

KONČAR

Inspired by challenge



NON-TECHNICAL SUMMARY Project Faller, CROATIA E&S ASSESMENT

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.....	9
4. PROCESS	9
5. SUMMARY OF ENVIRONMENTAL BENEFITS, POTENTIAL ADVERSE MITIGATION AND MANAGEMENT MEASURES	10
6. SUMMARY OF SOCIAL BENEFITS POTENTIAL ADVERSE IMPACTS, MITIGATION AND MANAGEMENT MEASURES	12
7. MONITORING OF IMPACTS	13
8. SUMMARY OF ESAP	13
9. COMMUNICATIONS	15
9.1. CONTACT DETAILS	15
9.2. PROCESS FOR ADDRESSING ANY ISSUES ARISING	15
9.3. LINK TO STAKEHOLDER ENGAGEMENT PLAN	ERROR! BOOKMARK NOT DEFINED.

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 (EBRD) and International Finance Corporation (IFC), also referred to as lenders, are considering providing finance to KONČAR Inc. to support its capital investment programme in Croatia. KONČAR is a well-established industrial and technology group engaged in the development and production of equipment and systems for the energy, transport, and industrial sectors, including electric vehicles such as trains and trams.

The Loan will be used to finance the construction, reconstruction, and expansion of production facilities and supporting infrastructure at several locations in Zagreb and one location in Zaprešić. The Lenders commissioned an Environmental and Social Due Diligence (ESDD) assessment with aim of confirmation of the project categorisation, which involved a project site visit and a desk-based review of project information.

This document is a Non-Technical Summary (NTS) providing a summary of the Project in non-technical language covering the background and project description, the environmental and social benefits/impacts, mitigation and management measures that have been incorporated into a separate Environmental and Social Action Plan (ESAP) and the contact details for communications with a summary of the Stakeholder Engagement Plan (SEP) that includes a grievance mechanism that has also been developed as part of this project.

2. PROJECT DESCRIPTION

KONČAR Group's main activities include the manufacturing of equipment and facilities for the generation, transmission, and distribution of electrical energy, the development of rail vehicles and related infrastructure, and the creation of 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 limiting to the following investments:

- construction and equipping new production facilities for instrument transformers and switchgears,
- construction and equipping of new logistic centre and production facilities of 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 Zagreb and the nearby town of Zaprešić. All sites are situated within designated industrial zones in accordance with applicable spatial planning documentation, ensuring compatibility 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 set to establish a new manufacturing facility, while the premises at Strojarska cesta 10 will be developed to house 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.

