

**2022
Sustainability
Report**



HPB

HRVATSKA POŠTANSKA BANKA

Sustainable and socially responsible operations as a strategic driver of HPB Group

THE PARIS AGREEMENT ON CLIMATE CHANGE

is the most important international agreement that provides guidelines for adapting to climate change with the following goals:

- A long-term goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels and to and to achieve climate neutrality by 2050.
- To increase resilience to climate change
- To redirect capital flows towards sustainable economy



HPB has recognized its role in combating climate change and opted for a sustainability-driven operations. As we embark on the journey towards sustainable business transformation, guided by the EU regulatory framework, we are committed to integrating ESG factors into our operations:

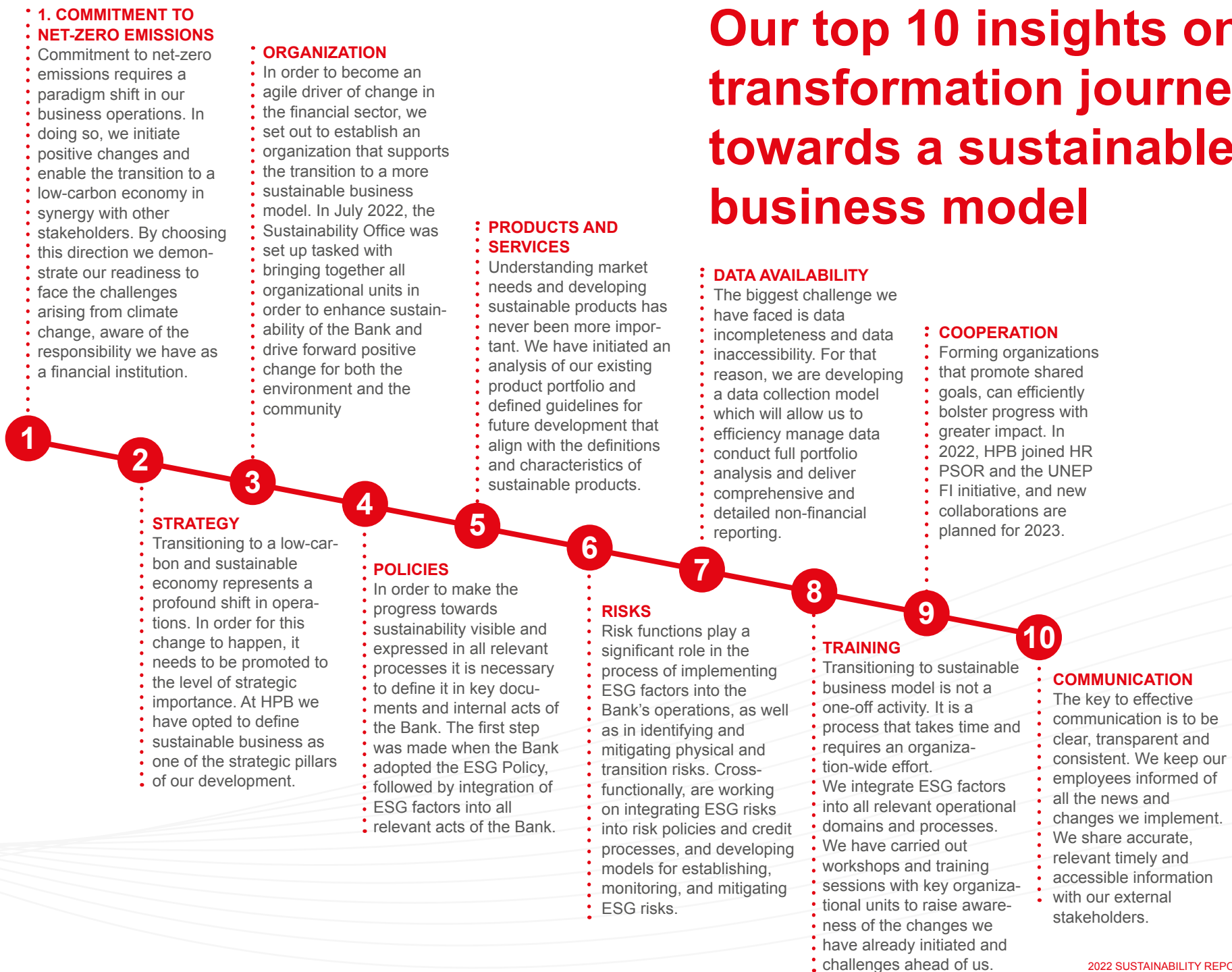
Strategy	Governance	Risks	Internal acts and policies	Reporting system	Products
Transition to a low-carbon economy	Define the role of the Management Board and management levels	Set up data management model	Implement sustainable guidelines and methodology	Holistic approach to non-financial reporting	Portfolio analysis
Integrate ESG factors into operations	Define clear ESG lines of management	Embed physical and transition climate risks into risk management framework	Integrate ESG factors into all relevant acts	ESG and sustainability reporting aligned with GRI Standards (for 2022)	Define guidelines for future development of sustainable products
Sustainability as a strategic imperative	Set up Three Lines of Defence model	Develop new and adapt existing processes	Closely cooperate with stakeholders and third parties	Publish the first standalone Sustainability Report; transparent, clear and complete information for all stakeholders	Redirect capital flows towards sustainable development

...in order to achieve the following objectives*:

- redirect capital flows towards sustainable development and promote sustainable investment
- implement ESG risks as a driver of existing risk categories in risk management frameworks, as well as identify and quantify these risks
- create a low-carbon, climate-resilient, and circular economy in cooperation with international and national partners to improve global environmental standards
- improve social and governance standards

* Key Performance Indicator

Our top 10 insights on transformation journey towards a sustainable business model



Sustainability
Office



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INTRODUCTION

GRI 1; 2-2; 2-3; 2-5; 2-23

The Sustainability Report presents the identified environmental and social impacts of HPB Group, as well as the manners in which we manage them, for the period from 1 January to 31 December 2022.



Hrvatska poštanska banka, public limited company (hereinafter: HPB; the Bank) has published the first Sustainability Report that consolidates data for HPB Group, consisting of HPB and its members HPB Invest Ltd., HPB-nekretnine Ltd., Nova hrvatska banka p.l.c., and Pronam Nekretnine Ltd.

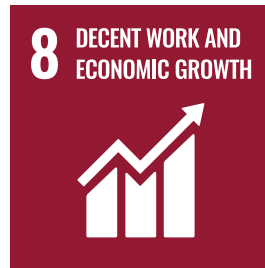
HPB has been reporting on socially responsible and sustainable business since 2017 within the Annual Financial Statements, and since 2007 as a member of the UN Global Compact Initiative through annual Progress Reports. All non-financial reports have been published on the Bank's official website.

Following all relevant international and national regulatory guidelines (such as the Non-Financial Reporting Directive - NFRD, Corporate Sustainability Reporting Directive - CSRD, Sustainable Finance Disclosure Regulation - SFDR, Regulation on Taxonomy, Accounting Act), and the European Union's plan to establish a system of non-financial reporting by 2026 that would redirect capital flows towards companies that aim to achieve the balance between economic, environmental, and social sustainability by publicly disclosing verified, comparable, and consistent information across the EU, we have opted for a holistic approach to non-financial reporting and the publication of a stand-alone Sustainability Report.

We shape and assess the impact of our business operations aligned with the UN Global Impact 17 Sustainable Development Goals (SDG). Although we pursue all 17 global goals, taking into account our business operations, we have identified the following segments of greatest impact:



SDG 3
Ensure healthy lives and promote well-being for all at all ages



SDG 8
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SDG 4
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



SDG 12
Ensure sustainable consumption and production patterns



SDG 5
Achieve gender equality and empower all women and girls



SDG 13
Take urgent action to combat climate change and its impacts

The Sustainability Report presents the identified environmental and social impacts of HPB Group, as well as the manners in which we manage them, structured qualitative and quantitative performance indicators, our sustainability strategy and principles, key material topics and stakeholders, activities, projects, and initiatives aimed at creating a sustainable society, as well as comprehensive and transparent information on all other environmental, social, and governance factors of HPB Group operations.

The report below outlines the activities we carried out in 2022, aligned with the global sustainable development goals.

In this report, in addition to presenting data from 2022, the Bank has attempted to provide a comparative overview with the previous period, i.e., 2021, depending on the availability and accessibility of data.

The 2022 Sustainability Report has not been audited by an external auditor, which is planned for the 2023 Sustainability Report. However, the non-financial reports integrated into the Annual Financial Statements and disclosed since 2017 have all been audited.

The 2022 Sustainability Report is aligned with the international best-practice non-financial reporting framework (Global Reporting Initiative), adopted by HPB as a non-financial reporting standard in order to provide consistency and comparable monitoring of relevant environmental, social and governance performance indicators. This is the Bank's inaugural report aligned with GRI standards, which will be applied until European Sustainability Reporting Standards (ESRS) defined by the European Financial Reporting Advisory Group (EFAG) are introduced. GRI standards are referenced in all relevant places in the Report, including a GRI index at the end of the Report with a detailed breakdown of the alignment of the Report with GRI standards.



FOREWORD BY THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 2-22; 2-14



Conscious of the challenges ahead of us, I firmly believe that we are ready to respond and build HPB Group that customers trust, employees recognize for its care, shareholders value for prudent management, and society appreciates for the contribution to the common good.

In 2022 HPB achieved a record consolidated net profit and significantly reinforced its market position through the acquisition of Nova hrvatska banka, and strongly grew the Group assets.

Despite the challenging context of the outbreak of COVID-19 pandemic, introduction of a new currency, and rapid market changes, the last two years mark have been a period of record performance for HPB. In October 2021, the Bank celebrated the 30th anniversary by achieving record business results, and in a year dedicated to business adaptation to the introduction of the new national currency, the euro, it successfully completed a merger-by-acquisition of Sberbank p.l.c., now operating as Nova hrvatska banka p.l.c. As the result of organic and inorganic growth in 2022, HPB is now on the brink of joining top 5 banks in terms of market share in Croatia, which makes us exceptionally proud.

Our financial success is the foundation for an even greater market stride, for further development across all business segments, committed support to customers in their financial needs, economic growth, and community support.

Our aim is to uphold the realisation of family and life goals of our fellow citizens, champion small and large investment projects, and serve as a reliable partner in the development of business for our customers and the entire society.

As are the largest Croatian-owned bank, we have a special responsibility towards citizens, the economy, and the community. Conscious of our role, our operations are aligned with our mission to create conditions for a better life in Croatia. Our purpose is to build the future by promoting sustainable social development and environmental protection, to support younger generations with digital innovations and new technologies, to encourage the green transition of the economy and sustainable financing, and to foster a pleasant and stimulating work environment for our employees - the key of our success.

The principles of sustainability underpin our operations and daily activities. We have set out to continuously improve our efficiency and respect for human rights, promote diversity and inclusion, reduce adverse impact on the environment, promote circular economy, introduce responsible financing, implement efficient management of ESG risks, comply with regulatory requirements, adhere to ethical and transparent business practices and best practices of corporate governance.

Aware of the importance and the need to integrate ESG factors into the operations of HPB Group, at the beginning of 2022, we set up the Sustainability Office and gained expertise to drive forward the transformation, to become an organization that consciously manages its environmental, social, and governance impacts with the aim of creating long-term value for all its stakeholders. Our efforts are focused on business goals that contribute to the sustainability of the economy, which form the pillars of development in three key directions - increasing accessibility to customers, advanced digitalization, and sustainable busi-



ness, as the most important strategic goal in the 2020s.

In 2022, we began incorporating ESG factors and sustainability criteria into all business segments and by the end of the year, we laid a solid foundation for their full integration, in accordance with European and national regulatory requirements. We joined the Croatian Business Council for Sustainable Development (HR PSOR), signed the Diversity Charter Croatia, joined the United Nations Environment Programme Finance Initiative (UNEP FI), and became the first bank in Croatia to sign the Principles for Responsible Banking. In order to prop up the transformation of our Bank, at the end of 2022, the Supervisory Board established the ESG Committee, tasked with monitoring the process of alignment with the guidelines for sustainable business practices.

In recognition of the quality of our efforts and business enhancement, we were awarded for the best compliance with the Corporate Governance Code on the Official Market of the Zagreb Stock Exchange for 2020 and we have won the Zagreb Stock Exchange Award as the share with the

'Sustainable development is a strategic imperative of the Bank, which channels its operations and social projects towards building up the economy, environmental protection, community care and the future worthy of new generations.

By establishing the Sustainability Office, HPB is furthering its commitment to sustainable economy and the achievement of environmental, social and governance goals together with its key stakeholders – shareholders, customers, employees and the community.

Acknowledging rapid market advances and major climate change risks, we are aware of and accept new responsibilities and challenges that go beyond delivering good financial results and realisation of business plans.

Although sustainability, ethics and social responsibility have been significant aspects of our operations for a number of years, as a joint-stock company listed on the

largest growth in trading volume in 2022.

