection policy
3. Waste management policy
4. Policy on environmental protection, health and safety at work
5. Policy on improving services, protection of rights, health and safety of end users
6. Policy on diversity, protection of human and children's rights and protection against discrimination
7. Human resources development and performance management policy
8. Competition policy
9. Anti-corruption policy

In addition to the *Anti-Corruption Policy*, which summaries the basic determinants of the fight against corruption, the *Ordinance on the Suppression of Corruption and Conflict of Interest Management*, the Company ensures the systematic identification, prevention and sanctioning of corrupt activities and conflicts of interest, ensuring fair, responsible and legal business, in accordance with international and national regulations. The Ordinance combines anti-corruption measures and measures to prevent or reduce exposure to the risk of conflicts of interest, as stated in more detail in the section "Statement on the application of the Code of Corporate Governance".

With *the procedure for the involvement of stakeholders*, the Company prescribed the basic assumptions, principles and methodologies for the identification of all external and internal stakeholders and the procedures on which cooperation with stakeholders as stakeholders will be based. At the end of 2024, the company conducted a market research survey through a website, social networks and the Holding Centre, as well as through direct e-mail contact with employees and suppliers. The aim of the survey was to collect and validate the opinion of stakeholders on the importance of the topics that the Company deals with. Consequential analysis and final validation of material topics are described in the section "Sustainability Report".

Furthermore, the Company has adopted a *Supplier Code of Business Conduct* by which it communicates to its suppliers the obligation to comply with applicable legislation, social standards, environmental standards and corporate governance standards, and also includes their corporate bodies, employees, representatives, subcontractors and sales partners.

Responsibility towards users

After the introduction of the service of paying the joint payment slip via the KEKS Pay application without fees, in 2024 the Company continues to improve its services and improve the quality of the customer experience by introducing two new additional functionalities:

- » receiving a joint payment slip via e-mail, in PDF format. This service enables the electronic delivery of invoice immediately after their creation.
- » enabling card payment of invoices through a 24/7 self-service device, which is located in the entrance zone of the Holding Centre. On the self-service device, users can, without charge, pay the invoices of the Company and other members of the Group.

Responsible financial operations

During 2024, two international credit rating agencies increased the Company's credit rating; Standard & Poor's Global in October 2024 from B+ level with a positive outlook to BB level with a stable outlook; and Moody's, which in November 2024 improved the Company's credit rating from Baa2 with a positive outlook to A3 with a stable outlook.

According to the rating agencies, the key advantage of the Company is the branching and exposure to a wide range of utility services that it performs for the City of Zagreb, which owns it 100%. At the same time, the complexity of the structure of the Company, whose individual business activities depend on the decisions of the City of Zagreb, is highlighted as a risk.

Changes in the credit rating, as a result of the successful implementation of the strategy, which, due to the implemented operational and financial restructuring, generated a positive EBITDA for two years in a row (EUR 67.50 million in 2023 and EUR 60.036 million in 2022), reflect the stability and perspective of the Company, as well as the establishment of the trend of achieving positive business results and the confidence of investors in the ability to manage risks.

Responsibility for quality human resources management

New collective agreements

On March 26, 2024, the company and the representative trade unions signed a new Collective Agreement for workers in the company Zagrebački holding d.o.o.

In the negotiations that began at the end of 2023, it was agreed to increase the material rights of workers by increasing the base for all workers by 12 percent, the amounts of permanent salary supplements, appropriate rewards and other benefits up to the highest non-taxable amounts were also increased.

The new Collective Agreement for the Company is in force from March 1, 2024 to March 31, 2026, and it invested in the material rights of workers in the amount of EUR 13.1 million in 2024, while the effect of the application of this agreement in 2025 is EUR 17.5 million.

The material rights of employees are also increased in certain companies that are part of the Group. New collective agreements were concluded in the company VIO and GPZ, while in the company GSKG an agreement was concluded with the legal force of the collective agreement. At the Group level, the amount of EUR 14.5 million was invested in the material rights of workers in 2024, while the effect of the application of new collective agreements in 2025 is EUR 19.2 million.

Training for new employees

During 2024, the Company implemented the practice of education on the topics of corporate governance and workers' rights during employment. The topics included are: the code of ethics, the report of irregularities, the dignity of workers, safety at work, compliance (bribery, corruption, conflict of interest), workers' rights from the *Labour Act*, Work regulations and the *Collective Agreement*. The training includes an introductory seminar for newly employed workers and the acquisition of theoretical and practical skills for working in workplaces with special working conditions. In this way, workers receive information about the activities of the Company, they are clearly presented with the system of values and desirable behaviours, as well as the rights, obligations that the worker has and the benefits that the Company offers. The said practice aims to enable workers to easily adapt to the work environment, gain a positive perception of the employer and increase job satisfaction.

In addition, a lecture in the field of safety at work was included in order to give workers a practical but detailed insight into real examples from practice related to the application of safety at work.

Responsibility towards the community

In April 2024, the Zagreb Holding, the City of Zagreb and UNICEF signed an *Agreement on cooperation and donation for activities in 2024 and 2025* aimed at supporting UNICEF's activities in the protection and realisation of children's rights. By submitting UNICEF leaflets, the Company informed citizens about the possibility of supporting UNICEF's program activities aimed at children without adequate parental care with donations.

Professional awards

In November 2024, Zagreb Holding received the award of the Croatian Sustainability Index (HRIO) in the category of greatest progress compared to last year. The HRIO award is given by the Croatian Business Council in cooperation with the Croatian Employers' Association, and is based on a methodology that provides companies with a comprehensive insight into the application of their own sustainable business practices, a review of compliance with the latest provisions of the European Union and a comparison with the practices of other companies in Croatia.

In addition, according to the results of the analysis of business sustainability conducted by the CCE, in 2024, Zagrebački holding took the first place in the Municipal economy sector. This analysis assesses the success of organisations' sustainable business, based on their approach in the field of environment, society and management practices.

These awards reflect the Company's commitment to effective, responsible practices in everyday business and progress.

One of the ambitious strategic goals relates to the reduction of CO2 emissions in accordance with which the Company began the project of developing a *Decarbonisation Strategy* that it plans to adopt by the end of the first half of 2025 and which will define measurable goals and activities for achieving carbon neutrality in the areas of waste management, energy efficiency, renewable energy and mobility.

PROJECTS OF THE COMPANY

Implementation of the integrated information system ZGH – SAP solution

The Company and affiliated company GPZ initiated the implementation of a single ERP, i.e. the SAP information system, at the end of January 2024. The purpose of the project is the centralisation and consolidation of financial operations in the segments of accounting, finance and controlling, all with the aim of better reporting and planning. The biggest step forward in the implementation of a single ERP system for the Company should be reflected in the move away from individual ERP subsidiaries for the above areas, the unification of business processes and the application of best global practices in these areas.

During the year, the project preparation activities were implemented, a system and network environment for all environments was established, the SAP environment Q Gate was installed and the analysis phase was carried out. System adjustments are also underway, as well as the development of functional specifications for development and integration with the aim of harmonisation and connection for the purpose of automating data transmission.

In 2025, the adaptation of data for migration, integration tests, test migration and end-user education as well as production preparation will be carried out. The expected deadline for the implementation of the new ERP system and its release into production is the first quarter of 2026, and it represents a significant step forward in the digitalisation of the Company's and Group's business.

Construction of the LoRaWAN communication network

The construction of the LoRaWAN communication network will enable the economical and rational implementation of numerous city and utility services, from remote meter reading with consumers, to the collection of various data for advanced traffic management, parking, public lighting, waste, optimisation of resource utilisation, etc. Once set up, the network will be used for the purpose of improving the services of the Company and the services of other members of the Group.

LoRaWAN technology has numerous advantages such as long range, battery life, ease of maintenance, scalability, low energy consumption, sustainability and provides a stable, long-term sustainable and quality solution.

During 2024, procurement of network radio design, procurement and installation of network equipment, and procurement and configuration of the network server were initiated. By the end of 2025, it is planned to establish a complete LoRaWAN network, which will become the basis for the Zagreb smart city. During 2025, it is planned to acquire an IoT platform for managing the collected data through the network and maintenance services of the LoRaWAN network. It is also planned to start upgrading water meters and gas meters with LoRaWAN modules that allow remote meter reading.

Underground and semi-underground tanks

The project of construction and installation of underground and semi-underground tanks in order to encourage an increase in waste separation, achieve better recycling results and reduce visual pollution of the Zagreb city centre began as a pilot project at the end of 2023.

The subsidiary Zagrebačke ceste is the main contractor for the installation of underground tanks.

By 31 December 2024, a total of 150 underground tanks were installed in the area of the historical centre of the City of Zagreb at 39 locations, as well as 12 semi-underground tanks at 4 locations, the installation of which began at the end of 2024.

A tender for the procurement of 600 semi-underground tanks intended for installation at the first 200 locations in other city districts was also conducted. The aim is to replace worn out and with capacities and accommodation of unsuitable standardised containers for separate collection of dry fractions of municipal waste, i.e. paper, cardboard, plastic, metal and glass packaging in public areas.

The project of construction of underground and semi-underground tanks continues in 2025 by expanding to other city districts. So far, 600 semi-underground tanks have been contracted for installation in 2025 at 200 locations and 200 underground tanks at 40 locations.

In 2024, a public tender was prepared and published for the installation of a system of control and locking of underground and semi-underground tanks in order to raise the individual responsibility of users and further increase the share of separately collected recyclable waste.

Operational KPIs

With the aim of improving the performance of activities and services, during 2024 the Company improved the system of monitoring key operational indicators in the areas of waste management, maintenance of the road transport network and management of green and public areas, i.e. key municipal activities.

The monitoring system currently includes three largest subsidiaries: Čistoća, Zagrebačke ceste and Zrinjevac, with a total of 24 activities, with a planned expansion of the activities to be monitored and a more detailed data analysis. Depending on the significance, activities are monitored on a daily or weekly basis, and the results are reported weekly to the Management Board of ZGH and to the managers of the subsidiaries. Weekly reports provide a comprehensive insight into operational operations and help assess performance, make decisions faster and optimise processes.

Special emphasis was placed on improving the monitoring of activities that directly affect the quality of life of citizens – for example, the implementation of the service of waste removal of all fractions, the number of complaints of citizens, the correctness of the reading of chipped tanks for the electronic recording of the execution of the service of emptying the tanks, the handling of reports of municipal wardens and citizens received through the e-Redar and MojZagreb systems of the City of Zagreb, the division of tanks for separate waste collection, the removal of bulky waste, the rehabilitation of the overpass, the work of the patrol service, as well as activities such as mowing grass and planting trees.

For certain activities, the subsidiaries of the Company already had an internally developed monitoring system, but the new monitoring system enabled the unification of all results in one place, a simpler overview and comparison of weekly results and a deeper analysis of them – including, for example, the time limit for the execution of activities and the type of applications received.

The first results of the introduction of a system for monitoring operational KPIs are already reflected in the increased implementation of activities. In the following phases, further development of this model is planned – an increase in the number of monitored activities and the development of a digital reporting and analysis solution.

Subsidiary Čistoća

Key business activities

During 2024, the subsidiary Čistoća carried out key business activities for the purpose of increasing the efficiency and quality of primary activities, especially in the public service of municipal waste collection, while the full effect of improving the efficiency and implementation of the program of cleaning and washing of public transport areas is expected in 2025.

The system of monitoring, data processing and standardisation of the execution of the waste disposal service was also improved and digital reporting of operational circumstances in real time was introduced. Following these improvements and with organisational modifications, circumstances were created that enabled the reduction of waste disposal on Saturdays and in the afternoon, which makes the service less efficient due to the high intensity of city traffic. This reduces the need for overtime work of field workers and a greater balance of working and leisure time. With improved working conditions, the Company strengthens competitiveness in a challenging labour market.

The fleet of the subsidiary Čistoća was renewed with the delivery of 41 specialised vehicles for the collection of municipal waste, which is the result of conducted public tenders in the previous period. In addition to increasing the daily operational readiness, new vehicles, due to their characteristics, enabled the subsidiary Čistoća to take over increased quantities of

recyclable waste and the multifunctionality required when dealing with specialised tanks in public areas, especially buried or underground and semi-underground tanks.

Furthermore, during 2024, the subsidiary Čistoća also realised the procurement of 3 truck cleaners, 2 medium capacity cleaners, 2 tank trucks, 2 cleaners for pedestrian traffic areas with electric power and contracted the delivery of additional 8 cleaners for the first quarter of 2025. All of the above represents a technological modernisation and the beginning of the transition to alternative, environmentally friendly fuels in the part of the fleet.

Following the increase in the amount of waste, which mainly consists of plastic and metal packaging, the subsidiary Čistoća has started the division of yellow tanks that, with a much higher volume compared to the previous yellow standardised bags, will provide users in individual housing with greater possibilities of disposal of the mentioned type of waste. In 2024, three quarters of the 90,000 planned yellow tanks of 240 and 360 litres in volume were distributed.

Also, works were carried out to improve the functioning of the drainage of wastewater and leachate and the degassing of the remaining landfills at the Jakuševac - Prudinec landfill. They are the basic prerequisite for the undisturbed daily disposal of mixed municipal waste in accordance with safety protocols that have been significantly revised after the occurrence of landslides at the landfill at the end of 2023. The aforementioned works also represent the preparatory works for the main rehabilitation of the landslide, which will be carried out in 2025 after the publication of the report on the causes and circumstances of the landslide by court experts.

Increase in separate collection of municipal waste

In October 2024, the Institute for Environmental and Nature Protection of the Ministry of Environmental Protection and Green Transition published the Report on Municipal Waste for 2023, which confirmed that the City of Zagreb achieved the largest individual growth in the separate collection of municipal waste, from 28 to 42%.

Subsidiary Zagrebačke ceste

From the Asphalt Paving Program of unclassified roads of the 1st order for 2024, 28 streets in the area of the City of Zagreb were paved, which fulfilled all contractual obligations under this program. In total, 156,898.25 m² of roadway area was paved, which is 126% more than the year before. The value of the performed works was EUR 8,251,447.18.

In 2024, the total production of asphalt mixtures of the subsidiary Zagrebačka cesta amounts to 111,156.90 tons (2023: 143,057.90 tons), of which 35% of the total produced was spent on works from the Asphalt Paving Program of unclassified roads of the 1st order, i.e. 107% more than last year. The remaining quantity was consumed in the regular maintenance and other communal activities of the subsidiary, including the programme of communal activities (186 locations), the programme of small communal actions of local committees (62 locations), emergency interventions (13 locations) and the extraordinary programme (19 locations).

Subsidiary Zrinjevac

In October 2024, a new cycle of tree planting began within the project of greening the city of Zagreb. Across the city, at over 1,000 public city locations, slightly more than 8,000 trees are planted in all city districts. In addition to lowering the temperature in the City, the project will also have an estimated net effect of reducing CO₂ emissions by 2,764.02 tons per year, on average. Seedlings between the ages of 6 and 15 are used for planting, they are 86 different types of trees, and special attention is paid to avoiding the planting of allergenic species.

In May 2024, the State Inspectorate (hereinafter: DIRH) issued a decision prohibiting the performance of waste recovery activities at the Markuševac composting plant at the location Čret 2e, until the subsidiary Zrinjevac obtains an environmental permit or a decision on the operation of the plant below the limit values of the indicators. The operator, subsidiary Zrinjevac, filed an appeal against the decision of the DIRH, and at the same time, initiated the procedure for obtaining a decision on work below the limit value-based indicators, although it believes that it is not obliged to obtain an environmental permit and neither a decision on work below the limit value-based indicators. In May 2024, the Ministry of Environmental Protection and Green Transition confirms the opinion of the subsidiary Zrinjevac that it is not obliged to obtain an environmental permit.

In November 2024, the decision of DIRH was received, rejecting the appeal of ZGH, subsidiary Zrinjevac, filed against the decision of the senior inspector of environmental protection of the State Inspectorate, Regional Office Zagreb, Service for Supervision of Environmental Protection and Water Rights Inspection, dated May 2024.

Therefore, the Company, subsidiary Zrinjevac, initiated an administrative dispute by a lawsuit to the Administrative Court on December 17, 2024 against the Respondent of the Republic of Croatia, the State Inspectorate, in order to annul the entire decision of the DIRH from May 2024 and to issue a decision to allow the operator ZGH, subsidiary Zrinjevac, to perform the activity of waste recovery at the Markuševac composting plant, until the final end of the administrative dispute.

Subsidiary Tržnice Zagreb

In cooperation with the City of Zagreb, the development of a comprehensive project for the renovation of Zagreb city markets, their revitalisation and transformation into a modern space adapted to the needs of citizens has begun. In 2024, the focus was on strategic initiatives:

- » development of a strategy for long-term revitalisation and development of Zagreb markets,
- » complete reconstruction of the Vrapče market, with the renovation of refrigerated showcases and benches for the sale of fruits and vegetables,
- » development of the main design for the reconstruction of the roof of the Utrine market,
- » communal works, renovation of equipment and inventory and parking lots for tenants at the Trešnjevka market,
- » contracted works for the reconstruction and replacement of elevators at the Dolac market
- » project for the construction of a video surveillance system at the complex of wholesale markets and cold stores,
- » analysis and improvement of the existing management model and improvement of the operational efficiency of utilities and market services.

Through increased marketing activities, we also worked on increasing consumer awareness of the quality of domestic products offered at Zagreb markets and the benefits of buying groceries outdoors. This was mostly achieved through the project Ecological Markets at the Jarun Market, which has been implemented together with the City of Zagreb and the Zagreb County since June 2024. During 2024, the Ecological Market was held as many as 28 times. In addition, numerous successful collaborations were achieved on various projects, both gastronomic (Place Market, Food Truck) and cultural (Festival of Lights at the Dolac market, Dubrava National University, KUC Peščenica, Art Plac at Splavica).

During 2024, 1,193 new umbrellas with a motif of Šestine neighbourhood were purchased, which contribute to the visual identity, and the authenticity and attractiveness of markets.

Subsidiary Zagrebparking

During 2024, a number of measures and projects were activated with the aim of improving the parking charging system and ensuring easier parking in the City, including:

New block parking system

The application of the block parking organisation in public parking lots in the City of Zagreb began on October 26, 2024, and the full effects will be visible in the coming months. Parking zones I, II and III are divided into 23 blocks, while zones IV 1, IV 2 and V have a special charging regime. The block organisation refers to users of privileged parking tickets, which enables the user of the privileged ticket to receive a preferential price for parking at the block level instead of the previous zone level.

The total number of active preferential parking tickets as at 31 December 2024 amounts to 36,211, which is 8.6% less than on 31 December 2023. This indicates that the measure achieves the goal of relieving parking spaces for tenants.

Park&Ride zone at Borongaj site

The first Park & Ride zone at the Borongaj location has been active since 2 December 2024, within which the price of a daily parking ticket (zone V) includes the price of a return ticket for ZET transport. As, as part of the reconstruction of KBC Zagreb, the Rebro garage ceases to be a public garage, the said Park & Ride zone provides parking for citizens and visitors to the hospital, which also includes the price of transport to KBC Rebro. The Park&Ride parking lot at the Borongaj location has about 724 parking spaces under charge, which is higher than the previous Rebro garage, which ensures the replacement

of the parking capacity in the garage. Further improvement of the concept includes enabling the purchase of a Park & Ride ticket through the ZgPark application.

The system of automatic recognition of the vehicle registration plate, the so-called Scan-a-car system

The project aimed at raising the efficiency of parking control, after the test phase, was put into operation during the 4th quarter of 2024. Scan-a-car, vehicles for automatic recognition of vehicle registration plate, through 6 cameras and the built-in information system, recognise vehicle registration plate, and then load them into the system and perform an automatic check whether there is a valid parking ticket for that vehicle. If it does not exist, the system issues a daily parking ticket.

Klaićeva garage

The new garage in Klaićeva Street, with a capacity of about 800 parking spaces, is a long-announced project that will relieve street public parking lots in the city centre of Zagreb. The garage will also contain charging points for electric vehicles, as well as parking spaces for bicycles. During 2024, investment and feasibility studies were carried out for the intended project.

Given the location and planned capacity, it will contribute to improving the overall traffic situation in the city centre. This project would free up spaces that have been used for parking so far, thus improving the urban environment and promoting sustainable transport opportunities.

At the moment, the project is in the design phase, and after the development and acceptance of the project-technical documentation, the implementation of the project will be entrusted to the subsidiary Zagrebparking. The planned implementation period is 36 months.

Subsidiary AGM

The basis of the work of the AGM, the publishing activity, consists of twenty specialised libraries within which eight new books were published in 2024 and two titles were printed. The book "Imamo Dinamo" was declared the best-selling book of the Interliber fair in 2024.

Vodoopskrba i odvodnja d.o.o. – VIO

Central wastewater treatment plant of the City of Zagreb - CUPOVZ

On 4 August 2024, based on the decision of the City of Zagreb Assembly, VIO took over the management of the Central Wastewater Treatment Plant of the City of Zagreb, together with the workers. CUPOVZ continues to operate under the management of the Group.

In accordance with the *Water Services Act* (OG 66/2019) and the *Regulation on Service Areas* (OG 70/2023), the prior consent of the City Assembly of the City of Zagreb of 7 November 2024 and the Decision of the Assembly of the company Zagrebački holding d.o.o. of 26 November 2024, the company VIO as the acquiring company was merged with public water service providers in the same service area (Service Area 11), i.e. the companies VODE JASTREBARSKO d.o.o. and VODOVOD KLINČA SELA d.o.o. and the Agreement on the Entry and Acceptance of Things between VIO was signed. On 26 November 2024, a company agreement was signed on the basis of which the Assembly of VIO, together with the company Zagrebački holding d.o.o., consists of new members of the company City of Jastrebarsko, Municipality of Klinča Sela and Municipality of Stupnik.

Project Zagreb 2021-2027 (improvement of water and utility infrastructure)

In the second half of 2024, activities related to the contract on the preparation of detailed documentation for projects within the scope of the "Project Zagreb 2021-2027 (improvement of water and utility infrastructure)" and the preparation of documentation for co-financing from EU funds began.

On 6 December 2024, a public procurement procedure was initiated for the works on the improvement of the sludge treatment line at the central wastewater treatment plant of the City of Zagreb with the introduction of the THP process and thermal drying.

New General Terms and Conditions for the Supply of Water Services

The company VIO adopted THE new General Terms and Conditions for the Supply of Water Services, which entered into

force on 5 October 2024. Among other things, they reintroduced the possibility of regulating the unauthorised use of water services, with a reduced amount of compensation, as an incentive for citizens to regulate their status as soon as possible.

Users who submit a request in the first three months from the date of entry into force of the General Terms and Conditions, i.e. until 5 January 2025, pay only 10% of the prescribed amount of the legalisation fee. Users who do so between 6 January and 5 April 2025 will have to pay 20% of the prescribed amount, while from 6 April to 5 October 2025 50% of the prescribed amount will be charged.

Gradsko stambeno komunalno gospodarstvo d.o.o. - GSKG

In addition to regular building management tasks, GSKG also provides services related to the energy renovation of multi-residential buildings and the coordination of the renovation of buildings damaged by the 2020 earthquake. As at 31 December 2024, GSKG has 709 registered buildings for structural renovation, 331 received decisions on structural renovation with 22 currently active construction sites.

In the part of business with the City of Zagreb related to the maintenance of utility infrastructure, the GSKG took over additional facilities and equipment for maintenance such as lifting ramps in underpasses in Novi Zagreb through the 2024 Work Program.

Gradska plinara Zagreb – Opskrba d.o.o. - GPZO

Switching to a market-based gas supply service

In May 2024, HERA conducted a public tender for the selection of suppliers under the obligation of the public gas supply service for the period from 1 October 2024 to 30 September 2027. According to the proposals of the public tender, the bidder could be assigned to supply for those distribution areas whose allocation does not exceed 20% of the total number of billing metering points (hereinafter: OMM) of end customers from the household category in the total number of OMM in the Republic of Croatia, i.e. if he were assigned to the distribution area of Gradska plinara Zagreb (which has more than 20% of the OMM of end customers, household in the territory of the Republic of Croatia) then he could not be assigned to other distribution areas.

As a result, GPZ-O submitted a bid for gas supply for customers of the household category under public service obligation only for, historically, its own distribution area of GPZ. However, another supplier (Medimurje plin) was selected as the supplier under public service obligation, whose offered price was lower, in accordance with the terms of the tender.

Given the new circumstances, GPZ-O decided to offer contracts on a market basis to customers in the GPZ distribution area. The market service was offered from 1 October 2024 at a lower price than the price of the public service prescribed by the decision of HERA (for an indefinite period).

From the end of August to the end of September 2024, more than 150,000 market contracts with customers of the household category were successfully concluded. By the end of 2024, over 170,000 household customers were successfully implemented and contracted, and the interest of customers and their transition to the market supplier GPZ-O continues.

At the end of June 2024, Gradska plinara Zagreb – Opskrba d.o.o. filed a lawsuit with the Administrative Court in Zagreb against the *Decision of HERA on the designation of suppliers under the obligation of the public gas supply service for the distribution area of the distribution system operator Gradska plinara Zagreb d.o.o. for the period from 1 October 2024 to 30 September 2027*. The lawsuit requests the annulment of the relevant Decision of HERA on determining the supplier in the public service obligation and the annulment of the tender procedure itself for the reason that it is illegal and contrary to the relevant regulations of the gas market and due to formal deficiencies and irregularities. Proceedings pending.

Gradska plinara Zagreb d.o.o. - GPZ

Projects for the construction and reconstruction of the gas distribution system

The development of the gas distribution system (hereinafter: PDS) for 2024 is based on the Plan for the development of the gas distribution system for the 3rd regulatory period (1 October 2022 – 31 December 2026). Investment projects are financed from own funds, i.e. they are provided through the tariff item Ts1 for the distribution of gas in accordance with the *Decision on the price of tariff items for the distribution of gas* (OG 108/2022).

Of the planned investments, the largest part (about 76%) refers to investments in the reconstruction of PDS. In 2024, eleven investments were realised and transferred to fixed assets of GPZ, which increased the value of assets by over EUR 4.6 million, of which:

- » 2 investments in the construction of medium-pressure gas pipelines (hereinafter: STP): STP in the part of FR Germany and STP Josip Lončar
- » 7 investments in the reconstruction of one STP and several low-pressure gas pipelines (hereinafter: NTP): NTP Čulinec (3rd stage), NTP Fakultetsko Dobro, NTP Kršnjavoga-Savska, NTP Maksimir (1st stage), STP and NTP Smičiklasova, NTP Medveščak (2nd stage) and NTP Srebrnjak and
- » 2 investments in the modernisation of orientation stations

In addition, the reconstruction of NTP Borongajska-Vukomerec was contracted, with the beginning of works planned for April 2025.

Projects of modernisation of supervision and management on the gas distribution system

In order to continuously raise the quality of management and supervision of PDS operation and to ensure safe and continuous operation in any conditions (regular operation, crisis situations, emergency situations), the implementation of PDS modernisation projects planned for the current 3rd regulatory period, approved by HERA, continued. All of the above PDS modernisation projects are upgrades and compatible with the existing remote monitoring and control system:

- » New system for monitoring, data collection, measurement and management of entire PDS (SCADA system)
At the beginning of January 2024, the modernisation and equipping of the SCADA system was contracted in order to ensure the functioning in all conditions that may occur. In 2024, hardware equipment was purchased and a display of facilities and elements that are remotely monitored, measuring devices and values that will be continuously transferred from the monitored facilities was created. The implementation of testing is in progress, and the completion of the project is planned by May 2025.
- » Digital radio network
The implementation of the project improves the system for data transmission from remotely monitored facilities to GPZ. The implementation of the project will enable a "full-duplex" connection, more efficient management and increase cyber security. In March 2024, a contract was concluded for the procurement and installation of equipment. By the end of 2024, the equipment was replaced in 35 telemetry stations, and the completion of the project is expected by the end of 2025.
- » Supervision and management of block stations
At the beginning of 2024, the modernisation of the system at 4 existing block stations was contracted in such a way that the previous physical supervision is replaced by remote monitoring and control. The procurement of equipment by the contractor is underway, and the implementation of the project is planned by the end of 2025.
- » GPRS SCADA system
The aim of this project is to expand the remote monitoring and control of the cathodic protection of the gas pipeline, which includes the timely maintenance and detection of technical malfunctions. The execution was contracted at the end of November 2023, during 2024, all equipment was purchased and installed, and the completion of the project is expected by the middle of 2025 at the latest.
- » Modernisation of the existing stop system for stopping the flow of gas and working under pressure
The implementation of this project ensures continuity of supply and safe access to all parts of the PDS without suspension of gas supply. The project started in 2024, when the modernisation of the stop system for work under pressure of the DN 400 pipeline was contracted, the implementation of which is expected in the 1st quarter of 2025. After that, the modernisation of the stop system for work under pressure of the DN 300 pipeline is planned, and the implementation of which is planned by the end of 2025.
- » Introducing the technology of the new generation of devices into the process of testing the tightness of PDS
The PDS tightness test is a defined and regulated obligation of all PDS operators. The introduction of technologies of new generations of devices significantly contributes to the conditions for safer performance of activities on the testing of the gas system with the aim of modernising and improving business. The project started in 2023 and is implemented in 5 phases. The expected completion of the project is at the end of 2026.

Gas distribution tariffs

HERA has adopted a *Decision on the price of tariff items for the distribution of gas for the third regulatory period 2022 -2026* (OG 108/2022), which has been in force since 1 October 2022 for all distribution system operators in the Republic of Croatia. With this Decision, the tariff item Ts2 for GPZ for 2024 (Fixed monthly fee) was unchanged compared to 2023, while Ts1 (Tariff item for the distributed gas quantity) was higher by an average of 5.5% compared to 2023.

Based on the same Decision in 2025, the Ts1 tariff is higher by 5.3% on average compared to 2024.

PROJECTS FINANCED FROM THE EU SOLIDARITY FUND

Vodoopskrba i odvodnja d.o.o. - VIO

The contract on the award of grants for activities financed from the EU Solidarity Fund for the project "Restoring the proper condition of damage caused by the earthquake in the field of water supply and drainage VIO1" was concluded on 3 June 2022. The total value of the Project is EUR 4,905,748, and the eligible costs are EUR 4,120,194, for which a co-financing percentage of 100% is envisaged. By the end of 2024, funds in the amount of EUR 2,177,488.25 were approved.

On 16 September 2022, the second Contract on the award of grants for activities financed from the EU Solidarity Fund for the project "Restoring the proper condition of damage caused by the earthquake in the field of water supply and drainage VIO2" was concluded. The total value of the Project is EUR 2,079,025, and the eligible costs are EUR 1,513,064, for which a co-financing percentage of 100% is envisaged. By the end of 2024, funds in the amount of EUR 1,344,185.08 were approved.

OTHER PROJECTS CO-FINANCED BY GRANTS

Projects for the restoration of cultural heritage at Mirogoj

In 2024, projects were carried out at the Mirogoj cemetery:

1. Renovation of the Administration Building at the Mirogoj Cemetery

The renovation of the administrative building was completed in March 2024. The aim of this project was the complete renovation of the administrative building, a protected cultural property at the Mirogoj cemetery, for the purpose of repairing the damage resulting from the March 2020 earthquake.

The project was implemented without significant changes to the preserved elements of historical structures by the method of conservation, rehabilitation, reconstruction, recomposition and integration in order to connect historical structures and contents with the contents arising from the purpose of the space.

With the funds of the EU Solidarity Fund, the National Recovery and Resilience Plan and national funds, a structural and complete renovation was carried out with a total value of EUR 1,718,521.18.

2. Renovation of the morgue at the Mirogoj cemetery

Works on the rehabilitation of the morgue began in April 2024, while the completion of works is expected in 2026. The project includes the complete and energy renovation of the Morgue building, which is part of the Mirogoj monument complex, which is registered in the Register of Cultural Property of the Republic of Croatia as a protected cultural property for the purpose of repairing the damage resulting from the March 2020 earthquake.

Given the damage caused by the earthquake, in addition to the structural renovation, the building needs to be completely and energy renovated, i.e. the design envisages technical solutions that will ensure energy savings.

The implementation of the project is ensured by the EU Solidarity Fund, the National Recovery and Resilience Plan and national funds in the total amount of EUR 3,501,491.39. So far, EUR 547,154.10 has been spent on the project.

3. Preparation of project documentation and implementation of measures for the protection of the arcade and the church of Christ the King at the Mirogoj cemetery

The aim of the project is the development of project technical documentation for the structural renovation of the arcade and the church of Christ the King, a protected cultural property at the Mirogoj cemetery, for the purpose of repairing the damage resulting from the March 2020 earthquake. The development of the main design is in progress, with a deadline of 12 months from the introduction into work, i.e. March 14, 2025.

Solar power plants on the roofs of the buildings of Zagrebački holding – Project PVMax

The project for the construction of solar power plants on the roofs of the Company's buildings (the so-called PVMax project) includes 16 facilities (facilities of the subsidiaries Robni terminali Zagreb, Tržnice Zagreb, Vladimir Nazor and institution Gradske ljekarne Zagreb). These 16 facilities are grouped into 11 solar power plants. The regional energy and climate agency of northwestern Croatia (hereinafter: REGEA) has made preliminary designs of solar power plants for these power plants. On the basis of the developed designs, electric power approvals were requested from Hep ODS d.o.o. For 5 power plants, approvals were obtained, while for the remaining 6 power plants it was determined that these are more complex technical conditions for connection of power plants to the network, and offers were obtained for the preparation of a study of the optimal technical solution for connection to the network (EOTRP). Bids have been paid, and EOTRPs have been received.

In addition to the above activities on the project itself, during 2024, a market analysis was made for the needs of the project/construction of solar power plants.

The next phase of the project includes the public procurement of the preparation of the main designs, and the public procurement/contracting of the construction of power plants, after the adoption of the strategic decision of the Administration on the project itself.

VIO continues with activities related to the construction of solar power plants

VIO concluded an agreement with REGEA through the PV Max project co-financed by the EU and the Republic of Croatia for the development of preliminary designs for solar power plants. Preliminary designs for solar power plants SPP Mala Mlaka (power 9,900 kW, construction by 2028.), SPP Sašnak (power 7,000 kW, construction by 2028.), SPP Bukovac (power 400 kW, construction by 2024.), SPP Oporovec (power 400 kW, construction by 2024.), SPP Cerje (power 425 kW, construction by 2026.), SPP Laščina (power 200 kW, construction by 2025.), SPP Lisičina (power 350 kW, construction by 2025.), SPP Jačkovina (power 50 kW, construction by 2025.), SPP Sokolovac (power 200 kW, construction by 2025), SPP Folnegovićeve (power 500 kW, construction by 2025.), SPP Zagorska (power 200 kW, construction by 2025), SPP Lončarićev put (power 200 kW, construction by 2025.), SPP Bizek (power 100 kW, construction by 2026). A total of 13 solar power plants, of which 11 for integrated power plants and 2 for freestanding ones.

- » The solar power plant SPP Bukovac was put into trial operation on 3 October 2024 and after a trial operation of 7 days, a permanent work permit was issued, which officially began on 24 October 2024.
- » The contract for the construction of the solar power plant SPP Oporovec was concluded. The main design was prepared and approved by HEP. Construction works were carried out to prepare the terrain for the installation of the solar power plant. The completion of the installation of solar collectors and related equipment is expected by the end of March 2025. The commissioning depends on the works on the reconstruction of the substation, which must be carried out by HEP.
- » Back in April 2023, a contract was concluded with the Environmental Protection and Energy Efficiency Fund (hereinafter: EPEEF) to co-finance the development of main projects for 6 solar power plants - SPP Cerje, SPP Laščina, SPP Jačkovina, SPP Sokolovac, SPP Folnegovićeve and SPP Zagorska. Through public procurement, design was contracted for all 6 solar power plants. In 2024, all contracted projects were completed, a request for recovery of funds with the necessary documentation was submitted to the EPEEF, and the recovery was carried out.
- » During the first half of 2024, the preliminary design of SPP Mala Mlaka and SPP Sašnak was completed and the request for the development of EOTRP was initiated for SPP Sašnak; the development of an analysis of the use of battery systems was initiated with the aim of reducing the costs of connecting the solar power plant SPP Mala Mlaka to the network. In accordance with the analysis made by REGEA and the information obtained from HEP, and related to the limitations with regard to the existing infrastructure, projects are divided into self-sufficiency projects and projects for sale/sharing. Revised requests for the development of EOTRP for SPP Sašnak and SPP Mala Mlaka were submitted.
- » A public procurement procedure was carried out for the design and construction of SPP Folnegovićeve (499 kW). An analysis of the bids was carried out and a Decision on the selection and signing of the contract is expected.

Application to the EPEEF for the procurement of a universal automatic press for the subsidiary Čistoća

In 2024, the procurement and installation of a universal automatic press or baler with a capacity of 60 tons with equipment for the reception, sorting and baling of secondary raw materials for the needs of the subsidiary Čistoća was realised by applying to the "Public call for the encouragement of measures for separate collection of municipal waste (ZO 2-2023)".

This enables a better possibility of achieving higher purity of packaging waste and storage at times when it is necessary for operational needs.

Water Management Plan 2024 – Vodoopskrba i odvodnja and Hrvatske vode

Projects co-financed by Hrvatske vode in accordance with the Water Management Plan for 2024

In accordance with the Water Management Plan by Hrvatske vode for 2024, the following contracts were concluded:

1. Contract on co-financing the construction of water facilities in the area of the Zagreb agglomeration for a total amount of EUR 553,125.00, where the co-financing ratio is Hrvatske vode - 80% and VIO - 20%. According to the said Contract, in the first half of 2024, VIO withdrew the entire amount.
2. Contract on co-financing the program of reducing losses in water supply systems in the Republic of Croatia, the area of the water supply system VIO for a total amount of EUR 400,000.00, where the co-financing ratio is HV - 80% and VIO - 20%. According to the said Contract, VIO withdrew the entire amount.
3. Contract on co-financing project documentation in the area of the Zagreb agglomeration for a total amount of EUR 427,058.82, co-financing ratio is Hrvatske vode - 85% and VIO - 15%. According to the said Contract, VIO withdrew the amount of EUR 394,319.46, i.e. 92% of the approved amount.
4. Contract on co-financing the construction of water facilities in the area of the water supply zone Zagreb for a total amount of EUR 322,500.00, where the co-financing ratio is Hrvatske vode - 80% and VIO 20%. According to the said Contract, VIO withdrew the entire amount.
5. Contract on co-financing the construction of water facilities in the area of the water supply zone Zagreb, water research works for a total amount of EUR 87,500.00, where the co-financing ratio is Hrvatske vode - 80% and VIO - 20%. According to the said Contract, VIO withdrew the entire amount.

PROJECTS CO-FINANCED AND PLANNED FOR CO-FINANCING FROM THE RECOVERY AND RESILIENCE MECHANISM

As early as December 2022, an application was made for the 2nd call for "Financing the implementation of investment projects related to smaller parts of the public water supply and public wastewater drainage system within the National Recovery and Resilience Plan 2021- 2026 ", according to which investments in the total value of EUR 19.23 million were applied for. The total eligible costs of the Project "Construction and Reconstruction of the Public Water Supply System in the Area of the City of Zagreb and Zagreb County" amount to EUR 15.39 million. The non-refundable financial contribution from the Recovery and Resilience Mechanism is a maximum of EUR 12.31 million, i.e. 80% of the amount of eligible expenditures of the Project. The project includes a total of 49 elements/subprojects related to the construction of 1.66 km and the reconstruction of the 32.2 km water supply network with associated facilities within the city districts of the city of Zagreb and within the city of Samobor, the municipality of Stupnik and the city of Sveta Nedjelja, with the aim of ensuring the availability of water for human consumption through the public water supply system and its safe and unhindered delivery. In 2024, corrections and refinements to the application were made. In June 2024, the final consent to the Project was obtained and the Contract on co-financing the project was signed on 6 September 2024 by the Ministry of Environmental Protection and Green Transition, Hrvatske vode and Vodoopskrba i odvodnja d.o.o.

THE IMPACT OF REGULATORY CHANGES ON BUSINESS

As a provider of services of general economic interest, the business of the Group is regulated by numerous laws and by-laws and, accordingly, the Group is exposed to dynamic changes in legislation and the regulatory framework. The prices of certain activities of the Group are influenced by the regulator and the City of Zagreb as a unit of local self-government. Part of the activities of the Group, including the pricing of services arising from such activities, are regulated by certain bodies in the Republic of Croatia, such as, for example, the Croatian Energy Regulatory Agency, the Council for Water Services, while part is under the regulatory influence of local self-government units. On the other hand, the costs of providing services are influenced by the market, where in the event of market disturbance, the above requires changes in the price list for these types of services.

1. Gradska plinara Zagreb – Opskrba d.o.o. – GPZ-O

In November 2024, the Government of the Republic of Croatia adopted *Amendments to the Regulation on the elimination of disturbances on the domestic energy market* (OG 132/2024), and in accordance with the amended Article 8a, gas suppliers were allowed to submit requests for reimbursement of the price difference for the period from 1 April 2024 to 30 September 2024. In accordance with the above, on December 10, 2024, the GPZ-O submitted two requests for reimbursement of the price difference to the Ministry of Economy (for the period April-June 2024 and the period July-September 2024), which set the conditions for the recognition of revenues and receivables from the state. As at 31 December 2024, receivables from the Ministry of Economy on the basis of reimbursement of the difference in the price of gas amount to EUR 186.6 million. By the date of preparation of this report, the Ministry of Economy has not yet decided or issued a decision on any of the submitted applications of the GPZ-O. In order to protect its rights and interests, the GPZ-O has taken further legal actions and initiated administrative disputes due to the "administrative silence" and not taking any decision on the requests in question. Four administrative disputes are underway.

2. Subsidiary Čistoća

At the session of the Government on 28 November 2024, the *Regulation on the unit fee for waste disposal* was adopted (OG 137/2024), which entered into force on 1 January 2025. The Regulation defines the amount of the fee imposed by the *Waste Management Act* (OG 84/2021, 142/2023); it is a new fee and significant material expenditure for ZGH. The person liable to pay the waste disposal fee is the landfill manager, i.e.

ZGH, subsidiary Čistoća. The fee is paid according to the decision of the Environmental Protection and Energy Efficiency Fund, which the Fund adopts by 30 June of the current year for the previous calendar year. The law provides for the amount of compensation of 30 EUR/t of disposed waste for 2025. Accordingly, during 2026, the ZGH expects a decision on the payment of the said fee in the amount of about 5.4 million EUR (estimated value based on historical data on collected waste).

Waste disposal fee is a measure that encourages the reduction of the amount of waste disposed of at landfills in the Republic of Croatia. The funds collected by collecting the waste disposal fee are used by the Environmental Protection and Energy Efficiency Fund to finance the construction and improvement of waste management and recycling infrastructure, as well as to appropriate educational and informational activities

IV ACTIVITIES RELATED TO BUSINESS DEVELOPMENT

In accordance with the business goals of the Company, following the trends in the development of technologies, but also the requirements of external business stakeholders (our customers/users/obliged entities), the activities of improving the Company's business are primarily focused on the circular economy, sustainable business and the implementation of a new model of waste collection, digitalisation of business, and improvement of relations with users of utility services through increasing the quality and availability of services to users.

STRATEGIC PROJECTS OF THE COMPANY

Waste Management Centre Zagreb

The Waste Management Plan of the Republic of Croatia envisages the construction of a waste management centre that includes the treatment of municipal waste and non-hazardous waste remaining after the recovery of materials and other non-hazardous waste. As part of this activity, the City of Zagreb plans to build a complete waste management system consisting of plants for different waste streams, i.e. it includes a waste sorting and treatment plant and a biogas plant. In accordance with the EU Action Plan for the Circular Economy, the foundations of such an integrated system are based on strategic goals aimed at strengthening waste prevention, encouraging recycling and reuse, and reducing waste disposal.

During 2024, the Feasibility Study of the Waste Management Centre was amended, a tender procedure was carried out for the preparation of the conceptual design, conceptual design and environmental impact study of the Waste Management Centre Zagreb. The investor is the City of Zagreb, while ZGH supports the implementation, since the subsidiary Čistoća is a public provider of waste collection services and thus the largest user of the centre's services.

The components of the future waste management centre are:

Plant A) Biological treatment of biowaste

Bio-waste treatment plant for the purpose of receiving and treating bio-waste from the City of Zagreb. These are separately collected biowaste from kitchens and canteens from households and similar sources, including biodegradable waste from gardens and household gardens, as well as biodegradable waste from public urban areas (gardens and parks).

Upon reception and preparation, the process in the plant consists of biological treatment of biowaste by dry fermentation in the first step and composting of the solid phase of the obtained digestate in the second step.

Plant B) Mechanical treatment of waste

The mechanical waste treatment plant accepts mixed municipal (hereinafter: MSW) and bulky waste, packaging waste - plastic and paper and cardboard. Upon reception, and before treatment, waste is sorted.

The mechanical waste treatment plant consists of equipment for:

- a) mechanical treatment of MCW from the area of the City of Zagreb and Zagreb County (opening of bags and seeding), biodrying of the small fraction of MCW after its mechanical treatment and residual waste after refining of packaging waste and paper/cardboard;
- b) mechanical treatment (sorting, refining) of separately collected packaging waste from the area of the City of Zagreb (except paper/cardboard) and predominantly recyclable large fraction of MKO after mechanical treatment;
- c) mechanical treatment (sorting, refining) of separately collected paper and cardboard from the area of the City of Zagreb;

- d) mechanical treatment of bulky waste.

Asphalt base -> Rakitje

One of the strategic plans of the Company is to upgrade the existing asphalt plant Bennighoven and to replace the old asphalt plant Gradis with a new asphalt plant. With these investments, the Bennighoven plant will be able to produce Ekoasphalt by an automated process, the share of the use of recycled material will increase, and the replacement of the old plant with a new one will be able to use recycled asphalt for the production of new bituminous mixtures with recycled materials in load-bearing and wearing asphalt layers.

The project is in the phase of implementing preparatory actions for the process of procurement of project and technical documentation and the preparation of a study on the possibility of producing recycled mixtures and a study on the possibility of producing hot bituminous mixtures with the use of recycled asphalt aggregate, which will be carried out in 2025.

Of the significant investments initiated in 2024, we highlight the investment for the procurement of a new asphalt analyser that serves for laboratory testing of asphalt samples. The new device will accelerate the testing of asphalt mixtures and increase the volume of tested samples.

Furthermore, an investment for the replacement of the hot oil boiler at the asphalt plant "Gradis" was initiated, which will be realised in 2025. The investment in question will significantly reduce the carbon footprint by replacing fuel from fuel oil with electricity, and thus reduce environmental pollution.

Work machinery / trucks

In the investment period from 2024-2026, Company plans to implement a project for the renovation of utility infrastructure. This comprehensive project includes the procurement of more modern machinery and devices for waste management, for planting trees and for road maintenance in order to improve the quality of life of citizens and improve the infrastructure of the city, which will also have a positive impact on achieving greater efficiency and reducing the carbon footprint of old machinery. The modernisation of waste management equipment and devices will enable more efficient collection and preparation for waste recovery/recycling. The renovation of utility infrastructure for planting trees will ensure the expansion and preservation of green spaces in the City. A key part of the project is the modernisation of road maintenance equipment through which the Company wants to ensure traffic safety and comfort for all road users. This includes faster and more efficient repair of cracks and fractures, asphalt restoration and ensuring adequate vertical and horizontal signalling, and overall reduction of emissions into the environment through the use of environmentally friendly vehicles, equipment and machinery.

During 2024, the project was in the phase of developing documentation for the procurement process (procurement plans, technical specifications, general procurement conditions, etc.) and preparing the necessary documentation for the financing of the said equipment, and an implementation period of 2025-2026 is expected.

Construction waste -> Resnik

During 2024, the subsidiary Čistoća started receiving construction material in the warehouse of construction material Resnik, where material generated in the process of renovation of buildings damaged by the earthquake is processed and temporarily stored. Also, contractors who have a contract with the Ministry of Physical Planning, Construction and State Property may, upon submitting a request to Čistoća, start bringing the material to the location of the warehouse. During 2024, 6,234.42 t of construction material was received from renovation to the temporary warehouse of construction material.

Revitalisation, renovation and construction of markets in the city of Zagreb

The plan for the revitalisation of Zagreb's markets for 2025 includes the reconstruction of the Utrina market, equipping at the Trešnjevka market, reconstruction of the roof and the entrance to the Prečko market, as well as the reconstruction of the surface, construction of facilities and equipping the Dolac market, while the construction of noise barriers, reconstruction of the facility and freight platforms, rehabilitation of the permeability of the drainage system and the installation of a video surveillance system are planned at the wholesale market and cold storage. Part of the investment activities began in 2024.

SOC implementation project and establishment of the primary and secondary location of the data centre

ZGH is obliged to comply with the NIS2 Directive, which provided guidelines to national legislation and on the basis of which

the *Law on Cybersecurity* (OG 14/2024) and the *Regulation on Cybersecurity* (OG 135/2024) were adopted, which imposed measures and sub-measures for actions aimed at strengthening the general cybersecurity of all EU members.

In order to more successfully implement the measures set out by law, ZGH plans to invest in the establishment of a Safety and Operational Centre (hereinafter: SOC) for 2025. The investment consists of the engagement of permanent supervision (24/7) by the contractual service provider, and the establishment of the SIEM (Security Information and Event Management) system over the IT assets of ZGH. SIEM assumes the procurement of technical solutions, as the existing IT infrastructure has shortcomings that will have to be strengthened through the procurement of new devices for different purposes (including the recording of logs), in order for SOC to function. In 2024, the preparation of documentation for the public procurement of SOC elements began.

In parallel with the implementation of SOC, and as part of the overall project of consolidation of all information systems, the procurement of new communication and server equipment for the data centre is planned, which would establish the primary and secondary location (disaster recovery). The APIs data centre is planned as the primary location. A prerequisite for the implementation of the project is the passage of an optical line between the two locations. All these activities would ensure complete redundancy of the system.

ORGANISATIONAL CULTURE AND PROCESSES OF HUMAN RESOURCES DEVELOPMENT

During 2024, the material rights of workers were further improved compared to 2023 in such a way that the new Collective Agreement for workers of ZGH increased the basis for calculating salaries, and other material rights of workers from employment were determined in higher amounts compared to 2023.

During 2024, the Company continued to work on the development of employees and the strengthening of operational capacities through intensive employment in operational jobs in the Company.

Taking into account that the employer mostly employs workers in operational tasks, who perform tasks at different locations of the city of Zagreb, the workers were presented with the methods of acceptable communication and presentation of the employer to the community and citizens with whom they are in contact during working hours.

During 2024, compared to 2023, the number of operational workers increased by as many as 305 workers in the subsidiaries Čistoća, Zagrebačke ceste and Zrinjevac. At the Company level, the total number of newly employed workers in 2024 is 922, including seasonal workers. Based on the extremely good response to public employment tenders and the low rate of voluntary departures, it can be concluded that the Company is recognised as an attractive employer for the categories of operational jobs.

Given that the Company still recognises that candidates care about social security and regular income, most tenders, whenever it is in accordance with the need of the Company, imply employment for an indefinite period, with the contracting of a probationary period, which is certainly one of the reasons for the attractiveness of ZGH as an employer.

The Company continues to reduce the number of employees for a limited period of time as much as possible, by employing them exclusively in the event of replacement of workers on long-term sick leave or in the event of a temporary increase in the scope of work. In the event of an assessment of a long-term increase in the scope of work, ZGH concludes contracts for an indefinite period with workers who are employed for a definite period of time.

In addition to the above, in order to reach a larger number of candidates, and thus increase the chance of attracting the best possible staff, the advertising of the tender was extended to the leading portal for the publication of the tender. This increased the success of selection procedures and the realisation of employment by published tenders.

In 2024, the good practice of improving the skills and competences of workers continued, which will contribute to the expected growth and progress of the company, specialised training was organised and successfully implemented in accordance with the stated needs.

Also, the process of professional training of newly employed workers was improved, so that they could start working independently as soon as possible in a way that the entire process was significantly shortened and improved.

Employees are expected to comply with established rules and procedures and take responsibility for the results of their work.

In cases of violation of work obligations and work discipline of workers, appropriate measures were taken. At the same time, the commitment to work and the willingness to be proactively engaged in extraordinary circumstances are recognised, and these workers are paid awards for an innovative approach to work, outstanding contribution and the achieved results of work.

In 2024, the Human Resources Sector also emphasised the continuous promotion of equal opportunities for all workers, acceptance of diversity and support for inclusion in the workplace. Through external specialist education programs and examples of good practices with other employers, the Sector carried out activities to increase awareness of the inclusive environment at the workplace and the feeling of openness among all employees of the Zagreb Holding, without fear of discrimination. The goal is for all employees to feel supported and accepted in their work environment, which greatly contributes to the successful performance of their work and their general sense of satisfaction with their workplace.

By implementing the above measures, the Company encourages continuous improvement of the process and the creation of a culture in which the rules of conduct are clear and transparent, mutual respect between managers and associates is expected and encouraged, personal development and learning are encouraged, and engagement and professional success are rewarded.

CUSTOMER RELATIONS

"Sjeti se" educational campaign

At the beginning of October 2024, ZGH launched the advertising campaign "Sjeti se", which consists of five key messages aimed at increasing awareness of the importance of proper separation and waste management. The designed messages cover a total of five topics that remind citizens of the importance of waste separation, proper disposal of waste that is not transported in regular transport from home, i.e. the use of recycling yards and the service of bulk waste removal. Also, some of the messages are aimed at raising awareness that citizens can contribute to greater tidiness of public areas and areas around the tank, but also reduce the generation of waste.

These important messages were sent in the context of positive indicators in waste management. In Zagreb, as a reminder, in 2023, the amount of separately collected waste increased by 50 percent compared to the previous year. Posters are placed on various advertising surfaces of the City of Zagreb, in public institutions, local self-government areas and on waste disposal vehicles. The planned duration of the campaign is until the end of the half of 2025, when, in addition to the continuation of communication activities, it is planned to implement educational workshops for children in cooperation with primary schools in the City of Zagreb.

SPONSORSHIPS AND DONATIONS

The management framework, principles, criteria and procedure for the award of sponsorships and donations in the Company are defined by the *Ordinance on sponsorships and donations*, which is harmonised with the *Regulation of the Government of the Republic of Croatia on the criteria, criteria and procedures for financing and contracting programs and projects of interest to the public good implemented by associations* (OG 26/2015), as well as the new legislative framework on sustainability.

Requests for sponsorships and donations are considered by the Committee appointed by the Management Board of the Company. Before the start of work, the members of the Committee sign a statement of impartiality and confidentiality. They also undertake to exempt from consideration cases in which there is or is likely to be a conflict of interest.

The Ordinance on sponsorships and donations of the Company is an indicator of the policy of socially responsible business and investments in the development of the community. All approved sponsorships and donations are published on the Company's website.

Realised sponsorships and donations

During the year 2024, the Company supported projects aimed at environmental protection, humanitarian projects and projects in the field of culture and arts, science and education, health and sports. It also supported major sports events important for the City of Zagreb and the Republic of Croatia.

In total, the Company supported the projects, in the services provided by the Group, with a total value of EUR 105,953.90.

The Company supports humanitarian projects in its services, the concert "Želim život", organised by the Ana Rukavina Foundation, the "Začin ljubavi" campaign - which is held at Cvjetni trg in the City of Zagreb on the occasion of the World Hospice and Palliative Care Day. He is also a partner of the Association of Leukaemia and Lymphoma Patients in the humanitarian campaign "Ubaci čep za skupi lijek!" in the form of insurance of collection points at 20 recycling yards in the City of Zagreb, to which citizens could bring plastic caps and by donating all the costs of the subsidiary Čistoća that arise from the provision of these services. In 2024, 24th Festival of equal opportunities was also sponsored, which was held in May 2024 in Zagreb, along with the humanitarian races Terry Fox run and Advent run.

The Company's significant support in 2024 was given to major sports events important for the City of Zagreb and the Republic of Croatia, such as the ISU World Championship in synchronised skating 2024, European Senior Judo Championships 2024, international athletic tournament Memorial of Boris Hanžeković, World Rally Championship race - WRC Rally Croatia 2024, cycling race Cro Race, European Table Tennis Championships in 13 and WTT Contender Zagreb 2023, and 32nd Zagreb Marathon

ZGH is one of the co-organizers and initiators of the Cleaning of the International Children's Diving Eco-Patrol, which has been implemented since 2016 in cooperation with the Diving Club HRVI Nemo Adriatic and the agency Promocija diving d.o.o.

By sponsoring its services, the Company supported various conferences and cultural events such as 16th ZeGeVege Festival of Sustainable Living and the Greencajt Festival, the Conference "Podržimo održivo", the Web3 Tales Conference, the Report on the State of the Planet, the event "Noć prvaka" was sponsored, and the projects of Ilica - Q'ART and the Place Market.

V BUSINESS ANALYSIS

OF THE GROUP FOR 2024



BUSINESS RESULT

In 2024, the Zagrebački holding group generated a profit of EUR 27.20 million as a result of an increase in operating revenues by 8% compared to an increase in operating expenses at the rate of 5%. In 2024, operating profit (EBIT) was recorded in the amount of EUR 57.86 million and positive EBITDA in the amount of EUR 113.50 million. From financial activities, a loss of EUR 25.86 million was realised as a result of lower financial revenues related to the discount of receivables under lease contracts concluded with the City of Zagreb (hereinafter: the City) because certain facilities were handed over for management to the City and lower interest revenues from affiliated companies. When the one-off effect of gains from the change in fair value of property investment in the amount of EUR 15.8 million is excluded, the realised EBITDA amounts to EUR 97.70 million.

Description	1-12/2024 in 000 EUR	1-12/2023 in 000 EUR	Change in %
1	2	3	4=2/3
Operating revenues	846,646	786,392	8%
Operating expenses	(788,788)	(748,471)	5%
Financial revenues	11,145	17,833	38%
Financial expenses	(37,000)	(38,318)	-3%
Total revenues	857,791	804,225	7%
Total expenses	(825,788)	(786,789)	5%
Profit before tax	32,003	17,436	
Tax expense	(4,799)	(1,094)	
Profit for the year	27,204	16,342	
OTHER COMPREHENSIVE INCOME			
<i>Items that will never be reclassified to profit and loss account</i>			
Real estate revaluation gains (net)	108,384	4,990	
Gains from valuation of available-for-sale financial assets (net)	(1,435)	3,073	
Tax on other comprehensive income	(19,251)	(1,451)	
<i>Items that can be reclassified to profit and loss account</i>			
Profit from effective cash flow hedge	758	(758)	
Tax on other comprehensive income	(10)	136	
Total comprehensive income / (loss) for the year	115,650	22,332	
EBIT	57,858	37,921	53%
EBITDA	113,500	92,073	23%
Loss from financial activities	(25,855)	(20,485)	26%

REVENUES

In 2024, total revenues in the amount of EUR 857.79 million were generated, which is an increase of EUR 53.57 million or 7% compared to the previous year, which was most significantly influenced by the increase in other operating revenues in the amount of EUR 59.28 million or 30% (2024: EUR 254.29 million; 2023: EUR 195.01 million).

Sales revenues amounted to EUR 592.36 million (2023: EUR 591.38 million), which is an increase of 0.2% compared to the previous year. The most significant increase in sales revenues was recorded in the segments of *(i) landscaping and maintenance of green areas* in the amount of EUR 11.71 million due to higher revenues from the Budget of the City of Zagreb due to more intensive dynamics of works and tree planting, as well as harmonisation of prices of landscaping services with variable market input costs, *(ii) maintenance of cleanliness and waste disposal* in the amount of EUR 15.50 million due to higher revenues from the Budget of the City of Zagreb due to higher volume of works on the maintenance of public traffic areas and management of service prices in accordance with variable market costs, higher public service revenues due to an increase in the number of users, resulting in higher revenue from the mandatory minimum public service and higher revenue from the fee for emptying standardised bags and higher revenues from market waste collection services, *(iii) sales of medicines* in the amount of EUR 10.39 million due to higher demand for prescription and non-prescription medicines, *(iv) water supply and drainage* in the amount of EUR 7.93 million due to higher revenues from wastewater treatment by taking over CUPOVZ from 4 August 2024 and higher quantities of water delivered and drainage and construction of a number of new connections and *(c) management and maintenance of public roads* in the amount of EUR 5.36 million due to higher revenues from the Budget of the City of Zagreb as a result of several works on the asphalt paving program of unclassified roads of the 1st order in the area of the City of Zagreb and management of service prices with input parameters contracted through the public procurement process.

The reduction in sales revenues was recorded in the segments *(i) sales and distribution of gas* in the amount of EUR 45.69 million due to lower quantities of distributed gas and a lower number of customers as of 1 October 2024, when the change of gas supplier in the public service obligation occurred, and *(ii) management of facilities* in the amount of EUR 7.87 million due to lower revenues from the implementation of public projects that are submitted to the ownership of the City of Zagreb after the expiry of the lease.

The increase in other operating revenues (EUR +59.28 million) mainly refers to the coverage of costs related to the public service of collecting municipal waste, costs of collecting and disposing of plastic, costs of rehabilitation of landfills and operating costs of water services from the City of Zagreb Budget for purposes approved by the Assembly.

EXPENSES

In 2024, operating expenses in the amount of EUR 788.79 million were generated, which is an increase of EUR 40.32 million or 5% compared to the previous year.

In the structure of operating expenses, the most significant increase was recorded in staff costs (EUR +37.78 million), which was influenced by increases in material rights from collective agreements of ZGH and subsidiaries signed during the first half of 2024, as well as an increase in the average number of employed workers by 6% due to a higher number of operational workers in the subsidiaries Čistoća, Zagrebačke ceste, Zrinjevac and VIO, and as a result of the transition of employees of Zagrebačke otpadne vode. Cost of material and services decreased by EUR 4.56 million, primarily due to a decrease in the cost of goods sold, which is the result of lower delivered quantities of gas. On the other hand, with the closure of the Jakuševac and Čret composting plants, the costs of utility services and fees increased significantly due to the need to hand over bio-waste to an external recuperator. Cost of value adjustment is higher (EUR +9.78 million) due to the value adjustment of non-current assets and trade receivables.

STATEMENT OF FINANCIAL POSITION

The following is a summary of assets, equity and liabilities from the Statement of Financial Position as at 31 December 2024, compared to the balance as at 31 December 2023.

Opis	31 December 2024 000 EUR	31 December 2023 000 EUR	Change rate %
Non-current assets	2,056,743	1,677,181	23%
Net working capital	30,720	69,135	-56%
Inventories	26,228	18,444	42%
Receivables	367,593	313,437	17%
Liabilities	(363,101)	(262,746)	38%
Net debt	(505,952)	(585,809)	-14%
Received loans, borrowings and financial lease	(316,258)	(369,446)	-14%
Liabilities for issued bonds	(303,098)	(302,622)	0%
Cash and cash equivalents	113,404	86,259	31%
Financial assets	4,108	4,032	2%
Other non-current and current liabilities	(825,038)	(539,891)	53%
Net assets	760,581	624,648	22%
Subscribed capital	421,666	421,666	0%
Reserves	383,218	279,399	37%
Profit retained / accumulated loss	(53,779)	(77,831)	-31%
Non-controlling interest	9,476	1,414	570%
Equity	760,581	624,648	22%

* Under the item Received loans, borrowings and financial lease, a liability based on the financial lease of the Arena hall in the amount of EUR 65.75 million for 2024 (2023: EUR 69.75 million) is stated. At the same time, the same amount was recorded within the item Non-current assets as a receivable from the City of Zagreb and the Government of the Republic of Croatia

As at 31 December 2024, the total net assets of the Company amounted to EUR 760.58 million and were higher by EUR 135.93 million compared to 31 December 2023.

Non-current assets increased by EUR 379.56 million, i.e. 23%, which is primarily the result of an increase in the value of property, plant and equipment in the amount of EUR 381.45 million. This increase results from the entry of assets by taking over the Central Wastewater Treatment Plant of the City of Zagreb (CUPOVZ), in accordance with the decision of the City Assembly of the City of Zagreb of 25 January 2024 (+222.53 million EUR), and the merger of public suppliers from the same water service area with the company VIO, in accordance with the conclusions of the City Assembly of the City of Zagreb of 7 November 2024 (+35.72 million EUR), which together contributed to a growth of EUR 273.44 million. An additional increase, in the amount of EUR 109.11 million, refers to changes in the fair value of non-current assets held under IAS 16 and subject to revaluation every five years. During 2024, investments in the amount of EUR 70.21 million were realised, while the annual depreciation and amortisation at the Group level amounts to EUR 55.64 million.

Net working capital decreased by EUR 38.42 million. In the structure of receivables, which are in total higher by EUR 54.16 million, receivables from the Republic of Croatia were increased (EUR +90.1 million) on the basis of the Amendments to the Regulation on the elimination of disturbances on the domestic energy market, which regulates the right of the gas supplier supplying the supplier in the public service obligation or the supplier in the public service obligation, to compensate for the price difference, as a result of which the company GPZ-O claims a total amount of EUR 186.6 million. At the same time, trade

receivables and related parties decreased by EUR 35.94 million due to the reduction in the number of households supplied with gas by GPZ-O and the collected receivables for the rehabilitation of the consequences of the storm from 2023. Liabilities to suppliers are higher by EUR 100.36 million, and relate to the non-payment of the difference between the agreed purchase and regulated selling price of gas for the supply of public service customers, which the company GPZ-O claims from the Republic of Croatia.

Net debt as at 31 December 2024 amounts to EUR 505.95 million and is lower by EUR 79.86 million compared to 31 December 2023 due to regular repayment of loans and leases and early repayment of the principal of the club loan in the amount of EUR 30.6 million and an increase in the cash balance by EUR 27.15 million.

Other non-current and current liabilities are higher by EUR 285.15 million due to deferred income recognition (+ EUR 257.68 million) related to assets received or financed from local self-government units taken over by the company VIO during the year.

The equity increased by the profit for the current year. The increase in revaluation reserves was due to the net profit from the revaluation of real estate and the entry of ownership rights over the real estate of the Central Wastewater Treatment Plant of the City of Zagreb in the amount of EUR 15.5 million according to the decision of the Company's assembly of 30 December 2024 initiating the procedure of recapitalisation of the company Zagrebački holding d.o.o.

VI THE MOST SIGNIFICANT RISKS AND UNCERTAINTIES

TO WHICH ZAGREBAČKI HOLDING D.O.O. AND THE GROUP ARE EXPOSED

In 2024, the Company faced various challenges that pointed out the importance of a systematic approach to risk management, defining the manner and responsibilities and competencies in managing operational and strategic risks. In order to anticipate adverse circumstances and events that could affect the achievement of the objectives and ensure the preconditions for determining and timely taking measures to reduce, eliminate or transfer them, as well as more efficient planning and optimisation of available resources, the Company centralised risk management in 2024. So far, with the implemented organisational changes, the Risk Management Department, Processes and Management Systems and the CISO Function (Chief information security officer) have been established. The general guidelines and rules of the process are prescribed by the *Ordinance on Strategic and Operational Risk Management and the Ordinance on Information Security*.

Furthermore, in 2025, the Company plans to implement a systematic risk management framework, based on the *Risk Management Strategy of ZGH* and the associated methodology. In accordance with the same, the focus is on the identification and management of key risks and opportunities and the reduction of strategic and operational risks, especially in the first half of 2025.

The key challenges identified in 2024 indicate the need for continuous improvement of financial management, the importance of improving the business strategy in accordance with regulatory changes, the need for additional optimisation of operational processes and adaptation of infrastructure to climate change.

Regulatory and market risks continue to have a significant impact on business operations, especially in the gas sales and distribution business segment. A significant step forward in the segment in question was carried out by consumer retention measures, which retained the leading position in the market, which ultimately had a significantly less negative impact on the financial result of the Group. Carefully created measures pointed to the importance of timely management of market changes, whereby Gradska Plinara Zagreb - Oprskrba remained the largest gas supplier in Zagreb.

The increasingly pronounced extreme weather conditions that create operational and financial pressures are a continuous business challenge. Mostly because of the realised and expected **climate risks**, it is necessary to further build the resilience of the business through the adaptation of infrastructure and optimisation of resources. Therefore, by assessing the financial significance, in order to fulfil the regulatory obligation to report on sustainability, by identifying the impact of risks and opportunities, the Company has created the basis for creating measures to increase resilience to climate change and improve the quality of life for citizens. Certain opportunities, such as the introduction of new technologies and the digitalisation of business processes that can significantly improve operational efficiency and reduce operational risks, have been confirmed as a strategic direction, while the strategic focus on green projects and sustainable initiatives, which can improve reputation and create new sources of financing, has proven to be an investment preferred framework. The continuation of optimisation of the organisational structure and processes, which leads to additional savings and efficiency improvements, has been identified as the biggest opportunity in the upcoming business challenges.

The implementation of measures to improve business, the necessary financial policies and organisational changes and the analysis of business processes enabled systematic management of business processes, in order to visibly reduce the **management risks** arising from the analysis of financial significance. As a result, this reduces the risk of insufficiently effective management of business processes and the risk of insufficient coordination of different organisational units, which leads to reduced business efficiency and negatively affects operational results by reducing productivity and lower quality of service.

Furthermore, in order to achieve a higher level of **cybersecurity** and to secure the assets and data from the threats of unauthorised access, the Company is taking measures by implementing a Security Operational Centre (SOC) and implementing the NIS 2 Directive. The aim is to reduce the risk of a possible repetition of the attempted cyber attack from July 2024, which poses a threat to the security of network and information systems, to which the Company reacted in a timely manner, primarily by pre-emptively isolating its information system, and then by conducting forensic analysis of the system.

2024 was also marked by challenges arising from **global geopolitical risks**. Prices of energy products, raw materials and services were exposed to significant fluctuations due to global conflicts, challenges related to supply chains and economic sanctions. It was these factors that further emphasised the importance of sustainable and strategic management of resources in order to reduce the impact of unpredictable external circumstances on the business of the company and its users.

One of the key measures implemented by the Company is the conclusion of framework agreements with suppliers. These agreements enabled:

- » fixing prices for a certain period, which minimises the risks of sudden cost increases,
- » ensuring a stable supply of key resources, despite disruptions in the global market,
- » encouraging local suppliers, which reduces dependence on imports and further strengthens the local economy.

In addition to the economic advantages, this approach also contributes to sustainable development because it enables long-term stability in providing services to citizens, reducing costs and preserving the availability of basic needs.

The society remains committed to further strengthening resilience through innovative strategies and partnerships, with the aim of reducing the impact of global challenges on local communities. Sustainable action in turbulent times not only ensures the stability of society, but also strengthens the trust of citizens and business partners.

The implementation of financial stabilisation by refinancing the existing liabilities of financial instruments minimised the risks associated with financial instability. Financial risk management primarily includes interest rate, credit and liquidity risk management.

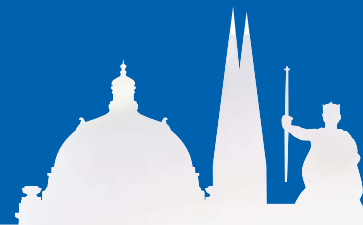
The **interest rate risk** of the Company arises from long-term loans and leases and issued bonds. Given that the majority of long-term interest rate debt is contracted at a fixed interest rate through a bond, and for the remaining part of the interest rate debt, which is related to the variable interest rate, contracts were concluded regarding the derivative instrument for active protection against exposure to interest rate risk. On the other hand, the Company potentially exposes itself to the fair value risk of the interest rate. The derivative instrument for active protection against interest rate risk exposure was contracted with the possibility of early termination of the contract in order to avoid further future losses that would potentially arise as a result of differences between the fixed variable part of the agreed interest rate and the reference interest rate. Due to the trend of reducing the base interest rates, the Company terminated the above-mentioned derivative instruments in August 2024.

Since the Company does not have significant assets that generate interest income, the Company's revenues and cash flow from operating activities are not significantly dependent on changes in market interest rates. The Company continuously monitors changes in interest rates taking into account potential refinancing and alternative financing and calculates the impact of interest rate changes on profit and loss.

The assets of the Company that bear the credit risk consist mainly of cash assets, trade receivables and other receivables. The Company does not have a significant exposure to credit risk, since it achieves a high level of collection of its services from the City of Zagreb and from customers.

The Company and Group members manage the **liquidity risk** by continuously monitoring the planned cash flow by comparing and aligning it with the real cash inflow and outflow. The Company additionally manages the risk in question in such a way as to ensure that a sufficient level of cash and cash equivalents is maintained and that financial resources are available, if necessary, by opening dedicated credit lines. On the other hand, the Company settles all its due liabilities in maturities, and by using the synergy effects of a wide portfolio of services, it affects the growth of revenues and the reduction of costs of external services, while commercialisation and/or sale of non-operational assets can reduce credit indebtedness and increase liquidity.

APPLICATION OF THE CODE OF CORPORATE GOVERNANCE



20
24



VII STATEMENT ON THE APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

IN 2024

The Company pays exceptional attention to corporate governance and it is a significant determinant in the operations of the Company, which provides an incentive to the Management Board, the Management Board and the Supervisory Board in achieving the interests and protection of stakeholders, users of services and the Company as a whole.

The Code of Corporate Governance of Zagrebački holding d.o.o. with guidelines for the Zagrebački holding Group (hereinafter: the Code) was adopted by the bodies of the Company: the Management Board on 23 December 2015, the Supervisory Board on 11 May 2016 and the Assembly of the Company on 12 May 2016. The Code is published on the Company's website.

The purpose of the Code is to establish, maintain and further improve high standards of corporate governance and transparency of operations for efficient operations and responsible management of resources in the function of the development of the Company, all in the best interest of the citizens of Zagreb as users of utilities and public services, and then all other interest groups, stakeholders with whom the Company enters into business and legal transactions.

In the 2024 financial year, the Company essentially monitored and applied the recommendations set out in the Code, publishing all information the publication of which is provided for by positive regulations and the publication of which information is in the interest of investors, as well as all stakeholders.

Management and organisation of management

The Company has the following bodies: the Management Board, the Supervisory Board and the Assembly.

General Assembly of the Company

The Assembly of the Company is composed of the City of Zagreb as the sole member of the Company, and in 2024 it was made, on the basis of the *Conclusion on the representatives of the City of Zagreb in the Assembly of companies Zagrebački holding d.o.o. in which the City of Zagreb has a one hundred percent stake* from 7 June 2021:

- a) Tomislav Tomašević,
- b) Danijela Dolenec i
- c) Luka Korlaet.

As a rule, the Assembly of the Company is convened once a year, and it must be convened whenever the interests of the Company so require and in cases determined by the Law and the Statement of Incorporation. The Assembly decides on the financial statements of the Company, the use of realised profits and coverage of losses; the alienation and encumbrance of the Company's real estate; investment in the development and construction of new facilities and investment in other companies; the annual plan of operations of the Company; the increase and reduction of the share capital; the appointment and revocation of members of the Management Board; the election and revocation of members of the Supervisory Board; status changes, amendments to the Statement on the Establishment and Termination of the Company. In addition to these issues, the Assembly also decides on all other issues that are within its competence under the provisions of the Law and the Statement of Incorporation and other internal acts.

The Assembly of the Company is convened by the Management Board in the manner and within the deadline prescribed by law. The Assembly may also be convened by the Supervisory Board in cases provided for by the Law and the *Statement of Incorporation*, as well as by a member of the Company.

Supervisory Board

The Supervisory Board supervises the management of the Company's operations in accordance with the *Companies Act, the Statement of Incorporation of the Company and the Rules of Procedure of the Supervisory Board*, as well as other applicable regulations.

The Assembly of the Company elects and recalls members of the Supervisory Board for a term of four years, while one member - employee representative is appointed and recalled, in accordance with the provisions of the *Labour Act* (OG

93/2014, 127/20217, 98/2019, 151/2022, 46/2023, 64/2023). The members of the Supervisory Board regularly receive detailed information and reports on the state of the Company, the management and operation of the Company, in order to be able to effectively fulfil the obligation to supervise the management of the Company's affairs.

Report of the Supervisory Board on the performed supervision of the management of operations is an integral part of the annual reports of the Company submitted to the Assembly of the Company.

In 2024, the Supervisory Board was composed of:

- a) Suzana Brenko (from 14 June 2021 to 2 July 2024)
- b) Kristijan Starčević (from 13 February 2023),
- c) Andro Pavuna (from 22 December 2023),
- d) Martina Jurišić (from 22 December 2023),
- e) Željko Matijašec (from 22 December 2023)

The meetings of the Supervisory Board are convened as necessary, in accordance with the business challenges of the Company. The meeting of the Supervisory Board is convened and chaired by the President of the Supervisory Board. The President convenes the session on his own initiative, at the request of an individual member of the Supervisory Board or at the proposal of the Management Board of the Company. The meetings of the Supervisory Board must be convened at least once a quarter, and if necessary, or at the request of authorised persons, they can be convened more often, which is the practice of the current convocation of the Supervisory Board. Sessions are convened on different topics, and not only those prescribed by the Statement of Incorporation, i.e. legal acts. They are held at least once a quarter, and if necessary, more often. The manner of operation of the Supervisory Board is defined by the Rules of Procedure of the Supervisory Board of the Company.

