



## Communication on Progress

Year: **2021**

**Basic data:**

**Hrvatska poštanska banka, dioničko društvo**

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## **Statement of Continued Support**

We have pleasure in presenting you our 13<sup>th</sup> Communication on Progress, prepared in accordance with the principles of the UN Global Compact Initiative, and outlining the activities of Hrvatska poštanska banka (HPB) taken in the areas of human rights, work conditions, environment and anti-corruption in 2021.

The principles of Global Compact, the largest global initiative for sustainable development and corporate sustainability, have been consistently implemented by HBP for many years, by applying the business strategy and the plans, as well as by improving business practices and social role, seeking to create the prerequisites for sustainable business operations.

By our business solutions, care for employees and responsibility to the community, we are implementing with dedication the principles of transparency, security and trust, and we are encouraging the development of economy and the progress of the society.

At the time of big challenges imposed by the COVID-19 pandemic and in the light of fast changes in the environment where we do our business, HPB pays significant attention to the satisfaction and motivation of employees, the care for the accessibility of services, secure business operations and more comfortable life of the customers, as well as to the understanding of the needs of the community and environmental responsibility. By environmental, social and corporate governance, HPB is focused on sustainable development, it is improving the processes related to management and is strengthening the teams directly involved in the implementation of these principles and standards.

In 2021 HPB received the award for the best corporate governance and the compliance with the Corporate Governance Code of the Croatian Financial Services Supervisory Agency ("HANFA") and the Zagreb Stock Exchange ("ZSE") in the segment of the ZSE's Official Market; in that way we were also recognized for the transparent business operations and efficient system of corporate responsibility, highly important for successful and sustainable development.

HPB dedicated its 30<sup>th</sup> anniversary of its business operations to the strengthening of the support to the community by the actions related to the environment, corporate volunteering and the programs of financial literacy available to all.

In the 2021 Communication on Progress we give the summary of our achievements in the area of human rights and of our contributions to the progress of sustainable business operations, and in environmental and social spheres. This Communication includes also the outline of the plans for 2022.

Sandra Skendžić  
Director of HPB Management Board Office



## GENERAL STANDARD INFORMATION

### History and 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 31<sup>st</sup> December 2021:

Shareholders	Position	Percentage of share capital (%)
Republic of Croatia	909.035	44,8989
HP-Croatian Post plc	241.610	11,9336
Croatian Deposit Insurance Agency	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)	514.056	25,3901
<b>Total shares</b>	<b>2.024.625</b>	<b>100%</b>

Hrvatska poštanska banka is the largest Croatian-owned bank. HPB is the core of the HPB Group which also includes HPB-Invest Ltd. and HPB-Real Estate Ltd.

### **Strategic Priorities of the Bank's Development**

The strategic priorities of HPB's development are to increase its market share on the banking market and to develop the organisation and business processes in compliance with the best world practice. HPB is focused on the introduction of new and attractive retail products and services, and a special focus is placed on the innovations in the financial-business offer adapted to the characteristics and needs of small and medium entrepreneurs. In 2021 HPB showed again that it was a responsible partner to the Croatian economy. The Bank has been strongly committed to the implementation of the national programs involving the support to the tourism and sport, transportation and culture sectors and the program of loan portfolio insurance for the liquidity of exporters. In cooperation with the Croatian Bank for Reconstruction and Development ("HBOR") and the Croatian Agency for SMEs, Innovations and Investments ("HAMAG/BICRO"), significant funds have been made available to the customers of the Bank and the market share of the SME segment in the "HAMAG/BICRO" COVID guarantee schemes has been significantly above the market share of the Bank.

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.

### **Corporate Governance, Ethics and Integrity**

By its mission to create the conditions for better life in Croatia, HPB accepts the responsibility and takes 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. Focused on sustainable business operations and quality corporate governance, HPB actively supports the Croatian population and economy, for the benefit of all its stakeholders.

In December of 2021 the Bank received the award for the best corporate governance and the compliance with the Corporate Governance Code of the Croatian Financial Services Supervisory Agency ("HANFA") and the Zagreb Stock Exchange ("ZSE") in the segment of the ZSE's Official Market as a confirmation of the best compliance with the Corporate



Governance Code according to the Annual Report on Corporate Governance for companies whose shares are admitted to ZSE.

