ENVIRONMENTAL AND SOCIAL ASSESSMENT

PROJECT FALLER, CROATIA

Non-technical summary

June 2026

CONTENT

1. INTRODUCTION 2

2. PROJECT DESCRIPTION 2

3. BACKGROUND 4

3.1. RATIONALE OF THE PROJECT 4

3.2. LEGAL ASPECTS AND COMPLIANCE 4

3.3. CURRENT ENVIRONMENTAL AND SOCIAL SITUATION 4

3.4. HISTORY OF THE PROJECT DEVELOPMENT 10

4. PROCESS 10

5. SUMMARY OF ENVIRONMENTAL BENEFITS, POTENTIAL ADVERSE MITIGATION AND MANAGEMENT MEASURES 11

6. SUMMARY OF SOCIAL BENEFITS, POTENTIAL ADVERSE IMPACTS, MITIGATION, AND MANAGEMENT MEASURES 12

7. MONITORING OF IMPACTS 14

8. SUMMARY OF ESAP 14

9. COMMUNICATIONS 16

9.1. CONTACT DETAILS 16

9.2. PROCESS FOR ADDRESSING ANY ISSUES ARISING 16

9.3. LINK TO STAKEHOLDER ENGAGEMENT PLANPOGREŠKA! KNJIŽNA OZNAKA NIJE DEFINIRANA.

ABBREVIATIONS

ESAP Environmental and Social Action Plan

EBRD The European Bank for Reconstruction and Development

ESDD Environmental and Social Due Diligence (

IFC The International Finance Corporation

M&A Mergers and acquisitions

NTS Non-Technical Summary

SEP Stakeholder Engagement Plan

1. INTRODUCTION

The European Bank for Reconstruction and Development (the "EBRD") and the International Finance Corporation (the "IFC") (hereinafter collectively referred to as the "Lenders") are considering providing joint financing to KONČAR Inc. with the objective of supporting long-term capital investments. KONČAR Inc. is the Parent Company of the KONČAR Group, which, in addition to the parent company, comprises 16 subsidiaries engaged in core business activities and one subsidiary dedicated to research and development, as well as companies controlled by subsidiaries, one associate, and associates of subsidiaries.

The investments (hereinafter referred to as the "Project") will include the construction, reconstruction, and expansion of manufacturing facilities and associated infrastructure at several locations in the City of Zagreb and one location in the City of Zaprešić.

In accordance with the EBRD Environmental and Social Policy (2024) and the IFC Sustainability Framework (2012), an independent Environmental and Social Due Diligence (ESDD) of the Project and the existing operations of KONČAR Inc. has been carried out.

Based on this independent assessment, this Non-Technical Summary (NTS) of the Project has been prepared. It provides an overview of the Project, identifies key environmental and social benefits and impacts, and outlines proposed mitigation and management measures, which are further detailed in a separate Environmental and Social Action Plan (ESAP).

The Non-Technical Summary also includes a summary of the Stakeholder Engagement Plan (SEP), which has been prepared as a separate document to ensure timely, relevant, understandable, and accessible communication with stakeholders regarding the Project, as well as to facilitate stakeholder engagement and provide a mechanism for submitting and addressing potential grievances.

2. PROJECT DESCRIPTION

KONČAR Group's main activities include manufacturing equipment and facilities for the generation, transmission, and distribution of electrical energy; developing rail vehicles and related infrastructure; and creating digital solutions and platforms for the energy and industrial sectors. Through its subsidiaries, the company designs, manufactures, and maintains products such as transformers, electric motors, generators, electric trains, and trams, and participates in major energy and infrastructure projects.

The financing will be used to support long-term capex, comprising, but not limited to, the following investments:

- construction and equipping of a new production facilities for instrument transformers and switchgears,
- construction and equipping of a new logistic centre and production facilities of the subsidiary Dalekovod,
- expansion of production of electric vehicles arm (trams, trains, and supporting parts),
- energy efficiency upgrades of the buildings,
- other investments and working capital needs, and
- vertical integration via potential mergers and acquisitions (M&A) activities (to be confirmed).

The Project will be implemented across several existing industrial locations in the continental part of Croatia, specifically within the administrative boundaries of City of Zagreb and the nearby town of Zaprešić. All sites are situated within designated industrial zones in accordance with applicable spatial planning documentation, thereby ensuring full alignment with existing land use and zoning regulations.

The identified Project sites include:

- Zaprešić (Matija Gubec Street 97),
- Zagreb (Strojarska cesta 10, Fallerovo šetalište 22 and Ante Babaje Street 1).

At the Zaprešić site, KONČAR – Instrument Transformers is establishing a new manufacturing facility, while the premises at Strojarska cesta 10 will be developed as a central hub to accommodate the consolidated operations for multiple Group entities, including Switchgear, HELB, Dalekovod, KONČAR – Digital, and the KONČAR – Electrical Engineering Institute. A comprehensive renovation of the KONČAR headquarters at Fallerovo šetalište is planned to modernize corporate operations. Furthermore, at the Ante Babaje Street location, KONČAR – Electric Vehicles will execute a strategic expansion of its production capacity to meet growing industrial demands.