I am proud of our sustainable progress and the level of expertise, competence, and dedication we have shown in responding to the challenges, ambitious plans and demands of the market. Conscious of the challenges ahead of us, I firmly believe that we are ready to respond and build HPB Group that customers trust, employees recognize for its care, shareholders value for prudent management, and society appreciates for the contribution to the common good.

On behalf of the Management Board, I thank all our colleagues, customers, business partners, suppliers, the community, and all our stakeholders for their support and trust. It gives me great pleasure to present the first Sustainability Report of HPB Group.

A handwritten signature in blue ink, appearing to read 'Marko Badurina'.

— **Marko Badurina**
President of the Management Board

capital market, we are cognizant of both regulatory guidelines and the expectations of all our stakeholders who monitor and evaluate us not just through financial success, but also through the prism of responsibility and ethics in business. We are propelled to actively rethink and harmonize the management of our environmental, social and governance impacts.

We have oriented our projects and initiatives towards delivering social progress and better living conditions, we facilitate sustainable entrepreneurship, foster care for a healthy work and living environment, all in an attempt to develop the community and society and to transition the entire business model to sustainability.

— **Nikolina Kolarić**,
Sustainability Director



ABOUT US

HPB was founded in October 1991 as a universal bank providing banking services in Croatia and internationally. The Bank's core business are performing all types of deposit and credit operations for retail and corporate customers, in domestic and foreign currencies, payment transactions in the domestic market and in foreign markets, issuing guarantees, foreign exchange and securities trading, investment banking, issuing electronic money and other banking services.



Company history

GRI 2-1

Overview of key events in HPB corporate history:

10/1991

Hrvatska poštanska banka, a joint-stock company owned by Hrvatska pošta, is founded

The Bank is driven by retail and corporate needs, particularly in areas lacking banking branches, and relying on a branch network of over one thousand post offices of Croatian Post

12/1995

Acquisition and relocation to new headquarters in Jurišićeva 4,
which remains the headquarters up to this day

04/2003

The first branch of the Bank is set up in Split

kicking off the rapid expansion of the branch network across the country

Mid 2005

The Bank rebrands with a new visual identity, expands the range of retail and corporate products and services, subsidiaries HPB Invest and HPB-nekretnine are set up

12/2010

The Republic of Croatia becomes the majority owner of HPB through capital injection

2014

HPB pivots to digital and become a digital banking trailblazer

The first Bank in Croatia to introduce access to eCitizens, biometrics for logging into mobile banking, introduces online account opening, mobile cash withdrawal from ATMs by and the largest range of services through ePoslovnica

9/2015

Share capital increase through combined private and public capital injection (HRK 550 million)

07/2018

HPB further strengthens its presence in Dalmatia with the successful acquisition of **Jadranska banka**, and merger of **HPB Stambena štedionica**

03/2022

HPB acquires Sberbank, today operating as **Nova hrvatska banka**

07/2022

Acquisition of Pronam Nekretnina

Market-oriented and competitive Hrvatska poštanska banka, the largest Croatian-owned bank, provides a wide range of financial services to retail customers, comprehensive financial services to the state administration and support to the Croatian economy, with a focus on small and medium sized enterprises.

Over the course of 30 years of operations, HPB has strongly reinforced its market position, and following the acquisition of Nova hrvatska banka which will be merged in 2023, it is now about to join top 5 banks in terms of market share in Croatia

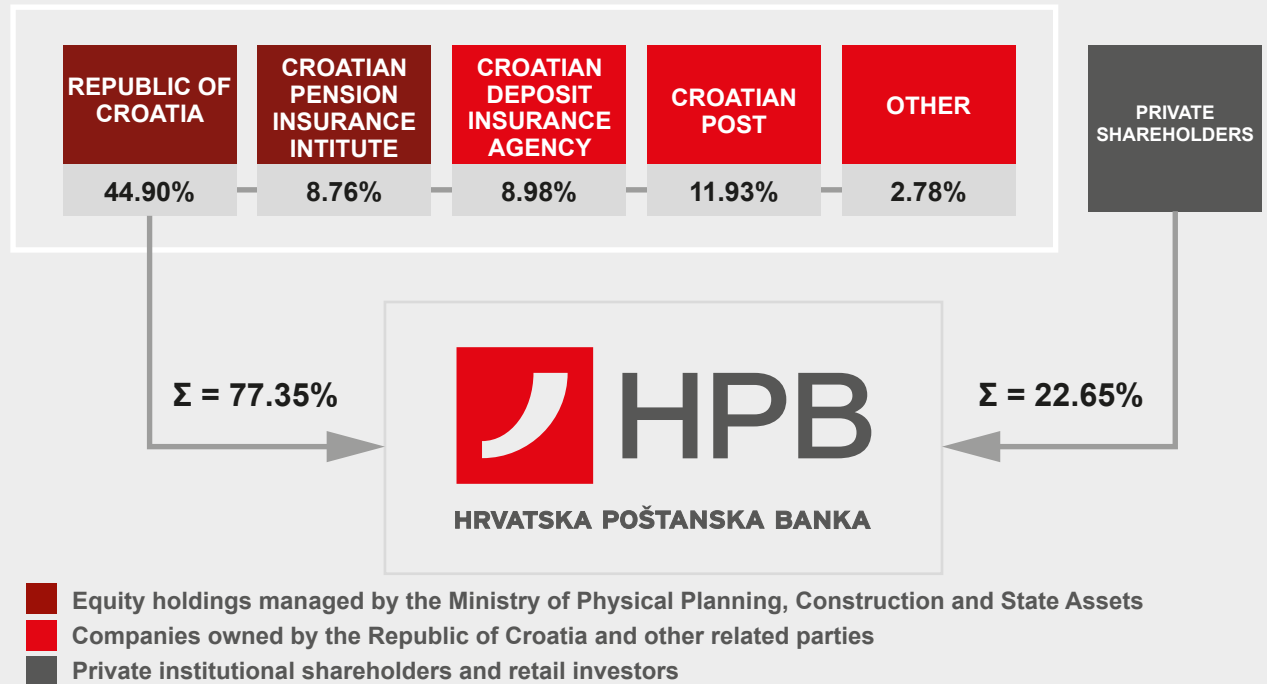


Ownership structure

GRI 2-1

Over the course of the years, HPB's ownership structure has altered, always within the framework of state ownership and it remains the only Croatian-owned bank with a market share exceeding 1 percent.

The Republic of Croatia is the most significant shareholder of the Bank, directly or indirectly holding over 77% of the equity share and associated voting rights in the General Assembly.

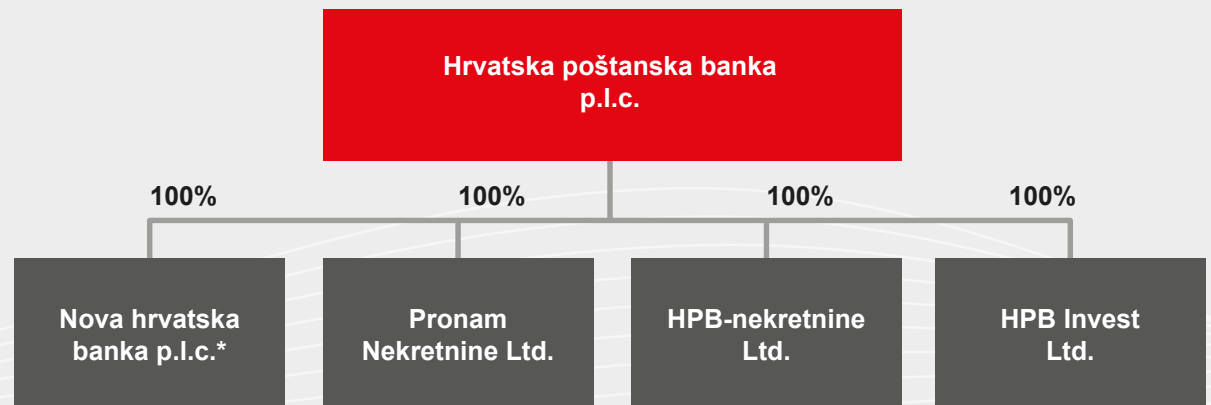


As at 31 December 2022

HPB Group

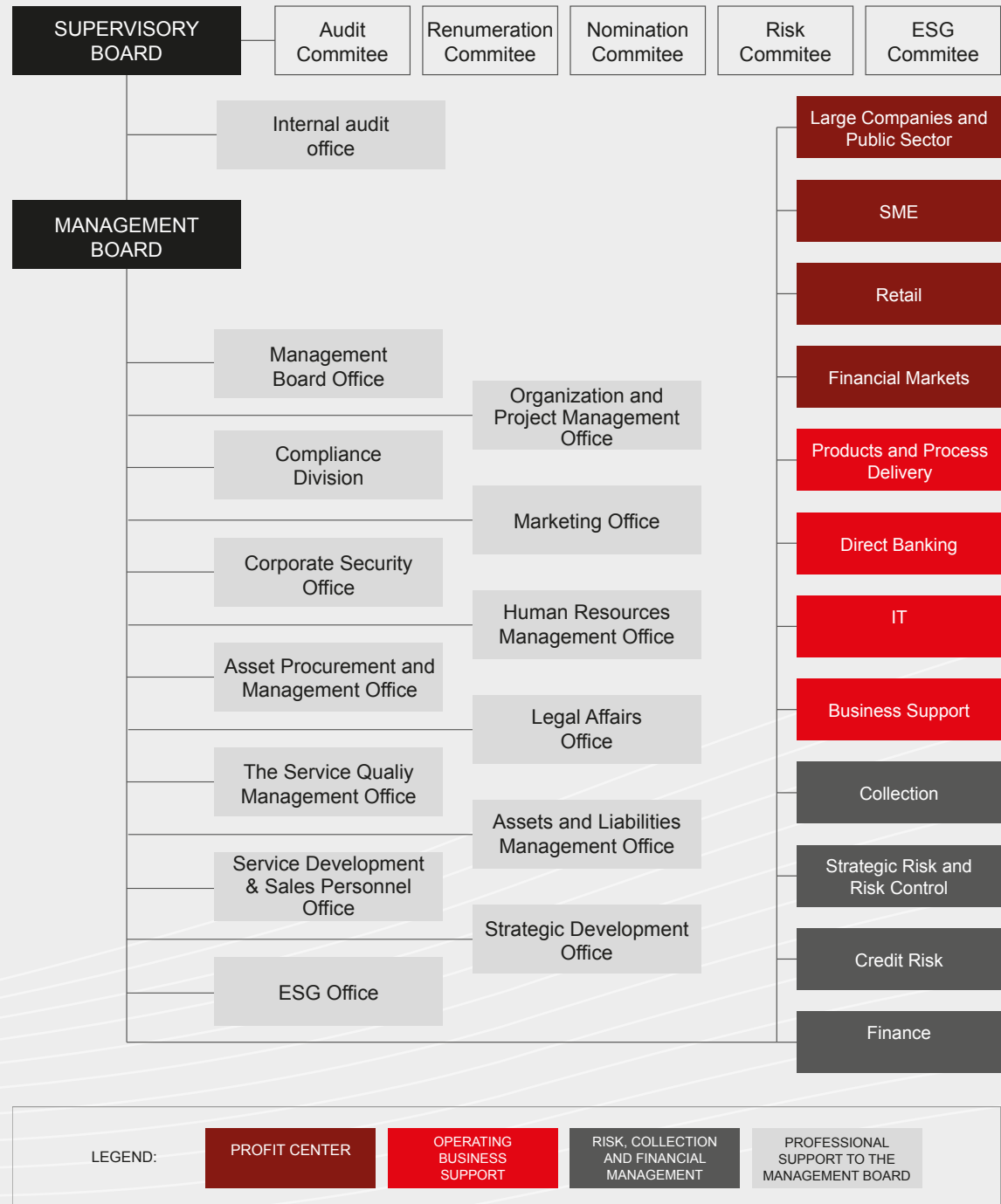
GRI 2-1; 2-2

Hrvatska poštanska banka holds 100 percent equity share in the subsidiaries HPB Invest Ltd., HPB-nekretnine Ltd., Nova hrvatska banka Ltd. and Pronam Nekretnine Ltd., which together comprise HPB Group.



