



SUSTAINABILITY- LINKED BOND FRAMEWORK

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INTRODUCTION

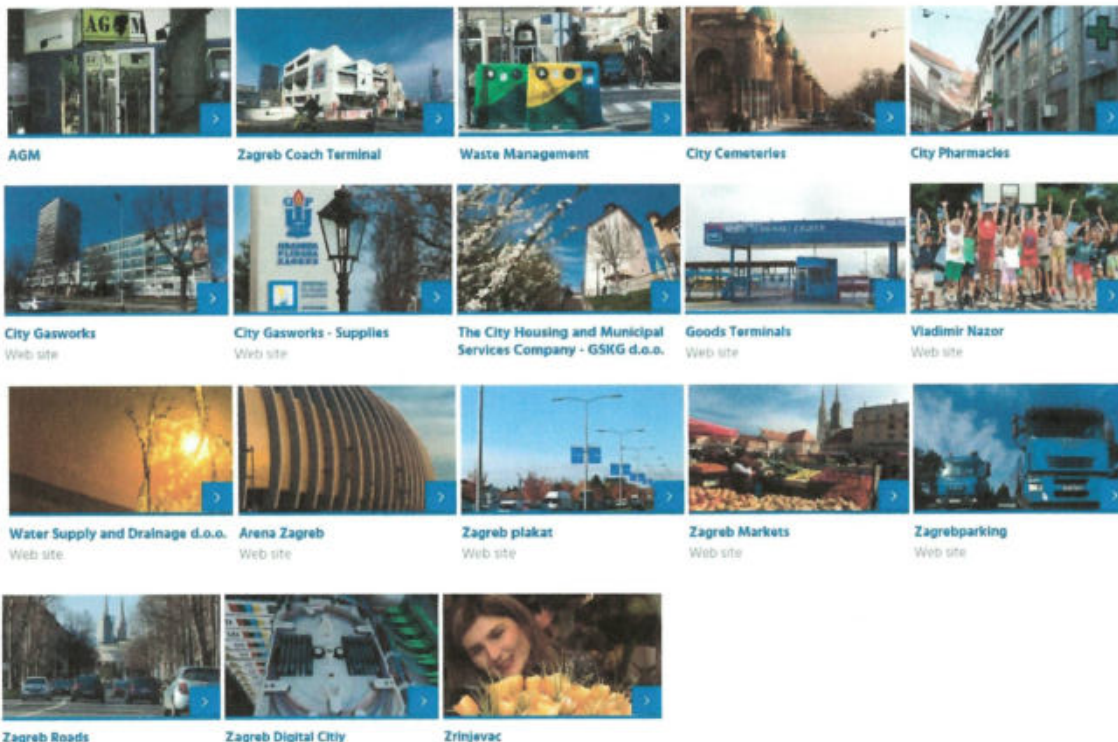
Group overview

Zagrebački holding d.o.o. is company owned by the City of Zagreb. It performs its core business activities through 12 branches, and is the owner of 5 companies and one institution. The union of subsidiaries, affiliated companies and institutions forms the Zagrebački Holding Group.

The Company's operations are grouped into five areas:

- Utility service,
- Commercial service,
- Energy services,
- Public water supply and drainage service,
- Pharmacy.

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



The group jointly provides more than 50 different services grouped into five business areas (activities), of which 20 services can be considered services of public interest.



Corporate social responsibility

The activities of Zagrebački Holding have vital importance for the City of Zagreb, making the Group responsible for the quality of life in the community. Aware that the quality of services and choice of technologies directly impact the standard and the quality of life for the city's entire population, the Group is using corporate social responsibility to continually enhance the standards of social development, environmental protection and human rights.

Environmental protection

The Group implements a variety of measures to encourage the local community to treat the environment responsibly, including placement of containers for separate collection of various types of waste, removal of bulky and other waste, recycling centres and the so-called "green islands", comprising paper, plastic and glass containers. The Group collects about a hundred thousand tons of usable and potentially dangerous waste a year through our various activities, including removal of waste from illegal dumps.

The focus on quality, environmental protection and preservation of natural resources is also visible in a significant number of quality certificates of the Zagrebački Holding's branches and subsidiaries: ISO 9001, ISO 14001, ISO 50001, ISO 45001, HACCP, as well as other special certificates and standards specific to the Group's various activities.



