

balance
development
sustainability
responsibility



Non-financial Statement
for 2019



Successful and satisfied
employees make a
successful company.

V. Šolín

2

3

Contents

1.	A FOREWORD BY THE PRESIDENT AND CEO	5
2.	ABOUT THE NON-FINANCIAL STATEMENT	9
2.1.	ENTITIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS	9
3.	KEY PERFORMANCE INDICATORS	10
4.	ABOUT THE ORGANISATION	13
4.1.	COMPANY NAME AND HEAD OFFICE	13
4.2.	OWNERSHIP AND LEGAL FORM	13
4.3.	MAJOR SHAREHOLDERS	13
4.4.	MANAGEMENT STRUCTURE	14
4.5.	SIGNIFICANT CHANGES DURING THE REPORTING PERIOD	14
4.6.	CROATIA AIRLINES AS A BRAND	15
4.7.	FLEET AND CAPACITIES	17
4.8.	KEY SERVICES AND ACTIVITIES	18
4.9.	COUNTRIES/MARKETS OF OPERATION	18
4.10.	DESTINATIONS/AIRPORTS/ROUTES	18
4.11.	OTHER SERVICES	19
4.12.	INFORMATION ON EMPLOYEES	20
4.13.	SUPPLY CHAIN	22
4.14.	MEMBERSHIPS IN PROFESSIONAL ASSOCIATIONS AND ORGANISATIONS	24
4.15.	COMPANY HISTORY	25
	30 YEARS OF CROATIA AIRLINES	26
5.	SUSTAINABLE BUSINESS MODEL	28
5.1.	OPERATIONAL RISKS AND OPPORTUNITIES	29
5.2.	STAKEHOLDERS	31
5.3.	MATERIAL ASPECTS OF THE COMPANY'S BUSINESS OPERATIONS AND THEIR EFFECT ON SUSTAINABLE DEVELOPMENT	34
5.4.	SAFETY AND ADVANCEMENT AS BUSINESS IMPERATIVES	41
5.5.	RESPONSIBILITY TO EMPLOYEES	47
5.6.	BUSINESS ETHICS	50
5.7.	ANTI-CORRUPTION PROGRAMME	50
5.8.	RESPONSIBILITY TO PASSENGERS	51
5.9.	HELPING THE COMMUNITY - INCLUSION AND DEVELOPMENT PROGRAMMES	53
5.10.	ENVIRONMENTAL IMPACT OF BUSINESS ACTIVITIES	57
6.	GRI INDEX	65



V. Šolin

1

Dear readers,

Croatia Airlines has, for the third year in a row, earned its place among the companies whose quality is not only reflected in their everyday business operations, but also in understanding and constantly adapting to their increasingly complex and turbulent business environment. Non-financial reporting is certainly a valuable part of such efforts.

We are aware that in the world of today our business results can no longer be expressed in figures only, by calculating our core business investments and gains. We prioritise corporate social responsibility and sustainable development and make them an integral part

of our business decisions. Just like the previous two, we have drawn up this Statement in accordance with the GRI Standards (the best global practice in corporate social responsibility reporting).

Please make note that Croatia Airlines' Non-financial Statement for 2017 was the first non-financial report to be compiled according to the GRI Standards in the Republic of Croatia, so we are determined to maintain the quality and remain consistent in this segment as well.

Last year was special for us at Croatia Airlines in so many ways. We celebrated our 30th anniversary together with all of our employees and stakeholders, and created new business opportunities through a variety of activities and fruitful dialogues.

We did our best to achieve the set goals. We were recognised as a company that champions flight safety and service quality, and is staffed by professional members.

As the Croatian flag carrier and the fifth largest exporter in the Republic of Croatia, we kept contributing to the development of Croatian tourism and connecting Croatia with the rest of the world. Over the past year we directly connected 24 European countries through scheduled flights and flew to 38 destinations, of which 30 were international and eight domestic.

In the past 30 years we have operated 614,000 flights and flew 40.2 million passengers. Both for us and our passengers this means as many valuable memories, and we will surely keep creating new ones with the same enthusiasm. It gives us great joy to promote our beautiful homeland on every flight, and the fact that we fly almost one-third of the tourists coming to Croatia by plane makes us beam with pride.

Croatia Airlines' fleet, whose visual identity saw an upgrade in 2019 to make our aircraft even more attractive in terms of promoting the Croatian identity, comprised twelve aircraft: four Airbus A319, two Airbus 320 and six turboprop aircraft Dash 8-Q400, proudly named after Croatian cities and regions.

Business class passengers on international flights were served dishes typical of Zagreb cuisine within the Inspired by Croatia project. Furthermore, our mobile application for devices operating both on iOS and Android were redesigned to enable our customers an even simpler and faster check-in and to offer other upgraded functionalities.

In 2019, Croatia Airlines continued to actively participate in the implementation of the global aviation strategy for environmental protection and supported all measures contributing to the reduction of pollution in aviation, all the while encouraging the growth and development of the industry. In particular, Airbus aircraft were modified during the spring months to enable less noisy operations, thus boosting the quality of life of the people living in the places below our everyday air routes. We spent the autumn modernising our Dash 8-Q400 fleet through the installation of new navigation equipment enabling the landing with the help of the satellite-based LPV approach. This refers to the state-of-the-art European Geostationary Navigation Overlay Service EGNOS, which has greatly improved air navigation and resulted in an even higher safety level and air traffic optimisation. The use of the said navigation equipment also reduces jet fuel consumption, thus decreasing greenhouse gas emissions and boosting the safety and flow of air routes.



A. Grubelić



We are closely listening to our passengers' needs so as to be at their service at all times.

V. Šolín

We saluted the summer season by drinking from new paper cups we introduced on all flights, thus eliminating 26 tonnes of plastic waste generated by about two million passengers on an annual basis.

In the winter, we renewed the ISO14001/50001 certificates related to the environmental management and energy consumption systems, thus completing the last year's set of activities focused on social responsibility. During the past year, we listened carefully to the needs and wishes of our passengers and introduced changes accordingly. We paid equal attention to the needs of our local community, and offered our aircraft for the transport of patients, children and people in need. Our employees also participated in a number of charity events and showed great teamwork spirit and enthusiasm, so I take this opportunity to thank them once again.

Our cooperation with higher education and scientific institutions as well as other entities and companies was highly successful and contributed to the development of the industry and society in general.

Efficient communication was also reflected in our relationship with the Company employees. The collective bargaining agreement enabled smooth development of the planned business activities and brought the desired level of satisfaction to the parties thereto. It also contributed to the Company's upcoming development phase, focused on finding a strategic partner in accordance with the National Reform Programme. The above will definitely shape the future of our Company and serve as a topic for future reports. In this way we will reach an even better and more competitive position in the local, regional and global markets, i.e. the position of the national airline that Croatia deserves and needs to have.

One more thing that should be mentioned here has to do with the highly demanding market conditions our Company was suddenly forced to adapt to because of the world-wide coronavirus pandemic.

Due to the potential coronavirus disease, passenger traffic (especially within Europe) has been reduced to a minimum, with Croatia Airlines sharing the fate of all other European airlines.

In April, we operated flights from Zagreb to Frankfurt, Brussels, London and Amsterdam on a reduced scale in order to keep the Republic of Croatia connected with Europe and the rest of the world. At the same time, we flew foreign citizens back to their countries and enabled the return of Croatian citizens to the Republic of Croatia.

In surprisingly difficult circumstances, we did everything we could to create new business opportunities in the market affected by the economic crisis, trying to mitigate its negative impact on our financial position. You are most probably familiar with the fact that during March we transported more than 11 tonnes of protective equipment and products from the UAE to our country. In cooperation with the Ministry of Defence, the Ministry of the Sea, Transport and Infrastructure and the Ministry of Foreign and European Affairs, we brought home Croatian soldiers that were on a military mission in Afghanistan.

Also, in early April we organised several repatriation flights from Italy, Germany, Portugal, Spain and Sweden and brought Croatian citizens safely home in cooperation with the Ministry of Foreign and European Affairs. I hope we share the pride and joy in our role as the national flag carrier and an entity that has helped mitigate severe consequences caused by the COVID-19 virus pandemic.

I am sure that the crisis is only temporary and that our Company will overcome it with the support of its employees in order to keep connecting Croatia with the world and strongly promote it as a tourist destination.

Yours respectfully,


Jasmin Bajić
President and CEO



The safety of our service users and employees always comes first.

V. Šolin

- 102-45
- 102-48
- 102-49
- 102-50
- 102-51
- 102-52
- 102-53
- 102-54
- 102-56

2

2. 2. ABOUT THE NON-FINANCIAL STATEMENT

Croatia Airlines' report on corporate social responsibility covers the period from 1 January to 31 December 2019 and is published once a year. This is the Company's third statement in the sphere of corporate social responsibility. It has been drawn up in line with the Sustainability Reporting Guidelines (Global Reporting Initiative - GRI Standards) - the Core option. The first statement developed according to the GRI standards was published for 2017 and did not undergo external verification. The 2018 Statement was evaluated by members of the Croatian Institute for Corporate Social Responsibility (IDOP), who provided their expert review on the basis of the published independent evaluation in accordance with the international non-financial report evaluation standard AA1000AS(2008).

As Croatia Airlines is strongly focused on corporate social responsibility, it already regularly covered this topic in its business reports.

This Statement has been prepared in PDF and posted on the Company's publicly available website <http://www.croatiaairlines.com/hr>.

For any questions, clarifications or suggestions related to Croatia Airlines' Non-financial Statement please contact us at the following email address: ana-marija.jurkovic@croatiaairlines.hr.

2.1. Entities included in consolidated financial statements

Croatia Airlines Group comprises Croatia Airlines d.d. (joint-stock company) and the following associate companies: Obzor putovanja d.o.o. (limited company), whose 100% of shares are owned by Croatia Airlines d.d., and Amadeus Croatia d.d., whose 95% of shares are owned by Croatia Airlines d.d.

The Obzor putovanja travel agency was founded in 1993. It provides top-quality services that include organisation of individual or group travels within Croatia and abroad, sale of domestic and international airline tickets (IATA licence), arrangement of hotel accommodation in Croatia and abroad, cultural tourism, organisation of conferences, etc.

Being part of a joint booking system of European airlines, Amadeus Croatia is a national marketing company responsible for the local market, i.e. for the distribution, presentation and all other matters related to Amadeus, with rights to operate in the market of Bosnia and Herzegovina as well.

Total revenues and expenses of the associated companies make up less than 1% of consolidated revenues and expenses, with an insignificant effect of their operations on those of Croatia Airlines.

The data set out in the Non-financial Statement pertain to Croatia Airlines d.d. alone.



Š. Lugačev

3. KEY PERFORMANCE INDICATORS

Croatia Airlines is a carrier that has for 30 years been inter-connecting domestic destinations, and Croatia with the rest of the world. Despite numerous challenges, it has grown into a respectable airline known for its flight safety, professional staff and top-quality service. Over the past 30 years, its aircraft transported about 40.2 million passengers and operated about 614,000 flights. Of those, 11.8 million passengers flew on domestic flights, 25.3 million on international flights, and 2.9 million on charter flights. In 2019, Croatia Airlines’ aircraft operated in 30 international and eight domestic destinations in 24 countries.

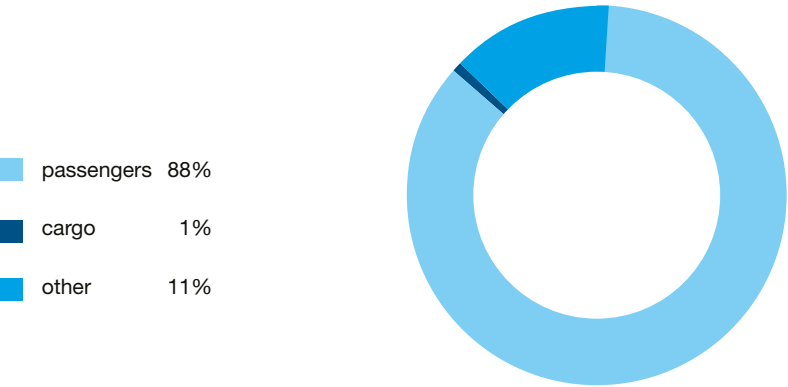
The Company’s net loss at the end of 2019 totalled HRK 79.4 million, or HRK 3.6 million (4%) less than in 2018. Its negative operating result of HRK 55.4 million was HRK 21 million lower compared to 2018.

The loss from financial operations totalled HRK 24 million, while being HRK 6.4 million in 2018.

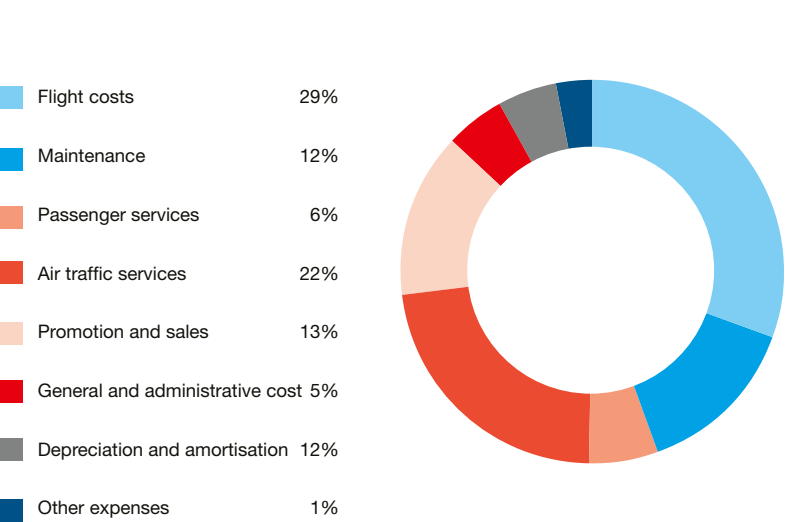
Passenger revenues, which had the highest share in the operating revenues structure (88%), rose by 1% (HRK 19.6 million). Flight costs were predominant in the operating expenses category (29%), with fuel costs having by far the greatest share therein.

More detailed information on the Company’s financial operations are available in its Annual Business Report posted on its webpage <https://www.croatiaairlines.com/About-us/Financial-information/Business-reports>

Operating revenues - structure



Operating expenses - structure



Three core activities:

Passenger transport



Cargo transport



Aircraft maintenance



Key indicators

Financial indicators	2019	2018	2017	2019/2018 (%)	2018/2017 (%)
Operating revenues (HRK 000)	1.728.289	1.701.343	1.767.477	1,6%	-3,7%
Operating expenses (HRK 000)	1.783.673	1.777.846	1.727.665	0,3%	2,9%
EBIT (HRK 000)	-55.384	-76.503	39.812	-	-
Net result (HRK 000)	-79.359	-82.937	24.941	-	-
Net margin %	-4,59	-4,87	1,41	-	-
Operating revenue per employee (HRK 000)	1.730	1.774	1.913	-2,5%	-7,3%
RTK/employee (000)	165.615	167.869	166.114	-1,3%	1,1%
	1.257.512				
Assets value (HRK 000)	224.890	862.134	855.105	45,9%	0,8%
Capital and reserves (HRK 000)	64.156	304.118	404.295	-26,1%	-24,8%
Investments (HRK 000)		156.301	154.442	-59,0%	1,2%

Capacities					
Number of seats offered (million)	3,09	3,05	2,98	1,3%	2,3%
Fleet gross carrying capacity (t)	251,2	251,2	251,2	0,0%	0,0%
Fleet net carrying capacity (t)	142,8	142,8	142,8	0,0%	0,0%

Traffic indicators					
Passengers carried (thousand)	2.179	2.169	2.125	0,5%	2,1%
Number of flights	28.432	28.003	27.491	1,5%	1,9%
Flights in km (thousand)	18.934	18.793	18.321	0,8%	2,6%
Cargo transported (t)	2.135	2.264	2.273	-5,7%	-0,4%
PLF %	73,6	73,5	74,4	0,1%	-1,2%
WLF %	70,3	70,4	71,3	-0,1%	-1,3%
ASK (million)	2.277	2.267	2.191	0,4%	3,4%
RPK (million)	1.676	1.666	1.630	0,6%	2,2%

10

11

102-7





We are guided by the principles of responsibility, ethics, transparency and best business practices.

Š. Lugačev

- 102-1
- 102-2
- 102-3
- 102-4
- 102-5
- 102-6
- 102-7
- 102-8
- 102-9
- 102-10
- 102-13
- 102-18

4

4. ABOUT THE ORGANISATION

4.1. Company name and head office

Croatia Airlines d.d.
The Company's head office is in Zagreb, Bani 75 b, Buzin.

4.2. Ownership and legal form

Croatia Airlines d.d. is a joint-stock company, whose majority of shares are owned by the state. Its share capital in the amount of HRK 277,879,530 has been fully paid. Its total number of ordinary shares is 27,787,953, with their nominal value being HRK 10.00. No changes in the Company's size, structure or ownership occurred in 2019.

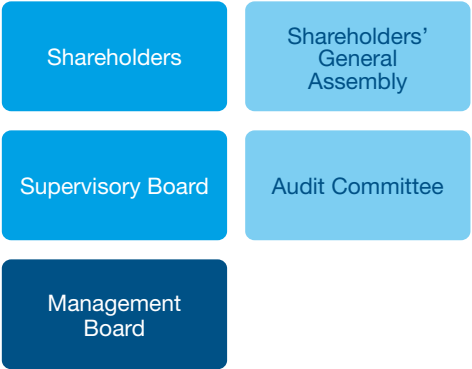
4.3. Major shareholders

Shareholder	Number of shares	%
MINISTRY OF STATE PROPERTY	27.010.821	97,2033
ZAGREB AIRPORT LTD	477.121	1,7170
HPB FOR THE REPUBLIC OF CROATIA	173.768	0,6253
JANAF D.D. (JSC)	22.000	0,0792
CROATIA OSIGURANJE D.D. (JSC)	8.950	0,0322
CROATIAN LOTTERY D.O.O. (LTD)	4.000	0,0144
ASTRA INTERNATIONAL D.D. (JSC) IN BANKRUPTCY	3.682	0,0133
HP D.D. (JSC)	2.750	0,0099
TURISTHOTEL D.D. (JSC)	2.090	0,0075
TANKERKOMERC D.D. (JSC)	2.090	0,0075



Š. Lugačev

4.4 Management structure



SHAREHOLDERS’ GENERAL ASSEMBLY - a body through which the shareholders exercise their rights. The scope of authority of the General Assembly is prescribed by the Companies Act and the Company’s Articles of Association.

SUPERVISORY BOARD - a body whose main task is supervision of the Management Board in running the Company’s business operations. According to the Articles of Association, the Supervisory Board is made up of five members, one of whom is an employee representative. At present, the Supervisory Board of Croatia Airlines is composed of four members. Members of the Supervisory Board receive remuneration in accordance with the Decision on Remuneration of Members of the Supervisory Board and the Management Board. In 2019, the Supervisory Board held four regular meetings and three ad hoc meetings (digital decision-making, without meetings being held). The Audit Board held four sessions in 2019. It presents its conclusions to the Supervisory Board orally, within regular sessions.

COMPANY MANAGEMENT - manages the Company’s business activities. Its competence and role are regulated by the Companies Act, the Company’s Articles of Association and other internal rules and regulations. In 2019, no changes occurred within the Company’s Management Board. The Company applies the Corporate Governance Code of Zagrebačka burza d.d. (Zagreb Stock Exchange) and the Corporate Code of Governance of Companies in which the Republic of Croatia has Shares or Interests, and fulfils all obligations arising therefrom.

4.5. Significant changes during the reporting period

By way of decision of the Government of the Republic of Croatia, Croatia Airlines was in early 2018 returned to the list of companies of strategic and special interest. It was included in the National Reform Programme, in line with which a decision was made in February 2019 to initiate the procedure of seeking a strategic partner and establish a committee to implement the procedure and propose the selection of a strategic partner for the Company. The strategic partner should contribute to the expansion of the traffic network and increase of the market share of the Company, recapitalise it for the purpose of boosting its future development, participate in the fleet renewal and contribute to a further development of technical services offered to external clients. In April 2019, the contract was awarded to the consortium of Privredna banka Zagreb and DVB Bank SE, with the help of which the abovementioned goals should be realised and thus ensure the Company’s long-term sustainability. In September, the Government reached a decision setting the prerequisites for the implementation of the recapitalisation process, and the Company received the first tranche of the shareholder loan intended for the stabilisation of its operations ahead of the recapitalisation.

After more than two years of collective bargaining, in February 2019 Croatia Airlines and its two representative unions signed a new collective bargaining agreement for a five-year period, thus ensuring long-term social peace as an important presumption for regular and stable business operations. The agreement is also of great importance for Croatia Airlines’ upcoming development phase, in which the goal is to find a strategic partner in line with the National Reform Programme.