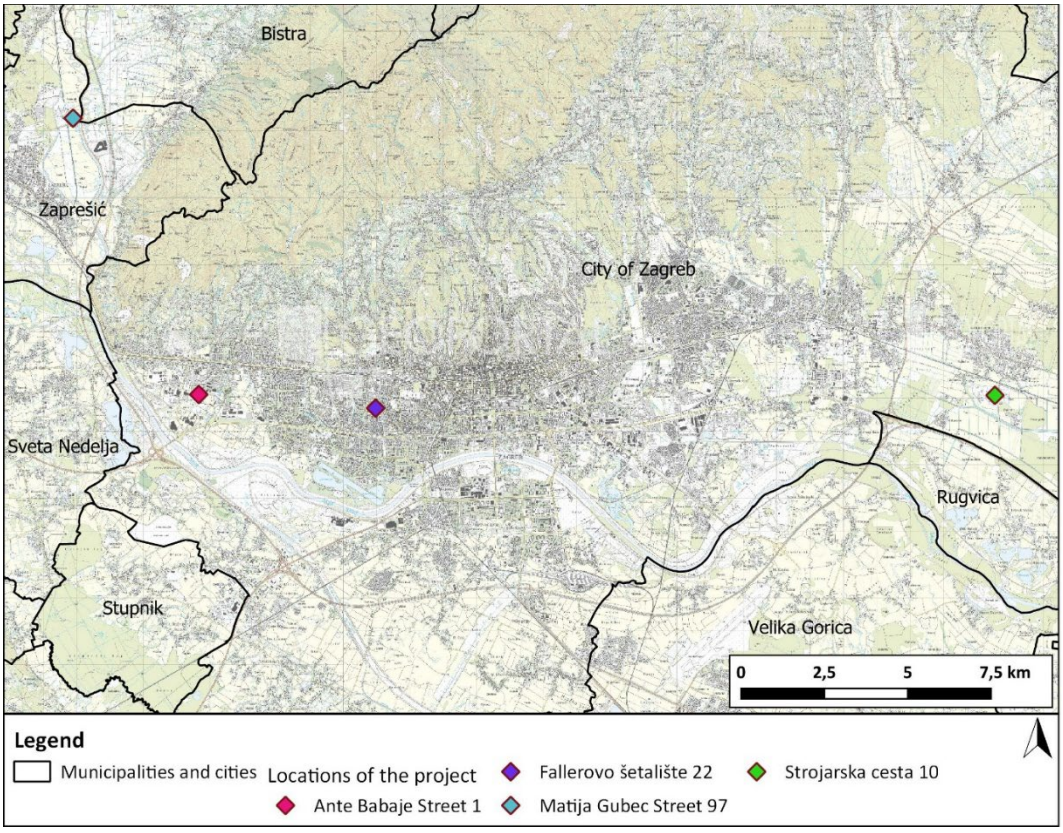

Figure 1 Project sites

The environmental baseline of the Project's sites is mostly characterized by previously developed or industrially utilized land, limiting the likelihood of significant impacts on biodiversity or natural habitats. Anticipated environmental impacts are primarily associated with construction activities (e.g., noise, dust, waste generation) and operational energy use.

The Project includes measures to mitigate environmental impacts, particularly through:

- Energy efficiency upgrades,
- Adoption of modern, cleaner production technologies,

- Reductions in greenhouse gas emissions through improved product efficiency (e.g., electric trains and energy equipment).

The Project is expected to generate positive socio-economic impacts at both local and national levels.

Additional socio-economic benefits include strengthening of local supply chains and industrial ecosystems, increased economic activity in Zagreb and surrounding areas, enhancement of Croatia's export potential in high-value industrial products, and support for innovation and technological advancement. The Project does not involve land acquisition or physical displacement, as all planned activities will take place within existing industrial zones.

3. BACKGROUND

3.1. RATIONALE OF THE PROJECT

This Project forms part of KONČAR's broader strategic development plan aimed at scaling up production, improving operational efficiency, and supporting the transition to sustainable and low-carbon energy and transport systems.

The Project aligns with national and regional development priorities of Croatia, particularly in relation to strengthening industrial competitiveness and export capacity, supporting the green energy transition and electrification of transport, and enhancing technological innovation and digitalization in industry.

3.2. LEGAL ASPECTS AND COMPLIANCE

KONČAR Inc. operates in line with national legislation governing the areas of environment, labour, and health and safety. Given the planned interventions of Project Faller (new transformer factory, new production factory for power transmission and distribution equipment, new logistics center, office building, new research and development facility/laboratory, and upgrade of the industrial park's infrastructure), no environmental impact assessment procedure is foreseen for these activities according to national legislation.

An independent gap analysis has been conducted to assess local and national requirements for environmental and social assessment and permitting against the EBRD's Environmental and Social Policy and the IFC's Sustainability Framework. The outcomes of this analysis have informed the development of an Environmental and Social Action Plan (ESAP) for implementation, as well as a disclosure package comprising this Non-Technical Summary (NTS) and a Stakeholder Engagement Plan (SEP).

SEP PROVIDES A FRAMEWORK FOR CONSULTATION ACTIVITIES AND PROJECT DISCLOSURE INFORMATION, INCLUDING THE IDENTIFICATION OF POTENTIAL STAKEHOLDERS, METHODS USED FOR CONSULTATION ACTIVITIES, AND THE RECORDS TO BE KEPT.

3.3. CURRENT ENVIRONMENTAL AND SOCIAL SITUATION

The current environmental and social conditions of the Project are presented in the tables below for all Project sites. .

