



Communication on Progress

Year: 2019/2020

Basic data:

Hrvatska poštanska banka d.d. (Croatian Postal Bank plc)

Address: Jurišićeva 4, HR-10000 Zagreb, Croatia

Contact: Management Board Office

Phone: +385 (1) 4805 057, +385 (1) 4804 920

E-mail: pr@hpb.hr

Web: www.hpb.hr

Statement of Continued Support

We have pleasure in presenting you our 12th Communication on Progress, prepared in accordance with the principles of the UN Global Compact Initiative, and outlining the activities of Hrvatska poštanska banka taken in the areas of human rights, work conditions, environment and anti-corruption in 2019 and 2020.

The principles of Global Compact, the largest global initiative for sustainable development and corporate sustainability, have been integrated into the business strategy of Hrvatska poštanska banka and we consistently implement these principles. Each year we are improving our business practices and social role, contributing to the creation of prerequisites for sustainable development.

Being aware that the products we offer, the projects we support and all the activities and initiatives we initiate have impact on the environment where we run our business, we are committed to implement the principles of transparency, security and trust, to invest in the development of our employees, to maintain high quality of services and availability to customers, to encourage sustainable entrepreneurial ideas and environmental responsibility.

At the time of big challenges in the health, economic, social and environmental spheres, Hrvatska poštanska banka pays even more attention to the social responsibility, creating satisfied and motivated employees, offering business solutions for simple and secure businesses, as well as providing for more comfortable life of our customers, and contributing to the community where we care in particular of healthier environment, children's rights and financial education.



In the 2019 and 2020 Communication on Progress we give the summary of our achievements which demonstrate the dedication of Hrvatska poštanska banka to caring for people and their rights and to building

advanced society for whose future we are all responsible. This Communication includes also the outline of the plans for 2021.

Sandra Skendžić
Director of HPB Management Board Office



GENERAL STANDARD INFORMATION

Organizational profile

Hrvatska poštanska banka was founded in October of 1991 as a universal banking organization to provide all banking services at home and abroad. Until 2001, the majority owner of Hrvatska poštanska banka was Croatian Post which through the good business practice of postal banks in Europe, continued to accomplish, through a newly established bank, the mission of the traditional postal savings banks which were founded in Croatia in 1883.

Since the beginning of 2001, the Republic of Croatia is the majority owner of Hrvatska poštanska banka via funds or companies owned by it.

The ownership structure of Hrvatska poštanska banka on 31st December 2020:

Shareholders	Position	Percentage of share capital (%)
Republic of Croatia	859.035	42,4293
HP-Croatian Post plc	241.610	11,9336
State Agency for Deposit Insurance and Bank Resolution	181.818	8,9803
Croatian Pension Insurance Institute	177.311	8,7577
Hrvatska poštanska banka plc – own treasury shares	795	0,0393
Other shareholders (each under 5% of share capital)	564.056	27,8597
Total shares	2.024.625	100%

HPB is the core of the HPB Group which also includes HPB-Invest Ltd. and HPB-Real Estate Ltd..

Management

One of the major pillars of the business strategy of HPB is digitalization and accessibility and availability to customers. The strategic cooperation with the Croatian Post and the use of the post offices as its distribution channels enables HPB to be the most accessible bank in Croatia. Along with its accessibility, HPB is especially committed to creating innovative and competitive digital products and services responsive to the needs of its customers.

Ethics and Integrity

Hrvatska poštanska banka is the largest Croatia owned bank and it is the sixth bank in Croatia in terms of market share. HPB's mission is to accept the responsibility and to take care in the best possible way of its customers, shareholders and community, and it takes full account of not only economic but also of social processes and contributes through its actions to further development of Croatia. The Bank complies with the Code of Corporate Governance of the Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange whose purpose is to promote efficient governance and responsibilities in the companies whose shares are listed on the regulated market of the Stock Exchange.

Employees' Data

On 31 December 2019 the Bank had the total of 1252 employees.

The structure of the employees was the following:

1) based on type of employment

Temporary employment	Permanent employment	Total
74	1178	1252

2) based on age and gender structure

YEARS from - to	TOTAL	TOTAL WOMEN	TOTAL MEN
19-24	15	14	1
25-29	88	56	32
30-34	186	135	51
35-39	269	190	79
40-44	266	182	84
45-49	184	144	40
50-54	115	89	26
55-59	91	68	23
60-64	38	28	10

Employees' average age is 41.5.

3) gender structure of managers and other senior officers in the Bank was the following: men (41%), women (59%).

On 12 December 2020 the Bank had the total of 1309 employees.

The structure of the employees was the following:

1) based on type of employment

Temporary employment	Permanent employment	Total
71	1238	1309

2) based on age and gender structure

YEARS from - to	TOTAL	TOTAL WOMEN	TOTAL MEN
19-24	16	14	2
25-29	85	61	24
30-34	186	136	50
35-39	266	187	79
40-44	269	188	81
45-49	218	159	59
50-54	118	96	22
55-59	98	72	26
60-64	53	39	14
TOTAL	1309	952	357

Employees' average age is 42.