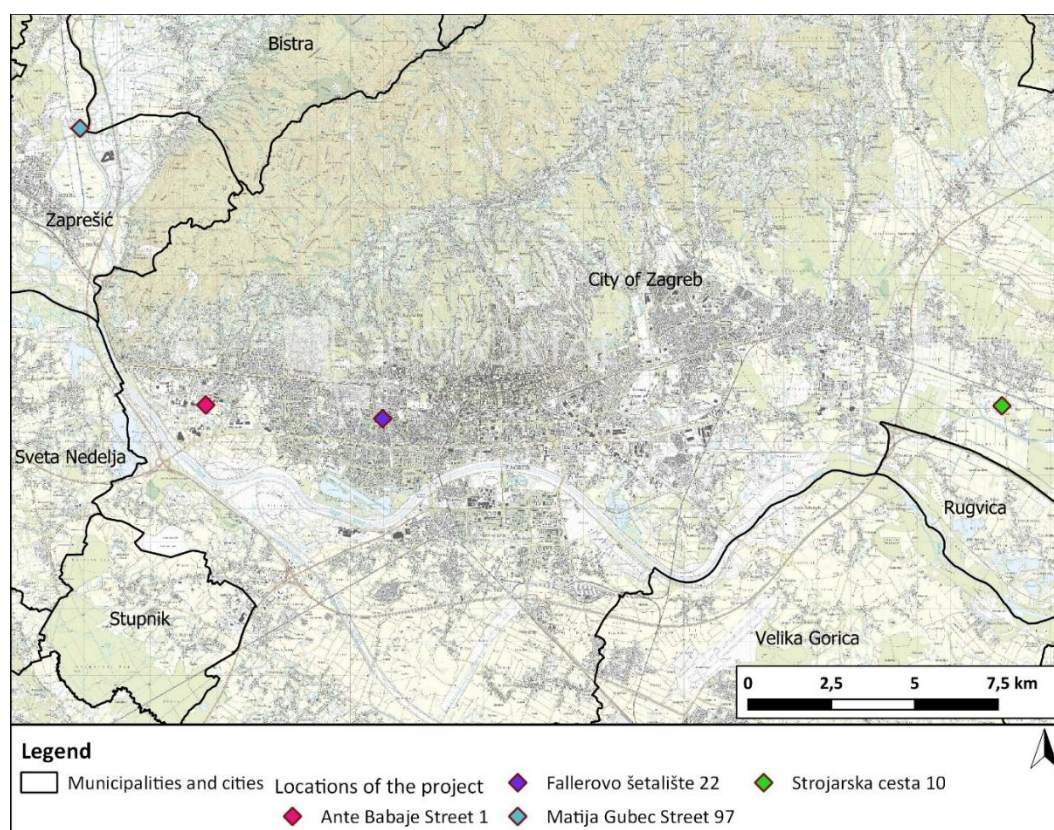


Figure 1: Locations of the project

The environmental baseline of the 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,
- Potential 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 is not expected to involve land acquisition or physical displacement, as all 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 logistic center, office building, new research and development facility/laboratory and upgrade of infrastructure of industrial park, no environmental impact assessment procedure is foreseen for such activities according to national legislation.

An independent gap analysis review of the local/national assessment and permitting requirements has been undertaken against EBRD's Environmental and Social Policy and IFC's Sustainability Framework. The gaps identified have been used to develop an Environmental and Social Action Plan (ESAP) for implementation, and a disclosure pack comprising of this NTS and a Stakeholder Engagement Plan (SEP).

The 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

Current environmental and social situation of the Project is given in following tables for all Project 'locations.

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 sulfur 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 Both habitat types are not listed in the Annex I of 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 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 worker) & 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 owner of the land is the company KONČAR – Instrument Transformers since June 2025. The planed 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 used for agriculture. 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 location of the project is located on land previously used as arable land. There are two plots that used to be arable land and an agricultural road at the project site. 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, and therefore no physical or economic displacement is anticipated.
Public and/or site specific transportation system	Approximately 60 meters west of the location, a train station Novi Dvori is located. Bus stop is located approximately 2 km 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 located on a location of low flood risk. The planned project is located outside the sanitary protection zones of the spring. The closest to the project location is III. sanitary protection zone of the Bregana, Šibice i Strmec, at about 1.35 km 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 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 sulfur 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 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) indicate 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 (<i>Alopecurus pratensis</i>, <i>Sanguisorba officinalis</i>) listed in Annex I of 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 wider area and abandonment of mowing, it is assessed that Annex I habitat is not present in 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 nad 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 closest cultural heritage sites are 1,0 km northeast of the location – The building of the former Kaptol manor and 1,7 km west of the location - Archaeological site Dumovečki lug.
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.

Topic	Baseline conditions
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 for the benefit of the investors KONČAR - Switchgear allow the right to build on the parcels in question.
Land use patterns;	The current use of the land on the site is: lawn and tall vegetation. According to ARKOD Error! Bookmark not defined. , there is no arable land at the location of the project.
Landscape and visual	The location of the project is in the anthropogenic grassland area within the City of Zagreb. The project is located next to the economic zone, about 400 m south of residential buildings. The project site features low, grassy vegetation with tall vegetation, as well as built area that include buildings, storage halls and 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	Approximately 400 meters north of the location, a train station Sesvetski Kraljevec is located. Bus stop is located approximately 700 meters southwest of the location. The location can be accessed via car using the Ive Politea Street. Overall, baseline conditions indicate low sensitivity in terms of public and/or site specific transportation system.
Traffic	The parcel is surrounded by unclassified roads. Highway A3 is located approximately 1.5 km south of the location. Railway M102 Zagreb GK – Dugo Selo is located 400 meters north of the location.
Water and waste water management	According to the Water area management plan until 2027 water body located on the planned project location (underground) and right next to the parcel (east edge of the parcel) on the surface is CSR00210_002312 Črnec. The project site is located on a location of low flood risk. The planned project is located outside the sanitary protection zones of the spring. The closest to the project location is III. sanitary protection zone of the Kosnica, at about 5.7 km southwest.

