



Deliverable

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1. Introduction

The law firm Marohnić, Tomek & Gjoić was engaged to analyze existing contracts for the energy renovation of multi-apartment buildings and single-family houses, ensuring a professional approach that provides a foundation for developing standardized contracts in the renovation process.

The existing contracts were provided by the Croatian Association of Building Managers, which collected contracts from building management companies that are members of the Association.

The law firm was selected based on the "best value for money" principle, where an economically viable and optimal offer was chosen, considering the firm's prior experience in legal matters related to the construction industry. Below is the content of the analysis, fully authored by the law firm Marohnić, Tomek & Gjoić.

1.1 Purpose of the analysis

This analysis of existing agreements for the energy renovation of multi-apartment buildings was prepared by Marohnić, Tomek & Gjoić Law Firm d.o.o., Zagreb, Ulica Ante Kovačića 3, OIB: 71892092408 ("**MTG**"), at the request of the association GREEN BUILDING COUNCIL CROATIA, Ulica grada Vukovara 274/1, OIB: 99702507717 ("**Party**") for the purposes of creating one type of standardized agreement for family houses, which agreement would be concluded between service providers (contractors) of energy renovation and investors (owners of family houses) and one type of standardized agreement for multi-apartment buildings, which agreement would be concluded between service providers (contractors) of energy renovation and investors (building owners) within the "LIFE22-CET-crOss renoHome" project ("**Project**").

The purpose of the analysis is to determine which provisions are most frequently determined by agreements for the energy renovation of multi-apartment buildings, such as, for instance, the deadline for the completion of the works, the manner of payment of fees, security instruments, the duration and form of the guarantee for the

proper execution of the works, etc. On the basis of the aforementioned analysis, it will be determined which content of standardized agreements for the energy renovation of buildings would be most appropriate and whether there is a possibility for their improvement.

This analysis is prepared for the Party and may be disclosed to any other person or entity only with the prior approval of MTG. MTG assumes no responsibility in connection with the disclosure of the contents of this analysis to any other party other than the Party.

1.2 Assumptions and limitations

The conclusions in this document are based on the information from the agreement copies provided by the Party. Unless otherwise indicated, we have not made inquiries to verify the accuracy or completeness of the written and oral information provided to us by the Party. Except for any express remarks about the lack of information in this analysis, we cannot guarantee that there are no additional information or circumstances that we would consider important to the Project. Therefore, we cannot confirm that this analysis identifies all issues that may be relevant to the Project and therefore the analysis is limited in this sense.

We performed our task exclusively from the perspective of the Croatian legal system in the context and for the requirements of the Project. We would like to emphasize that this analysis is based exclusively on Croatian law and is given only from a legal perspective. Financial, accounting, tax, commercial, technical, spatial planning, construction, insurance or other non-legal aspects are not included in this analysis and for their further consideration, we advise you to hire experts in the appropriate fields. We have not considered any valuations or projections considered by the Party.

MTG assumes no responsibility for any reliance on this analysis on any other basis. The analysis was prepared exclusively for the stated purpose and represents a

confidential and protected working document of the lawyer and lawyer-client communication. It may not be used nor relied upon by any party other than the Party.

1.3 Information sources

The information contained herein is based solely on the copies of the agreement provided by the Party. We assume that all provided data has been collected legally and that its use by MTG will not constitute a violation of any agreements or rights of third parties.

1.4 Content

This analysis consists of the parts herein:

- a) a summary of the most important provisions of the provided agreements, which is listed under point 2 of this analysis;
- b) a review of provided agreements on the execution of works concluded between the co-owners of the residential building as the client and the contractor, under point 3.;
- c) a review of submitted agreements on professional supervision of works concluded between the co-owners of the residential building as the client and professional supervisors under point 4.;

the list of all provided agreements under point 5.

2. Summary of the key provisions of the provided agreements

2.1. Agreements for the execution of works for residential buildings

For the purposes of this analysis, we were provided with three samples of agreements for the execution of works concluded between the co-owners of multi-apartment buildings as the clients and the contractors, as well as two samples of agreements for professional supervision of works, concluded between the co-owners of multi-apartment buildings as the clients and the professional supervisors.