4.6 Croatia Airlines as a brand

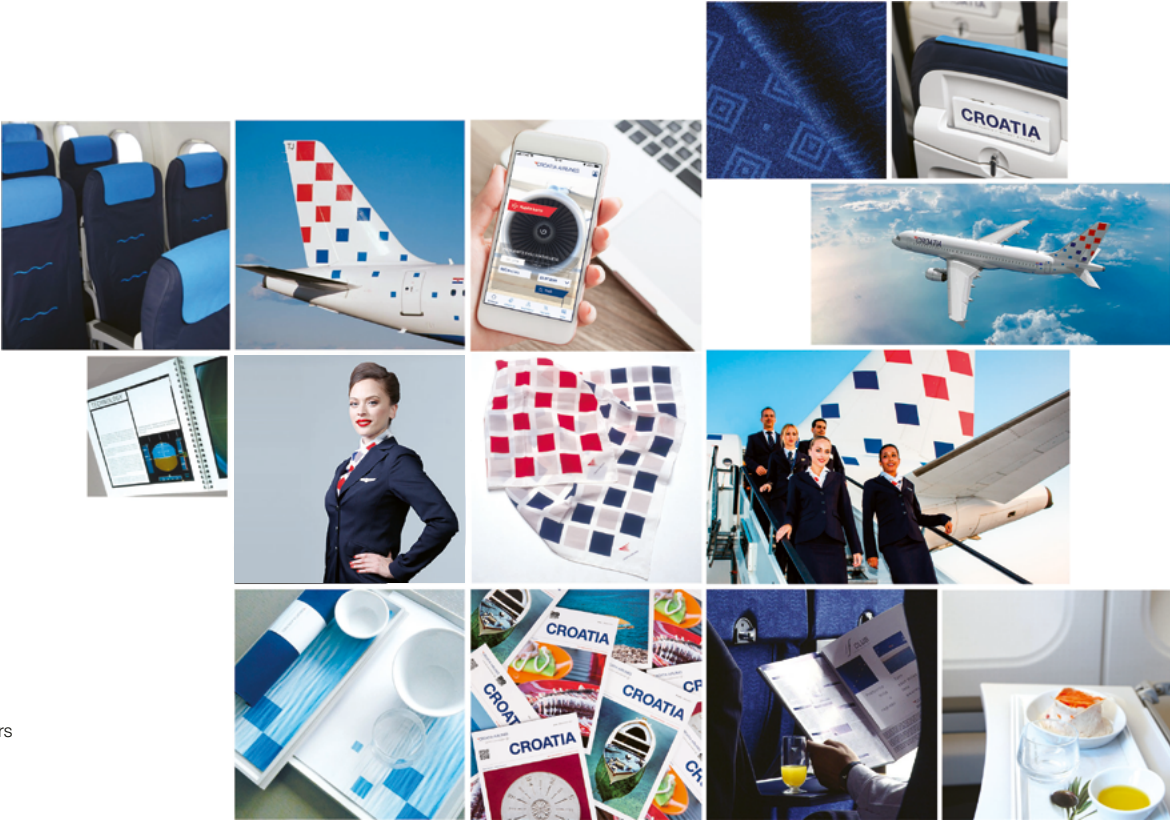
As a fully-fledged member of the International Air Transport Association (IATA) and the renowned airline organisation Star Alliance, Croatia Airlines has been recognised as a Croatian brand on all of the markets it flies to. Its corporate design aims to project its image of a highly reputable airline not only in Croatia but throughout the world, and its visual identity contributes to its being recognised as a Croatian brand. Croatia Airlines connects Croatia with the world throughout the year, thus strongly supporting the development of the country’s tourism and economy, while the authentic visual identity of its aircraft carrying the „CROATIA“ sign, present at all airports the Company flies to, significantly contributes to the promotion of Croatia as a destination.

Within its regular, planned fleet technical maintenance programme, in 2019 Croatia Airlines also took the opportunity to visually refresh its aircraft, in the year it celebrates its 30th anniversary. The CROATIA logo on its aircraft has been increased, and the checkerboard squares - the distinct symbol of the Croatian national identity, stretch even further across the aircraft fuselage. The blue colour of the lower part of the fuselage has been repainted white, visually increasing the aircraft and making it more elegant. Croatia Airlines’ aircraft, introducing Croatia for the first time to many passengers, have thus become even greater and more prominent promoters of the country, and Croatia Airlines continues to actively contribute to the advancement of Croatia’s tourism offer. Three Q400 and three A319 aircraft were repainted by the end of March 2019, while the remaining aircraft will be repainted in the second phase, next year.

Croatia Airlines contributes to the development of Croatia’s tourism and economy on an ongoing basis. It has been presenting the country’s cuisine by offering its passengers quality meals made with local groceries and based on local recipes. In June 2019, Croatia Airlines presented its new menu for the business class passengers, inspired primarily by the Zagreb cuisine, thus further promoting Croatia’s tourism and gastronomy.

The Company has been promoting Croatia as a brand via the Inflight magazine CROATIA, with an emphasis on the beauties of nature, historical values and cultural events. In cooperation with the Croatian Tourist Board and local tourist boards, the Company publishes advertisements and themed articles in the magazine, while films promoting various Croatian regions are shown on Airbus flights.

4



- Facebook - 151,753 fans
- Twitter - 4,469 followers
- Instagram - 22,800 followers
- LinkedIn - 10,365 followers
- YouTube - 793 subscribers



A. Grubelić



A. Grubelić

4

4.7 Fleet and capacities

In 2019, Croatia Airlines operated a fleet of 12 aircraft: six Airbus aircraft (two A320, of which one was under an operating lease, and four A319), and six Q400 aircraft (all under an operating lease). Amidst an increased scope of flights during the summer season, the Company took a lease on two CRJ1000 100-seaters for the period from April to October.

Our fleet comprises the following aircraft: Airbus A320-200, Airbus A319-100 and Dash8-Q400.

Specifications	Airbus A320-200	Airbus A319-100	Dash8 - Q400
Wing span (m/ft)	34,1 / 111	34,1 / 111	28,42 / 93,24
Fuselage length (m/ft)	37,6 / 123	33,84 / 111	32,83 / 107,71
Maximum ground takeoff weight (kg)	73 500	70 000	29 257
Maximum cruising altitude (m/ft)	11 920 / 39 100	11 900 / 39 000	7620 / 25 000
Wing area (m²/ft²)	122,40 / 1318	122,40 / 1318	63,08 / 679
Maximum cruising speed (km/h)	834 (450 KTS)	834 (450 KTS)	667 (360 KTS)
Aircraft power plant	engines x 2 CFM 56	engines x 2 CFM 56	engines x 2 PW 150A
Number of aircraft in fleet	2	4	6
Number of seats	174	144	76

Airbus A320-200



Airbus A319-100



Dash8 - Q400



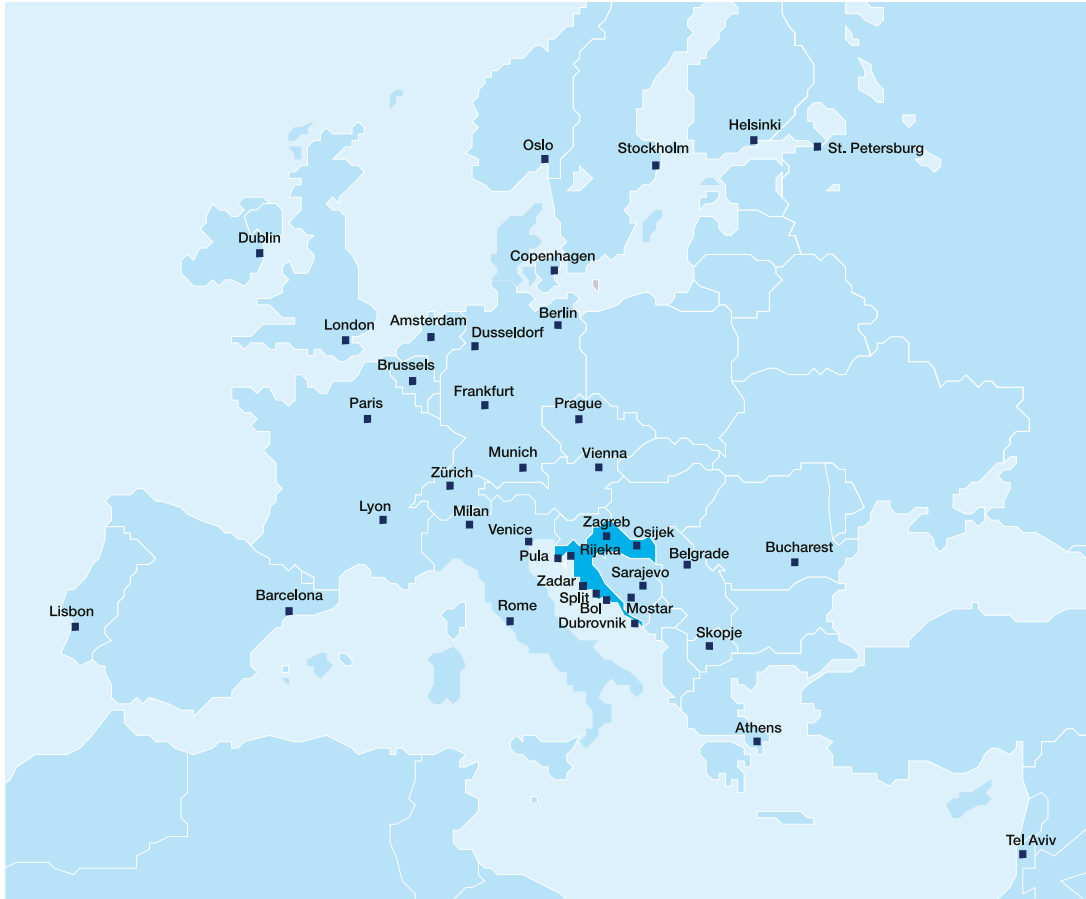
4.8 Key services and activities

As the national flag carrier, Croatia Airlines recognises its social responsibility in ensuring that the Republic of Croatia is connected optimally with the world, with an emphasis on contributing to the development of the country’s tourism. Croatia Airlines has continually been adapting to the needs of the tourism industry and development, and plans its network of direct flights from both Zagreb as the capital city and from destinations on the Adriatic coast accordingly. It also provides passengers with good connections to their final destinations in cooperation with its airline partners, as well as those offering other means of transport. In the thirty years of its existence and delivery of air traffic service, Croatia Airlines connected Croatian cities with the most important European cities, and in collaboration with its airline partners with the whole world. Croatia Airlines, as a member of Star Alliance, the world’s largest airline association, provides its passengers access to a global network of flights coupled with additional benefits.

4.9 Countries/markets where the Company operates

During the tourist season of 2019, Croatia Airlines flew directly to 38 destinations in 24 countries within scheduled traffic, of which 30 were international and eight domestic. During the peak season, it operated 105 flights a day. Within Croatia, the Company’s aircraft connected through scheduled traffic Zagreb with Dubrovnik, Split, Zadar and Pula, and during the tourist season with Rijeka, Osijek and Bol on the island of Brač. In 2019, Croatia Airlines continued flying to all of the European destinations introduced over the past three years: Stockholm, Oslo, Helsinki, Bucharest, Lisbon, Milan, Prague, Saint Petersburg and Dublin, and on the seasonal routes Dubrovnik - Munich and Split - Copenhagen introduced in 2018. Year-round flights on the route Zagreb - Mostar, introduced in 2018, continued too, as well as the seasonal flights to many other attractive destinations, such as Athens, Barcelona and Venice. Passengers were offered a number of the well-established seasonal routes in both domestic and international traffic. An additional flight from Zagreb to Dublin on Tuesdays was a novelty in the summer flight schedule, offering the passengers flying this route three weekly frequencies - on Tuesdays, Thursdays and Sundays. The Company also continued its cooperation with other airlines through 16 codeshare agreements, with the aim of making its services available in the markets where it does not operate flights itself (U.S., Canadian and other distant markets).

4.10 Destinations/airports/routes



4.11 Other services

Charter flights

In addition to scheduled flights, Croatia Airlines also offers charter flights, whether there is a need for organising a special flight for a certain company, school or a sports organisation or a series of tourist charter flights. <https://www.croatiaairlines.com/Additional-services/Charter-transport/Ask-for-charter-service>

Goods and mail transport

Croatia Airlines also offers the service of cargo transport. Whether on its own and/or in cooperation with other airlines, the Company transports fragile goods, large shipments, animals or easily perishable goods, such as fresh fish, daily press, flowers, medicines, etc. <https://www.croatiaairlines.com/Additional-services/cargo/Transport-capacity>

Supervision services at Croatian airports

Croatia Airlines also offers supervision services, intended primarily for airlines that have no representatives in Croatia and for the companies that are unable to cover all of their traffic demands with the existing personnel. These services are provided at Dubrovnik, Split and Zagreb airports. The services comprise the supervision of the handling agents’ work, support in the event of traffic irregularities, and representation of airlines at destination airports. For additional information click on the following link: <https://www.croatiaairlines.com/Additional-services/supervision/Supervision-services>

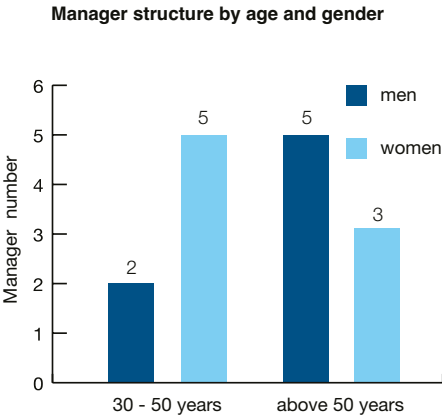
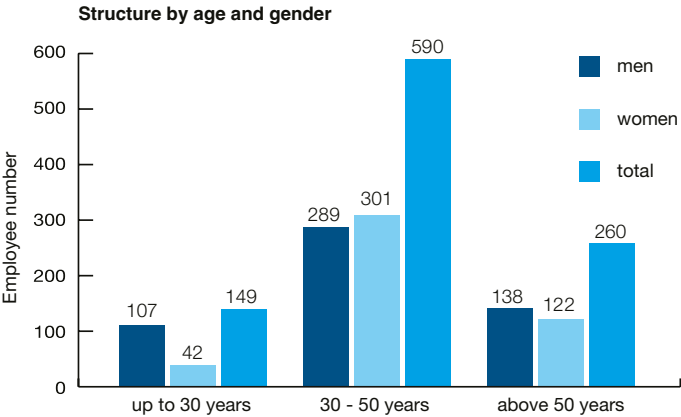
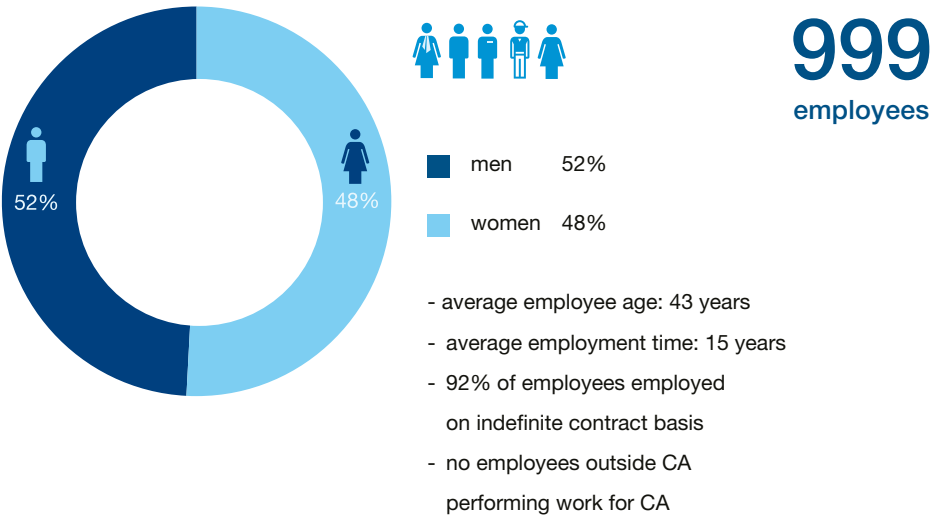
Aircraft maintenance services

Croatia Airlines’ Technical Centre offers various services in the field of base and line maintenance, engineering services, and technical and logistics support for other companies. Until 2019, the technical sector had an approval for maintenance works on three aircraft types (A320f, DHC8-Q400 and ATR42/72). Upon Croatia’s EU entry, CCAA authorisations became equal to those of EASA, making the Technical Centre as equally competitive in the entire EU market and beyond. With the aim of expanding its line maintenance services to other companies and opening new line bases, Croatia Airlines made preparations during the entire 2019 to expand its scope of work for the line maintenance of other aircraft types. In February 2019, it was granted by the Croatian Civil Aviation Agency a Part 145 Approval Certificate for expanding the scope of works for the line maintenance of the Bombardier CRJ 700/900/1000 aircraft. In 2019, the Company was granted approvals for the expansion of the scope of line maintenance works on the A320neo and A330 aircraft. An additional expansion of the scope of Approval for the new aircraft types will provide the Company a possibility to expand its aircraft line and base maintenance services to other companies. All information on maintenance services are available on the Company’s webpage: <http://www.croatiaairlines.com/Technical-Services>

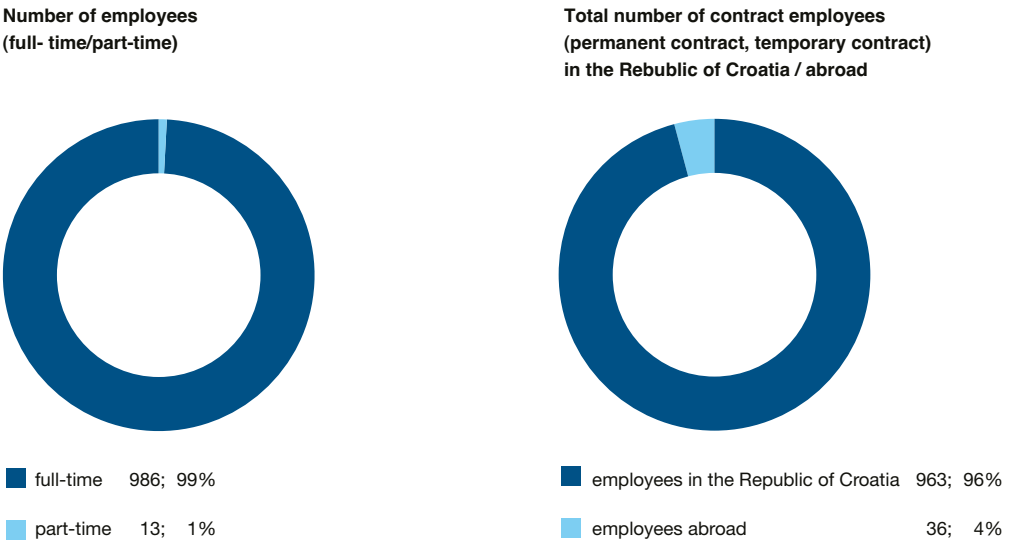
Commercial training

Our training courses are based on IATA’s standard programmes, and are held by Croatia Airlines’ highly experienced instructors. We also organise courses for the employees of other companies, as well as for individuals. Applications can be filed via our website, too. Since 1993 the Company has been organising a wide range of training courses needed by travel and commodity agencies for the acquisition of the IATA licence, training courses for the employees of airports, freight forwarders and airlines. The Company’s Flight Operations Training Centre offers courses for the flight, cabin and ground operations personnel. All courses are based on the certified programmes harmonised with the EASA regulations and approved by the Croatian Civil Aviation Agency. Croatia Airlines’ Technical Training Centre is a certified organisation for the training of aircraft and technical personnel, and is located at Zagreb International Airport. It also offers a wide range of training courses for certain types of aircraft, and specialist training courses for aviation engineers and technicians. Aircraft type training is provided in accordance with the EASA Part 66/Part 147 standard, and is intended for the holders of Part 66 licence for the maintenance of A, B1, B2 or C category aircraft and for the engineers. <https://www.croatiaairlines.com/Additional-services/Training-centers/Technical-training-center>

