

Hrvatska banka za
obnovu i razvitak

SOCIAL RESPONSIBILITY REPORT
2007 – 2008

December 2009

CONTENTS

CONTENTS	2
INTRODUCTORY NOTE BY THE PRESIDENT OF THE MANAGING BOARD	3
ORGANISATION PROFILE	4
CORPORATE GOVERNANCE	5
BUSINESS OPERATIONS IN 2007 AND 2008	6
HBOR'S MAIN PRODUCTS	7
SMEs	8
Agriculture	8
Industry	8
Infrastructure and Environmental Protection	9
Export Finance	9
Export Credit Insurance	9
Other Activities	10
REPORT PROFILE	11
Report Boundaries	11
Applied Methodology and Application Level	11
Process of Defining Report Content and Structure	11
Organisation Stakeholders	11
KEY INFLUENCES, RISKS AND OPPORTUNITIES	12
UN GLOBAL COMPACT	13
ENVIRONMENT	14
Loan Programme for the Preparation of Renewable Energy Resources Projects	14
Loan Programme for the Financing of Environmental Protection, Energy Efficiency and Renewable Energy Resources Projects	15
Programme for Issuing of Bank Guarantees for Energy Efficiency Projects	15
COAST Project	16
UNEP FI – The United Nations Environment Programme Finance Initiative	16
Environmental Protection Questionnaire	17
Consumption Management	17
LABOUR AND HUMAN RIGHTS	20
Selection Procedure and Employment	20
Certificate Employer Partner	20
Structure of Employees	21
Fluctuation of Employees	23
Education and Development of Employees	23
Dialog between the Organisation and its Employees	24
Miscellaneous	25
SOCIETY AND ANTI-CORRUPTION	27
Client Protection and Right to Access Information	27
Acquiring Entrepreneurial Skills	27
Money Laundering Protection and Prevention	27
Public Procurement	28
Humanitarian Actions and Annual Gathering of Employees	28
GRI CONTENT INDEX	29
LIST OF ABBREVIATIONS	32

INTRODUCTORY NOTE BY THE PRESIDENT OF THE MANAGING BOARD

Dear Sir or Madam,

It is my pleasure to submit to you the Social Responsibility Report of Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development) for the period 2007 – 2008, during the preparation of which the reporting framework of the Global Reporting Initiative (GRI) was used for the first time.

Becoming a member of the Croatian network of the UN Global Compact (UNGC) in 2007 encouraged us to consider a systematic approach to corporate social responsibility issues. In other words, we recognised the fundamental values represented by the Global Compact in the field of human rights, labour standards, environmental protection and anti-corruption measures as the fundamental values based on which HBOR has developed its own operations. However, the necessity to transparently incorporate the respective principles into our strategy, culture and day-to-day operations as well as the formal obligation to prepare reports on the manner of and progress in implementing the principles, induced us to consider these issues in much a broader context of corporate responsibility and sustainable development.

Therefore, in 2007, we launched activities aimed at establishing a system of reporting on corporate social and environmental responsibility. We assessed the situation with regard to existing corporate social responsibility practices and established a team comprised of employees working in our various organisational units. In 2008, through educational workshops, our managers and our team were informed about the basic concepts and trends as well as significance of corporate social responsibility. Thereupon, the team started collecting and analysing data.

Having in mind the fact that our intention has been to publish the UNGC Communication on Progress (COP) and create additional space for the incorporation of 10 principles into our day-to-day operations, we prepared the Corporate Social Responsibility Programme for 2009 aimed at ensuring the continued implementation of corporate social responsibility practices in the coming period.

HBOR's Social Responsibility Report 2007 – 2008 contains a breakdown of HBOR's key impacts, risks and opportunities relating to the issues of sustainability and corporate social responsibility; it contains an overview of current corporate social responsibility practices, processes and systems; it illustrates the selected indicators of economic, environmental and social performance and provides the plan of further activities.

We believe that our joining the UNGC and the opportunities for further development of sustainability and corporate social responsibility, we recognised during the preparation of this Report, will contribute to the strengthening of our role as the state development and export bank that takes into account social development issues and the environmental impact of development projects. Furthermore, we are positive that all this will strengthen the confidence of our employees in impartiality of our policies and the commitment of our Bank to the systematic care and development of human resources.

Anton Kovačev
President of the Managing Board

ORGANISATION PROFILE

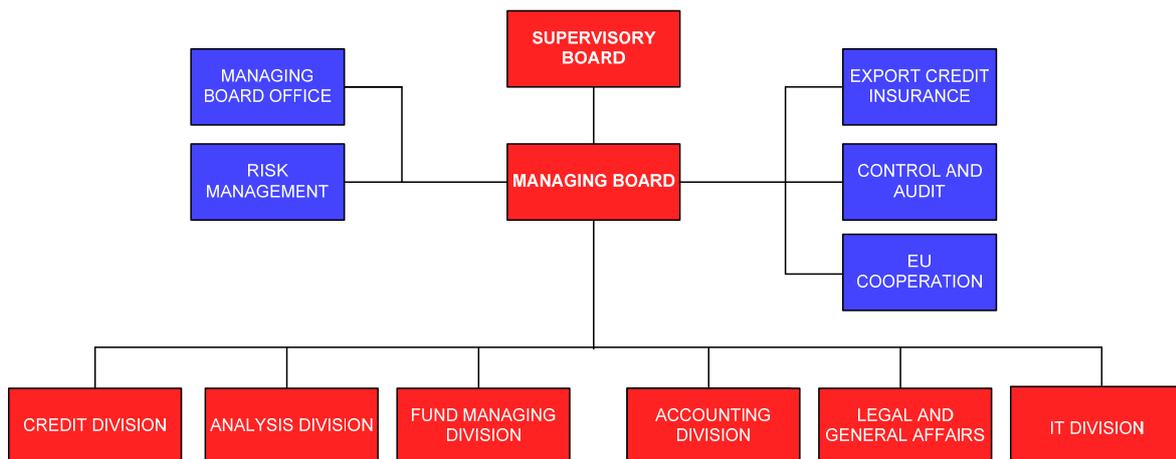
Hrvatska banka za obnovu i razvitak is a 100% state-owned development and export bank that promotes even and sustainable development of the Croatian economy in accordance with the strategic development guidelines of the Republic of Croatia. It was founded in June 1992.

The main activities include the financing of the reconstruction and development of the Croatian economy, the financing of infrastructure, the promotion of exports, the promotion of SMEs, the promotion of environmental protection and the export credit insurance of Croatian goods and services against political and commercial risks.

HBOR's headquarters are located in Zagreb, Strossmayerov trg 9. In Zagreb, the bank operates at three locations (Strossmayerov trg, Zelinska ulica and Bednjanska ulica). HBOR has 5 regional offices as follows:

- Regional office for Slavonia & Baranja
- Regional office for Dalmatia
- Regional office for Istria
- Regional office for Lika
- Regional office for Primorje & Gorski Kotar

HBOR's organisation structure as at 31.12.2008



CORPORATE GOVERNANCE

HBOR systematically monitors best practices in the field of corporate governance that are incorporated into HBOR's operations in accordance with the principles of good banking practice.

The principles of corporate governance are implemented by HBOR as follows:

◆ **Principle of publicly accessible operations**

HBOR's Annual Financial Statements are adopted by the Supervisory Board and submitted to the Parliament of the Republic of Croatia for confirmation. HBOR's Annual Financial Statements are regularly published on the website of the Ministry of Finance and the Zagreb Stock Exchange as well as on HBOR's own website. HBOR's rating is assessed by two international independent rating agencies on an annual basis. Pursuant to the Access to Information Act, reports on the received inquiries about the operations of the Bank are submitted to the Central State Office annually.

◆ **HBOR's Supervisory Board, competences, composition**

The Supervisory Board determines principles of business policy and strategy, monitors Bank's operations, adopts HBOR's lending policies, adopts Annual Financial Statements and considers reports of the internal audit, external independent auditors and the State Audit Office. The Supervisory Board monitors and controls the legality of operations of the Managing Board, appoints and dismisses the President and the members of the Managing Board. It is comprised of nine members: five Ministers in the Government of the Republic of Croatia, three Members of the Croatian Parliament and the President of the Croatian Chamber of Economy. Pursuant to the Audit Act, the Supervisory Board has appointed the Audit Committee.