## **Sustainable Business Operations**

The Bank is focused to create the prerequisites for environmental and social sustainability. In 2021 there was also a step change in terms of organisation when a special Office for Sustainable Business Operations was established. In that way additional progress is ensured in the implementation of the objectives of sustainability, in giving support to the economic activities sustainable in terms of environment, consistent respect for differences and inclusion of employees, continuous monitoring of the vitality of the organisation and in ensuring the employee satisfaction and overall application of ESG legislation.

## **Employees' Data**

On 31 December 2021 the Bank had the total of 1290 employees.

The structure of the employees was the following:

### **1) based on type of employment**

<b>Temporary employment</b>	<b>Permanent employment</b>	<b>Total</b>
44	1246	1290

### **2) based on age and gender structure**

<b>YEARS from - to</b>	<b>TOTAL</b>	<b>TOTAL WOMEN</b>	<b>TOTAL MEN</b>
19-24	19	17	2
25-29	72	54	18
30-34	153	113	40
35-39	261	181	80
40-44	264	179	85
45-49	226	170	56
50-54	137	108	29
55-59	97	73	24
60-64	61	45	16

Employees' average age is 42.7.

**3) gender structure of managers and senior officers** in the Bank was the following: men (39%), women (61%).



## SPECIFIC STANDARD INFORMATION

### **Category: Economic**

The year 2020 was for Hrvatska poštanska banka the best year in its corporate history i.e. in its 30 years of operation according to the achieved net profit and in the first 9 months of the year 2021 the Bank surpassed that overall result from the previous year. The first three quarters of 2021 were marked by the growth of the assets, the record-high profits were achieved, the capital position of the Bank was additionally strengthened and the risk management system was improved. The record-high result may be described in the best way by the data related to the net profit achieved in the amount of HRK 207 million which is 25.5 % higher if compared to the same period of the last year. The operating profit has been higher 22.6 % as the result also of the successful and longer tourist season and the recovery of the economic activities in Croatia. Strong organic growth of the assets of 9.2 % has been recorded achieving the amount of HRK 27.9 billion and the Bank is recording the best capital position in its recent history. According to the capital adequacy ratio, HPB is ranked fourth among all the banks and the last comparative data of the Croatian National Bank show that we are continuing the trend of generating the highest yield on capital among the banks in the Republic of Croatia. The position of the Bank has been further strengthened through stronger efficiency in the risk and interest profile while the NPL level has been the lowest in the last five years.



The Bank continued to support the Croatian economic system in the COVID-19 pandemic conditions and the market share of the SME segment in the “HAMAG/BICRO” COVID guarantee schemes has been significantly above the market share of the Bank: 36 % tourism and sports, 39 % culture and media and 70 % sea, transportation and infrastructure as of 30<sup>th</sup> September 2021 while the market

share of the segment including economy and SMEs in “HBOR” COVID programs is 5.6 % in the programs for liquidity, 12.0 % in the programs of the Ministry of Sea, Transport and Infrastructure, and 100 % in the programs of the Ministry of Tourism and Sports as of 30<sup>th</sup> June 2021.

The growth of the retail loans was supported by the growth in housing loans of 14.7 % thus recording the steady positive trend. Also, the Bank is participating on an on-going basis in the program of the Real Estate Agency (“APN”) subsidised loans and in the last, sixth round new HRK 270 million have been approved. HPB offered the lowest interest rate on HRK housing loans (EIR 2.09%) of 14 banks which participated in the program of subventions in 2021.

HPB is continuing to strengthen its digital operations and the volume of transactions via internet banking has grown 25.8 % and via mobile banking 51.2 % if compared to the same period of 2020.

HPB is today the most accessible bank on the market with the exclusive combination of its branch offices together with the external services and the products and services intended for the individuals and the businesses, offered in the post offices. Together with the strategic partner the Croatian Post and the project “Bank in Post Office” HPB is accessible on more than 1.050 locations. The Bank is providing the products and services to its customers in 12 retail and corporate regional centres which include 57 branch offices and outlets for the customers – natural persons and 16 entrepreneurial centres for the customers – business entities. In 1016 post offices payment operations and transactions may be carried out by natural and legal persons while in 140 post offices with financial corners individuals may also arrange the Bank’s loans.

### **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.
- 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.
- In order to manage the infrastructure in quality manner and to reduce the costs, in 2021 HPB consolidated its data centres in the way that the data centre for card operations has been migrated from Varaždin to Zagreb and the number of data centres has been thus reduced from three to two centres.