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 data on air pollutants in the HR ZG zone showed that air pollution with respect to sulfur 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.biportal.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 the 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- 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 and wide 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 ambulance 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)	The KONČAR company has been operating at the location for over 100 years. The first buildings on the location were built 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. According to ARKOD Error! Bookmark not defined. , there is no arable land at the location of the project.

Topic	Baseline conditions
Landscape and visual	The location of the project is in the anthropogenic area within the City of Zagreb. The project is located within the city and the built-up area. At the location of the project there is a building, a parking lot and tall vegetation. To the east of the project is the Črnomerec watercourse, to the south Matka Baštijana Street, to the west is the health center, to the north is the outbuilding.
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. Approximately 250 meters west of the location, a bus station Baštijanova is located. The location can be accessed using a car via Fallerovo šetalište. Overall, baseline conditions indicate low sensitivity in terms of public and/or site specific transportation system.
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 waste water management	According to the Water area management plan until 2027 water body located approximately 10 meters east of the location is CSR00241_000000 Vrapčak. The project site is located on a location of low flood risk. The planned project is located within III. sanitary protection zone of the Stara Loza, Sašnjak, Žitnjak, Petruševac, Zapruđe i Mala Mlaka.

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 data on air pollutants in the HR ZG zone showed that air pollution with respect to sulfur 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 evaluated year, 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 is only one habitat type: J. Built and industrial habitats. The habitat type is not listed in the Annex I of 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 N2000 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 ambulance 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, existing Zagreb (Jankomir) industrial zone
Land use patterns;	The current use of the land on the site is: Built-up area. According to available data there is no arable land at the location of the project.
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 project 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	Approximately 1.3 km west of the location, a bus station Bolnica Jankomir is located. The bus line that passes this station is 115 that drives locally in Zagreb. The location can be accessed using a car via Ante Babaje Street. Overall, baseline conditions indicate low sensitivity in terms of public and/or site specific transportation system.
Traffic	The location can be accessed via Ante Babaje Street, west of the parcel and Kreše Golika Street north of the parcel.
Water and waste water management	According to the Water area management plan until 2027 surface water body located on the planned project location (underground) and 100 meters east of the planned location is CSR00507_000000 St. Savišće. The project site is located on a location of low flood risk. The planned project is located within III. sanitary protection zone of the Stara Loza, Sašnjak, Žitnjak, Petruševac, Zapruđe i Mala Mlaka.

3.4. HISTORY OF THE PROJECT DEVELOPMENT

During 2025 KONČAR – Instrument Transformers for the Zaprešić site/new instrument transformer factory issued an official letter that there is no need for environmental impact assessment screening procedure. During March of 2026 the main design for the new instrument transformer factory has been prepared. The submission of the application for a building permit is planned for the first half of 2026.

The project of construction and equipping new production facility for switchgears at Strojarska cesta 10, Sesvetski Kraljevec during first quarter of 2026 is in the phase of obtaining special conditions and connection conditions for the purposes of preparing the main design.

The project of complete renovation and extension of the existing building headquarters at Fallerovo šetalište 22, Zagreb, including modernization of facades and installations achieving energy efficiency, earthquake resistance and functional standards was in the development of the main design during April of 2026.

Other Project components (expansion of production of electric vehicles arm, new logistic center, 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 impact assessment sets out a list of projects for which environmental impact assessment is mandatory (Annex I) and screening procedure to determine whether environmental impact assessment is required (Annex II and Annex III).

Given the planned interventions of project Faller (new transformer factory, new production factory for power transmission and distribution equipment, new logistic center, 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, given that some of project components are in the very early stage of development, obtaining an opinion on the need for environmental impact assessment is foreseen from competent authority during later phases of the project implantation and as safeguard action in environmental action plan (ESAP).