Audit Committee – Subcommittee of the Supervisory Board

In addition, the Supervisory Board performs internal control and supervision through the Audit Committee, which provides expert support to the Supervisory Board and the Management Board in the effective performance of the obligations of corporate governance, risk management, financial reporting and control of the Company.

The Audit Committee is an expert advisory body of the Supervisory Board composed of members of the Supervisory Board and/or members appointed by the Supervisory Board, which helps the Supervisory Board in its work and performs activities in the field of financial reporting, internal audit and internal control systems in accordance with legal regulations and internal acts. In addition to the aforementioned tasks, the Audit Committee monitors the effectiveness of the external audit and their independence and objectivity. The manner of operation of the Audit Committee is defined by the *Rules of Procedure of the Audit Committee* of Zagrebački holding. The Audit Committee has 4 members, one of whom is also a member of the Supervisory Board.

Management Board

The Management Board of the Company manages the affairs of the company independently and at its own risk, and makes all decisions exclusively at its own discretion. The Management Board is obliged to always act exclusively for the benefit of the Company, taking into account the interests of workers and the wider community in order to increase the value of the Company's assets.

When managing the affairs of the Company, the Management Board has the following competencies: plans and programs the operations of the Company, analyses the market, prepares the investment program of the Company, monitors the state of funds of the Company, executes the decisions of the Assembly, takes care of the liquidity of the Company and takes measures to improve them, considers the report on the operations of the Company during the business year, submits to the Supervisory Board in accordance with the *Companies Act*, reports on the operations of the Company, convenes meetings of the Assembly, proposes the distribution of profits and measures to cover losses and performs other tasks determined by the Law and the *Statement of Incorporation*.

In 2024, the Management Board of the Company was composed of:

- a) Ivan Novaković – Member of the Management Board/President of the Management Board (from 3 September 2021),
- b) Matija Subašić-Maras – Member of the Management Board (from 15 September 2021),
- c) Dubravko Karačić – Member of the Management Board (from 13 December 2021) i
- d) Damir Novinić - Member of the Management Board (from 1 August 2023).

The term of office of the members of the Management Board is four years.

The Management Board manages the affairs of the Company in accordance with the Companies Act, the Statement of Incorporation and the Rules of Procedure of the Management Board. The President of the Management Board represents the Company individually and independently, while the other members of the Management Board represent the Company together with another member of the Management Board.

The Management Board is obliged to ensure that the Company keeps business and other books and business documentation, prepares accounting documents, realistically assesses assets and liabilities, prepares financial and other reports in accordance with accounting regulations and standards and applicable laws and other regulations.

The Management Board submits to the Supervisory Board reports on the operations of the Company during the business year in accordance with the *Companies Act*.

Management of affiliated companies and institutions

The Management Board of the affiliated company GRADSKA PLINARA ZAGREB d.o.o. in 2024 consisted of:

- » Davor Mayer, director (from 1 December 2023 to 1 January 2025) who represented the Company solely and independently.

The Management Board of the affiliated company GRADSKA PLINARA ZAGREB-OPSKRBA d.o.o. in 2024 consisted of:

- » Jeronim Tomas, Director (from 11.11.2021) representing the Company solely and independently.

The Management Board of the affiliated company GRADSKO STAMBENO KOMUNALNO GOSPODARSTVO d.o.o. in 2024 consisted of:

- » Marko Šarić, Director (from 18 June 2021 to 15 December 2024), who represented the Company solely and independently and
- » Slaven Sladoljev, Director (since 16 December 2024), representing the Company solely and independently.

The Management Board of the affiliated company ZAGREB PLAKAT d.o.o. in 2024 consisted of:

- » Director (from 14 February 2022) who represents the Company jointly with another member of the Management Board and
- » Toni Rončević, Director (from 1 March 2022) who represents the Company jointly with another member of the Management Board.

Institution GRADSKA LJEKARNA ZAGREB in 2024 was managed by:

- » The Management Board, in accordance with the provisions of the Articles of Association and
- » Marijo Vukušić, Director (from 6 July 2022) who represents the Institution solely and independently.

Responsibility of the head of subsidiaries and the Management Board of affiliated companies

The heads of subsidiaries of the Company and the members of the management boards of affiliated companies and the directors of affiliated institutions are responsible for the operational operations of the subsidiaries and affiliated companies and institutions and the implementation of all duties and tasks in the operational operations of the subsidiaries and affiliated companies and institutions, as well as for the accuracy of all financial data submitted to the Company.

The heads of subsidiaries of the Company and the members of the management boards of affiliated companies and the directors of affiliated institutions are obliged to prepare a proposal for the annual business and service provision plan for the subsidiaries, i.e. affiliated companies and institutions they manage; they must operate within the framework of the adopted annual plans and must not deviate from the planned financial values.

Responsibility and obligations of members of affiliated companies are described in the Statements of Incorporation of each affiliated company.

Internal Control System

The Company ensures the effectiveness of the internal control system in financial reporting, which consists of various records and methods that are implemented in order to initiate, identify, analyse, classify and record business events, i.e., they include all measures and procedures that will be applied in connection with the accounting statement of business events and ultimately the preparation of reliable financial statements. The Internal Audit Sector is in charge of reviewing the effectiveness of the internal control system, which establishes and supervises the flow of accurate, specific and complete data on the Company. The Company engages independent external auditors as an important instrument of corporate governance, in order to ensure that the financial statements adequately reflect the fair and true state of the Company as a whole. The Company carries out the activities of continuous monitoring and assessment of the internal control system by the self-assessment procedure at least once a year in accordance with the regulations governing the issuance of the Statement of Fiscal Responsibility, by the action of the Internal Audit Sector, the basic task of which is the assessment of the internal control system in accordance with the *Law on the Internal Control System in the Public Sector* (OG 78/2015, 102/2019), the implementation of the recommendations of the Sector and the orders and recommendations of external audits - SAO and commercial audit.

Diversity policy

In the implementation of the diversity policy, the primary goal of the Company is to ensure the application of the principles of equal opportunities and diversity in all processes and functions and to make them an integral part of decision-making in everyday practice. The implementation of anti-discrimination measures, ensuring equality regardless of membership of a particular group (on the basis of age, gender, ethnic/national origin, etc.), and the creation of an inclusive working environment are of particular importance. In order to implement the diversity policy, as one of the elements of socially responsible business, the Company adopted the *Code of Ethics* as a set of ethical principles on which business behaviour and a common value system are based and appointed the Ethics Committee. In order to protect potential reporters of irregularities, the Company also appointed a Person of confidence and their deputy on the basis of the *Law on the Protection of Reporters of Irregularities* (OG 46/2022) and adopted the *Ordinance on the procedure of internal reporting of irregularities and the appointment of a person of confidence and their deputy*. Pursuant to the *Labour Act* (OG 93/2014, 127/20217, 98/2019, 151/2022, 46/2023, 64/2023) and the *Anti-Discrimination Act* (OG 85/2008, 112/2012), the Company adopted the *Ordinance on Procedures and Measures for the Protection of the Dignity of Workers* and appointed a person to receive and resolve complaints on this basis and her deputy. The Ethics Committee, Confidential Person and Person for the Protection of the Dignity of Workers, each within their scope, have the task of determining actions that constitute an irregularity on any of the above grounds, as well as proposing the sanctioning of such behaviour.

Special attention is paid to the protection and promotion of the rights of persons with disabilities. The Company is one of the co-creators of measures and activities set out in the *Zagreb Strategy for Equalisation of Opportunities for Persons with Disabilities for the period from 2022 to 2025* (OJ CZ 22/2022), the objectives of which are to ensure the full integration of persons with disabilities by achieving integration in important areas of life by equal participation in political, public and cultural life; in the process of upbringing and education; in employment, health and rehabilitation; in social protection; in legal protection and protection against violence; in research and development and others. One of the determinants of the Strategy - vocational rehabilitation and employment, is a key element of social inclusion and economic independence of persons with disabilities, and work and employment are a basic condition for integration into regular living conditions.

Conflict of interest and anti-corruption

By adopting the *Anti-Corruption Policy* and the *Ordinance on the Suppression of Corruption and Conflict of Interest Management* (hereinafter: the Ordinance) by the Management Board of the Company in 2024, the Company confirmed its commitment to strengthening integrity, transparency and accountability in business for the purpose of combating corruption in all its forms. The adoption of these acts represents a continuation of the continuous development of the Company's strategic approach to the prevention of corruption and the management of conflicts of interest by prescribing preventive action through a set of rules, principles and procedures, ensuring and implementing an appropriate management policy, establishing processes and practices in the working environment that will encourage effective control, management and resolution of disputed situations, and detecting risky business areas and monitoring the implementation of anti-corruption measures in these areas. The Ordinance also defines the method of action related to lobbying, in accordance with the provisions of the new *Lobbying Act* (OG 36/2024).

Anti-corruption program

Although the Company already had a whole range of mechanisms and tools for anti-bribery and anti-corruption activities, by adopting the *Anti-Corruption Policy* and the Ordinance, they were unified and defined as the Company's mechanisms in the fight against corruption.

The *anti-corruption policy* expresses the Company's clear position and commitment to the fight against corruption, while the application of the Ordinance should enable everyone to systematically identify, prevent and sanction corrupt activities and conflicts of interest, ensuring fair, responsible and legal business. Prevention of corruption is based on acting on the causes of corruption, i.e. management of corruption risks. Therefore, the adoption of the Ordinance by the Company established a framework for the prevention of corruption and the management of corruption risks with clear guidelines for employees, members of the Management Board and management, which will be implemented in other members of the Group during 2025. The goal is to form a well-organized and managed system that will be as resistant as possible to corruption and to make employees aware of the risk indicators and apply acceptable protection measures to prevent possible abuses.

The purpose of the Ordinance is to design and apply systems and procedures for the prevention of corruption, to ensure a culture and environment that promotes fair and ethical behaviour, to raise employees' awareness of the presence of corruption, to analyse possible suspected corrupt activities and to create an environment that will help reduce its occurrence. The prevention of corruption is integrated through all organisational units and business processes at all levels of the Company in order to raise the awareness of all employees about the harmfulness and unacceptability of corruption.

Monitoring and control of activities related to the strengthening of anti-corruption measures are carried out through categories of Action Plans with measures, activities and projects envisaged for implementation in the set strategic period.

In addition to the *Anti-Corruption Policy and the Ordinance*, the *Code of Ethics and the Code*, the prevention of corruption is an integral part of the entire range of individual acts of the Company.

The Company is a member of the anti-corruption platform "Zviždač", formed with the aim of improving anti-corruption activities by unifying the system of reporting irregularities in the work of city administrative bodies and companies owned by the City of Zagreb.

In addition to the platform "Zviždač", irregularities in the Company can be reported to a person of confidence in accordance with the provisions of the Ordinance on the procedure of internal reporting of irregularities and the appointment of a person of confidence and their deputy and the *Law on the Protection of Reporters of Irregularities*.

The Group members also enable the exercise of the guaranteed right of access to information, which is a preventive tool for the fight against corruption by strengthening openness and transparency of work and narrowing the area of abuse of public authorities and encouraging the legality and regularity of action. Data on the information officer for each member of the Group are publicly available on the websites of each member of the Group.

Conflict of interest

The area of conflict of interest is also regulated by the provisions of the Ordinance. The members of the Supervisory Board and the Management Board, as well as employees, may not make decisions on the basis of personal interests or on the basis of the interests of persons with whom they have close relations.

Also, in the framework of public procurement, the members of the Management Board of the Company, members of the Supervisory Board and suppliers, in accordance with the Public Procurement Act (OG 120/2016, 114/2022), sign a statement on the existence or non-existence of conflict of interest. On the basis of the statements, a list of economic operators with whom the Company, as the contracting authority, may not conclude a contract, is made. This list is available on the Company's website.

In accordance with the provision of Article 22 of the *Accounting Act* (OG 85/2024, 145/2024), this Statement is a separate chapter and forms an integral part of the Annual Report for 2024.

Ivan Novaković
President of the Management Board

VIII STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING THE STATEMENTS OF THE ZAGREBAČKI HOLDING GROUP

IN ACCORDANCE WITH THE CAPITAL MARKET ACT

We declare that to the best of our knowledge:

- » The audited financial statements of Zagrebački holding d.o.o. for the period from 1 January 2024 to 31 December 2024 (unconsolidated) prepared with the application of International Financial Reporting Standards, give a complete and true view of the assets and liabilities, losses and gains, financial position and operations of the issuer,
- » The management report of Zagrebački holding d.o.o. for the period from 1 January 2024 to 31 December 2024 (unconsolidated) contains a true account of the development and results of operations and the position of the issuer, describing the most significant risks to which the issuer is exposed.
- » • Revised Sustainability Report of the Zagrebački holding Group for the period from 1 January 2024 to 31 December 2024 (consolidated) was prepared according to sustainability reporting standards as regulated by the implementing acts of the European Commission and the delegated acts adopted in accordance with Article 8 (4) of Regulation (EU) 2020/852.

In Zagreb, 29 April 2025

Ivan Novaković
President of the Management Board

Dubravko Karačić
Member of the Management Board

Matija Subašić-Maras
Member of the Management Board

Damir Novinić
Member of the Management Board

IX RESPONSIBILITY FOR ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AND SUSTAINABILITY REPORT

The Management Board shall ensure that the Annual Consolidated Financial Statements and the Sustainability Report of Zagrebački holding d.o.o., Zagreb, Ulica grada Vukovara 41 ("the Company") and its subsidiaries ("the Group") for 2024 are prepared in accordance with:

- » International Financial Reporting Standards established by the European Union ("IFRS") so as to provide a true and fair view of the consolidated financial position, consolidated results of operations, consolidated cash flows and consolidated changes in the Group's equity for the period. The Management Board reasonably expects that the Group has the appropriate funds for the continuation of operations in the foreseeable future. Accordingly, the Management Board of the Company prepared annual consolidated financial statements under the assumption of ongoing concern of the Group
- » European sustainability reporting standards (ESRS) as regulated by implementing acts of the European Commission and delegated acts adopted in accordance with Article 8 (4) of Regulation (EU) 2020/852

When preparing the Annual Consolidated Financial Statements, the Management Board is responsible for:

- » selection and then consistent application of appropriate accounting policies in accordance with applicable financial reporting standards;
- » making reasonable and prudent judgments and assessments;
- » preparation of Annual Consolidated Financial Statements with the assumption of ongoing concern, unless the assumption is inappropriate.

The Management Board is responsible for keeping correct accounting records, which will at any time reflect with acceptable accuracy the consolidated financial position, consolidated results of operations, consolidated changes in capital and consolidated cash flows of the Group, as well as their compliance with the Accounting Act and the International Financial Reporting Standards established by the European Commission. The Management Board is also responsible for safeguarding the assets of the Group and therefore for taking reasonable measures to prevent and detect fraud and other irregularities.

When preparing the Sustainability Report, in accordance with the provisions of Articles 32 and 36 of the Accounting Act (OG 135/24), the Management Board is responsible for:

- » preparation of reports in the part related to the EU taxonomy, in accordance with the requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation),
- » establishment, implementation and maintenance of the internal control system that the Management Board considers necessary to enable the accurate preparation of the consolidated Sustainability Report,
- » selection and application of appropriate sustainability reporting methods,
- » establishing and implementing the process of identifying the information published in the consolidated Sustainability Report according to the requirements of the ESRS, and for the publication of this process in Section ESRS 2 IRO-1 of the Report in question.

The Management Board is also responsible for the preparation and content of the Management Report and the Statement on the application of the Code of Business Management in accordance with the Croatian Accounting Act.

The Annual Unconsolidated Financial Statements of the Company are issued separately, at the same time as the Annual Consolidated Financial Statements. The Management Board approved the issuance of Annual Consolidated Financial Statements and Sustainability Report on 29 April 2025.

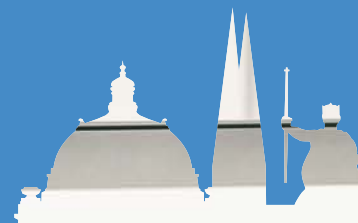
Ivan Novaković
President of the Management Board

Dubravko Karačić
Member of the Management Board

Matija Subašić-Maras
Member of the Management Board

Damir Novinić
Member of the Management Board

SUSTAINABILITY REPORT



2024

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT FOR THE YEAR ENDED 31 DECEMBER 2024



Tel: +385 1 2395 741
E-mail: bdo-croatia@bdo.hr

BDO Croatia d.o.o.
10000 Zagreb
Radnička cesta 180

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE CONSOLIDATED SUSTAINABILITY REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

To the Shareholders of Zagrebački holding d.o.o. and its Subsidiaries, Zagreb

We were engaged by Zagrebački holding d.o.o. (the "Company") to perform a limited assurance engagement, in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, on the Company's consolidated Sustainability Report (the "Subject Matter"), comprising the disclosures contained within the Sustainability Report section of the Management Report (the "Consolidated Sustainability Report") of Zagrebački holding d.o.o. and its subsidiaries (together, the "Group") as at 31 December 2024 and for the year then ended.

Criteria Applied by the Group

In preparing the Consolidated Sustainability Report, the Group has applied:

1. Articles 32 and 36 of the Croatian Accounting Act (Official Gazette Nos 85/24 and 145/24), including:
 - Compliance with the disclosure requirements of the **European Sustainability Reporting Standards (ESRS)**, and implementation of a **double materiality assessment process** as described in the section "Process for Double Materiality Assessment"; and
 - Conformity of disclosures in the Consolidated Sustainability Report with the reporting requirements of **Article 8 of Regulation (EU) 2020/852 (the EU Taxonomy Regulation)**.

Inherent Limitations in the Preparation of the Consolidated Sustainability Report

Inherent limitations exist in all assurance engagements.

The criteria and characteristics of the Sustainability Report—and the absence of long-established authoritative guidance, standardised applications and reporting practices—permit the adoption of varied, yet acceptable, measurement methodologies, which may result in differences between entities. The measurement methodologies adopted may also affect the comparability of sustainability data reported by different organisations and the consistency within the same organisation from year to year, as methodologies evolve.

When reporting forward-looking information in accordance with the ESRS, Management of the Group is required to prepare such disclosures based on published assumptions regarding events that may occur in the future and potential future activities of the Group. Actual outcomes are likely to differ, given that future events often do not transpire as expected.

Management's Responsibilities for Sustainability Reporting

Management is responsible for designing, implementing and maintaining the process to identify information to be disclosed in the Consolidated Sustainability Report in accordance with ESRS, and for describing that process in the "Process for Double Materiality Assessment" section of the Report. This responsibility includes:

- Understanding the Group's business context and stakeholder base;
- Identifying actual and potential **positive and negative impacts**, risks and opportunities relating to sustainability matters that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term;
- Assessing the materiality of such impacts, risks and opportunities by selecting and applying appropriate materiality thresholds; and
- Making reasonable assumptions in the circumstances.

Furthermore, Management is responsible for preparing the Consolidated Sustainability Report in accordance with Articles 32 and 36 of the Croatian Accounting Act, including:

- Ensuring compliance with ESRS;
- Preparing disclosures under Article 8 of the EU Taxonomy Regulation in line with its reporting requirements;
- Designing, implementing and maintaining internal controls deemed necessary to enable the preparation of the Consolidated Sustainability Report free from material misstatement, whether due to fraud or error; and
- Selecting and applying appropriate sustainability reporting methodologies, and making reasonable judgements and estimates for individual disclosures.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process established by Management.

Auditor's Responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained. We conducted our engagement in accordance with ISAE 3000 (Revised), as required by Article 37 of the Croatian Accounting Act and the terms of our engagement letter dated 3 April 2025. These standards require that we plan and perform the engagement to obtain limited assurance about whether any material modifications should be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue our report. The nature, timing and extent of procedures selected depend on our professional judgement, including an assessment of the risks of material misstatement, whether due to fraud or error.

Auditor's Responsibilities (continued)

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained. Our responsibilities in respect of the Subject Matter, as they relate to the Process, include:

- obtaining an understanding of the Process, but not for the purpose of expressing a conclusion on the effectiveness of the Process or its outcomes;
- considering whether the information identified complies with the applicable ESRS disclosure requirements;
and
- designing and performing procedures to assess whether the Process has been applied in accordance with the description of the Process provided by the Group in the "Process for Double Materiality Assessment" section.

Our other responsibilities in respect of the Subject Matter include:

- identifying disclosures for which there is a higher risk of material misstatement, whether due to fraud or error; and
- designing and performing procedures focused on those disclosures in the Consolidated Sustainability Report where material misstatement is likely to occur. The risk of not detecting a material misstatement resulting from fraud is higher than for error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the circumvention of internal controls.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Management

We have complied with the independence requirements and other ethical obligations set out in the International Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA), which enshrines the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We possess the requisite knowledge and expertise to carry out this assurance engagement.

We also apply International Standard on Quality Management 1 (ISQM 1), Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintain a comprehensive system of quality control, including documented policies and procedures covering compliance with ethical requirements, professional standards and applicable legal and regulatory obligations.

Description of the Procedures Performed

The procedures performed in a limited assurance engagement differ in nature, timing and extent from those in a reasonable assurance engagement and are less comprehensive. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than that which would be obtained in a reasonable assurance engagement. Our procedures are designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

While we have considered the design and implementation of internal controls established by Management in determining the nature and extent of our procedures, this limited assurance engagement was not designed to express a conclusion on those internal controls. Our procedures did not include tests of controls or any procedures to verify the aggregation or recalculation of data within IT systems.

A limited assurance engagement comprises making enquiries—primarily of those responsible for the preparation of the Consolidated Sustainability Report and related information—and applying analytical and other appropriate procedures.

The engagement involves performing procedures to obtain evidence relevant to the Consolidated Sustainability Report.

The nature, timing and extent of the selected procedures depend on our professional judgement, including the identification of disclosures in the Consolidated Sustainability Report where there is a higher risk of material misstatement, whether due to fraud or error.

Procedures Performed

In performing our limited assurance engagement, we have carried out the following procedures in relation to the Process:

- Obtaining an understanding of the Process, including:
 - making enquiries to understand the sources of information used by Management (e.g. stakeholder engagements, business plans and strategic documents);
 - reviewing the Group's internal documentation concerning the Process; and
 - evaluating whether the evidence obtained from our procedures on the Process is consistent with the description of the Process provided in the "Process for Double Materiality Assessment" section of the Report.

With respect to the Consolidated Sustainability Report, we have performed the following procedures:

- obtained an understanding of the Group's sustainability reporting process relevant to the preparation of the Report – including the consolidation process – by gaining an understanding of the Group's control environment, processes and information systems relevant to the Report, but without evaluating the design of specific control activities, obtaining evidence of their implementation or testing their operating effectiveness;
- evaluated whether the material information identified by the Process for determining disclosures was actually included in the Consolidated Sustainability Report;
- assessed the compliance of the structure and presentation of the Consolidated Sustainability Report with the requirements of the European Sustainability Reporting Standards (ESRS);
- made enquiries of relevant personnel and performed analytical procedures on selected data within the Consolidated Sustainability Report
- assessed the methods, assumptions and data used to develop significant estimates and forward-looking disclosures, and evaluated how those methods have been applied.

Description of Procedures Performed (continued)

- obtained an understanding of the process for identifying EU Taxonomy-eligible and aligned economic activities for turnover, CAPEX and OPEX, and the corresponding disclosures in the Consolidated Sustainability Report;
- evaluated the presentation and application of the EU Taxonomy templates in accordance with the relevant requirements;
and
- reconciled and tested, to the extent applicable, the consistency between the identified EU Taxonomy economic activities and the items reported in the consolidated financial statements, including the related disclosures in the notes.

Limited Assurance Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Group's Consolidated Sustainability Report for the year ended 31 December 2024 has not been prepared, in all material respects, in accordance with Articles 32 and 36 of the Croatian Accounting Act, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including the consistency of the Group's process for determining disclosures in the Consolidated Sustainability Report (the "Process for Double Materiality Assessment") with its description in the Report; and
- compliance of the disclosures in the "Information in Accordance with Article 8 of Regulation (EU) 2020/852" section of the Consolidated Sustainability Report with the reporting requirements of Article 8 of Regulation (EU) 2020/852 (the EU Taxonomy Regulation).

Other Matter

The comparative information included in the Group's Consolidated Sustainability Report for the year from 1 January to 31 December 2023 was not subject to our limited assurance procedures. Our conclusion is not modified in respect of this matter.

Zagreb, 29 April 2025

BDO Croatia d.o.o.
Radnička cesta 180
10000 Zagreb

For signatures, please refer to
the original Croatian auditor's
report, which prevails.

Hrvoje Stipičić, President of Management
Board

Marina Tonžetić, certified auditor

X ANNUAL CONSOLIDATED SUSTAINABILITY REPORT



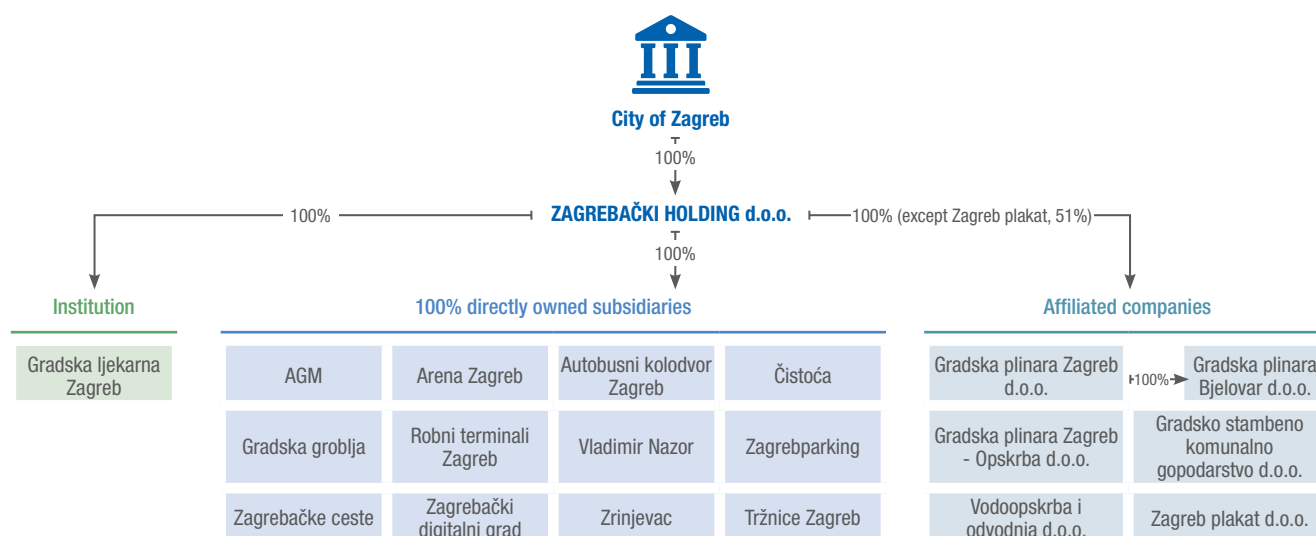
01 General Information

1.1. Introduction (ESRS 2 BP-2)

Since 2024, the Group has been subject to sustainability reporting in accordance with the Corporate Sustainability Reporting Directive (hereinafter: CSRD)¹, i.e. the Accounting Act (OG 85/2024). It is a transformative framework adopted by the European Union (hereinafter: the EU) to improve corporate transparency and accountability in sustainability matters. The CSRD represents a critical change in the way companies report their environmental, social, governance (hereinafter: ESG) impacts, aligning corporate practices with the EU's overarching goals for sustainable development and climate neutrality. Furthermore, with the publication of European Sustainability Reporting Standards (hereinafter: ESRS²), mandatory sustainability reporting has also received its own mandatory structural framework applicable to all CSRD obliged entities.

So far, the Group has reported in accordance with the Non-Financial Reporting Directive (hereinafter: NFRD), the provisions of which were transposed into the Croatian Accounting Act (OG 120/2016) in 2016 and have been applied since 2017. So far, the non-financial reporting of Zagrebački holding has followed the rules and structure of the GRI Standard.

Details on the structure of the Group are given in the chapter Basic information about the Zagrebački holding Group in the Management Report for 2024, and it is also graphically shown below.



¹ Corporate Sustainability Reporting Directive, CSRD, [link](#)

² European Sustainability Standard, hereinafter referred to as ESRS, [link](#)

1.2. Group in figures in 2024

Significant quantitative indicators of the Group in 2024	Numerical data
Rate of separate collection of municipal waste within the public service for the City	44.74%
Share of separately collected municipal waste (taking into account additional quantities that are not municipal waste, but were collected from the maintenance of cleanliness of public areas and green waste from the maintenance of parks in the City of Zagreb)	48.41%
Increased quantities of recovered biowaste	38,858 t
Recovered non-hazardous waste by own resources	160,090 t 4,880.81 t - kompostana
Number of installed underground tanks	150
Quantity of electricity produced from renewable sources (Company and subsidiaries)	31,614,207 kWh
Quantity of biogas produced from waste sludge	2,889,200 m ³
Quantity of depleted amount of landfill gas	14,211,663 m ³
Volume of water delivered to end consumers	58,828,408 m ³
Length of new water supply pipelines built	12.5 km
Length of rehabilitated water supply pipelines	9.7 km
Number of new connected water supply connections	867
Volume of water discharged in the area of the Zagreb agglomeration	174,077,258 m ³
Length of new built canals on the drainage network	11.2 km
Number of new connections to the canal network	760
Number of repaired canal connections	52
Quantity of natural gas distributed to end consumers	3,739,947,807 kWh
Total length of gas pipeline in the GPZ distribution area	3,994 km
Length of reconstructed old and built new gas pipelines in the GPZ distribution area	9 km
Number of billing metering points of gas supply in the GPZ distribution area	297,731
Number of trees planted in Zagreb parks and tree rows	> 8,000
Surface of maintained park areas	12,159,293 m ²
Rate of increase in wage mass with included one-time annual non-taxable net remuneration of workers	20.26 %
Number of services provided in the Holding Centre	671,015
Number of requests received through digital communication	384,078
Number of contacts made through applications and social networks	9,092

1.3. Basic information on the Report (ESRS 2 BP-1)

The Group publishes the Sustainability Report on a consolidated basis. The scope of consolidation is equivalent to the scope of reporting in the financial statements. The business group consists of the company Zagrebački holding d.o.o. (hereinafter: the Company), Gradska plinara Zagreb d.o.o. (hereinafter: GPZ), Gradska plinara Zagreb - Opskrba d.o.o. (hereinafter: GPZ-O), Gradsko stambeno komunalno gospodarstvo d.o.o. (hereinafter: GSKG), Vodoopskrba i odvodnja d.o.o. (hereinafter: VIO), Zagreb plakat d.o.o., the institution Gradska ljekarna Zagreb (hereinafter: GLJZ) and Gradska plinara Bjelovar d.o.o., a subsidiary of the affiliated company Gradska plinara Zagreb d.o.o. (hereinafter: GPB). The financial statements and the Sustainability Report for 2024 include 12 subsidiaries of Zagrebački holding d.o.o., 5 companies and one health institution. A subsidiary that is not part of this Report is Zagreb plakat d.o.o.

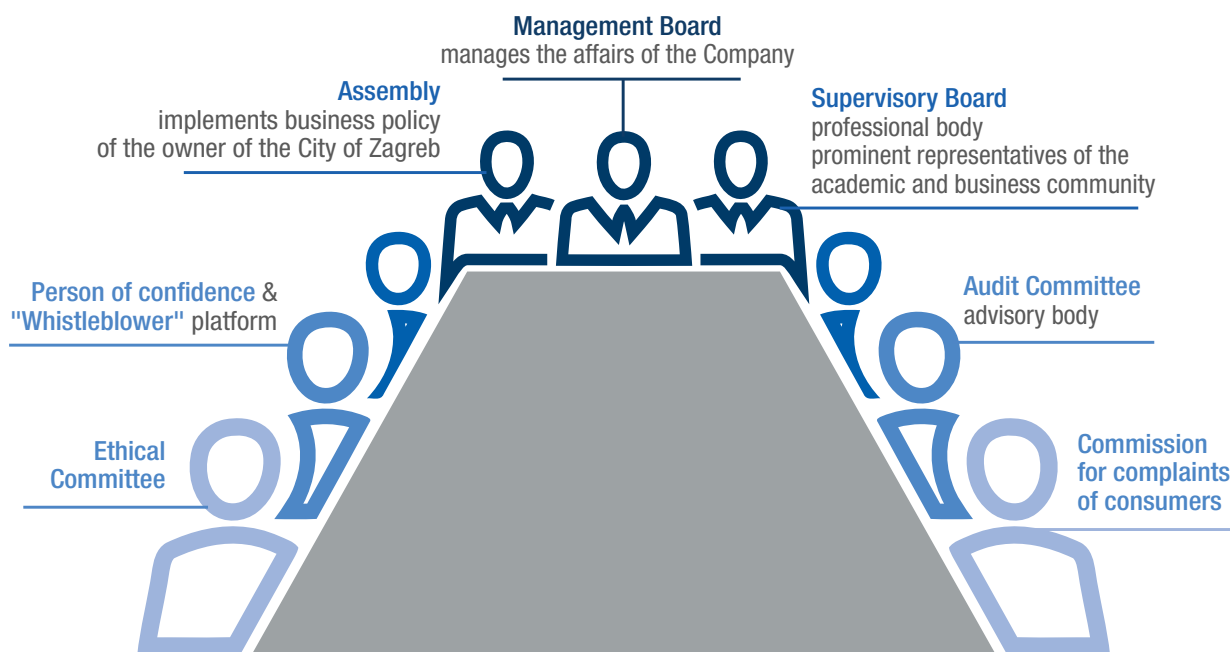
In this document, the term "Group" refers to all 18 components of the Zagrebački holding Group, with all consolidated data and information referring to the group as a whole. If certain data, statements or information refer exclusively to Zagrebački holding d.o.o., the term "Company" is used. The term "Management Board" refers to the Management Board of Zagrebački holding d.o.o. The Sustainability Report covers the higher and lower levels of the Group's value chain.

Publication request	Reference
ESRS 2 BP-1 Scope of consolidation	Consolidated financial statement, note 2
ESRS 2 GOV-1 Roles and responsibilities of administrative, management and supervisory bodies	Management Report, Basic information on the Zagrebački holding Group Statement on the application of the Code of Corporate Governance
ESRS 2 GOV-5 Risk management and internal controls of sustainability reporting	Report of the management, Sustainable business of the Company
ESRS 2 SBM-1 Strategy, business model and value chain	Management Report, Basic information on the Zagrebački holding Group, Financial report
ESRS 2 MDR-A Measures and resources related to significant sustainability factors	Management Report, Projects financed from the EU Solidarity Fund Management Report, Other projects co-financed by grants, Management Report, Projects of the Group, Vodoopskrba i odvodnja d.o.o. – ViO Management Report, Activities related to business development, Management Report, Featured business events
E1-5 Energy consumption and combination of energy sources	Consolidated financial statements, note 9
E3-4 Water consumption	Consolidated financial statement, Revenue from sales
S1-6 Number of employees at the Group level	Consolidated financial statement, note 10
G1 GOV-1 Expertise of the Management Board and the Supervisory Board	Izveštaj posloводства

1.3.1. Corporate governance (ESRS 2 GOV-1,2,3, E1 GOV-3)

Corporate governance is a significant determinant in the operations of the Zagrebački

holding Group, as described in the Management Report and in the chapter *Business behaviour*. The chapters Basic information on the Zagrebački holding Group and the Statement on the application of the Code of Corporate Governance in 2024 also provide basic information on the management and bodies of the Company and the Group, which are presented below.



The **Management Board** is a key body of the Company whose role is to manage affairs and represent the Company at its own risk. Since this is a dualistic management system, all members of the Management Board have executive functions, and the Supervisory Board operates in addition to the Management Board. During 2024, the Management Board was composed of 4 members, of which 25% were women and all were independent. During the year, the Management Board of the Company held 50 regular and 44 telephone sessions at which 542 decisions and 152 conclusions were made.

The President of the Management Board, Mr. Ivan Novaković, is also the Member of the Management Board in charge of corporate sustainability. Within its competence, the Sector for Strategy, Development and Business Compliance (hereinafter: the Sector) operates, which conducts an analysis of *impacts, risks and opportunities* (hereinafter: *IDE*³) at the level of the Company and coordinates this process at the level of the entire Group. During 2024, for the first time, a detailed analysis was carried out in the manner prescribed by the ESRs, and the Sector regularly informed the President of the Management Board and the entire Management Board about its work and progress in terms of analysis, monitoring and management of impacts, risks and opportunities. In 2024, the work focused on determining significant IROs, i.e. determining significant topics and collecting data in the areas of identified significant topics, in relation to which target values have not yet been established (except in the part covered by the sustainability strategy, and described in the chapter [Default indicators and goals related to sustainability](#)).

Since the Management Board is responsible for managing all business risks, including sustainability risks and related impacts and opportunities, after conducting an IRO analysis at the Group level for 2024, the Management Board reviewed and confirmed the established results on significant aspects of sustainability. The IRO's results were presented to the Management Board by the Sector for Strategy, Development and Business Compliance, together with an overview of related policies, measures, indicators and targets, where applicable. This process of analysing and determining IROs is a novelty at the level of Group management and was finalised at the end of the financial year, so the conclusions were not taken into account in relation to the implementation of the Group's strategy and key decisions during 2024.

The **Supervisory Board** (hereinafter: SB) is one of the central bodies of the Company. Its main role is to supervise the work of the Company's Management Board, and thus the manner in which the Company's affairs are conducted. SB submits the Report on its work to the Assembly of the Company. Within the SB, there is also an Audit Committee (hereinafter: AC) that helps in the work and performs activities in the field of financial reporting, internal audit and internal control systems in accordance with legal regulations and internal acts. Also, the AC monitors the effectiveness of the external audit and their independence and objectivity. SB and AC participate in sustainability projects by supervising the reporting process itself and the activities of the ESG team. In the first half of the year, the SB consisted of 40% women, and in the second half of 25%, with none of the members being a representative of workers⁴. Of 4 members of the SB, 1 is independent, and the other 3 are employees of the City of Zagreb.

³ *impacts, risks and opportunities*

⁴ The term "worker" is used in this Report for the sake of simplicity and refers to all persons, regardless of gender, including women and men.

The Management Board, SB, AC and senior management of the Company attended training on the topic of sustainability in order to gain knowledge and understanding of these topics and to be able to manage them in accordance with the business strategy and goals of the Company. Furthermore, the Management Board made a decision to establish an **ESG team** that brought together the existing internal capacities in the field of sustainability. In addition, a recruitment plan was adopted in the Department for Strategy, Development and Business Sustainability, within which an expert on the sustainability of decarbonisation was employed). The Management Board also approved a Training Plan that included training for the ESG team, but also for a wider range of workers in the field of ESG topics.

As for the incentive program, i.e. the remuneration of members of the Management Board of the Company and SB, one of the key goals is that the rules on acquiring the right to material or non-material remuneration do not lead to the members of these bodies of the Company assuming a higher level of risk than acceptable, and thus, for example, act to the detriment of users of services or other contracting parties for the achievement of their own private interests. The Collective Agreement defines the material rights of workers and defines only fixed remuneration. The company does not have a remuneration system in place, and the collective agreement defines the coefficients for each position. Salary supplements, as well as extraordinary rewards, are defined for workers by the collective agreement and the Work regulations. Exceptionally, one-off benefits for certain exceptional contributions of workers are provided, which are determined by the decision of the Management Board and paid one-time. On the other hand, the remuneration of members of the Management Board is defined by employment contracts. The remuneration of the members of the Management Board is fixed with the addition of 0.5% for each completed year of service. Namely, the Group is subject to the Act on the Prevention of Conflict of Interest (OG 143/2021) and therefore it is forbidden to receive additional compensation for the performance of public duties. According to the Guidelines of the Conflict of Interest Decision Committee, such benefits are considered to be any additions to the basic salary (bonuses, Christmas bonuses, holiday allowances, payments to the voluntary pension fund, etc.). For this reason, the performance criteria of the members of the Management Board are not related to their benefits and they receive only the basic salary that is transparently stated on the Group's website (in accordance with the Act on the Right of Access to Information (OG 25/13, 85/15, 69/22)). In other words, variable remuneration does not apply to the Management Board of the Company and is not related to sustainability indicators, so it does not include climate issues.

1.3.2. Due diligence procedure (ESRS 2 GOV 4)

The Group does not formally implement the due diligence procedure in accordance with international instruments (UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises). However, for the purposes of the analysis and assessment of double significance, i.e. for the assessment of significant IROs, during 2024, the Group carried out the following procedures:

- » Analysis of the Group's value chains at the level of subsidiaries – as described in the chapter *Value Chain*
- » Assessment, mapping and involvement of stakeholders – as described in the chapter *Relation with stakeholders and their impact on the Group's business strategy and business model*
- » Identifying and assessing its adverse effects and defining measures to eliminate them – as described in the chapter *Procedure and results of the assessment of double significance*

In the upcoming periods, the plan is to implement more detailed steps in the implementation of due diligence in relation to the negative effects of the Group. These steps would become part of the management processes and the business model and would be continuously considered at the strategic level.

1.3.3. Risk management and internal controls with an emphasis on sustainable practices (ESRS 2 GOV-5)

During 2024, the Company implemented a model of three lines of responsibility that regulate the responsibilities of employees (first line of defence), control functions (second line of defence) and internal audit (third line of defence), which is described in more detail in the Management Report, in the chapter *Sustainable Operations of the Company*.

The activities of continuous monitoring and assessment of the internal control system are carried out by the self-assessment procedure at least once a year in accordance with the applicable regulations. Accordingly, in 2024, the Risk Management Department, Processes and Management Systems conducted an analysis of the risks related to sustainability at the Company level, while coordinating the analysis and results of subsidiaries and the institution, consolidating them for the entire Group.

Risks related to sustainability were approached in a structured and methodological manner, based on a combination of the likelihood of occurrence and the potential extent of financial consequences. The Group's EBITDA was used as a financial indicator of significance. Since a universal approach to determining the probability and scale of risk is generally not possible, **an individual approach** was applied. For the purposes of the analysis of the likelihood and extent of risks, an audit analytical method was applied, i.e. the available internal and external documentation was used. In cases where the audit analytical method could not financially assess the likelihood and extent of risks, most often due to the absence of financial data, an experiential audit method was used for the audit assessment of risk exposure. In other words, based on the cumulated previous experience, the probability and scale were determined by assessment. Based on the procedure carried out in this way, the risks were analysed and it was determined which of them were significant.

Since this analysis was carried out for the first time for 2024 in accordance with the ESRS, the procedures and practices for the integration of sustainability risks into the general system of risk management and internal controls, as well as the procedures for periodic reporting to the Management Board of the Company and the Supervisory Board are still being established.

1.4. Business and sustainability strategy (ESRS 2 SBM-1,2)

The Group's business strategy is based on the provision of quality services to its customers. The Group provides more than 50 different services (20 of which can be considered as services of public interest) to about 1.1 million users. The smooth provision of these services is enabled by 7,792 workers⁵, and the services themselves are grouped into five business areas: energy, utility, market activities, public water supply and public drainage and pharmacy activities, as shown below.

1. **Energy activities**, which include:
 - » Subsidiary Gradska plinara Zagreb Opskrba d.o.o. (GPZ-0)
 - » Subsidiary Gradska plinara Zagreb d.o.o. (GPZ) to which Gradska plinara Bjelovar d.o.o. (GPB) belongs
2. **Utility activities**, which include:
 - » Subsidiary Čistoća
 - » Subsidiary Zagrebačke ceste
 - » Subsidiary Zrinjevac
 - » Subsidiary Zagreb parking
 - » Subsidiary Gradska groblja
 - » Subsidiary Tržnice Zagreb
 - » Subsidiary Autobusni kolodvor Zagreb
 - » Subsidiary Zagrebački digitalni grad
3. **Vodoopskrba i odvodnja**, to which belongs:
 - » Subsidiary company Vodoopskrba i odvodnja d.o.o. (VIO)
4. **Pharmacy activity**, to which belongs:
 - » Institution Gradska ljekarna Zagreb (GLJZ)
5. **Market activities**, which include:
 - » Subsidiary Gradsko stambeno komunalno gospodarstvo d.o.o. (GSKG)
 - » Subsidiary Robni terminali Zagreb
 - » Subsidiary Arena Zagreb
 - » Subsidiary Vladimir Nazor
 - » Subsidiary Zagreb plakat d.o.o.
 - » Subsidiary AGM





None of the Group's services are prohibited in any market.

⁵ The number of employees refers to the entire Group, including Zagreb Plakat d.o.o., and corresponds to the data from the financial part of the report in the chapter Basic information about the Zagrebački holding Group in the Management Report for 2024.

The Group's strategy is based on four pillars with the aim of achieving internal efficiency, reducing indebtedness, innovation and providing better quality service to customers:

- 1. Operational excellence** with an emphasis on cost efficiency and synergy, quality management system, exploitation of all internal potentials, automation and digitalisation with the aim of increasing internal efficiency and better communication with users and workers;
- 2. Growth and development** with an emphasis on digitalisation and "SMART City", innovation, investments and EU funds, unlocking of investment potential through reduction of indebtedness, socially responsible business, new services and expansion of the offer, using the synergy of the Group's wide portfolio of services with the aim of activating sales potentials;
- 3. People and organisational culture** with an emphasis on modern processes in the field of human resources, culture of trust, mutual respect for transparency and ethical treatment, engaged workers and agile organisation;
- 4. Sustainable business (ESG⁶)** that leads to the development of a green and circular economy, strengthening operational capacities and contributes to increasing the quality of services and socially responsible behaviour.

Strategy Pillars

 Operational Excellence	 Growth and Development	 People and Organisational Structure	 Sustainable Business (ESG)
<ul style="list-style-type: none"> • New organisational design and structure 	<ul style="list-style-type: none"> • Digitalisation and "SMART City" 	<ul style="list-style-type: none"> • Modern HR processes 	<ul style="list-style-type: none"> • Quality, reliable and innovative service
<ul style="list-style-type: none"> • Cost efficiency and synergy 	<ul style="list-style-type: none"> • Innovation, investments and EU funds 	<ul style="list-style-type: none"> • Culture of trust, mutual respect and ethical treatment 	<ul style="list-style-type: none"> • Quality Management
<ul style="list-style-type: none"> • Quality Management System 	<ul style="list-style-type: none"> • Socially responsible business 	<ul style="list-style-type: none"> • Engaged employees 	<ul style="list-style-type: none"> • Development of a corporate culture of equality and transparency
<ul style="list-style-type: none"> • Unlocking the full potential 	<ul style="list-style-type: none"> • New services and business expansion 	<ul style="list-style-type: none"> • Agile organisation 	<ul style="list-style-type: none"> • Sustainable resource management and circular economy
	<ul style="list-style-type: none"> • Strengthening operational capacities 		<ul style="list-style-type: none"> • Quality of life (environment, infrastructure, housing)

The development goals of the Group are primarily in the function of improving relations with users of utility services through increasing the quality and availability of services. The goal of the Group is to establish a sustainable business through a long-term strategic framework for sustainability management.





As part of the business strategy, the Sustainable Business Strategy for the period 2023-2028, which defined the Sustainable Development Goals. The sustainability strategy is the main document describing the sustainable elements of the overall business strategy of the Group.

Sustainable development of the Group is based on environmental protection, adaptation to climate change, crisis resistance, risk prevention, efficient use of natural resources and protection of biodiversity, while strengthening economic and social cohesion in setting priorities and measures.

In the field of environmental effects, the Group has committed to sustainable resource management, which includes waste management, efficient management of water resources and sustainable use of energy (including efficiency and energy from renewable sources). The long-term strategic goals covering the environmental, social and management areas are interconnected, therefore they are presented below in a grouped manner through common determinants.

⁶ environmental, social, governance, which implies environmental, social and management factors.

Strategic Goals

 Quality, reliable and innovative service	 Quality control	 Urbanisation and environmental protection	 Quality of urban life
<ul style="list-style-type: none"> • Innovative services and service development (digitalisation and smart city) 	<ul style="list-style-type: none"> • Employment, professional development and equal opportunities 	<ul style="list-style-type: none"> • Sustainable resource management 	<ul style="list-style-type: none"> • Air quality
<ul style="list-style-type: none"> • Customer satisfaction 	<ul style="list-style-type: none"> • Stable sources of funding 	<ul style="list-style-type: none"> • Fighting climate change 	<ul style="list-style-type: none"> • Housing quality
	<ul style="list-style-type: none"> • Development of a corporate culture and internal communication 	<ul style="list-style-type: none"> • Environmental responsibility in the supply chain 	<ul style="list-style-type: none"> • Green public spaces
	<ul style="list-style-type: none"> • Use of EU funds 		<ul style="list-style-type: none"> • Infrastructure quality
	<ul style="list-style-type: none"> • Strategic and active management 		<ul style="list-style-type: none"> • Partnerships
	<ul style="list-style-type: none"> • Transparency 		<ul style="list-style-type: none"> • Participatory governance - cooperation with citizens' associations and local communities
	<ul style="list-style-type: none"> • Risk management 		

Following the long-term strategic goals, it was identified that the impact of business on the environment will mostly depend on adequate resource management, which includes waste management, pumping and protection of water and increasing the share of energy use from renewable sources. Accordingly, the goals and performance indicators are defined, described in more detail in the chapter [Default indicators and goals related to sustainability](#).

1.4.1. Business model (ESRS 2 SBM-1)

The overall direction of development is based on the following strategic documents and action plans:

- » The Action Plan for Energy Sustainable Development and Adaptation to Climate Change of the City of Zagreb (SECAP)⁷
- » Development plan of the City of Zagreb for the period 2021 – 2027⁸
- » Development strategy of the Zagreb Urban Agglomeration for the period until the end of 2027⁹
- » Implementation program of the City of Zagreb for the period from 2021 to 2025¹⁰

In terms of specific ESRS sectors, those related to utilities, mining (oil and gas) and transport are primarily relevant to the Group. Revenue of the Group from gas distribution and supply are listed in the financial part of the report, in note 7.

⁷ The Action Plan for Energy Sustainable Development and Adaptation to Climate Change of the City of Zagreb, [link](#)

⁸ Development Agency Zagreb, [link](#)

⁹ Development strategy of the Zagreb Urban Agglomeration for the period until the end of 2027, [link](#)

¹⁰ "Implementation program of the City of Zagreb for the period from 2021 to 2025", [link](#)

1.4.2. Value chain (ESRS 2 SBM-1)

The value chain includes participants at higher and lower levels.¹¹ In the ESRS, the term value chain is used singularly, although it is known that companies may have several value chains. Description of value chains in this Report includes upstream part of the value chain, own operations and downstream part.

The upstream part of the value chain includes information on suppliers, types of goods and services and key risks and ways to assess risks in the supply chain, as well as criteria when selecting suppliers. Description of own operations refers to capacities, sufficiency of goods or services, description of business procedures, problems in business processes, ways of promoting services and possibilities for improvement, processes of procurement of goods and possibilities for improving procurement procedures. In addition, own operations include information on the activities of subsidiaries and elements of the value chain and ways of managing elements of the value chain. The downstream part of the value chain refers to information on sales, customer structure and customer satisfaction, adjustments of goods or services to people with disabilities and /or disabled persons and other stakeholders in the value chain.

Below is a consolidated view of the value chains of the Company, showing the basic components and stakeholders of the value chains of each subsidiary.



Own operations:

Commercial Department; Department of the Editorial Board of the Publishing Activity

UPSTREAM PART OF THE VALUE CHAIN:

External services: Printing services and graphic preparation
Translation and proofreading
Maintenance of software, websites, private security, postal services
Rent a vehicle

Purchase: Painting supplies and art supplies
Office supply
School and office supplies

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers: Libraries in the Republic of Croatia
Educational institutions
Bookstores and retail customers

¹¹ Participants who are at a higher level than the enterprise (e.g. suppliers) provide products or services used in the development of the enterprise's products or services. Subjects at a lower level than companies (e.g. distributors, customers) receive products or services from companies.



Subsidiary Autobusni kolodvor

Reception and dispatch of buses and luggage, sale of train tickets, reservation of seats on buses, information services, changing rooms, and parking services for personal vehicles and buses.

Own operations:

Passenger transport service; Department of transport affairs; Department of cashier-information affairs

UPSTREAM PART OF THE VALUE CHAIN:

External services: Maintenance and service of vehicles, machines, devices and equipment
 Upgrade and maintenance of the application subsystems Bravo and Dovid
 Maintenance and repairs of devices for automated cash payment of bills
 Installation, maintenance and service of the illuminated advertisement
 Emergency interventions to repair the roof
 Cleaning and washing of business premises, public garages and motor vehicle landfills
 Rent a vehicle

Purchase: Spare parts
 Equipment for waiting rooms and platforms
 Energy sources
 Accessible elevators for people with disabilities
 Printing services

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers:	Carriers and passengers Tenants of business premises
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PODRUŽNICA
ČISTOĆA

Subsidiary Čistoća

Public service of collecting mixed and biodegradable municipal waste and services related to public service in the city of Zagreb (separate collection of municipal waste through recycling yards, mobile recycling yards, containers in public areas and with users of services and separate collection of large (bulky) municipal waste).

Own operations: Waste collection service: Waste collection department; Recyclable and bulky waste department; Waste treatment service: Waste flow monitoring and technical documentation department; Waste landfill department; Waste pre-treatment department; Construction material processing department; Public area maintenance service: Department of cleaning and washing of public areas; Department of intervention and remediation of wild landfills; Service for municipal logistics and maintenance of vehicles, machinery and equipment: Department of vehicles, machinery and equipment; Maintenance department; Tank department

UPSTREAM PART OF THE VALUE CHAIN:

External services: Servicing of machines and vehicles
 Takeover and further treatment of waste (non-hazardous waste, hazardous waste, bio-waste, plastic packaging, clothing, textiles)
 Construction, maintenance and management of the Jakuševac landfill subsystems, Expert financial supervision of the construction, maintenance and management of the Jakuševac landfill subsystems
 Occasional rental of waste collection vehicles
 Maintenance of IT equipment

Purchase: Spare parts of machines and vehicles
 Waste containers (plastic, metal, bio-waste, municipal waste, paper, glass)
 Protective clothing and equipment for workers, ZG bags, bio-waste and plastic bags
 Energy products (electricity, thermal energy, fuel)
 IT equipment

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers:	Private users - households, buildings Business users
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ZAGREBAČKI DIGITALNI GRAD

Subsidiary Zagrebački digitalni grad

Management and maintenance of the electronic communication network, i.e. development of technical solutions related to the use of infrastructure, issuance of approvals for the use of infrastructure for the opening of wells, retraction and extraction of cables, rental of ECI equipment, etc.

Own operations:

Section for Infrastructure and Operational Maintenance; Section for Investment and Development

UPSTREAM PART OF THE VALUE CHAIN:

External services: Maintenance of air conditioners and other cooling equipment
Construction and maintenance of the electronic communication network and infrastructure in the City of Zagreb, maintenance of water supply and duct fittings and private protection
Preparation of various promotional materials

Purchase: Petroleum products
Office supplies, supplies and cleaning supplies

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers: Telecom operators
Construction investors
City and Government Services



GRADSKA
GROBLJA
ZAGREB

Subsidiary Gradska groblja

Organization and performance of complete funeral services (transport and equipping of deceased persons, sale of funeral equipment, sale of tombstones, construction and maintenance of burial sites).

Own operations:

Cemetery and crematorium service with 5 working units (Mirogoj, Miroševac, Markovo polje, Mala groblja, Krematorij); Cemetery Utility Maintenance Service; Production and Grave Log Service: Production Department; Grave Log Department

UPSTREAM PART OF THE VALUE CHAIN:

External services: Rental of vehicles (personal, delivery, vans, buses), and earthmoving vehicles
Repair works and repair and service of cremation furnaces and the associated CEM system
Private protection, takeover and further treatment of waste, rental and cleaning of chemical toilet cubicles
Renovation of the administrative building and morgue at the Mirogoj cemetery
Preparation of project documentation for the repair of damage caused by the earthquake

Purchase: Suppliers and services of motor mowers, saws, blowers, scissors, trailers
Suppliers of spare parts for machines, equipment and devices/services of servicing and repairs of machines, equipment, devices and vehicles, various funeral supplies (catafalque, ropes, strings), cooling chambers, granite tombstones with treatment and installation service
Materials (construction, wooden, poly-ethylene foil)
Energy products (electricity, gas, fuel)
Procurement of ornamental plants, landscaping, horticultural works, installation of fences and asphaltting (internal)

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers: Persons residing in the City of Zagreb
Persons who do not reside in the area of the City of Zagreb, but have their own grave in the cemetery


**ROBNI
TERMINALI
ZAGREB**
Subsidiary Robni terminali Zagreb

The RTZ subsidiary builds, manages, rents and provides warehousing services. The activity is performed in different types of own warehouses (closed and open - in customs, non-tariff and free zone status).

Own operations:

Terminals Žitnjak Service: Department of Storage and Transshipment; Department of Lease of Business, Warehouse and Flower Trading Premises;

Jankomir Terminal Service: Department of Storage and Transshipment; Department of Lease of Business, Warehouse and Flower Trading Premises; Free Zone Zagreb; Technical Service: Department of Plants and Work Machinery

UPSTREAM PART OF THE VALUE CHAIN:

External services: Maintenance and service of vehicles, machines, devices and equipment, maintenance and upgrade services of the application system Sekom and information systems PARKIS and PAUKIS, maintenance and rehabilitation of business units of the RTZ subsidiary, lighting reconstruction service of the RTZ subsidiary

Purchase: Spare parts and used vehicles,
Energy products (electricity, oil, gas)

DOWNSTREAM PART OF THE VALUE CHAIN:

**Customers / users
/ consumers:** Warehouse users
The competent customs office and other customs authorities,
Forwarders
Carriers
Competent authorities Ministry of Economy


Subsidiary Tržnice Zagreb

The main activity of the Zagreb Market is the organisation of retail and wholesale of foodstuffs of domestic origin in open spaces and the management and rental of storage and business premises in Zagreb.

Own operations:

Market Service: Department of BU East and Department of BU West"; Wholesale Market Service, Refrigeration and Green Market Service: Wholesale Market Department; Refrigeration and Warehouse Department; Technical Service: Maintenance Department; Energy Department; Occasional Event Management and Business Development Service: Waste Cleaning and Disposal Department; Business Standards Control Department

UPSTREAM PART OF THE VALUE CHAIN:

External services: The service of renting personal and delivery vehicles, servicing and repairing machines, equipment, devices and vehicles, maintenance of the energy transformer for the wholesale market and cold storage, maintenance of the application system Sekom, mandatory testing in accordance with the Occupational Health and Safety Act (OG 71/2014), the Fire Protection Act (OG 114/2022) and the Metrology Act (OG 114/2022).

The service of preventive disinfection, disinsection and pest control, the service of rehabilitation of part of the ammonia pipeline at the wholesale market, emergency interventions (on roof repairs, electrical installations, plumbing and sewerage installations, installations of the cooling ammonia plant) and plumbing works, Preparation of project documentation (rehabilitation of the roof of the Utrina Market, the technical protection system of the Wholesale Market, installation of sound barriers at the Wholesale Market)

Purchase: Suppliers of spare parts for machines, equipment, devices and vehicles, energy products (electricity, thermal energy, fuel, gas), suppliers of office materials and small inventory, printing services, suppliers of wooden sawn timber, construction materials, materials for plumbing, sewerage and central heating installations, suppliers of paints and varnishes, accessories and agents for washing, cleaning and other general hygiene

DOWNSTREAM PART OF THE VALUE CHAIN:

**Customers / users
/ consumers:** Tenants of the premises
Citizens
Visitors to the City of Zagreb



Subsidiary Vladimir Nazor

The subsidiary specialises in travel for children and young people, and offers programmed trips that allow small users to stay organised during school and occasional holidays, go on school trips, fieldwork and the first trip to a vacation or excursion without parents, but in company with their kindergarten or class group.

Own operations:

Program and Associate Service; Arena Business Unit; Youth City Business Unit; Sljeme Business Unit; Crikvenica Business Unit; Veli Lošinj Business Unit; Savudrija Business Unit

UPSTREAM PART OF THE VALUE CHAIN:

External services: The services of passenger transport, insurance, animators, cleaning and maintenance of the premises, staff services, and food sampling and water testing in the hospitality industry, vehicle rental and regular technical inspections of vehicles, rescue services and emergency interventions, maintenance and service of equipment and machines and attestation of machines and services of firefighting equipment, Services of insurance of facilities and property, forest management and maintenance, Services for the use of copyright

Purchase: Suppliers of food and beverages, energy products (electricity, thermal energy, fuel, gas), suppliers and services for the maintenance of IT equipment and fixed and mobile telephony, procurement of office materials, catering equipment and accessories, protective equipment, cleaning materials and services for the maintenance of the sanitary facility

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers / key stakeholders: Children and young people from 6 to 17 years of age
Primary and secondary schools (indirect)
Users of catering facilities - families, individual guests, business guests - companies
Workers on site
Shared Services
Inspections and controls
Members of the public change and media centres
Local communities and municipalities



**zagrebačke
ceste**

Subsidiary Zagrebačke ceste

The subsidiary is registered for the maintenance, management and protection of unclassified roads in the City of Zagreb.

Own operations:

Maintenance and road protection service: Regular maintenance department; Extraordinary maintenance department; Traffic signalling service: Signalling department; Traffic light maintenance department; AB Rakitje: two asphalt bases: GRADIS (capacity 150-160 t/h) and Benninghoven (capacity 240 t/h); Working unit Mechanisation within which the Winter Service is located; Working unit Road Management and Protection; Working unit for recycled construction waste (RGO)

UPSTREAM PART OF THE VALUE CHAIN:

External services: Servicing of machines,
Services of designers, manufacturers,
Production of signalling equipment

Purchase: Suppliers of vehicles, trucks, tractors and multipurpose vehicles for snow removal, construction machines, machine-technological equipment for asphalt works, spare parts of machines, protective equipment and workers' clothing, suppliers of aggregates, fillers, bitumen and natural asphalt, fresh concrete, reinforcement and formwork, energy products (electricity, thermal energy, fuel, gas)

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers: Citizens of the City of Zagreb
Visitors



Subsidiary Zagrebparking

The main activity of the Zagrebparking subsidiary is the promotion and improvement of traffic culture and the provision of parking services in the City of Zagreb. In addition to public parking lots, the subsidiary also manages ten public garages located mostly in the city centre. The subsidiary, with its specialised "spider" vehicles, is also in charge of moving and transporting improperly stopped and parked vehicles, helping to remove them by regulating traffic at standstill.

Own operations:

Service of public parking lots, public garages, relocation and blocking of vehicles; Service for technical and information support of the core activity; Department for supervision

UPSTREAM PART OF THE VALUE CHAIN:

External services:

The service of expanding the automatic parking charging system in public garages and closed parking lots, repair and regular maintenance of the automatic parking charging system, maintenance and upgrade services of the information systems PARKIS and PAUKIS and the Infoart application, the service of upgrading parking machines Sity 5 and connecting to the automatic parking charging and control system and parking systems of the manufacturer Parkeon, the service of adaptation and programming of parking charging devices to the EURO currency, the service of emergency intervention on parking systems

Purchase:

Suppliers and service providers of spare parts, vehicles, machines, devices and equipment, personal and private protective equipment, suppliers of printing services, Energy products (electricity, petroleum products)

DOWNSTREAM PART OF THE VALUE CHAIN:

Customers / users / consumers:

Users of public parking spaces



Subsidiary Zrinjevac

Zrinjevac designs and maintains public and other green areas, children's playgrounds, sports and recreational facilities. At the same time, it is engaged in the sale of seedlings of trees, shrubs and fruits, potted plants and cut flowers, bulbs and grass seeds, garden soil, compost, garden accessories, machines and tools, as well as equipment for gardens, squares, children's playgrounds, sports and recreational facilities.

Own operations:

Service of maintenance of urban greenery and execution of landscape design projects: Department of execution of landscape design projects; Department of maintenance of urban greenery

Plant Production and Composting Service: Composting Department; Plant Production Department; Green Services Department

Service of continuous improvement and business support: Department of continuous improvement; Department of business support; Department of technological support

UPSTREAM PART OF THE VALUE CHAIN:

External services:

Repair and service of equipment, devices, machines and equipment, playground equipment, rental of machines and vehicles, removal of wood mass in the City of Zagreb, mowing, raking and removal of weeds, mulching, rental of tents and tent equipment, wooden houses, installation of anti-traumatic surfaces, curbs and paving made of concrete pavements

Purchase:

Suppliers of motor mowers, spare parts of machines, equipment, devices and vehicles, suppliers of plant planting material, potted plants, cut flowers and greens, peat, fertilisers and plant protection products, stone aggregate, gravel and sand, suppliers and services for installing cast rubber and anti-traumatic substrates, PE foils, bags and bags, containers, boxes, cassettes, wire products, etc., concrete, concrete products and concrete accessories, energy products (electricity, petroleum products, gas), personal and private protection

DOWNSTREAM PART OF THE VALUE CHAIN:

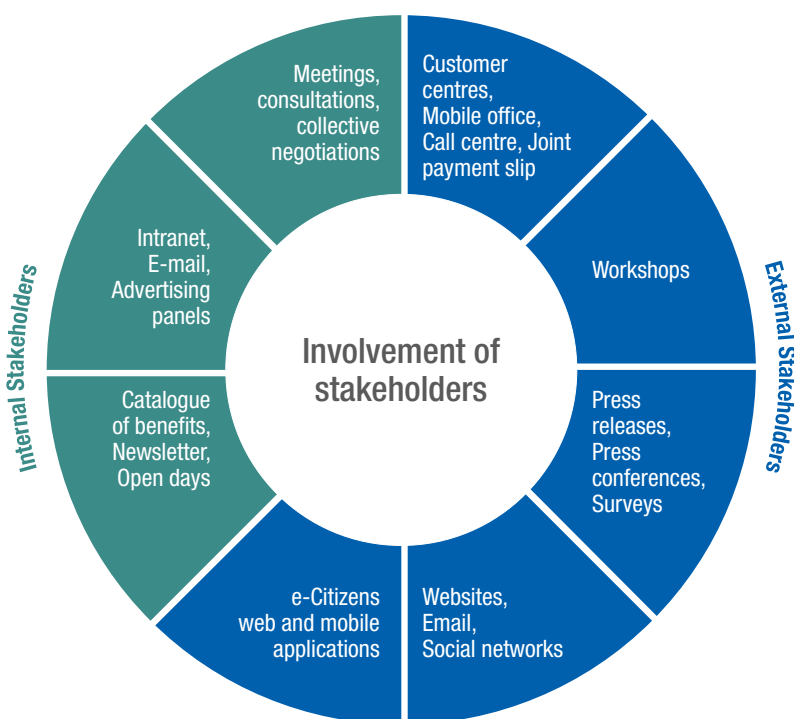
Customers / users / consumers:

Users of public areas of the City of Zagreb

1.4.3. Relation with stakeholders and their impact on the Group's business strategy and business model (ESRS 2 SBM-2, S1-1, S3-1, S4-1)

Feedback on the quality of the services provided is extremely important in considering the positive and negative effects that the Group has on its users. The two-way effect extends to other groups of stakeholders, from owners (City of Zagreb), workers, regulators, partners and suppliers, to trade unions, non-governmental organisations and the media.

During 2024, an assessment and mapping of key stakeholders was carried out. Stakeholder groups are divided into internal and external. Internal stakeholders consisted of different sub-groups of the Group's own workforce and decision-makers. External stakeholders were suppliers, communities, regulatory bodies, civil society, economic operators, users and nature as a silent stakeholder. Each of the groups is communicated in a different way, as shown below.



The Group provides understandable and accessible information through the appropriate communication channels listed below.

	Workers	Users	Suppliers	Competent authorities and Investors	Local communities and general public
Channels of communication	<ul style="list-style-type: none"> » workers' rallies, » e-mail » intranet » SharePoint » bulletin boards » collective negotiations » Onboarding » Training » polls 	<ul style="list-style-type: none"> » Holding center » mobile office of the Holding » web » cell phone apps » in writing upon delivery of the invoice » podcasts and videos » consulting 	<ul style="list-style-type: none"> » opinion poll » procurement procedure » acceptance of the Code of Conduct » contracts 	<ul style="list-style-type: none"> » direct communication » meetings » sessions and assemblies » participation in the preparation of strategic documents » opinion poll 	<ul style="list-style-type: none"> » press releases » digital communication
Frequency	<ul style="list-style-type: none"> » regular messages about benefits » notifications » rallies of workers and collective negotiations as necessary and at the initiative of workers » training during employment 	<ul style="list-style-type: none"> » on a weekly and monthly basis » as needed by the user 	<ul style="list-style-type: none"> » interactions on a daily basis depending on the procurement process and contracting 	<ul style="list-style-type: none"> » regular meetings » quarterly meetings related to business results » meetings as needed 	<ul style="list-style-type: none"> » regularly » as needed » in conformity with » by introducing new products/services/innovations and campaigns
Results	<ul style="list-style-type: none"> » curriculum and training materials during employment » collective bargaining agreement 	<ul style="list-style-type: none"> » advancement in an approach that is focused on the user experience » development of new tools such as applications and podcasts » beginning of research into attitudes and needs as well as priorities of users 	<ul style="list-style-type: none"> » Supplier Code of Conduct » survey of supplier priorities as well as their ESG practices 	<ul style="list-style-type: none"> » establishment of ESG team » adoption of policies and strategic documents » green bonds 	<ul style="list-style-type: none"> » press cut
Main topics	<ul style="list-style-type: none"> » Health and Safety » priorities and challenges of the company » business practices » inclusiveness and rights of vulnerable groups » employee's rights 	<ul style="list-style-type: none"> » experience and path of using the customer service » quality of services and products » information » complaint » requests » consultancy 	<ul style="list-style-type: none"> » business practices and legal compliance » public procurement » high quality of products and services » sustainable practices 	<ul style="list-style-type: none"> » analysis of operations and financial position » return on Investment (RoI) and Social Return on Investment (SRoI) » compliance and strategy » analysis of risks and opportunities 	<ul style="list-style-type: none"> » quality of services

Through analysis and mapping of stakeholders, groups of key stakeholders were also identified. The group assessed that key stakeholder groups are their own workforce (workers), decision makers, users and nature.

Employees are additionally segmented according to: type of work (i.e. according to the subgroup to which they belong – Management, Senior Management, Office, Field), subsidiary, gender, level of organisation and belonging to certain vulnerable groups (persons with disabilities, women, parents, veterans). Basic features that describe this group of stakeholders:

- » Number of workers as at 31 December 2024: 7,792 persons,
- » Distribution by gender: men and women,
- » Location: mainly from the area of the city of Zagreb and its surroundings

The key interests of workers are material rights (salaries, bonuses), working conditions (equipment, management, safety) and benefits above the minimum legal obligations - the so-called "perks" (physical examinations, discounts in subsidiaries, discounts for exercise, the possibility of working from home and additional education).

According to their roles, **decision makers** are divided into the Supervisory Board, members of the Assembly and members of the Audit Committee. The basic features of this group of stakeholders are the appointment to the bodies of the Company and the information, interest and responsibility for the work of the Company. The key interests of this group of stakeholders are information, clear and quick cooperation and responsibilities that are closely related to the activities of the entire Group. Progress potentials include expertise and social and professional capital, while shortcomings include a limited time resource. In the context of measures to address the interests of decision makers, it is necessary to continuously improve the quality of information flow and reporting, and it is strategically necessary to maintain and implement further cooperation.

Users are a group of stakeholders divided by structure and nature:

By structure	Companies
	Groups (Tourists)
	Individuals
By nature	Public institutions
	Private entities

The key high level of interest of this group of stakeholders is related to the quality and price and the ratio of them to the services and products of the Group. The potentials include the strengthening of demand, and the shortcomings include the continuous requirement for the development of new technological processes. Measures to address the subject of interest of this group of stakeholders are the research of specific needs and the design of UX (user experience) design for the improvement of services. Strategic activities include the recognition of interdependencies and continuous information.

Nature is recognised as a silent key stakeholder, which cannot speak for itself, and is affected by the activities of the Group, which leads to risks and opportunities for the Group in financial terms. In this case, "communication" is carried out by monitoring and analysing scientific and environmental data, including through ISO certification, environmental impact assessment, procedures for obtaining environmental permits and other permits from regulations governing environmental protection, inspections, and cooperation with other stakeholders of the Group.

1.5. Procedure and results of the assessment of double significance (ESRS 2 SBM-3, IRO-1)

For the purposes of the analysis of significant impacts, risks and opportunities, i.e. the entire process of double significance analysis (the so-called DMA (double materiality analysis), the Group has applied an internally developed methodology that, based on the experience for analysis in 2024, will be improved and further developed for future periods. The entire Group, i.e. all subsidiaries of the Company and the institution, participated in the DMA procedure. The project was led by the Sector for Strategy, Development and Compliance of Operations with teams from subsidiaries and the institution, all with the help of Corporate Services – Procurement, Legal Department, Controlling, Customer and Customer Relations and others, depending on the specifics of each entity.

The process of analysis began in February 2024, when an introductory meeting was held, and then thematic workshops where the activities of the Group were analysed in accordance with the list of ESRS 1 AR. 16. This was followed by the setting of a context with an emphasis on value chains and own operations. Subsidiaries Čistoća and Zagrebačke ceste were first analysed as the largest (in terms of number of employees and revenues). The entire process included the setting of appropriate qualitative and quantitative thresholds for the assessment of segments prescribed by ESRS 1 in relation to all topics. After conducting individual analyses of the effects of subsidiaries, i.e. the institution, and the analysis of financial significance, the entire consolidation of effects, risks and opportunities for the entire Group was made.

During the analysis, internal control procedures were performed as follows:

1. ESG risks were assessed by the Risk Management Department, processes and management systems, risk and process expert, certified internal auditor.
2. The Business Compliance Department controlled the compliance of significant topics with the strategy and business model

Setting the context

For the purposes of determining the actual environmental, social and management effects, risks and opportunities, the context of the business and an overview of the activities of each organisation (subsidiary, institution), its business relations and the impact of the value chain and relevant stakeholders in the upstream and downstream value chain were first analysed. Business analysis and review of activities was carried out for subsidiaries. This was followed by the identification of actual possible impacts, risks and opportunities related to sustainability topics in its own operations and partly through the value chain. In order to obtain a "long list of topics", an analysis of topics, sub-topics and sub-topics from E, S and G areas from the list of ESRS 1 AR was performed. 16. After that, the impact analysis resulted in a shortened list of topics for each entity, and this list was then analysed and prioritised with the application of criteria for significance of impacts and financial significance.

The business analysis took into account the applicable strategy, business plan and financial results, results of previous significance analyses conducted according to GRI standards¹² for the purposes of reporting on sustainability in 2023 and earlier (stated in the chapter Introduction), business activities, products and services, business locations and mapped value chains.

During the analysis, all geographical locations, all types of assets, all facilities of the Group were taken into account in all steps, as well as the analysis of the upstream and downstream chains in the part for which the data were available internally or through distribution channels. Challenges with data appeared mainly when analysing value chains, especially when collecting data from suppliers.

Given that most of the Group's locations are within the City of Zagreb, an impact assessment was conducted accordingly. For specific subsidiaries, specific geographical locations and effects of the Group were also considered, and these are primarily locations on the Adriatic (Savudrija, Crikvenica, Veli Lošinj), Zagrebačka gora - Sljeme (Tomislavac and Snježna Kraljica), and the impact on the location of Rakitje (where the asphalt base is located). Specific locations were taken into account, as well as the specifics of individual locations and effects: waste landfill Jakuševac-Prudinac, specifics of aquifers and water wells, specifics of water and drainage pipelines that extend beyond the locations of the City of Zagreb to Samobor and Velika Gorica and to the new members of the company VIO Grad Jastrebarsko, Municipality of Klinča Sela and Municipality of Stupnik, specifics of gas pipelines, specifics of the location of the gas pipeline in the gas area of the City Gasworks Bjelovar, and specifics of the location of the Central Wastewater Treatment Plant in Resnik.

The upstream value chain includes direct suppliers of the Group, but also their suppliers. Bearing in mind the specifics of the entire Group and the scope of work that implies the analysis of the value chain, only partial information of suppliers collected at the Group level was included in the analysis this year. During the analysis, the Group contacted ten largest suppliers and an additional 145 suppliers identified by subsidiaries as specifically important for their activity or business. Everyone was asked to provide key necessary information, however, it was collected only partially due to poor response of suppliers and lack of information collected by suppliers. In the upcoming periods, more input and specific analytical data are expected for the purpose of analysing upstream value chains.

For each IRO, it was determined whether it refers to its own business, input or downstream value chain. Mostly all IROs relate to their own business, while in relation to the company, IROs related to the workforce in the value chain relate to the upstream value chain, and to the downstream value chain of IROs related to the affected communities, customers and service users.

