



TERME
SVETI MARTIN



*ESG
Strategy*

2023 - 2030



"As we begin developing our ESG strategy, it is my great pleasure to share our commitment to a future that harmonizes hospitality and environmental stewardship."

*Statement
from the Chief Executive
Officer of Terme Sveti
Martin, Mrs. Nuša Korotaj*

Sustainability has always been a fundamental principle at Terme Sveti Martin; it is woven into the very fabric of our identity. Although we are not yet bound by any regulations on this path, we choose it with our hearts, guided by the responsibility to protect the world around us for generations to come.

This journey goes beyond merely meeting targets; it reflects our commitment to creating lasting value for our community and the environment. Our approach celebrates the deep connections we share with local heritage, natural resources, and the well-being of our guests. From collaborating with local suppliers to launching community initiatives that promote sustainability, our goal is to be more than just a tourist destination.

Our ESG strategy represents a pledge to honor the beauty of the environment and the people we serve, building a strong foundation that will support our vision for many years ahead. In developing this strategy, our focus extends beyond protection alone; we hope to inspire others to join us in a shared mission of environmental preservation and social responsibility. Sustainability at Terme Sveti Martin is a partnership — a collective effort of our team, guests, and community to ensure nature and people thrive together. We believe in creating a balanced environment where progress and respect for resources go hand in hand.

With every initiative we undertake — whether it is reducing our carbon footprint or enhancing our positive social impact — we move closer to building a more resilient and advanced future. Together, supported by our dedicated teams, partners, and guests, we are excited to take meaningful steps forward. We invite you to be part of this journey with us, as Terme Sveti Martin strives to redefine well-being by respecting both community and environment. We are not driven by obligation, but by the conviction that this path is right for all of us and for the future we wish to create.

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1. Introduction

In recent years, expressions such as sustainable, responsible, green, circular, socially acceptable, socially responsible, and similar have become common in corporate circles, media, social networks, and other platforms. This is a direct consequence of the 2007 financial crisis and the shift in the previous investment paradigm towards **achieving long-term and more stable (sustainable) financial returns** rather than exclusively maximizing short-term profits. Today is an era in which investors, as well as companies, increasingly use **non-financial indicators** to make the right decisions related to investing, as well as in business dealings with partners and other stakeholders in their business environment.

As part of the sustainable economic development initiative, three basic groups of goals have been defined to be achieved: environmental, social, and governance goals.

The ESG strategy represents an approach to investing and business that takes into account these three groups of sustainable economic development goals – Environmental, Social, and Governance. These factors form the basis for assessing the sustainability and social responsibility of a company or investment projects.

This document will provide insight into the environmental, social, and governance aspects of the business of Toplice Sveti Martin d.o.o., which will result in socially responsible business practices, reduce the risk of negative consequences, and improve long-term prospects for successful operations.

The client for the ESG Strategy is the company Toplice Sveti Martin d.o.o. The executors of the ESG Strategy are the companies Greengreen Advisory d.o.o. and Earthyfiction d.o.o.

1.1 Regulatory Framework

In 2016, the **Paris Agreement** entered into force, recognizing climate neutrality and the circular economy as key goals to ensure the long-term competitiveness of the European Union economy. The European Commission published the **European Green Deal**, which sets out principles for achieving sustainability in the EU economy by turning climate and environmental challenges into opportunities, establishing standards to enable this in a consistent and fair manner.



The European Union has established the regulatory framework for ESG reporting standards through the NFRD Directive¹, which prescribes the obligations to disclose ESG-relevant information for public interest entities, the SFDR Regulation², which standardizes ESG processes for participants in financial markets³ and financial advisors⁴ and the Taxonomy Regulation⁵, which defines the economic activities that can be considered environmentally sustainable.

The development of sustainable business has made non-financial information as important as financial information. Organizations reporting on ESG rely on frameworks and standards such as those created by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD), which reflect many of the goals that are also part of the United Nations Sustainable Development Goals (SDGs). For an organization, the foundation of transparent sustainability reporting is identifying and prioritizing the impacts that the organization has on the economy, environment, and people.

The Corporate Sustainability Reporting Directive (CSRD), which came into force on January 5, 2023, is an EU regulation requiring all large companies to regularly and transparently disclose information on the impacts of their activities on the environment and society, as well as on sustainability-related financial risks they may be exposed to. The regulation helps investors, consumers, policymakers, and other stakeholders to assess the social, environmental, and governance impacts of business activities, as well as the effects of climate risks.

About 50,000 companies will be covered by the new CSRD regulation, compared to the current 11,700 companies covered by the previous Non-Financial Reporting Directive (NFRD). Companies subject to corporate reporting will be required to publish detailed information on sustainability issues, thereby increasing corporate accountability, enabling comparability and verification of ESG data, and facilitating the transition to a sustainable economy.

According to the requested principle of **double materiality**, companies will have to report on how their business model impacts their sustainability and on how external sustainability factors (such as climate change or human rights issues) affect their activities. This will enable investors and other stakeholders to make informed decisions regarding sustainability matters.

¹Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

²Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

³Financial market participants – providers of financial sector services as defined in Article 2, Point 1 of the SFDR, including: insurance undertakings offering insurance-based investment products, investment firms providing portfolio management services, institutions for occupational retirement provision (IORPs), pension product manufacturers, alternative investment fund managers (AIFMs), providers of pan-European personal pension products (PEPPs), managers of qualifying venture capital funds registered under Article 14 of Regulation (EU) No. 345/2013, managers of qualifying social entrepreneurship funds registered under Article 15 of Regulation (EU) No. 346/2013, management companies of undertakings for collective investment in transferable securities (UCITS management companies), or credit institutions providing portfolio management services.

⁴Financial advisors as defined in Article 2, Point 11 of the SFDR, including: insurance intermediaries providing insurance advice related to insurance-based investment products, insurance undertakings providing insurance advice related to insurance-based investment products, credit institutions providing investment advice services, investment firms providing investment advice services, AIFMs providing investment advice services, and UCITS management companies providing investment advice services.

⁵Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

⁶Corporate Social Responsibility in Croatia – News, Events, [link](#)



The new regulation expands the scope of obligated entities to include all large companies. A “large company” can be defined as a company within the EU or a subsidiary within the EU that is part of a parent company based outside the EU, which meets two out of the following three criteria as of the balance sheet date:

Net turnover exceeding



and/or

Net assets (total balance sheet) exceeding



and/or

More than



on average during the financial year

For the year 2024, the CSRD applies to all companies previously subject to the NFRD (public interest entities with more than 500 employees). For the year 2025, it applies to all large companies and those meeting two out of the three criteria listed above.



2. About the Company – Terme Sveti Martin (TSM)

The company that manages the resort complex is officially named Toplice Sveti Martin d.o.o.; however, for brand recognition purposes, this document refers to the company as Terme Sveti Martin or TSM for short.

2.1. Basic Information about Terme Sveti Martin

The Healthness resort Terme Sveti Martin is located in the Municipality of Sveti Martin na Muri, in northern Croatia, within the Međimurje region, where tradition, culture, and history have coexisted harmoniously with nature for over a century. The municipality consists of 14 settlements: Brezovec, Čestijanec, Gornji Koncovčak, Gradišćak, Grkavešćak, Jurovčak, Jurovec, Kapelšćak, Lapšina, Marof, Sveti Martin na Muri, Toplice Sveti Martin, Vrhovljan, and Žabnik. It shares a border with Slovenia.

The company Toplice Sveti Martin d.o.o., which operates Terme Sveti Martin, is registered in the Court Register of the Commercial Court in Varaždin under the company registration number 070027109. The Company Agreement, which aligns its general acts and share capital with the Companies Act (ZTD), was adopted on July 22, 1996.

By resolution of the Shareholders' Assembly on September 17, 2001, the limited liability company was transformed into a joint-stock company. The company's share capital amounts to €13,228,429.23, or HRK 99,669,600.00. The company's founder is EB Erste Bank Internationale Beteiligungen GmbH, OIB: 47322184625, located at Am Belvedere 1, 1100 Vienna, Austria, and is the sole shareholder of the joint-stock company.

By resolution of the Shareholders' Assembly on July 23, 2018, a transfer of shares from minority shareholders to the principal shareholder was executed, transferring all minority shareholder shares to the principal shareholder. On March 27, 2019, the General Assembly adopted a resolution to convert the company back into a limited liability company (d.o.o.), with EB Erste Bank Internationale Beteiligungen GmbH, Austria, 1100 Vienna, Am Belvedere 1, becoming the sole member of the limited liability company. Until 2003, the spa operated under the name Toplice Vučkovec and was open seasonally, only during the summer months. Since 2003, the spa has operated under the name Toplice Sveti Martin, and in the years that followed, it evolved into a tourism complex that promotes healthy living, recreation, and local gastronomy.



2.1.1. History

The history of Terme dates back to 1911, when the English-Hungarian company London-Budapest conducted exploration drilling in search of oil. Instead of oil, they discovered thermal water with a high mineral content.



The healing properties of the water began to be intentionally utilized in 1936, both through the establishment of swimming pools and by bottling the water for drinking. In 1950, the property came under private ownership, and later under the management of the company Union from Čakovec, until approximately 1985, when business activity began to decline. In 1996, the facility was purchased by the company Modeks, which significantly improved it. Until 2003, when new ownership took over, the spa operated under the name Toplice Vučkovec.

Since 2003, the spa has operated under the name Toplice Sveti Martin and has entered a period of intense business and tourism development in the following years. Gradually building its reputation, primarily on the natural features of the surrounding environment, the friendliness of its staff, and the quality of its services, Terme soon became one of the leaders in continental tourism. In 2005, the conditions were established for year-round spa tourism by converting the outdoor pools into an indoor complex — the Temple of Life — and by constructing an additional outdoor pool with water slides. At the same time, directly across from the pools, the Regina apartment village was built. Just two years later, in 2007, the outdoor water park area was further expanded with the Regina hospitality venue, a small children's pool, and a large recreational pool with two whirlpools and a swimming lane.

The completion of the hotel, sports hall, and golf course in 2009 marked the largest project in continental tourism at the time, with an investment of over €40 million and more than 200 employees. Moreover, considering that before this project there was only one outdoor pool on-site, the investment represents one of the largest greenfield investments in all of Croatia.

Such a significant improvement in the quality of offerings — now catering to higher-end domestic and international guests — was accompanied by a brand transformation into Spa & Sport Resort Sveti Martin, which has since become a synonym for premium tourism

in continental Croatia and neighboring countries. From 2014 to 2021, the Slovenian brand LifeClass took over the management of Terme Sveti Martin, ensuring that the resort maintained service quality and upheld standards aligned with the most modern global tourism trends.

The mission of Terme Sveti Martin and the LifeClass brand was aligned around three key pillars: healthy living, sports and recreation, and local gastronomy — all of which were reflected in their shared slogan: “The World of Healthy Pleasures.”

Year after year, Terme Sveti Martin increasingly focused on developing products and services that promote healthy living and harmony with nature. This deepened commitment to well-being and environmental connection inspired the creation of a new visual identity to reflect those values.

As of January 1, 2021, Terme Sveti Martin began a new chapter, stepping out of the LifeClass brand and introducing a new logo and slogan: “The First Healthness Resort in Europe.” Rooted in the philosophy of Dr. Rudolf Steiner, the new identity features a dynamic loop symbolizing the Healthness concept — an approach that blends active relaxation, wellness experiences, and healthy gastronomy to foster balance of body, mind, and spirit.



The creation of the new logo and brand concept for Terme Sveti Martin represents a strategic development grounded in the principles of Dr. Rudolf Steiner, the founder of anthroposophy. Steiner's philosophy, which integrates 12 senses — balance, smell, taste, sight, sense of warmth, hearing, movement, life sense, touch, sense of thought, sense of words, and the self-sense — into a continuous, harmonious, and rotating loop, serves as the foundation of the Healthness concept. This approach connects active rest, wellness experiences, and local gastronomy into a dynamic system that supports holistic well-being and aligns with a strong commitment to ESG values. The new concept reflects a deep dedication to fostering a balance of body, mind, and spirit for every guest at Terme Sveti Martin. Ongoing investment in the resort complex has positioned Terme Sveti Martin as a recognized brand synonymous with service quality and guest satisfaction.



2.1.2. Capacity of Terme Sveti Martin

The heart of Terme Sveti Martin consists of a complex of indoor thermal pools, a summer aquapark, a wellness center, and a rich gastronomic infrastructure. The resort also features a 9-hole golf course with heated artificial grass greens — one of the first of its kind in Europe — which, by reducing the use of pesticides, supports environmental preservation while enabling year-round play. The sports hall offers facilities suitable for professional athletic training as well as recreational sports enjoyment. It includes a multipurpose court with retractable seating, locker rooms, a top-tier gym, a fitness and martial arts studio, and dedicated spaces for coaches. For years, Terme Sveti Martin has been ranked among the top destinations for high-quality professional sports training camps, including football. Numerous European and global football clubs have held their training sessions here, thanks to the resort's advanced infrastructure, including illuminated and irrigated football fields and the option to train indoors in the sports hall. In addition to the **80 apartments** available at Terme Sveti Martin, the accommodation offer was expanded in 2009 with the opening of the four-star Hotel Terme Sveti Martin, which has a total capacity of **314 beds across 151 modern rooms and 6 suites**. Within the hotel, guests have access to a luxury wellness center that combines holistic programs, individualized treatments, and state-of-the-art equipment to promote unity of body and spirit. The resort also houses a Healthness Center, which offers the Body Vitality program, including BIOScan, frequency therapies, and other wellness treatments.

2.2. Core Business Activities of Terme Sveti Martin

Terme Sveti Martin generates its primary revenue through its main registered activity: 55.10 – Hotels and Similar Accommodation (NACE Rev. 2 classification). In general, activity 55.10 includes the provision of accommodation services, typically on a daily or weekly basis, mainly for short-term stays. Entities classified under this category offer accommodation in furnished rooms and apartments, sometimes with kitchenettes, provide daily cleaning and bed-making services, and offer additional amenities such as food and beverage services, parking, laundry, swimming pools, fitness centers, recreational equipment, and facilities for conferences and meetings. Terme Sveti Martin is the first Healthness Resort in Europe, with operations focused on delivering a range of health and wellness services designed to provide guests with a complete experience of relaxation, renewal, and health enhancement. The resort complex includes an apartment village and a four-star hotel, health-oriented restaurants with innovative food preparation methods, an indoor thermal pool complex, a summer aquapark, a wellness center, a sauna world, and a frequency medicine center. The entire resort provides a wide array of services and amenities that support the physical, emotional, and mental well-being of guests. In addition to the above, the property also features numerous recreational trails, sports facilities, golf and disc golf courses, and a variety of options for excursions and active leisure. Terme Sveti Martin is also renowned for its idyllic and health-promoting natural surroundings, its 100-year tradition of spa tourism, one of the healthiest thermo-mineral waters in Europe, exceptional wellness services, and a comprehensive offering for both professional and recreational athletes.

2.3. Mission and Vision

An analysis of the official website, along with available online articles and content, points to a clearly defined mission and vision of the company, which was further explored through the internal ESG self-assessment questionnaire.



“Our mission is to create an unforgettable experience for our guests by offering exclusively healthy Healthness holidays in a resort where they can learn about healthy lifestyle habits, make positive changes to their way of life, achieve balance of body, mind, and spirit, and—thanks to top-quality services and a skilled, educated, and professional team—take home lasting memories they will gladly return to.”

“An unforgettable resort experience is the result of several key elements: beautifully designed rooms, delicious and locally prepared food made from regional ingredients, top-quality and authentic treatments in the wellness center crafted in-house, one of the oldest and most healing thermo-mineral waters in Europe, and an engaging animation and activity program to enrich guests' leisure time. All of this is complemented by the warm smiles of our staff and a fully personalized, individual approach that ensures every guest feels truly special. With our unique approach to health, respect for the traditions of the place we call home, and deep connection to the surrounding nature, we build lasting relationships with our guests, founded on a dedicated team where each individual's contribution is genuinely valued.”



“Our vision is to become the leading Healthness resort in Europe and the foremost destination in continental tourism in the Republic of Croatia, offering a rich and diverse selection of services of the highest quality—exclusively based on principles of health, authenticity, local character, and environmental sustainability.”

The core idea behind our vision is to continuously apply and set the highest quality standards to justify the slogan “the first Healthness resort in Europe” and to uphold a brand that takes pride in its uniqueness, recognized by guests, partners, and competitors alike. This is accompanied by the constant implementation of environmentally friendly processes, enabling us to maintain harmony with the nature and surroundings we operate in, while meeting the evolving needs of modern guests. As the leading Healthness resort in the Republic of Croatia, we are distinguished by premium service quality and unique wellness experiences. The future of our business is focused on creating a destination that attracts guests from around the world and offers them unforgettable moments of revitalization and well-being. Through innovation, investment in knowledge, and collaboration with the local community, Terme Sveti Martin is committed to a sustainable and socially responsible model in the tourism industry.





3. Environmental Analysis

3.1. Business Environment and Challenges

Economic growth and socially responsible business practices, as well as the challenges within which Terme Sveti Martin operates, depend on various factors, including geographic location, competition, regulations, seasonal fluctuations, and many others. A key aspect of the business environment is location, which plays a significant role in attracting guests and forming competitive pricing following applicable regulations. This ensures a fair market approach toward competitors and enables the company to secure sustainable economic growth and socially responsible operations. Fair competition opens opportunities for a diversity of ideas, innovation, and products, encouraging businesses to continuously improve to attract new customers. This dynamic exchange promotes efficiency and benefits consumers through more affordable prices and higher quality. Fair competition also prevents monopolistic behavior and unfair practices, ensuring that resources are allocated in a way that supports long-term economic growth. Through regulation and the encouragement of market competition, the company helps foster an environment that promotes innovation, investment, and productivity, generating lasting benefits for the economy and the community. Thanks to its socially responsible business practices, which are closely linked to fair competition,

Terme Sveti Martin fosters a harmonious environment in which economic activity is aligned with both social and environmental interests. In its business operations, Terme Sveti Martin upholds transparency, ethical conduct, and integrity, thereby promoting competition based on actual capabilities, innovation, and product quality, instead of relying on unfair practices. Furthermore, the company continuously strives to create innovative products and services that have a positive impact on society and the environment, incorporating sustainability and social value, such as environmental protection, social responsibility, and community support. The company adheres to regulations and engages in fair competition while simultaneously building a reputation as a reliable and integrity-driven enterprise. This approach supports sustainable development, long-term business success, and a higher standard of living for society as a whole.

The activity 55.10 – Hotels and Similar Accommodation (NACE Rev. 2), like many others, faces a range of challenges in the implementation of socially responsible business practices. The most common challenges include:

CHALLENGES

:

Conflict between profit and social goals – There is often a conflict between business objectives and social goals. For example, decisions regarding ticket and service pricing: high prices justified by service quality may exclude certain guests who cannot afford to visit the resort.

Lack of awareness and education – Many people are still unaware of the importance of socially responsible business practices and are unfamiliar with their principles and implementation.

Lack of measurement and reporting – The absence of systematic and reliable methods for measuring and reporting on a company’s social impact.

Global nature of business – Operating across various legal systems, cultures, and social conditions can make it challenging to adapt socially responsible practices to different contexts.



3.2. Socio-Demographic Analysis and Territorial Aspect

The overview of economic trends in Međimurje County and the Municipality of Sveti Martin na Muri is based on data from the Register of Annual Financial Statements of the Financial Agency, the Croatian Bureau of Statistics, the Croatian Employment Service, and the eVisitor platform (an information system for tourist check-in and check-out that functionally connects all tourist boards in the Republic of Croatia). This overview provides insight into both the territorial and socio-demographic dimensions.

Međimurje County

Međimurje County is located in the far north of Croatia, bordered by the rivers Mura and Drava. The western part touches the foothills of the Alps, while the central and eastern areas consist of the Pannonian Plain. Situated at the northernmost point of the Republic of Croatia, the county's location on the tri-border area of Slovenia, Hungary, and Croatia gives it a distinctly cross-border character. Its neighboring counties are Varaždin County to the south and Koprivnica-Križevci County to the southeast.

Covering an area of 729.22 km², Međimurje is the smallest county in Croatia by land area, accounting for 1.29% of the country's total territory. According to the 2021 Census, it has a population of 105,250. With a population density of 144.33 inhabitants per km², it ranks second in Croatia after the City of Zagreb, placing it among European regions with medium to low population density (the national average in Croatia being 68.45 inhabitants per km²). The population of Međimurje accounts for 2.72% of Croatia's total population.

The area of Međimurje is bordered to the north and south by the rivers Mura and Drava, which define its natural and geographical characteristics. The region's name, shape, relief, and natural features are all influenced by these rivers. As a regional unit, Međimurje is divided into:



Lower Međimurje – the lowland area consisting of a river valley with an elevation of up to **200 meters**, covering approximately **543.42 km² (74.51% of the territory)**



and the hilly area of **Upper Međimurje (25.49%)**, with its highest peak, Mohokos, reaching an elevation of **344.4 meters**.

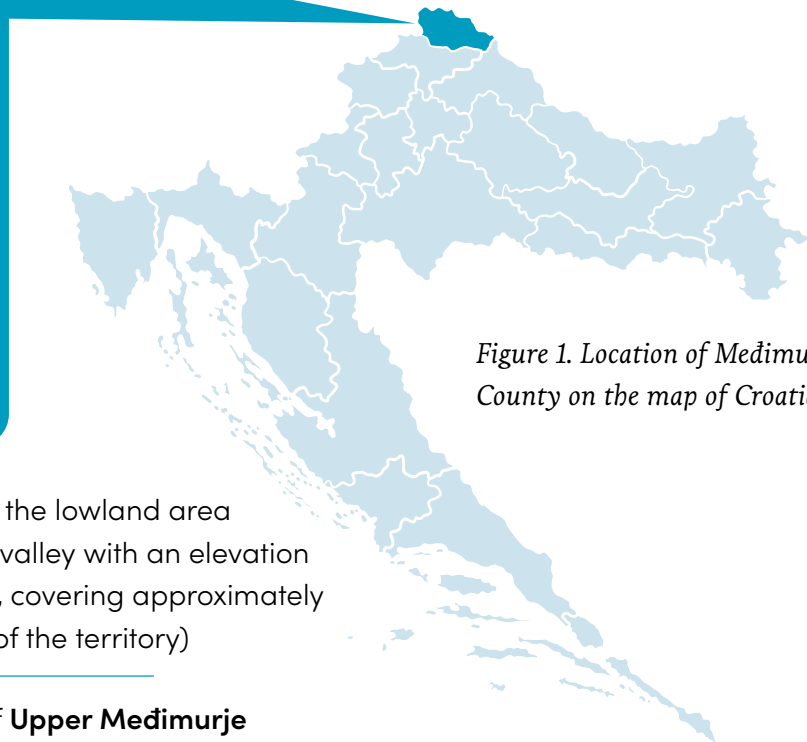


Figure 1. Location of Međimurje County on the map of Croatia

According to the NUTS 2 classification, Međimurje County is located in the Northern Croatia region. The county is divided into 25 territorial units: 3 towns and 22 municipalities.

Towns account for 23.90% of the total territory and are home to 37.79% of the population, with an average population density of 229.50 inhabitants per km². In contrast, municipalities cover 76.10% of the area and accommodate 61.63% of the population, with an average density of 117.58 inhabitants per km².

Međimurje County is the most densely populated region in Croatia. According to the 2021 Census, the county had a population of 105,250, marking a significant decrease of 8,554 people or 7.52% compared to the 2011 Census, when the population stood at 118,426.

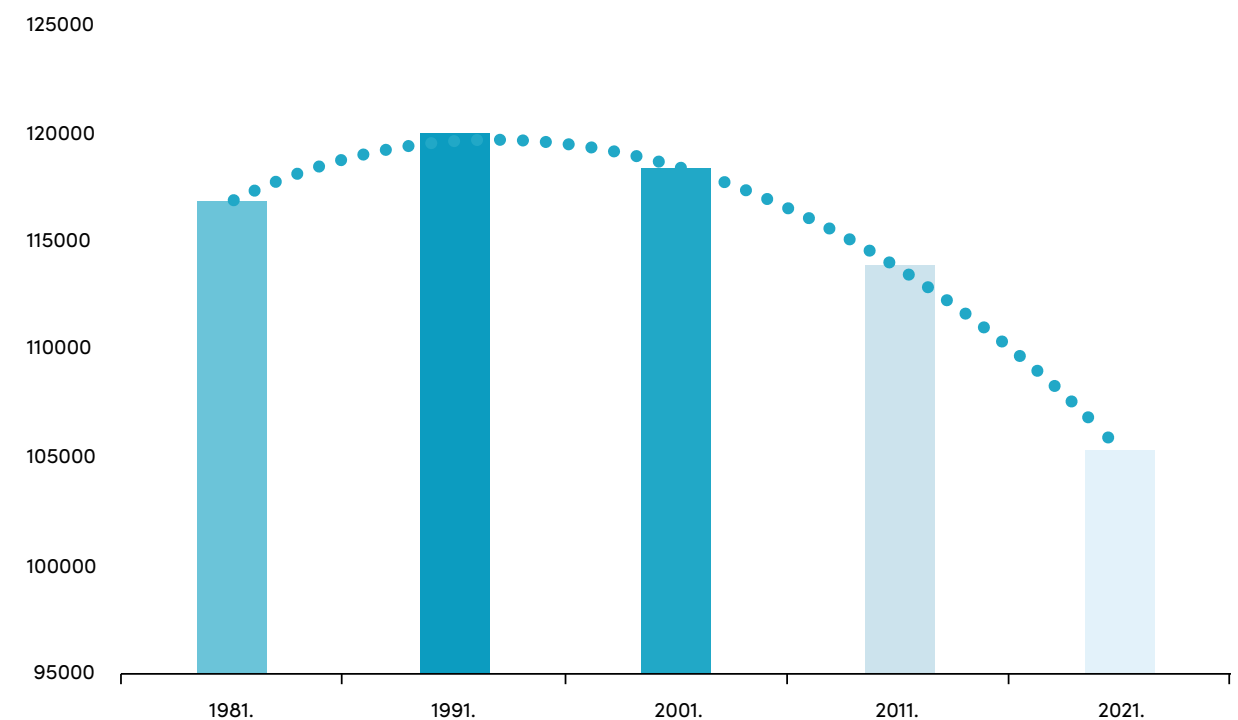


Figure 2. Graphical representation of population trends from 1981 to 2021, Međimurje County

Source: Publications of the Croatian Bureau of Statistics

Međimurje County has experienced a steady and significant population decline over the past several decades, primarily as a result of the region's economic underdevelopment. The majority of the population resides in urban areas. According to the most recent 2021 Census, 40,004 residents, or 37.79% of the County's population, live in towns. The natural population growth rate for the County in 2020 was -2.17 per mille. This negative trend is also reflected in the vital index—the number of live births per 100 deaths, which stands at 83.2. Among the local self-government units in Međimurje County, only the municipalities of Mala Subotica, Nedelišće, and Orehovica show positive indicators of natural population movement.



Furthermore, population trends also relate to migration. Due to its geographic location, Međimurje County has a distinctly borderland character, resulting in a high number of migrations, particularly emigration to European Union countries. As such, external migration is more pronounced than internal migration. According to the most recent available data (from 2011 to 2020), the internal migration balance is negative, amounting to -947 people. Regarding external migration with other countries, 3,099 people immigrated, while 5,647 people emigrated, resulting in a net migration balance of -2,548 people.

Municipality of Sveti Martin na Muri

The Municipality of Sveti Martin na Muri is located in the northern part of the County and includes the northernmost point of the Republic of Croatia, situated in the village of Žabnik (coordinates: 46°32'N, 16°23'E). The municipality borders the neighboring municipalities of Štrigova, Selnica, and the town of Mursko Središće, while 9 km of its northern border coincides with the state border with the Republic of Slovenia. At this border crossing, there is an international border checkpoint, Sveti Martin na Muri. The municipality covers an area of 25.25 km² and is composed of 14 settlements: Brezovec, Čestijanec, Gornji Koncovčak, Gradišćak, Grkavešćak, Jurovčak, Jurovec, Kapelšćak, Lapšina, Marof, Sveti Martin na Muri, Toplice Sveti Martin, Vrhovljan, and Žabnik. The towns and settlements surrounding the Municipality of Sveti Martin na Muri are generally not well-connected by transport infrastructure, and reaching Terme Sveti Martin is often complicated when relying solely on navigation systems. Public transport between settlements in the county is poorly organized and infrequent.



Figure 3. Sveti Martin na Muri on the map of Croatia

Figure 4. Municipality of Sveti Martin na Muri
Source: Official website of the Municipality

According to the 2021 Census, the Municipality of Sveti Martin na Muri has a total of 2,391 residents across its 14 settlements, representing a decline compared to the 2011 Census, when the population totaled 2,605. Of the 2,391 residents, 1,173 are men and 1,218 are women.

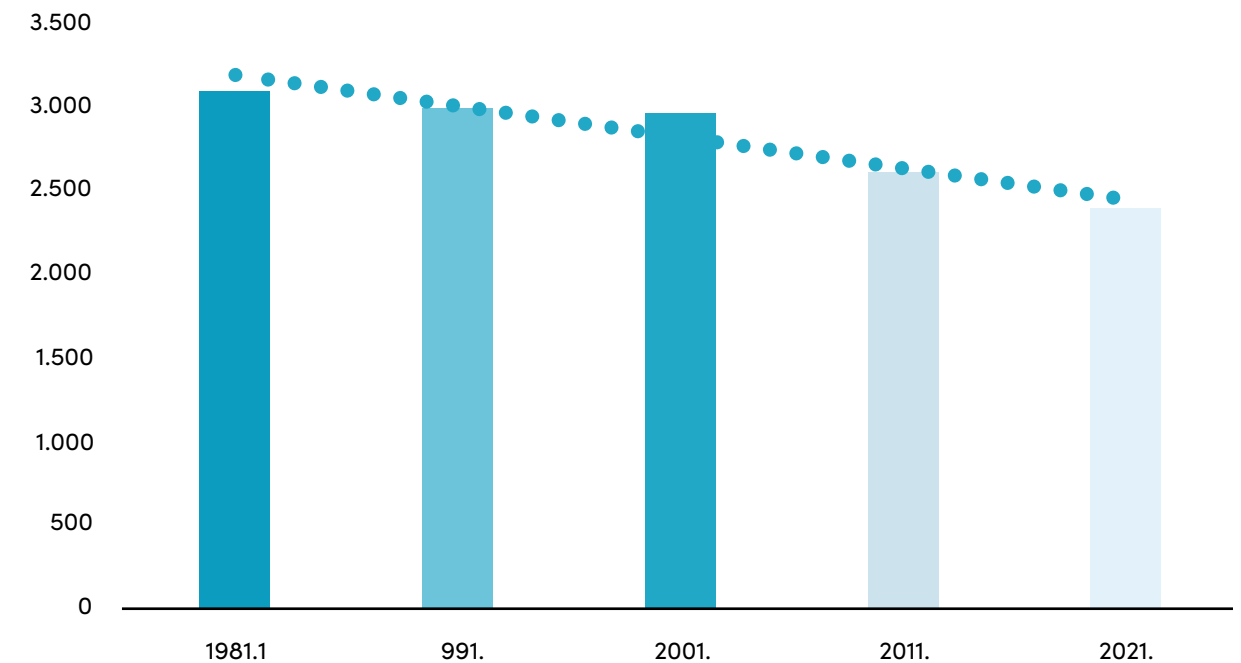


Figure 5. Graphical representation of population trends from 1981 to 2021, Municipality of Sveti Martin na Muri, Source: Croatian Bureau of Statistics

Economy of the Municipality of Sveti Martin na Muri

The main tourism product of the Municipality of Sveti Martin na Muri is the thermo-mineral spa complex at Terme Sveti Martin, which serves as the primary driver of tourism in the entire region. Thanks to this, Sveti Martin na Muri has developed into a reputable destination for active holidays and quality living, and today it truly offers a wide range of tourist resources, attractions, and experiences.

The majority of the tourism offer within the municipality consists of highly categorized accommodation facilities and a variety of tourism and hospitality establishments. Some of the most popular tourist attractions visited during stays in Sveti Martin na Muri include: **the mill and ferry on the Mura River, the ethnographic collection "A Day in the Life of Miller Franc Žalar", The Labyrinth of Love, the Miller's House and Ferryman's House, the Church of St. Martin the Bishop, several marked cycling and walking trails, and especially the Svetomartinska Mura eco-tourism walking and cycling trail.**

The tourism offer in Sveti Martin na Muri in 2023 was based on:

Tourist attractions

which are primarily based on the protected natural heritage of the Mura-Drava Regional Nature Park, which is also part of the UNESCO Mura-Drava-Danube Biosphere Reserve; the cultivated wine landscape of Upper Međimurje; the underground thermal waters at Terme Sveti Martin; protected cultural and historical monuments and sites, especially the Church of St. Martin the Bishop; the ethnographic collection of the Trstenjak family and the visitor interpretation center within the Mlin na Muri Visitor Center; protected intangible cultural

heritage, in particular the “Međimurska popevka” listed by UNESCO; traditional crafts; the gastronomic offer of local restaurants and family farms (OPGs); wine tourism; cultural, entertainment, and sports events; sports and recreational facilities; a network of cycling routes and walking trails, especially the Svetomartinska Mura eco-tourism educational trail, and various other unmarked walking paths, particularly along the Mura River.⁷

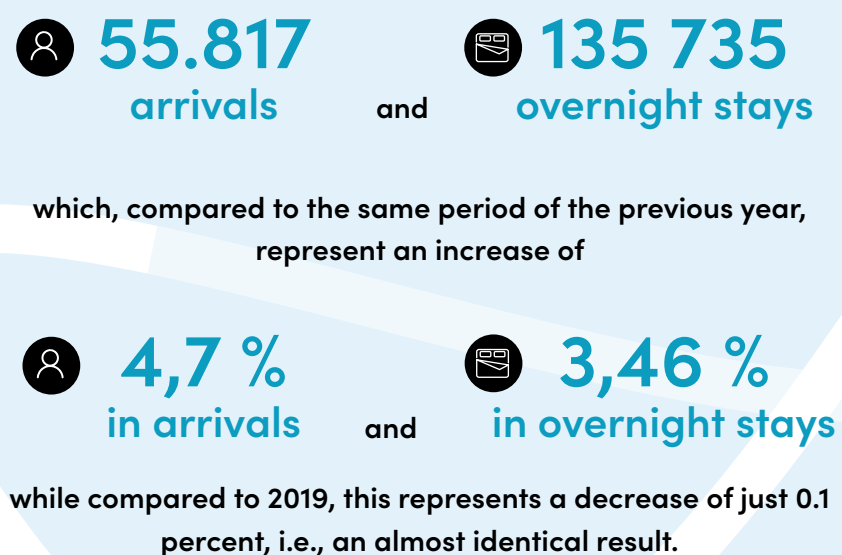
The tourism superstructure

which consists of **67 commercial accommodation facilities** with a total of **825 beds** of which **314 beds are located in the Hotel Terme Sveti Martin, 214 beds in the Terme Sveti Martin apartments**, and **297 beds** in family accommodation units⁸ Additionally, there are **12 camping plots** and **2 mobile homes**, **7 restaurants**, **16 other establishments serving beverages**, and **4 tasting rooms offering wine and local food products**.

The portfolio of established tourism products

which includes Healthness tourism at Terme Sveti Martin, active holidays centered around the Međimurje Cyclist Welcome cycling network, and cultural tourism based on local heritage.⁹

The volume of tourist traffic achieved in 2023.¹⁰ consisted of:



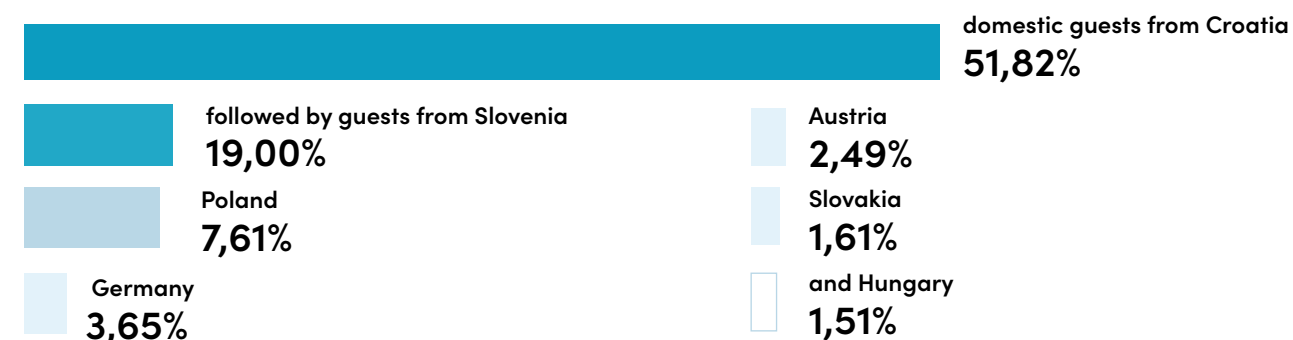
⁷Strategic Marketing Plan for Tourism in Međimurje County until 2020

⁸eVisitor – as of 01 December 2023

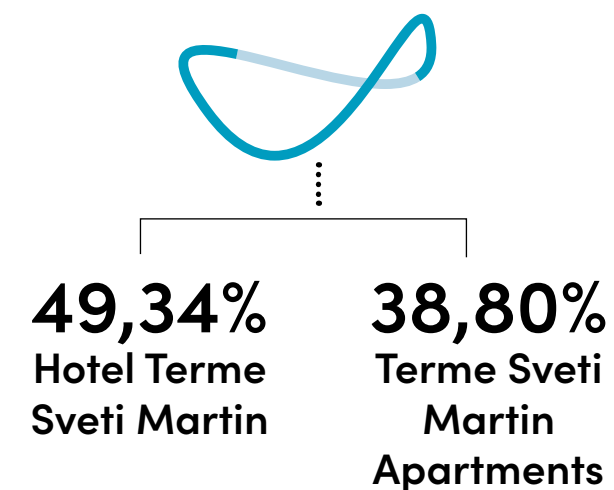
⁹State Administration Office of Međimurje County for the Economy

¹⁰eVisitor – until 01 December 2023

In 2023, the highest number of overnight stays was recorded by



In terms of accommodation types, most overnight stays were recorded at

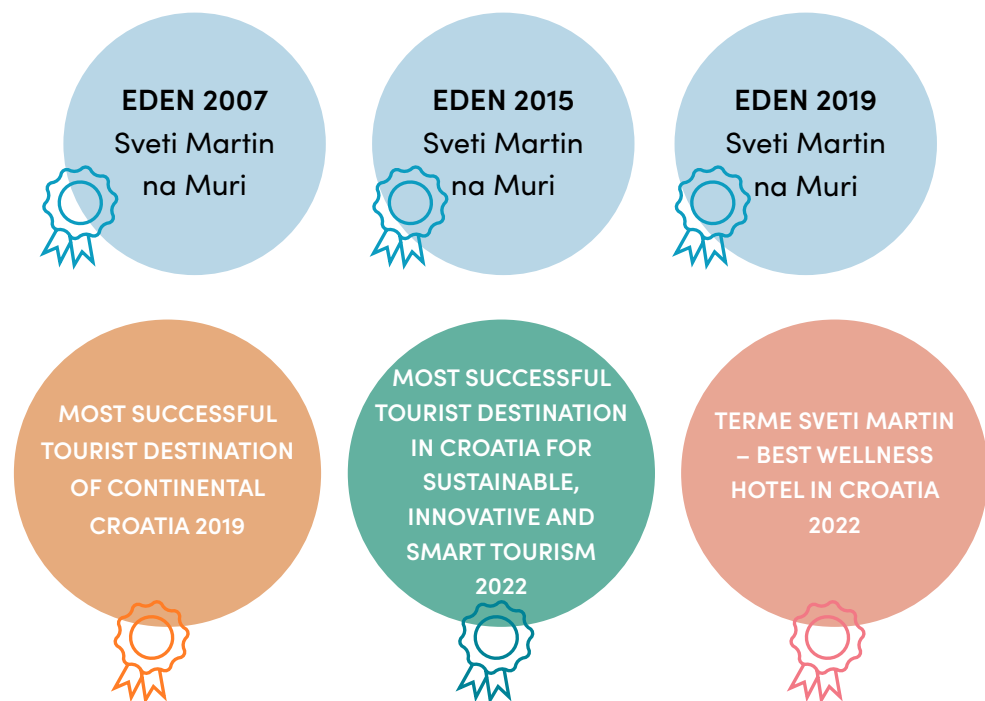


private accommodation – apartments and holiday homes
11,07%

and the Hažić Wine Camp
0,79%



The reputation of the Municipality of Sveti Martin na Muri as a high-quality and attractive tourist destination, both on the domestic market and increasingly on international markets (especially Slovenia, Austria, and Poland), has been confirmed by several prestigious awards. These include three European Destinations of Excellence (EDEN) awards (in 2007, 2015, and 2019), the award for the most successful continental tourist destination in Croatia (2019), and Međimurje County's award for the most successful Croatian tourist destination for sustainable, innovative, and smart tourism (2022). In addition, Hotel Terme Sveti Martin received the award for the best wellness hotel in Croatia (2022), while Međimurje County was honored with a Silver Green Destinations Award, becoming the first region in Croatia and the fourth in the world to receive this recognition.



Aside from Terme Sveti Martin, there is no accommodation facility of the same or higher quality in Međimurje. Apart from Hotel Park, there is also a notable need for a city hotel in Čakovec, which serves as the central hub of the entire county. Other than the Hažić Wine Camp, there is no relevant campground near the border crossing for tourists traveling from distant countries, despite the county's considerable potential for developing campsites in its rich natural surroundings. While there are private accommodation options in the vicinity in addition to what Terme Sveti Martin offers, a large percentage of them do not meet the quality expectations of visitors. Beyond accommodation quality, another significant issue is the lack of attractions and tourism content.

One of the main factors limiting the development of Međimurje as a region, as well as Terme Sveti Martin, is clearly transport connectivity, as Sveti Martin na Muri is poorly connected to the major cities of Međimurje County and other cities in Croatia. The municipality has only one organized public bus line that passes by Terme Sveti Martin—Jakopić Travel, which operates four times a day, with a bus stop located near the turnoff to the resort.

There are two active bus transport providers in Međimurje County: Rudi Express d.o.o. and Jakopić d.o.o. An additional limiting factor is the poor road signage leading to the Terme complex, with virtually no supplementary infrastructure or facilities along the route. Moreover, Sveti Martin na Muri can only be reached by road, as there is no railway connection to the area.



Healthness Resort Terme Sveti Martin

Terme Sveti Martin is a resort complex that includes the Hotel and Apartments Terme Sveti Martin, the Temple of Life indoor thermal pools, the MartiLandia summer Aquapark, a Wellness and Healthness Center, a Sports Center, several restaurants and a pub, as well as the Lumbalis Polyclinic, which is not owned by Terme but is located above the thermal pool area and maintains a close partnership with the resort.

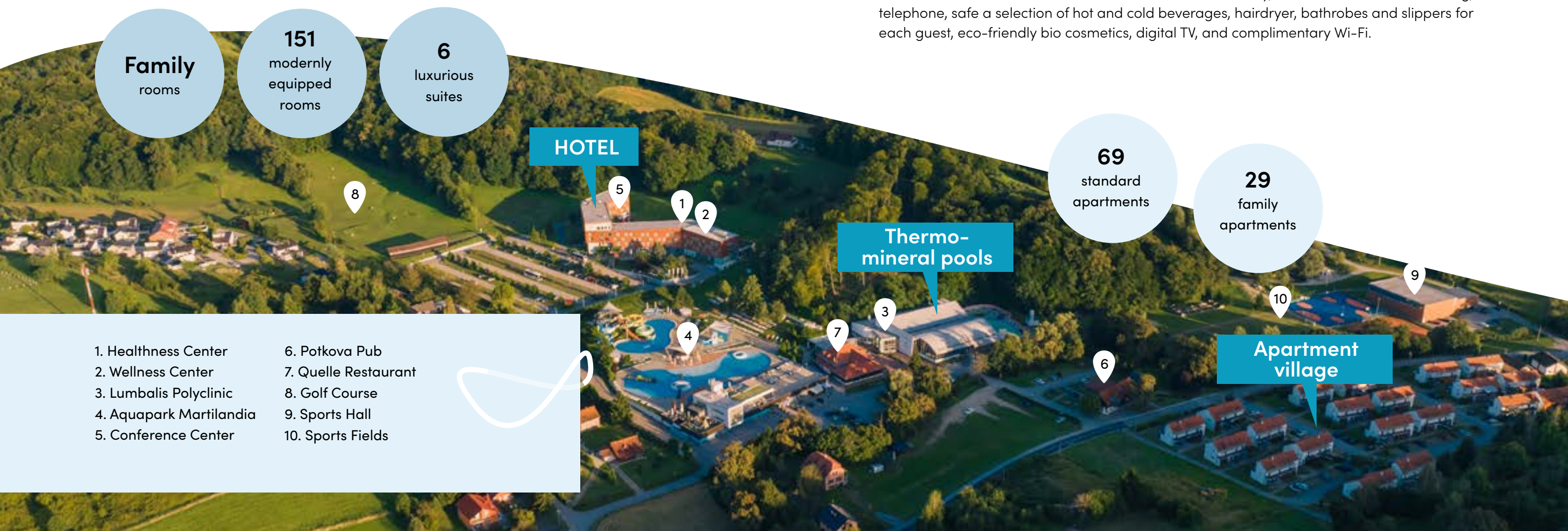
Hotel Terme Sveti Martin offers 151 modern rooms and 6 luxury suites, situated in a lush green landscape. This premium location is ideal for healthy relaxation, peaceful family holidays, business meetings, and active getaways in nature. The hotel is conveniently connected to the Temple of Life thermomineral pool complex, ensuring easy access to all parts of the resort.

During their stay, guests can enjoy a wide range of services, including elevators adapted for persons with disabilities, free secured parking, garage access for an additional fee, a conference center, free Wi-Fi, a fitness center and sports courts, the Healthness Center with its exclusive Body Vitality program, and a Wellness Center featuring a Sauna World, unique massage and beauty treatments, indoor and outdoor pools, laundry facilities, and car rental services available upon request. Additionally, the hotel offers a children's playroom, a teen zone, and pet services, as the entire resort is pet-friendly. For recreation, guests can explore walking trails, various sports courts, and for entertainment, enjoy a variety of engaging animation programs and excursions, or simply relax at Pub Potkova, just a few steps from

the pools. In addition to the pub, dining options include an à la carte restaurant, bars, and buffet-style hotel restaurants.

Beyond standard rooms, Hotel Terme Sveti Martin offers several room types designed for maximum comfort, including Premium Rooms, Deluxe Double Suites with a Terrace, and Junior Double Suites. All accommodation units are equipped with a comfortable bedroom, a bathroom with a glass wall, air conditioning, a telephone, free Wi-Fi, digital TV, a safe, and a minibar, as well as bathrobes, slippers, and eco-friendly natural bio-cosmetics. Selected Premium Rooms also include a terrace or balcony. The newly renovated, spacious and luxuriously furnished suites feature a bedroom, living room, bathroom with a glass wall, steam shower, private Finnish sauna, separate toilet, a terrace overlooking unspoiled nature, a fireplace, and all the standard amenities found in other hotel rooms.

Standard Apartments feature a living room with a pull-out sofa that seamlessly connects to a kitchen and dining area. Guests can enjoy a cozy bedroom with either a double bed or two single beds, along with a bathroom and a terrace or balcony. Essential amenities such as air conditioning, telephone, safe, minibar, hairdryer, digital TV, and free Wi-Fi ensure a pleasant stay. Standard Family Apartments offer a spacious living room with a pull-out sofa connected to a kitchen and dining area, two bedrooms—one with twin beds and the other with a double bed—as well as a separate bathroom and toilet. Guests are also provided with a terrace, air conditioning, a telephone, a safe, a hairdryer, digital TV, and free Wi-Fi. For a touch of luxury, Premium Apartments offer newly renovated spaces that include a bedroom with a double bed, a living room with a pull-out sofa, a kitchen and dining area, and a bathroom. Guests can relax on the terrace or balcony, with access to air conditioning, telephone, safe a selection of hot and cold beverages, hairdryer, bathrobes and slippers for each guest, eco-friendly bio cosmetics, digital TV, and complimentary Wi-Fi.



Premium Family Apartments also boast a contemporary design and consist of two bedrooms—one with a double bed and another with two single beds—a living area with a pull-out sofa connected to the kitchen and dining area, a bathroom, and a terrace. Amenities mirror those of the Premium Apartments, ensuring every guest enjoys a luxurious experience.

Each offering and thoughtfully designed accommodation package combines health, relaxation, and sustainable practices, ensuring that every guest enjoys a transformative experience in harmony with nature. Some of the packages on offer include:

✓

Active & Healthy
promotes physical activity and recreation

✓

Wellness for the Four Seasons
offers seasonal relaxation tailored to the time of year

✓

The One and Only Martinje
is a culinary journey celebrating regional flavors and local traditions

✓

Healthy Family Fun
delivers an unforgettable family holiday during school breaks

✓

Intermittent Fasting Healthness
offers guided programs focused on nutrition and health

✓

Physical Therapy
encourages recovery and rehabilitation

✓

St. Martin Spa Weekend
ensures complete relaxation

✓

Forever Young
supports vitality in older adults

✓

Healthness Reset
is a health-focused getaway

✓

Adrenaline Rush
is designed for adventure lovers with action-packed activities

✓

Just the Two of Us
is a romantic and exciting escape for couples

✓

Girls' Weekend
is designed for women seeking rejuvenation and relaxation

✓

Namaste Detox
provides a holistic detox experience

✓

Decanter Gastro & Wellness
combines gourmet cuisine, fine wine, and wellness

✓

Postoperative Rehabilitation
focuses on specialized recovery programs

✓

Athletes on Vacation
offers active guests a chance to unwind and recharge

✓

Healthy Spine
promotes spinal health and posture

✓

Check-up Retreat
is a comprehensive wellness screening program

✓

Healthy Heart
supports cardiovascular health

The resort features an impressive selection of **10 restaurants and bars**, each offering a unique experience.

The Quelle buffet restaurant
is a place for traditional dishes served in a rustic setting that embodies the essence of Međimurje. Authentic flavors are complemented by a warm atmosphere, with special themed dinners that enhance the dining experience.

Restaurant Le Batat
blends innovation with tradition through an à la carte menu of healthy specialties made from locally sourced ingredients. The restaurant is committed to procuring the highest quality products from local producers, ensuring the freshness and nutritional value of every dish.

Pub Potkova
caters to both beer enthusiasts and food lovers, offering a wide selection of craft beers paired with homemade burgers. Its lively and welcoming atmosphere, enhanced by live music every weekend, makes it the perfect gathering spot for friends and groups.

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ESG Strategy 23



Aqua38

serves guests looking for a three-course meal while enjoying the spa or aquapark. It is named after the healing thermal water that naturally emerges at a soothing temperature of 38°C.



The Falat buffet restaurant

offers a wide variety of dishes served buffet-style, with a view of the biodynamic garden and surrounding nature. The name "Falat," meaning a piece or slice of food in the local dialect, reflects the restaurant's mission to serve healthy, local, and flavorful meals.



Ion bar located in the hotel lobby, offers a selection of beverages designed to enhance well-being by harnessing the power of negative ions, which help maintain the body's pH balance and ensure proper hydration.



W Bar

located by the indoor pools, offers revitalizing smoothies and beverages that nourish the body and enhance the wellness experience after bathing in the thermal water.



During the summer months, Aquapark MartiLandia offers guests several refreshment options, including the Marti's Food & Drink fast-food restaurant, a central bar serving a variety of beverages and cocktails, and the Cukrin patisserie, where visitors can enjoy ice cream and other sweet treats.

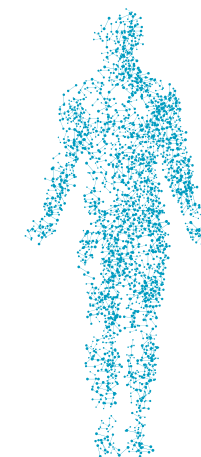
The Terme Sveti Martin complex also stands out for its **Wellness and Healthness** services, which make it truly unique. Wellness here is defined as a harmonious balance of physical, mental, spiritual, emotional, and social well-being. The Wellness & Healthness Centre spans **1,800 m²** and offers more than **20 types of massages**, a modernly designed Sauna World, and a Beauty Centre with a wide selection of cosmetic treatments. Signature experiences include handmade scrubs, massage bars, and treatments based on eco-friendly and locally sourced natural products, all crafted by the resort's wellness staff.



The Temple of Life

The Temple of Life indoor pools integrate authentic local elements and aspects of the anthroposophical philosophy of Dr. Rudolf Steiner, which inspire a quality of life that merges health and pleasure. At the heart of the complex is thermo-mineral water, proven to be over 43,000 years old and recognized as one of the most healing thermal waters in Europe. This precious resource, accidentally discovered in 1911 during oil exploration, has become a vital part of the heritage and wellness culture of the local community. With a natural water temperature of 38°C emerging from a depth of 800 meters, this thermal water restores vitality and promotes overall well-being. Its therapeutic properties effectively treat joint problems, rheumatism, sciatica, skin conditions, and infections, while also positively influencing the central nervous system and aiding with metabolic and psychosomatic disorders.

Wellness at Terme Sveti Martin is further enhanced by a rich selection of massages that improve circulation, relieve tension, and encourage deep relaxation. Expert staff recommend treatments tailored to individual needs and preferences, such as anti-stress or classic therapeutic massages, lymphatic drainage with aromatherapy, reflexology, and the signature Sveti Martin massage with oil and grape seed flour. The Thai Relaxing Corner offers authentic traditional Thai massages performed by therapists trained at the Royal Academy in Thailand. After a rejuvenating massage, guests can unwind in the Refresh Corner, enjoying the soothing scents of natural essential oils along with healthy beverages and light snacks. The Sauna World boasts modern luxury and includes a Finnish sauna, steam room, herbal sauna, and ice cave – all designed to enhance the health benefits of sauna use.



At Terme Sveti Martin, guests are encouraged to adopt healthier habits. The Body Vitality program utilizes frequency medicine to conduct preventive health assessments, helping guests gain insight into their physical condition and potential health challenges. The advanced Body Vitality Scan offers detailed feedback on various health parameters and promotes overall well-being, particularly beneficial for individuals facing high physical or mental stress, athletes, and those seeking preventative care. After each assessment, guests receive personalized consultations to define the appropriate frequency therapies and lifestyle changes.





Aquapark MartiLandia adds to the resort's offerings with its spacious pools, water slides, and various entertainment options, making it an ideal destination for family holidays. Spanning 2,600 square meters, Aquapark MartiLandia features thrilling water slides, a covered children's pool, and playgrounds designed to delight both kids and adults alike.

The resort also features a **comprehensive sports center** that includes a sports hall, fitness room, gym, tennis courts, a multifunctional sports field, **walking, running, and cycling paths, golf and disc golf courses, football and basketball courts, as well as a bike rental service available at the hotel reception.** Recognized as a year-round destination for both professional and recreational athletes, Terme Sveti Martin elevates the sports experience to new heights. With exceptional training conditions, the resort has become a go-to location for training camps and active holidays, catering to the needs of both professionals and enthusiasts with excellent climate conditions, high-quality sports infrastructure, modern and comfortable accommodation, and specially tailored meals made from top local ingredients.

Located in the northern part of Croatia, Terme Sveti Martin is strategically positioned near Slovenia, Austria, and Hungary, making it a perfect choice for hosting conferences, seminars, meetings, events, and teambuilding activities. The resort offers a diverse selection of modern conference halls that can accommodate between 20 and 500 participants, each equipped with state-of-the-art technology.



3.4. Market and Competition Analysis According to ESG Criteria

According to research, the integration of ESG (Environmental, Social, and Governance) topics and/or sustainable business alignment in Croatian companies is still not at a satisfactory level. Although awareness is gradually increasing among businesses in Croatia regarding the need for socially responsible practices, there remains considerable room for improvement. Key obstacles include a lack of financial resources, insufficient expertise and skills, and limited awareness among company managers and owners about the importance of ESG topics and socially responsible business conduct. Nonetheless, a number of companies across various sectors in Croatia have embraced ESG sustainability strategies and recognize the importance of corporate social responsibility (CSR) in their business operations. Among these are established names such as Adris grupa, Ericsson Nikola Tesla, Končar, Podravka, Valamar Riviera, and HEP, each of which has adopted different approaches to responsible and sustainable practices – from improving employee social protection and environmental stewardship to community support and ethical governance. In recent years, the Croatian government has also begun to raise awareness and implement support mechanisms for ESG and CSR. For example, the National Forum for CSR was established, and in 2017, the National Programme for Corporate Social Responsibility (2017–2020) was adopted. Additionally, the transposition of the Corporate Sustainability Reporting Directive (CSRD) into Croatian accounting legislation is underway.

A comprehensive sustainability strategy, or ESG strategy, provides a framework across an entire organization by addressing economic, geopolitical, environmental, social, and technological challenges. It also allows for the flexible integration of emerging sustainability topics into corporate decision-making.

Currently, six companies in the accommodation and food service sector are subject to mandatory non-financial reporting: Arena Hospitality Group d.d., Liburnia Riviera Hotel d.d., Plava Laguna d.d., Solaris d.d., Sunce Hoteli d.d., and Valamar Riviera d.d. Meanwhile, Imperial d.d. and Maistra d.d. are exempt from individual reporting obligations because they are covered by consolidated non-financial reports prepared by their parent companies (Valamar Riviera and Adris Grupa, respectively). According to the CSRD, the obligation to report in line with the new standards begins on January 1, 2024, for companies listed on regulated EU markets. In 2025, it will extend to all large companies; in 2026, to small and medium-sized enterprises; and in 2027, to companies from third countries conducting substantial business within the EU.

3.5. Analysis of Selected Competitor

Valamar

Valamar Riviera d.d. is one of the leading hotel chains in Croatia, specializing in hotel and resort services in the tourism sector. Valamar manages over 30 hotels and tourist complexes

located in attractive locations along the Adriatic coast. Some of these properties include hotels, apartment complexes, campsites, and luxury villas. The company is well-known for its initiatives in the field of social responsibility and sustainability, and it actively participates in environmental preservation, support for the local community, and the development of programs for the protection of cultural heritage. Valamar is an example of a company that takes its social responsibility and ESG (Environmental, Social, and Governance) criteria seriously. The company’s efforts in environmental protection, community engagement, and care for its employees position it as a leader in sustainable tourism in the region. These efforts not only contribute to a better environment but also have a positive impact on the local community and the tourism industry. Some of the most notable practices through which the company implements socially responsible business and sustainability include the following:

⋮

- Valamar has committed to sustainable construction and property management, implementing energy-efficient technologies and practices to reduce energy consumption.
- The hotel chain takes care to use water efficiently, including systems for recycling and reusing water.
- Valamar collaborates with local communities and environmental organizations and actively participates in nature conservation and ecosystem restoration projects.
- The Valamar hotel group invests in the development of its employees through education, training, and mentoring programs.
- Valamar also engages with local communities through various initiatives, supporting local projects and contributing to the development of tourist destinations.
- In addition to financial contributions, Valamar encourages its employees to volunteer in their local communities.
- The company adheres to high standards of transparency in business and ethical conduct.
- Valamar regularly publishes reports on corporate social responsibility, ensuring transparency regarding its activities and achievements.
- It has received numerous awards in the tourism industry for service quality, sustainability, and social responsibility.



Bluesun Hotels & Resorts

Bluesun Hotels & Resorts encompasses hotels and resort complexes along the Adriatic coast, a campsite, and one leased property with its airport on the island of Brač, along with other tourism-related assets located in four popular tourist destinations: Starigrad-Paklenica, Brela, Bol, and Tučepi. Each hotel offers a unique Croatian experience, whether it reflects the landscapes of Velebit, Biokovo, or Dalmatia. Guests can always expect reliable and proven service and quality, with accommodation located by some of the most beautiful beaches in Croatia, making it an ideal place for a relaxing holiday. Some of the most significant practices through which the company implements corporate social responsibility and sustainability include:



Water use reduction policy (an active water consumption policy that is implemented and monitored), water usage (measured monthly), flow restrictors and aerators (installed in all rooms), water-saving toilets (dual flush buttons or other water-saving devices installed in toilets), and irrigation system control (throttling valves to manage specific flow rates).

Reduction of electricity consumption through the use of energy-efficient equipment, as well as educating employees and guests with written instructions on how to use energy rationally.

Automatic on/off system – at locations where feasible, an automatic activation/deactivation system is used.

Equipment “shutdown” policy – all equipment is turned off after working hours (not left in standby mode).

The Bluesun hotel chain is focused on handling waste and packaging in a proper and appropriate manner, with particular emphasis on preserving the natural environment on its premises, especially the protection of beaches and ecosystems.

The hotels offer a wide range of services, including eco-friendly products that have a significant impact on the food culture and environmental protection within the local community.

In Bluesun hotels, special attention is given to maintenance products that may contain hazardous substances or potentially cause pollution.

Waste management is carried out through partner companies that specialize in waste disposal.

Bluesun Hotels & Resorts collaborates with local communities to achieve mutual benefits through investments in tourism.