3) gender structure of managers and other senior officers in the Bank was the following: men (43%), women (57%).



SPECIFIC STANDARD INFORMATION

Category: Economic

The business year 2019 was marked by the operating revenue generated at the highest levels in the corporate history of Hrvatska poštanska banka, with inter-annual growth of 9.7%, and the operating profit reached the figure of HRK 322.9 million which was 6.6% more than in 2018. The net profit was 143.8 million and was by 5.3% lower than in the previous year.



The assets of the Bank totalled at the end of 2019 HRK 23.8 billion with inter-annual growth of HRK 2.5 billion or 11.9%, the highest since 2007. Thereby HPB secured the sixth position in the ranking list of the banks in the Republic of Croatia.

The growth of the assets was realized by the acquisitions of Jadranska banka and HPB-Home Savings, both successfully completed during 2019, and partly by the continuation of the organic growth but at

more moderate rates than in the past.

Total loans grew by 19.2% or by HRK 2.4 billion with significant growth in the scope of retail loans by HRK 1.3 billion, as well as in the segment of SME and large customers.

Total deposits grew by 9.7%, the retail and corporate segments recorded growth with observable spill-overs of time deposits (-9.2%) to sight accounts (+21.8%).

The capital of the Bank reached the figure of HRK 2.37 billion, recording 18.4% growth if compared to the end of 2018, and the significant contribution to the growth of the capital referred to the generated net profit. Stronger capital base and the measures of optimisation of capital management introduced during the fourth quarter of 2019 resulted in the capital adequacy ratio of 20.17% which is the highest annual rate since 2004.

The Bank is providing banking services to 573 thousand individuals, to more than 11 thousand small and medium businesses while in the segment of large companies and public sector it has about 1.300 customers.

At the end of 2019, the Bank had in the portfolio of card products more than 792 thousand cards, recording the growth of 7% if compared to 2018.

The number of customers who use internet banking for natural persons grew by 2% if compared to 2018 while the number of business entities which have contracted the service of internet banking grew by 17%. At the end of 2019, the number of mobile banking users grew by 15%, the number of transactions grew by 51% and the volume increased by 76% if compared to 2018.

The creation of the environment which provided for easier, faster and cheaper services and larger possibilities offered by digitalization were the trends that marked also 2019. HPB's virtual branch, e-Branch is free of charge and is available to internet and mobile banking users. E-Branch relies on remote communication with the customers and digital documentation, increases the availability of the products and services to the customers in terms of time, and has also a positive impact on the environment.

The important events in 2019 were the inclusion of the branch offices of Jadranska banka and of HPB-Home Savings. By the acquisition of Jadranska banka HPB intensified its presence in central Dalmatia and increased its customer base by 25.500 customers, and a large Regional Centre providing customer support in the Šibenik-Knin County was opened in Šibenik. HPB-Home Savings was incorporated into the Bank for the purpose of building sustainable business model and promoting the business operation. Incorporating HPB-Home Savings into the Bank, the Bank not only optimized its business operation but also got 2.400 customers.

Following the acquisitions completed in 2019, HPB Group, in addition to the parent company, includes HPB-Invest and HPB-Real Estate. HPB Invest is the company established for the purpose of establishing and managing UCITS funds; it manages 6 open-ended investment funds with a public offering of the total assets of HRK 1.02 billion. Net profit of HPB Invest exceeded in 2019 HRK one million. HPB- Real Estate is the company specialized in real estate business, with the balance at the end of 2019 of HRK 10 million and it generated net profit of HRK 691 thousand.



In 2020 when the COVID-19 pandemic strongly affected economy and income of the citizens, Hrvatska poštanska banka introduced the program supporting the citizens in order to facilitate the repayment of financial obligations. The Bank ensured the continuity of business operation and permanent availability of all services; during the whole year regular credit activities continued and we implemented the projects which were extremely important for the improvement of the quality of services. The availability to customers was improved by the introduction of the banking services for legal persons in the post offices on the locations where there were no adequate services until then. That was the project implemented by HPB and its strategic partner the Croatian Post, "Bank in Post Office". The same banking services as offered in the Bank's branch offices are now also offered within the network of post offices in small and remote places. The Bank also introduced the instant payment service, kicking off a new era of development of modern payment services, available 24/7/365, demonstrating again on this example that it cares for the satisfaction of its customers.

2020 was important for HPB also because of the completion of the comprehensive assessment carried out by the European Central Bank. This assessment comprised an asset quality review and a stress test. By successfully passing the ECB's assessment carried out on five banks, Croatia met one of the conditions for the accession to ERM-II as a step leading to the implementation of the strategic goal of introducing EUR, and HPB got additional confirmation of the quality and resistance of balance sheet, the encouragement to continue the implementation of the strategy and its mission to create the conditions for better life in our country.