Social responsibility

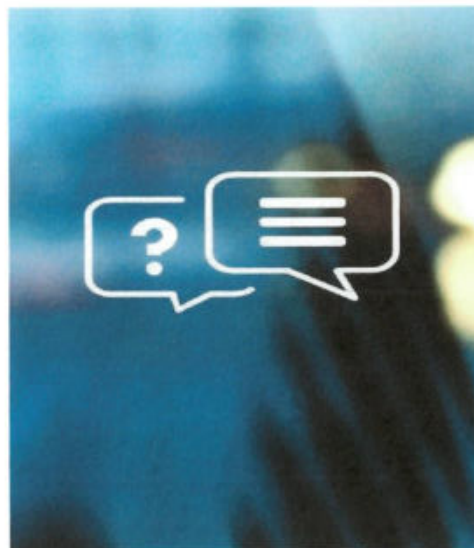
Special attention is paid to protection and promotion of the rights of persons with disabilities. Hundreds of our employees with varying degrees of disability successfully participate in challenging and diverse tasks in all our branches every day. Zagreb Institution for the Rehabilitation of Persons with Disability by Professional Rehabilitation and Employment (URIHO) is one of our most important partners.

In cooperation with local self-government and civil society organizations, we strive to balance the requirements for improving the quality of life, achieving social welfare and efficient and profitable operation of communal services.



Consumer rights

The Consumer Complaints Committee was set up in September 2009 to enable consumer rights. The Committee at Holding level provides for two level decision-making, upgrading consumer protection from possible abuse to a new, higher level. Consumer complaints are resolved by specially organized professional departments in Holding branches and affiliates. The Consumer Complaints Committee is just a part of the Group's efforts to get closer to customers and improve the quality, number and diversity of the services.



Employee welfare

In addition to taking care of user satisfaction with services, the Company also pays special attention to the well-being of its employees. 22 unions operate in ZGH d.o.o., out of which 19 are representative unions. Regular meetings are held with union representatives, they are included in decision-making procedures through participation or consultation, and they are informed in time about all changes in business.

Trade unions also participate in negotiations that resulted in addendum to the Collective Agreement that determines workplaces and job complexity coefficients, as well as addendums for difficult working conditions.

The Group strives to provide continuous training for our employees in order to increase the efficiency and safety of work processes. Protective measures are also regularly implemented in order to reduce or completely eliminate the risk that appears during work activities, both for the health of employees and for the working environment.

Governance framework

The business of the Zagrebački Holding is governed by the principles of socially responsible business, whereby full compliance with the existing legal framework is sought.

The Zagrebački Holding primarily provides services of general economic (public) interest, which it performs according to the principles of public service. The performance of these activities is regulated by the Act on communal economy (utility activities), the Act on water services (activities of public water supply and public drainage) and the Act on pharmacy (pharmacy activities). Also, in accordance with the Gas Market Act, the energy activities of gas distribution and supply are performed as a public service, while the services of maintaining unclassified roads and collecting waste from natural persons/households are legally classified as a public good in general use, i.e. public services. All other services are classified as market services.

Management of the Group is also regulated through the following concepts/frameworks:

- Code of corporate governance of Zagrebački Holding d.o.o. with guidelines for the Zagrebački Holding group
- Code of ethics
- Rulebook on the work of Zagrebački holding d.o.o.
- Environmental protection, health and safety at work policy for Zagrebački holding d.o.o.
- Guidelines for implementing green public procurement in Zagrebački holding d.o.o.

In May 2016, the Corporate Governance Code of Zagrebački Holding d.o.o. was adopted with guidelines for the Zagrebački holding group, which regulates the way the company and the group work, and in order to improve the standards of corporate governance and transparency of operations and responsible management of resources. **It is based on the OECD Principles of Corporate Governance iecoDa Principles of Corporate Governance for Unincorporated Companies.** It regulates the principles of public disclosure and defines the management bodies of the Zagrebački Holding companies.

The code of ethics establishes the basic ethical rules of conduct for all employees of Zagrebački holding d.o.o., related companies and institutions owned by it (hereinafter Zagrebački holding), in order to establish and promote basic ethical values in business relations and to act in case of their violations. The Zagrebački Holding operates in the public interest, especially respecting and developing basic values such as fairness, honesty, responsibility, integrity, quality of services, transparency, entrepreneurship, teamwork and other values.

Rulebook on the work of Zagrebački holding d.o.o. regulates the working conditions, rights and obligations of the employee and the employer, procedures and measures to protect the dignity of the employee, wages and other issues related to work.