Aminess Lume Hotel

Aminess Hotels & Resorts is a unique brand on the market, recognized by both employees and guests. Located in close proximity to the Adriatic Sea, Aminess properties are bathed in sunlight and surrounded by Mediterranean greenery. They offer impeccable service and numerous amenities, but are most remembered for the feeling they provide: an escape from everyday life and enjoyment of life’s simple pleasures—nature, the sea, the sun, socializing, music, food, and recreation. The brand is well known for its sustainable business practices, with some examples of these practices including:



All Aminess hotel and campsite properties implement socially responsible business practices through a commitment that goes beyond legally prescribed requirements, striving to raise standards of social development, environmental protection, and respect for human rights.

All properties implement quality control and environmental management systems in accordance with ISO standards.

Aminess Lume Hotel holds the Sustainable Hotel certificate – a certification awarded by UPUHH under the patronage of the Ministry of Tourism of the Republic of Croatia.

Aminess facilities are equipped with separators for waste oils and fats, and the green areas around the hotels are planted with native plants cultivated using pressed horse manure. Used textiles and furniture from the hotel are donated to associations and institutions.

Guests are also offered alternative transportation – bicycle rental, allowing them to ride along a well-maintained seaside path all the way to the town.

In the camps, the use of solar energy is increasingly promoted through the installation of solar thermal collectors, and the principle of systematic waste recycling is actively upheld.

The beaches of Aminess properties have proudly held the Blue Flag for beaches for 15 consecutive years. This international environmental program focuses on the protection of the environment, the sea, and coastal areas. Its primary goal is the sustainable management and governance of the sea and coastline through environmental education, raising public awareness, and informing the public about the importance of preserving marine and coastal ecosystems.

Information about the principles and policies of social responsibility and activities related to sustainability can be found in the “Friendly to Green Heritage” map, which is publicly available.



Terme Tuhelj

Terme Tuhelj is one of the most well-known wellness and spa complexes in Croatia, located near the town of Tuhelj, not far from Zagreb. In terms of corporate social responsibility, the tourist complex is recognized for its commitment to sustainability and social responsibility. Some of the most notable practices through which the company applies corporate social responsibility and sustainability include the following:



- Environmental awareness at Terme Tuhelj is at an admirable level, and those responsible for operations actively strive to reduce the environmental impact of the resort’s functioning. They use renewable energy sources—solar energy through solar panels and geothermal energy—for heating water and indoor spaces. They also focus on efficient water consumption and waste reduction.
- Terme Tuhelj collaborates with local communities to support local initiatives and contribute to regional development, assists in organizing cultural events and activities, and promotes local products and services.
- Terme often provide a significant number of jobs within the local community, employing residents, and promoting equality, diversity, and respect for human rights among their employees.
- They regularly organize educational programs and workshops on sustainability, health, and wellness for their guests and employees, with the aim of raising awareness about the importance of environmental protection and a healthy lifestyle.
- Terme Tuhelj holds various certificates and awards in recognition of its efforts in the field of sustainability and social responsibility.

Terme Selce

Terme Selce, located near Crikvenica, is also known for its commitment to sustainability. They use renewable energy sources for heating water and premises, and continuously invest in reducing water and energy consumption. They also support the local community through various initiatives and events. Some examples of their sustainable practices include:



- The implementation of energy-efficient systems for heating, cooling, and lighting to reduce energy consumption.
- Efficient use of water and appropriate waste management practices, including recycling systems, waste reduction, and water-saving measures.
- Cooperation with the local community, support for local suppliers, promotion of local culture and art, and participation in joint events and initiatives.

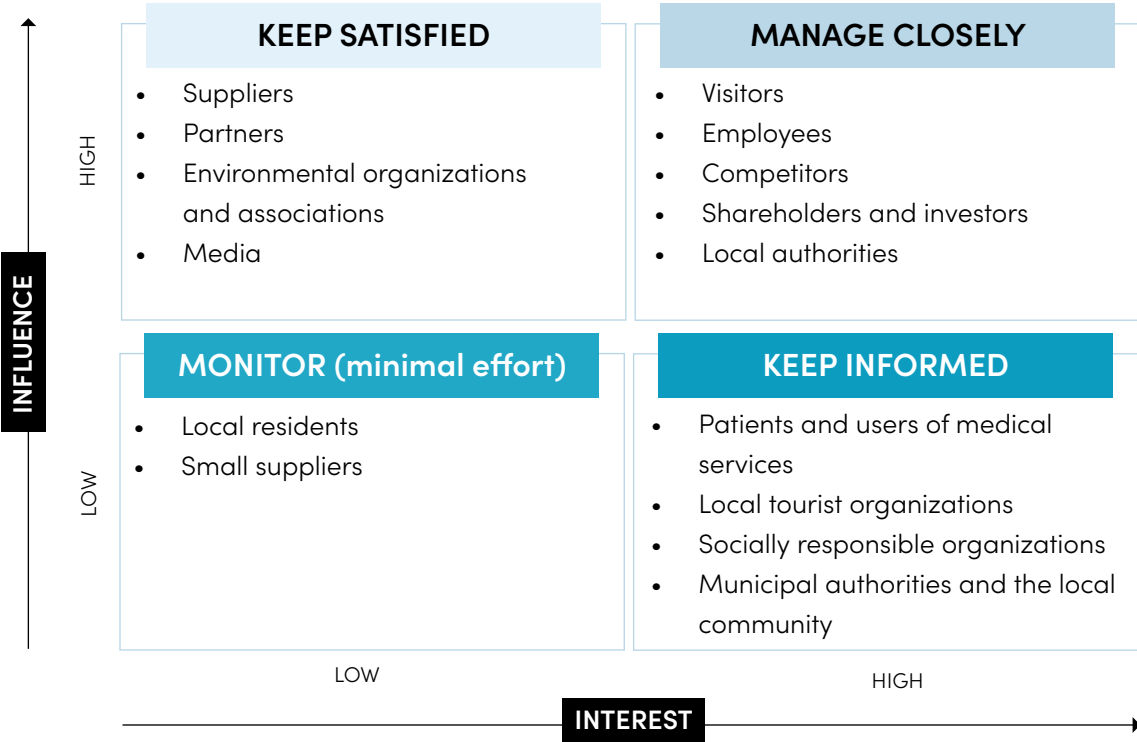
- Environmentally friendly cleaning products and encouraging guests to engage in eco-friendly practices during their stay.
- Care for employees, including information on working conditions, training, respect for human rights, and opportunities for advancement.

3.6. Stakeholder Analysis

The fundamental premise of stakeholder analysis is that different groups have different interests, capacities, and issues that need to be individually assessed during the business planning process in order to adequately identify problems and goals and choose the right strategy. This analysis helps better understand the needs, expectations, and influence of each group.

Table 1 presents the results of the stakeholder analysis. Stakeholders were defined through an analysis of the environment and business challenges, socio-demographic and territorial analysis, and a market and competition analysis based on ESG criteria. The identified stakeholders were then placed into a matrix of influence and interest concerning the company’s operations. The matrix aims to determine which type of stakeholder is a key interest group for the company. The most relevant stakeholder groups should be closely managed, while the other groups should: (a) be kept satisfied, (b) be monitored, or (c) be kept informed.

Table 1. Analysis of Stakeholder Groups According to Their Influence and Interest in the Company’s Operations



In this context, it was concluded that the stakeholders with the greatest influence and interest in the operations of Terme Sveti Martin and the success of its business are visitors, employees, competitors, shareholders and investors, and finally, local authorities. Visitors are the key stakeholder group that must be continuously managed closely, as business success depends on their satisfaction. **Their expectations include a clean and safe environment, high-quality wellness services, comfort, reasonable prices, and friendly staff. Terme must consistently provide an outstanding customer experience in order to attract and retain guests, which, according to business results, they successfully do. Furthermore, Terme staff play a crucial role in delivering services and creating the atmosphere. Their needs include fair wages, opportunities for advancement, a safe and supportive working environment, and favorable working conditions.** As the quality of Terme's services depends on its workforce and the provision of **good working conditions**, employees belong to the group with both high interest and high influence. Another important stakeholder in the operations of Terme Sveti Martin are residents of the surrounding areas, as the company's activities directly affect the **local economy, infrastructure, and environment**. Competitors are also recognized as a group with high interest and influence. Competition—especially healthy competition—is always welcome, as it drives continuous business improvement, focus on quality, and the **development of services and skills**. In conclusion, competitor analysis helps identify trends and practices that can be implemented in one's own operations. The final stakeholder group includes shareholders and investors, who expect financial success and the sustainability of Terme based on their investments. Their interest lies in profitability, **return on investment**, and long-term business growth, which is why they are also positioned in the quadrant of high influence and interest.

In the quadrant of high influence and low interest are the suppliers and partners. Effective collaboration with reliable suppliers ensures the quality of the offer, which is why it is in Terme's interest to keep suppliers satisfied in the partnership. High influence implies that the activities of suppliers and their cooperation with Terme can significantly affect the business. The quality of the products and services that suppliers provide directly impacts guest satisfaction and the overall quality of Terme's offer. Issues with suppliers, such as delivery delays or subpar quality, can negatively affect the reputation of the thermal resort, and thus, it is crucial to maintain their satisfaction. Low interest suggests that suppliers are not directly involved in the daily operations of Terme or do not show a strong desire to actively participate in management or decision-making. Their focus is more directed toward providing products or services under agreed terms.



When stakeholder analysis indicates that partners have high influence but low interest, it refers to partners who are critical to the operations of Terme but do not have a strong interest in directly participating in management or decision-making. These partners play a key role in the company's functioning. Their services, resources, or cooperation significantly impact the business and the quality of service. These are partners who provide specific wellness treatments, hospitality services, education, or infrastructure. If partners fail to deliver quality services or resources, it can negatively affect the overall guest experience and the company's

operations. Although partners are essential for Terme's business, their interest may be more focused on their specific services or resources. When interest is low, partners do not seek to actively engage in managing Terme or making strategic decisions. Their main purpose is to provide their services or resources within the agreed framework. This suggests that Terme has important partners with whom they collaborate to offer a **comprehensive guest experience**. However, partners prefer not to be deeply involved in the business aspects of Terme and instead focus on delivering quality services or resources that contribute to the overall offering. Environmental organizations and associations have a significant influence because they focus on environmental protection and the promotion of sustainable practices. Since Terme typically utilize natural resources such as thermal waters and have an impact on the environment, environmental organizations are sensitive to how these resources are used and **how environmental impacts are managed**. If Terme fails to implement sustainable practices or neglects environmental aspects, this can lead to negative reactions from environmentally conscious organizations. Although these organizations have high influence regarding environmental protection, their interest in the company's day-to-day business is low. Their role is to promote sustainability and protect nature rather than to participate in daily management or business decisions. The media have a high influence due to their ability to rapidly and widely disseminate information. They shape public opinion, influence perception and **reputation**, and spread news about activities. Positive or negative media coverage can significantly affect Terme's business and reputation. While the media influence how Terme are perceived by the public, their interest in the company's internal operations is low. Media outlets typically focus on publishing relevant news, stories, and events, but their interest is limited to what attracts public attention. The neighborhood and smaller suppliers have been identified as stakeholders with low influence and low interest in the operations of Terme. Although residents live near the Terme and are neighbors, they do not have a significant impact on the business. Their interest mainly concerns safety, the environment, and similar issues, but their influence on Terme's operations is generally limited. Furthermore, suppliers who provide less critical products or services and do not play a key role in the company's operations also have minimal impact. Their influence and interest are limited due to the less significant role they hold in the overall supply chain.

In the final quadrant of low influence but high interest are patients and users of medical services, local tourist organizations, socially responsible organizations, as well as local authorities and the community. Individuals receiving medical services within Terme have a strong interest in obtaining high-quality medical treatments, but are not necessarily involved in strategic business decisions. Local tourist organizations promote tourism in the area where Terme is located. They have a strong interest in attracting tourists and promoting the destination, but do not directly influence the company's operational aspects. Socially responsible organizations advocate for social responsibility and sustainability. They have a high interest in monitoring and evaluating the sustainability of Terme's operations, but are not necessarily engaged in daily business processes. Lastly, local authorities and residents of the area where Terme operates have a strong interest in economic development, employment, and community impact, but they do not typically make key business decisions.





Terme's reflection on stakeholders to be included in the significance assessment of ESG topics through the Significant Topics Questionnaire:

Director

Terme Sveti Martin has included the Director segment in their Significant Topics Questionnaire due to the key role directors play as stakeholders. Directors are crucial in shaping organizational policies, overseeing corporate governance, and influencing strategic decision-making. Their perspectives on ESG matters are vital given their responsibility for the overall direction and performance of the company. The relationship with directors is significant because they represent the leadership and management structure of Terme Sveti Martin, ensuring that sustainable practices align with the company's vision and values. Directors hold a unique position in understanding internal dynamics and external expectations, making their insights valuable for formulating and implementing an effective ESG strategy. Terme Sveti Martin recognizes the importance of directors as stewards of the company's long-term success and, therefore, seeks their input to enhance the materiality and significance of their ESG initiatives. Including directors underscores a commitment to transparency, accountability, and responsible business practices, ultimately contributing to a more comprehensive and impactful ESG strategy.

Manager

Terme Sveti Martin has included the segment of Managers in their Significant Topics Questionnaire, recognizing the important role managers play within the organization. Managers act as implementers of corporate policies, ensuring that daily operations align with broader strategic goals, including those related to sustainability and responsible business practices. The relationship with managers is crucial because they bridge the gap between strategic direction and practical execution, making them key drivers in initiating and embedding ESG principles throughout the organization. Their insights provide a frontline view of operational sustainability aspects, offering valuable contributions to the development and implementation of effective ESG initiatives. Terme Sveti Martin places great importance on involving managers in the ESG dialogue because their commitment to sustainable practices directly impacts the company's operational efficiency, risk management, and overall corporate reputation. By including managers, Terme Sveti Martin aims to enhance the materiality and significance of their ESG strategy, ensuring alignment with daily activities that contribute to the company's long-term sustainability goals.

Employees

Terme Sveti Martin intentionally included the Employee segment in their Questionnaire on Significant Topics, recognizing the fundamental role employees play as key stakeholders within the organization. Employees are at the core of daily operations, and their perspectives and engagement are vital for fostering a sustainable and socially responsible corporate culture. The relationship with employees is crucial because they directly contribute to the company's success and are an integral part of its overall social structure. Their experiences, values, and feedback provide valuable insights into the social aspects of sustainability, workplace well-being, and community impact. Employees also act as ambassadors, influencing the company's reputation and culture both inside and outside the organization. Terme Sveti Martin places great importance on involving employees in the ESG dialogue, understanding that their commitment to sustainability can drive meaningful change. By engaging employees in shaping the ESG strategy, Terme Sveti Martin aims to enhance the materiality and significance of their initiatives, ensuring alignment with the values and expectations of their workforce. This inclusive approach fosters a sense of shared responsibility and strengthens the company's dedication to creating a positive impact on employees and the wider community.

Owner/Shareholder

Terme Sveti Martin included the Owner/Shareholder segment in their Questionnaire on Important Topics, recognizing the significant influence owners have on shaping the company's overarching goals and direction. Owners have a strong interest in the long-term sustainability and responsible business practices of the organization. The relationship with owners is the most important because they hold the financial and strategic power that can

influence the company's decision-making processes. Their perspectives on ESG issues are crucial as they often have a direct impact on corporate governance, financial investments, and the overall corporate strategy. Terme Sveti Martin emphasizes involving owners to ensure that the company's sustainability initiatives align with their expectations and investment objectives. By including this segment, Terme Sveti Martin strengthens their commitment to transparency, responsible management, and long-term value creation. This collaborative approach seeks to align the company's interests with those of its owners, creating a shared vision for sustainable and ethical business practices.

Guests

Terme Sveti Martin has included the Guest segment in their Questionnaire on Important Topics, recognizing the role guests play as stakeholders who directly experience the company's services and interact with its offerings. Guests, as consumers, have the ability to influence and shape market perceptions based on their experiences, preferences, and expectations. The relationship with guests is crucial because their satisfaction and feedback directly affect the success and reputation of Terme Sveti Martin. Their views on sustainability, social responsibility, and ethical business practices are valuable indicators of the company's impact on the wider community and environment. Terme Sveti Martin prioritizes including guests in the ESG dialogue to ensure that their sustainability initiatives align with their values and expectations. By involving the guest segment, Terme Sveti Martin demonstrates a commitment to meeting and exceeding guest expectations while simultaneously promoting a positive impact on the environment and local communities. This approach strengthens the company's dedication to responsible business and builds a stronger connection between Terme Sveti Martin and their valued guests.

Suppliers

Terme Sveti Martin has included the Supplier segment in their Questionnaire on Significant Topics, recognizing the integral role suppliers play in the company's value chain and overall sustainability efforts. Suppliers are partners whose practices can influence the ESG performance of Terme Sveti Martin, including their impact on the environment, labor practices, and ethical sourcing. The relationship with suppliers is crucial because their collaboration affects the resilience of the company's supply chain, environmental impact, and social responsibility. By working with suppliers on ESG issues, Terme Sveti Martin seeks to foster a shared commitment to sustainable and ethical business practices throughout the entire value chain. This collaborative approach emphasizes the importance of procurement, environmental protection, and social responsibility within the supply chain. By aligning with suppliers on ESG goals, Terme Sveti Martin works to create a more sustainable and resilient ecosystem that benefits both the company and its broader network of partners.

Local Community Members

Terme Sveti Martin has included the segment Local Community Member in their Questionnaire

on Significant Topics, recognizing the profound impact the company has on the local community and the reciprocal influence the community can have on Terme Sveti Martin. Members of the local community are vital stakeholders because they are directly affected by the company's operations, environmental practices, and community engagement. The relationship with local community members is of utmost importance, as their perspectives and well-being are intertwined with the success and sustainability of Terme Sveti Martin. Including this segment helps the company understand and respond to the community's specific needs, concerns, and aspirations, fostering a collaborative approach to responsible business practices. By understanding and addressing the community's expectations, Terme Sveti Martin aims to positively contribute to the local social fabric, economic development, and environmental preservation. This inclusive approach aligns the company's ESG goals with the values and well-being of the local community, promoting a sustainable and mutually beneficial relationship.

Government Institutions

Terme Sveti Martin has included the segment Government Institutions in their Questionnaire on Significant Topics, recognizing the integral role that government institutions play in shaping regulatory frameworks, policies, and standards that can impact the company's operations and responsibilities. Government institutions influence the legal and regulatory environment within which Terme Sveti Martin operates. The relationship with government institutions is crucial because their policies and guidelines can significantly affect the company's environmental practices, social responsibility, and compliance with governance standards. Engaging with this segment enables Terme Sveti Martin to align their ESG strategy with regulatory expectations and contribute to broader sustainable development goals. By understanding and collaborating with regulatory bodies, the company aims to ensure compliance, foster responsible business practices, and demonstrate a commitment to operating within the legal and ethical frameworks established by the state. This approach strengthens Terme Sveti Martin's dedication to responsible corporate citizenship and sustainable growth within the regulatory context.

Credit Institutions

Terme Sveti Martin has included the segment Credit Institutions in their Questionnaire on Significant Topics, recognizing the role that credit institutions play in shaping financial relationships and providing capital that can influence the company's sustainability efforts. Credit institutions can impact Terme Sveti Martin's access to financing, and their views on ESG criteria can affect financial support. The relationship with credit institutions is crucial because their financing decisions increasingly consider ESG factors. Including this segment enables Terme Sveti Martin to align their ESG strategy with the expectations of credit institutions, ensuring that the company's sustainability initiatives are not only environmentally and socially responsible but also financially prudent. By understanding and responding to the financial sector's expectations regarding responsible business practices, the company aims to strengthen its financial resilience, access to capital, and overall market reputation. This



collaborative approach reinforces Terme Sveti Martin's commitment to sustainable growth, financial responsibility, and aligning operations with industry development standards.

Media

Terme Sveti Martin included the Media segment in their Questionnaire on Significant Topics, recognizing the influential role that the media play in shaping public perception and disseminating information. The media can amplify the company's ESG initiatives, share the story of sustainability, and influence public discourse on responsible business practices. The relationship with the media is crucial because their reporting can affect the reputation of Terme Sveti Martin and stakeholder perceptions. By involving this segment, the company can convey its commitment to sustainability, share achievements, and address any potential misunderstandings or misconceptions that may arise. By fostering transparent and open communication with media stakeholders, the company aims to build a positive narrative around its ESG efforts, contributing to a broader understanding of its dedication to environmental protection, social responsibility, and ethical governance. This collaborative approach strengthens Terme Sveti Martin's commitment to transparency, accountability, and effective communication on its path to sustainability.

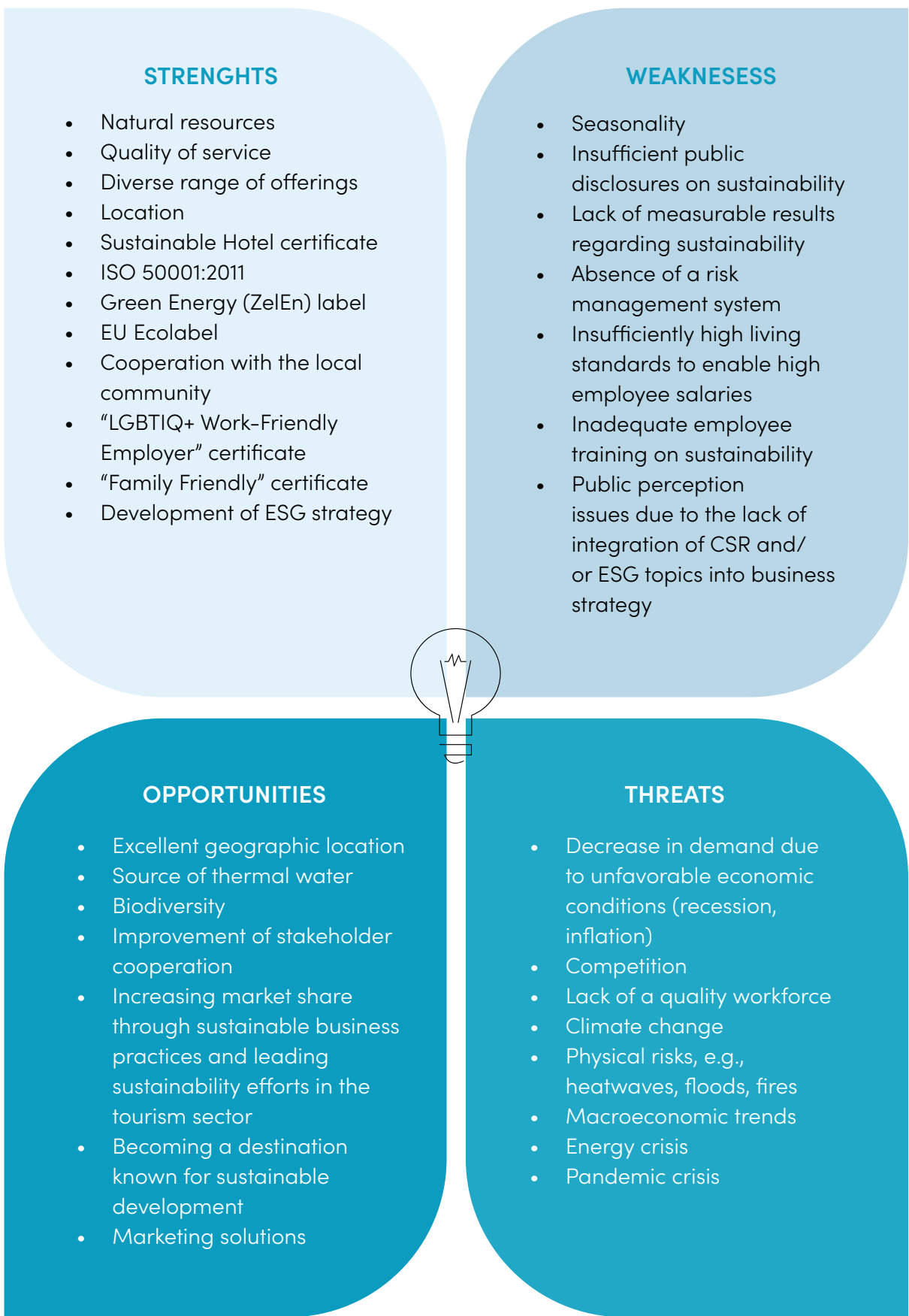
3.7. SWOT Analysis

SWOT analysis is a systematic collection of data about a company's internal factors, namely strengths as positive factors and weaknesses as negative ones, as well as external factors, namely opportunities and threats that the company faces in its environment. The increasing dynamism present in the market compels entrepreneurs to carefully choose the way they will compete with their competitors, including Terme Sveti Martin.



Table 2 presents the SWOT analysis of Terme Sveti Martin, followed by a detailed explanation of the SWOT analysis results.

Table 2. SWOT Analysis of Terme Sveti Martin



Terme Sveti Martin as a destination possesses various advantages for further development of tourism and the economy. Their most significant advantage is their **territorial location**; they are very well positioned, right at the border with Slovenia and Hungary. Furthermore, the Terme is surrounded by natural beauty and resources that enhance the stay and give it a special charm. Within the municipality, there is a thermal water source that served as the foundation for developing the Terme Sveti Martin brand, making the Terme also the **driver of tourism in Međimurje**. They generate the highest tourist traffic in the entire county and unite local family farms (OPGs) that supply them with organically grown produce. Terme Sveti Martin holds numerous certificates that position them as a company committed to socially responsible business practices.

Although Terme Sveti Martin bases their operations on many positives, certain weaknesses can influence the achievement of more favorable business outcomes. **Seasonality** in the municipality is high, which also affects the Terme's operations. This is most evident in the fact that the highest occupancy of the Terme occurs during the summer months. Even though the Terme offers various packages throughout the year to attract new guests, seasonality remains present. Additionally, the lack of a qualified workforce in tourism could significantly impact the future development of Međimurje and Terme Sveti Martin. Međimurje County ranks near the bottom in Croatia in terms of wages, so a large share of the local qualified workforce migrates to other counties or neighboring countries seeking better conditions and higher salaries.

Three opportunities have been identified that will contribute to positioning the Terme as a socially responsible enterprise. ESG practices have become an important factor in the eyes of investors, stakeholders, and the public; therefore, possessing and implementing an ESG strategy will improve the organization's perception as socially responsible. ESG factors often indicate potential risks in business operations, so focusing on these aspects will help recognize and **reduce risks related to the environment, social issues, and governance**. Ultimately, operating from an ESG perspective will positively impact the community and environment by reducing greenhouse gas emissions, improving human rights, and contributing to the local economy, thereby enabling the company to seize growth and development opportunities. Introducing innovative marketing solutions is key to business improvement. Through precise audience targeting, personalized campaigns, and effective use of digital tools, the company has the potential to increase visibility and attract relevant new customers. A quality marketing strategy would help build the brand, foster customer loyalty, and open new markets. By monitoring analytics, the company could better understand consumer behavior, adapt its approach, and react faster to market changes. Furthermore, by integrating social, environmental, and ethical values into marketing activities, the company could build a positive social impact.

In conclusion, the Terme is exposed to market fluctuations, recession, and inflation, which significantly affect the company's financial condition. These economic changes have led to reduced demand for additional services and increased operating costs. Additionally, competition through collective sales platforms such as Crno Jaje, Ponuda dana, and others

has become more prominent, which is not favorable for Terme Sveti Martin, as **their business model is based on quality** rather than price.

The last recognized threat is the lack of integration of socially responsible business (CSR) into the business strategy. This **absence of a clear orientation toward social responsibility** can potentially have serious consequences for the company's perception among the wider public, stakeholders, investors, and consumers. In the context of the growing importance of ethical and socially responsible business, the lack of CSR integration may lead to a loss of trust and customer loyalty, resulting in long-term negative effects on business. Such a situation may also increase regulatory risks and expose the company to potential legal sanctions. Therefore, it is essential for the company to include elements of socially responsible business in its corporate strategy.



4. Desk Analysis of ESG Criteria

In the following chapters, a desk analysis of the company is presented through ESG criteria, conducted based on available written sources and company data. The analysis is based on a review of secondary information sources, such as websites, publications, various statistical data sources, industry reports, newspaper articles, and the like. The main goal of the desk analysis is to provide a foundational insight into business operations viewed through ESG criteria.

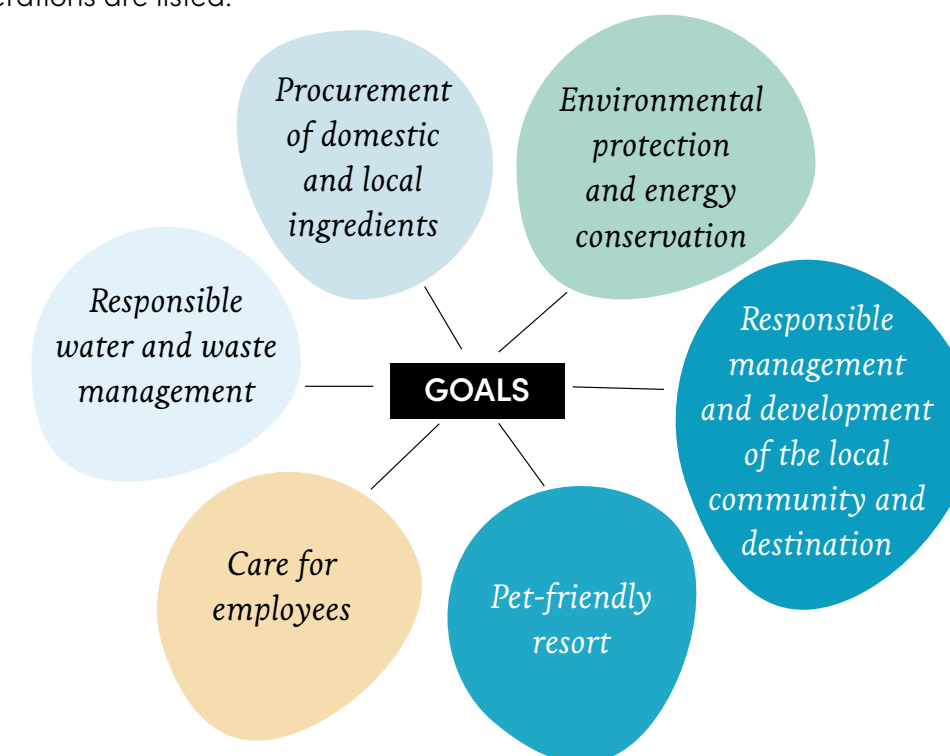
The desk analysis is an important step in assessing the business operations of Terme Sveti Martin; however, it offers a limited perspective as it relies on publicly available information. Accordingly, an ESG self-assessment questionnaire was additionally completed by key individuals in the company to gain a more comprehensive picture of the ESG criteria (the analysis of the ESG self-assessment questionnaire is provided in Chapter 8.3.2).

In the early 2000s, Terme Sveti Martin began building accommodation, golf, and spa infrastructure and facilities, and in recent years the company has shifted toward a new business vision that integrates healthy living, recreation, and local gastronomy. Terme Sveti Martin is known for its 100-year tradition of spa tourism based on geothermal springs and the healthy natural environment that offers a “Healthness” experience – a combination of active rest, wellness experiences, and raising awareness of personal health with the aim of restoring balance to body, mind, and soul. In line with providing healing services, the company ensures a high-level gourmet offering and encourages the preservation of local small businesses and the natural environment. From research of the company’s website and available public information, it can be concluded that the company publicly discloses information on sustainable business practices. On the official Green Public Procurement website of the Ministry of Economy and Sustainable Development, an interview was published in 2023 with the General Director of Terme Sveti Martin, Nuša Korotaj, regarding the “Green Spa” project and the activities carried out within it. It was stated that the “Green Spa” project consists of several different segments involving the implementation of various certificates and standards to ensure the company’s “green” operations. It was emphasized

¹¹Terme Sveti Martin – Sustainable Business, [link](#)
¹²Sustainable Business at Terme Sveti Martin, [link](#)

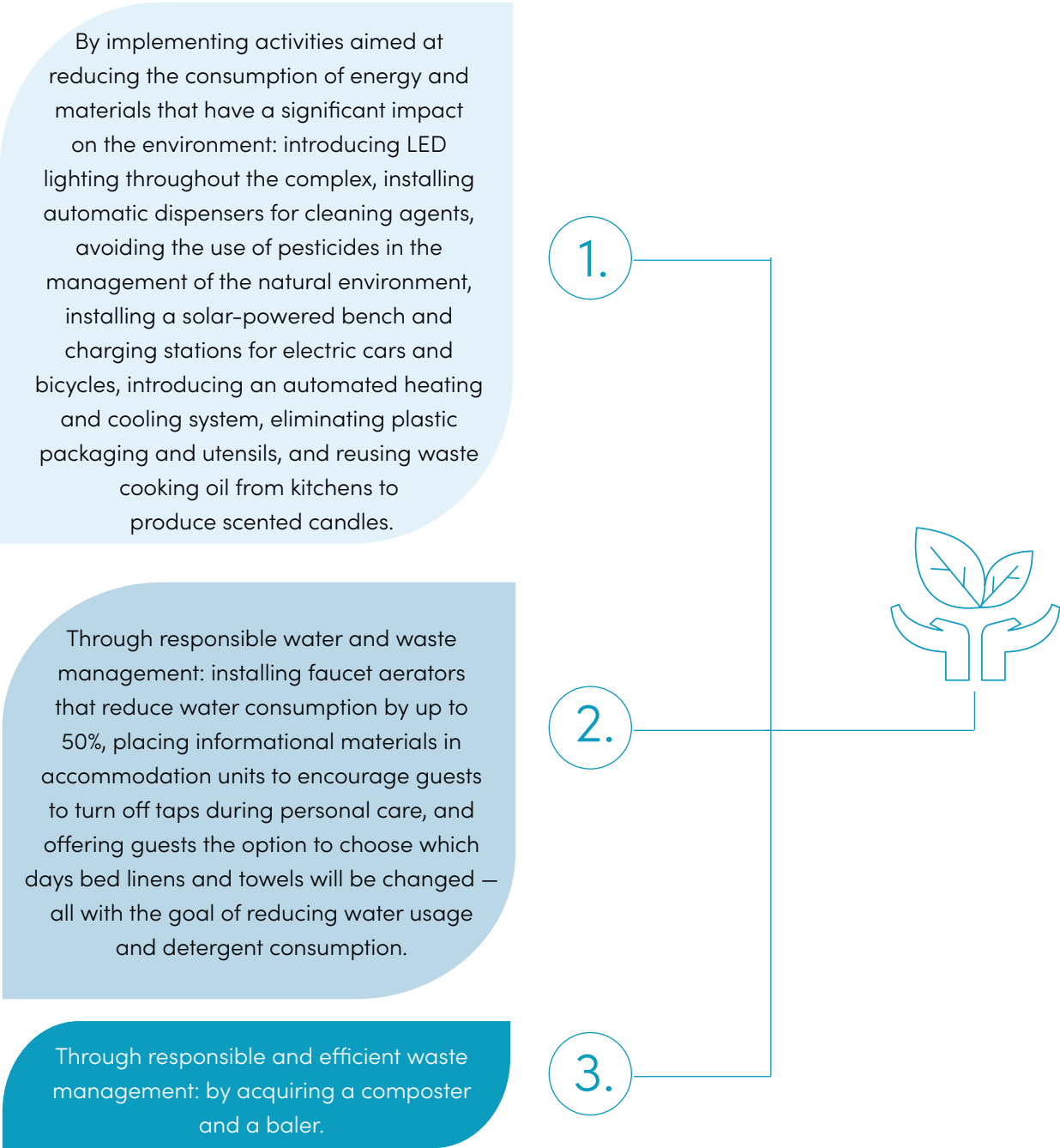
that Terme is introducing an ecological approach at all levels of business, through energy-saving measures and reassessing everyday activities with the goal of achieving sustainability (for example, energy savings through the use of air conditioning in rooms, offering guests the option to skip housekeeping services to reduce the consumption of drinking water and detergents, etc.). The green business system is implemented across all departments of Terme Sveti Martin: reception, housekeeping, sports, technical services, wellness, marketing and sales, and human resources, with all employees actively involved in its execution.

On the official website of Terme Sveti Martin, the following strategic goals of sustainable business operations are listed:



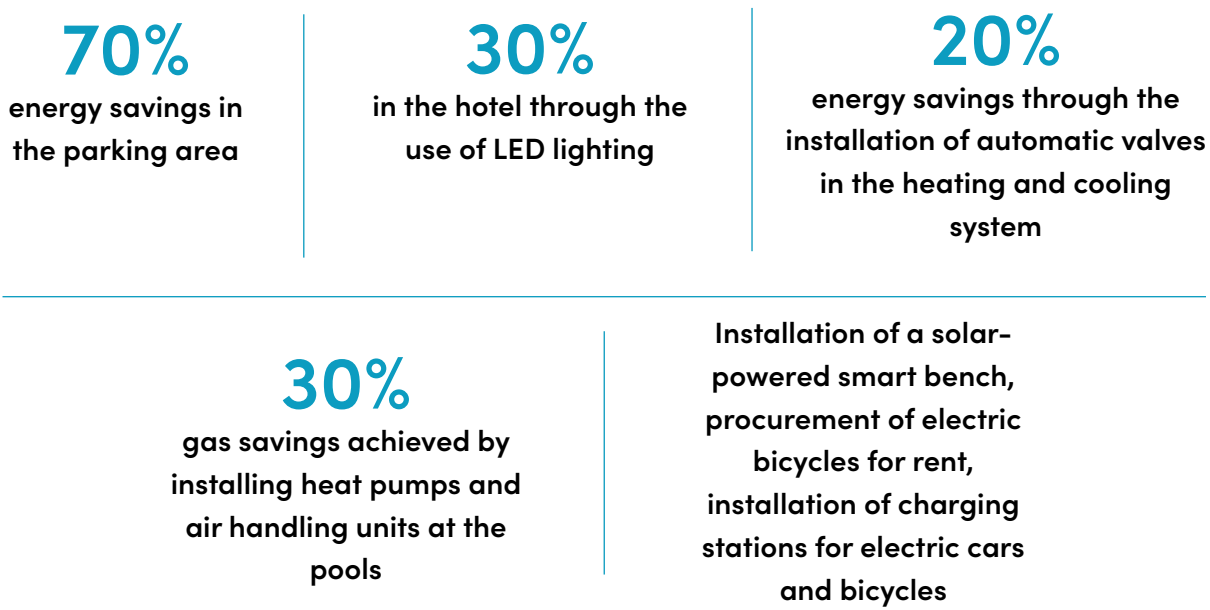
4.1. E – Environmental / Environment

On the official website of Terme Sveti Martin, it is emphasized that sustainability and environmental awareness are key characteristics of the company. Awareness of the importance of environmental protection is promoted through regular education of staff and guests, as well as the introduction of modern and innovative technologies into business operations. The company’s management is aware that activities in the hotel industry can have a negative impact on the environment, and therefore lists the actions they are taking to minimize this impact:



Below are the results of environmentally sustainable activities conducted by the company, as publicly disclosed on its website, organized by key environmental subtopics (climate change and energy, water and water resources, pollution, biodiversity, and circular economy).

The company continuously analyzes its operations and practices to identify and develop opportunities **aimed at improving its low-carbon operations**. In the area of climate change adaptation and mitigation, as well as sustainable energy, the company has achieved the following results:



Environmental care and the efficient use of resources are integral parts of the company’s operations. All employees are continuously mindful of the rational and efficient use of resources (energy, water, materials, and waste), with the aim of conducting business in line with the National Development Strategy of the Republic of Croatia until 2030¹³ and the Sustainable Europe by 2030 Strategy.¹⁴

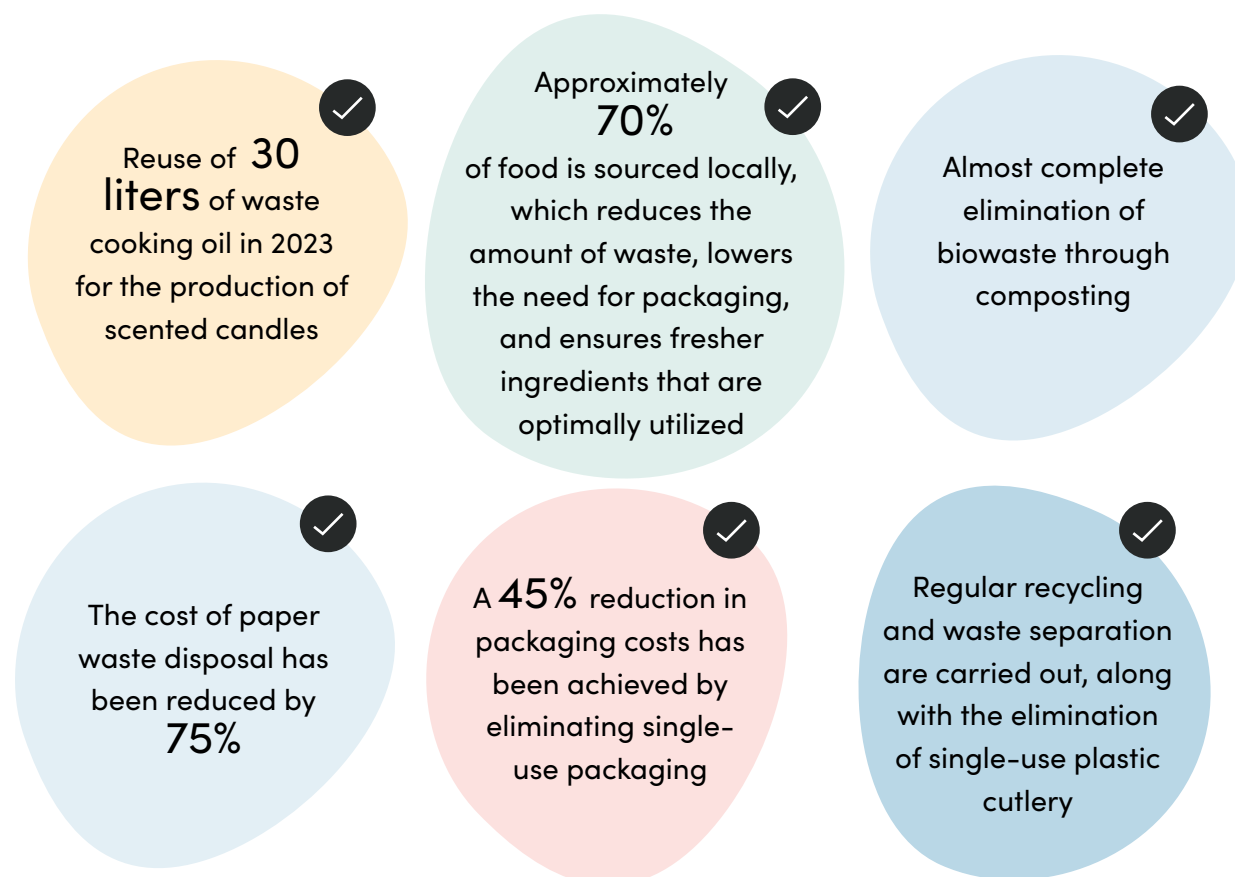
In the context of sustainable water use and water resources management, the company has achieved a 50% reduction in water consumption through the installation of faucet aerators (previously 9–12 l/sec, now 4–5 l/sec). In terms of pollution reduction, the company has reduced the use of cleaning agents by implementing automatic dispensers with pre-set programs.

¹³National Development Strategy of the Republic of Croatia until 2030, [link](#)
¹⁴Sustainable Europe by 2030, [link](#)

Given that the company bases its services on health and a healthy environment, its activities are also directed toward the preservation of biodiversity. Terme nurtures over 25 plant species in its own biodynamic garden, and to preserve the homeostasis of the natural ecosystems surrounding the complex, the company has banned the use of pyrotechnics. The company has also been awarded the “Friend of the Environment” certificate, a program implemented to promote products and services that, compared to similar alternatives, have a lesser negative impact on the environment throughout their entire life cycle, thereby contributing to the efficient use of environmental components and a high level of environmental protection.



Publicly available data indicate that the company bases its activities on the **principles of a circular economy**. Terme Sveti Martin monitors and manages the waste generated through its business activities and has achieved the following results:



Baled waste allows for more efficient use of storage space and reduces the frequency of waste collection, resulting in lower transportation costs and reduced CO₂ emissions. During 2022, 20 to 50% of waste was separated and delivered for further processing. The company invested in smart scales to measure the amount of bio-waste by food type and in a composter for processing kitchen bio-waste. With the composter, kitchen bio-waste is turned into compost within 24 hours, reducing waste volume by up to 90%. The resulting compost is used in the biodynamic garden or returned to local producers, completing a circular collaboration with the local community.

All of the company’s service processes are based on environmental and social sustainability principles. The company strives to align all its environmental activities with the “do no significant harm” principle as prescribed by the EU Taxonomy Regulation (more on the company’s taxonomy-related activities can be found in Chapter 11: EU Taxonomy).

Terme Sveti Martin also ensure environmental protection from the perspective of consumers and service users, as evidenced by the availability of an online questionnaire on their website. This allows users to express their opinions on environmental aspects and satisfaction. Some of the key questions from the online questionnaire offer insight into the company’s operations from the user’s perspective, along with suggestions for potential service improvements in the area of environmental sustainability:

- Did you notice during your stay at Terme Sveti Martin that environmentally responsible and sustainable business practices were being applied and that awareness of environmentally responsible behavior was being promoted?

The tourist accommodation provides guests with information to ensure the implementation of environmentally responsible and sustainable business practices and to raise awareness of environmentally responsible and sustainable behavior in accordance with the mandatory and voluntary environmental criteria of the EU. If you came across such information, where was it?
- Which environmentally responsible and sustainable business practices did you notice during your stay at Terme Sveti Martin?

How satisfied are you with the environmentally responsible and sustainable business practices in the tourist accommodation?
- Have the awareness-raising efforts regarding environmentally responsible and sustainable business practices, as well as the measures implemented by Terme Sveti Martin, influenced your stay, and to what extent?
- Do you believe that the awareness-raising efforts regarding environmentally responsible and sustainable business practices, as well as the measures implemented at Terme Sveti Martin, will influence your future choices of tourist accommodation?

Publicly available data on the environmental aspects of the company’s operations, as previously stated, indicate that Terme Sveti Martin takes care to monitor its environmental impact and implements measures to minimize the negative effects of its activities on the environment. Quantitative data on climate risks, carbon footprint calculations, and measures for climate change adaptation and mitigation, as well as energy consumption reduction, will provide a more detailed picture of the company’s environmental impact. These data were examined through the ESG self-assessment questionnaire, the analysis of which is provided in Chapter 8.3.4: Analysis of the ESG Self-Assessment Questionnaire.

¹⁵Terme Sveti Martin Questionnaire, [link](#)

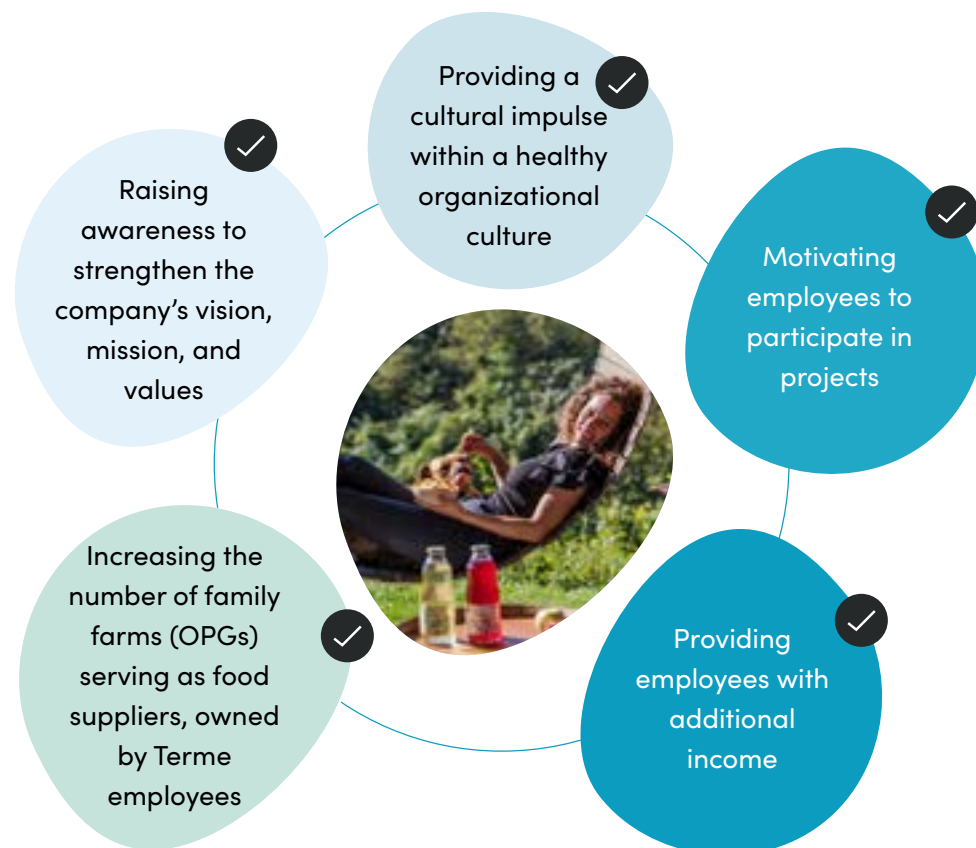


4.2. S – Social / Society

4.2.1. Relationship with the Local Community

Terme Sveti Martin continuously complements and strengthens its operations through good cooperation with the local community. Particular importance is given to collaboration with local and domestic producers, thereby encouraging the sustainable development of the destination. A notable initiative is the “Work and Earn Extra” action, part of Terme Sveti Martin’s¹⁶, program of care for the local community and its employees. Through this initiative, the company purchases homegrown products from its employees and uses them to prepare healthy meals. The idea emerged while reviewing applications from local family farms (OPGs) for products to be included in the gastronomic offer, during which the company noticed that some applicants were its own employees. Thus, the action is based on employee inclusion, cost efficiency, transparency, and promotion of domestic, traditional, and authentic products and services. A few years after launching the initiative, the company has succeeded in becoming a model of best practice for cooperation with local OPGs, collaboration with the entire local community, and work on sustainable development. As a result, it won 2nd place in the selection of the best HR practices in Croatia for the year 2020.¹⁷

The implementation of the entire project contributed:



¹⁶ Terme Sveti Martin – Work and Earn Extra, [link](#)

¹⁷ [link](#)

The implementation of the “Work and Earn Extra” project had an impact on the human resources department and the organizational culture. Employees supported the project, as it resulted in a strengthened relationship with the company and the local community.



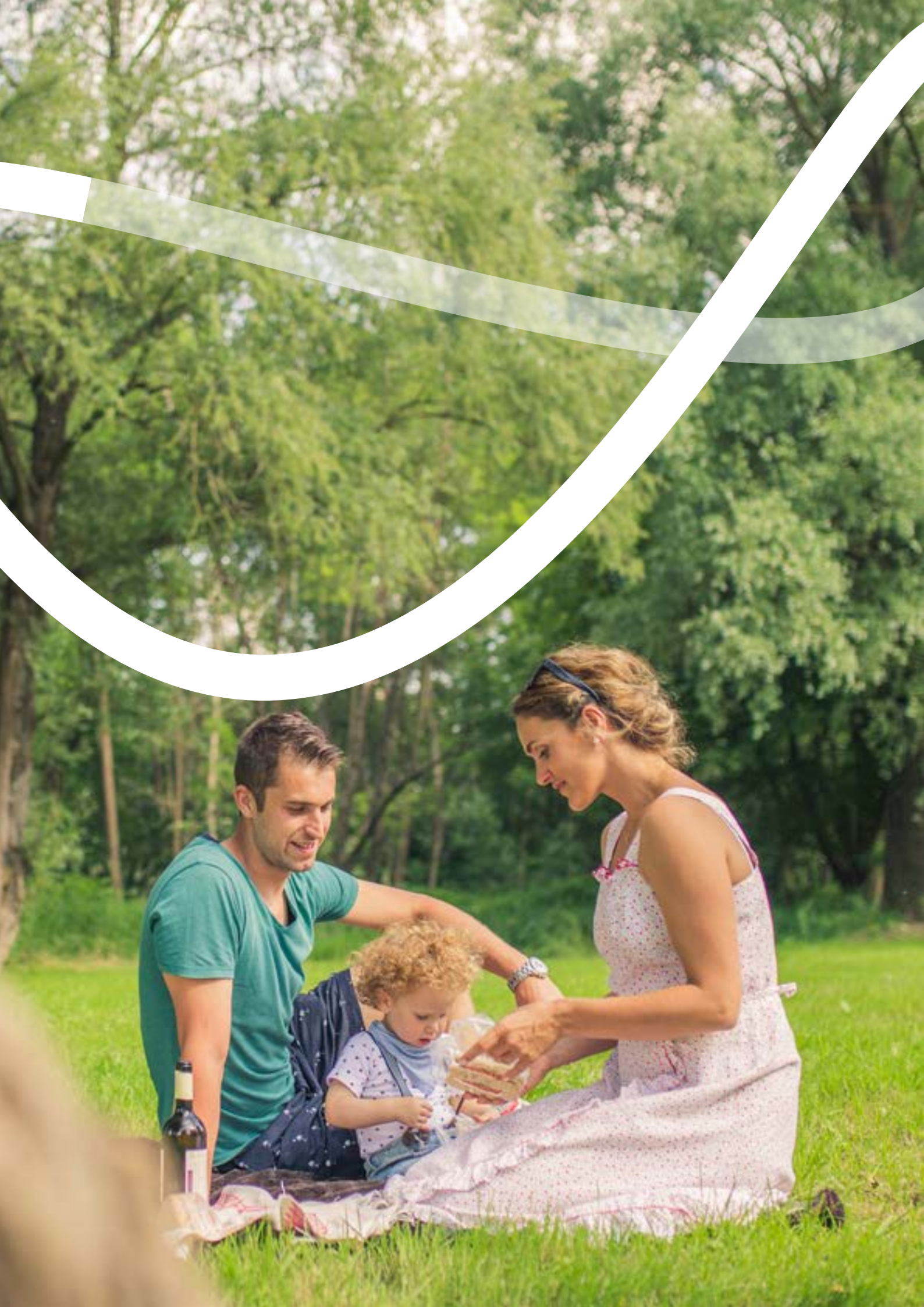
Sponsorships and donations by the company are also directed toward the local community, specifically local associations. The priority donation areas include: local sports and volunteer organizations, local animal welfare groups, associations for people with disabilities and special needs, and local institutions for children without parental care. These core donation areas are fully aligned with the company's mission and business strategy. It is important to note that Terme Sveti Martin bases its donations on transparency, effectiveness, and the targeted nature of the donations, as well as on cooperation between donor and recipient to ensure that the donations are purposeful and beneficial for all parties involved. A more detailed analysis of the company's donation process is provided in the chapter Analysis of the Self-Assessment Questionnaire.

The official website highlights that support for educational institutions is a fundamental component of Terme Sveti Martin's corporate responsibility. Agreements with secondary hospitality schools and related universities clearly demonstrate the company's commitment and motivation to act in this area. Every year, the number of students gaining their first practical experience at Terme under the guidance of mentors continues to grow. Through internships, scholarships, and employment via student services, the company helps create competitive workers even before they finish their education. Upon completing their studies, the most promising individuals become part of the team and are offered opportunities for their first employment. Furthermore, Terme Sveti Martin is committed to healthy business practices—ethical and responsible toward all team members as well as the local community. Active engagement through healthy lifestyle programs, volunteering, involving local residents in the process of selling homegrown products, encouraging locals to start family farms (OPGs), supporting the development of local tourist attractions, donating to those in need, sponsoring organizations, and supporting local initiatives are just some of the activities undertaken to ensure the company grows together with its surrounding environment.



The company places particular emphasis on caring for abandoned animals. Materials that are no longer usable within the complex are donated to assist in the care and sheltering of stray animals. Animal protection is important to the company; therefore, the use of fireworks is prohibited during New Year celebrations to ensure that guests' pets and other animals near the resort are not disturbed. Funds that were previously allocated for fireworks are now donated to animal welfare organizations, and guests are kindly asked not to use pyrotechnics in order to protect animals and preserve the environment. Additionally, guests are given the option to make their own donations to these organizations if they wish. All fees paid by guests for pet accommodation are also donated to animal protection associations.





4.2.2. Human Rights

Terme Sveti Martin is a signatory of the European Convention on Human Rights and Fundamental Freedoms, a commitment supported by the certifications the company holds. For example, the company publicly expresses its support for all marginalized groups and proudly bears the certificate “LGBTIQ+ Equality Employer,” which was awarded as recognition for participating in the “Equality at Work for All!” program. The aim of the program is to raise awareness about discrimination against LGBTIQ+ individuals in the workplace and during hiring processes, as well as the necessity of building an inclusive and equitable society based on solidarity and equal rights for all.



Terme is also the holder of the “Family-Friendly Company” certificate, through which a range of measures has been implemented to improve human resource management, with a focus on balancing employees’ professional and family lives. Obtaining this certificate brings both short-term and long-term positive effects, such as attracting and retaining top talent, strengthening employee loyalty to the company, improving organizational culture and collaboration, and reducing sick leave.



Terme Sveti Martin are committed to healthy business practices, as evidenced by the “Health-Friendly Company” certificate. This certificate is aimed at both employees and clients and focuses on promoting healthy habits in the workplace, caring for employee well-being, and protecting the environment.

The company operates ethically and responsibly toward all team members and the local community. Active engagement through various programs, volunteering, involving local residents in the process of purchasing domestic products, encouraging residents to establish family farms (OPGs), supporting the development of local tourist attractions, donating to those in need, sponsoring associations, supporting initiatives, and more, are just some of the activities undertaken to grow together with the surrounding community.

The company’s website clearly emphasizes that Terme Sveti Martin places a high value on human rights, which is also evidenced by its **Halal certificate**. This certificate guarantees that the products and services intended for the Muslim population meet Islamic requirements.



It is primarily applied to meat products and other food items such as milk, canned food, and additives. Specifically, for meat products, the Halal certificate confirms that the meat comes from animals processed using a special technique and that it has not been in contact with other types of meat, especially pork.

4.2.3. Employees

Terme Sveti Martin place significant emphasis on caring for their employees by offering **opportunities for advancement, education, teamwork, and job satisfaction**. In 2022, the company increased its number of employees, employing 149 individuals. More than 80% of the staff come from the local population, and the company also hires residents from third countries, providing them with training in advance to support their integration process. Providing a safe and supportive working environment, along with a fair compensation system and professional development opportunities, is a top priority at Terme. Happy employees are more productive and dedicated to their work, which positively affects the overall workplace atmosphere. Satisfied employees deliver high-quality services to visitors, and their positive attitude and enthusiasm are reflected in the customer experience, resulting in higher return rates and better service reviews. Opportunities for development, a good work-life balance, and fair rewards contribute to reduced employee turnover at Terme, which in turn lowers the costs associated with recruiting and training new staff and supports a more stable team.

Committed to local culture, customs, and traditions, Terme creates new values that they share with everyone who allows them to be their host. Terme Sveti Martin respect their organizational culture, and above all, the people who are part of it. As stated on their website:

“Working at Terme Sveti Martin means working at the leading tourism resort in continental Croatia. The high standards offer countless opportunities for learning, professional and personal growth, and working in an environment where diligence, effort, and commitment are highly appreciated and rewarded.”¹⁸

According to publicly available data, the official website of the company, and published articles about the company’s socially oriented activities, it can be concluded that the company invests in its relationship with employees, users, and the local community. A broader range of specific measures and activities implemented by the company in achieving an inclusive and sustainable society—such as quantitative data on working conditions, contracts, employee structure, value chain, and similar—has been assessed through the company’s self-assessment questionnaire, the analysis of which is provided in Chapter 8.3.4, Analysis of the ESG Self-Assessment Questionnaire.