- In 2021 HPB ensured additional quantities of laptops and equipment providing to its employees better conditions for the work from their homes.
- 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 again via emails to the users of corporate mobile phones for the purpose of achieving more rational use of such phones.

### **Green Office**

Hrvatska poštanska banka is committed to promoting the importance of healthy environment and sustainable development. 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.
- One of the activities whereby we have increased the ecological awareness of our employees and encouraged them to rationally use energy and resources and reduce negative impact on environment was the initiative My Green Decision. The initiative was launched at the occasion





of marking Earth Day and with the objective of promoting at the individual level the importance of waste management at and outside work posts. The first activities of this initiative were focused on the reduction of the use of plastic and the promotion of the use of sustainable materials.

- Green Office was the organiser of the first corporate volunteering action in 2021 where the Bank's employees in cooperation with the company "Zrinjevac" cleaned ambrosia in Zagreb.
- Green Office was the initiator and the organiser of the large ecological – volunteer action "Plant with HPB" where HPB in cooperation with the company "Hrvatske šume" collected the donations of the customers and the citizens for afforestation and for the collected money, including also the Bank's donation, 30,000 seedlings were bought and the Bank's employees planted them across Croatia.
- Waste paper was continuously collected and transported for recycling in cooperation with the licensed companies across Croatia.
- All e-waste (obsolete computers, printers, fax machines) was properly disposed of at the companies licensed for e-waste disposal.
- In all business units of the Bank 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 licensed companies.

***Future goals:***

- Implementing the Work From Home (WFH) solution, the employees will have better and more secure conditions for the work from home, identical to those in business environment. This solution will also reduce the costs of the employees who working from home will no longer be required to use their private/home internet.
- Further digitalization and rationalization of the IT infrastructure elements which will significantly minimise energy and ecological footprint of the Bank's information system.
- Seeking to achieve savings the action has been taken in order to reduce the quantities of fixed line telephones and of the numbers themselves. Namely, the majority of employees have fixed and mobile telephones, and as a result of the employees' mobility fixed devices are less necessary. The action is related to all central locations of the Bank and its objective is to achieve savings.
- In 2022, the Bank will continue to implement the Green Office activities and will try to reduce office supplies and energy consumption even more. Implementing the initiative My Green Decision we will try to further build up the awareness of the importance of the responsible waste management.

## **Category: Social**

### **1. Employment relationships 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 develop 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, language courses and the courses for the use of the latest IT systems and programs. The E-Classroom system was further used, contributing to the improved digital learning, internal education, experience in learning and user friendly environment.

In 2021 we intensified the creation of more interactive contents of education in the E-Classroom, supported by better education of the internal trainers and persons responsible for the implementation of the internal educations. The E-Classroom included also the internal bases of knowledge with the emphasis on the knowledge and skills required for sales sectors. Our sales network was subject to the entire module of sales trainings presenting the most comprehensive education of the sales network implemented until now. Such sales trainings were implemented by ourselves and in cooperation with experienced external trainers.

In order to make the online way of work easier all employees got the opportunity to learn the advanced skills to use the Microsoft Teams platform allowing them to have daily meetings, education and quality time organisation. Also, some 10 % of the employees had through the entire year the access to the external digital platform for online learning Udemy where they had the access to more than eight thousand educations related to the business and IT skills, management, personal development and team development, marketing, etc.

Along with the sales educations, in the category of the internal educations in 2021 the Bank focused mostly on the education of new and existing employees concerning the following topics:

- MIFID II legislation
- AML & COMPLIANCE
- GDPR – General Data Protection Regulation
- Act on Consumer Housing Loans
- Health and safety at work
- Information security
- Credit Institutions Act

In 2021, a significant number of employees attended professional and developmental courses, conferences and workshops. For the 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.

Professional competences were defined in case of the employees in IT sector which would allow for the development and promotions of the employees in that sector.

The Bank started for some 80 employees the unique program of data literacy named "Data Seed Plot". The objective of the program is to improve data/analytics competences of the employees, enhance the awareness of the importance of the quality data management and to lead HPB in data-driven direction, creating the data centre of excellence. Within the program new channels of communication were opened for the employees included in the program, meetup gatherings were planned for each quarter in order to share the best practices and achievements using new own data solutions. The focus was also on demonstrating own mistakes and on the education ensuing from them as the prerequisite of better development.