Table 3-1: KONČAR – INSTRUMENT TRANSFORMERS – NEW INSTRUMENT TRANSFORMER FACTORY, ZAPREŠIĆ, MATIJA GUBEC STREET 97

Topic	Baseline conditions
Air quality and noise	According to the Decree on the determination of zones and agglomerations according to the levels of air pollution in the territory of the Republic of Croatia (OG 1/14), the location of the project is in zone HR ZG. Analysis of data on air pollutants in the HR ZG zone showed that air pollution with respect to sulphur dioxide, carbon monoxide and heavy metals is low enough. Pollutants like nitrogen oxides, particulate matter, and benzene reached higher values exceeding the upper assessment threshold for the year evaluated, while the long-term target for ground-level ozone was exceeded.
Biological and ecological resources	According to the Map of terrestrial non-forest habitats of the Republic of Croatia 2016 (www.bioportal.hr), within the area of the project location, there are the following habitat types and their mosaics: • I.1.6. Weeds of Central Europe • I.1.8. Abandoned agricultural areas None of the habitat types are **not** listed in the Annex I of the Habitats Directive. Location is not within legally protected and internationally recognised areas of biodiversity value. Closest N2000 area (HR2000583 Medvednica) and PA (Nature park Medvednica) are located 3 km west from the location.
Climatic factors and climate change	The climate of an area is determined based on the mean values of meteorological parameters of a continuous 30-year series of measurements. The project area is classified by the Cfb type of climate - Moderately warm humid climate with warm summers, according to Köppen's classification. Overall, physical climate-related risks to the Project are assessed as **low**. The primary identified exposure relates to increased temperatures, which may have implications for worker health and safety, as well as potential impacts on operational efficiency (e.g., cooling requirements). However, these risks are considered manageable through standard design and operational measures.
Cultural heritage	Cultural heritage is not present on the site. The closest cultural heritage site - Novi Dvori Complex is located approximately 430 meters southwest of the site.
Geomorphology and geology	The wider area of the project is part of the Zagorje Tertiary Basin. The project site is located at the southern margin of this basin, within the Brdovec–Stubičko Podgorje synclinal zone. This synclinal structure was formed through the deposition of Neogene sediments within a pre-existing depression, the base of which was locally covered by freshwater deposits of Lower Helvetian age. Within the wider surroundings of the project site, two main lithological units can be distinguished at the surface. To the west, in the Marijagorica Hills area, the geology is predominantly composed of calcareous marls and marly clays, with subordinate occurrences of sands, sandstones, gravels, and conglomerates of Miocene age (Upper Pannonian). These deposits are locally overlain by Pliocene–Pleistocene sediments consisting of gravels, sands, and clays. To the east of the site, within the Krapina River valley, fluvial deposits of the Krapina and Sava rivers dominate. These consist of gravels, sands, silts, and clays (alluvial deposits).
Soil	According to the soil map of the Republic of Croatia, the planned project is located within flood-resistant alluvial (fluvisol) soil, classified as well-arable soil P-1. And within the swampy glee soil, classified as temporarily unsuitable for cultivation (N-1).
Health & safety (public and workers) & healthcare infrastructure	The Project site is supported by existing healthcare and emergency response infrastructure. The nearest ambulance service is located approximately 3 km to the south of the site, while the closest hospital facility is situated approximately 15 km to the east, indicating adequate access to emergency medical care within reasonable response times. No historical incidents with potential impacts on community health and safety have been reported for the Project location.

Topic	Baseline conditions
	The site is located approximately 2 km from the nearest densely populated residential area, which reduces the potential for significant impacts on surrounding communities in the event of operational incidents.
Land (past and current use, land tenure, permanent or temporary acquisition including any legacy land acquisition issues)	The land has been owned by KONČAR – Instrument Transformers since June 2025. The planned land parcels are designated for the development of the Falečnjak Business Zone.
Land use patterns	The land was previously used for agricultural purposes; however, since June 2025, it has no longer been in agricultural use. According to the spatial plan of the City of Zaprešić, the site is designated as an industrial area. The land si surrounded by agricultural parcels.
Landscape and visual	The Project site is located on land previously used as arable farmland. It comprises two former agricultural plots and an agricultural access road. . To the east of the project is the Krapina River, to the south, and to the north is the agricultural area, and to the west are industrial facilities.
Other social issues: community, settlement patterns and residential properties, vulnerable people	No residential properties, community facilities, or public infrastructure are located within the Project footprint, therefore no physical or economic displacement is expected.
Public and/or site specific transportation system	Approximately 60 meters west of the site is the Novi Dvori railway stationi The nearest bus stop is located approximately 2 km to the west of the location. The bus line that passes this station is 174 that drives locally in Zaprešić. The location can be accessed via car using the Industrijska Street. Overall, baseline conditions indicate low sensitivity in terms of public and/or site specific transportation system.
Traffic	County road ŽC2262 on the south side of the location and state road DC1 on the east side of the location. Railway R201 (Zaprešić – Varaždin – Čakovec) is located west of the location.
Water and waste water management	According to the Water area management plan until 2027, the closest surface water bodies to the planned project are CSR00014_000000 Krapina (80 m east of the location) and CSR00777_000615, Novodvoranski kanal (on the north border of the parcel). The Project site is situated in an area of low flood risk. . The planned project is located outside the sanitary protection zones of the spring, the nearest is the Zone III sanitary protection area of Bregana, Šibice and Strmec, located approximately 1.35 km to the southwest.

Table 3-2: 3.2 KONČAR – SWITCHGEAR, HELB, DALEKOVOD, KONČAR – DIGITAL, KONČAR – ELECTRICAL ENGINEERING INSTITUTE, ZAGREB, STROJARSKA CESTA 10