Contribution to Quality of Life

On the company’s website, under the section Careers at Terme Sveti Martin, the following contributions to employee quality of life are listed:¹⁹



¹⁸ Terme Sveti Martin – Open Job Positions, [link](#)

¹⁹ Terme Sveti Martin – Open Job Positions, [link](#)



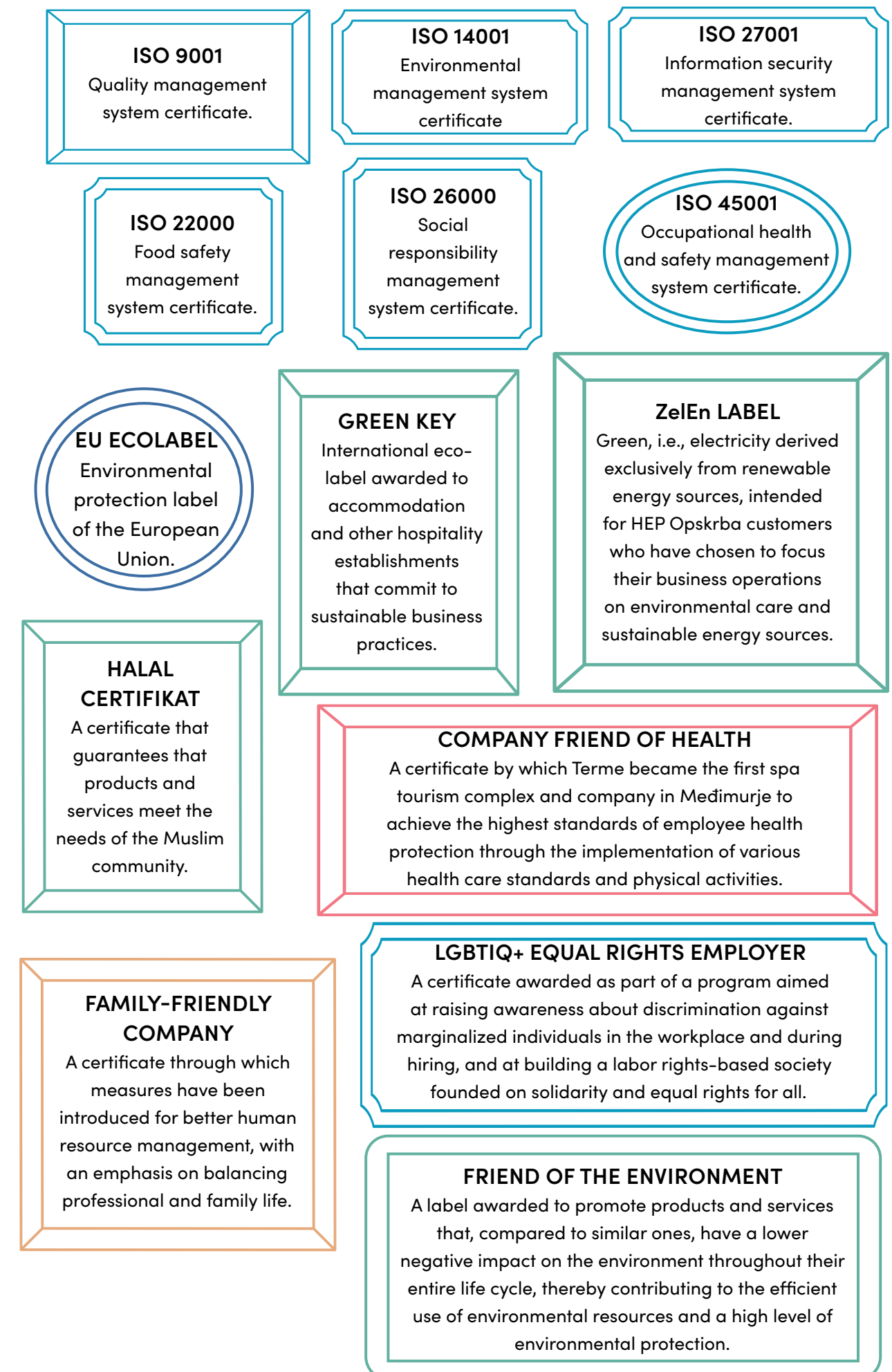
4.3. G – Governance / Management

Terme Sveti Martin base their business strategy goals on finding ways and solutions for integrating environmental and social issues into their operations. Accordingly, in addition to the business strategy, there are also measures for sustainable development and social responsibility included in the company's mission and vision. In this context, the vision aims for the continuous introduction of ecological processes in order to create harmony with nature and the environment in which Terme are located, while at the same time meeting the modern needs of guests.

Based on the available information on the company's official website, it can be concluded that Terme Sveti Martin are directing their operations toward sustainable business practices, which bring numerous benefits to the company: corporate social responsibility (strengthening relationships with customers and positively contributing to the brand; new employment opportunities and increased employee motivation; cost reduction) and corporate environmental responsibility (enhancing company value through innovation, implementing energy efficiency measures and environmental protection, creating added value for all participants in the business process, including visitors and guests).

Corporate social responsibility on the company's official website is reflected in numerous certificates and initiatives signed by the company to strengthen relationships with customers and positively contribute to the brand. Corporate environmental sustainability is not clearly highlighted on the company's website, but it can be observed through innovation aspects that enhance the company's value and create added value for all business stakeholders. The website highlights Vital Gourmet, meaning healthy, locally and domestically grown food that reaches the table within 24 hours—ensuring freshness and quality in every meal. Delicious and high-quality dishes stem not only from the creativity of the chefs but also from the careful selection of ingredients. Terme Sveti Martin has **contracts with 111 local suppliers** who deliver freshly harvested fruits and vegetables to the restaurants every morning, thereby promoting the economy of the Municipality and surrounding areas. All of this results in added value for all participants in the business process.

On the official website of Terme Sveti Martin, certificates are highlighted through which the company demonstrates that reducing negative impacts on the environment and the community are strategic topics important for business operations and management:



GOOD TRAVEL SEAL

A certification awarded to tourism companies and organizations that meet high standards of sustainability, safety, and ethical practices. It typically indicates that the entity has successfully implemented environmentally friendly operations, supports local communities, ensures traveler safety, and adheres to recognized guidelines for responsible travel.

EQUAL PARENTHOOD

A certificate aimed at raising awareness among parents and potential parents about the importance and impact of positive and equal parenthood.²⁰



On the company's website, it is highlighted that Terme Sveti Martin are proud holders of the **EU Ecolabel, which applies to Hotel Terme Sveti Martin – the first hotel in Croatia to receive this certificate.** The EU Ecolabel, established in 1992, is a mark of environmental excellence awarded to companies that meet high environmental protection standards. With the support of CROTEH, the hotel earned this label based on its efforts to reduce environmental impact. In order to obtain this label, the hotel had to meet a number of standards and criteria

essential for environmental protection and green operations, with the entire project being completed over a two-year period.

Another testament to Terme Sveti Martin's commitment to environmental sustainability is the "ZelEn" label. Terme Sveti Martin are the first spa resort in Croatia to introduce this label in cooperation with HEP. It refers to **electricity generated from renewable sources**, specifically from 26 certified HEP hydroelectric power plants. The ZelEn label guarantees that the electricity used by Terme comes from renewable energy sources, thereby contributing to the reduction of CO₂ emissions and the preservation of the environment.

Given that the company respects diversity and inclusion in the workplace, it has made a significant contribution to building its reputation as a socially responsible employer, which consequently results in attracting quality workforce and business partners. From publicly available data, the official website, published articles, as well as awards and certificates held by the company, it is evident that the company makes business decisions with the aim of contributing both to its own sustainable development and to the sustainable development of the natural and social environment. Information not found through the desk analysis—such as specific policies and internal company acts related to environmental, social, and governance issues, strategic goals for the company's sustainable development in the upcoming period in accordance with ESG criteria, quantitative data on the structure and organization of management bodies, and similar—has been examined through the ESG self-assessment questionnaire, the analysis of which is presented in Chapter 8.3.4 Analysis of the ESG Self-Assessment Questionnaire.

²⁰The "Equal Parenthood" certificate has not been awarded to Terme Sveti Martin, but it has been published on the official website for the purpose of raising awareness and supporting the initiative.



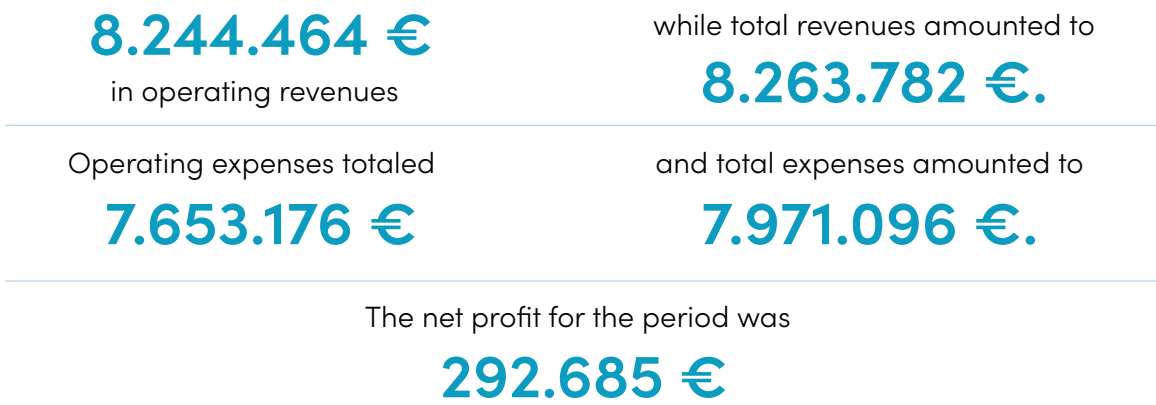
4.4. Conclusion of the Desk Analysis of ESG Criteria

Based on the analysis of secondary sources of information, such as the website of the company Terme Sveti Martin, public interviews, newspaper articles, and publications about the company, a basic insight into business operations observed through ESG criteria has been obtained. The company is aware of its impact on the environment and society, and it is evident that these aspects are taken into consideration when making strategic business decisions. Looking at each of the ESG criteria individually, the environmental criterion is the most represented in terms of the results of activities undertaken by the company to reduce its negative environmental impact. The social criterion is reflected through various projects and viewed in terms of the company's added value. The governance criterion is visible through the certificates and quality labels the company holds.

5. Financial Analysis of the Company

The financial analysis provides an overview of the financial statements for the year 2022, including the balance sheet, income statement, cash flow statement, and an analysis of financial indicators such as liquidity, solvency, profitability, and efficiency.

In 2022, Toplice Sveti Martin d.o.o. achieved:



Toplice Sveti Martin d.o.o. holds a 0.3% share in its primary activity and ranks 51st in terms of total revenue. Overall, there are 1,535 entities operating within activity 55.10 (Hotels and similar accommodation). The top 10 entities in this sector account for 43.45% of the market share. Based on its size, Toplice Sveti Martin d.o.o. is classified as a medium-sized enterprise.

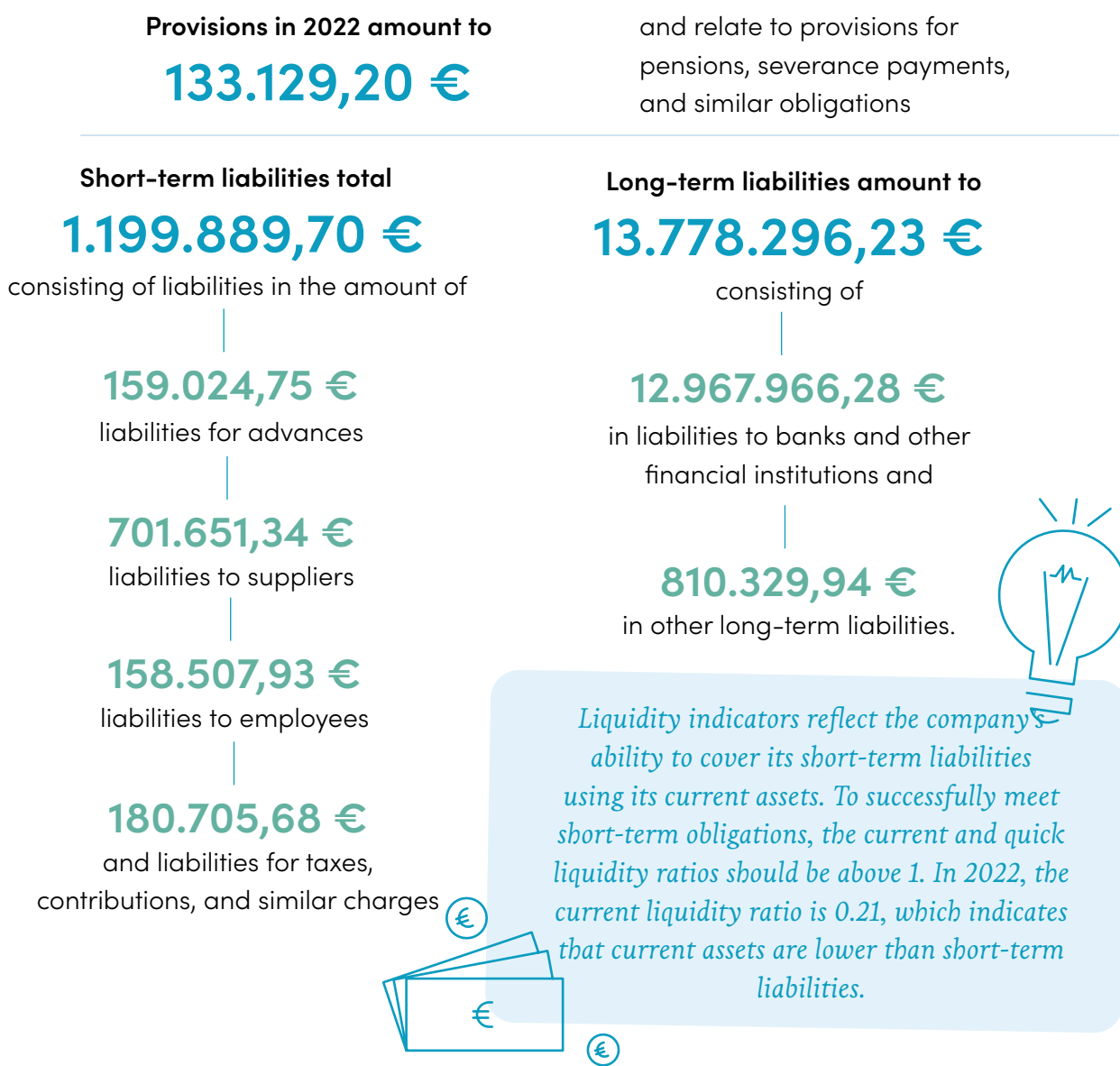
Below are the data from the balance sheet concerning assets, the age and depreciation of fixed assets, the functionality of technical equipment, and the structure of current assets.

Operating assets represent the total assets on the balance sheet. As of December 31, 2022, the total assets of Toplice Sveti Martin d.o.o. amounted to €13,846,060.52, consisting of €10,803,721.28 (78.03%) in non-current assets, €2,951,091.37 (21.31%) in current assets, and €91,247.85 (0.66%) in prepaid expenses and accrued income. Non-current assets as of December 31, 2022, amounted to €10,803,721.28 and included: intangible assets: €3,625.19, tangible assets: €10,799,490.60 and receivables: €605.48. Current assets as of December 31, 2022, amounted to €2,951,091.37, consisting of inventories, i.e., raw materials and supplies, finished goods, and merchandise in the amount of €221,446.54.

Receivables amounted to €367,388.54, while cash in bank and on hand totaled €2,362,256.28. In 2022, depreciation expenses amounted to €454,200.00, compared to €428,500.00 in 2021. When observing receivables from customers, it is evident that they amounted to €605.48 in 2021, which remained unchanged in 2022.

Total liabilities and equity as of December 31, 2022, amounted to €13,846,060.52.

Equity and reserves amounted to –€1,313,047.84, given that the company carried forward a loss from 2021 in the amount of €14,998,920.56 into the year 2022.



The debt ratio reflects the company's static indebtedness and shows how much of its assets are financed by external capital versus own capital. In 2022, the debt ratio was 1.08, which is lower compared to 2021 when it was 1.12. The net profit margin in 2022 was 3.54%.

EBITDA in 2022 amounted to €1,045,400, which is higher compared to 2021, when it was €988,500. Activity indicators measure how actively the company operates, i.e., how efficiently it uses its resources and how quickly its assets circulate in the business process. Days sales outstanding (DSO) indicate how long it takes to collect receivables from customers, and during the observed period, it is evident that the DSO is around 11 days. Return on equity (ROE), calculated as the ratio of net profit to equity, amounts to –20.01%, while return on assets (ROA), the ratio of net profit to total assets, stands at 3.9%.

In conclusion, the company's share capital is 100% financed by external capital. During the previous period, the amount of share capital remained unchanged. In 2022, the company generated a total annual revenue of €8,263,781.67, with a net profit of €292,685.25, resulting in a net profit margin of 3.54%. Compared to the previous period, there was a revenue increase of €2,124,270.62. The company operated profitably over the past two years. In 2022, the company Toplice Sveti Martin d.o.o. increased its number of employees, reaching a total of 149.

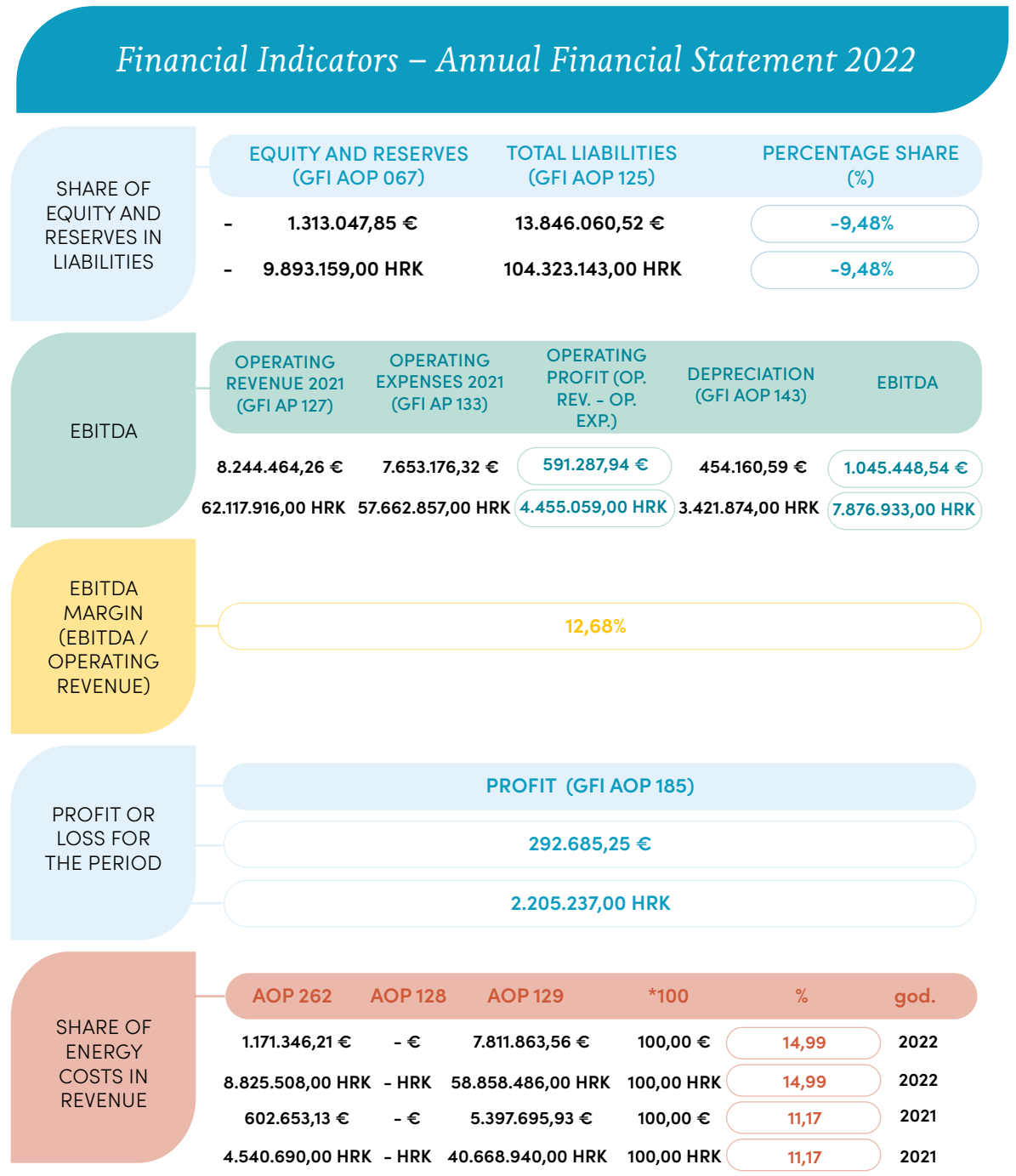


Figure 6. Financial Indicators, Source: Annual Financial Statement 2022

6. Calculation of Carbon Footprint

6.1. Introduction

Inreasingly evident climate change has prompted the international community to take collective action. The rise in average global temperatures, rising sea levels, and extreme weather events are just some of the climate changes that have led to lifestyle shifts across the globe.²¹ Anthropogenic greenhouse gas emissions trap heat in the atmosphere and contribute to global warming.

In order to reduce greenhouse gas emissions and achieve climate neutrality, the European Union has set a target to become climate-neutral by 2050. The European Climate Law has made the EU's climate target—reducing emissions by at least 55% by 2030—a legal obligation. EU countries are working on new legislation to meet this goal and make the EU climate-neutral by 2050. The EU Emissions Trading System (EU ETS) is a carbon market based on a cap-and-trade system for energy-intensive industries and the electricity production sector. It is the EU's main tool for addressing emissions reduction. Since its launch in 2005, EU emissions have decreased by 41%.²²

The carbon footprint is an indicator used to compare the total amount of greenhouse gases emitted by a company's activities. Beyond the results themselves, which provide insight into which activities generate the most emissions, the primary goal of calculating a carbon footprint is continuity—enabling the tracking of a company's progress in its efforts toward climate neutrality.

6.2. Carbon Footprint Calculation Procedure

Organizational Boundaries of the Carbon Footprint Calculation

The first step in calculating greenhouse gas emissions is defining the organizational boundaries of the carbon footprint calculation. For the calculation of the carbon footprint of Toplice Sveti Martin d.o.o., the operational control approach was selected, and the organizational boundaries are shown in Figure 7. The organizational boundaries include all business activities of Terme Sveti Martin.

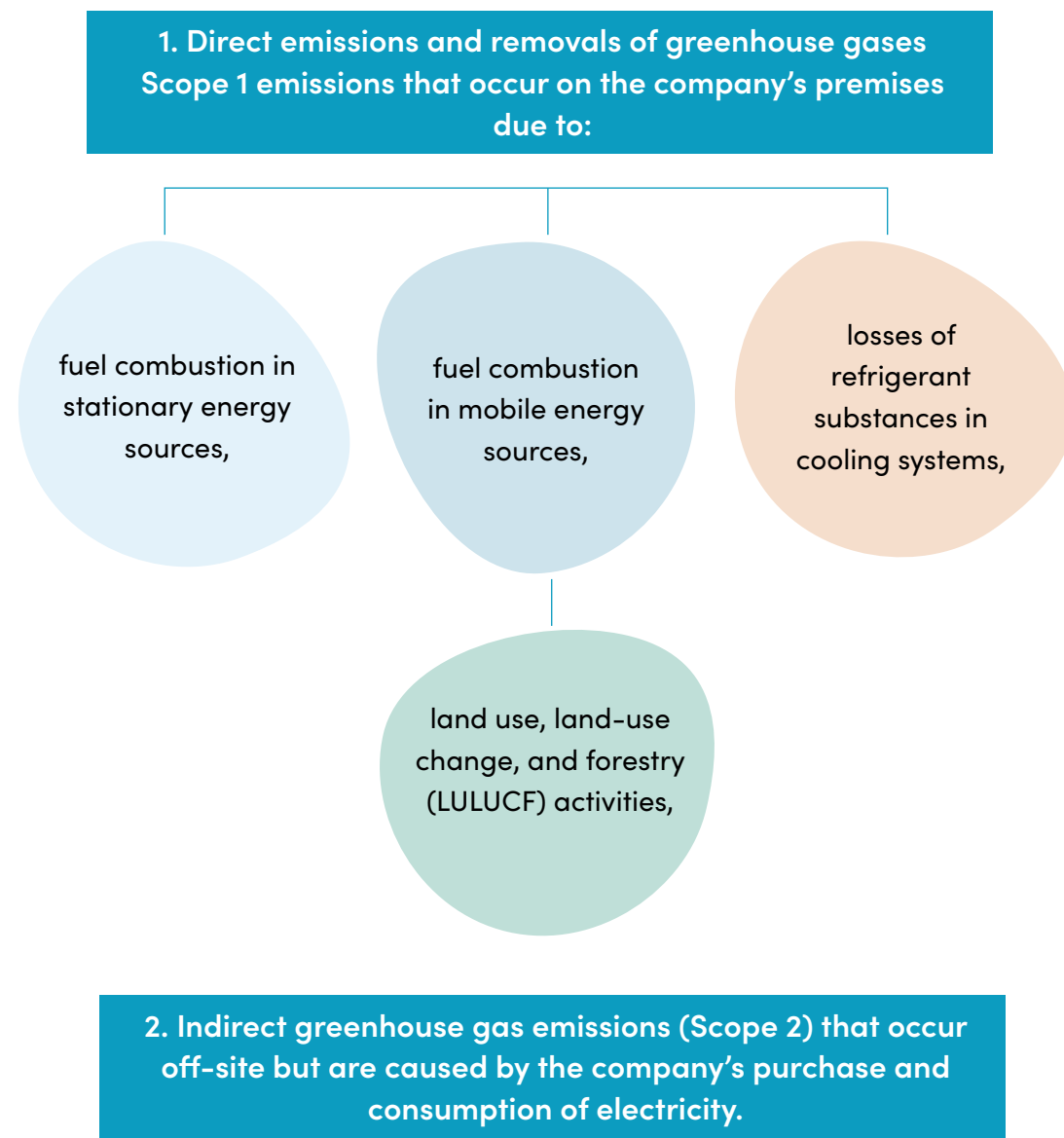


Figure 7. Organizational Boundaries of the Carbon Footprint

²¹Intergovernmental Panel on Climate Change. Climate Change 2013 – The Physical Science Basis, Working Group I Contribution to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, WMO, UNEP, New York, USA, 2013.
²²Council of the European Union, [link](#)

Emission Calculation Boundaries

The established emission calculation boundaries include Scope 1 and Scope 2 according to the GHG Protocol²³, namely:



During the data collection process, no emission sources were identified for direct emissions from production processes, nor for indirect greenhouse gas emissions occurring off-site and caused by the purchase and consumption of thermal energy. The emission calculation boundaries are shown in Figure 8.

²³A Corporate Accounting and Reporting Standard (Revised Edition) – GHG Protocol Corporate, World Resources Institute and World Business Council for Sustainable Development, USA, 2004, [link](#)

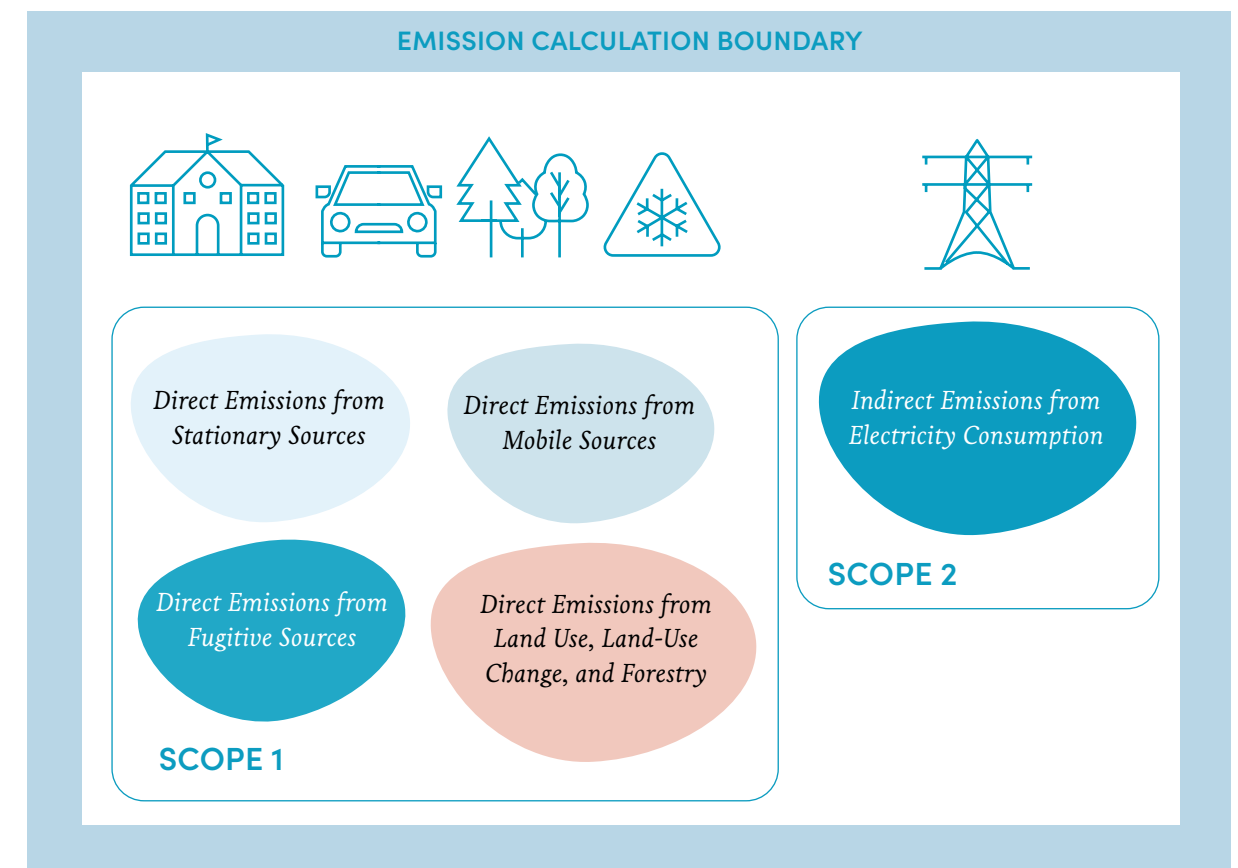


Figure 8. Emission Calculation Boundaries

Data Collection and Calculation of Greenhouse Gas Emissions

The third and fourth steps in the carbon footprint calculation—data collection and greenhouse gas emissions calculation—are presented in the following sections. Data are collected and aggregated in accordance with the activities defined by the GHG Protocol. For example, if a company uses natural gas, fuel oil, and liquefied petroleum gas for heating, data must be gathered for the consumption of each energy source. The combined consumption of these fuels results in emissions from fuel combustion in stationary energy sources.

Greenhouse gas emissions are calculated using emission factors, which must be sourced from multiple reliable, relevant, and up-to-date references. Since the combustion of different fuels releases multiple types of greenhouse gases, all gases are converted to their carbon dioxide equivalent (CO₂e), resulting in a single figure that represents the total emissions caused by the company's activities in one year.

To do this, the Global Warming Potential (GWP) is used, which compares the heat-trapping ability of a given greenhouse gas to that of carbon dioxide, typically over a 100-year period. For instance, the GWP of methane (CH₄) is 30, meaning that 1 kilogram of CH₄ released over the next 100 years has the same global warming effect as 30 kilograms of CO₂. Therefore, all CH₄ emissions are multiplied by 30 to obtain the equivalent CO₂ emissions.



6.3. Data Collection for Carbon Footprint Calculation

For the purpose of calculating the carbon footprint, data were collected on the activities of Toplice Sveti Martin d.o.o. for the year 2022. The data were gathered and categorized as illustrated in Figure 8.

Scope 1 – Direct Greenhouse Gas Emissions and Removals

As part of Scope 1 activities, data were collected on direct emissions from fuel combustion in stationary energy sources, fuel combustion in mobile energy sources, refrigerant losses in cooling systems, and land use, land-use change, and forestry. In 2022, natural gas was used as the fuel in stationary energy sources, resulting in energy consumption of 5,577,326 kWh. The combustion of natural gas emits greenhouse gases: carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). All three gases were included in the calculation of total CO₂ emissions.

In mobile sources, 6,800 liters of diesel fuel were consumed by the official vehicles of Toplice Sveti Martin d.o.o. Like natural gas, diesel combustion in vehicle engines releases CO₂, CH₄, and N₂O into the environment. Refrigerant and air conditioning units experienced refrigerant losses totaling 8.5 kilograms. The refrigerants contributing to global warming included R-22, R-32, R-134A, R-404A, R-407C, and R-410A.

Within the land use, land-use change, and forestry category, 5.56 hectares of meadows, 0.61 hectares of forests, and 6.86 hectares of land for sports and recreation were identified. The collected data for Scope 1 activities are presented in Table 3.

Emission Source	Source Description	Unit of Measure	Amount
STATIONARY SOURCES	NATURAL GAS	kWh	5.577.326
POKRETNI IZVORI	Diesel Fuel	L	6.800
FUGITIVE REFRIGERANT EMISSIONS	R-22	kg	0,11
	R-32		0,69
	R-134A		0,17
	R-404A		0,17
	R-407C		1,48
	R-410A		5,90
	R-290		0,02
	R-600A		0,01
LAND USE, LAND-USE CHANGE, AND FORESTRY MOBILE SOURCES	meadow	ha	5,56
	forest		0,61
	sports and recreation		6,86

Table 3. Collected Data on Scope 1 Activities

Scope 2 – Indirect Greenhouse Gas Emissions Occurring Off-Site Due to Electricity Procurement and Consumption

As part of Scope 2 activities, data were collected on indirect emissions that occur off the company's premises and are caused by the procurement and consumption of electricity. In 2022, electricity consumption totaled 3,268,395 kWh. Toplice Sveti Martin d.o.o. used only electricity generated from renewable energy sources ("green electricity"). Emissions that occur off-site due to electricity procurement and consumption can be calculated using two approaches—location-based and market-based. The location-based approach calculates emissions based on the geographic location of the company, which in this case is the Republic of Croatia. The market-based approach considers how the electricity was procured, including the method of production. If the electricity is produced from renewable sources, as is the case with Toplice Sveti Martin d.o.o., emissions are considered zero under the market-based approach. Therefore, emissions are also presented using the location-based approach to provide a more comprehensive view of the carbon footprint.

6.4. Carbon Footprint Calculation Results

Using the collected data and emission factors, the carbon footprint of Toplice Sveti Martin d.o.o. was calculated. In 2022, greenhouse gas emissions amounted to 1,610.9 tons of CO₂e. These emissions also include emissions from electricity consumption calculated using the location-based approach. Greenhouse gases such as methane (CH₄), nitrous oxide (N₂O), and refrigerant substances from fugitive emissions were converted to carbon dioxide equivalents (CO₂e) using Global Warming Potential (GWP). The results of the calculation, in accordance with the GHG Protocol, are presented in Table 4 and Figure 9.

Scopes	Emission Sources CO ₂ e	Amount CO ₂ e	% of Total
SCOPE 1	Direct emissions from stationary combustion sources	1,127,5	70,0%
	Direct emissions from mobile combustion sources	18,5	1,1%
	Direct process emissions		
	Direct fugitive emissions	15,3	0,9%
	Direct emissions/removals from LULUCF	-1,4	-0,1%
TOTAL SCOPE 1		1.159,9	72,0%

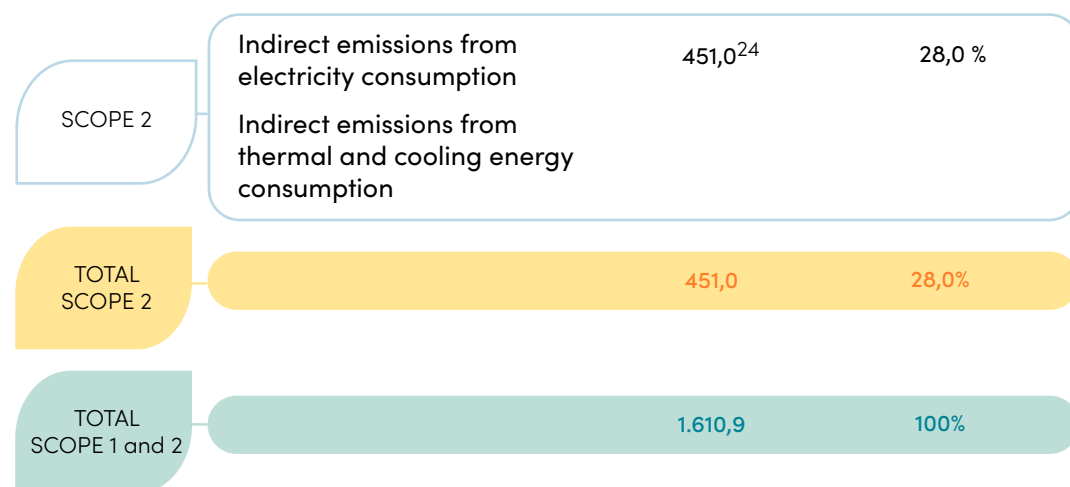


Table 4. Carbon Footprint Results of Toplice Sveti Martin d.o.o. in 2022

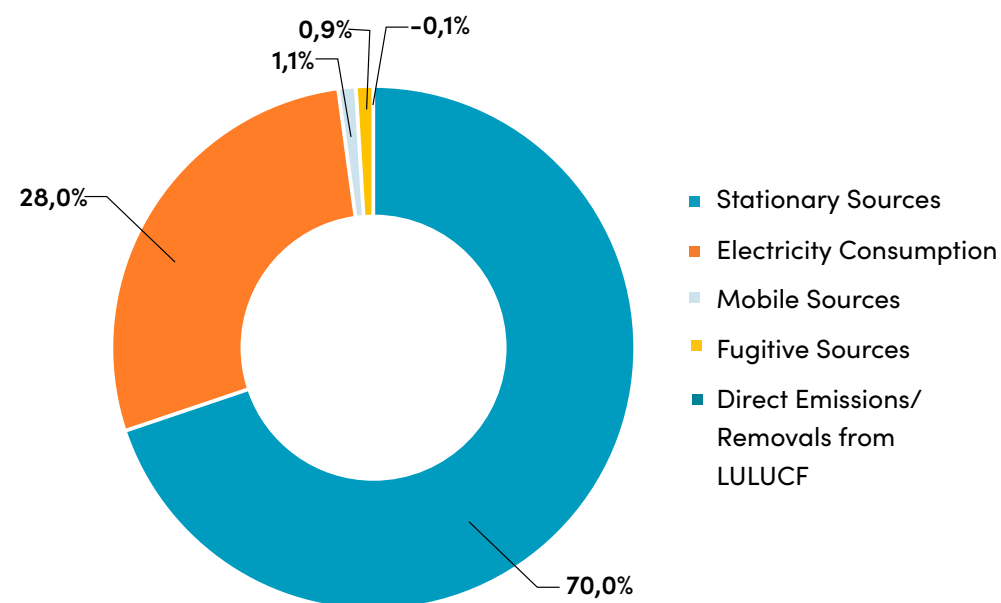


Figure 9. Shares of Individual Emission Sources in Total Emissions in 2022

The largest share of CO₂e emissions came from direct emissions from stationary sources, totaling 1,127.5 tons of CO₂e (70% of total emissions). This is followed by indirect emissions from electricity consumption (location-based) at 451 tons of CO₂e (28% of total emissions), direct emissions from mobile sources at 18.5 tons of CO₂e (1.1% of total emissions), direct fugitive emissions at 15.3 tons of CO₂e (0.9% of total emissions), and direct emissions and removals from land use, land-use change, and forestry at -1.4 tons of CO₂e (emission removal accounting for 0.1% of total emissions). The key emission sources are the direct emissions from stationary sources and the indirect emissions from electricity consumption (location-based), which together represent 98% of total CO₂e emissions. Regarding specific indicators, emissions per total revenue amount to 0.2 kg CO₂e per EUR, while emissions per employee amount to 9.9 tons of CO₂e.

²⁴According to the location-based approach..



The results indicate that the greatest potential for emission reductions lies in fuel combustion in stationary energy sources. This can be achieved by reducing energy consumption, switching to a different energy source, or implementing other measures.

In addition to the CO₂e emissions calculation, an uncertainty analysis was conducted following the IPCC good practice guidelines²⁵ (Figure 5). The total uncertainty of the calculation is 8.36%, meaning that the total carbon footprint of Toplice Sveti Martin d.o.o. in 2022 ranges between 1,476.3 and 1,745.51 tons of CO₂e.

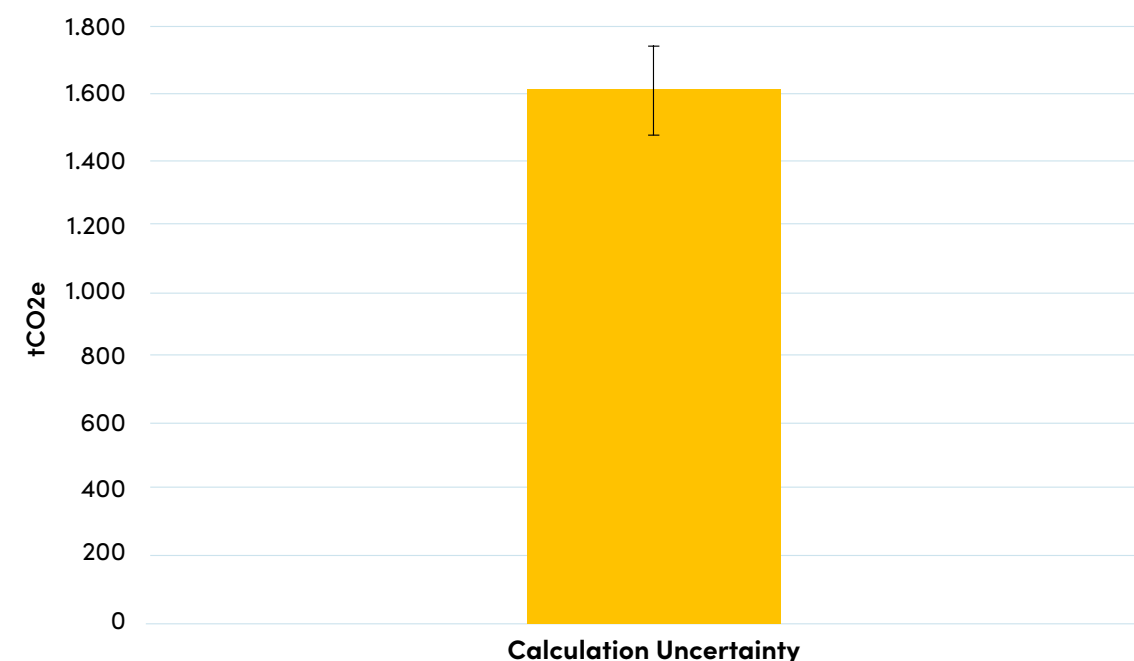


Figure 10. Emission Calculation Uncertainty in 2022

6.5. Conclusion

The carbon footprint of Toplice Sveti Martin d.o.o. in 2022 amounted to 1,610.9 tons of CO₂e. The emissions were calculated in accordance with the GHG standard for Scopes 1 and 2. The largest share of total emissions came from direct emissions from stationary combustion sources, accounting for 70% of the total emissions. Specific emissions per revenue and per employee amount to 0.2 kg CO₂e per EUR and 9.9 tons of CO₂e per employee, respectively. With a total calculation uncertainty of 8.36%, the carbon footprint of Toplice Sveti Martin d.o.o. for 2022 ranges between 1,476.3 and 1,745.51 tons of CO₂e. The development of the carbon footprint represents a new step for Toplice Sveti Martin d.o.o. on its path toward sustainability and climate-neutral operations. The long-term goal, climate-neutral business operations, should be achieved by 2050 according to EU guidelines. For this purpose, a carbon footprint reduction strategy with a plan and measures for reduction is necessary. Furthermore, by monitoring the carbon footprint annually, it is possible to track the effectiveness of implemented measures in business operations. Therefore, it is essential to periodically calculate the carbon footprint to compare results over time and clearly observe trends in greenhouse gas emissions.

²⁵14. IPCC Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories - Intergovernmental Panel on Climate Change, WMO, UNEP, Kanagawa, Japan, 2001, [link](#)



7. Due Diligence Process – ESRS Standard

Due diligence is the process through which companies identify, prevent, mitigate, and describe how they address actual and potential adverse impacts of their operations on the environment and people. These adverse impacts include those related to the company's operations at higher and lower levels of the value chain, including through its products or services and business relationships. Due diligence is an ongoing practice that responds to changes and may cause changes in the context of the company's strategy, business model, activities, business relationships, operations, procurement, and sales. This process is described in international instruments, namely the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

If a company cannot mitigate all impacts immediately, due diligence involves prioritizing measures based on the severity and likelihood of those impacts. The assessment of significant impacts is based on the due diligence aspect (Section 3.4 of the ESRS standard). Identifying significant impacts also helps determine significant sustainability-related risks and opportunities, which are often consequences of these impacts.

The outcome of the company's sustainability due diligence process (referred to as "due diligence" in the international instruments cited) forms the basis for assessing its significant impacts, risks, and opportunities. The ESRS does not impose specific implementation requirements concerning due diligence, nor does it expand or change the role of administrative, management, or supervisory bodies in implementing the due diligence process.

Key elements of due diligence are directly reflected in the disclosure requirements set out in the ESRS reporting standard, and implementation results in activities as outlined below:

a)

Integration of the Due Diligence Process into Governance, Strategy, and Business Model

– The due diligence process includes an assessment of the company's behavior and, as such, necessarily aims to limit harmful or potentially harmful impacts (business effects) on people and the environment. Consequently, interventions in governance, business model, and strategy naturally arise as a result of adaptation and transition toward operations aligned with ESG criteria.

b)

Collaboration with Affected Stakeholders – Interaction and collaboration with affected stakeholders become necessary right from the initial step of consulting stakeholders' opinions, through sending questionnaires and collecting responses. This collaboration becomes crucial for the long-term transition to sustainable business, given the ongoing interaction between the company and its stakeholders.

c)

Identification and Assessment of Adverse Impacts on People and the Environment

Through its daily operations, a company inevitably affects people and the environment—through interactions with employees, visitors, and suppliers; maintenance of infrastructure, facilities, and heating/cooling systems; arrivals and departures of tourists and guests to natural areas; and so on. This part of the due diligence process involves assessing and determining that impact. It is necessary to establish a baseline or reference values in order to identify which measures need to be taken and later to track, measure, and report on progress.

d)

Taking Measures to Mitigate Adverse Impacts on People and the Environment

After identifying the adverse impacts and possible measures, the company commits to implementing the agreed-upon measures within the agreed scope and timeframe. Therefore, it is extremely important that these measures are aligned at all decision-making levels and that the financial framework for their implementation is secured.

e)

Monitoring the Effectiveness of These Efforts – The effectiveness of the implemented measures is operationally monitored through annual sustainability reports (Statements).



The due diligence process in developing the ESG strategy for Terme Sveti Martin was carried out through a series of activities aimed at identifying the company's potential adverse impacts on the environment and society. The purpose of the process is to find ways to prevent or mitigate these impacts, and the result is a document describing all identified actual and potential negative (as well as positive) impacts of the company's operations on the environment and people.

The process was conducted using the professional methodologies of Greengreen Advisory and Earthyfictional and consisted of a series of interactions and meetings aimed at identifying, recording, and understanding all impacts, risks, and opportunities arising from the company's operations, viewed through environmental, social, and governance factors.

The following text details the meetings, describing the process and activities carried out, along with conclusions and results.

8. First Working Meeting

At the first working meeting, the broader concept of developing a sustainability or ESG strategy was presented, the work plan and methodology were outlined, and dates for individual interviews with identified persons were agreed upon, as well as the methods and scope for submitting the necessary documentation.

8.1. General Information about the Conducted Working Meeting

The meeting was held on June 7, 2023, at the Terme Sveti Martin location. Attendees included the working teams from the client, Terme Sveti Martin, and the contractors, Greengreen Advisory d.o.o. and Earthyfictional d.o.o.

Representing Terme Sveti Martin, the following individuals were present:



Representing Greengreen Advisory and Earthyfictional, the following individuals were present: **Ilja Drmač, Bojan Todorović, Jakov Kolega i Vedran Lučić.**



During the meeting, ESG-related concepts were presented and clarified, the work plan was introduced and agreed upon, and interview dates with department directors were scheduled as the second phase of the due diligence process. Additionally, responsible persons for communication and execution of specific tasks were designated. The ESG self-assessment questionnaire was presented, which needed to be completed for evaluation and data collection purposes, and its distribution was arranged.

8.2. Defining Responsible Persons

The responsible persons were designated as primary contacts and project leaders: **Vedran Augustić** for Terme Sveti Martin, and **Vedran Lučić** for Earthyfiction and Greengreen Advisory. **Ilja Drmač** was the responsible person for calculating the carbon footprint. All other attendees were part of the operational team collaborating on the preparation of the strategy, which includes collecting data and information necessary for conducting the due diligence process, participating in interviews with Directors, and providing written and oral data and information to identify and propose potential ESG goals for the development of sustainable business (ESG KPIs). The representatives of the contractors are bound by a Business Cooperation Agreement, an internal code of conduct, and the obligation to handle all data exclusively for internal use, treating it as business confidential, unless the client explicitly requests public disclosure of the data.

The ESG self-assessment questionnaire was forwarded to Mr. Augustić, who is responsible on behalf of Terme for coordinating the completion of the questionnaire and its return to the Greengreen–Earthyfiction team.

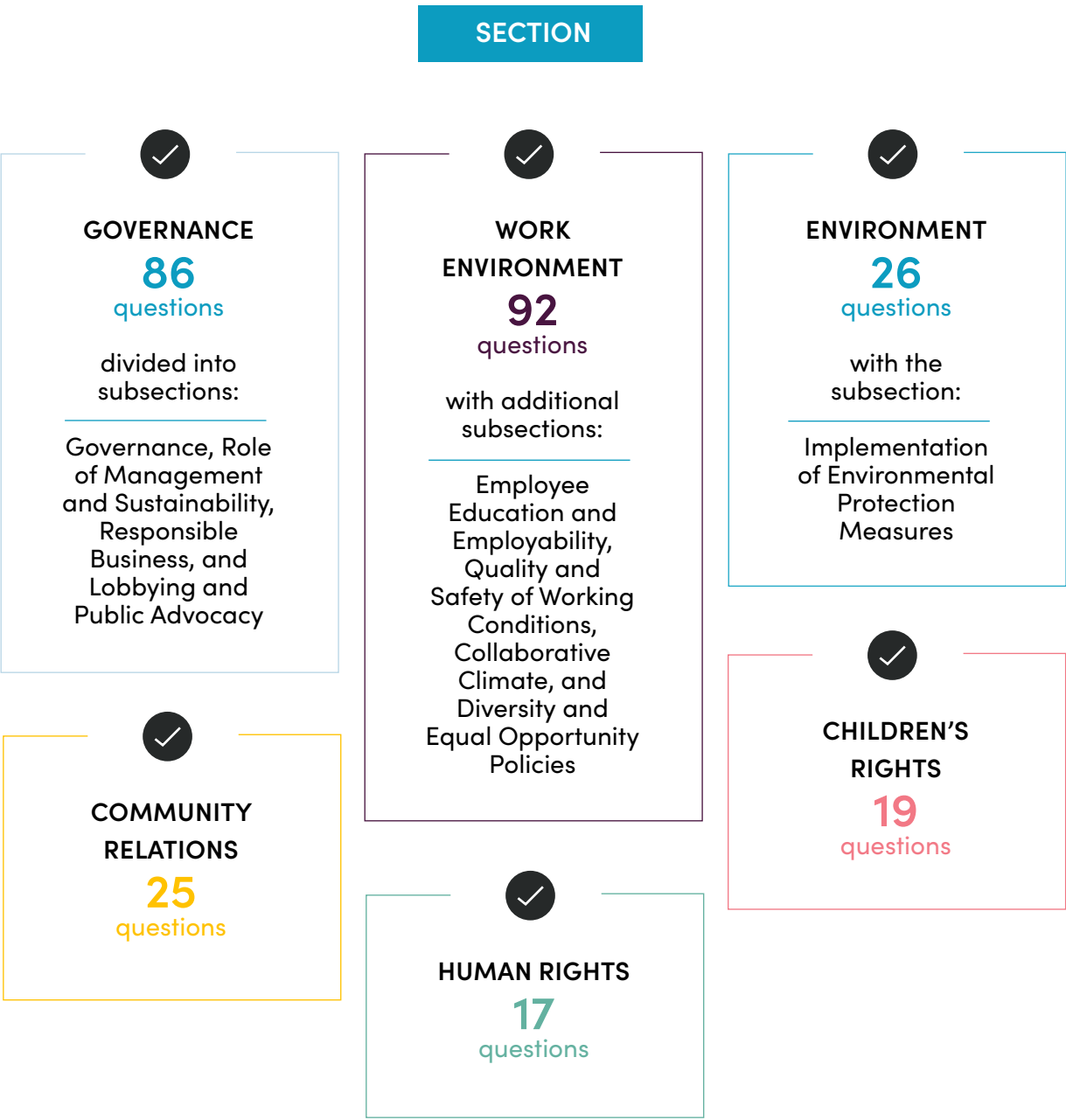
8.3. ESG Self-Assessment Questionnaire

The purpose of the ESG Self-Assessment Questionnaire is an initial general evaluation of the current state, based on which identified minor deficiencies can be addressed concurrently with the development of the sustainability strategy.

8.3.1. Description of the Questionnaire Preparation and Completion Process

The questionnaire was developed according to an available methodology that assesses the current level of sustainable business practices of the respondent. It covers the following areas: Governance, Work Environment, Environment, Community Relations, Human Rights, and Children’s Rights. The questionnaire was distributed to Mr. Augustić in July 2023 (July 10, 2023), including instructions for completion and options for support, clarifications, and assistance during filling out, provided by the Terme Sveti Martin team.

Respondents were required to answer a series of questions within these sections, which further focus on specific topics.



The complete questionnaire contains 265 questions covering all the mentioned areas and provides insight into the current state regarding ESG factors through self-assessment, along with submission of identified documents referenced or arising from the questionnaire.

It is important to note that the requested documents may potentially be adopted, implemented, and active but under different names, so understanding and clarification of the requested material is necessary.

8.3.2. Analysis of the ESG Self-Assessment Questionnaire

Below are the results of the analysis of the ESG self-assessment questionnaire for the company’s operations according to ESG criteria, divided into the following sections: Governance, Work Environment, Environment, Community Relations, Human Rights, and Children’s Rights.

8.3.2.1. Governance

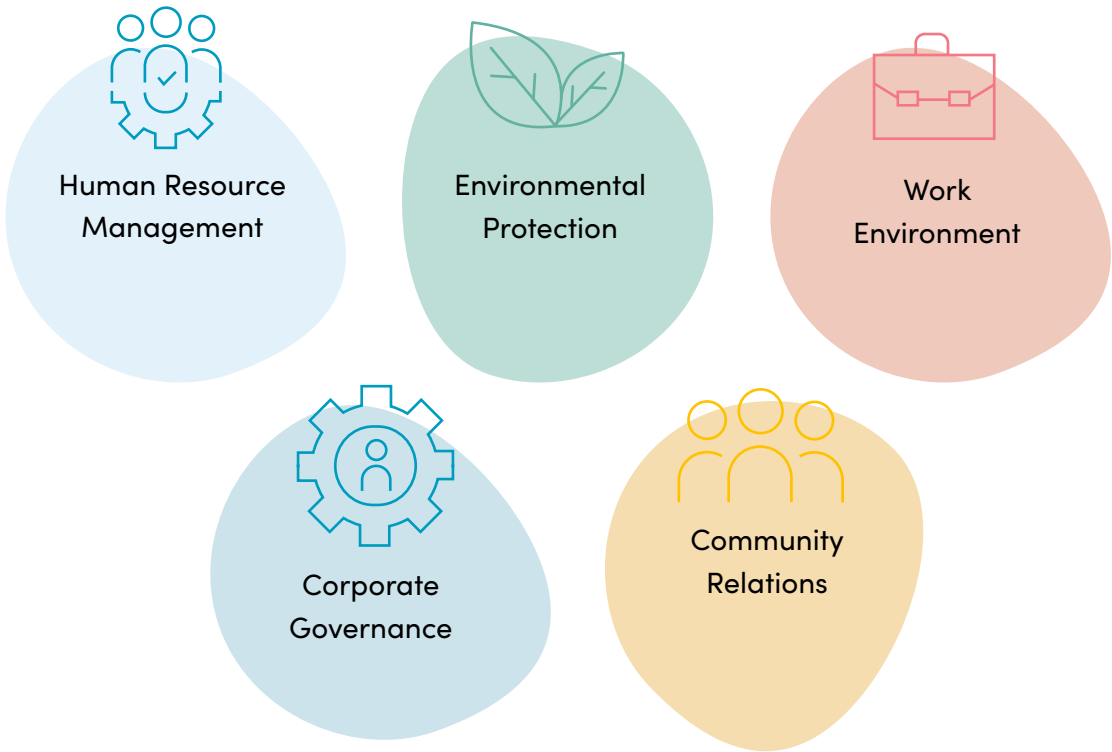
A general overview of the company’s operations shows a significant effort by Terme Sveti Martin to act responsibly toward the environment and society and to manage the company by implementing policies that promote sustainable development. A desk analysis of ESG criteria revealed that the company holds several certificates demonstrating its commitment to low-carbon business practices and a sustainable social community, which is also reflected in the company’s mission and vision (Chapter 2.3 Mission and Vision). The ESG self-assessment questionnaire on sustainable business in the context of governance was completed by all members of Terme Sveti Martin’s management board, i.e., 100% of senior management. The following analysis of results is organized around these themes: Corporate Governance, The Role of Management in Corporate Sustainability Decision-Making, Responsible Business in Market Relations, and Lobbying and Public Advocacy.

CORPORATE GOVERNANCE

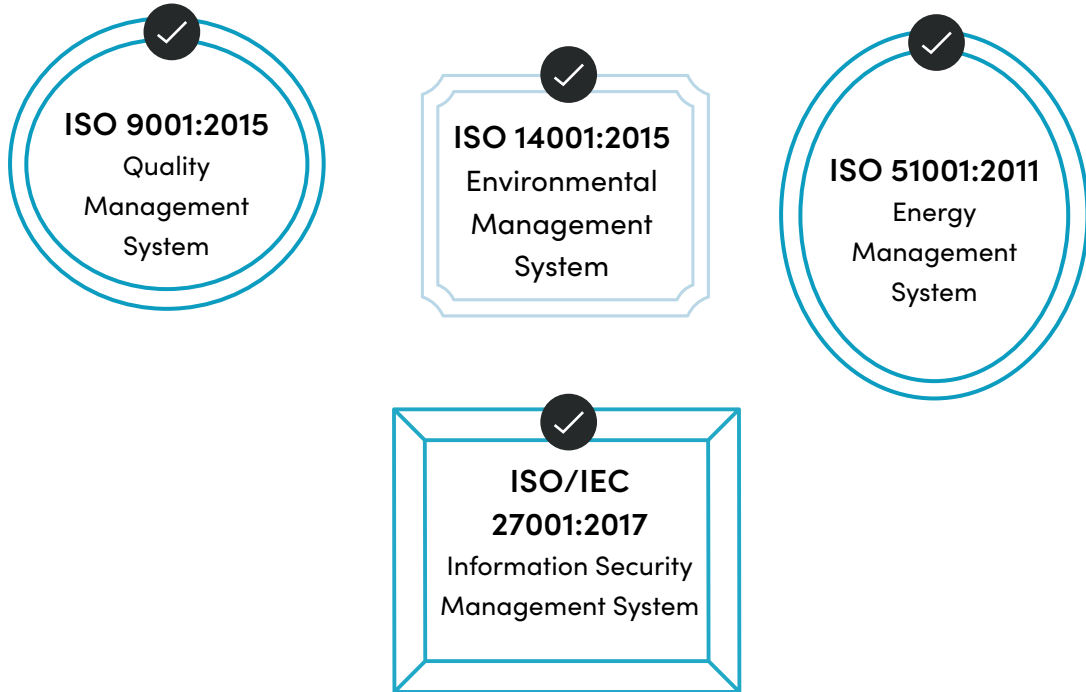
The company applies its own corporate governance code and has a prescribed strategic plan, meaning it conducts a strategic planning process. The company’s Work Regulations, submitted via the self-assessment questionnaire, contain prescribed principles, standards, values, and codes of conduct that must be regularly read and signed by all key stakeholders, including new members of the management board, workers, and employees. Furthermore, the company conducts regular training for all management board members, workers, and employees, and has appointed executive-level roles responsible for drafting the corporate governance code. The codes are available in various languages to ensure understanding by all members of management, workers, employees, business partners, and other stakeholders.

According to the ESG self-assessment questionnaire results, the company has not often involved stakeholders in considering material sustainability impacts and their management but has gathered feedback from individual stakeholders if voluntarily provided. Consultations with stakeholders on sustainability topics have been delegated to a manager or employee who reports the discussion outcomes and stakeholder expectations to the management board.

According to the questionnaire results, the company has prepared annual programs with defined goals, budgets, activities, and responsibilities for the following areas:



The company is currently in negotiations regarding the implementation of the EMAS environmental management system and already holds the following management system certificates:



Responses to the ESG self-assessment questionnaire provided additional information on corporate environmental sustainability. The submitted document, Quality and Environmental Management Policy²⁶, shows that the quality and environmental management system at Terme Sveti Martin is applied to accommodation, hospitality, wellness and relaxation, sports and active recreation, congresses, and team building services. Terme's corporate culture encourages meeting the needs of the surrounding community, either through financial contributions or employee volunteer activities. Terme promotes responsibility toward protecting the natural environment, as well as the safety and health protection of employees and guests, as one of its corporate values. This is achieved by encouraging the development of innovative and flexible solutions that will bring about positive change.

In their operations, Terme implement a written environmental protection policy, that is, a quality and environmental management system, which applies to accommodation, hospitality, wellness and relaxation, sports and active recreation, congresses, and team building services. The quality and environmental management system is reflected in business operations through:



Sustainability reporting is conducted through media publications and permanent sections on the company's website, with active participation from the highest levels of management and senior executives in preparing the sustainability report. Given the company's strategic orientation toward sustainable business, implementing the due diligence process serves as preparation for creating the Sustainability Report (Statement).

²⁶The Quality and Environmental Management Policy is a public document and is available to employees, partners, and all other interested parties.

In preparing the document, the company will utilize all applicable and recognized international guidelines.