The Management Board, the Supervisory Board and all executive directors and heads of offices were provided with the use of the online platform for continuous education. The topics that were discussed referred to the capital, supervision, liquidation and Credit Institutions Act, sustainable finance, Act on Consumer Housing Loans, news in the legislation in the Republic of Croatia and the EU, assets and liabilities management, GDPR, anti-money laundering and combating the financing of terrorism, corporate governance, consumer protection, employee hiring, risk management, payment operations and information security.

In order to develop the managerial skills of the senior management of the Bank the program of education has been implemented offering the solutions for facing the challenges and trends imposed by present digital society and disruptive economy. The focus of the program has been on the challenges in the banking sector, and in 2021 the first module of the program was organised and it included the topic of Digital Transformations of Business Models.

In 2021 we continued to implement 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, in 2021 we continued to implement 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**

At the end of 2020 we carried out the survey related to the adaptation of the employees to the work organisation in the conditions imposed by the pandemic and six months later we carried out the follow up survey among all employees and started the implementation of the measures to improve the experiences and to promote the adaptation of the employees to new work conditions and organisation. We started to organise HPB Live online events which included interesting and educational lectures of the experts on the work during the pandemic and its consequences.

In case of the physical activity which has been more and more important since we are working predominantly from home, the members of the association HPB Sport have been especially active and have focused their activities on stronger communication and also on more attractive sport program in order to encourage as many as possible employees to move and gather.



Our sales staff was during the year the most exposed staff to COVID 19 virus and at the end of the year, in accordance with the measures ensuing from the survey, received special financial award for the work in hard conditions.

As in 2021 a significant number of employees continued to work from home, they were ensured new IT equipment for easier work, and we arranged with some shops selling furniture the discount for the purchase of office tables and chairs.

The Human Resources Department produced the guidelines for work from home at the Bank's level and the communication was promoted at the level of the top management related to the results and the current events in the Bank.

During the whole year the employees were given the opportunity to use the services of psychological counselling paid by the employer. The purpose of such counselling is to prepare and enable the employees to successfully face the difficulties, adopting new procedures and actions providing for the change and also for better quality of life. The care for mental health is as important as the care for physical health. The employees who recognized the need for counselling were encouraged to use the counselling services, to assume the responsibility and to care for their own mental health.

All employees have been ensured supplementary and voluntary health insurance and they are encouraged to go to the annual systematic medical exam. In 2021 the scope of services that may be used by each employee was additionally broadened. On the day of the systematic medical exam the employees 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.

Aware of the importance of the positive organisational climate, culture and employee engagement for the successful business operations of our organisation and following the feedback information obtained in the survey related to the work during the COVID-19 pandemic, we carried out the comprehensive research related to the organisational vitality in HPB Group. The aim was to introduce the targeted management of organisational climate, culture and engagement as the regular process of HPB Group. The research achieved the extremely strong response, the results were presented to the employees; we are in the process of the production of the plan related to the improvements in the organisational units and this will include all employees.

### **Additional care for employees**

- 1) Additional and supplementary health insurance, including also annual systematic medical exam
- 2) Commute compensation
- 3) Occasional rewards and gifts in accordance with the employer's decision (Christmas, Easter bonuses, holiday bonus)
- 4) Free days for important events in life
- 5) Gift for a birth or adoption of a child
- 6) Jubilee benefits for long-service at the Bank
- 7) Benefits in terms of discounts for the employees on theatre tickets and different recreational and wellness programmes, office furniture, sport equipment, discounts on hotels
- 8) HPB Sport and the use of MultiSport card
- 9) Lower rates of interest on loans and other products of the Bank
- 10) Insurance against the consequences of accidents 24 hours a day, all days in a year
- 11) Flexible working hours (shortened working hours on Fridays have been introduced)
- 12) Psychological counselling
- 13) The employees have been regularly informed of all important events in the Bank via internal portal

### ***Practical activities in the area of corporate security:***

- 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:***

- Implementation of knowledge seed plot in the whole organisation
- Implementation of the measures taken to improve the well-being of the employees on the basis of "ORVI" research
- We plan to define in 2022 the key positions and key employees, as well as to finish the system of competences for the whole organisation
- Introduction of the education for the employees who become for the first time managers, as well as of digital and leadership academies
- Continuous focus on the improvement of competences of the employees through different programs of further education
- We plan to introduce in 2022 the education related to health and safety at work with new contents using E-Classroom
- Implementation of the application WebZNR
- Control of the Bank's locations in terms of improved secure work conditions (internal control of locations)
- Organisation of preventive emergency evacuation and rescue drills exercises in the Bank's premises
- Review of risk assessment in the health and safety at work domain in accordance with new legal regulations, elimination of potential threats to human health and the Bank's property
- We will 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

- Continuation of the project of the Bank's certification to obtain the designation "Company friend of health"
- We will continue to follow global trends and regulations in the area of health and safety at work
- Further training for experts of the Bank responsible for health and safety at work.