Health and safety management is an integral part of the management process of Zagrebački holding d.o.o. The company is committed to the development and application of effective systems, standards and practices for environmental protection, health and safety at work. Zagrebački holding d.o.o., all of its employees undertake to manage and permanently improve the management system with the aim of ensuring safe and healthy workplaces and activities through proactive business operations. The goal is to enable and maintain a healthy and safe working environment and reduce the risk for employees, suppliers, visitors and citizens who may be affected by the company's activities, while meeting the expectations of employees and other participants regarding better working conditions and services.



Guidelines for implementing green public procurement in Zagrebački holding d.o.o. through the public procurement system, encourage the procurement of products and services that have a smaller environmental footprint compared to similar products and services.

STRATEGY AND SUSTAINABILITY

In the Development Strategy of the City of Zagreb, sustainable development is focused on environmental protection, adaptation to climate change, resilience to crisis situations, risk prevention, efficient use of natural resources and protection of biodiversity, while strengthening economic and social cohesion in determining priorities and measures. It was also pointed out that sustainability and resilience are related topics, i.e. the importance of the city's ability to adapt to different risks and changes, with climate change being the apostrophized in the first place.

The Group's key environmental impact is the sustainable management of resources, which includes the waste, efficient water resource management and sustainable energy use (including both efficiency and renewable energy). The need for corporate management at the level of the entire Group related to the fight against climate change in terms of emissions and energy efficiency is also highlighted, although it is more actively managed at the level of those components of the Group whose impact or control is potentially higher. Also, the quality of urban life has been indicated as a specific area in order to more precisely measure and assess the contribution of the Zagrebački Holding Group to the achievement of the goals of development strategies and quality of life in Zagreb in relation to other European cities and the Sustainable Development Goals.

Strategic goals and contribution to SDGs



In its strategic orientation, Zagrebački Holding Group contributes to the implementation of the following sustainable development goals (SDGs):



The founder of Zagrebački Holding is the City of Zagreb, inherently subject to Sustainable Development Goal 11: sustainable cities and communities. Daily business activities of Zagrebački Holding directly impact the achievement of this and other sustainable development goals.



Environmental sustainability

The increase in the population of Zagreb leads to an increase in the amount of produced waste and an increasing need for communal services provided by the Group, which has a negative impact on the climate due to increased emissions of harmful gases from traffic and an increase in the need for energy.

The group uses various solutions for more sustainable management of raw materials and materials aimed at mitigating climate negative climate impact. The Group makes efforts to reduce emissions and improve recycling, which leads to energy conservation and reduction of emissions associated with mining and processing of raw materials.

By digitalisation and adoption of new smart solutions, the Group also contributes to the fight against climate change.

Climate change can affect the security and continuity of the provision of public and communal services such as gas and water supply, drainage, sewerage and waste disposal. Increasing the share of use of renewable energy sources compared to non-renewable ones is one of the ways in which the Group can reduce the negative impact on the climate and accelerate the transition to a low-carbon economy.

Waste management in city of Zagreb



A key role in achieving the goals of the Waste Management Plan in the City of Zagreb is played by three branches of the Zagrebački Holding - Čistoća, Zagrebačke ceste and Zrinjevac.

The main activity of the Čistoća branch is the collection of mixed and biodegradable municipal waste and services related to public services in the city of Zagreb (separate collection of municipal waste through recycling yards, mobile recycling yards, containers on public areas and at service users, and separate collection of large (bulk) municipal waste).

The main activity of Zagrebačke ceste branch is the recovery of construction waste, mostly from the reconstruction and renewal of roads. Recovered material is then used for the construction of roads in the City of Zagreb.

The main activity of Zrinjevac branch is maintenance of green areas in the City of Zagreb, as well as recovery of biowaste in composting plants.



Water management in city of Zagreb



Vodoopskrba i odvodnja d.o.o. ("ViO"), a related company of Zagrebački holding d.o.o., is a public supplier of water services and fully manages the water supply and drainage system in Zagreb. This directly affects the issue of sustainable resource management, which has been assessed as a key environmental impact of the Group. The main activities of the company are water sourcing, processing, pumping, quality control, distribution and delivery of sanitary water and drainage, waste water quality monitoring, control of the sewage network, as well as construction and rehabilitation of the water supply and sewage system and all water supply and drainage facilities. ViO provides the entire service in the area of the City of Zagreb, Sveta Nedelja and the Municipality of Stupnik, and also supplies Samobor with water.