Topic	Baseline conditions
Air quality and noise	According to the Decree on the determination of zones and agglomerations based on the levels of air pollution in the Republic of Croatia (OG 1/14), the Project site is located within zone HR ZG. Analysis of of air quality data for this zone indicates generally low levels of pollution with respect to sulphur dioxide, carbon monoxide and heavy metals. However, higher concentrations have been recorded for certain pollutants, including nitrogen oxides, particulate matter and benzene with values exceeding the upper assessment threshold for the assessed year, while the long-term target for ground-level ozone has also been exceeded.
Biological and ecological resources	According to the Map of terrestrial non-forest habitats of the Republic of Croatia 2016 (www.bioportal.hr), within the wider area up to 100 m around the project location, there are the following habitat types and their mosaics: • C.2.3.2. Mesophile meadows of Central Europe, • D.1.2.1. Mesophile hedges and shrubs of continental, exceptionally coastal regions • E. Forests • J. Built and industrial habitats. Within the scope of the planned intervention, grassland vegetation (C.2.3.2. Mesophile meadows of Central Europe), anthropogenically modified habitat types, coppice vegetation, and individual woody vegetation are represented. A comparative analysis of the Map of Terrestrial Habitats (2004) and the Map of Terrestrial Non-Forest Habitats (2016) indicates a shift in land cover at the project location. The absence of forest cover in the 2004 data suggests that the current forested areas are the result of natural secondary succession (overgrowth) of previously managed meadows and abandoned agricultural land. Habitat types C.2.3. Mesophile meadows of Central Europe are listed as rare and/or endangered habitats in national legislation. Some grasslands of habitat type C.2.3.2. Mesophile meadows of Central Europe could resemble habitat type 6510 Lowland hay meadows (*Alopecurus pratensis, Sanguisorba officinalis*) listed in Annex I of the Habitats Directive. This habitat can develop only if the regular practice of mowing is present as well as frequent fertilization, which is not the case in the project area. Due to the anthropogenic modification of a wider area and abandonment of mowing, it is assessed that Annex I habitat is not present in the Project area. Location is not within legally protected and internationally recognised areas of biodiversity value. Closest N2000 area (HR1000002 Sava kod Hrušćice sa šljunčarom Rakitje) is located 3.1 km south from the location, and the closest PA (Monument of park architecture Božjakovina- park around the castle) is located 8.6 km east from the location.
Climatic factors and climate change	The climate of an area is determined based on the mean values of meteorological parameters of a continuous 30-year series of measurements. The project area is classified by Cfb type of climate - Moderately warm humid climate with warm summers, according to Köppen's classification. Overall, physical climate-related risks to the Project are assessed as **low**. The primary identified exposure relates to increased temperatures, which may have implications for worker health and safety, as well as potential impacts on operational efficiency (e.g., cooling requirements). However, these risks are considered manageable through standard design and operational measures.
Cultural heritage	Cultural heritage is not present on the site. The nearest cultural heritage sites are located approximately 1.0 km to the northeast (the former Kaptol manor building) and 1.7 km to the west (the Dumovečki lug archaeological site).

Topic	Baseline conditions
Geomorphology and geology	According to the geomorphological regionalization of the Republic of Croatia (Bognar, 2001), the wider project area is situated within the Pannonian Basin megageomorphological region and the Northwestern Croatia basin macrogeomorphological unit. This area generally encompasses the region between the Samobor Hills to the west, Mount Medvednica to the north, and the Vukomeričke Gorice hills to the south. Part of the area also includes hilly and low-mountain terrain located on the southern slopes of Mount Medvednica.
Soil	According to the dedicated pedological map of the Republic of Croatia, the planned project is located on swampy glacial vertical soil, classified as temporarily unsuitable for cultivation (N-1).
Health & safety (public and worker) & healthcare infrastructure	The Project site is supported by existing healthcare and emergency response infrastructure. The nearest ambulance service is located approximately 8 km to the west of the site, while the closest hospital facility is situated approximately 15 km to the west, indicating adequate access to emergency medical care within reasonable response times. The site is located approximately 400 meters from the nearest densely populated residential area, which reduces the potential for significant impacts on surrounding communities in the event of operational incidents.
Land (past and current use, land tenure, permanent or temporary acquisition including any legacy land acquisition issues)	The cadastral parcels are owned by KONČAR Inc, which has granted KONČAR - Switchgear the right to build on the respective parcels.
Land use patterns;	The current land use at the site consists of grass-covered areas with patches of taller vegetation. According to ARKOD, no arable land is recorded within the Project site.
Landscape and visual	The Project is located within an anthropogenic grassland area in the City of Zagreb, adjacent to an economic zone and approximately 400 m south of residential buildings. The site is characterised by low grassy vegetation interspersed with taller plants, as well as built-up areas including buildings, storage facilities, and internal roads.
Other social issues: community, settlement patterns and residential properties, vulnerable people	No residential properties, community facilities, or public infrastructure are located within the Project footprint, and therefore, no physical or economic displacement is anticipated.
Public and/or site specific transportation system	The site benefits from relatively good transport accessibility. A railway station, Sesvetski Kraljevec, is located approximately 400 meters to the north, providing convenient rail connections. Additionally, a bus stop is situated around 700 meters to the southwest, offering access to local public transport services. The location is also accessible by car via Ive Politea Street, ensuring adequate road connectivity. Overall, the baseline assessment indicates low sensitivity with respect to both public transportation and site-specific transport infrastructure.
Traffic	The parcel is surrounded by unclassified roads. The A3 motorway is located approximately 1.5 km to the south, offering important regional and national connectivity. In terms of rail infrastructure, the M102 Zagreb Glavni Kolodvor – Dugo Selo railway line runs approximately 400 meters to the north of the site

Topic	Baseline conditions
Water and waste water management	According to the Water Management Plan up to 2027, the Project site is situated within a designated groundwater body. In addition, a surface water body, designated as CSR00210_002312 Črnec, is located immediately adjacent to the eastern boundary of the parcel. The project site is located in an area of low flood risk and outside of sanitary protection zones The nearest is the III sanitary protection zone of the Kosnica water source, located approximately 5.7 km to the southwest of the project site.