* planned merger with the parent company in 2023

Organizational structure



Our mission and vision

Mission

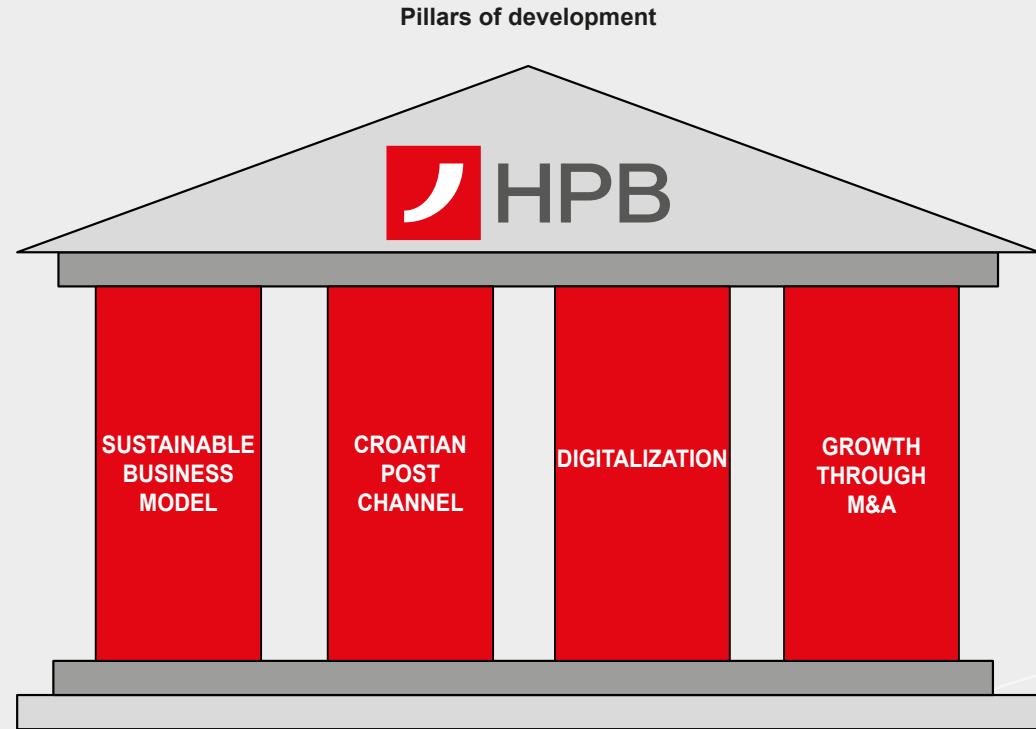
*We create conditions for
a better life in Croatia.*

Vision

*A Croatian-owned bank with rel-
evant market influence that cares
best for the customers, sharehold-
ers and the community.*

Strategy and pillars of development

The strategic focus of HPB includes a focus on retail and SME banking, creating sustainable products and operations, achieving highest standards in risk management, responsible cost and resource management, efficient organization and new models of work.



ESG as the foundation of business transformation	Customer orientation	Strengthen market position
Integration of ESG factors into operations; integration of risk and materiality assessment	Business digitalization	Completion the merger of Nova hrvatska banka
New model of non-financial reporting; new standards	Development of E2E digital acquisition channels	New opportunities for inorganic growth
Sustainability as corporate priority in all 3 factors	Accessibility of products and services through the largest distribution channel	Become an excellent place for work and development
Ethical and efficient leadership	Fast and efficient customer support	Achieve goals through an effective management system; become competitive in remuneration



Branch network

GRI 2-1; 202

The registered seat of the Bank is in Zagreb, Jurišićeva ulica 4.

Combining our branch and our partner network with Croatian Post and FINA, HPB is the most accessible bank in Croatia, available to citizens and entrepreneurs even in the smallest and most remote places in our country.

HPB branch network is composed of:

- 6 Regional Corporate Centres (RC Central Croatia, RC North Croatia, RC Istria and Kvarner, RC Slavonia, RC Dalmatia North, RC Dalmatia South).
- 6 Regional Retail Centres (Central Croatia, North Croatia, Slavonia, Istria and Kvarner, Dalmatia North and Dalmatia South)
- 56 centres and branches across the Republic of Croatia
- digital eBranch





In addition to our business network, HPB offers its services through the externalised distribution channel of Croatian Post, with over 1,000 postal offices across the territory of the Republic of Croatia. Financial lending services are available in a total of 141 financial corners at postal offices, while payment transactions and other retail services are available at over 1,000 payment points. Over the last three years, banking services have also been made available to corporate customers at nearly 1,000 locations in postal offices.

The Bank's second major externalised network is the Financial Agency (FINA) with around 169 branches and offices where HPB customers can also access payment transaction services.

The branch network of Nova hrvatska banka consists of 30 branches across Croatia.

Awards and acknowledgements

In September 2022, HPB Global Fund received **The Top of the Funds** award for the best fund in the category of mixed investment funds in 2021, presented by the Association of Companies for Investment Funds Management at the Croatian Chamber of Economy.

After receiving the award jointly awarded by the Zagreb Stock Exchange and the Croatian Financial Services Supervisory Agency for the **best compliance with the Corporate Governance Code** on the Official Market of the Zagreb Stock Exchange for 2020, in December 2022, HPB was awarded the Zagreb Stock Exchange Award as the **share with the largest growth in trading volume** in 2022, an additional acknowledge-

ment of the quality of operations and business enhancement carried out at the Bank.

The Bank was again awarded with the annual **Employer Partner Certificate**, as a recognition of sustained application of best practices and an organization focused on excellent human resource management. HPB has confirmed its status as an Employer Partner for a sixth consecutive year, and the certificate was obtained for the continuous development and improvement of human resource management.

Promoting a healthy lifestyle allowed HPB to meet all the criteria for obtaining the **Health Friendly Firm** certifi-

cate in 2022, awarded within the Healthy Living project of the Croatian Institute of Public Health.

In strong competition, HPB's athletes won seven trophies in various sports disciplines at the **Banking Games** in May 2022.



Membership of professional associations and organizations

GRI 2-28

In December 2022, HPB signed the **Diversity Charter Croatia**, committing to implement a diversity and non-discrimination policy in the workplace and its business environment as part of an organizational culture that actively values differences and recognizes people of different personalities and experiences and their equivalent individual contributions to the development of the work environment and the Bank's operations.

In 2022, the Bank was an active member and participant in the work of many national professional associations and organizations such as:

- **Croatian Banking Association (HUB)**
- **Croatian Employers' Association (HUP)**
- **Croatian Chamber of Economy (HGK)**
- **American Chamber of Commerce in Croatia (AmCham)**
- **International Chamber of Commerce (ICC)**
- **Croatian Exporters (HIZ)**

The Bank has been cooperating with all abovementioned associations for almost a decade.

HPB has also been a member of the UN Global Compact initiative since 2007, within which it has been regularly reporting and enhancing its business practices in the field of social responsibility and sustainable business.

In 2022, HPB joined the following organizations and initiatives:

Croatian Business Council for Sustainable Development (HR PSOR)

Confirming our commitment to sustainable business models and development, the Bank joined the Croatian Business Council for Sustainable Development - HR PSOR in 2022. Membership in HR PSOR is an opportunity for HPB to intensify activities in sustainable projects, support the organization's common goals, lead by example, and contribute to the development of society, in synergy with those who share the principles, values, and understanding of the importance of sustainability.



UNEP Finance Initiative – Principles for Responsible Banking (PRB)

In 2022, HPB became a member of the United Nations Environment Programme's Financial Initiative (UNEP FI) and the first bank in Croatia to sign the United Nations Principles for Responsible Banking (PRB). By joining this global partnership with over 300 signatory banks representing almost half of the global banking industry, we committed to integrating six core principles of responsible banking into all aspects of our business - alignment, impact and target setting, clients and customers, stakeholders, governance and culture, transparency and accountability, identifying our largest environmental and social impacts and leveraging them to create a sustainable world.



KEY PERFORMANCE INDICATORS

GRI 2-6; 201-1

Record profit in a challenging business environment

The start of 2022 was exceptionally challenging, against a backdrop of growing geopolitical tensions and the Russian invasion of Ukraine. The economic consequences of the war in Ukraine very quickly trickled down to the domestic market and HPB promptly responded, and on 2 March 2022 acquired Sberbank p.l.c., which was on the brink of failure due to the sanctions imposed on Russian-owned business entities. The successful resolution of Sberbank and business stabilization, required extensive resources of HPB, which were deployed to restore customer confidence. Consequently, on 14 April 2022 HPB acquired control of the bank, which has since operated as member of HPB Group under the name Nova hrvatska banka. This accomplishment has significantly boosted the market Position of the Bank, which is now about to join top 5 banks by market share

on the Croatian market, with consolidated asset growth amounting HRK 14 billion. The acquisition of Nova hrvatska banka created badwill in the amount of HRK 1,019 million, resulting in record consolidated net profit of HPB Group amounting to HRK 954 million.

On non-consolidated level, in 2022 HPB achieved a net profit in the amount of HRK 132.6 million, primarily driven by credit and deposit operations, which in turn offset the negative effects in the capital markets caused by the monetary tightening policies of the central banks, neutralizing surging expenses and costs arising from soaring prices and rampant inflation.

HPB Group reached a historic milestone in 2022 with the highest level of total assets, affirming the Bank as a strong market competitor, agile to respond to challenges and make rapid changes.

Table 1. Record financial performance in 2022

In HRK '000	2021		2022	
	Bank	Group	Bank	Group
Income	821,211	830,509	741,053	1,001,978
Operating expenses	575,536	584,064	582,624	1,039,250
Staff costs	243,810	249,606	261,393	341,140
Sponsorships/donations/community investment	2,408	2,408	4,272	4,609
Net profit	202,107	202,625	132,606	954,358
Assets	27,833,187	27,832,522	34,381,480	41,741,727
Capital adequacy	25.65%	25.65%	23.57%	18.91%

HPB Group recorded a very successful year across all business segments. In the retail segment, we have a customer base of nearly 500,000 and we are exceptionally pleased with the expansion in the SME segment, where we boast 11,320 customers, representing a 9.22% growth year-on-year. Large corporates segment also realised growth in 2022, up to 1,495 customers, which is a 8.41% increase year-over-year.

NHB serves 75,000 retail customers and 5,600 corporate customers.

In 2022, the Bank recorded further expansion of lending with an increase in the total volume of loan placements to retail customers as well as an upturn in the number of loans to corporate customers.

Market targets and areas of priority for 2023 include portfolio expansion, bolstering the quality of customer experience across all communication channels and in sales, with further digitization and the completion of the merger of Nova hrvatska banka.

Landmark APN results

HPB is one of the most active banks within the APN Housing Loan Scheme with a state subsidy, and the successful streak continued in 2022 with over 550 approved loans in the total volume of HRK 425 million.

In 2022 the Bank undertook to meet all the expenses of real-estate valuation and notary public services pertaining to the loan, on behalf of its customers, realising significant savings for the customers. HPB's unique and well-received products and services offered since the rollout of the subsidized housing loan scheme have resulted in a total of 3,000 loans granted to young people and their families who are looking to get on the property ladder by either buying or building their own home.

Table 2. Excellent APN Housing Loan Scheme Results

APN loan portfolio	31/12/2021	31/12/2022
APN loan portfolio	1,456,039,923	1,787,298,263
Number of APN sub-account	2,403	2,938
APN loans by tranche	TRANCHE March 2021	TRANCHE March 2022
Amount	264,107,144	424,884,372
Number of placements	395	557

Digital orientation

HPB is a digital and innovation trailblazer of Croatian banking.

We were the first bank in Croatia to introduce access to eCitizens and biometrics for logging into mobile banking, as well as online account opening and mobile cash withdrawals from ATMs. Our eBranch offers the largest range of mobile banking services, and we are one of the first banks to roll out instant payments.

HPB Group is actively focused on digitalization, one of our strategy and development pillars. We record consistent increase in the number of mobile banking users.



Table 3. Increase in the number of mHPB users

Number of users - retail	31/12/2021	31/12/2022
Number of users - corporates	107,790	117,287
Broj korisnika – poslovni korisnici	4,637	5,675

OUR PRINCIPLES OF SUSTAINABLE BUSINESS MODEL



Sustainability Office

GRI 2-13

With the aim of complying with mandatory EU and national regulatory requirements and, in order to advance the process of identifying, implementing and managing environmental, social and governance factors that impact our operations, HPB set up the Sustainability Office which started operating as of 1 January 2022. The Office has two units - Environmental Sustainability Unit and Social Sustainability and Corporate Governance Unit.

Establishing a separate organizational unit enabled us to additionally progress in the implementation of sustainable goals, to create the data metrics and data management methodology and to identify sustainability risks and work on their integration into the Bank's operations.

ESG policy - the framework of sustainability at HPB Group

GRI 2-23; 2-24

HPB Group implements sustainability through a set of three key factors that should be taken into account when measuring sustainability, ethics socially responsible operations – Environmental (E), Social (S) and Governance (G). In 2022, we adopted the ESG Policy, and established a framework for responsible and efficient business through the aspects of energy efficiency, mitigation and reduction of carbon footprint of business processes and operations, identification and the implementation of ESG risks in operations across all segments, redirection of

capital flows towards sustainable investment and support for energy transition among customers, suppliers and business partners. HPB Group's ESG Policy is made public and available on the Bank's official website.

Principles of sustainability

GRI 2-23; 2-24; 308; 414

Within the ESG Policy, the umbrella document which defines the sustainable business principles, HPB Group adopted the Supplier Guidelines, setting out the main principles and expectations from suppliers who already have or wish to establish a long-term business relationship with the Bank and Group members. Suppliers are encouraged to preserve natural resources, avoid the use of hazardous materials and reduce, reuse and recycle with the obligation to adhere to HPB Group's ethical principles, while complying with regulatory norms.

