

Sustainability-Linked Financing Framework

CIAK Grupa d.d

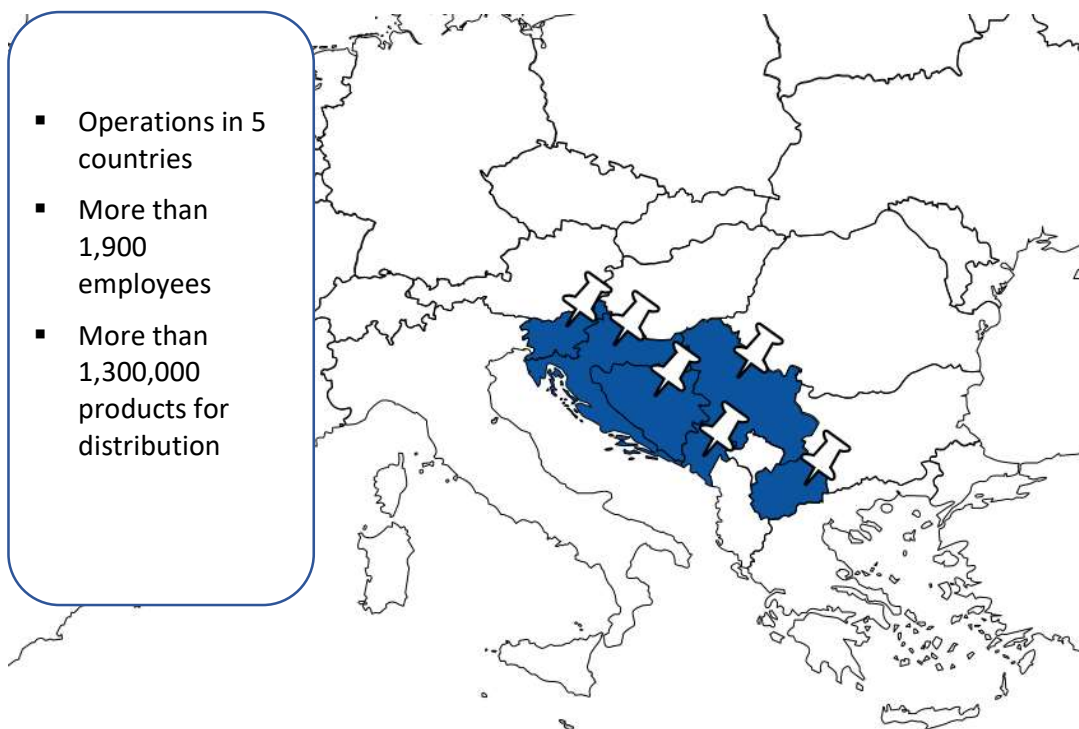
April 2022

Table of Contents

1. About CIAK.....	3
2. Sustainability at CIAK	4
2.1 CIAK’s EcoCycle.....	5
3. Rationale for Sustainability-Linked Financing Framework.....	6
4. Selection of the Key Performance Indicators (“KPI”).....	7
5. Calibration of Sustainability Performance Targets (“SPTs”)	9
6. Financial Characteristics	9
7. Reporting.....	10
8. External Review	11
Disclaimer	12

1. About CIAK

CIAK Grupa d.d (“CIAK” or “We”) is a holding company which together with its subsidiaries (the “Group”) is a leader in the field of car parts, car equipment and waste management. While CIAK is headquartered in Croatia, the Group has operations in Croatia, Slovenia, Serbia, Montenegro, North Macedonia and Bosnia and Herzegovina with a team comprising over 1,900 people. In Croatia we are the leading distributor of car parts and accessories, with over 100 points of sale nationwide. Since 1994 CIAK’s subsidiary C.I.A.K. d.o.o. has been the leading distributor, collector and recycler of batteries in Croatia and in the neighboring countries. In addition, we collect and recycle waste in our waste management centers in Croatia.