Water supply and drainage d.o.o. regularly controls water quality at water pumping stations, water supply facilities and catchment areas. The quality of waste water in the Zagreb agglomeration is monitored daily by the Technological Service of Drainage of ViO.

Energy and energy efficiency



The members of the Zagrebački holding Group consume energy from renewable and non-renewable sources, which includes the consumption of natural gas, electricity, gasoline and diesel fuels, thermal energy (steam heating), liquefied petroleum gas, compressed natural gas and fuel oil, and the Zrinjevac branch in 2019 started using wood chips. Consumption is monitored individually, at the level of each component. The approach to consumption monitoring is two-level: the teams monitor energy consumption in branches and affiliated companies and the City Pharmacy Zagreb, an institution owned by the Company, while their work is monitored by the Central Energy Efficiency Team.

MANAGEMENT OF THE BOND FRAMEWORK RELATED TO SUSTAINABILITY

The Group's strategic plan, as well as other relevant policies (e.g. Environmental protection, health and safety at work policy for Zagrebački holding d.o.o.) are used as a basis for positioning the Group on the topic of sustainable and green business and defining relevant goals. Sustainability in the context of the strategy is issued and adopted by the Management Board and adopted by the Supervisory Board and Assembly of the company, whereby the Management Board and the Supervisory Board are supported by sectors and departments within the company and subsidiaries.

RATIONALE FOR DEFINING THE SLB FRAMEWORK

Zagrebački Holding is expected to meet investors' expectations and commit to sustainable business and overall sustainability. The goal of this document is to provide the framework which will enable focusing ZGH financial resources management i.e. financing and funding ZGH Group activities through financial instruments (here: Corporate Bonds) involving commitment to sustainability related goals and declared targets.

The supporting idea is that selected future issues and refinancing are linked to this framework and actually support the UN Sustainable Development Goals (UN SDG) as well as various elements of green business, such as recycling, energy production from renewable sources, efficient and sustainable waste management etc.

This framework is primarily based on the sustainability strategy of the Zagrebački Holding. Sustainability Performance Targets (SPTs) have been defined for key environmental related topics, as further described in more details.

BASIS AND ALIGNMENT WITH ICMA PRINCIPLES

This framework is based on the 2020 Sustainability-Linked Bond Principles ("SLBP") of the International Capital Market Association ("ICMA"), which are the market standard for this type of bond.

The framework is aligned with the five main components of the SLBP:

1. Selection of Key Performance Indicators ("KPI") and targets
2. Calibration of Sustainability Performance Targets ("SPT")
3. Financial characteristics of the bond
4. Reporting
5. Independent verification

The framework is the basis for issuing bonds whose financial and/or structural characteristics may vary depending on the achievement of ZGH's predefined sustainability targets. In this

regard, Zagrebački holding commits to improve sustainability performance targets that are relevant, core and material to its business in a defined time frame in the future (i.e. forward-looking approach), whereby the receipts from the bond issue are intended for general purposes (i.e., they are not directed to any specific projects).

This framework applies to all SLB bonds whose financial characteristics are related to SPTs described below, and it is applied only to bonds issued after the publication of this version on the website of the Holding. Framework will be valid until a new framework is released (or existing one is updated), after which all subsequent releases will fall under the new/modified versions of the SLB framework.

KEY PERFORMANCE INDICATORS (KPIs)

Zagrebački Holding has chosen the following KPIs as the most relevant and essential KPIs for its business in terms of sustainability:

KPI #1: % of municipal waste separately collected (i.e. removed from landfill)

KPI #2: Share of renewable electric energy in total electric energy consumption (relative, in %)

With its daily activities, as well as its strategic direction, Zagrebački Holding directly contributes to various sustainable development goals (UN SDG), whereby the selected indicators in this framework directly contribute to the following goals:



Considering the nature of business and activities in the domain of ZGH, the above indicators are considered key, relevant and material for the business of ZGH Group. The above indicators also reflect critical goals from the Group's sustainability strategy, and are linked to the most important topics and/or subsidiaries in the Group (waste management, energy efficient water management, sustainable/energy efficient infrastructure and energy production).