## **2. Human rights**



In connection with the corporate social responsibility principles which refer to the respect for and observance of human rights, in 2021 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 2021 the Bank continued to work on the protection from fraud attacks against its information system, as well as on different malware-based attacks intensified in the last years against financial institutions. The Bank also educated its employees to recognize phishing attacks via electronic mail.

### ***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.

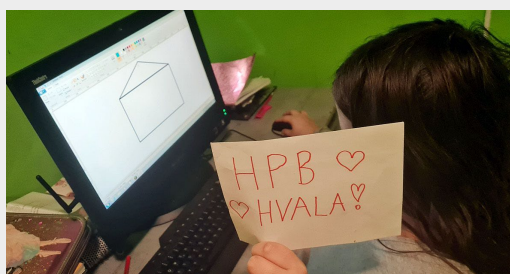
### **Future goals:**

- 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.



We highlight the following projects:

#### **Children, older persons and humanitarian organisations:**

- Organisation SOS – Children’s village Croatia
- The Croatian Disabled Homeland War Veterans’ Association “Centar” – the support to implement the traditional action of voluntary blood donation
- “Prsten” – the support to the humanitarian action of collecting the funds to pay tuition fees to talented students of high potential but poor financial situation
- Homeland War Veterans’ Association HPT Zagreb

#### **Education:**

- International Conference “BEE 2021 - Business & Entrepreneurial Economics” -Student Entrepreneurship Incubator of the University of Zagreb
- University of Osijek, Faculty of Electrical Engineering, Computer Science and Information Technology – the support to the project of rewarding the best students at the occasion of the Day of the Faculty on 6<sup>th</sup> July 2021
- “Večernji list” – the sponsorship of the project “Business mindset” organised by “Poslovni dnevnik”



**Sports:**

- Croatian Handball Federation

**Culture and social events:**

- Tournament of "Alka" in Sinj – the Alka Knights Tournament Society Sinj
- Vinkovci autumn – Arts and cultural organisation of the Vinkovci-Srijem County
- Zagreb Soloists – the sponsorship of the concerts in the Croatian cities
- 22<sup>nd</sup> Dalmatian Chanson Evenings Šibenik 2021 – Music Association "Šibenik koncert"
- Society for the Preservation of Šibenik Heritage "Juraj Dalmatinac" – the support to implement the project "The Information System of the Cultural and Historical Ensemble of Šibenik – Geonucleus.Si"
- Society for the Promotion of the Croatian Culture and Science "CROATICA" – the support to the scientific and publishing project "HEROIC VUKOVAR: the history of the city and the life of its inhabitants during 30 years (1991 – 2021)"

**Conferences and economic events:**

- Conference "48 Hours" – Lider media d.o.o.
- Conference "The Future of Family Businesses" - Lider media d.o.o.
- HANZA MEDIA d.o.o. publishing company – the sponsorship of the conference of "Jutarnji list" "30 Years of the Independence / Creation of the Contemporary Banking System"
- HANZA MEDIA d.o.o. publishing company – the sponsorship of the project "Lijepa naša"
- "Večernji list" – the sponsorship of the project "50 Years of the Croatian Spring and 30 Years of Croatia's Independence"
- "Večernji list" – the sponsorship of the project "Mentoring as a Form of Networking Among Women" organised by "Poslovni dnevnik" from December 2020 to June 2021

**Ecology**

- Ecological diving club HVIDR-a, Split – the support to the action of seabed cleaning
- Hrvatske šume d.o.o. – the support to the joint project of HPB and HŠ "Plant with HPB" for the purchase and planting of 30,000 seedlings in Slavonia, Istria and Dalmatia

**30 years of the Bank: new initiatives resulting in the continued contribution to the community**

In 2021, marking the 30th anniversary of its operation, the Bank demonstrated its continued dedication and work related to the prosperity of the community by specifically prepared activities. At that occasion four initiatives were launched with the objective of achieving special benefits for and/or continued support to the community.