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

The environmental impact assessment is based on established assessment methodologies and conservative assumptions to identify the Project's impacts and develop mitigation measures to reduce adverse impacts.

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 main consideration being increasing temperatures, which can be managed through standard design and operational measures.

A summary of the identified impacts and the planned measures to mitigate such impacts during the construction phase are provided below for each issue.

- Air quality

During the project construction phase, the construction activities shall involve levelling, earthworks and preparation of internal unpaved roads. All these activities also generate certain amount of dust emission into the air. The biggest contributors to reducing air quality during construction phase are dust emissions resulting from material handling and combustion products of fossil fuels in mechanization and vehicle engines. Mitigation measures have been identified to reduce the impact on air quality. This includes the usage of adequate equipment, the covering of transportation vehicles and the spreading of access roads with water.

- Noise

Increased noise levels and relating impacts on surrounding environment during construction phase have been identified for all Project's components. However, the disturbance is expected to be limited to the period of construction works. Considering that the most of Project locations are in the industrial zones, impacts will be localized.

- Biodiversity and nature conservation

All Project sites are located outside of Natura 2000 sites and outside of protected areas and critical habitats implementing avoidance and prevention of risks of adverse impacts. The mitigation measure upon completion of construction works where applicable is defining relating to restoration of the natural vegetative cover, where applicable, must be conducted exclusively using indigenous (autochthonous) plant species.

- Soil

During the construction works, minor negative impacts on the soil are expected due to possibility of soil erosion and contamination during construction (Zaprešić site/new instrument transformer factory and for the new production facility for switchgears at Strojarska cesta 10, Sesvetski Kraljevec) where substantial development is expected. By implementing construction site management measures and a waste management plan, impacts on the soil will be minimized and localized.

- Land use planning

Permanent or temporary changes in land use will occur together with loss of land on locations of construction (Zaprešić site/new instrument transformer factory and for the new production facility for

switchgears at Strojarska cesta 10, Sesevski Kraljevec). However, considering that locations are foreseen in industrial zones, at location of the planned factories this impact is considered as low.

- Landscape

During the construction of the Project, there will be a negative impact on the visual values of the landscape due to the presence of construction machinery materials and auxiliary equipment. However, this is a temporary impact that will last only during construction. The construction of a new transformer facility in Zaprešić will lead to a long-term change in the visual characteristics of the landscape, primarily due the introduction of new, anthropogenic elements in landscape image as the industrial zone where the site is located was not yet developed. Other Project's components are in already built areas within industrial zones and impacts on landscape will be very localized.

- Traffic

The most of Project's locations are located outside of settlements. During the construction phase, contractors are responsible for ensuring that proper safety signs related to construction works are in place ensuring traffic and (public) road safety.

- Waste

Demolition works are planned for the new production facility for switchgears at Strojarska cesta 10, Sesevski Kraljevec and site clearance during construction of new 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 Construction Waste Management Plan including preparation of asbestos waste inventory are properly implemented, the residual environmental impact is expected to be low.

- Water

Construction activities present a limited risk of accidental spills and minor changes to natural drainage associated. With the implementation of appropriate mitigation measures including controlled wastewater management and the restriction of hazardous material storage to impermeable, banded 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 will need to be addressed through recommendations proposed as detailed in the ESAP.

During construction, there could be disruption caused by reduced access to roads, and noise and dust associated with construction works. Construction contractors will have to prepare own procedures with aim to raise awareness of scheduled construction works that could result in disruption of traffic. KONČAR Inc. will manage and monitor contractor performance in relation to health and safety procedures and safety.

The Project is expected to generate positive socio-economic impacts, including the creation of approximately 400 jobs, strengthening of local industry, and contribution to sustainable transport solutions.

- Occupational and public health and safety issues

To ensure effective contractor management, tender documents will be prepared that will incorporate defined mitigation measures that contractors should either implement or be aware of. 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 tracking and reporting of contractor and subcontractor incidents. Suitably qualified personnel should be appointed to monitor the different contractors undertaking construction activities.

- Contractor management

KONČAR Inc. will ensure that contractors working on project sites meet ESAP requirements by adopting and implementing an appropriate contractor management system. There will be appointed responsible person(s) for contractor management system. In the case of subcontracting, the client will use reasonable efforts to cause third parties to include equivalent requirements in their contractual agreements with their subcontractors.