Category: Environment

Practical activities in the environment category:

- HPB improves on an on-going basis its digital channels, in particular mobile banking and virtual eBranch which relies on remote communication with the customers, online contracting of the Bank's products and services, digital documentation and qualified digital signature of documents. Such manner of business operation increases temporal availability of products and services to the existing and potential customers of the Bank, and also has a positive impact on environment. Using eBranch, the impact of means of transportation is reduced, and digital documents and signatures in the communication with customers reduce the quantity of paper used. Also, the needs are reduced for office premises, energy and resources required for the operation of the Bank.
- By the implementation of the new functionalities on the Bank's website, the customers may submit many types of forms and applications online through digital way of communication, reducing thereby the use of the resources such as means of transportation, paper, etc. The functionalities are the following: opening of accounts for natural persons, opening of accounts for corporate users, online loan applications for natural persons and corporate users, online applications for cards, etc.
- HPB purchased because of the required support to the operational work of the production systems in accordance with the growing requirements of ICT capacities new servers and disk systems intended for the virtualization of IT services that will save the consumption of electricity.
- During 2020, HPB internally developed and implemented the system for managing incoming invoices ("PUR"). This is the unique application for recording all incoming invoices which when they come to the Bank become digital (scan and upload in the application), and then through the defined process they go through all the controls and approvals. This fully excludes the need for additional printing or scanning and circulating of original documents; in this manner electricity is saved, there is less printing and consumption of consumables and decreased need for the space for archiving.

Green Office

Hrvatska poštanska banka is committed to promoting the importance of healthy environment and sustainable growth. The Bank regards environmental and social sustainability to be the fundamental aspect of achieving the results being in line with its goals and that the projects where environmental and social sustainability are encouraged are among the top priorities.

Introducing the Green Office initiative in 2012, Hrvatska poštanska banka has opted to be the institution which soundly and rationally manage energy and waste encouraging ecologically responsible behaviour of its employees, business partners and community where it operates.

Among the activities of the Green Office the education of employees plays an important role seeking to diminish negative impact on the environment and to enhance the efficient use of resources in everyday office activities.

Education is raising awareness and motivation to change attitude to the consumption of energy and other materials in the offices. Taking such measures, not only the costs and negative impacts on the environment have been reduced, but also the quality of employee work has been better.

Also, through education employees' environmental awareness is enhanced. The Green Office writes about the current environmental trends and issues, and encourages reflection and engagement.

Since the launch of this Initiative, a significant saving of energy has been achieved.



The Bank acts in accordance with the Environmental and Social Policy, the internal document adopted in 2018, which defines the manner of treating environmental and social impacts of the projects financed by the Bank and promotes and encourages the programs that result in major environmental and social benefits.

Practical activities of Green Office:

- Through the informative and educational Intranet Site – Green Message Board, the Bank continued to educate employees on an on-going basis on the current events, issues and interesting matters from the world of ecology and to advise them about the measures taken by the Green Office in terms of sound paper consumption, optimum heat regulation in the premises, rational water and lighting consumption, gathering old paper and toners in the special boxes, etc.
- In the newsletter “Moja HPBanka”, in its column “HPB thinks green”, current environmental issues were discussed, the activities were promoted and the employees were advised on the manners in which they could contribute to the protection of environment.
- Waste paper was continuously collected in cooperation with the licensed company which was supplying the boxes for waste paper. All waste paper was transported for recycling in cooperation with the partners of the Bank.
- All e-waste (obsolete computers, printers, fax machines) was properly disposed of at the companies licensed for e-waste disposal.
- In all its units and Bank’s operational locations, throughout Croatia, the Bank introduced boxes for the purpose of gathering waste toners; they were then transported and disposed of in the correct manner at the company responsible for that.

- The Bank offers its customers the option of receiving bank account and credit card statements and updates via electronic mail.
- Reports on expenditure were regularly sent via emails to the users of corporate mobile phones for the purpose of achieving more rational use of such phones.

Future goals:

- Further digitalization and rationalization of the IT infrastructure elements which will significantly minimise energy and ecological footprint of the Bank's information system.
- Implementation of document management solution which will ensure the required functionalities during the entire lifetime of documents (from creation, editing, correction, publication, archiving) and thereby provide for additional digitalization which will have the impact on the costs of printing and consumables.
- In 2021, the Bank will continue to implement the Green Office activities and will reduce office supplies and energy consumption even more.
- We are planning to strengthen our "green" team that will mobilize its local potentials and through several green actions create stronger links between employees and the community and help in solving environmental problems.