◆ **HBOR's Managing Board, competences, composition**

The Managing Board represents HBOR, manages the operations and administers the assets of HBOR. It is obliged and authorised to take all measures and make all decisions it considers necessary for the running of operations in a legal and successful manner. The Managing Board has the following powers: it manages and runs the operations of HBOR, passes internal documents that regulate the manner of operations and internal organisation, adopts loan programmes, makes individual decisions on loans and other financial transactions, appoints and dismisses employees with special authorities, decides on rights and obligations of employees and reports to the Supervisory Board. The Managing Board consists of three members that are appointed by the Supervisory Board. One of the members of the Managing Board is appointed President of the Managing Board. The President and the members of the Managing Board are appointed for a five-year term of office and may be reappointed. The Managing Board represents the Bank jointly, i.e. by two members. For the purpose of making risk management procedures as good and efficient as possible and reducing the level of risk to the lowest level possible, the Managing Board has established the following bodies: the Asset and Liability Management Committee, the Credit Committee and the Credit Risk Assessment and Measurement Committee.

◆ **Internal control system**

Continuous measurement, assessment and management of all risks, to which HBOR is exposed within the framework of its operations, are performed by the Risk Management, an independent organisational unit. HBOR's Internal Audit verifies, as an independent organisational unit, the adequacy of risk management and internal control systems, including the function of risk management and the function of monitoring the compliance with the professional regulations and rules as well as the implementation of internal policies and procedures of the Bank and the anti-money laundering procedures. For the purpose of harmonising operations with the regulations of the EU, the EU Co-operation unit has been established within HBOR as an organisational unit with a primary task of harmonising HBOR's operations with the EU's *acquis communautaire*.

◆ **Co-operation between the Managing Board and the Supervisory Board**

The Managing Board and the Supervisory Board co-operate successfully, which is reflected in their open discussions. The basis for co-operation lies in a timely submission of conscientiously prepared written reports to the Supervisory Board. The Act on HBOR, the By-laws of HBOR and the decisions of the Supervisory Board determine which types of transactions are performed by HBOR only with the prior consent of the Supervisory Board.

BUSINESS OPERATIONS IN 2007 AND 2008

Table 1: Lending and operating activities

HRK '000	2008	2007	2006
INDUSTRY	1,356,564	1,826,076	964,505
EXPORTS	3,889,445	3,435,192	2,052,280
INFRASTRUCTURE	300,670	487,285	70,273
SMEs	936,956	759,945	623,690
SUBTOTAL LOANS	6,483,635	6,508,498	3,710,748
GUARANTEES	497,667	822,990	1,038,095
MANDATE ACTIVITIES	2,129,311	2,057,865	1,617,186
TOTAL	9,110,613	9,389,353	6,366,029

Table 2: Assets and capital

HRK '000	2008	2007	2006
ASSETS	18,751,714	17,402,051	14,927,592
CAPITAL	6,271,417	5,766,394	5,319,446

Table 3: Breakdown of income, expense and profit

HRK '000	2008	2007	2006
1. Total income	964,740	894,553	803,245
2. Total expense	(789,834)	(653,638)	(622,930)
Of which:			
Operating expenses	(87,204)	(92,236)	(81,409)
3. Profit (1-2)	174,906	240,915	180,315

HBOR's MAIN PRODUCTS

INDUSTRY

Industry (Loan Programme for the Development of the Economy)
Restructuring (Loan Programme for Financial Restructuring)

EXPORTS

Pre-Export Finance (Pre- and Post-Shipment Export Finance)
Supplier Credit (Loan Programme for Financing Suppliers involved in Export Transactions)
Buyer Credit (Loan Programme for Financing Foreign Buyers / Buyers' Banks)
Loans for Foreign Banks (Credit Lines for Foreign Buyers' Banks)
PHARE (Loan Programme for the Financing of PHARE 2006 Candidate Projects)
Tourism (Loan Programme in Support of the Tourism Industry)
Preparation for the Tourist Season (Loan Programme in Preparation of Tourist Season)
Loan Programme for Small Family-Run Tourism Businesses: "Incentives for Success"
Development of Rural Tourism (Development of Rural Tourism)

INFRASTRUCTURE

Environmental Protection (Loan Programme for the Financing of Projects of Environmental Protection, Energy Efficiency and Renewable Energy Resources)
Infrastructure (Loan Programme for Development of Communal Infrastructure)
Loan Programme for the Preparation of Renewable Energy Resources Projects

SMEs

SMEs (Loan Programme for the Development of Private Small and Medium Businesses)
Agriculture and Balanced Development (Loan Programme for the Financing of Agriculture and Small Businesses in Areas of Special State Concern)
Start-ups (Loan Programme for Incentives to Start Up Small Enterprises)
Cattle-Breeding (Loan Programme for the Development of Cattle-Breeding)
Innovations (Programme for Financing Innovations)
Pig-Breeding (Loan Programme for the Development of Pig-Breeding)
The Islands (Loan Programme for Island Development)
Perennial Crops (Loan Programme for the Financing of Perennial Crops)
Loan Programme for SAPARD Candidate Projects
Micro-Loans (Programme for Micro-Loans)

The list of current loan programmes and loan terms and conditions can be downloaded from HBOR's web site (www.hbor.hr).

SMEs

HBOR implements special programmes intended to promote the development of small and medium-sized companies (SMEs) with an objective of strengthening the competitiveness of small and medium-sized entrepreneurs and crafts businesses, achieving even regional development and creating new jobs. Being aware of its role and responsibilities as a development bank, HBOR pays special attention to the groups of borrowers that are associated with a certain level of risk: start-up entrepreneurs and innovators.

In 2008, under special programmes for SMEs (12 programmes), a total of HRK 937 million was committed, which represents an increase of 23% compared with 2007. In 2008, for the purpose of creating preconditions for more efficient utilisation of pre-accession funds of the EU, two new loan programmes were launched: the SAPARD Loan Programme and the Loan Programme for PHARE 2006 Projects.

The SAPARD Loan Programme makes it possible to finance projects that will be nominated for the co-financing out of the Special Accession Programme for Agriculture and Rural Development – SAPARD. Before the launch of this programme, HBOR financed, through its existing loan programmes, investors that applied for SAPARD support. Out of 36 projects approved within the framework of the tenders, 15 projects were financed out of HBOR's loans.

The Loan Programme for PHARE 2006 Projects is intended for small and medium-sized entrepreneurs that nominate their projects for non-recurring funds out of the PHARE 2006 Grant.

The Micro-Lending Programme has been developed and is being implemented in co-operation with KfW, CEB and the European Commission that participates in the implementation of this credit line by making grant funds available. The programme has been launched for the purpose of financing micro, small and medium-sized entrepreneurs with an objective of facilitating their self-employment, enabling them to establish crafts businesses and companies, modernise and expand existing businesses as well as create new jobs. Entrepreneurs have shown a considerable interest in the programme, and, in 2008, altogether 75 loans were committed totalling HRK 37 million.

Agriculture

Investing in agriculture is one of the strategic goals of both the Government of the Republic of Croatia and HBOR. In the period from 2003 to 2008, HBOR actively participated in the implementation of the Government's operational programmes by the financing of perennial crops, cattle breeding, pig breeding, manufacturing of "kulen" sausage, reconstruction and modernisation of fishing fleet and vegetable growing. In 2007 and 2008, the total amount of loan funds allocated for these purposes reached HRK 822 million. Through the Loan Programme for the Financing of Agriculture and Even Development, an amount of approximately HRK 130 million was committed for the promotion of agriculture in 2007, and HRK 160 million in 2008. The Programme for the Financing of Rural Tourism was initiated with an objective of expanding tourism business in the inland areas of the Republic of Croatia. The objective was to improve the quality of life in rural areas and introduce tourism as an additional activity of family farms. The loan programme is implemented in accordance with the guidelines of the Government of the Republic of Croatia and the tourism development strategy of the Republic of Croatia, Ministry of Tourism.

Industry

By the financing of major economic entities, HBOR endeavours to have a direct impact on the strengthening of competitiveness of Croatian businessmen and the widening of scope of existing business activities.

The funds are earmarked for financing the modernisation of manufacturing industry, introduction of new technologies and products as well as construction of new manufacturing facilities. In 2007, loans approved for this purpose exceeded HRK 1.8 billion, to equal almost HRK 1.4 billion in 2008.

Infrastructure and Environmental Protection

Within the framework of its operations, HBOR extends loans in support of projects that focus on the development of communal and social infrastructure, particularly the projects of water supply, wastewater disposal, wastewater treatment, homes for the elderly, day-care centres for children and sports facilities.