In addition to ICMA framework (International Capital Market Association), in analysing industrial relevance/materiality of selected topics for its strategy and financial framework, ZGH also consulted Sustainability Accounting Standard Board ("SASB") matrix (although not strictly defined as a formal framework). ZGH has considered such exercise with the purpose to support the analysis of selected topics not being relevant only from ZGH Group perspective, but to ensure that topics presented by ZGH (as the most relevant) - are also material for comparable industries in context of SASB materiality matrix. In short, environment dimension (including Water & Wastewater management, Waste and Hazardous materials management) and access & affordability are likely to be material for Infrastructural sector.

The detailed explanation of the KPI's calibration is presented in the CALIBRATION - SUSTAINABILITY ACHIEVEMENT TARGETS Section.



KPI #1: % OF MUNICIPAL WASTE SEPARATELY COLLECTED

KPI overview

Key performance indicator (KPIs)	Specific performance targets (SPTs)	SPT observation date	Baseline date	KPI value at the baseline date
KPI1 = % of municipal waste separately collected	SPT1= 58%	31.12.2027	31.12.2021	37%

KPI description, rationale and materiality

Sustainable management of waste is at the core of the Group's activities in order to significantly contribute to the recycling and/or recovery/re-use of waste and effectively to circular economy (i.e. improvement of waste management is one of primary goals in the Group's Strategy). Also, importance and significance of waste management activities is considered from financial perspective; i.e. share of income of Čistoća in total consolidated Group income is 11 % for year that ended on 31 December 2022 (17% excluding GPZ opskrba, company for gas distribution), while number of employees of Čistoća at 31 December 2022 represents 27% in total number of employees in the Group. Given its relevance in the Group's activities (both financially and strategically) and as a material topic on climate change, ratio describing separated waste sent to external recovery/re-use/recycling has been selected as KPI.

This KPI reflects activities and Holding's commitment toward optimisation of waste outputs which in turn produces environmental benefits. It is controllable and can be directed by Zagrebački Holding (unlike metrics that are not tied to specific Group's activities or simply not performed and/or controlled by Zagrebački holding group, like recycling).

Waste is collected and sent to third parties authorised for recovery / recycling and with legal permits in accordance with the relevant regulation. As quantity of produced waste is not a controllable element, and due to the fact that quantity of waste may rise due to number of triggers and reasons outside the Group's control (for example increase in population of City of Zagreb), relative measure (%) has been selected. Such relative measure indicates if waste management is performed efficiently by Zagrebački holding.

Metrics and Unit

The metric is measured in tons per year, while the unit is expressed as a percentage of waste separately collected for recycling/re-use.

Applicability in the Group

Čistoća, and Zrinjevac.

SDG Alignment



SDG 12 Responsible consumption and production, Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Calculation methodology and governance process

In respect of methodology and performance data, statistics/input data on waste collected is controlled and approved by relevant Ministry on an annual basis (approval for previous year data is made in October in current year), i.e. there is a legal compliance requirement for classification and reporting on collected waste.

Historical data and targeted performance

Metrics	2019	2020	2021	2022
Total municipal waste separately collected ('000 tons)	80	118	101	93
Total municipal waste collected ('000 tons)	281	291	275	261
% of municipal waste separately collected	29%	41%	37%	36%

Relatively higher ratio in 2020 (i.e. 41%) is mainly result of strong earthquake in Zagreb in March 2020. Higher share in 2021 in comparison to 2019 arises from introduction of "door-to-door" collection system for paper, plastic and biowaste which makes the target for 2027 comparable to the change in 2021 (if compared to 2019).

KPI formula	KPI baseline (2021)	KPI target (2027)	Change
% of municipal waste separately collected = (Total municipal waste separately collected / Total municipal waste collected) x 100	37%	58%	<ul style="list-style-type: none"> • Absolute: 2,100 b.p. increase • Relative: 61% improvement • Material weight: 31 thousand tons more waste separated than in baseline scenario

More detailed elaboration on target and its assessment in the context of baseline and available benchmarks is described below in section CALIBRATION - SUSTAINABILITY ACHIEVEMENT TARGETS (SPTS).