Category: Social

1. Work conditions and decent work

Practical activities in the area of human resource management:

Professional training

HPB is continuously taking care of and providing for the expertise and education of its employees in terms of the ever present foundation of the Bank's competitive power on the market. Besides, the Bank's employees are obliged to maintain their professional skills and comply with the professional and applicable regulatory requirements. HPB is supporting and promoting lifelong learning whereby it is affecting the creation of the added value of the company and is providing the opportunity to every employee to acquire knowledge necessary for his or her respective area of work. The employees have been actively trained both inside and outside the workplace, through professional counselling, workshops, seminars, conferences, specialized training courses and language and software courses. The E-Classroom system was further used and made permanently available to all employees irrespective of the time of use and location of a place of work. In 2019, new E-Classroom was also implemented; its advantages are improved digital learning which improves internal education, experience of learning and user friendly environment. New E-Classroom was implemented and actively used in 2020, and the education became, as planned, more accessible to all employees than before.



Using the system of instruction provided with the help from internal trainers new and existing employees are continually educated for specific workplaces in order to train and prepare them sufficiently to perform their daily professional activities.

In case of the internal education, in 2019 and 2020 the Bank focused mostly on the education of new and existing employees concerning the following topics:

- Test for licensed agents of HPB Invest
- AML & COMPLIANCE ... and why do we need them
- Asset Liability Management (ALM) & Total Bank Management (TBM)
- Cashier operations
- Voluntary retirement savings
- GDPR – General Data Protection Regulation
- Credit process
- MIFID
- Creditworthiness assessment for natural persons
- Health and safety at work
- Information security

In 2019, a significant number of employees attended, as every year, the courses in soft skills, namely – team work, managerial skills, team development and communication skills.

Via the E-Classroom system, the following topics were studied: the Anti-Money Laundering and Terrorist Financing Act, information security and appropriate use of the Bank's information system, GDPR, MIFID, IDD, video-electronic identification. At the end of the year the intensive courses were organised for persons working in the Bank's sales network for the purpose of maintaining sound level of knowledge related to the Law on Consumer Housing Loans.

In case of the external education programs, in 2019 the employees were acquiring their professional knowledge, as before, participating in different workshops, seminars, conferences and programs of education. In addition to that, for employees occupying the positions requiring them under the law to pass certain state-level exams the Bank organized both, the required courses and the exams. Also, the Bank organized the employee training on compliance with regulatory framework and changes. The priorities and key competences to be developed in case of the employees were identified. The focus is on the development of:

- Professional knowledge – in particular the development of digital competences
- Managerial competences – the development of competences for managers and leaders at all levels of management
- Talents – the development of employees showing high potential in order to ensure planned future engagement for managerial positions and other key positions
- Sales capacities – the development of professional competence and of personal efficiency, and the development of professional skills in the field of sales analytics and tools for measuring the results of sales

Also, the novelty in 2019 was specially planned and ensured significant budget for the education while working (formal education organised in different accredited educational institutions according to the approved programs through which recognized diplomas and qualifications were obtained). On the basis of the individual requirements of employees and organisational requirement, human resources in cooperation with the management approved education primarily for the purpose of further strengthening of professional skills in order to improve individual results of work and thereby increase the total efficiency of the organization.

In 2019 we continued to implement HPB 2.0 Project – transformational project of our employees, and to educate internally on project management, but also to develop soft skills of the employees included in the project. The goal was to recognize potential holders of changes in the organization, to further educate them and to detect how they could contribute with their ideas to the organisation. The program included selected employees who did not belong to the highest managerial levels, almost 80 of them, which was more than 5% of the total number of employees. HPB provided opportunity to its employees to improve their skills attending seminars, conferences, courses, and some of the colleagues took professional exams for different certificates and licenses; some of them started education, and certain managers were included in the individual developmental programs.

2020 was more challenging year in case of the classroom type education but a significant number of employees attended internal educations through e-classroom, and a lot of them participated in different external educations (online and of classroom type).

In 2019 we implemented the project “Let’s move” where we sought to provide for the systematic development and advancement of employees and to strengthen the capacity of the Bank for stable development of business operation and efficient adaptation to market changes. The employees were communicated that the career rotation was the opportunity to exchange knowledge and skills and that faster learning was important for their personal development and career advancement. Along with the recognition of specific interests of the employees, the competences of personal efficiency were developed and professional skills enriched. It was achieved that the skills required to take additional responsibilities were available to all employees and the mobility was promoted as the manner of broadening perspective. This initiative was additionally promoted by publishing via Intranet the experiences from the perspective of the employees who participated.



In 2020 we implemented the comprehensive program of introducing into work new employees with the aim of faster orientation and integration of employees in new work environment. The focus of the program was, through the identification of key areas of development, to clarify for an employee the expectations of the employer and to ensure two-way communication of employees and their superiors through continuous provision of feedback information. HPB Start Program

includes also the Welcome Day when the employees have the opportunity to become aware of different segments of the Bank’s business and to meet new colleagues.

Also, 2020 was marked by the implementation of the work performance management process which provided for transparent and targeted monitoring of the performance of each employee and feedback on their work in the preceding period. These processes are extremely important to increase work engagement of employees.