Table 3-3: HEADQUARTERS ENERGY EFFICIENCY REFURBISHMENT, ZAGREB, FALLEROVO ŠETALIŠTE 22

Topic	Baseline conditions
Air quality and noise	According to the Decree on the determination of zones and agglomerations according to the levels of air pollution in the territory of the Republic of Croatia (OG 1/14), the location of the project is in zone HR ZG. Analysis of air quality in the HR ZG zone indicates low levels of pollution with respect to sulphur dioxide, carbon monoxide, and heavy metals. Higher concentrations have been recorded for certain pollutants, including nitrogen oxides, particulate matter, and benzene, with values exceeding the upper assessment threshold for the assessed year, while the long-term target for ground-level ozone has also been exceeded.
Biological and ecological resources	According to the Map of terrestrial non-forest habitats of the Republic of Croatia 2016 (www.bioportal.hr), within the area of the project location, there is only one habitat type: • J. Built and industrial habitats. The habitat type is **not** listed in Annex I of Habitats Directive. Location is not within legally protected and internationally recognised areas of biodiversity value. Closest N2000 area (HR2000583 Medvednica) is located 4.5 km north of the location and closest PA (Monument of park architecture Botanical garden) is located 2.8 km east of the location.
Climatic factors and climate change	The climate of an area is determined based on the mean values of meteorological parameters of a continuous 30-year series of measurements. The project area is classified by Cfb type of climate - Moderately warm humid climate with warm summers, according to Köppen's classification. Overall, physical climate-related risks to the Project are assessed as **low**. The primary identified exposure relates to increased temperatures, which may have implications for worker health and safety, as well as potential impacts on operational efficiency (e.g., cooling requirements). However, these risks are considered manageable through standard design and operational measures.
Cultural heritage	Cultural heritage is not present on the site. The closest cultural heritage site "August Šenoa" Elementary School Building is about 615 m to the east.
Geomorphology and geology	According to the geomorphological regionalization of the Republic of Croatia (Bognar, 2001), the wider project area is situated within the Pannonian Basin megageomorphological region and the Northwestern Croatia basin macrogeomorphological unit. This area generally encompasses the region between the Samobor Hills to the west, Mount Medvednica to the north, and the Vukomeričke Gorice hills to the south. Part of the area also includes hilly and low-mountain terrain located on the southern slopes of Mount Medvednica. The area includes an extensive alluvial plain along the Sava River, extending in a northwest–southeast direction.
Soil	According to the pedological map of the Republic of Croatia, the planned project is located within the settlement.
Health & safety (public and worker) & healthcare infrastructure	The Project site is supported by existing healthcare and emergency response infrastructure. The nearest medical service is located approximately 1,5 km to the east of the site, while the closest hospital facility is situated approximately 3,5 km to the north, indicating adequate access to emergency medical care within reasonable response times. The Project site at Fallerovo šetalište in Zagreb is located within a densely populated urban area, characterised by close proximity to residential buildings, local roads, and public-use spaces.
Land (past and current use, land tenure, permanent or temporary acquisition including any legacy land acquisition issues)	KONČAR Inc. has been operating at this location for over 100 years. The first buildings on the location were constructed in the 1920s. The office building that is the subject of reconstruction was built in the 1970s, with a use permit from 1979.
Land use patterns;	The current use of the land on the site is: built-up area. Based on data from the ARKOD system, the Project site does not include any registered arable agricultural land.

Topic	Baseline conditions
Landscape and visual	The location of the project is located within an urbanised, anthropogenic area of the City of Zagreb, within the built-up zone. The site currently comprises an existing building, associated parking areas, and tall vegetation. The immediate surroundings of the site include the Črnomerec watercourse to the east, Matka Baštijana Street to the south, a healthcare facility to the west, and an ancillary (outbuilding) structure to the north
Other social issues: community, settlement patterns and residential properties, vulnerable people	No residential properties, community facilities, or public infrastructure are located within the Project footprint, and therefore, no physical or economic displacement is anticipated.
Public and/or site specific transportation system	Public transport is well developed in this part of Zagreb. A bus stop (Baštijanova) is located approximately 250 metres to the west of the Project site. Vehicle access to the Project site is provided via Fallerovo šetalište. Overall, baseline conditions indicate low sensitivity in terms of public and/or site-specific transportation networks.
Traffic	Location is very well connected to the other parts of Zagreb. The location can be accessed via Matko Baštijan Street, south of the parcel. Dragutina Golika Street is located approximately 230 m west of the parcel.
Water and wastewater management	According to the Water area management plan until 2027, a surface water body designated as CSR00241_000000 Vrapčak is located approximately 10 metres to the east of the Project site. In addition, another surface water body, CSR00210_002312 Črnec, is situated immediately adjacent to the eastern boundary of the parcel. The project site is located in an area of low flood risk and within III. sanitary protection zone of the Stara Loza, Sašnjak, Žitnjak, Petruševec, Zaprađe i Mala Mlaka spring.

Table 3-4: KONČAR ELECTRIC VEHICLES - EXPANSION OF PRODUCTION OF ELECTRIC VEHICLES ARM, ZAGREB, ANTE BABAJE STREET 1

Topic	Baseline conditions
Air quality and noise	According to the Decree on the determination of zones and agglomerations according to the levels of air pollution in the territory of the Republic of Croatia (OG 1/14), the location of the project is in zone HR ZG. Analysis of air quality in the HR ZG zone indicates low levels of pollution with respect to sulphur dioxide, carbon monoxide, and heavy metals. Higher concentrations have been recorded for certain pollutants, including nitrogen oxides, particulate matter, and benzene, with values exceeding the upper assessment threshold for the assessed year, while the long-term target for ground-level ozone has also been exceeded.
Biological and ecological resources	According to the Map of terrestrial non-forest habitats of the Republic of Croatia 2016 (www.bioportal.hr), within the area of the project location, there is only one habitat type: • J. Built and industrial habitats. The habitat type is **not** listed in Annex I of the Habitats Directive. Location is not within legally protected and internationally recognised areas of biodiversity value. Closest PA (A monument of park architecture, the park next to Junković Castle) is located 1.77 km north of the location, and the closest NATURA 2000 area (HR1000002 Sava kod Hrušćice sa šljunčarom Rakitje) is located 1.77 km southwest of the location
Climatic factors and climate change	The climate of an area is determined based on the mean values of meteorological parameters of a continuous 30-year series of measurements. The project area is classified by Cfb type of climate - Moderately warm humid climate with warm summers, according to Köppen's classification. Characteristics of moderately warm humid climates with warm summers are a clear annual course of mean monthly temperature with a maximum in summer (June to August) and a minimum in winter (December to February). Based on the analysis of available GIS and spatial data, the site in Ante Babaje Street is not located within areas prone to soil erosion, no landslide risks and is characterised by a low flood risk, corresponding to a flood event with a return period of approximately 1,000 years. Overall, physical climate-related risks to the Project are assessed as **low**.
Cultural heritage	Cultural heritage is not present on the site. The closest cultural heritage site - Church of the Assumption of the Blessed Virgin Mary is located approximately 1.61 km northeast of the site.
Geomorphology and geology	According to the geomorphological regionalization of the Republic of Croatia (Bognar, 2001), the wider project area is situated within the Pannonian Basin megageomorphological region and the Northwestern Croatia basin macrogeomorphological unit. This area generally encompasses the region between the Samobor Hills to the west, Mount Medvednica to the north, and the Vukomeričke Gorice hills to the south. Part of the area also includes hilly and low-mountain terrain located on the southern slopes of Mount Medvednica. The area includes an extensive and wide alluvial plain along the Sava River, extending in a northwest–southeast direction.
Soil	According to the soil map of the Republic of Croatia, the planned project is located within alluvial (fluvisol) flood-proof soil, classified as well-arable soil P-1.
Health & safety (public and worker) & healthcare infrastructure	The Project site is supported by existing healthcare and emergency response infrastructure. The nearest medical service is located approximately 3 km to the northwest of the site, while the closest hospital facility is situated approximately 8.3 km to the northeast, indicating adequate access to emergency medical care within reasonable response times. The site is located approximately 1.4 km from the nearest densely populated residential area, which reduces the potential for significant impacts on surrounding communities in the event of operational incidents.