HPB Group has also adopted Guidelines for Users of Products and Services, based on which product and service users are expected to respect human rights, including binding international and fundamental rights, environment and good governance pursuant to the provisions of the Universal Declaration of Human Rights, and do not cause any harm or contribute to any harmful impacts. HPB Group will seek to prevent or mitigate severe violations of human rights that are directly related to its operations, products and services. We expect the users of our products and services to be responsible and act with due care, and to take all reasonable measures to prevent inequality and foster diversity.

In order to achieve complete transparency in implementation of sponsorships and donations, HPB Group has adopted

the Sponsorships and Donations Guidelines to guide our conduct and operations. When assessing sponsorship/donation requests we consider factors such as the contribution of the project to the overall development of society, contribution to the promotion of the overall values of the social community, the significance and originality of the project for the promotion of Croatian cultural heritage and the significance of the project for general common good.

HPB Group has also adopted the ESG in Policy and the Code of Ethics, with the aim of promoting the basic principles and guidelines that regulate the prevention of corruption, conflicts of interest management and whistleblowing.

Operations aligned with ESG regulatory requirements

GRI 2-23; 2-24; 2-27

We are guided in our efforts to develop a sustainable business model by the regulatory requirements developed by the European and national authorities. We engage in dialogue and cooperation with regulators and other stakeholders, to bolster the acquisition of the necessary knowledge as we make strides toward the transition to sustainable operations.

HPB Group is governed by the national and European Regulations defined by the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA).

In line with strategic guidelines and complying with European Central Bank's recommendations published in The guide on climate-related and environmental risks, HPB is committed to redirecting capital flows towards sustainable investment and to providing support for energy transition among customers, suppliers and business partners. HPB

Group's ESG Policy is made public and available on the Bank's official website.

An organizational unit responsible for sustainability has been set up, to further ensure a complete implementation of ESG regulations into business.

HPB Group adheres to the Paris Agreement on climate change as the most important international agreement which provides guidelines for adaptation to climate change, the European Green Deal, a comprehensive strategy to make the European continent carbon-neutral by 2050 and resource-efficient, cutting-edge in terms of technology, and socially just, by redirecting the flows of capital towards green and sustainable investments.

HPB Group also implements national regulations and applies the following guidelines:

- National Recovery and Resilience plan 2021 - 2026 as a framework for implementing reforms, and realisation of developmental, social, environmental and all other goals of the Republic of Croatia in the current decade
- National Development Strategy of the Republic of Croatia until 2030, which directs the long term development of society and the economy in all important issues for the Republic of Croatia, thereby providing a framework for future development in the upcoming decade
- Low-Carbon Development Strategy of the Republic of Croatia until 2030 with a view to 2050 which aims to achieve sustainable development based on a low-carbon economy and efficient use of resources

For the purpose of transparency and reporting methods, HPB Group complies with Non-Financial Reporting Guidelines Directive (NFRD) and Corporate Sustainability Reporting Directive (CSRD), Sustainable Finance Disclosure Regulation (SFDR), Taxonomy Regulation and other relevant national and European guidelines which define reporting standards.



MATERIALITY ASSESSMENT



Material topics

GRI 3-1; 3-2; 3-3

Our impacts on stakeholders and the community

HPB Group has recognized the pivotal role of financial sector in business transformation. Our sustainability strategy is developed along several core directions, that is, impact areas, on which we base our operations, set sustainability goals and measure success. We have identified key material topics for each impact area.

Material topics are significant areas in which HPB Group has recognized its key environmental, social and governance impacts on stakeholders and which require to be actively managed. We therefore deem it is necessary to analyse the significance of each type of impact that we make.

Material topics and key impact areas

1. CUSTOMER ORIENTATION

- Accessibility
 - Digitalization and innovation
 - Competitive and affordable products
 - Privacy protection
-

2. SUPPORT TO ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT

- Sustainable and responsible financing
 - Development of sustainable financial products and services
 - Risk management
-

3. ETHICAL BUSINESS

- Transparent reporting
 - Anti-corruption and prevention of money laundering
 - Conflict of interest management
 - Responsible marketing
-

4. ENCOURAGING AND ATTRACTIVE WORK ENVIRONMENT

- Occupational health and safety
 - Diversity and inclusion
 - Training and development
 - Employer of choice
-

5. COMMUNITY AND ENVIRONMENTAL CARE

- Financial literacy
 - Sponsorships and donations
 - Partnerships and collaborations for community development
 - Corporate volunteering
 - Carbon footprint
-

Key stakeholders and their perspective on our impact

GRI 2-29

We have recognized as the most significant stakeholders under our impact the shareholders, regulatory authorities, customers, business partners and suppliers, employees, the Management Board, the Supervisory Board, non-governmental organizations and media.

In order to evaluate how the impact of a certain material topic on the decisions, the choices and the welfare of stakeholders, that is, in order to determine the materiality matrix, we conducted a survey among diverse groups of internal and external stakeholders in the form of a questionnaire.

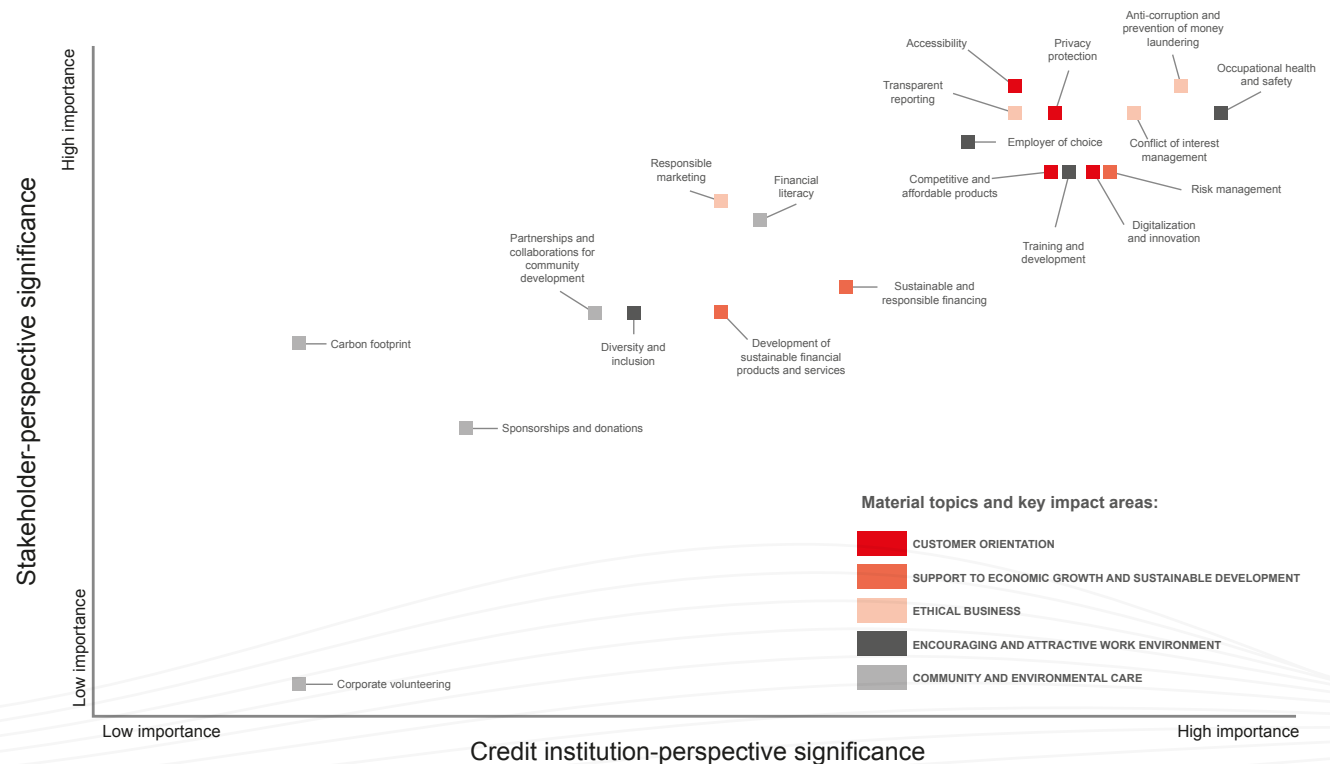
Material topics that external stakeholders recognize as the most significant are accessibility, anti-corruption, AML and counter-terrorist financing, transparent reporting, privacy protection, and the prevention of conflicts of interest. The listed material topics with external stakeholder-perspective significance, fall within the impact categories Customer orientation and Ethical business. In addition, external stakeholders highly value the Bank's role in shaping an encouraging and attractive work environment. Employee health and safety and employer partner are highlight as the most significant material topics. External stakeholders rank high in significance topics of competitive and affordable products and digitalization and innovation.

From the credit institution-perspective, i.e., perspective of internal stakeholders, the most significant material topic at HPB Group is employee health and safety. This is followed by topics pertaining to ethical business - anti-corruption, AML and counter-terrorist financing, and

conflicts of interest, as well as risk management. Internal stakeholders consider digitalization and development, competitive products and services, privacy protection and training and development to be very important.

The material topics with the lowest impact from the perspective of all stakeholder groups fall within the Bank's sphere of impact on the community and the environment, specifically corporate volunteering, carbon footprint and sponsorships and donations.

Materiality matrix



Environmental impact on operations

Material topics identified as having the greatest impact on the operations of HPB Group are:

- Climate transition
- Physical climate risks
- War in Ukraine
- Regulatory requirements
- Customer data security
- Inflation

Climate transition

Climate transition risk from the perspective of a financial institution can lead to an increase in exposure to sector or entities in the medium to long term that cannot achieve adequate returns on investment and the growth of interest rates cannot achieve adequate taking into account the present value of the money needed for those investments and the present value of returns from the same investments with rapidly increasing discount rates in conditions of normalization and rising interest rates. Under such conditions, it is unlikely that all the projects necessary to achieve carbon neutrality to be commercially viable from the creditor's perspective. At the same time, the current exposure of credit institutions to sectors with significant greenhouse gas emissions (oil, gas, metal, mining, transport) cannot be overlooked. However, regardless of that, financing climate transition generates extremely positive externalities for society, giving banks the opportunity maximize our activities, which cannot always be viewed from the perspective of commercial conditions.

Physical climate risks

Physical climate risks are risks of local character associated with real estate financed by the Bank. In order to identify and manage these risks, banks need to develop a method-

ology for calculating climate-related physical and environmental risks for their real estate portfolio, which HPB initiated in 2022.

The war in Ukraine

In response to Russian aggression against Ukraine, many countries around the world, including members of the European Union, have imposed sanctions on Russia and Belarus. HPB has implemented controls and continues to monitor changes and amendments to EU restrictive measures (sanctions), particularly in the field of financial services. HPB is not exposed to entities from Ukraine and Belarus, and records insignificant exposure to Russian-owned entities (0.00001 %). NHB is not significantly exposed to entities in Russia, Ukraine and Belarus (balance 0.03% and off-balance 0.28%). Moreover, the Bank's exposure to Russia in the financial markets segment is insignificant. Simultaneously, the Bank and its subsidiary NHB terminated all business and debtor-creditor relations with credit institutions in Russia, including the former owner of NHB – Sberbank Russia.

Regulatory requirements

Because of the specifics of their operations, credit institutions comply with a strict regulatory framework and are subject to supervision and oversight by competent authorities. The existing regulatory framework of the banking system in the Republic of Croatia is aligned with the unique regulatory framework in the EU, harmonized by the European Banking Authority (EBA), which prescribes special rules for all key operations carried out by credit institutions. This risk is not considered significant since financial institutions have developed effective internal controls systems.

Customer data security

Banks are exposed to the risk of IT infrastructure failures

and increasingly frequent cyberattacks that result in theft of customer data or biased use of private personal resulting in financial losses for banks, and can compromise customer confidence and carry reputation risks. Given that financial institutions operate strong security systems, this risk is moderate.

Inflation

Lifting restrictions and opening up economies following COVID-19 lockdowns and the subsequent recovery of demand, which was not accompanied by a simultaneous expansion of production and supply, coupled with the Russian invasion of Ukraine and its effects on the energy markets resulted in unprecedented galloping inflation. The main tool deployed in the fight against rampant inflation is in the hands of monetary policy holders, and consequently, after more than a decade of declining and low interest rates, 2022 saw hikes in benchmark interest rates, trickling down to the market lending prices. A combination of these factors and unfavourable demographic trends imply that Western and Central European economies, including Croatia, have entered an era of low GDP, income and consumption growth, while the effect on investments remains uncertain, as central bank could raise benchmark interest rates to levels where most long-term projects would not be able to provide a return on investment in case of continued inflationary pressures.