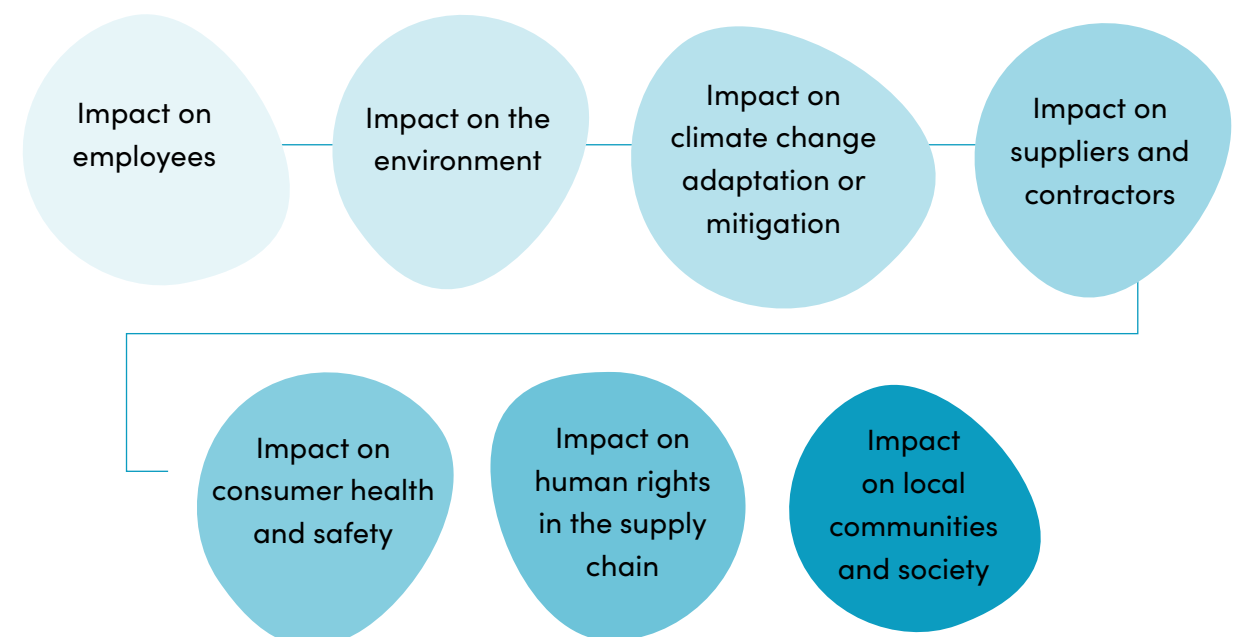
The company is a member of the Erste Bank Austria business organization²⁷, which has promoted sustainable development since its founding and takes responsibility for the community in which it operates, directing its efforts toward the development of the entire CEE region.

Within its business operations, in the last financial year, the company succeeded in generating **7.822.771,00 EUR** in gross value added.

THE ROLE OF MANAGEMENT IN DECISION-MAKING ON CORPORATE SUSTAINABILITY

Sustainability topics are a direct area of responsibility for the members of Terme Sveti Martin's management board. According to the ESG self-assessment questionnaire regarding the management board's role in corporate sustainability decision-making, the company stated that the management actively identifies and manages impacts related to sustainability topics and the associated risks and opportunities, as well as carries out business review processes concerning certain material sustainability topics.

The following material sustainability impacts have been assessed as important for the company's management and are considered criteria in decision-making by the highest governing body of the company:



In the context of example decisions made based on the criteria mentioned above, the company stated that regarding the environmental impact criterion, it aims to reduce greenhouse gas emissions by installing heat pumps and a solar power plant.

²⁷Sustainability – ESG, Erste Group, [link](#)

The company's management board periodically oversees risk management processes related to sustainability topics and uses the results of stakeholder consultations to support the identification and management of sustainability issues, their impacts, risks, and opportunities. The management board is the responsible body for monitoring and managing risks related to climate change.

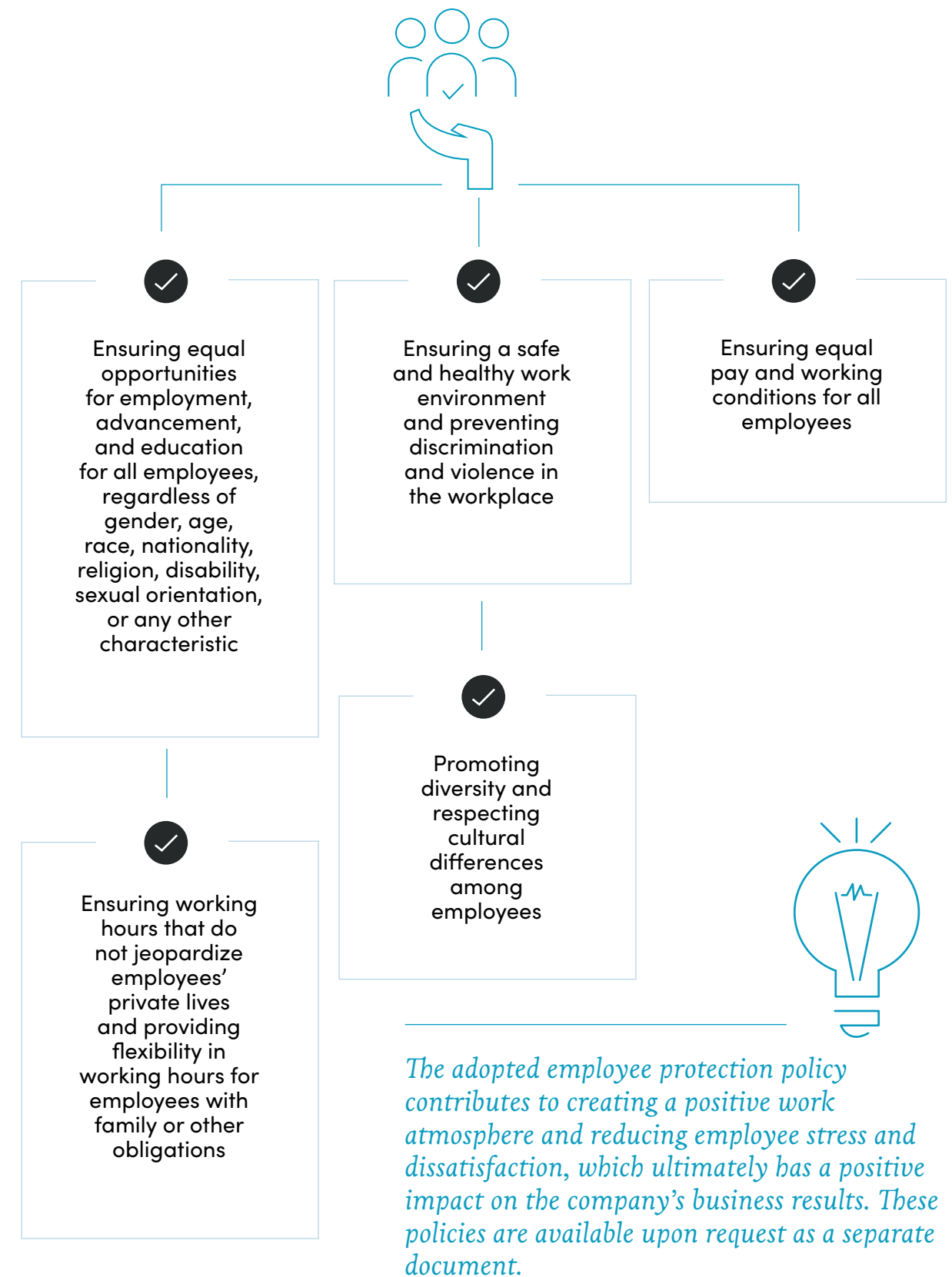
Regarding the evaluation of management performance, no such evaluation is conducted, and the compensation of board members is not linked to sustainability goals. Diversity criteria (such as gender, origin, nationality and race, age, LGBTQIA+ community membership, religion, beliefs, education, and others) are not used when appointing and selecting board members. Corporate sustainability management, or socially responsible business, is carried out by a multi-sectoral team of directors from all departments, led by the general director, thereby placing responsibility for the transition toward sustainable business at the highest level of company management.

RESPONSIBLE BUSINESS IN MARKET RELATIONS

The company has a defined obligation to pay suppliers on time, which is contractually agreed. The company invests in the business development of key suppliers by investing in improving business processes and sharing know-how with them. In the context of written policies adopted within the company, the company has a Product Quality Policy and a Human Rights Protection Policy. The company's human rights protection policy is described in the company's Work Regulations. Chapter 12 refers to the protection of workers' dignity and the protection of workers' privacy. In the light of the aforementioned chapter, the company ensures the protection of dignity by defining sanction measures related to:

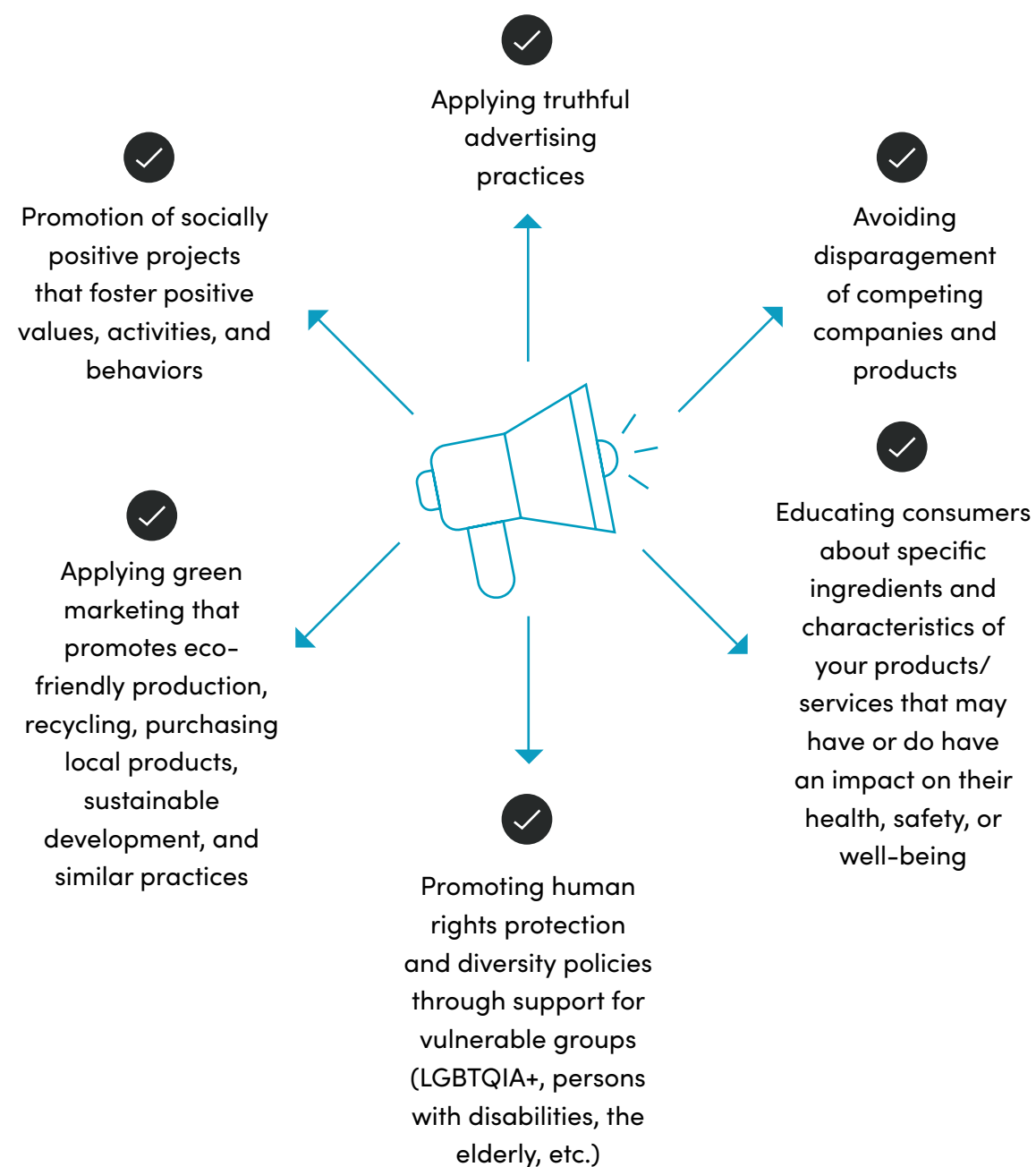


The company promotes socially responsible business practices in the area of employee protection policy through:



The company has annual programs with defined goals, budgets, activities, and responsibilities related to human resource management. Terme define planned activities, objectives, budgets, and responsibilities concerning human resources within the company, which ultimately helps ensure alignment of human resources with business goals and enables effective personnel management. The primary goal of human resource management is to define specific targets and outcomes that the Human Resources (HR) Department aims to achieve during the year, most often related to reducing turnover, increasing productivity, and improving corporate culture.

The company incorporates the following elements of marketing communication:



In its marketing communications, the company applies its own ethical advertising code (Advertising and Marketing Communication Code), which was submitted as part of the questionnaire. Customer and consumer satisfaction is measured through an online survey on the company's website, with particular emphasis on questions about environmentally responsible business practices.²⁸ The company regularly measures its reputation as part of business planning. In response to a question about written policies regulating the company's relations with competitors, including unfair advertising and communication, the company stated that no such policies exist.

LOBBYING AND PUBLIC ADVOCACY

Through the questionnaire, the company stated that it opposes any material or financial support for political parties and that political lobbying outside of business organizations is prohibited. Over the past three years, the company has participated in shaping public policies through written comments collected by business organizations, direct comments/suggestions to relevant authorities, public appearances in the media and expert discussions, engagement of intermediaries who could exert influence (e.g., PR/lobby agencies or influential intermediaries), and active involvement of board members in business and interest organizations. Additionally, during the past three years, the company has participated in social dialogue at the industry-wide level, given that various relevant policies—ranging from energy efficiency to sustainable tourism development in Croatia—were adopted during this period.

8.3.2.2. Work Environment

The results of the ESG self-assessment questionnaire in the context of the work environment are presented below, divided into the following topics: *Investment in Employee Education and Employability, Quality and Safety of Working Conditions, Collaborative Organizational Climate, and Diversity and Equal Opportunity Policy in the Workplace.*

The company stated that the process of consulting with employee representatives or unions regarding significant business changes is conducted occasionally at the initiative of management in cases of major business changes. It was noted that during the past business year, there were no lawsuits or complaints related to violations of the Labor Law or Occupational Safety Law filed by employees or unions against the company. The company indicated that, in cooperation with employment agencies and other institutions, it implements programs and activities that facilitate reemployment for individuals leaving the company. As a rule, salaries are paid regularly within the company. The ratio between the median total annual compensation of the highest-paid individual and the total annual compensation of all employees (excluding the highest-paid individual) is less than 8. The ratio of average male compensation to average female compensation in the company is less than 1.05.

²⁸Terme Sveti Martin Questionnaire, [link](#)



Below are the benefits that the company's employees receive beyond those mandated by law.



For managers (executive and senior management), the following applies:



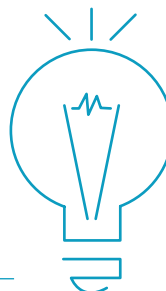
- Performance bonuses;
- Supplemental health insurance;
- Additional family expenses in special situations (e.g., maternity leave, childbirth, death);
- Additional personal expenses (e.g., communication costs – mobile phone, vehicle);
- Annual training;
- Medical check-ups;
- Holiday allowance;
- Christmas and Easter bonuses.



For most employees, the following applies:



- Performance bonuses;
- Additional family expenses in special situations (e.g., maternity leave, childbirth, death);
- Annual training;
- Holiday allowance;
- Christmas and Easter bonuses.



The company has a formal two-way/multi-directional performance evaluation system (e.g., subordinate feedback is considered in manager evaluations, mutual team evaluations, 360-degree evaluations). Employee performance evaluations are directly linked to the reward system. The company's business performance is systematically reflected, through management decisions, in employee compensation.

In the company, **40–70% of employees are female**, excluding seasonal workers. **The share of women in management and senior management is greater than 30%.** **Between 80–100% of employees**, excluding seasonal workers, are covered by a collective

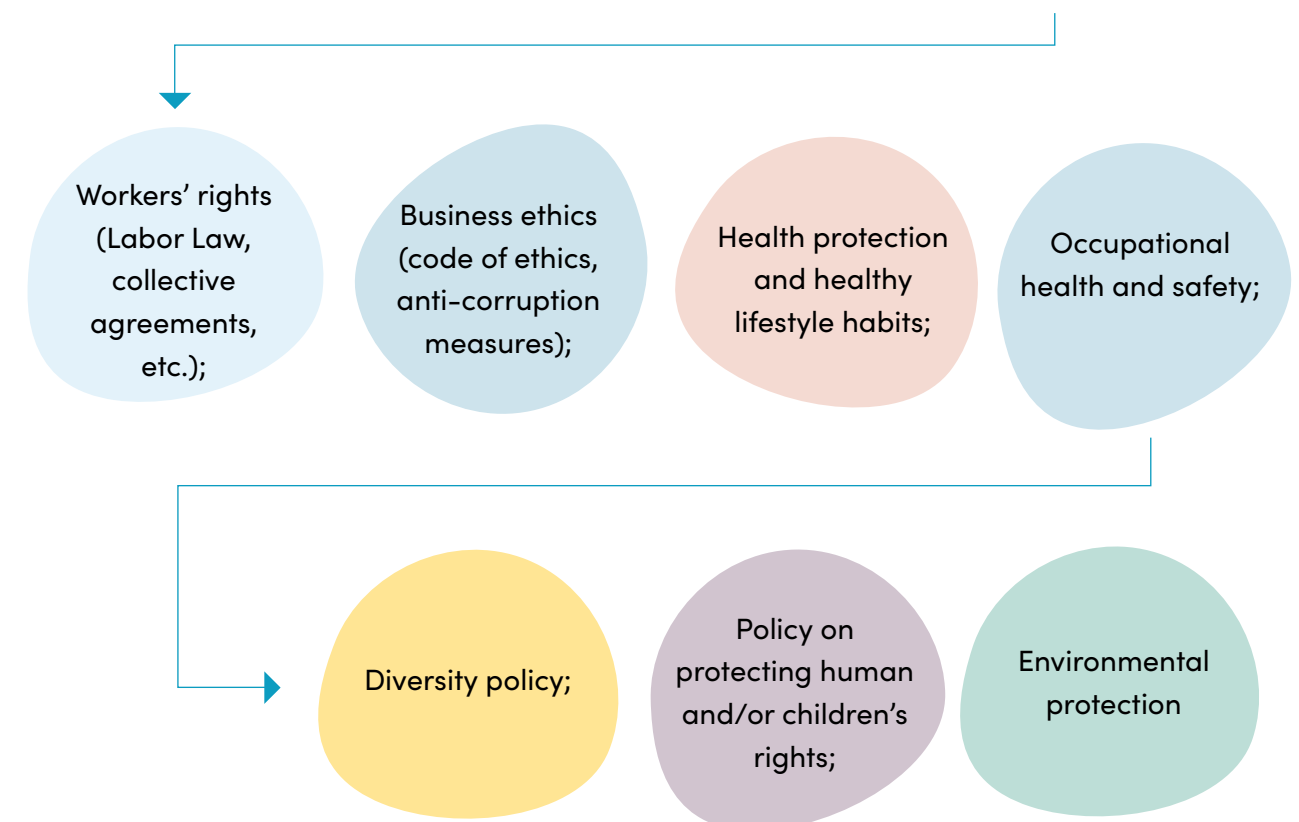
agreement. The overall employee turnover rate is higher than 5%. The proportion of fixed-term employees relative to the total number of employees, excluding seasonal workers, is greater than 5%.

INVESTMENT IN EMPLOYEE EDUCATION AND EMPLOYABILITY

In the past financial year, management participated in some form of education at the company's expense, excluding education costs mandated by law, such as occupational safety training. According to the company's estimate, the average annual expenditure per employee for employee education in the past financial year was €23.

The company stated that professional development plans exist at the company, department, or business unit level. In response to a question about the impact of participation in education on an employee's status within the company, it was noted that the impact is reflected in salaries and bonuses, advancement within the profession, and promotion in the managerial hierarchy.

The company indicated that it conducts training or informs employees about policies, regulations, or management systems related to the following areas of corporate sustainability:

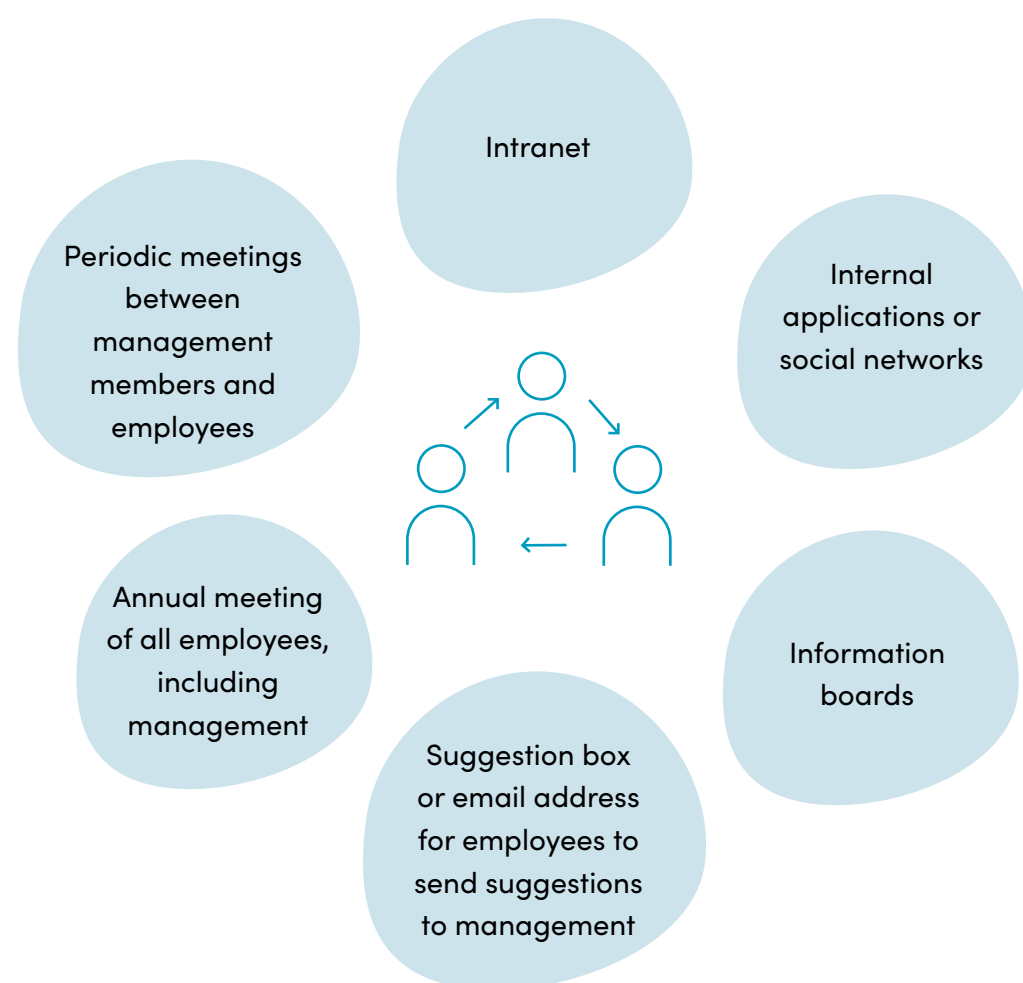


QUALITY AND SAFETY OF WORKING CONDITIONS

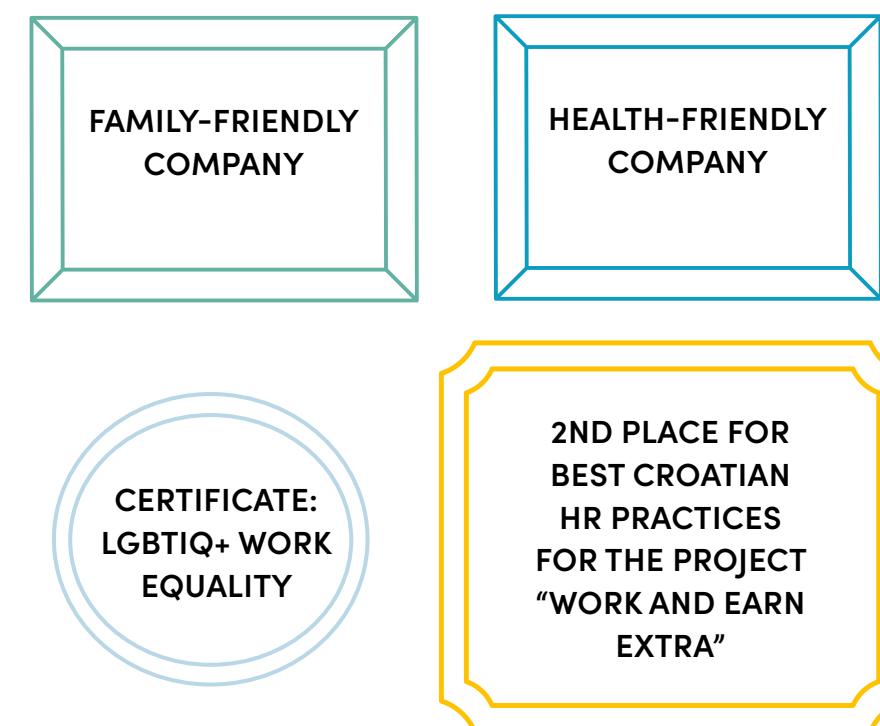
The company has its own occupational health and safety management system. It was reported that there were no fatalities in the past financial year, and the rate of reported workplace injuries relative to the number of employees was **1.5%**. The company organizes/finances the following activities related to the prevention of health problems and/or workplace injuries: regular medical check-ups, exercise programs for employees, lectures on preventing certain health risks (e.g., stress), and offers supplemental health insurance for management and supervisors.

COLLABORATIVE ORGANIZATIONAL CLIMATE

The organizational climate and employee satisfaction are continuously monitored in the company through interactive communication channels (intranet, internal surveys). Feedback on employee satisfaction to improve the work environment and organizational climate is used for reporting to employees and planning corrective actions to enhance the work environment and organizational climate. The company uses the following communication channels:



The Workers' Council, or any body representing employees, does not exist; instead, an employee representative is a member of the company's supervisory board. Regular meetings between management and employees are held as a formal means of two-way communication between employees and management members. In 2023, two persons were appointed as dignity protection officers: Sara Posavec, Director of Human Resources Management, and Josip Karlovčec, Head of Internal Operations. In the past three years, the company has received the following national and international awards and certificates related to the quality of the work environment:

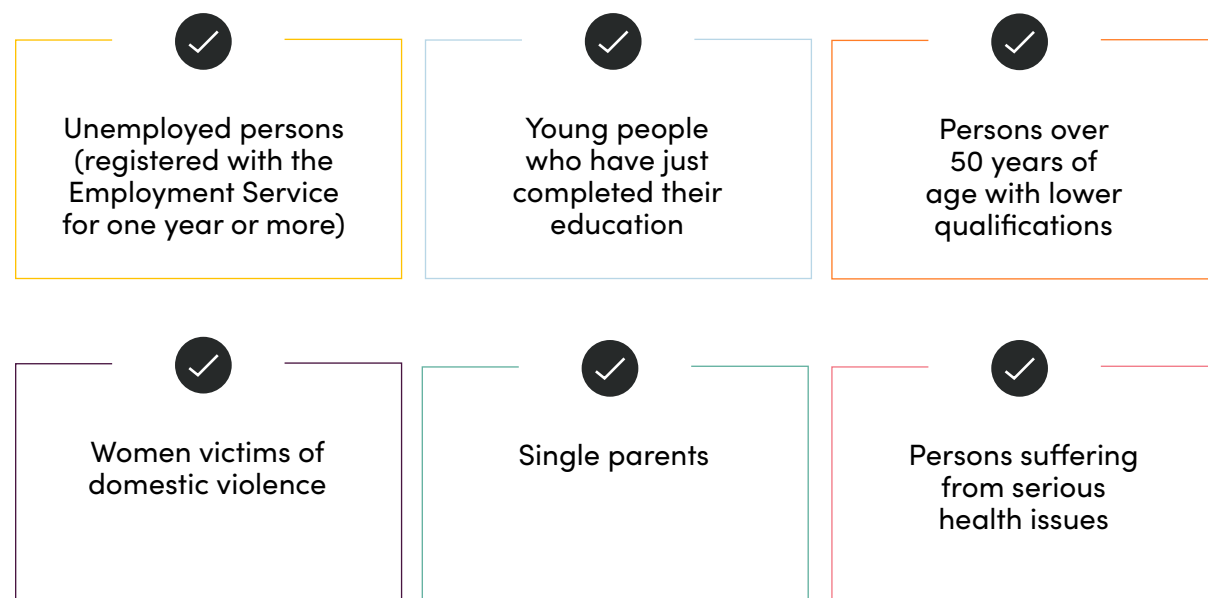


DIVERSITY AND EQUAL OPPORTUNITY POLICY IN THE WORKPLACE

In the form of an internal code of conduct/guidelines for business managers and employees, which prescribes acceptable behavior in the workplace with the aim of eliminating discrimination and unfavorable treatment and protecting human dignity. This is detailed in the company's Work Regulations, submitted as part of the questionnaire.

At the overall policy level, the company implements positive measures for individuals coming from disadvantaged social groups or those facing unfavorable conditions in the labor market. In the case of Terme Sveti Martin, special positive measures apply to persons with disabilities. In the past three years, the company has contracted work with organizations that employ persons with disabilities, in response to the legal obligation to encourage the employment of persons with disabilities. Additionally, over the past three years, the company has employed individuals from the following groups with limited access to the labor market:





Persons of minority nationality or other races

The company cites as a good practice and positive measure the employment of refugees from Ukraine, as well as individuals from third countries and the Roma national minority. Additionally, financial and other material assistance and support are provided to associations for abused women. However, donations related to such organizations are not publicly highlighted, primarily to protect the beneficiaries of these associations. For single mothers and fathers, day trips to the Terme are organized, including a full day of swimming in the pools with lunch included at one of the restaurants, along with a small gift as a keepsake.

As additional incentives and support for employees in balancing their work and family responsibilities, the company offers:



The company has implemented internal mechanisms against discrimination—any case of discrimination is considered a serious breach of the employment contract and results in immediate termination of employment. In the past three years, there have been reported cases of discrimination, with the outcome of the reports being mutual agreement to leave the company (termination of employment). The company conducts internal training and awareness-raising activities aimed at combating prejudice and discriminatory practices and promoting diversity in the work environment and work processes. Specifically, training on gender equality is provided for management and supervisors as part of the LGBTIQ+ Labor Rights Employer certification.

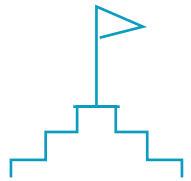


8.3.2.3. Environment

The results of the ESG self-assessment questionnaire in the context of the environment are presented below, divided into the following topics: Climate Change, Water and Marine Resources, and Circular Economy. According to the Environmental Self-Assessment Questionnaire, the company has a documented quality and environmental management policy, signed in 2022, which applies to accommodation, hospitality, wellness and relaxation, sports and active recreation, congresses, and team building services. The company has committed to:



The company has defined the following two specific environmental protection goals in its plans for 2022:

- 
 - 1. Improvement of wastewater treatment from kitchens**
 - 2. Construction (creation) of “green islands” for selective waste disposal**

For the mentioned and other environmental goals, the company has not specified corresponding financial resources. However, at the company level, a person responsible for environmental management has been appointed, namely the Maintenance Manager, whose duties include overseeing selective waste separation, coordinating with municipal services for waste removal, and maintaining the company-owned green areas.

According to the responses from the self-assessment questionnaire, the company considers its environmental impact when making strategic decisions, prioritizing the **reduction of greenhouse gas emissions and the preservation of green spaces as the most important factors.**

Climate Change

As an adaptation to climate change, the company responded that it actively works on reducing greenhouse gas emissions from its operations. Questions regarding energy included information about measuring and reducing energy consumption. The company stated that it measures only direct energy consumption and **is working on adapting production/business processes with the goal of saving energy.** Specifically, the measures the company took last year to reduce energy consumption are as follows:

- 

Replacement of exterior window frames on the apartment building
- 

Operation of the air conditioning system KVGH according to time schedules adjusted to the working hours of the facilities
- 

Daily meter readings for water and gas in large areas with the highest consumption (boiler room and pools), with reporting of significant deviations in energy consumption

Until now, the company has estimated approximate amounts of direct greenhouse gas emissions, but by calculating the carbon footprint as part of this strategy development, an accurate calculation was obtained. The carbon footprint calculation is presented in Chapter 6.

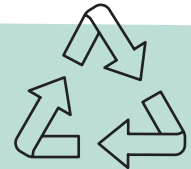
In the past three years, the company has used fossil fuel vehicles, primarily of the highest category in terms of greenhouse gas emissions. Vehicles of the highest fossil fuel category accounted for 50% of the total number, and 100% of the vehicles run on diesel fuel.

Water and Marine Resources

Since the company operates in continental Croatia and does not use marine resources, it only responded to questions related to inland waters and water resources. To reduce water consumption, the company installed water-saving aerators on faucets last year.

Circular Economy

The company stated that waste management only relates to measuring and managing waste generated by its own business activities and that it does not manage waste generated in the value chain before or after its own operations. Last year, between **20% and 50%** of the company’s waste was separately collected and sent for recycling and recovery. Regarding the use of the company’s products or services, over the past three years, the company has worked on waste reduction by investing in a composter for processing biowaste generated in kitchens, acquiring smart scales that measure the quantity of biowaste by food type, and purchasing a baler for paper to reduce paper waste.



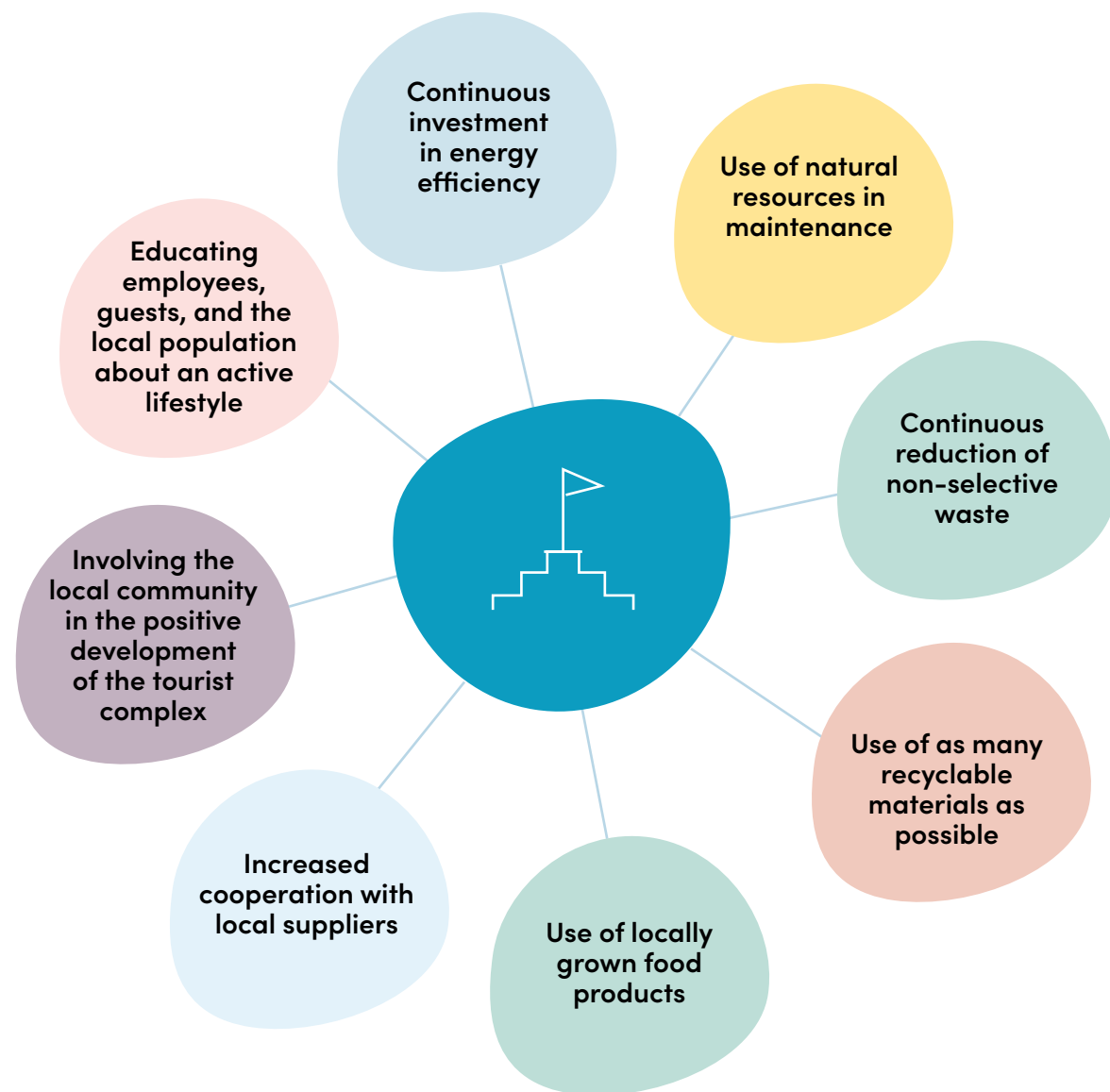
8.3.2.4. Community Relations

The following responses relate to the company’s impact on local communities and the impact of local communities on the company. The results of the ESG self-assessment questionnaire cover two topics: Donations and Sponsorships.

The company maintains and monitors its relationship with local communities where it has a direct presence through occasional meetings with local authorities and other reputable institutions, attending community events to which it is invited, providing written responses and/or meetings with citizen representatives upon their request, and organizing occasional public events at the company to help citizens better understand how the company operates. In its decision-making, the company also considers risks related to social impact, such as resistance from some local communities to the company’s business plans, the dependence of the local economy on the company’s operations, the dependence of local cultural, social, and sports life on the company’s sponsorships and donations, and the dependence of the local budget on the company’s revenues.

Donations

In the past financial year, 0.10% of total revenue was allocated to donations, which were defined according to priority areas. The company identified the most important areas/priorities for donations as local sports and volunteer organizations, local associations for animal protection, local associations for persons with disabilities and special needs, and local institutions for neglected children. The criteria for donations included social activity, level of need, and volunteer engagement. The company stated that these areas/priorities for donations are aligned with its mission and business strategy and outlined the company’s main objectives:



In addition to employees, the company stated that it invests significant efforts in educating guests about small actions they can take to protect and preserve the environment in which they stay.

Below are the key points the company includes in its business strategy:

“Active Lifestyle – We encourage our guests and employees to engage in activities both within and outside the resort. Through donations to sports clubs, we emphasize how important an active lifestyle is for the health of mind and body, which is at the very core of the company’s business.”

“Associations for Abandoned Animals – We are always looking for ways to use materials and resources in the best possible way and, where possible, recycle them. For example, blankets or carpets that can no longer be used in the resort are donated to help care for abandoned animals. Protecting wildlife and their habitats is very important, which is why we do not use fireworks during the New Year holidays, so that guests’ pets and all animals near the resort can enjoy those days without fear. The money previously allocated for fireworks is now donated to these associations, and guests are also asked not to use pyrotechnic devices—not only to protect animals but also to preserve the environment. Guests are offered the option to donate to these associations themselves if they wish. Additionally, all fees paid by guests for accommodating their pets are donated by Terme to animal protection associations.”

“Associations for Persons with Disabilities and Special Needs – Donations related to the social aspect concerning these individuals are not promoted publicly, as we believe there is no need to highlight it in that way. We provide assistance to those in need financially or through our services and products, and often collaborate with these associations by purchasing products from them (for example, the Humana Nova association made aprons for our staff).”

“Associations and Homes for Neglected Children – As previously mentioned, donations related to these types of organizations are not publicly highlighted, primarily to protect the beneficiaries of these associations. For children, we often organize trips to Terme in the form of a full day of swimming at our pools with lunch included at one of our restaurants, and we give them a small gift as a keepsake from Terme (for example, Family Home Bogar – organizing swimming and lunch at Terme, with a surprise gift for each child). Alternatively, we donate full accommodation including meals and pool access, with a special surprise such as a movie night or cartoon screening on the Terme premises (for example, in 2023, the company donated apartment accommodation for 12 children from the Maestral Children’s Home, including meals and drinks with dinner, swimming in the pools, and a movie night at Terme Sveti Martin).”

The company does not allocate donations through public calls but conducts the donation allocation process through an internal procedure for handling received requests. The results of donated activities are monitored through informal contact with donation recipients, tracking media reports, field visits, and joint meetings with the recipients.

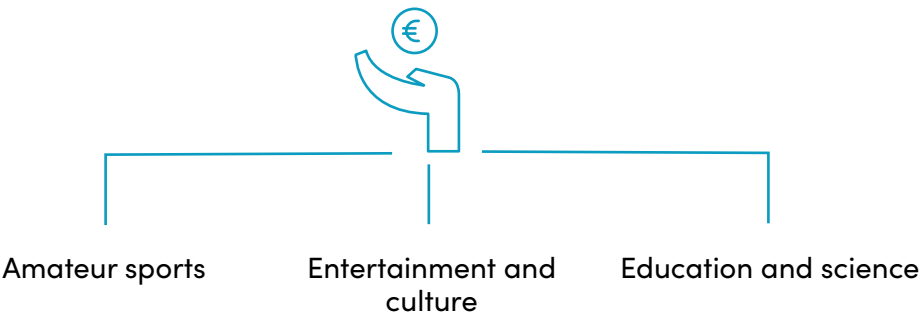
In the past year, the company also provided non-financial donations in goods or equipment, pro bono work by its experts, and other types of volunteer work by its employees. The company participated in partnership projects with public institutions—providing free accommodation for war refugees from Ukraine and free accommodation for families affected by the

earthquake in Petrinja, as well as in joint donation campaigns with other companies.

Terme Sveti Martin involves its employees in donation programs by having them participate in the implementation of these programs, dedicating part of their working or free time to activities related to donations.

Sponsorships

The company identified three types of activities that are most common in its sponsorships, which are:



When awarding sponsorships, the company stated that, alongside business interests, it also considers criteria of general social benefit. Examples include awarding the top students of the local elementary school and sponsoring the local community to promote the development of sports clubs and sporting events.

8.3.2.5. Ljudska prava

The topic of human rights falls under the review of the company’s social impact. Below are the results of the ESG self-assessment questionnaire.

The company holds LGBTIQ+ and Family-Friendly Employer certificates, which promote awareness raising and protection of human rights. The human rights protection policy is not formally defined but is described in the Work Regulations. However, in practice, the company consistently ensures that human rights are not violated and that all forms of human diversity are respected. The company does not conduct an impact assessment analysis of its business processes on human rights but has established compensation mechanisms in case of human rights violations, defined in Articles 78 and 83 of the Work Regulations. Additionally, the company followed the guidelines of the UN Guiding Principles on Business and Human Rights (UNGPR) when drafting the Work Regulations.

The following rights are prescribed by the company’s human rights protection policy:

- 
- 1. The right to freedom of association**
- 2. The right to unionize**
- 3. The right to freedom of expression**
- 4. The right to privacy**

Below are examples of the company’s good practices regarding human rights, as reported through the ESG self-assessment questionnaire:

During June, Pride Month for the LGBTQIA+ community, the company’s logo on all social media was changed to a rainbow version, and an LGBTQIA+ flag was displayed at the hotel entrance. Stickers were made with the text: “LOVE COMES IN MANY COLORS, AND WE WELCOME YOU WITH EVERY SHADE OF OUR HEART.” In addition, the company publicly expresses support for all marginalized groups and proudly holds the “LGBTIQ+ Labor Rights Employer” certificate, which the company received as confirmation of participation in the “Labor Rights for All!” program. The program aims to raise awareness about discrimination against LGBTIQ+ persons in the workplace and in hiring, as well as the need to build an inclusive and equal society based on solidarity and equal rights for all.

Terme Sveti Martin is also a holder of the Family-Friendly Employer certificate, which introduced a range of measures for better human resource management with an emphasis on balancing employees’ professional and family lives. The project is intended to support employers in enabling their employees to effectively balance work and family responsibilities. Obtaining the certificate brings a number of short- and long-term positive effects, such as attracting and retaining top talent, strengthening employee loyalty to the company, improving organizational culture and collaboration, and reducing sick leave.

Terme Sveti Martin is committed to healthy business practices that are ethical and responsible toward all team members as well as the local community. Active engagement through various programs, volunteering, involving local residents in the procurement of local products, encouraging residents to establish family farms (OPGs), supporting the development of local tourist attractions, donations to those in need, sponsoring associations, supporting initiatives, and similar activities are just some of the efforts undertaken with the goal of growing together with the community surrounding this resort.

8.3.2.6. Children’s Rights

Children’s rights belong to the topics defining the company’s social impact. Below are the results of the ESG self-assessment questionnaire. The company has defined measures for the protection of children’s rights within Article 88 of the Work Regulations. In the context of due diligence regarding the impacts of business processes on children’s rights, established compensation mechanisms in case of violations of children’s rights, and supplier checks concerning children’s rights, the company does not have prescribed policies or measures.

The company identifies certain areas of interest that it implements through its business strategy and internal policies, relating to children’s rights and associated rights:



The company has a signed cooperation agreement with an educational institution for programs involving internships, mentoring, volunteering, company visits, and career counseling.

8.4. Organizational Structure

A primary strategic point in conducting the due diligence process is identifying and visualizing the company’s organizational structure. *Terme Sveti Martin is known for its thermal waters*

and holistic approach to health, and it carries the label of the first Healthness resort in Europe, so it is essential that its organizational structure aligns with this business strategy.

Management Team

The department directors’ team within the Terme organization is responsible for conducting operational business, overseeing the overall direction, and implementing Terme’s strategy. This team includes operational areas such as **sales and marketing, maintenance** (and sustainability), **procurement and trade, finance and IT, hotel operations, food and beverage, and human resources management**. The team is led, coordinated, and held accountable for its success and the achievement of business goals by the **General Manager**.

Department Structure

Given the diverse range of services offered, the above-mentioned operational areas are organized into departments of the same names, each focusing on specific aspects of their operations.

Hierarchical Arrangement

The organizational structure of the Terme follows a hierarchical arrangement with clear lines of authority and reporting. Frontline staff report to supervisors, who in turn report to department directors. This structure ensures effective communication and coordination throughout the organization.

Cross-functional teams

To encourage collaboration and innovation, Terme occasionally form cross-functional teams that bring together employees from different departments to work on specific projects or initiatives. For example, members of the sales and marketing team collaborate with the hotel operations team on a new sports program for organizing a running event.

Customer Orientation

Given the nature of the hospitality industry and the intense competition in the tourism sector in Croatia and among other service providers, Terme Sveti Martin place a strong emphasis on delivering exceptional customer service. This focus on customer needs and expectations is also reflected in the organizational structure, with all employees dedicated to meeting guest needs and exceeding expectations.

In conclusion, the organizational structure of Terme is designed to support the mission of providing guests with a rejuvenating and unforgettable experience focused on sports, wellness, and relaxation.

The person responsible for management is **Nuša Korotaj**, the General Director, while the authorized signatories and representatives of the company are **Wolfgang Meyer** and **Nikola Mikac**.

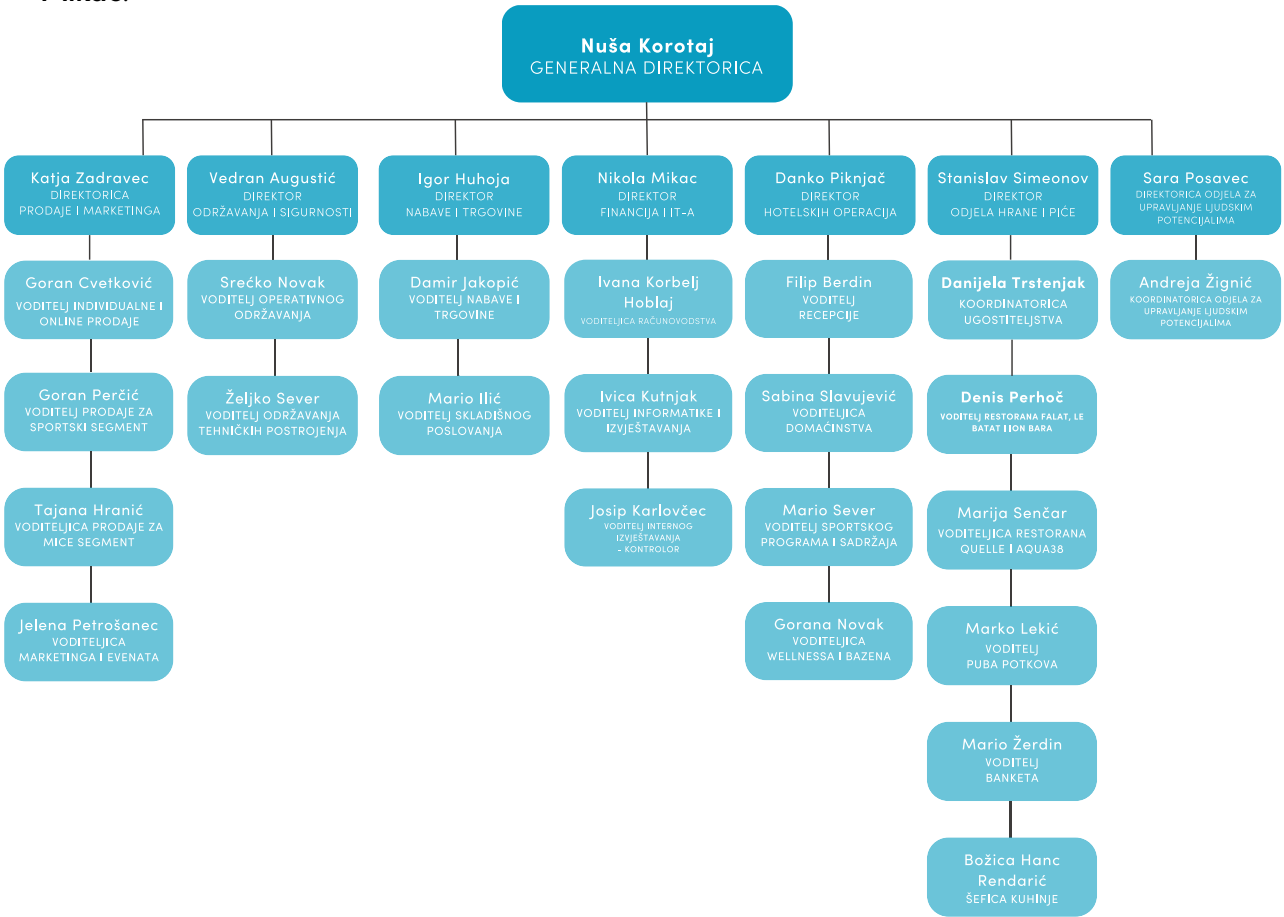


Figure 11. Organizational Structure of Terme Sveti Martin

8.5. Corporate Governance

Corporate governance—represented by the letter “G” in the ESG acronym—refers to the management-related aspects of decision-making, ranging from the independent creation of policies, procedures, and processes to the distribution of rights and responsibilities among various stakeholders within a company, including governing bodies, managers, owners, employees, and all other identified stakeholders.

Information on corporate governance and the quality of relationships with clients, suppliers, and communities affected by a company’s activities helps stakeholders understand the company’s risks and its sustainability-related impacts. Details regarding supplier relationships include payment practices such as payment terms, interest rates on late payments, or collection fees in accordance with Directive 2011/7/EU of the European Parliament and Council. Each year, thousands of companies—particularly small and medium-sized enterprises—face administrative and financial burdens due to delayed or missed payments. These late payments often lead to insolvency and bankruptcy, with detrimental effects

across the entire value chain. Increasing the availability of information on payment practices is expected to encourage other companies to identify fast and reliable payers, expose unfair payment practices, gain insights into the businesses they work with, and negotiate fairer payment terms.

8.5.1. Company Bodies

Within the company, the governing bodies are responsible for overseeing and making decisions regarding the organization’s strategic direction, formulating strategy, monitoring performance, and ensuring the operational implementation of the business plan as well as regulatory and legal compliance. In line with the business needs of Terme, the following company bodies have been established: the Management Board, the Supervisory Board, and the Owners/General Assembly.

The Management Bord

The Management Board of Terme holds regular meetings with staff to keep them informed about all relevant current and future plans, as well as activities related to the protection of the company and the environment. The primary responsibilities of the General Director, Ms. Nuša Korotaj, include the overall operational management of all aspects of the business, achieving positive financial results, attaining targeted annual growth, fostering a positive workplace culture, and ensuring compliance with all applicable legal regulations. The Director is accountable to the company’s owners and is appointed by the company’s hotel management partner. The responsibility for managing sustainable operations, implementing sustainable business practices, and carrying out additional necessary actions to achieve a sustainable business model lies with the Maintenance Department, headed by Mr. Vedran Augustić. However, given the high importance placed on environmental protection and the positive impact on the community, employees, and visitors to the resort, the topic of sustainability is also of special interest to the General Director. All department heads are involved in sustainability efforts according to their areas of influence. As a result, sustainability is a regular agenda item at meetings between the resort’s General Director and department heads.

The Supervisory Bord

The members of the Supervisory Board are Mr. Oswald Czipin as Chair, and Ms. Beata Adrianna Glinska and Mr. Ivica Kutnjak as members. Given the composition of the Supervisory Board, Mr. Kutnjak was appointed based on the electoral decision of the company’s employees and represents the employees’ voice within the Supervisory Board. The long-term focus of the owners—considering the company’s past circumstances and reflected in the appointments to the Supervisory Board—is centered on achieving recovery and business sustainability following the transition from previous ownership. The Supervisory Board fulfills the functions of all necessary sub-committees and operates in alignment with shareholders and the majority owner, adhering to all applicable legal regulations. It ensures the financial

and operational sustainability of the company, thereby safeguarding long-term benefits for all employees and stakeholders. The performance of the Supervisory Board is regularly audited.

Owners/General Assembly

The owner and sole member of the company is **EB Erste Bank Internationale Beteiligungen GmbH**, based in Austria. The owner’s role involves approving all decisions made by the management company and the resort’s General Director. The owner also approves the company’s financial plan, which determines the ability to invest in the renovation and development of the resort. The owner’s responsibilities include approving the budget, CAPEX, conducting monthly performance monitoring, and tracking the achievement of established **KPIs** (Key Performance Indicators).

8.6. Policies and Procedures

The adopted company policies and procedures serve several key purposes, including:



Establishing Guidelines:

Policies and procedures set clear guidelines and standards that employees are expected to follow in their daily activities. These documents outline the company’s expectations regarding behavior and performance within the organization.

Promoting Consistency:

By providing standardized processes and protocols, policies and procedures promote consistency across the organization. This consistency helps ensure that all employees are treated fairly and without discrimination.

Risk Mitigation:

Policies and procedures help mitigate various risks, including legal, regulatory, operational, and reputational risks. They establish compliance requirements, safety protocols, and best practices to reduce the likelihood of errors, incidents, or misconduct.

Ensuring Compliance:

Companies operate within the framework of laws, regulations, and industry standards. Policies and procedures help ensure compliance with these legal and regulatory requirements by clearly articulating the company’s obligations and expectations.

Asset Protection:

Policies and procedures help safeguard the company’s assets, including physical property, intellectual property, and proprietary information. They establish protocols for asset management, data security, and confidentiality to prevent unauthorized access or misuse.



Facilitating Decision-Making:

Policies and procedures provide a foundation for decision-making at all levels of the organization. They offer guidance on how to handle various situations, resolve conflicts, and make informed decisions that align with the company’s goals and values.

Supporting Training and Development:

Policies and procedures serve as valuable tools for training new employees, helping them understand their roles and responsibilities within the organization. They also support ongoing learning and employee development efforts by providing a reference for skill-building and identifying areas for continuous improvement.

Improving Efficiency:

The standardized processes outlined in policies and procedures are designed to streamline operations and enhance efficiency. By defining workflows and eliminating “grey areas” or undefined practices open to interpretation, these processes help reduce errors, duplication of effort, and resource waste.

Enhancing Accountability:

Policies and procedures establish accountability by clearly defining roles, responsibilities, and performance expectations. This provides a framework for evaluating employee performance and, when necessary, holding individuals accountable for their actions.

Overall, policies and procedures are essential tools for ensuring organizational efficiency, promoting compliance and risk management, and fostering a culture of accountability and consistency within the company.



We have identified the existing policies that have been adopted and are implemented at the company level:



Additional documentation related to policies and procedures, which does not have the status of official acts but has been developed, adopted, and is adhered to, includes:

1. Risk Assessment (related to the use of hazardous substances)
2. Work Regulations
3. Evacuation and Rescue Plan for People and Property at Toplice Sveti Martin d.o.o.
4. Operational Civil Protection Plan on the Organization and Implementation of Measures and Activities within the Civil Protection System of the Municipality of Sveti Martin na Muri
5. Operational Plan of Emergency Measures in Case of Extraordinary and Sudden Water Pollution
6. Fire Protection Regulations

It is especially important to note that an Environmental Impact Study has been conducted on the impact of the SPA CENTER Terme Sveti Martin on the local environment within the area of Terme Sveti Martin. This further confirms the resort's commitment to sustainable operations, which is an integral part of its goal to become the first Healthness resort in Europe.

8.7. Certifications

Certification can benefit a company in several ways, depending on the type of certification and the industry in which it operates. Certain certifications focus on environmental sustainability, social responsibility, and ethical business practices. Achieving certification in these areas demonstrates the company's commitment to sustainability, corporate social responsibility (CSR), and ethical conduct, potentially earning favorable recognition from consumers and investors who value a positive impact on society and the environment.

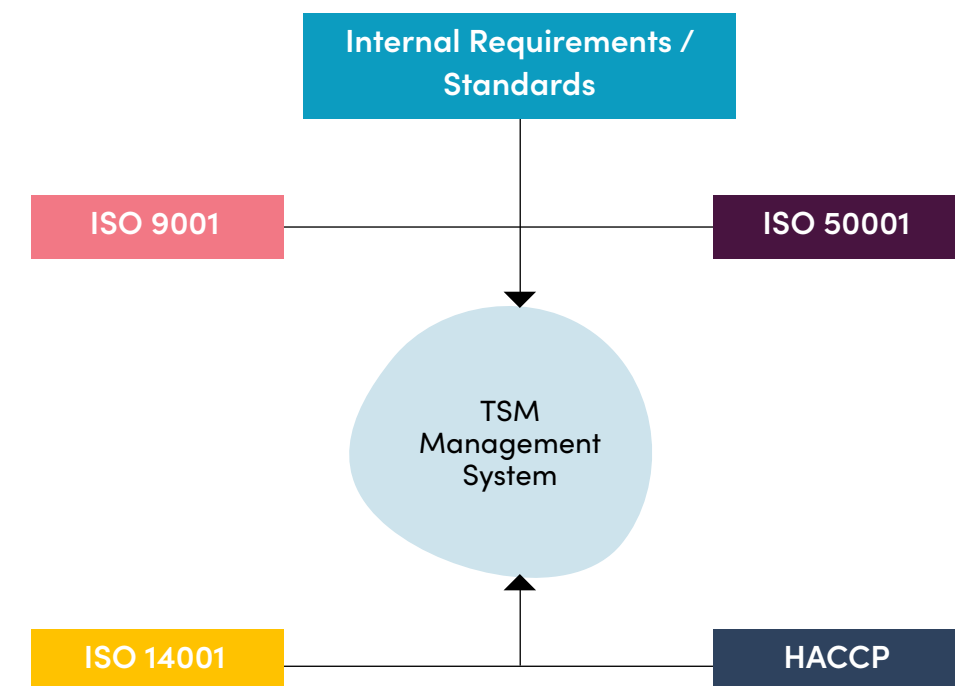


Figure 12. Connection Between the TSM Management System and the Management Systems

8.7.1. Quality and Environmental Management System

The Quality and Environmental Management System is used for integrated management of quality and environmental protection within the organization. This system combines the principles of quality management with those of environmental management to achieve product or service quality goals while reducing the organization's negative environmental impact. Such an integrated system helps organizations meet their business objectives while responding to increasing demands from the market, regulatory bodies, and society as a whole. The system is applied to services including accommodation, hospitality, wellness and relaxation, sports and active holidays, as well as conferences and team building.