HBOR's efforts are aimed at supporting sustainable development of the Republic of Croatia that incorporates responsible behaviour towards the upgrading and maintaining the quality of the environment as well as promoting renewable energy resources and achieving energy efficiency in accordance with EU standards. As a response to a growing need for investing in a sustainable market of renewable energy resources and investing in the strengthening of competitiveness through energy saving, HBOR launched special loan programmes. For the purpose of financing environmental protection projects, HBOR grants loans through the Loan Programme for the Preparation of Renewable Energy Resources Projects and the Loan Programme for the Financing of Projects of Environmental Protection, Energy Efficiency and Renewable Energy Resources. In addition, the Programme for Issuing Bank Guarantees should provide support to local commercial banks through the financing of investment in projects aiming to save energy, strengthen the economic competence and competitiveness of Croatian companies and develop the energy market of the Republic of Croatia.

In 2007, HBOR encouraged investment in infrastructure projects, environmental protection projects, energy efficiency and renewable energy source projects. The volume of loans granted for these purposes reached approximately HRK 487 million in 2007, to exceed HRK 300 million in 2008.

Export Finance

In the field of export promotion, HBOR created an efficient system of financial support that is competitive to those of developed market economy countries. HBOR participates in all phases of the process of creating a Croatian export product: from preparing production to collecting payment. Simultaneously, for the purpose of strengthening competitiveness of Croatian exporters in the period of pre-qualifications, HBOR makes it possible for them to issue framework offers for financing buyers abroad. In 2007, loans for the financing of exports exceeded HRK 3.4 billion, and the volume of almost HRK 3.9 billion was reached in 2008. In 2008, HBOR's most demanded programme was the Pre- and Post-Shipment Export Finance, through which a volume of approximately HRK 3.3 billion was granted.

Export Credit Insurance

As the state export agency, HBOR insures, for and on behalf of the Republic of Croatia, the collection of export receivables against non-marketable risks, which has been completely harmonised with the EU *acquis communautaire* by the adoption of the Export Credit Insurance Decree. In the Republic of Croatia, non-marketable risks include commercial and political risks irrespective of maturity or importing country as the private receivable insurance market has not been completely developed. Through export credit insurance programmes, support is provided for exports of consumer goods, equipment and capital goods as well as insurance of loans earmarked for the manufacturing of goods to be exported. In 2007, the volume of insured export transactions totalled HRK 2.05 billion. In 2008, the volume of insured export transactions totalled HRK 2.1 billion, an increase of 3% compared with the previous year. The total of insurance premium collected in 2008 reached HRK 9 million.

Other Activities

Fund Raising

HBOR raises funds in several ways. In addition to the contributions into HBOR's founder's capital from the state budget, HBOR raises funds in the syndicated loan market, in the capital market and by contracts entered into with special financial institutions (IBRD, EBRD, EIB, KfW, CEB, etc.). In 2008, a Global Loan of EUR 60 million was agreed with the European Investment Bank (EIB) for the financing of small and medium-sized entrepreneurs, environmental protection projects, energy saving projects and infrastructure projects.

Within the framework of the credit line for the financing of water supply and wastewater projects in the Republic of Croatia, 2 Loan Agreements were executed with KfW, the German development bank: one amounting to EUR 12 million and the other to EUR 3 million. With the Council of Europe Development Bank (CEB), a framework credit line of EUR 50 million was agreed for the purpose of financing the promotion of SMEs.

Conference on the Financing of SMEs

In September 2007, HBOR entered into a co-operation contract with the Faculty of Economics, University of Split, for the purpose of creating preconditions for interconnecting theoretical and experience-based knowledge in the field of SME financing. The contract determines co-operation guidelines that include research activities in the SME finance, publishing of results achieved at annual gatherings, co-operation and exchange of experience among entities participating in the financing of SMEs.

The SME Finance Conference took place in November 2007. The conference was attended by numerous scientists, entrepreneurs and representatives of the Ministry of the Economy, Labour and Entrepreneurship of the Republic of Croatia (MINGORP), the Croatian Chamber of Economy (HGK), commercial banks, agencies and development centres. As a result of the conference, Action Recommendations were adopted and submitted to responsible ministries, local and regional government units, HGK, Croatian Chamber of Trades and Crafts (HOK) and other relevant financial institutions.

International Co-operation

HBOR entered into co-operation contracts with approximately 40 export credit agencies, export banks, development banks and other international financial institutions from all over the world. HBOR is a member of and active participant in the European Association of Public Banks (EAPB), the Banking Association for Central and Eastern Europe (BACEE), the Prague Club, the United Nations Environment Programme Finance Initiative (UNEP FI), the United Nations Global Compact (UN Global Compact). HBOR became a shareholder in the European Investment Fund (EIF) in 2007 as a result of successful co-operation with the EIB Group. Membership in EIF created possibilities for gaining knowledge and experience necessary for the development of new and the upgrading of existing HBOR's ways of providing financial support to the SME sector. Besides, HBOR organises an annual international export promotion conference as a gathering of exporters, representatives of export credit agencies and other financial institutions.

REPORT PROFILE

Report Boundaries

HBOR's Social Responsibility Report 2007-2008 (December 2009) is the second corporate social responsibility report prepared by HBOR. In March 2009, HBOR published its first report: Communication on Progress 2008 for UN Global Compact. HBOR's intention is to publish corporate social responsibility reports on an annual basis. This report covers the operations of the bank in Zagreb (3 locations) and in 5 regional offices in Croatia, if not otherwise indicated in the report.

Applied Methodology and Application Level

When preparing this report, the reporting framework of the Global Reporting Initiative (GRI) – Sustainability Reporting Guidelines 3 – was used for the first time. With regard to the criteria required for every application level and the fact that HBOR is at the beginner level, the report was prepared in accordance with the lowest application level - C. HBOR will endeavour to gradually widen the application of the GRI framework towards the level B.

Process of Defining Report Content and Structure

Due to the fact that HBOR's Social Responsibility Report 2007-2008 has been prepared in accordance with the GRI framework, it contains a detailed description of existing social responsibility practices of HBOR in the field of environmental protection, human rights, labour standards, social and anti-corruption policies, which were merely listed in the Communication on Progress 2008 prepared for the UN Global Compact in March 2009. In addition, the selected GRI performance indicators and the goals of the corporate social responsibility team for 2009 have been introduced, which obliges HBOR to continue developing its corporate social responsibility practices.

The report has been prepared by a multidisciplinary corporate social responsibility team comprised of HBOR's employees working in all organisational units (HBOR's CSR team). Introductory educational workshop "Development of Reporting System and HBOR's Social Responsibility Programme" and workshop "Preparation of Communication on Progress for Global Compact and Development of HBOR's Initial Corporate Social Responsibility Programme" were prepared in co-operation with experts from business environment, business sector and academic community that deal with the issues of sustainable development and social responsibility.

Preparing this report is our first step towards the establishment of an internal system for reporting on corporate social and environmental responsibility, and the passing of CSR Programme for 2009 is the next step towards the integration of social and environmental issues into HBOR's management system.

Organisation Stakeholders

HBOR's corporate social responsibility team has identified social groups, institutions and organisations whose interests are linked to HBOR's operations, who exert influence on HBOR or who are under the influence of HBOR.

Key HBOR's stakeholders with regard to sustainable development and corporate social responsibility are as follows:

- Government of the Republic of Croatia and other public administration bodies
- Financial institutions
- Clients
- Employees
- Business and financial associations
- Media
- Community

KEY INFLUENCES, RISKS AND OPPORTUNITIES

HBOR promotes systematic, sustainable and even economic and social development through loan programmes intended for the reconstruction and development of business entities and infrastructure, the financing of exports and SMEs. HBOR's financial goal is to generate revenues for the purpose of financing all of its operating costs and preserving the real value of its capital.

Even though HBOR has already taken into account balanced and sustainable social development and environmental issues when preparing its loan programmes and special loan terms and conditions as well as when determining its target groups, we are aware of multiple influences we as a financial institution exert on our clients, partners and community in general as well as of expectations that all our stakeholders have from us as a development bank. In addition to implementing the strategic orientations and guidelines of the Croatian Government and adhering to laws, regulations, and professional standards, we joined the Croatian network of UN Global Compact members.

When preparing the Communication on Progress 2008 and the Social Responsibility Report 2007–2008 for UN Global Compact, opportunities for the further strengthening of sustainability and social responsibility within HBOR were recognised. Integration of social responsibility and sustainability issues into HBOR's management system will contribute to the attainment of HBOR's long-term goals, whereas existing CSR processes, together with the sensibility of HBOR's employees, create the preconditions for simple and effective structuring of existing activities. In addition, owing to HBOR's membership in national and international networks, good practices are shared with partner financial and other institutions.

Future HBOR's CSR Programmes will provide answers to key challenges:

How to predict and prevent possible environmental damage?

How to encourage employees to undertake socially responsible activities, and which useful stakeholder CSR co-operation models to implement?