The analysis of the legal and regulatory framework covered the relevant EU and, where applicable, sector regulation. The analysis of ESG trends and challenges in the industry included the analysis of reports of other companies in the sector, good practices, media publications, review of professional publications on sustainability trends, research and review of scientific articles related to a particular topic of sustainability.

Finally, the analysis of stakeholders primarily included (1) defining stakeholders who are or could be affected by the effects of the Group, (2) analysing existing cooperation (engagement) with stakeholders, (3) preparing for the examination and analysis of stakeholder opinions.

¹² Before the introduction of ESRs within the CSRD, many organisations used international standards such as the Global Reporting Initiative (GRI) standards. Although the methodology of reporting according to GRI standards did not include double significance in terms of CSRD, the analysis of material topics done in previous periods served as one of the bases for the identification of significant topics, especially from the perspective of the Group's stakeholders.

In the second step, a specific IDE analysis was started, for which limit values and indicators for assessing impacts were previously determined through:

- » scale (low, lower, medium, higher, high),
- » scope (internal, local, regional, national, global),
- » (in)repairable (fully repairable, mostly repairable, partially repairable, mostly irreparable, permanently irreparable),
- » probability (very low, low, medium, high, very high).

The analysis of financial significance, i.e. the analysis of risks and opportunities for the Group related to dependencies arising from the effects of the Group on society and the environment was performed on the basis of:

- » probability of occurrence (very low, low, medium, high, very high) and
- » extent of financial consequences (very low, low, medium, high, very high).

Analysis of the significance of effects

The analysis examined the positive and/or negative effects of the Group's activities on the environment and society. The assessment included the identification and identification of actual and potential effects; through severity (scale and scope for positive, and additional (in) repairable for negative effects) for real and severity and probability for potential effects. All were also analysed through the assessment of the time horizon of their appearance (short, medium and long term) and through the prism of the duration of the effect.

The obtained data for each entity were quantified in accordance with a predetermined scale and the sum of all assessments of each performance, as well as the division of the assessment with the number of components, resulted in the assessment of its significance and the significance of the topic to which it refers. In the event that there was both a positive and negative effect for one topic, the average significance of these effects was taken into account.

The significance of the effects was analysed separately for each component (subsidiary, institution). Given the complexity of the Group (in the structural and in the aspect of heterogeneous activities of the Group), aggregation was applied when possible. Namely, certain IROs that are identical were combined and thus analysed. In order to avoid omissions in the analysis of individual topics, a separate analysis of all aspects of sustainability in all topics, sub-topics and sub-sub-topics was conducted for each entity, with an additional analysis of the specifics of the effects, risks and opportunities of each separate entity. On the basis of this longer list of topics, they were then aggregated for all entities in order to obtain the overall significance of a particular topic for the entire Group.

Analysis of financial significance

Risks and opportunities were identified during the process of determining the significance of effects, in relation to the Group's dependencies on sustainability factors. The identification was made according to the criteria defined in cooperation with ESG teams, process owners and management. In the analysis of financial significance, they assessed according to the probability of their achievement and through the potential of the extent of financial consequences (expressed through the effect on the Group's EBITDA).

Risks and opportunities were initially identified individually for each subsidiary and the institution. For the purposes of financial assessment, in relation to EBITDA, the risks and opportunities of subsidiaries were consolidated, in accordance with the experiential audit method. Those that were identified multiple times at the level of different subsidiaries and those that contained the same risk and opportunity were consolidated. During the consolidation, the existing business processes and their connections were taken into account, as well as the dependence of the Group's financial result on their performance. Namely, since the analysis of financial significance was done in relation to the Group's EBITDA, it was not possible to financially quantify and link an individual risk or opportunity to an individual subsidiary. Since the subsidiaries and the institution are separate legal entities, financial significance was quantified for them individually, also in relation to the Group's EBITDA.

Part of the analysis was the assessment of which area of activity of the Group is affected by individual risks or opportunities and how they affect the business. In this sense, risks and opportunities were analysed in relation to the implementation of the strategic plan, financial damages / losses, legal procedures, reputation, human factor, business continuity, environmental / climate damage, opinions / assessments of external parties. Levels in the range very low/low/medium high/very high have been assigned.

In the short (period applied by the company as the reporting period in its financial statements; 1 January 2024 – 31 December 2024), medium (up to five years from the end of the short-term reporting period) and long (period longer than 5 years) periods, the final assessment was¹³ determined in accordance with the product of the estimated effect and probability of occurrence of risks and opportunities, and the total exposure to risk and opportunity was expressed through 5 levels: Very low, Low, Medium, High, Very high. For the purposes of assessment, a risk register has been developed and work is being done on the development of the Risk Management Methodology, which will determine the quantitative assessment scale as a standard for determining the effects that risks may have.

The input parameters for determining the financial significance of risks are publicly available Group business reports, internal data that are not publicly available and publicly available external information (such as the regulatory framework, third-party reports). In the process of assessing the likelihood of achieving a risk/opportunity, available historical data and business documents were used to help predict certain events, as well as internal meetings with business process owners and similar methods. For the analysis itself, an experiential audit method was applied, and where possible, it was used in a combined approach with an audit assessment.

Stakeholders in the DMA procedure

During the preparation of this sustainability report, the first step for the process of involving stakeholders was the mapping of stakeholders. For the purpose of defining and prioritising stakeholders, all components of the group were consulted in order to assess from the position of their daily work which categories of stakeholders they affect (identification of affected stakeholders).

For the communication and consultation with stakeholders, the ESG team developed several tools. For suppliers, a questionnaire was prepared containing questions related to their practices, as well as their attitudes towards topics that are important to them and affected by the Group and they were asked to sign the Supplier Code of Conduct (in accordance with the Group's sustainability principles). Users could join the consultation in several ways; during their arrival at the customer centre, they had special tablets on which they could provide answers to questions related to their views on the most useful (most significant) services provided by the Group. In addition, a survey for all stakeholders (including users) was published on the Group's website and social networks. Surveys for workers sent by email were prepared, as well as surveys in physical form for workers in the field. Additional stakeholders such as academia, local self-government, civil society organisations, actors in relevant sectors and others were also consulted by surveys.

During this process of data collection, recording and processing, special attention was paid to scientific and ethical settings when examining participants, as well as to the protection of privacy and private data. During the entire reporting process, workshops for inputs for operational workers of all components of the Group as well as for the level of management were held in several rounds and their answers were included in the calculation of significant topics.

As part of the collection of opinions from suppliers, the representativeness of the already mentioned sample is ensured by contacting the largest suppliers (in financial terms, the share of procurement) and including suppliers that are specific and important for each component of the Group (in terms of their functioning and activities).

A survey of the attitudes of the Group's stakeholders towards sustainable development topics was conducted during December 2024 and January 2025. The purpose was to collect insights into the importance that stakeholder groups attach to sustainability topics, so that their views and priorities can be reported and included in the strategy and planning of further activities in the field of sustainability. More than 800 respondents participated in the survey through a survey containing quantitative questions, questions on assessing the importance of topics in the field of environment, society

¹³ When preparing the Sustainability Report, the time intervals specified in the Corporate Sustainability Reporting Directive (ESRS BP-2 9a)

and management, and open questions that respondents could answer as desired and necessary. Given the growing importance of sustainable practices in modern society, the results of the first research of this type of Group represent a valuable basis for further development of strategies and policies aimed at sustainable development of the Group.

The basic structure of the survey was identical for all groups of stakeholders, however, additional questions as well as various technologies (online survey, social networks, tablets in the user centre and printed questionnaires in the field) were used to include as many segments of the population as possible. In order to obtain the best possible results, various technologies adapted to the specifics of each subgroup of respondents were used. Such an approach has enabled comprehensive data collection, providing valuable insights into perceptions and priorities related to sustainability topics.

The workers showed an extremely high interest in completing surveys, and 432 workers filled out the survey correctly. Average ratings (on a scale of 1-5) were extremely high: workers give environmental topics a rating of 4.1. in total, of which the most important is the circular economy and waste management, while the least important are greenhouse gas emissions, which is usually an underestimated topic. They rate social topics with 4.41, and topics related to workers (themselves) with 4.49. They rated their attitudes towards the local community with 3.92, and customer/user satisfaction with 4.46. It was interesting to see that local communities consider the least important, while topics related to their own rights and conditions are almost identical to topics related to users (differences in only 0.03%).

The results of the significance of topics for suppliers are also included in the final calculation of double significance. The signed Codes are stored and the development of a system in which suppliers must automatically accept the Group Code by signing the contract is initiated. Data on the activities of suppliers in the field of sustainability have been taken into account and will have a substantive impact on further activities of planning the positive environmental and social impact of the Group in the value chain. Regarding the analysis of opinions, suppliers evaluate environmental topics with an average rating of 4.46, social topics with a rating of 4.49 and management topics with 4.44, claiming that management with relations with suppliers is 4.38 in importance (the second least important).

The attitudes of users about the significance of topics were analysed in such a way that the aggregated surveys were filled out online by persons who identified themselves as users with those who were filled out by users on tablets in the user centre. For this reason, and due to the size and diversity of this group, the narrowest list of topics for assessing significance was given in the survey. As in previous cases, respondents were asked to assess what is important to the Group. In this sense, the most important topic is the management of drinking water and wastewater, while the least significant is the protection against cyber threats, which can be associated with a generally low level of understanding of the need to protect their own data as users and other data managed by the Group. Environmental topics were rated 4.15, and social topics 4.00. Management topics are significantly rated the highest - 4.21, and it is possible to hypothesise that users believe that the greatest (negative) impact or the greatest attention in the Group is needed in the management part.

The involvement of nature as a silent stakeholder was extremely important, especially taking into account the low level of understanding of the areas of environmental impacts, climate change and biodiversity by many stakeholders involved. In this case, strong spokespersons of nature were employees of the expert ESG team, scientists and non-governmental organisations through research and analysis of texts and external experts. The involvement of stakeholders and spokespersons for nature ensured the validation of internal assumptions and different perspectives, while the inclusion of data and scientific documentation ensured the identification of behavioural prejudices and subjectivity and greater objectivity in the assessment of significance.

Consolidation and results of the double significance analysis

After an individual analysis at the level of subsidiaries, significant consolidated effects of subsidiaries were determined, which were then supplemented by significant effects of subsidiaries and the institution in order to prepare a consolidated DMA analysis for the entire Group. Group consolidation covered all significant topics for Zagrebački holding d.o.o. and subsidiaries; either from the perspective of significance of effects or financial significance. Therefore, if the topic has proven to be significant only from the perspective of the significance of the impact or only from the perspective of financial significance, it is included in the list of significant topics.

The effects of subsidiaries are consolidated already during the assessment, since for the purpose of calculating the final assessment, individual assessments by subsidiaries are summed up, and then the obtained number is divided by the total number of subsidiaries that have recognised the specific effect. Regarding subsidiaries and the institution, the effects are disaggregated according to the importance of the operations of GPZ (including GPB), GPZ-O, GSKG and VIO companies and the institution GLJZ at the Group level. The effects identified as significant at the level of these companies were assessed as significant at the level of the Group, so that each of their significant effects was added to the consolidated group list of effects.

For the purposes of consolidating financial significance at the Group level, the risks and opportunities assessed by the level of High and Very High were taken into account during the consolidation of risks and opportunities for the Company and subsidiaries and the institution. Risks and opportunities are identified as significant if they are rated as High/Very High at least for one period of time (short, medium, long). All risks and opportunities identified in this way have confirmed the significance of the sustainability topics to which they relate.

An additional element of the assessment, i.e. the determination of significance, was the contribution of stakeholders. The analysis of the results of all groups confirmed the already adopted conclusions of the Group on significant topics.

During the first phase of the double significance analysis, the teams of subsidiaries and the institution primarily performed the analysis from the operational level, therefore an additional strategic review was done from the management level for key subsidiaries whose significant topics have the greatest impact on the Group's operations. The key ones are those related to the areas of utility activities – maintenance of utility infrastructure, energy activities and public water supply and public drainage¹⁴. After the strategic assessment, additional topics were confirmed as significant at the consolidated group level.

Finally, the results of the analysis were confirmed by the Management Board of the Company, through its perspective and strategic review from above (top down). The topics were presented at the session of the Management Board, the members of the Management Board commented on the presented topics, gave their inputs for the future period with the aim of adopting the action plan, KPIs and goals, and voted on the presented topics.

The topics that have emerged as significant in 2024 after the analysis of double significance are (shown by area of sustainability):

Environmental topics	Social topics	Management topics
E1 Climate change	S1 Own workforce	G1 Business behaviour
E2 Pollution	S3 Affected communities	
E3 Water and marine resources	S4 Consumers and end users	
E5 Resource use and circular economy		

Themes E4 Biodiversity and Ecosystems and S2 Workers in the value chain were not assessed as significant when assessing double significance, but the effects of the Group's activities related to these topics, as well as the associated risks and opportunities were recognised as important at the Group level. Although during the analysis for 2024, data supporting the significance of these topics did not result in appropriate assessments that would confirm the significance, in the coming period a more comprehensive analysis and collection of data on these topics will be carried out. This is especially true in relation to the topic S2 Workers in the value chain, for which sufficient objective data have not been collected so far, mostly due to insufficient response from suppliers.

Identified significant effects, risks and opportunities

¹⁴ Subsidiaries: GRUČA, Zagrebačke vode, Trnava, Gradska plinara, Gradska plinara Zagreb, Gradska plinara Zagreb-opskrba and Vodoopskrba i odvodnja.

Activity and (related) impact	Topic, sub-topic, sub-sub-topic of sustainability in accordance with ESRs	Value chain stage with which the effect is associated
Greenhouse gas emissions in the range of 1,2,3	E1 Climate change, Climate change mitigation	Upstream value chain, Own operations; downstream value chain
Greenhouse gas emissions in the range of 1,2,3	E1 Climate change, Climate change mitigation	Own operations
Waste disposal	E2 Pollution Air and water pollution	Own operations
Waste management - ZGH optimises the use of resources and minimises waste	E5 Circular economy Waste	Upstream value chain, Own operations, Downstream value chain,
Job security	S1 Own workforce Working conditions Safe workplaces	Own operations
Employee salaries	S1 Own workforce Working conditions Adequate salaries	Own operations
Employee health and safety	S1 Own workforce Working conditions Health and safety of workers	Own operations
Proximity to landfills and reduced quality of life	S3 Affected communities Economic, social and cultural rights of communities Effects related to land and housing in appropriate pollution-free conditions	Own operations, Downstream value chain
Customer and end-user privacy and security	S4 Consumers and end users Effects related to information for consumers and/or end users Access to (quality) information	Own operations, Downstream value chain
Digitalisation of public services	S4 Consumers and end users Effects related to information for consumers and/or end users Access to (quality) information	Own operations, Downstream value chain
Safety, availability and quality of public service	S4 Consumers and end users Personal safety of consumers and/or end users Health and safety	Own operations, Downstream value chain
Tourism and cultural goods	S4 Consumers and end users Development of tourism activities	Own operations, Downstream value chain
Risk management	G1 Business behaviour Corporate culture	Own operations, Downstream value chain
Transparency and accountability	G1 Business behaviour Corporate culture	Own operations, Downstream value chain
Law and sport regulatory compliance:	G1 Business behaviour Corporate culture	Own operations
Reporting irregularities and protecting dignity; protecting whistleblowers	G1 Business behaviour Whistleblower protection	Own operations, Downstream value chain
Supplier relations	G1 Business behaviour Supplier relationship management, including vendor payment practices	Upstream value chain, Own operations, Downstream value chain
Effects related to anti-corruption	G1 Business behaviour Corruption and bribery	Own operations, Downstream value chain
Cybersecurity	G1 Business behaviour	Upstream value chain, Own operations i Downstream value chain

Risk / Opportunity	Topic, sub-topic, sub-sub-topic of sustainability in accordance with ESRs	Value chain stage with which the risk / opportunity is associated
Risks and opportunities related to greenhouse gas emissions	E1 Climate change Climate change mitigation	Own operations, Downstream value chain
Financial risks caused by acute physical risks	E1 Climate change Climate change adaptation	Own operations, Downstream value chain
Safety and health of workers due to physical risks	E1 Climate change Climate change adaptation S1 Own workforce Working conditions Safety at work	Own operations
Increase in gas distribution due to climate change	E1 Climate change Climate change adaptation	Own operations, Downstream value chain
Savings related to climate change adaptation solutions	E1 Climate change Climate change adaptation	Own operations
Financial risks caused by transition risks	E1 Climate change Climate change adaptation	Own operations
Electrification of transport	E1 Climate change Climate change mitigation E2 Pollution Air pollution S3 Affected communities	Upstream value chain, Own operations, Downstream value chain
Financial risks caused by dependence on non-renewable energy sources	E1 Climate change Climate change mitigation	Own operations
Investments in renewable energy sources	E1 Climate change Energy	Upstream value chain, Own operations, Downstream value chain
Financial risks related to energy prices	E1 Climate change Energy	Upstream value chain, Own operations, Downstream value chain
Risks and opportunities related to energy efficiency	E1 Climate change Energy	Upstream value chain, Own operations
Financial risks - environmental remediation costs	E2 Pollution Water and soil pollution	Own operations, Downstream value chain
Pollution	E2 Pollution Substances of very high concern	Upstream value chain, Own operations, Downstream value chain
Financial risks related to water availability	E3 Water and marine resources	Own operations, Downstream value chain
Green technologies for waste disposal	E5 Resource use and circular economy	Upstream value chain, Own operations, Downstream value chain
Green technologies in construction	E5 Resource use and circular economy	Upstream value chain, Own operations, Downstream value chain
Regulatory and reputational risks related to waste management	E5 Resource use and circular economy	Own operations, Downstream value chain
Financial, operational, reputational risks related to the management of natural resources	E1 Climate change E3 Water and marine resources E5 Resource use and circular economy	Upstream value chain, Own operations, Downstream value chain
Shortage and fluctuation of the workforce	S1 Own workforce Changes in the labour market	Own operations, Downstream value chain
Dissatisfaction of communities and users	S3 Affected communities Rights and interests of the local community S4 Users Safety, availability and quality of service	Own operations, Downstream value chain
Quality services and products	S3 Affected communities Rights and interests of the local community S4 Users Safety, availability and quality of service	Own operations, Downstream value chain

Risk / Opportunity	Topic, sub-topic, sub-sub-topic of sustainability in accordance with ESRs	Value chain stage with which the risk / opportunity is associated
Access to (quality) and timely information of end customers or users	S4 Users Safety, availability and quality of service	Downstream value chain
Communication with users	S4 Users Safety, availability and quality of service	Own operations, Downstream value chain
Risk and crisis management	G1 Business behaviour	Own operations,
Reputational, regulatory, financial, business risks related to corporate governance	G1 Business behaviour	Own operations, Downstream value chain
Regulatory and operational	G1 Business behaviour	Upstream value chain, Own operations, Downstream value chain

1.6. Policies and measures for their realisation

(ESRS 2 MDR-P, MDR-A uz E1-2, E2-1, E3-1, E5-1, S1-1, S4-1, G1-1)

At the Group level, various internal acts are adopted, of which the rules of procedure, ordinances, policies and codes define the rules of business conduct and conduct of employees in accordance with legal provisions and other prescribed standards of business conduct and procedures. These internal acts regulate the mutual relations of the organisational units of the Company and subsidiaries and the institution in relation to their subject part of business. Policies and other equivalent internal acts cover key areas of action such as environmental protection, quality, health and safety at work, rights of end users and relations with competition. They are aimed at creating a positive impact on society and the environment, while providing high-quality services to their citizens.

Internal acts are proposed and adopted in accordance with the rules of the Internal Procedure for the adoption of internal acts and reporting. The adoption of internal acts by the Management Board of the Company at the session is prescribed, and they can also be independently adopted by the Head of the subsidiary or the director of the corporate services sector (hereinafter: CS) if they relate exclusively to the operations of the subsidiary, the CS sector and business processes that take place exclusively in the subsidiary or the CS sector.

The Management Board of the Company is responsible for supervising the implementation of policies and providing the necessary resources for their implementation, while subsidiaries, CS and subsidiaries of the organisational unit are responsible for the implementation of policies within their operations and for regular reporting on achievements and challenges. In turn, workers are responsible for the implementation of policies in their daily work and for active participation in the initiatives of the Company or the Group. The Management Boards of subsidiaries adopt their own policies that are complementary to the policies of the Company (or adopt the policies of the Company) and the Management Boards and employees of the subsidiaries are responsible for their implementation.

Key policies are contained in the Policy Book of the Zagrebački Holding Group, adopted during 2024 and publicly available to all stakeholders on the Group's website. Some of these policies (regarding significant impacts, risks and opportunities) are described in more detail below, and the full list of policies contained in the Book is listed in the Management Report, in the chapter *Sustainable Operations of the company*.

Sustainability policy

The sustainability policy of the Zagrebački holding reflects a strong commitment to sustainable development through the application of the ESG principles – environment (E), society (S) and governance (G). In the field of environmental protection, the emphasis is on the efficient use of resources, the use of renewable energy sources, waste management according to the 4R principle, and education and awareness raising. In the social segment, the Group encourages employee well-being, work-life balance, social responsibility and digital inclusion. In the field of governance, transparency, ethical business operations, financial sustainability and ESG risk management are promoted for long-term resilience and the integration of sustainability into all business decisions.

Quality management and environmental protection policy

The Group undertakes to continuously improve the management of activities and environmental protection in order to contribute to the satisfaction of all stakeholders. Through the monitoring and analysis of environmental processes, goals are defined and plans for the development of an effective environmental management system are drawn up. The policy includes preventive measures to prevent environmental incidents and seeks to reduce risks to the environment with the rational use of energy. The emphasis is on recognising the needs of internal and external stakeholders, ensuring a safe and healthy working environment, responsible treatment of the environment, efficient use of resources, professional supervision of risk activities and education of workers on sustainability, environmental protection, health and safety.

Waste management policy

The purpose of the policy is to establish guidelines for efficient, environmentally friendly and economically viable waste management, which will contribute to environmental protection and responsible waste management. The policy covers all stages of waste management, from its generation to final disposal, including waste reduction, reuse and recycling.

The goal is to establish guidelines for efficient, environmentally friendly and economically viable waste management, covering all stages of the process – from generation to final disposal, including waste reduction, reuse and recycling.

This Policy applies to all organisational units and subsidiaries of the Holding involved in waste management, including Čistoća, Zrinjevac, Zagrebačke ceste, Gradska groblja and Tržnice Zagreb. It obliges all supplier, workers and partners to comply with the established guidelines.

The basic principles of the Waste Management Policy are:

- » **Sustainability:** Aiming at reducing the negative impact on the environment through sustainable waste management, reducing waste generation and encouraging reuse and recycling
- » **Legal compliance:** compliance with all applicable legal regulations and regulatory requirements
- » **Continuous improvement:** continuous improvement of waste management practices
- » **Education and awareness:** education of workers and the general public on the importance of sustainable waste management
- » **Transparency:** regular reporting on the progress of waste management

The Group's strategy in the field of waste management includes the following goals:

- » **Reduction of waste at source:** implementation of measures to reduce the amount of production waste generated in all its business processes, including optimisation of resources and reduction of consumption.
- » **Recycling and reuse:** development and expansion of recycling infrastructure and encouraging the reuse of materials in order to reduce the amount of waste that ends up in landfills.
- » **Environmentally friendly waste disposal:** ensuring that all waste that cannot be recycled or reused is disposed of in a way that is safe for the environment and the health of the community.
- » **Community education and engagement:** implementation of continuous education and information of citizens on proper waste management, the importance of recycling and ways of reducing waste generation.

Policy on environmental protection, health and safety at work

Zagrebački Holding integrates health and safety management into its processes, applying effective systems and practices of environmental protection, health and safety at work. The Group undertakes to continuously improve the management system in order to ensure safe and healthy workplaces. The goal is to maintain a safe working environment, reduce risks to workers, suppliers, visitors and citizens, and meet the expectations of all participants regarding better working conditions and services.

Basic provisions of the Policy on environmental protection, health and safety at work:

- » Ensuring a safe and healthy workplace in accordance with the law and standards;
- » Identification, elimination and control of risks and prevention of incidents and occupational diseases;
- » Reduction of pollution and preservation of the environment for future generations;
- » Optimisation of the use of resources and reduction of waste and pollution;
- » Implementation of supervision of high-risk activities;
- » Monitoring the goals and effectiveness of protection measures and continuous improvement of the system;
- » Assessment of health and safety through monitoring and verification;
- » Improving the culture of safety through education of workers.

Policy on improving services, protection of rights, health and safety of end users

The Group strives for social inclusion and continuous improvement of market and utility services provided to the citizens of Zagreb, with special care for respect for rights and preservation of health and safety. This approach is based on two pillars:

- 1.** ensuring compliance with own values:
 - » promotion of basic rights through the entire value chain
 - » health and Safety as a Priority
- 2.** contribution to the sustainable development of the community in which the Group operates
 - » ensuring access to basic services
 - » contribution to local prosperity and inclusion

In providing services to end users, the Group takes care of the protection of their rights, in particular the right to health and safety. The policy emphasises the importance of understanding the needs of users, continuous improvement of the system of measuring satisfaction, and making informed decisions in order to improve services. Workers are encouraged to actively participate in raising the quality of services, which must be continuous, efficient and accessible to all users, regardless of their location or income. Special emphasis is placed on proactive management of services, community research, response to complaints, as well as transparent information of users. The Group acts in accordance with the principle of "does not cause significant damage", avoids misleading claims and unfair practices and ensures clearly defined responsibilities of workers. Internal and external audits of safety practices are regularly carried out, emergency plans are developed, mechanisms for reporting incidents are established, and the effectiveness of the system for protection of rights, health and safety of users is constantly monitored and assessed.

Policy on diversity, protection of human and children's rights and protection against discrimination

The Group implements a policy of zero tolerance for discrimination, harassment, mobbing and intimidation of workers. Actively participates in the social and environmental transition and promotes rights, health and safety in cooperation with users, partners and the community. The basis of action is expertise, employee satisfaction and corporate social responsibility, which is also expected from suppliers. The policy ensures equal opportunities, fair and impartial access, encourages diversity and inclusion, and prohibits discrimination on all grounds, including gender, race, religion, age, disability, sexual orientation, gender identity and other protected characteristics.

The Group has thus integrated the following important determinants prescribed by the policy into its business practices:

- 1.** Determinants of diversity, equality and inclusion
 - » Ensuring equality of opportunities, fair treatment and equal opportunities for all stakeholders, regardless of their characteristics or status;
 - » Fostering a culture of cooperation and teamwork that respects the diversity of workers and other stakeholders in the value chain;

2. Determinants of protection of human and children's rights

- » Respect for all fundamental human and children's rights with the application of best practices in their protection.
- » Zero tolerance for forced and child labour, with in-depth verification of the impact of business on human rights.
- » Ensuring a safe working environment and respect for labour rights, including the rights to fair pay, freedom of expression and collective bargaining.

3. Determinants of protection against discrimination

- » Zero tolerance for any form of discrimination against workers and stakeholders, including discrimination in employment, promotion and working conditions.
- » Prohibition of harassment and sexual harassment, while ensuring a quality system for receiving and resolving complaints from workers.
- » Promotion of equality, freedoms and rights of all stakeholders, with special emphasis on the protection of the rights of women, children, national minorities and persons with disabilities.

Human resources development and performance management policy

The Group strives to provide high-quality market and utility services, with a focus on the professional growth and development of its employees. The goal is to ensure business sustainability and manage employee development in order to improve satisfaction, work efficiency and develop a corporate culture that supports innovation, responsibility and excellence. The policy applies to all employees of the Group, regardless of their level of education, function or place of work, and covers all aspects of development and performance management.

Basic determinants of the Human Resources Development and Performance Management Policy:

- » Workers' rights and a safe working environment for all workers, regardless of their employment and legal status.
- » Equality of opportunities and impartial treatment of all workers regardless of gender, race, ethnic origin, religion, disability, age, sexual orientation and other characteristics.
- » An innovative approach to human resources development with adaptation to methods and tools for changes in the business environment.
- » Monitoring employee satisfaction through workshops, workers' gatherings and feedback.
- » Work-life balance and improvement of the system of corporate governance.
- » Equality in salaries and inclusion of vulnerable groups in management positions.

Corruption prevention policy

The Group implements a policy of zero tolerance for all forms of corruption, bribery and conflicts of interest and does not enter into business relations where there is a suspicion of unethical behaviour. In accordance with the laws and ethical standards, mechanisms have been developed to identify, prevent and sanction corrupt activities, while continuously improving these processes. The policy is based on preventive action, supervision of risk areas, compliance with the Code of Ethics, establishment of safe channels for reporting irregularities and protection of reporting persons. Special emphasis is placed on transparency of donations, bestowal and employment, responsible management of public assets and finances, as well as education of employees for the recognition and prevention of suspicious situations.

Competition policy

This Policy demonstrates the commitment to the principle of fair play, respect for the legality of the market, competition and competition. When it comes to market competition, the Group is run by 5 pillars of competition: (1) Fair play, (2) Transparency, (3) Integrity, (4) Compliance with the law and (5) Fair business.

The Management Board of the Company is responsible for supervising the implementation of all policies and providing the necessary resources for its implementation, while their subsidiaries and corporate sectors are responsible for the implementation of policies within their operations and for regular reporting on achievements and challenges.

1.7. Default indicators and goals related to sustainability

(ESRS 2 MDR-M, MDR-T uz E-1, E3, E-5)

1.7.1. Strategic goals

In accordance with the sustainability strategy, the Group has set primary and secondary strategic goals for sustainability. In 2023, the Company issued bonds related to sustainable business *Sustainability-Linked Bonds* (SLB), within which it is committed to meeting two key performance indicators in terms of sustainability, which are also strategic goals:

- » **KPI #1:** Share of separately collected municipal waste, i.e. waste removed from the landfill
- » **KPI #2:** Share of renewable electricity in total electricity consumption (relative, in percentage).

Specific performance targets in terms of sustainability "*Sustainability Performance Indicators*" (SPT) are set up in accordance with the Principles of bonds related to sustainable business *Sustainability Linked Bond Principles* (SLBP) from 2020 of the *International Capital Markets Association* (ICMA), which are the market standard for this type of bonds. When setting performance goals, stakeholders were not involved, and the goals themselves are not based on specific scientific evidence.

In addition to the above two primary goals of sustainability to which the Company is committed by the issuance of the SLB, the Group defined the third primary goal of sustainability by the Sustainability Strategy, which is also related to:

- » **KPI #3:** Improving resource efficiency through better water management – reducing water loss

Basic information on the target values can be found in the table:

No	Target Name	Default value	Baseline value of the base year	Stages in achieving the goal	Achieved results in 2024	Target year
1	Share of separately collected municipal waste, i.e. waste removed from the landfill	58%	37%	50% 2024 55% 2025 56% 2026 /	48.27%	2027
2	Share of renewable electricity in total electricity consumption (relative, in percentage).	70%	50%	50% 2024. 60% 2025. 60% 2026.	Will be known after 3/31/2025 (and published in the KPI's bond fulfilment report)	2028
3	Improving resource efficiency through better water management – reducing water loss	47%	55%	54% 2024 50% 2025 49% 2026 48% 2027	56.32%	2028

The accompanying strategic goals are as follows:

- » **KPI #4:** Take steps to reduce CO₂ emissions, primarily in areas where quick and effective results can be achieved, such as replacing the transport and operating fleet of vehicles.
- » **KPI#5:** Participate in and encourage projects aimed at achieving affordable housing (e.g. construction of apartments for rent and allocation according to social criteria).
- » **KPI#6:** Improve the general quality of life in the City of Zagreb through a series of projects in the field of the urban environment, access to healthy food and infrastructure that supports local (and more distant) agricultural activities and the production of food and other products.
- » **KPI#7:** Continue to respect and continuously improve working regulations that define procedures and measures for the protection of the dignity of workers and protection against discrimination, and maintain their commitment to the principles of employment that exclude discrimination and guarantee equal opportunities and rights for all.

1.7.2. Primary sustainability goals

KPI #1: Share of separately collected municipal waste, i.e. waste removed from the landfill

KPI #1 and its realisation refer to the subsidiaries Čistoća and Zrinjevac. The methodology for calculating and assessing the success of KPIs relies on the methodology of the Ministry of Environmental Protection and Green Transition, which controls and approves statistical/input data on collected waste on an annual basis, in accordance with the legal requirements regarding the classification and reporting on collected waste.

The total amount of separately collected municipal waste in the area of the City of Zagreb, which was collected within the public service of municipal waste collection and collection of municipal waste generated in the municipal activities of maintenance of public green areas and maintenance of cleanliness of public areas, has increased by 11.63% compared to 2023, so in 2024, the Zagreb Holding submitted a total of 132 thousand tons of municipal waste for further treatment.

At the same time, the total amount of collected municipal waste in the area of the City of Zagreb, which in quantities with separately collected fractions of municipal waste also includes mixed municipal waste, increased by 4.33% compared to the previous year. This is 252,800 t within the public waste collection service, i.e. 271,590 t together with the quantities of municipal waste generated in the municipal activities of maintenance of public areas, which represents an increase of about 5.3% compared to 2023.

By implementing measures to improve the system of separate waste collection, the quantities of separately collected recyclable waste are increased, thus achieving a continuous increase in the share of separately collected municipal waste and the achievement of the set goals.

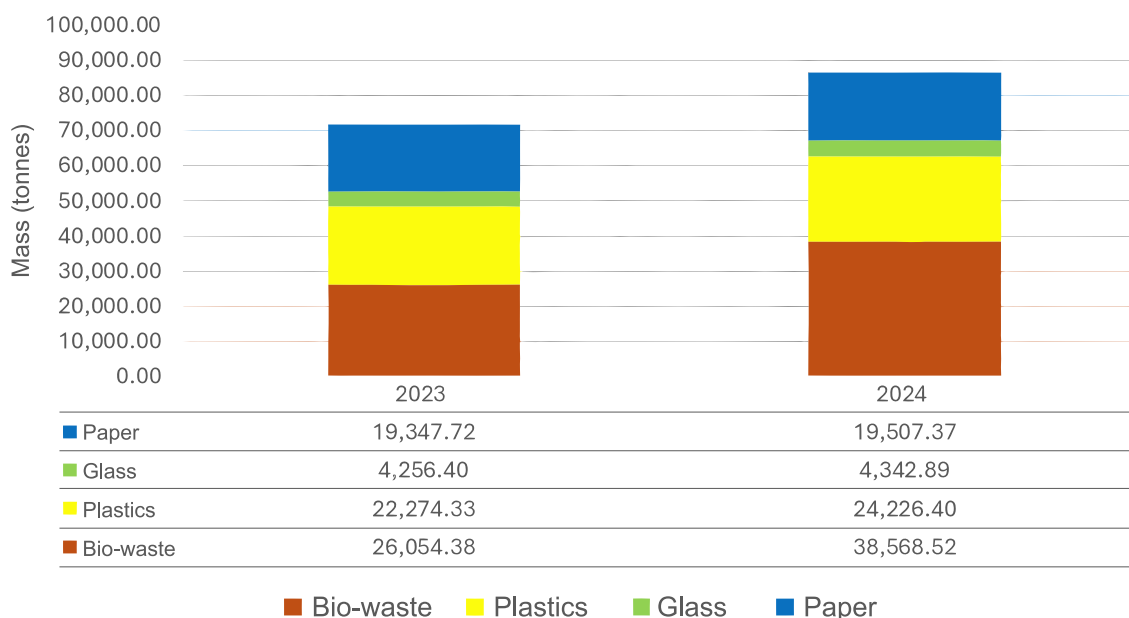
During 2024, a number of measures and activities were taken to optimise the existing waste collection system, as follows:

- » Removed tanks from public areas in the city centre; waste disposal for residents of the city centre increased from 3 to 6 times a week until the establishment of underground tanks;
- » By 31 December 2024, a total of 150 underground tanks were installed in the area of the historical centre of the City of Zagreb at 39 locations, as well as 12 semi-underground tanks at 4 locations, the installation of which began at the end of 2024. The system is planned to be fully completed in 2025.;
- » Software was used to optimise driving routes, which enabled the abolition of 10 removal programmes, and thus the reduction of emissions and better implementation of the service;
- » Additional vehicle for emergency waste collection included;
- » The division of chipped containers of 240 L capacity for plastic and metal packaging for users in family houses began; chipping over 97% of containers for mixed municipal waste was carried out;
- » The used application Sort MojZG, which provides users with personalised information on disposal and recycling;
- » A new mobile recycling yard has been opened (in the area of the city district of Novi Zagreb - west at the location of Ulica Lučko); currently, a total of 11 recycling yards and 10 mobile yards are available to citizens;
- » It is possible to receive construction material with earthquake-damaged facilities (at the location of Čulinečka cesta 273);
- » Controls continued with 8,738 fines issued for improper waste disposal;
- » The project for the rehabilitation of the landslide on Jakuševac was prepared; the expected start of works in March 2025;
- » An automatic waste baling press was procured to increase the quality and purchase value of the recyclable material.

The implemented measures and activities have resulted in an increase in the amount of separately collected recyclable waste and a reduction in the amount of mixed municipal waste disposed of at the Prudinec/Jakuševac waste landfill. A total of EUR 70,363,181.00 was invested in the implementation of measures and activities (capital investments of EUR 12,533,767 and operating costs of EUR 57,829,414).

The graph below shows the quantities of separately collected waste by year. In 2024, the collected amount of bio-waste from households in the City of Zagreb increased by 48.03% compared to 2023. In the same period, the amount of separately collected waste paper increased by 0.83% and glass by 2.03%. At the same time, the amount of separately collected plastic packaging increased by 8.76%.

Comparison of the quantities of separately collected municipal waste of public service users in the City of Zagreb in 2023/2024



During 2025, a number of measures and activities were taken to improve and upgrade the quality of services:

- » Implementation of the routing system, with monitoring of the execution of the removal program and continuous analysis and optimisation of existing and new routes;
- » Introduction of reporting of non-executed waste disposal via tablets in vehicles, with automatic user information through the Rezerviraj MojZG application;
- » Upgrade of the application Razvrstaj MojZG to enable digital registration of requests for the removal of bulky waste;
- » Digitalisation of work orders in order to accelerate the waste collection process and facilitate the recording and collection of services to legal users;
- » Completion of the division of chipped plastic and metal containers and chipping of bio-waste and paper packaging containers for complete electronic records;
- » Continuation of the implementation of underground and semi-underground tanks in order to replace the existing ones in public areas and the introduction of a system of access control and recording of the use of tanks, which will prevent unauthorised disposal of waste and enable personalisation of use through advanced technologies;
- » Opening of a new mobile recycling yard in Kašina, which will make a total of 22 recycling and mobile yards available to citizens; introduction of a video surveillance system at all recycling locations;
- » Beginning of the rehabilitation of the Jakuševac landfill using the best available technologies, including the expansion of the de-gassing and drainage system; conducting an analysis of the causes of the landslide from 2023.;

- » Modernisation of the fleet by 2026 with the delivery of 200 vehicles and working machines;
- » Delivery of additional 8 cleaners (a total of 10, including 4 electric);
- » Starting the procurement procedure for 38 new freight and delivery vehicles and machines;
- » Organization of a reuse centre within the newly opened recycling yard in Kovinska.

In 2024, EUR 35,845,381 was spent on activities affecting the increase in the rate of waste separation, which includes the installation of underground tanks, the recovery of waste plastic packaging and bio-waste, the procurement of containers for waste plastic packaging, waste collection vehicles and baling presses for paper and cardboard. For future activities and the procurement of additional tanks and vehicles, all in order to improve customer service, an amount of approximately EUR 40 million is planned for 2025.

KPI #2: Share of renewable electricity in total electricity consumption (relative, in percentage)

KPI #2 is aimed at mitigating the effects of climate change and decarbonisation through the reduction of greenhouse gas emissions related to the use of electricity. The Group intends to achieve the set goal by using electricity from renewable sources and its own production of energy from renewable sources. Since approx. 50-60% of electricity is accounted for by responsible water management, at the Group level, the KPI is applicable primarily to VIO and the Company as a whole.

The methodology for calculating and assessing the success of KPIs is directly related to the input, i.e. internal data of the Companies. Since the reporting period lasts until 31 March 2025, no final data were available at the time of the preparation of this report.

In order to meet the set goal, the Group must make efforts to purchase electricity from renewable sources and invest in its own renewable energy production capacities (the goal is to invest in capacities of up to 19.2 MW of production power by mid-2028). The measures taken are described in detail in the chapter *Measures and resources related to climate policies*.

In accordance with the set goal, the Group for the period from 1 April 2024-31 March 2025, contracted with HEP Opskrba for the procurement of electricity supply, which must contain at least 50% of electricity from renewable sources. Also, during 2024, the Group undertook a number of activities related to solar power plants on the buildings of Zagrebački holding and water wells and landfills, which is stated in more detail in the Management Report, under the chapters *Solar power plants on the roofs of the buildings of Zagrebački holding – Project PVMax* and *VIO continues with activities related to the construction of solar power plants*.

In 2024, EUR 438,342.15 was spent on the construction of SPP Bukovac, while the total cost of the project is EUR 472,352.38. The funds spent are fully financed from the operations of VIO.

A total of EUR 10,586.14 (excluding VAT) was spent on the development of Studies of the optimal technical solution for connection to the network (EOTRPs) at the facilities of the subsidiary Robni Terminali Zagreb.

For future projects of VIO, co-financing by the EPEEF is expected in the expected amount of 45%. The expected value of the remaining projects is EUR 13.5 million, and the Company's investment plan for 2025 has reserved funds in the amount of EUR 4 million for the activities of the PV MAX Project.

Data related to both bond-related KPIs described above will be verified by an independent evaluator through the so-called Second Party Opinion (SPO). The data presented in this report are therefore indicative and have not been subject to such verification, while the final details on the progress in fulfilling bond-related SPTs will be published separately on the Company's website by 30 June 2025.

KPI #3: Improving resource efficiency through better water management – reducing water loss

The third strategic objective refers to the improvement of resource efficiency through better water management, i.e. it implies the reduction of water losses (in relative percentage). The group set a significant improvement target by reducing water loss to 47% by 2028 (which in relative terms means an improvement of 15% compared to 2023 when the target was set).

In 2024, water loss amounted to 56.32%, which is 2.32% more than the defined target value for 2024, i.e. 54%.

The path to achieving this goal is based on infrastructure projects and activities:

- » • Infrastructure projects – Project Zagreb:
 - » In a shorter period of time, the implementation of measures that mitigate the problems of losses in the narrower part of Zagreb (Zero Zone project).
 - » Investment in infrastructure to improve water management, over a longer period and on a larger scale (Project Zagreb construction and reconstruction of pipelines, pumping stations and manholes).
- » • Activity:
 - » Project Intervention Loss Reduction (ISG)

In the second half of 2024, activities related to the contract on the preparation of detailed documentation for projects within the scope of the "Project Zagreb 2021-2027 (improvement of water and utility infrastructure) and the preparation of documentation for co-financing from EU funds began.

Also, the project Intervention Loss Reduction was launched with the aim of:

- » quality detection of the fault location in the water supply network,
- » quality defect elimination,
- » maintaining compliance of the first two points.

By implementing all activities from this project, it is expected to reduce water loss by 15%.

The successful implementation of the intervention loss reduction will achieve the preconditions for easier and more realistic implementation of the short-term and long-term plan for resolving losses and achieving the final goal – continuous maintenance of the state of losses at a satisfactory and controlled level.

In addition to infrastructure projects, VIO implemented the following measures:

- » procurement of equipment for locating losses, in which EUR 300,000 was invested in 2024,
- » reconstruction and rehabilitation of water supply pipelines with large losses, in which EUR 5,400,000 was invested in 2024,
- » employment of a dozen installers for the detection and repair of losses.

1.7.3. Accompanying sustainability goals

Goal #4: Take action to reduce CO2 emissions

Within this goal, the Group has set goals of (i) reducing the carbon footprint of the fleet and (ii) improving energy efficiency. The strategic approach and measures to achieve these goals include the following projects:

1. Electrification and renewal of the fleet, including the renewal of approximately 20% of the existing fleet of work and freight machines and the replacement of part of the fleet of personal cars (including rented vehicles) with electric vehicles;
2. Defining a series of measures to reduce own electricity consumption as prescribed by the Energy Efficiency Act (OG 127/2014 and 41/2021) - the Group undertook to identify areas of inefficiency and implement energy saving measures.

During 2024, measures were implemented in relation to this goal as described below.

1. Renovation of the municipal fleet with specialised vehicles and working machines for:
 - » subsidiary Čistoća – procured vehicles for waste collection, truck cleaners, medium capacity cleaners, tank trucks, cleaners for pedestrian traffic areas with electric power and the delivery of additional 8 cleaners for the first quarter of 2025 was contracted
 - » subsidiary Zrinjevac – procured vehicles for performing activities (grapple, tanks), mowers, composting machines and additional tractors are in delivery
 - » VIO - business vehicles
 - » Zagrebparking - "spider" vehicles and scan-a-car

The value of the procured vehicles is approximately EUR 30 million.

2. Electrification of leased vehicles
 - » The share of electric and hybrid vehicles in the part of the Group fleet that is leased has increased by 30%. Of the currently 216 leased vehicles, 26% are now electric and hybrid vehicles.
3. Energy efficiency measures
 - » For the purpose of structural and complete (including energy) renovation, works were carried out on the administrative building and morgue at Mirogoj, which are managed by the subsidiary of Gradska Groblja. The renovation of the administrative building has been completed, while the deadline for the renovation of the morgue is 30 June 2026. In accordance with the goals, primary energy savings of 50%, thermal energy of 73% and CO2 savings of 40% are planned for the administrative building. Primary energy savings of 38%, thermal energy of 5% and CO2 savings of 44% are planned for the morgue.

The value of the investment is approximately EUR 2.2 million.

In order to achieve goal #4, further modernisation of the fleet is planned in the coming period with an investment of about EUR 55 million and energy savings measures for which funds of about EUR 35,000 have been allocated.

Goal#5: Participate in and encourage projects aimed at achieving affordable housing

Wherever possible, the ZGH Group will participate in and encourage projects aimed at achieving the goals of affordable living, such as the construction of apartments for affordable long-term rentals given to couples and/or individuals who meet certain social criteria for such support.

In 2024, the Group did not implement or plan projects that contribute to this goal. Given that the Group contracts construction projects upon engagement by the owner (City of Zagreb), it cannot independently start comparable projects. After the delivery of the project of the settlement of Podbrežje to the City, the Group carried out the last contracted project aimed at increasing affordable housing in the City of Zagreb. In accordance with the current city strategy, such projects are developed independently by the City, without the participation of the Group.

Goal #6: Improve the general quality of life in the City of Zagreb through a series of projects in the field of the urban environment, access to healthy food and infrastructure that supports local (and more distant) agricultural activities and the production of food and other products

Although no specific indicators have been established to monitor the performance of this strategic goal, the Group implements several measures to contribute to its achievement:

1. Revitalisation, renovation and construction of markets in the city of Zagreb – during 2024, a complete reconstruction of the Vrapče market was carried out, a part of the Trešnjevka market was arranged, the reconstruction of the lift of the Dolac market was contracted, the preparation of project documentation for the rehabilitation of the floor and roof of the Utrine market was started;
2. Construction of a logistics and distribution centre (LDC) for fruit, vegetables and food products – project planned;
3. Tree planting - in October 2024, a new cycle of tree planting began within the project of greening the city of Zagreb (more details in the chapter Affected communities, consumers and users);
4. Construction of a garage in Klaićeva ulica - in 2024, investment and feasibility studies were carried out for the intended project;
5. Renovation of municipal infrastructure - includes the procurement of more modern machinery and devices for waste management, for planting trees and for road maintenance in order to improve the quality of life of citizens and improve the infrastructure of the city, which will also have a positive impact on achieving greater efficiency and reducing the carbon footprint of old machinery; during 2024, documentation for the procurement process and documentation for financing the said equipment were prepared (implementation period from 2025 to 2026 is expected).

Goal #7: Continue to respect and continuously improve working regulations that define procedures and measures for the protection of the dignity of workers and protection against discrimination, and maintain their commitment to the principles of employment that exclude discrimination and guarantee equal opportunities and rights for all

In terms of contributions to goal #7, the Group has set two goals to promote gender equality: (i) improving the work-life balance for all employees and (ii) introducing mentoring programs for women in leadership positions. During 2024, training was carried out to promote women leaders, as stated in the chapter Own workforce. In addition to training, the following measures were implemented:

1. cooperation with UNICEF (details in the chapter *Own workforce - Policies*),
2. a new Collective Agreement has been signed (details in the chapter *Own workforce - Management*),
3. introduction of education on the topics of corporate governance and workers' rights during employment (details in the chapter *Business behaviour*),
4. stakeholder surveys.

1.7.4. Operational goals

With the aim of improving the performance of its services, during 2024 the Company improved the system of monitoring key operational performance indicators in the areas of waste management, maintenance of the road transport network and green and public areas, i.e. key municipal activities. Currently, indicators are monitored for 26 different activities with a tendency to further increase, and the result of monitoring is an increased realisation, i.e. improvement in the execution of activities. In parallel with the current model, work is being done on the further development of the digitalisation of monitoring and execution of activities.

In relation to the identified significant sustainability factors, the relevant indicators of the subsidiaries Čistoća and Zrinjevac are shown in the table below. These are internally set goals that have not been verified by an independent evaluator and have no basis in an external or scientifically based methodology. Monitoring the achievement of goals is carried out individually, depending on the specifics of each goal.

No.	KPI	Baseline value	Planned value	Realisation in 2024	Realised assets (excluding VAT)	Specification
Čistoća						
1.	Execution of waste collection services for households for different fractions (mixed municipal waste (MSW), bio-waste, paper, plastic)	Realisation of removal according to the number of locations is monitored from 3 June 2024.	> 99% and 100% for MKO	Data for the period 3.6. - 31 December 2024: 99.93% MKO 98.62% bio-waste 98.43% paper 97.99% plastic	No separate funds planned, KPI is part of the usual activities	All fractions are transported once a week from all locations, and all non-performance of the service is our fault (the team did not go to the field, they did not arrive, truck malfunction,...) is carried out in subsequent transport within 24 hours of regular removal.
2.	Lifts and readings of vessels of MKO fraction - percentage of correct lift and readings	0% (chipping project started in 2024)	> 95%	Monitoring of lifts and readings for the period 1.10.- 31.12.2024: 73.81%	No separate funds planned, KPI is part of the usual activities	The project lasted in the period from 1 July to 1 October 2024
3.	Waste removal from green islands - percentage of plan implementation (expected daily number of removal)	Implementation of the plan is monitored from 2 September 2024	100%	Data for the period 2.9. - 31 December 2024: 110.49%	No separate funds planned, KPI is part of the usual activities	The planned goals are tailored to individual locations. Some require waste disposal every 3 weeks, while in some locations on the outskirts of the city, for example, glass is removed every 3 months.
4.	Waste disposal of underground tanks by locations	0 (underground tanks installed during 2024)	Monitoring of the implementation of the framework plan by individual locations	All locations are visited almost daily, and the tanks are emptied when they reach more than 30-40% occupancy	No separate funds planned, KPI is part of the usual activities	Since over 70% of underground tanks were put into operation only during 2024, permanent routes have not yet been defined - teams visit all locations in the field on a daily basis.

No.	KPI	Baseline value	Planned value	Realisation in 2024	Realised assets (excluding VAT)	Specification
5.	Resolving reports of municipal wardens and citizens in the e-Redar system (City of Zagreb): number and percentage of resolved reports received in the period 2012 -2023 /2024 number and percentage of resolved reports received only in the current year	Data for 2023: 4,651 / 93.56% 3,370 / 62.23%	> 95% > 90%	8,776 / 98.18% 5,584 / 89.92%	No separate funds planned, KPI is part of the usual activities	90% more applications resolved compared to 2023
6.	Distribution of plastic bins (family houses): number of divided bins percentage of divided bins in relation to the total number of family houses	Mass division program started in 2024	106,321 100%	58,091 54.64%	No separate funds planned, KPI is part of the usual activities	Current situation as at 28 March 2025: 90,883 85.48%
7.	Cleaning and washing of public areas (quantities), emptying and maintenance of baskets, disposal of waste from appropriate fairs, disposal of hazardous waste and cleaning of wild landfills	Last annex to the contract for 2024: €22,474,080.00	Realisation of the last annex to the contract 100%	€22,396,847.55	€22,396,847.55	99.66% of the last annex to the contract implemented.

No.	KPI	Baseline value	Planned value	Realisation in 2024	Realised assets (excluding VAT)	Specification
Zrinjevac						
1.	Resolving reports of municipal wardens and citizens in the e-Redar system (City of Zagreb): number and percentage of resolved reports received in the period 2012 -2023 /2024 number and percentage of resolved reports received only in the current year	Data for 2023: 1,344 / 94.08% 892 / 57.25%	> 95% > 90%	1,609 / 95.43% 1,003 / 66.56%		90% more applications resolved compared to 2023
2.	Fleet and machinery: in service under maintenance	Average value for 2023: 58.48% 18.86%	> 80% < 10%	Average value for 2024: 58.20% 26.71%		The calculations do not take into account mowers, the results are lower because certain groups of machines work only seasonally. A significant increase in the percentage of the fleet in operation is expected with the modernisation of part of the fleet (tankers, grapples, loaders and tractors) planned for 2025.
3.	Mowing percentage of mowing circuits	Start of mowing season around 15.3. 0%	IX. mowing circuits 100%	IX. mowing circuits 100%		For 2025, XII. mowing circuits are planned.
4.	Tree planting (2024/2025): number of trees planted	Start of planting season 4.11.2024 0	8,775	Balance as at 31 December 2024: 4,735		In 2024 for the 2024 planting season/2025, 54% of the total planned number of trees were planted. As at 2 April 2025 - 8,067, i.e. 91.93%.
5.	Utility plan: implementation of the contract	Last annex to the contract for 2024: €4,920,264.70 0%	Realisation of the last annex to the contract 100%	€4,748,287.07 96.50%	€4,748,287.07	Less realisation than contracted because Zrinjevac either did not receive the necessary solutions to perform the works or the solutions were not harmonised with the contracted items.



02 Environment Information

2.1. Publications in accordance with the Taxonomy Regulation

In an effort to facilitate sustainable investment, the EU has introduced a classification system of sustainable economic activities through the EU Taxonomy regulatory framework. The aim was to define what is considered environmentally sustainable in order to encourage sustainable financing and investment, therefore this regulatory framework plays a key role in encouraging the transition to a sustainable economy.

The key act of the EU Taxonomy is the Taxonomy Regulation,¹⁵ which essentially prescribes the area and subjects of application, environmental goals in relation to which economic activities are assessed, defines what implies a significant contribution to the achievement of individual goals, significant damage to environmental goals, minimum protective measures or social and management criteria that companies must meet in order for their activities to be considered sustainable.

The six environmental objectives prescribed by the Taxonomy Regulation are:

1. Adapting to climate change
2. Climate action
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Prevention and control of pollution
6. Protection and restoration of biodiversity and ecosystems

In order to be considered environmentally sustainable, the EU Taxonomy Regulation stipulates that an economic activity must meet 4 cumulative conditions:

1. Significantly contribute to at least one environmental goal;
2. Do not cause significant damage to any other environmental goal (DNSH Do No Significant Harm);
3. It should be implemented in accordance with the minimum protective measures that must be met by the company implementing it;
4. It complies with the technical verification criteria established by the European Commission.

Technical verification criteria in relation to environmental goals are prescribed by delegated acts of the European Commission, specifically the Climate Delegated Regulation¹⁶ and the Environmental Delegated Regulation¹⁷.

The second aspect of determining environmental sustainability is financial: calculation of taxonomic KPIs, i.e. performance indicators of the company. Through the taxonomic KPI of revenue, capex or opex, companies transparently and unequivocally show how much revenue they have generated from or how much funds they have spent on environmentally sustainable activities, or what capital costs they plan in this regard in the future. The details related to the calculation and publication of taxonomic KPIs are prescribed by the Delegated Act on Disclosures¹⁸.

¹⁵ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088

¹⁶ Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objective

¹⁷ Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to the pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objective, and amending Commission Delegated Regulation (EU) 2021/2178 as regard specific public disclosures of information on those economic activities

¹⁸ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Article 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

Eligibility analysis procedure in accordance with the provisions of the EU Taxonomy Regulation

The Group primarily performs activities that are of general economic (public) interest and are crucial for the quality and standard of life of citizens of the city of Zagreb. They are primarily grouped into business areas of utility, energy and market services, which corresponds to the following groups of activities of the EU Taxonomy: Energy, Water Supply, Waste Water Removal, Waste Management and Environmental Remediation, Transport, Construction and Real Estate. Additional activities that have been identified belong to the groups: Information and communication, Accommodation provision activities, Manufacture of medicinal products.

In order to determine which of the prescribed activities are acceptable to the Group, the teams within the subsidiaries reviewed the list of activities and, based on their description, made conclusions on which economic activities are actually performed.

However, for the purposes of the analysis of activities in accordance with the EU taxonomy, in addition to the basic activities performed by the Group, the corresponding, i.e. secondary daily activities, were considered in order to determine whether there is additional taxonomic potential (for example, the activity of transport by personal vehicles).

List/overview of taxonomically acceptable activities

The result of the analysis conducted at the level of the entire Group is a list of acceptable activities in relation to all environmental goals prescribed by the Taxonomy Regulation, as shown in the table.

Environmental objective	Activity code	Economic activity as defined by delegated acts to the Taxonomy Regulation	Subsidiary Sector
Climate change mitigation	4.1.	Production of electricity by solar photovoltaic technology	VIO
	4.7.	Production of electricity from gaseous and liquid non-fossil fuels from renewable sources	Čistoća
	5.1.	Construction, expansion and operation of water collection, treatment and supply systems	VIO
	5.2.	Renovation of water collection, treatment and supply systems	VIO
	5.3.	Construction, expansion and operation of wastewater collection and treatment systems	VIO
	5.4.	Renovation of centralised wastewater collection and treatment systems	VIO
	5.5.	Collection and transport of non-hazardous waste in fractions separated at source	Čistoća
	5.6.	Anaerobic degradation of sludge from wastewater treatment plants	VIO
	5.8.	Composting of bio-waste	Zrinjevac
	5.9.	Recovery of materials from non-hazardous waste	Zagrebačke ceste
	5.10.	Capture and utilisation of landfill gas	Čistoća
	6.5.	Transport by motorcycles, passenger cars and light commercial vehicles	VIO, Property, Zagrebačke ceste, Čistoća
	6.13.	Infrastructure for personal mobility, cycling logistics	Zagrebačke ceste
	7.1.	Construction of new buildings	Sektor za imovinu
	7.7.	Purchase and ownership of buildings	Sektor za imovinu
	8.1.	Data processing, provider services and related activities	IT Sector

Environmental objective	Activity code	Economic activity as defined by delegated acts to the Taxonomy Regulation	Subsidiary Sector
Adapting to climate change	4.1.	Production of electricity by solar photovoltaic technology	VIO
	4.7.	Production of electricity from gaseous and liquid non-fossil fuels from renewable sources	Čistoća
	5.1.	Construction, expansion and operation of water collection, treatment and supply systems	VIO
	5.2.	Renovation of water collection, treatment and supply systems	VIO
	5.3.	Construction, expansion and operation of wastewater collection and treatment systems	VIO
	5.4.	Renovation of centralised wastewater collection and treatment systems	VIO
	5.5.	Collection and transport of non-hazardous waste in fractions separated at source	Čistoća
	5.6.	Anaerobic degradation of sludge from wastewater treatment plants	VIO
	5.8.	Composting of bio-waste	Zrinjevac
	5.9.	Recovery of materials from non-hazardous waste	Zagrebačke ceste
	5.10.	Capture and utilisation of landfill gas	Čistoća
	6.5.	Transport by motorcycles, passenger cars and light commercial vehicles	VIO, Property, Zagrebačke ceste, Čistoća
	6.13.	Infrastructure for personal mobility, cycling logistics	Zagrebačke ceste
	6.15.	Infrastructure for road and public transport	Zagrebačke ceste
	8.1.	Data processing, provider services and related activities	IT Sector
Sustainable use and protection of water resources	1.1.	Production, installation and related services for leakage control technologies that enable the reduction and prevention of leakage in the water supply system	VIO
	2.1.	Water supply	VIO
	2.2.	urban waste water treatment	VIO
	2.3.	Sustainable urban drainage system	VIO
	2.5.	Bio-waste recovery by anaerobic degradation or composting	Zrinjevac
Transition to a circular economy	2.3.	Collection and transport of non-hazardous and hazardous waste	Čistoća
	3.3.	Demolition and dismantling of buildings and other structures	Zagrebačke ceste
	3.4.	Road and motorway maintenance	Zagrebačke ceste
Prevention of pollution control	1.2.	Manufacture of medicinal products	GLJZ
	2.1.	Collection and transport of hazardous waste	Čistoća
	2.3.	Rehabilitation of non-compliant landfills and abandoned or illegal landfills	Čistoća
Contribution to the protection and restoration of biodiversity and ecosystems	2.1.	Hotels, resorts, campsites and similar accommodation	Vladimir Nazor

Taxonomic compliance analysis procedure

After determining the taxonomically acceptable activities, the responsible employees and Group teams continued with the compliance analysis, as follows:

- a. a check was carried out to check whether the criteria of significant contribution to at least one of the six environmental objectives were met for the identified taxonomically acceptable activities, and
- b. for economic activities that meet the criterion of significant contribution, it has been verified that they do not significantly harm any other environmental goal (the DNSH criterion was analysed).

The Group's conclusion for all activities that are taxonomically acceptable is that none of them are taxonomically harmonised. Namely, during 2024, the Group did not assess climate risks and vulnerability to physical climate risks, which is the criterion of not causing significant damage to climate change adaptation in all established acceptable activities. The aforementioned assessment is prescribed in Appendix A to both delegated acts prescribing the technical verification criteria for environmental objectives.

Nevertheless, the Group studied the remaining technical verification criteria in order, among other things, to develop a plan for future compliance and potential related costs.

Satisfaction of minimum protective measures

Given that the Group does not currently implement procedures in accordance with the requirements prescribed by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, the criteria of Article 18 Of the Taxonomy Regulation are not fulfilled. This fact further affects the Group's ability to determine any of the taxonomically acceptable activities as taxonomically harmonised.

Description of the accounting policy and procedure for calculating KPIs, with an overview of the results per each KPI

The key performance indicators were calculated in accordance with the rules of the Delegated Act on Disclosures. Since the Group did not meet the criteria for taxonomic compliance in 2024, KPIs related only to the identified taxonomically acceptable activities were calculated.

30.4% of revenues, 39.8% of capital expenditures and 33.7% of operating expenditures refer to the Group's taxonomically acceptable activities in 2024. A detailed overview by individual KPI is attached to *Appendix 2 – EU Taxonomy*.

Key performance indicator related to operating revenues

Revenues of the Group related to the EU taxonomy relate to 13 acceptable economic activities, most of which are related to the goal of transition to the circular economy (17% of taxonomically acceptable revenues) and the goal of climate change mitigation (11% of taxonomically acceptable revenues). Subsidiaries Čistoća and Zagrebačke ceste contribute to the goal of transition to the circular economy, and the subsidiaries Čistoća and the subsidiary VIO, and to a lesser extent subsidiaries Zrinjevac and Zagrebačke ceste contribute to the goal of mitigating climate change.

The numerator for the KPI of operating revenues is defined through taxonomically acceptable and taxonomically harmonised operating revenues, while the denominator refers to total operating revenues, as defined by the regulations.

The source of data for operating revenues that are taxonomically acceptable are data from the Group's analytical cost accounting and this generally refers to operating revenues related to taxonomically acceptable activities.

The analysis of operating revenues singled out individual costs related to each of the identified economic activities that are taxonomically acceptable, thus ensuring the avoidance of double counting of revenues in the allocation to the numerator.

Key performance indicator related to capital expenditures (KPI capex)

KPI of capex in 2024 included 11 taxonomically acceptable activities that also mainly relate to the goal of transition to the circular economy (16% of taxonomically acceptable capex) and climate change mitigation (15% of taxonomically acceptable capex). Regarding the transition to the circular economy, the largest share of capital expenditures refers to the subsidiary Čistoća, while the largest share related to climate change mitigation also refers to the subsidiary Čistoća and the subsidiary VIO.

The numerator for the KPI of capex is defined as taxonomically acceptable and taxonomically harmonised investments, while the denominator refers to the total investments of the Group, as defined by the regulations.

The source of data for investments that are taxonomically acceptable are data from the analytical accounting of capital expenditures, i.e. investments of the Group. This refers to capital expenditures related to taxonomically acceptable activities.

The analysis of investments singled out individual investments related to each of the identified economic activities that are taxonomically acceptable. The analytical approach to investments ensures the avoidance of double counting of costs in the allocation to the numerator.

Key performance indicator related to operating expenditures (KPI opex)

KPI of Opex in 2024 included 13 taxonomically acceptable activities that primarily relate to the goal of climate change mitigation (33% of taxonomically acceptable Opex), most of which amounts relate to the operations of the subsidiary Vio.

KPI of operating expenditures is defined as taxonomically acceptable and taxonomically harmonised operating expenditures in the numerator divided by the total operating expenditure as defined by the EU Taxonomy in the denominator.

The source of data for operating expenditures that are taxonomically acceptable are data from the Group's analytical cost accounting, which generally refers to costs related to taxonomically acceptable activities.

2.2. Climate change (E1)

Climate change is one of the key topics of today and has been recognised as a significant topic at the level of business of the entire Group. The Company and its subsidiaries have recognised their negative effects on climate change through greenhouse gas emissions and energy consumption, and the associated risks and opportunities that arise for the Group have been recognised. The determination of impacts was carried out through the process of double significance analysis, during which each component of the Group (subsidiaries and the institution) analysed its own activities in the context of contributing to climate change.

In 2023, the Group issued a bond related to sustainable business operations and committed to the investors in this instrument to adopt the Decarbonisation Strategy by 30 June 2025. The development of the strategy is underway and it will define key goals and measures for reducing greenhouse gas emissions and serve as the basis for the development of the transition plan, the finalisation of which is envisaged by the end of 2025. For the development of an effective transition plan aimed at climate change mitigation, it is crucial to develop a comprehensive decarbonisation strategy that clearly defines the goals and key performance indicators (KPIs), on the basis of which concrete measures and activities for the gradual transition to climate neutral business are formed, in accordance with the requirements of the CSRD and the associated reporting standards (ESRS E1 – Climate Change).

The Group has recognised climate risks (primarily physical and to a lesser extent transitional) as significant for its business, but currently only on the basis of experience and general assumptions. During 2024, therefore, no analysis of climate scenarios or exposure and vulnerability to climate risks was carried out, i.e. analysis of the resilience of the strategy and business model in relation to climate change. These activities are expected during 2025.

2.2.1. Sustainability Strategy of Zagrebački holding 2023-2028 and strategic measures to achieve climate change goals

As already pointed out in the chapter *Business Strategy and Sustainability Strategy*, in 2022 the Group adopted the Sustainability Strategy, and one of the strategic determinants of this document and the accompanying action plan is precisely the fight against climate change. This is in accordance with KPI #2 to which the Group has committed itself within the framework of the sustainability bond, which is described in more detail in the chapter [Default indicators and goals related to sustainability](#).

The Group's goal is to increase the share of own produced and purchased renewable electricity in the total electricity consumption of the entire Group, in areas where it is possible to contribute independently (e.g. by installing renewable energy capacities that would replace energy purchases, when purchasing by choosing electricity from renewable sources, etc.). In accordance with the stated goal, Zagrebački holding d.o.o. has established the following key strategic goals for renewable energy management:

Strategic goals	Measures
Increase in % share of renewable energy consumption in total electricity consumption	a. Increasing the installed capacity for renewable energy b. Purchase of renewable electricity from external suppliers
Reduce electricity consumption	

KPI #2 of the bond is aimed at achieving a 70% share of renewable electricity in total electricity consumption by 2028.

2.2.2. Management of impacts, risks and opportunities (E1-2,3,4)

Policies related to climate change mitigation and adaptation

The Group has not adopted specific policies aimed solely at managing the impacts, risks and opportunities associated with climate change. Nevertheless, topics related to climate change mitigation and energy efficiency, including the introduction of energy from renewable sources, are covered by the Sustainability Policy and the Quality Management and Environmental Protection Policy.

Climate change adaptation is not covered by the Group's policies, but this is expected in the upcoming periods, especially after conducting an analysis of climate scenarios and adopting a transition plan and decarbonisation strategy. However, in 2021, the VIO adopted the Framework Programme of Activities for Improving Flood Risk Management in the Urban Area of the City of Zagreb through Climate Change Adaptation Measures, which is described in more detail in the chapter *Management of Impacts, Risks and Opportunities* in the section Water Resources.

Also, although not strictly covered by the definition of policies in terms of ESRs, the Group is subject to a package of documents adopted at the level of the Republic of Croatia and the City of Zagreb, covering all the above topics related to climate change. At the level of the Republic of Croatia, the Group is subject to acts related to climate change mitigation and adaptation, which define the vision and development goals with an emphasis on sustainability. The acts in question are listed below and a link to the Group is indicated.

Strategy document	Group link
National Development Strategy of the Republic of Croatia until 2030	Zagrebački holding, as a key utility provider in Zagreb, has a significant role in achieving the goals of the National Development Strategy. Activities such as improving waste management and promoting sustainable mobility contribute to reducing greenhouse gas emissions and preserving the environment. These initiatives of the Zagrebački holding are aligned with the National Development Strategy, especially in the segments of environmental and energy transition and sustainable mobility, thus contributing to the achievement of climate neutrality goals by 2030.
Integrated National Energy and Climate Plan for the Republic of Croatia for the period 2021-2030	Zagrebački holding can contribute to the goals of the Integrated National Energy and Climate Plan by increasing energy efficiency in its operations, implementing renewable energy sources in its facilities and processes, and optimising the waste management system in order to reduce emissions.
Climate Change Adaptation Strategy in Croatia by 2040 with regard to the year 2070.	This strategy identifies sectors vulnerable to climate change and proposes adaptation measures. Measures related to the management of water resources in urban areas, improvement of infrastructure in order to be more resistant to extreme weather conditions and education and awareness raising among workers and service users about the importance of climate change adaptation are relevant for utility activities.
Low-Carbon Development Strategy of the Republic of Croatia until 2030 with regard to the year 2050	The strategy provides guidelines for the transition to a low greenhouse gas emission economy. Zagrebački holding can be aligned with this strategy through the promotion of sustainable mobility, including the use of alternative fuel vehicles, the reduction of fossil fuel consumption in its operations and investment in innovative technologies that contribute to the reduction of emissions.

At the level of the City of Zagreb, a number of strategic documents were adopted with the aim of achieving climate neutrality of the City, which are directly related to the activities of the Group:

Strategy document	Group link
Development plan of the City of Zagreb for the period 2021-2027	Sustainable development focuses on environmental protection, adaptation to climate change, crisis resistance, risk prevention, efficient use of natural resources and protection of biodiversity, while strengthening economic and social cohesion in setting priorities and measures.
Climate Change Mitigation, Adaptation and Protection of the Ozone Layer Program of the City of Zagreb in 2025 -2028.	The programme provides for measures to reduce emissions and adapt to climate change. Zagrebački holding can be involved through the implementation of technologies that reduce greenhouse gas emissions and education of workers about practices that contribute to climate change mitigation.
Green Urban Renewal Strategy of the City of Zagreb	The document emphasises the importance of integrating green infrastructure into urban development. Zagrebački holding contributes by participating in green renovation and urban development projects.
Energy efficiency action plan of the City of Zagreb for the period 2025 – 2027	The action plan also includes subsidiaries of the Group with clearly defined goals in the context of energy consumption and energy efficiency analysis in buildings and transport.
The Action Plan for Energy Sustainable Development and Adaptation to Climate Change of the City of Zagreb	This plan integrates measures to reduce emissions and adapt to climate change. Zagrebački holding contributes through the development and implementation of projects that reduce greenhouse gas emissions and cooperation with city authorities on climate change adaptation initiatives.

Measures and resources related to climate change

Specific measures and activities of the Group in the field of climate change primarily arise from the strategic documents of the Republic of Croatia and the City of Zagreb, and not necessarily from their own policies. The following is an overview of projects (including descriptions of measures and resources) initiated and/or implemented during 2024, which should be read together with the information from the Management Report, chapter *Other Projects Co-financed by Grants*.

Solar power plant project on the buildings of Zagrebački holding and water wells and landfills

Group with the aim of energy and financial savings. Existing projects include the production of electricity from the solar power plant on the roof of the Gorica garage, which was put into operation in 2023, with a connection power of 33 kW.

During 2024, the following was achieved:

- » The solar power plant **SPP Bukovac** with a connection power of 350 kW was built and put into operation (commissioning date: 3 October 2024). A solar power plant on the roof of the SOC Jakuševac building, with a connection power of 50 kW, was put into operation (April 2024);
- » The contracted construction of the solar power plant **SPP Oporovec**, the solar power plant set up, the connection of Hep is awaited;
- » The tender for the construction of the solar power plant **SPP Folnegovičeva** was conducted, the decision on the selection was made, the contract pending;
- » Connection agreements were signed for three SPPs within the RTZ subsidiary (Jankomir 25R,V, J, U,H – SE1460kW, Slavenska avenija 52e,F – SE1050kW, Slavenska avenija 52 (PO - administrative building) - SE50kW) – within two years, the construction and commissioning of locations on Jankomir and Slavenska avenija 52e,F is expected, while for the location Slavenska avenija 52 (PO), preparatory works on the Hep network for the planned power plant were made;
- » Electricity approvals were obtained for and contracts for connection for solar power plants SPP Cerje (425 kW), SPP Jačkovina (50 kW), SPP Bizek (100 kW), SPP Lisičina (200 kW), SPP Laščina (200 kW), SPP Lončarićev put (200 kW), SPP Sokolovac (190 kW), SPP Zagorska (200 kW).

The expected annual electricity production of SPP on the roof of the Bukovac water reservoir is 554,500 kWh, and annual energy savings are 275,000 kWh, i.e. 40 t/CO₂. In the period from the commissioning of the power plant until the end of 2024 (3 October 2024-31 December 2024), the energy savings achieved by the installation of solar panels are: 5,510 kWh, i.e. the reduction of CO₂ emissions is 0.8 tons¹⁹. The expected annual electricity production of SPP on the roof of the SOC Jakuševac building is 62,100 kWh, annual energy savings are 40,000 kWh, i.e. 6.34 t/CO₂. In the period from the commissioning of the power plant until the end of 2024 (13 April 2024)-31 December 2024), the energy savings achieved by the installation of solar panels are: 35,000 kWh, i.e. the reduction of CO₂ emissions is 5.54 tons.

In 2024, EUR 438,342.15 was spent on the construction of SPP Bukovac, while the total cost of the project is EUR 472,352.38. The funds spent are fully financed from the operations of VIO. Solar power plants SPP Oporovec and SPP Folnegovičeva will also be financed from the operations of VIO, while other future projects of solar power plants in VIO are expected to be co-financed by the EPEEF in the expected amount of 45%. The expected value of the remaining projects is EUR 13.5 million. A total of EUR 10,617.82 (plus VAT) was spent on the development of EOTRPs at the facilities of the RTZ subsidiary. The status of projects for the construction of other planned solar power plants located on the Group's facilities (Company and GLJZ institution) are:

- » Markets Zagreb, Utrina market – SE130kW
 - » The development of the main design of the solar power plant was contracted as part of the project for the reconstruction of the facility.
- » Markets Zagreb, Veletržnica – SEVT1 495kW
 - » The extension of the validity of the EOTRP was requested, but it was rejected by Hep ODS.
- » Markets Zagreb, Refrigerator 1 – SEVT2 495kW
 - » The requested extension of the validity of the EOTRP was, however, rejected by HEP ODS.
- » Markets Zagreb, Refrigerator 2 – SEVT3 299kW
 - » The extension of the validity of the EOTRP was requested, but it was rejected by HEP ODS.

¹⁹ The CO₂ emission factor used from the Updated database of emission/removal factors for the calculation of the carbon footprint of organisations 2024 Data for 2022 145.699141 kg/MWh

- » Markets Zagreb, Gajnice market – SE50kW
 - » There was no activity.
- » Markets Zagreb, Jarun market – SE35kW
 - » There was no activity.
- » VN, Arena hostel – SE70kW
 - » The City of Zagreb took over the development of the project and the construction of the planned solar power plant (given their ownership of the facility).
- » GLJZG, Bani 98 – SE70kW
 - » A contract was signed with the designer, and the development of the main design of the solar power plant (design) is in progress.

In addition, all activities related to the potential construction of a solar power plant at the Jakuševac landfill were stopped until further notice.