The normative references include:

- ISO 9000:2015 – **Quality Management Systems** – Fundamentals and Vocabulary
- ISO 14001:2015 – **Environmental Management Systems**
- ISO 22000 HACCP – Food Safety Management Systems
- ISO/IEC 27001:2013 – Information Security Management Systems
- ISO 50001:2011 – **Energy Management Systems** (EnMS)

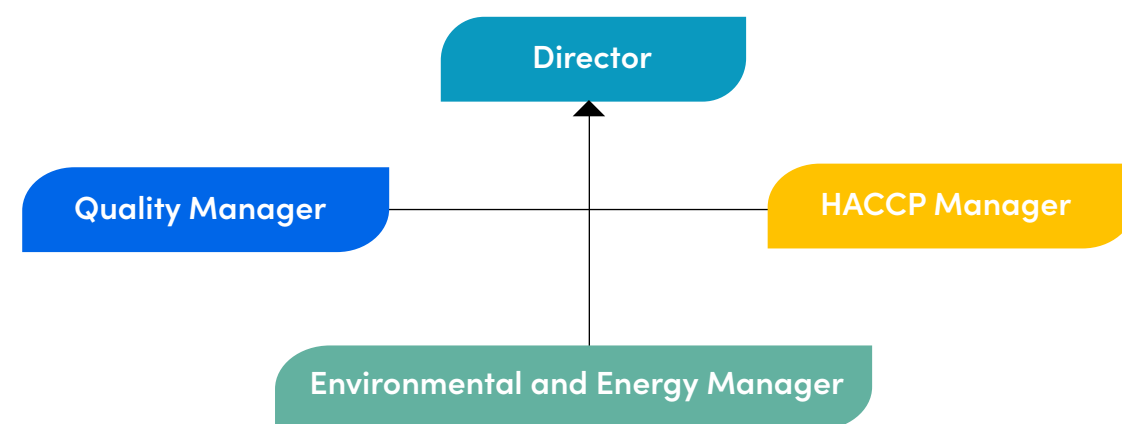


Figure 13. Organizational Structure of Quality and Environmental Management

8.7.2. Sustainable Hotel



The Association of Entrepreneurs in Croatian Hospitality (UPUHH) is the largest and most representative hotelier association in Croatia, successfully advocating for the interests of nearly 400 hotels (and similar establishments) managed by 180 legal entities across the country for over 30 years. UPUHH has represented the tourism industry's interests in both Zagreb and Brussels for more than 28 years.

In their transition toward sustainable operations, Terme has adopted the '**Sustainable Hotel Certificate by UPUHH**.' The certificate is awarded in three categories: (1) Basic, (2) Advanced, and (3) Superior.

Terme is a proud holder of the certificate in the Advanced category, which was awarded based on criteria across nine categories: sustainable development management, procurement, sales, marketing and public relations, environment, energy efficiency, human resources, and technical services.

8.7.3. EU Ecolabel

Terme Sveti Martin is a tourist complex in Croatia that holds the EU Ecolabel certificate, awarded in recognition of its efforts to reduce environmental impact. To obtain this label, the resort had to meet a range of standards and criteria essential for environmental protection and green business practices, with the project completed over two years. The EU Ecolabel is the official ecological label of the European Union, designating "green" products and services—those with a reduced negative impact on the environment throughout their life cycle compared to similar products and services. It is intended for products placed on the EU market. The EU Ecolabel is proof that a product or service meets high environmental protection standards.

8.7.4. Green Key Certificate

Terme Sveti Martin also holds the Green Key certificate, a leading standard of excellence in environmental responsibility and sustainable operation in the tourism industry. This prestigious certification signifies the company's commitment to ensuring that its tourism facilities adhere to the strict criteria set by the Foundation for Environmental Education (FEE). The Green Key label represents a promise to guests that by choosing to stay at such a facility, they are contributing to environmental and sustainability efforts. High ecological standards expected of these facilities are maintained through rigorous documentation and frequent audits.

8.7.5. Halal Certificate

The Halal certificate guarantees that products and services intended for the Muslim population comply with Islamic requirements. It primarily applies to meat and other food products, such as dairy, canned goods, and additives. Specifically, for meat products, the Halal certificate confirms that the animals were processed using a special technique and were not in contact with meat from other animals, particularly pork. Holding this certificate is a significant privilege, as it enables the resort to host guests, sports teams, and national teams from Muslim countries. For example, guests from Saudi Arabia have recognized Terme's efforts, including football teams that visit the resort for training camps.

²⁹ Green Key, [link](#)



8.7.6. *LGBTIQ+ Work Equality Certificate*

This certificate was awarded in recognition of participation in the educational program “Work Equality for All!” and as appreciation for contributions to promoting and improving conditions for LGBTQIA+ individuals in the workplace. Through this program, employees gained competencies in understanding the needs of LGBTQIA+ individuals at work, utilizing business policies to achieve better work conditions, and implementing internal and external practices of inclusivity and diversity.

By earning this certificate and engaging employees in the training, awareness was raised about the challenges faced by LGBTQIA+ individuals. Given Terme’s influence in the local community, this understanding has extended beyond the workplace to the broader community.

8.7.7. *ZelEn Certificate*

The ZelEn Certificate, issued by HEP OPSKRBA d.o.o., confirms that Terme Sveti Martin receives electricity exclusively from 100% renewable energy sources. This certificate affirms the resort’s commitment to sustainable energy use, low-carbon operations, and climate change mitigation measures.

8.7.8. *Health-Friendly Company*

Terme Sveti Martin has been recognized for promoting healthy values and caring for the health of both guests and employees. As a result, the Croatian Institute of Public Health awarded the company the title “Health-Friendly Company.” The implementation of the “Health-Friendly Company” module was carried out across the organization, involving workplace evaluations and educational activities in six key areas: nutrition, promotion of physical activity, employee health protection in the workplace, bans on smoking and alcohol consumption, and environmental improvements. These efforts were conducted in collaboration with the Public Health Institute of Međimurje County and regional project coordinator Dr. Renata Kutnjak Kiš.

8.7.9. *Family-Friendly Company*

With the “Family-Friendly Company” certificate, Terme Sveti Martin has been recognized as a business that implements measures to improve human resource management, with a focus on balancing professional and family life.

8.7.10. *Friend of the Environment*

Terme earned the “Friend of the Environment” eco-label for their tourism accommodation services. This label promotes products and services that, compared to similar offerings, have a reduced negative impact on the environment throughout their entire life cycle. By doing so, they contribute to the efficient use of environmental resources and a high level of environmental protection.



8.8. Internal Controls and Risk Management System

Internal controls within the company are implemented by the Finance Department, specifically through the accounting team using an operational controlling system. Should any irregularities be detected, they are reported directly to the Department Director, who also holds the power of attorney for the company. The matter is then escalated to the appropriate superior and the General Director.

The risk management system primarily addresses operational risks with a strong focus on financial risks. Additionally, an external assessment of climatological and transitional risks is conducted, demonstrating the company's commitment to achieving a level of sustainable business practices well above the standard expected for a company of its size.

Due to the company's size, there is no formal ethics committee; however, there is a designated employee responsible for the protection of workers' dignity. When a report is filed by an employee, this officer documents the case, proposes or seeks solutions within their scope, and informs the General Director or presents details to assist in resolving the reported issue. Anti-bribery and anti-corruption conduct is outlined in the company's Code of Ethics and is appropriate to the company's size and scope of operations.

8.9. Stakeholder Engagement

Effective due diligence requires companies to engage in good faith with relevant stakeholders through meaningful, well-founded discussions. Collaboration with affected stakeholders is essential to an ongoing due diligence process and the assessment of sustainability materiality.³⁰

STAKEHOLDER INVOLVEMENT

For the purpose of preparing a sustainability report and assessing the ESG impact on hotel operations—as well as the financial impact of individual sustainability components—it is necessary to involve all relevant stakeholders of Terme.

Key stakeholders

of Terme are directly involved in the organization's operations.

They include Terme's management, employees, and owners. Together, they are responsible for implementing a sustainable business strategy and achieving strong business results.

Other affected stakeholders

of Terme are individuals or groups whose interests are, or could be, positively or negatively influenced by the company's activities and its direct and indirect business relationships throughout the entire value chain. These primarily include hotel guests, suppliers, the local community in which the hotel operates, various industry associations, non-governmental organizations, and even the media.

Stakeholders were identified in Chapter 3.5 by Terme's representative, Ms. Jelena Petrošaneć.

8.10. Quantitative Data

In this context, quantitative data refers to all data collected during the due diligence process, work meetings, subsequent exchanges or submissions of data, and their interpretation. The data is gathered to identify and quantify specific impacts or the absence thereof and serves as baseline values upon which goals or necessary measures are built.

³⁰This includes procedures for identifying and assessing actual and potential negative impacts, which then serve as the basis for an evaluation process to determine significant impacts for sustainability reporting purposes (see section 3.4 of this standard).





9. Second Working Meeting – Individual Interviews with Working Group Members

Following the initial data collection process on sustainable business practices through the ESG self-assessment questionnaire and the analysis of the collected data, the prerequisites were met for the next step in the due diligence process: interviews with the identified key personnel of the company. The aim of these interviews is to gain an in-depth understanding of specific aspects of the business and potentially identify significant impacts, risks, and opportunities in relation to sustainability factors, as well as to develop a deeper insight into internal processes that may have secondary effects on those sustainability factors.

9.1. General Information on the Conducted Working Meeting

The individual interviews were held at the Terme location on three separate dates: July 28, 2023, August 23, 2023, and September 8, 2023, with department directors. The consulting team structured the meetings based on the conclusions from the first working meeting and the data available from the ESG self-assessment questionnaire at the time. The process of conducting the interviews, analyzing them, and obtaining confirmations from the department directors lasted until November 2023. This was due to the strong goodwill shown by the department directors after the interviews, as they actively contributed additional relevant data and ideas to support Terme’s sustainable transition and the setting of sustainability goals.

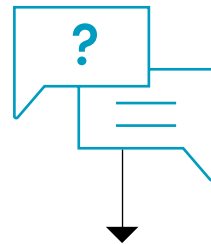
9.2. Interviews with Responsible Persons

First Round	Second Round	Third Round
The first round of interviews took place on July 28, 2023. The consulting team (interview leads), consisting of Vedran Lučić and Bojan Todorović, conducted interviews with Mr. Danko Piknjač (Hotel Operations Department), Ms. Katja Zdravec (Sales and Marketing Department), and Mr. Igor Huhoj (Procurement and Retail Department).	The second round of interviews was conducted on August 23, 2023. The consulting team (interview leads), consisting of Vedran Lučić, Bojan Todorović, and Jakov Kolega, held interviews with Mr. Nikola Mikac (Finance and IT Department) and Ms. Sara Posavec (Human Resources Department).	The third round of interviews took place on September 8, 2023. The consulting team (interview leads), consisting of Vedran Lučić, Bojan Todorović, Jakov Kolega, and Anita Knezović, conducted interviews with Mr. Stanislav Simeonov (Food and Beverage Department) and Mr. Vedran Augustić (Maintenance and Sustainability Department).



9.3. Interview Analysis

The interviews highlighted specific situations and activities occurring within individual departments, as well as the departments' impact on sustainability-related matters. The identified impacts are presented in Chapter 12 – Mapping of Impacts, Risks, and Opportunities. Below, we outline only the specific details that could have been identified exclusively through this type of interview.



9.3.1. Danko Piknjač – Hotel Operations Department

The Hotel Operations Department is responsible for the hotel's daily operations and plays a key role in guest interactions. In addition to **front desk** services, it oversees **housekeeping** – including accommodation maintenance, **wellness and pool areas**, as well as **sports and recreational facilities**.

In terms of sustainable practices – although paper is still used at the reception, **recycled paper** has been introduced, along with the use of two high-efficiency printers that **conserve both energy** and paper. Regarding energy savings, as there are currently no energy-efficient lighting systems or motion sensors in place, energy conservation is managed manually – the night receptionist is responsible for walking through the hotel lobby and other areas to switch off unnecessary lights and systems, such as the water wall. Additional efforts to save energy are made by allocating accommodation units based on grouping. Specifically, hotel rooms are filled floor by floor or hallway by hallway, and in the apartment complex, new buildings are not opened until all units in the previous one are occupied. This approach actively reduces energy consumption, especially during winter when heating systems are in use. The **GREEN KEY** certification requires the use of environmentally friendly cleaning products and practices, which have been fully implemented. In terms of social impact, particularly **involving vulnerable groups**, the hotel has three rooms adapted for persons with disabilities, and hotel staff are always available to assist guests with physical or intellectual disabilities. Regarding **consumer and end-user impact**, there is currently no dedicated feedback channel focused specifically on sustainable practices or guest impressions of them. Instead, a general newsletter and email satisfaction survey are used.

Suggestions for Improving Sustainable Practices:

✓
Introduction of an electronic system for employee check-in and check-out (currently, the system operates based on trust and verbal confirmation from other employees).

✓
Installation of thermal films on glass surfaces to prevent excessive heating (potential for significant savings with relatively low investment).

9.3.2. Katja Zadavec – Sales and Marketing Department

The department's task is to implement the marketing strategy and promote Terme Sveti Martin (TSM) as the first Healthness resort in Europe, while simultaneously using promotional activities to position the resort as a recognizable destination and top-of-mind choice for the best wellness hotel in Croatia. To that end, the department and Terme actively participate in shaping the overall tourism offering of the destination and have successfully applied for (and won) prestigious awards – including the "Tourism Flower" award in 2022. In 2023, the following awards were also received:



BIG SEE Tourism Design Award 2023 for a Creative story and identity as experience³¹



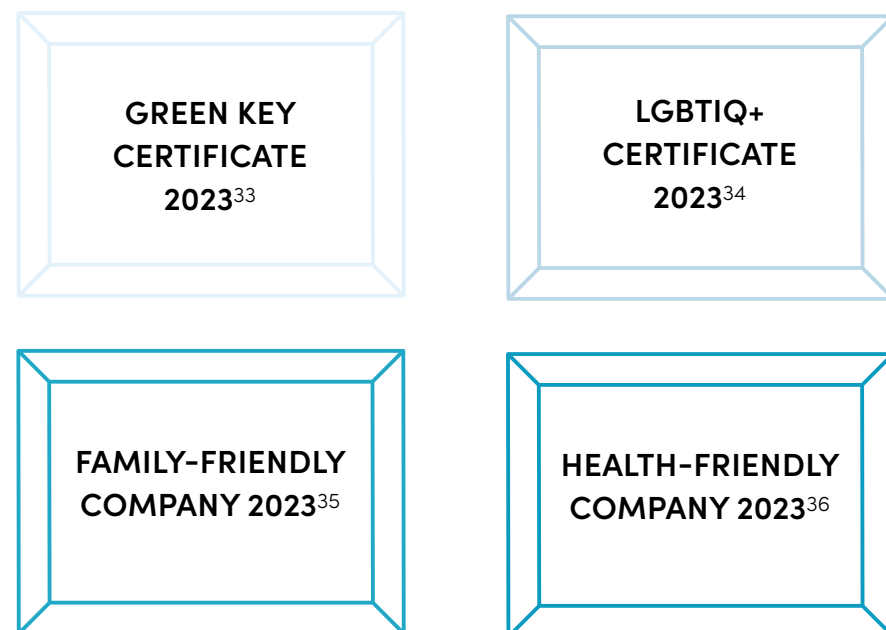
Balkan Spa Summit 2023 Award for Best Innovation in Spa Therapy Program³²

³¹BIG SEE Tourism Design Award 2023, [link](#)

³²Balkan Spa Summit 2023 Award, [link](#)



In addition to the awards received, Terme's commitment to sustainability is also demonstrated through active certifications held in 2023:



With the aim of creating and expanding the tourism offering of the entire destination – that is, extending their positive impact on the local (affected) community – Terme are organizationally involved in various significant local events:



³³Green Key Certificate, [link](#)
³⁴LGBTIQ+ Certificate, [link](#)
³⁵Family Friendly Enterprise Certificate, [link](#)
³⁶Company – The Friend of Health, [link](#)
³⁷Fundrace Charity Run, [link](#)
³⁸CK10 – Čakovec Night Ten, [link](#)
³⁹Halicanum Fest, [link](#)



They also support events that bring cultural vibrancy to the region, such as the music event **Jazz in the Vineyard**, held in the beautiful setting of Maderkin Breg, and the unique festival for American car enthusiasts, **Trash&Burn**.

Terme maintain active cooperation with local winemakers and support their promotion through their own communication channels and by directing clients toward them. This not only enriches Terme's offering, especially during the colder months, but also strengthens the local economy. In terms of promotion through sustainable initiatives, particular emphasis is placed on activities related to environmental and social criteria—both for Terme and the region. One example is the **Green Destination** certificate awarded to the Medimurje region, in which Terme played a key role as both a tourism driver and a promoter of sustainable business practices. Another example is the **Green Key** certificate (awarded to Terme themselves), which is actively promoted. Terme also highlight their strong support for the LGBTIQ+ community, especially during the month of June, by displaying rainbow colors on social media, flying the flag in front of the hotel, and featuring a welcoming slogan at the hotel entrance: **LOVE COMES IN MANY COLORS, AND WE WELCOME YOU WITH EVERY SHADE OF OUR HEART**.

In terms of sustainable marketing, the “No Food Waste” initiative is promoted, along with the promotion of their own scented “bio” candles.

In addition to the website, the department invests considerable effort in promoting Terme on social media, which is managed primarily by internal staff, with partial support from an external specialized agency (LinkedIn, Instagram, Facebook).

Promotional films are also in production to showcase Terme's sustainability efforts:

- Encouraging guests to participate in activities
- A film on composting (the journey of raw materials from local farms to Terme and back)⁴³
- A film on recycling and phasing out single-use plastics

Additionally, Terme Sveti Martin is a pet-friendly tourist complex that does everything possible to ensure the well-being of pets and other animals. Their commitment to promoting animal welfare is actively pursued through various initiatives (including a promotional film currently in production) that support this goal.⁴⁴

⁴⁰Forestland festival, [link](#)
⁴¹Krampuslauf Sveti Martin na Muri, [link](#)
⁴²Urbanovo festival, [link](#)
⁴³Composting Film, [link](#)
⁴⁴Pet Friendly Tourist Complex, [link](#)



9.3.3. Igor Huhoja – Procurement and Retail Department

The Procurement and Retail Department is responsible for the complete procurement needs of all other departments and business segments at Terme, including food and beverages, consumables across all segments, cleaning supplies, maintenance products, and other necessities. All these products are sourced from two main categories of suppliers (internally segmented):

• **local family farms (OPGs)**

• **large-scale suppliers**

With the goal of using local, healthy ingredients to serve guests—and to generate a significant positive impact on the local community—Terme made a strategic decision to work with local family farms (OPGs). This collaboration began in 2015, and they currently partner with approximately 111 local suppliers (OPGs). The product range includes everything from beverages to food, covering nearly all local winemakers, as well as fruit, vegetables, eggs, and other available products. Terme's impact on local OPGs—and indirectly on the regional economy—is highly significant, as evidenced by the fact that business with Terme accounts for up to 80% of total revenue for a considerable number of these local suppliers.

Regarding business with large-scale suppliers, Terme continues to rely on them to ensure operational sustainability and meet guest demands, as a significant portion of required goods (including various vegan products) can only be sourced from this supplier category. It's also important to note that certain product categories are not available locally—for example, meat products (which cannot be sourced from OPGs due to food safety regulations), canned foods, and frozen goods (which are not part of the local offering). Given these categories, the following data highlights the substantial percentage of food and beverages sourced locally:

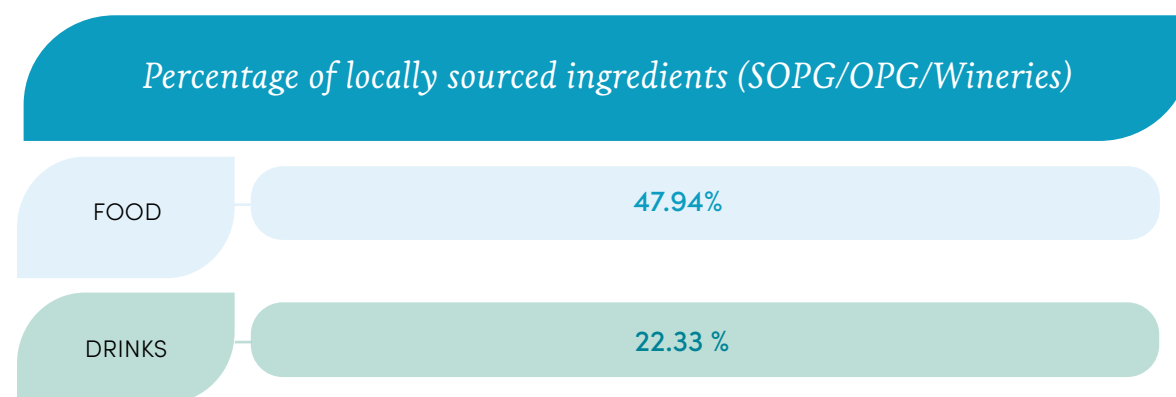


Table 5. Locally Sourced Food and Beverages (in Percentages)

In addition to this direct impact on the local community, the department is also involved in a number of other sustainability-related activities and projects. In 2023, these activities included:

Elimination of single-use plastic packaging

Single-use plastic packaging for bathroom cosmetics (shampoos, lotions, shower gels in small disposable containers) has been completely removed from Terme. Based on current data (since May 1, 2023), this represents the elimination of approximately 300,000 pieces of single-use plastic annually.

Introduction of reusable placemats in restaurants

Single-use paper placemats have been replaced with reusable eco-certified synthetic leather placemats. This change has generated an annual financial saving of approximately €4,000.00.

Introduction of rechargeable batteries

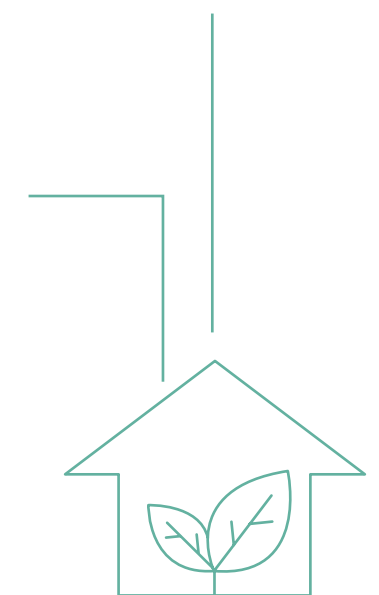
In all business units, single-use batteries have been replaced with rechargeable ones (e.g., batteries for remote controls in guest rooms, battery-powered LED lighting, microphones and devices in the conference area, etc.). Within the first six months, the purchase (and consequent disposal) of single-use batteries was reduced by 80%.

In accordance with the Green Key certificate

A questionnaire was sent to major suppliers (Podravka, Dukat, Velpro, Ledo) regarding Fair Trade practices (fair treatment within the value chain), recycling labels, eco-certificates, and similar criteria. Unfortunately, the responses received were mostly negative, indicating the absence of the required certifications.

New cleaning product dispensers

In November 2023, new dispensers for cleaning products were installed at all housekeeping and hospitality locations, supplied by ECOLAB/ALCA. These dispensers use more economical product packaging that complies with the EU Ecolabel standard.



It is important to highlight the possibility of Terme collaborating with employees through a program for **purchasing products** from OPGs owned by the employees themselves. This not only further increases Terme's impact on the local community but also boosts the satisfaction of those employees by providing them with a secure market for their products.



Suggestions for Sustainable Practices:
To examine the value chain, it is necessary to assess and raise awareness among suppliers regarding the use of sustainable packaging, thereby strengthening the circular economy (by reducing plastic use). Additionally, the use of **Euro containers** could significantly reduce waste and improve efficiency.

9.3.4. Nikola Mikac – Finance and IT Department

The Finance and IT Department is responsible for the financial performance of Terme. Within the department (accounting), there is also a segment of internal controlling, while the IT function is limited to operational information technologies—namely, internal system maintenance (not including development capacities). Director Nikola Mikac has been with Terme since 2005 and has played a key role in the financial stabilization of the company, as well as in enabling further expansion and investment opportunities. Nominally, 4% of revenue is allocated to CAPEX (capital expenditures), but in recent years, the need for operational investments in maintenance alone has exceeded that allocated amount.

The investment decision-making process is shown in Figure 14:

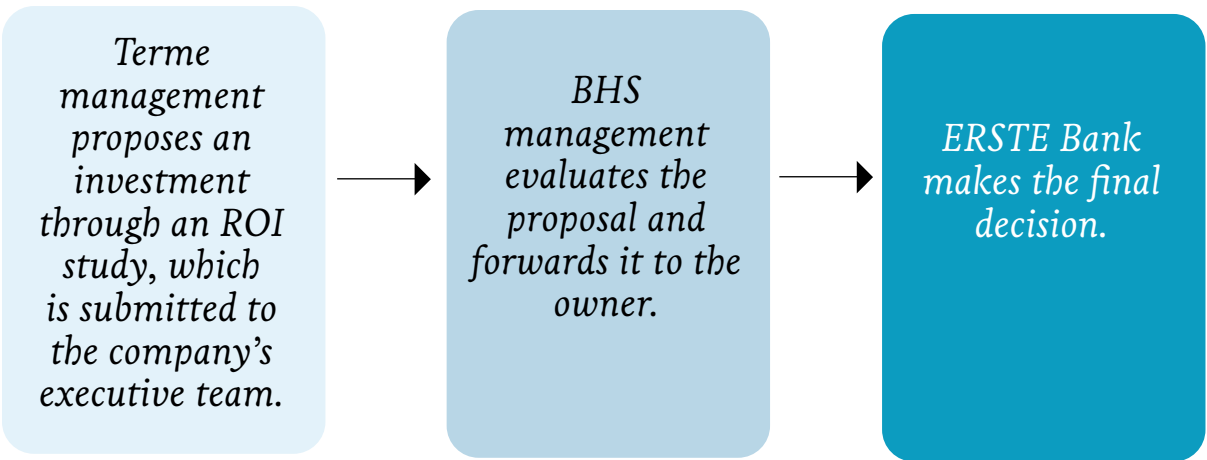


Figure 14. Investment Decision-Making Process

The Terme management’s proposal—detailing all benefits, priorities, and ROI (a mini investment study)—is submitted to BHS management. BHS management (Janez Jager) evaluates the proposal and forwards it to the owner, who makes the final decision.

A significant impact on Terme’s finances has come from the rising cost of energy. For this reason, an action plan is being developed to invest in the energy efficiency of Terme. However, such a plan involves substantial investments—exceeding the allocated 4%—as energy costs have reached 18% of Terme’s total revenue.

Increase in Energy Costs (per Year/EUR)		Action Plan
2021.	670.000,00	Heat pumps
2022.	1.130.000,00	rooftop/parking solar power plant (canopies)
2023.	1.620.000,00	ground-mounted solar power plant

Table 6. Solutions for Increasing Energy Costs

The revenue structure is as follows:

Revenue Structure	
ACCOMMODATION	45%
FOOD AND BEVERAGE	39%
WELLNESS	4%
POOLS	5%
OTHER	7%

Table 7. Revenue Structure

Suggestions for Sustainable Business Practices

It is essential to invest in energy efficiency, given the rising energy costs and Terme’s energy needs. Additionally, investment should be directed towards attracting a segment of guests with higher purchasing power—specifically, guests who would increase Terme’s revenues both in absolute terms and within specific categories (such as more wellness-oriented guests). Accordingly, the budget of the Sales and Marketing Department must also be increased. From the perspective of attracting higher-paying clients, it is necessary to address a significant issue that requires a potentially substantial investment: the **bio-rotor system**



(specifically, five bio-rotors at various locations within the complex). These are essential due to the municipality's lack of sewage infrastructure, which causes unpleasant odors during certain periods.

9.3.5. Sara Posavec – Human Resources Department

The department handles all activities related to employee relations, recruitment management, and employee development, including onboarding new hires by physically introducing them and informing them of their rights and obligations. The Human Resources Department does not have explicitly defined separate goals but provides ongoing operational support to other departments. Employee relations are regulated through the overarching **Collective Agreement for the hospitality** sector at the national level.

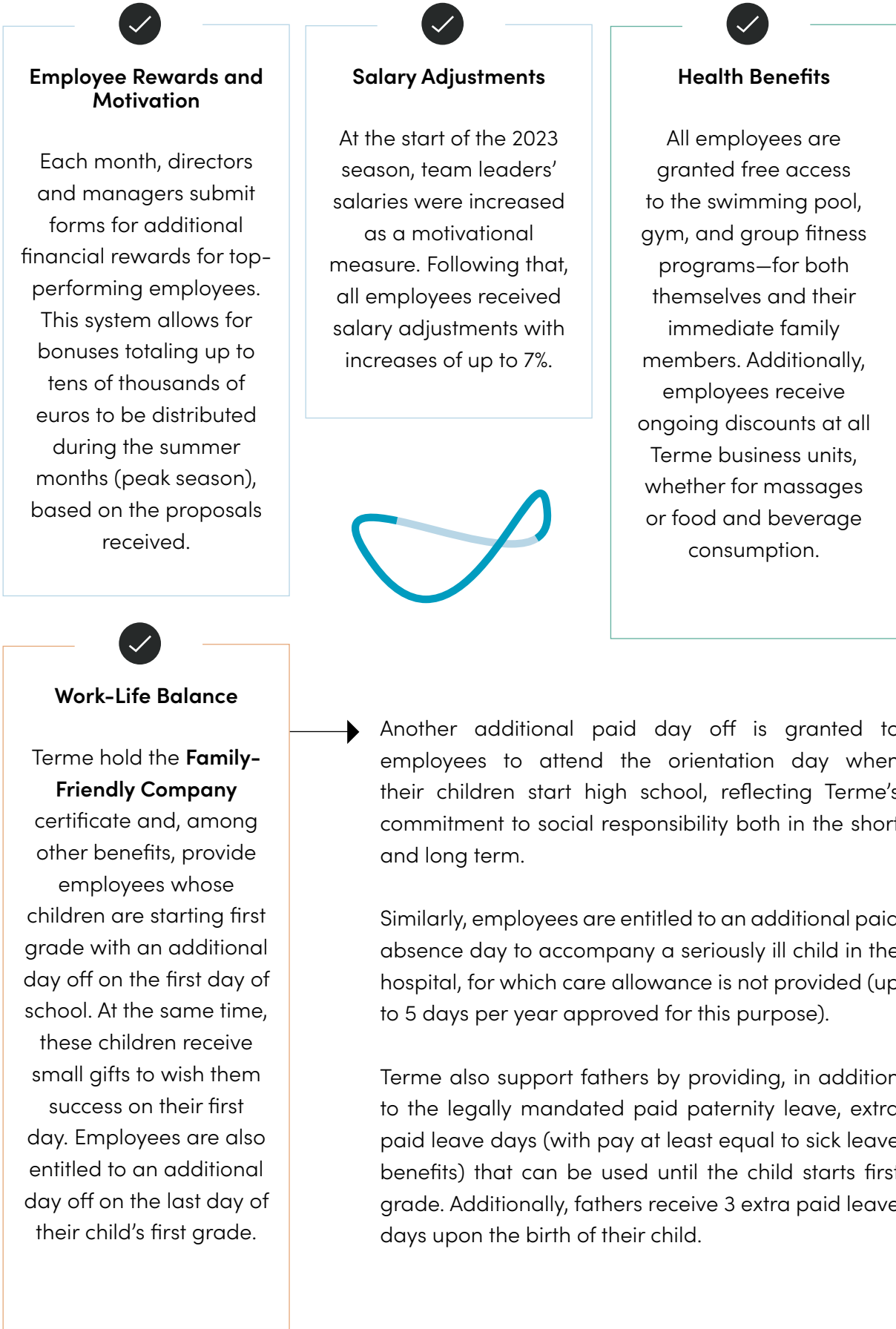
To develop employee competencies, the department regularly proposes training programs; however, employee participation has been below expectations. Efforts are underway to create programs aimed at increasing employee engagement. A positive example is the anti-discrimination training conducted to raise awareness about issues faced by the LGBTQIA+ community, which was delivered to all employees.

This training was followed by the LGBTIQ+ Workplace Equality Employer certificate, which Terme implemented at the beginning of 2023, making them officially the first employer in the hospitality industry to receive this certification.

In addition, Terme Sveti Martin obtained the **Company – Friend of Health** certificate in 2023, becoming the first spa in Croatia to receive this recognition due to their highly developed awareness of the importance of quality work environments. To earn this certification, a company must meet a range of criteria set by a team of experts from the **Croatian Institute of Public Health**. These criteria cover nutrition, promotion of physical activity, protection of employee health in the workplace, bans on smoking and alcohol consumption, as well as environmental management and employee health protection. Beyond this, Terme actively promote the adoption of healthy lifestyles, workplace health, employee well-being, and environmental preservation.

Like other employers in Croatia, Terme face a labor shortage, which is especially pronounced during peak seasons when visitor numbers are highest. This leads to the issue of some of the best employees accumulating excessive overtime hours. At the same time, there are cases where some employees fail to reach the required number of working hours. Active efforts are underway to address this problem, including accurate and verified tracking of overtime hours, identifying the need for team leader training to better manage employee scheduling, and setting an upper limit on the amount of overtime allowed per employee.

In terms of positive impact on employees, Terme, besides the practices mentioned above, also actively work on:



In terms of preventing discrimination on any grounds, Terme actively address this issue both externally and internally, with the Human Resources Department playing a clear role in protecting employees from discrimination. Activities are conducted to promote mutual respect among employees, with additional efforts made to integrate non-resident workers, especially those who do not speak Croatian.

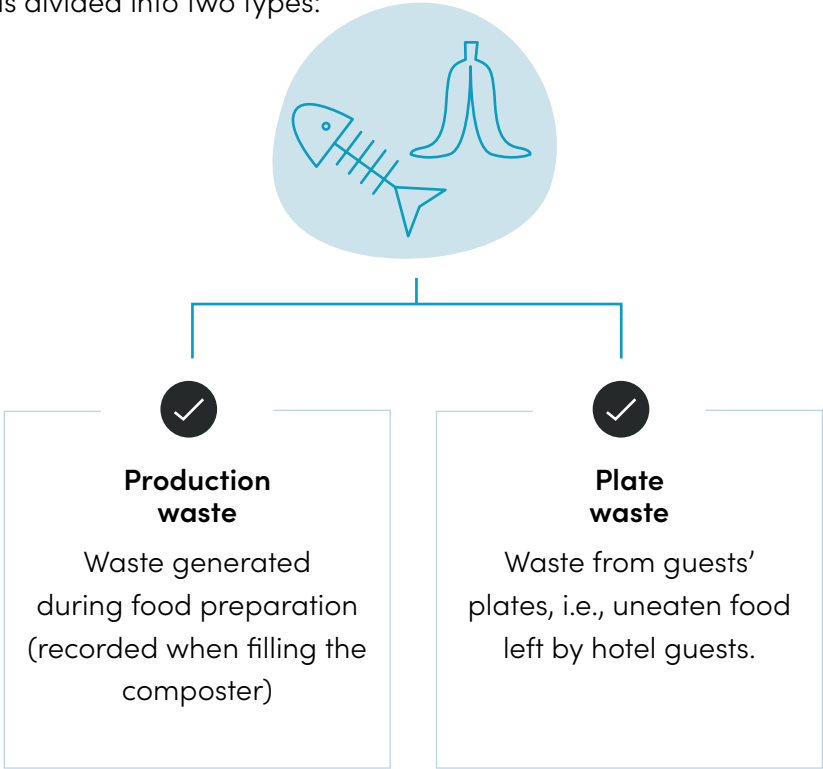
It is also important to highlight the advancement system within Terme, where employees are highly valued. When filling job vacancies, positions are first advertised internally, and only if no suitable candidate is found is the position publicly advertised. For internal communication of all these benefits, fostering communication among employees, facilitating cooperation between departments, and providing a channel for complaints or reporting inappropriate behavior, an internal communication platform via the JENZ app has been established. This app serves to promote interaction and inclusion among all employees.

9.3.6. Stanislav Simeonov – Food and Beverage Department

The department is responsible for serving food and beverages at Terme, in restaurants and bars. The department’s strategic goal is to increase efficiency and operational effectiveness by improving organizational levels, aiming for potential cost savings, waste reduction, and optimized working hours.

For sustainable operations and management of biodegradable waste, Terme use a composter equipped with a camera and a scale to weigh the waste. The composter is located within the service yard.

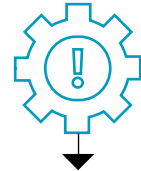
Food waste is divided into two types:



9.3.7. Vedran Augustić – Maintenance Department

The director of the Maintenance Department is also the person responsible for implementing sustainable practices within Terme and serves as the primary contact for integrating ESG criteria into Terme's operations.

Four main problems have been identified:



1. Lack of sewage infrastructure

All wastewater treatment is done through five bio-rotors. According to standards, a bio-rotor should be located 200 meters away from the hotel complex. However, the closest bio-rotor is only 20 meters away from the hotel's pool complex. This creates two potential risks: a reputational risk due to unpleasant odors experienced by hotel and pool guests, and a financial risk related to the high costs of sludge removal and bio-rotor maintenance.

Pool water, after neutralization (removal of chlorine), is discharged into a stream in compliance with regulations and legal standards. Water samples are regularly taken every two months (six times a year) for analysis, with test results confirming that the water is safe. This testing frequency is significantly higher than required and reflects Terme's commitment to visitor safety.

Bio-rotor sludge is emptied three times a year and transported to a wastewater treatment plant, while grease trap waste (wastewater from kitchens) is sent to a biogas production facility.

2. Use of chlorine gas for disinfection

For the outdoor pools, chlorine gas (which is actually a toxic chemical weapon) is used in a fully closed system with all safety measures and neutralization in place. However, the use of chlorine gas poses a reputational risk due to potential negative media coverage. As an alternative, sodium hypochlorite (NaClO, or bleach) can be used, with an estimated consumption of 5 tons per month. An even less harmful option is the use of UV lamps. However, according to existing regulations for swimming pools, residual chlorine must be present in the pool water. Therefore, even if UV lamps are used for disinfection, chlorine-based disinfection would still need to be partially maintained, which reduces the investment's overall effectiveness. Sodium hypochlorite is currently used to treat the indoor thermal pools and the hotel pool.

3. Energy Efficiency and Air Conditioning

A heat pump project has been prepared. Once implemented, it will reduce gas consumption in the indoor pools by 95%, which accounts for one-third of the total gas usage. The installation of thermal films on the hotel's glass surfaces (windows) is also planned (Hotel Operations Department).

4. Internal Waste Storage Facility

The waste is stored offsite and transported there daily. However, a vacation home has recently been built near the waste facility, so relocation, remediation, expansion, or closure of the site is expected to be necessary. Energy efficiency measures currently applied by the Maintenance Department include the use of fan coil units that automatically switch on and off when rooms reach a certain temperature, resulting in approximately 20% energy savings. Additionally, time schedules have been implemented for automatic switching on and off according to the time of day. The wellness complex is also controlled by a timer, with saunas turning on one hour before opening. Motion sensors have been installed in guest rooms, shutting off all energy-consuming systems after 16 minutes of inactivity (operated by older software). Investments have been made in new air handling units at the pools with dehumidification capabilities. These prevent moisture in the pool areas and yield significant energy savings. Older air handling units used gas burners, whereas the new units operate in cascades, regulating their ignition and shutdown cycles more efficiently.

Options for Increasing Energy Efficiency:



New thermal heating well to heat all buildings – the existing well does not have sufficient capacity, so the entire pool complex is currently heated by gas. The current well has a flow rate of 2 liters per second with water at 38 °C. It is used only for replenishing (and heating) the thermal pool water, is 900 meters deep, and water is extracted from 800 meters. The planned heat pumps would utilize this existing well.

The new well would reach a depth of 2,500 meters and extract water at 110 °C. In this case, no pump would be needed due to the high pressure. However, this investment is estimated at around €5 million, with a payback period projected at 7–8 years. In addition to heating all facilities, the well would also enable a geothermal power plant for electricity generation. All these calculations have been developed in cooperation and communication with the Geological Institute.



Other Sustainable Initiatives:



Water Savings

During 2023, the department is installing new low-flow aerators on all faucets— the impact will need to be evaluated by the end of 2023. A sticker has been applied to the smaller flush button on toilet cisterns, encouraging users to “Press and use 2 liters less.” These stickers were applied in 2023, and their effectiveness will also be assessed by the end of the year.



Management

Connecting all buildings into a single management system—currently, only the hotel is included in the system. Improved control of the central air-conditioning chiller in the hotel— there is potential to operate at 8 temperature levels with system upgrades (currently, only 2 levels are used).



Energy Efficiency

Heat pumps — these would not have the capacity to heat the hotel, only the pools. For the hotel, a concept involving geothermal probes (90 units) based on the ground loop system is planned. Solar power plant on roofs (and parking areas) — the project was postponed due to the high cost of solar power installations combined with relatively low electricity prices, resulting in a payback period of 10–11 years. Following the energy crisis in 2022, this option is being reconsidered with the added goal of further reducing the CO₂ footprint. In the CAPEX budget for the upcoming year (2024), the purchase of three robotic lawnmowers and one electric vehicle is planned.

9.4. Conclusion

Through individual interviews with department directors, the primary environmental and social impacts of Terme have been identified, revealing a clear strategic and personal commitment from all interview stakeholders toward Terme’s sustainable operations. The interviews were also important for identifying all activities within Terme and served as a basis for the consulting team’s analysis of EU taxonomy activities, given their insight into specific aspects of the business. The identified impacts are described in the interview analyses by department, and the directors also presented their proposals for potential improvements in Terme’s sustainable practices, as well as possible sustainability goals or ESG KPIs. These proposals are consolidated and discussed in a separate workshop with the entire team to decide on adopting specific sustainability objectives. It should be noted that, in addition to the interviews, **a consulting team visit to Terme** was arranged in agreement with Terme, where the team acted as guests from August 21–23, 2023. The team included Vedran Lučić, Jakov Kolega, Bojan Todorović, and Ilja Drmač. Observations from this visit were partially incorporated into Chapter 12: Mapping of Impacts, Risks, and Opportunities. These observations resulted in proposals for potential sustainability goals, which were discussed at the fourth working meeting on January 22, 2024. The observations relate to situations, processes, or potential improvements.



10. Assessment of Climatological Risks

Climate change is ongoing and can only be fully halted through rapid and comprehensive decarbonization. Measures aimed at reducing greenhouse gas emissions are crucial to avoid the worst long-term effects. However, some changes are already embedded in the climate system with inevitable consequences. Without proper management of vulnerabilities and risks, climate change will increasingly impact project outcomes and investments. The assessment of climate change risks and impacts is a process through which mitigation and adaptation measures are integrated into the development of infrastructure projects. It is prepared according to the Technical Guidelines for Climate Change Infrastructure Preparation for the period 2021–2027.⁴⁵

Terme Sveti Martin, on their sustainability journey, have opted to conduct a climatological risk assessment for the period up to 2050. This aligns with the European Green Deal and the goal of making Europe the first climate-neutral (CO₂-neutral) continent by 2050. The climatological risk assessment is the first step in defining key topics, a decarbonization plan, and understanding impacts, risks, and opportunities.

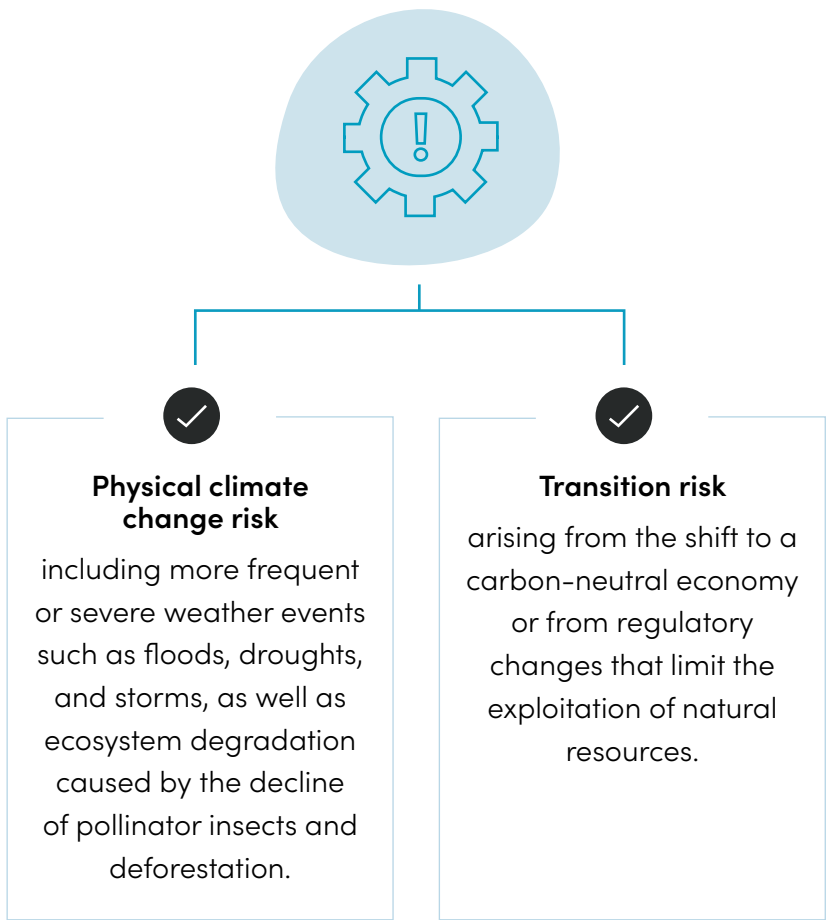
The document establishes common principles and practices for identifying, classifying, and managing climate risks in the planning, development, implementation, and monitoring of infrastructure projects and programs. The process is necessarily divided into two categories (mitigation and adaptation) and two phases (screening and detailed analysis). Climate resilience is achieved through appropriate adaptation measures based on the climate risk assessment.

⁴⁵Technical Guidelines for Preparing Infrastructure for Climate Change in the Period 2021–2027, [link](#)



10.1. Climate Change (Loss and Degradation of Nature) Impacts the Economy

Two types of risks contribute to this impact:



Climate change-related risks affect macroeconomic indicators such as inflation, economic growth, financial stability, and the transmission of monetary policy. They also impact the value and risk profile of the physical assets of commercial enterprises.

The loss of biodiversity and degradation of natural ecosystems are likely to increase climate-related risks. In other words, the occurrence of some of these risks significantly accelerates the emergence of other climate risks. For this reason, it is necessary to understand these risks and how they affect individual sectors, the broader economy, and even systemic financial stability. This is why the impact of climate change on all sectors is considered when making long-term financial decisions within central banks.

This consideration extends to all financial and business entities due to the essential need to finance the economy. Therefore, it is important to identify, measure, and monitor climatological risks for every sector.

Climate and nature depend on each other: climate change poses additional threats to our ecosystems, while the degradation of nature accelerates climate change.

10.2. Physical Risks in the Hospitality Industry

Hotels operating in areas exposed to climate change may face physical climate risks, including extreme weather events and flooding. Adverse weather conditions can damage property and disrupt operations, leading to reduced asset values and lower revenues. Additionally, hotels located in coastal regions may face higher insurance premiums or might struggle to insure their properties altogether. Hotel operators will likely need to adapt to changing climate trends—such as rising sea levels, hurricanes, and floods—in order to maintain their climate-exposed revenue-generating assets.⁴⁶

	Temperature	Wind	Water	Solid mass
CHRONIC	Temperature changes (air, freshwater, seawater) Temperature stress Temperature variability Permafrost thawing	Changes in wind patterns	Changes in precipitation patterns and types (rain, hail, snow/ice) Precipitation variability or hydrological variability Ocean acidification Saltwater intrusion Sea level rise Water scarcity	Coastal erosion Soil degradation Soil erosion Solifluction
ACUTE	Heat wave Cold wave/frost Forest fire	Cyclones, hurricanes, typhoons Storms (including blizzards, gale-force winds with dust, and sandstorms) Tornado	Drought Heavy precipitation (rain, hail, snow/ice) Floods (coastal, river, stormwater, groundwater) Glacial lake outburst floods	Avalanche Landslide Soil subsidence

Table 8. Classification of Hazards Related to Climate Change (Source: Commission Delegated Regulation (EU) 2021/2139)

⁴⁶SASB - Sustainability Accounting Standards Board, [link](#)



10.3. Conclusion

Given the location and the long-term commitment of Terme to sustainable business, it has been agreed that a **comprehensive assessment of climate risks needs to be carried out, and that this obligation will be established as one of the objectives of the sustainability strategy (ESG strategy).**



11. EU Taxonomy

Defining the eligibility and compliance of activities classified as environmentally sustainable according to the EU Taxonomy represents an important step in mapping impacts, risks, and opportunities. During the second working meeting, the company's taxonomy-related activities were examined, and an analysis of their eligibility and compliance with the EU Taxonomy was conducted. Below is a description of the legislative framework, the methodology for assessing eligibility/compliance, a list of eligible company activities, and the conclusion.

Legislative Framework

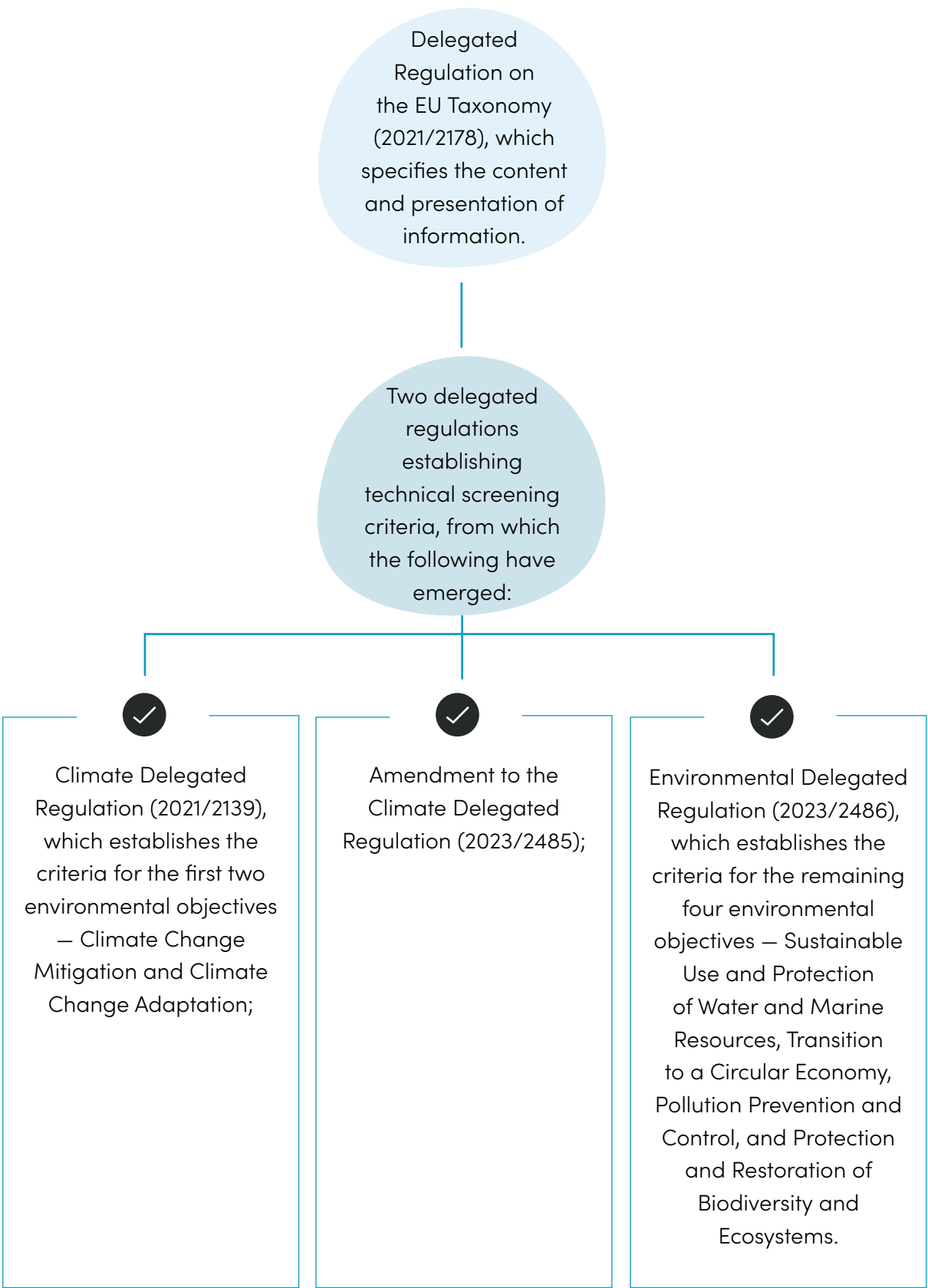
The EU Taxonomy forms the foundation of the sustainable finance framework, aimed at directing capital toward environmentally sustainable economic activities. Established by the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation (EU) 2020/852), commonly known as the "Taxonomy Regulation" or simply "Taxonomy," the European Union has created a unified framework that defines environmentally sustainable investments.

The Regulation sets out the fundamental principles and definitions crucial for assessing the sustainability of investments. It serves as an important tool for market transparency and provides a common language for investors, financial institutions, insurers, and companies when investing in economic activities essential for the green transition.

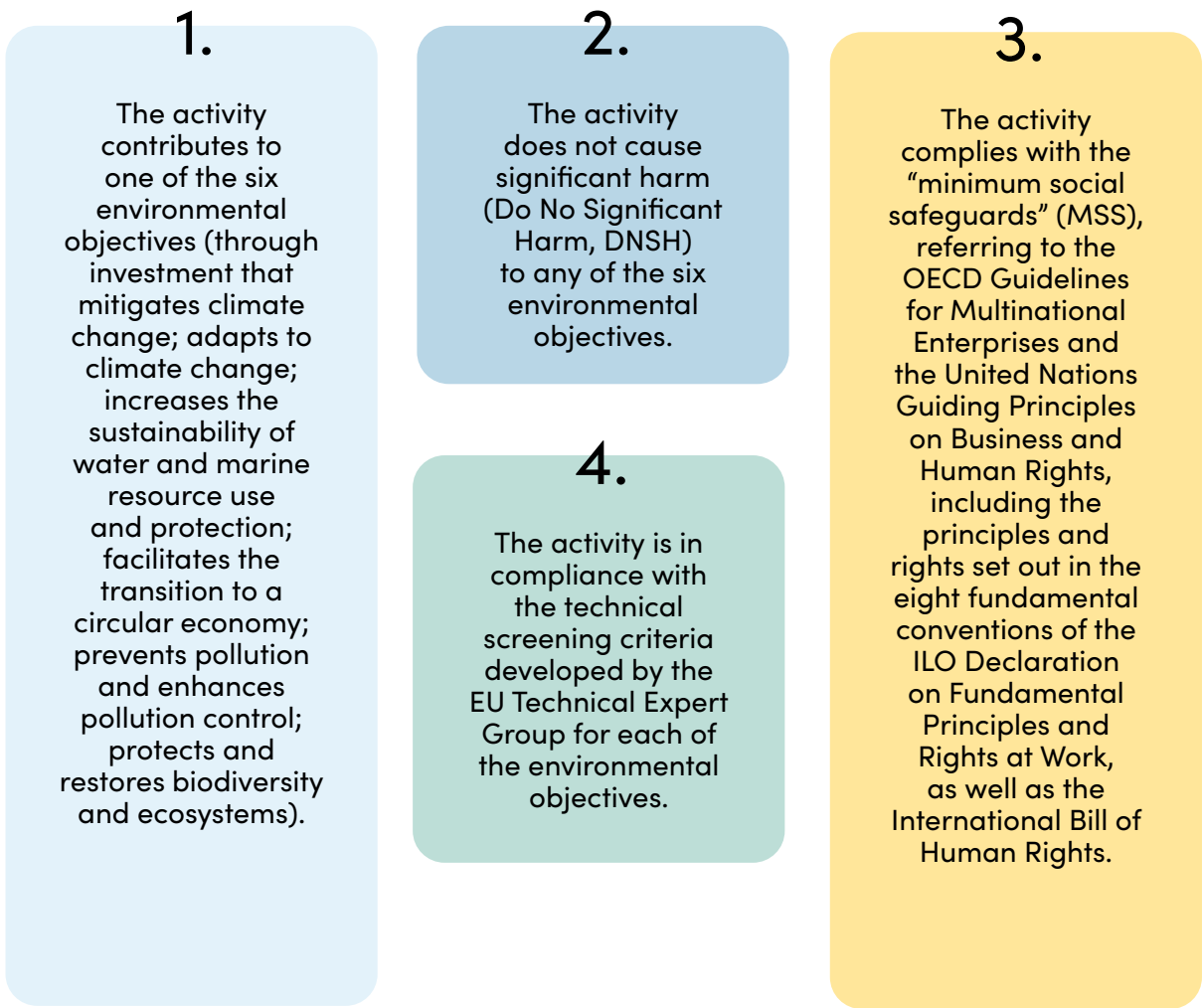
In March 2020, the European Commission published the final version of the taxonomy report prepared by the Technical Expert Group (TEG) on sustainable finance. This taxonomy report outlines economic activities assessed and classified based on their contribution to the EU's sustainability policy objectives and provides market participants with guidance on which activities should be considered "green."



Additional delegated regulations have been issued stemming from the Taxonomy Regulation, which provide more detailed criteria for the eligibility and compliance of activities with environmental objectives:



An economic activity and the investment in it can be considered environmentally sustainable if it meets the following four criteria:



Application of the EU Taxonomy

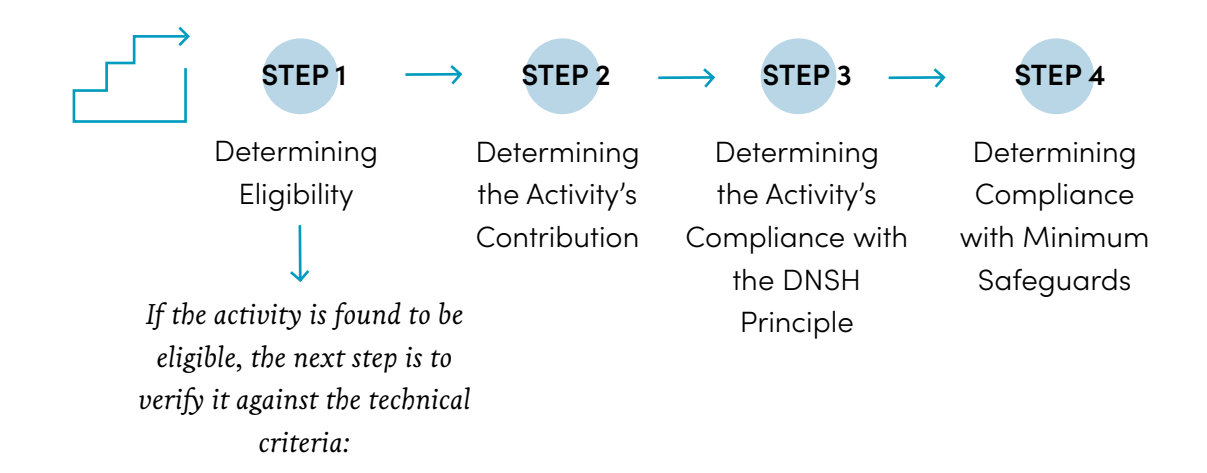
In accordance with the above criteria, when analyzing a company’s activities based on the taxonomy framework, the evaluation determines whether an activity is:

- a) **Taxonomy-eligible** – the activity is covered by the EU Taxonomy;
- b) **Taxonomy-aligned** – the activity is aligned with the taxonomy or is a low-carbon activity.

The EU Taxonomy is applied by first determining whether the company’s activities are taxonomy-eligible, meaning they are included in the EU Taxonomy (i.e., listed among the activities considered environmentally sustainable under the Regulation). Once eligibility is confirmed, the activities are assessed according to the technical screening criteria.



Below is the step-by-step process for assessing the eligibility/alignment of activities under the EU Taxonomy:



Without completing Steps 1 to 4 above, it cannot be concluded that a business activity is aligned with the EU Taxonomy. Merely identifying a substantial contribution or the eligibility of an activity is not sufficient to deem it taxonomy-aligned. According to the review of the technical screening criteria, it has been established that Terme Sveti Martin conducts economic activities that are only taxonomy-eligible. The overview of eligible activities has been prepared by evaluating the activities covered by the EU Taxonomy, i.e., the Climate and Environmental Delegated Acts, taking into account all the activities that Terme Sveti Martin currently undertakes or plans to undertake in the future. Therefore, a list of taxonomy-eligible and potentially eligible company activities is provided below.

Overview of Taxonomy-Eligible Activities of Terme Sveti Martin in Accordance with the EU Taxonomy

The company's activities have been identified under the following environmental objectives: **Climate Change Mitigation, Circular Economy, and Biodiversity.**

Climate Change Mitigation

Terme consider water (specifically groundwater) as their key resource for sustainable operations. They place special emphasis on managing potable water consumption and actively encourage guests to reduce water usage wherever possible.

Various measures have been undertaken in the recent period to reduce water consumption, including the installation of water-saving low-flow aerators on all faucets, improvements in the treatment of wastewater from kitchens, regular inspections within the facility (faucets and toilets) to prevent water leakage, 83% of showers within the facility having a water flow rate of less than 9 liters per minute, installation of grease separators in kitchens, covering pools when not in use, cleaning pools with agents that do not contain harmful chemicals, installation of separate water meters in high-consumption areas for monitoring purposes, and the treatment and partial reuse of wastewater for watering green areas. Total water consumption is measured once a month, and a consumption log is included in the Green

Key document. The company operates an internal sewage system with treatment units (bio-rotors) aimed at controlling the discharge of pool wastewater into the environment and preventing pollution of water and aquatic ecosystems. Additionally, to reduce biowaste, composters and smart scales have been implemented.

The company's listed activities correspond to the following taxonomy activities and have been assessed as eligible:

5.1.

Construction, expansion, and operation of water collection, treatment, and supply systems:

Construction, expansion, and operation of systems for the collection, treatment, and supply of water.

5.3.

Construction, expansion, and operation of wastewater collection and treatment systems:

Construction, expansion, and operation of centralized wastewater systems, including collection (sewer network) and treatment.

5.5.

Collection and transport of non-hazardous waste in source-separated fractions:

Separate collection and transport of non-hazardous waste in separately collected or mixed fractions for the purpose of preparation for reuse or recycling.