Caring about employees

In 2019 we started the initiative “HPB chooses the best”. The program was implemented on a quarterly basis through the nominations of employees who were evaluated by competent directors through nomination forms in the segment of the results achieved by employees and their conduct reflecting corporate values. The grades were supported by concrete descriptions of the achievements and manner of work of nominated employees. The nominations were evaluated by the Team consisting of five members. The Team included the members of senior management and representatives of human resources, and the final proposal of a winner was the result of the process which had the elements of a calibration meeting. The Initiative was also implemented during the first half of 2020 and was then replaced by the KPI system or by monitoring employees’ performance.

In 2019 we organized at HPB in cooperation with Multisport the Health Day. During that event the employees could use digital scales and learn not only the weight but also the percentage of body fat and water, the quantity of muscles and fat, and also the metabolic age of organism. Some were happy with the results and some were worried, but one thing was for sure – all were motivated to start the new day with healthier way of life. The employees learned about healthy diet at the lecture given by the nutritionist, and about the healthy spine they learned at the lecture given by the physiotherapist. The goal of the Health Day was to make the employees aware of the importance of proper diet and physical activities, and in general of taking care for their own health.

All employees have been ensured supplementary and voluntary health insurance and they are encouraged to go to the annual systematic medical exam. At that occasion they may use paid free day to which they are entitled in addition to the annual leave. The same applies to the days when the employees decide to participate in the voluntary blood donation.

In 2019, in one part of the organisation the pilot project Flexi was implemented (one day in a week the employees could work from home); the project achieved good results and this benefit was well used by the employees. In 2020 due to two emergency situations, Coronavirus pandemic and destructive earthquake in Zagreb on 22 March 2020, a large number of employees started to work from home in a very short period. 2020 was marked by challenges related to Coronavirus pandemic and the focus was transferred from the developmental needs to the security and well-being of the employees in challenging conditions. This was the reason why at the end of the year the survey was carried out when the opinions and views of the employees were investigated in terms of the work in extraordinary circumstances. On the basis of their responses, we created the measures to improve the work conditions and general well-being of the employees, and these measures would be implemented in the next period.

Practical activities in the area of corporate security:

- New Health and Safety at Work Rules have been adopted in compliance with new Act on Amendments to the Health and Safety at Work Act
- Regular meetings of the Health and Safety at Work Board for the purpose of monitoring the state of Health and Safety at Work in the Bank and proposing the measures to raise safety at work
- Raising the level of fire protection, implementing fire-alarm system
- Elimination of potential employees' health hazards, elimination of potential risks that may cause injuries at work
- Improving the microclimate, lighting at workplace, temperature in the premises and ventilation of the space.
- Raising awareness of possible emergencies requiring emergency evacuation of the premises
- Carrying out emergency evacuation and rescue drills
- Tests prescribed by law and serving as preventive measures and those assessing the impacts on employees' health were carried out
- Implementation of all preventive activities in the Bank with the purpose of preventing the spread of contamination and protecting the health of the employees and other persons from COVID-19
- Continuous improvement of workplace quality through ergonomics and occupational safety and health measures (replacement of old IT equipment and defective chairs at workplaces)
- Following the campaign of the European Agency for Safety and Health at Work EU-OSHA.

Future goals:

- Production of more interactive contents of the education via E-Classroom
- Implementation of the measures to improve the well-being of the employees on the basis of the survey which was carried out
- We plan to implement in 2021 the process of talent management
- We plan to use E-Classroom as the internal base of knowledge which will be always available to the employees
- Introduction of the module of education in the field of professional skills and soft skills for the employees in sales network (started in 2020, the full implementation in 2021)
- Continuous focus on the improvement of competences of the employees through different programs of further education
- Implementation of education in health and safety at work using E-Classroom with available new modules of education and new contents for the prevention in the area of health and safety at work

- Digitalization of the health and safety at work process, implementation of the application WebZNR
- Control the Bank's locations in terms of improved secure work conditions (internal control of locations)
- Carry out emergency evacuation and rescue drills exercises in the Bank's premises
- Review risk assessment in the health and safety at work domain in accordance with the risks assessed at workplaces in 2021
- Eliminate potential threats to human health and the Bank's property
- Continue to carry out all required preventive activities in the Bank with the purpose of preventing the spread of contamination and protecting the health of the employees and other persons from COVID-19
- Carry out the activities in the field of health and safety at work for the Bank's certification and to obtain the designation "Company friend of health"
- Continue to follow new global trends and regulations in the area of health and safety at work
- Ensure further training for experts in health and safety at work in the Bank.

Additional care for employees

- 1) The employees have been ensured additional and supplementary health insurance in cooperation with a Croatian insurance company, including annual systematic medical exam
- 2) Benefits in terms of discounts for the employees on theatre tickets and different recreational and wellness programmes, office furniture, CROCard – within the project of the Ministry of Tourism which gives the opportunity to the employers to reward additionally their employees, supporting at the same time the development of the domestic tourism
- 3) HPB Sport and the use of MultiSport card
- 4) Lower rates of interest on loans
- 5) Occasional monetary payments for important events in life
- 6) The employees may go to events sponsored by HPB at fair prices, such as organised visits to exhibitions
- 7) The employees have been regularly informed of all important events in the Bank via internal portal

2. Human rights

In connection with the corporate social responsibility principles which refer to the respect for and observance of human rights, in 2019 and 2020 Hrvatska poštanska banka carried out the activities continuously not only in the sphere of information security in business, but also in the sphere of protection, education and care of all employees of the Bank. The Bank controlled and improved work conditions, continuously educated and raised information and physical security awareness of its employees.