Project for the exploitation of landfill gas at the Jakuševac landfill

Subsidiary Čistoća plays a key role in mitigating climate change by reducing greenhouse gas emissions and producing energy from renewable sources. In order to avoid harmful emissions into the environment and energy exploitation of gas, the landfill gas is collected and treated in a controlled manner at the Prudinec/Jakuševac waste landfill. It is a small thermal energy facility – mTEO, which enables the protection of the ozone layer, the avoidance of the greenhouse effect and the production of electricity and heat from the collected landfill gas. By using landfill gas, Čistoća also increases its own energy independence.

The production of electricity at this plant is carried out in accordance with the decision and permit of the Croatian Energy Regulatory Agency (HERA) for the performance of energy activity of electricity production from May 2018. A gas plant that converts landfill gas energy into electricity consists of two separate production units within which four aggregates are installed.

The obtained electricity is placed on the market on the basis of a contract for the purchase of electricity from a plant using a renewable energy source with the Croatian Energy Market Operator (HROTE). The use of landfill gas for the production of electricity on gas motor-generators or thermal treatment on high-temperature torches significantly reduces the emission of greenhouse gas methane into the environment, which is used as a renewable energy source. In addition, in order for the landfill gas to be collected and used at the gas plant during the construction of a particular surface, which lasts for an average of 3 to 4 years, a temporary degassing of the surfaces under construction has been carried out since 2014. This prevents the landfill gas from going into the atmosphere uncontrollably and polluting the environment.

Key results for 2024:

- » 14.2 million m³ of landfill gas collected (2023: 16.7 million m³).
- » 22.6 GWh of electricity produced, delivered to HEP's system (2023: 28.4 GWh).
- » Multiple exceeded own electricity consumption of the Čistoća subsidiary.

The amount of collected landfill gas and the production of renewable electricity over the past four years are shown below.

Description	2024	2023	2022	2021
Quantity of collected landfill gas (in thousands of m3)	14,212	16,742	16,767	17,018
Quantity of electricity produced (in MWh)	22,647	28,445	29,969	28,680

Planned projects

At the beginning of 2025, the development of the Study of the optimal model for the use of green electricity at the level of the Group and the City of Zagreb began. The aforementioned study should give the direction of future development and management of the Group's electricity.

The construction of integrated solar power plants SPP Bizek, SPP Cerje, SPP Folnegovićevo, SPP Jačkovina, SPP Laščina, SPP Lisičina, SPP Lončarićev Put, SPP Sokolovac, SPP Zagorska and free-standing solar power plants SPP Mala Mlaka and SPP Sašnak is planned on water wells, as part of the Water and drainage system. The planned deadline for the construction of solar power plants is 31 December 2027.

The investment plan for 2025 has reserved funds in the amount of EUR 4 million for the activities of the PV MAX Project.

In addition to the already described goal within the bond issued, the Group did not set targets related to climate change mitigation and adaptation.

2.2.3. Indicators and target values (E1-5,6)

Energy consumption and combination of energy sources

The total energy consumption in 2024 was 226,134.32 MWh. The consumption per individual energy product is shown below in the table.

Power consumption	ZGH d.o.o.	VIO	GPZ-0	GPZ (and GPB)	GLJZ	TOTAL	
A) Fossil sources (MWh)	113,094,321	31,153,502	56,954	4,204,576	1,241,841	149,751,194	
B) RES sources classified according to (MWh):	B.1) fuel consumption for RES including biomass (which includes both industrial and municipal waste of biological origin), biofuels, biogas, hydrogen from renewable sources, etc.	2,067,705	6,920,913	0,000	0,000	0.00	8,988,618
	B.2) consumption of purchased or acquired electricity, heating energy, steam and cooling energy from RES	19,162.00	46,939.00	0,000	532.00	721.00	67,354.00
	B.3) consumption of independently produced energy from RES that does not require fuel.	35.00	5.51	0,000	0,000	0.00	40.51
	B.1 + B.2 + B.3 (MWh)	21,264.705	53,865,424	0,000	532.00	721.00	76,383,128
Total energy consumption in MWh related to own business (A+B)	134,359,026	85,018,925	56,954	4,736,576	1,962,841	226,134,322	

The total consumption of energy from fossil fuels amounts to 149,751.19 MWh, which is a total of 66.22% of the total consumption. Energy from nuclear sources is not used directly. Part of the energy consumption from renewable energy sources is made of wood chips, i.e. 2,067.71 MWh, which is a total of 0.91%.

The Group operates in sectors that significantly affect the climate, therefore it further disaggregates its total energy consumption from fossil fuels by:

- » consumption of coal fuels and coal products,
- » consumption of fuels from crude oil and petroleum products
- » consumption of fuel from natural gas and
- » consumption of fuel from other fossil sources
- » consumption of purchased or acquired electricity, heating energy, steam or cooling energy from fossil sources

Energy consumption in MWh	ZGH d.o.o.	VIO	GPZ-O	GPZ (and GPB)	GLJZ	TOTAL
Consumption of coal fuels and coal products	0.00	0.00	0,000	0,000	0	0.00
Consumption of fuel from crude oil and petroleum products	64,951.598	6,730,282	56,954	1,547,632	122,024	73,408,490
Consumption of fuel from natural gas	20,279,099	1,542.319	0,000	2,094,910	697.58	24,613.91
Consumption of fuel from other fossil sources		0.00	0,000	0,000	0	0.00
consumption of purchased or acquired electricity, heating energy, steam or cooling energy from fossil sources	27,863,624	22,880,902	0,000	562,034	422,236	51,728.80
Total energy consumption from fossil fuels	113,094,321	31,153,502	56,954	4,204,576	1,241,841	149,751.19

In accordance with the HROTE energy certificate, at the Group level, 63% of the delivered electricity comes from renewable energy sources, i.e. 67,976 MWh.

Energy intensity based on net income

The energy intensity of the Group's components operating in sectors that significantly affect the climate (Vodoopskrba i odvodnja d.o.o., Gradska plinara Zagreb d.o.o., Gradska plinara Zagreb - Supply and the Company) is 0.3928 MWh/1000€. The calculation was made on the basis of the net revenues listed in Chapter 6/ *Revenue from sales* in the annual consolidated financial statement.

Greenhouse gas emissions

The Group monitors data on greenhouse gas emissions generated directly by the business (scope 1), indirect emissions generated as a result of the consumption of energy purchased from suppliers (scope 2) and in the value chain (scope 3). The methodological approaches in the calculation of greenhouse gas emissions for scope 1, 2 and 3 are described below.

Approach to calculating greenhouse gas emissions in ranges 1 and 2 and 3

The first step in the calculation of greenhouse gas emissions is the determination of organisational boundaries. For the calculation of emissions, the approach of operational control was selected, and organisational boundaries were set at the level of the entire Group. The set calculation limits include range 1, 2 and 3 according to the GHG protocol,²⁰ including direct emissions generated at the Group site, indirect emissions generated outside the Group sites and other indirect emissions related to the input and output flows of materials and people, which are necessary for the functioning of the organisation. Data were collected in accordance with the activities defined in the GHG protocol. If, for example, a business entity uses natural gas, fuel oil and liquefied petroleum gas for heating, data on the consumption of each energy source are collected, and the consumption of all these energy sources together causes emissions due to the combustion of fuel from stationary energy sources. Greenhouse gas emissions are calculated using emission factors, which must be collected from several reliable, relevant and up-to-date sources. Since the combustion of different types of fuels releases several types of greenhouse gases into the environment, all types of gases are reduced to the equivalent emission of CO₂ (CO₂e), which gives a unique figure describing the amount of greenhouse gases that a business entity emits in one year due to its business activities.

For this purpose, the global warming potential (GWP) is used, which compares the absorption of heat of a mass of a greenhouse gas with the absorption of heat of the same mass of CO₂, most often over a period of 100 years. For example, the GWP of methane (CH₄) is 30, which means that the emission of CH₄ kilograms over the next hundred years will have the same effect on global warming as if 30 kg of CO₂ were released. Therefore, all emissions of CH₄ are multiplied by 30 to obtain an equivalent CO₂ emission.

Scope 1

To collect data on emissions from scope 1, the Group included data from the total consumption of fuel (euro diesel, euro super and fuel oil), natural gas, wood chips, liquefied petroleum gas and compressed natural gas.

Scope 2

Indirect greenhouse gas emissions arise from the production of purchased electricity and heat. In accordance with the guidelines for the scope of the GHG Protocol, the ZGH Group reports emissions related to electricity, emissions based on location and emissions based on the market:

- » Emissions based on location are the average emission intensity of the electricity or heat network.

²⁰ GHG Protocol Corporate. A Corporate Accounting and Reporting Standard (Revised Edition). World Resources Institute and World Business Council for Sustainable Development, USA, 2004

The emission factors used are:

- » for electricity, the ZGH Group uses the *Specific CO₂ emission factor for the total electricity consumed in Croatia* published in the document of the Ministry of Economy of the Republic of Croatia *Energy in Croatia – annual review 2023*, which amounts to 0.125 kg/kWh.
- » for thermal energy, the ZGH Group uses the national emission factor published by the Ministry of Environmental Protection in the document *Database of emission/removal factors for the calculation of the carbon footprint of organisations 2024*, which is 0.213 kg/kWh.

Market-based emissions:

- » 62.71% of the purchased electricity, on average for the ZGH Group, comes from renewable sources, in accordance with contractual agreements with electricity suppliers. Statements on the cancellation of emissions of purchased energy from renewable sources were issued by the Croatian Energy Market Operator.
- » For thermal energy, the Group did not conclude specific contracts with the supplier on the basis of which the share of energy from renewable sources was determined.

Scope 3

In order to make the calculation of emissions of scope 3, a so-called benchmarking analysis was made based on comparable EU utility companies in order to gain insight into which sources of emissions of scope 3 the most significant emissions come from. The sustainability reports of 2023 companies of related activities were selected for analysis for better comparison and applicability of conclusions (Uniper, Suez, Iren, Urbaser).

An analysis of the data showed that companies that had gas deliveries as part of their operations achieved between 60% and 80% of emissions from scope 3 from the category "use of sold products", specifically – gas. On the other hand, for companies that dealt with waste treatment within their own operations, emissions from the category "emissions from waste generated from waste treatment and disposal" accounted for approximately 80% of emissions from scope 3, provided that the gas supply activity was not an integral part of the Group's business.

Based on the above indicators, it could be concluded that the emissions related to the use of the sold gas were so significant in comparable companies that other sources of emissions from volume 3 were almost negligible. When further taking into account the sources of emissions such as emissions from waste, transport of workers and purchased goods and services, it could be determined with great certainty that the remaining sources of emissions within scope 3 had a very limited impact.

The calculation of greenhouse gas emissions from scope 3 includes the following categories of emissions:

- » Use of sold products – refers to emissions related to the supply of gas to end users.
- » Emissions from waste generated by waste treatment and disposal – includes the calculation of CO₂ emissions released into the atmosphere due to waste disposal during 2024.
- » Transport of workers – includes emissions related to the arrival and departure of workers to the workplace.

As part of the assessment of greenhouse gas emissions within the category of purchased goods and services, relevant emissions data were requested from a total of 155 most important suppliers. The methodology for identifying key suppliers included two levels:

- » The first 10 suppliers were selected according to the financial criterion – based on the total amount of procurement at the Group level.
- » The remaining 145 suppliers were defined by the representatives of subsidiaries, guided by the criteria of importance for business, the quantities of goods or services delivered and the sector specificity.

Out of a total of 155 inquiries sent to key suppliers, only 7 confirmed that they measure greenhouse gas emissions, while data on emissions from scope 1 and 2 were submitted by only two suppliers.

Despite significant efforts to communicate and collect data from suppliers and business partners, the data collected were not sufficient to conduct a credible and comprehensive assessment of emissions within Scope 3. An estimate based solely on a

limited number of responses (especially data from only two organisations) would be considered methodologically unreliable and could lead to incorrect or potentially misleading conclusions. This would increase the risk of so-called greenwashing, which is contrary to the principles of transparency and accountability in sustainability reporting that the Group respects. In 2025, the Group will continue with the analysis of Scope 3 emissions and will carry out a comprehensive analysis, which will be part of the efforts related to the development of the decarbonisation strategy and transition plan.

The following are the results of the calculation of greenhouse gas emissions in scope 1, 2 and 3 and the total greenhouse gas emissions.

Emission range	Tonne CO ₂ e	Percentage of total emissions	
		(market-based)	(location-based)
Scope 1 – direct emissions	18,526.40	2.52 %	2,49%
Scope 2 – Indirect emissions (based on location)	16,229.67		2.18%
Scope 2 – indirect emissions (market-based)	7,732.67	1.05 %	
Scope 3 – value chain emissions - 5. Waste generated in the course of business	3,944.12	0,54%	0.53%
Scope 3 – value chain emissions - 7 Employee's commute	3,751.62	0.51%	0.50%
Range 3 – value chain emissions - 11. Use of sold products	700,767.94	95.38%	94.29%
Scope 3 emissions total	708,463.69	96.43%	95.32%
Total greenhouse gas emissions (based on location)	743,219.76		100.00%
Total greenhouse gas emissions (market-based)	734,722.76	100.00%	

Greenhouse gas intensity based on net income

The calculation of the total greenhouse gas intensity of all Group components based on the net revenues of the Group was performed on the basis of the net revenues listed in Chapter 6/*Sales revenues* in the annual consolidated financial statement for the total emissions based on the location and on the basis of the market.

Total greenhouse gas emissions (based on location)	€0.87784 tCO ₂ /1000
Total greenhouse gas emissions (market-based)	€0.86780 tCO ₂ /1000

Other reports (E1-7,8,9)

During 2024, the Group did not work on projects for the removal of greenhouse gases and mitigation of greenhouse gas emissions by financing with carbon credits, nor does it have an internally developed system for determining the price of carbon.

Since it has not analysed the potential physical and transitional climate risks by applying the scenario analysis, the Group is not yet able to assess the financial consequences of the associated risks and opportunities.

2.3. Pollution (E2)

This chapter analyses the key aspects of pollution with special emphasis on the effects associated with the Prudinec/Jakuševac landfill. Based on the conducted analyses and available data, the operation of this landfill, which is part of the subsidiary Čistoća, has been identified as one of the most significant sources of air and water pollution.

The Prudinec (Jakuševac) landfill is located in the southeastern part of the city of Zagreb, right next to the right bank of the Sava River. It began to form in 1965 when all kinds of waste of the city of Zagreb was deposited on unprepared land with shallow gravel pits and backwaters. The rehabilitation of the landfill was initiated with the aim of forming a sanitary landfill in that area, reducing its area, and by making a waterproof base – the base sealing layer, preventing the sinking of rainwater through the deposited waste and thus protecting groundwater from pollution. The rehabilitation of the landfill was carried out by the so-called construction of an impermeable bottom consisting of a layer of clay, a geo-membrane, a damage detection system, a layer of geo-textile, a layer of gravel. After reaching the final elevation of 45m, the body of the landfill is covered with a protective cover layer and greens.

In the context of water pollution, the Central wastewater treatment plant Zagreb (hereinafter: CUPOVZ) of the subsidiary VIO was identified. Namely, in accordance with the decision of the City Assembly of the City of Zagreb from January 2024, on 4 August 2024, VIO took over the ownership and management of CUPOVZ. According to the Environmental Impact Study, the legislation of the Republic of Croatia and the water rights permit, the monitoring of the state of the environment at CUPOVZ includes the following: groundwater quality, air quality, noise level, quality of sludge from urban wastewater treatment, quality of inlet/outlet wastewater (technological laboratory Folnegovićeva) and emissions and immissions into the air.

2.3.1. Management of impacts, risks and opportunities (E2-1,2)

Pollution policies

By performing utility and service activities in the City of Zagreb, the Group is committed to preserving the environment and improving the quality of life of citizens of the city of Zagreb. The City of Zagreb has adopted an Action Plan for the Improvement of Air Quality in the City of Zagreb for the period from 2023 to 2028, which prescribes measures for the improvement of air quality, and in which two facilities of the Zagrebački holding Group are recognised as potential sources of H₂S emissions into the air - the Prudinec/Jakuševac waste landfill and the Central Wastewater Treatment Plant Zagreb (CUPOVZ).

Among the basic determinants of the Quality management and environmental protection policy is the reduction of waste and water pollution. The Group sets goals in the environmental protection system and develops plans and programs for the implementation of defined goals that will contribute to the development of an effective and controlled environmental management system and preventively act on the prevention of environmental incident situations. Policy on environmental protection, health and safety at work takes into account the preservation of the health of workers, and this is related to the provision of utility services and responsible behaviour in environmental protection and the application of processes and technologies to reduce environmental pollution, both for workers and all other users of utility services provided by the Group.

Measures and resources related to air pollution

The Action Plan for improving air quality in the area of the City of Zagreb defines priority measures and activities in the field of air protection for the landfill Jakuševac (Čistoća subsidiary) and CUPOVZ (VIO). The emphasis of measurements at special purpose stations in the vicinity of the Prudinec and CUPOVZ waste landfills is on specific indicators of air pollution - substances with unpleasant odours that do not endanger human health, but affect the quality of life due to unpleasant odours.

Priority measures and activities in the field of landfill Jakuševac

In order to reduce the emission of unpleasant odours, the Čistoća subsidiary covers the disposed waste with soil or inert materials on a daily basis, and spraying of fragrances is carried out in order to neutralise unpleasant odours, all in order to reduce the emission of unpleasant odours and accelerate the decomposition of the disposed waste. Also, the Čistoća subsidiary performs works on the installation of membranes (artificial materials) on the northern and southern slope on the basis of a contract for the execution of works for the construction, maintenance and management of plants with the

contractor. The main purpose of these works is to prevent the spread of unpleasant odours, which, given the proximity of the surrounding population (Jakuševac settlement), is one of the most important activities that must be performed.

The environmental permit for the Prudinec/Jakuševac waste landfill plant, which was issued to Zagrebački holding d.o.o. and the Čistoća subsidiary, identified the potential environmental effects from the operation of the existing plant – waste landfill. At the same time, the potential in collecting landfill gas and using it for energy production was recognised. Therefore, in order to reduce pollution, the following priority measures and activities have been defined:

- » Expand the system of collecting landfill gas at the Prudinec landfill in Jakuševac
- » Use the collected landfill gas to the greatest extent possible for energy production

The measure derives from the provisions of the Waste Management Act (OG 84/2021), on the basis of which it is defined that it is necessary to expand the system of collection and energy exploitation of landfill gas as a renewable energy source for the purpose of electricity production within the operation of the landfill. During the operation of the landfill, it is necessary to continuously upgrade the system for collecting landfill gas, which will remain in operation even after the closure of the landfill, and to implement the measures prescribed by the environmental permit.

Central wastewater treatment plant Zagreb (CUPOVZ)

Air protection measures and targeted measurements of specific air pollutants in the vicinity of CUPOVZ relate to the prevention and reduction of air pollution at its location, and include the following activities of the VIO as an operator:

- » Continue to regularly maintain the air purification system from the closed facilities of the mechanical pre-treatment of the sludge treatment, in order to prevent the uncontrolled emission of odorous gases into the environment;
- » Ensure the continuation of monitoring of ambient air pollution levels with regard to H₂S, NH₃ and R-SH at measuring stations within the existing CUPOVZ measuring network;
- » Provide additional measurements in the zone of possible impact of CUPOVZ in the area of surrounding settlements (Resnik and/or Ivanja Reka), in such a way that they are in accordance with the Ordinance on Air Quality Monitoring (OG 72/20), which defines the criteria for implementation.

Measures and resources related to air pollution

Water pollution was observed and based on the locations of the Prudinec/Jakuševac and CUPOVZ landfills.

Vodoopskrba i odvodnja – CUPOVZ

In order to protect groundwater, Zagrebački holding has built an emergency pumping system in order to take full control of the pollution generated in the area of the Jakuševac landfill and perform the safe removal of this pollution from the underground. This was achieved by performing a hydraulic barrier with four wells 50 m deep at the locations. The implementation of the emergency pumping system prevented the pollution of groundwater downstream of the landfill. During 2024, a total of 3,954,783.3 m³ of groundwater with increased concentrations of analytes was exhausted through the intervention pumping system.

2.3.2. Indicators and target values (E2-4)

2.3.2.1. Air pollution

Subsidiary Čistoća – landfill Prudinec/Jakuševac

The Prudinec/Jakuševac waste landfill has a system of continuous measurement, i.e. monitoring of air quality at the immission station in the settlement of Jakuševac, in the immediate vicinity of the landfill. The system is connected to the information system for monitoring the air quality of the city of Zagreb on the website of the Ministry of Environmental Protection and Green Transition.

The station has installed analysers for the active collection of samples of PM10 particles by the gravimetric method, an automatic analyser for measuring the concentration of ammonia and an automatic analyser for measuring the concentration of H2S. The station is equipped with a device for measuring the 24-hour concentration of mercaptan in the air, as well as a device for measuring the 24-hour concentration of PM10 particles. Four times a year (over 15 days in each season), the Institute for Medical Research determines the concentrations of metals (lead, nickel, arsenic and cadmium) and 10 different poly-cyclic aromatic hydrocarbons in PM10 samples.

During 2024, according to the results of measurements in accordance with the Air Protection Act (OG 127/2019, 57/2022 and 136/2024) and the Regulation on the Levels of Pollutants in the Air, the daily limit values for the parameter H2S (1 time) and PM10 particles (42 times) and hourly limit values for the parameter H2S (106 times) were exceeded.

Given the continuous exceedances of the limit values of the parameters H2S and PM10, the Čistoća subsidiary ordered the preparation of an analysis of the impact of the landfill on air quality in the Jakuševac settlement in relation to meteorological parameters. The analysis showed that, according to the available data obtained at the Jakuševac air quality monitoring station, the 24-hour concentration of hydrogen sulphide does not exceed at any time one tenth of the WHO value. Marked by the World Health Organization completely safe, even with many years of exposure. Also, the highest measured concentrations (hourly and 24-hour averaging hours) are more than 1,000 times lower than those that can cause the first acute symptoms. Therefore, it is concluded that the levels of hydrogen sulphide concentrations in the air measured at the Jakuševac station could not affect the health of the inhabitants, but they could affect the quality of life of the surrounding population (smelling).

The analysis of the exceedance of limit values (LV) of PM10 suspended particles at the automatic measuring station Jakuševac shows that the number of crossings does not deviate from the average of the cities of continental Croatia. This indicates the absence of a dominant local source of pollution, but rather the effect of general urban pollution from several sources. The distribution of overruns throughout the year corresponds to a typical pattern for urban environments in continental Croatia, with the highest values in the winter months. This indicates heating, chimneys and exhaust gases as the main causes of pollution. Based on the available data, it can be concluded that the Prudinec/Jakuševac landfill does not have a dominant effect on air quality in the Jakuševac settlement with regard to the concentrations of PM10 particles.

Vodoopskrba i odvodnja – CUPOVZ

The effect of CUPOVZ on air quality is monitored at five stations: P1-Biology North, P2-Biology South, P3-GOK detected, P4-Mičevac and P5-GOK-covered. Measurements are carried out occasionally, in each season for a month at the stations P1-Biology North and P2-Biology South, and at the stations P3-GOK-detected, P4-Mičevac and P5-GOK-detected measurements are carried out for a month during the winter and summer period.

Other sources of air pollution

Zagrebački holding has recognised and monitors the state of air quality within other plants as well:

- » The construction waste recycling plant operated by the subsidiary Zagrebačke ceste,
- » Asphalt base managed by the subsidiary Zagrebačke ceste,
- » The composting plant Markuševac, operated by the Zrinjevac subsidiary,
- » The composting plant Prudinec/Jakuševac, operated by the Zrinjevac subsidiary,
- » Cremation furnace at the Mirogoj cemetery, managed by the subsidiary Gradska groblja,
- » Devices for combustion – Zrinjevac, GPZ, Robni terminali Zagreb, VIOO.

On the basis of the results of measurements regularly reported by subsidiaries to the Environmental Pollution Register, no exceedances of the limit values of the indicators were determined at all of the above locations.

Below is a list of the measured quantities of pollutants listed in Annex II to Regulation (EC) No 166/2006 of the European Parliament and of the Council, which were identified and measured within the scope of the Group's operational activity. The values are derived from the completed PI-Z forms for 2024, and the total measured quantity represents the sum of measurements for a specific pollutant by subsidiary, location and device from which the pollutant is discharged.

Subsidiary	Location	Machine / The plant	Pollutant (kg in 2024)				
			CO ₂	NO ₂	CO	PM ₁₀	SO ₂
Zagrebačke ceste	Asphalt base Rakitje	chimney on rot. furnace	1,092,889.00	214.40	154.97	427.70	
		Benninghoven, burner	1,598,798.70	190.54	375.18	396.10	
		Thermopac boiler	591,404.00	482.30	329.8	316.00	
Gradska groblja	Crematorium	ZEUS furnace	310,784.70	270.27	289.68	201.10	
		boiler TH 25	119,279.01	155.21	51.03	0.96	
		TABO 2	371,282.80	395.70	252.33	213.62	
		TABO 3	301,576.94	498.11	83.26	147.33	
Čistoća	Jakuševac / Prudinec landfill	GP1	3,473,324.37	17,138.36			
		GP2	2,816,361.21	6,189.80			
		GP3	3,012,670.12	15,579.42			
		GP4	3,426,955.60	17,943.34			
		TORCH -B1	5,200.24	3.46			
		TORCH -B2	4,333.53	3,09			
		TORCH -B3	452,420.54	417.96			
Zrinjevac	Remetinečka cesta	boiler TK 150	104,243.90	74.32	55.75		
		biomass boiler house Hertz	917,788.84	4,065.40	1,304.01	933.90	3,308.32
TOTAL:			18,599,313.50	63,621.68	2,896.01	2,636.71	3,308.32

2.3.2.2. Water pollution

Subsidiary Čistoća – landfill Prudinec/Jakuševac

The state of groundwater is regularly monitored at the Prudinec/Jakuševac landfill in order to determine the impact of the landfill on groundwater. Measurements are made on one well (piezometer) upstream and on 2 piezometers downstream of the landfill. Also, at one point upstream of the landfill and at one point downstream of the landfill, the state of surface waters (water in the Sava River) is monitored in order to determine the potential impact of the landfill on the Sava River.

By analysing the results of groundwater during 2024, occasional increased concentrations of certain analytes, especially iron, manganese and ammonia, were determined, but there is a trend of reducing the concentrations of these parameters. Given the long-term pollution of the gravel area under the landfill, it is expected that it will be washed away from pollution at least as much as it was polluted. The analysis of the results of surface waters in the Sava River did not determine the exceedances of the limit values of the indicators in the Sava River.

Vodoopskrba i odvodnja – CUPOVZ

Based on the water rights permit Class: UP/I-325-04/18-05/0000350, Reg. NO.: 374-25-3-21-6, dated 21 September 2021, Environmental Impact Study of the Wastewater Treatment Plant of the City of Zagreb (Faculty of Civil Engineering, University of Zagreb, 1994.), the Regulation on the water quality standard (OG 96/2019), the Regulation on amendments to the Regulation on the water quality standard (OG 20/2023), VIO is obliged to monitor the quality of groundwater of piezometers near CUPOVZ, Čulinečka cesta 287, Zagreb, at 7 measuring points (P-1, P-2, P-3, P-4, P-5, P-6 and P-7).

The dynamics of the implementation of sampling and testing was carried out from September to December 2024, with the frequency of sampling and the list of parameters as follows:

- » For piezometers marked: P1, P2, P3, P4, P6 and P7, sampling frequency 1x per month, list of parameters (water temperature, turbidity, colour, smell, pH, electrical conductivity, oxidation (KmnO₄), dissolved oxygen, water oxygen saturation, total phosphorus, orthophosphates, phenolic index, ammonium, nitrites, nitrates, chlorides, sulfates, C10-C40 hydrocarbons, groundwater pumping, groundwater level measurement),

- » For piezometer marked P5, sampling frequency 1x per month, list of parameters (water temperature, turbidity, colour, smell, pH, electrical conductivity, oxidation (KmnO₄), dissolved oxygen, water oxygen saturation, total phosphorus, orthophosphates, phenolic index, ammonium, nitrites, Nitrates, chlorides, sulphates, C10-C40 hydrocarbons, groundwater pumping, groundwater level measurement),
- » For piezometers marked: P1, P2, P3, P4, P6 and P7, frequency of sampling: 4 times a year, list of parameters (water temperature, turbidity, colour, smell, PH, electrical conductivity, oxidation (Kmn O₄), dissolved oxygen, water saturation with oxygen, total phosphorus, orthophosphates, phenolic index, sodium, potassium, ammonium, nitrites, nitrates, chlorides, sulphates, volatile chlorinated hydrocarbons tetrachlorocarbon, trichloroethane, tetrachloroethylene, 1,1,1-trichloroethane+ sum: chloroform bromoform, dibromochloromethane, bromodichloromethane, hydrocarbons: arsenic, copper, cadmium F, chromium- total, manganese, nickel, lead, iron, mercury, AOX, measuring groundwater levels, pumping of groundwater),
- » For piezometer marked P5, sampling frequency: 4x a year, list of parameters (water temperature, turbidity, color, smell, PH, electrical conductivity, oxidation (KmnO₄), dissolved oxygen, water oxygen saturation, total phosphorus, orthophosphates, phenolic index, sodium, potassium, ammonium, nitrates, nitrates, chlorides, sulfates, volatile chlorinated hydrocarbons tetrachlorocarbon, trichloroethene, tetrachloroethylene, 1,1,1-trichloroethane + sum: chloroform bromoform, dibromochloromethane, bromodichloromethane, hydrocarbons: arsenic, copper, cadmium F, chromium- total, manganese, nickel, lead, iron, mercury, AOX, groundwater level measurement, groundwater pumping.

The chemical composition of the groundwater body is such that the concentrations of pollutants do not exceed the limits of the quality standards related to the protected areas referred to in Articles 55 and 61 of the Regulation.

The level of groundwater is such that the available resource does not decrease with the long-term annual amount of pumping, and the level of groundwater is not affected by anthropogenic activities that could lead to the failure to achieve the goals of water protection or any significant damage to terrestrial ecosystems dependent on groundwater.

Pursuant to the Waste Management Act (OG 84/21), the Ordinance on Waste Management (OG 23/14), the Ordinance on the Protection of Agricultural Land from Pollution (OG 71/19), the Ordinance on the Management of Sludge from Wastewater Treatment Plants when Sludge is used in Agriculture (OG 38/08), the already mentioned Environmental Impact Study of Wastewater Treatment Plants of the City of Zagreb, it is obliged to monitor the analysis of sludge from wastewater treatment plants and the testing of physical and chemical properties of waste and additional parameters, at the location CUPOVZ Čulinečka cesta 287, Zagreb.

The list of parameters that were monitored in 2024 are: potassium, isolation of pathogenic microorganisms, chromium, copper, zinc, lead, cadmium, cobalt, arsenic, mercury, molybdenum, selenium, triazine herbicides, atrazine, simazine, total PAH, naphthalene, acenaphthen, fluorene, anthracene, fluoranthene, pyrene, benzo(a)anthracene, chrysene, benzo(b)fluoranthene, benzo(k)fluoranthene, benzo(a)pyrene, dibenz(a)anthracene, benzo(g,h,i)perylene, indeno(123-c,d)pyrene, HCH, HCB, lindane, heptachlor, aldrin, endrin, dieldrin, DDT and derivatives, polychlorinated biphenyls (PBCs), PBC-28, PBC-52, PBC-101, PBC-138, PBC-153, PBC-180, PBC 141, 2,3,7,8, TCDD, 3,4,3,4,-TCAB (tetrachloroisobenzene), content of polychlorinated dibenzodioxins/dibenzofurans (PCDD/PCDF), nitrogen according to Kjeldahl, sampling of sludge, dry matter 1050C, chromates, The pH value of the sludge, TOC, total phosphorus, loss by annealing (5500C), hydrocarbon content, heating heat value - upper value, heating heat value for sludge - upper value.

Sampling and analyses of sludge were carried out from September to December 2024. The results of testing the quality of sludge from urban wastewater treatment in the examined period, according to the analytical reports of the accredited laboratory, meet the conformity assessment.

Below is a list of the measured quantities of pollutants listed in Annex II to Regulation (EC) No 166/2006 of the European Parliament and of the Council measured in the circle of operational activity of the Group derived from the completed PI-V forms for 2024, including all identified pollutants. In Appendix 3 "List of identified pollutants, categorised by location and device from which the pollutant is discharged" of this Report there is an additional list of identified pollutants, categorised by location and device from which the pollutant is discharged.

Indicator/pollutant	CAS number	Total amount of discharges and transfers (kg in 2024 /year)
Total suspended solids	/	968.56
Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	/	136484.05
Biochemical oxygen consumption after five days (BPK ₅)	/	21051.98
Halogenated organic compounds (as AOX)	/	32.57
Detergents, anionic	/	53.33
Detergents, non-ionic	/	117.32
Hardly volatile lipophilic substances (total oils and fats)	/	2770.99
Total hydrocarbons	/	665.43
Ammonium ion (as N) (NH ₄ ⁺)	/	0.89721
Nitrates (as N) (NO ₃ ⁻)	/	5.38326
Total nitrogen	/	5486.34244
Orthophosphates (as P) (PO ₄ ³⁻)	/	0.32626
Total phosphorus	/	303,43082
Aldrin	309-00-2	0.00082
Atrazine	1912-24-9	0.01631
Chlorfenvinphos	470-90-6	0.01631
Chlorpyrifos	2921-88-2	0.0467
Dieldrin	60-57-1	0.00082
Diuron	330-54-1	0.01631
Endosulfan	115-29-7	0.00082
Endrin	72-20-8	0.00082
Hexachlorobenzene (HCB)	118-74-1	0.00082
Lindane	58-89-9	0.00082
Pentachlorobenzene	608-93-5	0.00245
Simazine	122-34-9	0.01631
Isoproturon	34123-59-6	0.01631
Isodrin	465-73-6	0.00082
Arsenic and compounds (as As)	/	3.97395
Mercury and compounds (as Hg)	/	0.33934
Lead and compounds (as Pb)	/	2,00682
Tetrachloroethylene (PER)	127-18-4	0.06421
Trichloroethylene (TRI)	79-01-6	0.03282
Sulphates (SO ₄ ²⁻)	/	2139,8369
Chlorides (Cl ⁻) (Cl)	/	7119.57898
Chlorinated alkanes, C10 - C13	85535-84-8	0.20472
Polychlorinated biphenyls (PCB)	1336-36-3	0.00205
Anthracene	120-12-7	0.00409
Brominated diphenyl ethers (PBDEs)	/	0
Nonylphenol and nonylphenol ethoxylates (NP/NPE)	/	0.35665
Naphthalene	91-20-3	0.04094
Chromium and compounds (as Cr)	/	17,09035
Phenols (as total C)	/	9.33308
Chromium 6 ⁺ (Cr ⁶⁺)	/	7.41932
Copper and compounds (as Cu)	/	13.81551
Oxylphenols and oxylphenol ethoxylates	/	0.10236
Di-(2-ethyl-hexyl) -phthalate (DEHP)	/	0.20472

Indicator/pollutant	CAS number	Total amount of discharges and transfers (kg in 2024 /year)
Phenols (as total C)	/	9.33308
Fluoroanthene	/	0.00409
Benz (g,h,i,) perylene	/	0.00409
Nickel and compounds (as Ni)	/	11.80116
Zinc and compounds (as Zn)	/	14.23605
Iron (Fe)	/	764.80368
Sulphites (SO ₃ ²⁻)	/	44,39907
Fluorides (F ⁻)	/	11.2526
Nitrites (as N) (NO ₂ ⁻)	/	2.43499
Barium (Ba)	/	11,98879
Boron (B)	/	21.77087
Total aromatic hydrocarbons	/	225.89754
Detergents, cationic	/	4.67436
Total organic carbon (TOC) (as total C or COD/3)	/	1,137.19371
Sulphites (SO ₃ ²⁻)	/	40.31077
Dichloromethane (DCM)	75-09-2	0.03601
Brominated diphenyl ethers (PBDEs)	/	0
Manganese (Mn)	/	28.42078
Cadmium and compounds (as Cd)	/	0.26557
Barium (Ba)	/	11,98879
Selenium (Se)	/	0.93833

The subsidiary VIO measures the amount of delivered and discharged wastewater from the public water supply system. It reports the quantities of pollutants measured in the delivered and discharged wastewater through KI-V forms. Below is a list of the measured quantities of pollutants listed in Annex II to Regulation (EC) No 166/2006 of the European Parliament and of the Council measured in VIO for 2024, categorised by location.

Quantities and types of pollutants by location

Pollutant	Jakuševac JK 8	Kobiljak JK 6	Kraljevečki Novaki JK 13	"CUPOVZ	Sesvetska Sela JK 5	"Sesvetska Sela 2	Sesvetska Sela JK 5	"Sesvetska Sela 2	Sesvetska Sela JK 5	TOTAL (kg in 2024)
Total suspended substance	15,137.28	14,783.006	17,766.87	693,857.486	14,225.9	1,561,032	6,638.34	9,111,784	13,347,744	786,429.44
Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	55,335,168	32,432,105	41,509,869	1,239,031.225	19,938,146	5,719.0536	106.56306	51,564,414	28,415,136	1,474,051.68
Biochemical oxygen consumption after five days (BPK ₅)	25,565,184	14,783.006	18,574,455	460,919.6157	6,346.94	2,412,504	4.42999	24,850.32	13,183,968	566,640.42
Total organic carbon (TOC) (as total C or COD/3)	5,953.9968	2,534.2296	3,553,374	259,205.33227	2,105.4332	794.7072	1,960.52308	5,549.9048	1,449.4176	283,106.92
Cyanides (as total CN)	3.36384			991.22498						994.59
Ammonium ion (as N) (NH ₄ ⁺)	7,602.2784	3,032.0247	4,700.1447	41,928.81665	3,370,444	1,284.3036	3,518.3202	5,798,408	2,546.7168	73,781.46
Nitrites (as N) (NO ₂ ⁻)	6.35766	5.03829	6.33147	20,220.98959	96.73612	5.68358	13.65285	43.48806	12.44698	20,410.72
Nitrates (as N) (NO ₃ ⁻)	168,192	179.50793	163.13217	649,252.3619	687.2204	173.8422	221,278	207,086	91.71456	651,144.34
Total nitrogen	8,880.5376	4,133.2078	6,169.9494	892,102,482	5,099,438	1,773.9	5,576.2056	7,537.9304	2,939.7792	934,213.43
Sulphides (S ₂ ⁻)	8.4096			2,478.06245						2,486.47
Sulphites (SO ₃ ²⁻)	201.8304			14,868.3747						15,070.21
Sulphates (SO ₄ ²⁻)	6,054,912	6,033.88	7,429,782	1,982,449.96	6,784.66	1,206,252	7,523,452	10,147,214	3,439,296	2,031,069.41

Pollutant	Jakuševac JK 8	Kobiljak JK 6	Kraljevečki Novaki JK 13	"CUPOVZ	Sesvetska Sela JK 5	"Sesvetska Sela 2	Sesvetska Sela JK 5	"Sesvetska Sela 2	Sesvetska Sela JK 5	TOTAL (kg in 2024)
Chlorides (Cl ⁻) (Cl)	9,923,328	6,637,268	9,529,503	3,419,726,181	49,024.64	9,082,368	11,949,012	12,010,988	4,831,392	3,532,714.68
Orthophosphates (as P) (PO ₄ ³⁻)	635.76576	244.37214	374.71944	75,333.09848	387.3822	132.68772	292.08696	497.0064	185.88576	78,083.00
Total phosphorus	918.32832	428.40548	650.91351	90,201.47318	534.0184	170.2944	453.6199	724,801	350.48064	94,432.33
Halogenated organic compounds (as AOX)	5.38214	4.22372	7.10675	3,072.79744	10,943	3.68971	10.17879	10.97556	6.87859	3,132.18
Polychlorinated biphenyls (PCBs)	0.01682			4.95612						4.97
Tetrachloroethylene (PER)	0.0841			24.78062						24.86
Trichloroethylene (TRI)	0.0841			24.78062						24.86
Trichloromethane				24.78062						24.78
Anthracene	0.00336			0.99122						0.99
Brominated diphenyl ethers (PBDEs)				0.49561						0.50
Nonylphenol and nonylphenol ethoxylates (NP/NPE)	0.00062	0.09353	0.07591	12.39031	0.10943	0.03832	0.05532	0.14289	0.04913	12.96
Naphthalene	0.00336			1.48684						1.49
Di-(2-ethyl-hexyl)-phthalate (DEHTP)				495.61249						495.61
Phenols (as total C)	23.2105			510.48086						533.69
Fluoroanthrene				0.49561						0.50
Total aromatic hydrocarbons				247.80624						247.81
Detergents, anionic	563.4432	221.74509	366.64359	9,912.2498	217.10912	113.5296	323.06588	768.28906	257.12832	12,743.20
Detergents, non-ionic	252,288	135.7623	177.6687	14,868.3747	109.43	35,478	154.8946	269.2118	65.5104	16,068.62
Detergents, cationic	43.72992			2,478.06245						2,521.79
Hardly volatile lipophilic substances (total oils and fats)	2,892.9024	2,398.4673	2,374.2999	624,471.7374	3,589,304	972.0972	3,009.3808	3,189,124	1,449.4176	644,346.73
Total hydrocarbons	99.23328	256.4399	193.8204	27,258.68695	113.8072	17,739	205.78854	372.7548	47.49504	28,565.77
Aluminium (Al)	60.54912	93.52514	85.60401	16,850.82466	207,917	24.12504	57.53228	53.84236	76.15584	17,510.08
Arsenic and compounds (as As)		3.01694	3.23034	991.22498	4.3772	1.41912	4.42556	4.14172	1.63776	1,013.47
Cadmium and compounds (as Cd)	3.36384	3.01694	3.23034	991.22498	4.3772	1.41912	4.42556	4.14172	1.63776	1,016.84
Chromium and compounds (as Cr)	8.4096	7.54235	8.07585	2,478.06245	14.00704	3.5478	11.0639	10.3543	4.0944	2,545.16
Chromium 6 ⁺ (Cr ⁶⁺)	8.4096	7.54235	8.07585	2,478.06245	10,943	3.5478	11.0639	10.3543	4.0944	2,542.09
Copper and compounds (as Cu)	8.4096	7.54235	8.07585	2,478.06245	10,943	3.5478	11.0639	10.3543	4.0944	2,542.09
Mercury and compounds (as Hg)				49.56125						49.56
Nickel and compounds (as Ni)	13.95994	7.54235	8.07585	2,478.06245	10,943	3.5478	11.0639	10.3543	4.0944	2,547.64
Lead and compounds (as Pb)	8.4096	7.54235	8.07585	2,478.06245	10,943	3.5478	11.0639	10.3543	4.0944	2,542.09
Zinc and compounds (as Zn)	15.30547	15.0847	14.2135	3,221.48119	10,943	3.5478	13.94051	24.85032	8.27069	3,327.64

Pollutant	Jakuševac JK 8	Kobiljak JK 6	Kraljevečki Novaki JK 13	"CUPOVZ	Sesvetska Sela JK 5	"Sesvetska Sela 2	Sesvetska Sela JK 5	"Sesvetska Sela 2	Sesvetska Sela JK 5	TOTAL (kg in 2024)
Vanadium and compounds (as V)				495.61249						495.61
Barium (Ba)	8.4096			2,478.06245						2,486.47
Boron (B)				20,320.11209						20,320.11
Cobalt (Co)				495.61249						495.61
Tin (Sn)				9,912.2498						9,912.25
Manganese (Mn)	13.62355			2,478.06245						2,491.69
Selenium (Se)	0.67277			198,245						198.92
Iron (Fe)	72.32256			10,903.47478						10,975.80
Quantity of water delivered from the public water supply system (m³/year)	195,818	175,624	188,046	58,828,408	254,808	82,610	257,623	241,100	95,338	60,319,375
The amount of discharged wastewater from the public drainage system (m³/year)	168,192	150,847	161,517	49,561,249	218,860	70,956	221,278	207,086	81,888	50,841,873

2.4. Water and marine resources (E3)

A significant topic, water and marine resources, directly concerns the subsidiary of the Group Vodoopskrba i odvodnja d.o.o., VIO is a public water supplier in the area of the cities of Zagreb, Samobor, Sveta Nedelja and the municipality of Stupnik, as well as a public wastewater drainage service provider in the area of the cities of Zagreb, Sveta Nedelja and the municipality of Stupnik, and it sells water to the company Vodoopskrba i odvodnja Zagrebačke županije d.o.o. (as a public supplier).

VIO provides its services to two categories of customers: households and the economy. The priority obligation and responsibility of the organisation is to provide healthy and potable water to users, with optimal and sustainable management of natural, human and material resources in the authorised service area.

Given the described business activities, water resources management, including consumption, withdrawal and discharge of water, VIO has a direct impact on sustainable water management, i.e. impact on water resources, while for society, risks and opportunities for business arise from this dependence on water as a resource.

As pointed out in the chapter *Business Strategy and Sustainability Strategy*, in 2022 the Group adopted the Sustainability Strategy, and one of the strategic determinants of this document and the accompanying action plan is the efficient management of water resources. In this regard, the Group has set KPI #3: Improving resource efficiency through better water management – reducing water loss, which is described in more detail in the chapter [Default indicators and goals related to sustainability](#) within the first part of the Report, General Information.

2.4.1. Management of impacts, risks and opportunities (E3, IRO-1, E3-1)

As a public supplier, in accordance with the Water for Human Consumption Act (OG 30/2023), VIO has implemented a Water Safety Plan based on risk analysis, which assessed the entire urban area of the City of Zagreb.

VIO also conducted an assessment of impacts, risks and opportunities in relation to the state of water resources in its own business and value chain within the framework of the assessment of double significance. The analysis was based on the company's internal data, existing practices and applicable rules, and covered all locations.

The company is directly dependent on the availability and quality of groundwater and surface water as the primary resource for business. Water is the basic resource that is necessary and the state of groundwater is monitored continuously within the organisation and in Hrvatske vode.

Key points of interaction with water resources through own operations have been identified - management of own water wells in Zagreb and Samobor and ensuring continuous supply of drinking water from 13 sources (springs, groundwater, other water supply systems,²¹ technological water), water supply for human consumption through a complex network of water reservoirs, pumping stations and main pipelines, wastewater treatment and treatment to minimise the impact on the environment and analysis of the impact of changes in hydrological conditions on the availability and quality of water resources.

In 2024, the company pumped water from various sources, none of which was significantly affected by pumping. Namely, pumping is carried out in accordance with the issued water rights permits for individual water wells issued by Hrvatske vode under the Water Act (OG 66/19, 84/21). Water rights permits rely on water exploration works that also include environmental requirements on renewable resources, and on the basis of these works, they define the maximum allowed quantities of pumping for individual water abstractions. Exposure of certain areas to water risk is within the competence of Hrvatske vode and VIO has no knowledge of this.

VIO regularly approaches risks in business through the implementation of the Water Safety Plan. It is a proactive risk assessment and approach to risk management that covers the entire water supply system, from sources to consumers. Such an approach, the so-called WSP (the so-called Water Safety Plan), is considered the most effective means of consistently ensuring the security of water supply for human consumption and is based on the recommendation of the World Health Organization, and at the same time these plans are a legal obligation.

Special attention is paid to prerequisite water safety programs, which achieve a high level of technical and hygienic safety of water supply facilities, as well as the infrastructure by which water is pumped, treated and delivered to end users. By taking a sufficient number of water samples and controlling in accordance with the applicable legislation, the health safety of water in the water supply system is guaranteed.

The water safety management system is applied at all organisational levels of the Water Supply Sector. Responsibilities and obligations of each participant in the water supply process are clearly defined. Reviews and validation of the water safety management system are carried out continuously, and the Company's Management Board is informed of the findings.

During the identification of significant impacts, risks and opportunities, targeted consultations with stakeholders in relation to water resources did not take place. However, according to the plan and program of sanitary protection zones adopted by the City of Zagreb, the City Office for Economy, Environmental Sustainability and Strategic Planning, consultations with local communities regarding the protection of sanitary protection zones are defined. Significant negative effects and risks and opportunities at the Group level were identified in relation to water resources. Negative effects relate to water withdrawal from the perspective of VIO, while risks and opportunities are also identified at the Group level.

VIO has generally identified risks that may affect sustainable management of water resources, including source pollution, climate change and regulatory requirements. The presence of volatile halogenated hydrocarbons in raw water requires continuous filtration and monitoring, while extreme weather conditions can endanger the stability of supply. Risks of water loss due to the state of infrastructure were also recognised. In order to reduce these risks, investments are planned in the expansion of water abstraction capacity, modernisation of infrastructure and technological innovations with the aim of reducing losses.

Through the Water Safety Plan, the risks related to the withdrawal of water resources were analysed and an analysis of pumping and projections of groundwater levels was made. Based on the analysis of climate change, the insights indicate a decrease in the amount of water and accordingly two lines of action are possible:

- » reduction of water losses and
- » changes in consumer behaviour in the form of water saving.

Given the analysis contained in the Water Safety Plan, the significance is especially added to the losses and strategic and project activities in this direction are ongoing. Through Water Supply and Drainage, the City of Zagreb initiated the Zagreb Project - a generational step forward in investment in water supply and drainage. It is the largest project in the history of Zagreb, worth EUR 323 million, and also the largest city EU project. The aim of the project is to expand the water supply network, introduce a new level of wastewater treatment and reduce water loss and pipe cracking, which are problems that

²¹ An additional amount of water is taken over from VG Vodoopskrbe d.o.o. and Voda Žumberak d.o.o. in order to meet consumer demand

often occur in the Zagreb water supply network.

It is expected that the works will begin in 2025 and last until 2029, and that the Zagreb Project will have a long-term positive effect on the quality of life of citizens of the City of Zagreb. Risks related to climate change are addressed by the Framework Programme of Activities for Improving Flood Risk Management in the Urban Area of the City of Zagreb through Climate Change Adaptation Measures, which is described in more detail below in the chapter *Water Resources Policy*.

The conducted analysis indicates that the Water Safety Plan successfully ensures risk control. However, it is necessary to further improve cooperation with stakeholders and expand crisis management to ensure the resilience of the system to future challenges. Further investments will be focused on climate change adaptation, modernisation of plants and technology and optimisation of operational processes. Transparency and regular reporting remain priorities, with the education of stakeholders in order to increase awareness of the importance of protection of water resources and sustainable management.

Water resources policies

VIO manages its significant impacts, risks and opportunities related to water resources through the harmonisation of its policies and procedures with the relevant laws and regulations of the Republic of Croatia, while other policies related to management are taken over from the Group. Water management policies are within the competence of Hrvatske vode, which are prescribed by law to carry out water management (surface and groundwater).

The document "Framework Programme of Activities for Improving Flood Risk Management in the Urban Area of the City of Zagreb", prepared by the Faculty of Civil Engineering, University of Zagreb, deals with flood risk assessment and proposes measures for adaptation to climate change. It includes the analysis of risks related to urban floods, the effects of climate change and the state of infrastructure, and uses models and analyses to assess future scenarios. Technical, institutional and legislative solutions for the improvement of drainage and water management systems are proposed. Special emphasis was placed on the important role of the company that manages key infrastructure in Zagreb.

Furthermore, THE VIO has an ISO 9001 quality management system and a Quality Policy within that system. In addition, VIO holds the ISO 2201 certificate, which was a legal obligation until the entry into force of the new Act on Water for Human Consumption. As part of this law, it is prescribed as a mandatory introduction of the Water Safety Plan, which was implemented by the VIO.

At the Group level, the management of water resources is also covered by the Sustainability Policy, the Policy on quality and environmental management, the Policy on environmental protection, health and safety at work.

2.4.2. Indicators and target values (E3-2,3)

Target values, measures and resources related to water resources

At the Group level, within the framework of the Sustainability Strategy, a strategic goal has been set for VIO aimed at improving the efficiency of resource use through better water management. The goal refers to the reduction of water loss, expressed in relative values through a percentage share. Details of the default goal are included in the chapter [*Default indicators and goals related to sustainability*](#).

In addition, VIO continuously implements measures aimed at the conservation and sustainable management of water resources, in accordance with the national and European legislative framework and strategic goals of the company. An overview of activities in 2024 is given in the Management Report, in the chapter Projects of the Group, Vodoopskrba i odvodnja d.o.o. – VIO, and other projects co-financed by grants, Water Management Plan for 2024. – Vodoopskrba i odvodnja and Hrvatske vode.

In August 2024, the process of establishing a special sector within the company began with the aim of strengthening operational capacities in the field of wastewater treatment and optimising the operation of existing plants. As stated in the chapter Pollution, VIO has taken over the management of CUPOVZ. As part of the organisational restructuring, the director of the sector responsible for the coordination of activities, strategic planning and operational management of wastewater

treatment infrastructure was appointed. Operational standards have been set and processes implemented for continuous monitoring of treatment efficiency, with special emphasis on reducing the negative impact on water resources. The sector is included in the company's strategic plans for 2025, with the goals of improving efficiency, optimising resources and reducing environmental impact.

EU Project Zagreb is an initiative implemented by VIO with the aim of improving water utility infrastructure in the area of the City of Zagreb and surrounding local self-government units. The goals of the project are to increase connection, reduce losses in the system and reduce the frequency of failures. The total investment costs of the project, including unforeseen costs, are EUR 322,673,711.00²²

The project includes the modernisation of the water supply and drainage system in the area of Zagreb, including key infrastructure interventions of the water supply and drainage system. The water supply system includes the following interventions:

- » Establishment of a "zero" zone with improvements at the Mala Mlaka water well site.
- » Construction of two pumping stations and the Šalata water reservoir.
- » Construction of supply and drainage pipelines connected to the system of the first water supply zone.
- » A total of 25 km of new and reconstructed pipelines to ensure a more stable water supply.

The drainage system includes:

- » · Construction and reconstruction of 220 km of the drainage network.
- » · Construction of 28 pumping stations, 5 overflow structures and 8 retention pools.
- » · Upgrading the wastewater treatment plant to the third stage of treatment, in accordance with EU directives.

The project is implemented in accordance with Directive 91/271/EEC, which requires an advanced degree of purification for agglomerations greater than 100,000 EC in sensitive areas. The goal is to improve water quality, reduce the risk of pollution and increase the capacity and efficiency of utility infrastructure.

2.4.2.1. Water consumption (E3-4)

Data on water consumption are monitored at the level of the entire Group. Data on consumed water for own needs, pumped water from natural sources and discharged water are analysed and kept. As expected, the largest share within the business of VIO stands out through all three indicators, since other subsidiaries use water for their own needs, which to a lesser extent imply dependence on water.

Water consumption	Consumed water for own needs in 2024	Pumped water from natural sources in 2024	Drained water (drainage) in 2024
Total water consumption in m³ - the entire Group	1,408,836.00	135,367,698.00	173,670,345.00
Total water consumption in m³ - subsidiaries	324,065.00	50,253.00	212,773.00
Total water consumption in m³ - institution	4,006.00	0.00	3,819.00
Total water consumption in m³ - GPZ and GPB	2,956.00	0.00	135.00
Total water consumption in m³ - VIO	1,074,054.00	135,217,445.00	173,451,964.00
Total water consumption in m³ - GSKG	1,607.00	0.00	1,607.00

At the level of subsidiaries, the largest consumers are Tržnica Zagreb (77,908 m³), Čistoća (87,440 m³) and AKZ (30,240 m³).

The methodology for calculating consumption is based on internal data obtained by direct measurement. In 2023, flow meters with MID (*Measuring Instruments Directive*) with a certificate confirming that the measuring instruments meet the requirements of the Directive. Reports on the affected water are based on direct readings from the flow meter, and data are

²² Improvement and expansion of the water supply and drainage and wastewater treatment system. [link](#)

additionally collected remotely through the SCADA system.

Regarding the operations of the subsidiary VIO, 58,828,408 m³ of water was delivered to end users in 2024, for which purpose a total of 134,678,637 m³ of water was affected. In the same period, 173,451,964 m³ of wastewater was discharged, and 625.29 m³ was discharged into the drainage system of Velika Gorica. 136,801,558 m³ was purified.

In 2024, the amount of water in operation, i.e. total water consumption in m³ per million euros of net income, varies depending on which data are observed. Since the Group's activity also includes the pumping of water for the purpose of providing public water supply services through the subsidiary VIO, an analysis was made as shown in the table.

Information on the amount of water

Description of the category of water consumption in the Group's operations	Water consumption in relation to net revenues of the Group (m ³ /mEUR)
Consumption of the entire Group, including consumption of the subsidiary VIO, but excluding water pumping activities carried out by VIO	2.36
Consumption of the entire Group, including water pumping	220.81
Consumption of the subsidiary VIO, including water pumping activities	1.97

Net revenues are listed in Chapter 6/ Revenue from sales in the consolidated financial statement.

Pumping with water is carried out in accordance with the issued water rights permits for individual water wells. Water rights permits for the use of water are issued by Hrvatske vode under the Water Act (OG 66/19 and 84/21). Water rights permits rely on water exploration works that also include environmental requirements on renewable resources. On the basis of these works, they define the maximum allowed quantities of pumping for individual water abstractions.

VIO captures water at the water wells of Mala Mlaka, Sašnak, Zapruđe, Petruševac, Žitnjak, Strmec and Begana, where water is taken from the underground. At each water well site, wells are built in which water is captured and transported to the distribution system by pumps. In addition to water wells that capture water from the Zagreb Aquifer, which makes up the majority of the captured water, VIO also captures water from the capping systems of the Samobor hills. In 2023, flow meters with a MID certificate were installed on all wells/water abstractions, which confirms that the measuring instruments meet the requirements of the Directive on Measuring Instruments of the European Union. Reports on the affected water are based on direct readings from the flow meter. Data are additionally collected remotely through the SCADA system.

VIO collects information on the quantities of depleted water in m³ at the location of the intervention pumping system at the Prudinec/Jakuševac waste landfill, which it reports on through the Activity Report to the Čistoća subsidiary. The emergency pumping system works with three wells – JZ-1, JZ-2 and JZ-3, and the fourth well, JZ-4, has been out of operation since December 2021. In 2024, a total of 3,954,783.3 m³ of water was exhausted at the locations of all three wells.

Expected financial consequences of significant impacts, risks and opportunities related to water resources (E3-5)

In relation to the identified risks and opportunities related to water resources, no detailed quantitative assessments of the financial consequences have been made so far, however, increased operating costs and new capital investments are expected.

2.5. Resource use and circular economy (E5)

In its operations, the Group uses a wide range of resources, while in terms of the topic of resource use and the circular economy, the emphasis is on waste management, given the business activity of the Čistoća subsidiary. Bearing in mind the significance of the Čistoća business for the entire Group, significant effects, risks and opportunities related to the topic of waste management were also identified.

When determining the impacts, risks and opportunities, all activities of the Group (subsidiaries and the institution) were started in order to analyse the use of resources at higher and lower levels of the value chain and within its own business. For

the purposes of the analysis, the internal data on the generated waste within the Group (which is kept in the NO and eONTO forms), data on collected waste (SO forms) and recovered waste (PPE forms) were taken into account.

2.5.1. Management of impacts, risks and opportunities (E5-1,2,3)

Policies related to the use of resources and the circular economy

On the topic, the policies adopted at the Group level are applied, as described in the chapter Policies and measures for their implementation. Relevant policies are the Sustainability Policy, the Policy on quality and environmental management, the Policy on waste management, the Policy on environmental protection, health and safety at work.

Measures and resources, including target values, related to significant sustainability factors

In terms of reducing the consumption of resources and increasing efficiency through the circular economy, the Group has clear goals set by the Sustainability Strategy, which is described in the chapter *Business Strategy and Sustainability Strategy*. Accordingly, the Group has set up KPI #1: Share of separately collected municipal waste, i.e. waste removed from the landfill

Povećanje stope reciklaže otpada i implementacija kružnog gospodarstva:

- » Increase in the rate of separately collected waste – KPI #1 (described in the chapter [Default indicators and goals related to sustainability](#)),
- » • Reduction in the amount of landfill waste – KPI #1 (described in the chapter [Default indicators and goals related to sustainability](#)),
- » • Increasing the use of recycled materials in business (described below).

Values and description of monitoring measures to increase the use of recycled materials in business

During 2024, the subsidiary Zagrebačke ceste prepared for the investment "Supply and installation of a crusher for construction waste", in the amount of EUR 2,500,000.00. The investment is planned at the location of the facility Recycling of construction waste (RGO), Zagreb, Tišinska ulica 26, cadastral plot no. 394/1, cadastral municipality Jakuševac Novi.

In January 2025, the project was submitted to the public call "Investing in the efficient use of resources and supporting the transition to a circular economy". Through the analysis of the market and the availability of construction waste, the lack of capacity for the recovery of construction waste by the R5 procedure was determined, and investing in new equipment will increase the recycling capacity and enable further smooth operation of the plant for recycled construction waste (RGO).

In the project proposal submitted to the public call, Zagrebačke ceste commit to the following indicators:

- » Treatment of 41,025.52 tons of construction waste more in 2026, compared to 2023
- » Increase in the current capacity of the equipment to an additional 48,500 tons/year

The proposed capacity of the equipment to be procured is 103,500 tons/year, which, compared to the previous capacity of 55,000 tons/year, represents an additional capacity of waste recycling equipment of 48,500 tons/year. This capacity is also in accordance with the valid Waste Management Permit at the site.

In addition to the production of granulates that are still produced (0-32mm, 0-63mm, 32-90mm, PRA 0-30mm), the new equipment will also enable the production of 0-16 mm granulates, which will increase the possibility of using the produced recycled materials and facilitate the placing on the market.

Other measures and projects

In addition, the Group at the level of a part of subsidiaries has set specific operational goals with specific targets that have begun to be more systematically monitored since October 2024, which includes issues related to waste management and resource use. Details are described in the chapter [Default indicators and goals related to sustainability](#).

In general, the measures promoted and taken by the Group are aimed at preventing waste, and as secondary measures are applied in accordance with other levels of the waste hierarchy (where the hierarchy is monitored and disposal is used as a last resort).

The Management Report lists several significant projects whose implementation is already in progress or is planned for implementation in the coming period, to which the Group contributes/will contribute to improved waste management. Projects are described in the chapter *Activities related to business development*, Group Strategic Projects and Featured Business Events, Group Projects, and they are as follows:

- » Waste Management Centre Zagreb which includes biological and mechanical waste treatment
- » Asphalt base -> Rakitje
- » Work machinery / trucks
- » Construction waste -> Resnik
- » Underground and semi-underground tanks

Furthermore, at the beginning of 2024, the "Sjeti se" campaign was designed, with implementation from the second quarter of the year. The goal of the campaign was to educate citizens, promote positive behaviours in waste separation and disposal, and raise awareness that the cleanliness of the city is a joint responsibility of Cleanliness and citizens of the City of Zagreb. Campaign costs amount to EUR 70,000, and more information is contained in the Management Report, in the chapter *Customer Relations*.

2.5.2. Indicators and target values (E5-5)

2.5.2.1. Waste disposal

Given the identified impacts, risks and opportunities, the data related to the Group's waste management are significant. In this regard, the Group distinguishes between data on:

- » waste generated within the Group – at the level of all subsidiaries and the institution;

- » collected waste by the Group (Čistoća subsidiary) – public service, collected waste, mobile and fixed recycling yards
- » recovered waste – by the subsidiaries Zrinjevac, Čistoća and Zagrebačke ceste.

Group Waste Information in 2024	ZGH d.o.o. Quantity (t)	SUBSIDIARIES Quantity (t)	TOTAL GROUP Quantity (t)
Total quantity generated non-hazardous waste	159,764.52	325.32	160,089.84
Total quantity generated hazardous waste	810.42	41.19	851.60
Total quantity of waste generated (NO and eONTO forms)	160,574.94	366.51	160,941.45
Total quantity of recovered waste	152,793.46	233.12	153,026.57
Total quantity of waste disposed of	7,781.48	133.39	7,914.87
Total quantity of recovered and disposed waste	160,574.94	366.51	160,941.45
Total quantity of waste collected SO-1 Public service	233,127.24	/	233,127.24
Total quantity of waste collected SO-2 Waste collected	56,960.71	/	56,960.71
Total quantity of waste collected SO-3 Mobile recycling yards	11,463.12	/	11,463.12
Total quantity of waste collected SO-4 Fixed recycling yards	18,500.57	/	18,500.57
Total quantity of waste collected – SO forms (includes public service waste, waste collected from subsidiaries Zrinjevac and Čistoća, mobile and fixed recycling yards)	320,051.63		320,051.63
Total quantity of recovered waste – OZO forms	232,468.06	/	232,468.06

When determining the amount of waste, the Group uses direct (weighing) and indirect (estimating) methods. Waste is classified according to:

- » business unit, i.e. a subsidiary;
- » document in which the status of waste is recorded (e-ONTO, form NO, form SO-1, form SO-2, form SO-3-2, OZO);
- » key numbers of waste and their names;
- » hazardous and non-hazardous waste;
- » recovered and disposed of waste.

The Group monitors data on the state of the temporary waste warehouse at the beginning and end of the reporting year, which indicates waste flows during the year. Data on further waste management include information on companies and crafts that take over waste, together with their personal identification number (OIB). The Group does not perform activities involving radioactive waste.

03 Information on Social Issues



3.1. Own workforce (S1)

Information on the workforce included in this report, in particular on significant effects, implies information on all employees of the Group²³, while in 2024 there were no cases involving employees who are not in employment according to the definition of ESRs.

Within their own workforce, permanent and temporary workers and those with full and part-time work were considered. Details by type of worker are provided in the part of the *Group Workforce: characteristics of diversity, equality*.

3.1.1. Strategy and attitude towards workers (S1-1,2,5)

The Group takes into account the interests, attitudes and rights of people from its own workforce, including by setting strategic goals that ensure safe jobs and working conditions. The Group lists **employment, professional development and equal opportunities** as key components of the dimension of strategic quality management within the Sustainability Strategy described in the chapter *Business Strategy and Sustainability Strategy*. As secondary goals of the Sustainability Strategy, they emphasise the construction of a **constructive, safe and healthy** working environment while promoting **general equality and equal work opportunities**. Goals are described in more detail in the chapter [*Default indicators and goals related to sustainability*](#).

The own workforce is involved in the formation of the strategy and business model, both in **groups** through trade unions and **individually** through various types of engagement, i.e. participation, counselling and/or information. Feedback is generally important in the form of analysing relations with workers and validating their comments and suggestions for improving the work environment. Thus, in 2024, the Group adopted the Procedure for the involvement of stakeholders (including workers) in accordance with which it opens a dialogue with its own workforce.

Cooperation with their own workforce through **group** communication with trade unions is manifested through negotiations that are seriously approached and their requirements are taken into account when creating workforce management policies and defining working conditions. Thus, during the mapping of stakeholders, active collective bargaining through trade union organising was identified as an open space for the influence of workers on the strategy and operations of the Group. The Group also respects the obligations of co-decision with the workers' council at the level of subsidiaries, i.e. trade union commissioners with the rights and obligations of the workers' council. The Group regularly communicates with employees digitally, as well as directly at meetings of employees of individual subsidiaries. The risk management process is regularly carried out and **risk assessments are made for jobs** in which workers' commissioners participate. More details on the relationship with trade unions and the association of the workforce are contained in the chapter *Management*.

Individual communication takes place in different ways, which includes different projects and activities involving workers, but also the analysis of the attitudes of the workforce. Such an analysis was also carried out within the framework of the procedure of assessing double significance. When considering significant sustainability topics, workers were involved in the initial phase of consideration. The results of the analysis provided reference information on opinions related to working conditions, the exercise of workers' rights and the like, as well as the basis for defining significant topics of sustainability. The analysis was carried out at the end of 2024 through the **examination of workers' opinions on topics in the field of sustainability** that are important to them, in order to include them in the process of making strategic and operational decisions. In addition, the questionnaire added two open questions that give workers an open and anonymous space to express what contribute and what hinders their work in the Group. The interest in completing surveys was extremely high and over 600 text responses were received.

By the Decision of the Assembly of the Company from 2023, the member of the Management Board of the Company Subasic-Maras is responsible for the coordination and supervision of the work of the Human Resources Sector.

In order for the Group to ensure the protection of its own workforce from the potential negative effects of the business model and to protect their human rights, a Collective Agreement is signed with all employees of the Company and most employees of subsidiaries, which universally regulates their rights.

²³ With the exception of the employees of the subsidiary Zagreb plakat d.o.o., since it is not included in the consolidated reporting.

In the subsidiaries of the Company, the interests of the own workforce are taken into account in the formation of the strategy and business model. In all subsidiaries, workers' councils and trade unions operate. Dialogue with them is actively carried out, especially with trade unions as social partners. Companies consult with the workers' council on the intention to make certain business decisions related to the organisation of work and consult with them and seek consent in making business and strategic decisions that directly affect the exercise of certain rights of workers, change of organisation, etc. For the purpose of informing workers, all relevant acts and information are published on the Intranet pages of individual companies and their bulletin boards. On the side of subsidiaries, individual administrations are responsible for ensuring communication with workers.

For now, there are no specific actions and examinations to gain insight into the perspective of groups within the workforce that could be particularly vulnerable or marginalised. However, measures for those groups for which data are collected during employment or the use of certain rights (age, gender, disability, veteran status and parenting) are defined in the same way by the Collective Agreement or in accordance with the law.

As already mentioned, the Group has also set a goal related to its own workforce within the framework of the sustainability strategy. These are activities that imply the continuation of the construction, maintenance and promotion of all forms of equality, equal opportunities and inclusiveness, and examples of activities that contribute to this goal are onboarding education and new collective agreements. During 2024, the Group implemented the practice of educating workers on the topics of corporate governance and workers' rights during employment, and in March 2024, a new Collective Agreement was signed (details in the next chapter). Both activities are described in more detail in the Management Report in the chapter *Featured Business Events*.

3.1.2. Management

Workers' association; dialogue with social partners, trade unions and new collective agreement (ESRS S1-8)

The Group implements a long-standing practice of collective bargaining with trade unions. The collective agreement defines various material rights, such as the right to annual leave, sick leave, days for emergency situations in the family, appropriate salary and the like. Collective agreements and internal acts of the employer guarantee workers fair and transparent treatment and the exercise of workers' rights.

Communication or negotiation with trade unions is the responsibility of the negotiating committees of the employer and the trade union. The negotiating board of the employer is appointed by the Management Board of the Company. The member of the Management Board in charge of human resources is appointed for the negotiations, together with the Director of the Human Resources Sector. The initiator of collective bargaining can be the negotiating board of the employer or the negotiating board of the trade union, and the negotiation takes place in the period and dynamics determined by the Protocol on Collective Bargaining.

In subsidiaries, collective agreements are also in force, and workers' councils also operate. Companies carry out continuous reporting to workers' councils every three months, with regular meetings of workers. In addition, consultations and co-decision procedures with workers' councils (in accordance with the conditions set out in the Labour Act (OG 93/2014 and 151/2022) and negotiations with trade unions, but only on the conclusion / amendment of the collective agreement, are carried out if necessary.

On March 26, 2024, Zagrebački holding and the representative trade unions signed a new Collective Agreement for workers in the company Zagrebački holding d.o.o. In the negotiations that began at the end of 2023, it was agreed to increase the material rights of the Group's workers by increasing the base for all workers by 12%, the amounts of permanent salary supplements, appropriate rewards and other benefits up to the highest non-taxable amounts were also increased.

The new Collective Agreement for Zagrebački holding d.o.o. is in force from March 1, 2024 and is valid until March 31, 2026, and it invested in the material rights of workers in the amount of EUR 13.1 million in 2024.

The material rights of employees are also increased in certain companies that are part of the Group - new collective agreements are concluded in the subsidiaries VIO and GPZ, while in GSKG an agreement is concluded with the legal force of the collective agreement.

Regarding the scope of collective agreements, they include all employees of the Group, except directors of subsidiaries who have signed managerial agreements in accordance with the Labour Act (OG 93/2014 and 151/2022) and the Companies Act

(OG 111/1993 and 136/2024). The Management Board of the Company is also covered by the Collective Agreement, however, the members of the Management Board are not subject to material rights that are not in accordance with the instructions of the Conflict of Interest Decision Committee. Within the Group, only Gradska ljekarna Zagreb does not have a collective agreement. The overview of the scope of collective agreements and social dialogue is shown below in the table.

Information on the scope of collective agreements and social dialogue

Coverage rate	Coverage of collective bargaining
	Employees
0-19%	
20-39%	
40-59%	
60-79%	
80-100%	94.56%

Social inclusion (ESRS S1-12)

The Group is one of the co-creators of measures and activities set out in the Zagreb Strategy for Equalisation of Opportunities for Persons with Disabilities for the period from 2022 to 2025, the objectives of which are to ensure the full integration of persons with disabilities by achieving integration in important areas of life, equal participation in political, public and cultural life; in the process of upbringing and education; in employment, health and rehabilitation; in social protection; in legal protection and protection against violence; in research and development and other.

One of the determinants of the Strategy - **vocational rehabilitation and employment**, is a key element of social inclusion and economic independence of persons with disabilities, and work and employment are a basic condition for integration into regular living conditions. In the analysis of vulnerable groups of workers and the definition of risks, and consequently their rights, the categories of veterans, persons with disabilities and parents were singled out.

Special attention is paid to the protection and promotion of the rights of persons with disabilities, especially in the field of employment and appropriate working conditions. Group workers with different degrees of disability successfully participate in demanding and diverse activities of all subsidiaries on a daily basis. As at 31 December 2024, the Company employed 3.23% of persons with disabilities in the total number of workers (2.30% of men and 0.93% of women). Subsidiaries and the institution also employ persons with disabilities, as shown below.

	Company	GPZ	GPZ-O	GPB	GLJZ	VIO	GSKG
Total	3.23%	1.01%	4-21%	4.00%	2.6%	3.06%	5 %
Women	0.93%	0,25%	1.05 %	0%	2.6%	2.38%	3,5%
Men	2.30%	0.75%	3.16%	4.00%	2%	0.68%	1.5%

Data on the employment of persons with disabilities were collected on the basis of the decisions of the competent authorities for determining disability, which workers submit to the employer.

The implementation of measures and activities in 2024 from the Zagreb Strategy for Equalisation of Opportunities for Persons with Disabilities for the period 2022 to 2025 focused on housing, mobility and accessibility, with special attention to the improvement of transport infrastructure and the environment. In the context of upbringing, education and employment, the increase in the employment rate of persons with disabilities and the implementation of an active employment policy and the introduction of various modalities of their employment were emphasised. One of the significant partners of the Group is the Institution for Professional Rehabilitation and Employment of Persons with Disabilities Zagreb (URIHO).

In general, the treatment and employment opportunities in the Group are the same for all those who meet the required conditions, and the Instruction on the Employment Procedure and Amendments to the Employment Contract of Employees applies. The requirements of all jobs are clear and equally defined, there is no gender differentiation, nor can anyone be systematically put at a disadvantage. Jobs are defined by the description from the **job classification** and job description of the specific organisational unit. The physical environment is adapted to ensure the health and safety of workers, customers and other visitors with disabilities.

Training

In order to improve the skills and competences of workers who contribute to the expected growth and progress of the Group, specialised training was organised and successfully implemented during 2024 in accordance with the stated needs. The human resources sector takes care of the implementation of training, and the employees of the department themselves are also trained on various topics in order to educate their own workers. During 2024, the education attended by the Human Resources Sector focused on the topics of diversity, inclusion, combating sexual violence at the workplace and increasing the representation of women in management positions.

In general, workers are educated through annual occupational safety and security training and additional thematic training such as driving in a safe manner and reporting irregularities. Ad-hoc education is organised through leaflets and intranets on workers' rights, reporting irregularities, sustainability and anti-corruption.

In practice, specific training is also carried out depending on the nature of the job and the workplace. During 2024, various forms of training were provided (membership fees of authorised chambers, first aid training, welding attestations, conferences/consultations, seminars/webinars, formal training, training/authorisations to obtain the title of highly-qualified workers), which contributes to better business results and personal progress of workers.

Continuous education of all workers on the protection of workers' dignity, diversity, equality and inclusion is also carried out through regular educational posts on the intranet page and the bulletin board. From 1 January 2025, all new employees are systematically educated on these topics during the onboarding process.

3.1.3. Policies (ESRS S1-1, SBM-3)

All internal acts of the Group are available to workers through intranets and bulletin boards. Policies are publicly published on the website, and those that can be linked to the management of sustainability factors such as safe employment, working conditions, adequate salaries, gender equality are:

- » Policy on environmental protection, health and safety at work
- » Policy on diversity, protection of human and children's rights and protection against discrimination
- » Human resources development and performance management policy
- » Collective agreement,
- » Work Regulations.
- » Ordinance on the Suppression of Corruption and Conflict of Interest Management,
- » Ordinance on Occupational Safety

Specific policies of subsidiaries – VIO

- » Water safety plan (PSV) - through PSV, risks in the entire water supply chain from water intake to delivery to the consumer are also evaluated, and this assessment includes all risks that may affect the water supply process, including the risks of possible shortages and shortages of workforce in the key water supply system for human consumption
- » Decision on the schedule of working hours (change of sliding working hours, larger range), collective annual leave for a bridge
- » Decision on records of working hours

The content of the policies covers the following key topics important for achieving appropriate working conditions, including general objectives and significant impacts, risks or opportunities:

- » Work-life balance;
- » Flexible working hours (increased flexibility of working hours adapted to family obligations);
- » Additional days off for family needs (such as school events or unexpected family obligations);
- » Financial assistance (one-time payments for the birth of a child, financial support for the costs of treatment of a child, compensation for children with disabilities);
- » Possibility of gradual return to work after maternity or parental leave for mothers and fathers (e.g. possibility for workers to work part-time for a certain period on full pay).