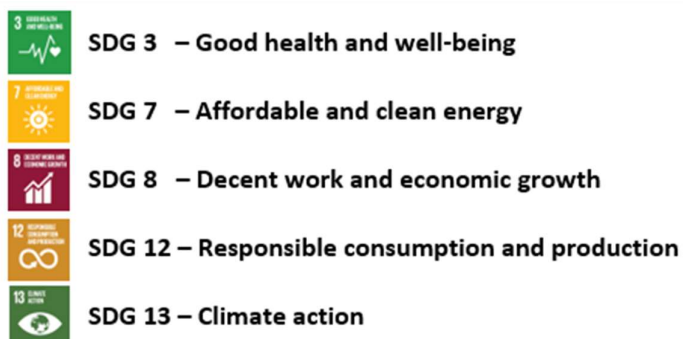


Our offerings entail the wholesale and retail of third-party goods via our sale points including own car repair shops. Waste management services represent another key activity of the Group, as waste is being collected either for further in-house processing or to be delivered for processing at third parties as is the case for special and hazardous waste. Parts of the collected waste, like old batteries will be recycled by our own facilities, and we partly integrate the recycled materials back into our own products to be sold, thus raw materials are led back into the lifecycle. This way we prevent waste and ensure that natural resources are saved. Whatever we do, we consider the environmental and social impacts of our actions.

2. Sustainability at CIAK

The management board of CIAK and the directors of individual companies are responsible for the implementation of sustainable operations in the group and the tasks related to the implementation of decisions, goals and reporting are coordinated by the Human Resources Department, Occupational Safety Department, Environmental Protection Department, and the Quality Department.

CIAK seeks to actively contribute to the United Nation's Sustainable Development Goals (SDGs) which were adopted in 2015 as part of the 2030 Agenda for Sustainable Development. The SDGs are rooted in our everyday business and actions, specifically relating to following:



Every company within the Group considers health and safety at work. We try to create a good and safe space to work for our employees and assess all risks of jobs performed by workers and the hazards that are present in the workspace (SDG 3). We conduct annual health and safety trainings and equip our employees with protective equipment as needed. While steps have been taken to keep accident and injury rates low, in case of such occurring, the Group has installed a comprehensive system to collect relating data. Internally, we achieved a 50% reduction in our accident rate¹ compared to 2018 and have set ourselves the target of keeping our accident rate at a low level of 0.32 based on the latest data available of 2020.

Workers' health and safety are one among the many topics covered in our labor code, which also covers the privacy of workers, working hours, vacations, and holidays, pay benefits and the termination of employment contracts (SDG 8).

On the environmental side, we address the operational areas where we have direct impact. Group-wide energy data is being collected and parts of the company obtained ISO 50001-certification. To reduce total energy consumption and CO₂ emissions, we are currently investigating the use of renewable energy sources for consumption at own real estate and facilities and consider the replacement and use of electric and alternative drives for our own fleet, thus contributing to SDG 7 and SDG 13. The Group further plans to offset CO₂ emissions from fleet operations, e.g., by afforestation measures in the region. In our wholesale and retail operations we strive to entirely remove the use of PVC bags in retail sales and for goods receive in our warehouses by 2025. Instead, we will use alternative materials that are more environmentally friendly. Eliminating the use of PVC bags in our sales operations will allow us to meet UN and EU targets for plastic bags and support SDG 12.

¹ calculated in (Number of employees x 200,000)/ Total hours worked by employees

The principal activities of the Group comprise wholesale and retail of spare parts at Independent automotive aftermarket (IAM) as well as waste management. Waste management within the group is carried out in accordance with the legal regulations of the country in which the group member operates and includes the collection of waste oils, used car tires, batteries and other hazardous and non-hazardous waste in appropriate containers and halls prepared for that purpose. The entire Group is involved in the process of collecting waste. The actual recycling of waste batteries² takes place in the company C.I.A.K. d.o.o., which collects all waste lead batteries collected by the Group members and from other legal and physical persons in Croatia and its neighboring countries (SDG 12). C.I.A.K. d.o.o. operates recycling centers in Zabok and is the leading collector and recycler of batteries in Croatia and the neighboring regions. In total more than 95% of all lead batteries in Croatia are collected by us and we enable the Republic of Croatia to entirely fulfil its lead-recycling goals, in accordance with EU regulations.