How to transfer CSR practices to HBOR's clients and partners?

How to assess the effect of entrepreneurial activities with regard to the goals set?

How to ensure capacity for regular examinations and upgrading of CSR in practice?

The following 3 key goals have been identified within HBOR's Corporate Social Responsibility Programme for 2009:

1. Further systematisation of existing CSR practices and internalisation of 10 UNGC principles;
2. Preparation of reports for 2009;
3. Strengthening of comprehension and visibility of HBOR's CSR initiatives.

In accordance with the determined goals, HBOR will continue to develop the system of reporting on corporate social and environmental responsibility. CSR team will monitor and document the implementation of the programme on a quarterly basis and prepare recommendations in accordance with the progress in programme implementation over a year. Future CSR programmes are expected to establish internal and external communication channels with regard to HBOR's social responsibility.

HBOR will continue to develop its human resource management processes by continuously improving organisational climate and satisfaction at work, additionally upgrading annual employee review procedures and further perfecting the system of monitoring its investment in employees.

For the purpose of promoting honest and ethical conduct as well as ensuring compliance with laws, regulations, rules and professional standards, it has been planned to adopt the Compliance Monitoring Policies in 2009 that will identify the key issues of compliance and determine the role of compliance monitoring.

In the coming long-term period, HBOR will face a challenging task of integrating environmental and sustainability issues into its overall management system. The topics HBOR will be dealing with include: development of environmental policy, integration of environmental risks into credit risk appraisal procedures, and testing of possibilities to develop new and innovative financial products with regard to environment protection, energy efficiency and renewable energy sources.

UN GLOBAL COMPACT

The United Nations Global Compact (UNGC) is an international initiative of the United Nations launched in 2000 that connects the business sector with the agencies of the UN, governments and civil society in order to support basic social values in the field of human rights, labour standards, environmental protection and anti-corruption measures. Membership in the initiative is voluntary.

HBOR joined the world initiative on 12 March 2007 when it became a member of the Croatian network of the United Nations Global Compact. This was recognised as an opportunity for dialogue, learning and sharing of experience with other network members. Since the joining, HBOR has participated in the training programmes on the implementation of UNDP principles organised by the UNDP Croatia, the coordinator of the Global Compact national network.

By the signing of the Global Compact, HBOR has assumed the following obligations:

- to internalise 10 UNGC principles in its operations by making them a constituent part of its strategy, culture and day-to-day operations,
- to publicly advocate the Global Compact and its principles,
- to report on its manner of providing support for the Global Compact and its progress in the implementation of principles in annual reports and business reports (the so called COP - Communication on Progress).

10 Global Compact PRINCIPLES:

HUMAN RIGHTS
<i>Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and</i>
<i>Principle 2 make sure that they are not complicit in human rights abuses.</i>
LABOUR STANDARDS
<i>Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</i>
<i>Principle 4 the elimination of all forms of forced and compulsory labour;</i>
<i>Principle 5 the effective abolition of child labour; and</i>
<i>Principle 6 the elimination of discrimination in respect of employment and occupation.</i>
ENVIRONMENT
<i>Principle 7 Businesses should support a precautionary approach to environmental challenges;</i>
<i>Principle 8 undertake initiatives to promote greater environmental responsibility; and</i>
<i>Principle 9 encourage the development and diffusion of environmentally friendly technologies.</i>
ANTI-CORRUPTION
<i>Principle 10 Business should work against all forms of corruption, including extortion and bribery.</i>

ENVIRONMENT

HBOR supports responsible behaviour with respect to enhancement and preservation of environment quality and promotes the introduction of renewable energy resources and energy efficiency in compliance with the EU standards. HBOR makes efforts to manage the immediate energy consumption in our facilities in an energy efficient manner.

Loan Programme for the Preparation of Renewable Energy Resources Projects

HBOR's Loan Programme for the Preparation of Renewable Energy Resources Projects is a part of GEF/IBRD Trust Fund Grant to the Republic of Croatia for the implementation of the Renewable Energy Resources Project (RER). The main aim of the Grant is to support the development of economically and ecologically sustainable market of the renewable energy resources in the Republic of Croatia and to create an encouraging environment for investments into renewable energy resources projects. Of the total USD 5.5 million intended for the implementation of RER Project, the amount of USD 2.0 million was intended for loans for the preparation of RER.

By the Loan Programme for the Preparation of RER Projects loans are approved for the preparation of renewable energy resources projects, including the biomass, small hydro plants (up to 10 MW), geothermal and solar energy. HBOR implements this loan programme in co-operation with the Environmental Protection and Energy Efficiency Fund (FZOEU) that is responsible for the preparation of technical analysis of pre-investment study of the project. Loans are intended for the financing of preparation of project documents within the projects of renewable energy resources as follows: investigation works on site, environmental impact study, documentation for obtaining the location permit, final design, investment study, documentation for obtaining the construction permit, other licenses, permits, consents and documentation pursuant to regulations regulating the area of power supply.

The current loan terms and conditions under this loan programme can be found on HBOR web pages.

In the period from 2007 - 2008, loans in the total amount of 1.52 million were approved under this loan programme.

Table 4. Approved loans for the Preparation of renewable energy resources projects

Year	Approved amount in HRK
2007	747,818
2008	773,326
Total	1,521,144

Aware of the need for continuous and active promotion, in December 2007, in co-operation with the Ministry of the Economy, Labour and Entrepreneurship HBOR organised „the Promotional Conference for Financing the Preparation of Renewable Energy Resources Project“. On this conference, HBOR presented the Renewable Energy Resources Project to around 300 participants, and other activities of HBOR and of other participants in the project. Information on the Renewable Energy Resources Project were sent to the addresses of all members of business community of renewable energy resources with the Croatian Chamber of Economy, leading consultants in the field of renewable energy resources, counties and local communities. During 2008, 14 presentations of the Loan Programme for the Preparation of Renewable Energy Resources Project were held in the local chambers of economy and development agencies throughout Croatia.

In mid-2008, a special Invitation for tenders for the allocation of loan funds was implemented for the preparation of projects of construction of wind farms. The Invitation for tenders resulted in one concluded loan contract.

Loan Programme for the Financing of Environmental Protection, Energy Efficiency and Renewable Energy Resources Projects

Through HBOR's Loan Programme for the Financing of Environmental Protection, Energy Efficiency and Renewable Energy Resources Projects loans are approved for investment projects intended for improving waste dumping sites, encouraging the prevention and reduction of waste generation, managing and recycling waste and making use of valuable waste materials; encouraging clean production, preventing and reducing waste generation and minimising emissions in the manufacturing process; protecting and preserving biological and landscape diversity; implementing national energy programmes; encouraging the use of renewable energy resources (sun, wind, biomass etc.); encouraging sustainable construction, encouraging cleaner transport technologies; promoting other projects of environmental protection, energy efficiency and renewable energy resources.

The current terms and conditions of the loan programme can be found on HBOR web pages.

In the period from 2006 – 2008, HBOR approved loans in the amount of HRK 109 million for the projects of environmental protection, energy efficiency and renewable energy resources.

Table 5. Approved loans for the projects of environmental protection, energy efficiency and RER

Year	Approved amount in HRK
2006	21,857,595
2007	34,945,695
2008	52,148,197
Total	108,951,487

Programme for Issuing of Bank Guarantees for Energy Efficiency Projects

HBOR implements the Programme for Issuing of Bank Guarantees for Energy Efficiency Project.

The Programme for Issuing of Bank Guarantees is a part of the Global Environmental Facility (GEF) Grant via implementing agencies of the International Bank for Reconstruction and Development (IBRD) and the United Nations Development Programme (UNDP) for the Energy Efficiency Project. A part of funds for the implementation of the Programme was provided by the Environmental Protection and Energy Efficiency Fund (FZOEU). The goal of the Programme is to eliminate barriers for the application of economically viable technologies and procedures for the improvement of energy efficiency, as well as the development of goods and services market for energy efficiency.

Within this Programme, HBOR will issue bank guarantees for covering a part of overdue receivables under principle of loans that commercial banks with the seat in the Republic of Croatia approved to borrowers for the projects aiming at energy efficiency.

COAST Project

Conservation and Sustainable Use of Biodiversity in the Dalmatian Coast through Greening Coastal Development - COAST

The project of the Republic of Croatia – Ministry of the Environmental Protection, Physical Planning and Construction (MZOPU), UNDP and GEF aims to provide a sustainable development of the Dalmatian coast through the protection of environment, natural resources and biological diversity, and to influence entrepreneurial and banking activities and practices in order to include sustainable use of goods and the protection of biological diversity into their practices.