The Group does not tolerate any form of discrimination and the Work regulations define procedures and measures of protection.

Given the size of the work collective, cooperation and interactions to which workers are exposed, the **Ordinance on the Procedure and Measures for the Protection of the Dignity of Workers** was also prepared. The Rule-book focuses on the protection of workers and the prevention of discrimination, harassment and sexual harassment and aims to protect and promote the dignity of workers.

The Group implements a culture of organisational justice. A **system of handling irregularities** has been established, within which a leaflet has been prepared so that workers know exactly how and to whom to contact in case of ethical irregularities, reporting of corruption (whistleblowers), internal irregularities and protection of workers' rights, as described in more detail in the section on impacts, risks and opportunities in relation to their own workforce.

All members of the Group have appointed commissioners for the **protection of the dignity of workers** (male and female persons) and a **person of confidence** and a **deputy** of a person of confidence to whom internal irregularities are reported, all in accordance with the Law on the Protection of Reporters of Irregularities (OG 17/2019 and 46/2022). (S1, S1-1, 20c)

The **equal pay policy** is consistently implemented continuously, in accordance with the Law, in the form of a special policy developed and adopted on 17 September 2024 through one of the principles of the Group's Human Resources Development and Performance Management Policy. Training was conducted in the field of gender equality and women's empowerment for workers of the Human Resources Sector, especially those working in employment and education/development. Gender inclusive and family-friendly policies were developed and adopted in September 2024 through the provisions of the Policy on Diversity, Protection of Human and Children's Rights and Protection against Discrimination.

The **Instruction on the Employment Procedure and Amendments to the Employment Contract of Employees** of subsidiaries emphasises the observance of ethical principles that especially exclude discrimination on any basis and in any form, and the guidelines for ethical business prescribed by the **Work regulations and the Code of Ethics** apply.

Diversity policy includes provisions for respect for diversity, equality and inclusion, protection of human and children's rights and protection against discrimination (a more detailed description of the Diversity Policy can be found in the chapter *Policies and measures for their implementation*). When developing the Diversity Policy, the Group was guided by the guidelines of the UN Guiding Principles on Business and Human Rights, i.e. the International Charter on Human Rights.

When hiring, the text of the job advertisement invites persons who, according to special regulations, exercise the right to the advantage of employment to submit evidence on the basis of the Act on Croatian Homeland War Veterans and Members of their Families (OG 121/2017 and 156/2023), the Act on Civil Victims of the Homeland War (OG 84/2021) and the Act on Vocational Rehabilitation and Employment of Persons with Disabilities (OG 157/2013 and 39/2018).

Also, in 2024, in cooperation with the Council of the Roma National Minority, an informative presentation was held for the Roma in order to acquaint them with the place where they can follow the open public tenders of the Zagrebački holding, the evidence that they must enclose in the offer for it to be complete, with the aim of encouraging the employment of Roma and increasing the number of Roma involved in the labour market. A further goal is to exchange information with the Council of the National Minority on vacancies, and the Council will inform Roma about job openings and provide support during the application process.

Human rights

In accordance with all positive regulations of the Republic of Croatia, the Group does not use either child or forced labour and explicitly prohibits it (for more details, see the section on the Book of Policies in the chapter *Policies and measures for their implementation*).

In April 2024 Zagrebački holding, the City of Zagreb and UNICEF have signed an agreement aimed at supporting UNICEF's activities in the protection and realisation of children's rights. Pursuant to the Agreement on cooperation and donation with UNICEF and the City of Zagreb, the Zagrebački holding will distribute UNICEF leaflets to users with monthly bills. Also, in April, an educational workshop on waste with blind and partially sighted people was held at the premises of the Association of the Blind in Zagreb. The workshop is part of the project of the City of Zagreb and Zagrebački holding, within which waste containers are adapted to blind and visually impaired people by placing tactile markings. As part of the workshop, audio instructions for the recognition of tactile markings on tanks were also developed.

In 2024, the company Zagrebački holding developed a **Code of Conduct for suppliers**, in which one of the provisions refers to the prohibition of child and forced labour in the supplier value chain. At the moment, the process of integrating the Code into the contracts with suppliers is being worked on, while the 10 largest (by procurement amount) have already signed it.

Policy on environmental protection, health and safety at work includes measures to prevent accidents at the workplace (a more detailed description of the Policy can be found in the chapter Policies and measures for their implementation. In addition to the Policy, the Company has a number of regulations on safety at work, risk analysis and mitigation measures, educational materials for vulnerable workers and the like. In addition, the ISO 45000 Occupational Health and Safety Management System was implemented at the Čistoća subsidiary and Gradska plinara Zagreb.

The **Rulebook on Education**, the **Instruction on the Employment Procedure** (with special emphasis on excluded discrimination on any basis) and the **Instruction on the Implementation of the Selection Procedure** were adopted due to the needs of defining and ensuring the transparency of employment. The Group companies also participate in the Active Employment Policy Measures through a vocational training program aimed at encouraging the employment, activation and education of unemployed persons, in order to gain work experience in the profession for which the education was completed. During 2024, human resources workers participated in 9 workshops organised by the Croatian Business Council for Sustainable Development (HR PSOR) and the Global Compact in the field of anti-discrimination. In addition, in October 2024, human resources organised the education "Leaders of inclusion in the workplace" covering topics such as: diversity as a key to encouraging sustainability, gender equality, inclusion of persons with disabilities, diversity and inclusion of the LGBTIQ+ community in the workplace and age diversity as a key to encouraging business success.

3.1.4. Effects, risks and opportunities (S1 SBM-3, S1-3,4,17)

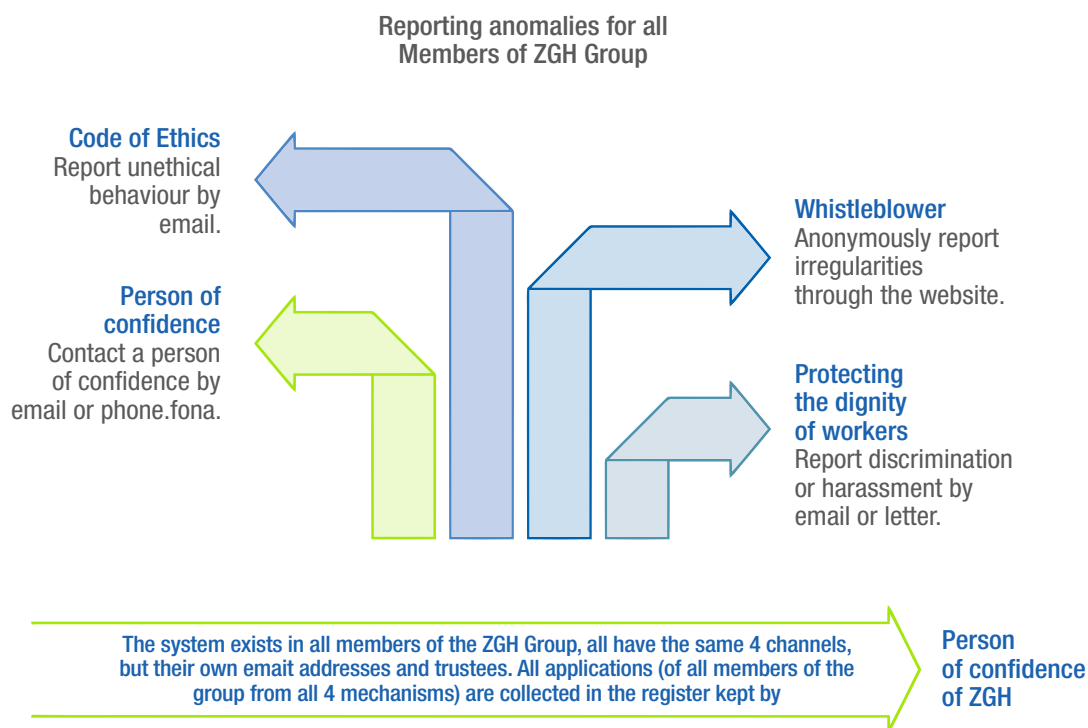
The identified effects, risks and opportunities related to the own workforce were to a lesser extent identified in terms of sustainability sub themes that were identified as significant in the first step of the double significance analysis. In particular, it is about the safety of jobs, salaries (effects), the health and safety of workers (effect and risk) and the lack of workforce. Therefore, in the second step, by applying the strategic top down perspective, it was concluded that the Group's performance in relation to this topic is predominant, i.e. that the topic of its own workforce is to the full extent significant for the Group's business. During the analysis, all groups within the workforce were considered.

Since the Group is only in the process of developing a transition plan, no effects on the workforce arising from the related activities have been identified.

In order to reduce and remedy the negative effects on the workforce, the Group has implemented a mechanism for reporting irregularities through which workers can submit a request for the protection of rights in the procedure provided in accordance with the rules of the Labour Act (OG 93/2014 and 151/2022).

For the purposes of reporting complaints/grievances, a telephone line, a special e-mail is provided, and a complaint or a complaint can also be submitted in writing or through the Whistleblower platform (described in the chapter *Business behaviour*). All channels and methods of reporting are listed in the above policies. Workers can also turn to the workers' council for the protection of their rights. In addition, workers can contact their own trade union commissioners. All issues related to labour relations and workers' issues are also resolved in the organisational unit in charge of human resources.

The functioning of the application mechanism for all members of the Group is shown in the chart below:



The Group monitors and supervises the effectiveness of the channels for reporting and protecting the rights of its own workforce as follows:

- » confidential persons and persons for the protection of the dignity of workers within each member of the Group are defined, who are assessed as persons of high integrity and ethical values. The Company's confidential person keeps a register of reports of irregularities for the Company (and reports based on the dignity of workers and other reports of internal irregularities and reports received through the whistleblower platform). The confidential person submits a semi-annual and annual report on the received irregularities to the Management Board of the Company.
- » workers are educated on channels and ways of reporting, and information on available channels is permanently available on the intranet, bulletin boards and the Internet
- » procedures and deadlines are announced in the ordinances that are permanently available on the intranet and bulletin boards
- » The Group is continuously working on improving the channels and their availability.

In 2024, there were 6 reported cases or complaints of discrimination in the Company (reports of workers related to the request for the protection of dignity sent to persons appointed to resolve such complaints), 5 in the GPZ (4 complaints related to the protection of dignity and 1 complaint of sexual harassment), 2 in the GPZ-O, 4 in the VIO and one in the GLJZ, while there were no reports in the GPB. All reports were resolved and no violation of the dignity of workers was found. There have been no reports or cases of human rights incidents identified.

In 2024, there were a total of 35 reported cases of irregularities through a confidential person or the Whistleblower application, of which 32 reports were resolved, while 3 were in the process of being resolved. There were no serious cases of human rights violations, nor imposed penalties, sanctions or damages.

Currently, actions and initiatives with the primary purpose of achieving positive effects on their own workforce are identified, defined, negotiated and guaranteed under the umbrella of a collective agreement and with control and guarantee mechanisms such as internal audit, external audit, internal control, inspection controls. At the same time, the Group is also developing measures that are more innovative, faster (because they do not depend on the Collective Agreement) and focus on individual and contemporary needs such as the mechanism (legal and technical) for working from home.

3.1.5. Target values (ESRS S1-5)

Within the framework of the Sustainability Strategy, the Zagrebački Holding Group has set the goal of creating a working environment that attracts and retains talented individuals, with an emphasis on fairness and transparency at all stages of employment. Continuous professional development of workers is ensured through education, training and training programs, enabling them to develop skills and progress within the organisation. The Group also advocates equal opportunities for all workers, promoting an inclusive working environment regardless of gender, age, race, religion or other personal characteristics. The equal opportunities policy ensures fair treatment and equal opportunities for advancement, which contributes to the creation of a supportive and fair working environment that enables the personal and professional growth of workers.

Within the framework of the sustainability strategy, the Group has also set goals for improving the health and safety of workers. Objectives include **ensuring a working environment that promotes the well-being and safety of all workers, while implementing strict protocols and safety measures to reduce risks and prevent occupational injuries**. The Group will also work on improving health programs and initiatives that promote a healthy lifestyle among workers, creating a safe and healthy working environment crucial to the long-term success and sustainability of the business.

Regarding these goals, the Group did not have specific time-limited targets in 2024 that would be monitored on an annual basis.

3.1.6. Group workforce: characteristics, diversity, equality (S1-6, S1-9, S1-16)

Given the nature of the business, ZGH Group employs workers only in the Republic of Croatia. The analysis of the characteristics of the workforce was performed according to the total number of workers at the level of the Company and subsidiaries and the institution, for which the internal databases of the Human Resources Sector were used. Data as at 31 December 2024 were taken for analysis and publication.

The structure of employees by gender in 2024 is shown below in the table. The overview does not include the employees of the Zagreb plakat.

Information on the number of employees by gender

Gender	Number of employees (head count)							
	Company	GPZ	GPZ-O	GPB	GLJZ	VIO	GSKG	Group
Female	987	86	49	7	376	226	190	1,921
Male	4,369	309	46	18	41	948	130	5,861
Total number of employees	5,356	395	95	25	417	1,174	320	7,782

Officially, employees are treated exclusively as women/men and there are no cases of different gender orientation, so the categories "other" and "not reported" are not included in the review.

During 2024, the turnover rate of the Group's employees was 5.55%, i.e. employment was terminated for a total of 286 employees of the Group.

To understand and interpret the data on the labour force, it is important to note that due to seasonal jobs during the period March – August, the number of employees increases, while during the period from September to December it decreases (0.64%).

The structure of employees by type of contract in 2024 was as follows.

Information on employees by type of contract, division by gender (by number of employees)

Company		GPZ		GPZ-O		GPB		GLJZ		VIO		GSKG		Total
Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
Number of employees														
987	4.369	86	309	49	46	7	18	376	41	226	948	190	130	7,782
Number of permanent employees														
987	4.369	86	308	49	44	7	18	341	32	221	923	190	130	7,705
Number of temporary employees														
-	-	-	1	-	2	-	-	35	9	5	25	-	-	77
Number of employees with un-guaranteed working hours														
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Number of full-time employees														
987	4.368	85	307	49	46	7	18	370	41	226	948	187	130	7,769
Number of part-time employees														
-	1	1	2	-	-	-	-	6	-	-	-	3	-	13

Regarding diversity, the *Corporate Governance* section already states that at the level of the Management Board, as the highest management body of the Company, the ratio of men to women is 3:1, i.e. 25% in favour of women. For the purposes of reporting on diversity at management levels, a definition has been applied that includes one or two levels below administrative and supervisory bodies. In practice, these are at the Group level:

- » in the Company, the Management Board and Directors of subsidiaries,
- » in the subsidiary GPZ, the director, assistants, directors of the sector,
- » in the subsidiaries GPZ-O, GPB, GSKG, director and directors of the sector,
- » in the subsidiary GPB, director and directors of the sector,
- » in the subsidiary VIO, the director, the deputy director, the director of drainage, the director of water supply, the director of wastewater treatment (POV) and investments,
- » in GLJZ, director, deputy director, coordinator of pharmacy activities, heads of services, departments, laboratories and pharmacies.

Data on the diversity of the management level are shown below in tables and graphs.

Number and share of employees in management positions

	Company	Company	GPZ	GPZ	GPZ-O	GPZ-O	GPB	GPB	GLJZ	GLJZ	VIO	VIO	GSKG	GSKG
Male	11	69%	3	33%	2	67%	2	67%	12	18%	5	83%	3	60%
Female	5	31%	6	67%	1	33%	1	33%	55	82%	1	17%	2	40%
Total	16	100%	9	100%	3	100%	3	100%	67	100%	6	100%	5	100%

The most common age group is the one in which workers older than 30 and younger than 50 years, while it is accompanied by a group of workers older than 50 years. The youngest group of workers is also the smallest, which indicates the problem of changing generations, especially for professions such as engineers, locksmiths, laboratories, technologists and so on. Namely, with the retirement of such staff, the totality of their knowledge and experience, which is very often the whole or most of the working life developed in the Group, also disappears, and many investments in new and young workforce are needed, which are lacking in the labour market. Due to specific technologies that are not necessarily used in other countries, foreign workers from countries such as India or Nepal do not have the necessary knowledge and prior knowledge, even in the same profession. Therefore, measures to systematically address this challenge should include not only the potential of developing a mentoring system, but also defining specific labour needs in the labour market.

Information on employees by age

	Company	GPZ	GPZ-O	GPB	GLJZ	VIO	GSKG	Group
up to 30	507	32	5	-	86	63	11	704
	9%	8%	5%	0%	21%	5%	3%	
30-50	2,730	210	61	9	216	556	173	3,955
	51%	53%	64%	36%	52%	47%	54%	
over 50	2,119	153	29	16	115	555	136	3,123
	40%	39%	31%	64%	28%	47%	43%	
Total	5,356	395	95	25	417	1,174	320	7,782

In relation to remuneration and allowances, the Group does not make a difference in defining working conditions and salaries for women and men in the same positions. For the purposes of calculating the gender pay gap and the ratio of the remuneration of the highest paid person to the median remuneration for all workers, gross II amounts were taken into account together with benefits (for example, remuneration in kind, Christmas bonuses) on an annual basis.

Information on fee differences

	Company	GPZ	GPZ-O	GPB	GLJZ	VIO	GSKG
Average gross hourly wage of employees	9.48	3.47	15.56	9.50	14.34	8.76	10.47
Average gross hourly wage of an employee	10.26	3.47	14.54	8.64	13.18	8.92	9.48
Wage gap	-8.23%	0%	6.56%	9.05%	8.09%	-1.83%	9.46%
Total annual fee for the highest paid person	89,279.44	70,070.87	70,136.45	49,937.73	53,040.00	71,589.15	57,567.14
Total annual fee for an average paid person	23,574.43	31,724.42	35,564.42	21,430.18	18,820.00	27,379.86	22,468.14
Total annual fee ratio	3.79	2.21	1.97	2.33	2.82	2.61	2.56

3.1.7. Salaries, other rights and benefits (S1-10, S-11, S1-15)

Within the Group, special attention is paid to the following workers' rights:

- » the right to equal pay for equal work,
- » the right to protection of personal data, the right of access to information,
- » the right to a safe working environment,
- » the right to physical and mental health,
- » gender equality,
- » combating racial and other forms of discrimination,
- » the rights of active participants and victims of the Homeland War,
- » protecting the rights and dignity of workers,
- » right of association
- » the right to organise and
- » participation in collective negotiations.

All employees of the Group receive an appropriate salary in accordance with the applicable benchmarks. Furthermore, in the Group, all workers have the right to family leave, in accordance with the Labour Act (OG 93/2014 and 151/2022), the Maternity and Parental Benefits Act (OG 152/2022 and 34/2025) and the Collective Agreement.

	Company	GLJZ	VIO	GPZ	GPZ-O	GPB	GSKG
Percentage of employees using family leave	5.08%	1.2%	1.02%	3.80%	13.68%	4%	5.31%
Percentage of female workers	1.20%	1.1%	0.77%	0.51%	10.53%	0%	2.19%
Percentage of workers	3.80%	0.9%	0.26%	1.27%	3.15%	4%	3.12%

Social protection is also an important determinant of relations with workers. At the Group level, it covers all workers when it comes to loss of income due to illness, injuries at work and acquired disability, parental leave and retirement.

Furthermore, the Group regularly negotiates discounts and benefits (so-called perks) for all employees and informs them about it through the intranet.

Wages of workers are defined by the collective agreements of the Group, in accordance with the applicable legislation, and job complexity coefficients are applied to them on the basis of the evaluation of the work performed on them, in accordance with the job classification.

3.1.8. Occupational health and safety management (S1-1, S1-14)

Health and safety is a priority in relation to their own workforce, therefore all employees of the Group, their activities and workplaces are covered by the health and safety management system. The system implies the implementation of training, supervision of work processes, risk assessment, use of prescribed personal protective equipment, etc. The occupational health and safety management system also includes agency workers who the Group has the opportunity to hire in exceptional situations of increase in the scope of work (although there were no such cases in 2024).

In addition to the Occupational Health and Safety Act (OG 71/2014 and 94/2018), the issues of health and safety of workers are regulated by collective agreements, while in subsidiaries that employ more than 50 workers, occupational health and safety boards have been established, which consist of occupational health and safety officers, occupational health and safety experts, workers' commissioners for occupational health and safety and occupational medicine doctors. At the Company level, the Central Protection Committee also operates. The president of the board is also the main authorised person of the employer for occupational health and safety, who plans and encourages activities aimed at improving the health and safety of workers.

The group makes regular risk assessments for jobs. The process of managing these risks has been developed, which includes experts in occupational health and safety, occupational medicine, managers, occupational health and safety officers and workers' commissioners. Professionals in the above areas analyse the work process in detail, including the type of work, means of work, work environment, exposure to environmental factors, etc., and identify potential hazards, harms and efforts. Each worker takes the exam in the subject of occupational health and safety and receives information on the measures and equipment they are obliged to use. The Risk Assessment Matrix is used to identify hazards at work and assess risks. In this way, all employees of the Group are covered by the occupational health and safety management system. At the Company level, the Central Protection Committee operates, the president of which is also the main authorised person of the employer for occupational health and safety, who plans and encourages activities aimed at improving the health and safety of workers.

Since 2019, the GPZ has had the Certificate of the occupational health and safety management system according to the requirements of ISO 45001:2018, verified by an authorised third party, and the Čistoća subsidiary has been the holder of the said certificate since 2015. In accordance with the requirements of this standard, workers may submit their proposals and objections related to the protection of health and safety at work directly or via a special e-mail address, through the representatives of workers on the Occupational Health and Safety Committee, trade union commissioners and leaders of the Trade Union and the workers' council and representatives of workers on the Supervisory Board.

In relation to specific cases of injuries, during 2024:

- » there have been no fatalities resulting from injuries at work and work-related diseases, i.e. there have been no cases of work-related diseases on which records are kept;
- » there were 270 occupational injuries in the Company, and at the Group level, a total of 319 - 188 workers were injured at the workplace in 2024, which is an increase of 59 injuries compared to 2023;
- » the rate of recorded accidents at work in relation to the number of employees in the Company is 5.02% and in the Group 4.11%.

By analysing injuries at work, it was found that the most injuries are surface injuries, twists, sprains and dislocations. The most sensitive parts of the body that are most susceptible to injuries are the legs, including the knee, ankles and fingers, toes and the neck, including the spine and cervical vertebrae. The most common causes of occupational injuries are falls of workers, collisions of workers with objects and other ways of injuries at work, which includes other unused occupational health and safety rules that are not specified. The causes are also outside the jobs and activities related to work processes.

The number of days lost due to occupational injuries due to occupational accidents in the Company is 10,531 days (84,248 hours lost), and at the Group level 12,578 days (100,624 hours lost). Of the total lost days in the Company, 62.37% is accounted for by the subsidiary Čistoća, and looking at the total number of lost hours in the Group, the subsidiary Čistoća accounts for a total of 52.22% of lost hours.

In 2024, all new Risk Assessments for subsidiaries were adopted and adopted on the basis of the new systematisation and organisation of the Company. Also, in December 2024, the establishment of a unique program for keeping records in the field of safety at work and fire protection began.

In 2025, the focus of the Safety Sector will be on achieving a higher level of health and safety at work with a constant trend of reducing unwanted incidents and especially injuries at work, for which specific proposals have been elaborated at the Group level. By implementing the prescribed and proposed safety measures at work to reduce injuries, it is estimated that the level of risk and causes of injuries will decrease, as well as the number of injuries and their severity, and thus the number of lost working hours.

3.2. Affected communities, consumers and users (S3, S4)

The Group is in a specific position in relation to its users, since they are at the same time members of the local community in which the business activities of subsidiaries, i.e. the institution take place. In general, the concept of the affected community in the context of the group and this report covers primarily the residents of the City of Zagreb and the surroundings where the services of the Group are provided and/or where the Group carries out its activities, but also other groups of users. Therefore, these are communities near the Group's business locations, which are listed below as individual groups of Group users. Given the similarities, the Group's approach is generally the same for these two groups of stakeholders, therefore they are addressed together within this chapter.

It is also important to note the additional specificity in the activities of the Group, which is manifested in the fact that almost all workers are also users, as well as members of affected local communities. Given the overlapping (double and even triple) identities that encompass the broadest concept of users, with the aim of their protection, their rights and the quality of the service they receive, special measures and activities are implemented. In addition, as elaborated in the previous chapter, significant measures and activities are focused on the rights and quality of professional life of workers. Third, in terms of users - members of affected local communities, the Report includes those categories that are defined as affected communities by law, by the decision of the Group or that are self-defined as such, and in this regard their feedback is also monitored.

In relation to the local community, the Group has identified significant negative effects related to the quality of life, i.e. the right to housing in appropriate conditions without pollution, unpleasant odours and the consequent decline in the value of the property. It is about the local population near the landfill Prudinec-Jakuševac. It is also a group that may be exposed to a higher risk of damage as a result of the Group's operations.

Regarding the significant risks and opportunities related to the affected communities, the Group has identified those that arise for the business of markets. The group does not make a difference to individual groups of affected communities, so these risks and opportunities apply equally to all groups.

The Group can have significant effects on its users, which includes a wide range of stakeholders, including:

- » Inhabitants of the City of Zagreb;
- » Small and medium-sized enterprises - shops, catering facilities;
- » Large companies - industrial facilities, shopping centres;
- » Educational institutions – primary and secondary schools, kindergartens, faculties;
- » Health institutions – hospitals, clinics, health centres;
- » Public houses
- » City Services;
- » Non-profit organisation
- » Civic initiatives;
- » Visitors and tourists.

The services provided by the Group are crucial for maintaining public health and hygiene, traffic and movement, safety and housing, and have a significant effect on the quality of life. Users of the City of Zagreb rely on the regular services of the Group to meet everyday living needs such as water supply (VIO) and gas (GPZ, GPZ-O), health (Gradska ljekarna Zagreb), maintenance of buildings, roads and public areas (GSKG, Zagrebačke ceste, Zagrebparking and Zrinjevac), waste management and disposal (Čistoća), availability and supply of food (Zagreb Markets). The Group's services are also crucial for other needs: from sports, cultural, entertainment and similar events (Arena Zagreb, AGM), through travel (Bus Station, Vladimir Nazor), to the care of the deceased (City Cemeteries), care for electronic communication infrastructure (Zagreb Digital City) and support in the storage and dispatch of goods (Commodity Terminals Zagreb).

3.2.1. Strategy and attitude towards affected communities, consumers and users (ESRS 2, SBM-2)

Within the framework of the sustainability strategy, the Zagreb Holding Group has set the following goals related to consumers and end users, but also the local community:

- » **Increasing the efficiency of business processes** through digitalisation, with an emphasis on optimisation of resources and reduction of greenhouse gas emissions. The implementation of digital technologies includes advanced solutions for **energy management**, **process automation** and the introduction of software tools to increase productivity. A key component is the **education of workers** for the successful application of new technologies.
- » **Increasing customer satisfaction** by improving the quality of services and responding to requests faster
- » **Improving the quality of urban life** through the improvement of infrastructure and services.

Based on the key strategic guidelines, a number of measures and initiatives have been defined to achieve the sustainability goals and in general to improve the management of scarce valuable resources (water, waste). We list examples of significant projects whose implementation is already in progress or is planned in the coming period, to which the Group contributes or will contribute to the sustainability goals. Projects in implementation are described in more detail in the Management Report in the chapter *Featured Business Events*, while those in the development phase are described in the chapter *Activities related to business development*.

Local community related services -> sustainability goal: Increasing the quality of life in the City of Zagreb (including responsible consumption)

Logistics and distribution centre for fruit, vegetables and other food products

The project includes an increase in production through a sorting and packaging plant and an increase in lease capacity for interested organisations. During 2023, a preliminary study for the wholesale market and preparatory documentation for the preparation of the study were made. Additionally described in the Management Report in the chapter *Activities related to business development*.

Revitalisation, renovation and construction of markets in the city of Zagreb

A comprehensive project for the renovation of Zagreb city markets, their revitalisation and transformation into a functional space adapted to the needs of citizens throughout the day. During 2024, the focus was on the development of a strategy for long-term revitalisation and development and the implementation of investment investments in maintenance, while in the next investment cycle, activities at 5 markets and at the wholesale market are planned. Additionally described in the chapter *Activities related to business development*.

Park&Ride zone at Borongaj site

The first Park & Ride zone at the Borongaj location has been active since 2 December 2024, within which the price of a daily parking ticket (zone V) includes the price of a return ticket for ZET transport. As, as part of the reconstruction of KBC Zagreb, the Rebro garage ceases to be a public garage, the said Park & Ride zone provides parking for citizens and visitors to the hospital, which also includes the price of transport to KBC Rebro. Additionally described in the Management Report in the chapter *Featured Business Events*.

Greening of the City

Across the city, at over 1,000 public city locations, slightly more than 8,000 trees are planted in all city districts. In addition to lowering the temperature in the City, the project will also have an estimated net effect of reducing CO₂ emissions by 2,764.02 tons per year, on average²⁴. Additionally described in the Management Report in the chapter *Featured Business Events*.

Cleaner City

During 2024, the subsidiary Čistoća carried out key business activities for the purpose of increasing the efficiency and quality of primary activities, especially in the public service of municipal waste collection, while the full effect of improving the efficiency and implementation of the program of cleaning and washing of public transport areas is expected in 2025. Additionally described in the Management Report in the chapter *Featured Business Event*.

Underground and semi-underground tanks

The project of construction and installation of underground and semi-underground tanks in order to encourage an increase in waste separation, achieve better recycling results and reduce visual pollution of the Zagreb city centre began as a pilot project at the end of 2023. Additionally described in the Management Report in the chapter *Featured Business Events*.

Customer services -> sustainability goal: Affordable living

Construction of a public garage

The project consists of the construction of a public garage in Klaićeva ulica with a planned capacity of 800 parking spaces with the aim of relieving street parking lots and improving the urban environment. During 2024, investment and feasibility studies were carried out for the intended project. The planned implementation period is 36 months. Additionally described in the Management Report in the chapter *Featured Business Events*.

South arcades at Mirogoj cemetery

Construction of new arcades at Mirogoj with 440 tombs and 3462 pieces of Columbarian niches. In 2023, the project was in the phase of developing a pre-investment study, which was completed in March 2024. Additionally described in the Management Report in the chapter *Featured Business Events*.

New block parking system

The application of the block parking organisation in public parking lots in the City of Zagreb began on 26 October 2024, with the aim of relieving parking spaces for tenants. Additionally described in the Management Report in the chapter *Featured Business Events*.

Customer services -> sustainability goal: Increasing customer satisfaction

Customer relations

The introduction of two new additional functionalities:

- » receiving a joint payment slip via e-mail, in PDF format. This service enables the electronic delivery of invoice immediately after their creation.
- » enabling card payment of invoices through a 24/7 self-service device, which is located in the entrance zone of the Holding Centre. On the self-service device, users can, without charge, pay the invoices of the Group.

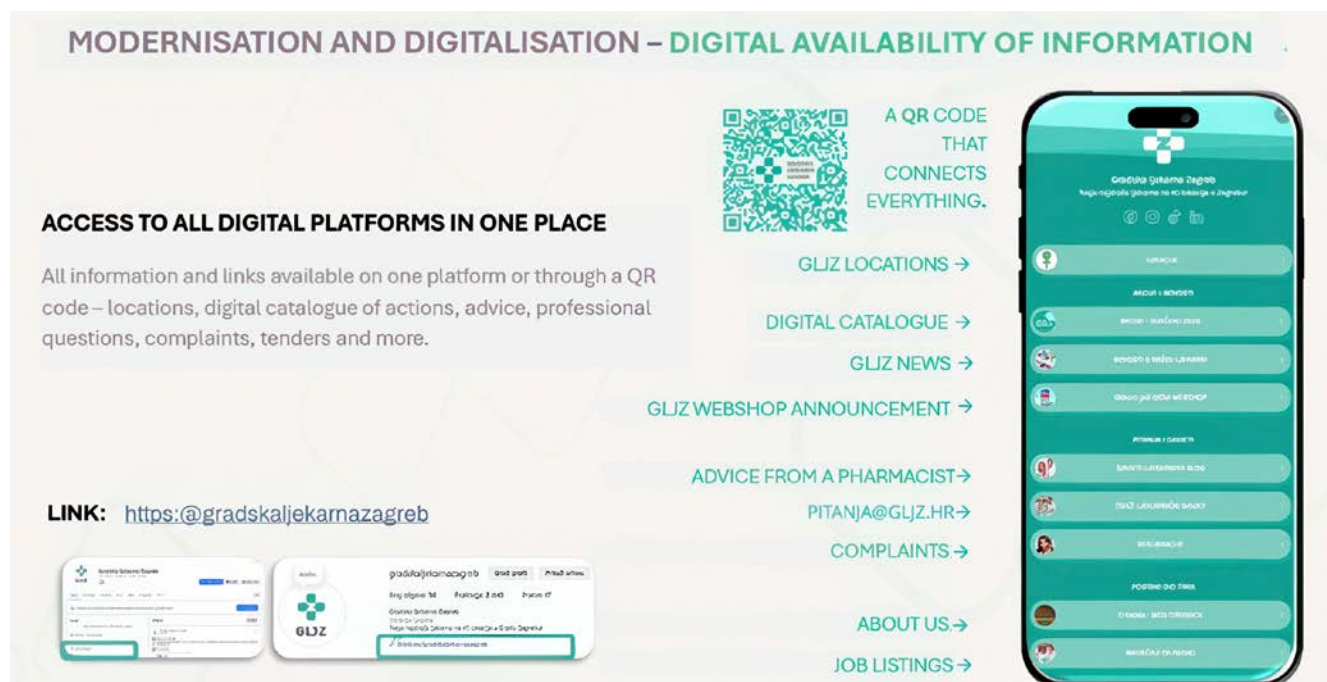
Additionally described in the Management Report in the chapter *Featured Business Events*.

²⁴ Assessment of greenhouse gas emission reductions performed by the Faculty of Agriculture, University of Zagreb.

Specific strategic goals of subsidiaries

Gradska ljekarna Zagreb

Gradska Ljekarna Zagreb aims to raise awareness of a larger number of patients who check blood pressure and are referred for further processing, as well as to raise awareness of the importance of influenza vaccination through **education and distribution of materials**. Long-term goals are to raise awareness of the importance of **influenza vaccination** and reduce the complications of the disease in risk groups, as well as to **reduce the environmental footprint** of improper disposal of pharmaceutical waste through the possibility of free disposal of unused medicines in city pharmacies and raising awareness of responsible use of medicines. In addition, Gradska Ljekarna provides an e-mail consultation service with a pharmacist and, in certain periods, provides discounts for vulnerable groups (pensioners and students).



Gradska plinara Zagreb

Some of the short-term goals of Gradska plinara Zagreb are the **reconstruction of the gas network** according to the planned dynamics, compliance with the legal deadlines for testing gas installations and regular gas meter replacement. Long-term goals are the installation of **"smart gas meters"** - remote reading of gas meters, and the **digitalisation of business operations** that includes keeping the GPZ archive.

These results are integrated into future planning, taking into account the impact of internal and external factors, such as: market trends, legal frameworks, requirements and decisions of regulators, business analysis, relations with key stakeholders and others.

Water and drainage

Short-term goals are to establish a system with shorter deadlines for providing information to users. Long-term goals include educating consumers through communication channels about places to search for information, consumer independence, and reducing the physical need to process customers. In addition, the goal is to improve the business system so that any deficiencies are not reflected through consumer complaints – comprehensive/holistic management of the processes of the entire organisation.

GSKG

In addition to regular building management tasks, GSKG also provides services related to the energy renovation of multi-residential buildings and the coordination of the renovation of buildings damaged by the 2020 earthquake. As at 31 December 2024, the Company has 709 registered buildings for structural renovation and 331 received decisions on structural renovation with 22 currently active construction sites.

In the part of business with the City of Zagreb related to the maintenance of utility infrastructure, the GSKG took over additional facilities and equipment for maintenance such as lifting ramps in underpasses in Novi Zagreb through the 2024 Work Program.

3.2.2. Effects, risks and opportunities (ESRS 2, SBM3)

In the process of assessing double significance, significant effects on the affected communities and end customers of the Group were identified, as well as the risks and opportunities related to these effects and dependencies on these stakeholders.

In relation to the affected communities, this is a result of the proximity of landfills and therefore the reduced quality of life, while users are talking about privacy and security, access to quality and timely information and safe, accessible and quality public services.

Risks and opportunities related to users (including the local community) include safety, availability and quality of public service.

3.2.3. Policies (S3-1, S4-1)

Users of Group services (including affected communities), i.e. managing the effects that Group services have on users and the related risks and opportunities for the Group, are covered by the Policy on Improving Services, Protection of Rights, Health and Safety of End Users and the Policy on Diversity, Protection of Human and Children's Rights and Protection against Discrimination. The provisions do not distinguish between individual types of users, i.e. they include all groups of users of the Group's services.

Both policies are contained in the Book of Policies of Zagreb Holding and are explained in more detail in the chapter *Policies and measures for their implementation*.

Furthermore, in relation to the protection of human rights, the Group provides compensation mechanisms in case of violation of rights and provides a transparent and effective complaint mechanism for workers and other stakeholders to report irregularities ("Whistleblower").

In relation to users, the rules on the protection of personal data in accordance with the relevant national and EU legislation also stand out, and the personal data of users are processed in accordance with them. The Group cares about the security and privacy of users, which is included in web posts as a text-information "Protection of personal data" (which provides detailed notifications to end customers and users about the processing of personal data in connection with the use of the services, as well as about the rights that can be exercised in connection with the processing of this data. This applies to all personal data of end customers that the Group collects and processes, directly or through its partners, and does not apply to anonymous data or data that cannot be linked to a specific natural person. The contact of the data protection officer who can be contacted is also indicated.

Subsidiaries also apply the above group policies and focus on the provisions of the Consumer Protection Act (OG 19/22) and, depending on the subject of business and the nature of services, the provisions of the relevant sectoral regulations – for example, the Gas Market Act (OG 83/09) and energy regulations.

3.2.4. Procedures for cooperation with consumers and end users, including affected communities (S3-2 21, S4-2, 20)

Customer relationship management is of strategic importance for the functioning and development of the Group, from the perspective of managing effects on users and related risks and opportunities for the Group. Therefore, Zagrebački holding, as a public service of citizens, is available to its users every day from 0 to 24 hours (the call centre is open from 6 to 22 hours, and from 22 to 06 hours the Group's emergency services are available). Communication with users takes place through the Customer Relations Section, which is in charge of physical/direct communication in the Holding Centre and other subsidiaries, and through the Digital Communication Section with users of the Group's services. On the basis of the information received directly from the users, the Group is able to create new solutions in accordance with their wishes and needs. Both departments operate within the Customer Relations, Marketing and Sales Sector, which has operational responsibility for the functioning of the Holding Centre.

Some of the methods of informing users of the Group's services are:

- » · direct communication with users (subsidiaries and mobile office, customer centres, information counters);
- » · e-mail; written letters sent by mail
- » · a unique number 072 500 400 of the Call Centre for enquiries about all services in the Group's portfolio;

- » · the website of the Holding Centre for Users of Zagrebački holding and subsidiaries;
- » · cell phone apps, social networks and the e-gradani platform.

The Holding Centre manages the processes in direct communication with users of services and citizens and provides comprehensive support to users from the activities of subsidiaries in its offices. In order to improve the quality of services, the Holding Centre systematically monitors and analyses the needs and wishes of service users, expands and introduces new services and functionalities in offices. Efforts are focused on managing the actual and potential effects on users, i.e. on improving relations with citizens and users through taking into account their perspective.

Functionalities of the Holding Centre	Description
Digital platform for service automation – Project new Register	<p>The new Register project includes the creation of a register of users of all services of the Group, i.e. the unification of all user databases. The aim of the project is to improve the system of timely and efficient monitoring of receivables and collection and to create a single payment slip for the user based on all the Group's services.</p> <p>Taking into account all procedural challenges, the new system is expected to be operational in the third quarter of 2025. At the same time, the implementation of the project of adaptation of the e-Građani platform is planned.</p>
Access to information – web platform sada.zgh.hr	All current information from Zagrebački holding's real-time service portfolio is available on the sada.zgh.hr web platform
Communication with consumers and customers regarding utilities – Razvrstaj MojZG	<p>The Razvrstaj MojZG application easily enables the monitoring of waste disposal by streets or city districts, enables the search of all types of waste, educates on the method of disposal and contains a list of all recycling yards and green islands.</p> <p>For the needs of the Company, the City of Zagreb made upgrades to the application, which included the following:</p> <ul style="list-style-type: none"> » · preparation of push notifications for the notice of cancellation of the term of waste disposal with the stated reasons, » · preparation of requests for the removal of bulky waste through the application.
Accessibility of services – Mobile office	A mobile subsidiary is also available to users of the Group's services. This specialised vehicle enables users to more easily manage services on a one-stop basis, by visiting city districts according to a predefined schedule, and card payment of bills is also enabled. During the month, the Mobile Office visits over 100 locations, and it is also possible to arrange individual arrivals, especially to the addresses of senior citizens with mobility difficulties.
Payment of invoices – Self-service devices	<p>The following are available to citizens:</p> <ul style="list-style-type: none"> » self-service device for payment of invoices; cash, without charge, within the Holding Centre and » self-service device for card payment of invoices without charge from 0 to 24, in front of the Holding Centre.

Furthermore, the agreement on business cooperation between Zagrebački holding d.o.o. and the subsidiaries determines the competence of the parent company to take over the primary telephone communication with users of the Group's services and fees. For this purpose, telephone communication with users and citizens is enabled through a unique telephone number of the Call Centre through which citizens can be informed about the services and fees of Zagrebački holding as a whole.

Finally, users of the Group's services and fees (therefore, also affected communities) can submit requests for individual services and fees, submit complaints or inquiries through different channels of digital communication, depending on the type of service.

Specific communication with consumers and end users in the subsidiaries

Gradska ljekarna Zagreb points out cooperation with institutions such as the Teaching Institute of Public Health Andrija Štampar for additional health initiatives. Such cooperation is important in order to obtain feedback on the effectiveness of the implemented activities, since all activities are considered in the form of new initiatives based on patient feedback and community needs.

Gradska plinara Zagreb is characterised by direct communication with users in the GPZ distribution area (operational teams when performing regular and extraordinary activities such as reading and/or control of the billing metering point (OMM), gas meter replacement, gas installation testing, etc.) and telephone communication in case of gas output or extraordinary events on the distribution system (by calling the toll-free phone 0800 400 400).

The GPZ collects information on the needs, wishes and behaviour of end customers through received inquiries, requests and/or complaints through all communication channels and analyses the causes of the increase and/or decrease or the occurrence of new types. In cases of actions of new connections (when planning the construction or reconstruction of the gas pipeline), potential new end customers are surveyed, representatives of local committees are communicated with and public forums are organised. In cases of increase/repetition of a particular type of inquiry or complaint, efforts are made to determine the internal or external cause of them. For example, during September and October 2024, the number of inquiries/requests from end customers of users of the public service of gas supply increased several times due to the change of supplier in the category of public service in the GPZ distribution area. If necessary, additional instructions/notifications are published on the website, changes in actions are made and GPZ workers who communicate with end customers/users are informed.

The GPZ does not have information on vulnerable groups related to disability, etc., but according to the Gas Market Act, it is obliged to keep records of vulnerable customers. The category "endangered customer" means an end customer from the category of household who, due to their social position and/or health status, is entitled to gas delivery under special conditions. The gas supplier must not request a suspension of gas delivery for such customers, and the status of the vulnerable customer should be visible on the gas consumption invoice issued by the supplier. For the registration of a customer as "endangered", a document (Decision on the status of endangered customer in the name and surname) of the competent authority is required, which can be received directly as a distribution system operator (DSO) or from the end customer or from the contractual supplier of the customer in question. Information on end customers is kept in the master data on end customers, and the status of the vulnerable customer is kept at the OMM level, in accordance with legal provisions.

Gradska plinara Zagreb Opskrba keeps records of users by category of household and entrepreneurship, and in particular the category of vulnerable customers is kept. The remarks, compliments and wishes of users are analysed and integrated into the company's services and decisions according to their capabilities and priorities.

Vodoopskrba i odvodnja available for processes and inquiries has available telephone communication (through the working week, within working hours), and for emergencies there are emergency interventions available seven days a week, 24 hours a day. Regarding the complaints and requests of users, they are analysed and result in activities to improve the process within the competence of the company.

Data on communication during 2024

In summary, according to the available communication channels, 188,675 telephone calls were processed, 192,350 e-mails were received, 9,092 inquiries were received through mobile applications and social networks, and 3,056 written submissions were answered.

Of the total number of communication with users and citizens, 48% was achieved by telephone, 49% by e-mail, 3% by social networks and 1% by letter.

3.2.5. Remediation of negative effects and channels for expressing concern (S3-3, S3-4, S4-3)

In 2024, a negative effect on the affected communities was identified arising from the proximity of the landfill on Jakuševac. No significant negative effects were identified in relation to users during the reporting period.

In order to remedy the negative effects on the local community living near the landfill, the Company pays financial compensation for the reduced quality of life to the affected individuals twice a year (residents of the settlements of Jakuševac, Hrelčić, Mićevec).

The right to compensation for reduced quality of life is granted to residents of the settlements around the landfill, i.e. property owners and members of the immediate family of the property owner in the area of influence of the building intended for the disposal of waste Prudinec - Jakuševac. The financial compensation is paid on the basis of the Conclusion of the City Assembly of the City of Zagreb from 2017, and for the purpose of paying the compensation, the Mayor of the City of Zagreb makes a conclusion every year on determining the list of beneficiaries of the right to financial compensation and a conclusion on determining the amount of individual financial compensation. On the basis of their mutual agreement, the Company is authorised by the City of Zagreb to conclude individual agreements on the payment of financial compensation, of which it informs the City of Zagreb through annual reports. The funds for the payment of financial compensation are provided from the budget of the City of Zagreb, from the division of the City Office for Economy, Environmental Sustainability and Strategic Planning and are remitted to the Company. In accordance with the above, during 2024, the Company paid EUR 1,620,776.86 for the rights exercised in 2024 and for the rights exercised in previous years.

In the reporting period, there were no other identified negative effects on the affected communities or users, but the Group is aware that the potential for such effects exists and a potential negative effect in the form of customer and end-user security has been identified. For this reason, procedures for cooperation with users (including the local community) and tools are provided to report all actions that are considered to be illegal, irregular or have negative effects.

The primary tool on the user's side to express concern about the work of individual employees or the operation of a particular operation or system within the Group is the "Zviždač" platform, available on the Company's website. Users can submit their reports on the platform anonymously or not, in relation to 14 predefined categories of irregularities. The received reports are processed and, depending on the type of report and the result of the investigation, they are treated. The application is examined and the response is sent to the applicant through the application. In the event of a repetition of the same query by one applicant, reference shall be made to the previously sent response. In the case of reports that are within the competence of persons for the protection of the dignity of workers, reference is made to internal acts, i.e. the method of submitting a report (e.g. a third person submits a report that a person's dignity has been violated), despite the fact that these violations are not covered by the Law on the Protection of Reporters of Irregularities (OG 46/2022).

Users can express their concern or dissatisfaction with the work of the Group, including the negative effects that arise for them, through a written complaint (by e-mail, mail, in person at the registration office), to which, in accordance with the provisions of the Consumer Protection Act (OG 19/22), they can respond no later than 15 days. In the event that they are not satisfied with the answer, they can contact the Committee, which is obliged to respond within 30 days. Namely, at the level of Zagrebački holding d.o.o., the Consumer Complaints Committee operates, which is responsible for complaints of public services in the second instance, while in the first instance the relevant bodies of subsidiaries are responsible.

The Committee consists of seven members and seven deputy members who were appointed by the decision of the President of the Management Board of Zagrebački holding. The establishment of the Committee, organisation, manner of work, obligations and powers are defined by the Rules of Procedure of the Committee and the Decision of the President of the Management Board of Zagrebački holding.

In the event of dissatisfaction with the services of the GPZ and the GPZ-O, and the previous options are exhausted, the dissatisfied user can submit a report to the State Inspectorate of the Republic of Croatia, while all final customers (both legal and natural persons) also have the possibility of complaint to the Croatian Energy Regulatory Agency (HERA).

During 2024, 33 sessions of the Committee were held, at which 485 complaints about the work of the Group's constituents were considered. Compared to 2023, this is a 30% reduction in complaints. Of all the complaints considered, 129 were justified, 330 were unjustified, there was not enough evidence for 12, while the Zagrebački holding Committee was not competent for 14 complaints. The largest number of complaints, 63.91%, related to the Zagrebparking subsidiary.

3.2.6. Measures and targets for the management of significant impacts, risks and opportunities associated with the affected communities and end-users (S3-4,5, S4-4,5)

At the level of subsidiaries, the Group has identified positive effects, but also risks and opportunities related to users and the local community (which are often intertwined due to the nature of these stakeholder groups). Actual positive effects are concentrated on safety, availability and quality of public service, digitalisation of public services and privacy and safety of users. Risks and opportunities arise from dependence on users, but also resources that enable the use of services.

Within the strategic guidelines and goals of the business policy for 2024, common goals of all subsidiaries of the Company were set. Those that include the relationship with users are:

- » improvement of the existing system of management and monitoring of the operational efficiency of subsidiaries and the adequacy of the pricing structure of subsidiaries' utilities and market services;
- » increased work on raising operational readiness for regular execution of utility services, as well as strengthening the capacity for emergency activities in the event of natural disasters, through:
 - » an increased number of contractors in operational tasks,
 - » an increased number of vehicles, machines, equipment and other machinery;
- » continued work on raising operational efficiency and controlling the execution of tasks, which should result in increased quality and speed of execution of utilities;
- » digitalisation of business processes for internal users/employees and for users of utility services;
- » in order to improve customer relations, the Customer Centre intends to conduct a customer satisfaction survey. As part of the auto attendant, the user will be informed of the voluntary completion of a satisfaction survey with the received service, which will be conducted after a conversation with the agent. In this way, it is desired to introduce two-way communication with users of services, all for the purpose of raising the quality of the service;
- » by purchasing another mobile office, users in the western part of the city will be able to use the services of Zagrebački holding (payment of invoices without charge, purchase or extension of parking tickets)..

Also, the Customer Relations Section plans further investments aimed at increasing efficiency, reducing costs, improving user experience and modernising infrastructure. Given that the implementation of business processes requires constant adaptation of the work of the Holding Centre, continuous education of workers for the provision of complete information to users and the reorganisation of the work of workers at the counters, it is planned to provide users with comprehensive support and all available services in one place with a more personal approach of employees at as many counters as possible in the central office of the Holding Centre in Vukovarska ulica. For this reason, additional cashier equipment was procured for the establishment of new cash registers and for the replacement of worn-out equipment. The plan is to purchase a new digitalised automatic queuing machine that would allow users to choose services and time of arrival at offices from the comfort of their own home at the desired time and without waiting.

The needs of vulnerable groups of users are also in mind, so it is planned to adapt the office of the Holding Centre to blind and visually impaired people by setting up tactile paths and guide lines (a fundamental element of accessibility that allows blind and visually impaired people easier orientation and navigation in space and independent movement).

The Group takes care of all groups of users, so, although the digital transformation of business processes is inevitable, it is taken into account that users who physically come to the offices of the Holding Centre are mostly elderly and do not accept modern tools. In order to enable older people and users with mobility difficulties to communicate with the Holding Centre and manage their services, a mobile office (specialised vehicle) is available with which it is possible to arrange an individual arrival. In 2024, activities for the procurement of another van were initiated. The implementation will provide comprehensive support to users of the Group's services, given the great interest of citizens in the services of a specialised vehicle and the continuous requests for new addresses for visits to Zagreb settlements and enable a tour of all requested locations.

Also, in order to make it more accessible to citizens, but also to use the existing capacities, a self-service POS device for payment of invoices was set up in the zone of entry into the Holding Centre in 2024, which is available to citizens from 0-24 hours.

Regarding the effects on end users of the services, as well as the risks and opportunities associated with them, all targets listed in the chapter [*Default indicators and goals related to sustainability*](#) are applicable. With the exception of the objectives related to the bonds, the values were set, inter alia, on the basis of (feedback) information received from users through the provision of the Group's services. Through continuous communication with users, the Group obtains the user's perspective on monitoring the success of meeting the goals and communicates to users at the same time improvements in relation to the business and the provision of services.

In relation to the affected communities, the Group currently does not have specifically established targets.

04 Management Information



Later in this chapter, key information on the management system of the Zagrebački Holding Group is presented. Since the mechanisms and structures of the management of the Company are largely applied at the level of the Group, all descriptions and references to the management of the Company, unless explicitly stated otherwise, also relate to the management of the Group.

4.1. Business behaviour (G1)

Corporate governance is a significant determinant of the business behaviour, i.e. the operations of the Company, which provides an incentive to the Management Board and the Supervisory Board to achieve the interests and protection of stakeholders, users and the Group as a whole. Business behaviour is regulated by the Code of Corporate Governance of Zagrebački holding d.o.o. from 2015 (adopted by the Management Board and confirmed by the Supervisory Board and the Assembly of the Company in 2016). The Code is publicly available on the Company's website and applies to the entire Group.

The purpose of the Code is to establish, maintain and further improve high standards of corporate governance and transparency of operations for efficient operations and responsible management of resources in the function of the development of the Company, all in the best interest of the citizens of Zagreb as users of utilities and public services, and then all other interest groups, stakeholders with whom the Company enters into business and legal transactions.

In the financial year 2024, the Company essentially monitored and applied the recommendations set out in the Code, publishing all information related to the operations of the Group, the publication of which is provided for by positive regulations and the publication in the interest of investors, as well as all stakeholders.

The Management Board, as the body that manages the management of the Company, places special emphasis on compliance with the provisions of the Code, as well as the Supervisory Board that supervises the management of the Company. The same applies to the functioning of subsidiaries and to the institution in which the management bodies consist of the board of directors, the expert council and the director. The responsibility and expertise of the Management Board and the Supervisory Board of the Company and its subsidiaries (and the management and professional council of the institution) are reflected and prescribed by the rules of procedure of these bodies, the Code of Ethics, Work regulations, the Ordinances on the organisation of Corporate Services and each individual subsidiary of the Company (Job description for each sector and subsidiary of the Company), collective agreements, the Group's Human Resources Development and Performance Management Policy. Details of the expertise of each member of the Management Board, Supervisory Board and Audit Committee of the Company that manages the operations of the Group are described below.

MANAGEMENT BOARD

Ivan Novaković

President of the Management Board

Education:

- » Graduated from the Faculty of Electrical Engineering and Computing, Zagreb
- » EMBA program, Cotrugli Business School, Zagreb

Professional experience:

- » President of the Management Board, Zagrebački Holding d.o.o. (2021 – today)
- » Management positions in leading companies of different economic branches, including:
- » Informatics, trade, consulting, tourism, financial services, insurance
- » Property management, engineering, maintenance and construction, transport and logistics
- » Production and distribution of food
- » Director of new businesses, INA d.d.

Professional competence in Zagrebački holding:

- » Management Board Support Office
- » Directorate For Internal Audit
- » Sector for Strategy, Development and Business Compliance
- » Security Sector
- » Procurement Sector
- » Sector for asset and service management
- » Project Management Sector
- » Company Zagreb plakat d.o.o.

Special competences:

- » Sustainable business and strategic development
- » Project management and business transformation
- » Cooperation with the academic and start-up community
- » Leading teams and moderating stakeholders

Professional initiatives and achievements:

- » Launching CSR projects in cooperation with associations
- » Development of the Sustainability Strategy of Zagrebački holding until 2028
- » Issue of bonds of Zagrebački holding, the largest single issue related to sustainable business in the history of the Republic of Croatia
- » First issue of bonds related to the sustainable business of the municipal issuer

Matija Subašić-Maras Member of the Management Board

Education:

- » Graduated in Psychology, Faculty of Humanities and Social Sciences in Zagreb
- » Master of Business Management (MBA), IEDC – Bled School of Management

Professional experience:

- » Member of the Management Board, Zagrebački holding d.o.o. (2021 – today)
- » Director of Human Resources, Croatia osiguranje d.d. / Adris Grupa
- » Director of Human Resources, PLIVA D.D.
- » Director of Human Resources, GlaxoSmithKline d.o.o.

Professional competence in Zagrebački holding:

- » Human Resources Sector
- » Legal Affairs Sector
- » Customer Relations, Marketing and Sales Sector
- » Subsidiaries: Tržnice Zagreb, Gradska groblja, AGM, Vladimir Nator, Autobusni kolodvor Zagreb

Professional functions and memberships:

- » Deputy Chairman of the Supervisory Board of Gradska plinara Zagreb – Opskrba d.o.o. (from 2023)
- » President of the Supervisory Board of Vodoopskrba i odvodnja d.o.o. (since 2022)

Special competences:

- » Human resources management and organisational transformation
- » Corporate governance mechanisms and business sustainability
- » Responsible leadership and change management

Dubravko Karačić

Member of the Management Board

Education:

- » Master of Economics, Finance, Faculty of Economics, University of Zagreb
- » ACCA – Association of Chartered Certified Accountants of England and Wales

Professional experience:

- » President of the Management Board, Zagrebački Holding d.o.o. (2021 – today)
- » Zagrebačka banka d.d.: Director of Internal Audit; Director of the Banking Operations Support Division
- » KPMG Croatia d.o.o.: "junior-associate director" Audit and Business Consulting

Professional competence in Zagrebački holding:

- » Finance Sector
- » Controlling Sector
- » Accounting Sector
- » Subsidiaries: Robni terminali Zagreb, Zagrebparking

Professional functions and memberships:

- » President of the Supervisory Board of Gradsko stambeno komunalno gospodarstvo d.o.o. (since 2022)
- » President of the Management Council of Gradske ljekarne Zagreb (since 2022)

Special competences:

- » Financial and risk management
- » Strategic planning and change management
- » Agile at Scale Transformation

Professional initiatives and achievements:

- » Development of the Sustainability Strategy of Zagrebački holding until 2028
- » Issue of bonds of Zagrebački holding, the largest single issue related to sustainable business in the history of the Republic of Croatia
- » First issue of bonds related to the sustainable business of the municipal issuer

Damir Novinić

Member of the Management Board

Education:

- » Executive Diploma in Management (MBA program), Henley Management College
- » Master of Economics, Finance, Faculty of Economics, University of Zagreb
- » High School of Electrical Engineering Nikola Tesla, Zagreb

Professional experience:

- » President of the Management Board, Zagrebački holding d.o.o. (2021 – today)
- » Member of the Management Board / Director of BU Produkcija, Hrvatska radiotelevizija (HRT) (2017 – 2023)
- » Director, Agency for Investments and Competitiveness (AIK) (2012 – 2017)
- » Director / Head of Program Production, Hrvatska radiotelevizija (HRT) (2008 – 2012)
- » Co-owner and CEO, Jadran Invest d.o.o. (2007 – 2008)
- » Regional Director, Development Alternatives Inc. (DAI) (2006 – 2008)

Professional competence in Zagrebački holding:

- » ICT Support Sector
- » Subsidiaries: Zrinjevac, Zagrebačke ceste, Čistoća, Zagrebački digitalni grad
- » Companies: Vodoopskrba i odvodnja d.o.o., Gradska plinara Zagreb d.o.o.

Professional functions and memberships:

- » President of the Supervisory Board of Gradska plinara Zagreb d.o.

Special competences:

- » Strategic planning and change management
- » Financial and risk management
- » Attracting investments and business development
- » Public appearance, branding and marketing strategies

SUPERVISORY BOARD

**PhD. Andro Pavuna,
M.Sc. in Psych.**

Chairman of the Supervisory Board

Education:

- » 2019. Faculty of Political Sciences, University of Zagreb, doctoral study, magna cum laude
- » 2010. Faculty of Humanities and Social Sciences, University of Zagreb, Master of Psychology
- » 2008. Faculty of Humanities and Social Sciences, University of Zagreb, Bachelor of Psychology, winner of the Rector's Award

Professional experience:

- » Head of the City Office for Local Self-Government, Transport, Civil Protection and Security, City of Zagreb
- » Work in the security and intelligence system of the Republic of Croatia
- » Expert associate psychologist in the elementary school
- » Experience of working as a consultant in the field of human resources

Academic and professional activities:

- » Author of the scientific book *Endangered Privacy* (published by Jesenski i Turk) and several scientific articles in the field of privacy and traffic psychology. He presented his work at a series of international symposia and at the IUC in Dubrovnik on the topic of the crisis in Europe and human rights and security.
- » Member of the Program Committee of the 16th and 17th Conference of Croatian Psychologists and member of the Program and Organisational Committee of the 18th R. and Z. Bujas Days, participated in the Faculty of Humanities and Social Sciences Summer School - Measurement of Affects.

Social functions:

- » Association Bez dima, 2008 – 2010; co-founder and president
- » Association of Psychology Students - PILLAR, 2007 – 2009; President
- » European Federation of Psychologists' Association, 2007 – 2009; member of the Standing Committee Traffic Psychology
- » European Federation of Psychology Students' Associations, 2006 – 2007 Member of the Executive Board

Special competences:

- » Strategic management and leadership
- » Multidisciplinary approach and communication
- » Organisational psychology and human resources
- » Area of human security and human rights
- » Scientific and research work and activities in civil society

Kristijan Starčević

Deputy President of the Supervisory Board and Member of the Audit Committee

Education:

- » Graduated from the Faculty of Economics in Zagreb, majoring in Finance

Professional experience:

- » President of the Management Board of ETF AIRWAYS d.o.o. (2022 - today)
- » Management positions in different economic branches including Energy, IT and international air transport
- » Years of experience in the banking sector - operational and managerial

Professional functions and memberships:

- » Supervisory Board of Zagrebački holding d.o.o.
- » Audit Committee of Zagrebački holding d.o.o.

Special competences:

- » Management of organisational units with an emphasis on Finance and Accounting, Controlling, IT
- » Development and implementation of business processes
- » Restructuring of business processes and entire business models
- » Implementation of projects and management of multidisciplinary teams

Martina Jurišić

Member of the Supervisory Board

Education

- » master of Laws, Faculty of Law, University of Zagreb
- » passed the bar exam
- » public relations manager, Expert Business College

Professional experience:

- » City of Zagreb, Head of the Mayor's Office
- » Conflict of Interest Decision Committee:
 - » spokeswoman
 - » advisor in the Office of the Commission
- » Ministry of Culture and Media
 - » senior administrative advisor
 - » independent administrative officer

Other memberships

- » Member of the Tourist Council of the Tourist Board of the City of Zagreb

Special competences

- » communications and public relations
- » organisation of the events
- » leading teams
- » prevention of conflicts of interest and anti-corruption

Željko Matijašec

Member of the Supervisory Board

Education:

- » 2005 graduated from the Faculty of Law in Zagreb
- » In 2011, he passed the judicial exam
- » 2012 completed the postgraduate specialist study of City Management

Professional experience:

- » head of the Professional Service of the City Administration of the City of Zagreb (Legal Service of the City of Zagreb, Advocacy Service, EU Affairs Service, Human Resources Service of the City of Zagreb)
- » assistant to the head of the mayor's office, protocol and citizens
- » acting head of the City Office for Property Management of the City of Zagreb
- » senior expert advisor to the head of the City Office for Property Affairs and Property of the City of Zagreb
- » senior counsel for representation (Sector for representation of the City of Zagreb)
- » City Office for Property Affairs and Property of the City of Zagreb

Special competences:

- » Property and legal relations
- » Project Management
- » Leading teams and moderating stakeholders
- » Human resources

Audit Committee

PhD. Ivan Čevizović

President of the Audit Committee

Education:

- » Graduated from the Faculty of Economics in Zagreb, major in accounting
- » Master of Science in the postgraduate scientific study of Accounting, Auditing and Finance
- » He obtained his doctorate at the Faculty of Economics in Osijek

Professional experience:

- » Reconsult d.o.o. – audit activities
- » Faculty of Economics in Zagreb – assistant at the Department of Accounting
- » Croatian Association of Accountants and Financial Officers – Editor-Counselor
- » Member of the Working Group for the development of Croatian Financial Reporting Standards
- » Independent work as a certified tax advisor

Professional functions and memberships:

- » Member and President of the Public Audit Oversight Board

Academic and professional activities:

- » Lecturer at the Zagreb School of Economics and Management
- » Lecturer in the Postgraduate Specialist Study of Accounting, Auditing and Analysis at the Faculty of Economics in Osijek

Social functions:

- » President of the Croatian Chamber of Tax Advisors

Josip Teklić

Deputy President of the Audit Committee

Education:

- » Graduated from the Faculty of Economics in Zagreb, major in Finance

Professional experience:

- » Certified auditor and member of the Croatian Audit Chamber
- » Founder and partner in the company SKT revizija
- » Work experience in the audit companies Ernst & Young and KPMG

Professional functions and memberships:

- » Deputy President of the Audit Committee of Zagrebački holding d.o.o.

PhD. David Krmpotić

Member of the Audit Committee

Education

- » Doctor of Science in Management, Faculty of Economics in Osijek
- » Pedagogical-psychological-didactic-methodological training, Faculty of Humanities and Social Sciences in Osijek
- » Postgraduate specialist study "Finance and Banking"
- » Faculty of Economics in Osijek, major Financial Management
- » Passed exams for broker and investment advisor (HANFA)
- » State professional exam

Professional experience:

- » President of the Management Board – Director, IMS gear Croatia d.o.o., Osijek (2025 – today)
- » Founder and director, Vendorado j.d.o.o., Osijek (2024 – today)
- » Head of the Administrative Department for EU Finance and Funds, City of Osijek (2022 – 2024)
- » Head of the Administrative Department for Finance and Procurement, City of Osijek (2014 – 2022)
- » Financial Director, Borovo d.d. Vukovar (2012 – 2013)
- » Director of Sales Planning and Controlling, Hypo Alpe-Adria-Bank d.d. Zagreb (2012)
- » Head of Network Management and Supervision, Hypo Alpe-Adria-Bank d.d. Zagreb (2010 – 2011)
- » Associate and Expert Associate in the Controlling Sector, Slavenska banka d.d. Osijek (2006 – 2009)

Professional functions and memberships:

- » Chairman of the Supervisory Board of Vodovod-Osijek d.o.o.
- » President of the Supervisory Board of Vodovod-Montaža d.o.o.
- » Member of the Executive Board of the Association of Accountants and Financial Officers Osijek
- » Former member of the Supervisory Board of Unikom d.o.o. and Renewable Energy Sources Osijek d.o.o.
- » External member of the Finance and State Budget Committee of the Croatian Parliament

Special competences:

- » Management of public finances and utilities
- » Development and implementation of EU projects
- » Analysis and optimisation of business processes

In addition to the Code of Corporate Governance, and in accordance with the goals, mission and values it promotes, the Company has adopted the Code of Ethics, the Anti-Corruption Policy, the Rule-book on the Suppression of Corruption and Conflict of Interest Management, the Policy on Relations with Competition, the Policy on Diversity, Protection of Human and Children's Rights and Protection against Discrimination, the Policy on Development and Management of the Performance of Human Resources, the Policy on Improving the Services of Protection of Rights, Health and Safety of End Users, the Policy on Environmental Protection, Health and Safety at Work. These policies apply at the level of the entire Group.

The Management Board and the Supervisory Board of the Company discuss all aspects of the corporate culture and touch on a certain aspect of the corporate culture of the Group at each session. The meetings of the Management Board are held weekly, and the meetings of the Supervisory Board at least quarterly (in practice and more often). The Management Board adopts all policies and codes of the company (each management board of a member of the Group for itself) which contain the principles of business - transparency, equality, inclusiveness, fight against irregularities, ethics, morality, environmental protection, care for the local community, professional communication, good business practices, etc. The main topics promoted and communicated as part of the corporate culture are integrity, ethics, transparency, customer satisfaction, zero tolerance for corruption and conflict of interest, trust, collegiality, teamwork, responsible management of assets, finances and procurement process, and confidentiality. The members of the Management Board and the Supervisory Board provide guidelines for the promotion of the corporate culture by their own example, internal acts and training of workers, and for the purpose of encouraging and strengthening the corporate culture, provide specific incentives and tools for their own workers through the channels for reporting all types of irregularities, education on the purpose and manner of using such tools, reporting violations of the Code of Ethics and regulations and internal acts.

Reports to the ethics committee, reports of irregularities to the designated and appointed person of confidence and his/her deputy, reports through the platform of the City of Zagreb "Whistleblower", reports for the purpose of protecting the dignity of workers, complaints of service users, reports of non-compliance with regulations or internal acts, reports of suspected corrupt acts and actual or potential conflict of interest are used as mechanisms for identifying, reporting and investigating concerns about illegal behaviour or behaviour that is contrary to the code of conduct.

The implementation of whistleblower protection is organised at the Group level through a designed e-mail address where irregularities can be reported (by internal and external stakeholders) – povjerljiva.osoba@zgh.hr. Fixed and mobile telephone registration is also enabled, and information on the method of registration is permanently available on the intranet page of the Company. The Group conducts periodic training of workers, and the appointed confidential person and the deputy undergo education of the Ombudsman.²⁵ As an obliged entity, the Group respects the provisions of the Law on the Protection of Reporters of Irregularities (OG 17/2019 and 46/2022), which transposed Directive (EU) 2019/1937 into Croatian law and adopted the Ordinance on the procedure of internal reporting of irregularities and the appointment of a person of confidence and their deputy. The procedures for quick, independent and objective investigation of incidents of business conduct, including incidents of corruption and bribery, are defined by the Ordinance on the Internal Reporting of Irregularities, the Ordinance on the Suppression of Corruption and Conflict of Interest Management, the Code of Ethics (possibility of reporting for its violation) and the Ordinance on the Procedure and Measures for the Protection of the Dignity of Workers, which describe the procedures for the aforementioned actions.

As for the practice of training workers on business behaviour, in 2024 the Group worked on the introduction of the practice of onboarding education during employment, which includes the following topics: the code of ethics, the report of irregularities, the dignity of workers, safety at work, the topics of compliance (bribery, corruption, conflict of interest) and workers' rights from the Labour Act (OG 93/2014 and 151/2022), Work regulations, the Collective Agreement. Employees are educated on how to exercise their rights and request leadership and instructions (from their superior, compliance functions, committees for irregularities, etc.). Training in safety at work, which includes the topics of business behaviour, is organised once a year for municipal workers. The Company also prepares a comprehensive education on the topics in question for all employees of the Group, which will begin to be implemented during 2025. The functions within the Company that are most exposed to the risk of corruption and bribery are the management functions, public procurement and the human resources department in the recruitment procedures.

²⁵ Available on the website: <https://www.ombudsman.hr/hr/>

4.1.1. Suppliers (G1-2, G1-6)

The Group approaches suppliers taking into account the following risks related to the supply chain and the effects on sustainability issues (e.g. the environment and people in the supply chain): non-compliance with the agreed deadlines for the delivery of goods and the execution of services and works by suppliers, the delivery of goods of lower functionality and with weaker technical characteristics than the agreed ones, the increase in prices on the world markets of strategic products and raw materials (petroleum products, electronic components, metals, etc.), inadequate definition of the needs in the bill of quantities; delay in the initiation of public procurement procedures and delays in payment. In order to reduce the risk in the procurement contracts, there are protective mechanisms used, such as a guarantee for the proper fulfilment of the contractual obligations, contractual penalties and compensation for damages and the termination of the contract or the purchase order. In addition, a dynamic procurement system is used to eliminate the risk of unilateral termination of framework agreements by the signatories.

The Group is the public contracting authority and the procurement of all goods/works/services is carried out in accordance with the provisions of the Public Procurement Act (OG 120/16, 114/22). As an obliged entity of the Public Procurement Act, the Company adopted the Procurement Procedure, the Ordinance on the Implementation of the Public Procurement Procedure, the Ordinance on the Implementation of Simple Procurement Procedures, the Protocol on the Procedure for the Implementation of Procurement and the Ordinance on the Implementation of the Procurement of Goods, Works and Services in Emergency Situations.

In the dynamic procurement system, the prices are market (not fixed as in most framework agreements) and the registration and participation of new economic operators - bidders is enabled for the duration of the dynamic procurement system. The Group uses framework agreements with several signatories according to the so-called "cascade" model, and tenderers who improperly fulfil the agreed obligations are not issued certificates on the proper execution of the agreed obligations (which are necessary for participation in public procurement procedures).

Suppliers, including their corporate bodies, workers, representatives, subcontractors and sales partners, must comply with all applicable national, European and international legal provisions and avoid all actions that could lead the Group or a company affiliated with the Group to breach or be subject to penalties under the applicable regulations. In addition, suppliers are expected to comply with social standards, environmental standards and corporate governance standards. In order to familiarise themselves with these expectations, the Group has adopted a Supplier Code of Business Conduct. The ten largest suppliers unambiguously accept this Code and require their partners and suppliers upstream in the value chain to also be clearly classified into the value system promoted by it. If suppliers do not comply with any part of the Code, they are expected to take corrective measures immediately, while the Group reserves the right to terminate the contract with suppliers who cannot prove that they comply with it. The Group aims to make the acceptance of the Code in question an integral part of the contract with all suppliers during 2025.

Methods of monitoring suppliers include:

- » • Supplier statements / self-assessments via questionnaires
- » • Publicly available information
- » • Supplier Certificates
- » • Possibility of direct supervision

The Group operates in accordance with the recommendations on "green public procurement". However, it does not assess all new suppliers (their products and services), i.e. new procurement items according to environmental and social criteria, but only certain procurement items for which it is objectively possible to apply the environmental and/or social criteria within the Criteria for the Selection of the Bid (the most economically advantageous bid).

Payment Practices

The average time required to pay the invoice from the date of commencement of the calculation of the contractual payment deadline at the Group level is 25 days, and the practice by Group components is shown in the table.

Payment Practices to Suppliers

Group Component	Average number of days
Company	41
VIO	41
GPZO	22
GSKG	10
GLJZ	10
GPZ	41
ZGPLAKAT	11
Group	25

The average of payments in days was calculated on a sample that varies between 111 and over 21,000 incoming invoices, depending on the subsidiary/subsidiary. It is general practice that the Group pays all invoices in accordance with the due dates indicated on the invoices that do not exceed 60 days. In relation to suppliers and payment practices, the Group does not make a difference between micro, small, medium and large enterprises, since no records are kept on the size of suppliers.

The terms of payment are defined by concluded contracts with suppliers, and are in accordance with the Act on Financial Operations and Pre-Bankruptcy Settlement (OG 114/2022), whereby the payment deadline cannot exceed 60 days. In 2024, all payments (100%) were made in accordance with the above conditions and there were no court proceedings related to late payments.

4.1.2. Anti-corruption measures (G1-3)

The umbrella acts of the Group, such as the Code of Ethics and the Code of Corporate Governance, prescribe a zero tolerance for corruption and conflict of interest, and anti-corruption measures were continued during 2024. In 2024, the Company established a new Business Compliance Service, which, on the basis of the adopted Ordinance on the Suppression of Corruption and Conflict of Interest Management, is responsible for reporting suspected corrupt acts or actual or potential conflict of interest. The Company has also adopted the Anti-Corruption Policy, which, together with the Rule-book, is available to workers through the intranet, and the preparation of educational materials for all workers is underway.

Corruption prevention policy is also an integral part of the Code of Corporate Governance of Zagrebački holding d.o.o. with guidelines for the Group and the Code of Ethics and is described in more detail in the chapter *Policies and measures for their implementation*.

The procedures established to prevent, detect and resolve allegations or incidents of corruption and bribery are listed in the Ordinance on the Suppression of Corruption and Conflict of Interest Management. The investigators, i.e. the investigation committee, are separated from the management chain involved in the case related to the prevention of corruption and conflicts of interest, and reports on the outcomes of the proceedings are submitted as part of regular reporting on risk exposure and activity reports. In certain situations, the adopter of the measure is the Managing Authority, i.e. the Supervisory Board.

The Company and the Group communicate group policies to those for whom they are relevant on the intranet, through leaflets, published policies and regulations, and by planning and organising the implementation of training to ensure that information from policies is available and that users understand their implications.