Terme are committed to reducing their carbon footprint (greenhouse gas emissions) by investing in renewable energy sources, energy renovation of buildings, and the purchase of electric transport systems, as well as by reducing electricity consumption from fossil fuels, thereby increasing the hotel's resilience to climate change. Terme are currently investing in lowering greenhouse gas emissions, starting with their vehicle fleet—specifically by purchasing new fossil fuel-powered vehicles that fall into the highest category in terms of low greenhouse gas emissions. The company uses 50% of fossil fuel vehicles that meet the highest emission standards out of the total 100% diesel-powered vehicle fleet.

This corresponds to the following taxonomy transport activities and has been assessed as eligible:

6.4.

Operation of personal mobility devices and bicycle logistics:

Procurement, financing, leasing, rental, and management of personal mobility or transport devices powered by user physical activity, zero-emission motors, or a combination of zero-emission motors and physical activity. This also includes the provision of goods transport services using cargo bicycles.

6.5.

Transport by motorcycles, passenger cars, and light commercial vehicles:

Procurement, financing, leasing, rental, and management of vehicles in categories M1 and N1 that fall under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council, or category L (two- and three-wheeled vehicles and quadricycles).

6.6.

Road freight transport services:

Procurement, financing, leasing, rental, and management of vehicles in categories N1, N2, or N3 that comply with the EURO VI Step E standard or its successor, for the provision of road freight transport services.

7.3.

Installation, maintenance, and repair of energy efficiency equipment:

Individual renovation measures consisting of the installation, maintenance, or repair of energy efficiency equipment.

7.4.

Installation, maintenance, and repair of electric vehicle charging stations in buildings (and at parking spaces attached to buildings):

Installation, maintenance, and repair of electric vehicle charging stations in buildings and at parking spaces associated with buildings.

7.5.

Acquisition and ownership of buildings:

Purchase of real estate and exercising ownership rights over such properties.

The company systematically maintains general records of traffic, visitors, and guests for monitoring and statistical purposes. In relation to its visitors, Terme has identified a goal related to improving access to products and services by offering digital access through an online check-in option. This option would also enable the collection of data on vehicle types, visitor preferences, and allow for the dissemination of sustainability-related messages. The above aligns with the following taxonomy activities.

8.1.

Data processing, hosting, and related activities:

Storing, handling, managing, moving, controlling, displaying, switching, exchanging, transferring, or processing data through data centers, including edge computing.

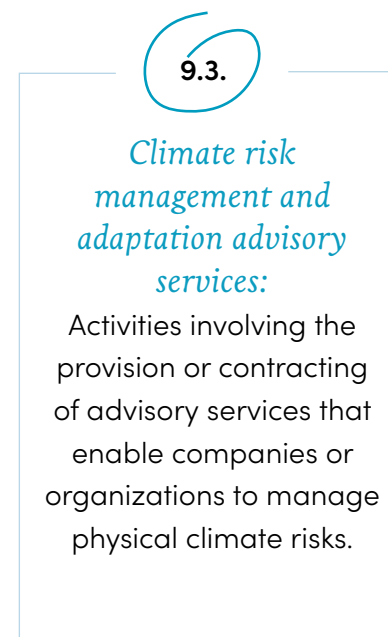
8.2.

Computer programming, consultancy, and related activities:

Expertise in the field of information technology: writing, modifying, and testing software and providing software support; planning and designing computer systems with integrated hardware, software, and communication technologies; on-site management and operation of clients' computer systems, facilities, and data processing equipment; and other professional and technical IT services.

The company has conducted a climate risk assessment of its operations. Based on the evaluation of climatological risks, the climate-related hazards identified as relevant for the infrastructure of Terme and its location include: drought, heavy rainfall, heatwaves, wildfires (open space fires), storm winds, and river flooding.

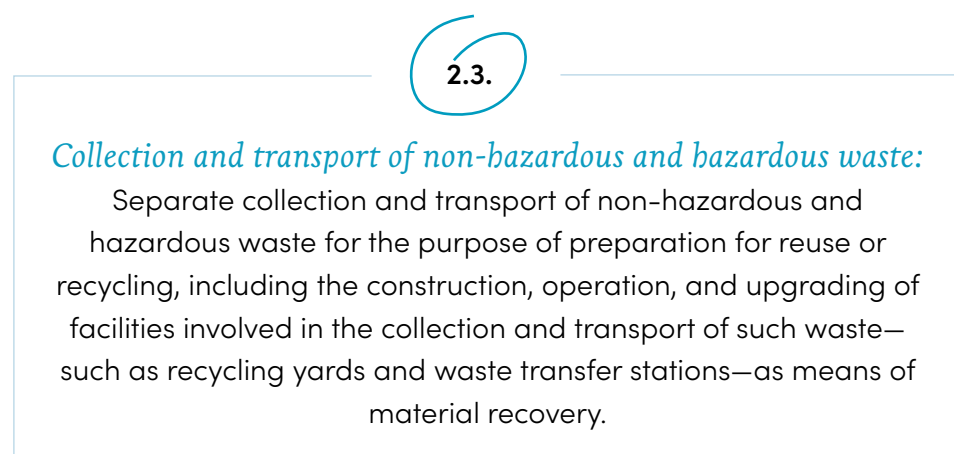
This corresponds to the following taxonomy activity:



Circular Economy

Terme actively manage waste and promote a circular economy through measures aimed at reducing waste, particularly food waste (both in food preparation and consumption), increasing recycling, emphasizing financial and reputational risks, and collaborating with partners—including suppliers and waste management companies—by guiding them toward solutions for reuse and recycling of waste into new products.

The share of waste that is separately collected and sent for recycling or recovery ranges between 20–50%. To further reduce their environmental impact in line with circular economy principles and environmental protection goals by minimizing waste generated in the use phase of products/services, a composter for processing biowaste from kitchens has been acquired, along with a smart scale that measures food waste amounts by type. Specific environmental objectives include improving the treatment of kitchen wastewater and establishing “green islands” for selective waste disposal. This aligns with the following taxonomy activity:

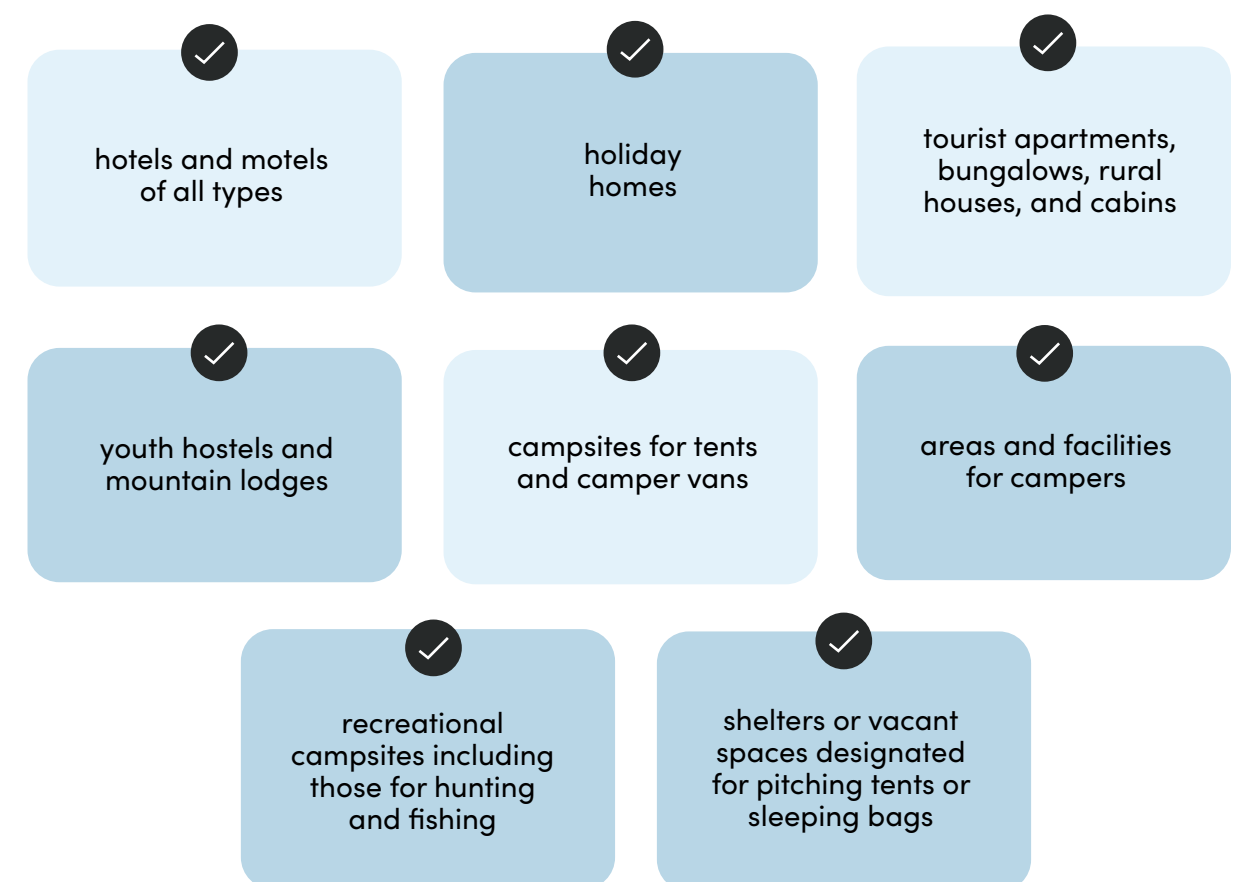


Biodiversity

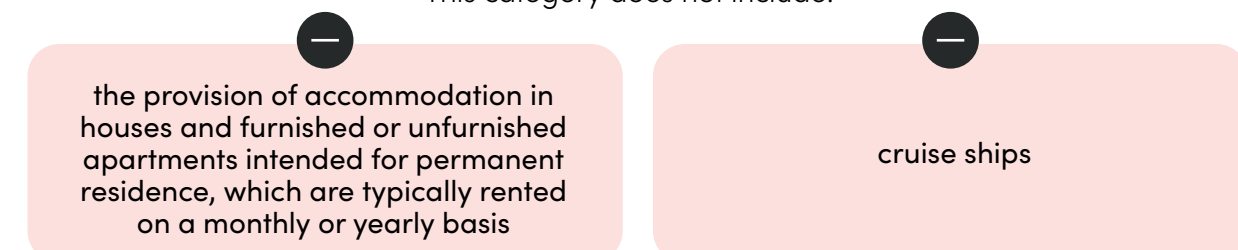
The company offers hotel and apartment accommodation, which corresponds to the following activity:



This includes accommodation services in:



This category does not include:



Compensation measures for conservation or restoration determined during the official approval phase of tourism activities are not considered contributions to conservation or restoration efforts.

Overview of Potentially Eligible Activities of Terme Sveti Martin According to the EU Taxonomy

In the future, the company will work on expanding infrastructure for personal mobility, maintain infrastructure for road transport with zero CO₂ tailpipe emissions, and maintain its access roads and pathways. This corresponds to the following taxonomy activities:

6.13.

Infrastructure for personal mobility, bicycle logistics:

Construction, modernization, maintenance, and management of infrastructure for personal mobility, including the construction of roads, bridges, and tunnels on highways, as well as other infrastructure for pedestrians and bicycles, whether electric-powered or not.

6.15.

Infrastructure for low-carbon road and public transport:

Construction, modernization, maintenance, and management of infrastructure required for road transport with zero CO₂ tailpipe emissions, as well as infrastructure for transshipment and urban transport.

3.4.

Maintenance of roads and motorways:

Maintenance of streets, roads, and motorways, other vehicular and pedestrian paths, and surface work on streets, roads, motorways, bridges, tunnels, runways, taxiways, and airport aprons. This is defined as all measures taken to maintain or restore the usability and service level of roads. For bridges and tunnels, the economic activity includes only the maintenance of the road that passes over the bridge or through the tunnel, not the maintenance of the structure itself.

The economic activity includes routine maintenance, which may be regularly scheduled, as well as preventive maintenance and repairs defined as work undertaken to preserve or restore usability and extend the lifespan of the existing road. Maintenance is primarily focused on managing the pavement and refers only to the following main road elements: the binder and wearing course of asphalt, and concrete slabs. The roads covered by this economic activity are made of asphalt, concrete, or a combination of both.

11.1. Conclusion

An assessment of the eligibility of the company's activities under the EU Taxonomy has been conducted. The activities have been evaluated as eligible. To achieve alignment with the EU Taxonomy, a thorough analysis of activity compliance with the technical screening criteria is required. **The analysis of activity alignment according to these technical criteria is a defined KPI of the ESG Strategy.**





12. Mapping of Impacts, Risks, and Opportunities (IRO)

When considering the format of the sustainability report, it was initially agreed that Terme intends to report on sustainability for the year 2023 in accordance with the ESRS standard. For this reason, it is necessary to clarify a key component of the standard: impacts, risks, and opportunities (IRO).

The term impacts refers to the positive and negative sustainability-related effects connected to the company's operations, as identified through the impact materiality assessment process. This includes both actual and potential future impacts.

The term risks and opportunities refers to financial risks and opportunities related to sustainability, including those arising from dependencies on natural, human, and social resources, as identified through the financial materiality assessment process.

Together, these are referred to as Impacts, Risks, and Opportunities (IRO) and reflect the **principle of double materiality**.

12.1. Impact – (E) Environment

Despite the absence of an official ESG or sustainability strategy, Terme Sveti Martin has clearly demonstrated a commitment to sustainable business practices. In line with this commitment, numerous activities have been undertaken and various responsibilities assumed by different departments. Given the goals already achieved and the environmental and social impact Terme aims to generate in the future, it is necessary to properly map all of Terme's impacts on the environment and society, as well as to consider governance-related impacts.

The website of Terme Sveti Martin reflects an awareness that the hotel industry has a significantly negative impact on the environment and that the company is striving to reduce its own negative footprint.

“Given the significant environmental impact of the hotel industry, our strategic goal is to reduce it to a minimum. Through regular education of our staff, and even our guests, we strive to raise awareness about the importance of environmental protection. We implement energy efficiency projects aimed at reducing greenhouse gas emissions from stationary combustion sources. We have five wastewater treatment units distributed throughout the resort. All waste is sorted before being handed over to the collector, and is then delivered according to waste type, which has significantly reduced the amount of mixed municipal waste—waste that is unsorted and cannot be recycled. We have introduced pH value correction in the pools using carbon dioxide, thereby eliminating one hazardous chemical (sulfuric acid) from the technological process.”⁴⁷

In their Quality and Environmental Management Policy, Terme apply environmental elements of the ESG strategy that relate to the impact of business or investment activities on the environment. This is done with attention to nature conservation, reducing negative environmental impacts, and promoting sustainable practices—an approach that is publicly visible on their website and further supported by the possession of certifications such as Sustainable Hotel, EU Ecolabel, and Green Key.

The Quality and Environmental Management Policy applies to services related to accommodation, hospitality, wellness and relaxation, sports and active leisure, as well as congresses and team-building activities.

⁴⁷ Terme Sveti Martin – Sustainable Business, [link](#)



In business operations, the quality and environmental management system is reflected through:

✓

ensuring a high level of awareness and behavioral culture regarding environmental protection and occupational safety

✓

continual reduction of negative environmental impact through preventive activities in managing energy, water, waste, and hazardous substances

✓

commitment to protecting the natural environment and preventing pollution, as well as ensuring safety and health protection during the implementation of development projects

✓

compliance with legal requirements in the field of environmental protection

✓

providing hotel guests with top-level service and maintaining a consistently high level of satisfaction

✓

encouraging suppliers to develop more environmentally friendly goods and services

At the company level, a designated environmental officer—namely the maintenance manager—has been appointed, responsible for overseeing the selective separation of waste and managing the condition of green areas owned by the company, as well as an officer responsible for energy efficiency.

During business operations in 2022 and 2023, the company defined specific environmental protection objectives within its annual/multi-year goals and plans. These objectives included, among other things, improving the treatment of kitchen wastewater and establishing “green islands” for selective waste disposal.

The specific goals and measures undertaken to reduce environmental impact during 2022 and 2023 are detailed in the Green Key certificate.

Individual Goals	Measures	Measures to Achieve Individual Goals	Methods for Monitoring Implementation
2022.			
Improvement of regulatory compliance and reduction of negative environmental impact	Reduce the potential negative impact on the ozone layer Improvement of kitchen wastewater treatment	Investments in energy efficiency and renewable energy sources Addition of bio-based agents that dissolve fats	Monitoring of greenhouse gas emissions into the environment Quality of wastewater
Improvement of waste management	Reduction of hazardous waste quantities Additional investments in the waste disposal site Development of green islands in the apartment complex and hotel parking area	Sustainable waste management – donations Investment Investment	Monitoring of hazardous waste quantities Implementation of the investment Implementation of the investment
2023.			
Improvement of compliance with regulations and reduction of negative environmental impact	Reduction of the amount of biodegradable waste sent for disposal compared to 2022 Purchase of refrigeration units with environmentally friendly refrigerants	Investment Investment	Monitoring the amount of biodegradable waste
Improvement of waste management	Reduction of hazardous waste quantities Creation of green islands in the apartment complex at the hotel parking lot	Sustainable waste management – donations Investment	Monitoring of hazardous waste quantities Implementation of investment

Table 9. Individual Environmental Protection Goals, Measures, and Methods

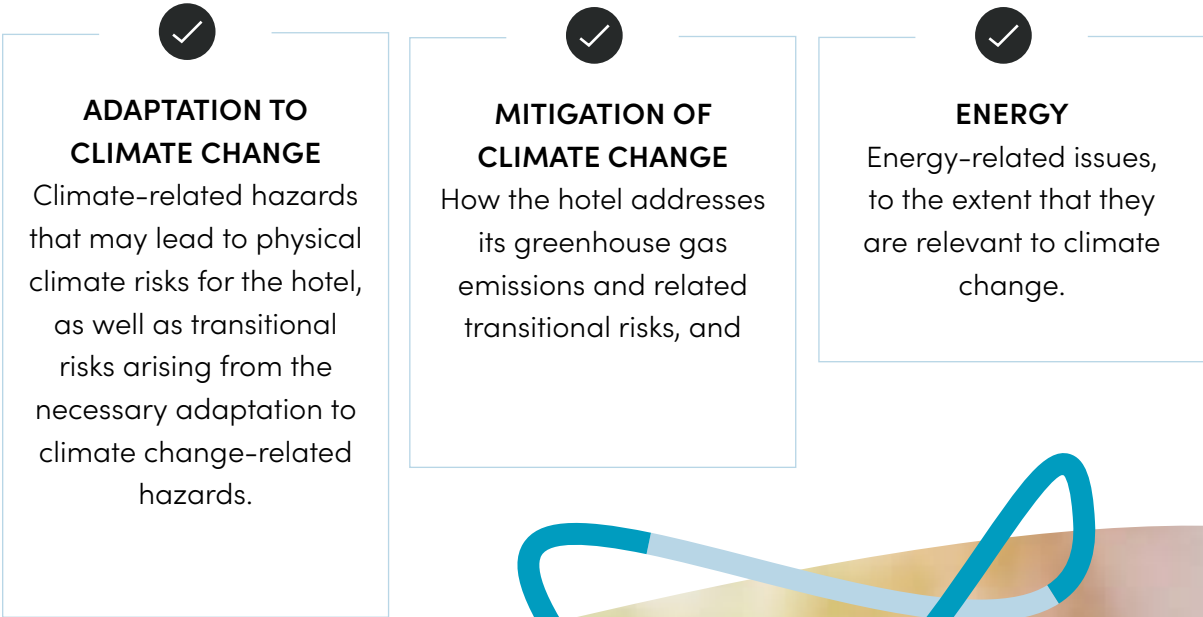
Environmental protection is also based on adapting business processes to achieve energy savings. During operations in 2022, Terme carried out the following activities to achieve their goals: replacement of exterior window frames on the apartment building, adjustment of the air conditioning system to the operating hours of the facilities, and implementation of additional controls, such as daily readings of water and gas meters for “large” consumers within the system, with reporting of significant deviations in energy consumption.

All service processes at Terme are based on principles of quality management, environmental protection, employee health protection, and workplace safety. This ensures that the processes comply with the principle of “do no significant harm” (DNSH).

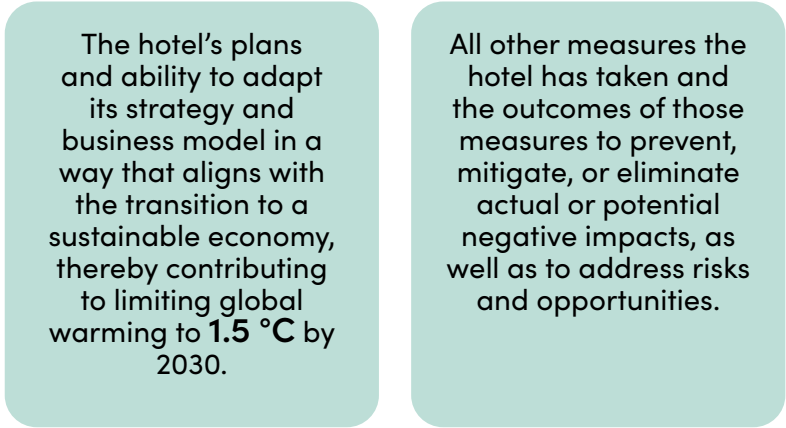
Terme continuously analyze their business operations and practices, identifying and developing opportunities for improvement in the area of socially responsible business. In developing innovative services, they contribute to addressing climate challenges by providing solutions for environmental protection and responding to the transition towards sustainable and responsible business practices. As a partner to a number of socially responsible organizations, Terme carry out environmental protection activities across all aspects of the circular economy, contributing to sustainable development based on knowledge and a competitive economy characterized by low carbon emissions and efficient resource use.

12.1.1. E1 Climate Change

This standard covers impacts and activities related to:



The activities listed are considered within the following framework:



When making strategic decisions, it is necessary to consider their impact on the environment. The most important priorities are reducing greenhouse gas emissions and preserving green spaces.



Achieving a sustainable, climate-neutral, and green Europe by 2050 is one of the EU's priorities. Accordingly, Terme Sveti Martin is directing its business towards reducing the impacts of climate change. To accomplish this, it is necessary to develop a Decarbonization Strategy that details the transition to a low-carbon economy and the reduction of its own greenhouse gas emissions—both direct emissions and those within Scope 3, across its entire value chain. Another strategically important goal is the preservation of green spaces, which Terme actively pursue within their own premises as well as through various collaborations along the value chain.

Adaptation to Climate Change
Infrastructure typically has a long lifespan and can be vulnerable to changing climate conditions, including increasingly frequent and severe extreme weather and climate events over time. Under the supervision and control of relevant public authorities, vulnerability assessments and climate risk evaluations help identify significant climate risks. This forms the basis for identifying, assessing, and implementing targeted adaptation measures that help reduce the residual risk to an acceptable level.

According to the assessment of climatological risks, the climate hazards identified as relevant to the Terme infrastructure and its location are: drought, heavy rainfall, heatwaves, wildfires (open space fires), storm winds, and river flooding.

Since no high or medium risk associated with the location has been identified—neither in the short, medium, nor long term—adaptation to climate change will be developed as a long-term action plan based on the strategic needs of Terme.

Climate Change Mitigation

Climate change mitigation includes decarbonization, energy efficiency, energy savings, and the introduction of renewable energy sources. It also involves taking measures to reduce greenhouse gas emissions or increase greenhouse gas sequestration, based on the EU's policies and targets for emission reduction by 2030 and 2050.

Terme is committed to reducing its carbon footprint (greenhouse gas emissions) by investing in renewable energy sources, renovating buildings for energy efficiency, purchasing electric transport systems, and reducing electricity consumption from fossil fuels, thereby enhancing the hotel's resilience to climate change. Given the need to measure all environmental impacts, it was decided to establish a carbon footprint measurement to determine the baseline year needed for further development of the strategy, activity plans, and necessary investments for the upcoming period. The baseline year was set as 2022, and the complete calculation is provided in Chapter 6 of this document. The next measurement will be conducted at the end of 2023 to verify potential progress and define a concrete plan for 2030 and 2050. Terme is already investing in reducing greenhouse gas emissions, starting with its vehicle fleet—specifically purchasing new fossil fuel vehicles that meet the highest category standards for greenhouse gas emissions.

The company uses:

50%

of vehicles run on fossil fuels of the highest emission category

of total

100%

of diesel vehicles



Using collected data and emission factors, the carbon footprint of the Terme complex was calculated to identify the greatest potential for emission reductions and to monitor and

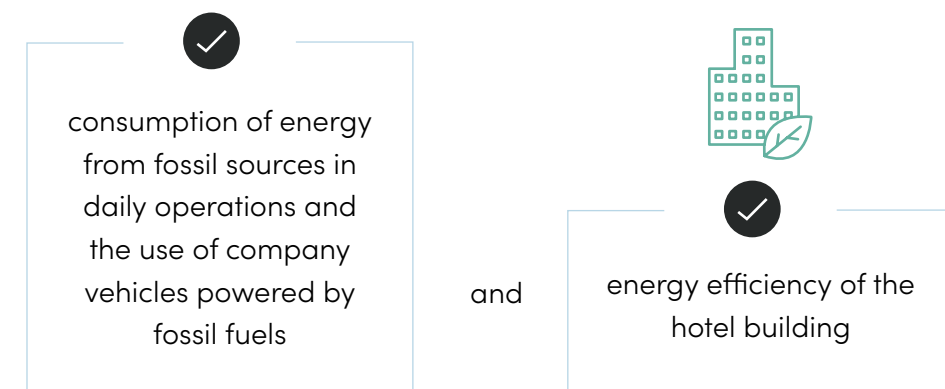
compare CO₂ emissions in the future. **In 2022, greenhouse gas emissions amounted to 1,610.9 tons of CO₂ equivalent (t CO₂e).** The emissions calculation includes emissions from electricity consumption based on a location-based approach. Greenhouse gases such as methane (CH₄), nitrous oxide (N₂O), and fugitive refrigerant emissions have been converted to CO₂ equivalent emissions using their Global Warming Potential (GWP).

Terme Sveti Martin confirm and commit that their past, present, and future efforts to mitigate climate change are in accordance with the Paris Agreement (or any updated international climate change agreement) and are compatible with limiting global warming to 1.5 °C.

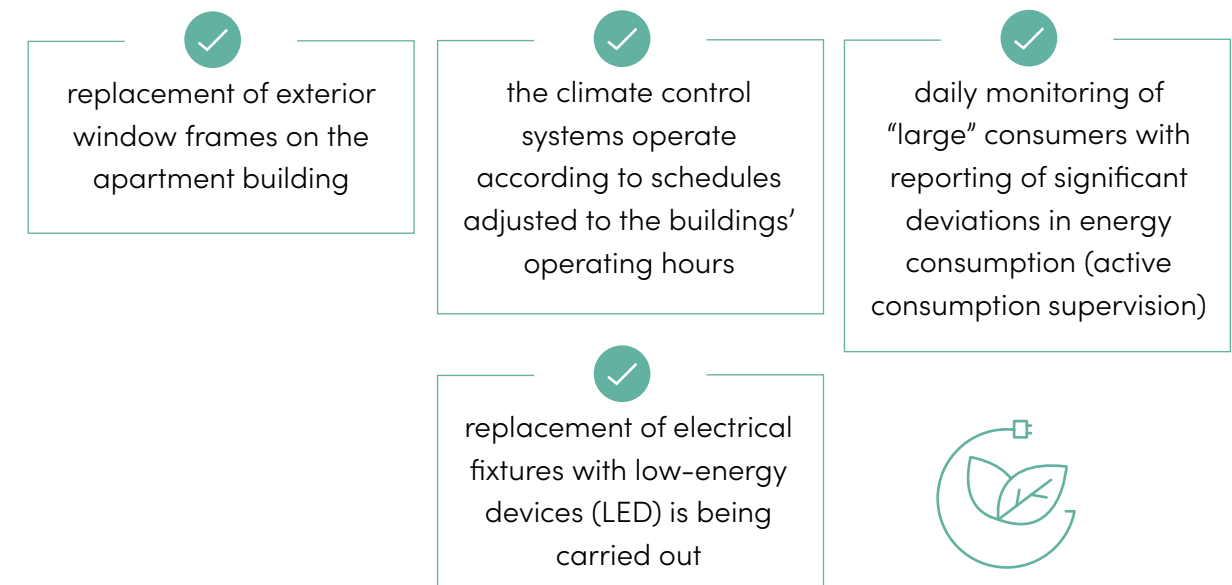


Energy

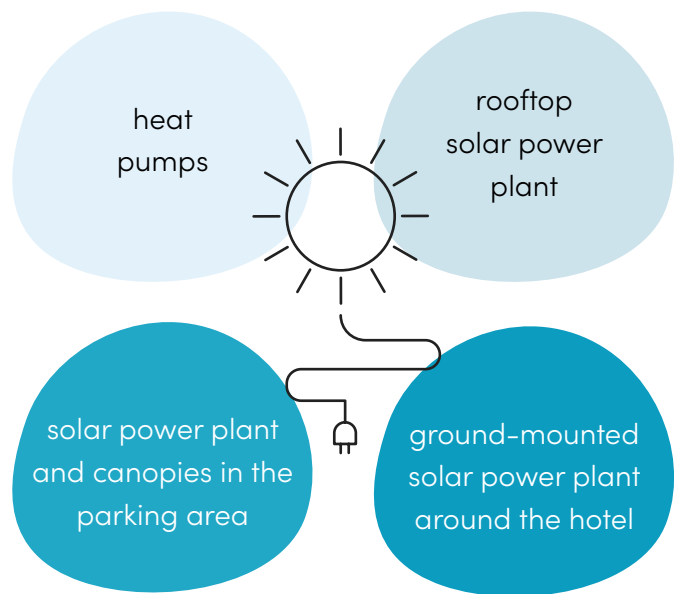
Terme **impact climate change** in terms of significant positive and negative actual and potential effects, primarily through:



Specific measures taken to reduce energy consumption and manage usage include:



Given Terme’s significant impact on climate change, there is a need to develop an **action plan for investments in energy efficiency**. The creation of this plan will be incorporated into the sustainability strategy, with the goal of improving energy efficiency through investments in:



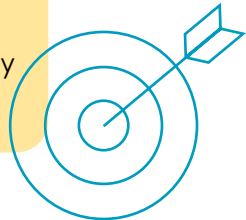
The management has **appointed a management representative for energy efficiency** with the aim to:

✓
ensure that the energy management system is established, maintained, and improved in accordance with the requirements of this international standard (ISO 14001)

✓
reports to management on the indicators of the energy management system and improvements in the system, as well as on the needs for further system enhancements

✓
plans and manages activities related to improving energy efficiency and identifies and assigns tasks to other employees responsible for energy management

✓
defines and communicates responsibilities for energy management



The energy audit of the Terme is defined by the procedure *Energy Audit – Management of Energy Aspects* and the document *Register of Energy Aspects*. Within the framework of these documents:

✓
Current and future energy sources have been identified.

✓
Current and past energy consumption has been assessed, and future energy consumption has been estimated.

✓
Locations of significant energy consumption have been identified.

✓
Areas for improving energy efficiency have been identified.

During the energy audit, energy performance indicators and baseline parameters are defined for each significant energy aspect. These indicators are used to monitor energy efficiency. Energy performance indicators are evaluated and, if necessary, revised during regular and extraordinary assessments of energy aspects.

Based on the energy audit, baseline parameters, established energy performance indicators, and applicable legal and other requirements, the management defines **objectives within action plans for improving energy efficiency**. These objectives and action plans are established at least once a year and are recorded in the *Objectives and Action Plans form*.

Energy efficiency of the building

The hotel is designed with numerous glass partitions and windows, which creates a problem during the transitional period in April and May. One side of the hotel faces south (towards the forest) and tends to overheat, while the side facing north (towards the parking area) remains cold. This leads to energy losses related to heating and cooling. A proposed measure is the installation of thermal films to reduce excessive heat gain. For future investment planning, a mock room equipped with a smart-room system (automated energy consumption for improved efficiency) has been set up.

Energy efficiency of heating and cooling

Heating and air conditioning systems have been equipped with regulation controls. Ventilation, air conditioning, and heating systems are inspected at least once a year to ensure energy efficiency. **In at least 75% of the rooms, air conditioning, heating, and ventilation systems automatically switch off when a window or door is opened. Cooling units, fans, the pool, and other systems are equipped with heat recovery systems to prevent further negative environmental impact.**

Energy efficiency of lighting

Energy-efficient lighting is used throughout the facility, with 70% being LED lighting and the remaining 30% consisting of other energy-efficient lighting types. Outdoor lighting is minimized and/or equipped with sensors for automatic switching on and off. Most public area lighting does not have motion detectors, but the intensity of the lighting is reduced during periods of low user presence (demand). Plans are being developed to implement energy-saving measures in the reception area, such as using energy-efficient lighting or presence sensors. These plans are dependent on the financial recovery of the business. For now, energy-saving measures are carried out manually; the night receptionist is responsible for walking through the hotel lobby and other areas to turn off unnecessary lighting and systems, such as the water wall.

Energy efficiency of electrical appliances and vehicles

Measures taken:

- ✓ **Refrigerators, freezers, warming cabinets, and ovens are equipped with insulation seals.**
- ✓ **Grease filters in exhaust systems are cleaned at least four times a year.**
- ✓ **Freezing equipment is regularly defrosted for maintenance purposes.**
- ✓ **Procedures related to electrical appliances in unoccupied accommodation units (e.g., when units are not in use, refrigerators and televisions must be unplugged).**
- ✓ **Newly purchased electrical appliances in guest rooms, the kitchen, laundry room, etc., are all energy-efficient.**
- ✓ **Newly purchased lawn mowers for grounds maintenance are energy-efficient.**
- ✓ **The accommodation facility offers an electric vehicle charging service.**

Terme Sveti Martin pays exceptional attention to environmental protection, both in terms of consumers and service users. They consider visitor feedback on environmental aspects and satisfaction with them to be important. Therefore, a Sustainability Satisfaction Questionnaire has been made available on the official website, allowing visitors to express their opinions on the environmental performance of the resort. Details of the questionnaire are provided in Chapter 4: Desk Analysis (p. 24).

Electricity

Total electricity consumption is recorded once a month. Separate electric meters and gas meters are installed at strategic locations to measure energy and gas consumption. A standard heating/cooling temperature is defined for guest rooms within the facility. The energy consumed by minibars (minimum 1 kWh/day) is 0.214 kWh/day. The implementation of an energy management system emphasizes a long-term commitment to energy efficiency, meeting guest requirements, as well as those of other stakeholders, and creating the necessary conditions for continuous improvement in energy performance. The system is based on the requirements of the international standard ISO 50001 and aims to fully comply with the standards for energy-efficient operations. It applies to services including accommodation, hospitality, wellness and relaxation, sports and active holidays, congresses and team building, as well as all support activities conducted on-site.

According to the Energy Management Policy, the fundamental principles and objectives of energy management are:

- ✓ To continuously keep energy losses under control by applying preventive maintenance methods for equipment and investing in the entire Terme complex.
- ✓ To continuously improve methods for analyzing data on the consumption of energy sources (electricity, water, gas), as well as to identify opportunities and implement actions to enhance energy efficiency.
- ✓ To continuously raise awareness about the importance of energy efficiency among all employees and to implement operational energy efficiency measures.
- ✓ To procure energy-efficient machines, devices, and vehicles, and to strive for the highest possible share of energy from renewable sources.
- ✓ To ensure the procurement of energy-efficient equipment and materials during modernization and upgrades.
- ✓ To continuously improve the energy management system in accordance with the requirements of the ISO 50001 standard.
- ✓ To consistently comply with and strive to exceed legal and other requirements in the field of energy management, as well as in all other areas applicable to the business.



Reducing energy costs and CO₂ emissions is a top priority for the Chief Financial Officer, as energy expenses account for 18% of revenue. A significant increase in electricity costs (85%) and gas costs (131%) was observed in 2022 compared to the previous year. This upward trend continued throughout 2023. Table 10 presents consumption data excluding VAT.

Energy consumption in EUR	
2019.	519.591,00
2020.	371.162,00
2021.	502.542,00
2022.	1.009.660,00
2023.	1.502.824,00

Table 10. Energy Consumption

12.2.2. E2 Water, Air, and Soil Pollution

According to the E2 standard, it is necessary to report on emissions into soil, air, and water, as well as on the use of hazardous and harmful substances. The areas of application of the E2 standard are:



Air pollution



Water pollution



Soil pollution



Pollution of living organisms and food resources



Substances of concern



Substances of very high concern



Microplastics

Air Pollution

Given the nature of Terme’s operations and its daily activities, the only potential source of air pollution is during cleaning and washing processes. According to the information confirmed by the Green Key certificate, the following data is provided:



Information about towel and sheet change “on request” is displayed in the bathrooms.



At least **75% of cleaning chemicals** used have an eco-label.



Disinfectants are used only when necessary and in accordance with legal requirements.



Paper towels and toilet paper are made from bleached paper that is chlorine-free.



Dishwashing detergents used within the facility carry an eco-label.



Chemical agents used for daily cleaning are equipped with a dosing system.



Chemicals with a dosing system are used for daily cleaning.



Cloth rags are used for cleaning in order to reduce water and chemical consumption.



Methods that do not involve the use of concentrated chemical products are used for cleaning and disinfection.



The use of air freshening sprays and perfumes is avoided during cleaning and washing within the facility.



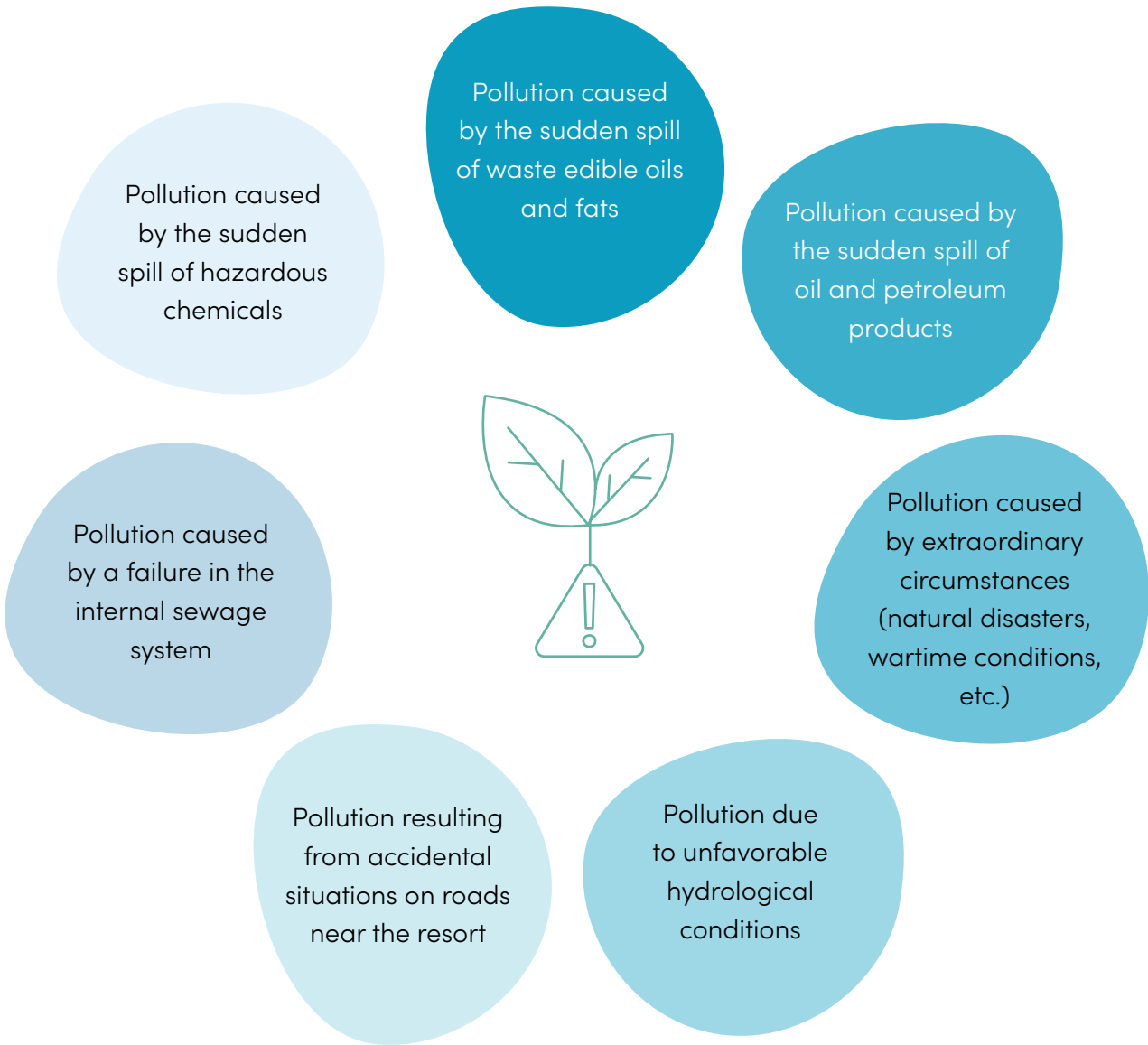
The hotel offers guests the option to decline housekeeping and room cleaning services in order to reduce the use of cleaning agents.

Water Pollution

In 2021, Terme adopted an **Operational Plan of Emergency Measures in Case of Extraordinary and Sudden Water Pollution**. The persons responsible for organizing and implementing emergency measures, as well as coordinating all related activities, are the General Director and the Director of Maintenance and Safety – the designated person for water protection. During interviews, it was mentioned that the municipality does not have a public sewage system, and therefore, Terme uses an internal sewage system with treatment units (biorotors). Since construction took place in stages from 2004 to 2009 and the complex covers nearly 300,000 m², the use of five biorotors is necessary. Biorotors are a source of unpleasant odors. Terme is currently exploring the possibility of additional wastewater treatment using neutral crystals.

Potential Sources of Risk

Potential sources and possible causes of sudden and extraordinary environmental pollution at Terme and the Gradišćak stream include:



No.	Name of hazardous/polluting substance	Maximum quantity of hazardous/polluting substance	Note
1	Sulfuric acid 60%	180 kg	Group II toxins
2	Hydrochloric acid 33%	60 kg	Group II toxins
3	Sodium hypochlorite 15%	2 t	Group II toxins
4	Oil and petroleum products	50 kg	
5	Waste edible oils and fats	200 kg	
6	Wastewater		
7	Other waste/polluting substances transported via public roads		

Table 11. List of Hazardous and Polluting Substances and Corresponding Maximum Quantities

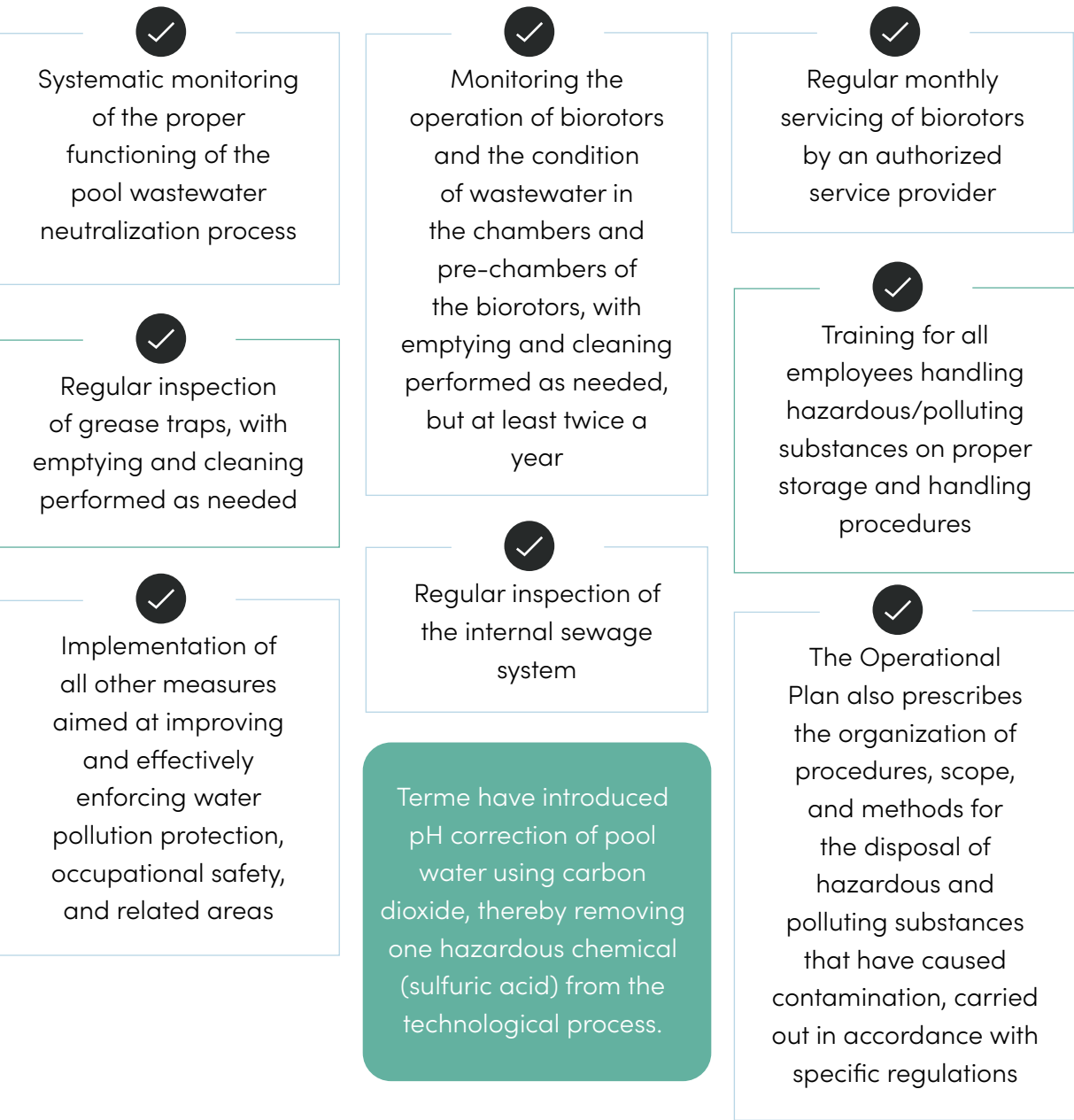
*Maximum quantities of hazardous/polluting substances are defined as the maximum amounts that can be spilled or released at a single location.

Within the Terme complex, **potential pollution risks** based on recorded events/incidents within the sector may arise from fuel or oil spills from motor vehicles onto handling surfaces, spills of waste edible oil from tanks, leaks in the internal sewage system, malfunctioning oil and grease separators before the release of technological wastewater into the Gradišćak stream, and failures in the neutralization of pool water leading to the discharge of water containing free residual chlorine into the Gradišćak stream prior to neutralization. The degree of water endangerment is determined by the state water inspector according to three categories: I, II, and III. Analyzing factors relevant to the occurrence and spread of extraordinary pollution, considering Terme’s location by a Category II watercourse—the Gradišćak stream—there is a possibility of stream pollution in the event of a failure in the internal sewage system or uncontrolled release of hazardous substances through the internal sewage system. Additionally, there is a risk of spillage of hazardous and harmful substances from road motor vehicles due to traffic accidents or negligence, or from leaking or spilling from waste oil tanks.

Preventive Measures to Prevent Water Pollution

The above-mentioned potential incidents are not assessed as highly likely to occur, given that active measures are in place to prevent unforeseen or uncontrolled situations through a series of prescribed and implemented activities in accordance with legal regulations and best available practices. Recorded hazardous solid substances and liquid chemicals are stored

in separate containers and are protected against leaks and environmental contamination. They are transported safely to appropriate facilities designated for this type of waste. Preventive measures, carried out periodically by the Terme technical service in compliance with legal and other obligations, and aimed at protecting water from possible pollution or its timely detection and removal, include the following specific measures and activities:



12.2.3. E3 Water and Marine Resources

The E3 standard addresses:

The way in which the entity impacts water and marine resources in terms of significant positive and negative actual or potential effects

All measures taken and the results of such measures to prevent or mitigate actual or potential significant negative effects, as well as to protect water and marine resources, including, among other things, reducing water consumption and managing risks and opportunities

The company’s contribution to the goals of the European Green Deal

Plans and capacity of the hotel to adapt its strategy and business model and align them with the promotion of sustainable water use based on the long-term protection of available water resources

Protection of aquatic ecosystems and restoration of freshwater and marine habitats

It includes data related to water resources:

Water consumption in the company’s activities, products, and services, as well as

Related information on water withdrawal and discharge.

This standard equally covers **surface water and groundwater**.

WATER CONSUMPTION

Terme consider water (groundwater) as their key resource related to business sustainability and take special care regarding the consumption of drinking water, encouraging guests to reduce usage wherever possible.

Various measures have been taken to reduce water consumption in the past period, including:



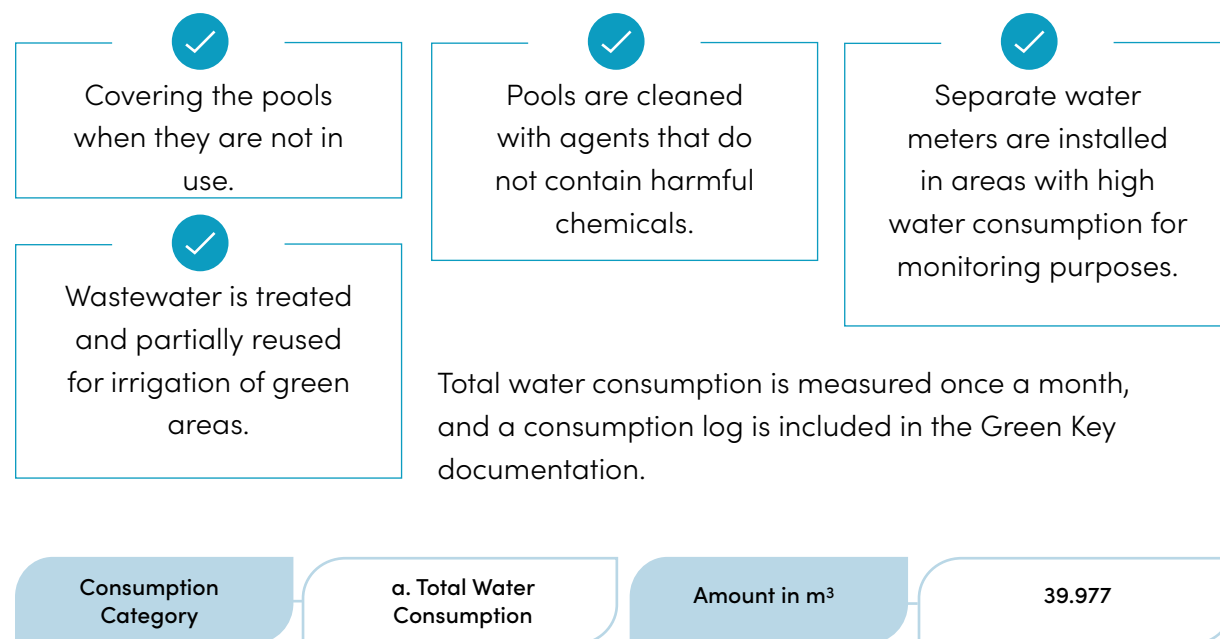


Table 12. Water Consumption Information for 2022

12.2.4. E4 Biodiversity and Ecosystems

Terme considers the preservation of green areas when making strategic decisions. A designated environmental officer is responsible for overseeing the condition of the green spaces owned by the hotel.



Protection and Contribution to Biodiversity Conservation

Terme Sveti Martin is not only a place for relaxation and recreation but also a destination dedicated to biodiversity conservation and sustainable practices. All employees strongly believe in the importance of protecting natural habitats and supporting local ecosystems. Terme actively participates in raising awareness and supporting biodiversity conservation. Through various initiatives, educational workshops, and guided tours, they aim to familiarize their guests with the rich diversity of life in the surrounding environment.

Preserving the natural beauty surrounding the entire complex is of utmost importance. Active efforts are made to maintain and protect the habitats around the complex and the entire site, from lush forests to the banks of the Mura River. By practicing responsible land management and implementing measures to prevent habitat destruction, the protection of flora and fauna surrounding the complex is ensured, while allowing guests

to enjoy and appreciate the natural wonders of the destination they are visiting. At Terme, biodiversity is recognized. It not only enriches their environment but also contributes to the overall well-being of their guests. For this reason, they strive to create an environment that encourages the coexistence of plant and animal species, promoting a harmonious balance of their ecosystem. As part of Terme's commitment to sustainable practices and local food sourcing, they have decided to establish their own biodynamic garden. This organic oasis provides fresh, nutritious produce while adhering to principles of ecological balance and diversity.



Every aromatic plant, planted by the dedicated hands of Terme employees, tells a story of their devotion to nature. Their biodynamic garden, nurtured in collaboration with the Dr. Rudolf Steiner Center (founder of anthroposophy, which underpins the entire Terme Sveti Martin concept), is a true reflection of their commitment to using organic and ecological ingredients. Every plant, not only in the garden but throughout the entire complex, is carefully tended using locally sourced seeds, following the strict rules of biodynamic agriculture.

The complex is always seeking new and innovative ways to deepen its commitment to sustainable practices. One area where progress has also been made is in the use of flowers for resort decoration. A collaboration has been established with the local nursery Stella Floris, with whom they share common environmental and social values. The nursery provides locally grown flowers, reducing the environmental impact of transportation and long distances. Through this partnership, it is ensured that only the highest quality, environmentally friendly flowers are used in the hotel. By supporting local businesses in this way, Terme also helps strengthen the local economy and build a sustainable community. Terme's dedication to



sustainability has a strong impact on both guests and employees and reflects their commitment to a healthier and more sustainable future. In harmony with nature and its preservation, pesticides are not used for maintaining the green areas of the Terme Sveti Martin resort. By avoiding harmful chemicals, a safe haven is provided for pollinators, healthy ecosystems are nurtured, and visitors are ensured the opportunity to enjoy untouched nature during their stay.

Protection of Wild Species

At Terme Sveti Martin, the **protection of natural habitats** in the surroundings and the **nurturing of wildlife diversity** is a top priority. Sustainable practices have been implemented, and initiatives promoting the conservation and protection of wild animals are actively supported. One of the commitments is to prevent illegal activities that threaten wild animal species. The harvesting, consumption, display, or sale of any wild animal species is strictly condemned. Local organizations and conservation initiatives are supported, and guests are informed about the importance of such practices. By staying at the Terme Sveti Martin complex, every guest joins a shared mission to protect and preserve the environment.

A good example is the 9-hole golf course with heated greens made of artificial turf, which is among the first in Europe to ensure nature conservation through reduced pesticide use, while allowing year-round golf play.

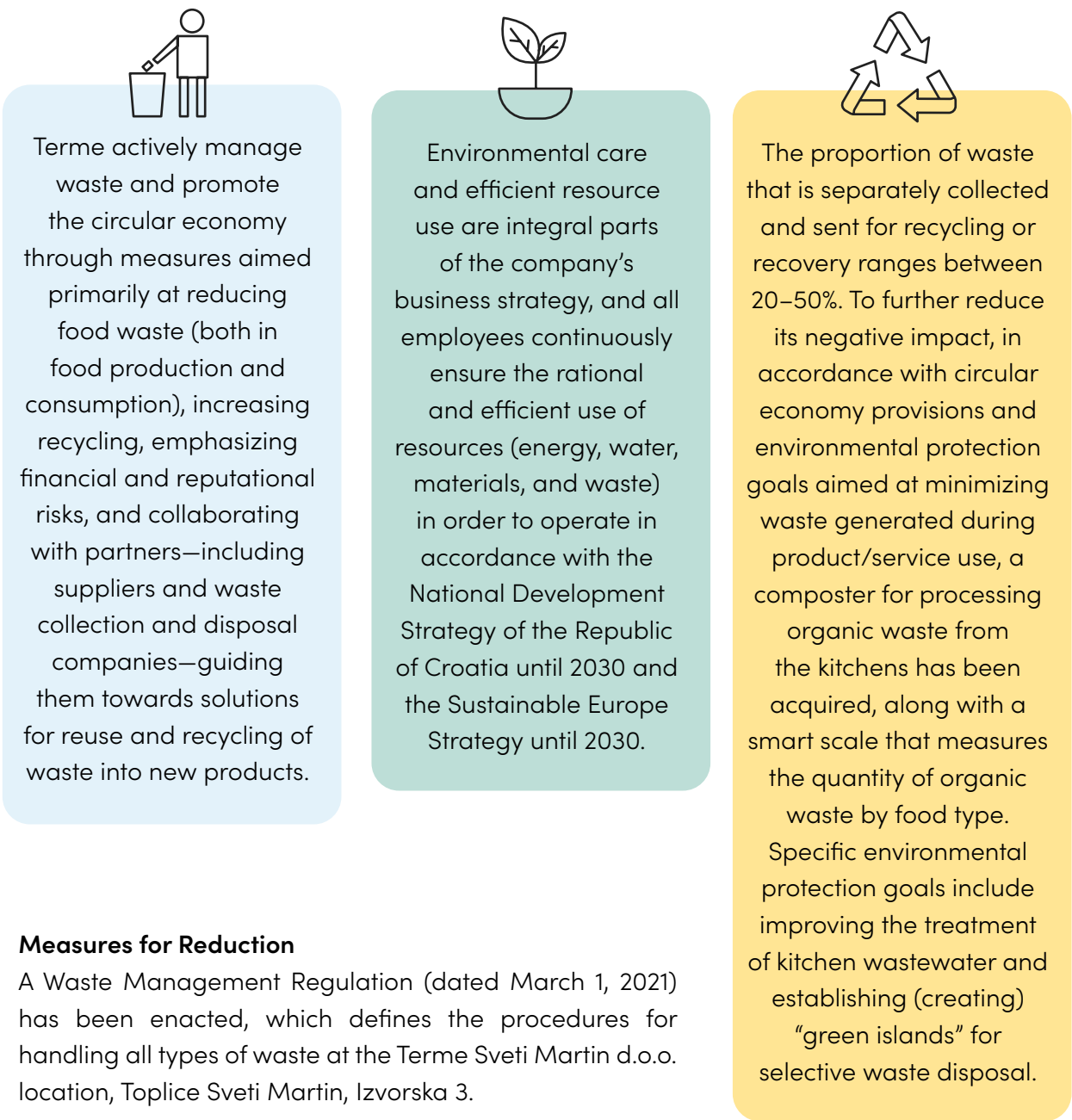
12.2.5. E5 Resource Use and Circular Economy

The circular economy is a production and consumption model that involves sharing, borrowing, reusing, repairing, refurbishing, and recycling existing products and materials for as long as possible. This extends the life cycle of products.

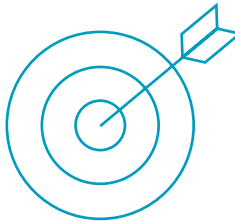
In practice, this leads to minimizing waste to the greatest extent possible. When a product reaches the end of its life, the materials it is made of are recycled whenever possible. These materials can be used repeatedly, thereby creating additional value.

This approach moves the company away from the traditional linear model, where products are discarded after use. The linear model requires large amounts of cheap materials and energy.

Circular Economy at Terme Sveti Martin



The primary objectives of waste management are as follows:

- 
- ✓ Avoidance and reduction of the amount of generated waste (especially mixed municipal waste).
 - ✓ Supervision of waste management practices.
 - ✓ Sorting and separating waste by type and recycling.
 - ✓ Disposal of waste only at designated locations.
 - ✓ Remediation of areas contaminated by waste.

The types of waste that require management at the site are as follows:



Waste from the maintenance of pool equipment, grease traps, and biorotors.



Selective waste.



Mixed municipal waste.

The total amount of waste generated is recorded, and a plan for its reduction or reuse has been adopted. For this purpose, **Guidelines for Proper Waste Sorting and Management** have also been established. All waste generated must be sorted according to waste type and placed into containers designated for each specific type. All containers are labeled with the waste type name and key waste code number, and are located under a shelter near the service entrance to the hotel.

Biodegradable kitchen waste is disposed of in 50-liter containers ("bags") for biodegradable waste and stored in the garbage area near the service entrance. The stored waste is transferred to the composter on a daily basis. The loading of waste into the composter is carried out by trained technical staff.

Waste edible oil from the kitchens is disposed of in 50-liter containers ("bags") for waste edible oil and stored in the garbage area near the service entrance. The waste edible oil is handed over to an authorized company for collection of this type of waste (Bio-goriva d.o.o.) upon request.

Cardboard and paper packaging are disposed of under the shelter next to the baler machine. Technical staff trained to operate the baler compress the cardboard and paper into bales, which are then transported daily to the internal temporary waste storage site.

Discarded non-returnable plastic packaging is disposed of in the container for plastic packaging.

Metal packaging is disposed of under the shelter and transported daily to the metal packaging container located at the internal temporary waste storage site.