4.12 Information on employees

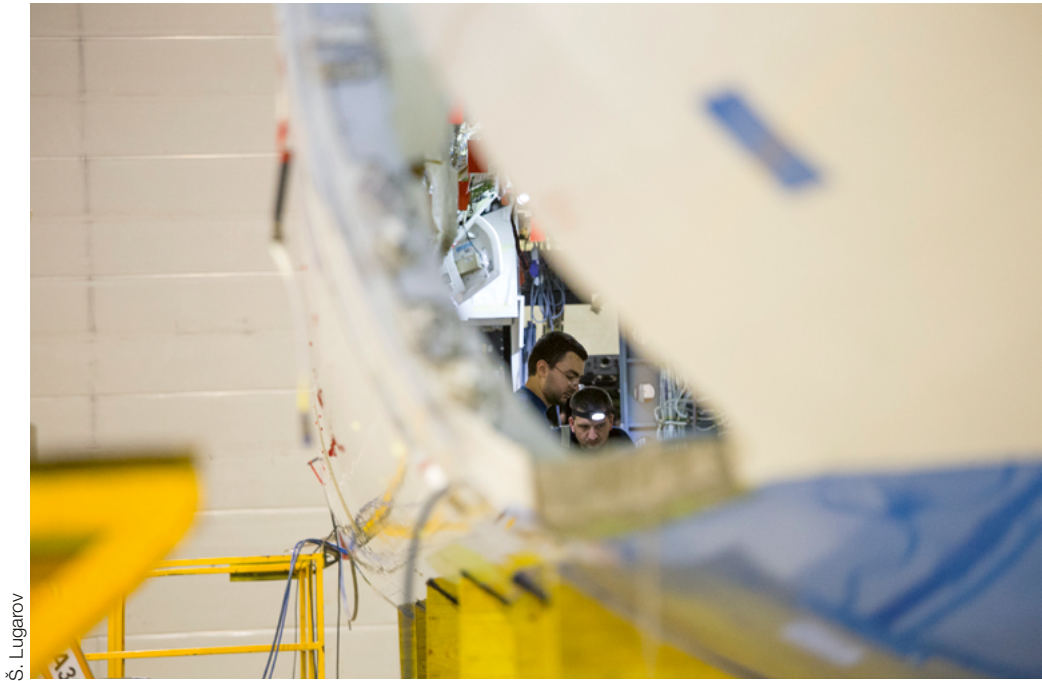


4

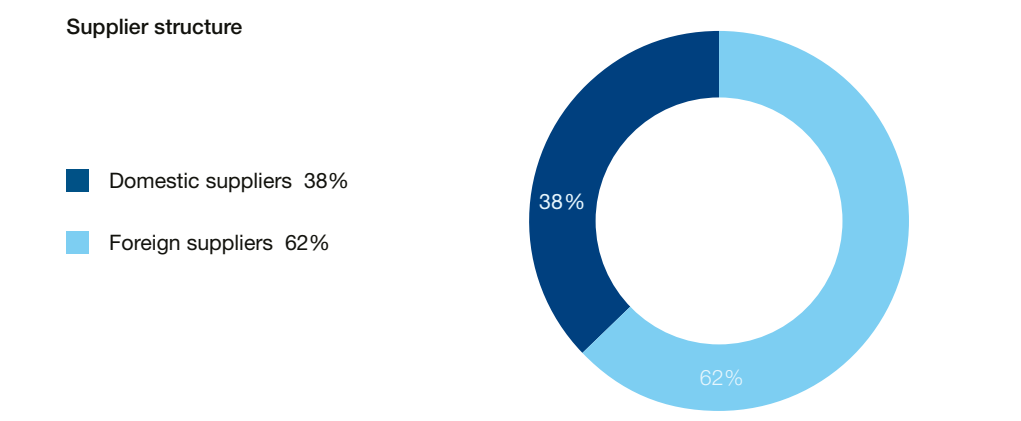


All of our employees have equal development and advancement opportunities, regardless of their parental status. A total of 39 employees were on parental leave in 2019. Sixteen employees returned to work after a year, while the rest of them opted for extended leave. All employees who returned from parental leave continued working with the Company, while one employee left the Company a year after returning from parental leave. Based on the data shown below, the return to work rate was 41.03%.

Year	Gender	Total number of employees on parental leave	Total number of employees who returned to work following the end of parental leave	Total number of employees who continued working 12 months after they returned to work following the end of parental leave
2019	M	6	4	3
	F	33	12	12



4.13 Supply chain



With a view to providing top-quality services in line with its Business Plan, Croatia Airlines uses a complex supply chain adapted to the specific requirements of air traffic. In terms of fields of supply, the supply chain is managed through larger categories comprising the supply of: goods and services, aviation fuel, ground services, technical equipment, etc.

During 2019, Croatia Airlines conducted business with a total of 2,065 suppliers, of which 1,287 (62%) were foreign ones. Also, as the greatest turnover by far is realised on foreign markets, of the total turnover of HRK 1.7 billion, over a billion falls off on foreign suppliers.

In terms of regions, in 2019 the highest turnover was realised in dealings with the suppliers from Europe. Cooperation with domestic suppliers comprises more than a third of total turnover. The share of domestic suppliers in the total number of suppliers is approximately 38%. In the structure of turnover with domestic suppliers, the highest turnover was generated with airports and in the segment of fuel procurement. The biggest share of international transactions is traditionally realised through cooperation with suppliers from Germany, both in terms of total transaction volumes and the number of suppliers. When it comes to the type of service in international traffic, the highest turnover was generated from fleet maintenance services, aircraft time overflights and airport services, fuel procurement and operating leases.

Supplier countries according to turnover generated

Supplier country	Turnover in HRK (million)	Share in total turnover	Number of suppliers	Share in total number of suppliers
Croatia	654,2	38%	778	38%
Germany	241,8	14%	217	11%
Belgium	136,2	8%	50	2%
Great Britain	121,2	7%	165	8%
Ireland	102,3	6%	53	3%
Spain	82,5	5%	22	1%
France	67,4	4%	104	5%
USA	47,8	3%	97	5%
The Netherlands	43,2	3%	51	2%
Canada	35,2	2%	21	1%
Others	192,5	11%	507	25%
Total	1.724	100%	2.065	100%

Jet fuel (petroleum-based fuel) suppliers

Jet fuel is supplied by one local supplier and 20 foreign suppliers, selected on the basis of the quality of fuel, service and price as the three key parameters for the safety and cost-effectiveness of each and every flight.

Jet fuel suppliers supply aircraft with fuel at airports in accordance with fuelling needs planned for each individual flight. Jet fuel suppliers are licensed to supply jet fuel at airports by domicile civil aviation agencies as a prerequisite for their operations and so as to ensure that basic quality conditions are met.

Furthermore, in order to ensure that the required quality standards, and the supply and operations safety standards are met, Croatia Airlines carries out inspections of suppliers under its membership in IFQP-u (IATA FUEL QUALITY POOL), which carries out inspections at all airports where Croatia Airlines operates.

In order to reduce CO2 emissions while aircraft stay on the ground, last year's coordination and cooperation with fuel suppliers led to a reduction in the number of delays in aircraft refuelling by a total of 16.6% compared to 2018.

Ground service providers

Ground services include aircraft handling services, flight operation services and air traffic control services, by way of which safe and regular provision of passenger and cargo transport through airports is ensured using airport infrastructure and the services of handling agents.

These services are provided by 25 domestic and as many as 149 foreign suppliers at regular destination airports. In addition, more than 100 suppliers have the status of an occasional supplier, depending on operational, seasonal and charter transport needs. All of the suppliers are from the EU, while in 2019 services were also provided by suppliers at six regular destination airports outside the EU that Croatia Airline flies to. All handling agents of ground service providers are verified and approved by civil aviation authorities and licensing bodies competent to issue service provision licences. A specificity of flight operations in the winter period is the de-icing and anti-icing service within the DAQCP (DE/ANTIICING QUALITY POOL) system.

All ground service providers at regular Croatia Airlines destinations undergo company quality assurance. Those that are members of IATA, an umbrella association of airline companies, have been accredited IATA's Safety Audit for Ground Operations (ISAGO) certification, which guarantees that safety standards are met.

Aircraft catering service suppliers

Catering service suppliers provide the service of supplying aircraft with food and beverages. There are five domestic and two foreign suppliers (Sarajevo and Skopje), which, in cooperation with Croatia Airlines' cabin crew, ensure high quality food for the passengers flying with the Company.

In addition to food and beverage suppliers, there are also 39 domestic and 35 foreign suppliers of newspapers, expendable material and dishes for aircraft. All of them all obliged to act in accordance with the provisions of the Food Act of the Republic of Croatia and have the HACCP standard implemented, which is subject to control within the Company's quality assurance system.

Aircraft parts and maintenance service suppliers

Since Croatia Airlines maintains aircraft both from its own fleet and that of other carriers by adhering to the same international and manufacturer standards, the supply chain includes the procurement of aircraft parts, material, tools and equipment, and the procurement of part, tool and equipment maintenance services, with the aim of ensuring the continuing airworthiness of its aircraft and the material basis for the maintenance of other companies' aircraft. Procurement takes place on the free market, and is facilitated by qualified aviation suppliers approved by the buyer through quality assurance mechanisms (at Croatia Airlines this is a list of approved suppliers that is an integral part of the CAME/MOE manuals).

Due to the specific nature of procurement of aircraft parts and material governed by international trade conventions and other regulations, including aviation regulations, this procedure is exempt from the provisions of the Procurement Ordinance.

Cargo and customs clearance agents

Freight forwarders and cargo agents provide the transportation and customs clearance services and usually include 39 domestic and 35 international agents for all cargo and mail transported by Croatia Airlines.

4.14 Membership in professional associations and organisations

Croatia Airlines is a member of professional associations, financial organisations and economic and business organisations in which it participates by paying regular membership fees. Croatia Airlines’ membership and participation in the work of the industry’s umbrella associations, among which IATA and Star Alliance are to be singled out, is of utmost importance for the Company’s operations. IATA (International Air Transport Association) is a global association of airlines whose business standards are the basis for the operations of all carriers offering scheduled flights in international air transport of passengers and cargo. Croatia Airlines’ membership in Star Alliance is exceptionally important from the commercial and strategic point of view. Owing to its membership in the world’s largest airline association, Croatia Airlines maintains a strong competitive position in the market and the position of the leading air traffic service provider not only in the Croatian market, but in the entire region.

Since January 2017, Croatia Airlines has been a member of the European Regions Airline Association (ERA), a non-profit association whose main objective is improving the conditions of business operations in the European airline sector, covering through membership the entire aviation industry with 50 airlines and 140 air service providers, including aircraft and engine manufacturers, airports, service providers and suppliers from across Europe. In March 2018, the President and CEO of Croatia Airlines, Mr Jasmin Bajić, was elected to the governing body of the European Regions Airline Association (ERA) for a three-year term.

AIRLINE ASSOCIATIONS
IATA (International Air Transport Association)
Star Alliance
ERA (European Regions Airline Association)
European Aviation Maintenance
PASRA (Passenger Airline Sales Representatives Association)

OTHER ASSOCIATIONS
Croatian Chamber of Economy
Croatian Employers’ Association
Croatian Association of Corporate Treasurers
Croatian Chamber of Architects
Croatian Public Relations Association
Croatian Information Technology Association



Š. Lugarov

4.15 Company history

1989.	The founding of Zagreb Airlines - Zagal
1990.	Zagal becomes Croatia Airlines d.d.
1991.	1st flight in domestic traffic (Zagreb-Split)
1992.	1st flight in international traffic (Zagreb-Frankfurt)/Croatia Airlines joins the International Air Transport Association (IATA)/acquisition of 3 Boeing 737/opening of the first foreign branch office in Frankfurt
1993.	
1995.	1993-1995 fleet expansion (3 ATR-42 and 2 Boeing 737)
1997. - 2000.	Fleet modernisation and expansion (replacement of Boeing aircraft with Airbus aircraft)
2002.	Croatia Airlines is awarded JAR 145 certificate in line with the highest European standards
2003.	Croatia Airlines is awarded JAR OPS 1 AOC and ISO 9001-2000 certificates
2004.	Regional membership in the global association Star Alliance
2005.	Fully-fledged membership in Star Alliance/telephone ticket sales/renewal of IOSA certificate
2008.	New hangar/replacement of the ATR42 fleet with Dash8-Q400 aircraft in the period from 2008 to 2010
2009.	Twenty-millionth passenger carried
2015.	Opening of the 3rd hangar at Zagreb International Airport
2016. - 2018.	Expansion of the destinations network (12 new routes)
2019.	Company's 30th anniversary - 40.2 million passengers and over 614,000 flights



Major awards and recognitions

- 1999. CRO WEB TOP 100 in the Tourism category (Vidi magazine)
- 2002. JAR 145 Certificate/among top 100 Croatian websites and top 10 websites in the Tourism and Travels category (Vidi magazine)/19th most successful airline in the world (Airline Business magazine)
- 2003. 1st award for the tourism film in the Tour Region Film category (Tourfilm Festival)
- 2005. Rebrand 100TM Award for aircraft redesign (Rebrand 100TM, Providence, USA) Zlatna spirala (Golden Spire) - GRAND PRIX for the best company calendar (Slobodna Dalmacija)
- 2006. The highest rated regional member of Star Alliance/the best airline in South-East Europe in 2006 (Finance Central Europe)
- 2007. Amadeus e-Travel Airline Conference 2007 Award/Superbrands award
- 2008. Web 100 award in the E-innovation category (Vidi magazine)/Superbrands award
- 2010. Superbrands award/Tesla Silver Egg Award/ award in the web Top100 category for the best mobile web (Vidi magazine)/IATA certificate
- 2011. Best Buy Award certificate according to a GfK research/Thank-you note for contribution in organising the visits of Pope Benedict XVI to Croatia
- 2012. The 4th best airline in Eastern Europe (Skytrax)/ Superbrands award
- 2014. Among the world's safest airlines (AirlineRatings.com)
- 2015. White Flag for contribution to the protection and preservation water cleanliness and for environmental awareness (GUWAA)
- 2016. The best airline in the world by the criteria of helping passengers realise their rights; overall ranking: 8th (Air Help)/The World Airline Awards, the Oscars of the aviation industry; the 4th best airline in Eastern Europe
- 2018. Marco Polo award for the CROATIA inflight magazine



S. Dolanec, D. Fabijanić, Š. Lugarov, Arhiva Croatia Airlinesa



S. Dolenec



30 years of Croatia Airlines

Croatia Airlines was founded exactly 30 years ago, even before Croatia gained independence. It makes us exceptionally proud to celebrate the Company's 30th anniversary, marking the celebratory year under the slogan *Creating Memories for 30 Years*.

During that time, our Company has joined the most important airline associations such as the International Air Transport Association (IATA) and Star Alliance - the largest global airline alliance. This primarily reflects our value and quality, but also helps boost our branding process. Having been providing the passenger and cargo transportation service in both scheduled and charter traffic, Croatia Airlines has grown into a European carrier recognised by its passengers for the flight safety, professional staff and top-quality service. The Company has gone through challenging stages of development and changed significantly over these 30 years. Let us note that the first commercial flight was operated by a chartered aircraft and that since then the Company went through several phases, during which its medium-range fleet was set up and later renewed. We pay special attention to employee training and development, and improvement of all business processes. We have been making constant efforts to increase our market presence in major markets.

The Company was founded on 7 August 1989, when an airline company Zagreb Airlines d.d.

(Zagal) was registered in Zagreb and began operating in December the same year as a mail carrier. 26

About a year later, on 23 July 1990, Zagal changed name to Croatia Airlines d.d., a national airline for the transportation of passengers, cargo and mail.

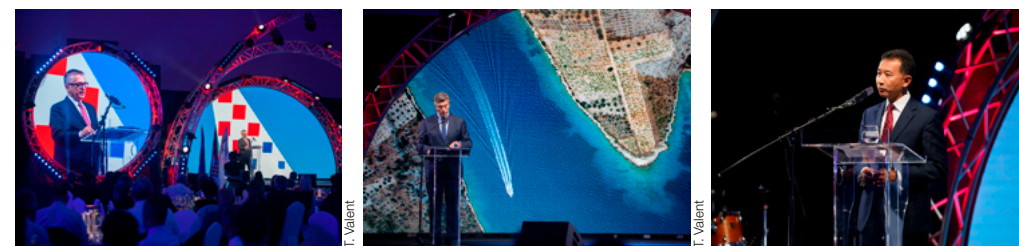
Croatia Airlines operated its first flight on 5 May 1991 on the route Zagreb - Split, introducing scheduled passenger traffic within Croatia. Its operations on a global scale began on 5 April 1992 with its first international flight on the route Zagreb - Frankfurt, and it was this year that the Company started creating its own fleet by purchasing Boeing 737-200 aircraft.

ATR42 aircraft followed soon, prompting the Company to advance and optimise all of its areas of operation, which resulted in a great commercial progress. The Company's first development phase ended with a cycle of renewal of its medium-haul fleet in the period from 1998 to 2000, when the Boeing aircraft were replaced by six new Airbus aircraft (four A319 and two A320). Its next development chapter was marked by a renewal of its short-haul fleet (from 2008 to 2010), i.e. the introduction of six new Dash 8-Q400 aircraft to replace the ATR42 aircraft. Since the first flight, Croatia Airlines' aircraft have transported more than 40.2 million passengers and operated over 614,000 flights.

The Company has been expanding its destinations network since 2016, and by the end of 2019 it introduced ten new destinations. In 2019, Croatia Airlines' aircraft operated in eight domestic and 30 international destinations in scheduled traffic, directly connecting Croatia with 24 countries.

26

27



Croatia Airlines is proud to carry the name of our country and thus contribute to its economy and tourism, and visibility throughout Europe. As the national flag carrier, Croatia Airlines has been significantly contributing to the development of Croatia's tourism, by ensuring the inter-connectivity of domestic destinations, and that of Croatia with the rest of the world throughout the year. Nearly a third of all air travellers visiting Croatia on an annual basis fly Croatia Airlines' aircraft, and the Company is among the biggest exporters in Croatia.

During this celebratory year, we carried out many activities aimed at further improvement of our business processes and service quality. A redesign of the fleet's visual identity began in March, making our aircraft even more attractive in terms of promoting the Croatian identity. A new business class menu was introduced on the Company's international flights, offering passengers meals made with local groceries and based on local recipes, thus boosting the promotion of Croatia's gastronomic riches. Also new is a redesigned mobile application for devices operating both on iOS and Android, now enabling our customers an even simpler and faster check-in and other upgraded functionalities. In order to celebrate with our customers 30 years of inter-connecting Croatian destinations and Croatia with the rest of the world, the Company organised a number of prize competitions. Passengers were in for surprises and special offers both on our flights and at all Croatian airports, as well as those in Frankfurt, Paris and Brussels. We also thanked our employees and rewarded them through internal prize competitions organised during the year.

We celebrated our 30th anniversary on 17 September 2019 at the Company's Technical Centre at Zagreb Airport.

For this occasion, the Croatian fashion and textile company Varteks d.d. created a special gift for our Company: with our support it designed a set of uniforms for our pilots and cabin crew, which our employees wore at our anniversary party.

Thinking about the past 30 years fills our hearts with joy and, in a hope to celebrate another thirty years of being present in this highly competitive aviation market and create new memories together with our passengers, we thank all our service users for their trust and sincerely look forward to new flights.



T. Valent

5. SUSTAINABLE BUSINESS MODEL

We have fully integrated sustainable development principles into our business management model. Given the market conditions in which we operate, our significance is considerable and varied. We have a leading role in the domestic aviation market, with a share of approximately 25% a year, while in the winter season it increases to approximately 50%. Our key strategic goals for the future are focused on the fleet renewal, strengthening our market position and further business development based on economic, environmental and social responsibility.

MISSION

Our mission is to generate profit by providing air services. Our priority is to provide our customers with optimum connections between Croatia and the world via our own flights and those of our partners, and to contribute to the development of tourism in the Republic of Croatia.

VISION

CROATIA AIRLINES aims to be the first choice of every passenger travelling from or to Croatia.

Croatia Airlines' business model



In line with its mission and vision, Croatia Airlines applies the business model of a network operator within the Star Alliance airline association, which emphasises in all of its key business documents the necessity of maintaining a high level of traffic safety, reliability, quality and punctuality. The Star Alliance membership has enabled Croatia Airlines to be available in the markets where it does not physically operate flights and to increase its capacities on the existing routes. Its business model is based on the concept of a strong network carrier oriented to a strong and well-connected hub at Zagreb International Airport. We operate flights from Zagreb to all major European cities and domestic destinations. Some flights are operated from other Croatian cities as well.

The strategy of network traffic is focused on clearly defining primary, secondary and tertiary routes, that is, domestic and regional routes, and at the same time defining their specific importance and optimising flight frequency.

With regard to the market segmentation strategy, domestic scheduled air traffic, which is of special interest to the Republic of Croatia, is defined as a separate market subsidised by the state through a state aid programme. Under a contract signed with the Ministry of the Sea, Transport and Infrastructure, Croatia Airlines has undertaken to provide domestic scheduled air transport service for the purpose of maintaining traffic connections between the regions and boosting the economic development of the Republic of Croatia. The current contract is valid until March 2020. By separating unprofitable domestic from scheduled international air traffic, the latter has become the cornerstone of the Company's profitable growth strategy.