The socioeconomic consequences of inflation are therefore devastating, as they decrease on the purchasing power and reduce the real consumption, and these consequences spill over to profitability of companies which, due to the pressure of lower output volumes, rising input prices and high debt costs, may have reduced investment appetite or credit potential, or a lower credit rating from the perspective of creditors. It is particularly important to consider the latter, as this can dilute the efforts and focus on carbon-neutral business which is capital and investment-intensive.



ENVIRON- MENTAL SUSTAINA- BILITY

We consider our responsible behaviour and environmental awareness to be an important driver of transition to a sustainable business model and of great significance for more efficient cost management, reduction of carbon footprint, and environmental impact.





HPB Group strives to achieve carbon neutrality and implements measures to reduce greenhouse gas emissions (GHG emissions), including Scope 1, 2 and 3 emissions from either direct or indirect activities.



'In order to achieve this goal, we encourage continuous digitalization of business processes, we prefer virtual meetings and we continue to improve our energy efficiency by optimizing energy consumption and enabling employees to work remotely. We conduct regular training to raise awareness among the employees on environmental protection and energy efficiency. When planning the reconstruction and renovation of real estate under our ownership, we determine the energy criteria in order to upgrade energy performance rating of the facilities we manage, and we systematically monitor our facilities in order to identify potential gaps in energy efficiency.'

— Hrvoje Dragušica,
Head of Environmental Sustainability Unit

Calculation of GHG emissions

GRI 302-1; 302-3; 302-4; 303-5; 305-1; 305-2; 305-5

Scope 1, 2 and 3 emissions

Greenhouse gas (GHG) emissions are categorized into 3 scopes:

Scope 1 emissions are direct GHG emissions from company-owned and controlled resources. These emissions are a direct result of a set of on-site activities directly under the Bank's control.

Scope 1 emissions include:

- Emissions generated from burning fuels such as coal, oil and natural gas in boilers and furnaces and in transportation
- Process emissions that are released during industrial processes, and on-site manufacturing (e.g., cement or metal manufacturing).
- Emissions from waste disposal and processing, such as landfills and waste incineration
- Emissions from on-site transport, such as vehicles and equipment used in mining or construction industry.

Measuring and reporting on Scope 1 emissions provides a basic understanding of our direct GHG emissions and allows us to identify opportunities to reduce emissions through energy efficiency and transitioning to lower-carbon energy sources. It also enables us to benchmark our performance against industry standards and regulations.

Scope 2 emissions are indirect GHG emissions from the generation of energy purchased from a utility provider (purchased electricity, steam, heat and cooling). These emissions are from consumed energy purchased by the company but generated at the source outside our direct control.

Scope 2 emissions include:

- Emissions from electricity purchased from the grid
- Emissions from steam, heat or cooling energy purchased from remote energy system
- Emissions from electricity generated on-site from renewable sources, such as solar energy or wind energy are not considered scope 2 emissions

The calculation of scope 2 emissions can be location-based or market-based. A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data), while market-based method reflects emissions from electricity that companies have purposefully chosen.

Scope 2 emissions enable us to understand and manage our indirect GHG emissions from purchased energy and can help identify opportunities to reduce emissions by increasing energy efficiency and transitioning to lower-carbon energy sources.

Scope 3 emissions are all indirect emissions that occur in the value chain of the Bank, but are not included in Scope 1 and 2. They are a consequence of the activities of the company, but occur from sources not owned or controlled by the company and they occur outside the Bank.

They include:

- Extraction and production of purchased materials and fuel
- Transportation and distribution of products, including upstream and downstream transportation
- Use and disposal of products by customers
- Disposal or treatment of the waste produced by the organization
- Employee travel
- Upstream leased assets
- Business trips
- Upstream transportation and distribution of purchased electricity, steam, heat and cooling energy

Determining and reporting on scope 3 emissions can be challenging as they appear in the value chain outside the direct control of the organization, and the data may not be easily accessible. However, reporting on these emissions can provide a more comprehensive view of the total carbon footprint of the organization.

HPB Group has collected all available data on consumption of the following energy sources for 2022:

- Gas (kW/h)
- Electricity (kW/h)
- Purchased heat energy / kWh
- Fuel (in litres)
- Water (in m³)

Annual GHG emissions

Based on the collected data, the CO₂eq value of emissions was calculated using emission factors for each energy source/resource and allocated to scope 1 and scope 2, in accordance with the methodology of the European Investment Bank¹ and the most common standards for calculating GHG emissions².

Scope 3 emissions are not included due to the inability to obtain reference data in a timely manner.

The 2022 GHG emission calculation for HPB was made based on available data for 2022. Percentage of available data pertaining to gas, electricity, and water consumption is 55%. The Bank is working on creating a new data collection model for calculating GHG emissions and intends to include all its facilities and premises in the calculation over the next two years.

Table 4. Calculation of GHG emissions for HPB

HPB	Unit	Quantity	Emission factor	Emission factor measurement unit	Annual CO ₂ emission
Gas consumption	kWh	1,300,418	0.185	kgCO ₂ /kWh	240.58
Electricity consumption	kWh	1,775,162	0.138	kgCO ₂ /kWh	244.97
Water consumption	m ³	6,255	0.59	kgCO ₂ /m ³	3.69
Fuel consumption (diesel)	l	73,000	2.64	kgCO ₂ /l	192.72
TOTAL				t/CO₂	681.96

Table 5. Calculation of GHG emissions for HPB per employee

Annual emission CO ₂ (t/year)	HPB Number of employees	Correction factor	The number of employees used for calculation	Annual emission CO ₂ (t/year) per capita
1	2	3	4 (2x 3)	5 (1/4)
681.96	1,326	55%	729.3	0.935

Table 6. Scope 1 and 2 - HPB

	Annual CO ₂ emission (t/year)
Scope 1 (electricity and water consumption)	248.66
Scope 2 (gas and fuel consumption)	433.30
TOTAL	681.96

¹ EIB Project Carbon Footprint Methodologies

² Greenhouse Gas Protocol | (ghgprotocol.org)

HPB

Table 7. Calculation of GHG emissions for NHB

HNB	Unit	Quantity	Emission factor	Emission factor measurement unit	Annual CO₂ emission
Gas consumption	kWh	1,020,549	0.185	kgCO ₂ /kWh	188.80
Electricity consumption	kWh	1,495,387	0.138	kgCO ₂ /kWh	206.36
Water consumption	m ³	3,550	0.59	kgCO ₂ /m ³	2.09
Fuel consumption (diesel)	l	22,766	2.64	kgCO ₂ /l	60.1
Fuel consumption (eurosper)	l	1,330	2.30	kgCO₂/l	3.06
TOTAL				t/CO₂	460.41

Table 8. Calculation of GHG emissions for NHB per employee

Annual emission CO₂ (t/year)	NHB Number of employees	Annual emission CO₂ (t/year) per capita
1	2	3 (1/2)
460.42	461	0.999

Table 9. Scope 1 and 2 - NHB

	Annual CO₂ emission (t/year)
Scope 1 (electricity and water consumption)	208.45
Scope 2 (gas and fuel consumption)	251.96
TOTAL	460.41

The 2022 GHG emission calculation for NHB was made based on available data for the consumption of gas, electricity and water for 2022.

Table 10. Calculation of GHG emissions for HPB Group

HPB Group	Unit	Quantity	Emission factor	Emission factor measurement unit	Annual CO₂ emission
Gas consumption	kWh	2,320,967	0.185	kgCO ₂ /kWh	429.38
Electricity consumption	kWh	3,270,549	0.138	kgCO ₂ /kWh	451.33
Water consumption	m ³	9,805	0.59	kgCO ₂ /m ³	5.78
Fuel consumption (diesel)	l	95,766	2.64	kgCO ₂ /l	252.82
Fuel consumption (eurosUPER)	l	1,330	2.3	kgCO₂/l	3.06
TOTAL				t/CO₂	1,142.37

Table 11. Calculation of GHG emissions for HPB Group per employee

Annual emission CO₂ (t/year)	NHB Number of employees	Annual emission CO₂ (t/year) per capita
1	2	3 (1/2)
1,142.37	1,190	0.96

Table 12. Scope 1 and 2 - HPB Group

	Annual CO₂ emission (t/year)
Scope 1 (electricity and water consumption)	457.11
Scope 2 (gas and fuel consumption)	685.26
TOTAL	1,142.37

Energy efficiency is paramount

GRI 302-1; 302-4; 302-5

Efficient management of energy consumption is at the forefront of sustainable development, which HPB has opted for. In line with the strategy and directives of the European Union, which define a common framework of measures to promote energy efficiency within the EU, and the Guidelines for energy savings in the Republic of Croatia, the Bank's Management Board adopted the Guidelines for efficient energy consumption in the workplace. We consider our responsible behaviour and environmental awareness to be an important driver of transition to a sustainable business model and of great significance for more efficient cost management, reduction of carbon footprint, and environmental impact. To maximize our contribution to energy savings, all employees of HPB Group have completed online training to learn more about energy saving behaviours.

Bolstering digital communication with the Bank

GRI 301-1

Given that the Management Board of the Bank considers the ESG framework as one of the key components of strategic management of the decade, one goal contributing to sustainable development has been included in the performance management for 2022. The Bank's KPI was to encourage retail customers who have a transaction account, deposit or a loan to choose online communication with the Bank and increase the number of statements sent via email by 40% by the end of 2022.

The Bank successfully achieved the KPI and reduced the number of outgoing parcels thereby reducing paper use and toner consumption. By achieving the KPI, the Bank has also contributed to the second strategic pillar of development - digitalization.



Digital instead of print

HPB Group has been consistently reducing the volume of printed pages for several years, and our goal is to be even more responsible in paper use. In order to set an example and to join our customers, who have been increasingly choosing online communication with the Bank, HPB Group employees are encouraged to digitally archive documentation and carry out business processes through digital channels to the greatest extent possible. Online communication is more eco-friendly, faster and a simpler alternative to paper printing.

The significant decrease in the number of printed Pages over the past three years was greatly prompted by remote work and far-reaching digitalization of business operations and processes. The total paper use decreased by 10.33% year-on-year in 2021, and the trend continued

Table 13. Paper use

Period	Number of pages printed
2020	8,453,174
2021	7,579,795
2022	7,455,697
Δ 2022/2021	-124.098
Δ in%	-1.60%

in 2022 despite a significant return of employees to the offices. The total number of printed pages in 2022 is 1.6% down year-on-year.

Advancing the digital transformation, HPB Group has been continuously upgrading its digital channels in order to enable the customers to conduct a larger volume of financial transactions online. Particular focus has been directed on mobile channels and the virtual eBranch, which relies on remote communication with customers, online product and service contracting digital documentation, and qualified digital document signatures.

These business practices enhance the availability of Products and services to the existing and potential customers of the Bank, while simultaneously making a significant positive impact on the environment. The use of eBranch also reduces the impact of vehicles on the environment, and digital documents and signatures in communication with customers reduce paper volumes. Additionally, eBranch reduces the needs for physical office premises, drives down energy consumption and scales down the resources necessary for the operations.



Responsible waste management

GRI 306-1; 306-2; 306-3

HPB Group launched a pilot waste sorting project at selected premises in Zagreb in 2021. In line with the Decision on the method of providing public municipal waste collection services in the City of Zagreb from 24 February 2022, and with the aim of facilitating recycling, as of 1 October 2022, waste is disposed of in suitable containers for waste separation at all HPB Group premises and facilities in the City of Zagreb. For each type of waste, the colour and number of containers is determined in line with the provisions of the Ordinance on the waste catalogue.

All HPR Group employees working in Zagreb have completed online training on waste disposal and are required to separate waste and dispose of it into appropriate containers at the workplace. The Bank has defined the disposal of separated waste in an addendum to business cooperation agreements with partners, in line with the legal regulations on waste management in the Republic of Croatia. The Bank has also ensured waste collection by Zagreb Holding, as per the waste collection plan in the city of Zagreb.

HPB Group continued to responsibly dispose of waste paper at all its premises and facilities, utilizing authorized waste paper removal companies or independently, using designated containers.

The entire printer system operating at HPB is networked, and the supplier is responsible for the monitoring of toner consumption. When toner content falls

below 30%, the supplier replaces the toner and disposes of the old toner properly.

In 2022, HPB properly disposed of 32 tonnes of waste, which included parts of wooden and metal furniture not suitable for use, glass, metal, tires, and similar materials.

The goal for the upcoming period is to define data collection and monitoring model to track the quantity of waste generated at the level of the HPB Group.

Environmental protection initiatives

Successfully completed project Plant with HPB

A large-scale eco-volunteering project Plant with HPB launched in August 2021, to mark 30 years of HPB, was completed in February 2022. The Bank brought together its customers, public stakeholders and employees and engaged them in this socially responsible initiative contributing to the creation of a healthier environment for all of us and for the generations to come.

The project generated great interest, and in the first phase, from August to November 2021, more than HRK 60,000 in donations was collected. We are proud of the outcome and grateful to all participants. HPB matched the difference necessary for the purchase and a planting campaign of 30,000 seedlings across Croatia, symbolically marking 30 years of HPB.