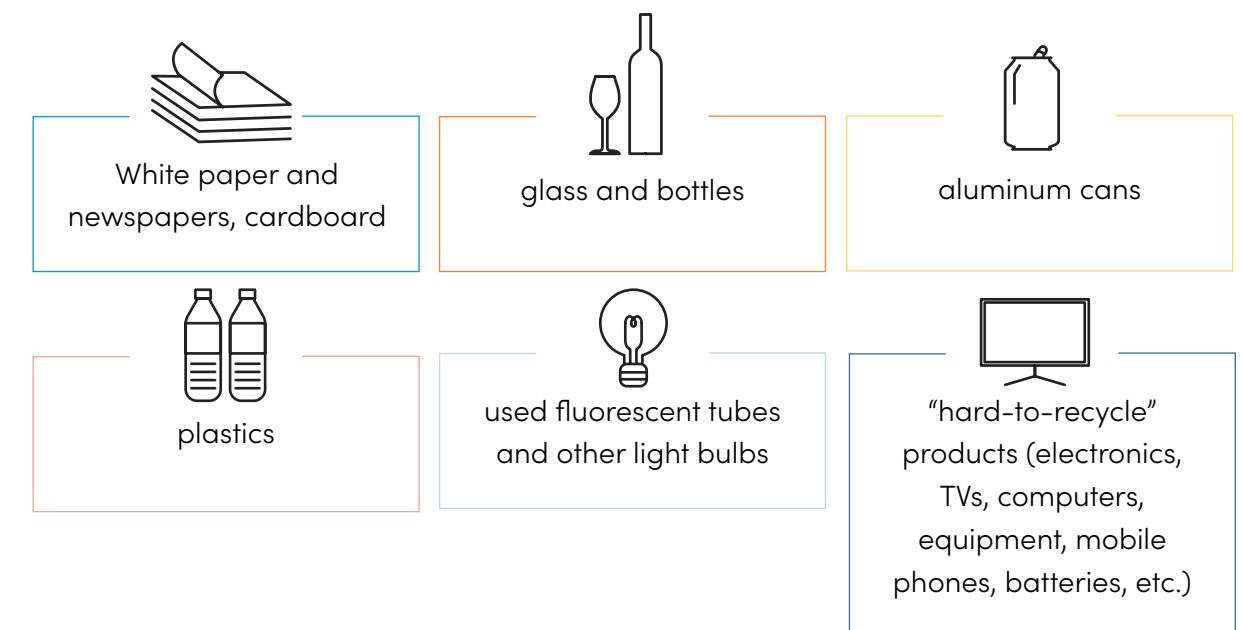
All returnable glass packaging is sorted into designated crates and handed over to the supplier (for return) and is not considered waste. All non-returnable glass packaging is disposed of in the container for glass packaging.

Mixed municipal waste is disposed of in black garbage bags and placed in the container for mixed municipal waste.

For all other waste not listed above, it is necessary to contact the maintenance service. Staff within the accommodation facility have access to guidelines for proper waste sorting and management.

Recycling

High-quality recycling depends on effective separate waste collection. Euro containers are used for waste disposal, contributing to waste reduction and increased efficiency. All waste is sorted and handed over to waste collectors according to waste type. Within the hotel building, there are bins for waste separation located in guest rooms, reception, public areas, meeting rooms, relaxation room, back of house, fitness center, all workstations, accounting and administration, kitchen, restaurant, and bar. Waste of any kind is sorted for reuse or recycling, and its final disposal is verified, including construction waste. The following materials are recycled:



The monthly waste diversion rate (the percentage of waste recycled compared to that sent to landfill) is monitored. In 2022, the amount of mixed municipal waste, which is unsorted and non-recyclable, was reduced. The proportion of waste that is separately collected and sent for recycling or recovery ranges between **20% and 50%** annually, and in 2022 it amounted to **41.3%**.



Bio-waste

The source of bio-waste is the preparation and consumption of food for guests, and for this reason, Terme records the total amount of food waste generated. The meals served by the hotel to its guests include breakfast, lunch, and dinner. In an interview with the Food and Beverage Director, two categories of waste were mentioned – *production waste and plate waste*.

To measure and monitor waste, investments have recently been made in a composter for processing bio-waste generated in the kitchens, as well as in the acquisition of a smart scale that measures the quantities of bio-waste by food type, in accordance with the positive provisions of the circular economy.

The composter is located in the service yard. A camera photographs and records the waste entering the composter. The analysis of discarded waste serves as a basis for communication with staff aimed at reducing bio-waste by deciding, through analysis, to use certain foods for other dishes or side dishes. This approach targets the reduction of food waste.



As part of the project “**Reduce Food Waste – Cook for Your Guests**” organized by the Environmental Protection and Energy Efficiency Fund, employees of Terme Sveti Martin conducted the first and second measurements of food waste produced over a period of 7 days. From **February 21 to February 27, 2022**, the first measurement was carried out to determine the average amount of food waste per served meal, which was found to be 0.13 kg per served meal. From **March 27 to April 2, 2023**, the second measurement was conducted, which showed that the average amount of food waste per served meal was 0.14 kg. Comparing the analysis results of both measurements, a slight increase in food waste per served meal was observed. The main reason cited for this increase is the guest structure and a higher number of guests taking larger portions of food on their plates, which they ultimately do not consume, resulting in waste.

Additionally, a decrease in waste from fruit and nuts was observed compared to the first measurement, which is attributed to the absence of sliced fruits such as watermelon and melon during the second measurement period. During this time, only whole fruits like pears and apples were consumed, resulting in less food becoming waste. It is noted that small dessert plates are used at the breakfast buffet to encourage hotel guests to take smaller portions (in line with the *Healthness strategy*).

Starting October 1, 2023, plate waste weighing began to track exactly how much food guests discard. The goal is to educate hotel guests about the problem of food waste.

Terme has invested significant resources and effort into organizing and establishing waste management related to its own business activities. It has been recognized that there are still

many opportunities for improvement in this area of waste management. Regarding waste management in the value chain before or after business processes, Terme currently focus on raising awareness among partners in the chain and proposing potential measures.

Identified Opportunities:



- ✓ **The housekeeping department does not procure sustainable and locally produced supplies and bedding.**
- ✓ **The reception operations department does not manage electronic waste, such as old key cards or electronic devices (only paper is recycled).**

Best Practices:



Wellness – uses environmentally friendly and sustainable products for treatments and therapies; some products are sourced locally, while others (requested by guests) come from larger suppliers.



In accordance with the Green Key certification, environmentally friendly cleaning products are used.



Single-use plastics were eliminated from use as of May 1, 2023. According to calculations, around 300,000 pieces of single-use plastic packaging have been removed from circulation following all decisions related to single-use plastics.



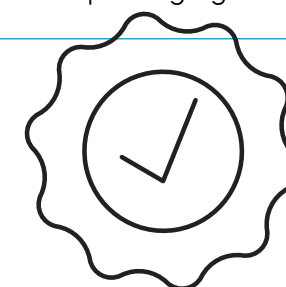
Guests are encouraged to reduce their environmental impact through a written notice made of plexiglass in the rooms, which outlines the benefits for guests who opt out of room cleaning or linen changes. For example, a reward might be a free drink at the hotel bar. Typically, linens are changed every three days, and towels daily.



Regarding paper consumption, recycled paper has been introduced, and two new printers have been leased that are more efficient in terms of toner and electricity use.



An initiative has been launched to use recyclable packaging, specifically focusing on paper and wooden packaging.



12.3. Impact – (S) Society

Every company operates within a broader, diverse social context. The “S” in ESG stands for social factors, which are used to assess a company’s interactions with its employees, the communities in which it operates, and the political environment. Social factors address the relationships a company maintains and its reputation among the people and institutions it works with, including labor relations, diversity, and inclusion.

12.3.1. S1 Own Workforce

Through the ESRS S1 standard, significant impacts of the company on its own workforce are examined, as well as related significant risks and opportunities, including:

a)

How the company impacts its own workforce in terms of significant positive and negative actual or potential effects.

b)

All measures taken and the results of those measures to prevent, mitigate, or remediate actual or potential negative effects, as well as to address risks and opportunities.

c)

The nature, type, and scope of significant risks and opportunities related to the company’s impacts and dependencies on its own workforce, and how the company manages them; and

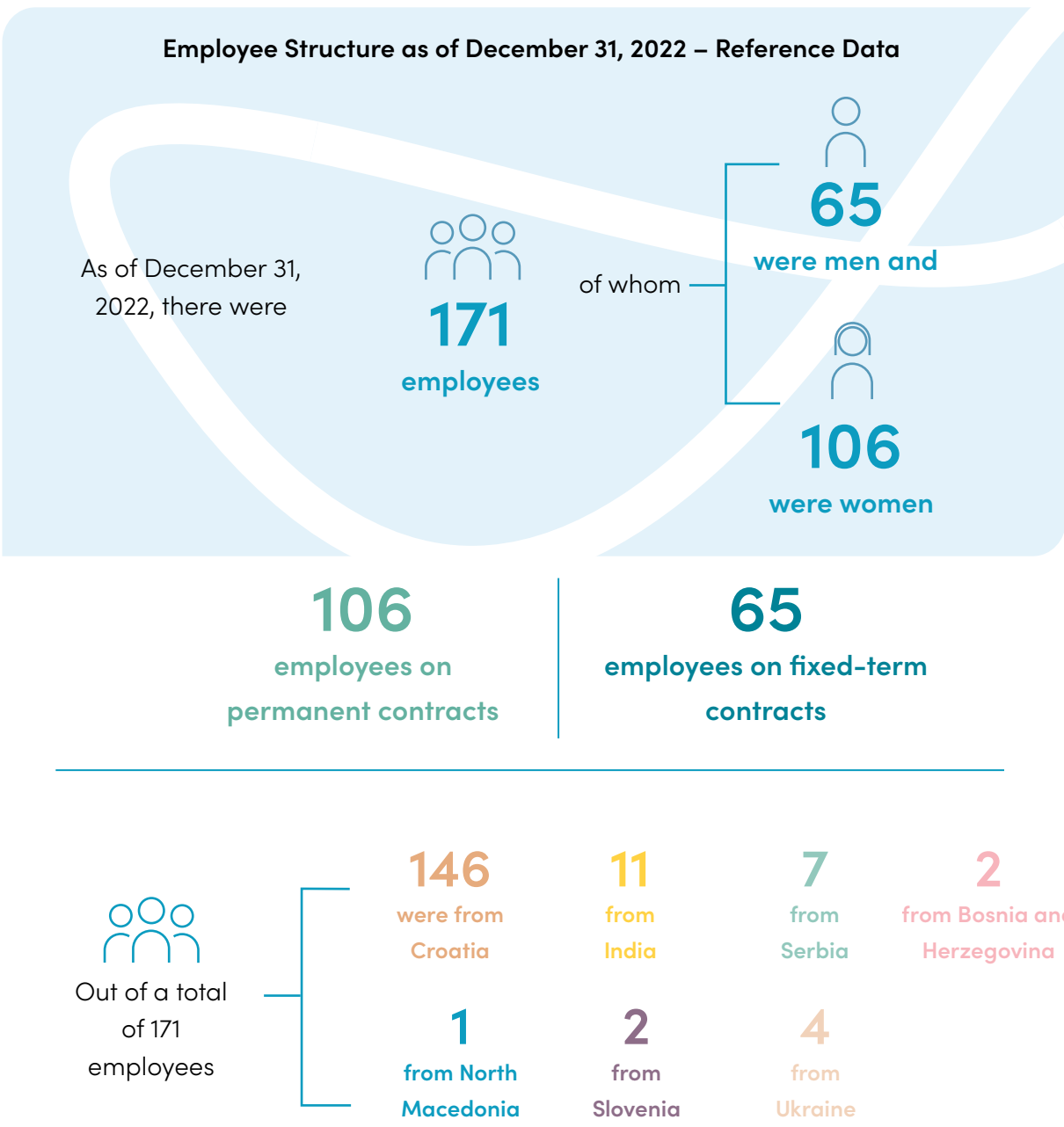
d)

The financial consequences for the company in the short, medium, and long term due to significant risks and opportunities arising from the company’s impacts and dependencies on its own workforce.

Terme Sveti Martin

The own workforce is a key stakeholder group for Terme. Terme aims to remain the most desirable employer for its employees by promoting a culture of innovation and continuous improvement across all areas, including work skills and business processes in products and services. Through its Quality and Environmental Management Policy, Terme commits to employing skilled and ambitious personnel who will have the opportunities and obligations to continuously develop and improve themselves, while preventive activities reduce the risk of employee injuries and illnesses.

Since Terme is officially and practically classified as a medium-sized enterprise, the identified significant impacts are listed below, while other topics and subtopics that do not carry significant impact are not mentioned.



Employee segmentation at TSM by gender and residency status	Number	% of total employees
Women	106	61,99%
Men	65	38,01%
Croatian nationals	146	85,21%
Foreign nationals	27	15,79%
Total number of employees	171	100%

Table 13. Employee structure by gender and residency status, 31 December 2022

With the start of the season, both the number and structure of employees change. The number of employees increases from

171 to 192, representing a seasonal growth of 12.3%.

Employee structure as of 31 August 2023

This data is highlighted as it serves as a reference point for assessing the employee structure at the peak of the season. At the end of August, there were 192 employees, of which 160 were employed on permanent contracts. All employees are covered by a collective agreement (a mandatory requirement for the hospitality sector in Croatia, which Terme fully supports and adheres to).

Employee segmentation at TSM by gender and residency status	Number	% of total employees
Women	111	57,81%
Men	81	42,19%
Croatian nationals	153	76,69%
Foreign nationals	39	20,31%
Total number of employees	192	100%

Table 14. Employee structure at Terme Sveti Martin by gender and residency status, 31 August 2023

Employee segmentation by department	Number	% of total employees
Management	8	4,2%
Sales and Marketing	14	7,3%
Maintenance and Security	19	9,9%
Procurement and Retail	6	3,13%
Finance and IT	8	4,17%
Hotel Operations	68	35,42%
Front Office / Reception	7	3,65%
Housekeeping	42	21,88%
Wellness and Pools	17	8,9%
Sports and Recreational Activities	2	1,04%
Human Resources Management	1	0,52%
Food and Beverage	67	34,9%
Food	43	22,4%
Beverages	24	12,5%
Total Number of Employees	192	100%

Table 15. Employee structure by department, 31 August 2023

Working Conditions – Working Hours

In an interview with the Director of Human Resources, one of the key issues identified was the extremely high number of overtime hours worked by the top-performing employees—some individuals have accumulated up to 400 overtime hours. In total, 12,000 overtime hours were recorded. At the same time, some employees did not meet the required number of working hours. Management is fully aware of this situation and is actively seeking solutions, such as introducing a reliable and verified system for tracking overtime. Currently, as revealed in an interview with the Director of Hotel Operations, arrival and departure times are reported verbally to supervisors, and there is no independent or direct input into a time-tracking system.

A management decision has been made stipulating that once an employee exceeds 200 overtime hours, they must take time off to reduce the surplus. The 200-hour threshold is set as the maximum limit for allowable overtime. In September 2023, efforts to reduce overtime hours began, resulting in a reduction of 1,485 hours within that month—indicating a positive shift in the trend. In light of the aforementioned issue of some employees not meeting the required monthly hours, the question arises of whether workforce allocation across departments is being managed appropriately.

Note: The Directors of Human Resources, Hotel Operations, and Food & Beverage agree that it is essential to provide training for department heads in communication and team management skills.



Working Conditions – Fair Compensation

Regular and timely payment of salaries is the standard practice. The ratio between the total annual compensation of the highest-paid individual at Terme and the total annual compensation of all other employees (excluding the highest-paid individual) is **less than 8**.

The ratio between the average compensation of male and female employees is **less than 1.05**. Salaries for men and women are equal for the same positions and job roles.

Team leaders actively assess business goals and team conditions, and report staffing needs to the Human Resources Department in accordance with set objectives and requirements. Challenges arise in fulfilling these needs—challenges not unique to Terme—including a shortage of qualified labor. This has led to a shift in employee structure (domestic vs. foreign workers). In 2018, the majority of the 20 chefs employed were Croatian nationals. In 2023, the majority are non-residents, mainly coming from India.

Given the challenges of managing business operations under these circumstances, the Management decided to place trust in team leaders, and as of 1 May 2023, their salaries were increased (by up to €200). This was followed by a general salary increase for other employees of up to 7%. Employee motivation and recognition are implemented on a monthly basis. Each department head nominates employees from their team who have earned a reward for that month. This system enables the recognition of outstanding employees in each department on a monthly level. Recognition is carried out using a “Best Employee” reward form (e.g., a bonus of €100). In July 2023 alone, based on managers’ recommendations, an additional €9,000 was paid out in employee bonuses.



Note: In an interview with the Director of Food & Beverage and the Director of Human Resources, a disparity was noted between the salaries of newly hired non-resident chefs and domestic chefs, caused by disruptions in the labor market.

Working Conditions – Freedom of Association, Employee Councils, and Workers’ Rights to Information, Consultation, and Participation

Terme has established a consultation process with employee or union representatives, which takes place occasionally, at the initiative of Management, particularly in cases of significant changes in business operations.

During the 2022 business year, no employees or unions filed complaints or lawsuits against Terme related to violations of the Labour Act or the Occupational Safety and Health Act.

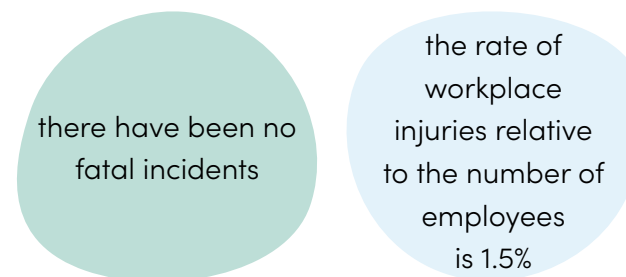
Terme has adopted programs and activities that support the re-employment of individuals

leaving the organization, in cooperation with employment agencies or other relevant institutions. However, such cases are extremely rare, primarily due to the ongoing shortage of labor.

Working Conditions – Health and Safety

Workplace safety, in terms of occupational health and safety, falls under the responsibility of the Maintenance Department. Terme has developed its own occupational health and safety management system to ensure the well-being and protection of employees in the workplace.

Regarding workplace injuries, based on the available data, we conclude that so far:



In addition to becoming the first Healthness resort in 2021, Terme Sveti Martin have made significant investments in employee health. In 2023, they met the criteria for the “Company – Friend of Health” certificate, becoming the first spa resort in Croatia to receive this recognition, thanks to their highly developed awareness of the importance of a quality working environment.



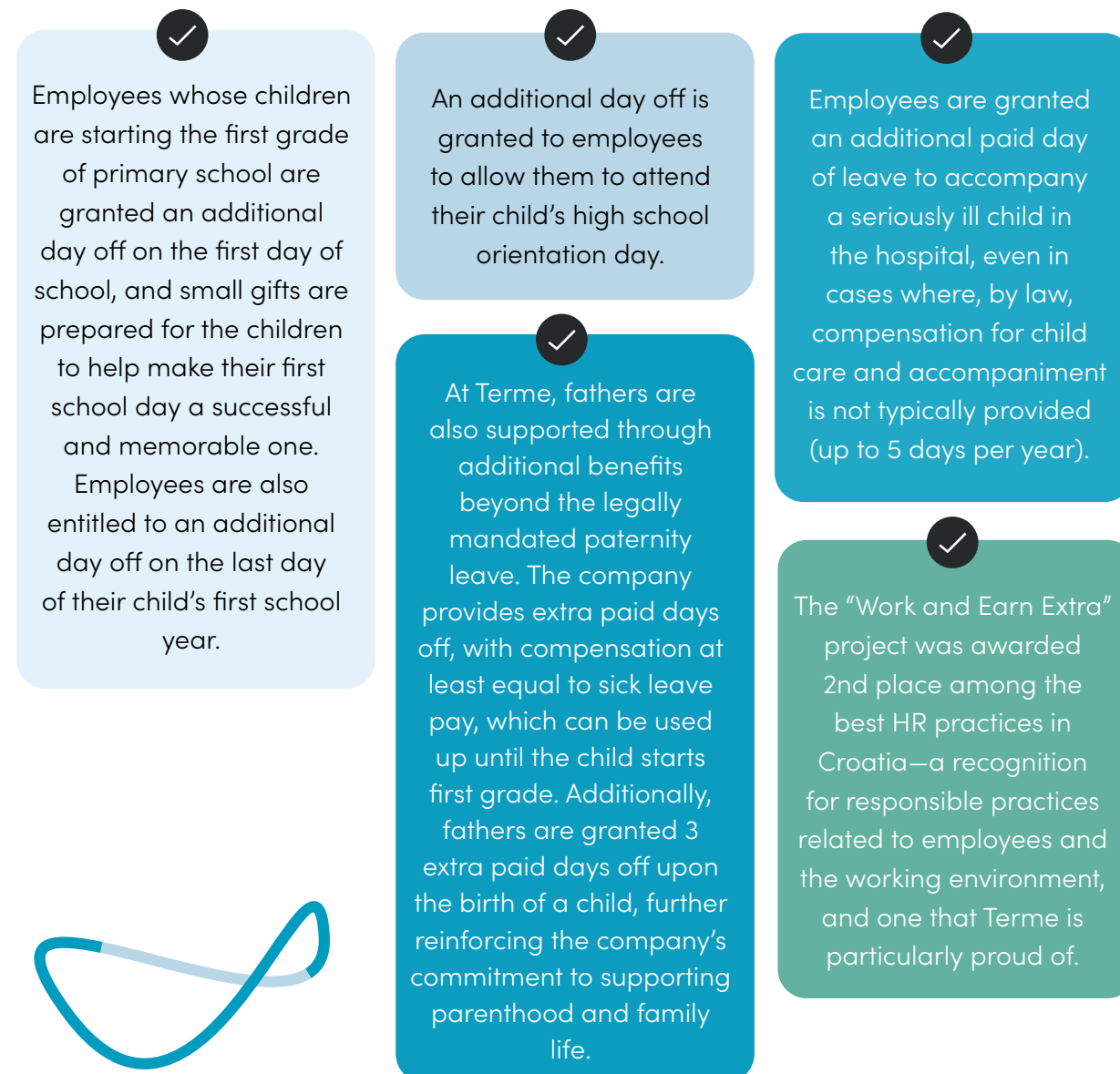
At Terme, the adoption of healthy lifestyle habits, workplace health, employee well-being, and environmental protection are actively promoted. To obtain the “Company – Friend of Health” certificate, a business must meet a range of criteria set by a team of experts from the Croatian Institute of Public Health. These criteria cover areas such as nutrition, promotion of physical activity, workplace health protection, prohibition of smoking and alcohol consumption, as well as environmental care and health safeguarding of employees.

All employees—and their immediate family members—are granted free access to pools, the gym, and group programs, along with permanent discounts across all business units of the resort, from massages to food and beverage services.



Working Conditions – Work-Life Balance

Terme Sveti Martin is well aware of its impact on the local community, where it acts as a driver of development and positive relationships. By setting an example, the company aims to inspire other employers to support the establishment of a healthy work-life balance. With the introduction of the “Family-Friendly Company” certificate, a range of measures has been implemented to improve human resource management, with a focus on aligning employees’ professional and family responsibilities. This project supports employers in enabling their staff to effectively manage both work and family commitments. The implementation of this certificate brings numerous short- and long-term benefits, such as attracting and retaining top talent, strengthening employee loyalty, improving organizational culture and collaboration, and reducing sick leave. Terme Sveti Martin is committed to healthy, ethical, and responsible business practices toward all team members and the wider local community. Active engagement through various programs—including volunteering, involving locals in the supply of domestic products, encouraging the establishment of family farms (OPGs), supporting the development of local tourist attractions, providing donations to those in need, sponsoring associations, and backing local initiatives—is just part of the company’s broader mission to grow in harmony with the environment that surrounds it.



Working Conditions – Collective Bargaining, Including the Number of Employees Covered by Collective Agreements

All employees are covered by the national umbrella Collective Agreement for the hospitality sector.

Equal Treatment and Opportunities for All – Gender Equality and Equal Pay for Work of Equal Value

From a gender equality perspective, the share of women in management positions (including executive and senior management) is increasing and now exceeds 30%.

Equal Treatment and Opportunities for All – Training and Skills Development

To enhance management capacity, additional training was provided to the management structure in 2022. The average annual expenditure per employee for education in the last financial year was €23.

Professional development plans have been established at Terme—at the hotel, department, or business unit level. When a job vacancy arises, it is first advertised internally, and efforts are made to fill the position through internal redistribution. Only if that fails is the vacancy announced publicly.

To increase participation in training programs aimed at improving competencies, it is recommended to create a training plan where certain programs become mandatory for further financial incentives. This plan may also include training housekeeping staff in sustainable practices for daily tasks.

Equal Treatment and Opportunities for All – Employment and Inclusion of Persons with Disabilities

In its hiring policies and practices, Terme applies affirmative measures for individuals from socially disadvantaged groups or those facing difficulties in the labor market. In response to the legal obligation to promote the employment of persons with disabilities, over the past three years Terme has fulfilled this requirement by using the substitute quota system and contracting services with organizations that employ people with disabilities.

Equal Treatment and Opportunities for All – Measures Against Violence and Harassment in the Workplace

Terme has taken a clear and firm stance and implemented concrete steps to protect employees from discrimination and ensure they can be themselves at work. The resort has established internal mechanisms for handling cases of discrimination. Such cases are considered a serious breach of the employment contract, resulting in immediate termination.

In 2022, one case of employee discrimination was reported. The person responsible left the company by mutual agreement, resulting in termination of employment.

Terme actively conduct internal training sessions and other awareness-raising activities aimed at combating prejudice and discriminatory practices, while promoting diversity in the workplace and work processes. One such example is the “LGBTIQ+ Workplace Equality Employer” training, specifically designed for directors and department heads.

Equal Treatment and Opportunities for All – Diversity

At Terme, it is extremely important that employees respect and value one another, and that they embrace their diverse experiences and knowledge in team collaboration. This approach contributes to the positive outcomes of the entire organization.

As part of its vision to make a positive impact in the everyday lives of as many direct stakeholders as possible, Terme embraces both the responsibility and privilege of advocating for a fairer and more equitable society, contributing to positive social change. Each year, the number of non-resident employees from distant countries continues to grow. Terme invests significant effort in supporting the integration of these employees into the predominantly local workforce—offering Croatian language instruction and competency-based training. To support this, the company’s Code of Professional Conduct includes a written Diversity and Non-Discrimination Policy. The Code also outlines acceptable workplace behavior, aimed at eliminating discrimination and unfair treatment, while safeguarding human dignity.

Positive examples of inclusive employment at Terme include the hiring of refugees from Ukraine, foreign nationals from third countries, and members of the Roma national minority.



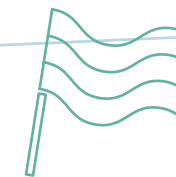
Promoting Sustainable Practices, Protecting Human Rights and Dignity

Terme provides financial or other material assistance and support to organizations and groups that work to improve the status of socially marginalized communities, including persons with disabilities, individuals with intellectual disabilities, members of national minorities, members of the Roma community, LGBTIQ+ individuals, and elderly persons. Support is also extended to associations for abused women—however, donations to such organizations are not publicly highlighted, primarily to protect the privacy and safety of the beneficiaries. For single mothers and fathers, Terme organizes a special day trip to the resort, including a full day of swimming at the pools, lunch in one of the restaurants, and a small gift as a keepsake from their visit.

Two individuals are responsible for safeguarding dignity in the workplace: Sara Posavec, Director of the Human Resources Department, and Josip Karlovčec, Head of Internal Operations.

Terme do not have a separate, standalone Human Rights Policy document; however, the protection of human rights is outlined within the company’s Work Regulations. In practice, strict informal standards are upheld regarding human rights, and consistent attention is given to their implementation. Compensation mechanisms in the event of human rights violations are specified in Articles 78 and 83 of the Work Regulations.

The most significant step forward made by Terme in the protection and promotion of human rights is that:



during June, recognized as Pride Month for the LGBTIQ+ community, Terme changed their logo across all social media platforms to a rainbow-colored version. A LGBTIQ+ flag was displayed at the entrance to the hotel, and stickers were created bearing the message: “LOVE COMES IN MANY COLORS, AND WE WELCOME YOU WITH EVERY SHADE OF OUR HEART.”

In addition to all previously mentioned efforts, Terme publicly expresses its support for all marginalized groups and proudly holds the “LGBTIQ+ Workplace Equality Employer” certificate, awarded through participation in the “Workplace Equality for All!” program. The goal of this program is to raise awareness about discrimination against LGBTIQ+ individuals in the workplace and during recruitment, and to emphasize the importance of building an inclusive and equitable society based on solidarity and equal rights for all.

Regarding the promotion of children’s rights, donations are made to associations and homes for children without parental care – donations related to such organizations are not publicly highlighted, primarily to protect the beneficiaries of these associations. For children, visits to Terme are most often organized in the form of a full day of swimming in the pools, including lunch at one of the restaurants, along with a small gift as a memento from Terme. An example is the Family Home Bogar – organizing swimming and lunch at Terme, with a surprise gift for each child, or donating full accommodation with included meals and pool access, along with a special surprise such as a movie night – that is, watching cartoons in the premises of Terme – as seen with the Children’s Home Maestral.

Employee Relations

Terme continuously monitors the organizational climate and employee satisfaction through interactive communication channels, such as the intranet and internal surveys. Feedback on employee satisfaction is used to inform staff and to plan corrective actions aimed at improving the work environment and organizational climate.



Recommended Measures for the Upcoming Period:



12.3.2. S2 Workers in the Value Chain

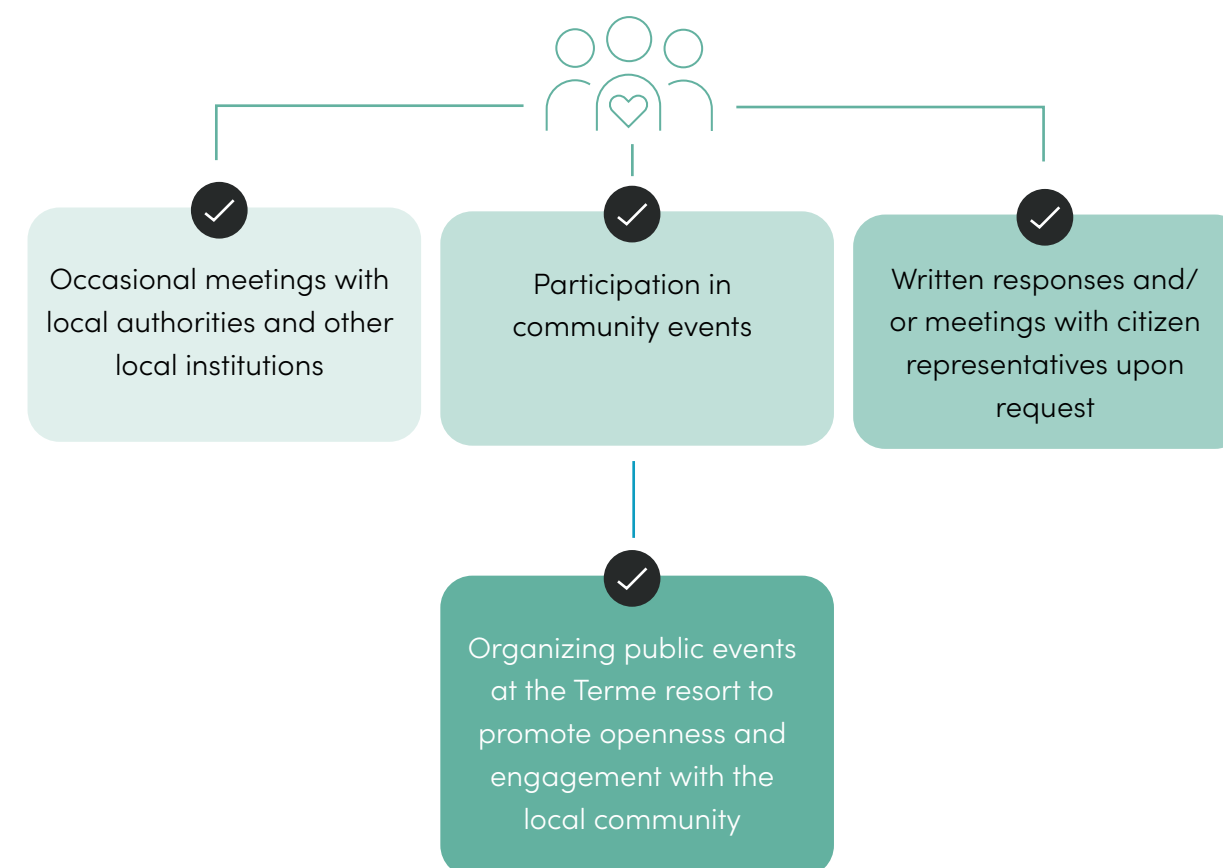
The value chain reflects the total value created by a company. The concept of measurement is based on viewing the company as a set of separate but interconnected activities that create value for customers—activities that shape, produce, promote, sell, and distribute products or services.

In this context, the supply chain is observed, specifically examining how business partners treat their employees. Since the majority of business is conducted with local micro and small enterprises, this impact is largely reflected through the company's relationship with the local community.

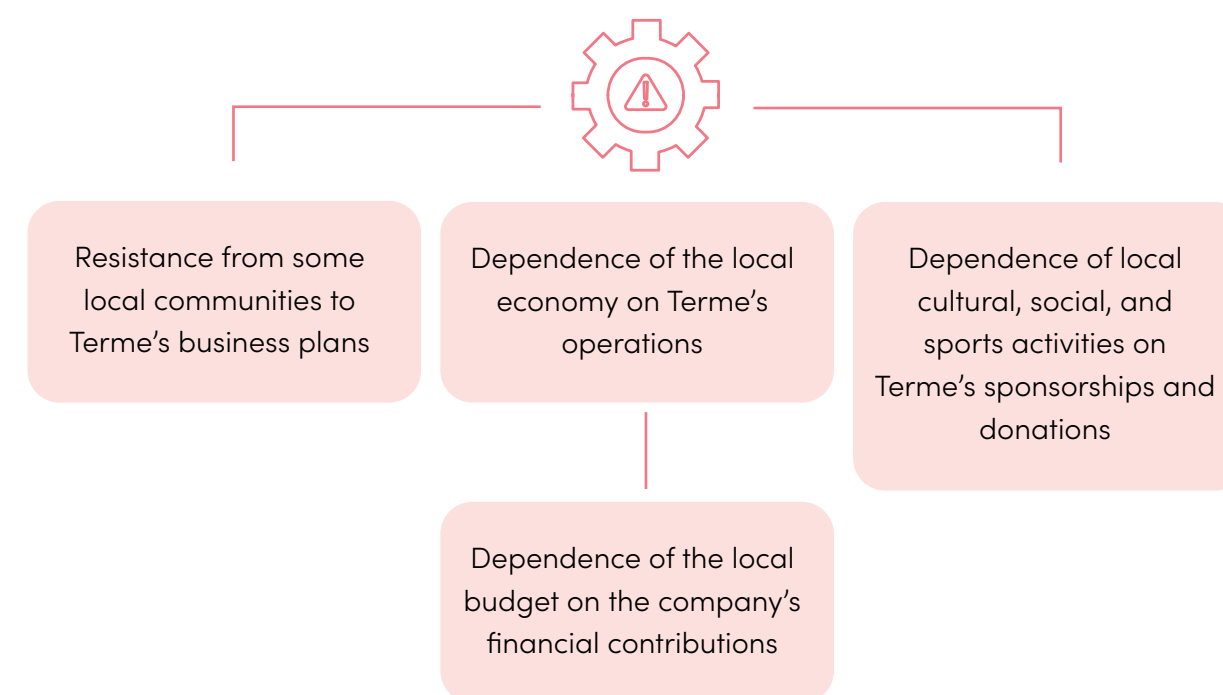
12.3.3. S3 Relationship with the Local Community

In addition to investing in facilities and developing their own products and services, Terme continuously collaborates with the local community, which they consider crucial for the ongoing development of tourism in Medimurje County. **One of the key forms of collaboration is sourcing ingredients from local producers, who supply Terme daily with fresh, high-quality goods—transformed by skilled chefs into healthy meals.**

Affected communities represent a key group of impacted stakeholders for Terme. Over the past three years, the relationship with the local community—in which Terme has a direct presence—has been monitored and actively encouraged through:



Potential risks related to social impact that are being considered include:





Collaboration with Local Producers

experiences to guests during their stay. In addition to the promotional materials available throughout the Terme premises, staff members actively suggest visiting local producers and service providers whenever appropriate.



Collaboration with family farms (OPGs) began in 2015. Products are sourced from around 111 local OPGs. Some employees are also owners of OPGs that supply Terme—for example, producers of pumpkin seed oil. Terme's impact on local OPGs, and consequently on the regional economy, is significant. Some OPGs generate up to 80% of their income through business with Terme. Terme purchases products from nearly all local winemakers, as well as from producers of fruit, vegetables, eggs, and other domestic goods.

A practice has been introduced of producing promotional films in collaboration with OPGs, showcasing activities in the field such as harvesting, delivery, and preparation—tracing the journey from garden to table.

Contribution to the Local Community through Donations and Sponsorships

A budget allocation for donations was set for the 2022 financial year at 0.1% of the hotel's total revenue, with specific priorities and main areas for giving defined as follows:

1. Local sports and volunteer associations



An active lifestyle — both guests and employees are encouraged to engage in activities both within and outside the resort complex. By donating to sports associations, Terme emphasizes how important an active lifestyle is for the health of both mind and body, which lies at the very core of Terme's operations as the first Healthness resort in Europe.

2. Local animal protection associations



Associations for abandoned animals—there is an ongoing effort to find the best ways to reuse or recycle materials and resources whenever possible. For example, blankets or carpets no longer usable within the complex are donated to help care for abandoned animals. Protecting wildlife and their habitats is very important. Therefore, during the New Year holidays, fireworks are not set off so that guests' pets and all animals near the complex can live without disturbance. Funds previously allocated for fireworks are now donated to animal protection associations. Guests are also kindly asked not to use pyrotechnic devices—not only for the protection of animals but also to preserve the environment. Guests are given the option to donate to these associations if they wish. Additionally, all fees paid by guests for accommodating their pets are donated by Terme to animal protection associations.

3. Local associations for persons with disabilities and special needs



Associations for persons with disabilities and special needs – donations related to social support for these individuals are not publicly promoted, as Terme believes there is no need for such publicity. Assistance is provided financially or through services and products. Often, Terme collaborates directly with these associations by purchasing their products—for example, the association Humana Nova, which produced aprons for the staff.

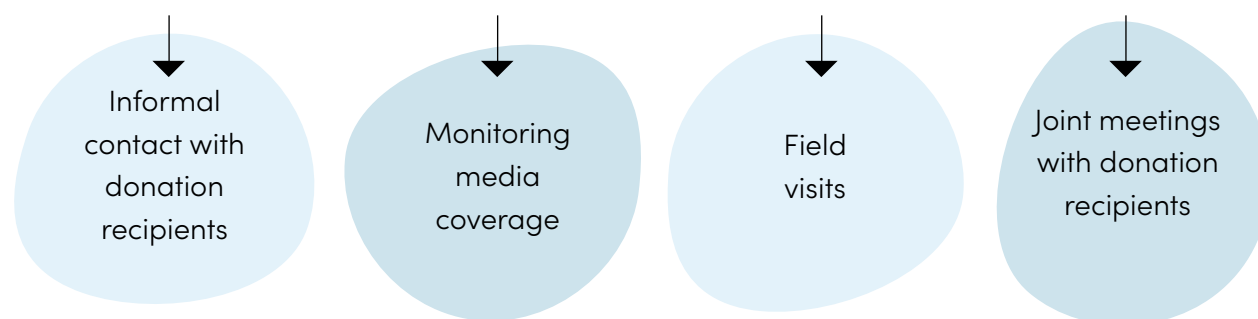


4. Local institutions for children without parental care

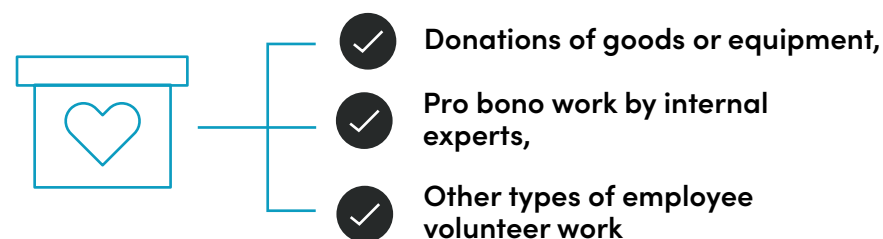


The criteria are: social activity, level of need, and volunteer engagement. Associations and homes for children without parental care — as previously mentioned, donations related to these types of organizations are not publicly highlighted, primarily to protect the beneficiaries of these associations. For the children, outings to Terme are most often organized, as described above in the section on the protection of children's rights.

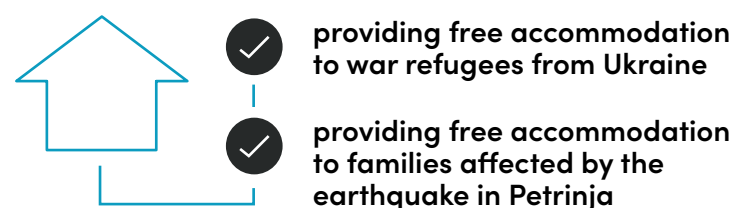
Terme align their areas of interest and donation purposes with their mission and/or business strategy. The allocation process follows an internal procedure for handling incoming requests. For emergency donations, in cases of sudden local community needs or events such as earthquakes, floods, or fires, no formal procedure is established; instead, decisions are made as needed. Monitoring of the results and impacts of donated activities is conducted through:



In the past year of 2022, the following forms of non-financial assistance were also provided:



In 2022, Terme also participated in partnership projects with public institutions or associations:



Sponsorships

In implementing their sponsorship program, three types of activities emerge that Terme promote in line with their values:



In addition to business and strategic interests, Terme also take into account criteria of general social benefit when granting sponsorships. Examples of such socially evaluated sponsorships include:

- ✓ **rewarding the most outstanding students of the local primary school**
- ✓ **sponsoring the local community to encourage the development of sports clubs and sporting events**

Highlight: Terme are especially proud of one socially beneficial activity from last year aimed at the community — a donation of accommodation in apartments for 12 children from the Maestral Children's Home, including meals and drinks with dinner, swimming in the pools, and a movie night at the facilities of Terme Sveti Martin.

12.3.4. S4 Consumers and End Users

This standard covers significant impacts on guests and other users of Terme's services related to business operations and the value chain created up to the final user of the service/product.

For Terme, consumers and/or end users represent a key group of affected stakeholders. The goal of the business strategy is to offer guests the highest quality of service in order to meet the expectations of each individual guest, ensuring that every visitor leaves Terme satisfied and with a desire to return. In addition to the healing thermal water, which is the foundation of Terme's operations, the aim is to provide guests not only with complete relaxation and a healthy vacation, but also with an added feel-good experience. For this reason, partial renovations are carried out every year. Recently, new water slides were installed in the Aquapark, a mascot was introduced and a new name was given, the children's playroom was redesigned and has become one of the most modern hotel playrooms in the region, and the restaurants were also renovated.

To that end, Terme systematically measure customer/consumer satisfaction through an online questionnaire. In addition to efforts directed at employees, the company also invests in educating guests about small actions they can take to help protect the environment during their stay.

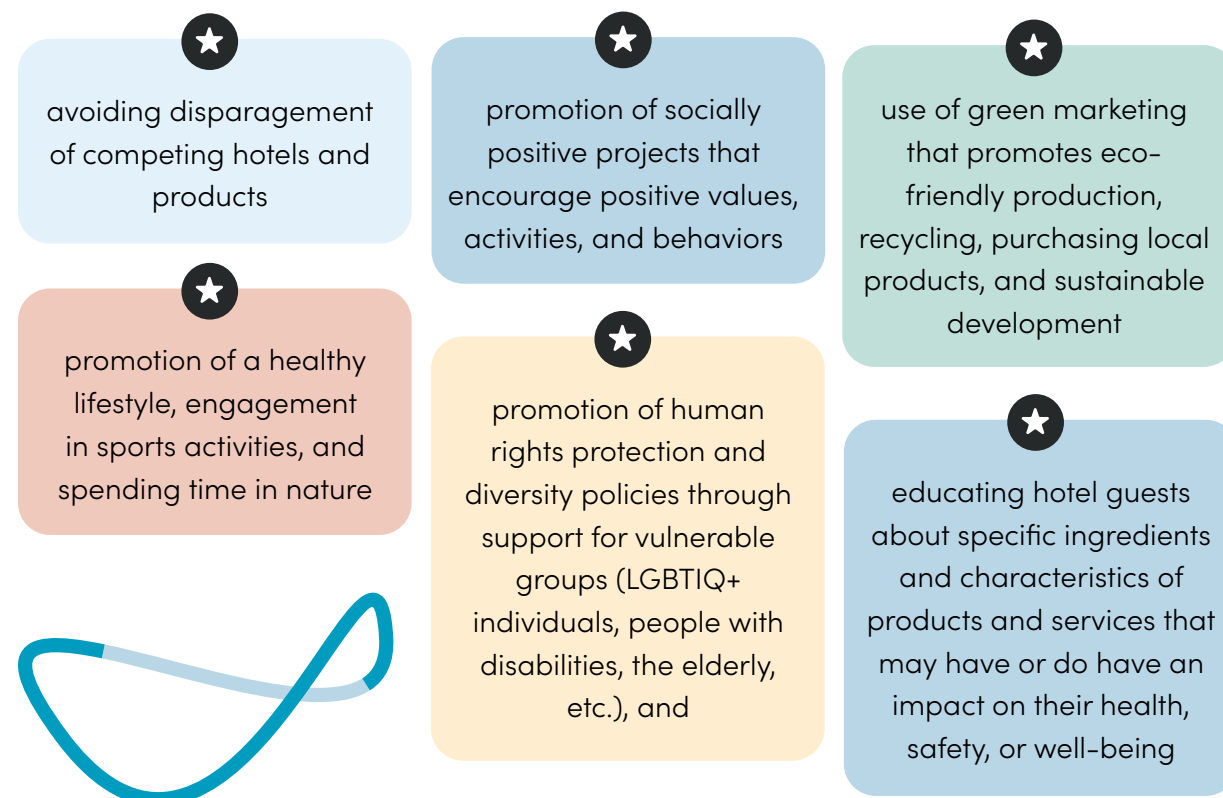


Accessibility and Inclusion for All Guests

In addition to providing a warm welcome, support, and staff training on the rights of LGBTIQ+ individuals, Terme pay special attention to the rights and needs of people with disabilities or special needs. The hotel features three rooms designed for guests with disabilities, and hotel staff are always available to assist individuals with physical or intellectual disabilities.

Marketing and Communication

In their marketing communication, Terme apply the **Code of Advertising and Marketing Communication**. Elements of Terme's marketing communication include the following positive practices:



12.4. Impact – (G) Governance

When describing the process of identifying significant impacts, risks, and opportunities related to business conduct issues, the company discloses all relevant criteria used in the process, including location, activity, sector, and transaction structure.

12.4.1. Role of Administrative, Supervisory, and Management Bodies

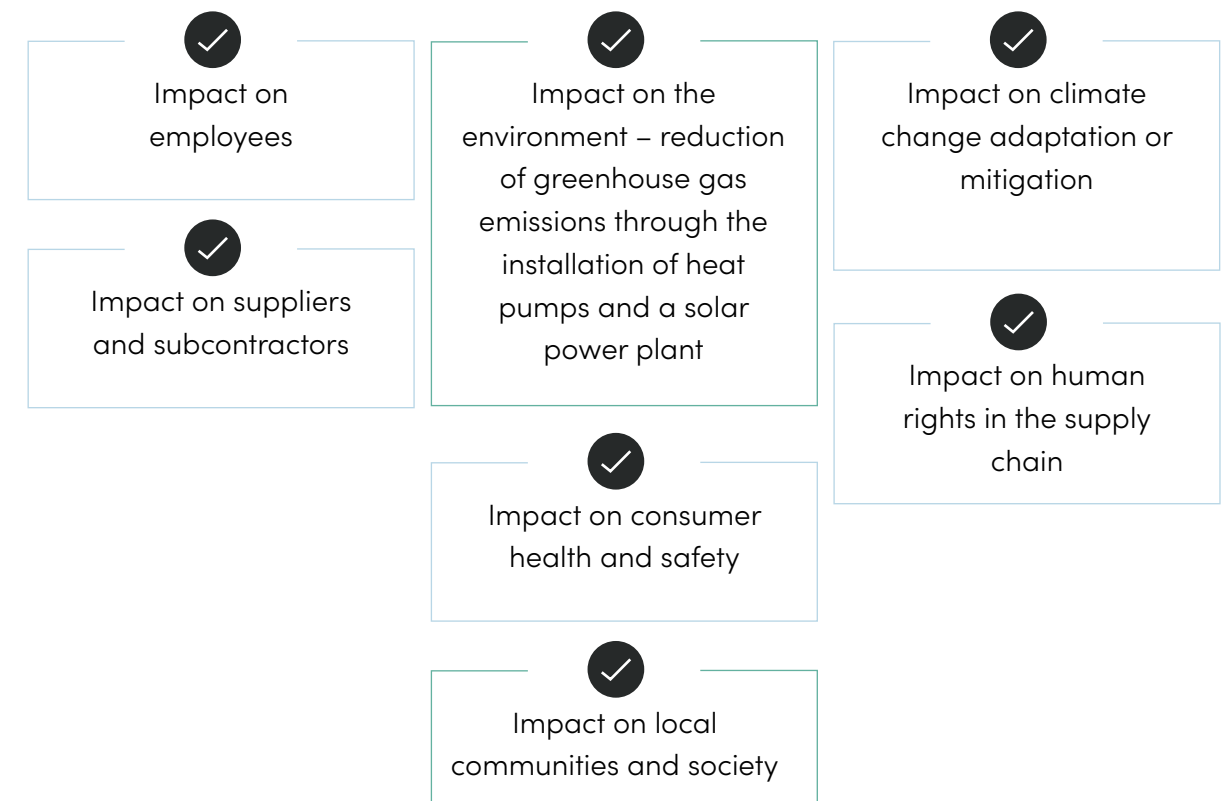
It is necessary to determine the role company bodies play in the transition toward sustainable business practices. Terme is led by General Manager Nuša Korotaj, and in this case, sustainability falls directly under her area of responsibility. Partial responsibility is also delegated to the core management team, namely department directors and their teams.

All departments are involved, but based on an impact assessment, the greatest impact is attributed to the Maintenance Department, followed by: the Human Resources Department, Food & Beverage Department, Sales and Marketing Department, Procurement and Retail Department, Hotel Operations Department, and the Finance and IT Department.

The General Manager and department directors meet weekly. During these weekly meetings, all key operational matters are discussed with department representatives. Sustainability topics are also addressed, and sustainability and social responsibility are reflected in the hotel's mission, vision, and business strategy.

Recommendation: Terme may internally define their contribution to selected UN Sustainable Development Goals.

The management team has identified the following as significant impacts of Terme:



12.4.2. Business Ethics and Corporate Culture

According to the Quality and Environmental Management Manual, Terme's corporate culture includes encouraging the fulfillment of societal needs—more specifically, those of the local community—through either financial contributions or employee volunteer activities. It promotes responsibility for protecting the natural environment as well as the health and safety of both employees and guests as core corporate values. This is achieved by fostering the development of innovative and flexible solutions that bring about positive change.

The main areas of activity—and therefore impact—of Terme, as well as the foundations of its corporate culture, are:



 A **Corporate Culture Manual** has been adopted, which outlines the company's business objectives and the desired behavior of employees, with the aim of fostering and spreading a positive business culture at Terme.

12.4.3. Risk Management and Internal Control

Risk management is handled by the Finance and IT Department, and one of the proposed strategic goals is the **development of a Climate Risk Assessment**.

12.4.4. Stakeholder Relations

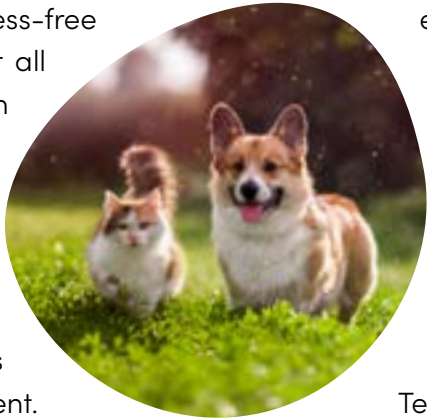
For the purpose of conducting a double materiality assessment, it is necessary to define stakeholders and gather their feedback on the proposed material topics. So far, the key identified stakeholders include employees, the local community, visitors, owners, and regulatory bodies. The most extensive consultations on sustainability topics have been conducted with regulatory bodies. These consultations were delegated to the Director of the Maintenance Department, who is also responsible for sustainability matters and reports the outcomes of these discussions and stakeholder expectations to the Management Board.

12.4.5. Anti-Corruption, Anti-Bribery, and Whistleblower Protection

It is recommended that the necessary policies and regulations be adopted to govern these areas.

12.4.6. Animal Welfare

Terme Sveti Martin is a proud pet-friendly tourist complex, committed to ensuring the well-being of pets and other animals. Dedicated to promoting animal welfare, they have implemented several initiatives to support this goal. One way they contribute to animal shelters is by recycling old materials. Instead of discarding items, they repurpose and donate them to local shelters, providing much-needed resources and comfort to animals in their care. The safety and well-being of their four-legged guests are a top priority. During celebrations and events, Terme Sveti Martin has chosen not to use fireworks, as loud noises can distress animals. By opting for alternative forms of celebration, they create a calm, stress-free environment for both pets and animals in the surrounding area. Additionally, when guests bring their pets to all proceeds from the animal shelters. In this way, they contribute to the welfare of animals in need. Through active support, Terme Sveti Martin is a place where pets are respected, cared for, and where every stay makes a positive impact on the lives of animals in the destination. The resort also takes special care of stray animals by providing them with food and shelter, believing in showing compassion to animals in need and striving to create a safe and nurturing environment for them within the complex. To promote awareness about animal protection, Terme Sveti Martin chose a doe named Martina and a stag named Marti as their official mascots. These symbolic characters serve as a reminder to guests of the importance of respecting and caring for wildlife.





12.4.7. Suppliers and Payment Practices

Terme places strong emphasis on supporting local and domestic production, as highlighted in section 9.3.3 of this report, in the interview with the Procurement and Retail Department. Terme has established an unwritten rule—strictly upheld without exception—of meeting payment obligations on time and in accordance with contractual agreements. The company is fully aware of its responsibility as a key economic player in the region. For some micro-suppliers (such as family farms), more than 80% of their income depends on business with Terme. This creates a serious responsibility for Terme to avoid exposing their suppliers, partners, and the local community to liquidity risks. In addition, Terme invests in the business development of key suppliers by helping to improve their business processes and by sharing their knowledge (know-how) and best practices.

12.4.8. Political Influence and Lobbying

Terme is firmly opposed to any form of material or financial support for political parties. Direct political lobbying outside of professional business organizations is strictly prohibited. Over the past three years, Terme has participated in social dialogue at the industry-wide level.

12.5. Risks

As one of the pillars of the sustainability strategy, the **development of a Climate Risk Assessment Study is among the first short-term strategic goals**. All risks are considered within the areas of impact, i.e., material topics or reporting standards. Below, we outline and describe potential physical and transitional risks specific to the tourism sector and Terme's operations.

12.5.1. Climate Change

For each identified climate-related risk, it must be determined whether it constitutes a physical risk or a transitional risk associated with climate change. Terme is potentially exposed to extreme weather events (such as heatwaves or severe cold) and natural disasters (such as wildfires, floods, etc.), which are considered physical risks related to climate change at the location of the resort. These physical risks can lead to increased operational costs, including higher energy and insurance expenses, as well as physical damage to hotel infrastructure. They may also disrupt or limit hotel operations, which could significantly impact revenue. Investments in improving the energy efficiency of hotel buildings and other activities aimed at increasing climate resilience and mitigating negative effects of climate change represent additional operational costs. Thermal complexes like Terme require a significant amount of energy to operate, which constitutes a major portion of their operating expenses. Most of the electricity is purchased from commercial sources, and this purchased energy indirectly results in greenhouse gas (GHG) emissions, thereby contributing significantly to climate change.

Transitional Risks

Terme's operations are also affected by transitional risks, including changes in laws and regulations related to sustainability, as well as shifts in consumer preferences that influence travel frequency and demand for hotel accommodations. Compliance with sustainability-related legislation, along with voluntary efforts undertaken by the hotel to meet sustainability targets—such as reducing emissions—represents an additional operational cost. Existing and emerging regulations require investors and investment funds to consider the impact of climate change on organizations and to apply strict rules for evaluating ESG (Environmental, Social, Governance) criteria. Taxonomy regulations, SFDR (Sustainable Finance Disclosure Regulation), ESRS (European Sustainability Reporting Standards), and other related frameworks in Europe and major global financial centers act as significant limiting factors. However, the increased reporting obligations introduced by the latest regulations are currently not applicable to Terme, and thus do not pose a risk at this time.



The voluntary preparation of a sustainability report and strategy represents an additional operational cost for the business. However, through their initiative to develop a sustainability strategy and submit a sustainability report—despite not being legally required to do so—Terme clearly demonstrate their strong commitment to environmental preservation and creating positive social impact.



The growing public awareness of the harmful effects of climate change and other sustainability-related issues influences consumer decisions regarding travel and their choice of destination and accommodation. One possible consequence is reduced demand, along with a significant increase in operational and compliance costs, operational disruptions or limitations, and even physical damage to the hotel. All of these factors could negatively impact profitability and future growth.

12.5.2. Water, Air, and Soil Pollution

There is a potential for physical risks to arise—such as sudden disruption in access to clean water, acid rain, or other pollution events—that could lead to or have already caused environmental and social impacts. However, Terme relies on thermal water from clean natural sources, which is self-purifying, and all environmental protection obligations are strictly observed. Therefore, this risk is not considered significant.

12.5.3. Water and Marine Resources

Hotel buildings require relatively large amounts of water to operate, and thermal complexes require even more. While water is not among the highest operational costs for hotels, reduced water availability or significant price increases could affect financial performance. This impact may be especially acute in regions experiencing water scarcity due to supply constraints. Best practices in water management are applied to reduce operational costs, minimize environmental impact, and provide added value to guests—who are increasingly concerned about environmental sustainability.

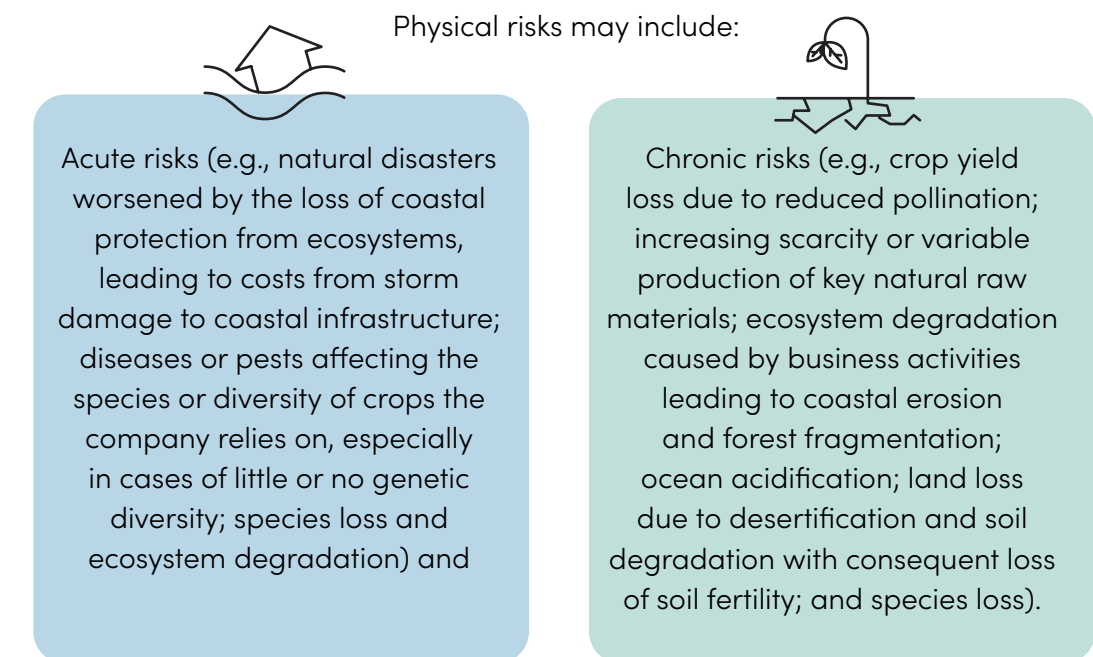
The Terme complex is not located in a water-scarce area. Therefore, the risk of reduced water availability or significant price increases is not considered significant. Additionally, Terme uses a thermal well as its water source and does not rely on high-cost external water supplies.

In the long term—and not necessarily at Terme's specific location—there is a potential for both acute and chronic physical risks arising from water- and ocean-related threats driven or intensified by climate change. These include rising water temperatures, changes in precipitation patterns and types (rain, hail, snow/ice), variability in precipitation and hydrological systems, ocean acidification, saltwater intrusion, sea level rise, drought, severe water shortages, heavy rainfall, flooding, and glacial lake outbursts.

12.5.4. Biodiversity and Ecosystems

Healthy ecosystems are closely linked to the economic and financial performance of local communities and businesses. The influx of tourists and the waste generated by hotels can

pose risks to sensitive ecosystems, such as coral reefs and nature reserves. Poor environmental protection practices could hinder hotels from obtaining new construction permits in these vulnerable areas and, in the long term, may reduce the natural attractions that draw tourists and generate revenue for both local communities and the hospitality industry. On the other hand, environmental protection efforts can make tourist destinations more attractive and increase demand for hotel bookings. **The use of ecosystems for business purposes** is based on the transformation of natural resources (soil, plants, animals, air, and water) into raw materials, products, or services that are directly monetized.