- Cultural heritage

Conducted desktop analysis of available data on archaeological sites and cultural heritage revealed that there are no historic and archaeological monuments or cultural heritage artefacts located within the Project locations. A Chance Find Procedure will be implemented for all sites during construction works (including provisions on notification of relevant competent bodies of found objects or sites; alerting project personnel to the possibility of chance finds being discovered; and securing the area of finds to avoid any further disturbance or destruction).

- Impacts to existing infrastructure and public services

The Project will be implemented across several existing industrial locations within the administrative boundaries of Zagreb and the nearby town of Zaprešić. For all Project's location there are already existing access roads that will be used for delivery of construction materials and equipment. Location of industrial park in Sesvetski Kraljevec is used by different companies and as all share same access road it is envisaged to implement Traffic management plan during construction to mitigate impacts on traffic.

- Labour issues and standards

The Company has implemented Policy for promoting diversity, inclusion and equal opportunities, and for preventing discrimination and unequal treatment. KONČAR Group implements measures aimed at maintaining a stable employment structure, ensuring fair and competitive remuneration, and mitigating negative effects related to financial pressure, 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

This Project is based on locations already owned by Končar Group and located in industrial areas, thus issues of physical and economic relocation are not applicable.

7. MONITORING OF IMPACTS

Monitoring of environmental and social risks will be undertaken throughout the construction, operation, and (where applicable) decommissioning phases of the Project. Environmental and social monitoring will be focused on sub-project's performance against national laws and regulatory requirements, the applicable environmental and social standards with an implementation of any corrective actions mentioned in an environmental and social plan (ESAP). This will include regular site inspections, environmental measurements, waste and incident tracking, and occupational health and safety monitoring.

Compliance will be supervised internally, by competent authorities in Croatia, and 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 related 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).

Project Oversight - A dedicated Project Implementation Unit will monitor Environmental and Social performance and provide regular reports.

Construction Management - Contractors must implement a Construction Environmental and Social Management Plan covering waste management, pollution prevention, traffic, and safety.

Waste Management plans are in place for the demolition (site at Sevet ski Kraljevec) and construction of the new facilities as well as Pollution prevention and control plan for all construction sites.

An operational Environmental and Social Management System (ESMS) will be implemented for the project.

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:

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

Supply Chain - The Company will undertake supply chain due diligence/ risk screening for suppliers or materials relating to core components for renewable energy components such as BESS or solar PV.

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

Risk Prevention – 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 Sesevski Kraljevec site, and appropriate handling, removal, and disposal measures will be implemented in line with international standards.

- Cultural Heritage

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

- Stakeholder Engagement

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

Grievance Mechanism - An accessible community grievance mechanism (via the project website) will allow the public to raise concerns and receive timely resolutions.

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 for the SEP will collate any comments and feedback associated with this Project and will document these.

All comments received will be reviewed in accordance with the requirements set out in the SEP. All communications will be reviewed for the feasibility to make changes to satisfy the request and interest, and the communicator will be informed of 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 operation of the project.

The SEP aims at summarising 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 where all relevant stakeholders are identified, detailing the most appropriate communication channels and strategies, information disclosure requirements and grievance processes that will be adopted. If there are stakeholders who are not included in the SEP, they can get in contact with the Client to receive information about the Project and be added to the stakeholder engagement programme.

The SEP includes a programme of immediate consultation and engagement activities required to address current stakeholder concerns, as well as regular consultation and disclosure activities throughout the project life cycle.

A grievance mechanism will be implemented to ensure that the Client is responsive to any concerns and complaints particularly from affected stakeholders and communities. Special care will be focused on the training of the designated staff involved in the management of the grievance mechanism. This grievance mechanism covers both employees and nonemployees (i.e. affected people and other relevant stakeholders).

Any comments or concerns can be brought to the attention of the company verbally, or in writing (by e-mail), or by filling in a grievance form included in the SEP.

All grievances will be:

- Acknowledged within 5 working days.
- Responded to no later than within 30 working days.