102-2
102-9
102-10
102-11
102-12
102-15
102-16
102-40
102-41
102-42
102-43
102-44
102-46
102-47
103-1
103-2
103-3
201-1
302-1
303-1
303-2
303-3
303-4
303-5
305-1
305-2
305-4
306-1
306-2
307-1
401-1
401-3
404-2
406-1
413-1
415-1
416-1
417-1

5

5.1 Operational risks and opportunities

Efficient risk management is of exceptional importance for the sustainability of business operations. Taking into account the industry's specific requirements, Croatia Airlines uses, as a rule, the COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission - Enterprise Risk Management) framework and the ISO 31000 risk management standard as a basis for defining its risk management policy. COSO ERM is a process in which risks are monitored on an ongoing basis, in line with the probability of their emergence and their effect on the achievement of goals.

We pay great attention to risk assessment, verification and management to ensure efficient and timely decision-making, business planning and corporate governance. Within the implementation of the risk management process, major risks have been identified according to their potential influence on Croatia Airlines' business operations. Most risks are managed within regular corporate governance processes. Responsibility for the risk management and the supervision of effectiveness of the risk management system lies with the Management Board of Croatia Airlines. The Management Board, which consists of the Management Board members and sector managers, analyses reports and key performance indicators, and takes concrete steps in accordance with the level of non-compliance with the set goals. The Company's Revenue Committee proposes activities and adequate responses to risks with regard to sales and marketing activities. Also, when developing business plans, additional sensitivity analyses are carried out concerning possible changes in some of the high-risk categories of the Company's business operations so as to prepare alternative scenarios. When defining goals, it is essential that the Company's goals are aligned with those of each sector. For all goals planned on the level of sectors, risks related to their achievement need to be defined and control activities implemented. Also, possible opportunities arising from the achievement of a particular goal need to be outlined as well.

All organisational units are required to implement and harmonise the defined goals and guidelines through their risk management procedures, with monitoring being facilitated through internal control systems, the Company's quality assurance system and internal audit.

Major risks in Croatia Airlines' business operations



The application of an integrated approach to external and internal risk management at Croatia Airlines enables the Company to understand the true nature of individual risks, and increases its capacity to take relevant measures in a timely manner. Managing all the said risks systematically increases the Company's level of organisational efficiency, while at the same time decreasing its costs and boosting its competitiveness. Raising further awareness and the adoption of risk culture at all levels of organisation is one of the key factors for the sustainability of the Company's future business operations.

All major risks the Company faced in its operations during 2019 are elaborated in detail in the Business Report of Croatia Airlines d.d. and Croatia Airlines Group for 2019 posted on the Company's website.

Every risk is also an opportunity - the Company identifies areas in which its capacities and potentials can be strengthened, and in which changes can be introduced into business operations to make room for improvements and contribute to sustainability.

We have identified several segments for creating business-related opportunities.

The country's tourism potential and access to the European Single Market are the key factors, while migration within the EU and a growing demand for cargo transport services should not be ignored either. Exploiting the potential of commercial cooperation with airline companies through codeshare agreements, both within and outside Star Alliance, is also important.

Ancillary revenues are another segment of operations in which airlines have in the recent years been finding room for development, as well as for differentiation (baggage fees, seat selection, priority boarding, reservation changes, food and beverages on the flight, award miles, entertainment programmes, Internet access, marketing, etc.).

Croatia Airlines sees its development possibilities also in an ever growing application of the Internet and new e-commerce technologies as sales channels used by an increasing number of potential passengers and undergoing upgrades on an ongoing basis.

A more efficient use of the Company's own capacities and intensified efforts to make best use of the same are seen as an additional internal factor in the Company's potential for development.

Having at disposal three work units for aircraft maintenance, i.e. three hangars, in the conditions of a rising demand for these services, the Company has met the prerequisites for an even greater scope of maintenance works on the European airlines' aircraft at Croatia Airline's Technical Centre. To this effect, the Company also plans to expand its line maintenance services to other aircraft types. In 2019, Croatia Airlines was granted Approval for the line maintenance of Bombardier CRJ 700/900/1000, A320neo and A330 aircraft. An additional expansion of the scope of Approval for the new aircraft types will provide the Company a possibility to expand its aircraft line and base maintenance services to other companies. It also plans to open new line bases for aircraft maintenance and extend the major works season to the entire year (or to 10 months at least). Extending two long-term contracts with Lufthansa Technik, one of the world's top-quality aircraft maintenance companies, is of particular importance for this segment as well, and has reaffirmed excellent relations with our long-time partner.



Š. Lugarov

In 2019, Croatia Airlines extended its multi-year partnership with Sabre Corporation, a leading technology provider in the global travel sector. Croatia Airlines has for the past four years used Sabre's revenue and fare management products; as part of a business cooperation agreement, it has also started using its AirVision Revenue Optimizer, a leading revenue optimisation solution in the aviation industry. Sabre's revenue optimisation solution provides an all-round approach to forecasting, analysing and optimising sources of revenue by reviewing total revenues for each flight, each market, and each real-time travel date. The product aims to optimise the air carrier's existing infrastructure and manage its data silos. The Revenue Optimizer offers a real-time data analysis through a simple integration with databases, costs, and pricing optimisation solutions.

The Company has also recognised the possibility for its development in an increased demand for the training services, and is, therefore, offering commercial training programmes intended for external users. Ahead of the Company are also privatisation processes, which the vast majority of Europe's traditional carriers have already undergone. This is particularly important in the context of recapitalisation, which would enable the Company to renew its aircraft fleet and expand its destinations network.

5.2 Stakeholders

In our business operations we are guided by the principles of responsibility, ethical conduct, transparency and best business practices in relations with all of our stakeholders. Given the activity it carries out, Croatia Airlines cooperates with a large number of stakeholders with whom it engages in an open dialogue and exchanges information through well-established communication channels. As a result, we have been able to identify the key topics and interests (material aspects of the Company's business operations) that make part of the Company's analyses and ultimately of this Non-financial Statement.

Croatia Airlines has identified and classified its stakeholders into the following three categories according to their importance and impact on its business operations: key stakeholders, stakeholders whose impact is significant, and other stakeholders. Croatia Airlines has been cooperating with all of its business partners (domestic and foreign) by adhering to the principles of due care and diligence, and taking into



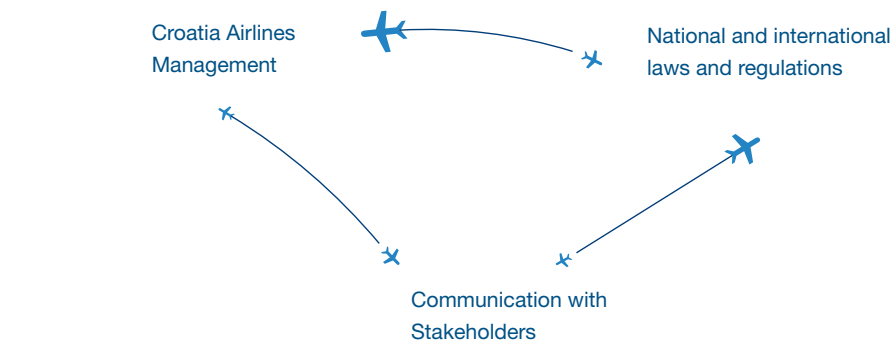
Š. Lugarov

account the interests of the owners, i.e. shareholders. The Company strives to maintain business cooperation with all of its partners in good faith and to mutual satisfaction. It takes particular care to adhere to the specific international aviation regulations and recommendations, and to the national legal and professional regulations in view of all of its operations.

Croatia Airlines communicates with its stakeholders with the aim to attain its desired market position, systematically inform the general public, and existing and potential users about the Company, its services and news on its business operations. The most important goal is to build and cultivate a distinctive and positive image of Croatia Airlines in a wider public.

We have discussed with our stakeholders the key topics and the possibilities for us to contribute to the achievement of sustainable development goals.

 KEY STAKEHOLDERS	 STAKEHOLDERS WITH SIGNIFICANT INFLUENCE	 OTHER STAKEHOLDERS
- Passengers - Cargo, aircraft maintenance and training service buyers - Employees	- Shareholders and investors - Suppliers - Labour unions - Government bodies - Academic /business / professional community - Certification bodies and companies	- Local community - Financial service providers - Airline associations - Media/public



We have identified the following material aspects:

- Finding a strategic partner/recapitalisation
- User satisfaction, product responsibility, marketing
- Safety and system quality
- Economic impact and contribution to tourism
- Labour relations, decent work, freedom of association and collective bargaining
- Environmental protection, emissions and energy, waste management
- Local community development

STAKEHOLDERS	COMMUNICATION CHANNEL	MAIN TOPICS
Passengers 	Official website Call Centre Fairs and congresses Miles&More loyalty programme Social networks Marketing campaigns Promotional material Inflight magazine CROATIA Inflight entertainment Service quality questionnaires	Safety and quality Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Environmental protection, emissions and energy, waste management
Service users (cargo, technical, training) 	Business correspondence, telephone calls Face-to-face meetings Business reports External user trainings Events	Safety and quality Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Environmental protection, emissions and energy, waste management Local community development"
Employees 	Intranet e-mail e-news Internal meetings Works Council Workers' meetings Business reports Education and training Management Board's memos	Finding a strategic partner/recapitalisation Safety and quality Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Labour relations, decent work, freedom of association and collective bargaining Environmental protection, emissions and energy, waste management Local community development"
Shareholders and investors 	Regular and ad hoc meetings Written communication (mail, e-mail) Business reports Face-to-face meetings Official website Official website of Stock Exchange and Croatian Financial Services Supervisory Agency (HANFA) Reports on carried out supervision (controls, audits)	Finding a strategic partner/recapitalisation Safety and quality Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Labour relations, decent work, freedom of association and collective bargaining Environmental protection, emissions and energy, waste management Local community development"
Suppliers 	Business correspondence (mail, e-mail, telephone) Face-to-face meetings Business reports Fairs Website	Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Environmental protection, emissions and energy, waste management Local community development"
Labour Unions 	Direct communication - meetings Written communication (e-mail, intranet, mail)	Finding a strategic partner/recapitalisation Safety and quality Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Labour relations, decent work, freedom of association and collective bargaining Environmental protection, emissions and energy, waste management
Government bodies 	Written communication (mail, e-mail) Business reports Official website Official website of Stock Exchange and Croatian Financial Services Supervisory Agency (HANFA) Reports on carried out supervision (controls, audits) Memberships	Finding a strategic partner/recapitalisation Safety and quality Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Labour relations, decent work, freedom of association and collective bargaining Environmental protection, emissions and energy, waste management
Local community 	Donations and sponsorships Official website Direct contact, telephone, e-mail, mail Training and internships Organized hangar and aircraft tours	Safety and quality Economic impact and contribution to tourism development Environmental protection, emissions and energy, waste management Local community development
Other associations/ institutions (financial institutions, airline associations, media/public, academic/business/ profesional community, certification bodies and companies) 	Business reports Media releases Official website Official website of Stock Exchange and Croatian Financial Services Supervisory Agency (HANFA) Memberships Business communication Conferences, business meetings Promotional campaigns, reports, inerviews Social networks Incentive travels Scientific and technical papers Face-to-face meetings Audits	Finding a strategic partner/recapitalisation Safety and quality Economic impact and contribution to tourism development Customer satisfaction, product responsibility, marketing Labour relations, decent work, freedom of association and collective bargaining Environmental protection, emissions and energy, waste management Local community development

As one way of communicating with our stakeholders, we have for 26 years been publishing our inflight magazine CROATIA, four times a year, with the aim to promote the Croatian culture, heritage and natural attractions, and to bring various interesting topics from Croatia and support is tourism. Being an integral part of the Company's visual identity, CROATIA is successfully reflecting the country's national symbols, thus contributing to the authentic image of Croatia in the world.



S. Lugarov

5.3 Material aspects of the Company's business activities and their effect on its sustainable development

We have established that material aspects of our business encompass all the segments that might have significant economic, environmental and social impacts, and are to a great extent aligned with our business direction and objectives. We strive for excellence in this particular field and keep analysing impacts on the environment in which we operate. In the process of identifying important material aspects, we followed the guidelines for drawing up non-financial statements and identified material issues, established and verified their importance, and then presented them through a materiality matrix. The working group responsible for activities related to corporate social responsibility (comprising key figures from each sector to which areas and topics addressed in non-financial statements pertain), re-analysed the aspects that reflect the Company's significant economic, environmental and social impacts and assessed the topics potentially influencing stakeholders' assessments and decisions. We reassessed the classification of stakeholders, regrouped them, reconsidered the impact of selected material aspects on their attitudes and decisions, and defined key communication issues and topics to be discussed with a specific stakeholder group. In addition to identifying and confirming key material aspects, the previously defined boundaries of each individual aspect were verified during the said process.

Material aspects

Given the Company's business environment, we approached the assessment of and reporting on material aspects in the same way as in the previous reporting period. Internal assessments showed that the scope of material topics did not change significantly compared to the previous reporting period.

We would like to highlight that due to its significant impact on the Croatian economy and population (most vividly felt in the aviation and tourism sector but also influencing the entire economy) the Company began an active search for a strategic partner in 2019. Our unquestionable importance in connecting Croatia with other countries as well as maintaining all-year-round domestic flights directly contributes to and influences the country's economic development. In addition to contributing to the development of Croatian tourism, the Company is a significant exporter and has been listed among the top domestic exporters in the last couple of years.

We are aware that in today's modern business environment one's business success is not measured by financial results alone; activities in the segment of social responsibility and contribution to sustainable development are of equal importance. Independently of the services we provide, we are aware that our business success, as well as our worthy representation of the country directly depend on the trust and satisfaction of our service users; responsibility to our passengers is, therefore, one of the crucial aspects of our service. It is our duty to understand their needs and do our best to meet their expectations. We are, therefore, continuously developing new products and services that will make it even easier for our passengers to organise their travels.

Great attention is also paid to employee satisfaction, since highly motivated and satisfied employees are a key factor for the realisation of our goals. This is why mutual respect, cooperation and teamwork are nurtured. The latest resource management trends are being evaluated and applied. The Company has been measuring employee performance and has been actively involved in their career guidance, training and efficiency improvement. We are doing our best to retain our employees by offering them competitive, high-quality working conditions. Today, major work-related risks occur as a result of the labour market dynamics and its open nature and also because of a lack and outflow of skilled workers.

In order to address the said risks, we are constantly making efforts to create a stimulating working environment and cooperate with educational institutions in scientific, educational and technical activities. Such institutions include the Faculty of Transport and Traffic Sciences, Polytechnic Velika Gorica and the Secondary Aviation School. Our close cooperation with the Faculty of Transport and Traffic Sciences in Zagreb has given us the opportunity to monitor the progress of future Croatian pilots attending the Faculty. In the segment of labour relations in 2019, the signing of a collective bargaining agreement is of particular importance as it has ensured long-term social peace as an important presumption for the Company's regular and stable business operations, particularly in the next five years, and has prepared it to face future challenges more efficiently.

We have been nurturing successful business cooperation with our business partners in good faith and to the satisfaction of all parties. Through numerous sponsorships and donations, Croatia Airlines invests into the community in which it does business.

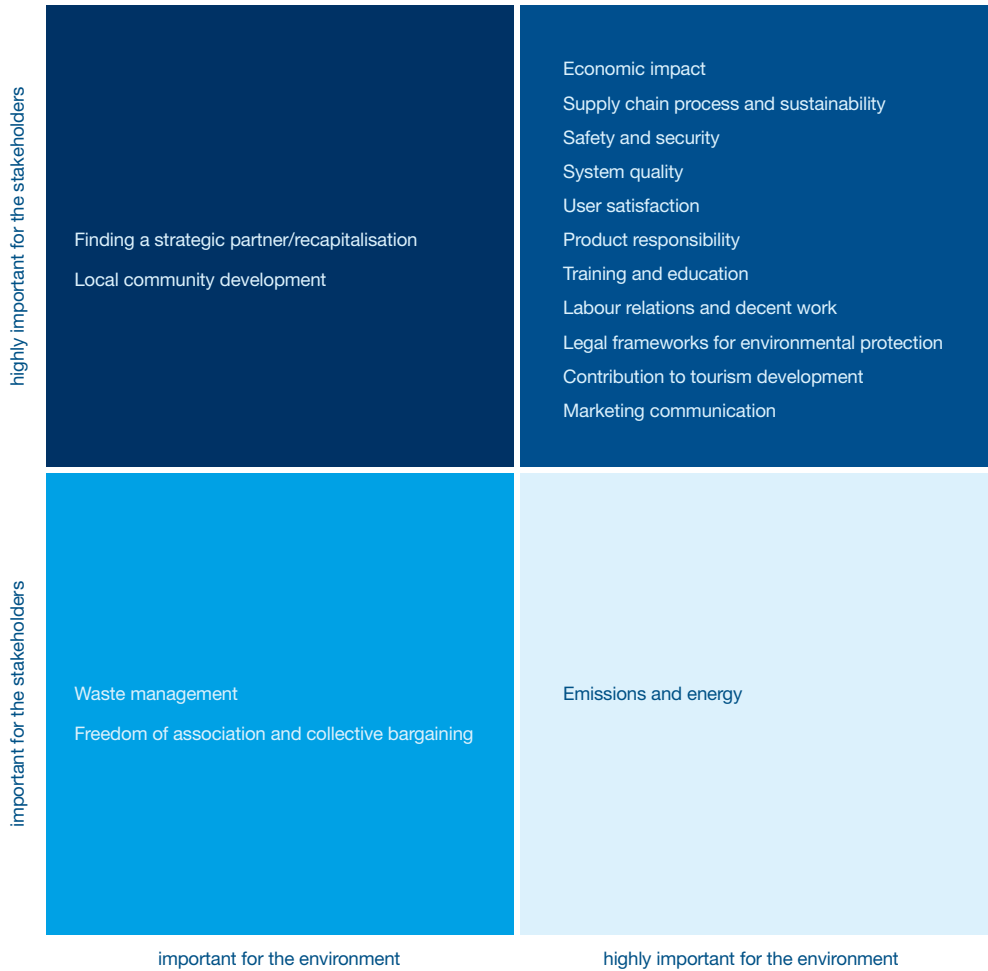
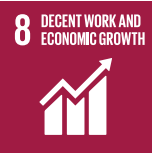
In the segment of social responsibility, Croatia Airlines has recognised safety as one of the key aspects and an essential prerequisite for its business operations. In order to secure a high level of safety, it has been heavily investing into the training of its staff to ensure they have top competencies. It also guarantees first-rate aircraft maintenance in line with the highest global aviation standards.

The affirmation of ethical norms, business practices and conduct are amongst the most important corporate goals of Croatia Airlines. The Company's Anti-corruption Programme is of particular importance for carrying out its business activities. This year it was revised pursuant to the Decision of the Government of the Republic of Croatia on Adopting an Anti-corruption Programme for State-owned Companies for the period from 2019 to 2020.

Croatia Airlines also pays close attention to the impact of its activities on the environment. It strives to operate as a socially responsible company, taking account of the by-products of its operations and their impact on the environment and community. By applying modern technologies and optimising its operations, it has been reducing the negative impact of aircraft operations on the environment, thus contributing to its preservation and sustainable development, and fulfilling its obligations to future generations.

We strive to identify the impacts of our business in a timely manner so that we can manage them adequately and thus contribute to the development of Croatian economy and society, and the protection of natural resources. We believe that responsible corporate governance is fundamental for long-term successful business.