Topic	Baseline conditions
Land (past and current use, land tenure, permanent or temporary acquisition including any legacy land acquisition issues)	KONČAR – Electric Vehicles Inc is situated within the existing industrial zone - Jankomir - in City of Zagreb Zagreb.
Land use patterns;	The current use of the land on the site is: built-up area. Based on data from the ARKOD system, the Project site does not include any registered arable agricultural land.
Landscape and visual	The location of the project is located in the anthropogenic area within the City of Zagreb. The project is located within the built-up area. On the project site there is a building, a parking lot, a lawn, a railway track and tall vegetation. To the east, north, and west of the site there is an economic zone, and to the south there is tall vegetation.
Other social issues: community, settlement patterns and residential properties, vulnerable people	No residential properties, community facilities, or public infrastructure are located within the Project footprint, and therefore no physical or economic displacement is anticipated.
Public and/or site specific transportation system	A bus stop (Bolnica Jankomir) is located approximately 1.3 km to the west of the Project site and is served by bus line 115, which operates within the local public transport network of Zagreb. Vehicle access to the site is provided via Ante Babaje Street. Overall, baseline conditions indicate low sensitivity with respect to the public and site-specific transport network.
Traffic	The location can be accessed via Ante Babaje Street, west of the parcel and Kreše Golika Street north of the parcel.
Water and wastewater management	According to the Water Management Plan up to 2027, the Project site is situated within a designated groundwater body. In addition, a surface water body, designated as CSR00507_000000 St. Savišće, is located 100 meters east of the Project site. The project site is located in an area of low flood risk and within III. sanitary protection zone of the Stara Loza, Sašnjak, Žitnjak, Petruševec, Zapruđe i Mala Mlaka spring.

3.4. HISTORY OF THE PROJECT DEVELOPMENT

In 2025, KONČAR – Instrument Transformers obtained an official opinion from the Ministry of Environmental Protection and Green Transition for the Zaprešić site (new instrument transformer factory) stating that an Environmental Impact Assessment (EIA) screening procedure is not required for a new instrument transformer factory in Zaprešić.

In March 2026, the main design for the new instrument transformer factory was prepared. Submission of the application for a building permit is planned for the first half of 2026.

In the first quarter of 2026, the project for the construction and equipping of a new switchgear production facility at Strojarska cesta 10, Sesvetski Kraljevec, was in the stage of obtaining special conditions and utility connection requirements to support the preparation of the main design.

The project for the comprehensive renovation and extension of the existing headquarters building at Fallerovo šetalište 22, Zagreb— including the modernisation of façades and building systems to achieve improved energy efficiency, seismic resilience and functional standards—was in the main design development phase as of April 2026.

Other Project activities (expansion of production of electric vehicles arm, new logistic centre, office building, new research and development facility/laboratory, and upgrade of infrastructure of industrial park) are still in early stages of development.

4. PROCESS

The national Regulation on Environmental Impact Assessment (OG 61/14, 3717) sets out a list of projects for which environmental impact assessment (Annex I) or screening procedure (Annex II and Annex III) is mandatory.

According to the applicable Regulation, and taking into account the characteristics of the planned Project activities (new transformer factory, new production factory for power transmission and distribution equipment, new logistic centre, office building, new research and development facility/laboratory, and upgrade of industrial park, expansion of production of electric vehicles arm) no environmental impact assessment procedure is foreseen for such activities. However, as several Project components are still at an early stage of development, it is anticipated that formal opinions on the need for EIA screening will be sought from the competent authority in the later phases of Project implementation. This approach is also a safeguard action in the Environmental and Social Action Plan (ESAP).

5. SUMMARY OF ENVIRONMENTAL BENEFITS, POTENTIAL ADVERSE MITIGATION AND MANAGEMENT MEASURES

The environmental impact assessment has been carried out using established methodologies and conservative assumptions to identify potential Project impacts and define appropriate mitigation measures to reduce adverse effects.

Key risks during the construction phase include land disturbance, dust and noise emissions, waste generation, proximity to watercourses, and minor traffic-related impacts. During the operational phase, impacts are expected to be limited and, in many cases, positive, reflecting the focus on reconstruction and energy efficiency improvements. Residual risks include low-level air emissions, operational noise, waste management, and occupational health and safety risks, particularly related to electrical systems and machinery. No significant impacts on biodiversity, protected areas, or cultural heritage have been identified. Climate-related risks are assessed as low, with the increasing temperatures identified as the main consideration; these can be effectively managed through standard design and operational measures.