Potential **transitional risks** include:

- **Policies and legal issues:** e.g., introduction of regulations or policies (such as stricter land protection measures); exposure to sanctions and legal actions (e.g., discharge of polluting wastewater harmful to human health and ecosystems; violation of rights, permits, or allocations related to biodiversity; negligence toward endangered species or their killing); increased reporting obligations related to biodiversity, ecosystems, and associated services;
- **Products or services with lower impact on biodiversity or dependency on ecosystem services;** Lack of access to data or access to poor-quality data that complicates biodiversity-related assessments; Transition to more efficient and cleaner technologies (i.e., with lower impact on biodiversity); New monitoring technologies (e.g., satellites); Requirements for the use of specific technologies (e.g., climate-resilient crops, mechanical pollinators, water purification, flood protection)



— **Markets:** e.g., changes in supply, demand, and financing; volatility or increase in raw material costs (such as input factors that exert pressure on biodiversity and whose prices have risen due to ecosystem degradation);

— **Reputation risks:** e.g., changes in societal, consumer, or community perception due to the organization's role in biodiversity loss; violations of nature-related rights within business operations; negative media coverage concerning impacts on key species and/or ecosystems; social conflicts related to biodiversity and endangered species, protected areas, resources, or pollution.

12.5.5. Waste Management and Circular Economy

This area is certainly of great interest to Terme. In terms of resource use and reducing financial impact on the company, implementing circular economy practices ensures the long-term sustainability of operations.

Waste management is essential in a complex like Terme, as it is crucial that visitors neither see nor come into contact with any type of waste (to maintain a pleasant experience, encourage repeat visits, and reinforce Terme's commitment to caring for its environment), while also being aware of recycling and waste separation practices. **Physical risks** arise here, including the depletion of stocks and the use of untreated and treated renewable resources as well as non-renewable resources. **Transitional risks** also appear in business operations across both higher and lower levels of the value chain, involving legal, technological, market, and reputational factors (see Transitional Risks in section 12.5.4).

12.6. Opportunities

Sustainability factors are financially significant if they cause or are reasonably expected to cause material financial consequences for the company. This occurs when sustainability factors create, or could create, risks or **opportunities** that significantly impact—or are reasonably expected to significantly impact—the company's development, financial position, financial results, cash flows, access to financing, or cost of capital over the short, medium, and long term. Risks and opportunities may arise from past or future events. In other words, where sustainability factors have a significant impact, both risks and opportunities (potentially negative or positive effects) emerge—depending on the measures the company takes.

Terme's long-term goal is to integrate sustainability throughout the entire value chain, leading to increased efficiency, resilience, and better fulfillment of the needs of various stakeholders. Despite a high level of interaction, they plan to further improve collaboration and communication with all key stakeholders, regularly informing them about Terme's

priorities, plans, and progress toward achieving sustainability goals.

Reputational opportunity for enhancing brand image — **the voluntary preparation of sustainability reports and strategies** will contribute to boosting Terme's reputation in sustainability, as well as creating sales opportunities, since an increasing number of consumers view sustainability as a key factor when choosing companies. Given that modern consumers increasingly consider sustainability factors when selecting destinations and hotels, Terme plans to capture a larger market share by transitioning to sustainable business practices.

12.6.1. Climate Change / Energy



Terme aim to invest in sustainable business practices to mitigate climate-related risks and create added value for the local community in which they operate. The focus is on investing in renewable energy sources and energy efficiency, which will contribute to reducing energy consumption and related operational costs, thereby increasing Terme's resilience to climate change.

12.6.2. Water, Air, and Soil Pollution



The importance of the environment is highly evident in the surroundings of Terme, presenting an opportunity to reduce the amount of active chemical substances used and to transition to sustainable products for cleaning, disinfection, and maintenance of pools and facilities.

12.6.3. Water and Marine Resources



Terme are highly dependent on water and the availability of thermal water. The pool complex—both outdoor and indoor—the wellness area, and consequently the arrival of visitors and the entire hotel operation rely on water availability. At the same time, there is an opportunity to invest in a new geothermal well to transition heating systems to this sustainable source.

12.6.4. Biodiversity and Ecosystems



Terme aim to achieve the protection, restoration, and regeneration of ecosystems, as well as the sustainable use of natural resources. Through the biodynamic garden and land-use practices around the hotel, these goals are already being actively pursued. Additionally, there is an opportunity for further reforestation, which would not only increase CO₂ absorption (carbon sequestration) but also enhance biodiversity.



12.6.5. Waste Management and Circular Economy



The goal of improved waste management is certainly to reduce the amount of waste generated within Terme, and in addition to reducing volume, to increase the percentage of recycled waste. Terme sees a significant opportunity in this area by reducing food waste in the kitchen, including both production waste and plate waste. Beyond food waste, a key issue that arises from the due diligence process is the careful management of waste disposal sites within the complex itself.

12.7. Impact, Risk, and Opportunity Map

Mapping can be presented in the form of a table that compares key elements of the due diligence process regarding impacts on people and on the environment, alongside the corresponding related risks and opportunities. This type of mapping serves as an initial step in establishing a preliminary list of material topics that require consultation with certain key stakeholders.

Criterion	Impacts	Risks	Opportunities
ENVIRONMENT (E)	- Energy consumption - Water consumption - Water pollution - Biodiversity - Waste management	- Increase in energy prices - Water scarcity - Contamination of groundwater sources - Loss of species - Visitor dissatisfaction	- Reduction of CO₂ emissions - Changing visitor behavior sensitive to climate change - New geothermal well - Enhancing visitor offerings - Reducing waste disposal costs
SOCIAL (S)	- Own workforce - Impact on the value chain - Impact on the local community - Consumers	- Employee turnover - Overdependence on Terme - Local community dissatisfaction - Unmet expectations	- Increasing diversity and positive impact on the team - Positive change throughout the value chain - Generating growth in the local economy - Providing top-quality service and gaining new visitors through recommendations or reviews (from clients who value sustainability)

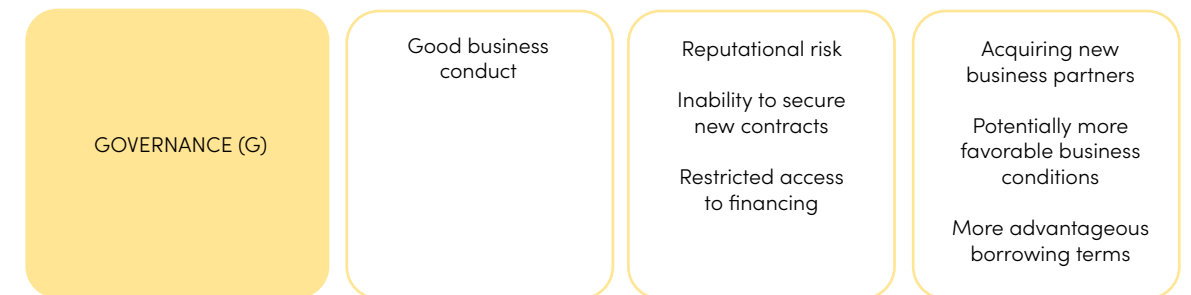


Table 16. Classification of Impacts According to ESG Criteria and Identified Risks and Opportunities





13. Third Working Meeting – Key Topics

Although Terme Sveti Martin is not subject to the Corporate Sustainability Reporting Directive (CSRD) or the ESRS sustainability reporting standards, the company aims to report on sustainability factors based on the principle of double materiality, as defined and described in this chapter. As part of the necessary preparatory steps, a third working meeting was scheduled and held via online video call on November 9, 2023. The meeting was attended by Nuša Korotaj, General Manager, and Mr. Vedran Augustić, Director of Maintenance and Sustainability, on behalf of Terme Sveti Martin, and Anita Knezović, Jakov Kolega, and Vedran Lučić on behalf of Greengreen – Earthyfictional. The goal of the meeting was to identify the key topics for Terme, determine the key stakeholders, and agree on the operational approach to assessing stakeholders' opinions and perspectives on the identified topics. The agreed process and implementation method are outlined below, while the conclusions and materiality matrix form part of the 2023 Sustainability Report.

13.1. Defining the List of Potentially Material Topics

Terme are conducting this process in this form for the first time, in accordance with the requirements of the Corporate Sustainability Reporting Directive. During the meeting, all relevant topics were presented, along with a proposed method for stakeholder engagement – through the creation of a questionnaire to be distributed by Terme. Given the business activities of Terme and their impact on the environment and local community, including employees, the scope of topics was agreed upon during the meeting. Based on this, the consulting team proposed the material topics to be included in the questionnaire.

13.2. Identifying Key Stakeholders – Identification, Method, and Scope of Stakeholder Engagement

Stakeholders are individuals or groups who can affect the company or who may be affected by the company's activities. There are two main categories of stakeholders:

Affected stakeholders:

Individuals or groups whose interests are or could be positively or negatively impacted by the company's activities and its direct and indirect business relationships throughout the entire value chain.

Users of sustainability statements:

These include the primary users of general-purpose financial reports (existing and potential investors, lenders, and other creditors, including asset managers, credit institutions, and insurance companies), as well as other users of sustainability statements such as the company's business partners, trade unions and social partners, civil society and non-governmental organizations, public authorities, analysts, and members of the academic community.

Conducting a materiality assessment is essential for a company to identify the significant impacts, risks, and opportunities it intends to report on. The materiality assessment is the starting point for sustainability reporting in accordance with the ESRS. It serves to determine the relevant information that should be included in the Sustainability Statement and is based on engagement with key stakeholders. The concept of key stakeholders (or relevant stakeholders, as referred to in international frameworks) is based on the understanding that not all of an organization's activities will affect all stakeholders equally. The aim is to identify those stakeholders whose perspectives should be considered in relation to a specific activity or sustainability topic.



Type of Stakeholder	Description
KEY	
Terme Management	The management structure of Terme is committed to aligning business operations with the principles of sustainable development. The management team meets weekly and works diligently to achieve the company's strategic goals, including those related to sustainability. Terme aims to consolidate its sustainable initiatives and objectives into a comprehensive sustainable business strategy, with the goal of becoming a leader in sustainability within its sector.
Employees	Employees play a key role in implementing all the sustainability principles that Terme aims to put into practice. To encourage their engagement, special recognition is given to individuals who make a significant contribution to sustainability in their daily work, as well as to those who go a step further by volunteering and actively supporting the community in which they live and work.
Owners	The owners of Terme are actively involved in operational budgeting, which has a significant impact on the business model — and consequently, on the sustainability strategy as well.
EXTERNAL	
Hotel guests	Modern guests of Terme are increasingly aware of ESG (Environmental, Social, and Governance) issues and tend to choose destinations and properties that apply sustainable business practices. Terme strives to gather as much feedback as possible from its guests through regular hotel service satisfaction surveys, in order to better understand their needs and provide unforgettable experiences during their stay. An online questionnaire is available at: Sustainability and Guest Satisfaction Survey – Terme Sveti Martin (google.com). In addition to engaging employees, the company also invests significant effort in educating guests about the small actions they can take to help protect the environment during their stay.
Suppliers	Encouraging sustainable practices among its suppliers is one of the key ways a company can influence its value chain. Terme has a strong impact on the local community by prioritizing collaboration with local food and beverage producers.
Local community	Terme Sveti Martin is committed to healthy, ethical, and responsible business practices — not only toward its employees, but also toward the local community. The company is actively engaged in a variety of initiatives, including volunteer programs, involving local residents in the sourcing of domestic products, encouraging the establishment of family farms (OPGs), supporting the development of local tourist attractions, donating to those in need, sponsoring associations, and supporting various initiatives and events. These activities are all part of Terme's broader effort to grow together with the community that surrounds the resort.
Government representatives, regulators, and legislators	Terme Sveti Martin actively participates in shaping public policy by providing written comments and proposals to professional organizations and industry associations, as well as through public media appearances and expert discussions.
Industry associations and non-governmental organizations (NGOs)	Terme actively promote sustainability and tourism development through their engagement with industry associations and institutions. They play an active role in the work of the Sveti Martin na Muri Municipal Tourist Board and contribute to the functioning of local governing bodies by having their representatives participate in the Assembly and Council of the Tourist Board.
Credit institutions	As key drivers of ESG reporting, credit institutions have a strong interest in the sustainable practices of their clients — including Terme. This interest is even more significant given that the credit institution is also the owner of Terme.

Media	Especially local ones, who, given the significant impact Terme has on the regional economy, closely follow news, events, and activities related to Terme and actively report to the local target audience.
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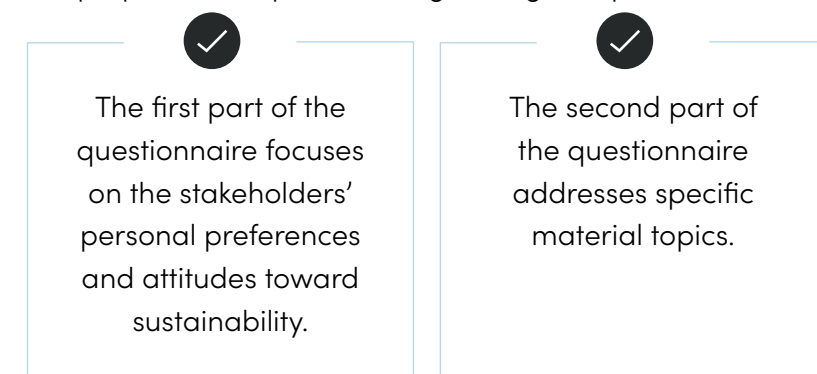
Table 17. Stakeholder Identification According to Materiality Description

13.3. Survey Questionnaire on Material Topics

After identifying the need to assess material topics and determining the stakeholders from whom opinions on the relevance of each topic should be gathered, it is necessary to develop a survey questionnaire. The purpose of this questionnaire is to collect, ideally in a digital format and in one place, the views and opinions of surveyed stakeholders on individual material topics, their perceived impact over different time periods, and the overall assessment of their significance.

13.3.1. Description of the Questionnaire Development Process

In line with the agreement reached at the third working meeting, and following the presentation of the requirements and needs for developing the questionnaire, the Greengreen – Earthyfiction team prepared the questions, organizing the questionnaire into two parts:



It was decided that the questionnaire would be administered via the Google Forms platform, due to the advantages it offers — including the ability to distribute the survey link digitally (via email), options for interpreting the collected data, and the possibility for multiple authorized individuals to access the data simultaneously.

13.3.2. Data Included in the Questionnaire

Regarding the data necessary for creating the questionnaire — that is, for formulating the questions to be answered — and in line with the initial agreement, two distinct data sets are identified:

- ✓ **material topics that the questions will address; and**
- ✓ **a list of stakeholders who were invited to contribute by completing the questionnaire.**



In line with the above, an invitation was sent to stakeholders: "The involvement of all stakeholders is key to the business and sustainability strategy of Terme Sveti Martin. Through interactive relationships with all stakeholders, Terme Sveti Martin seeks long-term sustainable business solutions and defines its business model. Therefore, Terme Sveti Martin invites all relevant stakeholders to contribute to the assessment of the importance of each material topic in order to create an appropriate materiality matrix that will highlight the topics that matter most to both our stakeholders and to us at Terme Sveti Martin."

13.4. Materiality Assessment

The assessment of topic materiality was conducted electronically, by distributing the questionnaire to various stakeholder groups through the Sales and Marketing Department. The process was led by Ms. Jelena Petrošaneć, Head of Marketing and Events at Terme, with the support and collaboration of Mr. Vedran Lučić from the consulting team. The questionnaire was finalized on January 10, 2024, and subsequently sent out to stakeholders. The consulting team conducted periodic checkpoints and provided updates on data collection progress on January 26, 2024, February 13, 2024, February 19, 2024, and February 23, 2024. All other necessary data was gathered in cooperation with the Sales and Marketing Department up until March 19, 2024.

The results of the materiality assessment will be published in the 2023 Sustainability Report.



14. Decarbonization Strategy

As part of the development of the ESG Strategy, the company's carbon footprint was calculated – serving as a preliminary step toward aligning its operations with sustainability and climate neutrality goals. To achieve climate-neutral operations by 2050, which is the company's long-term objective in line with EU guidelines, it is necessary to develop an action plan with proposed measures to reduce greenhouse gas emissions – in other words, a decarbonization strategy. The decarbonization strategy outlines target values for reducing the company's carbon footprint, as well as the specific actions and measures that will be implemented over a defined future period to achieve this reduction.

Within the ESG Strategy, one of the defined KPIs is the development of a corporate Decarbonization Strategy for Toplice Sveti Martin d.o.o., with a target year of 2050.

Methodology for Developing the Decarbonization Strategy

The action plan within the Decarbonization Strategy is developed to reduce Scope 1 and Scope 2 carbon emissions. Following this, both short-term and long-term emission reduction targets need to be established. A short-term target may involve a specific reduction in emissions over the next five to ten years. Through annual monitoring of the carbon footprint and the effectiveness of implemented reduction measures, comparable data and a clear trend in greenhouse gas emissions will be developed. This will serve as the basis for defining a long-term target aimed at achieving climate neutrality and eliminating nearly all emission sources by the year 2050.



Alignment with National Decarbonization Strategies

The National Development Strategy of the Republic of Croatia until 2030⁴⁸

is the country's fundamental strategic development document, adopted on February 5, 2021. One of its strategic development directions is the Green and Digital Transition, and one of its strategic goals is the Ecological and Energy Transition for Climate Neutrality. This goal promotes comprehensive building renovation, which, in addition to energy efficiency measures, also includes measures to ensure healthy indoor climate conditions, fire protection, and protection against risks associated with increased seismic activity.

The Low-Carbon Development Strategy until 2030 with an Outlook to 2050⁴⁹

adopted on June 2, 2021, is aligned with the goals of the Paris Climate Agreement and the European Green Deal. It aims to achieve sustainable development based on knowledge, a competitive low-carbon economy, and efficient resource use; to enhance energy supply security and the sustainability of energy systems; to increase energy accessibility and reduce energy dependence; to demonstrate solidarity in fulfilling Croatia's obligations under international agreements within the EU policy framework as part of its historical responsibility and contribution to global goals; and to reduce air pollution and its impact on public health and quality of life.

The Energy Development Strategy of the Republic of Croatia until 2030 with an Outlook to 2050⁵⁰

adopted on February 28, 2020, aims to increase energy efficiency across all parts of the energy chain (production, transport/transmission, distribution, and consumption of all energy forms); to continuously increase the share of electricity in total energy consumption in order to reduce the use of fossil fuels; to steadily increase the production of low-emission electricity — primarily from renewable energy sources (RES); to base development on commercially available technologies, particularly the use of hydropower, solar, wind, and other RES; to direct financial support toward the development of the bioeconomy and sustainable waste management; and to secure funding for risk reduction in demanding and near-commercial technologies.

The Integrated National Energy and Climate Plan of the Republic of Croatia for the period 2021–2030⁵¹

places special emphasis on meeting the climate goals for 2030, which include reducing greenhouse gas emissions, increasing the share of energy from renewable sources, improving energy efficiency, and enhancing electricity interconnection.

Alignment with International Strategies, Agreements, and Acts

The European Green Deal⁵²

sets out a comprehensive roadmap with measures to improve the efficient use of resources by transitioning to a clean, circular economy, as well as to tackle climate change, restore biodiversity, and reduce pollution. It outlines the necessary investments and available financial instruments, and explains how to ensure a fair and inclusive transition.

The Paris Agreement on Climate Change⁵³

is an action plan aimed at limiting global warming, with the goal of keeping global temperatures within safe levels and achieving climate neutrality by 2050. In line with the requirements of this agreement, the EU submitted its long-term emission reduction strategy and updated climate plans (Nationally Determined Contributions) before the end of 2020, committing to reduce emissions by at least 55% by 2030 compared to 1990 levels. In 2023, the EU and its member states updated their climate plans accordingly.

Sustainable Development Goal 13 – Climate Action⁵⁴

advocates for urgent action to combat climate change and its impacts.

⁴⁸National Development Strategy of the Republic of Croatia until 2030, [link](#)

⁴⁹Low-Carbon Development Strategy of the Republic of Croatia until 2030 with an Outlook to 2050, [link](#)

⁵⁰Energy Development Strategy of the Republic of Croatia until 2030 with an Outlook to 2050, [link](#)

⁵¹Integrated National Energy and Climate Plan of the Republic of Croatia for the period 2021–2030, [link](#)

⁵²European Green Deal, [link](#)

⁵³Paris Agreement on Climate Change, [link](#)

⁵⁴Sustainable Development Goal 13 – Climate Action, [link](#)





15. Identification and Proposal of Goals and SDGs

In line with all previously undertaken steps and with the intention of setting goals for the sustainability strategy, the consulting team initiated the identification of potential sustainability goals or ESG KPIs.

Sustainable transition is a complex topic, and the shift toward sustainable business practices is challenging due to the multiple interrelated parameters that influence one another. For this reason, the DNSH (Do No Significant Harm) criterion must also be applied to ensure that the implementation of one goal and its associated measures does not cause harm to another sensitive area.

Accordingly, the first step was to identify the necessary documents to be prepared and published in order to ensure a safe path toward sustainable business.

The first identified goal is the preparation of the **Sustainability Report**. Following the development of the sustainability (ESG) strategy, which defines the strategic approach to the transition toward sustainable operations, annual sustainability reports will serve as checkpoints – annual reviews of how the transition plan is progressing and whether it is being achieved. The first Sustainability Report will be prepared for the year 2023, to be published in 2024, in accordance with the ESRS reporting standard.

In accordance with the ESRS reporting standards, a **double materiality assessment** must also be conducted, based on the due diligence process and stakeholder dialogue. This assessment and stakeholder survey will be carried out in 2024.

Furthermore, among the essential documents, the goal of preparing a **climate risk assessment** for the Terme Sveti Martin complex was also identified. This assessment will help identify potential measures needed for climate change adaptation. The climate risk assessment will be developed in 2024 and is directly linked to **SDG 13 – Climate Action**.

Another goal identified, directly related to the operations and activities of Terme, is the need to ensure **alignment with the EU Taxonomy**, following the initial analysis of eligible activities. Given the decision to apply the ESRS standards, operational goals are also categorized according to the specific ESRS requirements.

E1 Standard – Climate Change

For the **climate change mitigation factor**, the **reduction of CO₂ emissions** has been identified as a key long-term objective – with the ultimate goal of reaching net zero emissions. Accordingly, the identified goal is the **development of a Decarbonization Strategy**, which will precisely define the path to achieving net-zero greenhouse gas emissions, as mandated by the European Green Deal. One of the proposed measures within this strategy is the **installation of a solar power plant** on the hotel roof. The strategy will be developed during 2024.

The first CO₂ footprint calculation for Terme was completed as part of this document for the year 2022, and an updated calculation will be prepared for 2023 for inclusion in the first Sustainability Report to allow year-over-year comparison. This proposal is linked to **SDG 7 – Affordable and Clean Energy**. For the **climate change adaptation factor**, an **afforestation** measure was identified, proposing the planting of 1,000 new trees on Terme’s surrounding land by 2026. In addition to helping reduce the CO₂ footprint, this measure also contributes to increased biodiversity.

Regarding **energy efficiency**, the identified measure is the **installation of LED lighting**, with the goal of converting 100% of lighting fixtures by 2026. Another proposed measure is the application of **thermal insulation films** on glass surfaces of the hotel that are exposed to solar heating. This proposal is associated with **SDG 13 – Climate Action**.

E2 Standard – Pollution of Water, Air, and Soil

In this section, for the **pollution reduction factor**, the identified measure is the installation of info crystals in bio-rotors with the goal of reducing pollution. This measure is linked to **SDG 6 – Clean Water and Sanitation**.



E3 Standard – Water and Marine Resources

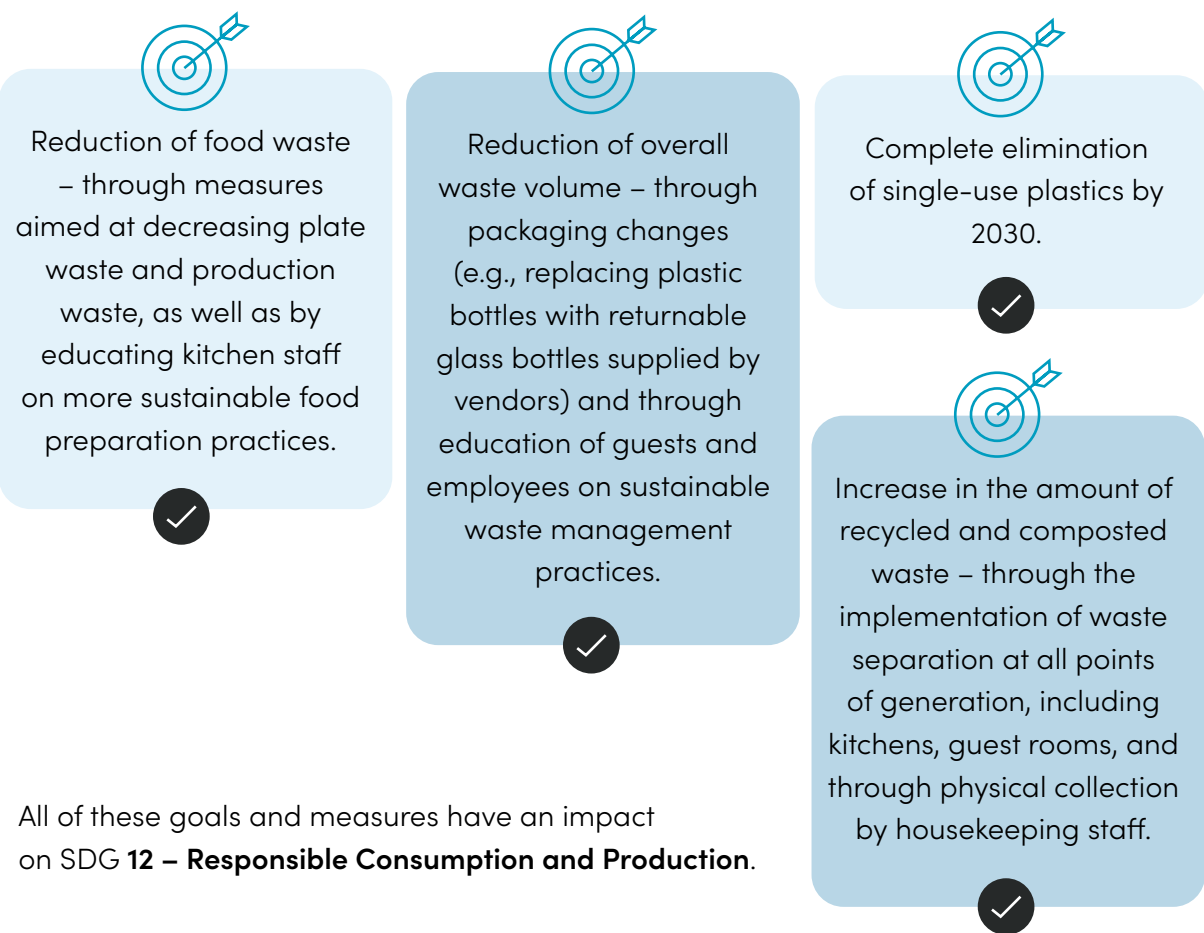
Water management, as a key resource for Terme, is a highly important objective. For the water consumption factor, the identified goal is to reduce water usage/loss at faucets by 25% through the **installation of low-flow faucet aerators**, targeting 100% of applicable faucets. This measure is linked to **SDG 6 – Clean Water and Sanitation**.

E4 Standard – Biodiversity and Ecosystems

A **measure has been identified for the preservation and expansion of the resort’s own biodynamic garden**, with a proposed 30% expansion by 2026, contributing directly to the **biodiversity enhancement** factor. Additionally, the previously mentioned afforestation measure has a secondary positive impact in this area. Both initiatives support **UN SDG 15 – Life on Land**.

E5 Standard – Resource Use and Circular Economy

For the **waste management** factor – which is particularly important in the *hospitality* sector due to its impact on guest perception – several goals have been identified:



S1 Standard – Own Workforce

For the **working conditions – working hours factor**, the identified goal is to **reduce the number of overtime hours**. The proposed measure includes **team leader training focused on communication and team management**, with implementation planned for 2024 and 2025. Progress will be evaluated in 2026, and this goal is aligned with **SDG 8 – Decent Work and Economic Growth**.

For the **working conditions – fair wages factor**, the goal is pay equity, to be achieved through the **introduction of a wage policy** based on job requirements and job complexity. This is linked to **SDG 10 – Reduced Inequalities**.

Additionally, under the broader **working conditions** factor, the need has been identified to implement two systems that would:

- a) **Automatically track employee check-ins and check-outs, and**
- b) **Automatically notify HR of important upcoming events related to the workforce (e.g., expiry of sanitary permits or required health checks).**

These two measures are linked to **SDG 8 – Decent Work and Economic Growth** and **SDG 3 – Good Health and Well-being**.

S2 Standard – Workers in the Value Chain

For the S2 standard, a single overarching goal has been identified for all factors within the standard – **influencing the value chain** through the implementation of a **supplier questionnaire** that addresses key sustainability and ethical factors. This measure aims to promote greater transparency and responsibility among suppliers regarding labor practices, human rights, and environmental impacts, thereby strengthening the integrity of the entire value chain.

S3 Standard – Affected Communities

The Affected Communities standard refers to the local community, which is significantly impacted by Terme through its use of local suppliers, employment opportunities, donations, and its role as a destination that attracts consumers to the region. The identified goal for the **economic, social, and cultural rights of communities** is to provide **free holidays** for children from socially vulnerable groups by **hosting 100 children annually as part of a support program for children in need**. This initiative contributes to **SDG 10 – Reduced Inequalities**.

S4 Standard – Consumers and End Users

In the area of Terme's relationship with its visitors — a cornerstone of the company's business strategy focused on delivering a premium guest experience — a goal has been identified for the **access to products and services** factor – Providing **digital access** through an online **check-in** option. This digital solution would also enable the collection of data on vehicle types, visitor preferences, and facilitate the sending of sustainability-related messages.

G1 Standard – Business Conduct

For this standard, the need has been identified to create a centralized, indexed list of all active regulations, procedures, policies, and acts by the end of 2024. Additionally, there is a need to **strengthen the corporate culture** through the adoption of **policies that promote children's and human rights, as well as policies that advance diversity and non-discrimination**. These measures support **SDG 10 – Reduced Inequalities**.



16. Fourth Working Meeting – Adoption of Goals and Measures

The fourth working meeting was held on January 22, 2024, at Terme Sveti Martin. The purpose of the meeting was to report on the progress made so far in developing the strategy and to present proposals from the consulting team regarding the sustainability goals to be adopted within the strategy. On behalf of the client, Terme Sveti Martin, the management team members present included Katja Zadavec, Sara Posavec, Nikola Mikac, Danko Piknjač, Igor Huhoja, and Vedran Augustić, led by General Manager Nuša Korotaj, with the exception of the Food and Beverage Director, Stanislav Simeonov. Representing the contractors, Greengreen Advisory and Earthyfiction, Vedran Lučić and Jakov Kolega were in attendance.

16.1. Due Diligence Report

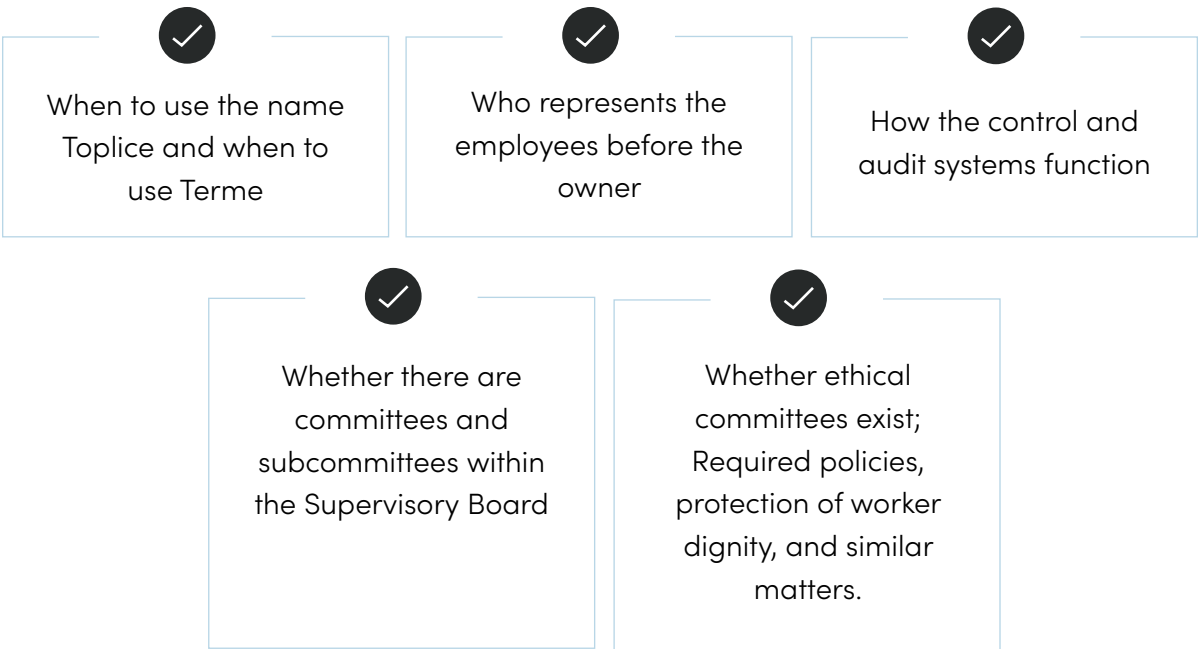
The consulting team reported on the scope of the due diligence process conducted. Despite Toplice Sveti Martin d.o.o. being a medium-sized company without an obligation to report under the ESRS standards, given Terme's ambition to be industry leaders and innovators within the sector, it was agreed that the Sustainability Report will be prepared in accordance with the ESRS standard applicable to large enterprises.

Presenting the step-by-step methodology for developing the ESG strategy, which is owned by Greengreen Advisory and Earthyfiction, the key components necessary for compiling the



Due Diligence Report were outlined. This report is an integral part of the ESG strategy document delivered to the client after all presented data and conclusions have been agreed upon. The ESG strategy document serves as a strategic foundation for the subsequent Sustainability Report.

The presentation began with a review and alignment of general data that were unclear and required clarification by the consulting team. These specific data include:



The second topic addressed was the review of the submitted documents, which the consulting team presented. Additionally, a policy and procedure map was shown alongside a comparison to ESRS requirements, and a gap analysis was conducted during the meeting. It was concluded that a **climate risk assessment** will be developed as a strategic document. Terme collaborates with the company Altacon d.o.o., which has prepared assessments related to certifications and EU projects. It was agreed that the consulting team will provide know-how support to Terme in coordinating the preparation of the mentioned assessment. It was established that the ESG self-assessment questionnaire process has been successfully completed. It was also confirmed and presented that the interviews with identified persons were successfully conducted, all ESG self-assessment questionnaires were submitted, and all meeting minutes were signed and delivered to Greengreen–Earthyficial by November 24, 2023.

16.2. Alignment of Material Topics

It was established that the process of consulting key stakeholders on the materiality of specific topics has begun. At this meeting, the topics identified as material for the initial questionnaire were listed as follows:



In accordance with the material topics, for which stakeholder importance ratings will be collected through the completed questionnaire, the next step in developing the ESG strategy is to set sustainability goals or ESG KPIs.

16.3. Alignment of Goals, Measures, and SDGs

The consulting team presented the identified potential sustainability goals, along with explanations and discussions with the management team. The achievement and adoption of these goals form the basis of the sustainability strategy.

Throughout the due diligence process, a total of 33 potential goals and 22 measures were identified and presented at the meeting. During the evaluation of the potential impacts of the proposed goals, consideration of implementation feasibility, and application of the Do No Significant Harm (DNSH) criterion, it was agreed to include 25 goals, implemented through 17 measures, covering 8 UN Sustainable Development Goals (SDGs) in the ESG strategy.



17. ESG Strategy

To understand the importance of developing an ESG Strategy, it is essential to grasp the new requirements introduced by the Corporate Sustainability Reporting Directive (CSRD). The application of the CSRD begins in 2025 and aims to make company disclosures more comprehensive and comparable, similar to financial and accounting reports. These strategic and action documents are designed to create a common language and ensure a more consistent flow of standardized information from companies to investors and other stakeholders.

European Union member states, including Croatia, are required to transpose the CSRD into national legislation by July 6, 2024, at the latest. Starting in 2025, the new EU sustainability reporting requirements will apply to all large companies, including publicly owned companies, while SME companies may participate on a voluntary basis. Regardless of the size or sector of a business, **the implementation of ESG criteria into company operations is inevitable** for legal compliance.

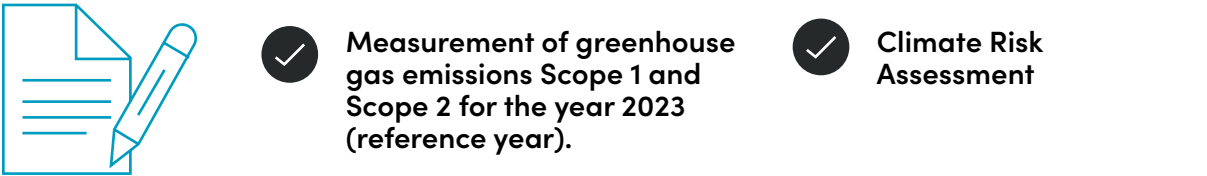
However, the implementation of ESG criteria offers benefits that extend far beyond mere legal compliance. By integrating ESG principles into its operations, a company achieves improved corporate governance, increased interest from investors and customers, and better preparedness for future demands, regulations, and financial opportunities. These opportunities include opening new “green” revenue streams, access to favorable financing, lower credit interest rates for companies with implemented ESG practices, meeting criteria



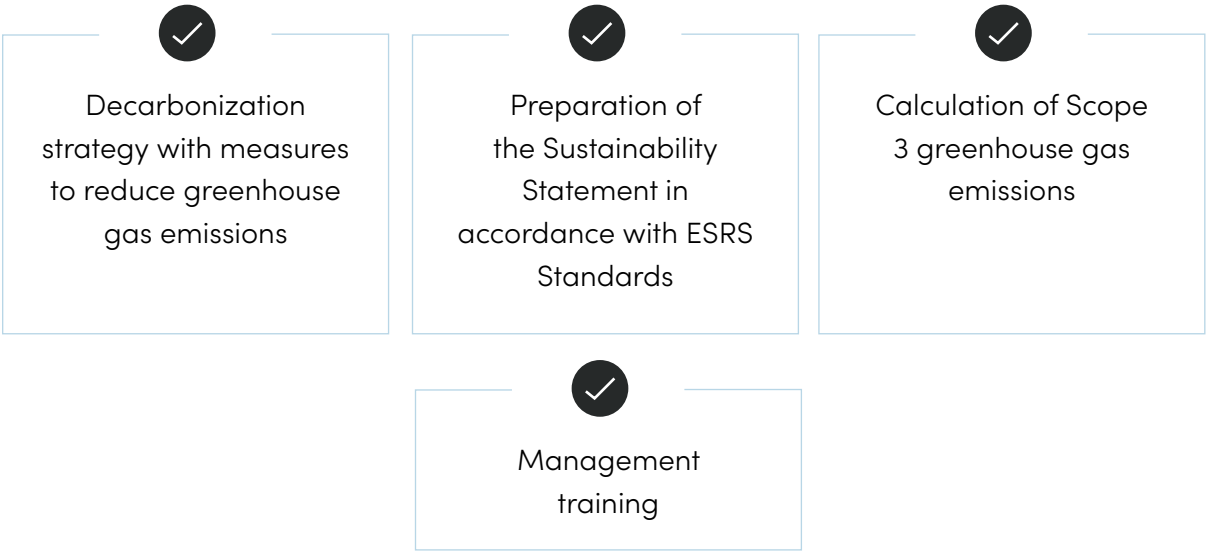
for selection in green public procurement, and more. Additionally, the company benefits from cost reductions, increased resilience to climate change, enhanced energy and resource efficiency, higher productivity, and other advantages.

Finally, by implementing ESG criteria, a company increases its overall value. The CSRD aims to establish standardized ESG requirements for reporting that meet the needs of all stakeholders. The first step toward aligning a company with the CSRD Directive—and consequently preparing a Sustainability Report—is the development of an ESG Sustainability Strategy. Accordingly, the **ESG Strategy serves as the foundation for the Sustainability Report**.

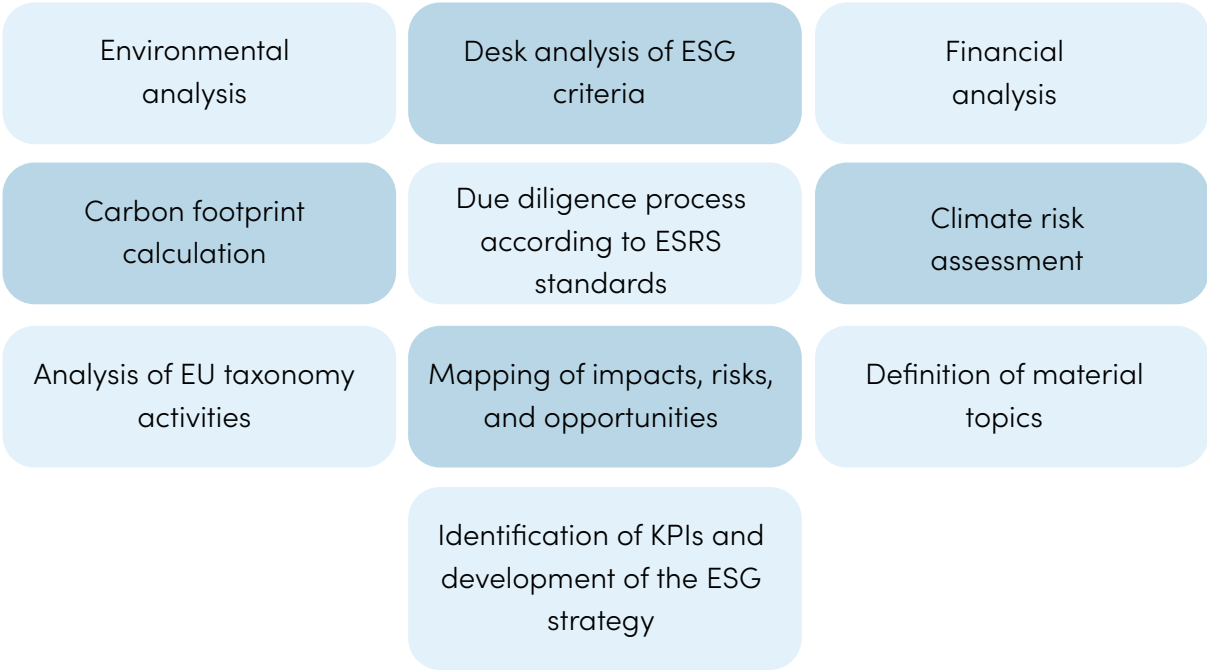
The ESG Strategy defines how to systematically manage a company's sustainable development and ESG factors in accordance with EU regulations. The European Sustainability Reporting Standards (ESRS) provide a framework for sustainability reporting and establish a standardized common language for sustainability issues across Europe. The Corporate Sustainability Due Diligence Directive (CSDDD) requires companies to identify, mitigate, and prevent adverse impacts on human rights and the environment throughout their value chains. During the development process, this regulation is aligned with the EU Sustainability Reporting Standards (ESRS), and companies are required to integrate due diligence into their policies, management systems, risk assessments, and impact evaluations. One of the requirements of this regulation is the mandatory disclosure of climate transition plans that comply with the Paris Climate Agreement and the reporting obligations under the Corporate Sustainability Reporting Directive (CSRD). The development of the complete ESG Sustainability Strategy includes mandatory additional documentation:



Future requirements for compliance with the CSRD Directive:



In accordance with the above, the complete ESG Sustainability Strategy for Terme Sveti Martin has been prepared, incorporating the following key components:



The due diligence process was conducted through working meetings with responsible personnel from Terme Sveti Martin, completion and analysis of ESG self-assessment questionnaires, examination of the organizational structure, corporate governance, company policies and procedures, certifications, internal controls, risk management systems, and quantitative data. Subsequently, individual interviews were conducted and analyzed with designated responsible persons within the company, after which the impacts, risks, and opportunities for the company were mapped in the context of ESG criteria. Through this due diligence process, material topics and strategic ESG goals were defined, which are listed below. The ESG sustainability strategy is inseparably and closely linked to the company's core business strategy. Therefore, the first step in creating the strategy is to review the fundamental business principles and determine how Terme creates value for its surrounding environment.

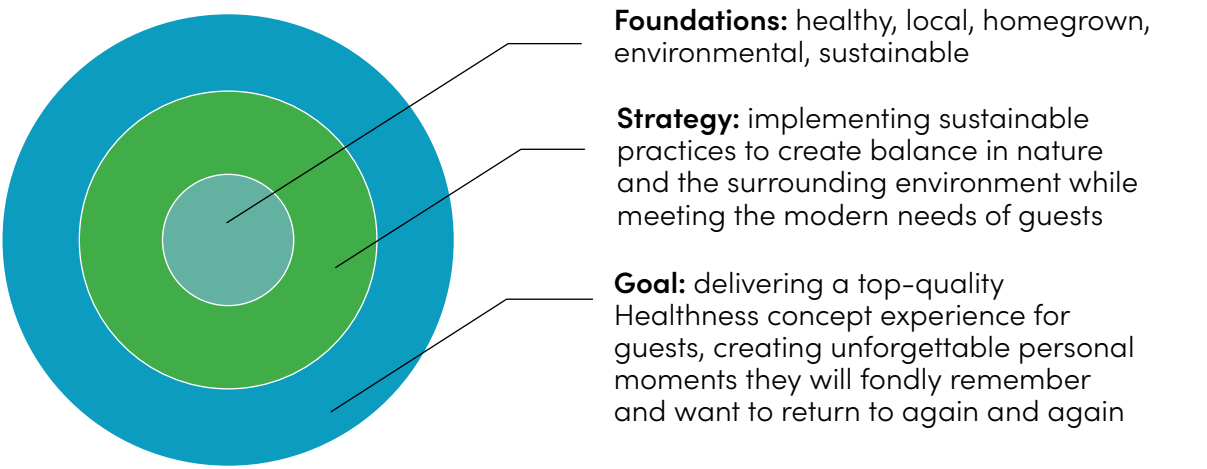


Figure 15. Core Values of the Company, Strategy, and Goal

Even before deciding to develop an ESG sustainability strategy, Terme devoted significant attention to environmental protection (E) and their impact on the local community (S). For this reason, the starting point of the strategy is already embedded within the business strategy (see Figure 15).

Terme Sveti Martin have adopted a **Quality and Environmental Management Policy** that defines the fundamental principles of their operations: **focusing on guests and service users while simultaneously caring for quality, environmental protection, and especially energy efficiency**. Through this Quality and Environmental Management Policy, they commit to:

✓

Ensure a high level of awareness and a culture of behavior regarding environmental protection and occupational safety,

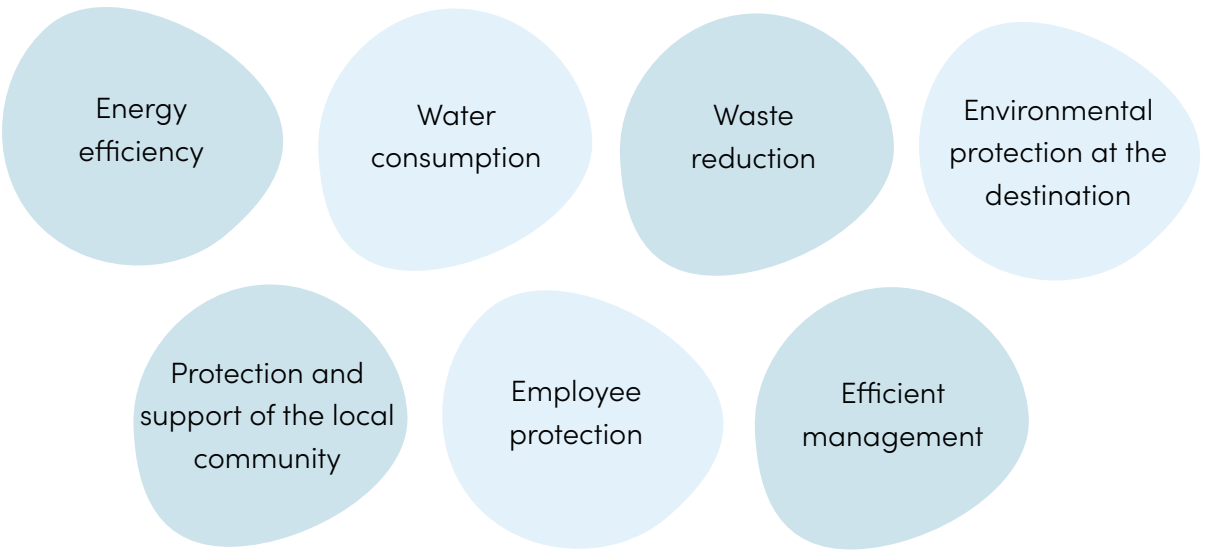
✓

Give utmost attention to protecting the natural environment, preventing pollution, and ensuring safety and health protection during the implementation of development projects,

✓

Apply and continuously improve the effectiveness of the management system based on the requirements of ISO 9001, ISO 14001, Codex Alimentarius, and ISO 50001 standards.

By implementing the **ISO 14001 Environmental Management System** certification, Terme Sveti Martin demonstrates increased awareness of sustainable development. This standard provides a clear management framework for reducing environmental impact and ensures compliance with legal sustainability requirements, thereby helping to build stakeholder trust. The application of the standard offers a systematic approach to planning, implementing, and managing the environmental protection system. In relation to the hotel, hospitality, and tourism industry, it is especially important for the strategy to address the areas of greatest negative impact within the sector at the industrial level, which include:



Alongside the potential negative impacts in these areas, companies in the industry may also experience significant adverse effects on their business, which will be reflected in their financial results – a situation that is unsustainable for the company’s long-term survival.

It is essential to consider the significance of impacts, risks, and opportunities specific to each company when developing a sustainability strategy. If a company fails to conduct a materiality assessment and instead undertakes various positive activities in parts of its business that have little impact, while ignoring or refusing to address parts with potentially significant negative impacts, it is essentially using the strategy to avoid reducing its harmful effects. This approach amounts to greenwashing or social washing. Below, we present the identified goals, measures, and UN Sustainable Development Goals (SDGs) that the proposed goals and measures influence.

17.1. Tabular Overview of Goals, Measures, and SDGs

	ESG Factor	Goal	Measure	Deadline	UN Sustainable Development Goal (SDG)
1	Public Disclosures	Transparency	ESRS Sustainability Report	07/2024	Transparency Enhancement Goals
2	Public Disclosures	Transparency	Double Materiality	07/2024	
3	Investor Information	Transparency	EU Taxonomy Alignment	07/2024	
4	Public Disclosures	Sustainability Strategy	Climate Risk Assessment	04/2024	13 Climate Action
5	Climate Change Mitigation	Reduction of CO ₂ Emissions	Decarbonization strategy	12/2024	13 Climate Action
6	Climate Change Mitigation	Pure Energy	Solar Power Plant	2030	7. Affordable and Clean Energy
7	Climate Change Adaptation	CO ₂ Emission Offsetting / Biodiversity Enhancement	Afforestation – 1,000 Trees	2026	15. Life on Land
8	Energy Efficiency	Energy Savings	100% LED Lighting	2026	13 Climate Action
9	Energy Efficiency	Energy Savings	Thermal insulation films on exposed glass surfaces	2026	13 Climate Action
10	Pollution of Water, Air, and Soil	Pollution Reduction	Info crystals in the bio-rotor	2024	6. Clean Water and Sanitation

11	Water Consumption	Reduction of consumption	Installation of low-flow faucet aerators (on 100% of accessible faucets)	2024	6. Clean Water and Sanitation
12	Biodiversity and ecosystems	Increase in biodiversity	Preservation and expansion of our own biodynamic garden by 30%	2026	15. Life on Land
13	Waste management	Reduction of food waste	Reduction of plate and production waste	2030	12. Responsible consumption and production
14		Training of kitchen staff		2024	
15		Reduction of total waste	Introduction of returnable packaging where possible	2030	
16		Education of guests and employees		annually	
17		Single-use plastic	Complete elimination	2030	
18		Increase in the amount of recycled and composted waste	Gradual introduction of waste separation at all points of origin	2030	
19	Working conditions – working hours	Reduction of overtime hours	Team leader training on communication and team management topics	2025	8. Decent work and economic growth
20	Working conditions – fair wages	Equalization of wages	Adoption of a wage policy in accordance with job requirements and the complexity of positions	2025	10. Reduced inequalities
21	Working conditions	Accurate recording of arrivals and departures	System implementation	2027	8. Decent work and economic growth
22		Program-based occupational health and safety management	System implementation	2030	3. Good health and well-being
23	Workers in the value chain	Positive impact on the value chain	Sustainability practices questionnaire for suppliers	2026	Impact goals for the value chain

24	Economic, social, and cultural rights of communities	Positive impact on the local community	Hosting for 500 children from disadvantaged social groups	2030	10. Reduced inequalities
25	Access to products and services	Service improvement and data collection	Introduction of online check-in option	2026	Impact goals for end users
26	Business conduct	Empowerment of corporate culture	Adoption of policies that promote children's and human rights, diversity, and non-discrimination	2024	10. Reduced inequalities

Table 18. Overview of ESG factors, goals, measures, timelines, and links to the UN Sustainable Development Goals

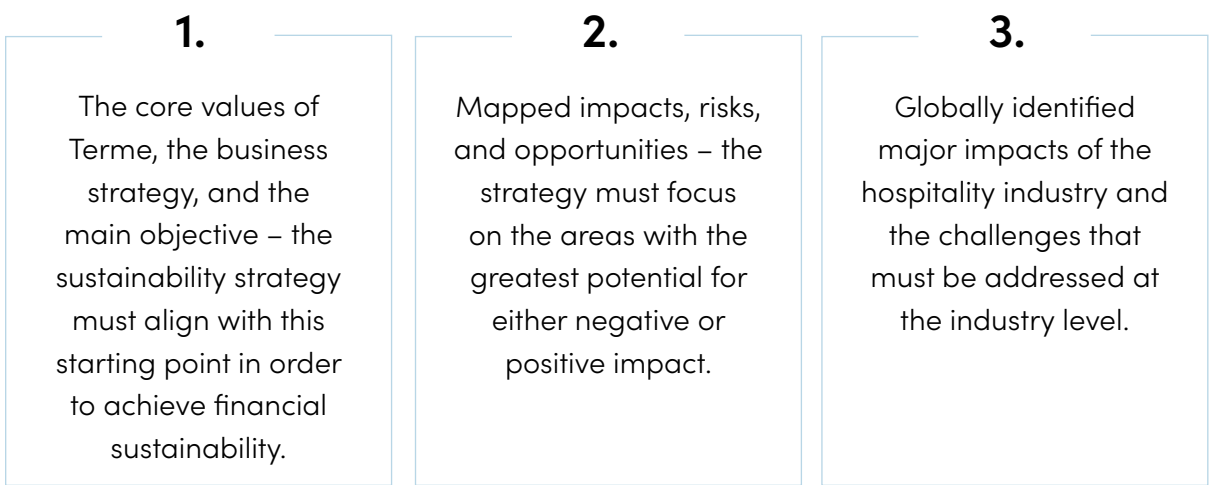


Figure 16. UN Sustainable Development Goals (SDG – Sustainable Development Goals)



17.2. Conclusion

The sustainability strategy of Terme Sveti Martin has been developed according to the highest standards, taking into account three key starting points:

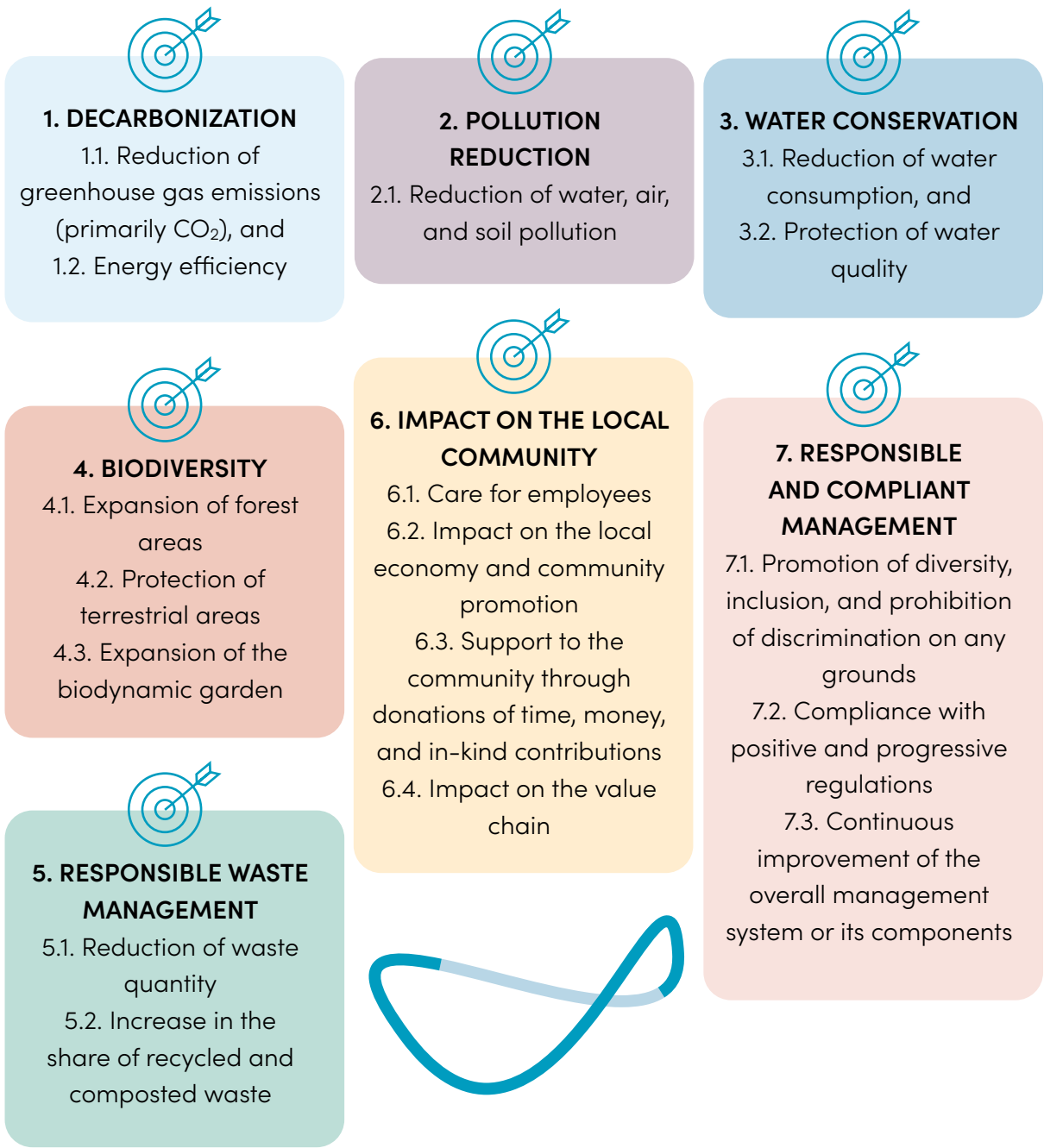


Despite being classified as a medium-sized enterprise and not being obligated to prepare a Sustainability Report, Terme Sveti Martin has voluntarily decided to develop both a sustainability strategy and to issue its own Sustainability Report in accordance with the ESRS standards, which are mandated for large companies subject to the Corporate Sustainability Reporting Directive (CSRD). This decision was made in line with the company’s core business strategy, which respects the environment and the local community—not only in day-to-day operations but also as key resources for achieving its ultimate goal: delivering an unforgettable and healthy experience filled with sports, creating an unmatched sense of well-being for visitors who will want to return.

Through its ESG sustainability strategy, Terme Sveti Martin incorporates all of the aforementioned starting points, its own specificities, as well as its strategic business objectives alongside sustainability goals. The aim of this strategy is not only to integrate all these parameters but also to enable a financially sustainable transition toward sustainable and low-carbon operations, in full compliance with the DNSH (Do No Significant Harm) criteria for every activity undertaken under this strategy.

The strategy is executed through established (operational) goals, with identified impacts on ESG factors, measures, and deadlines for achieving these goals, as well as alignment with the UN Sustainable Development Goals. All these elements ensure that the monitoring of the strategy’s effectiveness is measurable and comparable, which is one of the key requirements of an ESG strategy to avoid greenwashing and/or socialwashing. Operational goals serve to implement the strategy, while strategic ESG goals need to be set to represent the overall framework of Terme’s strategy. In accordance with the European Green Deal, the outlined starting points, the conducted due diligence process and methodology, and taking

into account the assessed impacts, risks, and opportunities, the strategic ESG goals of the sustainability strategy for Terme Sveti Martin are:



Following the strategic ESG goals, through the achievement of specific operational objectives and monitoring progress, Terme ensure the successful direction of their business toward a transition to a sustainable and low-carbon economy. They care for the environment and the local community, promote inclusion and diversity, while carefully managing and responsibly communicating their transition successes.





TERME
SVETI MARTIN