Material aspects	Sustainable development goals
Social	
Safety and security	3 GOOD HEALTH AND WELL-BEING4 QUALITY EDUCATION
System quality	
Customer satisfaction	
Product responsibility	5 GENDER EQUALITY8 DECENT WORK AND ECONOMIC GROWTH
Training and education	
Labour relations and decent work	10 REDUCED INEQUALITIES11 SUSTAINABLE CITIES AND COMMUNITIES
Marketing communication	
Local community development	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Freedom of association and collective bargaining	
Environmental	
Legal frameworks for environmental protection	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Emissions and energy	
Waste management	17 PARTNERSHIPS FOR THE GOALS13 CLIMATE ACTION
Economic	
Finding a strategic partner/recapitalisation	8 DECENT WORK AND ECONOMIC GROWTH
Economic impact	
Contribution to tourism development	
Procurement process and practice	



Direct economic value generated and distributed

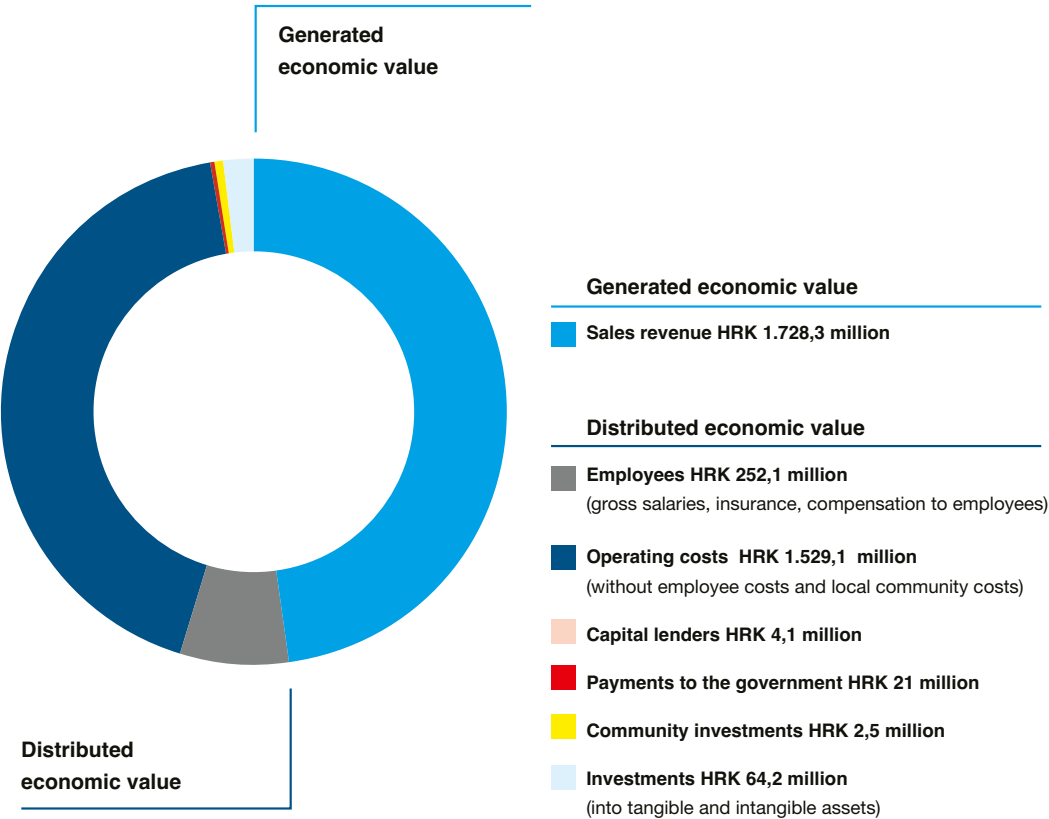
As a for-profit organisation, Croatia Airlines recognises all economic aspects as material, particularly emphasising its contribution to the development of Croatia’s tourism and economy as a whole, as well as the well-being of an individual. In the light of the market conditions in which the Company operates, we produce a significant impact that is reflected in economic situation at the local, regional and national levels. As we operate flights throughout the year, we contribute to the development and traffic connectivity of Croatian regions, especially the ones in the south of the country.

We make our contribution to the functioning of a number of activities that are important for everyday life of Croatian citizens through regular calculations and payments of taxes, contributions and other levies in line with applicable regulations. Our business activities significantly contribute to Croatian economy, and we have been listed among the top Croatian exporters for several years in a row. In this way we positively affect employment not only in our industry but in others as well

A detailed overview of the Company’s financial results is prepared in accordance with the IFRS, the Accounting Act and other applicable legal regulations, as well as the industry rules. It is set out in the Audit Report and in The Management’s Business Report for 2019, where the key business changes in the observed period are also elaborated on.

The Company’s goal is to develop its business operations by making the right and timely decisions, with the ultimate goal of ensuring its sustainable development. The Company has been managing its economic impact through annual and medium-term planning, as well as by monitoring the achievement of the anticipated results on a monthly basis and undertaking relevant measures in a timely manner in case of major negative deviations from the plan. The entire Company participates in the annual planning process, as each sector/service delivers their framework plans for the year to come. These are consolidated by the Controlling and Internal Audit Sector, which delivers the final plan to the Management Board and the Supervisory Board for approval.

Croatia Airlines’ economic contribution in 2019



MATERIAL ASPECTS	Bound-aries within the Group					
	All entities within the Company	All stake-holders	Suppliers	Users of services provided by the Company	Suppliers	Government bodies, social entities, local community, markets served
Economic category						
Finding a strategic partner/recapitalisation	■		■		■	■
Economic impacts and procurement	■					■
Contribution to tourism development	■					■
Procurement process and practice	■				■	
Social category						
Safety and security	■	■				
System quality	■			■		
User satisfaction	■			■		
Product responsibility	■			■		
Training and education	■			■		
Labour relations and decent work	■		■			
Marketing communication	■			■		
Local community development	■					■
Freedom of association and collective bargaining	■					
Environmental category						
Emissions and energy	■					■
Legal frameworks for environmental protection	■	■				
Waste management	■					■



Responsibility to
passengers has a major
role in our business
activities.

S. Lugarov

5

Procurement procedure and practice

The economic aspects of Croatia Airlines affect the economic prospects of its stakeholders at local, regional and national level.

An ongoing task related to the procurement of goods and services is finding suppliers who can meet supply requirements in terms of quality, quantity, prices and delivery dates. For this purpose, the Company applies appropriate supplier verification methods prescribed by the law and incorporated in the Flight and Ground Operations Procurement Procedures, the Aircraft Maintenance Procurement Procedures and the Procurement Regulations.

In compliance with aviation regulations and standards, procurement procedures and Procurement Regulations, Croatia Airlines applies the same principles when selecting procurement procedures with respect to all economic entities- the principle of fair competition and equal treatment, the principle of non-discrimination, the principle of mutual recognition, the principles of proportionality and transparency, the principle of efficiency, and the principle of the free movement of goods, capital and services. Procurement procedures are decentralised in Croatia Airlines, which means that the Company’s organisational units initiate and conduct procurement procedures on their own with the approval of the Management Board. Procurement procedures are conducted in a number of different forms of procurement depending on the type of procurement.

Procurement procedures are conducted and suppliers selected in compliance with the Procurement Regulations and relevant Procurement Procedures, whereby the preparation of a specific procurement procedure, the selection of a supplier, the entering into a contract and the execution of a procurement contract must meet the criteria of timeliness and compliance with specification requirements, all with a view to facilitating efficient and effective procurement, and cost-effective procurement spending.

The Company’s Procurement Regulations recommend the application of “green and sustainable procurement” whenever possible given the circumstances in the market and in line with the Company’s Environmental Protection and Energy Efficiency Guidelines. When procuring machines and devices that pose increased hazards, and hazardous substances, occupational health and safety measures must be taken account of. In terms of correlation between procurement and environmental protection, each procurement of goods and services is subject to environmental impact assessment (if any). The Company’s Procurement Regulations recommend applying elements of green public procurement whenever possible. The suppliers of Croatia Airlines have been acquainted with the ISO14001/50001 certificates via official correspondence with all suppliers individually and through the information available on the Company’s website. With these certificates, Croatia Airlines confirms its dedication to environmental protection, energy conservation and sustainable development. At the same time, it appeals to all of its suppliers to also contribute to environmental protection and energy efficiency through their own active and preventive actions, as well as by encouraging their business partners to do the same. The Company’s Environmental Protection Policy and the official correspondence sent to suppliers are available on its webpage: <https://www.croatiaairlines.com/about-us/corporate-values/sustainable-development?langid=en> The prescribed procurement procedure and its key requirements are integrated into all other procurement sub-procedures at Croatia Airlines.



S. Lugarov

At Croatia Airlines, safety across corporate levels always comes first. We never compromise on safety.



S. Lugařov

5

5.4 Safety and advancements as business imperatives

Safety is of primary importance for all segments of Croatia Airlines’ corporate activities. There can be no compromise with safety. In order to achieve a high safety level, the Company invests largely in training the flight, cabin, ground and technical personnel and ensures relevant level of expertise of all other employees. Moreover, it ensures a high level of aircraft maintenance that complies with the highest standards of the global airline industry, adheres to all applicable regulations and standards and continually invests technical resources to ensure that safety criteria are given priority in all business segments.

Quality assurance system

Croatia Airlines has introduced an integrated quality assurance system that meets the requirements of the following standards: Air Operations Regulation EASA Part 145, EASA Part 147, EASA Part M, Aircrew Regulation, Directive 2003/87/EC (EU ETS) and ICAO Annex 16 (CORSIA), ISO 9001, ISO 50001 and ISO 14001.

The quality assurance system encompasses all organisational units of Croatia Airlines and their respective processes.

Croatia Airlines’ Quality Assurance System



1. Air Operation Regulation CR (EU) 965/2012

CR (EU) 965/2012 is a European and Croatian standard laying down the requirements to be met by airlines in civil commercial air transport operations. Having fulfilled all certification criteria prescribed by the Regulation, on 29 April 2003 the Company was for the first time awarded the Air Operator Certificate (AOC) by the Air Transport Directorate of the Ministry of the Sea, Tourism, Transport and Development (today Croatian Civil Aviation Agency).

2. Aircrew Regulation CR (EU) 1178/2011

CR (EU) 1178/2012 is a European and Croatian standard laying down requirements related to civil aviation aircrew. Having fulfilled all certification criteria prescribed by the Regulation, the Company obtained the ATO certificate – HR.ATO.001 via the AOC, i.e. the approved pilot training organisation.

3. Continuing Airworthiness CR (EU) 1321/2014

- Part M

In late 2007, Croatia Airlines fulfilled all requirements and was issued with a 9A Part M certificate with the scope of authorisation specified in Subpart G, allowing it to carry out independent controls of its fleet airworthiness. Starting from January 2009, the scope of authorisation was further extended to Subpart I, allowing the Company a fully independent review of airworthiness and verification of the aircraft airworthiness certificates. They can be obtained on the basis of the Continuing Airworthiness Management Organisation Manual and/or Aircraft Maintenance Organisation Manual, which are fully compliant with EU laws. Upon Croatia's admission to the EU, the Croatian approval HR.MG.001 became recognised and valid within the European Union.

- Part 145

In 2001, Croatia Airlines obtained an approval of the aircraft maintenance organisation in accordance with JAR 145, the regulations in force at the time of approval; in 2004 it was replaced by EASA Part 145, an approval issued in line with requirements of the European Aviation Safety Agency (EASA). On behalf of EASA, the LBA (Luftfahrt Bundesamt) experts monitored the compliance with EASA Part 145 requirements through annual audits.

At the same time, Croatia Airlines insisted on holding the equivalent Part 145 certificate, which was issued by the Air Transport Directorate of the Ministry of the Sea, Tourism, Transport and Development. This certificate is today renewed by the Croatian Civil Aviation Agency (CCAA). Upon Croatia's accession to the EU, the EASA Part 145 approval for non-EU members ceased to be valid and the Croatian approval HR.145.001 became recognised and valid within the European Union.

- Part 147

In 2005, Croatia Airlines obtained an approval of the aircraft maintenance training organisation in accordance with JAR 147, the regulations in force at the time of approval; in 2007 it was replaced by HR Part 147, an approval issued in line with the then valid regulations 9A-Part-147 for all aircraft types within its fleet. As of 2012, Croatia Airlines holds an approval for basic training and several aircraft types from the aircraft maintenance training organisation. Upon Croatia's admission to the EU, the Croatian approval HR.147.001 became recognised and valid within the European Union.

4. IOSA Operator under the IATA Operational Safety Audit Programme

The International Air Transport Association (IATA) set a global Standard Safety Assessment that applies to all members of the Association. In December 2003, an IATA Operational Safety Audit (IOSA) was conducted at Croatia Airlines, which confirmed a high level of flight safety. This certificate is subject to biannual renewal.

5. ISO 9001

Our approach to quality management is defined by our core document, the Quality Policy. Croatia Airlines established and in November 2003 certified the quality management system in line with the requirements of ISO 9001, the world's most widely recognised quality management standard.

6. ISO 14001, ISO 50001

By adopting the Environmental Protection and Energy Efficiency Guidelines/Policy, Croatia Airlines has opted to manage the objectives and risks of its business operations by taking account of environmental protection and improving energy efficiency, thus fulfilling its obligations to future generations. To this end, in 2016 an environmental management system according to ISO 14001 and an energy management system according to ISO 50001 were implemented. The systems were recertified in 2019 and are still in use. Croatia Airlines is highly dedicated to raising employee awareness about the level of responsibility, the job importance and the way in which the successful performance of job-related tasks contributes to achieving goals of quality. All employees at Croatia Airlines are acquainted with the laws, regulations and procedures of all the countries to which Croatia Airlines flies and which are relevant for the performance of their tasks.

Fatigue risk management

As the risk of fatigue is analysed and identified as a potential hazard for the safety of air operations, appropriate risk mitigation measures are adopted and implemented.

Given the specific working conditions of aircraft crew members, which often include shift work, night work, unpredictable and constantly changing work schedule, and a particular flight environment (cockpit and aircraft cabin), and as such may disrupt sleep and the circadian rhythm (which in turn results in fatigue, accumulated sleep loss and reduced attention during critical flight phases - take-off/landing), a group named the Fatigue Safety Action Group (FSAG) has been formed to coordinate all fatigue-related activities.

The FSAG members gather and analyse data and draw up reports, thus facilitating risk assessments related to the level of fatigue of flight crew members. They also work on fatigue reporting processes, develop and implement procedures aimed at identifying fatigue risk, and make sure that thorough fatigue risk assessments are conducted and that the related risk mitigation measures and guidelines are set out. In cooperation with the Safety Department, the FSAG develops safety procedures based on agreed upon indicators and safety objectives, and provides information about scientific and operating improvements in managing fatigue risk as well as about associated principles and practices. It is responsible for the development, updating and provision of training guidelines and material and makes sure that all the relevant staff members undergo adequate fatigue-related training.

The group meets once a month and analyses fatigue reports sent by aircrews.

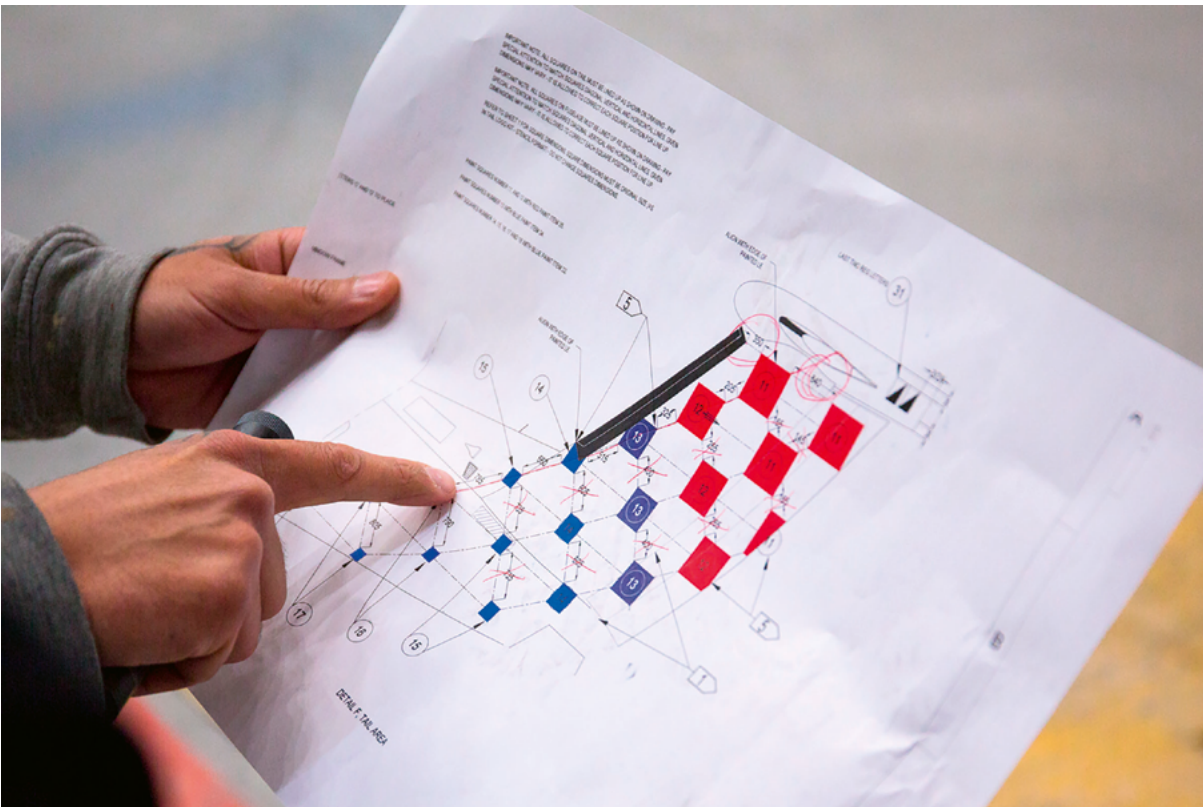
In 2019, 67 reports were processed and analysed. On average, there were 2.58 reports per 1,000 flights, which points to a decrease compared to 2018, when there were four reports per 1,000 flights. In each report, FSAG identifies the hazards and assesses the risks, and makes recommendations for the reduction of factors contributing to fatigue and fatigue risks to an acceptable level. These recommendations are then analysed by the Safety Action Group (SAG) managed by the Safety Manager, after which the Group decides on the final measures to be adopted.

The planning of flight operation schedules, which has to take into account - apart from economic and legal norms - the issues of fatigue emergence and dimensionality, plays a very important role in reducing fatigue risk. Special care should be taken to ensure that aircrews are fully trained to recognise fatigue risk.

Projects co-financed by the EU

In 2019, the Dash 8-Q400 aircraft modernisation project was brought to an end with the installation of state-of-the-art EGNOS navigation equipment enabling the aircraft to use the satellite signal of the European Geostationary Navigation Overlay Service and land using the Localiser Performance with Vertical Guidance (LPV) approach. As Croatia Airlines is one of the first European airlines to equip its fleet with this type of navigation equipment, this is another proof that the Company keeps up with the most up-to-date trends in civil aviation. The advantages of using the LPV approach are visible primarily at airports that have until now not had precision landing navigation in place, which is of particular importance for flights operated in complex weather conditions.

5



The project was devised and initiated in late 2017. Almost all of the Company's organisational units participated in its implementation, while its Technical Sector experts performed the demanding upgrade without any external assistance. The European Commission recognised the significance of the project (worth approximately HRK 5,000,000) and decided to support it by providing 85% of the planned funds under the CEF (Connecting Europe Facility) programme owing to the INEA, which approved the co-financing. The new EGNOS equipment has displayed an exceptionally high level of navigation precision, and its application in pilot procedures has further boosted the safety of flying operations. It has also helped reduce fuel consumption and greenhouse gas emissions.

Another project co-financed by the EU was the ADS-B Out aircraft function upgrade project, initiated in mid-2018 and co-financed by the European Commission under the Connecting Europe Facility (CEF) programme, with 20% of the total project cost. The project features installation of appropriate aircraft monitoring equipment that has become mandatory in 2020. More precisely, this refers to the installation of the Automatic Dependent Surveillance Broadcast (ADS-B) Out) on Airbus and Q400 fleets. The new equipment allows the air traffic control to receive the GPS coordinates of the aircraft, which is the most accurate report on their current position. Some 800 ground stations that make part of the Single European Sky ATM Research (SESAR) project have already been installed in the European aviation area for the ADS-B function. The amount of EUR 150,000 has been provided for this project from the EU funds (INEA). As of December 2019, all Dash aircraft are equipped with devices that meet the prescribed requirements. The equipment has also been installed on three Airbus aircraft, while the remaining three are expected to get it by the end of March 2020. The installation is expected to result in reduced route costs, shorter flights and reduced fuel consumption, fewer delays and increased network throughput at busy airports as well as reduced CO2 emissions, which is significant for the environment.

KAAT (Knowledge Alliance in Air Transport) is an EU-financed ERASMUS+KA2 project gathering 16 partners from six European Union countries: France, Croatia, Italy, Portugal, Romania and Slovakia, led by the Polytechnic University of Bucharest. As an airline certified for the training of aircraft staff, our Company contributes with its operational potentials and experience as a partner within the Croatian consortium comprising the Faculty of Transport and Traffic Sciences, Croatia (Air Traffic Services) Control and the Aeronautical Technical Centre. The project aims to establish close cooperation between higher education institutions and airline companies by developing a study programme (on the EU level) that would provide qualifications for the work in various airline industry fields, all based on the needs of the companies operating in the industry. The goal is to develop an innovative European study programme based on ICT (information and communications technology), which would turn students into aviation experts.