A summary of the identified impacts and the corresponding mitigation measures during the construction phase is provided below for each aspect.

- Air quality

During the construction phase, activities will include levelling, earthworks and preparation of internal unpaved roads. These activities are expected to generate dust emissions and contribute to temporary reductions in local air quality. The main sources of impact during this phase are dust generated from material handling, as well as exhaust emissions from construction machinery and vehicles using fossil fuels. Mitigation measures have been identified to minimise impacts on air quality. These include the use of adequate, well-maintained equipment, covering of transport vehicles carrying loose materials, and watering of access roads and exposed surfaces to reduce dust generation.

- Noise

Increased noise levels and related impacts during the construction phase have been identified for all Project' activities. However, these impacts are expected to be temporary and limited to the duration of construction works. Considering that most of Project sites are in the industrial zones, noise impacts will be localized.

- Biodiversity and nature conservation

All Project sites are located outside of Natura 2000 sites as well as outside designated protected areas and critical habitats, thereby avoiding potential risks of adverse impacts on biodiversity.

As a mitigation measure upon completion of construction works, site restoration will be undertaken, where applicable, through the re-establishment of natural vegetation cover. Such restoration will be carried out exclusively using indigenous (autochthonous) plant species.

- Soil

During the construction works, minor negative impacts on the soil are possible, primarily related to the potential for soil erosion and contamination.

These impacts are mainly associated with sites involving more substantial development, such as the Zaprešić site (new instrument transformer factory) and the planned switchgear production facility at Strojarska cesta 10, Sesvetski Kraljevec. Impacts on soil during construction works may occur because of unforeseen situations, such as fuel spills or improper handling of fuels and lubricants from machinery, equipment, or vehicles.

Through the implementation of appropriate construction site management practices and a Waste Management Plan, impacts on soil are expected to be minimised and limited to the Project sites.

- Land use planning

Permanent and temporary changes in land use, including land take, will occur at construction sites such as the Zaprešić site (new instrument transformer factory) and the planned switchgear production facility at Strojarska cesta 10, Sesvetski Kraljevec.

However, given that these locations are designated for industrial use, the resulting impacts are of low significance.

- Landscape

During the construction phase, temporary adverse impacts on the visual character of the landscape are expected due to the presence of construction machinery, materials, and auxiliary equipment. These impacts will be limited in duration and confined to the construction period.

The construction of a new transformer facility in Zaprešić will result in a long-term change in the visual characteristics of the landscape, primarily due to the introduction of new anthropogenic elements in an area that has not yet been developed, despite being designated as an industrial zone.

Other Project components are located within already developed industrial areas; therefore, impacts on the landscape in these locations are expected to be minor and highly localised.

- Traffic

Most Project sites are located outside of residential areas. During the construction phase, contractors will be responsible for implementing appropriate safety signage and measures related to construction activities, ensuring traffic safety and the safety of the general public.

- Waste

Demolition works are planned for the new production facility for switchgears at Strojarska cesta 10, Sesvetski Kraljevec. Site clearance during the construction of new facilities will generate construction and demolition waste, which may include hazardous materials such as asbestos requiring controlled handling, transport, and disposal. Provided that mitigation measures defined in the Waste Management Plan are properly implemented, including preparation of asbestos waste inventory, the residual environmental impact is expected to be low.

- Water

Construction activities present a limited risk of accidental spills and minor alterations to natural drainage patterns. With the implementation of appropriate mitigation measures, including controlled wastewater management and the storage of hazardous materials in impermeable, bunded areas located away from watercourses, these risks are effectively managed. Consequently, the residual impact on water resources is assessed as low.

6. SUMMARY OF SOCIAL BENEFITS POTENTIAL ADVERSE IMPACTS, MITIGATION AND MANAGEMENT MEASURES

- Community impacts

Community health and safety considerations will be addressed through measures and recommendations defined in the ESAP.
During the construction phase, temporary disruptions may occur, including reduced road access as well as increased noise and dust associated with construction activities.
Contractors will be required to prepare and implement procedures aimed at informing and raising awareness among local communities of scheduled works that may affect traffic and accessibility. KONČAR Inc. will oversee and monitor contractor performance concerning the implementation of health and safety requirements.
The Project is expected to generate positive socio-economic impacts, including the creation of approximately 400 jobs, support to local industry, and contribution to the development of sustainable transport solutions.

- Occupational and public health and safety issues

To ensure effective contractor management, tender documents will be prepared to incorporate defined mitigation measures that contractors are required to implement or comply with.
. The Company will maintain certified EHS management systems (ISO 9001, 14001, 50001 and 45001), update policies to address Gender Based Violence, and establish clear corporate level OHS responsibilities, including systems for tracking and reporting incidents involving contractors and subcontractors.
Appropriately qualified personnel should be appointed to oversee and monitor the performance of contractors engaged in construction activities.

- Contractor management

KONČAR Inc. will ensure that contractors engaged on Project sites are required to adopt and implement an appropriate construction management system and comply with ESAP requirements.
In the case of subcontracting, the client will use reasonable efforts to ensure that contractors include equivalent requirements in their contractual agreements with their subcontractors.

- Cultural heritage

A desktop review of available data on archaeological sites and cultural heritage has confirmed that no known archaeological sites, historical monuments, or cultural heritage assets are located within the Project sites.
A Chance Find Procedure will be implemented for all sites during construction works. The procedure will include provisions for notifying relevant authorities in the event of any discovered objects or sites, raising awareness among project personnel regarding the potential for chance of found objects or sites; alerting project personnel to the possibility of chance finds being discovered; and securing any such finds to prevent any further disturbance or damage.

- Impacts to existing infrastructure and public services

The Project will be implemented across several existing industrial locations within the administrative boundaries of the City of Zagreb and the nearby town of Zaprešić. All Project sites have existing access roads, which will be used for the transport and delivery of construction materials and equipment. The industrial park in Sesvetski Kraljevec is used by multiple companies that share the same access road. Therefore, a Traffic Management Plan will be developed and implemented during the construction phase to mitigate potential impacts on traffic and ensure safe and efficient access.