Furthermore, in order to educate Croatian citizens about the importance and possibilities of recycling batteries, our goal is to introduce this topic to as many students, primary school and high school students by 2025. This way we want to increase awareness on this issue and enable young generations to act responsibly towards the environment.

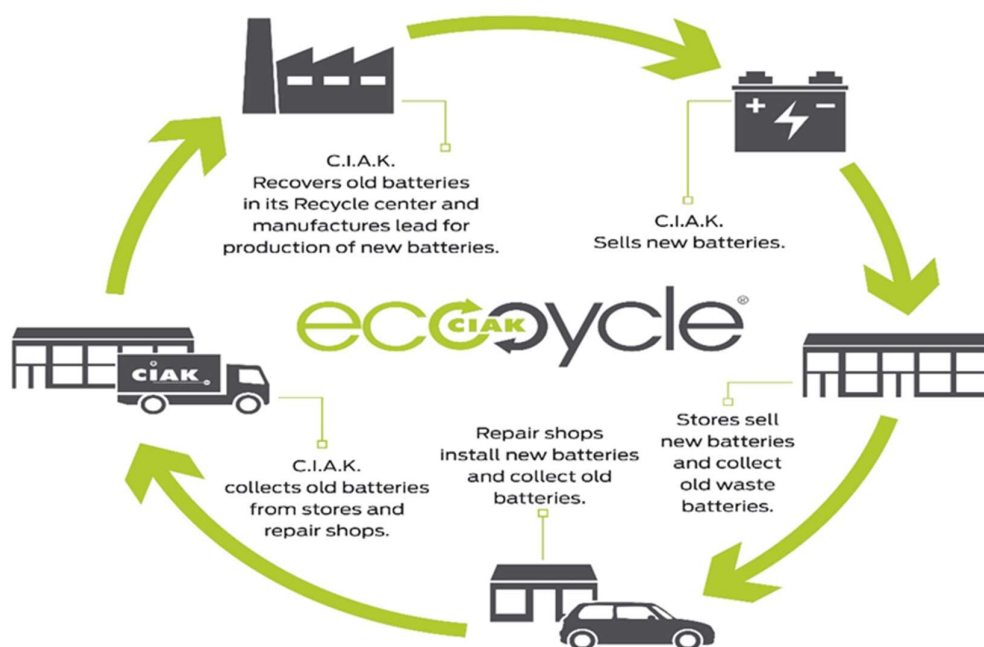
2.1 CIAK's EcoCycle

Old lead batteries are collected on a group-level and disassembled through automatized processes into the main materials, i.e., lead, sulfuric acid and plastic. While raw lead is further processed into ingot, which is used for production of new lead blocks to be integrated in new batteries, sulfuric acid is neutralized and disposed in an adequate manner by a third-party. Plastic is being shredded and granulated. Plastic granulate can be used for recycled plastic purposes and is being shipped for further processing. Newly produced ingot is sold to car battery manufacturers. 89% of the sold ingot is returned to the Group in form of new batteries which the Group sells under the name CIAK Starter. CIAK Starter is the best-selling car battery offered to our customers through our many sale points. As the only company in Croatia with a closed-loop battery handling process, considering their entire lifecycle, we show our dedication and contribution to preserving the environment³. To further deepen this commitment, we plan to increase the capacity of collection and recycling of lead batteries by installing new equipment. Additionally, the Group wants to increase the vehicle fleet and collection capacity by 30% by 2025, compared to 2021.

By expanding recycling capacities, we prevent the inappropriate disposal of lead batteries into the environment, risking soil, and groundwater contamination.