BI (Business Intelligence)

The existing business processes at the Company are supported by an array of applications (SAP, Mona Lisa, Amadeus, NetLine, Amicos, HR Net, etc.). In order to keep pace with frequent market and business changes, it is important to make quality and up-to-date business decisions based on quality reporting. Business reporting at the Company has been partially covered directly through transaction software (SAP, Mona Lisa, etc.), and it refers to reports that require additional processing and editing in another tool - most often Excel. Furthermore, data sources are often different bases that need to be additionally edited. This method of work is time-consuming and can cause errors. In order to improve business reporting, the Company has introduced a Business Intelligence (BI) system.

The development of the business reporting system has led to the creation of a single data source, controlled by data quality control procedures and serving as a basis for the Company reporting (Single Source of Truth). This has solved the problem of data inconsistency (improved data quality), and enabled easier and quicker user access to already structured reports. More advanced users can now quickly create new reports and visualise data, which contributes to faster and more accurate reporting, analyses or planning, and improved operating efficiency and employee satisfaction.

Data protection

As of 25 May 2018, all EU member states apply the General Data Protection Regulation (GDPR). The basic regulations of the Croatian law regarding data protection are the General Data Protection Regulation and the Act on Implementing the General Data Protection Regulation (OG 42/18).

In accordance with the GDPR and the results of risk assessment, data protection measures are being continuously implemented in the infrastructural segments of the IT system of our Company with the aim of strengthening security measures affecting personal data protection. All procedures required by the Regulation have been implemented: risk assessment has been performed, safety measures adopted, internal acts amended, and data processor tasks added to the existing work contracts.

The following principles of processing have been implemented with regard to personal data: lawfulness, fairness and transparency; purpose limitation; data minimisation; accuracy; storage limitation; integrity and confidentiality; and accountability.

The process of compliance with the GDPR included interviewing the participants of key business processes of the Company and analysing its IT system. It comprised several stages: the features of the business processes and IT system components used in the services were analysed; a map of personal data identifying all groups of personal data used in the personal processes of the Company was created; the IT relevance of this data for the purposes of compliance with the GDPR was established. A data protection impact assessment was performed on key groups of personal data, as well as the analysis of the level of compliance of control measures in the Company's business processes and IT system with regard to the GDPR. A recommendation was issued to implement data protection measures by design and by default, which are necessary to ensure compliance with the GDPR. In order to meet the requirements of the GDPR, the SAP Informatiko Lifecycle Management was installed on the SAP system. This is software for managing the lifecycle of data and assisting in the simplification of IT infrastructure by removing outdated information and automatizing data storage in line with the defined rules. This allows the Company to store the data in the form that enables data subject identification only to the extent necessary for the purposes of data processing.

We appointed a Data Protection Officer (DPO) at the Company level and published a Personal Data Protection Policy within the Internal Quality System.

By way of its decision on the designation of entities and pursuant to the Act on the Cyber Security of Key Operators and Digital Service Providers, the Ministry of the Sea, Transport and Infrastructure, as the competent sectoral body for the key transport services sector, awarded our Company the status of key service operator within the Ministry's scope of activities.

In accordance with requirements set out in the Act on the Cyber Security of Key Operators and Digital Services Providers and the decision of the Ministry of the Sea, Transport and Infrastructure adopted at its session of 26 July 2018, we developed an umbrella document titled Information System Security Policy, continued regular annual risk assessment for PCI DSS and GDPR resources and extended the assessment to key resources according to the requirements of the EU's NIS directive. We outlined the key services that we provide in accordance with the Act in the Report on the Identified Operator and the Information System Risk Assessment, and that have an impact on air traffic. The Company's Management Board also adopted a decision on key systems.

We adapted the existing security incident response plan, improved incident detection monitoring activities and continued with preventative controls of key computer system vulnerabilities.

ERCM - (Emergency Response and Crisis Management)

Despite the measures taken at Croatia Airlines to ensure protection and security, the occurrence of unexpected events should also be taken into account (incidents or aircraft accidents, hijacks, etc.). Given that the management of such crises has a major impact on the business continuity and future development of the Company, the Company has founded an Office for Emergency Response and Crisis Management (ERCM). Emergency response and crisis management applies to all of our aircraft regardless of their location, wet-lease aircraft, aircraft of our STAR Alliance partners (for the territory of Croatia, Bosnia and Herzegovina, and Macedonia) and codeshare partners. The system is based on coordinated actions of ERCM teams, aimed at providing an appropriate and efficient response, minimising a negative impact of accidents and ensuring business continuity.

In order to ensure the required level of staff readiness, we regularly participate in professional training

¹ Innovation and Networks Executive Agency



Mirna Žic

Member of Croatia Airlines' aircraft cabin crew

Dream job

"We care for the safety of our passengers".



Siniša Kralj

Croatia Airlines' first officer

Flying is more than just a job.

"Dear passengers, fly with us!
You're in safe hands".



Marina Hinić

Croatia Airlines' station manager assistant

Flying is my life.

"I live, sleep and wake up with planes on my mind".



Danijel Crnobrnja

Croatia Airlines' licensed aeromechanic

Passionate about planes since childhood.

"We guarantee supreme fleet maintenance".



5

46

47

courses and refreshers. In 2019, we attended several external workshops and training courses: CMT distance learning training course held for six new team members; ETIC-related initial and recurrent training sessions held for 41 operators; SAT-related training sessions held for 11 new team members; as part of the annual knowledge refreshment (recurrent), training sessions were held for six employee groups (FRONT-LINE STAFF). When it comes to ETIC and SAT, we also invested efforts in improving the application for efficient management of the process of gathering, analysing and storing data collected from callers.

By joining the LH SERP group on 1 January 2019, we undertook the obligation to train handling agents in the Republic of Croatia as well as staff working at local airports (SJJ, SKP, etc.)

In order to prepare the best we can for possible crisis situations, we participated in AVSEC DBV 2019 (Aviation Security 2019), a functional exercise held last November in Dubrovnik in cooperation with Dubrovnik Airport and the Croatian Ministry of the Interior. It was held as part of preparations for Croatian presidency of the EU Council, with the aim of checking the readiness for intervention, coordination and performance of the police forces and other organisational units. Members of the Lučko Anti-terrorist Unit, employees of the Dubrovnik-Neretva Police Department, Dubrovnik Airport, emergency departments and firefighters participated in the exercise, simulating a forced landing by a Croatia Airlines aircraft that was supposed to fly to Athens but was hijacked by two foreign persons armed with explosives. The simulated situation escalated in terms of hostage casualties, to which the anti-terrorist unit reacted by evacuating 74 passengers and five crew members from the hijacked aircraft, and finding and disassembling the explosive device. The exercise was performed successfully and in line with safety protocols. By way of the said exercise, the Office for Emergency Response and Crisis Management wanted to check and test the applicability and effectiveness of certain segments of the Company's Emergency Response Plan.

5.5 Responsibility to employees



Our employees are the Company's greatest asset and the main catalyst of business activities and development. We aim to offer passengers a lot more than just a comfortable and safe flight by investing in aircraft and ground personnel. This is why we devote a lot of time to training, in order to continuously improve the expertise of all employees.

Working at Croatia Airlines offers opportunities for professional advancement in an international environment, which poses a challenge for all employees and contributes to their satisfaction and motivation. The Company builds upon a working culture that promotes cooperation and teamwork, while readiness to learn and develop further is expected from each employee. Highly motivated and satisfied employees are key for ensuring quality, so motivation and professional interests are important factors when hiring and developing the staff. The differences between employees with regard to education, skills, personal traits, interests and work motivation indicate quite clearly that achieving sustainable development goals is an exceptionally complex and challenging process.

By aligning individual interests of a large number of people with common interests of the Company, we strive to organise the work in a way that each individual is satisfied and contributes his/her best as a member of the organisation. The goal of human resource management activities is to ensure that all employees make use of their knowledge, skills and experience to create added value for the Company, by being assigned an optimal workplace according to their competencies.

We keep up with the industry's requirements and current trends, and also pay due attention to the health of our employees by organising periodic health examinations. As the Company keeps alive a great tradition of celebrating our employees' year-long loyalty, in June 2019 it gathered together the employees who have been with Croatia Airlines for 25 years of uninterrupted service.

Employment policy

New recruitments, required competencies, and training for the successful performance of all work-related tasks are planned on an annual basis. The Company regularly offers its employees to apply for job vacancies within the Company by way of internal hiring procedures and, in addition to regular education programmes necessary for an uninterrupted flow of the business process, it organises training courses to improve employee skills and knowledge. During 2019, a total of 127 persons were employed. Together with seasonal workers, the fluctuation of employees in 2019 totalled 7% (fluctuation rate = employees who have left the Company/average number of employees). In 2019, 62 cabin staff members were employed on a seasonal basis.

Occupational health and safety of employees

Croatia Airlines has undertaken to protect the health and safety of employees at their workplaces and implement of all prescribed occupational safety measures.

In order to protect the health and safety of its employees, as early as in 1991 Croatia Airlines adopted the Occupational Safety Guidelines (which have been amended multiple times since, in line with legal regulations). Based on the Workplace Risk Assessment and in line with the relevant activity, technology, jobs performed in special working conditions, equipment, hazardous substances, and the number of workers, they set out the manner of ensuring workplace safety, related rules and rights, obligations and responsibilities of an authorised person of the Employer and workers where these issues are not regulated by the Occupational Safety Act, its subordinate regulations, and relevant employment contracts. Even though most jobs in the Technical Sector are high-risk jobs (working at heights, with hazardous chemicals, different machines and dangerous devices, etc.), when it comes to jobs performed in special conditions, no severe injuries or professional illnesses were reported in 2019.

A total of 13 injuries were reported in 2019, two of which were not recognised by the Croatian Health Insurance Institute. Work-related injuries amounted to a total of 1,288 hours or 161 days of leave in 2019. Additional information related to occupational injuries can be found in the Company's Annual Business Report posted on its website. The Company looks after its employees' health also by organising comprehensive health assessments, preventive eye examinations in accordance with the Regulation on Working with Computers, flu jabs, and dermatology checks.

A large number of employees perform tasks in special working conditions, and the Company ensures all personal and other workplace protection measures to prevent potential harmful impacts.

Employee training and education

Through continuous investment in education, Croatia Airlines develops and strengthens human resources, having recognised since day one that its business activity is both capital and labour intensive. Due to extremely sophisticated technology and demanding business processes, each year it invests considerable funds in employee training, especially in the specialist training and maintaining the level of education of the flight and cabin staff, as well as of all other employees whose contribution to the Company's basic business processes is invaluable.

Additional information on employee training is available in the Business Report for 2019 of Croatia Airlines d.d. and Croatia Airlines Group. The training process for the employees of Croatia Airlines relies primarily on internal resources, implying the use of its own authorised instructors. In addition to financial savings, the nourishment of its own knowhow results in reduced dependence on external resources and promotes corporate culture and business strategy.

The training of Croatia Airlines' employees takes place on three levels: the training of operative staff, technical staff, and non-operative staff. In 2019, a total of 5,757 hours of internal training was provided for all three employee categories.

Croatia Airlines' Technical Training Centre is a certified organisation providing aviation technical training under the EASA Part 147 approval. The Technical Training Centre offers a wide range of training solutions for a particular aircraft type and specialist courses for aeronautical engineers and technicians. Aircraft type training is performed according to EASA Part 66 / Part 147, and is intended for Part 66, aircraft class A, B1, B2 or C aircraft maintenance licensees and engineers. All other training courses are carried out according to the Part

66 standard in order to fully meet the needs of Part 145 aircraft maintenance. In 2019, the Technical Training Centre continued cooperating with the Croatian Civil Aviation Agency concerning the issuance and extending of PART 66 licences, as well as with Zagreb International Airport in the sphere of training and certification of entities for performing various airside activities. Croatia Airlines' Flight Operations Training Centre offers a wide range of training courses intended for flight, cabin, and ground personnel. All training courses are based on certified programmes harmonised with EASA regulations and approved by the Croatian Civil Aviation Agency. Training courses are held by highly experienced Croatia Airlines instructors.

During 2019, the Croatian Civil Aviation Agency carried out a number of audits and inspections for the purpose of implementing on-going supervision of activities performed by the Operations Training Centre staff at Croatia Airlines' premises, on simulators and on the Croatia Airlines aircraft flights. The results showed an enviable level of compliance with the prescribed standards.

For certain categories of specialised employee training courses, the Company uses the services of IATA (International Air Transport Association) Training Centre and other international specialised training courses, and, if necessary, the services of external experts who carry out in-house programmes. In 2019, 98 Company employees attended various symposia and participated in the activities and work groups within various themed conferences, with the aim of getting familiar with operational and commercial innovations within the industry. Employees in direct contact with Croatia Airlines passengers regularly attend training courses required by Star Alliance standards, focusing on the recognition and treatment of special status passengers pursuant to Star Alliance categories, and standard procedures in emergency situations with the aim of maintaining a high level of service quality and improving passenger satisfaction, while also covering extensive preparations for intensive sales activities before the start of the main tourist season.

As the national flag carrier, Croatia Airlines organises within its Training Centre a series of training courses needed by travel and commodity agencies for the acquisition of the IATA licence, training courses for the employees of airports, freight forwarders, and airline companies.

Works Council

In accordance with the regulations related to employment, the Works Council comprised of nine members operates within the Company. It informs, consults, and participates in decision-making processes with regard to economic and social rights of workers. Up to twice a year, the Works Council organises, in cooperation with the employer, a workers' meeting in order to inform them about the Company's current situation and development. The Works Council also appoints to and withdraws worker representatives from the Supervisory Board.

Freedom of association and collective bargaining

The following labour unions operate within the Company: Croatian Union of Air Traffic Pilots (HSPP), Air Cabin Staff Union (SKOZ), Independent Professional Union of Croatian Aeromechanics (SSSAH), Independent Croatian Union of Airline Employees (SHSZUZ) and Union of Engineers and Technicians in Aviation (SITUZ). As the Croatian legal framework sets out that representative unions are authorised for collective bargaining, in 2016 a new union, Croatia Airlines' Employees Organisation (ORCA), was founded, gathering the members of the above-listed pilot, cabin staff and aeromechanic unions.

After more than two years of collective bargaining, on 12 February 2019 a new collective bargaining agreement was signed. Unlike the previous agreements, which were concluded for periods of two years at the most, this agreement was concluded for a period of five years, ensuring long-term social peace as an important prerequisite for regular and stable business operations, particularly during the tourist season, when the Company generates the highest turnover.

The majority of employees are union members, but provisions of the collective bargaining agreement apply to all of them (100%). The level of rights contained in the collective bargaining agreement regulates many additional benefits of employees in order to improve their economic and social status, such as the number of days of annual leave, paid leave, salary bonuses, severance payments, etc., which are above legal minimum. In case of more serious health problems, deaths, childbirths, long-term illnesses or similar situations requiring individual approach, the Company helps its employees to the fullest extent possible by participating in the medical treatment costs and purchasing the necessary aids, thus protecting their social position.

Non-discrimination and employee dignity

The Company has appointed a person responsible for protecting the dignity of workers and has drawn up a detailed procedure for the protection of dignity in accordance with relevant legal documents regulating the protection from discrimination and harassment.

Furthermore, the Company regularly adopts an action plan for promoting and ensuring gender equality. In 2019, two reports related to dignity protection were received and addressed in line with the prescribed procedure. There were no discriminatory treatments of employees in 2019. Nevertheless, recommendations were issued with regard to taking preventative measures in this area.

We also promote gender equality: there are 52% male and 48% female persons employed with the Company. There is also equal gender representation among managers: 57% female and 43% male executives, who are paid equally for the work they do. Non-discrimination and the promotion of diversity are also reflected in a growing number of employees of different nationalities.

Special benefits for employees

Croatia Airlines takes care of its employees and notifies them via its intranet site about its cooperation with a number of business entities (theatres, sports associations, banks, etc.) and offers them to use their services at a more favourable price (health services, catering and hospitality services, tickets for cultural events, etc.). They are offered the possibility of using air transport services for private travels under more favourable conditions.

5.6 Business ethics

Croatia Airlines and its Management Board deem that raising anti-corruption and ethical awareness of all employees and adopting zero tolerance to corruption are crucial for an efficient prevention of corruption. The Company strives to promote ethical behaviour in all spheres of its business activities: among employees, toward its customers, business partners, segments of the industry, owners, shareholders, and all other entities it cooperates with. Croatia Airlines guarantees equality and equal treatment to all.

Ethics Committee

The Committee for Monitoring the Ethics Code Implementation has been active within Croatia Airlines since 2002. Its purpose is to monitor the enforcement, implementation, and breach of provisions of the Code of Ethics in the company’s work, proposing to the Management Board methods of settling problems related to any reported breach of provisions as an independent body. Based on the relevant report, the Management Board decides on sanctions that may be applied in the case of non-adherence or breach of ethical principles. Its main goal is to promote moral standards, ethical behaviour and business ethics. By rectifying irregularities occurring as a result of non-adherence to the provisions of the Ethics Code, it aims to promote ethical behaviour to make work and professional activities at the Company as pleasant and well-balanced as possible. For this purpose, a system for reporting the cases of non-adherence to the Ethics Code has been set up, allowing employees to report any case of breach thereof. The Committee meets when necessary, i.e. when it has found out or was informed by a Company employee of a possible breach of the provisions of the Ethics Code. In accordance with the Ethics Code, all employees are required to act with due care and attention, following the principle of integrity. The Company pays particular attention to the choice of its business partners and refuses to do business with those who have committed a serious breach of contractual obligations and the rules of business ethics.

In 2019, no breaches of the Ethics Code were reported. The Ethics Code of Croatia Airlines d.d. has also been published on the Company’s website and must be adhered to by all employees.

5.7 Anti-corruption Programme

In early 2010, Croatia Airlines started implementing its Anti-corruption Programme with the aim of improving the legal and institutional framework for efficient and systematic prevention of corruption and the promo-

tion of zero tolerance to corruption. The Programme undergoes revisions, if needed, which was last done in 2019, in line with the Decision of the Government of the Republic of Croatia on Adopting an Anti-corruption Programme for the Companies majority-owned by the State for the period 2019 - 2020. Any breach or non-adherence to the Anti-corruption Programme is considered a breach of ethical principles and standards.

The primary goals of Croatia Airlines’ Anti-corruption Programme are:

- Goal 1 Strengthening work integrity, responsibility and transparency
- Goal 2 Strengthening anti-corruption mechanisms.

The Anti-corruption Action Plan is published on the Company’s website and must be adhered to by all employees. Its Ethics Code is published on its intranet site, which all employees can access. It provides them with an insight into the Company’s dedication to affirming zero tolerance to corruption. In 2019, there were no reported cases related to any form of corruption.

5.8 Responsibility to passengers

Being aware that the success of the Company directly depends on the satisfaction of passengers and other customers, we continuously observe customer expectations with regard to service quality. It is crucial for the Company to identify, understand and consistently act in line with user requirements as well as any applicable legal requirements. Our goal is to ensure good connectivity, reliability and safety by providing our passengers high-quality service during the flight. We want their journey to be stress-free and in line with their expectations. Therefore, we take surveys on a regular basis and communicate with our passengers to offer a service that meets their expectations.

Our customers can make oral or written complaints, commendations, and suggestions. We have been carrying out a customer satisfaction survey since 2004. It is carried out throughout the year, on a daily basis, so as to get feedback from the passengers on their satisfaction with our service quality. The aim of our market research is to continuously monitor the entire service delivery process. The main survey parameters are customer satisfaction with the service, NPS and the likelihood of reusing our service. We manage products and make decisions on improving our products and services or introducing new ones on the basis of the survey results. In late 2019, we also carried out online surveys through a QR code available on our aircraft during the flight. As a Star Alliance member, our Customer Service keeps track of and adopts all rules agreed upon among the Star Alliance members regarding internal and passenger communication. In case a passenger files a complaint, a reply must be provided within the legally prescribed 30 days.

Passengers can contact our Customer Service in writing, using:

- The web form on our www.croatiaairlines.com website;
- The form available in our aircraft;
- By post (at Bani 75b, Buzin, 10010 Zagreb);
- By telefax (+385 1 6160 152).

In case of denied boarding and cancellation or long delay of flights, complaint management is handled in line with the Regulation (EC) No 261/2004, provisions of the Act on Civil and Proprietary Relations in Air Traffic (OG 132/98 and 63/08) and the Montreal Convention of 28 May 1999, which in the Republic of Croatia is implemented on the basis of the Act Ratifying the Convention for the Unification of Certain Rules for International Carriage by Air and provisions of the Act on Civil and Proprietary Relations in Air Traffic (OG 132/98 and 63/08).