We included a total of seven areas the tree-planting campaign. Alder oak seedlings were planted in the areas of Dugo Selo, Osijek, Karlovac, Bjelovar and Nova Gradiška, with the aim of restoring the habitat of native and highly valuable species. In the coastal part of the country, in Biograd area which was exposed cultural devastation caused by fires, native seedlings of maritime pine and stone pine were planted, while in Istria, in the area of Buzet, forests damaged by biotic and abiotic factors were restored and rehabilitated with the planting of pine and oak seedlings.

Over one hundred volunteers from the Bank participated, including the Members of the Management Board and other managers.



My green decision

Advancing the environmental awareness of our employees continued with the implementation of My green decision initiative. The initiative was launched in 2021 in celebration of Earth Day, with the aim of raising awareness among employees of the importance of responsible waste management and rational energy consumption, both at and outside the workplace. First activities within the initiative were aimed at reducing the use of plastics and at promoting the use of sustainable materials. In 2022 the emphasis was on responsible use of energy, and deliberate printing and paper use.

We have established a section on our intranet called Green Board, to regularly inform HPB Group employees about savings and responsible environmental behaviour.

Celebrating Earth Day

HPB Group has traditionally marked and celebrated Earth Day with numerous activities. Marking the 52nd Earth Day in 2022, the Bank encouraged the employees to generate green ideas with which will advance our corporate sustainability and environmental awareness. The authors of best ideas were awarded with 52 potted olive tree.

Acknowledging that organization-wide change starts with small steps made on the level of the individual; our employees delighted us with a wide range of initiatives and proposals. Reducing the use of disposables plastics, cutting down on paperwork, introducing led lighting and energy savings, adequate waste separation and recycling, are green activities that most HPB employees consider key in boosting the energy efficiency of our operations. Some of the suggestions involved rolling out internal training in ecology, digital archive management, internal eco-audit, company flea market, adding greenery in offices, cycling to work, biodegradable cards, and eco-corporate gifts. All the ideas have challenged us to deliver positive change in our operations.

Cleaning up illegal landfills

HPB volunteers joined the Green Cleanup action in September, as part of the global World Cleanup Day. This largest environment volunteer national campaign is aimed at combating the global solid waste problem, raising awareness of the mismanaged waste crisis. We contributed by cleaning up one illegal landfill in Zagreb. We successfully cleared out 1,760 kg of waste, separated, sorted for removal and adequate disposal by Zagreb waste management company.



HPB financed the disposal of waste from an illegal landfill in Medvednica Nature Park, which was created by illegal disposal at the former Hunjka guesthouse, and which the Bank acquired in an enforcement procedure. The Bank financed the disposal of roughly 11 tonnes of waste.

Phasing out landlines

Due to the epidemiological conditions, a significant number of employees started working remotely, the use of mobile phones, MS Teams and other modern communication platforms has increased, markedly reducing the need for land lines. Consequently, only the necessary land lines remained in operation while a large number of landlines at facilities and premises in Zagreb was terminated. In addition to pivoting to technologically more modern communication platforms, this change drives down costs and enables additional savings - both financial and environmental.



Green initiatives at Nova hrvatska banka

Nova hrvatska banka (NHB) was also agile in raising employees' awareness of the importance of environmental protection via its intranet, highlighting the topics of energy savings and proper waste disposal. In order to support employees to opt for eco-friendly means of transportation for their commutes, storage space for electric bicycles and scooters was ensured at the headquarters in Varšavska street.

NHB was a proud sponsor of the biggest tree planting campaigns carried out in the Republic Croatia in 2022, organized by the association 'Plant a tree, don't be a stump!'.



CORPORATE SOCIAL RESPONSIBILITY

Employee care

HPB Group believes that motivated, committed and satisfied employees are the key to our success and brand recognition. We therefore dedicate great attention to employee care.

All employees have equal opportunities to engage in professional training, professional growth and development. Every employee is seen and appraised as an individual who contributes with their personality to the creation of a team that HPB Group seeks to achieve.

HPB recognizes the value of diversity and is guided by this principle in the hiring process, the day-to-day relationship with employees and people management.

3 GOOD HEALTH
AND WELL-BEING



5 GENDER
EQUALITY



Hiring process

GRI 2-7; 401-1; 402-1

In 2022, the internal Hiring Process Policy was adopted, formalizing internal rules pertaining recruitment and selection process, thus, ensuring transparency, fairness and efficiency in the hiring process. The selection process is described below.

HPB Group deploys a variety of recruitment channels to fill vacancies: internal and external job advertisements, internal database of open applications, proactive search through external candidate databases and headhunting agencies, as well as employee referrals. Internal job postings and advertisements provide opportunities for employees to advance in the organization. The selection process is used to identify candidates who will become successful in their work over a period of time and espouse our organizational values. In candidate selection, we use standardized selection procedures and methods that have been proven effective, as objective as possible, fair to candidates, and that best assess characteristics associated with high job performance and fit with our organizational culture.

In order to ensure high-quality assessment and selection of the best-fit candidate, managers participating in hiring undergo training on the selection process and performance indicators of the selection process are continuously monitored (time to fill, time to hire, early turnover, retention rate on probation work, candidate satisfaction surveys).

Throughout the process, we strive to provide candidates with a pleasant recruitment and selection experience. We duly provide the candidates with relevant information, enabling them to be prepared as much as possible, which reduces stress and encourages candidates to present themselves in the best light. The main communication channel

with potential candidates is the official HPB website, career section. When submitting a job application, candidates are informed on the processing of personal data in the hiring process and the selection path. When inviting candidates for psychological testing or interview, candidates are provided with materials that can help prepare them for the testing, or job interviews. During selection interviews, we establish dialogue, create a supportive atmosphere, we are open to all candidate questions, and when making job offers, we inform them about the benefits and all the essentials information about work at HPB Group. Candidate feedback is very important for us, and therefore every candidate participating in the selection process can also take an anonymous satisfaction survey. We continuously monitor the results of the survey and take measures to improve candidate experiences based on their feedback. The 2022 turnover rate stands at 9.30% and we welcomed 156 new colleagues last year. As in previous years, the majority of our employees are in the group aged 30 to 50 years, and a smaller proportion

of employees are under the age of 30. We are exceptionally pleased that the younger population has recognized and chosen the Bank as their employer. HPB Group employs both students and external associates through student contracts or fixed-term contracts.

The Bank complies with the provisions of the Labour Act which stipulate that the employment contract should be delivered to the employee before the start of work. The same principle is applied in cases when employee assumes a different position in the course of the employment relationship, transfers to another organizational unit or changes the pay grade. In the course of reorganization, we implement a practice to provide employment contracts to employees eight days in advance. In case of termination or written disciplinary warning prior to termination of the employment contract, the employee is informed at the time of the termination of when the termination takes effect and upon the receipt of the written warning. The notice period is defined by the Labour Act and Work Regulations.

Table 14. Employee turnover

	2021	2022
Duration of the selection process (in days)	46.48	54.75
Turnover rate (%)	8.80%	9.30%
Number of new hires	106	156
m/w (%)	29% m / 71% w	26% m / 74% w
below the age of 30	31	56
aged 30 - 50	72	94
aged over 50	3	6
Number of leavers	117	120
m/w (%)	34% m / 66% w	38% m / 62% w
below the age of 30	10	19
aged 30 - 50	90	85
aged over 50	17	16
Number of recruitment procedures	64	91
Internal (%)	28.12%	35.16%
External (%)	46.88%	42.86%
Internal + external (%)	25.00%	21.98%

Equality and diversity as core values

GRI 2-7; 2-9; 405-1; 405-2; 406

HPB has opted for and promoted gender equality for a number of years. We are aware that team diversity positively impacts the quality of decision-making and our success, and we therefore consciously promote and nurture diversity. The Bank has successfully promoted a relatively high percentage of women to management levels for a number of years, and has been promoting to management diverse people in terms of age, education, knowledge, skills and experience.

At HPB, women have constituted the majority of the workforce for some time, and the largest divisions are headed by women's power, knowledge and intuition. This is evident from the fact that the share of women at HPB currently stands high at 74%. Women are represented and have a majority in almost all segments and at all business levels.

The only management level where women are under-represented at HPB are the governance bodies, which consist of the Management Board and the Supervisory Board. The average target representation of women in the governing body of the Bank is set at a minimum of 33.3%, which the Bank currently achieves and plans to uphold for the next five-year period from 2021 to 2026.

That diversity and equality are core corporate values at HPB Group. Therefore, the Management Board as the governing body is reported on a monthly basis with respect to the ratio of men and women at the level of the Bank, as well as the number of men and women in managerial positions.

Table 15. Employee structure - HPB

	2021	2022
Workplace segmentation		
Management Board and Supervisory Board (total)	6	6
m/w (%)	66.66% m / 33.33% w	66.66% m / 33.33% w
below the age of 30	0	0
aged 30 - 50	75% m / 100% w	50% m / 100% w
aged over 50	25% m / 0% w	50% m / 0% w
Management levels (total number)	174	187
m/w (%)	37.35% m / 62.64% w	34.75% m / 65.24% w
below the age of 30	0% m / 0% w	0% m / 0% w
aged 30 - 50	31.60 % m / 47.12% w	28.34% m / 47.05% w
aged over 50	5.74% m / 15.51% w	6.41% m / 18.18% w
Professional positions	1111	1131
m/w (%)	25.11% m / 74.88% w	24.12% m / 75.86% w
below the age of 30	1.80% m / 6.48% w	2.12% m / 7.51% w
aged 30 - 50	17.91% m / 50.49% w	16.71% m / 49.16% w
aged over 50	5.40% m / 17.91% w	5.30% m / 19.18% w
Type of employment relationship		
Fixed-term	44	83
m/w (%)	11.36% m / 88.63% w	16.86% m / 83.13% w
below the age of 30	2.27% m / 52.27% w	10.84% m / 42.16% w
aged 30 - 50	9.09% m / 36.36% w	4.81% m / 38.55% w
aged over 50	0% m / 0% w	1.20% m / 2.40% w
Permanent	1244	1238
m/w (%)	27.49% m / 72.50% w	26.41% m / 73.58% w
below the age of 30	1.36% m / 3.93% w	1.21% m / 4.03% w
aged 30 - 50	20.49% m / 50.40% w	19.38% m / 49.43% w
aged over 50	5.62% m / 18.16% w	5.81% m / 20.11% w

Table 16. Employee structure - HPB Invest

	2021	2022
Workplace segmentation		
Management Board and Supervisory Board (total)	5	5
m/w (%)	80% m / 20% w	80% m / 20% w
below the age of 30	0% m / 0% w	0% m / 0% w
aged 30 - 50	80% m / 20% w	80% m / 20% w
aged over 50	0% m / 0% w	0% m / 0% w
Management levels (total number)	4	3
m/w (%)	0% m / 100% w	0% m / 100% w
below the age of 30	0% m / 0% w	0% m / 0% w
aged 30 - 50	0% m / 100% w	0% m / 100% w
aged over 50	0% m / 0% w	0% m / 0% w
Professional positions	6	6
m/w (%)	50% m / 50% w	20% m / 80% w
below the age of 30	16.66% m / 16.66% w	16.60% m / 16.60% w
aged 30 - 50	33.33% m / 33.33% w	16.60% m / 50% w
aged over 50	0% m / 0% w	0% m / 0% w
Type of employment relationship		
Fixed-term	1	1
m/w (%)	100% m / 0% w	100% m / 0% w
below the age of 30	0% m / 0% w	0% m / 0% w
aged 30 - 50	100% m / 0% w	100% m / 0% w
aged over 50	0% m / 0% w	0% m / 0% w
Permanent	9	9
m/w (%)	22.22% m / 77.77% w	11.11% m / 88.88% w
below the age of 30	11.11% m / 11.11% w	0% m / 0.09% w
aged 30 - 50	0% m / 77.77% w	11.11% m / 77.77% w
aged over 50	0% m / 0% w	0% m / 0% w

Table 17. Employee structure - NHB

	2022
Workplace segmentation	
Management Board and Supervisory Board (total)	6
m/w (%)	100% m / 0% w
below the age of 30	0
aged 30 - 50	66.66% m / 0% w
aged over 50	33.33% m / 0% w
Management levels (total number)	63
m/w (%)	49.21% m / 50.79% w
below the age of 30	0% m / 0% w
aged 30 - 50	38.09% m / 34.92% w
aged over 50	11.11% m / 15.87% w
Professional positions	391
m/w (%)	24.04% m / 75.95% w
below the age of 30	3.06% m / 9.71% w
aged 30 - 50	15.85% m / 57.30% w
aged over 50	5.1% m / 8.95% w
Type of employment relationship	
Fixed-term	36
m/w (%)	27.78% m / 72.22% w
below the age of 30	11.11% m / 52.78% w
aged 30 - 50	11.11% m / 19.44% w
aged over 50	5.5% m / 0% w
Permanent	421
m/w (%)	28.03% m / 71.97% w
below the age of 30	1.9% m / 7.36% w
aged 30 - 50	19.95% m / 53.91% w
aged over 50	6.17% m / 10.69% w