This project was recognised by the banking sector as the key starting point for directing and supporting of biological diversity, and HBOR as a strong project partner. Namely, the development of banking system in terms of environment and sustainability could provide financial viability of such projects. Since many HBOR's programmes are implemented via commercial banks, the integration of environmental issues and sustainability in the general HBOR management system, as well as establishment of system of reporting about socially and environmentally responsible operation can indirectly influence the development of the entire sector in terms of these issues.

UNEP FI – The United Nations Environment Programme Finance Initiative

The United Nations Environment Programme Finance Initiative is a global partnership between the United Nations Environment Programme and the financial sector. This financial initiative gathered more than 160 financial institutions in Europe and the world (commercial banks, investment banks, development banks, funds, agencies, insurance companies), all for the purpose of encouraging the financial sector to make products and services that will enhance environmental protection. Within this initiative, a network of regional and thematic working groups was set up.

HBOR has been a member of UNEP FI since 2004, when it signed the UNEP Statement by Financial Institutions on the Environment & Sustainable Development. In 2007, HBOR joined two working groups - „Climate Change Working Group“ and „Central and Eastern Europe Task Force“. The „Climate Change Working Group“ was established with the purpose of determining the role of financial sector in mitigating climate change and adjusting to new requirements in preventing the emissions of greenhouse gases, and developing various financial products for the purpose of financing projects that reduce the emission of greenhouse gases, renewable energy resources projects, energy savings etc.

The „Central and Eastern Europe Task Force“ supports and disseminates the practices of sustainable financing in the region and rises the awareness on interconnectedness of environmental protection and financing of investments. During 2008, 3 employees of HBOR attended the e-learning course: „Climate Changes: Risks and Opportunities for the Finance Sector“, and another 2 employees attended the e-learning course: „Environmental and Social Risks Analysis“.

Environmental Protection Questionnaire

Applicants for HBOR loans fill out the Environmental Protection Questionnaire as a part of obligatory documentation supporting loan applications by individual loan programmes. The Questionnaire form can be downloaded from HBOR's web site, and includes the following information:

- profile of the applicant and its environmental management policies, quality management policy or health protection and safety at work policy,
- profile of the location, history of location and existing activities on the location, all from the aspect of environmental protection,
- condition of the environment – air and dangerous waste emissions, water consumption, waste water release and waste generation and management.

The filled in environmental protection questionnaire is analysed and assessed by the Technical Analysis Service of HBOR. The final assessment of environmental impact of the project is made on the basis of group risk assessment, answers obtained and documentation attached to the questionnaire. If needed, the Technical Analysis Service of HBOR recommends corrective measures in order to establish the condition of controlled environmental impact of the project, to improve the condition of the environment, or to minimise the possible environmental impact.

Consumption Management

HBOR makes efforts to manage the immediate consumption of energy in the facilities it uses, in an environmentally efficient manner.

Energy Consumption with Regard to Energy Type

For its needs on locations in Zagreb, HBOR consumes several types and combinations of energy. Energy consumption in HBOR's regional offices was not analyzed. Energy is used both in direct and indirect form, i.e. in its primary and indirect form. Natural gas (for heating, hot water and cooking) and diesel fuel (for the needs of power generator for the production of electricity) are used as direct energy in its primary form. Electric power (for illumination, elevators, computers and other office equipment, warm water supply on one location and other small energy users) is used as direct energy in its indirect form. Thermal energy from the thermal system of district heating plant for heating (on one location only) and electricity for heating/cooling are used as indirect energy in indirect form.

Energy Consumption with Regard to Locations

On all three locations, electricity is used for illumination, elevators, computers and other office equipment, as well as other small energy users. On one location, electricity is used for warm water supply. Natural gas is used on 2 locations. On one location, it is used for the needs of premises heating, for cooking, and from the second half of 2007 for warm water supply via central boiler-room also, and on other location, for heating premises and for the warm water supply via combined boilers.

Water Consumption

Water is used for sanitary purposes, fire-fighting system, for the needs of kitchen and for replenishment of boiler plant. Check-ups of pipeline network are performed regularly in order to minimise losses of water caused by uncontrolled leakages.

Undertaken Energy Efficiency Measures

During 2007 and 2008, energy efficiency measures were implemented that aimed at more rational energy consumption and energy savings. The illumination was modernised in the way that classic light bulbs were replaced by energy saving bulbs. The illumination system in the premises on the central location in Zagreb consists of: fluorescent lights (91.1%), classic light bulbs (6.6%) and energy saving bulbs (2.32%). Besides, a central automated air-condition system was established that is regulated to an automatic air-condition system turn-off at 5 p.m. Before the beginning of air-conditioning season, all workers are given instructions on the correct use of air condition devices. Computers and monitors were replaced with the ones of a newer, energy-saving generation. For the purpose of reducing unnecessary heating, thermal regulation valves were fitted on the heating bodies. All devices are regularly maintained and serviced annually. The central warm water supply system in one building was reconstructed, and on this occasion, electricity-supplied boilers for warm water supply were eliminated from sanitary units.

Assessment of Energy Efficiency of the Facility

During 2008, for the purpose of maintaining and increasing the energy efficiency, but also quantifying of savings that are possible by introducing improvements, HBOR registered for „Preliminary energy assessment“ of its facilities on 2 locations in Zagreb. This assessment is a part of the Project of Promoting Energy Efficiency in Croatia that was initiated by UNDP Croatia and MINGORP, with the purpose of raising the awareness on efficient energy consumption and promoting the use of cost-effective, energy efficient (EE) technologies, materials and services in Croatia. HBOR prepared the data on energy consumption in the period before the assessment and technical documentation of facilities, whereas the experts from the Faculty of Mechanical Engineering and Naval Architecture in Zagreb made energy inspections of HBOR's facilities. During the inspections, the current situation was established, consumers listed and potential savings spots determined. In the obtained Feasibility studies for HBOR's energy efficiency project, the justifiability of the measures already taken were confirmed and suggestions for further measures aiming to improve energy efficiency in the facilities given. Some of the suggested measures were thermal insulation of the facility, replacement of carpentry, regulation of temperature in the facilities, introduction of solar collectors for warm water supply, replacement of the remaining classic illumination with energy saving illumination, and more rational utilisation of electrical appliances. All collected data on consumption, and the findings of feasibility will be used for the preparation of the Energy Efficiency Programme of HBOR.

Paper Consumption

In 2007, HBOR started to procure recycled office paper, and during 2008, the procurement and use of such paper was continued. Recycled paper is used generally for the needs of photocopying and faxing. Employees were not systematically encouraged to saving and responsible behaviour relating to the use of paper. However, the possibilities of both-sided photocopying, both-sided printing and reuse of envelopes for the needs of internal delivery are used on one's own initiative. On the initiative of the employee responsible for preparing the materials for weekly meetings of the Managing Board, by double-sided photocopying, the necessary quantity of paper for this purpose has been halved.

Waste

Waste paper and cardboard are sorted out and delivered to authorised waste collecting entities free of charge. Waste paper that is not necessary to be previously cut into pieces is collected in separate waste paper boxes, and full boxes are delivered once a week to authorised waste collecting entities. In 2007, approximately 8,400 kg of waste paper was collected. In 2008, 4540 kg of waste paper was collected. A high quantity of collected waste paper in 2007 is the result of reorganisation of HBOR's archives, on which occasion a large quantity of paper was cut into pieces. Electronic waste is collected and sorted out, and given over to authorised waste collecting entities, where it is destroyed and duly stored, or delivered to recycling yards. Waste edible oil is disposed of by the provider of restaurant services in HBOR, i.e. it delivers it to an authorised collector. In 2008, HBOR entrusted a specialised company for industrial cleaning, environmental protection and disposal of hazardous and technologic waste with the cleaning of kitchen oil and grease separator. On this occasion, 880 kg of grease and oil from the kitchen separator was

disposed. Construction and massive waste is generated periodically, and is disposed by the local utility company on demand.

Further activities of HBOR relating to waste management will be continued in terms of developing a system of waste management and an information system for the monitoring of types and quantities of collected waste, as well as by passing of measures for the generation of less quantities of waste.

Travelling to Work

In September 2008, encouraged by the UNDP Croatia, and within the European Mobility Week, all employees were informed about the “Travelling to Work Together” initiative, on which occasion a respective questionnaire was distributed. 18% of all employees returned the filled out questionnaire, and 30% expressed interest for joint travelling to work with other employees. On one of 3 locations in Zagreb, several parking lots are provided. All employees can apply for the use of parking lots on the basis of invitation for bids. The criteria for obtaining a parking lot are position within the bank and years of work in HBOR.