In order to strengthen anti-corruption activities and strengthen integrity, responsibility and transparency at the Company level, as a company owned by the City of Zagreb, and thus the entire Group, the Anti-Corruption Program was adopted. In accordance with the program, workers will be educated on the method of recognising and reporting corruption through employment education and education on the intranet. During 2024, these types of training were implemented as pilot projects, while a structured training program with knowledge assessment for existing workers is only established from 2025. The training will cover a different scope, nature and depth, depending on the exposure to bribery and corruption risks. Programmes are different in relation to members of the management body, management, administrative staff and employees in subsidiaries, but will cover 100% of the functions at risk.

In addition to the activities provided for in the Anti-Corruption Action Plan, according to which all members of the management and supervisory bodies are obliged to be acquainted with the applicable regulatory requirements, the training will be offered to all members of the administrative and executive bodies from 2025.

Conflict of interest

A conflict of interest arises when a member of the Supervisory Board, the Management Board or an employee of the Group is not fully impartial when making decisions. This may be the result of his personal or business connections with other persons, companies or activities, due to which his interests may deviate from the interests of the Group. In such situations, there is a risk that the decision will be made under the influence of these interests, and not exclusively for the benefit of the Group. The members of the Supervisory Board and the Management Board, as well as employees, may not make decisions on the basis of personal interests or on the basis of the interests of persons with whom they have close relations.

Also, in the framework of public procurement, the suppliers, in accordance with the Public Procurement Act (OG 114/22), must sign a statement on the existence or non-existence of conflict of interest. On the basis of the statement, a list of economic operators with whom the contracting authorities may not conclude a contract is made. This list is available on the Company's website and applies to the entire Group.

The mechanisms for managing actual and potential conflicts of interest are defined by the Ordinance on the Suppression of Corruption and Conflict of Interest Management, and the action is within the competence of the Business Compliance Service (hereinafter: Compliance).

The conflict of interest management process takes place in three steps:

1. Identification,
2. Internal Reporting Compliance / Reporting,
3. Assessment and reduction.

Compliance, with the support of other key stakeholders, is responsible for assessing the reported conflicts of interest and proposing, if necessary, appropriate measures that sufficiently mitigate all inherent risks. After reporting, the conflict of interest assessment must be documented by Compliance, stating to what extent the conflict of interest and the associated risks are reduced or accepted, and within what period. To this end, Compliance systematically maintains a database of conflicts of interest and potential conflicts of interest.

Cases of corruption and bribery (G1-4)

In 2024, one employee of the Group, the head of a subsidiary, was convicted of corruption, i.e. the criminal offence of accepting bribes in the economy prescribed by the Criminal Code (OG 114/23). In the aforementioned confirmed case of corruption, the Office for the Suppression of Corruption and Organised Crime (USKOK) took action in 2021, and upon learning of the arrest of the employee, the Company handed the employee the termination of the employment contract. Furthermore, in 2024, the Company's Security Sector received one report for receiving bribes from workers, but after the investigation, it was rejected as unfounded.

4.1.3. Political influences and lobbying (G1-5)

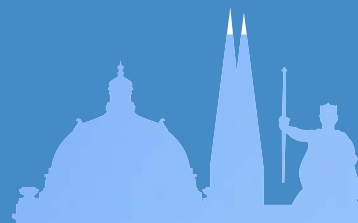
Sukladno Pravilniku o sponzorstvima i donacijama Društva, propisano je da Društvo i Grupa u cjelini neće sponzorirati niti donirati: političke stranke, tijela javne vlasti, nezavisne zastupnike, članove predstavničkih tijela lokalne i područne (regionalne) samouprave izabrane s liste grupe birača, nezavisne liste, odnosno liste grupe birača i kandidata (sukladno Zakonu o financiranju političkih aktivnosti, izborne promidžbe i referendumu (NN 126/21)).

Povjerenstvo za sponzorstvo i donacije provodi postupak ocjene zahtjeva i izrade prijedloga. Članove navedenog povjerenstva imenuje Uprava Društva te oni ne smiju biti u sukobu interesa, o čemu moraju potpisati posebnu izjavu.

Zahtjevi koji proizlaze iz Zakona o lobiranju (NN 36/24) (na snazi od 1. listopada 2024.) implementirani su u Pravilnik o suzbijanju korupcije i upravljanju sukobom interesa te iz tog razloga nema evidentiranih lobiranja prema Grupi kao tijelu s javnim ovlastima, dok sama Grupa ne lobira.

Grupa je upisana u registar Povjerenik za informiranje Republike Hrvatske - <https://tjv.pristupinfo.hr/>

ANNEXES



Annex 1

LIST OF DATA IN CROSS-SECTORAL AND THEMATIC STANDARDS ARISING FROM OTHER EU REGULATIONS (ESRS 2 ANNEX B)

General Disclosures	Datapoint	Referral to SFDR	Referral to the Third Pillar	Reference to benchmark regulations	Reference to the European Climate Law	Chapter and section / Not significant / Not applicable
ESRS GOV-1 Gender diversity in administration	21(d)	x		x		General Disclosures / General information on the report / Corporate governance
ESRS 2 GOV-1 Percentage of independent board members	21(e)			x		General Disclosures / General information on the report / Corporate governance
ESRS 2 GOV-4 Due diligence statement	30	x				General Disclosures / General information on the report / Due diligence process
ESRS 2 SBM-1 Participation in fossil and energy-related activities	40(d)i	x	x	x		General Disclosures / Business strategy and sustainability strategy / Business model
ESRS 2 SBM-1 Participation in activities related to the production of chemicals	40(d)ii	x		x		Not applicable
ESRS 2 SBM-1 Involvement in activities related to controversial weapons	40(d)iii	x		x		Not applicable
ESRS 2 SBM-1 Participation in activities related to tobacco growing and production	40(d)iv			x		Not applicable
ESRS E1-1 Transition plan to achieve climate neutrality by 2050	14				x	Climate change
ESRS E1-1 Companies excluded from the Paris Agreement benchmarks	16(g)		x	x		Not applicable
ESRS E1-4 Greenhouse gas emission reduction goals	34	x	x	x		Climate change / Sustainability Strategy of Zagreb Holding 2023-2028. and strategic measures to achieve goals related to climate change Climate change / Management of effects, risks and opportunities
ESRS E1-5 Fossil energy consumption broken down by source (only sectors with significant climate impacts)	38	x				Climate change / Indicators and target values
ESRS E1-5 Energy consumption and combination of energy sources	37	x				Climate change / Indicators and target values

General Disclosures	Datapoint	Referral to SFDR	Referral to the Third Pillar	Reference to benchmark regulations	Reference to the European Climate Law	Chapter and section / Not significant / Not applicable
ESRS E1-5 Energy intensity associated with activities in sectors that significantly impact the climate	40-43	x				Climate change / Indicators and target values
ESRS E1-6 Gross greenhouse gas emissions from scopes 1, 2, 3 and total greenhouse gas emissions	44	x	x	x		Climate change / Indicators and target values
ESRS E1-6 Gross greenhouse gas emissions intensity	53-55	x	x	x		Not applicable
ESRS E1-7 Greenhouse gas removal and carbon credits	56				x	Not applicable
ESRS E1-9 Exposure of the reference portfolio to physical risks related to climate change	66			x		Not applicable
ESRS E1-9 Breakdown of monetary amounts by acute and chronic physical risk	66(a)		x			Not applicable
ESRS E1-9 Location of significant assets exposed to significant physical risk	66(c)					
ESRS E1-9 Analysis of the book value of company real estate according to energy efficiency classes	67(c)		x			Not applicable
ESRS E1-9 The degree of portfolio exposure to climate change-related opportunities	69			x		Not applicable
ESRS E2-4 The quantity of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) released into air, water and soil	28	x				Pollution / Indicators and Target Values / Air Pollution Pollution / Indicators and Target Values / Water Pollution
ESRS E3-1 Water and marine resources	9	x				Water and sea resources / Managing effects, risks and opportunities
ESRS E3-1 Special policy	13	x				Not applicable

General Disclosures	Datapoint	Referral to SFDR	Referral to the Third Pillar	Reference to benchmark regulations	Reference to the European Climate Law	Chapter and section / Not significant / Not applicable
ESRS E3-1 Sustainable oceans and seas	14	x				Not significant
ESRS E3-4 Total amount of recycled and reused water	28(c)	x				Not applicable
ESRS E3-4 Total water consumption in m3 per net income from own business	29	x				Water and marine resources / Indicators and target values
ESRS 2- IRO 1 – E4 Biodiversity sensitive areas	16(a)i	x				Not significant
ESRS 2- IRO 1 – E4 Land degradation	16(b)	x				Not significant
ESRS 2- IRO 1 – E4 Endangered species	16(c)	x				Not significant
ESRS E4-2 Sustainable land/agricultural practices or policies	24(b)	x				Not significant
ESRS E4-2 Sustainable practices or policies for oceans/seas	24(c)	x				Not significant
ESRS E4-2 Policies to address deforestation	24(d)	x				Not significant
ESRS E5-5 Unrecycled waste	37(d)	x				Resource use and circular economy / Waste management
ESRS E5-5 Hazardous waste and radioactive waste	39	x				Resource use and circular economy / Waste management
ESRS 2 – SBM3 – S1 Risk of forced labor	14(f)	x				General Disclosures / Policies and measures for their implementation Information on social issues / Own workforce / Policies
ESRS 2 – SBM3 – S1 Risk of child labor	14(g)	x				General Disclosures / Policies and measures for their implementation
ESRS S1-1 Obligations in the field of human rights policy	20	x				General Disclosures / Policies and measures for their implementation Information on social issues / Own workforce / Policies Information on social issues / Own workforce / Salaries, other rights and benefits

General Disclosures	Datapoint	Referral to SFDR	Referral to the Third Pillar	Reference to benchmark regulations	Reference to the European Climate Law	Chapter and section / Not significant / Not applicable
ESRS S1-1 Due Diligence Policies on Matters Covered by Fundamental Conventions 1 to 8 of the International Labor Organization	21			x		General Disclosures / Basic Information on the Report / Due Diligence Process Information on social issues / Own Workforce / Policies
ESRS S1-1 Procedures and measures to prevent human trafficking	22	x				Non applicable
ESRS S1-1 Occupational accident prevention policy or management system	23	x				Information on social issues / Own workforce / Policies
ESRS S1-3 Grievance Redressal Mechanism	32(c)	x				Information on social issues / Own workforce / Impacts, risks and opportunities
ESRS S1-14 The number of deaths and the number and rate of accidents at work	88(b) 88(c)	x		x		Information on social issues / Own workforce / Occupational health and safety management
ESRS S1-14 Number of days lost due to injuries, accidents, deaths or illness	88(e)	x				Information on social issues / Own workforce / Occupational health and safety management
ESRS S1-16 Unbalanced gender pay gap	97(a)	x		x		Information on social issues / Own workforce / Group workforce: characteristics, diversity, equality
ESRS S1-16 Excessive difference in salary between directors and employees	97(b)	x				Information on social issues / Own workforce / Group workforce: characteristics, diversity, equality
ESRS S1-17 Discrimination cases	103(a)	x				Information on social issues / Own workforce / Impacts, risks and opportunities
ESRS S1-17 Non-compliance with the UN Guiding Principles on Business and Human Rights and OECD guidelines	104(a)	x		x		Non applicable
ESRS 2 – SBM3 – S2 High risk of child labor or forced labor in the value chain	11(b)	x				Not significant
ESRS S2-1 Obligations in the field of human rights policy	17	x				Not significant
ESRS S2-1 Policies related to workers in the value chain	18	x				Not significant

General Disclosures	Datapoint	Referral to SFDR	Referral to the Third Pillar	Reference to benchmark regulations	Reference to the European Climate Law	Chapter and section / Not significant / Not applicable
ESRS S2-1 Non-compliance with the UN Guiding Principles on Business and Human Rights and OECD guidelines	19	x		x		Not significant
ESRS S2-1 Due Diligence Policies on Matters Covered by Fundamental Conventions 1 to 8 of the International Labor Organization	19			x		Not significant
ESRS S2-4 Human rights issues and incidents related to upstream and downstream levels of the value chain	36	x				Not significant
ESRS S3-1 Commitments in the field of human rights protection policy	16	x				Affected communities, consumers and users / Policies
ESRS S3-1 Non-compliance with the UN Guiding Principles on Business and Human Rights, ILO principles and OECD guidelines	17	x		x		Non applicable
ESRS S3-4 Human rights issues and incidents	36	x				Affected communities, consumers and users / Remediation of adverse impacts and channels for expressing concerns
ESRS S4-1 Policies related to consumers and end users	16	x		x		General Disclosures / Policies and Measures for Their Implementation Affected Communities, Consumers and Users / Policies
ESRS S4-1 Non-compliance with the UN Guiding Principles on Business and Human Rights and OECD guidelines	17	x				Non applicable
ESRS S4-4 Human rights issues and incidents	35	x				Affected communities, consumers and users / Measures and targets for managing significant impacts, risks and opportunities associated with affected communities and end users
ESRS G1-1 United Nations Convention against Corruption	10(b)	x				Non applicable
ESRS G1-1 Whistleblower protection	10(d)	x				Management Information / Business Conduct

General Disclosures	Datapoint	Referral to SFDR	Referral to the Third Pillar	Reference to benchmark regulations	Reference to the European Climate Law	Chapter and section / Not significant / Not applicable
ESRS G1-4 Fines for violating anti-corruption and bribery regulations	24(a)	x		x		Governance information / Business conduct / Anti-corruption measures
ESRS G1-4 Anti-corruption and anti-bribery standards	24(b)	x				Governance information / Business conduct / Anti-corruption measures

Annex 2

EU TAXONOMY - FORMS

INCOME TABLE

INCOME TABLE				Significant contribution criteria							DNSH ("Do Not Significant Harm")						MPS		Share of income from taxonomically compliant (A.1) or eligible (A.2) activities, year N (18)	Enabling activity category (20)	Transitional activity category (21)
ECONOMIC ACTIVITIES (1)	Label 0 (2)	Total revenue (3) 000 EUR	Revenue share, year N (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Bioraznolikost i ekosustavi (10) %	Climate change mitigation (11) yes/no	Climate change adaptation (12) yes/no	Water (13) yes/no	Pollution (14) yes/no	Circular economy (15) yes/no	Biodiversity (16) yes/no	Minimal protective measures (17) yes/no					
A. ACTIVITIES ALIGNED WITH TAXONOMY																					
A.1 Environmentally sustainable activities (aligned with taxonomy)																					
Revenue from environmentally sustainable activities (aligned with taxonomy) (A.1)			%	%	%	%	%	%	%												
A.2 Taxonomically acceptable but environmentally unsustainable activities (non-taxonomy-compliant)																					
Electricity production from gaseous and liquid non-fossil fuels from renewable sources	CCM, CCA	1,690	0.2%														0%	0%	0%		
Construction, expansion and operation of water collection, purification and supply systems	CCM, CCA	37,428	4.4%														0%	0%	0%		
Restoration of the water collection, purification and supply system	CCM, CCA	15,414	1.8%														0%	0%	0%		
Construction, expansion and operation of wastewater collection and treatment systems	CCM, CCA	19,069	2.3%														0%	0%	0%		
Collection and transportation of non-hazardous waste in fractions that are separated at source	CCM, CCA	19,883	2.3%														0%	0%	0%		
Bio-waste composting	CCM, CCA	288	0.0%														0%	0%	0%		
Material recovery from non-hazardous waste	CCM, CCA	592	0.1%														0%	0%	0%		
Data processing, server services and related activities	CCM, CCA	591	0.1%														0%	0%	P		
Road and public transport infrastructure	CCA	8,484	1.0%														0%	0%	0%		
Collection and transport of non-hazardous and dangerous waste	PPC	106,777	12.6%														0%	0%	0%		
Road and highway maintenance	CE	36,551	4.3%														0%	0%	0%		
Remediation of non-compliant landfills and abandoned or illegal dumps	PPC	2,574	0.3%														0%	0%	0%		
Hotels, resorts, campsites and similar accommodation	BIO	7,712,720	0.9%														0%	0%	0%		
Revenue from taxonomically acceptable but environmentally unsustainable activities (non-taxonomy compliant) (A.2)		257,054	30.4%														0%	0%	0%		
A. Income from taxonomically eligible activities (A.1 + A.2)		257,054	30.4%														0%	0%	0%		
Income from taxonomically unacceptable activities (B)		589,593	69.6%														0%	0%	0%		
TOTAL (A + B)		846,646	100 %																		

OPEX TABLE

OPEX TABLE				Significant contribution criteria							DNSH ("Do Not Significant Harm")						MPS			
ECONOMIC ACTIVITIES (1)	Label (2)	Total operating expenses (3) 000 EUR	Share of operating expenses (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) yes/no	Climate change adaptation (12) yes/no	Water and marine resources (13) yes/no	Pollution (14) yes/no	Circular economy (15) yes/no	Biodiversity (16) yes/no	Minimal protective measures (17) yes/no	Share of operating expenses aligned with the taxonomy, year N (18) %			
A. ACTIVITIES ALIGNED WITH TAXONOMY																				
A.1 Environmentally sustainable activities (aligned with taxonomy)																				
Operating expenses of environmentally sustainable activities (aligned with taxonomy) (A.1)		0	%	%	%	%	%	%	%											
A.2 Taxonomically acceptable but environmentally unsustainable activities (non-taxonomy-compliant)																				
Electricity production from gaseous and liquid non-fossil fuels from renewable sources	CCM, CCA	8,786	1.1%																	
Construction, expansion and operation of water collection, purification and supply systems	CCM, CCA	31,495	4.0%															0%	0%	0%
Restoration of the water collection, purification and supply system	CCM, CCA	12,970	1.6%															0%	0%	0%
Construction, expansion and operation of wastewater collection and treatment systems	CCM, CCA	27,128	3.4%															0%	0%	0%
Collection and transportation of non-hazardous waste in fractions that are separated at source	CCM, CCA	34,859	4.4%															0%	0%	0%
Bio-waste composting	CCM, CCA	869	0.1%															0%	0%	0%
Material recovery from non-hazardous waste	CCM, CCA	592	0.1%															0%	0%	0%
Data processing, server services and related activities	CCM, CCA	1,673	0.2%															0%	0%	P
Road and public transport infrastructure	CCA	7,034	0.9%															0%	0%	0%
Collection and transport of non-hazardous and dangerous waste	CE	98,260	12.5%															0%	0%	0%
Road and highway maintenance	CE	30,307	3.8%															0%	0%	0%
Remediation of non-compliant landfills and abandoned or illegal dumps	PPC	2,253	0.3%															0%	0%	0%
Hotels, resorts, campsites and similar accommodation	BIO	9,870,702	1.3%															0%	0%	0%
Operating expenses of taxonomically acceptable but environmentally unsustainable activities (non-taxonomy compliant) (A.2)		266,098	33.7%															0%	0%	0%
A. Total expenditure (A.1 + A.2)		266,098	33.7%															0%	0%	0%
Expenditures from taxonomically ineligible activities (B)		522,689	66.3%															0%	0%	0%
TOTAL (A + B)		788,787	100 %															0%		

CAPEX TABLE

CAPEX TABLE				Significant contribution criteria							DNSH ("Do Not Significant Harm")							MPS	Udio kapitalnih rashoda usklađen s taksonomijom, godina N (18)	Kategorija omogućujuća djelatnost (20)	Kategorija prijelazna djelatnost (21)
ECONOMIC ACTIVITIES (1)	Label (2)	Total capital expenditures (3) 000 EUR	Share of capital expenditures (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) yes/no	Climate change adaptation (12) yes/no	Water and marine resources (13) yes/no	Pollution (14) yes/no	Circular economy (15) yes/no	Biodiversity (16) yes/no	Minimal protective measures (17) yes/no					
A. ACTIVITIES ALIGNED WITH TAXONOMY																					
A.1 Environmentally sustainable activities (aligned with taxonomy)																					
Capital expenditures of environmentally sustainable activities (aligned with taxonomy) (A.1)		0	%	%	%	%	%	%	%												
A.2 Taxonomically acceptable but environmentally unsustainable activities (non-taxonomy-compliant)																					
Electricity production from gaseous and liquid non-fossil fuels from renewable sources	CCM, CCA	43	0.1%															0%	0%	0%	
Construction, expansion and operation of water collection, purification and supply systems	CCM, CCA	12,483	17.8%															0%	0%	0%	
Restoration of the water collection, purification and supply system	CCM, CCA	5,141	7.3%															0%	0%	0%	
Construction, expansion and operation of wastewater collection and treatment systems	CCM, CCA	5,221	7.4%															0%	0%	0%	
Landfill gas capture and utilization	CCM, CCA	15	0.0%															0%	0%	0%	
Transportation by motorcycles, passenger cars and light commercial vehicles	CCM, CCA	536	0.8%															0%	0%	P	
Road and public transport infrastructure	CCA	62	0.1%															0%	0%	0%	
Production, installation and related services for leakage control technologies that enable the reduction and prevention of leakage in the water supply system	WTR	679	1.0%															0%	0	0%	
Collection and transportation of non-hazardous and hazardous waste	CE	3,431	4.9%															0%	0%	0%	
Hotels, resorts, campsites and similar accommodation	BIO	361	0.5%															0%	0%	0%	
Capital expenditure from taxonomically acceptable but environmentally unsustainable activities (non-taxonomically compliant) (A.2)		27,972	39.8%															0%	0%	0%	
A. Total expenditures (A.1 + A.2)		27,972	39.8%															0%	0%	0%	
Capital expenditures from taxonomically unacceptable activities (B)		42,241	60.2%															0%	0%	0%	
TOTAL (A + B)		70,213	100.0%															0%			

Annex 3

LIST OF IDENTIFIED POLLUTANTS, CATEGORISED BY LOCATION AND DEVICE FROM WHICH THE POLLUTANT IS DISCHARGED

Subsidiary	Device name	Indicator/pollutant	Total amount of discharges and transfers (kg/year)
Subsidiary Robni terminali Zagreb, BU Jankomir	Vegetable and animal oils and fats Separator Mineral oils separator	Total suspended solids	567.21735
		Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	945.36225
		Biochemical oxygen consumption after five days (BPK ₅)	100.83864
		Halogenated organic compounds (as AOX)	1.63863
		Detergents, anionic	1.5756
		Detergents, non-ionic	12.60483
		Hardly volatile lipophilic substances (total oils and fats)	397.68239
		Total hydrocarbons	15.75604
Subsidiary Zrinjevac - Markuševac	Screen Desander Precipitator - longitudinal	Total suspended solids	32.62582
		Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	122.34682
		Biochemical oxygen consumption after five days (BPK ₅)	13.86597
		Ammonium ion (as N) (NH ₄ ⁺)	0.89721
		Nitrates (as N) (NO ₃ ⁻)	5.38326
		Total nitrogen	35.07276
		Orthophosphates (as P) (PO ₄ ³⁻)	0.32626
		Total phosphorus	0.39151
		Aldrin	0.00082
		Atrazine	0.01631
		Chlorfenvinphos	0.01631
		Chlorpyrifos	0.01631
		Dieldrin	0.00082
		Diuron	0.01631
		Endosulfan	0.00082
		Endrin	0.00082
		Hexachlorobenzene (HCB)	0.00082
		Lindane	0.00082
		Pentachlorobenzene	0.00245
		Simazine	0.01631
		Isoproturon	0.01631
		Isodrin	0.00082
		Arsenic and compounds (as As)	0.16313
		Mercury and compounds (as Hg)	0.00816
		Lead and compounds (as Pb)	0.40782

Subsidiary	Device name	Indicator/pollutant	Total amount of discharges and transfers (kg/year)
Subsidiary Tržnice Zagreb Veletržnica i hladnjača	Grill Vegetable and animal oils and fats separator	Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	7,543.3399
		Biochemical oxygen consumption after five days (BPK ₅)	2,665.0123
		Halogenated organic compounds (as AOX)	3.56841
		Tetrachloroethylene (PER)	0.0271
		Trichloroethylene (TRI)	0.02258
		Detergents, anionic	14.00261
		Detergents, non-ionic	27.10182
		Hardly volatile lipophilic substances (total oils and fats)	711.42277
		Total hydrocarbons	11.29242
Subsidiary Zagrebačke ceste Department of mechanisation, transport and mechanical workshops	Mineral oils separator	Total nitrogen	63.46376
		Sulphates (SO ₄ ²⁻)	92.12481
		Chlorides (Cl ⁻) (Cl)	1,003.13682
		Total phosphorus	0.83936
		Chlorinated alkanes , C10 - C13	0.20472
		Halogenated organic compounds (as AOX)	0.42992
		Polychlorinated biphenyls (PCBs)	0.00205
		Tetrachloroethylene (PER)	0.01024
		Trichloroethylene (TRI)	0.01024
		Anthracene	0.00409
		Brominated diphenyl ethers (PBDEs)	0
		Nonylphenol and nonylphenol ethoxylates (NP/NPE)	0.20472
		Oxyphenols and oxyphenol ethoxylates	0.10236
		Naphthalene	0.04094
		Di-(2-ethyl-hexyl) -phthalate (DEHP)	0.20472
		Phenols (as total C)	0.08189
		Fluoroanthene	0.00409
		Benz (g,h,i,) perylene	0.00409
		Detergents, non-ionic	8.18887
		Detergents, cationic	1.02361
		Hardly volatile lipophilic substances (total oils and fats)	187.72989
		Chromium and compounds (as Cr)	1.02361
		Chromium 6 ⁺ (Cr ⁶⁺)	1.02361
		Copper and compounds (as Cu)	1.02361
		Mercury and compounds (as Hg)	0.02047
		Nickel and compounds (as Ni)	1.02361
		Lead and compounds (as Pb)	1.02361
		Zinc and compounds (as Zn)	1.02361
		Iron (Fe)	3.48027

Subsidiary	Device name	Indicator/pollutant	Total amount of discharges and transfers (kg/year)
Subsidiary Zrinjevac - Jankomir	Desander Precipitator - longitudinal Mineral Oil Separator	Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	350.02875
		Biochemical oxygen consumption after five days (BPK ₅)	124.20375
		Total nitrogen	50.81063
		Sulphites (SO ₃ ²⁻)	1.12912
		Total phosphorus	3.04864
		Halogenated organic compounds (as AOX)	0.30486
		Detergents, anionic	0.22583
		Detergents, non-ionic	5.64562
		Total hydrocarbons	282.28125
		Copper and compounds (as Cu)	0.80168
Subsidiary Zrinjevac - Remetinečka	Vegetable and animal oils and fats separator Mineral oils separator	Total suspended solids	133.16328
		Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	295.9184
		Biochemical oxygen consumption after five days (BPK ₅)	88.77552
		Fluorides (F ⁻)	0.50306
		Nitrites (as N) (NO ₂ ⁻)	0.22194
		Total nitrogen	199.00512
		Sulphites (SO ₃ ²⁻)	2.95918
		Sulphates (SO ₄ ²⁻)	547.44904
		Chlorides (Cl ⁻) (Cl)	2,951.78604
		Total phosphorus	9.09949
		Halogenated organic compounds (as AOX)	0.14796
		Detergents, anionic	1.40561
		Detergents, non-ionic	1.47959
		Hardly volatile lipophilic substances (total oils and fats)	72.20409
		Total hydrocarbons	42.16837
		Zinc and compounds (as Zn)	0.38469
		Barium (Ba)	0.50306
		Boron (B)	2.95918
		Iron (Fe)	2.8852
Department for the production of asphalt mixtures and recycling of construction materials	Screen	Total suspended solids	38.0472
		Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	285,354
		Biochemical oxygen consumption after five days (BPK ₅)	38.0472
		Detergents, anionic	0.19024
		Detergents, non-ionic	5.70708
		Total hydrocarbons	4.7559

Subsidiary	Device name	Indicator/pollutant	Total amount of discharges and transfers (kg/year)
Čistoća Subsidiary - SOC Jakuševac	Vegetable and animal oils and fats separator Mineral oils separator Precipitator - longitudinal	Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	4,605.0345
		Biochemical oxygen consumption after five days (BPK ₅)	2,081.67366
		Chlorides (Cl ⁻) (Cl)	2,139.1128
		Halogenated organic compounds (as AOX)	0.97052
		Phenols (as total C)	0.08913
		Total aromatic hydrocarbons	0.09903
		Detergents, anionic	3.76325
		Detergents, non-ionic	17.82594
		Detergents, cationic	0.99033
		Hardly volatile lipophilic substances (total oils and fats)	852.67413
		Total hydrocarbons	35.25575
		Zinc and compounds (as Zn)	3.16906
		Iron (Fe)	81.20706
Subsidiary Čistoća -business circle	Vegetable and animal oils and fats separator Mineral oils separator Precipitator - longitudinal	Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	12,751.6404
		Biochemical oxygen consumption after five days (BPK ₅)	3,789.21243
		Total organic carbon (TOC) (as total C or COD/3)	1,137.19371
		Fluorides (F ⁻)	10.74954
		Total nitrogen	1,463.28097
		Sulphites (SO ₃ ²⁻)	40.31077
		Sulphates (SO ₄ ²⁻)	1,494.18589
		Chlorides (Cl ⁻) (Cl)	3,977.32936
		Total phosphorus	112.06394
		Dichloromethane (DCM)	0.03601
		Halogenated organic compounds (as AOX)	4.13857
		Tetrachloroethylene (PER)	0.02687
		Brominated diphenyl ethers (PBDEs)	0
		Phenols (as total C)	0.75247
		Total halogenated hydrocarbons	0.04837
		Detergents, anionic	31.97988
		Detergents, non-ionic	37.62339
		Detergents, cationic	3.4936
		Total hydrocarbons	68.52831
		Zinc and compounds (as Zn)	7.57842
		Boron (B)	18.81169
		Manganese (Mn)	7.41718
		Iron (Fe)	152.80469

Subsidiary	Device name	Indicator/pollutant	Total amount of discharges and transfers (kg/year)
Subsidiary Čistoća – landfill Prudinec/Jakuševac	Aerobic wastewater treatment plant	Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	108,494.77625
		Biochemical oxygen consumption after five days (BPK ₅)	11,884.0785
		Nitrites (as N) (NO ₂ ⁻)	2.21305
		Total nitrogen	3,536.4539
		Total phosphorus	175.49487
		Halogenated organic compounds (as AOX)	26.40169
		Phenols (as total C)	8.40959
		Total aromatic hydrocarbons	225.7311
		Hardly volatile lipophilic substances (total oils and fats)	442.61
		Total hydrocarbons	3.13279
		Arsenic and compounds (as As)	2.88405
		Cadmium and compounds (as Cd)	0.26557
		Chromium and compounds (as Cr)	16.06674
		Chromium 6 ⁺ (Cr ⁶⁺)	6.39571
		Copper and compounds (as Cu)	5.00149
		Mercury and compounds (as Hg)	0.31071
		Nickel and compounds (as Ni)	10.77755
		Lead and compounds (as Pb)	0.57539
		Zinc and compounds (as Zn)	2.08027
		Barium (Ba)	11.48573
		Manganese (Mn)	28.28278
		Selenium (Se)	0.93833
		Iron (Fe)	524.42646
Subsidiary Zrinjevac - Markuševac	Screen Desander Precipitator - longitudinal	Total suspended solids	197.50757
		Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	1,033.11652
		Biochemical oxygen consumption after five days (BPK ₅)	258.27913
		Total nitrogen	138.2553
		Sulphates (SO ₄ ²⁻)	6.07716
		Total phosphorus	6.38101
		Chlorpyrifos	0.03039
		Halogenated organic compounds (as AOX)	0.54694
		Nonylphenol and nonylphenol ethoxylates (NP/NPE)	0.15193
		Hardly volatile lipophilic substances (total oils and fats)	87.20719
		Total hydrocarbons	3.79822
		Arsenic and compounds (as As)	0.92677
		Copper and compounds (as Cu)	6.98873

Subsidiary	Device name	Indicator/pollutant	Total amount of discharges and transfers (kg/year)
Gradska Ljekarna Zagreb	Precipitator - longitudinal Mineral oil separator	Chemical oxygen consumption - dichromate (as O ₂) (KPKCr)	57.1277
		Biochemical oxygen consumption after five days (BPK ₅)	7.99788
		Halogenated organic compounds (as AOX)	0.07617
		Total aromatic hydrocarbons	0.01904
		Detergents, anionic	0.19043
		Detergents, non-ionic	1.14255
		Detergents, cationic	0.19043
		Hardly volatile lipophilic substances (total oils and fats)	19.46151
		Total hydrocarbons	0.95213



2024



XI ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2024

WITH INDEPENDENT AUDITOR'S REPORTS



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INDEPENDENT AUDITOR 'S REPORT

To the owner of Zagrebački holding d.o.o. and affiliated companies, Zagreb

Report on the audit of consolidated annual financial statements

Qualified opinion

We have audited the consolidated annual financial statements of the Zagrebački holding d.o.o. Group, Ulica grada Vukovara 41, 10 000 Zagreb, (the Group), which include a consolidated statement of financial position as at 31 December 2024, a consolidated statement of comprehensive income, a consolidated statement of cash flows, a consolidated statement of changes in equity for the year then ended, and notes to consolidated annual financial statements, including significant information on accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated annual financial statements give a true and fair view of consolidated financial position of the Group as at 31 December 2024, consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS).

Basis for qualified opinion

Investment property

As stated in note 19 "Investment property" to the consolidated annual financial statements, as at 31 December 2024, the Group has a stated value of investment property in the amount of EUR 273,241 thousand (31 December 2023: EUR 254,198 thousand), which it maintains according to the fair value model in accordance with the requirements of the *International Accounting Standard 40* "Investment property". An integral part of the aforementioned amount are certain investment properties in the amount of EUR 178,879 thousand (31 December 2023: EUR 180,118 thousand) for which the Group did not measure at fair values in accordance with the *International Financial Reporting Standard 13* "Fair value measurement" for 2024 and 2023. Consequently, during the performance of our audit, we did not receive adequate and appropriate audit evidence to ensure that the stated value of Investment property in the consolidated Statement of Financial Position as at 31 December 2024 and 31 December 2023 represents their fair value and we are not able to determine the effects of adjustments, if any, on the attached consolidated annual financial statements.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Qualified opinion (continued)

Recognition and measurement of assets in accordance with International Accounting Standard 16 Property, plant and equipment

As stated in note 18 "Property, plant and equipment" to the consolidated annual financial statements, as at 31 December 2024, the Group has a stated land value in the amount of EUR 542,156 thousand (31 December 2023: EUR 407,790 thousand), which it maintains according to the fair value model in accordance with the requirements of the International Accounting Standard 16 "Property, plant and equipment". An integral part of the aforementioned amount are certain lands in the amount of EUR 51,213 thousand (31 December 2023: EUR 51,213) for which the Group did not measure at fair values in accordance with the International Financial Reporting Standard 13 "Fair value measurement" for 2024. Consequently, during the performance of our audit, we did not receive adequate and appropriate audit evidence to ensure that the stated value of Property, plant and equipment in the consolidated Statement of Financial Position as at 31 December 2024 represents their fair value and we are not able to determine the effects of adjustments, if any, on the attached consolidated annual financial statements.

Non-current receivables and other non-current liabilities

As stated in notes 15 "Financial revenues", 16 "Financial expenses", 23 "Non-current receivables" and 29 "Loans and leases payable", as at 31 December 2024, the Group has a stated financial income in the amount of EUR 965 thousand, a financial expense in the amount of EUR 965 thousand, financial assets in the amount of EUR 30,249 thousand and financial liabilities in the amount of EUR 30,570 thousand (31 December 2023: EUR 36,103 thousand and EUR 36,422 thousand) related to interest income and expenses from receivables and liabilities for loans for residential buildings where the Group is the manager and has the role of an intermediary in transactions of residential buildings with third parties. These financial revenues and expenses, as well as financial assets and financial liabilities, do not meet the criteria for recognition as prescribed by the International Financial Reporting Standards. Consequently, as at 31 December 2024, financial revenues and expenses were overestimated by EUR 965 thousand, financial assets were overestimated by EUR 30,249 thousand (31 December 2023: EUR 36,103 thousand) and financial liabilities were overestimated by EUR 30,570 thousand (31 December 2023: EUR 36,422 thousand), while the Group's accumulated loss was overestimated by an expected credit loss in the amount of EUR 321 thousand (31 December 2023: EUR 321 thousand).

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Qualified opinion (continued)

Recognition and measurement of assets in accordance with International Financial Reporting Standard 9 Financial Instruments ("IFRS 9")

Vodoopskrba i odvodnja d.o.o. (affiliated company of the Group) has, as part of the Concession Agreement ("Agreement") for the Project of Infrastructure Facilities for the Construction of the Central Wastewater Treatment Plant of the City of Zagreb ("CUPOVZ"), with the company Zagrebačke otpadne vode d.o.o. performed the activities of the Beneficiary, i.e. the activities of collecting the public service of wastewater treatment from the service users during the concession. Out of the total value of trade receivables stated in Note 26 "Trade receivables and other receivables" as at 31 December 2024, the Group has a stated value of receivables for the collection of the public service of wastewater treatment in the amount of EUR 27,098 thousand. Within this amount, receivables in the amount of EUR 15,552 thousand were recorded, for which the submitted documentation did not allow to fully determine the fulfilment of the criteria for recognition, classification and subsequent measurement according to IFRS 9.

Consequently, during the performance of our audit, we did not receive adequate and appropriate audit evidence to ensure that the stated value of receivables in the amount of EUR 15,552 thousand in the Statement of Financial Position as at 31 December 2024 represents their fair value and we are not able to determine the effects of adjustments, if any, on the attached consolidated annual financial statements.

We have conducted our audit in accordance with the International Audit Standards (ISAs) and EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities. Our responsibilities under these standards are described in more detail in our auditor's report in the section Responsibilities of the auditor for the audit of consolidated annual financial statements. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including the International Standards of Independence issued by the Committee on International Ethics Standards for Accountants (IESBA) (IESBA Code), as well as in accordance with the ethical requirements relevant to our audit of consolidated annual financial statements in the Republic of Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Emphasis of Matter

Property ownership

As described in notes 18 "Property, plant and equipment" and 19 "Investment property" to consolidated annual financial statements, some municipal land registers are not fully updated and do not reflect the state of property ownership. Procedures for the registration of land and buildings in the land register are in progress. Although the Group has relevant documentation proving ownership, there is uncertainty regarding the registration of ownership of property in possession. Our qualified opinion has not been modified on this issue.

Receivables from related parties

We draw attention to notes 23 "Non-current receivables", 25 "Receivables from related parties" and 36 "Liabilities to affiliated companies" to the consolidated annual financial statements in which the balances from related parties are stated. Transactions and balances reported in consolidated annual financial statements are the result of the business model, ownership and method of management of the Group. The Group's Management Board continuously reviews the business model and relations with related parties, and, depending on the results of the review, there may be impacts on the amounts stated in the consolidated annual financial statements. Our qualified opinion has not been modified on this issue.

Key Audit Matter

Key audit issues are those issues that, in our professional judgment, were of the greatest importance for our audit of consolidated annual financial statements of the current period. We have addressed these issues in the context of our audit of consolidated annual financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on these issues. We have determined that the question below is a Key audit matter to be published in our Independent Auditor's Report.

For accounting policies, please refer to Note 4 of Significant Accounting Estimates - Recognition of Revenue and Note 3.q of Recognition of Revenue, as well as Note 6 of Revenue from Main Activity and Note 7 of segment information of consolidated financial statements.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Key Audit Matter (continued)

Key Audit Matter	How we addressed the key audit matter
<p><i>Recognition of revenue</i></p> <p>In 2024, in the consolidated Statement of Comprehensive Income, the Group has stated sales revenues in the amount of EUR 592,363 thousand (for the year ended on 31 December 2023, EUR 591,378 thousand).</p> <p>Revenue consists of the fair value of the compensation received or receivable for the most part for the services provided, products sold or goods in the ordinary course of business of the Group. Revenues are reported in amounts reduced by value added tax, quantity rebates and sales discounts.</p> <p>Revenue from the sale of the Group includes different types of activities, as stated in note 7 "Segment information".</p> <p>Also, a characteristic of most of the above activities is that revenues consist of a large number of transactions of individually smaller values, in accordance with the activities and business model of the Group.</p> <p>In accordance with the International Financial Reporting Standard 15 "Revenue from contracts with customers", sales revenues are recognised when the Group provides a service, delivers goods to the customer, when it no longer affects the management of goods and when there is no outstanding obligation that could affect the acceptance of products by the customer.</p> <p>Delivery is made when the products are shipped to a specific location, the risks of loss are transferred to the customer and when one of the following is determined: the customer accepts the products in accordance with the contract, or the deadline for accepting the products has expired or the Group has objective evidence that all acceptance criteria are met.</p>	<p>Audit procedures related to this area, among other things, included:</p> <ul style="list-style-type: none"> - Gaining an understanding of the sales process by conducting interviews with key persons in sales; - Gaining an understanding of key controls related to the recognition of sales revenues; - Testing the design and operational efficiency of key controls related to the accuracy and persistence of recognition of earned revenues; - Implementation of sample-based detail tests with the aim of identifying unusual or irregular items and proper allocation of revenues between reporting periods; - Comparison of independent confirmations of the amount of trade receivables, based on a sample, on the reporting date and the balance shown in the Group's business books on the same date. - Assessment of compliance of the policy for the recognition of sales revenues with the <i>International Financial Reporting Standard 15 "Revenue from contracts with customers"</i>;

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Key Audit Matter (continued)

Key Audit Matter (continued)	How we addressed the key audit matter (continued)
<p><i>Recognition of revenue (continued)</i></p> <p>Given the significance of sales revenues shown in the consolidated Statement of Comprehensive Income and the risk of their recognition, we concluded that the accuracy on the basis of transactions, the appropriateness of allocating the total value of the transaction between several elements in the transaction package, and the completeness of revenues recorded on the basis of reliance in a particular part on the collection system, as well as recognition in the proper reporting period are a key audit matter.</p> <p><i>Related disclosures in the related consolidated annual financial statements</i></p> <p>See Notes 3.q) and 6., to the consolidated annual financial statements.</p>	<p>Audit procedures related to this area, among other things, included (continued):</p> <ul style="list-style-type: none"> - Assessment of the adequacy of disclosures related to the recognition of sales revenues in accordance with the <i>International Financial Reporting Standard 15</i> "Revenue from contracts with customers".

Other information

The Management Board is responsible for other information. Other information includes the Management Report and the Report on the application of the Code of Corporate Governance included in the Annual Report, but does not include the consolidated annual financial statements and our Auditor's Report on them. Our opinion on consolidated annual financial statements does not cover other information.

In connection with our audit of the consolidated annual financial statements, it is our responsibility to read the other information and, in conducting this, to consider whether the other information is significantly contradictory to the consolidated annual financial statements or to our findings obtained in the audit or otherwise appears to be significantly misrepresented. In terms of the Management Report and the report on the application of the Code of Corporate Governance, we also performed the procedures prescribed by the Accounting Act. These procedures include checking whether the Management Report has been prepared in accordance with Articles 22 and 24 of the Accounting Act, and whether the Report on the application of the Code of Corporate Governance contains the data referred to in Article 25 of the Accounting Act.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Other information (continued)

Based on the procedures performed, to the extent we are able to assess this, we report that:

1. the information in the attached Management Report and the Report on the application of the Code of Corporate Governance is harmonised, in all significant respects, with the attached consolidated annual financial statements;
2. the attached Management Report has been prepared in accordance with Articles 22 and 24 of the Accounting Act;
3. the attached Report on the application of the Code of Corporate Governance includes the information defined in Article 25 of the Accounting Act;
4. in relation to the Sustainability Report, which is included as part of other information and forms a separate part of the Management Report, we have implemented limited procedures for issuing a limited certificate, the results of which are presented as a separate report on the limited certificate with an unmodified conclusion.

Based on the knowledge and understanding of the Group's operations and its environment acquired within the framework of the audit of consolidated annual financial statements, we are obliged to report if we have found that there are significant errors in the attached Management Report and the Report on the application of the Code of Corporate Governance. In this regard, we have nothing to report, except as stated in the section "Basis for qualified opinion".

Responsibilities of the management and those charged with governance for consolidated annual financial statements

The Management Board is responsible for the preparation and fair presentation of consolidated annual financial statements in accordance with IFRSs and for those internal controls that the Management Board determines are necessary to enable the preparation of consolidated annual financial statements that are free from significant misstatement due to fraud or error.

In preparing consolidated annual financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, if applicable, issues related to going concern and using an accounting basis based on going concern, unless the Management Board either intends to liquidate the Group or to terminate the business or has no realistic alternative but to do so. Those charged with governance are responsible for supervising the financial reporting process established by the Group.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Responsibilities of the auditor for the audit of consolidated annual financial statements

Our goals are to obtain a reasonable assurance as to whether the consolidated annual financial statements as a whole are free from significant misstatement due to fraud or error and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit performed in accordance with ISAs will always detect a significant misstatement when it exists.

Misstatements may arise from fraud or error and are considered significant if they can reasonably be expected to affect, individually or in aggregate, the economic decisions of users made on the basis of these consolidated annual financial statements. As an integral part of an audit in accordance with ISAs, we create professional judgments and maintain professional scepticism during the audit. We also:

- we recognise and assess the risks of significant misstatement of consolidated annual financial statements, due to fraud or error, design and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher than the risk caused by an error, as fraud may include secret agreements, forgery, intentional omissions, misrepresentations or bypassing internal controls;
- we gain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls;
- we assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management;
- we conclude on the appropriateness of the accounting basis used, based on the indefinite duration of the business used by the Management Board, and, based on the obtained audit evidence, we conclude on whether there is significant uncertainty regarding events or circumstances that may raise significant doubts about the Group's ability to continue as a going concern. If we conclude that there is significant uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are not appropriate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated annual financial statements, including disclosures, as well as whether the consolidated annual financial statements reflect the transactions and events on which they are based in a manner that achieves a fair presentation.
- we obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on these consolidated annual financial statements. We are responsible for directing, supervising and performing the Group's audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance in relation to, among other matters, the planned scope and timing of the audit and important audit findings, including in relation to significant deficiencies in internal controls detected during our audit.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Responsibilities of the auditor for the audit of consolidated annual financial statements (continued)

We also declare to those charged with governance that we have complied with the relevant ethical requirements regarding independence and that we will communicate with them on all relations and other issues that can reasonably be considered to affect our independence, as well as, where applicable, on actions taken to eliminate threats to independence, and related protections.

Among the issues communicated with those charged with governance, we determine those issues that are of the greatest importance in the audit of consolidated annual financial statements of the current period and are therefore key audit issues.

We describe these issues in our Auditor's Report, unless law or regulation prevents public disclosure of the issue or when we decide, in extremely rare circumstances, that the issue should not be communicated in our Auditor's Report, as it can reasonably be expected that the negative consequences of communication would outweigh the benefits of public interest from such communication.

Report on other legal and regulatory requirements

On 30 September 2024, we were appointed by the General Assembly of the Group to audit consolidated annual financial statements for 2024.

On the date of this report, we were engaged in carrying out legal audits of the Group of consolidated annual financial statements for the second time for 2024, which represents an uninterrupted engagement of two years.

In the audit of consolidated annual financial statements of the Group for 2024, we determined the significance for consolidated annual financial statements as a whole in the amount of EUR 8,548 thousand, which represents approximately 2% of sales revenues for 2024. We have chosen sales revenues as a measure of significance because we believe that this is the most appropriate measure on the basis of which the success of the Group's operations is measured.

Our audit opinion is consistent with the additional Report for the audit committee of the Group prepared in accordance with the provisions of Article 11 of Regulation (EU) No 537/2014.

During the period between the starting date of the audited consolidated annual financial statements of the Group for 2024 and the date of this report, we did not provide the Company and its companies that were under its control with prohibited non-audit services and we did not provide services for the design and implementation of internal controls or risk management procedures related to the preparation and/or control of financial information or the design and implementation of technological systems for financial information in the business year before the aforementioned period, and we retained our independence in relation to the Group in the performance of the audit.

In accordance with the provision of Article 11 of Regulation (EU) No 537/14 these data are stated in the additional report for the audit committee.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Report on other legal and regulatory requirements (continued)

Report based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic reporting format (continued)

Report on the auditor's assurance on the compliance of separate annual financial statements, prepared pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act (Official Gazette No. 85/24) by applying the requirements of Delegated Regulation (EU) 2018/815, which determines a single electronic reporting format for issuers (ESEF Regulation).

We have carried out an engagement with the expression of a reasonable assurance as to whether separate annual financial statements have been prepared for the purposes of disclosure to the public pursuant to Article 462, paragraph 5 Of the Capital Market Act, which are contained in the attached electronic file *zagrebackiholding-2024-12-31-0-hr*, in all significant determinants prepared in accordance with the requirements of the ESEF Regulation.

Responsibilities of the management and those charged with governance (continued)

The Management Board of the Group is responsible for the preparation and content of consolidated annual financial statements in accordance with the ESEF Regulation.

In addition, the Management Board of the Group is responsible for maintaining an internal control system that reasonably ensures the preparation of consolidated annual financial statements without significant non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Management Board of the Group is also responsible for:

- publishing to the public consolidated annual financial statements contained in the annual report in the valid XHTML format and
- selection and use of XBRL tags in accordance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for supervising the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor's responsibilities

It is our responsibility to express a conclusion, based on the collected audit evidence, as to whether the consolidated annual financial statements are free from significant non-compliance with the requirements of the ESEF Regulation. We have carried out this engagement with the expression of a reasonable assurance in accordance with the International Standard for Assurance Engagements (MSIU) 3000 (amended) - *Engagements with the expression of assurances other than audits or insights of historical financial information*.

Completed procedures

The nature, time frame and scope of the selected procedures depend on the auditor's judgment. Reasonable assurance is a high level of assurance, but it is not a guarantee that the scope of testing will detect any significant non-compliance with the ESEF Regulation. As part of the selected procedures, we performed the following activities:

- we have read the requirements of the ESEF Regulation,
- we have gained an understanding of the Group's internal controls relevant to the application of the requirements of the ESEF Regulation
- we have identified and assessed the risks of significant non-compliance with the ESEF Regulation due to fraud or error; and
- on this basis, we designed and implemented procedures to respond to the assessed risks and to obtain a reasonable assurance for the purpose of expressing our conclusion.

INDEPENDENT AUDITOR 'S REPORT (continued)

Report on the audit of consolidated annual financial statements (continued)

Report on other legal and regulatory requirements (continued)

Report based on the requirements of Delegated Regulation (EU) 2018/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards for the specification of a single electronic reporting format (continued)

Completed procedures (continued)

The aim of our procedures was to assess whether:

- consolidated annual financial statements, which are included in the annual report, prepared in the valid XHTML format,
- the data, contained in the consolidated annual financial statements required by the ESEF Regulation, marked and all marking meet the following requirements:
 - XBRL markup language was used,
 - the elements of the basic taxonomy listed in the ESEF Regulation with the closest accounting significance were used, unless an additional element of the taxonomy was created in accordance with Annex IV of the ESEF Regulation,
 - the markings comply with the common marking rules under the ESEF Regulation.

We believe that the audit evidence we have collected is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures carried out and the evidence obtained, the consolidated annual financial statements presented in the ESEF format, contained in the above-mentioned attached electronic file and pursuant to the provision of Article 462, paragraph 5 of the Capital Market Act prepared for publication to the public, in all significant determinants are in accordance with the requirements of Articles 3, 4 and 6 of the ESEF Regulation for the year ended on 31 December 2024.

On top of this conclusion, as well as the opinion contained in this independent auditor's report for the attached consolidated annual financial statements and the annual report for the year ended 31 December 2024, we do not express any opinion on the information contained in these representations or on other information contained in the above file.

The engaged partners in the audit that results in this independent auditor's report are Marina Tonžetić and Radovan Lucić.

Hrvoje Stipić, President of the
Management Board

Radovan Lucić, Director and Certified
Auditor

Marina Tonžetić, certified auditor

For signatures, please refer to the
original Croatian auditor's report,
which prevails.

BDO Croatia d.o.o.
Radnička cesta 180
10 000 Zagreb

Šibenski Revicon d.o.o.
Ulica Stjepana Radića 44a
22 000 Šibenik

29 April 2025

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	2024	2023
		000 EUR	restated 000 EUR
Revenue from sales	6, 7	592,363	591,378
Other operating income	8	254,283	195,014
Operating income		846,646	786,392
Cost of material and services	9	(476,178)	(480,737)
Staff costs	10	(216,815)	(179,041)
Depreciation and amortisation	11	(55,642)	(54,152)
Value adjustment	12	(25,506)	(15,726)
Provisions	13	(7,021)	(10,325)
Other operating expenses	14	(7,626)	(8,490)
Operating expenses		(788,788)	(748,471)
NET OPERATING PROFIT		57,858	37,921
Financial revenues	15	11,145	17,833
Financial expenses	16	(37,000)	(38,318)
NET FINANCIAL EXPENSES		(25,855)	(20,485)
PROFIT BEFORE TAX		32,003	17,436
Tax expense	17	(4,799)	(1,094)
PROFIT FOR THE YEAR		27,204	16,342
For distribution:		27,204	16,342
To the owner of the Company		26,268	15,723
To owners of non-controlling interests		936	619
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Real estate revaluation gains (net)	17, 37	108,384	4,990
Gains from valuation of available-for-sale financial assets (net)	17, 37	(1,435)	3,073
Tax on other comprehensive income		(19,251)	(1,451)
<i>Items that can be reclassified to profit or loss</i>			
Profit / (loss) from effective cash flow hedge		758	(758)
Other items that can be reclassified to profit or loss		575	-
Tax on other comprehensive income		(10)	136
Total comprehensive income for the year		116,225	22,332
Total comprehensive income for distribution:		116,225	22,332
To the owner of the Company		115,289	21,713
To owners of non-controlling interests		936	619

Accounting policies and notes below form an integral part of these annual consolidated financial statements

Consolidated statement of financial position

As at 31 December 2024

	Note	31 December 2024	31 December 2023	1 January 2023
			restated	restated
		000 EUR	000 EUR	000 EUR
NON-CURRENT ASSETS				
Property, plant and equipment	18	1,609,703	1,228,257	1,266,153
Investment property	19	273,241	254,198	222,407
Right-of-use assets	20	2,605	1,393	1,896
Intangible assets and goodwill	21	7,661	6,269	8,122
Financial assets	22	15,305	16,733	13,608
Non-current receivables	23	134,892	156,484	180,137
Deferred tax assets	17	13,336	13,847	14,906
Total non-current assets		2,056,743	1,677,181	1,707,229
CURRENT ASSETS				
Inventories	24	26,228	18,444	18,742
Receivables from related parties	25	45,316	73,402	101,221
Trade receivables and other receivables	26	322,277	240,035	157,825
Financial assets	27	4,108	4,032	3,831
Cash and cash equivalents	28	113,404	86,259	44,875
Total current assets		511,333	422,172	326,494
TOTAL ASSETS		2,568,076	2,099,353	2,033,723

Accounting policies and notes below form an integral part of these annual consolidated financial statements

Consolidated statement of financial position / continued

As at 31 December 2024

	Note	31 December 2024	31 December 2023	1 January 2023
		000 EUR	restated 000 EUR	restated 000 EUR
NON-CURRENT LIABILITIES				
Loans and leases payable	29	269,163	323,274	385,316
Liabilities for issued bonds	30	303,098	302,622	-
Provisions	31	41,653	39,662	36,952
Deferred income	32	676,127	418,443	413,612
Deferred tax liabilities	17	73,524	54,632	54,381
Other non-current liabilities	33	1,487	1,754	1,903
Derivative financial liabilities	34	-	758	-
Total non-current liabilities		1,365,052	1,141,145	892,164
CURRENT LIABILITIES				
Trade payables and other liabilities	35	363,101	262,746	175,279
Liabilities to related parties	36	1,951	3,476	4,032
Loans and leases payable	29	47,095	46,172	33,108
Liabilities for issued bonds	30	-	-	303,931
Current maturity of deferred income	32	26,560	20,534	22,376
Current corporate income tax liability		3,736	632	112
Total current liabilities		442,443	333,560	538,838
TOTAL LIABILITIES		1,807,495	1,474,705	1,431,002
NET ASSETS		760,581	624,648	602,721
EQUITY				
Share capital		421,666	421,666	421,666
Revaluation reserves		330,485	241,611	237,519
Fair value reserves		4,515	5,070	3,172
Other reserves		48,218	32,718	32,718
Accumulated loss		(53,779)	(77,831)	(93,554)
Non-controlling interest		9,476	1,414	1,200
Total equity	37	760,581	624,648	602,721
TOTAL EQUITY AND LIABILITIES		2,568,076	2,099,353	2,033,723

Accounting policies and notes below form an integral part of these annual consolidated financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2024

in thousands of euros

	Share capital	Revaluation reserves	Fair value reserves	Other reserves	Accumulated loss	Parent company's ownership interest	Non-controlling interest	Total
Balance as at 31 December 2022	421,666	254,630	3,172	32,718	(92,754)	619,432	1,200	620,632
Effect of restatements	-	(17,111)	-	-	(800)	(19,253)	-	(19,253)
Balance as at 1 January 2023 restated	421,666	237,519	3,172	32,718	(93,554)	601,521	1,200	602,721
<i>Comprehensive income</i>								
PROFIT FOR THE YEAR	-	-	-	-	15,723	15,723	619	16,342
Gains from valuation of financial assets (net)	-	-	1,898	-	-	1,898	-	1,898
Real estate revaluation gains (net)	-	4,092	-	-	-	4,092	-	4,092
Other comprehensive income	-	4,092	1,898	-	-	5,990	-	5,990
Total comprehensive income	-	4,092	1,898	-	15,723	21,713	619	22,332
<i>Transactions with owners recognised directly in equity</i>								
Payment of profit to non-controlling interests	-	-	-	-	-	-	(405)	(405)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	(405)	(405)
Balance as at 31 December 2023	421,666	241,611	5,070	32,718	(77,831)	623,234	1,414	624,648
<i>Comprehensive income</i>								
PROFIT FOR THE YEAR	-	-	-	-	26,268	26,268	936	27,204
Gains from valuation of financial assets (net)	-	-	(555)	-	-	(555)	-	(555)
Real estate revaluation gains (net)	-	88,874	-	-	702	89,576	-	89,576
Other comprehensive income	-	88,874	(555)	-	702	89,021	-	89,021
Total comprehensive income	-	88,874	(555)	-	26,970	115,289	936	116,225
<i>Transactions with owners recognised directly in equity</i>								
Entry of ownership rights in real estate	-	-	-	15,500	-	15,500	7,745	23,245
Merger of service areas (note 45)	-	-	-	-	(2,918)	(2,918)	-	(2,918)
Payment of profit to non-controlling interests	-	-	-	-	-	-	(619)	(619)
Total transactions with owners recognised directly in equity	-	-	-	15,500	(2,918)	12,582	7,126	19,708
Balance as at 31 December 2024	421,666	330,485	4,515	48,218	(53,779)	751,105	9,476	760,581

Accounting policies and notes below form an integral part of these annual consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December 2024

	Note	2024	2023
		000 EUR	restated 000 EUR
Profit before tax		32,003	17,436
Financial expenses recognised in profit or loss	15	37,000	38,318
Financial income recognised in profit or loss	14	(11,145)	(17,833)
Value adjustment of receivables from related parties	12	2,070	4,214
Value adjustment of trade receivables	12	14,310	9,759
Value adjustment of inventories	12	821	960
Value adjustment of other current assets	12	24	88
Value adjustment of other non-current assets	12	7,384	543
Net change in fair value of investment property	19	(15,799)	(8,752)
Depreciation and amortisation	11	55,642	54,152
Increase in long-term provisions	31	1,991	2,710
Increase in deferred income		6,026	4,829
Changes in working capital			
Increase in inventories		(8,541)	(3,398)
Increase in trade receivables		(4,192)	(4,221)
Decrease in receivables from affiliated companies		27,558	25,243
Increase in receivables from employees		(12)	(1)
Increase in receivables from the state		(91,241)	(86,054)
Decrease in other receivables		5,850	2,530
Increase in trade payables and liabilities to related parties		90,691	85,146
Increase / (decrease) in liabilities for taxes and contributions		468	(1,994)
Increase in liabilities payable to employees		2,912	1,484
Increase / (decrease) in other liabilities		99	(5,281)
Net cash generated from operating activities		153,919	119,878

Accounting policies and notes below form an integral part of these annual consolidated financial statements

Consolidated statement of cash flows / continued

For the year ended 31 December 2024

	2024	2023
	000 EUR	restated 000 EUR
Cash flows from operating activities (continued)		
Cash generated from operating activities	153,919	119,878
Interest paid	(29,983)	(25,800)
Net cash from operating activities	123,936	94,078
Cash flows from investing activities		
Procurement of tangible, intangible assets and investment property	(70,213)	(35,383)
Gains on / expenses for advance payments for current assets	2,073	(209)
Expenses for advance payments for non-current assets	(141)	(212)
Gains from sale of tangible assets	-	95
Gains from non-current receivables	21,594	23,653
Expenses for current financial assets	(76)	(201)
Gains on / expenses for non-current financial assets	1,428	(3,125)
Cash acquired by merger and acquisition	174	-
Interest charged	2,059	13,354
Dividend received	656	228
Payment of profit to minority interest	(619)	(405)
Net cash from investing activities	(43,065)	(2,205)
Cash flows from financing activities		
Received long-term loans and borrowings	15,030	11,262
Repayments of long-term loans and borrowings	(68,706)	(61,456)
Received short-term loans and borrowings	30	-
Repayment of short-term loans and borrowings	(80)	-
Issued bonds	-	305,000
Repayment of bonds	-	(305,295)
Net cash from financing activities	(53,726)	(50,489)
Net increase in cash	27,145	41,384
Cash as at 1 January	86,259	44,875
Cash as at 31 December	113,404	86,259

Accounting policies and notes below form an integral part of these annual consolidated financial statements

1/ GENERAL INFORMATION

History, establishment and status changes

On 27 December 2005, contracts on the transfer of business shares were concluded between the City of Zagreb and Zagrebački holding d.o.o. ("the Company"), on the basis of which the right of ownership over shares or shares of 22 companies from the City of Zagreb to the Company was transferred. Transferred business shares/stocks, with a nominal value of EUR 535,748 thousand, represent the assets of the Company, which it can freely dispose of. On the basis of these contracts, the City of Zagreb increased the share capital of the Company, by converting receivables from the basis of the Contract on the transfer of business shares in the total amount of EUR 535,748 thousand into the share (registered) capital of the Company.

During 2006 and 2007, mergers of companies were carried out, as well as status changes, which was also entered in the register of the Commercial Court in Zagreb.

By the procedure of merger, the merged companies transferred all their assets and liabilities to the Company as the acquiring company. In accordance with the merger contracts and the provisions of the Companies Act, the share capital of the Company did not increase by the amounts of the share capital of the merged companies because it is the holder of 100% of basic and business shares in the merged companies.

During 2013, in accordance with the adopted strategic determinants, the Company defined the Plan for the division of the Company with the establishment of new companies by transferring part of assets and liabilities. By the end of 2013, four business units were separated: water supply (conditioned by changes in the Water Act, OG 153/09, 63/11, 130/11 and 56/13), facility management, construction and sale of apartments and publishing activity (conditioned by strategic determinants of separation of market-oriented from utility activities), in four new companies.

By the Decision of the Commercial Court in Zagreb (number Tt-13/25472-2) of 8 November 2013, the registration of the division of the Company was carried out in the Court Register by separating with the establishment of new companies: Gradsko stambeno komunalno gospodarstvo d.o.o., Vodoopskrba i odvodnja d.o.o., Zagrebačka stanogradnja d.o.o. and AGM d.o.o.

As part of the implementation of the Division Plan, the share capital of the Company was reduced from EUR 558,581 thousand by the amount of EUR 274,620 thousand to EUR 283,961 thousand in the procedure of division of the Company by separation with the establishment of the above companies.

After the status change of the Company and the registration of the establishment of new companies, contracts on the transfer of business shares were concluded between the City of Zagreb as the transferor and the Company as the acquirer of the newly established companies Gradsko stambeno komunalno društvo d.o.o., Vodoopskrba i odvodnja d.o.o., AGM d.o.o. and Zagrebačka stanogradnja d.o.o. Business shares were transferred to the Company in the total amount of EUR 274,620 thousand, which corresponds to the nominal amount of the share capital for each newly established company, which created the conditions for the recapitalisation of the Company in such a way that the receivables of the City of Zagreb from the Company acquired by the transfer of business shares were converted into an additional basic contribution, which was carried out in the register of the Commercial Court in Zagreb during 2013.

As part of the organisational changes within the Group, the company AGM d.o.o. was merged with the Company by the decision of the Commercial Court in Zagreb of 1 October 2021, number Tt-21/43946-2. All assets, rights and liabilities were transferred to the Company as the acquirer. Zagrebačka stanogradnja d.o.o. was merged with the company Gradsko stambeno komunalno gospodarstvo d.o.o. (GSKG) by the decision of the Commercial Court in Zagreb of 1 October 2021, number Tt-21/43943-2, where all assets, rights and liabilities were transferred to the acquiring company.

The merged companies AGM d.o.o. and Zagrebačka stanogradnja d.o.o. ceased to exist. The business effects of the merger of the companies occurred from 1 October 2021.

By the Decision of the Commercial Court in Zagreb under the number Tt-21/46119-3, the subsidiary AGM was established, which continues the activities of the merged company AGM d.o.o. and to which assets, rights and liabilities and employees of the merged company were transferred.

As part of the organisational changes within the Company, the subsidiary ZGOS was merged with the subsidiary Čistoća, and the subsidiaries Upravljanje projektima and Upravljanje nekretninama were merged with Korporativni servisi. The business effects of internal mergers of subsidiaries entered into force on 1 October 2021.

The termination of the operation of the subsidiary Property Management was entered in the register of the Commercial Court in Zagreb on 3 November 2021 under the number Tt-21/44730-2, the subsidiary Project Management on 29 October 2021 under the number Tt-21/44717-2 and the subsidiary ZGOS on 2 November 2021 under the number Tt-21/44721-2.

For the year ended 31 December 2024

1/ GENERAL INFORMATION / CONTINUED

Activities of the Parent Company

As at 31 December 2024, the parent company (hereinafter referred to as the "Company") includes the following subsidiaries:

NAME OF THE COMPANY / SUBSIDIARIES		HEADQUARTERS	MAIN ACTIVITY	OWNERSHIP SHARE	
				2024	2023
Zagrebački Holding		Avenija grada Vukovara 41	cleanliness maintenance, travel agency, sports, facility management and real estate operations	100% City of Zagreb	100% City of Zagreb
1/	Gradska groblja	Aleja Hermanna Bollea 27	funeral and related activities	100% Zg.holding	100% Zg.holding
2/	Čistoća	Radnička 82	cleanliness maintenance, waste disposal	100% Zg.holding	100% Zg.holding
3/	Zrinjevac	Remetinečka 15	landscaping and maintenance of green areas	100% Zg.holding	100% Zg.holding
4/	Zagrebparking	Šubićeva 40/III	services in public parking lots and garages	100% Zg.holding	100% Zg.holding
5/	Zagrebačke ceste	Donje Svetice 48	management, maintenance, construction of regional and local roads	100% Zg.holding	100% Zg.holding
6/	Autobusni kolodvor Zagreb	Avenija Marina Držića 4	bus station services	100% Zg.holding	100% Zg.holding
7/	Tržnice Zagreb	Šubićeva 40/V	wholesale and retail markets, warehousing	100% Zg.holding	100% Zg.holding
8/	Zagrebački digitalni grad	Donje Svetice 48	lease of telecommunication lines and networks	100% Zg.holding	100% Zg.holding
9/	Arena Zagreb	Ul. V. Vukova 8	management and maintenance of sports facilities	100% Zg.holding	100% Zg.holding
10/	Robni terminali Zagreb	Jankomir 25	warehousing	100% Zg.holding	100% Zg.holding
11/	AGM	Avenija Marina Držića 4	publishing activity	100% ZG. holding	100% ZG. holding
12/	Vladimir Nazor	Maksimirska 51	organised youth vacation and travel agency	100% Zg.holding	100% Zg.holding

1/ GENERAL INFORMATION / CONTINUED

Companies and institutions owned by the Parent Company that make up the Zagrebački Holding Group (hereinafter: the Group):

NAME OF THE COMPANY	HEADQUARTERS	LEGAL FORM	MAIN ACTIVITY	OWNERSHIP SHARE	
				2024	2023
1/ Gradska plinara Zagreb d.o.o.	Radnička 1	LLC	gas distribution	100% Zg.holding	100% Zg.holding
2/ Gradska plinara Zagreb - Opskrba d.o.o.	Radnička 1	LLC	gas supply	100% Zg.holding	100% Zg.holding
3/ Zagreb plakat d.o.o.	Hebrangova 32	LLC	ad space rental	51% Zg.holding	51% Zg.holding
4/ Gradska ljekarna Zagreb	Kralja Držislava 6	institution	pharmacy activity	100% Zg.holding	100% Zg.holding
5/ Gradsko stambeno komunalno gospodarstvo d.o.o.	Savska cesta 1	LLC	facility management	100% Zg.holding	100% Zg.holding
6/ Vodoopskrba i odvodnja d.o.o.	Folnegovićeve 1	LLC	water collection, treatment and distribution	97,75% Zg.holding	100% Zg.holding
7/ Gradska plinara Bjelovar d.o.o.	Blajburških žrtava 18, Bjelovar	LLC	Gas distribution	100% Gradska plinara Zagreb d.o.o.	100% Gradska plinara Zagreb d.o.o.

By the Decision of the Commercial Court in Zagreb (Tt-17/49954-2) of 29 December 2017, the division of the Company was carried out by separating with the establishment of new limited liability companies – Zagrebački električni tramvaj d.o.o. and Zagrebački velesajam d.o.o. with the separation of economic units into newly established companies. In the procedure of division with establishment, the share capital of the Company was reduced by EUR 87,092 thousand to EUR 421,666 thousand, while the business effects of the Division Plan entered into force on 1 January 2018. Shares in new companies were acquired by the City of Zagreb, which, after the implementation of the Division Plan, is the only member or sole holder of business shares in new companies.

In 2018, Gradska plinara Zagreb acquired 100% of the shares in Elektrometal distribucija plina d.o.o. Bjelovar. The acquisition recorded goodwill in the amount of EUR 1,568 thousand. In 2019, the name Elektrometal distribucija plina d.o.o. was changed to Gradska plinara Bjelovar d.o.o.

On 1 October 2021, the merger of the company AGM d.o.o. with the Company was registered. The publishing activity continues to be carried out within the subsidiary AGM, which was established on 5 November 2021.

On 1 October 2021, the merger of the company Zagrebačka stanogradnja d.o.o. with the company Gradsko stambeno komunalno gospodarstvo d.o.o. was registered without changing the share capital.

In December 2021, the registration of the merger of the company Centar d.o.o. with the Company was submitted to the register of the Commercial Court in Zagreb. The merger was registered on 3 February 2022 by the decision of the Commercial Court in Zagreb under the number Tt-22/2496-2.

In accordance with the Regulation on Service Areas, on 26 November 2024, a Merger Agreement was concluded by which the companies Vodovod Klinča Sela d.o.o. and Vode Jastrebarsko d.o.o. were merged with the company Vodoopskrba i odvodnja d.o.o. without conducting a liquidation procedure in accordance with Article 535, paragraph 1 Of the Companies Act and Art. 88 Of the Water Services Act. With this procedure, the company Vodoopskrba i odvodnja d.o.o. takes over the entire assets, rights and liabilities of the merged companies. On 26 November 2024, the municipality of Stupnik accesses the company Vodoopskrba i odvodnja d.o.o. and takes over one business share in its entirety. The mergers were carried out at the Commercial Court on 30 December 2024.

For the year ended 31 December 2024

GENERAL INFORMATION / CONTINUED

Main activities

During the year, the main activities of the Group are the provision of the following services:

- a/ Cleanliness maintenance and waste disposal services
- b/ Water supply, drainage and treatment services
- c/ Landscaping and maintenance services of green areas
- d/ Management, maintenance, construction and protection of regional and local roads
- e/ Parking services
- f/ Gas supply and distribution service
- g/ Pharmacy activity
- h/ Warehousing and lease services
- i/ Waste disposal and management
- j/ Construction and project management
- k/ Other services

Employees

As at 31 December 2024, the Group employed 7,792 employees (31 December 2023, 7,302 employees), as shown below:

Group	Number of employees	Number of employees
	31 December 2024	31 December 2023
Parent company	5,356	4,975
Subsidiaries	2,436	2,327
	7,792	7,302

For the year ended 31 December 2024

1 / GENERAL INFORMATION / CONTINUED

Management Board and Directors

The members of the Management Board of the Parent Company are:

Ivan Novaković, Member of the Management Board from 3 September 2021,
 President of the Management Board from 4 October 2021

Boris Sesar, Member of the Management Board from 3 September 2021 to 31 March 2023

Matija Subašić-Maras, Member of the Management Board from 15 September 2021

Dubravko Karačić, Member of the Management Board from 13 December 2021

Damir Novinić, Member of the Management Board from 1 August 2023

Affiliated companies	Management Board
1. Gradska plinara Zagreb d.o.o.	Goran Popović from 26 September 2022 to 30 November 2023, Davor Mayer, from 1 December 2023 to 1 January 2025, Bruno Lacković and Ivan Šoštarčić from 2 January 2025
2. Gradska plinara Zagreb-Opkrba d.o.o.	Jeronim Tomas from 11 November 2021
3. Zagreb plakat d.o.o.	Emilio Gašpić from 14 February 2022 and Toni Rončević from 1 March 2022, each represents jointly with another member of the Management Board
4. Gradska ljekarna Zagreb	Marijo Vukušić from 6 July 2022
5. Gradsko stambeno komunalno gospodarstvo d.o.o.	Marko Šarić from 18 June 2021 to 15 December 2024, Slaven Sladoljev from 16 December 2024
6. Vodoopskrba i odvodnja d.o.o.	Davor Poljak from 11 November 2021 to 3 March 2023, Marko Blažević from 3 March 2023 to 2 September 2023 (for a period of 6 months) and from 3 September 2023 for a period of 4 years
7. Gradska plinara Bjelovar d.o.o.*	Srećko Ezgeta from 23 April 2008

**Gradska plinara Bjelovar d.o.o. Bjelovar is a company 100% owned by the Gradska plinara Zagreb d.o.o.*

1 / GENERAL INFORMATION / CONTINUED

Supervisory Board

The members of the Supervisory Board of the Parent Company:

1. Suzana Brenko, President of the Supervisory Board from 14 June 2021 to 2 July 2024
2. Andro Pavuna, Member from 22 December 2023, Deputy President from 26 January 2024, President of the Supervisory Board from 23 July 2024
3. Kristijan Starčević, Member from 13 February 2023, Deputy President from 23 July 2024
4. Željko Matijašec, Member from 22 December 2023
5. Martina Jurišić, Member from 22 December 2023

Audit Committee

The members of the Audit Committee:

1. Ivan Čevizović, Member from 16 November 2021, President from 14 June 2022
2. Josip Teklić, Member from 16 November 2021, Deputy President from 14 June 2022
3. David Krmpotić, Member from 16 November 2021
4. Suzana Brenko, Member from 14 June 2022 to 2 July 2024
5. Kristijan Starčević, Member from 22 November 2024

Assembly

The only member of the Assembly of the Parent Company is the City of Zagreb, and the representatives of the member are:

1. Tomislav Tomašević, from 7 June 2021
2. Danijela Dolenec, from 7 June 2021
3. Luka Korlaet, from 7 June 2021

2 / BASIS FOR THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

a/ Statement of Compliance

The annual consolidated financial statements of the Group are prepared in accordance with the International Financial Reporting Standards established by the European Commission and published in the Official Journal of the European Union ("IFRS").

The annual consolidated financial statements are presented for the Group and contain the annual consolidated financial statements of the Company and its affiliated companies.

On 29 April 2025, the Management Board approved the issuance of these annual consolidated financial statements for submission to the General Assembly for adoption.

The Group adjusted the amounts previously published in the annual consolidated financial statements where necessary as shown in Note 5.

b/ Basis for the preparation of annual consolidated financial statements

The annual consolidated financial statements of the Group include the annual unconsolidated financial statements of the Company and the annual financial statements of the entities under its control, i.e. its affiliated companies. The annual unconsolidated financial statements that the Company is obliged to prepare in accordance with IFRS are published separately and issued on the same date as these annual consolidated statements.

The annual consolidated financial statements of the Group are prepared on the basis of the principle of historical cost, with the exception of land revaluation, investment property and part of financial assets kept at fair value, as published in notes 18, 19 and 22 to the financial statements, and with the application of the basic accounting assumption of the indefinite duration of operations.

The preparation of annual consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the amounts of published assets and liabilities, revenues and expenditures. Areas that involve a higher degree of judgment or complexity, i.e. areas where assumptions and estimates are significant for the consolidated financial statements are shown in the notes.

c/ Adoption of new and amended International Financial Reporting Standards (IFRS)

c/1 Standards and interpretations in force in the current period

- **Amendments to IAS 1 - Presentation of Financial Statements:** The aim of the amendments is to promote consistency in the application of requirements by helping companies determine whether, in the statement of financial position, debts and other liabilities with an uncertain settlement date should be classified as short-term (due or potentially due that must be settled within one year) or long-term.
- **Amendments to IFRS 16 - Leases:** The amendments clarify how the seller-lessee subsequently measures sales and leaseback transactions that meet the requirements of IFRS 15 in such a way that they are accounted for as sales.
- **Amendments to IAS 7 - Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosure:** Amendments require additional disclosures and "signposts" within the existing required disclosures, which require entities to provide qualitative and quantitative information on the financial arrangements of suppliers.