KPI #2: SHARE OF RENEWABLE ELECTRIC ENERGY IN TOTAL ELECTRIC ENERGY CONSUMPTION (RELATIVE, IN %)

KPI overview

Key performance indicator (KPI)	Specific performance targets (SPTs)	SPT observation date	Baseline date	KPI value at the baseline date
KPI2 = Share of renewable electric energy in total electric energy consumption (relative, in %)	SPT2 = 70%	12 month period ending 31.03.2028*	Energy purchased for the period 01.04.2023 – 31.03.2024	50%

**Note: alternatively, SPT observation date may be set to earlier date at 31 December 2027, dependable upon the contract duration period with electric energy supplier. The latest contract was defined for the period 01.04.2023 – 31.03.2024. Should this period model be continued – SPT observation date is 31 March 2028; alternatively, if contract duration period should be set to a standard calendar year (January – December) – ZGH commits to achieve the goal 3 months earlier, i.e. – SPT observation date is then 31 December 2027.*

KPI description, rationale and materiality

For specific activities within the Group some companies consume larger quantities of electricity energy. Orientation to use and production of renewable energy contributes to decarbonisation, as well as decrease in GHG emissions. As the Group is already focused on energy efficiency saving (as required by local regulation), selected KPI for further contribution to climate change mitigation is related to renewable energy consumption and own production (in MWh) – with the aim to achieve both sustainability and self-sufficiency. Increasing the share of renewable energy consumption (in total electric energy consumption) as well as increase of installed renewable energy production capacity are identified as the primary sustainability goals in Group strategy, particularly taking into account that most of electricity energy (50-60%) in ZGH Group is consumed by the company in charge for water management.

ZGH is committed to mitigate impacts of climate change and promote a sustainable future via increase of its renewable energy production capacity and consequently increasing a share of renewable energy consumption. KPI is set as an absolute measure of installed renewable energy capacity.

Metrics and Unit

KPI2: Share of renewable electric energy in total electric energy consumption (in %)

The unit is expressed in % as share of renewable energy consumption plus own production in total electric energy consumption, while metrics are measured in MWh (energy consumption and/or own production).

Applicability in the Group

Vodoopskrba i odvodnja d.o.o. (water management co.) and Zagrebački holding d.o.o.

SDG Alignment

SDG 7 Affordable and Clean Energy, Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix.

Calculation methodology and governance process

Input data for indicator calculation is based on Company's internal data.

KPI2: Share of renewable electric energy in total electric energy consumption (in %) – Targeted performance

KPI formula	KPI baseline (energy purchased for 2023)	KPI target (2027)	Change
<p>KPI2-A =</p> $(RPE_t + OPR_t) / TEC_t$ <p>Whereby:</p> <p>RPE_t = renewable part (share) of electric energy purchased from external source(s) for period <i>t</i>, measured in MWh*</p> <p>OPR_t = Own produced (and used) renewable electric energy for period <i>t</i>, measured in MWh (note: OPR_t value above will be zero in periods in which there are no own produced (and own used) renewable energy)</p> <p>TEC_t = Total electric energy consumption by ZGH in period <i>t</i>, measured in MWh.</p>	50%	SPT2 = 70%	<p>Increase in renewable installed capacity is considered material for ZGH Group.</p> <p>By the end of 2027 ZGH will have to:</p> <ul style="list-style-type: none"> • Make significant effort on the market to purchase electric energy produced from renewable sources; and • To prepare and execute a number of investment in own production renewable energy capacities (e.g. from solar).



CALIBRATION - SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

KPI #1: % of municipal waste separately collected (i.e. removed from landfill)

Sustainability target observation date: December 31, 2027

Baseline date: December 31, 2021

Baseline KPI value: 37%

Key preconditions and actions for reaching target: most of decrease is expected to come from recently introduced separate waste collection model (end of 2022). Also, Waste management national plan for period up to 2028 is still in discussion (it may affect set goals). Key activities based on strategic approach include:

- Continue activities in separate collection of municipal waste, including close monitoring of results in period after 2022 and implementing eventual additional and/or corrective measures.
- Contribute to waste overall decrease, for example by raising the awareness of service users through the implementation of a promotional campaign and with the operational implementation.
- Invest in infrastructure for improving waste management.
- Achieve precondition to close landfill Jakuševac in period up to 2028.
- Keep internal waste reuse/conversion as much as possible closer to 100%

Potential barriers to SPT achievement: The Group will commit to encourage separated waste disposal, however, amount and structure of waste (separated or mixed) may fluctuate, depending on citizens' habits and preferences in specific periods as well as other factors, such as commodity prices, macroeconomic growth etc.

Historical data and targeted performance

Metrics	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total municipal waste separately collected ('000 tons)	80	118	101	93	113	123	128	130	132	135
Total municipal waste collected ('000 tons)	281	291	275	261	251	246	233	233	228	228

% of municipal waste separately collected	29%	41%	37%	36%	45%	50%	55%	56%	58%	59%
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Relatively higher ratio in 2020 (i.e. 41%) is a consequence of strong earthquake in Zagreb in March 2020. Higher share in 2021 in comparison to 2019 arises from introduction of door to door collection system for paper, plastic and biowaste which makes the target for 2027 comparable to the change in 2021 (in comparison to 2019).