During 2019 and 2020 the Bank strongly focused on the protection from fraud attacks against its information system, as well as on a recently growing number of different malware-based attacks against financial institutions.

Practical activities in the area of information security:

- The Bank uses Anti-Malware and Anti-Fraud tools
- The educational and informational activities for the Bank's employees and customers were broadened.
- The Bank's information system security management was additionally improved and upgraded.
- The cooperation and information exchange amongst the banks in Croatia in the area of information security take place on an on-going basis.
- The Bank is keeping pace with the global trends in the protection of information and against new security threats to the information system.
- The awareness of the need for more investments in the information security systems has been raised.
- The Bank is purchasing new information security related tools which raise the level of security of both, employees and customers.
- Using newly supplied tools and fully implementing them, the Bank is able to detect the difference between irregular and normal behaviour of individuals and processes, all seeking to protect information system against new security threats.

Future goals:

- The Bank will continue to keep pace with global trends in the protection of information and against new security threats to the information system, and will upgrade its cyber security protection.

- The Bank will continue to inform and educate its employees and customers in the area of information security.
- The Bank will continue to cooperate and exchange information with other banks in Croatia in the area of information security.

3. Society

Hrvatska poštanska banka is a socially responsible institution, aware of its environmental impact, and understands that activities and business operation in a society imply also a constant care and respect for it. One of the activities whereby the Bank exercises social responsibility is supporting the community through grants and sponsorships.

We support the projects at the local and national level which encourage the creation of new values, seeking to promote knowledge and excellence and to preserve cultural heritage of our country. Special care is taken also of humanitarian organizations and campaigns.

Humanitarian organisations, children's homes and retirement homes:

- Children's home ZAGREB
- Organisation SOS – Children's village Croatia
- Association of parents of children with malignant and chronic diseases "Love in Action"
- Association "Sv. Lovro" – Community Cenacolo
- Humanitarian organisation DORA
- Solidarna – Foundation for human rights and solidarity
- Organisation for assistance to older persons

Education:

- International Conference "BEE 2019- Business & Entrepreneurial Economics" - Student Entrepreneurship Incubator of the University of Zagreb

Sports:

- Croatian Handball Federation
- „The Youth Sport Competitions” – Organisation for sport, recreation and education of youth

Culture and social events:

- Tournament of “Alka” in Sinj – the Alka Knights Tournament Society Sinj
- Youth Salon – Croatian Association of Artists
- Biennial of painting – Croatian Association of Artists
- Cash and Carry – Croatian Association of Artists
- 48th Varaždin Baroque Evenings – Concert Office of Varaždin Cash & Carry Day - Academy of Fine Arts of the University of Zagreb
- Project “De/construction of painting” – Croatian Association of Artists
- Vinkovci autumn – Arts and cultural organisation of the Vinkovci-Srijem County
- 22nd Dalmatian Chanson Evenings Šibenik 2019 – Music association “Šibenik concert”
- 12th Literary awards of T-Portal – Hrvatski telekom d.d.

Conferences and economic events:

- Conference “Croatian Money Market” – Tržište novca d.d.
- Conference “48 Hours” – Lider media d.o.o.
- Conference “The Future of Family Businesses” - Lider media d.o.o ,
- International OFEL Conference 2019 and 2020 – CIRU
- International conference – Diaspora tourism – Centre for Research of the Croatian Diaspora
- Conference “Zagreb – a banking and financial centre in the new normal” – business daily “Poslovni dnevnik”
- Conference “Entrepreneurial Mindset for Youth” - Novi poduzetnik d.o.o.
- “Urbanovo 2019” - Wine and Grape Growers Association of Međimurje “Hortus Croatiae”

Following the earthquake which hit in December in 2020 Petrinja, Glina and the neighbourhood, HPB has opened special multicurrency accounts for donations which may be made free of any fee. Wishing to help to those whose homes have been destroyed and demonstrating the social responsibility toward the community where it provides its banking services, Hrvatska poštanska banka donated HRK one million to the City of Petrinja. Also, HPB’s employees showed a big heart again, organising themselves and collecting about HRK 40 thousand in a few hours and also providing a lot of supplies for the people hit by the earthquake. HPB and its employees proved again that they are *#StrongerTogether*.

Not only through sponsorships and grants, but also through its products and services and their availability in particular through the cooperation with the Croatian Post, the Bank remained close and accessible to individuals and business partners throughout Croatia, as well as to special groups of individuals, such as young people, students and pensioners.