Table 18. Employee structure - HPB-nekretnine

	2021	2022
Workplace segmentation		
Management Board and Supervisory Board (total)	4	4
m/w (%)	50% m / 50% w	50% m / 50% w
below the age of 30	0% m / 0% w	0% m / 0% w
aged 30 - 50	50% m / 50% w	50% m / 50% w
aged over 50	0% m / 0% w	0% m / 0% w
Management levels (total number)	1	2
m/w (%)	100% m / 0% w	100% m / 0% w
below the age of 30	0% m / 0% w	0% m / 0% w
aged 30 - 50	100% m / 0% w	100% m / 0% w
aged over 50	0% m / 0% w	0% m / 0% w
Professional positions	12	12
m/w (%)	25% m / 75% w	16.66% m / 83.33% w
below the age of 30	8.33% m / 25% w	0% m / 0% w
aged 30 - 50	8.33% m / 50% w	8.33% m / 83.33% w
aged over 50	8.33% m / 0% w	8.33% m / 83.33% w
Type of employment relationship		
Fixed-term	0	0
m/w (%)	0% m / 0% w	0% m / 0% w
below the age of 30	0% m / 0% w	0% m / 0% w
aged 30 - 50	0% m / 0% w	0% m / 0% w
aged over 50	0% m / 0% w	0% m / 0% w
Permanent	13	12
m/w (%)	30.76% m / 69.23% w	16.66% m / 83.33% w
below the age of 30	0% m / 23.07% w	0% m / 0% w
aged 30 - 50	23.07% m / 46.15% w	8.33% m / 83.33% w
aged over 50	7.69% m / 0% w	8.33% m / 0% w





HPB Group is dedicated to creating a work environment accepting and respectful of individual differences. Any form of discrimination is prohibited, with respect to access to any type of professional training and development, upskilling, reskilling, employment terms and conditions, social security, health care, labour rights and the right to membership and activity in employee associations and other organizations. All employees have equal opportunities to engage in professional training, professional growth and development. Discrimination of a person seeking employment and a person who is employed is prohibited, including all direct or indirect discrimination on the basis of gender, race, skin colour, ethnic or social descent, genetic characteristics, language, religion or faith, political or any other opinion, minority group membership, assets, birth, disability, age or sexual orientation.



'By signing the Diversity Charter Croatia in 2022, which is spearheaded by the Croatian Business Council for Sustainable Development (HR PSOR), HPB joined a European initiative to drive the progressive development of a modern society. We are committed to implementing a diversity policy and non-discrimination in our work and business environment, developing an organizational culture based on mutual respect and appreciation of the individual differences, implementing a diversity policy in our hiring process, raising awareness of the management and all employees about the importance of diversity and promoting the same attitude among our customers, business partners, suppliers and other stakeholders.'

— **Ivana Ježić,**
Head of Social Sustainability and
Corporate Governance Unit

Gender neutral remuneration policy

GRI 2-21; 405-2

Pursuant to Article 1, point 42 and Article 2 of the Decision on the amendments to the Decision on remuneration (Official Gazette 145/21) and the Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04 of 2 July 2021), institutions should be able to prove that they implement gender neutral remuneration policy. Gender neutral remuneration policy should ensure that all aspects of the remuneration policy are gender neutral, including terms and conditions of calculation and distribution of remuneration.

Remuneration at HPB is tied to the position in the organizational structure and level of job complexity, i.e. to job description specified in the employment contract. To determine remuneration, the Bank uses a job classification system, that is based on equal criteria for employees of different gender.

Employees are assigned positions in the organizational structure based on the following basic criteria: educational qualifications and professional experience, and length of service, while respecting the principle of gender equality. The bank is authorized to establish specific criteria based on tasks and responsibilities of each position.

Each position is remunerated according to pay grade, which represents the range of the pay coefficient, in accordance with internal acts on the organization and classification of jobs. Remuneration range must not result in a pay gap between men and women employed at HPB. Remuneration for each position depends on the expected level of education of the job holder, required degree of professional competencies, the required degree of inde-

pendent decision-making and leadership, and the responsibilities arising from the job. Pay grades are also determined in accordance with (i) availability or unavailability of certain skills and knowledge in the labour market, (ii) market trend in remuneration for the same or similar jobs. Each pay grade comprises a pay range with minimum and maximum values, which represent the gross and the net amount of the base pay in HRK. Within a pay grade, the decision on an individual employee's remuneration is made taking into account the assessment of the candidate being hired with respect to the nature of professional experience, competencies, managerial and other required abilities, as well as the expected value and contribution of employees to the organization, irrespective of gender or other possible discriminatory criteria.

An analysis is carried out to determine whether there is a gap (difference) in the amount of remuneration depending on the employee's gender (gender pay gap), which is expressed as a percentage of the average gross hourly rate of men:

$$\frac{\text{average gross hourly rate of men} - \text{average gross hourly rate of women}}{\text{average gross hourly rate of men}} \times 100$$

Starting from 2022, pay gap is calculated at least once a year, separately for the following categories:

- Members of the Supervisory Board
- Members of the Management Board
- Identified employees (excluding Management Board)
- Other employees:
 - Managers: all management levels and support management positions (B-1 to B-4)
 - Executives: all levels of professional and administrative positions

Gap above 10%, is considered significant, providing that a minimum number of 20 men or women are included in the analysis.

Table 19. Remuneration

	Employees as at 30/9/2022		Pay gap (per hour)
	Men	Women	
Supervisory Board	1	2	-1%
Management Board	3	-	-
Identified employees (excluding MB and SB)	21	21	-1%
Other employees (managers)*	45	103	-10%
Other employees (executives)	268	850	-23%

* Including management support and advisory positions

A more significant pay gap in the gross hourly rate of women compared to men was observed in the Other employees category (executives) where women are paid -23% less in relation to men.

Additional analysis revealed that the gap results from the difference in organizational affiliation and the level of education of men and women occupying executive positions.

Specifically, the share of male executive of the IT Division in the total number of male executives is 27%, while the share women executives in the IT Division in the total number of women executives is only 4%. At the same time, the gross hourly pay in the IT Division 57% higher than in other organizational units due to market conditions circumstances, which is reflected in the internal pay grades. In addition, the share of male executives holding a university degree or a higher professional degree in the total number of male executives exceeds the number of women with the same qualifications - 74% for men compared to 54% for women. The hourly gross pay for employees holding university/higher professional degrees is 42% higher compared to

those with lower education levels.

In conclusion, the gender pay gap in hourly pay in executive positions is conditioned by differences in pay based on organizational affiliation, and the level of education, which leads us to conclude that the cause of the pay gap is not in a gender-biased remuneration policy.

Pursuant to Article 272.r of the Companies Act, remuneration data of the President of the Management Board and the Members of the Management Board are disclosed in the Remuneration Report for the Members of the Supervisory Board and the Management Board, which is approved by the General Assembly of the Bank, and is made publicly available on the Bank's official website.

Based on the calculation provided by GRI 2-21 standard (Annual total compensation ratio / ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees average annual compensation for all employees of the organization excluding the highest paid individual) is 6.61.



Training and education: Investment in people is an investment in the Bank

GRI 404-1; 404-2

Mindful of the fact that human capital and expertise make up an integral part of business, HPB Group recognizes continued employee development as one of the key corporate principles. HPB Group empowers employees to develop their talents, innovation and creativity, and to push the boundaries of their professional development. We believe in the power of lifelong learning, and with this belief in mind we create and develop training programmes and deliver both internal and external employee training programmes.

In the course of 2022 internal training initiatives were mostly focused on regulatory issues, development of retail sales skills, data skills and managerial skills. External training programmes encompassed professional training and conferences, and a significant number of training initiatives was focused on the development of sales capacities, as well as the development of analytical, communication, negotiation and managerial competencies. An analysis of the training programmes that our employees have taken on digital learning platforms has shown that employees mostly engage in learning business analysis data skills, and development of communication, organizational, and leadership skills.

We believe in good leadership, and we believe that people need to be led, motivated and made successful. We therefore strongly promote leadership training for management levels. In addition to internal and external training programmes, new knowledge is acquired, and new skills are developed through eUčionica (eClassroom) platform, which provides employees with regulatory and compulsory training sessions, which are designed to build up and improve daily operations. In 2022, 40 programmes for employees were delivered through the eClassroom with a focus on AML and counter-terrorist financing, compliance, corporate security, human resource management and specialist banking knowledge.

Continued training is also carried out for Members of the Management Board and the Supervisory Board, available through a digital platform with all content for mandatory ongoing training and professional development of the Members of the Management Board pursuant to the Decision on the assessment of suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holder in a credit institution. Training included topics such as the Credit Institutions Act, asset and liability management, corporate governance, consumer protection, remuneration, risk and capital management, supervision and liquidation of credit institutions, AML and counter-terrorist financing GDPR, payment transactions, information security, market analysis and sustainable finance.

Table 20. Training

Type of training	Number of trainings in 2021	Number of training in 2022
Internal	83	65
External	182	318

Onboarding

HPP runs a comprehensive and continuous onboarding programme HPB Start. A specific customized onboarding (development) plan is designed for each new hire, which is consistently monitored and evaluated in the first six months of employment.

The development, communication and appraisal of the development plan is a responsibility of the line manager that the new hire reports to. The line manager, with HR support, provides regular feedback to the employee.

A development plan outlines a structured list of development areas in which a new hire is expected to become proficient during the onboarding period, and its completion represents the basis for the appraisal of performance during the probation period. The elements of Welcome Day include induction in the work environment, new employees are given a presentation of HPB Group and corporate values, and they are also informed of their rights and obligations, products and operations of the Bank, and opportunities for personal development and advancement.

Data nursery

Data nursery is a unique employee data literacy programme that HPB has rolled out for employees identified by the Management Board as leaders of the development and enhancement of data processes and the improvement of data quality. The programme is designed with the analogy of a plant nursery in mind, in order to promote the transfer of knowledge and application of the learnings in business operations, as well as to bolster internal knowledge sharing and knowledge creation.

This allows us to tie employee development with business operations and the organization's strategic goals, and maximizes value added from investment in learning and development. The program includes employees who primarily work with data and who are considered to advance the efficiency of their organizational units and decision-making with enhanced data competencies.

The aim of the programme is to enhance employee data/analytical competencies, raise awareness of the importance of quality data management and data-driven leadership by creating a data centre of excellence. Within the program, participants mastered the basic modules about databases, data warehouse, SQL, and completed a workshop on creative thinking and problem solving, motivation for learning in the flow of work.

Data nursery participants have at their disposal e-learning platforms where with access to the best online courses given by universities and companies worldwide and can the type of training which best fits their needs. Sharing knowledge is crucial, and participants therefore presented best data practices to other employees. Data nursery was showcased at several international conferences, five internal and three external workshops were given and a total of 96 employees participated in the training.



'Data literacy is the ability to read, understand, analyse, manage and engage with data and it is no longer a choice, but one of the conditions for future growth. The level of data literacy is what differentiates the excellent organizations from good ones.'

— **Mirko Talajić,**

Chief Data Architect and Director of Analytical System Support Department, one of Data nursery founders

'The learning process does not end with the acquisition of knowledge through certain formal training, just as plant care does not end with planting or harvest. We have to use our learnings to create new knowledge and added value and we can do that by transferring knowledge to others and through innovation.'

— **Monika Švogor,**

People and Organization Development Senior Specialist, one of Data nursery founders



Performance management

GRI 404-3

HPB Group has been continuously working to improve performance management. We are guided by the transparency principle when defining both the organizational goals of the Bank and the individual employee goals. Managers are therefore consistently educated about goal-setting with a particular emphasis on aligning individual goals between the managers and employees.

Performance management ensures that all employees row in the same direction, driving the Bank towards achieving strategic goals and realising a long-term sustainable business model.

Well-defined organizational and individual goals underpin a good performance management system. Setting clear goals and defining measures to track their achievement, ensures that all employees are aware of the expectations. This enables better individual, team and Bank performance, continuous individual and team development, and aligns employees with corporate values.

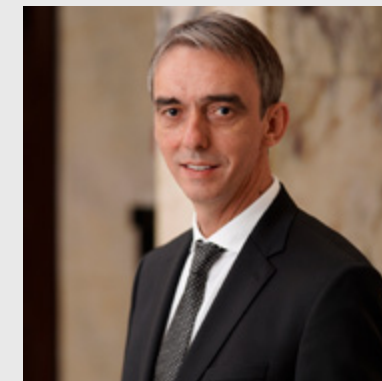
Health and safety

GRI 403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7; 403-8; 403-9

In the modern busy world marked by hectic lifestyles, employee health is more significant than ever before. Employee health and safety was a priority throughout 2022. HPB Group provides all employees with voluntary and supplementary health insurance, which include an annual medical examination. All employees are entitled to a day of personal leave, in order to encourage them to take the annual medical examination.