Most of the submitted agreements for the execution of works contained a "turnkey" provision and stipulated a fixed fee for the execution of works, while other agreements included a variable fee, the final amount of which is calculated based on final situations. All agreements for the execution of work included the requirement for an advance payment. However, since the fee was not specified in any of the provided agreements, we did not have the information on the exact amount of the advance payment, which is typically agreed as a percentage of the total fee. Furthermore, to ensure the advance payment, most agreements included a provision on a guarantee for the return of the advance payment. In addition to the guarantee for the return of the advance payment, the provided agreements indicated that the contractors were obliged to provide a guarantee for the proper execution of the agreement as well as a guarantee for the removal of defects.

In practice, and as evidenced by the provided agreements, the following forms of security instruments are most commonly encountered as instruments of ensuring the return of the advance payment, guarantees for the proper execution of works, or guarantees for the removal of defects within the guarantee period: a) blank or regular promissory notes; b) bank guarantees; and c) cash deposits. These security instruments were most frequently agreed as a percentage of the total agreed fee, typically in the amount of 10% of the total agreed fee. Additionally, as a guarantee for the removal of defects, the client retained a certain percentage of the total agreed

fee for the duration of the guarantee period. Furthermore, guarantee periods for the removal of defects were agreed upon for a period of two years from the date of handover of the works, while the contractor guaranteed the essential requirements of the building for a period of 10 years from the handover of the works.

Furthermore, in most agreements, the deadline for the completion of works was stipulated as an essential component of the agreement, giving the client the right to terminate the agreement in the event of delays. In addition to the right of termination, a contractual penalty for delays caused by the contractor was agreed upon, amounting to between two and five permille of the total fee for each day of delay. Furthermore, most agreements included a limitation on the maximum amount of the contractual penalty, which ranged from 10% to 20% of the total agreed fee for the works. The client also had the right to terminate the agreement if the contractor, contrary to the client's warning, acted in breach of the agreement and professional standards, with it being evident that the works would result in defects.

In accordance with the above, it is recommended that the following elements be included in standardized agreements for the execution of works to be concluded between the co-owners of a multi-apartment building as the client and the contractor:

- 1) a fixed price with a "turnkey" clause;
- 2) security for the return of the advance payment- either a) a blank or regular promissory note or b) a bank guarantee;
- 3) stipulation of the execution deadline as an essential component of the agreement and the stipulation of a contractual penalty for delays, amounting to 2 to 5 permille for each day of delay;
- 4) reasons for the termination of the agreement in accordance with deadlines according to applicable legal provisions;
- 5) guarantee period - in accordance with applicable provisions, i.e. the guarantees provided by the manufacturers of installed materials;

- 6) security instrument for the removal of defects within the guarantee period in the form of a) a blank or regular promissory note, b) a bank guarantee, or c) a cash deposit;
- 7) payment for works based on delivered and confirmed situations.

2.2. Agreements for professional supervision of multi-apartment buildings

With regard to the agreements for professional supervision of works concluded between the co-owners of a multi-apartment building as the client and the professional supervisor, they include standard provisions relating to the obligations of the client and the contractor, with the deadline being identical to that agreed in the agreements for the execution of works. The fee for professional supervision is fixed and is paid upon the completion of works or upon submission of the final report by the supervising engineer. Since the amount of the fee was not specified in the agreements, we do not have accurate information on such an amount. Additionally, the client had the right to terminate the agreement if, following a warning from the client, the contractor failed to act in accordance with the client's request, which required compliance with the terms of the agreement and adherence to instructions and professional standards. Although professional supervision is not mandatory for energy renovation of multi-apartment buildings, we recommend hiring professional supervision in such cases.