- Labour issues and standards

The Company has adopted Policy for promoting diversity, inclusion, and equal opportunities aimed at preventing discrimination and unequal treatment. KONČAR Group implements measures to maintain a stable employment structure, ensuring fair and competitive remuneration, and mitigating negative effects related to financial pressure and excessive working hours. Key measures include collective bargaining and regular updates of collective agreements and internal acts, remuneration for work performed under special conditions, adjustments to work schedules and shift work, and, where applicable, the provision of adequate accommodation for employees working outside their place of residence.

- Land acquisition and resettlement

The Project will be implemented at locations already owned by the KONČAR Group and situated within established industrial areas. As such, issues related to physical or economic displacement are not anticipated.

7. MONITORING OF IMPACTS

Environmental and social risks will be monitored throughout the construction, operation, and (where applicable) decommissioning phases of the Project. Monitoring activities will focus on the performance of individual sub-projects in relation to national legislation and regulatory requirements, as well as applicable environmental and social standards, including the implementation of actions defined in the ESAP.

Monitoring will include regular site inspections, environmental measurements, tracking of waste generation and incidents, and occupational health and safety (OHS) monitoring.

Compliance will be overseen through internal supervision, inspection by competent authorities in Croatia, and monitoring by the European Bank for Reconstruction and Development and the International Finance Corporation through periodic reporting and site visits.

8. SUMMARY OF ESAP

Summary of ESAP activities is given below.

- Management Systems and Monitoring

The Company will maintain and update management systems for Quality, Environment, Energy, and Occupational Health and Safety (ISO 9001, 14001, 50001, and 45001).

A dedicated Project Implementation Unit will monitor environmental and social performance across all project phases and provide regular reports.

Contractors will be required to develop and implement a Construction Environmental and Social Management Plan covering waste management, pollution prevention, traffic, and health and safety.

Waste Management will be prepared for demolition activities (at the Sevetski Kraljevec site) and for the construction of new facilities. In addition, Pollution Prevention and Control Plan will be applied for all construction sites.

The Company will obtain all required construction permits and decisions regarding the need for Environmental Impact Assessment (EIA) for all project components prior to construction.

- Labour and Working Conditions

The Project prioritizes the fair treatment and safety of all workers:

Recruitment procedures will be updated to define requirements for labor agencies to protect overseas workers and ensure clear communication of employment terms.

The Company will undertake supply chain due diligence/risk screening for suppliers and materials relating to core components for renewable energy components such as battery energy storage systems (BESS) or photovoltaic (PV) systems

The Company will require suppliers to provide Bill of Materials (BoM) and supply chain mapping to support risk screening and verification.

- Resource Efficiency and Pollution Control

Contractors/subcontractors will plan material quantities more precisely and avoid overordering and implement on-site material management practices to prevent damage and degradation of construction materials and supplies.

- Occupational Health and Safety

Strict Occupational Health and Safety protocols will be implemented and controlled to prevent accidents and injuries.

Worker Accommodations for non-local workers must meet international standards for living conditions, sanitation, and food safety.

An asbestos survey will be carried out prior to demolition works at the Sesvetski Kraljevec site, and appropriate handling, removal, and disposal measures will be implemented in line with international standards.

- Cultural Heritage

A "Chance Finds Procedure" will be established to protect any previously unknown cultural or archaeological artifacts discovered during excavation.

- Stakeholder Engagement

A Stakeholder Engagement Plan (SEP) will be implemented and publicly disclosed. The public will be notified of planned construction works at least 30 days in advance.

An accessible community grievance mechanism (via the project website) enabling members of the public to raise concerns and receive timely responses and resolution.

9. COMMUNICATIONS

9.1. CONTACT DETAILS

Contact details and responsibilities for SEP implementation are as follows:

Address: KONČAR – Electrical Industry Inc. for manufacturing and services

Fallerovo šetalište 22, 10000 Zagreb, Croatia

E-mail: projekt.faller@koncar.hr

Website: https://koncar.hr

Grievance form: https://koncar.hr/en/sustainable-financing-projects

The contact person for the SEP will collect and document any comments and feedback related to the Project.

All comments received will be reviewed in accordance with the requirements set out in the SEP. All communications will be assessed to determine the feasibility of addressing the issues raised, and feedback will be provided to the stakeholder on the outcome.

The Grievance Form (in Croatian and English) will be made available on the web site https://koncar.hr/.

9.2. PROCESS FOR ADDRESSING ANY ISSUES ARISING

A Stakeholder Engagement Plan (SEP) has been prepared for the Project. The SEP identifies relevant stakeholders for the project, defines communication channels and engagement activities regarding the (pre)construction and operational phase of the project.

The SEP outlines the methods, procedures, policies and activities that will be implemented by the Client to inform stakeholders, in an inclusive and timely manner, about the potential impacts of the Project.

The SEP contains a stakeholder identification table which lists all relevant stakeholders and defines appropriate communication channels and strategies, information disclosure requirements and grievance processes. Stakeholders not currently identified in the SEP may contact the Client to obtain information about the Project and request inclusion in the stakeholder engagement programme.

The SEP also defines a programme of immediate consultation and engagement activities, including both immediate actions to address current stakeholder concerns, and ongoing activities throughout the project lifecycle.

A grievance mechanism will be established to ensure that the Client responds effectively to any concern and complaint particularly from affected stakeholders and communities. Dedicated staff will be trained to manage the grievance mechanism.

This grievance mechanism will be accessible to both employees and external stakeholders (including affected communities and other relevant stakeholders).

Comments or concerns can be submitted verbally, in writing (e.g. by email), or by completing a grievance form provided as part of the SEP.

All grievances will be formally acknowledged within five (5) working days and responded to within thirty (30) working days from receipt.