LABOUR AND HUMAN RIGHTS

HBOR is in compliance with all the obligations in respect of labour and human rights prescribed by law and the Constitution and implements additional measures in order to ensure that the quality, education and satisfaction of employees are maintained, as well as the transparency and availability of information on our products and services.

Selection Procedure and Employment

HBOR publishes vacancy announcements in electronic and/or printed media, and on HBOR web pages. An external vacancy announcement is usually preceded by an internal vacancy announcement on HBOR web pages. By such practice, HBOR intends to enable its employees to acquire new working experience and continuous professional development. Beside the currently open vacancy announcements, interested candidates can always fill in the questionnaire on HBOR web pages and thus apply for open vacancies. In the selection procedure, HBOR promotes equality and strive to provide equal opportunities for all. Candidates are not discriminated on the basis of any criteria of diversity, but only in terms of required professional competences. HBOR has never received any complaint on this basis. Personal data of candidates are available only to employees participating in the selection procedure. The Procedures of employment which describe in detail all the steps in the selection procedure have been compiled. The Procedures are intended as assistance to all persons who participate in the selection procedure, in order to ensure a quality selection procedure. An Orientation manual is currently in preparation for all newly employed persons.

Certificate Employer Partner

- Certificate for Quality Human Resources Management

The certificate „Employer Partner“ is a tool for evaluating, designing and implementing the process of human resources management. By the certification process, the quality of processes in the area of human resources is scored in the following manner: impartial external experts of the company Selectio d.o.o., Zagreb, examine and score the following areas: strategy, recruiting and selection, work, motivation and rewarding; professional education, development and relation toward the employees. By the certification, HBOR receives a report with an overview of the current situation, recommendations for improvement and examples of best sectoral and regional practices in the human resources management. HBOR underwent the certification procedure in 2005 for the first time. Since then, it has been undergoing the recertification procedure each year. Recertification for 2007 was implemented during 2008, and the Certificate was obtained on 7th April 2008. By this certificate, it was confirmed that HBOR implemented a quality human resources management. However, the obtained evaluations also represent an obligation, since HBOR wants to maintain and enhance this standard of quality in further recertification procedures, and thus make HBOR an even desirable employer. Therefore, guided by recommendations of the certifier and following the best practices, HBOR continues to enhance the human resources management processes. The next recertification process is envisaged in 2009.

Structure of Employees

Qualification Structure and Type of Work Contract

Total number of employees as at 31st December 2008 was 235. The qualification structure of employees and type of work contract reflect the specific requirements of businesses that HBOR performs as development and export bank.

In HBOR, workers are employed full-time with permanent jobs in most cases. The share of workers with temporary contracts in the total number of employees is insignificant. In 2007, 1.73% of total workers were employees with temporary contracts, whereas in 2008, this share was 2.13%.

Table 6. Type of work contract

Type of contract	2008	2007	2006
Permanent contract	230	228	235
Temporary contract (of which trainees):	5 (3)	4 (1)	9 (3)
Total:	235	232	244

The majority of employees are highly educated. Highly-educated employees in 2007 accounted for 78.45%, and in 2008 79.15% of total number of employees.

Table 7. Qualification structure of employees

Qualification	2008	2007	2006
University education*	186	182	188
Secondary education	41	42	48
Primary education and qualified workers	8	8	8
Total:	235	232	244

High education*: includes post-secondary education, Bacc., university and higher degrees holders

Structure of Employees by Age Group

The average age of employees of HBOR in 2007 was 39 years, and in 2008 40 years.

The majority of workers are in the age group from 30-50 years. 74.14% of total employees were in this age group in 2007, whereas in 2008 this figure fell to 70.22%.

At the same time, the share of employees in the age group over 50 years increased from 12.94% in 2007 to 17.88% in 2008.

Table 8. Employees by age group

Age	2008	2007	2006
<30	28	30	15
30-50	165	172	183
>50 years	42	30	46
Total:	235	232	244

Employees by Gender

The majority of HBOR's employees are women.

In 2007, women accounted for 75.87% of total number of employees. In 2008, the gender structure remained almost the same, women accounted for 75.32% of total employees, and men 24.68%.

Table 9. Gender structure

	2008	2007	2006
Women	177	176	185
Men	58	56	59
Total:	235	232	244

Regional Structure of Employees

The majority of employees of HBOR work in the headquarters in Zagreb. There are 5 employees in regional offices (Osijek, Split, Pula, Gospić and Rijeka).

Fluctuation of Employees

Fluctuation on the year level, for 2007, amounted to 6.75%, and for 2008 6.87%. If the retired workers are excluded from the fluctuation rate, then in 2007 it was 4.22%, and in 2008 5.58%.

Table 10. Fluctuation

	2008	2007	2006
Average number of employees	233	237	241
Employees that left HBOR	16	16	12
Fluctuation rate	6.87%	6.75%	4.98%

Education and Development of Employees

Employees play a key role in the implementation of HBOR's role as the state development and export bank and in the realisation of its goals. HBOR recognised the need for systematic care and investment in the development of each individual employee. Therefore, special attention is given not only to the procedure of employment, but also to continuous investment in employees and the development of their potentials.

All employees of HBOR have equal opportunities of professional training and education in accordance with their needs. Specialist seminars and training, foreign language courses, IT courses, on-the-job trainings in the country and abroad as well as long-term professional education (graduate and post-graduate studies) are available to employees. Internal educational workshops are open to all interested employees, by which HBOR intends to additionally educate workers, to provide flow of information, and to encourage co-operation and team work. Employees that participated in on-the-job trainings with the banks in the country and abroad are obliged to hold an internal presentation about the learned stuff.

The terms and conditions under which HBOR provides professional training and education of workers (types of training and education, planning of training and education, as well as obligations of workers in this respect) are regulated by the Rules on Professional Training and Education of HBOR's employees.

By the Annual plan of training and education, the types of training for each worker are defined and costs of training evaluated. The plan is prepared by both employees and managers, who agree upon the development plans, for which expert assistance of the Human Resources Department can be obtained. By the Plan of training and education of employees, trainings relating to policies and procedures in terms of human or labour law have not been defined so far, and therefore, there are no records kept.

In 2006, in co-operation with the company Gentis d.o.o., Zagreb, the bank started an important development project called DNK programme (Donositelji Nove Kulture – new culture introducers).

33 workers that were proposed by their immediate superiors were included in the programme. The aim of the project is to systematically develop quality employees, increase the level of their efficiency, and train them for future needs of HBOR. At the beginning of the programme, the participants went through an evaluation development centre, after which a development plan for each individual employee was defined. All employees participated in general modules, whereas further development was individualised according to the needs of each individual.

Dialog between the Organisation and its Employees

The dialog between the organisation and the employees is conducted by means of Intranet and Internet communications, e-mail messages addressed to all users, via notice boards and mail boxes in the lobby of the premises at Strossmayerov trg (mail boxes for HR department and the President of the Managing Board) for employees to post anonymous pieces criticism, suggestions and commendations; regular annual gatherings to which all employees are invited and annual team-building activities. Apart from employees' representatives on the Committee for safety at work, no other HBOR bodies include employees. We expect that HBOR's CSR Team will represent an additional mechanism for communication and consultation between the Managing Board and employees on social and environmental issues.

Evaluation of Work Results and Individual Development of Employees– Annual Interviews

Annual interview with the employee is conducted by the head of the organisational unit, on a regular basis. The purpose of the interview is the evaluation, direction and improvement of employee's behaviour and efficiency, increasing individual and organisational efficiency, improvement in management, motivation and rewarding of employees, developing their potential as well as improving interpersonal communication.

Prior to launching annual interviews, heads of organisational units attended a short workshop about the method of interviewing and received written instructions for successful interviewing. Before the interview itself, both the head and the employee fill in a form answering questions about the most important accomplishments of the employee in the period under review, the problems encountered by the employee at work and suggestions for improvement. The goals for the coming period and the plan for the employee's development are agreed upon. After the interview, filled in form is stored with the Human resource department.

Survey on Organisational Climate and Satisfaction at Work

In 2008, Human resources department conducted a survey on organisational climate and satisfaction at work among HBOR's employees.

The anonymous survey contained questions pertaining to general satisfaction at work and specific aspects of work, various areas of organisational climate, the sense of stress at work and the need to develop and perfect various competencies and skills. The survey was handed out to 195 of HBOR's employees (persons exempt from the survey were members of the managing board, division and department directors responsible directly to the managing board, regional office heads and employees who were at the time on maternity leaves or prolonged sick leaves, and the grounds for exemption from the survey were questions not applicable to the position or impossibility to secure anonymity owing to the nature of the individual position). The survey was completed by 163 employees, i.e. 83.59% of all handed-out copies were completed. The results of the survey analysis show which areas are to the employees' satisfaction and which ones require improvement. After the analysis of the survey a report was made: „Results of the Survey on Organisational Climate and Satisfaction at Work” which was delivered by e-mail to all employees and a separate session of the Managing Board was held, at which recommendations and measures for improvement of organisational climate and satisfaction at work were adopted, and all employees were informed about the planned measures.