Hrvatska poštanska banka and the Croatian Post strengthened during 2020 their long-standing strategic cooperation introducing new project of providing banking services to business users at the post offices. At the Croatian Post offices business users may open accounts with HPB, contract banking services and products and carry out payment transactions; in that way, banking services have become available also in the most remote and the smallest places throughout Croatia.

Also, in order to ensure convenient and as fast as possible renewal following the earthquake which hit in March in 2020 Zagreb and its neighbourhood, Hrvatska poštanska banka offered to the retail customers the loans for the renewal of the residential buildings damaged in the earthquake. The Bank is financing all the works on shared parts of the residential buildings, at the fixed interest rate of 2.99% for the term of up to 10 years.

The retail customers have been offered following the outbreak of the Coronavirus pandemic in Croatia a broad range of measures to assist them to cope financially in the best possible way during this difficult period. These include the option of moratorium, contactless payments of up to HRK 250, delivery of pensions to home addresses etc.

As the mission of HPB is the creation of the conditions for better life in Croatia, of the great importance are the socially responsible projects among which we should highlight the cooperation with UNICEF on the program *Childhood Guardians*, education of students and numerous activities of volunteers.

HPB's athletes often take part in humanitarian campaigns, and we highlight in particular the Milky Way Race where we have been participating for several years in a row, and despite specific conditions in 2020 our athletes participated in the UNICEF humanitarian race where participants collected kilometres and money for the programs for children with disabilities.

That HPB has humanitarian heart is confirmed by HPB's humanitarians who collect presents and visit regularly each year before Easter and Christmas children in Vugrovec and Dubec who have no families.



With its partners, the Croatian Association of Artists and the Academy of Fine Arts in Zagreb, HPB organised in 2019 the second sales exhibition of art students “Cash and Carry”. This project provided the students with the opportunity to sell in simple way their paintings in the remarkable Meštrović Pavilion space, get motivation for further work, and the buyers with the opportunity to buy at acceptable prices selected works of the students of four Academies of Fine Arts and all together build the Croatian art market works of the students and all together build the Croatian art market.

Future goals:

- The Bank will continue to support the community and society where it operates through sponsorships and grants to those who need them most
- The Bank will further develop internal communication through existing channels, this including also the improvement of network and intranet sites
- The Bank will in 2021 mark 30 years of its operation by special activities related to socially responsible business
- HPB will build up the cooperation with UNICEF, implementing shared projects.

4. Product liability

Implementation of Anti-Corruption Programme:

In furtherance of the Anti-Corruption Strategy of Hrvatska poštanska banka for the Period 2015 – 2020, the Bank performs the activities referring to the promotion of business integrity and transparency, through:

- improvement of corporate governance
- improvement of customer relationship and communication by strengthening customer satisfaction and loyalty
- alignment of business operation with laws, regulations and norms
- improvement of internal control system and operation of control functions
- promotion of ethical conduct and behaviour
- implementation of the Anti-Corruption Program of the Government of Republic of Croatia for state majority-owned companies for the period from 2019 to 2020.

In compliance with the Anti-Corruption Program of the Government of Republic of Croatia for state majority-owned companies for the period from 2019 to 2020, the Bank regularly prepares the Anti-Corruption Plan to implement this Program, or updates and supplements the Plan to incorporate the measures and procedures in the Bank with the purpose of transparent corporate governance in order to prevent and/or decrease to the maximum the corruption risk in the Bank's operations. By the active application of such measures within the Action Plan, the Bank continuously builds up the integrity of its employees, prevents potential corruption and frauds and ensures the protection of persons who would identify in the Bank any irregular operation or corruptive activities.

The Bank is continuously aligning its operations with the Croatian and EU legislation. For the purposes of efficient compliance risk management and promotion of the standards laid down in the Compliance Policy, the compliance function in the Bank is continuously working towards developing stronger corporate awareness and culture of all employees. Training



programs are organised in order to advise employees on the requirements of new regulations, and duties and responsibilities with regard to business compliance are clearly defined.

As one of the key elements of keeping business integrity and improving transparency of operations, the Bank has adopted in the fourth quarter of 2019 the Whistleblowing Policy in order to regulate the procedure of nomination of the commissioner for irregularities and the procedure of internal reporting of irregularities, illegal/irregular acts, in order to enable all the employees of the Bank to make in good faith such reports, without fear that such reporting would result in harmful consequences for their employment and legal status or the current position in the Bank.

In 2019 and 2020 the compliance function received within the framework of monitoring and verifying the compliance with high ethical and professional standards set in the Code of Ethics and other internal acts of the Bank the reports on irregularities, noncompliance and breach of the Code of Ethics. Upon every such report, all the facts were investigated and the statements of all relevant employees were taken.

Once all relevant facts have been established, the significance of the noncompliance is assessed in terms of defined ethical and professional standards and in accordance with that assessment the measures are proposed to resolve relevant ethical issue. In 2019 and 2020 the employees were educated in connection with the Code of Ethics of the Bank and business ethics.