2.3. Agreements for the execution of works for family houses

For the execution of construction works on family houses or buildings that are not multi-apartment, we did not receive any sample agreements. From this, we conclude that such agreements are concluded based on purchase orders, i.e. through the issuance and acceptance of offers. Since these agreements typically involve lower agreement values compared to agreements for the execution of works on multi-apartment buildings, we are of the opinion that such agreements shall be simpler and include fewer provisions and requirements for both the contractor and the client.

2.4. Agreements for professional supervision of family houses

Finally, for professional supervision of works on family houses or buildings that are not multi-apartment, we did not receive any sample agreements. From this, we conclude that such agreements are not concluded, nor is it mandatory to hire professional supervision for this type of building. Nevertheless, we recommend hiring professional supervision for such projects as well though it is first necessary to assess whether it is cost-effective for the client to hire professional supervision, taking into account all other expenses.

3. Sample agreement for the execution of works concluded by co-owners of a multi-apartment building

3.1. Agreement for the execution of works concluded between the co-owners of a residential building as the client and the contractor

Subject of the agreement	Execution of works
Fee	fixed - turnkey the contractor is entitled to request a price adjustment exceeding 10% if the cost of elements increases beyond the contractor's control to the extent that the price would need to be more than 10% higher, provided that the increase did not occur after the contractor was already in delay
Manner of the fee payment	advance payment upon the conclusion of the agreement the remaining amount of the fee upon handover and final calculation of the works, the client has the right to withhold payment until defects are removed
Deadline for completion of works	stipulated as an essential component of the agreement
Contractual penalty in the event of a delay	five permille of the agreed fee for each day of delay

Security instruments	guarantee for proper execution of the agreement in the form of a blank promissory note
Guarantee period	provided, but the specific duration is not stated in the agreement
Cessation of the agreement	<ul style="list-style-type: none"> • If, after the deadline has expired, the contractor fails to comply with the client's request to adhere to the agreement's terms and perform in accordance with instructions and professional standards to avoid defects in works, the client may terminate the agreement and claim damages. • If the execution deadline is an essential component of the agreement and the contractor significantly delays the commencement or completion of the works to the extent that it is evident the work will not be completed on time, the client may terminate the agreement and claim damages. The client has the right to terminate the agreement if the contractor is already in the delay. • The client may terminate the agreement if, due to urgent unforeseen works, the agreed price would need to increase significantly, provided that the client notifies the contractor about the stated without delay.
Remarks	/

3.2. Agreement for the execution of works concluded between the co-owners of a residential building as the client and the contractor

Subject of the agreement	execution of works for the energy renovation of a multi-apartment building
Fee	Fixed - turnkey
Manner of the fee payment	<ul style="list-style-type: none"> • advance payment within 30 days of signing the agreement

	<ul style="list-style-type: none"> • the advance payment will be calculated by deducting the amount of interim certified situations by 20% of the advance payment per situation, starting with the first interim situation, until it is fully repaid • the remaining agreed amount will be paid based on interim monthly situations and the final situation, certified by the supervising engineer and the client's representative, i.e. certified confirmations of executed works by the supervising engineer along with the handover report • interim situation is issued at the beginning of the month for the previous month • the final situation is issued after the successful handover of works
Deadline for completion of works	150 calendar days, stipulated as an essential component of the agreement
Contractual penalty in the event of a delay	two permille of the agreed fee for each day of delay, with the total contractual penalty amount not exceeding 5% of the total agreed fee
Security instruments	<ul style="list-style-type: none"> • guarantee for the return of the advance payment in the form of a blank promissory note, regular promissory note, or irrevocable bank guarantee payable on the first call in the amount of HRK 200,000 • guarantee for the proper execution of the agreement amounting to 10% of the net fee in the form of an irrevocable bank guarantee payable on first call or a cash deposit
Guarantee period	two years from proper handover, i.e. ten years for the parts of the building meeting certain essential building requirements prescribed by applicable legal provisions, covered by a blank promissory note or cash deposit amounting to 10% of the gross fee