The activities were the following:

- **Volunteer program:** we launched the program of corporate volunteering “We are volunteering for Croatia”; the employees of HPB took part in the ecology related activities and the programs of support to achieve better conditions of work and life for those in need during the process of education and training



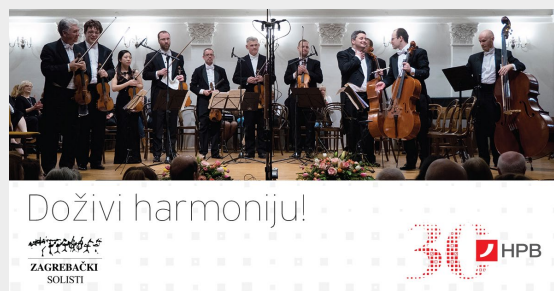
- **Afforestation program:** we launched also the comprehensive donations and ecology related action “Plant with HPB”; the Bank was joined by the citizens with their donations and our volunteers participated together with the experts from the company Hrvatske šume in planting 30,000 seedlings on seven locations in Croatia



- **Financial literacy program:** the Bank has participated for years in different financial literacy related programs intended for all generations; at the occasion of the 30<sup>th</sup> anniversary of our operation, we launched in 2021 on our social media simple video series on financial education related to the basics of the management of personal funds which was available to all



- **Culture related program:** the Bank provided for the series of mini open-air concerts of the renowned orchestra the Zagreb Soloists in the cities throughout Croatia, in order to allow during the pandemic and restricted access to the culture related events the citizens to enjoy social life and attend music events in new situation.



#### **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, and through the participation in important business events and projects of national significance

- The Bank supports important scientific projects directed to the issues of the future and the support to the economic development
- Through the cooperation with UNICEF, the Bank continues to contribute to better conditions of life and upbringing of children, and encourages its customers to support the children in difficult social conditions
- The Bank will build up the promotion of its products and services and will intensify its activities involving the Croatian Diaspora
- The Bank will continue to be active and will initiate and implement alone and in cooperation with other institutions the financial literacy related programs for different groups of customers
- In 2022 the Bank will further develop the program of corporate volunteering “We are volunteering for Croatia” intended to help to those in need and to the community and environment where we live and work.

#### **4. Product liability**

##### ***Implementation of Anti-Corruption Programme:***

Bank performs on an on-going basis 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 operations 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

In compliance with the Anti-Corruption Program of the Government of Republic of Croatia for state majority-owned companies, 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 applies 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.

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 compliance monitoring function was also during 2021 responsible for 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 2021 the employees were educated in connection with the Code of Ethics of the Bank and business ethics.

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 market abuse and manipulation:***

In 2021 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 each individual report and proposed adequate measures to prevent a conflict of interest or defined the procedure required for efficient management in connection with the prevention of a conflict of interest. In 2021 we updated the internal acts governing the identification and recording of the persons who dispose of inside information, inside information management and the measures and the activities of the Bank taken in order to detect and prevent the acts and actions regarded to be market abuse in compliance with the provisions of the *Regulation (EU) No 596/2014* (hereinafter: Market Abuse Regulation).

In 2021 the compliance monitoring function continued, on the basis of the established roadmap, to deliver the notifications/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 Lists 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 is carried out once a year. All employees regarded as those having access to inside information sign the *Statement on knowledge of inside information* and 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 under the *Market Abuse Regulations*. The persons discharging managerial responsibilities in the Bank and persons closely associated with them have also to sign the

*Statements* that they are aware of their obligations in compliance with the provisions of Article 19 of the *Market Abuse Regulation* governing the transactions conducted by persons discharging managerial responsibilities relating to the Bank's shares. At the end of 2021 informed persons in the Bank were educated in terms of the obligations related to knowledge of inside information, obligations of informed persons and persons discharging managerial responsibilities in the Bank, obligations related to the prevention of market abuse and manipulation, and obligations to report personal transactions.

***Future goals:***

- Further enhance efficiency, integrity, ethics and transparency in business.
- 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.
- Take required actions related to the compliance with the announced amendments to the regulations governing anti 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 complex and unusual transactions, suspicious transactions, funds 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, aware that its focus on the long-term business success and sustainable development is inseparable from the community 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, its business partners and customers to positively affect by their everyday actions the community.

By transparent business operations, increasing its accessibility to customers, investing in employee development, providing support to the community and caring for environment, HPB is focused on achieving progress for all individuals as the members of our society and the society as a whole which is our goal also in the future.

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