² Waste batteries recycled by CIAK Group comprise different types of lead batteries, all of which are classified as lead batteries (Croatian: *olovne baterije*) with reference number (Croatian: *ključni broj*) 16 06 01* pursuant to the Ordinance on the Waste Catalog (Croatian: *Pravilnik o katalogu otpada*) published in the Official Gazette of the Republic of Croatia nos. 90/2015 and 84/2021

³ For more detailed, and visualized information on the EcoCycle process, please see respective video: <https://www.youtube.com/watch?v=SPQvuSNOJAE>



3. Rationale for Sustainability-Linked Financing Framework

To demonstrate its sustainability commitments and link the company's ESG objectives to its funding strategy, CIAK created a Sustainability-Linked Financing framework ("Framework"). This framework will allow CIAK to issue Sustainability-linked Financing Instruments including Sustainability-linked Bonds ("SLBs") and Sustainability-linked Loans. Sustainability-linked Financing Instruments are a forward-looking performance-based instrument where the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ Environmental, Social and Corporate Governance ("ESG") objectives. In that sense, issuers are committing explicitly to future improvements in sustainability outcome(s) within a predefined timeline that are relevant, core and material to their overall business. The proceeds of SLBs are intended to be used for general purposes.

This Framework is aligned with the five core components of the ICMA Sustainability-Linked Bond Principles 2020 ("SLBP")⁴ and LMA Sustainability-linked Loan Principles 2021 ("SLLP")⁵:

- Selection of Key Performance Indicators ("KPIs")
- Calibration of Sustainability Performance Targets ("SPTs")
- Financial Characteristics
- Reporting
- External Review

⁴ ICMA SLBP (2020) <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

⁵ LMA SLLP 2021: <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>

4. Selection of the Key Performance Indicators (“KPI”)

As one of the of the leading car parts distributors in the region, we are well aware of our major responsibility towards the environment. The Group actively works towards minimizing its impact on the environment and climate as much as possible. CIAK has selected the following Key Performance Indicator as part of its Group approach towards sustainable development:

KPI	Recycling of lead batteries
Definition	<p>The Group is the leading distributor, collector and recycler of waste lead batteries in Croatia and in the neighboring countries. This activity is performed on the group level (e.g. by C.I.A.K. d.o.o., C.I.A.K. AUTO d.o.o., CIAK TRUCK d.o.o., TOP START d.o.o. etc.).</p> <p>Recycling process: The collected lead batteries⁶ are stripped down to the main materials, which are lead, sulfuric acid (H₂SO₄) and plastic. Lead is used for production of new lead blocks which are provided to the manufacturers of batteries to be installed in new batteries; sulfuric acid is neutralized/disposed in the adequate manner, while plastic is shipped for further processing.</p>
Calculation methodology	<p>The Group (primarily by C.I.A.K. d.o.o.) as an authorized collector, collects waste lead batteries from retail outlets of Group members, from other legal and physical persons in the Republic of Croatia and neighboring countries and hands them over to the Center for Recycling Accumulators and Batteries.</p> <p>The procedure of receiving waste and its further treatment is carried out in accordance with the defined work instructions, which include the proper handling of hazardous and non-hazardous waste. When receiving waste, visual control of waste is carried out and the accompanying documentation is taken over. Lead batteries entering the recycling process are weighed on scales, and the quantities of collected batteries are recorded in the accounting and financial program through a work order. After the recycling process, the amount of recycled lead batteries is also entered into the accounting and financial program.</p> <p>Based on this CIAK can provide a report on collected and recycled lead batteries for each year.</p>

⁶ Waste lead batteries recycled by CIAK Group comprise different types of lead batteries, all of which are classified as lead batteries (Croatian: *olovne baterije*) with reference number (Croatian: *ključni broj*) 16 06 01* pursuant to the Ordinance on the Waste Catalog (Croatian: *Pravilnik o katalogu otpada*) published in the Official Gazette of the Republic of Croatia nos. 90/2015 and 84/2021