Tailored service

By segmenting the market, the Company tailors its service to meet the needs of individual passenger segments: we aim to provide simple and impeccable business travels; as for the tourist segment, during the summer schedule we expand our flight network to meet the requirements of feeder markets; to the private travel segment we offer high-quality service at a favourable price for many city-break destinations in Europe; and to the segment of low-fare passengers we offer travelling without luggage at a lower cost. Our service quality should exceed passengers’ expectations and strengthen their loyalty, ultimately increasing the Company’s profit.

The same as in the preceding years, in 2019 Croatia Airlines continued developing user services aimed at improving user experience, achieving better sales results and increasing revenues.

It primarily continued developing digital channels to enable their users to get access, at any moment, to all information and functionalities needed to plan their travels. The passenger notifications project was completed in March, when the sending of flight delay notifications was enabled. In July, the Company implemented the seat reservation for a charge service, available to the users of digital and all other sales channels. In the same month, Croatia Airlines expanded its offer of digital services by introducing a new mobile application version. The functionally improved and visually more attractive application enables passengers to plan their travels faster and easier, and it can be accessed from mobile devices with iOS and Android operating systems. Compared to the previous version, it is largely redesigned, information can be obtained in four languages (Croatian, English, French and German), with an option of scanning and storing data from travel documents and tracking flight statuses in real time. Parallel with the launch of the new mobile application, users were offered a new web check-in service. In November, the Company implemented a responsive online interface for the purchase of tickets and additional services, and related functionalities - Reservation Management, Flight Schedule, and Flight Status. Responsive interfaces for all these functionalities enable supreme user experience on all digital channels of Croatia Airlines, regardless of the type of device used. Furthermore, a number of new projects were initiated in 2019, as part of further development of services and advancement of operations.

Meals for passengers

Our most important task is to ensure customer satisfaction with the service provided. As the national flag carrier and a company that continuously works on improving its services, our goal is to make flights even more pleasant and introduce the riches of Croatian cuisine to passengers. All meals and beverages on our flights are free of charge and the service depends on the flight duration and the time of day. Passengers on all business flights and on certain flights in the economy class can enjoy special meals that need to be ordered in advance, such as special diet meals, meals in line with health and religious requirements, meals for children, etc.

New business class menu was presented last June, raising the Company's promotion of Croatian tourist and gastronomic offer to an even higher level. The above activity makes part of the Inspired by Croatia project, launched in late 2016 with the aim of offering business class passengers meals based on traditional recipes and local ingredients of coastal and inland Croatia.



V. Šolín



Our aim is to present Croatian cuisine and wine selection to our business and economy class passengers in cooperation with renowned Croatian chefs, restaurants, winemakers, sommeliers, oil producers and other Croatian producers of original Croatian products.

Health and safety of passengers

Health and safety of passengers, crews, and employees is of high priority to Croatia Airlines, and is ensured through an integrated quality assurance system encompassing all of its business processes and organisational units. A more detailed description of the Croatia Airlines' quality management system can be found on page 41 of this Statement. The system is continuously certified and advanced through regular internal supervision and the supervision of relevant domestic and international organisations. The supervision encompasses regular audits and inspections of Croatian civil aviation authorities, i.e. Croatian Civil Aviation Agency (CCAA). Croatia Airlines fully implements professional IATA standards related to air traffic safety. In order to protect the health of the company's customers, all food and beverages served in aircraft must meet certain health standards. Croatia Airlines regularly checks the preparation of passenger meals by catering services in Croatian airports. The procurement and storage of ingredients, preparation and storage of meals, and their transport to aircraft are regulated by applicable Croatian laws and related ordinances. The basic acts are: Food Act, Act on General Use Items, Veterinary Act, Act on the Protection of the Population from Infectious Diseases, and the Act on the Provision of Food Information to Consumers. Sanitary inspectors are responsible for ensuring the implementation of relevant laws and ordinances. The cabin crew must adhere to the provisions of the Act on the Protection of the Population from Infectious Diseases. They are obligated to obtain sanitary certificates, which have to be renewed every year, and attend training courses on minimum hygiene standards every five years.

Product information

Croatia Airlines has in place a Miles&More frequent flyer programme, the most extensive one in Europe. Information about offers, travel planning and booking, the Miles&More programme and all other travel-related information can be found on our website www.croatiaairlines.hr. Existing and potential customers are informed about Croatia Airlines' transport service also through planned promotional activities, media releases, participation in domestic and international fairs, distribution of promotional material, sponsorships, and direct communication with our sales personnel. Croatia Airlines' General Conditions of Carriage are available to customers at all sales locations, branch offices, and representative offices of Croatia Airlines, and have also been posted on the following webpage: <https://www.croatiaairlines.com/Legal-information/General-conditions-of-carriage/>

5.9 Helping the community - inclusion and development programmes

Croatia Airlines strives to support institutions that need humanitarian aid or organise humanitarian projects. It provides help and direct humanitarian aid by granting cost-free transport for severely ill patients, children or people in need, and participating in charity actions by donating free transport. It regularly carries out various sponsorship and donation activities in the field of culture, science, sports, etc. We are guided by principles of social responsibility, which includes the selection of projects or events we wish to take part in.

It should also be noted that, in line with its internal rules and regulations, Croatia Airlines does not offer sponsorships, donations or grants to political parties and state organisations, or organisations supporting racial, religious, minority or any other form of discrimination. Interested applicants can find on our website an application form for donations and/or sponsorships they can fill out and send throughout the year. We publish on our website the names of the beneficiaries and amounts donated at the end of each calendar year.

<https://www.croatiaairlines.com/hr/O-nama/Korporativne-vrijednosti/Sponzorstva-i-donacije>

In 2019, we continued successfully cooperating with the Faculty of Transport and Traffic Sciences in Zagreb. The Company has for many years been presenting itself to students at the Career Days, offering jobs to the graduates. It actively participates in the projects of the Faculty of Transport and Traffic Sciences related to aviation and in professional gatherings. The activities related to the Cooperation Agreement on European Project in Aviation (KAAT - Knowledge Alliance in Air Transport) continued in 2019, with Croatia Airlines being one of the local partners in the project led by the Faculty of Transport and Traffic Sciences.

Croatia Airlines also cooperates with the Aeronautical Technical School Rudolf Perešin whose pupils undergo traineeship at the Technical Sector, with the possibility of employment upon completion of schooling.

Within its projects, the Company successfully cooperates with Croatia (Air Traffic Services) Control, the Geophysics Department of the Faculty of Science in Zagreb, Croatian Meteorological and Hydrological Service, Dubrovnik Airport, etc.

It also participates in the Bora Project, aiming to reduce the impact of the bora wind on aircraft operations at Dubrovnik Airport.

In the year marking the Company's 30th anniversary, we decided to celebrate it together with Croatian primary school pupils. With the support of the competent ministry, we organised a contest for 5th to 8th grade pupils. The task was to create and send a video celebrating our anniversary. As many as 23 schools across Croatia participated, and the video greeting card from a 5th grade pupil attending Fran Galović Primary School in Zagreb was selected. Within the last December's educational visit to the Technical Centre for aircraft maintenance at International Zagreb Airport, pupils had a unique opportunity to see and learn more about the A319 aircraft under the expert guidance of our pilots, flight attendants and mechanics and get a glimpse of how technical servicing of a Dash 8-Q400 is performed.

In the same year that Croatia Airlines celebrated its 30th anniversary, it took part in marking 30 years of the Convention on the Rights of the Child and joined the UNICEF's global child rights support initiative promoting children's rights and enabling them to voice their needs. Within the Smile Above the Clouds campaign we flew some fifty children and their foster parents (gathered around the Forum for Quality Foster Care) from Zagreb to Dubrovnik to celebrate the World Children's Day.

In 2019, we also hosted the central event of the 10th jubilee edition of the MegaDo VIP trip organised by the Star Alliance, welcoming a group of almost 100 aviation and travel enthusiasts from all over the world that arrived in Croatia. As the host of the central event, we flew all participants on special charter flights Hamburg - Dubrovnik and Dubrovnik - Zagreb on our largest aircraft, Airbus 320. This year's participants visited the Company's Technical Centre in Zagreb and learned about operative processes in hangars, where technical maintenance of Croatian and foreign aircraft takes place.

In March 2019, we organised Open Door Days for the children of Croatia Airlines' employees. They visited the Company's technical base accompanied by our expert guides, who presented them aircraft maintenance activities and answered all of their questions.

In September we participated in the 00:24 RUN night charity race that took place at Zagreb Airport and the proceeds of which were donated to the Children's Oncology Rebro Foundation for building a new ward.

In December 2019, we participated in another charity race, the 4th Zagreb Advent Run. The aim of the race was to raise awareness of the importance of responsible sun exposure behaviour in order to reduce the risk of malignant skin diseases. A portion of the registration fee amounts was donated to the Healthy under the Sun association. Some thirty of our employees participated in the Zagreb Advent Run.



Croatia Airlines was proud to fly children gathered around the Forum for Quality Foster Care.

5



Croatia Airlines joined the UNICEF's global child rights support initiative in celebration of the World Children's Day.



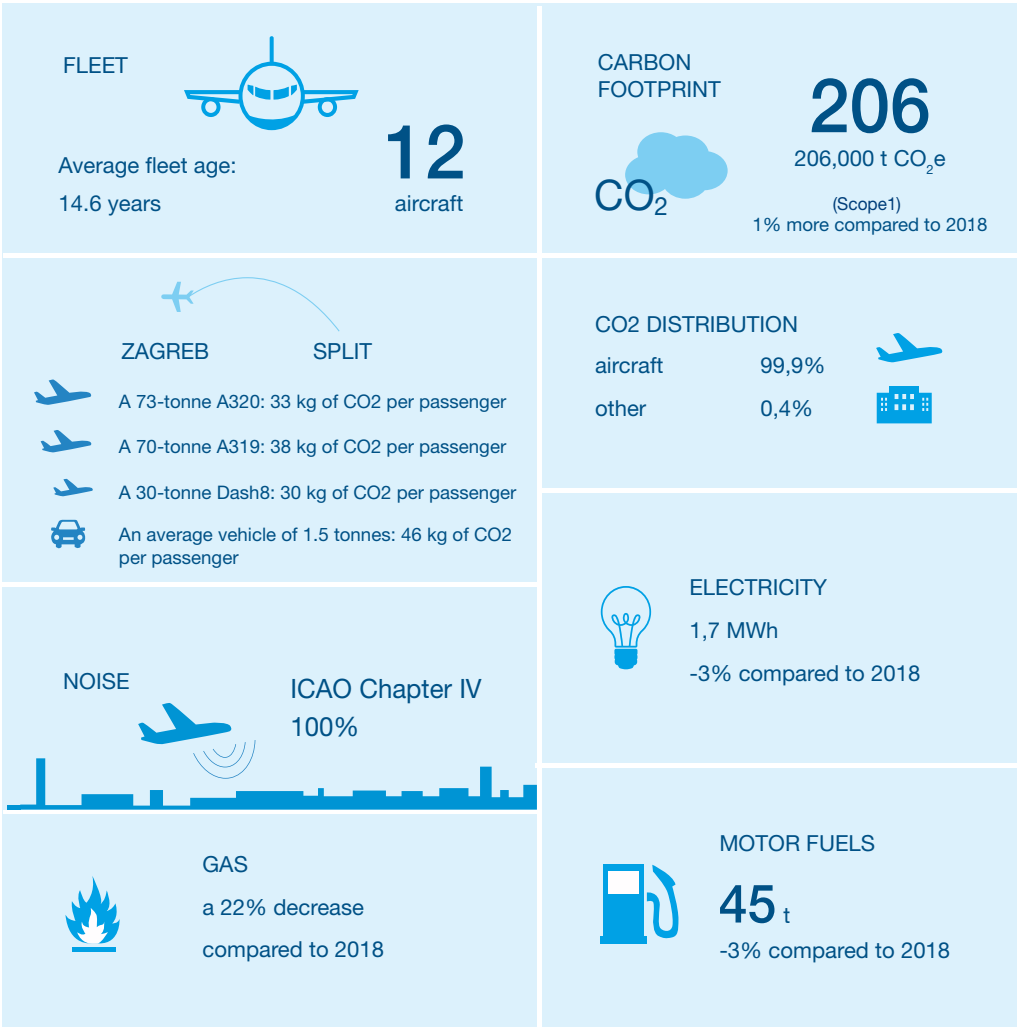
We reach out to the community we operate in through numerous sponsorships and donations.

Some thirty Croatia Airlines' employees participated in the 00:24 RUN night charity race at Franjo Tuđman Airport in Zagreb.

- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 9 INDUSTRY INNOVATION AND INFRASTRUCTURE
- 17 PARTNERSHIPS FOR THE GOALS

5.10 Environmental impact of business activities

Environmental protection was a topic that was vigorously discussed throughout 2019. Devastating fires in the Amazon and Australia greatly contributed to the globalisation of this issue. Croatia Airlines is dedicated to managing its business goals and risks by taking into account environmental protection and improvement of energy efficiency. The impact of Croatia Airlines on the environment can be seen in the activities of its various segments. The Flight Operations Sector is the most intensive in terms of greenhouse gas emissions, the Technical Sector in terms of hazardous and non-hazardous waste, whereas the other sectors affect the environment at a considerably lower level. Croatia Airlines has identified greenhouse gas emissions as the most important aspect of the environmental impact of its business activities and is focused the most on addressing this issue. Aircraft operate in higher layers of the Earth's atmosphere and are the only anthropogenic pollutant that can affect the ozone layer. Greenhouse gases, particularly CO2, are the cause of climate change on Earth and as such are subject to the greatest number of regulatory obligations of Croatia Airlines. In order to mitigate the impact of greenhouse gas emissions, the Company has since the very beginning introduced a system for measuring and monitoring aircraft fuel consumption, and it meets all related regulatory requirements (both domestic and international). Regulatory requirements are continuously evaluated on a monthly basis, thus ensuring their timely implementation in the Company's business operations. When possible, initiatives and anticipated regulatory requirements are introduced sooner; such as the elimination of plastic cups from use on aircraft in 2019. Croatia Airlines endorses the global aviation strategy of environmental protection by investing in technology, optimising air traffic and improving aviation infrastructure, and boosting operational performance.



Sustainability in all flight segments



CARBON FOOTPRINT - our flights can be accessed by public transport, by which we are reducing flight carbon footprint left by passengers

Croatia Airlines strives to operate as a socially responsible company, taking account of the by-products of its operations and their impact on both the environment and the community.



CO₂
CO2 MANAGEMENT - the company compensates CO2 through - the EU ETS system; data is collected for each flight, then verified and delivered to relevant bodies



WATER MANAGEMENT - the carrying of as little as 50% of lavatory water is prescribed for Airbus flights, by which we are reducing emissions by 40 t of CO2/year/aircraft



WEIGHT MANAGEMENT - by using an EFB (Electronic Flight Bag) device we have reduced the need for carrying 35 kg of paper documents per aircraft



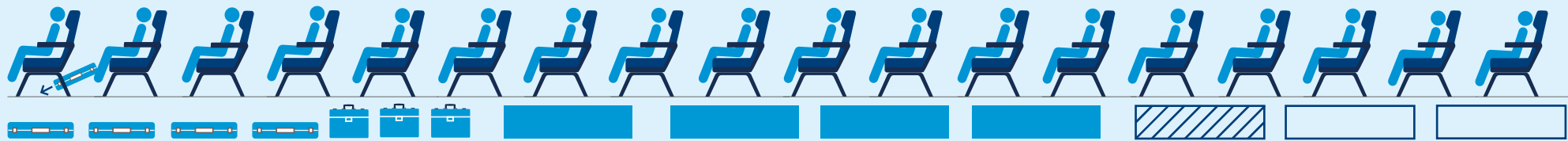
WEIGHT MANAGEMENT - by redesigning the cabin on the Airbus fleet we have increased the number of available seats from 132 to 144, and from 162 to 174, thus reducing the aircraft weight by some 200 kg, reducing the amount of CO2 emissions per passenger and increasing comfort



FUEL MANAGEMENT - we are introducing single engine taxiing by the Dash8 Q400 fleet at airports enabling this, in 60% of cases, by which we are reducing fuel consumption and engine wear



PROCESS MANAGEMENT - web check-in saves time and reduces the need for paper documents (printouts)



COOPERATION- cooperation with the Ministry of Environment and Energy and the Ministry of the Sea, Transport and Infrastructure on implementing CORSIA



WEIGHT MANAGEMENT - the mass of our inflight magazine Croatia has been reduced, by which we are making savings on the mass, and consequently on the consumption of fuel and CO2



FUEL MANAGEMENT - by using advanced flight planning systems (LIDO), we are optimising our flights in view of fuel consumption



WASTE MANAGEMENT - when performing aircraft maintenance activities at our technical base, responsible waste disposal approach is applied



PROMOTION - Croatia's beautiful nature, which we are doing our best to preserve, is promoted on our flights



NOISE MANAGEMENT- all of our aircraft comply with the Chapter IV standards for aircraft noise; changes made on Airbus aircraft in 2019 enabled us to exceed these standards



From a global perspective, the European Union leads the way when it comes to creating and implementing environmental protection objectives, and so does the Republic of Croatia as an EU member state and Croatia Airlines as a company operating in this area. As a member of the largest airline alliance, the Star Alliance, Croatia Airlines also engages in achieving common goals in terms of waste, use of sustainable fuels, emission reductions and the impact on the supply chain. In the coming years, we plan to establish benchmark values and make steady progress in this field.

Croatia Airlines has been participating in the EU ETS process since 2010. In 2018, it joined the Swiss emissions trading scheme, and as of 1 January 2019, it joined the CORSIA process after developing new procedures and monitoring plans in 2018. Having accepted the CORSIA system, Croatia Airlines needed to adapt the existing EU ETS system (Emissions Trading System) in order to extend its operations to a larger number of flights. After the regulation applied, all Croatia Airlines flights have joined one of the CO2 measurement and emissions trading systems (EU ETS, CORSIA, Swiss ETS), allowing the Company to join the increasing number of companies and countries that invest significant efforts and initiatives for the global reduction of greenhouse gases emissions.

As of 2019, the Company's new emissions monitoring, reporting and trading system was named EOS (Emissions Offsetting System).

Activities related to the reduction of greenhouse gas emissions directly affect the Company's economic balance. A reduction of fuel consumption in tonnes through technical and operational activities reduces the cost of fuel. Consequently, the level of emissions indicators has been dropping, which implies lower costs related to emissions credits, so every initiative aimed at reducing fuel consumption results in both an environmental and economic impact. Moreover, various fees for waste, emissions and noise are part of the service price with related to every flight destination of Croatia Airlines, thus directly affecting its financial operations.

Besides limiting greenhouse gas emissions through the EU ETS system, it is also important to consider the relationship between passenger growth and emissions. An increase in the number of passengers at every flight positively affects emission indicators per passenger seat at a certain distance since the volume of emissions does not increase proportionally to the number of passengers. For example, by comparing the average aircraft and car load, in terms of emissions, air travel is often more environmentally friendly. The physical properties of aircraft/vehicles and the fact that usually only one passenger travels by car (the driver) should also be taken into account. As we witness a growing number of technical and technological initiatives in the automotive industry, the airline industry tries to keep pace and be competitive in environmental terms as well.

Croatia Airlines is actively meeting all regulatory requirements and improving its business processes in line with available capacities in order to reduce, to the extent possible, their impact on the environment. Furthermore, it strives to improve its attitude towards the environment by adopting proposals of other stakeholders. The growth of Croatia Airlines is guided by the principles of sustainable development in the following key areas: fleet selection and application of relevant procedures aimed at reducing fuel consumption, CO2 emissions, and noise.

Environmental impacts are monitored through the environmental protection and energy management system certified under ISO14001 and ISO50001 international standards, which were renewed in late 2019 through a recertification audit. The system encompasses all activities that are carried out in a number of the Company's business sectors with regard to the environmental protection and conservation of energy. As aircraft fuel consumption represents the most prominent aspect of environmental impact and energy consumption of Croatia Airlines, the biggest improvements are expected in this very segment. With each improvement of our technical resources (primarily in relation to aircraft), the Company strives to enhance energy efficiency. Furthermore, in 2019 our expert teams evaluated the use of sustainable fuels by Croatia Airlines' aircraft. They established that they were ready for such a step, but that further steps would depend on the setting up of the supplier's infrastructure and the economic aspects of the market due to the currently higher price of such fuels. In the winter season of 2018/2019, the so-called wake vortex elements were installed on the wings of the existing Airbus aircraft fleet, allowing for quieter take-off and landing operations (around 9dB) in line with stakeholder requirements. In 2019, Croatia Airlines paid EUR 1,025 to the Brussels regulatory authorities due to two separate complaints about excessive aircraft noise in the Brussels area. The introduction of the environmental protection and energy management system in 2016 was followed by the introduction of related process measurements and supervision. In order to improve working conditions of our employees, some of them were relocated from Zrinjevac to Buzin.