<p>Cessation of the agreement</p>	<p>If the contractor fails to commence works within eight (8) days of the agreed start date due to personal or business reasons at his fault, the agreement is automatically terminated, and the contractor is obliged to compensate the client for any damages incurred.</p> <p>If the contractor fails to comply with the dynamic schedule and deadline to the detriment of the client, thereby jeopardizing the overall deadline and/or work quality, the client has the right to unilaterally terminate the agreement and hire another contractor to complete the unfinished work.</p> <p>If, after being warned by the client, the contractor fails within five days to comply with the client's request to adhere to the terms of the agreement and perform works in accordance with instructions and professional standards, or if defects are not removed, the client may terminate the agreement and claim damages.</p>
<p>Remarks</p>	<p>The agreement was concluded with the most favourable bidder following an open call for project proposals (procurement procedures for entities not subject to the Public Procurement Act, OG 120/16, 114/22).</p>

3.3. Agreement for the execution of works concluded between co-owners of a residential building as the client and the contractor

<p>Subject of the agreement</p>	<p>execution of renovation works on the facade and roof of a multi-apartment building</p>
<p>Fee</p>	<p>variable, calculated based on the actual work performed</p>
<p>Manner of the fee payment</p>	<ul style="list-style-type: none"> • advance payment in the amount of 30% of the net fee upon signing the agreement

	<ul style="list-style-type: none"> remaining amount paid based on interim situations, with the final situation submitted upon handover, at which point the remaining amount of fee is paid
Deadline for completion of works	70 working days from the date of commencement of the works
Contractual penalty in the event of a delay	two permille of the fee for the agreed works regarding which the contractor is in delay, for each day of delay, with the total contractual penalty not exceeding 10% of the total gross agreed fee
Security instruments	<ul style="list-style-type: none"> a guarantee for the proper execution of the agreement amounting to 10% of the gross fee in the form of a blank promissory note
Guarantee period	two years from the date of proper handover, a guarantee for the removal of defects amounting to 10% of the total gross price in the form of a blank promissory note, and if the contractor fails to submit the guarantee, the client will retain 20% of the total gross contract price of the works
Cessation of the agreement	The client has the right to terminate the agreement if the contractor fails to provide a guarantee for the proper execution of the agreement.
Remarks	The agreement specifies the appointment of a person responsible for professional supervision of the works.

4. Sample agreement for professional supervision of works

4.1. Agreement for professional supervision of works concluded between apartment co-owners of a residential building as the client and the professional supervisor as contractor

Subject of the agreement	provision of professional supervision over the execution of works on the energy renovation of a multi-apartment building
Fee	fixed
Manner of the fee payment	upon completion of the works
Deadline for completion of works	equal to the deadline stipulated in the agreement for the execution of works
Contractual penalty in the event of a delay	/
Security instruments	/
Guarantee period	/
Cessation of the agreement	If, upon the client's warning, the contractor does not act in accordance with the client's request to adhere to the agreement terms and work in accordance with the instructions and professional standards within five days of such a request, the client may terminate the agreement.
Remarks	The agreement is concluded with the most favourable bidder following the direct agreement procedure (procurement procedure for entities not subject to the Public Procurement Act, OG NN 120/16, 114/22).

4.2. Agreement for professional supervision of works concluded between apartment co-owners of a residential building as the client and the professional supervisor as contractor

Subject of the agreement	provision of professional supervision over the execution of works on the renovation of the facade and roof of a multi-apartment building
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Fee	fixed
Manner of the fee payment	upon submission of the final report by the supervising engineer
Deadline for completion of works	equal to the deadline stated in the agreement for the execution of works, but at a maximum of six months from the signing of this supervision agreement
Contractual penalty in the event of a delay	/
Security instruments	/
Guarantee period	/
Cessation of the agreement	/
Remarks	/

5. List of reviewed documents

1. Agreement for the execution of works (building manager STAMBENO GOSPODARSTVO TANKER d.o.o.);
2. Agreement for the execution of works on the energy renovation of a multi-apartment building;
3. Agreement for the execution of works on the renovation of the facade and roof of the multi-apartment building at Istarska 32, Pula;
4. Agreement (professional supervision);
5. Agreement for the performance of professional supervision services.



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