Rationale	<p>In its current sustainability strategy CIAK focuses on the collection and recycling of batteries, mainly the car batteries, and contributes to the primary objective in the Directive 2006/66/EC⁷ on batteries and accumulators (the Batteries Directive) to minimize the negative impact of batteries and waste batteries on the environment.</p> <p>Batteries are the major near-term driver to decarbonize road transportation and support the transition to a renewable power system, keeping global emissions on track to stay below the 2°C Paris Agreement target⁸. According to the World Economic Forum and the Global Battery Alliance, global lead battery demand would grow by a factor of around 1.1 between 2018 and 2030⁹.</p> <p>Strengthening our recycling efforts by significantly increasing the volume of recycling batteries will enable us to meet the growing demand for batteries and contribute to the Paris Agreement targets.</p>												
Baseline	2020												
Reporting	Annual reporting (KPI Report ¹⁰), reviewed by external auditor												
Historical Data	<p>Below are the historical data from year 2018 until 2020, indicating collected and recycled¹¹ lead batteries:</p> <table border="1" data-bbox="581 1035 1174 1262"> <thead> <tr> <th>Year</th> <th>Collected batteries in tonnes</th> <th>Recycled batteries in tonnes</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td>11,174t</td> <td>10,903t</td> </tr> <tr> <td>2019</td> <td>11,117t</td> <td>11,474t</td> </tr> <tr> <td>2020</td> <td>10,664t</td> <td>10,143t</td> </tr> </tbody> </table>	Year	Collected batteries in tonnes	Recycled batteries in tonnes	2018	11,174t	10,903t	2019	11,117t	11,474t	2020	10,664t	10,143t
Year	Collected batteries in tonnes	Recycled batteries in tonnes											
2018	11,174t	10,903t											
2019	11,117t	11,474t											
2020	10,664t	10,143t											
Contribution to UN SDGs	SDG 12: Responsible consumption and production												

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32006L0066>

⁸ https://www3.weforum.org/docs/WEF_A_Vision_for_a_Sustainable_Battery_Value_Chain_in_2030_Report.pdf

⁹ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689337/EPRS_BRI\(2021\)689337_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689337/EPRS_BRI(2021)689337_EN.pdf)

¹⁰ For details on KPI Report please see chapter 7 “Reporting”

¹¹ Total batteries recycled on both sites CR Zabok and Vojnic

5. Calibration of Sustainability Performance Targets (“SPTs”)

The Sustainability Performance Target (SPT) is set in line with CIAK’s commitment to increase the amount of recycled lead batteries.

SPT	Increase the amount of recycled lead batteries from 10,143 tonnes (data 2020) to 16,000 tonnes by 2025
Rationale	<p>As part of our approach to sustainability we want to foster the effective and sustainable use of natural resources and thus, promote circular economy. CIAK has set itself the goal to increase the amount of recycled lead batteries by the Group from 10,143 tonnes to 16,000 tonnes by 2025 against 2020 baseline.</p> <p>For the SPT the base year is 2020 with a total of 10,143 tonnes recycled batteries. Based on the average number of 10,840 tonnes recycled batteries in the last three years CIAK wants to achieve a significant improvement with the given SPT by increasing the amount of recycled lead batteries by 48%.</p>
Target Observation Date (“TOD”)	31.12.2025
Trigger event	Publication of the KPI Report, as part of CIAK’s annual report for the year 2025
Means to achieve the SPT	<p>To increase the amount of recycled lead batteries, the Group will expand its recycling business by:</p> <ul style="list-style-type: none"> - installing new equipment in the Center for Recycling Accumulators and Batteries - increasing the collection capacity by 30% by 2025 through expanding the business and raising the number of collection points, as well as acquiring additional containers for collection - increasing the vehicle fleet, while gradually replacing diesel and gasoline vehicles by electric and hybrid vehicles

6. Financial Characteristics

The financial characteristics of any bond or loan issued under this Framework will be specified in its corresponding security documentation including but not limited to the KPIs and SPTs with the Target Observation Date. A failure to provide evidence for having achieved the applicable SPT (referring to the reporting and external review section for details) for the applicable Target Observation Date as set out in the specific documentation of the Sustainability-linked Financing Instrument, results in a Trigger Event. A Trigger Event will then change the financial characteristics of the Sustainability-linked Financing Instrument as outlined in the specific documentation. This may include coupon adjustment.

Should CIAK:

- i. Decide to revise the methodology or data sources for calculation of a given KPI, which result in a significant change in the Sustainability Performance Target; and/or
- ii. Have a material change of perimeter (acquisition and/or disposal) and/or change in its organic business development,

then the SPT and/or base year of any series of bonds may be revised or recalculated in good faith by CIAK.