With the ongoing introduction of new waste disposal management model and other related activities, ZGH expects in a future a significant and continued improvement in reducing the amount of mixed municipal waste that is disposed at the Jakuševac landfill, with a simultaneous increase in the amount of recyclable types of waste.

Based on EU Waste framework directive, the percentage (%) of municipal waste available for recycling for 2020 was 50%. By the end of 2033, ZGH targets to achieve 63%. Waste management plan for the Republic of Croatia for the period 2023-2028 is still draft version (not adopted yet), however this document assumes target of 50% in 2025 and 60% in 2030. Although, not fully in line with set national targets regarding waste separation, ZGH aims to get close to these targets and act as a leading example in comparison to Croatian average on % of waste disposal.

The percentage (%) of municipal waste available for recycling for 2020 in Croatia was 31%, while ZGH rate in 2021 (baseline year) is 37%. ZGH objectives are specified in accordance with local conditions.

KPI #2: Share of renewable electric energy in total electric energy consumption (relative, in %)

Sustainability target observation date: 12 month period ending 31.03.2028. *SPT observation date may be set to earlier date at 31 December 2027, dependable upon the contract duration period with electric energy supplier. The latest contract was defined for the period 01.04.2023 – 31.03.2024. Should this period model be continued – SPT observation date is 31 March 2028; alternatively, if contract duration period should be set to a standard calendar year (January – December) – ZGH commits to achieve the goal 3 months earlier, i.e. – SPT observation date is then 31 December 2027.*

Baseline date: Energy purchased for the period 01.04.2023 – 31.03.2024

Baseline KPI value: 50%

Key preconditions and actions for reaching target:

- ZGH will have to invest an adequate effort to purchase ecologically clean electric energy (i.e. produced from renewable sources).
- Also, ZGH will invest in own renewable energy production capacity (targeted 19.2 MW of production power by mid 2028). This assumes clear and smooth project flows to reach such objective in respect of new 15 MW power solar panels installation (several potential obstacles already identified, e.g. ownership and other legal issues, etc.),
- Significant resource allocation (financing, time and staff) to be allocated to these projects with strong commitment from involved teams.

Potential barriers to SPT achievement may involve:

- Legal or regulatory obstacles postponing or withholding planned capacity installations. One of the significant obstacles is the current lack of by-laws regulating the installation of free-standing solar power plants for significant renewable energy production.
- Availability of electric energy from renewable sources on the market Differences in pricing achieved, effect on the overall profitability of ZGH, public procurement rules, finding alternative suppliers etc.

Benchmark

Metrics	* 2023: 01.04.2023 - 31.03.2024	2024	2025	2026	2027 i.e. 12 month period ending 31.03.2028	2030
Share of renewable electric energy in total electric energy consumption	50%	50%	60%	60%	70%	70%
Benchmark: National framework						36.6%
IEA's World Energy Outlook NZE Scenario						60%
European Commission's Green Plan (2019)						32%**

*observation period aligned with electricity purchase contracting period defined for ZGH for 2023 (i.e. in domestic market practice). For subsequent periods (post 2023) contract duration and types of contracts (e.g. framework agreements, 2-years contracts, etc.) will be defined subsequently.

**likely to be increased.

National framework set a target of 36.6% renewable energy sources in the final gross energy consumption until 2030, while the IEA's World Energy Outlook NZE Scenario calls for a share of 60% renewable energy sources until 2030 and 90% until 2050. This includes a proposal for solar power to increase to 40% and 70% by 2030 and 2050 respectively.

One of the initiatives to reach defined targets includes material increase in renewable installed capacity (from current 4.2 MW to 19.2 MW of power by mid 2028). Furthermore, 10-years plan suggests number of projects to be realized which are estimated to account up to 30% of total ZGH's energy consumption being produced through their own renewable energy plants. In this respect, Zagrebački holding has set a target of additional 15 MW of installed renewable energy capacity (total ZGH level by mid 2028), a significant increase in respect to the current renewable energy production capacity (the gas cogeneration plant at the landfill), with a rising trend that aligns with and leads toward reaching global net-zero strategies.