The adoption of these standards and interpretations did not have a significant impact on the financial statements of the Group.

c/2 Standards and interpretations issued by the Committee on International Accounting Standards, which have been adopted in the EU, but are not yet in force

- **Amendments to IAS 21 - Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability,** issued on 15 August 2023 (effective date for annual periods beginning on or after 1 January 2025).

The Company is not expected to significantly affect the financial statements of the Group.

2/ BASIS FOR THE PREPARATION OF UNCONSOLIDATED FINANCIAL STATEMENTS / CONTINUED

c/3 Standards and interpretations issued by the Committee on International Accounting Standards, which have not yet been adopted in the EU

At the date of issuance of these financial statements, the following standards, processing and interpretations adopted by the Committee on International Accounting Standards have not been adopted in the European Union:

- **IFRS 18 Presentation and disclosure in financial statements** (issued on 9 April 2024).
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** (issued on 9 May 2024).
- **Amendments to IFRS 9 and IFRS 7** Contracts related to electricity dependent on natural resources (issued on 18 December 2024), classification and measurement of financial instruments (issued on 30 May 2024).

The Company does not expect that the adoption of these standards will have a significant impact on the financial statements of the Group.

d/ Basis of consolidation

The annual consolidated financial statements present the results of the Company and its affiliates (the "Group"), as if they form a single unit.

The Company is owned by other legal entities – affiliated companies, which are entities that it controls. Control exists when the Company has the power, directly or indirectly, to manage the financial and business policies of the entity in order to benefit from these activities. Affiliates are fully consolidated from the date on which the control was actually transferred to the Company and excluded from consolidation from the date on which that control ceases. Non-controlling interests are initially measured by their proportional share of recognised net assets of the acquired company at the date of acquisition. Changes in the Group's shares in a affiliated company that do not result in a loss of control are accounted for as transactions with owners.

Balances and transactions between members of the Group and all unrealised profits from transactions between members of the Group were eliminated when consolidating the financial statements.

e/ Reporting currency

The annual consolidated financial statements of the Group are prepared in euro, which is also the functional currency of the Group from 1 January 2023. All amounts published in the annual consolidated financial statements are expressed in thousands of euros unless otherwise stated. The current exchange rate of the Croatian currency as at 31 December 2022 was a fixed conversion rate of HRK 7.53450 for 1 EUR.

2/ BASIC ACCOUNTING POLICIES

a/ Intangible assets and goodwill

Computer software

Software licenses are capitalised on the basis of acquisition costs and costs incurred by bringing the software into working condition. These costs are depreciated over their useful life of 5 years.

Goodwill

Goodwill is recorded at a cost determined on the date of acquisition, i.e. acquisition of the entity, minus any losses due to impairment. For impairment testing, goodwill is allocated to each cash-generating unit (or groups of such units) that are expected to benefit from the synergies arising from the merger. The cash-generating unit to which the goodwill is allocated is subject to an impairment check once a year or more often if there are indications of a possible impairment of its value. If the recoverable amount of the cash-generating unit is lower than its carrying amount, the loss incurred by impairment is first allocated by reducing the carrying amount of goodwill distributed to the unit and then in proportion to the other assets of the cash-generating unit on the basis of the carrying amount of each asset in the cash-generating unit. The loss due to impairment of goodwill is directly recorded in the profit or loss reported in the consolidated statement of comprehensive income. The once recognised loss from the impairment of goodwill is not reversed in subsequent periods. When disposing of a cash-generating unit, the corresponding amount of goodwill is included in the determination of the profit or loss from the sale.

b/ Right-of-use assets

All leases are reported by recognising right-of-use assets and lease liabilities, except for:

- leases of low-value assets and
- leases whose lease period ends in a period of 12 months from the date of first application or shorter.

The right-of-use assets are shown separately in the Statement in financial position.

The right-of-use assets are initially measured in the amount of lease liabilities, minus all received lease incentives and are increased by:

- all lease payments made on or before the lease start date
- all initial direct costs and
- the amount of the reservation recognised in the event that the Group contractually bears the costs of dismantling, removal or renovation of the place where the property is located.

The right-of-use assets are reduced by the accumulated depreciation and amortisation, which is calculated linearly over the duration of the lease, or the remaining economic life of the asset, if it is considered to be shorter than the lease period.

The useful life of the right-of-use assets is shown as follows:

	2024	2023
Buildings	3-10 years	3-10 years
Plant and equipment	4-5 years	4-5 years
Vehicles	2-5 years	2-5 years

3/ BASIC ACCOUNTING POLICIES / CONTINUED

b/ Right-of-use assets/ continued

Liability for lease of right-of-use assets

The lease liability was measured at the present value of the remaining lease repayments, discounted using the Company's incremental borrowing rate. The Company's incremental borrowing rate is the rate at which, within a similar period and on the basis of a similar guarantee, the Company would pay for the borrowing of assets necessary for the acquisition of assets whose value is similar to the value of right-of-use assets in a similar economic environment, under comparable terms and conditions.

At the date of initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be paid by the lessee on the basis of guarantees for the rest of the value
- the price of the exercise of the purchase option if it is certain that the lessee will use this option and
- payment of penalties for termination of the lease if the lease period reflects that the lessee will use the possibility of termination of the lease.

After the initial measurement, the lease liability increases to reflect interest on lease liabilities and decreases to reflect the lease payments made. The lease liability is subsequently measured when there is a change in future lease payments arising from a change in the index or rate, or when there is a change in the estimate of the term of any lease.

c/ Property, plant and equipment

Buildings used in the production or delivery of goods or services, or for administrative purposes, are disclosed at cost in the statement of financial position (balance sheet), while lands are disclosed in revalued amounts, which represent their fair value at the revaluation date minus accumulated impairment losses. Revaluation is carried out regularly (every 3-5 years) so that the carrying amounts do not differ significantly from the amounts that would be determined using fair value at the end of the reporting period. The last revaluation of land was carried out in 2024 on the basis of an assessment of the fair value of land by an independent certified appraiser (note 4.2, 18).

Any increase arising from the revaluation of land is reported as part of other comprehensive income, except to the extent that it nullifies the decrease resulting from the revaluation of the same asset previously recognised in profit or loss, in which case the increase is approved in profit or loss up to the amount of the previously reported decrease. The decrease in the carrying amount arising from the revaluation of land and buildings is charged to profit or loss up to the amount of the difference above the balance in the revaluation reserve related to the previous revaluation of the same asset.

Real estate under construction intended for production, delivery or for administrative or unspecified purposes is reported at the cost of procurement minus recognised impairment losses. The procurement cost includes the cost of fees for professional services and, in the case of qualifying assets, the cost of borrowing capitalised in accordance with the Group's accounting policy. The depreciation of real estate under construction, which is calculated on the same basis as for other real estate, begins when the asset is ready for its intended use.

The land owned is not depreciated. Installations and equipment are reported at the cost of procurement minus value adjustment and accumulated impairment losses.

The depreciation is calculated in such a way that the purchase or estimated value of assets, except for land owned and real estate under construction, is written off over the estimated life of use using the straight-line method. The estimated useful life, residual value and depreciation method are reviewed at the end of each year, with the effects of any changes in estimates calculated prospectively. The property held on the basis of a financial lease is depreciated over the expected life of use on the same basis as the property owned or during the period of the lease in question, if it is shorter.

The profit or loss from the sale or disposal of the item of property, plant and equipment is determined as the difference between the inflows generated by the sale and the carrying amount of the subject asset recognised in profit or loss.

Property, plant and equipment are depreciated using the straight-line method over an estimated life of 4 to 80 years (rates from 1.25% to 25% per year), as follows:

3/ BASIC ACCOUNTING POLICIES / CONTINUED

c/ Property, plant and equipment / continued

	2024	2023
Buildings	20-80 years	20-80 years
<i>Business facilities made of concrete and stone</i>	<i>60-80 years</i>	<i>60-80 years</i>
<i>Business facilities of bricks and other materials</i>	<i>40-60 years</i>	<i>40-60 years</i>
<i>Other buildings</i>	<i>20-40 years</i>	<i>20-40 years</i>
Trucks and other construction machinery	10-20 years	10-20 years
Vehicles and means of transport	4-10 years	4-10 years
Plant and equipment	4-10 years	4-10 years
Office equipment	4-5 years	4-5 years

Assets under construction include costs directly related to the procurement or construction of fixed assets, increased by the appropriate amount of the variable and fixed part of the general costs incurred during the procurement or construction. The depreciation of assets in preparation begins when they are ready for use. Costs incurred by replacing the main parts of the Group's plants, which increase their production capacity or significantly extend their service life, are capitalised. Costs of maintenance, replacement or partial replacement are recognised as expenses in the period when they were incurred.

Impairment of tangible and intangible assets

At each reporting date, the Group checks the carrying amounts of its tangible and intangible assets to determine whether there are indications that losses due to impairment of these assets have occurred. If there are such indications, the recoverable amount of the asset is estimated in order to determine the possible loss incurred by impairment.

The recoverable amount is the larger amount by comparing the net sales price or the value of the assets in use. For the purposes of valuation in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market valuation of the time value of money and the risks specific to that asset, for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than the carrying amount, the carrying amount of that asset (cash-generating unit) is reduced to the recoverable amount. Impairment losses are recognised immediately as an expense, unless the asset is land or a building that is not used as investment property, i.e. investment in real estate reported in the revalued amount. In this case, the impairment loss is shown as a decrease in the value incurred by the revaluation of the asset.

In the subsequent reversal of impairment loss, the carrying amount of the asset (cash-generating unit) is increased to the revised estimated recoverable amount of that asset, whereby the higher carrying amount does not exceed the carrying amount that would have been determined if in previous years there were no recognised losses on that asset (cash-generating unit) due to impairment. The reversal of the impairment loss is immediately recognised as income, unless the asset in question is reported at the estimated value, in which case the reversal of the impairment loss is reported as an increase due to revaluation.

(i) Non-current assets held for sale

Non-current assets and groups of assets for disposal are classified in the statement of financial position as "held for sale" if it is very likely that their carrying amount will be primarily compensated for by sales in the period of 12 months after the reporting date, rather than by continuous use. Non-current assets that are disclosed as intended for sale in the consolidated statement of financial position of the current period are not reclassified in the consolidated statement of financial position in the comparative period. Property, plant and equipment that are intended for sale or a group of assets for disposal in their entirety, are generally measured at the carrying amount or fair value minus costs of sale or disposal, whichever is lower. Property, plant and equipment intended for sale are not depreciated.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

d/ Investment property

Investment property is real estate held by the Group for the purpose of increasing its market value or for renting. Investment property is initially measured at cost, except in the case of transfers from real estate used by the Group. After initial recognition, investment property is valued at fair value. Gains and losses due to changes in the fair value of investment property are included in the profit and loss of the period in which they were incurred.

For transfers from investment property to real estate used by the Group, the fair value at the transfer date will be an expense for the purposes of IAS 16. For the transfer of real estate used by the Group to investment property, IAS 16 will apply until the date of change in its purpose, when the difference between the carrying amount determined in accordance with IAS 16 and its fair value will be recognised as a revaluation reserve in accordance with IAS 16.

Investment property is derecognised, i.e. it is de recognised by sale or permanent decommissioning, as well as when future economic benefits are not expected from its disposal. Any profit, i.e. any loss incurred by derecognising the property, and is determined as the difference between the net inflows generated by the sale and the net carrying amount of the property in question, is included in the profit and loss of the period in which the property was derecognised.

During 2024, fair valuation of investment property was carried out on the basis of an estimate by a qualified appraiser authorised to assess the value of real estate, whereby gains in the net amount of EUR 15,798 thousand were determined (2023: EUR 8,752 thousand) due to changes in fair value included in the profit and loss account (note 19).

e/ Financial assets

The Group recognises financial assets in its financial statements when it becomes a party to the contractual provisions of the instrument. Depending on the business model for asset management and the contractual characteristics of cash flows of financial assets, the Group measures financial assets at depreciated cost, fair value through other comprehensive profit or fair value through profit and loss.

The Group classifies assets as shown below:

Description	Classification / measurement
Non-current assets	
Financial assets through other comprehensive income	Equity instruments / fair value through other comprehensive income
Financial assets through profit and loss account	Fair value through profit and loss account
Loans granted and deposits given	Holding for collection / depreciated cost
Non-current receivables	Holding for collection / depreciated cost
Current assets	
Cash and cash equivalents	Holding for collection / depreciated cost
Trade receivables and other receivables	Holding for collection / depreciated cost
Loans granted and deposits given and other financial assets given	Holding for collection / depreciated cost

Financial assets at fair value through profit and loss account

This category includes financial assets held for trading. The Group's business models reflect the way the Group manages assets, with the aim of generating cash flows.

Financial assets through other comprehensive income

Initial recognition

The Group recognises a financial asset or liability when and only when it becomes a party to the contractual provisions of the instrument.

The Group initially recognises financial assets at fair value increased by transaction costs directly attributable to the acquisition or issuance of financial assets.

Subsequent measurement

After initial recognition, the Group measures financial assets at fair value through other comprehensive income.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

e/ Financial assets / continued

Loans granted and deposits given

The loans granted by the Group are held within a business model aimed at holding financial assets in order to collect contractual cash flows. The contractual terms on a given date generate cash flows that represent only payments of principal and interest. In this case, the principal is the fair value of the assets at initial recognition. Based on the above, the loans granted were measured at depreciated cost.

Measurement at depreciated cost implies the following:

Interest income is calculated using the effective interest rate, and it is applied to the gross book value of the assets when calculating it.

Trade receivables

Trade receivables that do not have a significant financial component at initial recognition were measured in accordance with IFRS 15 at their transaction price.

Impairment

The Group recognises impairments of financial assets on the basis of expected credit losses. At each reporting date, the Group measures expected credit losses and recognises them in the financial statements.

Expected credit losses from financial instruments are measured in a way that reflects:

- *An unbiased and weighted amount of probability determined by assessing the range of possible outcomes,*
- *Time value of money,*
- *Reasonable and acceptable data on past events, current conditions and predictions of future economic conditions.*

Regarding trade receivables, the Group applies the simplified approach of IFRS 9 to measure expected credit losses by using expected provisions for credit losses of trade receivables.

To measure the expected credit losses of trade receivables, the Group grouped customers into certain groups and determined potential future losses by analysing the age structure and historical data.

Derecognition of financial assets

The Group ceases to recognise financial assets when;

- They point out contractual rights to cash flows from financial assets,
- It transfers financial assets and in doing so, the transfer meets the conditions for derecognition.

The Group transfers financial assets if, and only if, or:

- (a) transfers contractual rights to receive cash flows from financial assets, or
- (b) retains contractual rights to receive cash flows from financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients in the arrangement.

When the Group transfers financial assets, it is obliged to assess the extent to which it retains the risks and benefits of ownership of financial assets. In this case, when all risks and benefits of ownership are transferred, the Group ceases to recognise financial assets and recognises separately as assets or liabilities all rights and liabilities arising or retained under the transfer.

If almost all the risks and benefits of owning financial assets are retained, the Group continues to recognise financial assets.

If the Group neither transfers nor retains almost all the risks and benefits of ownership of financial assets, the Group determines whether control over financial assets is retained. If control over financial assets is not retained, the Group ceases to recognise financial assets and recognises separately as assets or liabilities all rights and liabilities arising or retained under the transfer.

If control is retained, the Group continues to recognise financial assets to the extent that it continues to participate in those financial assets.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

f/ Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, interest rate swaps to hedge interest rate risk. Such derivative financial instruments are initially recognised at fair value at the date of conclusion of the derivative contract and are subsequently remeasured at fair value. Derivatives are reported as financial assets if the fair value is positive, and as financial liabilities if the fair value is negative.

For hedge accounting purposes, hedges are classified as cash flow hedges when the exposure to cash flow variability attributable to a particular risk associated with a recognised liability (loan) is hedged.

At the beginning of the hedge relationship, the Group formally determines and documents the hedge relationship to which it wants to apply hedge accounting and the goal of risk management and the strategy for taking hedge.

The documentation includes the identification of the hedging instrument, the hedged items, the nature of the risk to be hedged and how the Group will assess whether the hedging relationship meets the requirements of hedge effectiveness (including an analysis of the source of hedge inefficiency and how the hedge ratio is determined). The hedge ratio meets the requirements for hedge accounting if it meets all of the following efficiency requirements:

- There is an "economic relationship" between the protected item and the hedging instrument.
- The effect of credit risk does not "dominate changes in value" arising from this economic relationship.
- The hedging ratio of the hedging relationship is the same as that arising from the amount of the hedged item that the Group actually protects and the amount of the hedging instrument that the Group actually uses to protect that amount of the hedged item.

The hedges that meet all of the above criteria for hedge accounting are calculated in such a way that the effective part of the profit or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any inefficient part is immediately recognised in profit and loss account. The cash flow hedge reserve is matched by a lower cumulative profit or loss on the hedging instrument and a cumulative change in the fair value of the hedged item.

If the cash flow hedge accounting is discontinued, the amount accumulated in other comprehensive income must remain in the accumulated if future cash flows are still expected to be hedged. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After the interruption, when the hedged cash flow appears, any remaining amount in the accumulated other comprehensive income must be calculated depending on the nature of the underlying transaction as described above.

g/ Cash and cash equivalents

The cash consists of money in the bank and in the cash register. Cash equivalents include sight deposits and fixed-term deposits with a maturity of up to three months.

h/ Inventories

Inventories contain spare parts, material, production and finished products, and are expressed at a lower value determined by comparing the average weighted price minus the value adjustment of obsolete and excessive inventories, and the net expected sales value. The Management Board makes an adjustment to the value of inventories on the basis of an overview of the total age structure of inventories, and on the basis of an overview of significant, individual amounts included in inventories. Inventories of unfinished production and finished products are stated in the business books at the production price, if it is lower than the net sales price.

i/ Foreign currencies

Non-monetary items stated at fair value in foreign currency are recalculated using the exchange rates valid on the date of assessment of fair value. Non-monetary items expressed in foreign currency in the amount of the historical cost are not recalculated.

Exchange differences arising from the settlement of monetary items and their recalculation are stated in the consolidated statement of comprehensive income. Exchange differences arising from the conversion of non-monetary assets stated at fair value are stated in the consolidated statement of comprehensive income of the period, except for exchange differences arising from the recalculation of non-monetary assets available for sale, in which losses and gains are recognised directly into equity. In this category of non-monetary items, any gain, i.e. any loss incurred by recalculation, is also recognised directly into the equity.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

j/ Severance pay, year of service awards and solidarity aid

In the case of defined benefit plans, the costs of benefits are determined by the method of the projected credit unit on the basis of an actuarial assessment carried out on each reporting day. Gains and losses incurred by the actuarial assessment are recognised in the period in which they were incurred.

The cost of past work is recognised immediately to the extent that the rights to benefits have already been acquired. Otherwise, it is depreciated proportionally over a certain period until the moment of acquiring the right to benefits.

The Group gives employees a one-time reward for long-term employment (years of service awards), solidarity aids (in the event of the death of the employee, the death of a member of the immediate family of the employee, the occurrence of disability, the procurement of medical devices, for the birth of a child, for sick leave longer than 90 days, etc.) and a retirement benefit. Benefit obligations and costs are determined using the projection unit credit method. Projection unit credit method takes each period of employment as the exercise of the right to an additional unit of compensation and measures each unit separately in order to calculate the final obligation.

The benefit obligation is measured at the present value of future cash flows using a discount rate similar to the interest rate on government bonds issued in currency and for a period corresponding to the currency and estimated duration of the benefit liability.

k/ Corporate income tax

Tax expense is the aggregate amount of current tax liability and deferred taxes.

Current taxes

Current tax liabilities are based on taxable income for the year. Taxable income is different from the net income of the period stated in the consolidated profit and loss account because it does not include items of income and expenses that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. Current tax liabilities of the Group are calculated by applying the tax rates in force, i.e. in the process of adoption on the reporting date.

Deferred taxes

Deferred tax is the amount expected to result in a liability or return based on the difference between the carrying amount of assets and liabilities in the consolidated financial statements and the associated tax base used to calculate taxable income and is calculated using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is likely that there will be taxable profit available on the basis of which it is possible to take advantage of the deductible temporary differences.

Deferred tax liabilities and tax assets are not recognised by temporary differences arising from goodwill or the initial recognition of other assets and liabilities, except for business combinations, in transactions that affect neither tax nor accounting profit. Deferred tax liabilities are recognised on the basis of taxable temporary differences arising from investments in affiliates and associates, or shares in joint ventures, unless the Group is unable to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in due time. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer likely that a sufficient amount of taxable profit will be available for the return of all or part of the tax assets. Deferred tax is calculated at tax rates expected to be applicable in the period in which the liability will be settled or the asset realised, based on the tax laws in force or in the process of adoption by the reporting date. Calculation of deferred tax liabilities and assets maintains the amount expected to result in a liability or return, at the reporting date. Deferred tax assets and liabilities are offset if there is a legal right to cover current tax liabilities with current tax assets and when they relate to tax revenues determined by the same tax administration, and the Group intends to align its current tax assets with tax liabilities.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

k/ Corporate income tax / continued

Current and deferred tax for the period

Deferred tax is charged or credited to the consolidated profit and loss account, unless it relates to items that are credited or debited directly to equity, in which case the deferred tax is also reported within equity or when the tax results from the initial management of the account in the event of a business combination.

l/ Provisions

Provisions are recognised if the Group has a present legal or derivative liability as a result of a past event, if it is likely that an outflow of resources will be required to settle the liability and if the amount of the liability can be reliably estimated. Where there are a number of similar liabilities, the likelihood that an outflow of resources will be required to settle them is determined by considering them as a whole. Employee benefit provisions and restoration of natural resources are measured at the present value of expenditures expected to be required to settle the liability, using a pre-tax discount rate that reflects current market estimates of the time value of money as well as risks specific to the said liability. The effect of the increase in provisions, as a reflection of the passage of time, is reported within interest expense.

m/ Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or manufacture of a qualifying asset, which is an asset that necessarily requires significant time to be ready for its intended use or sale, are added to the cost of the said asset until the asset is largely ready for its intended use or sale.

Revenues from investments earned by temporarily investing earmarked loan funds during their spending for a qualifying asset are deducted from the borrowing costs that can be capitalised.

All other borrowing costs are recognised in the net profit or loss of the period in which they were incurred.

Short-term loans and supplier loans are presented at the amount originally borrowed minus repayments. Interest expense is charged to the profit and loss account in the period to which the interest relates.

n/ Financial liabilities and equity instruments issued by the Group

Classification into liabilities or equity

Debt and equity instruments are classified either as financial liabilities or as equity, in accordance with the essence of the contractual agreement.

Equity instruments

The equity instrument is a contract that provides evidence of the rest of the entity's share in the assets after the seizure of all its liabilities. Equity instruments issued by the Group are recorded in the amount of realised revenues, minus direct issuance costs.

Liabilities under the financial guarantee contract

Liabilities under financial guarantee contracts are initially measured at fair value and later in a larger amount by comparing:

- the amount of the contract liability as determined in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and
- initially recognised amount reduced, if applicable, by the cumulative depreciation and amortisation recognised in accordance with revenue recognition policies.

Financial liabilities

Financial liabilities are classified either as financial liabilities at fair value through profit and loss account or as other financial liabilities.

Financial liabilities at fair value through the presentation of changes in fair value through profit and loss account. Financial liabilities are classified into the category of liabilities at fair value through profit and loss account if they are held for trading or are designated for such disclosure.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

n/ Financial liabilities and equity instruments issued by the Group/ continued

A financial liability is classified as a trading liability if:

- it was created primarily for the purpose of repurchase in the near future, or is an integral part of the established portfolio of financial instruments managed jointly by the Group and if it has recently reflected the pattern of short-term profit making, or
- is a derivative that is not designated or effective as a hedging instrument.

After initial recognition, financial liabilities that are not intended for trading may be determined for presentation at fair value with the presentation of changes in fair value through the statement of comprehensive income:

- if such determination annuls or significantly reduces the inconsistency in measurement or recognition that would otherwise occur or
- if the financial liability is part of a group of financial assets or financial liabilities or both, which is managed and whose results are estimated on a fair value basis, in accordance with the documented policy of the Risk Management Group or its investment strategy and if the internal information on the grouping is presented on that basis or
- if an integral part of the contract containing one or more embedded derivatives

Financial liabilities at fair value, in which changes in fair value are presented through the profit and loss account, whereby any profit or any loss is recognised in the profit and loss account

Net income or loss recognised in the profit and loss account also includes interest paid on the financial liability. The fair value is determined in the manner described in note 41 to the financial statements - Financial instruments.

Other financial liabilities

Other financial liabilities, including liabilities under loans and borrowings, are initially measured at fair value minus transaction costs.

Other financial liabilities are later measured at depreciated cost using the effective interest method, with interest expense recognised on the basis of effective return.

The effective interest method is the method by which the depreciated cost of a financial liability is calculated and interest expense is allocated over the relevant period. The effective interest rate is the rate at which estimated future cash outflows are discounted over the expected life of the financial liability or a shorter period, if applicable.

Derecognition of financial liabilities

The Group ceases to recognise financial liabilities then, and only when the Group's liabilities are settled, cancelled or expired.

o/ Reporting on operating segments

In accordance with IFRS 8, the Group determined operating segments according to internal reports on the constituent parts of the Group, which are regularly reviewed by the main executive decision maker in order to allocate resources to segments and assess the performance of their business. Details of operating segments are disclosed in note 7 to consolidated financial statements.

In particular, the Group monitors and presents the business results of the Group's basic operating segments. Segments of activity represent the basis on which the Group reports on its primary segment. Certain financial information by operating areas is presented in note 7 to consolidated financial statements.

p/ Contingent liabilities and assets

Contingent liabilities are not recognised in consolidated financial statements. They are disclosed, unless the likelihood of outflows of accompanying economic benefits is small. Potential assets are not recognised in consolidated financial statements, but are disclosed when the inflow of economic benefits is probable.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

q/ Recognition of revenue

Contracts with customers

In accordance with IFRS 15 adopted on 1 January 2018 regarding the recognition of contracts with customers, the Group applies the five-step model:

- 1) Identifying the contract with the customer
- 2) Identifying the performance obligations in the contract
- 3) Determining the transaction price
- 4) Allocating the transaction price to the performance obligations in the contract
- 5) Recognition of revenue when (or how) the entity meets the delivery obligation

Revenues are recognised for each separate performance obligation in the contract in the amount of the transaction price. The transaction price is the amount of fees in the contract to which the Group expects to be entitled in exchange for the transfer of the promised goods or services of the customer.

Revenues are reported in amounts reduced by returns, discounts, bonuses and premiums, as well as taxes directly related to the sale of products and services performed.

The operations of the Group, as well as the generation of revenues, are subject to several laws, the most significant of which are:

- Utilities Management Act
- Act on Local and Regional Self-Government
- Waste Act
- Institutions Act
- Water Act
- Cemeteries Act
- Buildings Maintenance Act
- Free Zones Act

Based on the above, revenues are recognised as follows:

- revenues from cleanliness maintenance and waste disposal include revenues from cleaning and waste disposal services provided to customers according to the applicable price list for the City of Zagreb, which are calculated according to the services provided to citizens and entrepreneurs;
- revenues from the management and maintenance of public roads are recognised in the amount of % of the completed services and works in accordance with the concluded contracts with customers;
- revenues from the sale of apartments are recognised at the time when a significant risk and benefit from ownership is transferred to the buyer. During the construction of apartments, revenues and construction costs are recognised in accordance with IFRS 15
- revenues from warehousing and lease services are recognised in accordance with IFRS 16 evenly in income on the basis of the straight-line method during the lease period.
- revenues based on contracts on time and material spent are recognised at the agreed unit prices for hours spent, i.e. direct costs incurred.
- revenues from grave fees are recognised according to the calculation of service users according to the applicable price list
- revenues from the travel agency are seasonal in nature and are recognised upon the performance of the service
- revenues from gas distribution are recognised at the time when the buyer gains control of the product, i.e. when the gas is delivered to the buyer.
- Revenues from water services of public water supply, public drainage and municipal wastewater treatment include constant monthly fees increased by actual consumption based on consumption estimates, increased by actual consumption based on readings or estimates, and revenues from connection and installation of water meters.
- the revenue arising from the payment of the network connection fee is related to the future network use contract and the water supply contract and is systematically distributed over the useful life of the built asset or the transferred asset used to provide the permanent service, and the compensation received from customers for the connection is recorded as deferred income and is recognised as income for the period at the same time as the depreciation and amortisation of the asset (connections) to which it relates

3/ BASIC ACCOUNTING POLICIES / CONTINUED

q/ Recognition of revenue / continued

Construction contracts

Revenue from contracts consists of the initial amount agreed in the contract increased by deviations of the contracted works, lawsuits and additional incentives up to the amount when it is likely to result in revenue and that they can be measured with certainty. At the time when the outcome of the construction contract can be estimated with certainty, the income is recognised within the profit or loss based on the completion of the performance obligation over time. Costs are also recognised within profit or loss based on the completion of the performance obligation over time. Completion of the performance obligation is estimated based on the measurement of the stage of completion of works. When completion of the performance obligation cannot be measured reliably, revenue from the contract is recognised only if it is probable that the costs of the contract will be reimbursed. Expected loss from the contract is immediately shown within profit and loss.

Concession agreements

Revenues related to the construction or improvement of the service within the concession agreement are recognised in accordance with the performance of the performance obligation over time, in accordance with the Group's accounting policy on construction contracts. Revenue from management is recognised in the period when the services were provided by the Group.

Revenue from government grants includes:

- grants related to assets, including non-monetary grants at fair value, are presented in the consolidated statement of financial position (balance sheet) as deferred income. In the consolidated profit and loss statement, they are recognised as revenue over the period of use and they must be matched with the related (amortisation) costs on a systematic basis,
- grants received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as revenue for the period in which it becomes receivable.

Government grants are not recognised, unless there is a real guarantee that the Group will meet the conditions for government grants and that the grant will be received.

Government grants in which the basic condition for the Group to acquire, build or otherwise acquire fixed assets is recognised in the consolidated statement of financial position (balance sheet) as revenues of future periods and transferred to profit or loss systematically and rationally over the useful life of the asset in question.

Other government grants are systematically recognised as revenue for as many periods as necessary to face the costs for which they are intended to cover. Receivables based on government grants based on the reimbursement of already incurred costs or losses or in order to provide immediate financial support of the Group without future related costs are recognised in the profit or loss of the period in which the receivable arises from them.

Financial revenues

Revenue from interest is recognised on a time-proportional basis, so that the actual return on the asset is taken into account in the calculation.

Dividend income is recognised when the right to dividend payment is established.

r/ Leases

Group as the lessor

Receivables from financial leases are recorded as receivables in the amount of the Group's net investment in the lease. Revenue from financial leases is allocated to accounting periods in order to maintain a constant periodic rate of return on the Group's open balance of net investments based on leases.

Operating lease income is recognised in a straight-line basis during the lease period. The initial direct costs incurred in the phase of negotiating and contracting the terms of the operating lease are attributed to the carrying amount of the subject of the lease and are recognised in a straight line during the lease period.

Group as the lessee

As stated in note 2(c), the Group has changed its accounting policy for operating lease agreements in which the Group is the lessee. The new policy is described below.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

r/ Leases / continued

When concluding a contract, the Group determines whether it is or contains a lease. It is a lease contract or a contract containing a lease if it transfers the right to control the use of the identified property for a certain period of time in exchange for compensation.

The Group recognises right-of-use assets and the corresponding lease liability in relation to all arrangements in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the leases as an operating cost in a straight line, for the duration of the lease agreement, unless a more applicable second basis more correctly represents the period in which the Group obtains economic benefits from the leased asset.

Lease agreements are usually concluded for a fixed period of 3 to 5 years, but may also have the possibility of extension as described below. Lease agreements may also contain components of the lease and components that are not related to the lease. For a contract that is a lease contract or that contains a lease, the Group accounts for each component related to the lease under the contract as a lease separately from the components of the contract that do not relate to the lease. Lease agreements do not impose any contractual conditions other than security interests in the property that is the subject of the lease. The assets in the lease cannot be used as a means of guarantee for borrowings.

Assets and liabilities arising from the lease are initially measured on the basis of present value. Liabilities from leases include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments based on an index or rate, initially measured at the index or rate applicable on the lease start date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of the purchase option if it is reasonably certain that the Group will use the option
- payment of penalties for termination of the lease, if the terms of the lease are reflected in the use of the termination option.

The lease liability is disclosed in a separate position in the statement of financial position. The lease liabilities are subsequently measured by increasing the carrying amount, which reflects the interest on the lease liabilities (using the effective interest method), and reducing the carrying amount, which reflects the payments made to the lease.

Lease payments made under reasonably determined extension options are also included in the measurement of the liability. Lease payments are discounted using the interest rate implied in the lease agreement. If this rate cannot be determined, which is generally the case for Group leases, the incremental borrowing rate of the lessee is used, which is the rate that the lessee would pay to borrow the funds necessary to purchase assets of similar value in relation to right-of-use assets, in a similar economic environment with a similar situation, insurance and conditions. The weighted average marginal borrowing rate applied by the Group to lease liabilities was 5.1%.

The right-of-use assets are initially recognised in the amount equal to the amount of the initial measurement of the lease liability, plus any lease payments made before or on the start date of the lease, and minus the received lease incentives and initial direct costs.

Right-of-use assets are usually depreciated on a straight-line basis over the shorter of the useful life of the underlying asset and the lease term. When it is reasonably certain that the Group will exercise an option to purchase the asset, the asset is depreciated over its useful life.

Until 31 December 2018, the leases of property, plant and equipment in which the Group as a lessee bears all the risks and benefits of ownership were classified as financial leases.

Leases in which the Group as a lessee does not bear a significant share of the risks and benefits of ownership were classified as operating leases. Payments on the basis of operating leases (reduced by any incentives received from the lessor) were shown in the profit and loss account according to the straight-line method during the lease period. Income from operating leases in which the Group is a lessor is recognised in the profit and loss account in a straight line during the lease period. The initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the property in question and recognised as a cost during the lease period on the same basis as the lease income. The leased assets in question are included in the Group's balance sheet based on their nature.

3/ BASIC ACCOUNTING POLICIES / CONTINUED

s/ Concession agreements

A feature of these service agreements is the public nature of the services, the provision of which is assumed by the user as an obligation. It is public policy to provide services related to this infrastructure to the public, regardless of the identity of the party providing them. The service agreement contractually obliges the user to provide services to the public on behalf of the public sector entity. Other common features are:

- the party offering the service agreement (concessionaire) is a public sector entity, including government bodies, or a private sector entity to which responsibility for the given service has been transferred.
- the user is responsible for at least part of the management of the infrastructure and related services and does not act exclusively as a representative of the concession grantor.
- the user is obliged to hand over the infrastructure to the concessionaire at the end of the agreement, in a certain condition, for a symbolic fee or without it, regardless of which party initially financed it.

Revenue is recognised under IFRS 15 – Contracts with customers. The costs of each individual activity (construction, maintenance and management, and renewal) are recognised in expenditure according to the degree of completion of each activity. Contract revenue is recognised at the same time.

The Company recognises the rights acquired in the contract as financial assets.

t/ Comparative amounts

If necessary, the comparative information is reclassified to be in accordance with the presentation of the current year (note 5).

4/ USE OF ESTIMATES AND JUDGMENTS IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUE

4.1 Key judgments in the application of accounting policies

When applying the Group's accounting policies, management should make judgments, estimates and make assumptions about the carrying amounts of assets and liabilities that are not visible from other sources. Estimates and related assumptions are based on experience in previous periods and other relevant factors. Actual results may differ from estimates. Estimates and assumptions on the basis of which the estimates were made are continuously reviewed. Changes in accounting estimates are recognised in the period of revision of the estimate if the change affects only that period or in the period of revision of the estimate and in future periods if the change affects both current and future periods.

For the purpose of financial reporting, the Group measures some of its assets and some of its liabilities at fair value.

In estimating the fair value of the asset or liability, the group uses market data if available. If level 1 input data is not available, the Group engages independent certified appraisers,

The Group cooperates with external certified appraisers in determining valuation methods and variables that enter the fair value model.

Useful life of property, plant and equipment and intangible assets

Determining the useful life of assets is based on historical experience with similar assets, as well as projected changes in the economic environment and industry-specific factors. The estimated useful life is reviewed annually or whenever there are indications of significant changes in the underlying assumptions. We believe that this is an important accounting estimate given the significant share of assets that are depreciated in total assets, and the impact of significant changes in these assumptions could be a material effect on the financial position and results of the Group's operations.

Impairment of non-current assets

Impairment is reported in the consolidated financial statements of the Group in the event that the net book value of the asset or cash-generating unit exceeds its recoverable amount or its fair value minus costs of sale or value in use, whichever is greater. The calculation of the fair value minus the costs of sale is carried out on the basis of the available data from the related sales transactions at the usual market conditions of similar assets or visible market prices minus the additional costs of disposal of assets.

Calculation of values in use is based on the discounted cash flow model. The most significant assumptions for determining cash flow are discounted rates, forward values, time for which cash flow projections are made, as well as assumptions and judgments used to determine cash receipts and expenditures.

Availability of taxable income for which deferred tax assets can be recognised

Deferred tax assets are recognised for all unused tax losses to the extent that it is possible that future profits will be available for use. Significant judgments are required in determining the amount of deferred tax assets that can be recognised, based on the probable calculation of time and the level of future taxable profit together with the future planned tax strategy. During 2023 and 2024, deferred tax assets were recognised by available tax differences. The carrying amount of deferred tax assets is presented in note 17 to consolidated financial statements, based on the probable calculation of time and the level of future taxable profit together with the future planned tax strategy.

Actuarial estimates used to calculate employee remuneration and benefits

The cost of defined planned benefits was determined using independent actuarial estimates. Actuarial estimates include determining assumptions about discounted rates, future increases in income and mortality, or the rate of fluctuation. Due to the long-term nature of these plans, these estimates are subject to uncertainty. Provisions for employee remuneration and benefits amount to EUR 15,493 thousand as at 31 December 2024 (as at 31 December 2023: EUR 13,545 thousand) (note 39).

4/ USE OF ESTIMATES AND JUDGMENTS IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUE / CONTINUED**4.1 Key judgments in the application of accounting policies / continued****Goodwill calculation**

The Group conducts annual checks of Goodwill due to impairment in accordance with IAS 36. For the purpose of impairment testing, Goodwill is allocated to the affiliated company Gradska plinara Bjelovar d.o.o., and its net book value as at the reporting date is as follows:

000 EUR	2024	2023
Gradska plinara Bjelovar d.o.o.	216	216

The recoverable value of the cash generation unit is determined by calculations of value in use or fair value that are based on cash flow projections based on financial plans approved by the Management Board and covering a five-year period. The valuation was carried out by an independent appraiser.

The calculation of recoverable value also implies the terminal value of future cash flows after a five-year period of EUR 3,612 thousand.

Cash flows created from such plans are discounted using a discount rate after tax that reflects the risk of the asset in question, which for the purpose of the impairment test of Goodwill is equal to the weighted average cost of capital and amounts to 7.57%.

At the first valuation, the company determined the value of goodwill in the amount of EUR 1,567 thousand, and carried out the impairment costs of Goodwill in 2019 in the amount of EUR 1,351 thousand as a result of the conducted impairment test of Goodwill. The rest of the value of goodwill in the amount of EUR 216 thousand (shown in note 21) remained at the same level during the new testing in 2024.

Consequences of certain litigations

The Company and its affiliates are parties to numerous litigations and proceedings arising in the ordinary course of business. The management uses the assessment when the most likely consequences of these activities are assessed and the provisions are recognised on a consistent basis (note 31).

4/ USE OF ESTIMATES AND JUDGMENTS IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUE / CONTINUED

4.2 Fair value measurement and valuation process

The Group has an established system of controls within the framework of fair value measurement, which implies the entire responsibility of the Management Board related to the supervision of all significant fair value measurements, consultation with external experts and, in the context of the above, reporting on the same to the bodies in charge of management. Fair values are measured in relation to information collected from third parties in which case the Management assesses the extent to which the evidence collected from third parties ensures that these fair value estimates meet the requirements of IFRS, including the level from the fair value hierarchy in which these estimates should be classified.

Fair values are categorised into different levels in the fair value hierarchy based on the input variables used in valuation methods as follows:

- Level 1 - quoted prices (uncorrected) in active markets for identical assets or liabilities.
- Level 2 - input variables that do not represent quoted prices included in level 1, which are input variables for assets or liabilities that are visible either directly (e.g. as prices) or indirectly (e.g. derived from prices).
- Level 3 - input variables for assets or liabilities that are not based on visible market data (input variables that are not visible).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is considered active if quoted prices are known on the basis of the stock exchange, the activity of a broker, an industry group or a regulatory agency, and these prices represent actual and regular market transactions under normal trading conditions.

The fair value of financial instruments that are not traded in an active market is determined using valuation methods. These valuation methods require the maximum use of visible market data where possible, and rely as little as possible on entity-specific valuations. If all significant input variables necessary for fair valuation are visible, the fair value assessment is categorised as level 2.

If one or more significant input variables are not based on visible market data, the fair value assessment is categorised as level 3.

For the purpose of financial reporting, the Group measures some of its assets at fair value. In estimating the fair value of the asset or liability, the group uses market data if available. If level 1 input data is not available, the Group engages independent certified appraisers. The Group coordinates the valuation process and closely cooperates with independent certified appraisers in determining valuation methods and variables that enter the fair value model.

The Group has made the following significant estimates of fair value in the framework of the preparation of financial statements, which are explained in more detail in the following notes:

Fair value assessment for lands that are subsequently measured using the revaluation method in accordance with IAS 16

Land owned by the Group that is subsequently valued by the revaluation method in accordance with IAS 16, is reported in revalued amounts that represent their fair value at the revaluation date, minus accumulated impairment losses. Revaluation is carried out regularly (every 3 – 5 years) so that the carrying amounts are not expected to differ significantly from the amounts that would be determined using fair value at the end of the reporting period.

The last effects of revaluation were recorded in 2019 on the basis of an assessment of the fair value of land by an independent certified appraiser, which is carried out in accordance with the Act on Real Estate Valuation (OG 78/15), and the Ordinance on Real Estate Valuation Methods (OG 105/15), whereby a comparative method is used to assess land, which determines the market value from at least three purchase prices (transactions) of comparative real estate. The Act also recognises the possibility of applying other valuation methods, but if the valuation is carried out using several methods, it is not allowed to calculate the value of real estate as an average of results using several methods or by weighting the results obtained in this way, but it is necessary to determine one method as the basic method, and other methods serve to support and check the results.

However, IFRS 13 *Fair Value Measurement* requires that when measuring the fair value of a non-financial asset, consideration is given to whether market participants can achieve economic benefits by maximising and optimising the use of the asset or by selling it to another market participant that could maximise and optimally use it, which implies physically possible use (physical characteristics of the asset that market participants would consider when determining the price of the asset, e.g. location or size of the property), legally permissible use (e.g. spatial planning regulations applicable to the property) and financially cost-effective use (taking into account the costs of adjusting the asset for this purpose), which is why IFRS 13 recognises that in certain cases it is appropriate to apply several valuation techniques, in which case the fair value measure is a point within the range of value,

4/ USE OF ESTIMATES AND JUDGMENTS IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUE / CONTINUED

4.2 Fair value measurement and valuation process/ continued

i.e. ordinary or weighted average of fair value obtained by applying several measurement techniques, which then best represents fair value in given circumstances. Also, for level 2 input data, IFRS 13 requires certain adjustments due to the state and location of the asset and the extent to which the input data refers to items of comparable assets, and the volume or level of activity in the markets where this input data is available.

Given the significant increase in prices on the real estate market, and the significant differences in prices of transactions at certain locations realised in the period from 2019 to the end of 2024, for which it was not possible to determine the correlation of price changes in relation to the type and size of land, and the limitations of the comparative method on the basis of which adjustments prescribed by IFRS 13 are not applied when determining comparable prices (in the form of adjustments due to the location or size of the real estate, volume or level of market activity from which the input data are taken), the Management Board estimates that the fair value of individual lands (large areas in smaller places within the Republic of Croatia) determined by the comparative method without adjustments or weighting for the application of other valuation methods does not represent the best fair value of individual real estate on 31 December 2024.

Therefore, the Management Board decided that the financial statements for 2024 will not recognise the effects of revaluation for these lands, until all analyses of the effects of adjustments required by IFRS 13 have been completed, as well as until valuations using other valuation methods have been carried out to determine the point within the appropriate fair value range.

The fair value of these lands estimated by the comparative method as at 31 December 2024 amounts to EUR 156,784 thousand. The revalued value at 2019 values amounts to EUR 46,974 thousand and represents the amount at which these lands were recognised in the financial statements as at 31 December 2024. The purchase value of these lands amounts to EUR 9,754 thousand.

In the opinion of the Management Board, the fair value of these lands is within the range of fair value estimated in 2019 and fair value estimated by the comparative method as at 31 December 2024.

Fair value assessment of investment property that are subsequently measured at fair value in accordance with IAS 40

The assessment of the fair value of investment property that is subsequently measured at fair value in accordance with IAS 40 was carried out by an independent certified appraiser, whereby the comparative method was used for business premises and land, and for the construction part of the facilities that were leased, the income method. The income method was applied in the calculation of the fair value of the construction part (real estate leased). In the income method, the income value is determined on the basis of the revenues achieved in the market (sustainable revenues). If the income relations are subject to significant deviations or significantly deviate from the revenues achieved in the market in the foreseeable future, the income value can also be determined on the basis of periodically different revenues. The income value of the built-up land includes the value of the land, the value of the building and the value of the devices. According to the fair value hierarchy, estimates using the comparative method are classified into level 2 and the income method into level 3 of fair value (note 19).

4/ USE OF ESTIMATES AND JUDGMENTS IN THE PREPARATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND FAIR VALUE / CONTINUED

4.2 Fair value measurement and valuation process/ continued

- *Non-current assets held for sale*

Fair value measurement is categorised, in accordance with the input variables used in the valuation, as level 3. The following table summarises the fair value assessment methods and techniques and the significant input variables used in the fair value assessment at the classification date:

Assessment methods and techniques	Significant input variables that are not visible
Real estate In the case of buildings and land, the income and comparison method were used	Among other factors, the estimated discount rate considers the quality of the property and its position in a similar geographical location for a comparable property type.

- *Financial assets (note 22 and 27)*

The Group applies IFRS-13, which is a single source of instructions for measuring fair value and disclosing information on fair value measures. IFRS 13 has a wide scope. The requirements related to the measurement of fair value apply to both financial instruments and non-financial instruments for which other IFRS prescribe or allow the measurement and disclosure of fair value, except for share-based payment transactions that fall within the scope of IFRS 2 "Share-based payments", lease transactions that fall within the scope of IFRS 16 "Leases" and measures that are somewhat similar to fair value but are not fair value (e.g. net sales/realisable value in the measurement of inventories or value in use in the assessment of impairment).

IFRS 13 defines fair value as the price that, under current market conditions, would be achieved by selling an asset item or paid for the transfer of a liability in an orderly transaction on the main (or most favourable) market at the measurement date. According to IFRS 13, fair value is the exit price, regardless of whether the price is directly visible or estimated by another valuation method.

5/ COMPARATIVE DATA AND RESTATEMENTS OF OPENING BALANCES

During 2024, the Group made the following adjustments pertaining to previous periods, and the Management Board is of the opinion that such adjustments contribute to a better accounting presentation of the financial statements. The Management Board considered the significance of the restatements and concluded that for the Group it is sufficient to show the impact of the restatements only in those notes effected by them. In view of the restatements of previous periods, and in accordance with the requirement of International Accounting Standard 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the Group presented in the consolidated statement of financial position the balance for the earliest presented period, i.e. 1 January 2023.

The overall effect of the above adjustments on the reported results of operations for 2022 and 2023 is shown as follows by items of the financial statements:

a) Restated previously published amounts – items of the statement of comprehensive income for 2022

	2022 previous published	Restated amount	2022 after restatements
	000 EUR	000 EUR	000 EUR
Financial revenues	16,619	1,064	17,683
Financial expenses	(28,720)	(1,064)	(29,784)
Total comprehensive income	22,399	-	22,399

b) Restated previously published amounts – items of the statement of comprehensive income for 2023

	2023 previous published	Restated amount	2023 after restatements
	000 EUR	000 EUR	000 EUR
Staff costs	(173,794)	(5,247)	(179,041)
Provisions	(15,572)	5,247	(10,325)
Financial revenues	16,839	994	17,833
Financial expenses	(37,324)	(994)	(38,318)
Total comprehensive income	16,342	-	16,342

Staff costs/ Provisions

The Group reclassified the cost of provisions for unused annual leave to an item of personnel costs, considering this a more appropriate presentation in the financial statements.

Financial revenues / Financial expenses

The Group corrected the accounting error of netting financial revenues and financial expenses in previous periods under loan agreements with banks for residential buildings and loan agreements for residential buildings.

5/ COMPARATIVE DATA AND RESTATEMENTS OF OPENING BALANCES / CONTINUED

Property, plant and equipment / Revaluation reserves / Deferred tax liability

In 2024, the assets (land and buildings) were derecognised through previous periods in order to harmonise the accounting data with the situation in the land register and the cadastre. This was presented through the reduction of Property, plant and equipment, revaluation reserves, deferred tax liability and accumulated loss to the earliest presented period in the Statement of Financial Position.

Trade receivables / Accumulated loss

With the transition from the public service of gas supply to the market supply of gas, the affiliated company Gradska plinara Zagreb Opskrba d.o.o. has adapted the policy of calculating gas consumption of customers on the advance payment system. The previous model of calculation according to which the annual consumption for more than 70% of customers was estimated was replaced by the model that for all customers on the advance payment system, consumption data were received by the distribution system operator and that consumption was calculated and invoiced to customers four times a year (on 30 March, 30 June, 30 September and 31 December).

The adjustment of the accounting policy in 2024 enabled the calculation of consumption as at 31 December 2024 to be performed exclusively on the basis of consumption obtained from the distribution system operator. This created the conditions for the recognition of revenues from previous years for the difference in consumption between the readings of the distribution system operator and the previously lower estimated consumption by the affiliated company, in such a way that the statement of financial position include the corrected amounts of trade receivables, accumulated loss and calculated amounts of future liabilities for complaints as at 1 January 2023 and 31 December 2023. As a result of the above, the statement of financial position corrected the amounts of trade receivables, accumulated loss and calculated amounts of future liabilities for complaints as at 1 January 2023 and 31 December 2023.

Liabilities for received loans and leases / Other long-term liabilities

The Group reclassified loan liabilities for residential buildings to liabilities for received loans and loans in accordance with IFRS 9 – Financial Instruments. According to the aforementioned loans, the Group has receivables for loans granted to residential buildings.

For the year ended 31 December 2024

5/ COMPARATIVE DATA AND RESTATEMENTS OF OPENING BALANCES / CONTINUED

c) Restated previously published amounts – items of the statement of financial position as at 31 December 2022

	31 December 2022 previously published	Restated amount	31 December 2022 restated
	000 EUR	000 EUR	000 EUR
NON-CURRENT ASSETS			
Property, plant and equipment	1,303,247	(37,094)	1,266,153
CURRENT ASSETS			
Trade receivables and other receivables	141,596	16,229	157,825
TOTAL ASSETS	2,054,588	(20,865)	2,033,723
NON-CURRENT LIABILITIES			
Loans and leases payable	347,981	37,335	385,316
Deferred tax liabilities	58,136	(3,755)	54,381
Other non-current liabilities	39,238	(37,335)	1,903
CURRENT LIABILITIES			
Trade payables and other liabilities	180,507	(5,228)	175,279
Loans and leases payable	27,079	6,029	33,108
TOTAL LIABILITIES	1,433,956	(2,954)	1,431,002
EQUITY			
Revaluation reserves	254,630	(17,111)	237,519
Accumulated loss	(92,754)	(800)	(93,554)
TOTAL EQUITY	620,632	(17,911)	602,721

5/ COMPARATIVE DATA AND RESTATEMENTS OF OPENING BALANCES / CONTINUED

d) Restated previously published amounts – items of the statement of financial position as at 31 December 2023

	31 December 2023	Restated	31 December 2023
	previously published	amount	restated
	000 EUR	000 EUR	000 EUR
NON-CURRENT ASSETS			
Property, plant and equipment	1,265,351	(37,094)	1,228,257
CURRENT ASSETS			
Trade receivables and other receivables	223,488	16,547	240,035
TOTAL ASSETS	2,119,900	(20,547)	2,099,353
NON-CURRENT LIABILITIES			
Loans and leases payable	292,279	30,995	323,274
Deferred tax liabilities	58,387	(3,755)	54,632
Other non-current liabilities	32,749	(30,995)	1,754
CURRENT LIABILITIES			
Trade payables and other liabilities	267,054	(4,308)	262,746
Loans and leases payable	40,745	5,427	46,172
TOTAL LIABILITIES	1,477,341	(2,636)	1,474,705
EQUITY			
Revaluation reserves	258,722	(17,111)	241,611
Accumulated loss	(77,031)	(800)	(77,831)
TOTAL EQUITY	642,559	(17,911)	624,648

6/ REVENUE FROM SALES

Breakdown by markets

	2024	2023
	000 EUR	000 EUR
Croatia	592,327	591,281
European Union	36	97
	592,363	591,378

Division of sales revenues into related parties and external customers:

	2024	2023
	000 EUR	000 EUR
Revenue from sales to related parties (note 38)	122,423	103,881
Revenue from sales to external customers	469,940	487,497
	592,363	591,378

7/ SEGMENT INFORMATION

In accordance with IFRS 8, the Group determined operating segments according to internal reports on the constituent parts of the Group, which are regularly reviewed by the main executive decision maker in order to allocate resources to segments and assess the performance of their business. The group determined operating segments on the basis of reports that are regularly reviewed by the Management Board, and uses them to make strategic decisions. The operating segments are formed according to the criteria of the activities of the subsidiaries and affiliates (note 1), where it is determined that nine activities represent the operating segments, while the tenth segment represents all other activities of the Group.

Operating segments are as follows:

- 1/ Water supply, drainage and treatment
- 2/ Cleanliness maintenance and waste disposal
- 3/ Management and maintenance of public roads
- 4/ Parking services
- 5/ Warehousing and lease services
- 6/ Landscaping and maintenance of green areas
- 7/ Construction and management of projects and facilities
- 8/ Gas supply and distribution
- 9/ Sales of medicines
- 10/ Other activities

7/ SEGMENT INFORMATION / CONTINUED

The following is an analysis of the Group's revenues and results by reporting segments that are presented in accordance with IFRS 8. Revenue from sales refers to revenues generated from sales to external customers.

	2024	2023
	000 EUR	000 EUR
Revenue from the sale and distribution of gas /i/	183,401	229,089
Revenue from water supply, drainage and treatment	68,296	60,364
Revenues from cleanliness maintenance and waste disposal/ii/	81,541	66,041
Revenue from the sale of medicines	74,819	64,427
Revenues from the management and maintenance of public roads /iii/	51,336	45,974
Revenues from construction and management of projects and facilities	17,137	25,011
Revenues from landscaping and maintenance of green areas	36,160	24,454
Revenue from parking	24,668	22,292
Revenue from warehousing and lease services	12,969	12,802
Other revenues	42,036	40,924
	592,363	591,378

Revenue from sales is recognised at the point in time when it was generated.

/i/ In the gas sales and distribution segment, sales revenues were reduced due to the loss of part of the customer portfolio for the public gas supply service category after 30 September 2024. At the same time, the Group retained a significant part of the portfolio of customers who switched from the public service to the market by concluding market contracts.

/ii/ The increase in sales revenues in the segment of cleanliness maintenance and disposal refers to the increase in revenues from the City of Zagreb.

/iii/ Revenues from the management and maintenance of public roads are higher due to the greater scope of the performed works and the management of the prices of services in accordance with the changing market conditions.

Other revenues include the following:

	2024	2023
	000 EUR	000 EUR
Revenue from funeral activities	10,727	11,361
Revenue from markets	9,113	8,908
Revenue from travel agencies	6,734	6,829
Revenue from advertising services	5,647	4,830
Revenue from bus station services	3,945	4,090
Revenue from lease of telecommunication lines and networks	3,335	3,167
Revenue from the management of the Arena Zagreb facility	2,126	1,438
Revenue from publishing activities	409	301
	42,036	40,924

7/ SEGMENT INFORMATION / CONTINUED
Revenues and results by segment for 2024

<i>000 EUR</i>	Construction and management of projects and facilities	Water supply, drainage and treatment	Cleanliness maintenance and waste disposal	Management and maintenance of public roads	Parking services	Warehousing and lease services	Landscaping and maintenance of green areas	Gas sales and distribution	Sales of medicines	Other	Elimination	Total
Revenue from sales to external customers	17,137	68,296	81,541	51,336	24,668	12,969	36,160	183,401	74,819	42,036	-	592,363
Inter-segmental sales	38,319	809	2,083	5,248	226	185	720	19,708	15	391	(67,704)	-
Total sales revenue	55,456	69,105	83,624	56,584	24,894	13,154	36,880	203,109	74,834	42,427	(67,704)	592,363
Expenses pertaining to other activities, net of other revenue from the main activity	(17,092)	(69,209)	(79,266)	(49,733)	(16,527)	(8,709)	(36,133)	(198,687)	(71,395)	(49,203)	61,449	(534,505)
Profit/(loss) from operating activities	38,364	(104)	4,358	6,851	8,367	4,445	747	4,422	3,439	(6,776)	(6,255)	57,858
Financial revenues	8,825	1,565	593	134	197	42	23	1,569	873	164	(2,840)	11,145
Financial expenses	(30,246)	(1,148)	(807)	(58)	(9)	(2)	(118)	(1,070)	(46)	(5,812)	2,316	(37,000)
Net financial result	(21,421)	417	(214)	76	188	40	(95)	499	827	(5,648)	(524)	(25,855)
Profit/(loss) before tax	16,943	313	4,144	6,927	8,555	4,485	652	4,921	4,266	(12,424)	(6,779)	32,003
Tax expense												(4,799)
Net profit												27,204

7/ SEGMENT INFORMATION / CONTINUED
Revenues and results by segment for 2023 (restated)

<i>000 EUR</i>	Construction and management of projects and facilities	Water supply, drainage and treatment	Cleanliness maintenance and waste disposal	Management and maintenance of public roads	Parking services	Warehousing and lease services	Landscaping and maintenance of green areas	Gas sales and distribution	Sales of medicines	Other	Elimination	Total
Revenue from sales to external customers	25,011	60,364	66,041	45,974	22,292	12,802	24,454	229,089	64,427	40,924	-	591,378
Inter-segmental sales	32,873	424	2,494	4,130	257	146	11,688	20,653	6	464	(73,135)	-
Total sales revenue	57,884	60,788	68,535	50,104	22,549	12,948	36,142	249,742	64,433	41,388	(73,135)	591,378
Expenses pertaining to other activities, net of other revenue from the main activity	(26,105)	(58,985)	(86,678)	(42,469)	(15,509)	(8,308)	(29,734)	(249,453)	(61,010)	(40,697)	65,491	(553,457)
Profit/(loss) from operating activities	31,779	1,803	(18,143)	7,635	7,040	4,640	6,408	289	3,423	691	(7,644)	37,921
Financial revenues	16,371	1,146	307	218	168	68	16	1,856	1,335	125	(3,777)	17,833
Financial expenses	(32,072)	(958)	(301)	(44)	(11)	(13)	(21)	(1,958)	(26)	(5,388)	2,474	(38,318)
Net financial result	(15,701)	188	6	174	157	55	(5)	(102)	1,309	(5,263)	(1,303)	(20,485)
Profit/(loss) before tax	16,078	1,991	(18,137)	7,809	7,197	4,695	6,403	187	4,732	(4,572)	(8,947)	17,436
Tax expense												(1,094)
Net profit												16,342

7/ SEGMENT INFORMATION / CONTINUED
Assets and liabilities by segment as at 31 December 2024

<i>000 EUR</i>	Constructio n and manageme nt of projects and facilities	Water supply, drainage and treatmen t	Cleanliness maintenanc e and waste disposal	Manageme nt and maintenanc e of public roads	Parking service s	Warehousin g and lease services	Landscapin g and maintenanc e of green areas	Gas sales and distributio n	Sales of medicine s	Other	Eliminatio n	Total
Property, plant and equipment	92,244	813,972	69,888	43,728	9,659	29,264	70,958	109,994	5,102	300,082	64,812	1,609,703
Right-of-use assets	483	1,178	-	15	104	-	51	1,095	1,298	470	(2,089)	2,605
Intangible assets	3,360	1,808	542	47	118	512	44	319	80	614	217	7,661
Investment property	166,699	-	-	1,202	-	180,326	855	538	-	2,929	(79,308)	273,241
Inventories	325	6,185	1,920	4,437	61	30	2,395	886	9,012	977	-	26,228
Trade receivables, net	1,579	54,702	8,627	745	1,479	542	292	27,532	13,764	2,958	-	112,220
Unallocated assets	638,109	39,724	12,422	71,374	41,113	24,028	21,629	226,316	32,923	92,979	(664,199)	536,418
Total assets	902,799	917,569	93,399	121,548	52,534	234,702	96,224	366,680	62,179	401,009	(680,567)	2,568,076
Issued bonds	303,098	-	-	-	-	-	-	-	-	-	-	303,098
Trade payables	4,156	12,598	13,888	6,206	599	530	4,134	221,475	7,171	6,614	-	277,371
Liabilities payable to employees	1,571	1,805	3,002	1,030	463	156	1,028	917	1,393	1,057	-	12,422
Equity and unallocated liabilities	593,974	903,166	76,509	114,312	51,472	234,016	91,062	144,288	53,615	393,338	(680,567)	1,975,185
Total equity and liabilities	902,799	917,569	93,399	121,548	52,534	234,702	96,224	366,680	62,179	401,009	(680,567)	2,568,076
Capital expenditures:	4,474	27,693	16,410	86	1,175	548	3,757	10,597	1,463	1,968	-	68,171
Property, plant and equipment	2,831	27,610	16,356	86	1,095	510	3,757	10,555	1,428	1,950	-	66,178
Intangible assets	1,643	83	54	-	80	38	-	42	35	18	-	1,993
Depreciation/amortisation and impairment of assets	774	27,814	6,087	1,023	1,537	585	1,333	11,844	712	3,933	-	55,642

7/ SEGMENT INFORMATION / CONTINUED
Assets and liabilities by segment as at 31 December 2023 (restated)

000 EUR	Constructio n and manageme nt of projects and facilities	Water supply, drainage and treatmen t	Cleanliness maintenan ce and waste disposal	Manageme nt and maintenan ce of public roads	Parking service s	Warehousin g and lease services	Landscapin g and maintenan ce of green areas	Gas sales and distributio n	Sales of medicine s	Other	Eliminatio n	Total
Property, plant and equipment	57,844	556,817	56,067	33,942	9,969	23,679	48,312	100,053	4,885	290,122	46,567	1,228,257
Right-of-use assets	141	1,494	-	18	202	38	29	1,498	544	231	(2,802)	1,393
Intangible assets	1,609	2,236	804	48	64	455	53	463	67	254	216	6,269
Investment property	141,177	-	-	284	-	180,148	928	524	-	1,986	(70,849)	254,198
Inventories	267	1,660	936	3,874	29	57	1,891	494	8,196	1,040	-	18,444
Trade receivables, net	1,825	53,429	7,483	601	1,623	595	396	40,524	11,902	2,727	-	121,105
Unallocated assets	692,708	34,756	11,398	68,543	32,634	19,811	21,949	129,225	31,671	102,793	(675,801)	469,687
Total assets	895,571	650,392	76,688	107,310	44,521	224,783	73,558	272,781	57,265	399,153	(702,669)	2,099,353
Issued bonds	304,346	-	-	-	-	-	-	-	-	-	(1,724)	302,622
Trade payables	2,532	19,734	5,200	4,722	841	575	2,835	137,606	6,859	4,251	-	185,155
Liabilities payable to employees	1,285	1,268	2,404	864	410	132	890	760	594	902	-	9,509
Equity and unallocated liabilities	587,408	629,390	69,084	101,724	43,270	224,076	69,833	134,415	49,812	394,000	(700,945)	1,602,067
Total equity and liabilities	895,571	650,392	76,688	107,310	44,521	224,783	73,558	272,781	57,265	399,153	(702,669)	2,099,353
31 December 2023 Other segment information												
Capital expenditures:	50	18,012	3,606	31	369	133	1,986	5,469	248	1,997	-	31,901
Property, plant and equipment	49	17,968	3,505	31	305	83	1,986	5,437	212	1,980	-	31,556
Intangible assets	1	44	101	-	64	50	-	32	36	17	-	345
Depreciation/amortisation and impairment of assets	480	26,443	5,177	1,160	1,532	612	1,196	12,868	702	3,982	-	54,152

7/ SEGMENT INFORMATION / CONTINUED
Assets and liabilities by segment as at 31 December 2022 (restated)

<i>000 EUR</i>	Construction and management of projects and facilities	Water supply, drainage and treatment	Cleanliness maintenance and waste disposal	Management and maintenance of public roads	Parking services	Warehousing and lease services	Landscaping and maintenance of green areas	Gas sales and distribution	Sales of medicines	Other	Elimination	Total
Property, plant and equipment	75,902	562,853	57,531	35,230	11,079	24,371	47,507	107,146	4,975	292,897	46,662	1,266,153
Right-of-use assets	52	741	-	20	50	188	39	374	689	358	(615)	1,896
Intangible assets	1,748	3,888	1,004	48	5	100	63	626	90	334	216	8,122
Investment property	102,148	-	-	-	-	180,118	46	516	-	-	(60,421)	222,407
Inventories	3,216	865	855	4,241	93	105	2,047	357	5,803	1,160	-	18,742
Trade receivables, net	1,863	52,642	8,672	405	1,544	790	134	47,275	9,827	3,173	-	126,325
Unallocated assets	679,134	19,537	10,082	58,516	22,209	14,371	12,558	39,847	27,267	101,230	(594,673)	390,078
Total assets	864,063	640,526	78,144	98,460	34,980	220,043	62,394	196,141	48,651	399,152	(608,831)	2,033,723
Issued bonds	303,931	-	-	-	-	-	-	-	-	-	-	303,931
Trade payables	3,987	19,096	5,405	4,174	855	747	2,010	54,019	5,255	3,906	-	99,454
Liabilities payable to employees	627	1,200	1,973	711	408	219	730	673	633	851	-	8,025
Equity and unallocated liabilities	555,518	620,230	70,766	93,575	33,717	219,077	59,654	141,449	42,763	394,395	(608,831)	1,622,313
Total equity and liabilities	864,063	640,526	78,144	98,460	34,980	220,043	62,394	196,141	48,651	399,152	(608,831)	2,033,723
31 December 2022 Other segment information												
Capital expenditures:	1,067	18,057	985	64	25	145	1,273	4,399	172	3,186	-	29,373
Property, plant and equipment	352	17,859	958	64	25	69	1,273	4,300	144	3,051	-	28,095
Intangible assets	715	198	27	-	-	76	-	99	28	135	-	1,278
Depreciation/amortisation and impairment of assets	708	25,921	5,317	1,352	1,616	608	1,078	13,792	719	4,052	-	55,163

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8/ OTHER REVENUES

	2024	2023
	000 EUR	000 EUR
Revenue from reversal of provisions /i/	2,969	6,553
Gains from changes in fair value of investment property/ii/	16,696	8,914
Revenue from reversal of deferred income /iii/	23,200	21,390
Revenues from subsidies and grants /iv/	177,303	125,740
Collected written-off receivables	15,463	18,070
Revenue from internal realisation	3,669	3,909
Revenue from reversal of accrued costs for unused annual leave	5,150	4,306
Revenue from damage collection	1,122	933
Other	8,711	5,199
	254,283	195,014

/i/ Revenue from reversal of provisions in 2024 relates mostly to provisions for litigation, provisions for collective redundancy and for employee benefits under IAS 19.

/ii/ Net gains from changes in fair value of investment property amounts to:

	2024	2023
	000 EUR	000 EUR
Unrealised gains from changes in fair value of investment property	16,696	8,914
Unrealised losses from changes in fair value of investment property (note 12)	(898)	(162)
Net increase in fair value (note 19)	15,798	8,752

/iii/ Revenue from reversal of deferred income is reported in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, during the period of use and is systematically related to related costs (depreciation and amortisation) - see note 3(q).

/iv/ Revenues from subsidies and grants were mostly generated by the City of Zagreb and the Republic of Croatia and include:

- financial grants from the City budget for the purposes approved by the City Assembly,
- agreement on the lease of the Arena Zagreb facility
- government subsidies for electricity based on the Regulation of the Government of the Republic of Croatia on the elimination of disturbances on the domestic energy market (OG 104/22, 106/22 and 121/22)

	2024	2023
	000 EUR	000 EUR
City of Zagreb	57,117	12,110
Others	120,186	113,630
	177,303	125,740

Significant increases in subsidies from the City of Zagreb in 2024 compared to last year were received for operating costs related to the public service of collecting mixed municipal waste, costs of collecting plastic packaging, rehabilitation of landfills and covering operating costs of the company Vodoopskrba i odvodnja d.o.o.

For the year ended 31 December 2024

9/ COST OF MATERIAL AND SERVICES

	2024	2023
	000 EUR	000 EUR
Costs of raw materials and supplies	24,009	22,682
Costs of energy consumed	29,739	51,371
Write-off of small inventory	2,867	1,321
a) Total cost of material	56,615	75,374
b) Change in the value of production stocks and finished products	172	203
c) Cost of goods sold	305,537	320,282
Rent and rental services	5,687	5,376
Maintenance services	15,173	14,544
Utilities and fees	39,934	16,065
Subcontractors' costs	16,331	14,674
Intellectual services	4,825	2,923
Costs of transport services	10,118	8,227
Insurance premiums	3,237	2,546
Data processing and maintenance services of computer programs	7,371	6,351
Advertising and promotion services	259	245
Banking services and payment transactions costs	1,611	1,812
Other external services	9,308	12,115
d) Total external services	113,854	84,878
	476,178	480,737

The reduction in the cost of energy consumed refers to electricity as a result of the reduction in the price on the market. Also, in 2024, a lower subsidy for electricity was realised based on the Regulation of the Government of the Republic of Croatia on the elimination of disturbances on the domestic energy market. The amendment to the Regulation of 1 April 2024 reduced the amount of the subsidy.

The increase in costs of utility services and fees compared to the previous year refers to the higher costs of disposal of recyclable waste fractions in the segment of cleanliness maintenance and bio-waste disposal.

The costs of auditing annual financial statements for 2024 are EUR 171 thousand (EUR 171 thousand in 2023), the costs of auditing sustainability reports for 2024 are EUR 46 thousand.

10/ STAFF COSTS

	2024	2023
	000 EUR	restated 000 EUR
Costs of net salaries and fees	110,513	92,265
Costs of taxes and contributions	68,172	56,428
Reimbursements of expenses to employees and expenditures for other material rights	31,343	28,493
The cost of accrued unused annual leave	6,930	5,247
Reduction for realised costs of reserved severance pay and fees for collective redundancy (note 31)	(143)	(3,392)
	216,815	179,041
Number of employees as at 31 December	7,792	7,302
Average number of employees based on hours of work	7,178	7,078

Reimbursements of expenses to employees and other material rights of employees include fees regulated by the Company's Collective Agreement and separate acts of affiliates, such as reimbursements of transport costs to and from work up to the amount of public transport costs, appropriate rewards and gifts to employees (years of service awards, Christmas bonuses, Easter bonuses, holiday bonuses, etc.), costs of education and professional development, etc.

11/ DEPRECIATION AND AMORTISATION

	2024	2023
	000 EUR	000 EUR
Property, plant and equipment (note 18)	53,259	50,435
Intangible assets (note 21)	1,593	2,468
Right-of-use assets (note 20)	790	1,249
	55,642	54,152

12/ VALUE ADJUSTMENT

	2024	2023
	000 EUR	000 EUR
Value adjustment of receivables from loans to related parties (note 23 /i/)	-	461
Value adjustment of trade receivables (note 26)	13,076	8,773
Value adjustment of inventories (note 24)	821	960
Value adjustment of other receivables from related parties (note 25)	2,070	3,754
Losses from changes in fair value of investment property (note 8 /ii/)	898	162
Value adjustment of property, plant and equipment and intangible assets (notes 18 and 21)	7,384	542
Value adjustment of receivables from the state (note 26 /ii)	1,234	986
Value adjustment of other assets	23	88
	25,506	15,726

13/ PROVISIONS

	2024	2023
	000 EUR	restated 000 EUR
Provisions for employee benefits under IAS 19 (note 31)	2,077	2,226
Provisions for initiated litigation (note 31)	3,844	7,954
Provisions for severance pay (business and personal termination)	1,100	-
Other provisions	-	145
	7,021	10,325

For the year ended 31 December 2024

14/ OTHER OPERATING EXPENSES

	2024	2023
	000 EUR	000 EUR
Fines, penalties and damages	1,103	2,217
Membership fees for professional associations (CCE, tourist board and others)	1,389	1,192
Endowments, donations and sponsorships	360	224
Administrative and court costs	1,446	1,040
Written-off receivables	576	2,126
Business entertainment	171	105
Other	2,581	1,586
	7,626	8,490

/i/ Other operating expenses relate to deficits, remuneration payable to the Supervisory Board and the Audit Committee (note 38) and other expenditures.

15/ FINANCIAL REVENUES

	2024	2023
	000 EUR	restated 000 EUR
Revenue from interest from related parties	2,125	5,044
Revenue from interest on deposits and loans to unrelated companies	2,945	2,025
Other financial revenues /i/	6,074	10,760
Foreign exchange gain	1	4
	11,145	17,833

/i/ Other financial revenues refer to interest revenues under contracts with the City of Zagreb for public facilities in accordance with IFRIC 12 Service Concession Arrangements and revenues from default interest.

16/ FINANCIAL EXPENSES

	2024	2023
	000 EUR	restated 000 EUR
Interest costs	33,242	33,868
Costs of discount and issuance of bonds	544	1,709
Interest costs from related parties	125	135
Other financial expenses	3,088	2,605
Foreign exchange loss	1	1
	37,000	38,318
<i>Net effect of foreign exchange gains and losses</i>		
Foreign exchange gain	1	4
Foreign exchange loss	(1)	(1)
	-	3

For the year ended 31 December 2024

17/ CORPORATE INCOME TAX / CONTINUED

The Group is not a taxpayer, but its members are. Corporate income tax for 2024 is calculated by applying a rate of 18% to taxable income.

Corporate income tax recognised in profit or loss

	2024	2023
	000 EUR	000 EUR
Tax expense includes:		
Tax for the year	4,782	1,099
Deferred tax	17	(5)
Total tax expense	4,799	1,094

Relation between the current year accounting income and tax expense:

	2024	2023
	000 EUR	000 EUR
Profit before tax	32,003	17,436
Corporate income tax at the rate of 18% (2023: 18%)	5,761	3,139
Effect of permanent differences (net)	3,725	(787)
Effect of tax losses not recognised as deferred tax assets	(4,670)	(1,253)
Effect of temporary differences recognised as deferred tax assets	(17)	(5)
Tax expense recognised in profit or loss	4,799	1,094
Effective tax rate	15,00%	6,27%

17/ CORPORATE INCOME TAX / CONTINUED

Balance of deferred taxes – deferred tax assets and deferred tax liabilities

2024	Opening balance	Recognised in profit or loss	Expressed in other comprehensive income	Recorded directly to equity	Closing balance
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
<i>Temporary differences</i>					
Provisions under IAS 19	2,442	351	-	-	2,793
Fair valuation of SWAP	136	-	(136)	-	-
Inventories	98	(5)	-	-	93
Connection fees under IFRS 15	969	(145)	-	-	824
Value adjustment of land	780	(4)	-	-	776
Property, plant and equipment	53	(28)	-	-	25
IAS 40 Investment property	6,983	1,630	-	-	8,613
<i>Deferred tax liabilities</i>					
Revaluation of land	48,896	-	16,155	(127)	64,924
Property, plant and equipment	1,519	-	88	-	1,607
Revaluation of financial assets	1,247	-	(258)	-	989
IAS 40 Investment property	2,612	-	3,392	-	6,004
IFRS 16	358	(358)	-	-	-
<i>Unused tax losses and tax credits</i>					
Tax losses	2,386	(2,174)	-	-	212
Deferred tax assets	13,847	(375)	(136)	-	13,336
Deferred tax liabilities	54,632	(358)	19,377	(127)	73,524
Total	-	(17)	(19,513)	127	-

In accordance with tax regulations, the Tax Administration may at any time review the books and records of companies for a period of three years after the end of the year in which the tax liability is stated and may impose additional tax liabilities and penalties. The Management Board is not aware of any circumstances that could lead to potential significant liabilities in this regard.