The revised Sustainability Performance Target will be publicly reported by CIAK in its KPI Report.

7. Reporting

CIAK commits to disclose the performance of the selected KPI(s) on an annual basis and until the maturity of the Sustainability-linked Financing Instruments within a Key Performance Indicators Report (KPI report), which will be publicly available on the CIAK's website¹². The KPI Report may be part of CIAK's annual report and shown under the sustainability section of the report or as an independent report. The report will be published no later than six months following the end of each year until the maturity of the Sustainability-linked Financing Instruments.

The disclosed information will entail:

- The up-to-date performance of the selected KPI. The KPI report will also include calculation methodology and baselines
- A verification assurance report by an independent external auditor outlining the performance against the SPT and any other relevant information which may enable investors to monitor the progress of the selected KPI
- In the year of Target Observation Date: the impact on the coupon adjustment amount (if any) as well as the calculation methodology used
- Any significant impact on CIAK's sustainability strategy or any recent announcements, strategic decisions and funds mobilized that could affect the achievement of the SPT targeted
- Any re-assessments of the SPT due to any changes to the calculation methodology for the SPT or any adjustments of scope, if relevant

¹² <https://ciakgrupa.hr/investitori/objavljeni-dokumenti/>

8. External Review

Pre-issuance

The leading Second Party Provider Sustainalytics will issue a Second Party Opinion on the Framework, to confirm the alignment of the Framework to the ICMA's Sustainability-Linked Bond Principles. The Second Party Opinion document will be made publicly available on CIAK's website.

Post-issuance

An external verification on the KPI Report will be provided by an independent external auditor, on an annual basis and until the maturity of the Sustainability-linked Financing Instruments. The external auditor will verify the accuracy of the KPI report and the performance of the KPI against the SPT. The external verification report will be made publicly available on CIAK's website.

Disclaimer

Certain statements, estimates and opinions made in the Framework are forward-looking statements. Phrases such as “aim”, “plan”, “intend”, “should”, “anticipate”, “well-placed”, “believe”, “estimate”, “expect”, “target”, “consider” and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements are based on current expectations and assumptions which may or may not prove to be correct and are subject to a number of risks, uncertainties and other important factors that could cause actual results, performance, achievements or events to differ materially from what is expressed or implied by those statements. Many of the factors that could cause actual results, performance, achievements of or events involving CIAK or the Group to differ materially from the expectations of CIAK are outside of its control and not predictable, including, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labor relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, and political and economic uncertainty, including as a result of global pandemics. As such, undue reliance should not be placed on the forward-looking statements contained herein. Any forward-looking statement is based on information available to CIAK as of the date of this statement and is subject to change without notice and neither CIAK nor any of its affiliates assume any responsibility or obligation to update or revise such information, regardless of whether such information is affected by the results of new information, future events or otherwise. All written or oral forward-looking statements attributable to CIAK are qualified by this caution.

No liability is accepted by CIAK or the Group in respect of the achievement of or in connection with any such forward-looking statements or assumptions. Neither CIAK, the Group nor any of their officers, employees, agents or affiliates makes any express or implied representation, warranty or undertaking with respect to the information, opinions or forward-looking statements contained herein, and none of them accept any responsibility or liability as to their accuracy or completeness or for any loss howsoever arising, directly or indirectly, from any use of or reliance on such information, opinions or forward-looking statements or otherwise arising in connection therewith. Other than in accordance with legal and regulatory obligations, CIAK undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Failure to adhere or comply with any terms of this Framework, including, without limitation, failure to achieve any sustainability targets or goals set forth herein, will not constitute an event of default or breach of contractual obligations under the terms and conditions of any such sustainability-linked securities.

This Framework represents current CIAK's policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. The information contained in the Framework does not purport to be comprehensive and, unless otherwise specified therein, has not been independently verified by any independent third party. Nothing in the Framework constitutes legal, financial, regulatory or other advice or a recommendation with respect to any securities or financial instruments.