Renewable energy share potential at the level of ZGH is estimated to be in range 16-20% once solar power plants are installed and in full capacity. Overall, it represents a platform for mitigating risk of not being able to acquire from third party.



Strategic approach and measures include:

- Make significant effort on the market to purchase electric energy produced from renewable sources.
- Planned renewable energy infrastructure investments, i.e. solar panels and solar power plants. Electric energy sources from previous period (from external providers) cannot be considered as a long term renewable source solution. Therefore, installing of own capacity seems reasonable and ambitious and contributes to increasing the national renewable capacity levels and reaching the desired targets.
- Furthermore, by the end of 2023, ZGH will define a set of measures to decrease its own electricity consumption which is mandated by Law on energy efficiency (OG Law on energy efficiency).

While there is no direct benchmark for evaluation of the SPT, ZGH has undertaken a benchmarking process that takes into consideration comparison against entities similar to ZGH within Croatia and Europe, with a preference for data that meets following conditions: public availability, external verification and up-to-date information. However, the limited number of comparable peers may poses a constraint to achieve full comparability.

ZGH has focused its benchmarking on similar water management utility companies, based on publicly available information, primarily due to the fact that the most of electric energy in ZGH is consumed by a company in charge for water management (ViO, i.e. some 60%). In addition, ZGH has also considered data for a number of municipalities.

High-level analysis of data available indicates that targets (both at the level of ViO and ZGH) are fairly in line with the peer group.

BOND CHARACTERISTICS

Proceeds from the issued bonds aligned with this framework will be used for business financing in general, i.e. there is no obligation to direct these funds to specific projects or types of projects.

If ZGH fails to realise SPT on relevant observation date:

- either a coupon step-up until maturity will be generated (as defined in terms of Sustainability-Linked Bond) or
- premium (one time) payment at maturity will be generated in a form of penalty at redemption (as defined in terms of Sustainability-Linked Bond).

The adjustment of the interest will be specified in the corresponding documentation related to bond issues.

Additionally, failure to publish reporting on SPT at or before the reporting date (as described below) will presume that SPT is not realised.

REPORTING

Zagrebački Holding will monitor the progress and achievement of SPTs and publish the movement of KPIs in its Annual Report and/or Sustainability report minimum on annual basis. Annual and/or Sustainability report for the previous financial periods will be issued latest by 30

April (for Annual report) or 30 June (for Sustainability report) in the years following the end of the reporting period.

Reporting will include up-to-date information on the performance of the selected KPIs compared to the baseline and SPT and verification report issued by external independent verifier, in accordance with the SLB Principles. This verification will be a limited assurance performed by a qualified external reviewer with relevant expertise.

In addition, the information will include the following:

- Clarifications of the factors and key actions that contribute to the achievement of KPIs on a qualitative and quantitative basis;
- Re-evaluations of KPIs / restatement of SPT and/or clarifications of scope of KPIs, if required (for example to achieve comparability in disclosure, adaption to the eventual changes in methodologies, etc. For the avoidance of any doubt, this does not include decreasing performance targets in relative or absolute terms in any way.

EXTERNAL VERIFICATION

The framework for issuing SLB bonds was the subject of a check by the company S&P, which issued a second party opinion (so-called SPO) in accordance with the analysis of this framework.

The achievement of KPIs #1 and #2 (according to the given SPTs on the given dates) will be subject to verification by an external verifier. This verification would be a limited assurance performed by a qualified external reviewer with relevant expertise, on annual basis.

APPENDIX

Disclaimer

Information and statements in this Framework are based on data available on the date of its preparation. Zagrebački holding is not obligated to revise or update statements for new information that is available only subsequently to framework issuance.

This Framework shouldn't be considered to be an offer to purchase or an invitation to sell securities of Zagrebački Holding. Any decision to purchase or sell securities of Zagrebački holding should be based on memorandum prepared in relation to offering of any such securities. The memorandum may contain information that differs from information contained in this Framework.

This material is not intended for use or distribution in any jurisdiction where such use or distribution would be contrary to law or regulation.



Sustainability – linked bond Framework was adopted by the Company's bodies:

Management Board, on June 9, 2023.

Supervisory Board, on June 12, 2023

Assembly of the Company, on June 13, 2023

This document becomes effective as of the date when formally validated (signed) by relevant governance bodies of the company.

President of the Management Board

Ivan Novaković

ZAGREBAČKI HOLDING

d. o. o. 9

ZAGREB, Ulica grada Vukovara 41

This Document is unofficial translation.