In the future, satisfaction and work will be surveyed on a regular basis, every 12-18 months in order to check the effects of measures taken and plan further activities in this area.

Miscellaneous

Employees and Trade Unions

HBOR neither makes any restrictions nor prevents its employees from becoming members of trade unions. No trade union branch is active in the bank, and data on memberships in trade unions or associations are not among the employee data HBOR collects and processes. Employees of HBOR are not a party to a collective bargaining agreement.

Working Hours

Working hours are flexible, from 8:00/8:30 to 16:00/16:30 which represents HBOR's attempt to maintain a flexible balance between working and private life.

Benefits

Benefits that employees may have right to (e.g. indemnity payment on the point of retirement) or that may be possible for them (vacation refund, Christmas pay, Christmas check for children, anniversary rewards and additional health insurance) are defined by HBOR's Rules of Conduct. There are no comprehensive support programmes for the benefit of employees or their family members, however employees have right to allowances in case of death or illness of a family member, as well as the right to receive one-time allowance for the purpose of alleviating the damages in case of a natural disaster. The request for support must be delivered by the employee to the Human resources department and the approval is granted by the Managing Board.

Dignity of Workers

The harassment and sexual harassment are terms recognised in HBOR's Rules of Conduct. Article 70 of HBOR's Rules of Conduct stipulates that persons appointed for receiving and resolving complaints regarding the violation of workers' dignity are: HBOR and the Executive Director of Legal and General Affairs Division. They are authorised to receive and examine complaints as well as take measures for the prevention of continued harassment. In 2007 and 2008, there were no complaints on the grounds of dignity of workers.

Personal Data Protection

HBOR collects, processes and uses data and personal data for the purpose of providing banking and other financial services it is authorised for. All data and personal data given to HBOR are protected as strictly confidential data pursuant to the Banking Act, the Personal Data Protection Act and other relevant rules. HBOR establishes and maintains the record of all personal data collections and the information on the record is supplied to the Croatian Personal Data Protection Agency (AZOP). The Agency compiles the records in the Central register of personal data records, and the register is accessible to public.

The Violation of Client's Privacy

There were no complaints to HBOR on the grounds of violation of client's privacy or loss of client's personal data records.

Occupational Health and Safety

The implementation of occupational health and safety, the measures, rights, obligations and responsibilities of employer and employees representatives are set in the Rulebook on Occupational Health and Safety. In HBOR, the tasks related to health and safety are performed by the Health and Safety Committee consisting of:

- the president of the committee (employer representative)
- the employees representative for occupational health and safety
- medical doctor specialising in occupational medicine
- A health and safety professional

Rulebook on Occupational Health and Safety and Instructions for the recognition of work-related injuries or occupational diseases are published at intranet pages and set out to bulletin boards. Once a year, a report on injuries at work and occupational diseases is sent by HBOR to the Republic of Croatia State Inspectorate, Department for occupational health and safety monitoring.

Table 11 Injured employees

Year	Number of injured employees	Lost days
2007	2	42
2008	2	122

HBOR SPORT

The aim of HBORSPORT, sport association established in 2001, is to maintain and improve health, working capabilities and spiritual condition of its members – employees of HBOR. Any of HBOR's employees accepting the Statutes of the association may become a member in any of the following categories: as an active, supporting or honorary member. Since the establishment, the total number of members is steadily growing; in 2008, the association had 101 members. Year round, the association provides a possibility for its active members to use the facilities of a sports and recreation centre and engage in recreational swimming. In 2007, the association organised the lectures on and diagnostics of osteoporosis, attended by 42 members. HBOR's indoor soccer team participates in indoor soccer and basketball tournaments with other companies from Zagreb, and some of the members represent the bank in the "Banks'sporting games" – an annual sporting event of bank employees from the Republic of Croatia“.

SOCIETY AND ANTI-CORRUPTION

HBOR supports the efforts of the Republic of Croatia in fighting corruption and is opposed to any kind of corruptive behaviour. We understand the negative consequences of corruption to the economic development of the society.

In 2007 and 2008, no cases of corruption were recorded at HBOR or legal proceedings started against HBOR on the basis of corruption charges. During the same period, no cases were resolved for the benefit or to the detriment of HBOR.

Client Protection and Right to Access Information

Information related to lending terms, general terms and conditions for HBOR's activities and contact information are available on HBOR's web page. Programmes and programme leaflets can be obtained on HBOR's premises in Zagreb and in regional offices. Employees in charge of a certain type of business are also in charge of providing additional expert information related to the particular lending or guarantee type. Since 2005, a person has been appointed to provide information and an information catalogue has been established, showing a complete overview of information relevant to HBOR and its area of business. During a year, all notable changes or news related to HBOR's operations are published in the form of press-releases. Annual financial reports are published regularly accompanied by independent auditor's reports. Once a year, a report on the implementation of the Act on the right to access information is delivered to the Central government administration office.

In 2007, HBOR marked a 15-year anniversary of operations in a number of ways. Within the framework of "15 workshops for 15 years" drive, workshops and round tables were held all around the Republic of Croatia with the aim to facilitate the access to information on the opportunities to participate in HBOR's programmes.

Acquiring Entrepreneurial Skills

Since 2001, within the framework of the loan programme for start-ups (direct lending), in co-operation with Deutsche Investitions- und Entwicklungsgesellschaft m.b.H (DEG), HBOR has been organising training of start-up entrepreneurs in the form of seminars for start-up entrepreneurs. Attendance and certificate of achievement in the seminar are a precondition to filing a loan application under the loan programme. In order to continue facilitating the access to seminars for potential entrepreneurs, in 2006 HBOR started co-operation with MINGORP on the project "Acquiring Entrepreneurial Skills". As a consequence, seminar implementation was taken over by educational and partner institutions all over Croatia. In 2008, HBOR decided to co-finance MINGORP's project "Acquiring Entrepreneurial Skills" with a certain amount of funds. The list of organisations implementing seminars has been posted on web pages of both HBOR and MINGORP.

Money Laundering Protection and Prevention

Pursuant to the Anti-Money Laundering Act and provisions of HBOR's Rulebook for Money Laundering Prevention, HBOR implements the due diligence measures and monitors clients' transactions and activities for the purpose of detection and prevention of money laundering. In the period from 2007 - 2008, persons in charge of the implementation of anti-money laundering protection measures provided counselling and practical help to employees in actual business situations. In addition, they held in-house trainings. Once a year, HBOR informs the Croatian Office for Money Laundering Prevention and provides answers to potential questions. In addition, HBOR provided to its international correspondents answers regarding in-house strategy, procedures and implementation of regulatory directives concerning money laundering.

Public Procurement

HBOR must abide by the Public Procurement Act. Consequently, goods, works and services needed for HBOR's operations are purchased exclusively in accordance with the provisions of the Public Procurement Act. Depending on the characteristics of goods, works and services under procurement and the total value for the period of 12 months or more, HBOR conducts various public bidding procedures the most common being open public bidding procedure when calls for bids are announced on the electronic public procurement notice board of the official gazette of the Republic of Croatia. The report on public procurement by HBOR is delivered annually, not later than 31st March for the preceding year to the authority in charge of public procurement system (currently the Office for the public procurement system of the Ministry of the Economy, Labour and Entrepreneurship is in charge).

Humanitarian Actions and Annual Gathering of Employees

Since 2007, annual team-building activities performed within the framework of annual gathering of employees gained a humanitarian character.

Within the scope of the humanitarian action under the slogan „The fall flows, flows and flows“ 160 employees painted the indoor premises of a district elementary school “Zagorje” in Gornje Zagorje in the vicinity of Ogulin and decorated with paintings the wall separating the school-yard from the neighbouring houses. In addition, personal computers and accompanying accessories were donated for the school's computer class. The action for collecting books on a voluntary basis resulted in a book donation for the school library.

This manner of implementing team-building activities, engaging in activities with community benefits, continued in 2008. Within the scope of the humanitarian action under the slogan “Every good action gives body and spirit satisfaction” 115 of HBOR's employees prepared 700 meals and 500 packages with elementary sustenance goods in the Red Cross mountain cottage situated on Sljeme. The meals were distributed to the beneficiaries of Red Cross soup-kitchen, and packages were distributed to citizens of Zagreb in need of community assistance registered in the Red Cross registry.