In 2019 and 2020 we carried out the precertification activities in connection with the procurement and implementation of the certificate ISO-37001 Anti-Bribery Management System.

Also, the Service Quality Management Office continues to measure and survey customer satisfaction and to propose improvements to business areas responsible for service quality improvement. This Office also manages and coordinates the process of resolving complaints, objections and other requests of the customers, in cooperation with other organisational units of the Bank.

Practical activities in the area of the prevention of money laundering and terrorist financing:

Being under obligation to undertake measures and actions set out in the Anti-Money Laundering and Terrorist Financing Act, in 2019 and 2020 the Bank was in the process of aligning with new regulatory framework governing the prevention of money laundering and terrorist financing, and:

- was undertaking in a consistent manner the measures and actions prescribed by law and regulations passed in accordance with the Act
- was systematically developing and improving software in the area of money laundering and terrorist financing detection and prevention
- organized a series of training courses/workshops in the field of money laundering and terrorist financing detection and prevention where the principal goals were to ensure the application of the regulations in the Bank's business operations referring to the prevention of money laundering and terrorist financing and to improve the system of detection and prevention of money laundering and terrorist financing in the Bank.

While providing payment services in the name and for the account of the Bank, the Croatian Post takes measures and carries out activities prescribed under the Anti-Money Laundering and Terrorist Financing Act, ensuring in that way that the standards used by the Bank for detecting and preventing money laundering are also applied by the Croatian Post. For that purpose HPB:

- provides for the education of the internal trainers of the Croatian Post
- verifies whether the bylaws of the Croatian Post governing the detection and prevention of money laundering and terrorist financing are in compliance with the standards used by the Bank

- supervises efficient implementation of measures, actions and procedures to detect and prevent money laundering and terrorist financing, prescribed under the bylaws of the Bank and the Post.

Practical activities in the area of the prevention of market abuse and manipulation:

In 2019 and 2020 no conflict of interest was identified and recorded. For any report received in connection with the suspicion related to a conflict of interest, the compliance monitoring function took into consideration specific circumstances of the report and proposed adequate measures to prevent a conflict of interest or to manage it. In 2019 we updated the internal acts governing the conflict of interest management in the Bank and the internal acts referring to the inside information, market abuse and prevention of market manipulation. At the end of 2019 we introduced the reminders to the managers in the Bank in connection with the prohibition of trading in the Bank's shares in the period of 30 calendar days before the publication of the financial statements during the business year. The Bank continued to keep the Registers of informed persons in the Bank and the Register of personal transactions of relevant persons and employees of the Bank. The supervision of reporting of personal transactions by relevant persons and the employees of the Bank was continuously carried out. Also, all the employees discharging managerial responsibilities in the Bank and persons closely associated with them, as well as persons having access to inside information have to acknowledge in writing the legal and regulatory duties entailed and have to be aware of the sanctions applicable to trading in financial instruments on the basis of inside information and/or unlawful disclosure of inside information or market manipulation, in accordance with the provisions of EU Regulation on market abuse. In 2019 and 2020 the employees were educated on the topics of conflict of interest, inside information, market protection and personal transactions.

Future goals:

- Further enhance efficiency, integrity, ethics and transparency in business.
- Undertake actions to set up the Anti-Bribery Management System standards.
- Educate the employees in respect of ethical principles of business operation and rules of the employees' conduct, conflict of interest, prevention of market abuse and manipulation, reporting irregularities, anti-corruption.
- Further improve anti money laundering and terrorist financing system and internal control system in risk assessment processes related to money laundering and terrorist financing.
- Educate and train employees in the sphere of the application of individual regulatory frameworks in order to ensure compliance with and application of laws, regulations and guidelines of the regulator.
- Further improve the system of money laundering and terrorist financing risk management and educate the employees in order to raise the awareness and understanding of money laundering and terrorist financing risks.
- Complete the implementation of new software for detection and prevention of money laundering and terrorist financing in order to facilitate and accelerate detection of suspicious transactions and persons, simplify analytical work and improve communication of responsible persons in the Bank.

- Continue to actively implement and improve the practices that enhance the transparency of procedures and business operation, including also reassessment and improvement of public disclosure.

CONCLUSION

Hrvatska poštanska banka is a socially responsible institution which through various activities and projects encourages the development of the society and as a member of the Global Compact Initiative accordingly regularly informs the public by preparing the Communication on Progress. The Bank aims to enhance the standards of social development and to be the example to and to encourage other institutions to positively affect by their actions local and global community.

In business environment and circumstances where changes in the market have never been faster and more challenging, HPB is focused on the creation of the long-term competitive bank and continuation of digitalization and further enhanced availability to the customers as the foundation of its future development.

HPB's mission is to create the conditions for better life in Croatia and the Bank will continue to focus its knowledge and full potential to the services, activities and projects whereby it realizes its mission..