17/ CORPORATE INCOME TAX / CONTINUED

Balance of deferred taxes – deferred tax assets and deferred tax liabilities

	Opening balance	Recognised in profit or loss	Expressed in other comprehensive income	Closing balance
	000 EUR	000 EUR	000 EUR	000 EUR
2023 (restated)				
<i>Temporary differences</i>				
<i>Deferred tax assets</i>				
Provisions under IAS 19	2,084	358	-	2,442
Fair valuation of SWAP	-	-	136	136
Inventories	101	(3)	-	98
Connection fees under IFRS 15	1,044	(75)	-	969
Value adjustment of land	927	(147)	-	780
Property, plant and equipment	80	(27)	-	53
IAS 40 Investment property	5,089	1,894	-	6,983
<i>Deferred tax liabilities</i>				
Revaluation of land	47,998	-	898	48,896
Property, plant and equipment	1,519	-	-	1,519
Revaluation of financial assets	694	-	553	1,247
IAS 40 Investment property	2,612	-	-	2,612
IFRS 16	1,558	(1,200)	-	358
<i>Unused tax losses and tax credits</i>				
Tax losses	5,581	(3,195)	-	2,386
Deferred tax assets	14,906	(1,195)	136	13,847
Deferred tax liabilities	54,381	(1,200)	1,451	54,632
Total	-	5	(1,315)	-

Revaluation reserves for property, plant and equipment were formed in previous periods and entered in the Group's reports by the merger of the companies in 2007. As stated above in the accounting policies, the Group applies the revaluation model to land, while buildings, plant and equipment are subsequently valued at depreciated cost.

18/ PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and residential buildings	Plant and equipment	Means of transport and tools	Other tangible assets	Tangible assets under construction	Total tangible assets
	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
PURCHASE VALUE							
Balance as at 1 January 2023	446,836	1,700,628	168,301	97,339	6,380	52,788	2,472,272
Effects of restatements	(8,501)	(13,653)					(22,154)
Balance as at 1 January 2023 restated	438,335	1,686,975	168,301	97,339	6,380	52,788	2,450,118
New purchases	-	2,906	2,610	170	-	25,870	31,556
Transfer from assets in preparation	278	16,140	5,559	3,564	-	(25,463)	78
Reclassification (transfers from/to)	-	(148)	463	(22)	(214)	(1,722)	(1,643)
Revaluation	2,314	2,954	-	-	-	-	5,268
Write-off, alienation and sale	(346)	(90)	(4,998)	(1,344)	(2)	(3,265)	(10,045)
Derecognition	-	(25,393)	-	-	-	-	(25,393)
Reclassification to IAS 40	(5,484)	(3,771)	-	-	-	(11,637)	(20,892)
Balance as at 31 December 2023 restated	435,097	1,679,573	171,935	99,707	6,164	36,571	2,429,047
New purchases	-	6,185	3,136	374	-	56,483	66,178
Merger of service areas	20	47,600	756	882	2	2,373	51,633
Entry of assets	6,261	9,239	-	-	-	-	15,500
Entry of CUPOVZ assets	28,402	189,162	7,681	369	-	-	225,614
Transfer from assets in preparation	7	14,291	15,795	14,194	128	(44,386)	29
Reclassification (transfers from/to)	-	65	(500)	(83)	-	(675)	(1,193)
Revaluation	108,594	492	-	-	-	-	109,086
Write-off, alienation and sale	(859)	(487)	(4,933)	(2,206)	-	(1,452)	(9,937)
Derecognition due to the refund to the City	(758)	(13,907)	-	-	-	-	(14,665)
Reclassification to IAS 40	(2,752)	(827)	-	-	-	-	(3,579)
Assets held for sale	(106)	(34)	-	-	-	-	(140)
Balance as at 31 December 2024	573,906	1,931,352	193,870	113,237	6,294	48,914	2,867,573
VALUE ADJUSTMENT							
Balance as at 1 January 2023	12,367	943,377	125,706	83,464	154	4,125	1,169,193
Effects of restatements	14,940	-	-	-	-	-	14,940
Balance as at 1 January 2023 restated	27,307	943,377	125,706	83,464	154	4,125	1,184,133
Depreciation and amortisation	-	36,448	9,710	4,358	-	(81)	50,435
Value adjustment	-	-	-	-	-	534	534
Reclassification (transfers from/to)	-	(213)	908	(102)	(137)	(1,714)	(1,258)
Write-off, alienation and sale	-	(84)	(4,944)	(1,330)	-	(391)	(6,749)
Derecognition	-	(25,393)	-	-	-	-	(25,393)
Reclassification to IAS 40	-	(532)	-	-	-	-	(532)
Balance as at 31 December 2023 restated	27,307	953,603	131,380	86,390	17	2,473	1,201,170
Depreciation and amortisation	-	37,450	10,532	5,276	1	-	53,259
Value adjustment	5,293	-	-	-	-	2,091	7,384
Revaluation	(23)	-	-	-	-	-	(23)
Reclassification (transfers from/to)	-	96	(262)	(62)	-	(212)	(440)
Merger of service areas	-	18,216	451	637	-	-	19,304
Write-off, alienation and sale	-	(136)	(4,816)	(2,200)	-	(37)	(7,189)
Derecognition due to the refund to the City	(758)	(13,907)	-	-	-	-	(14,665)
Reclassification to IAS 40	-	(334)	-	-	-	-	(334)
Assets held for sale	(69)	(7)	-	-	-	-	(76)
Balance as at 31 December 2024	31,750	994,981	137,285	90,041	18	4,315	1,258,390
Balance as at 1 January 2023 restated	411,028	743,598	42,595	13,875	6,226	48,663	1,265,985
Balance as at 31 December 2023 restated	407,790	725,970	40,555	13,317	6,147	34,098	1,227,877
Balance as at 31 December 2024	542,156	936,371	56,585	23,196	6,276	44,599	1,609,183

18/ PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Below is an overview of property, plant and equipment increased by advances for the purchase of long-term tangible assets:

	31 December 2024	31 December 2023	1 January 2023
		restated	restated
	000 EUR	000 EUR	000 EUR
Net value without advances	1,609,183	1,227,877	1,265,985
Advances for tangible assets	520	380	168
Property, plant, equipment and advances	1,609,703	1,228,257	1,266,153

Property ownership

The Group is in the process of registering land and buildings in appropriate registers proving ownership. As some municipal land registers are not fully updated, the registration process takes longer than for newly built facilities. The owner of the Group, the City of Zagreb, has given a significant part of the assets to the management of the Group. The status of these assets has not yet been fully regulated. Since the establishment of the Group, a part of the assets has been registered, and the remaining assets are subject to the procedure for resolving the current status.

The following shows the structure of land ownership (revalued value):

	31 December 2024	31 December 2023	1 January 2023
		restated	restated
	000 EUR	000 EUR	000 EUR
Registered ownership	422,307	294,911	265,773
Unregistered ownership	119,849	112,879	145,255
	542,156	407,790	411,028

Status of ownership of buildings (purchase value)

	31 December 2024	31 December 2023	1 January 2023
		restated	restated
	000 EUR	000 EUR	000 EUR
Registered ownership	323,868	236,444	254,782
Unregistered ownership	256,280	167,230	494,833
Utility infrastructure facilities	1,351,204	1,275,899	937,360
	1,931,352	1,679,573	1,686,975

Residual value review

In accordance with the requirements of IAS 16 "Property, Plant and Equipment" in force for the current accounting period, the Group reviewed the residual value for the purpose of calculating depreciation. The review did not identify the need to adjust the residual value for current and previous periods.

18/ PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Impairment of assets

In accordance with IAS 36 "*Impairment of Assets*", when there are indications of impairment of assets, the stated value should be compared with the recoverable value, and the amount of the recoverable should be written off. The recoverable amount is the larger amount by comparing (i) the net sales price if the assets can be sold and (ii) the "value in use of those assets", which represents the net present value of future cash flows based on reasonable and plausible assumptions and the Management's best knowledge of future economic operating conditions and plans.

The Management Board believes that the stated amount of fixed tangible assets in the previous table can be recovered by operating in the future period.

In 2024 The Group did not capitalise borrowing costs (in 2023, it capitalised EUR 296 thousand) in accordance with IAS 23 Borrowing Costs.

Revaluation of land

During 2024, the Group carried out land revaluation, which is subsequently measured using the fair value method. The total increase in the fair value of land based on the revaluation amounted to EUR 108,617 thousand, while the value adjustment amounted to EUR 5,293 thousand, which represents a net increase in the value of land of EUR 103,324 thousand.

As described in Note 4.2, given the significant increase in prices on the real estate market, and the significant differences in prices of transactions at certain locations realised in the period from 2019 to the end of 2024, for which it was not possible to determine the correlation of price changes in relation to the type and size of land, and the limitations of the comparative method on the basis of which adjustments prescribed by IFRS 13 are not applied when determining comparable prices (in the form of adjustments due to the location or size of the real estate, volume or level of market activity from which the input data are taken), the Management Board estimated that the fair value of individual lands (large areas in smaller places within the Republic of Croatia) determined by the comparative method without adjustments or weighting for the application of other valuation methods does not represent the best fair value of individual real estate on 31 December 2024.

Therefore, the Management Board decided that the financial statements for 2024 will not recognise the effects of revaluation for these lands, until all analyses of the effects of adjustments required by IFRS 13 have been completed, as well as until valuations using other valuation methods have been carried out to determine the point within the appropriate fair value range.

The carrying amount of real estate pledged as collateral

Real estate pledged as collateral

	<u>31 December 2024</u>	<u>31 December 2023</u>
	000 EUR	000 EUR
Real estate pledge loan insurance	<u>64,755</u>	<u>65,168</u>

As at 31 December 2024, real estate with a book value of EUR 64,755 thousand was registered as payment insurance under the Long-Term Club Loan Agreement (note 29).

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19/ INVESTMENT PROPERTY

	2024	2023
	000 EUR	000 EUR
Balance as at 1 January	254,198	222,407
Increase in value for new investments	-	31
Increase in fair value through profit and loss account (net) (note 8/ii/)	15,798	8,752
Return on property, plant and equipment (note 18)	3,245	20,360
Transfer from inventories	-	2,648
Balance as at 31 December	273,241	254,198

During 2024, fair valuation of investment property was carried out on the basis of an estimate by a qualified appraiser authorised to assess the value of real estate, whereby gains due to changes in fair value in the amount of EUR 15,798 thousand were determined (2023: profit of EUR 8,752 thousand), which are included in the consolidated profit and loss account (note 8).

	Level 2	Level 3	Fair value as at 31 December 2024
	000 EUR	000 EUR	000 EUR
Storage halls in business lease	-	178,901	178,901
Other premises in business lease	5,409	14,278	19,687
Other real estate held for capital value increase or without a specific future purpose	38,838	35,815	74,653
	44,247	228,994	273,241

According to the fair value hierarchy, assets for which the fair value is determined by the comparative method are classified into level 2, and assets for which the fair value is determined by a combination of the comparative and the income method are classified into level 3.

Status of ownership of investment property

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Registered ownership	148,727	135,330
Unregistered ownership	124,514	118,868
	273,241	254,198

Revenues from the lease of investment property in 2024 amount to EUR 12,608 thousand. Direct operating costs arising from investment property that generated rental income during 2024 amount to EUR 3,231 thousand.

19/ INVESTMENT PROPERTY/ CONTINUED

Investment property pledged as collateral

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Investment property pledge loan insurance	51,254	41,174

As at 31 December 2024, investment property with a book value of EUR 51,254 thousand were registered as payment insurance under the Long-Term Club Loan Agreement (note 29).

20/ RIGHT-OF-USE ASSETS

The Group has recognised right-of-use assets and lease liabilities related to the use of land, buildings, equipment and vehicles, which were previously classified as operating leases.

Right-of-use assets

000 EUR	Land	Buildings	Tools and vehicles	Plant and equipment	Total
Net book value as at 1 January 2023	39	1,280	389	188	1,896
Increase	-	3,482	-	-	3,482
Depreciation and amortisation	(9)	(715)	(374)	(151)	(1,249)
Write-off and alienation	-	(2,736)	-	-	(2,736)
Net book value as at 31 December 2023	30	1,311	15	37	1,393
Increase	48	1,956	-	38	2,042
Depreciation and amortisation	(128)	(624)	-	(38)	(790)
Reclassification (transfer from/to)	220	(220)	-	-	-
Write-off, alienation and sale (net)	-	(40)	-	-	(40)
Net book value as at 31 December 2024	170	2,383	15	37	2,605

The Group has recognised lease liabilities as follows:

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Non-current lease liabilities	13,191	705
Current lease liabilities	3,457	1,563
	16,648	2,268

Short-term and low-value leases reported in lease costs:

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Short-term leases	3,561	3,396
Low-value leases	2,169	2,027
	5,730	5,423

For the year ended 31 December 2024

21/ INTANGIBLE ASSETS AND GOODWILL

	Patents, licenses and other rights	Goodwill	Other intangible assets	Intangible assets in preparation	Total intangible assets
PURCHASE VALUE	000 EUR	000 EUR	000 EUR	000 EUR	000 EUR
Balance as at 1 January 2023	12,891	1,567	15,092	2,965	32,515
New purchases	37	-	13	295	345
Transfer from assets in preparation	795	-	783	(1,656)	(78)
Reclassification (transfers from/to)	433	-	214	(56)	591
Write-off, alienation and sale	(437)	-	(301)	(8)	(746)
Balance as at 31 December 2023	13,719	1,567	15,801	1,540	32,627
New purchases	83	-	35	1,875	1,993
Merger of service areas	103	-	369	183	655
Transfer from assets in preparation	411	-	-	(440)	(29)
Reclassification (transfers from/to)	578	-	-	615	1,193
Write-off, alienation and sale	(5)	-	(6)	(30)	(41)
Balance as at 31 December 2024	14,889	1,567	16,199	3,743	36,398
VALUE ADJUSTMENT					
Balance as at 1 January 2023	8,752	1,351	14,290	-	24,393
Depreciation and amortisation	1,415	-	1,053	-	2,468
Value adjustment	-	-	-	8	8
Transfers to intangible assets	69	-	137	-	206
Write-off, alienation and sale	(409)	-	(300)	(8)	(717)
Balance as at 31 December 2023	9,827	1,351	15,180	-	26,358
Depreciation and amortisation	1,437	-	156	-	1,593
Reclassification (transfers from/to)	440	-	-	-	440
Merger of service areas	99	-	258	-	357
Write-off, alienation and sale	(5)	-	(6)	-	(11)
Balance as at 31 December 2024	11,798	1,351	15,588	-	28,737
NET BOOK VALUE					
Balance as at 1 January 2023	4,139	216	802	2,965	8,122
Balance as at 31 December 2023	3,892	216	621	1,540	6,269
Balance as at 31 December 2024	3,091	216	611	3,743	7,661

In 2024, there was no need for additional impairment of goodwill.

22/ FINANCIAL ASSETS

The financial assets are shown as follows:

	31 December 2024	31 December 2023
	000 EUR	000 EUR
/i/ Financial assets kept at fair value through profit and loss account		
Investments in shares (note 27)	244	150
/ii/ Financial assets kept at depreciated cost		
Deposits with a maturity of more than one year	9,667	9,660
<i>Short-term part</i>	-	-
<i>Long-term part</i>	9,667	9,660
Deposits with a maturity of up to one year (note 27)	13	13
Deposits intended for regulating issues governed by property law (note 27)	3,105	3,074
Other securities held to maturity (note 27)	746	795
	3,864	3,882
<i>Financial assets kept at depreciated cost - short-term part</i>	3,864	3,882
<i>Financial assets kept at depreciated cost - long-term part</i>	9,667	9,660
/iii/ Financial assets kept at fair value through other comprehensive income		
Investments in shares	5,638	7,073
Financial assets total short-term part	4,108	4,032
Financial assets total long-term part	15,305	16,733

Financial assets kept at fair value through profit and loss account refer to minority shares owned by banks and other business entities to which the Group has no significant influence.

Financial assets kept at depreciated cost refer to deposits, the most significant of which are long-term guarantee deposits for the repayment of loan obligations and obligations under the lease agreement, due at the final repayment of obligations.

Financial assets kept at fair value through other comprehensive income refer to investments in shares of Medica d.d. (1,025 shares).

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23/ NON-CURRENT RECEIVABLES

Non-current receivables are shown as follows:

	31 December 2024	31 December 2023 restated	1 January 2023 restated
	000 EUR	000 EUR	000 EUR
Long-term part			
Receivables from related parties /i/	77,949	92,511	107,209
Receivables from loans /ii/	26,069	31,030	37,956
Receivables from sales on credit /iii/	87	67	99
Other receivables /iv/	30,787	32,876	34,873
	134,892	156,484	180,137

/i/ Receivables from related parties

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Receivables from a member of the Company	124,455	143,295
Discount of outstanding receivables from a member of the	(41,231)	(44,443)
Value adjustment of receivables from a member of the Company	(1,216)	(1,216)
1. Total receivables from a member of the Company	82,008	97,636
<i>Of which short-term part (note 25)</i>	<i>11,119</i>	<i>15,423</i>
Loans granted to related parties	29,729	41,797
Value adjustment of loans granted to related parties	(20,296)	(28,670)
2. Loans granted to related parties	9,433	13,127
<i>Of which short-term part (note 25)</i>	<i>2,373</i>	<i>2,829</i>
Total receivables from related parties (1+2)	91,441	110,763
 <i>Short-term part total</i>	 <i>13,492</i>	 <i>18,252</i>
<i>Long-term part total</i>	<i>77,949</i>	<i>92,511</i>

Receivables from a member of the company relate to receivables from the City of Zagreb for financing 50% of the rental costs of the sports facility Arena Zagreb in the amount of EUR 32,876 thousand net (2023: EUR 34,873 thousand net), to receivables from contracts on long-term lease of public facilities (schools, kindergartens, swimming pools), which the Group stated as a long-term receivable from the City of Zagreb as a lessee in accordance with IFRIC 12 *Service Concessions Agreements* in the amount of EUR 49,132 thousand (2023: EUR 59,179 thousand). The lease period is contracted for a period of 7-13 years, of which 2 contracts in 2028, 1 in 2032 and 2 in 2035. The rent under the contracts is paid monthly. In accordance with the contract, the Group is obliged to manage and maintain the facilities for the entire duration of the contract, which management and maintenance costs are included in the calculation of the monthly rent. Receivables from lease contracts as at 31 December 2023 amount to EUR 3,584 thousand).

As at 31 December 2024, receivables from the City of Zagreb under multiannual contracts on the lease of public buildings, with a net book value of EUR 34,524 thousand (31 December 2023 EUR 40,470 thousand), are registered as payment insurance under the Long-Term Club Loan Agreement (note 29).

Loans granted to related parties on 31 December 2024 relate to the loan granted to Zagrebački električna tramvaj d.o.o. The company Zagrebački velesajam d.o.o. repaid the loan in full during 2024. Interest equal to market interest at the time of granting the loan is calculated on the loan granted to related parties, 3.88%. The loan agreement was concluded for a period of up to 10 years with payment security instruments. Due to increased credit risk, the Group recognised an impairment of receivables for loans granted in accordance with IFRS 9 *Financial Instruments* in the statement of comprehensive income. The amount of impairment of receivables for loans as at 31 December 2024 amounts to EUR 20,296 thousand (31 December 2023 EUR 28,670 thousand).

For the year ended 31 December 2024

23/ NON-CURRENT RECEIVABLES / CONTINUED

/i/ Receivables from related parties /continued

Overview of changes in impairment of receivables from related parties:

	2024	2023
	000 EUR	000 EUR
Balance as at 1 January	29,886	34,985
Increase in value adjustment (note 12)	-	461
Reversal of value adjustment	(8,374)	(5,560)
Balance as at 31 December	21,512	29,886

/ii/ Receivables from loans

	31 December 2024	31 December 2023	1 January 2023
	000 EUR	restated 000 EUR	restated 000 EUR
Receivables from loans to buildings	30,570	36,424	43,364
Expected credit losses on loans to buildings	(321)	(321)	(321)
1. Total receivables from loans to buildings /i/	30,249	36,103	43,043
2. Loans granted to other unrelated parties	1,508	1,232	1,645
3. Total receivables from loans	31,757	37,335	44,688
<i>Short-term part (note 26)</i>	<i>5,688</i>	<i>6,305</i>	<i>6,732</i>
<i>Long-term part</i>	<i>26,069</i>	<i>31,030</i>	<i>37,956</i>

/i/ Receivables from loans to buildings refer to loans contracted with residential buildings under the management of the Gradsko stambeno-komunalno gospodarstvo d.o.o. The repayment period is 3 to 15 years. Affiliated company (building manager) contracted at the same time loans with the bank where he is listed as the borrower. The total amount of loans granted is EUR 30,249 thousand. The co-owners waive the right to terminate or cancel the Management Agreement two years longer than the expiry of the loan repayment period, while the loan repayment has priority to settle before the payment of all other costs of the building, and if the reserve funds in the account would not be sufficient, they undertake to increase the contribution to the reserve.

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23/ NON-CURRENT RECEIVABLES / CONTINUED

/iii/ Receivables from sales on credit

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Receivables from sold apartments	117	105
<i>Short-term part (note 26)</i>	30	38
<i>Long-term part</i>	87	67

/iv/ Other non-current receivables

	31 December 2024	31 December 2023	1 January 2023
	000 EUR	restated 000 EUR	restated 000 EUR
Receivables from the Republic of Croatia	32,876	34,872	36,778
Other receivables	315	312	316
Impairment of other receivables	(312)	(312)	(312)
	32,879	34,872	36,782
<i>Short-term part (note 26)</i>	2,092	1,996	1,909
<i>Long-term part</i>	30,787	32,876	34,873

Receivables from the Republic of Croatia in the amount of EUR 32,876 thousand (EUR 34,872 thousand net in 2023) relate to net receivables from the Republic of Croatia for financing a 50% lease of the Arena hall under the Agreement between the Republic of Croatia and the City of Zagreb on financing the lease of the Arena facility. The lease agreement for the Arena Zagreb facility was concluded in 2007 for a period of 28 years.

24/ INVENTORIES

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Raw materials and supplies	23,331	16,018
Finished goods	1,816	2,030
Work in progress	711	687
Merchandise inventory	8,959	8,284
Advance payments for inventory purchases	81	115
Non-current assets held for sale	64	-
Value adjustment of inventories /i/	(8,734)	(8,690)
	26,228	18,444

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24/ INVENTORIES / CONTINUED

/i/ Changes in value adjustment of inventories

	2024	2023
	000 EUR	000 EUR
Balance as at 1 January	8,690	8,691
Increase in value adjustment (note 12)	821	960
Reversal of value adjustment	(777)	(961)
Balance as at 31 December	8,734	8,690

25/ RECEIVABLES FROM RELATED PARTIES

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Receivables from a member of the company and other related parties (note 38)	43,774	66,613
Current maturity of non-current receivables from a member of the company (note 23)	11,119	15,423
Current maturity of loans granted to related parties (note 23)	2,373	2,829
Accrued interest on loans granted to related parties	-	116
Value adjustment of receivables from related parties /i/	(11,950)	(11,579)
	45,316	73,402

Receivables from a member of the company and other related parties relate to receivables from regular deliveries of works and services to a member of the company and other affiliated companies owned by the City of Zagreb.

Loans granted to related parties relate to the short-term maturity of long-term loans (note 23/i/).

/i/ Overview of changes in impairment of receivables from related parties is as follows:

	2024	2023
	000 EUR	000 EUR
Balance as at 1 January	11,579	16,345
Increase (note 12)	2,070	3,754
Decrease	(1,699)	(8,520)
Balance as at 31 December	11,950	11,579

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26/ TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 December 2024	31 December 2023	1 January 2023
		restated	restated
	000 EUR	000 EUR	000 EUR
Trade receivables /i/	112,220	121,105	126,325
Receivables from the Republic of Croatia and other institutions /ii/	194,334	104,238	18,101
Receivables from employees	59	47	46
Other receivables /iii/	15,664	14,645	13,353
	322,277	240,035	157,825

/i/ Trade receivables

	31 December 2024	31 December 2023	1 January 2023
		restated	restated
	000 EUR	000 EUR	000 EUR
Trade receivables	250,870	255,510	252,851
Value adjustment of trade receivables	(138,650)	(134,405)	(126,526)
	112,220	121,105	126,325

Trade receivables are stated at depreciated cost. Statutory default interest is calculated on late payments. Value adjustment of trade receivables is recorded by the Group for all receivables older than 365 days and upon initiation of the forced collection procedure.

The structure of trade receivables is analysed at least twice a year, for overdue uncollected receivables, warnings are sent to customers, and for suspicious and disputed trade receivables, a procedure of forced collection of due receivables (enforcement and court actions) is initiated. Receivables for the supply of utilities to citizens and the economy are not secured by any financial instruments. Receivables for the supply of other services to the economy from the segment of market activities are secured by various financial instruments (bills of exchange, promissory notes, bank guarantees, etc.). When determining the possibility of collecting a receivable, the activity from which the receivable was formed (utility or market activities - due to various factors that affect the formation of prices and conditions for the delivery of services) and the entity to which the service was delivered (citizens or businesses - due to a different limitation period) are taken into account.

An analysis of the age structure of trade receivables by operating segments and categories of customers (citizens and entrepreneurs) determined the expected credit losses arising from the calculation of trade receivables by segments.

Age analysis of trade receivables:

	31 December 2024	31 December 2023	1 January 2023
		restated	restated
	000 EUR	000 EUR	000 EUR
Outstanding	55,536	65,665	67,557
0-60 days	17,079	18,936	18,259
60-180 days	4,555	4,152	5,870
180-365 days	3,427	2,081	4,009
over 365 days	31,623	30,271	30,630
	112,220	121,105	126,325

Receivables older than 365 days relate mostly to transient items for the part of the service performed for third parties by Vodoopskrba i odvodnja d.o.o..

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES

Changes in value adjustment for doubtful receivables:

	2024	2023	2022
	000 EUR	restated 000 EUR	restated 000 EUR
Balance as at 1 January	134,405	126,526	99,734
Recognised losses due to impairment of receivables (note 12)	13,076	8,773	11,795
Collected written-off receivables	(6,820)	(18,070)	(7,540)
Derecognised receivables	(1,721)	(16,411)	(1,857)
Reversed losses due to impairment	(1,777)	-	-
Reduction for receivables for which forced collection procedure was not initiated	-	2,127	1,459
Other impairment of receivables	1,487	31,460	23,131
Effect of changes in foreign exchange rates	-	-	(196)
Balance as at 31 December	138,650	134,405	126,526

/ii/ Receivables from the Republic of Croatia and other institutions

The increase in receivables from the Republic of Croatia and other institutions in 2024 stems from receivables from the Republic of Croatia based on the Amendments to the Regulation on the elimination of disturbances on the domestic energy market. Amendments to the Regulation of 6 July 2023 regulate the right of a trader, gas supplier supplying a supplier in the public service obligation or a supplier in the public service obligation, to compensate for the difference in price, if the trader or gas supplier in the period from 1 April 2023 to 30 March 2024 delivers gas to the supplier in the public service obligation on the basis of a contract for the sale of gas concluded before 1 April 2023 and if gas was thus purchased and procured for the supplier in the public service obligation at the average purchase price of natural gas delivery higher than the price regulated by the Regulation. The company Gradska plinara Zagreb Opskrba d.o.o., as a supplier under public service obligation, submitted to the competent Ministry requests for reimbursement in the total amount of EUR 186,557 thousand net, which have not yet been decided on by the date of establishment and publication of these annual financial statements.

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Receivables from reimbursement of the difference in the price of gas	186,557	81,789
Receivables for indexation of rent for the Arena Zagreb facility	5,258	4,024
Expected credit losses for indexation of rent for the Arena Zagreb facility	(5,258)	(4,024)
Receivables from HZZO	1,060	740
Receivables from value added tax	1,854	4,757
Other receivables from taxes, contributions and fees	2,830	14,323
Current maturity of non-current receivables and sales on credit (note 23)	2,122	2,034
Expected credit losses of receivables from the state and others	(126)	(126)
Receivables from overpaid corporate income tax	37	721
	194,334	104,238

In 2024, receivables from the state were increased on the basis of receivables for the reimbursement of the price difference, since the Amendments to the Regulation on the elimination of disturbances on the domestic energy market from November 2024 extended the right to submit requests for reimbursement of the difference in the price of gas for the delivered quantities for the period from 1 April 2024 to 30 September 2024, as a result of which Gradska plinara Zagreb Opskrba d.o.o. submitted requests for reimbursement of the difference in the price of gas for the 2nd and 3rd quarters of 2024 within the deadline, and for the entire period in 2024, a total of three quarterly requests.

26/ TRADE RECEIVABLES AND OTHER RECEIVABLES / CONTINUED

By the date of preparation of this report, the Ministry of Economy has not yet decided and issued a decision on any of the submitted applications (a total of six applications for the period from 1 April 2023 to 30 September 2024).

Overview of changes in impairment of receivables from the state is as follows:

	2024	2023
	000 EUR	000 EUR
Balance as at 1 January	4,150	3,164
Increase (note 12)	1,234	986
Balance as at 31 December	5,384	4,150

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Prepaid expenses and accrued income	5,152	5,575
Current maturity of non-current receivables (note 23)	5,688	6,305
Advances granted	4,184	2,340
Receivables from insurance companies and for compensation of damages	230	308
Other receivables	638	461
Expected credit losses of advances granted	(228)	(344)
	15,664	14,645

/iii/ Other receivables

27/ FINANCIAL ASSETS

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Financial assets kept at fair value through profit and loss account (note 22 /i/)	244	150
Financial assets kept at depreciated cost (note 22 /ii/)	3,864	3,882
	4,108	4,032

27/ FINANCIAL ASSETS / CONTINUED

Fair value hierarchy

	1st line	2nd line	3rd line	31 December 2024
	000 EUR	000 EUR	000 EUR	Total 000 EUR
<i>Financial assets at fair value through profit and loss</i>				
– investments in shares	244	-	-	244
	1st line	2nd line	3rd line	31 December 2023
	000 EUR	000 EUR	000 EUR	Total 000 EUR
<i>Financial assets at fair value through profit and loss</i>				
– investments in shares	150	-	-	150

28/ CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Giro account	87,844	60,605
Giro account foreign currency	30	623
Cash on hand	237	368
Other cash assets (court deposits, etc.)	25,293	24,663
	113,404	86,259

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29/ LOANS AND LEASES PAYABLE

	31 December 2024	31 December 2023	1 January 2023
	000 EUR	restated 000 EUR	restated 000 EUR
Long-term loans			
Loans and borrowings /i/	168,350	222,454	275,932
Loans to the building manager (note 23 ii)	25,760	30,995	37,335
Financial lease	75,053	69,825	72,049
	269,163	323,274	385,316
Short-term loans			
Loans and borrowings	23,508	23,477	12,899
Loans to the building manager (note 23 ii)	4,810	5,427	6,029
Financial lease	8,450	6,069	5,845
Other (interest)	10,327	11,199	8,335
	47,095	46,172	33,108
Total loans and leases	316,258	369,446	418,424

The average annual interest rate on loans received from banks and financial leases at the balance sheet date is 5.10% (2023: 4.77%).

/i/ Long-term club loan

On 26 September 2022 the Parent Company with the club of banks consisting of: Erste&Steiermärkische bank d.d., OTP banka d.d., Privredna banka Zagreb d.d., Raiffeisenbank Austria d.d., Nova hrvatska banka d.d. (whose legal successor is Hrvatska poštanska banka d.d.) and Zagrebačka banka d.d. has signed a Long-Term Club Loan Agreement in the amount of up to EUR 240 million ("Loan Agreement").

For the loan agreement in question, the City Assembly of the City of Zagreb, at its 15th session, on 12 September 2022, adopted a Conclusion on granting consent to long-term borrowing and refinancing of existing loan liabilities and providing a guarantee for long-term borrowing. 19 September 2022 The City of Zagreb has received from the Ministry of Finance of the Republic of Croatia a Consent to provide a guarantee from the City of Zagreb for the Loan Agreement of Zagrebački holding d.o.o.

	Amount (million EUR)	Interest margin	Reference interest rate	Start of annuity	Annuity period	Repayment deadline
Tranche A	118,600	3,25%	6m EURIBOR	1 March 2023	1 Mar. - 1 Sep.	1 March 2034
Tranche B	103,000	2,75%	6m EURIBOR	1 March 2023	1 Mar. - 1 Sep.	1 March 2030
Tranche C	18,400	3,10%	6m EURIBOR	1 March 2023	1 Mar. - 1 Sep.	1 March 2034

The repayment for all three tranches was divided as follows: 70% annuity repayment and 30% repayment at the end of the repayment period (within the 22nd annuity instalment for tranches A and C, and the 14th annuity instalment for tranche B).

Before the deadline for regular repayment, the Company made a voluntary early repayment of 85%, i.e. EUR 30,000 thousand of the last repayment instalment of tranche A (bullet) and in full the last repayment instalment of tranche B (bullet) in the amount of EUR 30,626 thousand.

By improving the Company's credit rating by Standard & Poor's Global with "B- with a negative outlook" on the date of signing the Long-Term Club Loan Agreement to "BB with a stable outlook" after the expiration of two years from the signing of the Agreement, the conditions for reducing the credit margin by 0.30 pp have been met, so that the interest margin for tranche A is 2.95 pp, for tranche B 2.45 pp and for tranche C 2.80 pp (note 41 Financial Instruments) as of 1 March 2025.

29/ LOANS AND LEASES PAYABLE / CONTINUED

The instruments for securing the collection of receivables from the Club Loan are as follows: (i) mortgages on the assets of the Company with a book value of EUR 64,755 thousand (note 18 Property, plant and equipment) and EUR 51,254 thousand (note 19 Investment property), (ii) pledges on non-current receivables from the City of Zagreb under multiannual contracts on the lease of public buildings, which the Company stated in accordance with *IFRIC 12 "Service Concession Arrangements"* in the amount of EUR 34,524 thousand of net book value as at 31 December 2024 (note 23 non-current receivables /i/ receivables from related parties) and (iii) joint debts of affiliated company of Gradska Plinara Zagreb (GPZ), Gradska Plinara Zagreb-Opkrba (GPZO) in the total amount of long-term club loan and Vodoopskrba i odvodnja (ViO) in the amount of EUR 6,636 thousand per year. Co-debtorship has been approved with recourse rights. The Bank Club has approved the discharge of the co-debtorship of affiliated companies from the obligation under the relevant Loan Agreement, which has been formalised by Annex I to the Agreement in March 2025 (note 46 Events after the date of the unconsolidated statement of financial position).

Within the loan to the building manager, liabilities for loans of residential buildings are stated, which the affiliated company Gradsko stambeno komunalno gospodarstvo d.o.o. contracts with a commercial bank in the name and on behalf of residential buildings, as described above in note 23 /ii/. The total amount of loan for which the loan borrower is the affiliated company (building manager) and the final beneficiaries are the owners of buildings as at 31 December 2024 amounts to EUR 30,570 thousand, of which EUR 4,810 thousand relates to the short-term part and EUR 25,760 thousand to the long-term part, and the entire amount is receivable from residential buildings (note 23/ii/). Liabilities for loans of residential buildings are secured by promissory notes issued by Gradsko stambeno komunalno gospodarstvo d.o.o.

For the year ended 31 December 2024

29/ LOANS AND LEASES PAYABLE / CONTINUED

/i/ Changes in long-term loans

	31 December 2024	31 December 2023 restated
	000 EUR	000 EUR
Balance as at 1 January	282,353	332,195
Decrease in loan repayments	(59,955)	(49,842)
Balance as at 31 December	222,398	282,353
Current maturity	(28,288)	(28,904)
Long-term part of the loan	194,110	253,449

/ii/ Long-term loan repayment schedule

	31 December 2024	31 December 2023 restated	1 January 2023 restated
	000 EUR	000 EUR	000 EUR
Within one year	28,288	28,904	18,928
In the second to fifth year	108,605	110,467	112,742
After the fifth year	85,505	142,982	200,525
	222,398	282,353	332,195

/iii/ Liabilities from leases

	Minimum payments	
	31 December 2024	31 December 2023
	000 EUR	000 EUR
Within one year	12,329	9,474
In the second to fifth year inclusive	42,846	32,740
After the fifth year	51,368	58,088
	106,543	100,302
Less: future financial costs	(23,040)	(24,408)
Present value of minimum payments	83,503	75,894

29/ LOANS AND LEASES PAYABLE / CONTINUED

/iii/ Liabilities from leases / continued

	Present value of minimum payments	
	31 December 2024	31 December 2023
	000 EUR	000 EUR
Within one year	8,450	6,069
In the second to fifth year inclusive	31,405	21,577
After the fifth year	43,648	48,248
	83,503	75,894

Recognised in the financial statements under:

Short-term part	8,450	6,069
Long-term part	75,053	69,825
	83,503	75,894

Liabilities from leases relate to financial leases and leases for right-of-use assets. Financial lease refers to the equipment (means of transport) and the building (Arena hall) that were leased for a period of 5 – 28 years. Upon expiration of the lease agreement, the Company may repurchase the property at the contracted values. The liabilities of the Company on the basis of the financial lease are secured by the ownership of the lessor over the property that is the subject of the lease.

In the amount of liabilities from the financial lease for the hall, the Company also has receivables from a member of the Company and the state (notes 23 and 38).

/iv/ Present value of assets in financial lease

	Buildings	Means of transport	Plant and equipment	Total
Net book value as at 1 January 2023	89,664	2,250	-	91,914
Purchase value	108,684	4,320	1,529	114,533
Value adjustment	(20,378)	(1,531)	(19)	(21,928)
Net book value as at 31 December 2023	88,306	2,789	1,510	92,605
Purchase value	108,684	10,782	1,529	120,995
Value adjustment	(21,737)	(840)	(171)	(22,748)
Net book value as at 31 December 2024	86,947	9,942	1,358	98,247

For the year ended 31 December 2024

29/ LOANS AND LEASES PAYABLE / CONTINUED

/v/ Short-term loans

	31 December 2024	31 December 2023 restated	1 January 2023 restated
	000 EUR	000 EUR	000 EUR
Short-term loans and borrowings	28,318	28,904	18,928
<i>Short-term loans and borrowings</i>	30	-	-
<i>Current maturity of long-term loans</i>	28,288	28,904	18,928
Current maturity of financial lease	8,450	6,069	5,845
Other (interest on loans, financial leases and bonds)	10,327	11,199	8,335
	47,095	46,172	33,108

Changes in short-term loans

	31 December 2024	31 December 2023 restated
	000 EUR	000 EUR
Balance as at 1 January	28,904	18,928
Increase based on new loans and borrowings	30	-
Decrease in repaid current maturity of long-term loans	(28,904)	(18,928)
Current maturity of long-term loans	28,288	28,904
Increase from merger of service areas	80	-
Decrease in repayments of loans and borrowings	(80)	-
Balance as at 31 December	28,318	28,904

30/ LIABILITIES FOR ISSUED BONDS

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Nominal value	305,000	305,000
Discount	(391)	(489)
Cost of issuance of bonds	(1,511)	(1,889)
Present value of bonds	303,098	302,622

On 11 July 2023, the Group issued bonds related to sustainable operations on the domestic capital market in the total nominal amount of EUR 305 million, code ZGHO-O-287A and international identification code (ISIN) HRZGHOO287A8, with a fixed annual interest rate of 4.90% with semi-annual payment of interest and one-time maturity of principal five years after the date of issuance.

The Group has developed a Framework Document for the issuance of bonds related to sustainable business, which is based on the Principles of bonds related to sustainable business from 2020 of the International Capital Markets Association (ICMA), which are the market standard for this type of bonds.

The Group has identified the following key performance indicators as the most relevant and critical to its business in terms of sustainability:

- 1) Increase the share of separately collected municipal waste (i.e. removed from the landfill) from 38% to 58% as of 31 December 2027 compared to the base year (31 December 2021);
- 2) Increase the share of renewable electricity in total electricity consumption from 50% to 70% by 31 March 2028 compared to the base period (from 1 April 2023 to 31 March 2024).

In the event of default related to the above sustainability performance targets, the Group will pay a one-time additional fee (penalty) on maturity of the bonds for 0.25% of the total nominal amount of the issued bonds per each key indicator.

31/ PROVISIONS

	31 December 2024	31 December 2023 restated
	000 EUR	000 EUR
Provisions for employee benefits under IAS 19 /i/	15,493	13,545
Provisions for collective redundancy	-	145
Provisions for legal disputes /ii/	22,938	21,419
Provisions for rehabilitation of the landfill /iii/	8,577	8,464
Provisions for onerous contracts iv/	-	1,834
	47,008	45,407
Current liabilities (note 35)	5,355	5,745
Non-current liabilities	41,653	39,662

/i/ The obligation to make provisions for employee benefits arises from a collective agreement, and provisions are determined in accordance with IAS 19 "Employee Benefits". Provisions for employee benefits include provisions for severance pay, years of service awards and solidarity aids. Provisions are measured at the present value of costs expected to be required to settle the liability, using a discount rate of 3.41% (2023: 3.49%).

/ii/ Provisions for costs arising from initiated legal disputes against the Group are made upon learning about the initiation of a dispute and assessing the outcome of the dispute. The Management Board believes that the provision of costs has been made sufficient for possible liabilities that could follow.

/iii/ Provisions for rehabilitation of the landfill relate to the costs of maintenance and supervision of the Jakuševac landfill after its closure for the next 30 years for the purpose of environmental protection in accordance with IAS 37. "Provisions, Contingent Liabilities and Contingent Assets". Provisions are measured at the present value of costs expected to be required to settle the liability, using a discount rate of 3.41% (2023: 3.49%).

/iv/ Reserved amount for onerous contracts referred to the estimated effect of gas supply contracts in the segment of entrepreneurship for which the cost of their fulfilment is expected to exceed the revenues or economic benefits expected from them. Multi-annual contracts expired on 30 September 2024.

Changes during the year:

	Employee benefits	Litigation	Rehabilitation of the landfill	Costs within the warranty periods	Onerous contracts	Severance pay for collective redundancy	Total
Balance as at 1 January 2023	11,584	18,793	8,179	28	5,316	3,765	47,665
Increase	2,226	7,954	285	-	-	145	10,610
Decrease	(265)	(5,328)	-	(28)	(3,482)	(373)	(9,476)
Used provisions	-	-	-	-	-	(3,392)	(3,392)
Balance as at 31 December 2023	13,545	21,419	8,464	-	1,834	145	45,407
Increase	2,077	3,844	283	-	-	-	6,204
Decrease	(129)	(1,618)	(170)	-	(1,834)	(2)	(3,753)
Used provisions	-	(707)	-	-	-	(143)	(850)
Balance as at 31 December 2024	15,493	22,938	8,577	-	-	-	47,008

32/ DEFERRED INCOME

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Deferred income of the future period	702,687	438,977
<i>Short-term part</i>	26,560	20,534
<i>Long-term part</i>	676,127	418,443

Deferred income of the future period refers to assets received or financed from local government units and other legal entities, without compensation, which are disclosed in the statement of financial position (balance sheet) as deferred income. The decrease in deferred income recognition in the profit and loss account is recognised rationally over the useful life of the asset in question, as income in the amount of calculated depreciation and amortisation of assets in accordance with IAS 20.

33/ OTHER NON-CURRENT LIABILITIES

	31 December 2024	31 December 2023	1 January 2023
	000 EUR	restated 000 EUR	restated 000 EUR
Liabilities to related parties (note 38)	844	1,124	1,455
Trade payables	-	-	14
Other non-current liabilities	651	644	434
	1,495	1,768	1,903
<i>Short-term part (note 35)</i>	8	14	-
<i>Long-term part</i>	1,487	1,754	1,903

Liabilities to related parties as at 31 December 2024 relate to the liability to the City of Zagreb for the utility contribution.

Other non-current liabilities disclosed in the statement of financial position relate to the liability to the Republic of Croatia for sold apartments to employees in accordance with the state program. According to the then applicable legal regulations, 65% of the income generated by the sale of apartments to employees was paid to the State upon receipt of funds.

34/ DERIVATIVE FINANCIAL LIABILITIES

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Derivative financial liabilities	-	758

On 1 March 2023, the Group contracted an interest rate swap by fixing the interest rate until 31 December 2025. Following the changes in the base interest rate market, the Group estimated that it was more opportune to terminate the aforementioned contract, which was realised on 30 August 2024 with a termination cost of EUR 55 thousand. The subject exit cost was incurred as a difference between the inflow of interest per interest rate swap on 30 August 2024 in the amount of EUR 710 thousand and the fair value of the interest rate swap on the date of exit in the amount of EUR 765 thousand.

35/ TRADE PAYABLES AND OTHER LIABILITIES

	31 December 2024	31 December 2023 restated	1 January 2023 restated
	000 EUR	000 EUR	000 EUR
Trade payables /i/	277,371	185,155	99,454
Liabilities for advance payments, deposits and guarantees	5,880	3,808	4,016
Liabilities payable to employees for net salaries and benefits	12,422	9,509	8,025
Other liabilities /ii/	67,428	64,274	63,784
	363,101	262,746	175,279

/i/ Trade payables

Within the liabilities to suppliers, liabilities to the supplier related to receivables from the Republic of Croatia are stated as stated in note 26 /ii/.

/ii/ Other liabilities were as follows:

	31 December 2024	31 December 2023 restated	1 January 2023 restated
	000 EUR	000 EUR	000 EUR
Short-term provisions for severance pay (business and personal termination)	1,100	-	-
Short-term provisions for collective redundancy (note 31)	-	145	3,765
Liabilities arising from services charged to unrelated parties	32,296	24,541	21,331
Calculated uninvoiced costs charged to the current period	6,136	8,423	6,274
Liabilities for unused annual leave	6,947	5,247	4,630
Liabilities for taxes and contributions on salaries and benefits	6,632	4,711	4,287
Liability for value added tax	2,474	7,042	9,609
Current maturity of long-term provisions (note 31)	5,355	5,600	6,948
Current maturity of other non-current liabilities (note 33)	8	14	-
Other liabilities pertaining to benefits granted by virtue of decisions	1,502	1,710	2,676
Deferred recognition of sales revenues	2,887	3,393	1,931
Liability pertaining to membership fees, charges, taxes and other	2,091	3,448	2,333
	67,428	64,274	63,784

36/ LIABILITIES TO RELATED PARTIES

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Liabilities to related parties (note 38)	1,951	3,476

37/ CAPITAL AND RESERVES***Share capital***

The only member of the Company is the City of Zagreb. As at 31 December 2024, the share capital of the Company amounts to EUR 421,666 thousand (31 December 2023: EUR 421,666 thousand).

a/Real estate and land revaluation reserves

	2024	2023 restated
	000 EUR	000 EUR
Balance at the beginning of the year	241,611	237,519
Real estate revaluation gains (net)	89,450	4,092
Realisation of the revaluation reserve	(576)	-
Balance at the end of the year	330,485	241,611

b/ Provisions from changes in fair value of financial assets through other comprehensive income

	2024	2023
	000 EUR	000 EUR
Balance at the beginning of the year	5,070	3,172
Increase based on fair value change (net)	(555)	1,898
Balance at the end of the year	4,515	5,070
Revaluation reserves total (a+b)	335,000	246,681

Other reserves

Other reserves stated in the statement of financial position (balance sheet) as at 31 December 2024 in the amount of EUR 48,218 thousand (31 December 2023: EUR 32,718 thousand) relate to the share capital of merged companies in 2001 (Grad mladih Granešina d.o.o. and Omladinski turistički centar d.o.o.) in the amount of EUR 2,007 thousand, the entered assets of the Bundek park in the amount of EUR 30,711 thousand and the assets entered according to the owner's decision on recapitalisation for which the recapitalisation procedure at the Commercial Court in Zagreb is in progress.

Accumulated loss

	2024	2023 restated
	000 EUR	000 EUR
Balance at the beginning of the year	(77,831)	(93,554)
Profit for the year	26,268	15,723
Realisation of revaluation reserves	702	-
Acquisition of service areas	(2,918)	-
Balance at the end of the year	(53,779)	(77,831)

37/ CAPITAL AND RESERVES /CONTINUED

Non-controlling interest

The non-controlling share of the Group resulted from the ownership share of 49% in the affiliated company Zagreb plakat d.o.o.

Changes in non-controlling interest were as follows:

	2024	2023
	000 EUR	000 EUR
Balance as at 1 January	1,414	1,200
Share in current year profit	936	619
Payment of profit to non-controlling (minority) interests	(619)	(405)
Acquisition of service areas	7,745	-
Balance as at 31 December	9,476	1,414

38/ BALANCES AND BUSINESS EVENTS WITH RELATED PARTIES

Revenues and expenses between related parties over the course of the year were as follows:

	Revenue from sales	
	2024	2023
	000 EUR	000 EUR
City of Zagreb (note 6)	122,423	103,881

	Costs of purchased goods and services	
	2024	2023
	000 EUR	000 EUR
City of Zagreb	2,064	2,455

Revenue from sales to related parties was generated at standard market prices that are comparable to prices to unrelated parties.

The founder of the Company and the sole owner, the City of Zagreb, has certain business relations with companies within the Group. The Group also presents significant transactions with companies and/or entities that are wholly or partially owned by the City of Zagreb.

Open balances from sales transactions at the end of the reporting period:

Receivables from related parties

	31 December 2024	31 December 2023
	000 EUR	000 EUR
City of Zagreb, long-term contracts for public facilities (note 23)	82,008	97,636
Loans granted to related parties (note 23)	9,433	13,127
City of Zagreb, current receivables (note 25)	42,871	65,559
Other related parties (note 25)	903	1,054
	135,215	177,376

Outstanding balances are not covered by payment security instruments (promissory notes, bills of exchange, bank guarantees) and they will be paid in cash.

Liabilities to related parties

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Current liabilities payable to the City of Zagreb (note 36)	1,951	3,476
Non-current liabilities payable to the City of Zagreb (note 33)	844	1,124
	2,795	4,600

Loans granted to affiliated companies outside the Group pertain to long-term loans granted to newly established companies under the Demerger Plan of 1 January 2018 following the status change of demerger with establishment of a new company. The loans mature within a period of 10 years. The contractual interest rates are comparable to market interest rates that the Group can be granted for borrowing in the money market at the time of concluding the loan agreement. Loans are secured by payment instruments in the form of a promissory note.

38/ BALANCES AND BUSINESS EVENTS WITH RELATED PARTIES / CONTINUED

In addition to the City of Zagreb, the related parties of the Group are the Management Board and the members of the Supervisory Board. Members of the Management Board (Management Board of the Company, heads of subsidiaries and directors of affiliated companies) and the Supervisory Board were remunerated as follows:

	2024	2023
	000 EUR	000
Gross salary of the Management Board, directors of companies and head of subsidiaries	1,662	1,486
Remuneration payable to the Supervisory Board and the Audit Committee	139	128
	1,801	1,614

39/ EMPLOYEE BENEFITS

As at 31 December 2024, provisions for employee benefits including years of service awards, severance pay and solidarity aids amount to EUR 15,493 thousand (31 December 2023: EUR 13,545 thousand).

Years of service awards, severance pay and solidarity aids

In accordance with collective agreements, the Group is obliged to pay years of service awards to its employees. The Group has a defined benefit plan for employees who meet certain criteria. Most of the Group's affiliated companies have defined the rights to years of service awards in the following amounts, with respect to continuous years of service in the Group:

- EUR 280 for 10 years of service
- EUR 336 for 15 years of service
- EUR 392 for 20 years of service
- EUR 448 for 25 years of service
- EUR 504 for 30 years of service
- EUR 560 for 35 years of service
- EUR 672 for 40 years of service

When retiring at full retirement age, the employee is entitled to compensation under the Collective Agreement in the amount of three average monthly salaries paid in the city of Zagreb in the previous three months.

Solidarity aids are paid according to the average salary paid in the city of Zagreb, including aid to employees in the following cases:

- death of the employee or a member of the immediate family of the employee
- the occurrence of disability of the employee or children and spouses of the employee
- sick leave longer than 90 days of the employee
- benefits payable to children of employees who were injured or killed in the Homeland War
- procurement of a medical device and coverage of participation in the purchase of much-needed medicines in the opinion of the competent physician
- elimination of the consequences of a natural disaster
- birth of a child
- serious injury at work

Present value of liabilities arising from the defined benefits and the related costs of present and past service were determined using the projected unit credit method, with application of a discount rate of 3.41% (2023: 3.49%), which is equivalent to market yield on government bonds.

Actuarial estimates were made on the basis of the following main assumptions:

	2024	2023
Discount rate	3,41%	3,49%
Fluctuation rate	Average 4,94%	Average 5,6%

For the year ended 31 December 2024

39/ EMPLOYEE BENEFITS/ CONTINUED

The amount disclosed in the statement of financial position based on the Group's liabilities from defined severance pay, years of service awards and solidarity aids.

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Present value of liabilities pertaining to employee benefits (Note 31)	15,493	13,545

40/ OFF-BALANCE SHEET ITEMS

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Off-balance sheet items	125,717	116,676

Off-balance sheet records refer to guarantees and promissory notes issued, guarantees received, promissory notes and guarantees of the City for issued bonds.

41/ FINANCIAL INSTRUMENTS

Capital risk management

Debt-to equity ratio

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Debt	553,603	603,081
Received loans, borrowings and financial lease (long-term and short-term maturity)	316,258	369,446
Liabilities for issued long-term securities	303,098	302,622
- liability pertaining to financial lease of the Arena sports facility (because the aforementioned is also disclosed as a receivable from the City of Zagreb and the Government of the Republic of Croatia)	(65,753)	(69,745)
Derivative financial instruments	-	758
Cash and cash equivalents	(113,404)	(86,259)
Net debt	440,199	516,822
Equity	760,581	624,648
Net debt-to-equity ratio	57,9%	82,7%

The capital structure is analysed through the analysis of capital costs and associated risks.

41/ FINANCIAL INSTRUMENTS / CONTINUED

Categories of financial instruments

	31 December 2024	31 December 2023
	000 EUR	000 EUR
Financial assets kept at depreciated cost		
Cash on accounts and on hand	113,404	86,259
Long-term deposits and other financial assets	19,169	20,615
Receivables from affiliated companies and trade receivables	235,485	287,188
Receivables from loans and from sales on credit	31,874	37,760
Receivables from employees	59	47
Other receivables	235,065	144,926
	635,056	576,795
Financial assets kept at fair value through profit or loss	244	150
Financial assets kept at fair value through profit or loss	244	150
	635,300	576,945
Financial liabilities at depreciated cost		
Financial lease contracts	83,503	75,894
Received loans and borrowings	232,755	293,552
Liabilities for issued long-term securities	303,098	302,622
Liabilities payable to affiliated companies and trade payables	280,166	189,754
Liabilities for advance payments, deposits and guarantees	5,880	3,807
Liabilities payable to employees	12,422	9,509
Other non-current liabilities		-
Other current liabilities	44,771	41,387
	962,595	916,525
Derivative financial instruments - interest rate swap	-	758
Derivative financial instruments	-	758
	962,595	917,283

Financial risk management objectives

In order to forecast the possibility of a situation that may have a negative impact on business operations and the achievement of set goals, the Group identifies financial risks, determines their potential impact on the Group's operations in the future and manages financial risks. Various forms of financial risks that the Group faces in its operations are sought to reduce, avoid and overcome in order to increase the security of operations. When deemed economically justified, certain financial risks are accepted.

The most important risks, together with the methods used to manage these risks are described below. The Group does not use derivative instruments for speculative purposes.

41/ FINANCIAL INSTRUMENTS / CONTINUED

Market risk

At the proposal of the Management Board, the prices of utility services are determined and approved by the City of Zagreb, while the Management Board determines the price of market services on the basis of market prices.

The Group's activities are primarily exposed to the financial risk of changes in foreign exchange rates and interest rates. Market risk exposure is supplemented by sensitivity analysis. There were no changes in the Group's exposure to market risk or the way risk is managed and measured.

Currency risk

With the introduction of the euro as the official currency on 1 January 2023 in the Republic of Croatia, the Group is no longer exposed to currency risk.

Interest rate risk management

The Group actively manages interest rate risk, and in order to reduce exposure to changes in the variable base rate, it carried out the process of contracting a financial instrument for interest rate risk protection – interest rate swap (IRS). Such a change in interest rates has the economic effect of converting loans with a variable interest rate into loans with a fixed interest rate for the pre-agreed part of the principal of the hedged loans. By contracting the interest rate swap, 6M EURIBOR is fixed at a rate ranging from 3.16% to 3.195% per year in the period from 1 March 2023 to 31 December 2025. Following the changes in the base interest rate market, the Group estimated that it was more opportune to terminate the aforementioned contract, which was realised on 30 August 2024 with a termination cost of EUR 55 thousand (note 34).

Credit risk management

Credit risk is the risk of non-payment or non-performance of contractual obligations by the Group's customers, which affects the possible financial loss of the Group. In its dealings with customers, the Group collects payment security instruments for the purpose of protecting against possible financial risks and losses due to non-performance of payments and contractual obligations.

Buyers are classified into risk groups according to financial indicators of operations and previous operations with the Group, and appropriate credit risk protection measures are applied for each group. For the categorisation of customers, data from the official financial statements of customers are mainly used, and the Group's data on business operations so far are used.

The Group deals with a large number of customers from various industries and of different sizes and with a large number of retail customers. Trade receivables are adjusted for the value of doubtful and disputed receivables.

Liquidity risk management

Instruments used to monitor and reduce liquidity risks are: analysis and management of cash flows, analysis of assets and sources of financing of assets, analysis of customers' creditworthiness, payment security instruments, contracted open credit lines on a revolving principle, etc.

41/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management (continued)

Tabular analysis of liquidity and interest rate risk

The tables below analyse the remaining period until the contractual maturity of the Group's non-derivative financial liabilities. Tables are compiled on the basis of undiscounted cash outflows from financial liabilities at the earliest date on which payment can be requested from the Group. The table includes cash outflows by both principal and interest.

in 000 EUR	Average weighted interest rate %	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	After 5 years	Total
31 December 2024								
<i>Interest-free</i>								
Liabilities payable to affiliated companies and trade payables		279,322	102	90	78	67	507	280,166
Liabilities for advance payments, deposits and guarantees		5,880	-	-	-	-	-	5,880
Liabilities payable to employees		12,422	-	-	-	-	-	12,422
Other current liabilities		44,771	-	-	-	-	-	44,771
Other non-current liabilities		-	-	-	-	-	644	644
<i>Instruments with a variable interest rate</i>								
Liabilities based on financial lease	6,92%	569	569	569	522	616	2,846	5,691
Loans and borrowings	6,44%	28,284	27,068	25,851	24,652	23,419	64,738	194,012
<i>Instruments with a fixed interest rate</i>								
Liabilities based on financial lease	4,71%	11,760	10,916	10,510	10,359	8,785	48,522	100,852
Loans and borrowings	2,00%	5,437	5,344	5,252	5,161	5,067	20,502	46,763
Issued bonds EUR	4,90%	14,926	14,945	14,945	319,964	-	-	364,780
Liabilities for loans for buildings (GSKG d.o.o.)		4,810	4,143	3,784	3,480	3,141	11,212	30,570
		408,181	63,087	61,001	364,216	41,095	148,971	1,086,551

41/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management (continued)

Tabular analysis of liquidity and interest rate risk / continued

in 000 EUR	Average weighted interest rate %	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	After 5 years	Total
31 December 2023, restated								
<i>Interest-free</i>								
Liabilities payable to affiliated companies and trade payables		188,631	128	89	78	67	762	189,755
Liabilities for advance payments, deposits and guarantees		3,808	-	-	-	-	-	3,808
Liabilities payable to employees		9,509	-	-	-	-	-	9,509
Other current liabilities		41,386	-	-	-	-	-	41,386
Other non-current liabilities		-	4	3	593	-	30	630
<i>Instruments with a variable interest rate</i>								
Liabilities based on financial lease	6,92%	208	156	156	156	143	342	1,161
Loans and borrowings	6,17%	32,517	30,132	30,585	29,409	28,260	131,762	282,665
<i>Instruments with a fixed interest rate</i>								
Liabilities based on financial lease	4,71%	9,373	8,919	8,029	7,645	7,564	57,744	99,274
Loans and borrowings		5,536	5,437	5,345	5,252	5,162	25,570	52,302
Issued bonds EUR	4,35%	14,964	14,926	14,945	14,945	319,964	-	379,744
Liabilities for loans for buildings (GSKG)		5,427	4,874	4,191	3,824	3,520	14,586	36,422
Derivative financial instruments		-	758	-	-	-	-	758
		311,359	65,334	63,343	61,902	364,680	230,796	1,097,414

41/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management (continued)

Tabular analysis of liquidity and interest rate risk

The table below analyses the expected maturity of the Group's non-derivative financial assets. Tables are compiled on the basis of undiscounted contractual maturities of financial assets, including interest that will be earned on those assets.

in 000 EUR	Average weighted interest rate	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	After 5 years	Total
31 December 2024	%							
<i>Interest-free</i>								
Cash and cash equivalents		113,404	-	-	-	-	-	113,404
Financial assets at fair value		244	-	-	-	-	-	244
Receivables from affiliated companies and trade receivables		162,980	12,432	12,537	11,840	9,142	55,040	263,971
Receivables from employees		59	-	-	-	-	-	59
Other receivables		204,280	2,192	2,297	2,406	2,642	21,248	235,065
<i>Available-for-sale financial assets</i>		-	-	-	-	-	5,638	5,638
<i>Instruments with a variable interest rate</i>								
Deposits given and other held-to-maturity securities		747	-	-	-	-	-	747
<i>Instruments with a fixed interest rate</i>								
Deposits given and other held-to-maturity securities	3,40%	3,421	283	284	283	283	9,932	14,486
Loans granted		5,764	4,318	3,887	3,523	3,174	11,212	31,878
Receivables under apartment loans	1,00%	35	40	5	4	4	47	135
Loans granted to affiliated companies and accrued interest on loans given	3,88%	2,446	2,363	2,354	2,344	-	-	9,507
		493,380	21,628	21,364	20,400	15,245	103,117	675,134

42/ FINANCIAL INSTRUMENTS / CONTINUED

Liquidity risk management (continued)

Tabular analysis of liquidity and interest rate risk

in 000 EUR	Average weighted interest rate	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	After 5 years	Total
31 December 2023, restated	%							
<i>Interest-free</i>								
Cash and cash equivalents		86,259	-	-	-	-	-	86,259
Financial assets at fair value		150	-	-	-	-	-	150
Receivables from affiliated companies and trade receivables		200,944	12,333	12,432	12,537	11,839	64,182	314,267
Receivables from employees		47	-	-	-	-	-	47
Other receivables		117,968	6,645	6,383	6,122	5,926	38,476	181,520
Available-for-sale financial assets		-	-	-	-	-	7,073	7,073
<i>Instruments with a variable interest rate</i>								
Deposits given and other held-to-maturity securities		795	-	-	-	-	-	795
<i>Instruments with a fixed interest rate</i>								
Deposits given and other held-to-maturity securities	3,40%	3,403	283	283	283	283	9,924	14,459
Loans granted		1,067	332	24	14	6	-	1,443
Receivables under apartment loans	1,00%	2	10	5	4	2	22	45
Loans granted to affiliated companies and accrued interest on loans given	3,88%	3,000	2,590	2,580	2,569	2,559	-	13,298
		413,635	22,193	21,707	21,529	20,615	119,677	619,356

41/ FINANCIAL INSTRUMENTS / CONTINUED

Fair value of financial instruments

Fair value inputs recognised in the statement of financial position / (balance sheet)

The following table analyses financial instruments that were reduced to fair value after their first recognition, classified into three groups depending on the availability of fair value inputs:

- Level 1 inputs – derived from (non-adjusted) prices quoted in active markets for similar assets and similar liabilities
- Level 2 inputs – derived from other data on assets or liabilities that are not quoted prices from Level 1 inputs, either directly as prices or indirectly, derived from their prices
- Level 3 inputs – inputs derived using valuation methods in which data on assets or liabilities that are not based on available market data were used as input data.

31 December 2024

000 EUR	Level 1	Level 2	Level 3	Total
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Financial assets at fair value through profit and loss

Investments in shares	244	-	-	244
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31 December 2023

000 EUR	Level 1	Level 2	Level 3	Total
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Financial assets at fair value through profit and loss

Investments in shares	150	-	-	150
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Derivative financial liabilities	-	758	-	758
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42/ CONTRACTUAL COMMITMENTS

The Group has pending contracts which have been concluded, but not completed. The value of investments to be incurred under these contracts is estimated at EUR 41,145 thousand (31 December 2023 EUR 50,575 thousand).

43/ LITIGATION

The Group is exposed to various litigations. The Management Board believes that the provision for litigation has been made according to estimates in the amount of EUR 22,938 thousand (31 December 2023 EUR 21,419 thousand) sufficient for possible liabilities that could follow (note 31).

44/ CONTINGENT LIABILITIES

Environmental protection

Within the Group, the operating segment of cleanliness maintenance and waste disposal included the activity of the former subsidiary ZGOS, which refers to the disposal of municipal and other waste, as well as the rehabilitation of the Jakuševac landfill and assistance to the City of Zagreb in establishing a long-term strategy for the development of the municipal waste management system in the City of Zagreb. The impact of these activities on the environment is monitored by local administrations and state bodies dealing with environmental protection. In this operating segment, the Group has reserved funds in the amount of EUR 8,577 thousand for the future costs of maintenance and supervision of the environmental landfill, in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (31 December 2023: EUR 8,464 thousand) (note 31).

45/ MERGERS AND ENTRY OF ASSETS

Mergers

Pursuant to Article 7, paragraph 6 and Article 88, paragraph 1 of the Water Services Act (Official Gazette No. 66/19), the Government of the Republic of Croatia adopted the Regulation on Service Areas (hereinafter: the "Regulation"). The Regulation stipulates that the Republic of Croatia is divided into 41 service areas and in each area the Acquiring Company is appointed.

Article 13 of the Regulation established service area 11, which includes the City of Zagreb, the cities of Jastrebarsko, Samobor and Sveta Nedelja and the municipalities of Stupnik, Klinča Sela and Žumberak in the Zagreb County. The acquiring company in the service area 11 is Vodoopskrba i odvodnja d.o.o., Zagreb.

On 30 December 2024, Commercial Court in Zagreb completed the merger of Voda Jastrebarsko d.o.o. and Vodovod Klinča Sela d.o.o. with the affiliated company Vodoopskrba i odvodnja d.o.o.

	Vode Jastrebarsko d.o.o.	Vodovod Klinča Sela d.o.o.
	000 EUR	000 EUR
Intangible assets	298	1
Property, plant and equipment	26,878	5,451
Non-current receivables	-	-
Deferred tax assets	-	-
Inventories	147	5
Current receivables	556	118
Current financial assets	-	-
Cash and cash equivalents	174	-
Total assets	28,053	5,575
Share (subscribed) capital	6,161	317
Revaluation reserves	-	-
Accumulated loss/Profit retained	(2,919)	1
Provisions	-	-
Non-current liabilities	23,987	4,723
Current liabilities	824	534
Total equity and liabilities	28,053	5,575

45/ MERGERS AND ENTRY OF ASSETS / CONTINUED**Entry of assets**

Central wastewater treatment plant of the City of Zagreb

On 25 January 2024, the City Assembly of the City of Zagreb adopted a Decision on the unilateral termination of the Concession Agreement for the Project of Infrastructure Facilities for the needs of the construction of the Central Wastewater Treatment Plant of the City of Zagreb (CUPOVZ) with the company Zagrebačke otpadne vode d.o.o. (Official Gazette of the City of Zagreb 3/24). The Mayor of the City of Zagreb adopted a Conclusion determining that on 3 August 2024, the Concession Agreement will cease to be valid and that Vodoopskrba i odvodnja d.o.o., as a public supplier of water services, began to provide water treatment services in the service area from 4 August 2024. In accordance with the aforementioned change, the Company started recognising the proceeds from the purification in its financial statements as of 4 August 2024.

On 30 December 2024, the City of Zagreb and Vodoopskrba i odvodnja d.o.o. concluded an Agreement on the transfer of ownership rights of the utility building CUPOVZ, which increased the company's assets in the amount of EUR 223,646 thousand, of which EUR 222,526 thousand relates to plant and equipment and EUR 1,120 thousand to inventories. The deferred recognition of income for the entry of assets without compensation in the amount of EUR 223,646 thousand was increased.

Municipality of Stupnik

In accordance with the Regulation on Service Areas (Water Services Act), on 26 November 2024, the municipality of Stupnik accesses the Company and takes over one business share in its entirety. The company's assets were increased by EUR 3,088 thousand.

46/ EVENTS AFTER THE DATE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Increase and adjustment of share capital

Based on the Conclusion on the transfer of ownership rights of real estate, cadastral plot no. 1210/11 cadastral municipality Žitnjak of the City Assembly of the City of Zagreb of 5 December 2024, at the 46th session held on 30 December 2024, the Assembly of the Company adopted the Decision on the harmonisation of the share capital of the Company with the provisions of the Act on the introduction of the euro and the provisions of the Companies Act by increasing the share capital of the Company by EUR 15,500,000.95, whereby the share capital of the Company increased by entering the right of ownership by investing real estate owned by the City of Zagreb in the amount of EUR 15,500,000.00 and paying in cash in the amount of EUR 0.95.

Due to the change in the land register, it was not possible to implement changes in the land register or at the Commercial Court in Zagreb. Therefore, for the purpose of implementing the registration of the right of ownership of the said real estate in the land and other public books, it was necessary to amend the Decision on the increase and harmonisation of the share capital of the Zagreb Holding, which was made on the basis of the Conclusion of the City Assembly of the City of Zagreb and the Assembly of the Company at the 48th session held on 9 April 2025, adopts the following:

1. Decision amending the Decision on the harmonisation of the share capital of the company with the provisions of the Act on the introduction of the euro and the provisions of the Companies Act by increasing the share capital by entering the right of ownership over real estate and paying it in cash
2. Decision on amending the Decision on amending the Declaration on the Establishment of a Limited Liability Company

The implementation of the registration of the increase and adjustment of the share capital of the Company at the Commercial Court in Zagreb is in progress.

Abolition of co-debtorship under the Club Loan

In March 2025, the Annex I to the Long-Term Club Loan Agreement up to the amount of EUR 240,000 between the banks, the parent company of Zagrebački holding d.o.o. (the borrower) and affiliated companies (Gradska plinara Zagreb d.o.o., Gradska plinara Zagreb Opskrba d.o.o. and Vodoopskrba i odvodnja d.o.o. as a co-debtor), and according to which the co-debtorship of affiliates under the said loan is terminated.

Merger of the company Odvodnja Samobor d.o.o.

On 3 March 2025, the companies Vodoopskrba i odvodnja d.o.o. (hereinafter: the "merging company") and Odvodnja Samobor d.o.o. (hereinafter: the "merged company") concluded an agreement on the merger of companies. By entering the share capital of EUR 205,720.00, the City of Samobor, as the only member of the company, will acquire one business share in the capital of Vodoopskrba i odvodnja d.o.o. The assets of the merged company are transferred to the company of the acquirer on the basis of the concluded financial statements as at 31 December 2024. The merger shall become valid on 30 April 2025.

Merger of the company Vode Žumberak d.o.o.

On 3 March 2025, the companies Vodoopskrba i odvodnja d.o.o. (hereinafter: the "merging company") and Vode Žumberak d.o.o. (hereinafter: the "merged company") concluded an agreement on the merger of companies. By entering the share capital of EUR 2,650.00, the Municipality of Žumberak, as the only member of the company, will acquire one business share in the capital of Vodoopskrba i odvodnja d.o.o. The assets of the merged company are transferred to the company of the acquirer on the basis of the concluded financial statements as at 31 December 2024. The merger shall become valid on 30 April 2025.

Municipality of Sveta Nedjelja

In accordance with the Regulation on Service Areas, and pursuant to the Water Services Act, Service Area 11 also includes the city of Sveta Nedelja. Negotiations on the takeover are underway, which the Company expects to be finalised by the end of 2025.

47/ PENSION INSURANCE

The Group does not have any special pension insurance model for its employees or the Management Board. Accordingly, no provisions have been made for these costs.

For employees of the Group who are employed in the Republic of Croatia, legal contributions for pension insurance are paid. These contributions form the basis for pensions paid by the Croatian Pension Fund to Croatian employees after their retirement. Currently, the Group has no outstanding liabilities for unpaid pensions, either for current or former employees.

48/ LEGAL AND REGULATORY ENVIRONMENT

The operations of the Group, as well as the generation of revenues, are subject to several laws, the most significant of which are:

- Utilities Management Act
- Act on Local and Regional Self-Government
- Waste Management Act
- Institutions Act
- Water Services Act
- Water Management Financing Act
- Act on Local and Regional Self-Government
- Regulation on Service Areas
- Cemeteries Act
- Buildings Maintenance Act
- Free Zones Act
- Energy Act
- Act on the Regulation of Energy Activities
- Gas Market Act

49/ APPROVAL OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Management Board adopted annual consolidated financial statements and approved their issuance on 29 April 2025.

Ivan Novaković
president of the Management
Board

Dubravko Karačić
member of the Management Board

Matija Subašić-Maras
member of the Management Board

Damir Novinić
member of the Management Board

Pursuant to Article 441 of the Companies Act ("Official Gazette" no. 111/93., 34/99., 121/99., 52/00., 118/03., 107/07., 146/08., 137/09., 152/11 - official consolidated text, 111/12, 125/11, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23, 136/24) and Article 31 of the Statement on the Establishment of Zagrebački holding d.o.o., Zagreb, Ulica grada Vukovara 41 (full text as of 30 September 2021), at its 49th session held on 30 April 2025, the Assembly of Zagrebački holding d.o.o. unanimously adopted the following

DECISION

1. The annual consolidated financial statements of Zagrebački holding d.o.o. for 2024 are adopted, as follows:

- a)** Statement of financial position with the sum of assets and liabilities in the amount of EUR 2,568,075,635.05.
 - b)** Statement of comprehensive income with positions:
 - total revenues EUR 857,790,314.55
 - total expenses EUR 825,787,048.28
 - profit before tax EUR 32,003,266.27
 - tax expense EUR 4,799,483.88
 - profit after tax EUR 27,203,782.39
 - other comprehensive income (net) EUR 89,022,505.45
 - c)** Notes to the financial statements for 2024.
 - d)** Report on the application of the Code of Corporate Governance.
- e)** Report of the management, of which the Sustainability Report of the Zagrebački holding Group for 2024 is an integral part. 2nd Decision of the Management Board of the Company on the determination of the annual consolidated reports of Zagrebački holding d.o.o. for 2024, CLASS: _____, Reg. no.: _____ of 29 April 2025, is an integral part of this Decision.

MEMBER OF THE ASSEMBLY OF THE COMPANY

CITY OF ZAGREB

REPRESENTED BY

THE REPRESENTATIVES OF THE MEMBER

Tomislav Tomašević, M.Sc. Pol.

phD Danijela Dolenec

phD Luka Korlaet

Class: 740-15/25-03/03

Reg. No.: 01-01/7-25-05

Pursuant to Article 441 of the Companies Act ("Official Gazette" no. 111/93., 34/99., 121/99., 52/00., 118/03., 107/07., 146/08., 137/09., 152/11 - official consolidated text, 111/12, 125/11, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23, 136/24) and Article 31 of the Statement on the Establishment of Zagrebački holding d.o.o., Zagreb, Ulica grada Vukovara 41 (full text as of 30 September 2021), at its 49th session held on 30 April 2025, the Assembly of Zagrebački holding d.o.o. unanimously adopted the following

DECISION

- 1. The Consolidated Annual Report is adopted, which includes the annual consolidated financial statements of Zagrebački holding d.o.o. and its affiliated companies for the year ended on 31 December 2024, the report on the application of the Code of Corporate Governance and the management report, of which the sustainability report of the Zagrebački holding Group for 2024 is an integral part, together with the reports of independent auditors.**

1/

- 2. The Consolidated Annual Report, which includes the annual consolidated financial statements of Zagrebački holding d.o.o. and its affiliated companies for the year ended on 31 December 2024, the report on the application of the Code of Corporate Governance and the management report, of which the sustainability report of the Zagrebački holding Group for 2024 is an integral part, together with the Reports of independent auditors, is an integral part of this Decision.**

MEMBER OF THE ASSEMBLY OF THE COMPANY

CITY OF ZAGREB

REPRESENTED BY

THE REPRESENTATIVES OF THE MEMBER

Tomislav Tomašević, M.Sc. Pol.

phD Danijela Dolenec

phD Luka Korlaet

Class: 740-15/25-03/03

Reg. No.: 01-01/7-25-0



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