GRI CONTENT INDEX

GRI CONTENT INDEX		Page number	UNGC Principle
1.	Strategy and Analysis		
1.1.	Statement of the President of the Managing Board	3	
1.2.	Description of key impacts, risks and opportunities	12	
2.	Organisational Profile		
2.1.	Name of the organisation	4	
2.2.	Primary brands, products and/or services	7-9	
2.3.	Operational structure of the organisation, including main divisions of subsidiaries, branches, joint ventures and other affiliated companies	4	
2.4.	Location of organisation's headquarters	4	
2.5.	Number of countries where the organisation operates, and names of countries with major operations or that are specifically relevant to the sustainability issues covered in the report.	4	
2.6.	Ownership structure	4	
2.7.	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	4	
2.8.	Scale of the reporting organisation	6	
2.9.	Significant changes during the reporting period regarding size, structure or ownership	Not relevant	
2.10.	Awards received in the reporting period	No data	
3.	Report Parameters		
3.1.	Reporting period	11	
3.2.	Date of most recent previous report	11	
3.3.	Reporting cycle (annual, biennial, etc.).	11	
3.4.	Contact person for questions regarding the report or its contents	33	
3.5.	Process for defining the report content	11	
3.6.	Boundary of the report	11	
3.7.	Limited scope or report boundaries	11	
3.8.	Basis for reporting on joint ventures, branches, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	Not relevant	
3.9.	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	No data	
3.10.	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such re-statement	Not relevant	
3.11.	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	11	
3.12.	GRI content index	29-31	
3.13.	Verification	No data	
4.	Governance, Commitments and Engagement		
4.1.	Governance structure of the organisation	5	
4.2.	Independence of the Chair of the executive body	Not applicable in Republic of Croatia	
4.3.	Independent members of the organisation's executive structure	Not applicable in Republic of Croatia	
4.4.	Mechanisms for shareholders and employees to provide recommendation or direction to the Supervisory Board	24	
4.5.	Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation's performance	No data	
4.6.	Processes in place for the highest governance body to ensure conflicts of interest are avoided	No data	
4.7.	Processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	No data	
4.8.	Statements of mission or values, internally developed codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	No data	
4.9.	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles.	No data	
4.10.	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	No data	
4.11.	Approach to the precautionary principle	No data	7
4.12.	Economic, environmental and social charters, principles or other initiatives	13,16	
4.13.	Membership in associations	10	
4.14.	List of stakeholder groups	11	
4.15.	Basis for identification and selection of stakeholders with whom to engage	11	
4.16.	Approaches to stakeholder engagement	11	
4.17.	Key topics and concerns raised by stakeholders	No data	
5.	Management Approach and Performance Indicators		
	ECONOMIC PERFORMANCE INDICATORS		
	Economic Performance		
EC1.	Direct, generated and distributed economic value	6	

EC2.	Financial implications and other risks and opportunities related to climate change	No data	7
EC3.	Coverage of the organisation's obligations related to the defined pension benefit plan	20	
EC4.	Significant financial assistance received from government	No data	
	Market Presence		
EC6.	Locally-based suppliers	No data	
EC7.	Hiring of local work force	Not relevant	
	Indirect Economic Impacts		
EC8.	Infrastructure investment provided for public benefit	9	
	ENVIRONMENTAL PERFORMANCE INDICATORS		
	Materials		
EN1.	Materials used by weight and volume	No data	
EN2.	Percentage of materials used that are recycled input materials	No data	
	Energy		
EN3	Direct energy consumption by primary energy source	17	8
EN4	Indirect energy consumption by primary energy source	17	8
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives	14-17	9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	17	8, 9
	Water		
EN8	Total water withdrawal by source	No data	
	Biodiversity		
EN11	Biodiversity: utilisation of land in protected areas	Not relevant	
EN12	Impact of activities on biodiversity in protected areas	Not relevant	
	Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	No data	
EN17	Other relevant indirect greenhouse gas emissions by weight	No data	
EN19	Emissions of ozone-depleting substances by weight	No data	
EN20	NOx, SOx and other significant air emissions by type and weight	No data	
EN21	Total water discharge by quality and destination	Not relevant	
EN22	Total weight of waste by type and disposal method	19	8
EN23	Total number and volume of significant spills	Not relevant	
	Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	14-19	8, 9
EN27	Product sold and their packaging materials that are reclaimed	Not relevant	
	Compliance		
EN28	Fines for non-compliance with laws and regulations	None	8
	LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS		
	Employment		
LA1	Workforce by employment type, employment contract and region	21-22	
LA2	Number and rate of employee turnover by age group, gender and region	23	6
	Labour/Management Relations		
LA4	Employees covered by collective bargaining agreement	25	1,3
LA5	Minimum notice period regarding significant operational changes	No data	
	Occupational Health and Safety		
LA6	Workforce represented in formal joint management-worker health and safety committees	24, 26	
LA7	Rates of injury, occupational diseases, lost days and number of work related fatalities	26	
LA8	Health programmes	26	
	Training and Education		
LA10	Average hours of training per year per employee by employee category	No data	
LA11	Programmes for skills management and lifelong learning	23	
LA12	Performance and individual development reviews	24	
	Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees	No data	
LA14	Ratio of basic salary of men to women by employee category	No data	
	HUMAN RIGHTS PERFORMANCE INDICATORS		
	Investment and Procurement Practices		
HR1	Significant investment agreements that include human rights clauses or that have undergone human rights screening	No data	2
HR2	Significant suppliers and contractors that have undergone human rights screening	No data	2
	Non-discrimination		
HR4	Incidents of discrimination and actions taken	25	1, 6
HR5	Right to exercise freedom of association and collective bargaining put at risk and actions taken to support these rights	25	1, 3
	Child Labour		
HR6	Incidence of child labour and measures taken for its elimination	13	1,5
	Forced and Compulsory Labour		
HR7	Incidents of forced or compulsory labour and measures taken for its elimination	13	1,4
	Security practices		
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	No data	2
	SOCIETY PERFORMANCE INDICATORS		
	Community		
SO1	Programmes that assess or manage the impacts of operations on communities	No data	
	Corruption		
SO2	Business units analyzed for risks related to corruption	No data	
SO3	Employees trained in anti-corruption policies and procedures	No data	
SO4	Actions taken in response to incidents of corruption	27	10
	Public Policy		

SO5	Public policy positions and lobbying	4, 12, 27	10
	Compliance		
SO8	Fines and sanctions for non-compliance with laws and regulations	None	
	PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS		
	Customer Health and Safety		
PR1	Product Safety	No data	
	Product and Service Labeling		
PR3	Information on products and services	www.hbor.hr	8
	Marketing Communications		
PR6	Programmes for adherence to laws, standards and voluntary codes	No data	
	Customer Privacy		
PR8	Complaints regarding breaches of customer privacy and losses of customer data	26	
	Compliance		
PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	

Key indicators - black
Additional indicators - gray

LIST OF ABBREVIATIONS

AZOP	Croatian Personal Data Protection Agency (Agencija za zaštitu osobnih podataka)
CEB	Council of Europe Development Bank
DEG	German development bank (Deutsche Investitions- und Entwicklungsgesellschaft)
CSR	Corporate Social Responsibility
EAPB	European Association of Public Banks
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EIF	European Investment Fund
EUR	Euro
FZOEU	Croatian Environmental Protection and Energy Efficiency Fund (Fond za zaštitu okoliša i energetske učinkovitost)
GEF	Global Environment Facility
GRI	Global Reporting Initiative
HBOR	Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development)
HGK	Croatian Chamber of Economy (Hrvatska gospodarska komora)
HOK	Croatian Chamber of Trades and Crafts (Hrvatska obrtnička komora)
IBRD	International Bank for Reconstruction and Development
KfW	German bank for reconstruction (Kreditanstalt für Wiederaufbau)
HRK	Croatian kuna
MINGORP	Croatian Ministry of the Economy, Labour and Entrepreneurship
MZOPU	Croatian Ministry of Environmental Protection, Physical Planning and Construction
SME	Small and Medium-sized Enterprises
RER	Renewable Energy Resources
PHARE	EU Pre-Accession Assistance for Economic Restructuring (Pologne et Hongrie - Aide à Restructuration Economique)
RH	Republic of Croatia
SAPARD	Special Pre-Accession Assistance for Agriculture and Rural Development
UNEP FI	United Nations Environment Programme Finance Initiative
UNDP	United Nations Development Programme
UNGC	UN Global Compact
USD	United States Dollar

The data contained in HBOR's Social Responsibility Report 2007 - 2008 was collected by HBOR's CSR Team members.

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