² Carbon Offsetting and Reduction Scheme for International Aviation

5

This gave rise to the obligation to establish new benchmark values regarding the Company's energy consumption at the new location, where more favourable results were expected. Environmental protection management systems have been set up to ensure more efficient monitoring of environmental protection and better coordination at company level. The introduction of the system has enabled the Company to check and monitor relevant indicators and facilitated the identification of related goals. This has allowed the Company to introduce positive business practices in its processes.

Croatia Airlines implements several policies within its management system. The first and most important one is the Safety Policy, followed by the Quality Assurance Policy, Aircraft Maintenance Quality Policy, Protection Policy and the Environmental Protection and Energy Efficiency Policy. By introducing ISO 50001 (Energy Management System) and ISO 14001 (Environmental Management System) systems in late 2016, Croatia Airlines joined a small circle of global airline companies with an implemented range of ISO management systems (ISO 9001/14001/50001). Their introduction and subsequent monitoring have resulted in certain savings, shown by indicators for which 2015 is taken as a base year, while new benchmark indicator values will be introduced in 2020.

The Company adheres to all applicable legal regulations on environmental protection and energy preservation at national and global level, including waste management regulations. It also strives to implement new technologies and measures for permanent improvement of energy performance, monitor and reduce greenhouse gas emissions, and raise awareness about efficient environmental protection and the strengthening of energy efficiency standards through employee education. Material aspects have also been harmonised with business partners using the same infrastructure, for example, with Zagreb International Airport, with which Croatia Airlines shares water drainage infrastructure. The application of all principles of sustainable development is limited by certain restrictions arising from the particular nature of air transport. This primarily applies to the Safety Policy, regarded as the most important policy on whose principles the Quality Assurance Policy and the Environmental Protection and Energy Efficiency Policy are based. In 2019, Croatia Airlines recorded no cases of non-compliance with the laws regulating environmental protection and energy consumption.

Due to the particular nature of its business operations, the consumption of energy and resources within Croatia Airlines is analysed in three separate segments: flight operations, Technical Sector, and the administrative segment of the Company. Flight operations are the most energy-intensive at Croatia Airlines, with regulations and procedures related to safe air traffic having absolute priority. Due to congested airspace, the EU carriers are constrained to act in accordance with many factors of air traffic, which sometimes hinders the implementation of ecological approach to business.

In 2019, Croatia Airlines leased two CRJ1000 aircraft for its summer schedule, which resulted in an increase in the absolute amount of CO2 emissions. A standard EU ETS MRV method was used to collect CO2 emissions data through the use of the 3.15 emission factor, meaning that one tonne of aviation fuel produces 3.15 tonnes of CO2. The consumption of aircraft fuel in tonnes is considered a business secret and as such is not stated herein.

Energy and water consumption

In 2019, the Company's administrative segment consumed 389,578 kWh, or 1% less electricity compared to 2018. The consumption was reduced through regular renewal of IT equipment in 2019/2020, so the average consumption per computer is currently about 65W. We should mention here that the electricity used by Croatia Airlines holds a HEP ZelEn certificate, meaning that it is produced from renewable sources and that the greenhouse emissions amount to zero. The Technical Sector consumed 1.375,182 kWh during various aircraft maintenance activities, or 4% less compared to the previous year. It should be noted here that aircraft maintenance activities are focused primarily on the quality of work and safety, with energy efficiency following suit. Along with maintaining Croatia Airlines' fleet, the Technical Sector also performs maintenance works for other companies. Considering a growing demand, we can expect an increase in the use of resources and the amount of hazardous and non-hazardous waste. The segment of base aircraft maintenance (major check-ups) shows the biggest growth.

Energy and water consumption	Measurement unit	2019	2018	2017	2016	2015	Index 2019/2018	Index 2019/2015
Electrical energy								
Electrical energy consumption - total	kWh	1.764.760	1.825.608	1.802.820	1.778.360	1.690.244	97	104
Electrical energy consumption - Buzin	kWh	389.578	391.892	389.482	394.042	436.972	99	89
Electrical energy consumption - Technical Sector	kWh	1.375.182	1.433.716	1.413.338	1.384.318	1.253.272	96	110
Gas								
Gas consumption - total	m³	33.246	42.382	46.500	28.844	25.785	78	129
Gas consumption - Buzin	m³	10.885	20.546	26.995	26.573	25.785	53	42
Gas consumption - Technical Sector	m³	22.361	21.836	19.505	2.271	0	102	0
Water								
Water conspumption - total	m³	7.655	7.370	4.765	3.597	3.176	104	241
Water consumption - Buzin	m³	1.549	2.977	3.519	1.293	1.025	52	151
Water consumption - Technical Sector	m³	6.081	4.393	1.246	2.304	2.151	138	283
Motor fuels								
Eurosuper 95 consumption	liter	29.506	30.391	31.026	31.028	30.230	97	98
Eurodiesel consumption	liter	16.065	15.921	17.149	17.731	17.110	101	94
Eurosuper 95 consumption	l/km	0,089	0,089	0,107	0,124	0,130	100	68
Eurodiesel consumption	l/km	0,104	0,126	0,120	0,135	0,150	83	69

Energy consumption data was retrieved using US Energy Information Administration-<https://www.eia.gov>

The Company’s administrative segment recorded a slight increase in the consumption of electricity, while the consumption of gas (used for heating) decreased. According to the data of the Croatian Meteorological and Hydrological Service, in 2019 the average annual temperature was as high as 14.2 °C, while in 2018 it was 14.1 °C, making 2019 the warmest year since 1862 when the measurements in Zagreb area began, and marking an alarming trend.

Gas consumption at the Technical Sector totalled 22,361 m³ in 2019, which is a mild increase by 2.4% compared to 2018.

As for water consumption, in June 2017, a separate water meter was installed for the administrative building, and in 2019 water consumption totalled 1,549 m³ or 48% less compared to the base year of 2018. Such high oscillations have prompted the Company to review and analyse its consumption. Even though there is no water recovery system, it is considered that all the water spent was released to appropriate drainage systems according to earlier data on both key locations.

At the end of 2019, the average age of the vehicle fleet was 12 years (due to partial renewal), which contributed to the expected increase of consumption indicators, even though costs were reduced due to a more considerate use of cars. The fact that the vehicles of the Technical Sector are used for a specific purpose requires the adherence to additional safety rules related to vehicle movement on airport surfaces; nevertheless, the consumption index shows a considerable decrease due to the optimisation of Croatia Airlines’ operations on the new terminal of Zagreb International Airport.

CO₂ emissions

The Company’s CO₂ emissions in 2019 include those from aircraft and those occurring due to the consumption of various energy products. As expected, aircraft traffic accounts for the largest share in CO₂ emissions. In 2019, aircraft of other companies were used on a short-term basis due to disruptions in operations and their impact on emissions was included in the overall emissions of Croatia Airlines as well as in the emissions trading schemes. An analysis of CO₂ emissions per revenue passenger kilometre (RPK) as an indicator of energy consumption and volume of emissions shows an improvement due to increased cabin occupancy and successfully implemented saving measures with regard to aircraft. The overview includes the results for CRJ 1000 aircraft, leased for the first time in 2017 and used throughout 2019.



CO2 emissions	Measurement unit	2019	2018	2017	2016	2015	Index 2019/2018	Index 2019/2015
Total CO2 emissions								
CO2 amount (aircraft)	kg	206.332.154	204.880.366	188.387.687	176.956.819	177.967.887	101	116
CO2e amount (total)	kg	206.516.792	205.071.700	188.591.495	177.128.998	178.130.840	101	116
A320/A319 aircraft	Measurement unit	2019.	2018.	2017.	2016.	2015.	Index 2019/2018	Index 2019/2015
Amount of CO2 emissions within RC by RPK	kg	0,187	0,179	0,173	0,189	0,188	104	99
Amount of CO2 emissions in international traffic by RPK	kg	0,096	0,114	0,112	0,119	0,119	84	81
Q400 aircraft	Measurement unit	2019.	2018.	2017.	2016.	2015.	Index 2019/2018	Index 2019/2015
Amount of CO2 emissions within RC by RPK	kg	0,167	0,167	0,168	0,173	0,175	100	95
Amount of CO2 emissions in international traffic by RPK	kg	0,125	0,126	0,125	0,131	0,131	99	95
CRJ 1000 aircraft	Measurement unit	2019.	2018.	2017.	2016.	2015.	Index 2019/2018	Index 2019/2015
Amount of CO2 emissions within RC by RPK	kg	0,159	0,168	0,148	-	-	95	-
Amount of CO2 emissions in international traffic by RPK	kg	0,118	0,120	0,113	-	-	98	-

The applied calculation methodology was developed on the basis of official traffic performance statistics of Croatia Airlines, verified data for Croatia Airlines from the EU ETS database, and the selected CO2/RPK indicator, most commonly used in the airline industry for presenting the data. The factor used to calculate the total direct emissions of other energy products in use was the GHG Protocol Corporate Standard developed by the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD) in accordance with the IPCC 2006 Guidelines for National Greenhouse Gas Inventories.

The total direct emissions of the Company in 2019 with regard to consumed energy products amounted to 184,638 kg CO₂, i.e. 3.5% less. In 2018, the volume of direct emissions of the Company was 191,334 kg CO₂. Since the Company uses the HEP ZelEn certified electricity, there are no greenhouse gas emissions for this segment (Scope 2), which may be emphasized as an exceptional business achievement.

Through its product ZelEn, HEP Supply sells the electricity generated in HEP’s hydro power plants registered in the relevant database of guarantees of origin and delivers the proof of origin to its customers based on the Methodology for Establishing the Origin of Electricity (OG 133/14).

Croatian Energy Market Operator (HROTE) is responsible for issuing guarantees of origin and for setting up and managing a database of guarantees of origin. In 2019, Croatia Airlines’ cumulative CO₂ emission impact amounted to 206,516,792 kg CO₂e. Compared to 2018, the total volume of CO₂e rose mildly by 0.7% as a result of an increase in the number of operating aircraft units in 2019, resulting from the expansion of the destinations network. The bigger picture shows a stagnating trend, which is good since the current growth does not trigger off an increase in indicator values, except for the indicator related to the use of larger aircraft on domestic routes.

Waste

The application of the waste management system using a responsible approach ensures that none of the elements that might jeopardise the environment come into contact with it. Upon delivery of waste to an authorised collector and entering relevant data (for example for hazardous waste) into the Hazardous Waste Register, the so-called waste flow is monitored from its emergence to the final disposal by authorised companies. Croatia Airlines has in place a waste disposal system and pays equal attention to managing both hazardous and non-hazardous waste.

At the general organisational level, the Company has successfully engaged in rationalising the consumption of stationery and office supplies. Where applicable, the print default on single-model printers has been set on both pages.

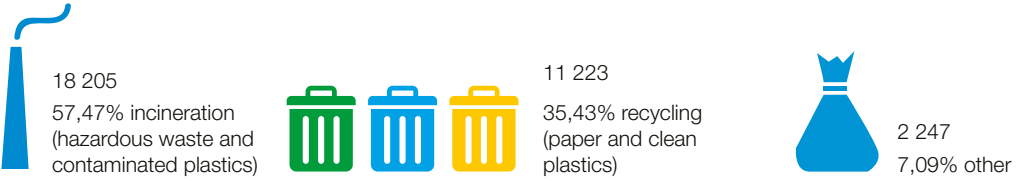
Furthermore, the employees have been familiarised with the need for conscious printing, by which the Company makes savings on both the input (paper, toner, electricity) and output (waste management, archiving as by-products) resources.

Along with municipal waste, separate waste collection can be carried out within the Technical Sector, the biggest waste producer, and the appropriate management thereof eliminates the impact on the environment and ensures a sustainable development of the Company's technical activities. In 2019, increased capacities for waste management were still in effect and a more precise waste separation was further enabled. According to the waste documentation, in 2019, the Technical Sector located in Zagreb produced 18,205 kg of hazardous waste as a result of more complex works on the Company's fleet and those performed on third party aircraft, and 13,470 kg of non-hazardous waste. When we exclude waste kerosene (which can vary significantly due to the specific nature of aircraft maintenance and has, therefore, been separately indicated in the tables), the Company produced 9,965 kg of hazardous waste in 2019, or 23.7% less compared to 2018. During 2019, Croatia Airlines made a formal request to its partners, asking for better planning of the remaining fuel on aircraft brought in for maintenance, which resulted in a significant decrease in waste kerosene.

The collection of municipal waste in administrative segments is performed in accordance with applicable regulations on the state and local level, with separate waste collection depending on the capacity of the local community. In this segment, paper represents the most significant type of waste: 6,960 kg of paper was collected in 2019 at the locations in Buzin and at the Zrinjevac branch office. The Company supports all activities aimed at improving waste management and will do its best to increase the percentage of waste separation in all of its locations, in line with the capacities of the local community, and thus reduce the impact of its operations on the environment.

	Measurement unit	2019	2018	2017	2016	2015	Index 2019/2018	Index 2019/2015
Reuse								
Hazardous waste								
Waste kerosene	kg	8.240	6.700	32.100	6.150	1.000	123	824
Other hazardous waste	kg	9.965	11.927	12.921	9.821	11.845	84	84
Non-hazardous waste								
Non-hazardous waste	kg	13.470	13.004	16.286	4.253	1.375	104	980

Total waste weight by type and disposal method	Measurement unit	2019	2018	2017	Index 2019/2018
Reuse	kg	-	-	-	-
Recycling (paper and clean plastics)	kg	11.223	8.199	10.346	137
Composting	kg	-	-	-	-
Recovery, including energy recovery	kg	-	-	-	-
Incineration (hazardous waste without kerosene and contaminated plastics)	kg	9.965	11.927	12.921	84
Incineration (kerosene)	kg	8.240	6.700	32.100	123
Deep well injection	kg	-	-	-	-
Storage	kg	-	-	-	-
On-site storage	kg	-	-	-	-
Other	kg	2.247	4.805	5.940	47



6. GRI index

7

	Chapter	Page
General disclosure	102-1 Name of the organization	4.1. Company name and head office 13
	102-2 Activities, brands, products, and services (text)	4.6. Croatia Airlines as a brand 15
		4.7. Fleet and capacities 17
		4.8. Main services and activities 18-19
		4.10. Destinations/routes 18
		4.11 Other transport services 19
		4.15. Company history 25-27
		5.8. Responsibility to passengers 51-53
	102-3 Location of headquarters	4.1. Company name and head office 13
	102-4 Location of operations	4.9. Countries/markets of operation 18
	102-5 Ownership and legal form	4.2. Ownership and legal form 13
		4.3. Major shareholders 13
	102-6 Markets served	4.9. Countries/markets of operation 18
	102-7 Scale of the organization	3. Key performance indicators 10-11
	102-8 Information on employees and other workers	4.12. Employee data 20-21
	102-9 Supply chain	4.13. Supply chain 22-23
		5.3. Material aspects of the company's business operations and their effect on sustainable development 35-39
	102-10 Significant changes to the organization and its supply chain	4.5. Significant changes during the reporting period 14
		4.13. Supply chain 22-23
	102-11 Precautionary Principle or approach	5.8. Responsibility to passengers 51-53
		5.10. Environmental impact of business activities 57-61
	102-12 External initiatives	5.4. Safety and advancements as business imperatives 41-43
	102-13 Membership of associations	4.14. Membership in professional associations and organizations 24
	102-14 Statement from senior decision-maker	1. A foreword by the President and CEO 5-7
	102-15 Key impacts, risks, and opportunities	5.1. Operational risks and opportunities 29-31
	102-16 Values, principles, standards, and norms of behavior	5.6. Business ethics 49-51
		5.7. Anti-corruption program 50-51
	102-18 Governance structure	4.4 Management structure 14
	102-40 List of stakeholder groups	5.2. Stakeholders 32-33
	102-41 Collective bargaining agreements	5.5. Responsibility to employees 47-50
	102-42 Identifying and selecting stakeholders	5.2. Stakeholders 31-33
	102-43 Approach to stakeholder engagement	5.2. Stakeholders 31-33
		5.3. The material aspects of the company's business operations and their effect on sustainable development 32 34-36
		5.5. Responsibility to employees 47-50
		5.8. Responsibility to passengers 51-53
		5.9. Support for the community- inclusion and development programs 53-56
	102-44 Key topics and concerns raised	5.3. Material aspects of the company's business operations and their effect on sustainable development 34-36
		5.5. Responsibility to employees 47-50
		5.8. Responsibility to passengers 51-53
		5.9. Support for the community 53-56
		5.10. Environmental impact of business activities 57-61
	102-45 Entities included in the consolidated financial statements	2. 1. Entities included in consolidated financial statements 9
	102-46 Defining report content and topic boundaries	5.3. Material aspects of the company's business operations and their effect on sustainable development 32 34-36
	102-47 List of material topics	5.3. The material aspects of the company's business operations and their effect on sustainable development 32 34-36
	102-48 Restatements of information	2. About the Nonfinancial Statement 9
	102-49 Changes in reporting	2. About the Nonfinancial Statement 9
	102-50 Reporting period	2. About the Nonfinancial Statement 9
	102-51 Date of most recent report	2. About the Nonfinancial Statement 9
	102-52 Reporting cycle	2. About the Nonfinancial Statement 9
	102-53 Contact point for questions regarding the report	2. About the Nonfinancial Statement 9
	102-54 Claims of reporting in accordance with the GRI Standards	2. About the Nonfinancial Statement 9
	102-55 GRI content index	7. GRI Index 65
	102-56 External assurance	2. About the Nonfinancial Statement 9
Economic performance	103-1 Exploration of the material topic and its Boundary	5.3. The material aspects of the company's business operations and their effect on sustainable development 34-36
	103-2 The management approach and its components	5.3. The material aspects of the company's business operations and their effect on sustainable development 34-35
	103-3 Evaluation of management approach	3. Key performance indicators 10-11
Environmental	201-1 Direct economic value generated and distributed	5.3. The material aspects of the company's business operations and their effect on sustainable development 34-35
	103-1 Exploration of the material topic and its Boundary	5.3. Material aspects of the company's business operations and their effect on sustainable development 37
	103-2 The management approach and its components	5.3. Material aspects of the company's business operations and their effect on sustainable development 35-36
		5.3. Material aspects of the company's business operations and their effect on sustainable development 35
		5.10. Environmental impact of business activities 57-61
	103-2 Evaluation of management approach	5.8. Responsibility to passengers - sustainability in all eight segments 51-53
		5.10. Environmental impact of business activities 57-61
	303-1 Energy consumption within the organization	5.10. Environmental impact of business activities 61-62
	303-1 Water withdrawal by source	5.10. Environmental impact of business activities 62
	303-2 Water sources significantly affected by withdrawal of water	5.10. Environmental impact of business activities 62
	303-3 Water recycled and reused	5.10. Environmental impact of business activities 62
	303-4 Water discharge	5.10. Environmental impact of business activities 62
	303-5 Water consumption	5.10. Environmental impact of business activities 62
	305-1 Direct (Scope 1) GHG emissions	5.10. Environmental impact of business activities 61-63
	305-2 Energy indirect (Scope 2) GHG emissions	5.10. Environmental impact of business activities 63
	305-4 GHG emissions intensity	5.10. Environmental impact of business activities 63
	306-1 Water discharge by quality and destination	5.10. Environmental impact of business activities 62
	306-2 Waste by type and disposal method	5.10. Environmental impact of business activities 62
	307-1 Non-compliance with environmental laws and regulations	5.10. Environmental impact of business activities 61
	103-1 Exploration of the material topic and its Boundary	5.3. Material aspects of the company's business operations and their effect on sustainable development 34-36
	103-2 The management approach and its components	5.4. Safety and advancements as business imperatives 41-43
		5.5. Responsibility to employees 47-50
		5.8. Responsibility to passengers 51-53
		5.9. Support for the community 53-56
	103-3 Evaluation of management approach	5.5. Responsibility to employees 47-50
		5.6. Business ethics 50-51
		5.7. Anti-corruption program 50-51
		5.8. Responsibility to passengers 51-53
		5.9. Support for the community 53-56
	401-1 New employee hires and employee turnover	5.5. Responsibility to employees 48
	401-3 Parental leave	4.12. Employee data 21
	404-2 Programs for upgrading employee skills and transition assistance programs	5.5. Responsibility to employees 48-49
	406-1 Incidents of discrimination and corrective actions taken	5.5. Responsibility to employees 49-50
	413-1 Operations with local community engagement, impact assessments, and development programs	5.9. Support for the community 53-56
	415-1 Political contributions	5.9. Support for the community 53
	416-1 Assessment of the health and safety impacts of product and service categories	5.8. Responsibility to passengers 53
	417-1 Requirements for product and service information and labeling	5.8. Responsibility to passengers 53