Within the project Health Friendly Firm, and in collaboration with the Croatian Institute of Public Health, the Bank has organized Poligon of Health, a health centre tasked with the promotion of a healthy lifestyle. Within Poligon, employees were able to measure their blood pressure, blood sugar levels and their weight along with other anthropometric measurements, and get advice on proper nutrition and physical activity. They were informed about the harmful effects of smoking and they were provided with materials to encourage them to quit smoking. Employees were also offered a test to measure exhaled carbon monoxide and were informed about harms associated with alcohol intake.

The company-wide implementation of the module Health Friendly Firm included evaluation criteria such as health promotion, occupational health and safety and the promotion of health across HPB Group.



'Investing in the health and promoting a healthy lifestyle among our employees is a top priority for the Bank, and it has been intensified by the extraordinary circumstances amid the outbreak of the pandemic and earthquakes over the last two years. Although the implementation took longer than expected because of the delay caused by the global pandemic, we have successfully met all the criteria and became the first bank to be awarded the 'Health Friendly Firm Certificate'.

— **Anto Mihaljević**,
Member of the Management Board

HPB Sport, with more than 290 members, is another initiative rolled out with the purpose of promoting a healthy lifestyle and encouraging employees to engage in physical activity. In the course of 2021 and 2022, we launched a series of activities aimed at developing a culture of sports across HPB Group nurturing corporate values of unity, teamwork and humanitarian work. In that sense, we organized a large number of group workouts and created opportunities to empower our employees to participate in a variety of sports events across Croatia, including Banking Games, in which 49 HPB athletes participated in 2022. All employees have the opportunity to join eight team sports as well as our running and hiking teams. One of the benefits that HPB Sport provides is subsidized individual recreation, with the aim to bolster and promote the importance of physical activity.

Acknowledging the fact that mental health is just as important as physical health, **psychological counselling** is available to employees throughout the year. The purpose of such counselling is to empower the employees to successfully cope with challenges by developing new mindsets and tools that support them through change, and thereby increase the quality of life.

We have implemented the following activities that demonstrate our commitment to investment in health, promotion of healthy lifestyle and positive environmental impact::

- We promote sports activities within HPB Sport scheme
- We inform on health-related topics and provide tips for a healthy life on the Company intranet
- We provide training on occupational health and safety and stress prevention
- We offer a variety of activities via the Green Office
-

In order to ensure uninterrupted and successful business operations, HPB Group continuously works to enhance the level of security in its operations. In addition to regular systematic activities, employees are required to take compulsory **information security** training. All employees are duly and promptly informed of all current and potential active phishing campaigns, in order to prevent such attacks. HPB Group is focused on establishing a corporate security culture, raising the level of employee awareness about security risks and protection and the importance of informing and educating customers about security threats.

Evacuation and rescue drills are regularly conducted at HPB Group facilities and premises, and efforts are taken to improve workplace quality through the application of ergonomics and occupational health and safety measures. HPB continued to raise the level of fire protection in 2022 by implementing a fire alarm system, continuously eliminating potential risks that can cause **injuries at work**, improving microclimate conditions and lighting, workplace temperature and ventilation. There were 25% fewer reported workplace injuries year-on-year, which is evidence of the success and effectiveness of the system.

Work-life balance

GRI 401-2; 401-3; 409

Work - life balance of employees is recognized as one of key sustainable development goals because it impacts employee satisfaction and engagement and contributes to a healthy and satisfying work environment. To secure a better work-life balance we promote flexible working hours, in cases where work processes allow such organization of work (reduced working hours on Friday, flexible working hours).

For employees whose children start kindergarten and school, we provide a day of paid leave on the first day of school, creating an opportunity for all parents to take part in that special moment. In 2022 we reinforced our employee care with a decision to co-fund kindergarten fees.

We provide additional benefits to our employees such as discounts for sports activities through Multisport scheme, special schemes for the purchase of office furniture for remote work, discounts in a wide range of stores, airline ticket discounts, employee discounts for certain banking products, occasional cash allowances such as payment for the birth of a child/adoption, or jubilee awards.

In 2022, we had 154 jubilarians, and appropriate payments in the form of vacation allowance, Christmas bonus, Easter bonus, and special awards were paid out. All 53 employees who welcomed children were paid allowances for the birth/adoption of a child throughout 2022.

HPB Group employees are entitled to one day of paid leave for each blood donation they make. All employees are granted this right irrespective of the scope and the basis of exercising the right to paid leave. Additionally, employees are granted one day of paid leave monthly for volunteering.

Freedom of association

A successful trade union branch has been operating at HPB since 1993, with a common goal of improving the work, material and social rights of all the employees of the Bank.

As such, HPB Union participates in the decision-making with respect to all key decisions related to HPB Group employees.

Collective bargaining agreements

GRI 2-30; 201-3

In 2022, the Management Board of the Bank and the representatives of the trade union branch signed the Collective Agreement for the upcoming period which provides the employees with an improved level of material rights. The Collective Agreement provides for rights such as non-taxable salary allowance, holiday and Christmas bonus, Easter gift in kind, gift for children child care allowance and paid personal leave for the purposes such as a wedding, family bereavement, birth of a child, house move, first day of school or kindergarten, study leave. Additionally, the Collective Agreement sets forth

the benefits and material rights of employees due to retire.

All rights and benefits are made available to all employees, with the exception of occasional bonuses and allowances to which, pursuant to the Conflict of Interest Prevention Act the Members of the Management Board are not entitled to.

Organization vitality survey

The Bank consistently carries out an organization vitality survey to learn about employee opinions, attitudes and satisfaction. Organization vitality survey is a first step in focused management of organizational climate, corporate culture and employee engagement. The purpose of the survey is to gauge the current state of organizational climate, corporate culture and employee engagement within HPB Group and define areas and steps for further development. The online survey is anonymous, and the results are disclosed to all Group employees.

We are pleased to report high survey response rate among the employees and their willingness to engage with the Management Board to identify shortcomings, create a better organizational climate, improve the business culture and make HPB a better employer.



The Bank was again awarded with the annual Employer Partner Certificate, as a recognition of sustained application of best practices and an organization focused on excellent human resource management. The greatest progress was made in performance management, onboarding and culture and vitality management through our Organization vitality survey. In addition, a positive shift has been identified in HR process digitalization, enabling the HR Office to efficiently support other business segments and divisions.'

— Ana Didara,
HR Director

Community care

Responding to the needs of society and the community in which we operate, we aim to deliver a positive impact at both local and global level, and create conditions for a better life in Croatia

Volunteer for Croatia

GRI 413-1

Employee volunteering activities continued throughout 2022, within our corporate volunteering program Volunteer for Croatia. In addition to the activities outlined in the chapter Environmental sustainability, we also actively supported efforts to create better living and working conditions for disadvantaged groups.

4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



Following the 2021 renovation of the diagnostic centre at the **Centre for Education and Training Lug** in Samobor, this year our volunteers helped renovate the residential areas for the beneficiaries.



On the outbreak of war in Ukraine we responded to the appeal of the National Search and Rescue Office of the **Croatian Red Cross** to help with registration of refugees from Ukraine and assist with family separation scheme by providing support in the establishing contact for separated family members.

We participated in interactive cooking workshops **Let's cook and taste** organized by the Association of teachers in catering education - UNUO. Participating in food preparation and socializing with people with disabilities we learned about the challenges and issues that disabled people experience and we gained insight into how they navigate their everyday life in the community. As a socially responsible bank that promotes diversity and social inclusion of the most vulnerable groups, we supported the first culinary contest for persons with disability and over the age of 17, called **Cupid's Spoon** and organised by UNUO Centre.

Last year our active HPB athletes seized any opportunity to participate in various charity runs. By participating in the race in Zadar, we supported the **Wings for Life Run** and research to find a cure for spinal cord injury. We also participated in **B2B race**, the aim of which is to promote health of the employees, networking and team-building within the business community. We ended the year with **Zagreb Advent Run 2022** - the raised funds were donated to the humanitarian and non-profit association of doctors, health professionals and parents of children with congenital heart defects and other heart diseases.



Our employees are always happy to accept calls for **blood donation**. This year, we organised two blood drives and helped the Croatian Institute for Transfusion Medicine to keep blood stocks at satisfactory levels.

HPB participation at conferences promoting sustainable development of communities

HPB actively participates in professional conferences aimed at bolstering sustainable community development. In 2022, we participated at the **Women and Entrepreneurship Conference** held in Varaždin under the slogan "We have something to say and show". The conference brought together sole proprietors, entrepreneurs, owners of OPGs directors, principals, managers and women who are about to enter the business world, and our representatives were one of the panellists sharing their experience and inspiring stories of their journey and secret to their success.

We participated in the **14th Conference on Sustainable Development**, organised by the Croatian Business Council for Sustainable Development, on the panel discussing environmental reporting standards for sustainability. It was concluded that climate change is happening closer to home, here and now, and have a great impact on the economy, each person and the stability of society, and the role of the banking sector in climate transition is extremely important.

At the **JumpIT Forum '22** event, which was dedicated to experiences and best practices in the 'new normal' environment and to the vision for successful businesses and project management in the upcoming period, our representatives spoke about projects in the previous year, the biggest challenges and successes, the way in

which future projects and business will be managed.

The bank was the golden sponsor of the 7th **international conference BEE 2022** – Business & Entrepreneurial Economics, organized by the Student Business Incubator of the University of Zagreb. The aim of the conference was to broaden the knowledge of our entrepreneurs and sole proprietors, and our representatives also held presentations, alongside numerous international and Croatian experts.

This year our bank also participated in a career week **UNIN Connect Week**, organised by University North, which brings together students and business community, and our representative participated on the panel 'Role of business and academic community in boosting the competitiveness of Croatian economy.'



Sponsorships and donations

GRI 413-1; 203-1

HPB is driven to positively impact the community development and to preserve the environment. Donations and sponsorships are made to foster and reinforce projects of cultural, scientific and social importance. Donation amounts and purposes are published on our website.

In 2022, HPB earmarked over one million kuna for **donations**, especially for projects aimed at preserving culture and tradition, for sports activities, especially those of charitable nature, for better work conditions in educational and scientific institutions as well as charities, especially those caring for children and young people.

So as to improve IT literacy and work conditions, HPB regularly donates computers that are no longer used by its employees, but are still in good working order, to associations that take care of children, young people and the elderly, kindergartens, schools and charities. During 2022, the Bank donated a total of 130 computers.

The Bank sponsored a variety of cultural, sports and educational projects in 2022, as well as many economic, scientific and environmental projects, investing a total of 3.4 million kuna in sponsorships. Sport and culture segments received the biggest share of sponsorships.

Table 21. Donations

Donations by segments	In HRK
Children and youth	103,257.20
Elderly and sensitive groups	115,000.00
Sport	325,000.00
Culture	200,000.00
Science	150,000.00
Other	130,000.00
Total:	1,023,257.20

Table 22. Sponsorships

Sponsorships by segment	In HRK
Science	187,012.50
Education	56,250.00
Sport	1,275,000.00
Culture	1,526,250.00
Ecology	65,312.50
Other	241,250.00
Total:	3,351,075.00

Financial literacy of customers and young people

With the goal of advancing financial literacy of customers, and focusing on the younger generations, HPB Group conducted a variety of educational activities in 2022, which were made available to all retail customers and entrepreneurs. The Bank regularly engaged in investments in the knowledge of new generations.

In order to advance our financial literacy activities pertaining to the financial future of diverse generations, we carried out a series of educational activities, participated in the **European Money Week** and created a video series 'HPB for financial literacy.'

During the European Money Week, we collaborated with 19 schools across Croatia discussing the role of money and banks with first graders, high school graduates and students. Financial education of young people is always one of our priorities, making sure that new generations make responsible financial decisions, and we are especially proud of our role and results in this year's EMW. Our colleagues in 10 cities organised workshops, in cooperation with schools. We also accepted the invitation of the Croatian Chamber of Commerce and participated in a series of online lectures together with other financial institutions. In addition, we presented and discussed the topic of sustainable business with the students at the Faculty of Economics and Business in Rijeka.

With the exception of the European Money Week, we tried, whenever possible, to raise awareness of financial literacy. Therefore, we spoke about the introduction of euro and the basics of personal finance with students in sixth, seventh and eighth grades of elementary school and with

high school students in Požega, all as part of the **"Small School of Financial Literacy"** project, organised by the Croatian Chamber of Commerce.

Students and their mentors from the College of Applied Sciences "Lavoslav Ružička" from Vukovar, enrolled in study programme Trade, visited our Gajnice Centre. The visit called **"Spend a day in HPB branch office"** was organised as part of the STEP UP project of the College of Applied Sciences "Lavoslav Ružička", with the aim of improving work experience practice. The aim of these student visits is to familiarize students with the Bank's activities, present our work in the Retail sector and create a positive experience so that they wish to pursue and build their careers in HPB once they enter the labour market.

This year we marked the Savings Day by organizing educational activities, across our network, for elementary school students and children in kindergarten.

The Savings Day was also marked in NHB branch offices which welcomed around 200 schoolchildren.

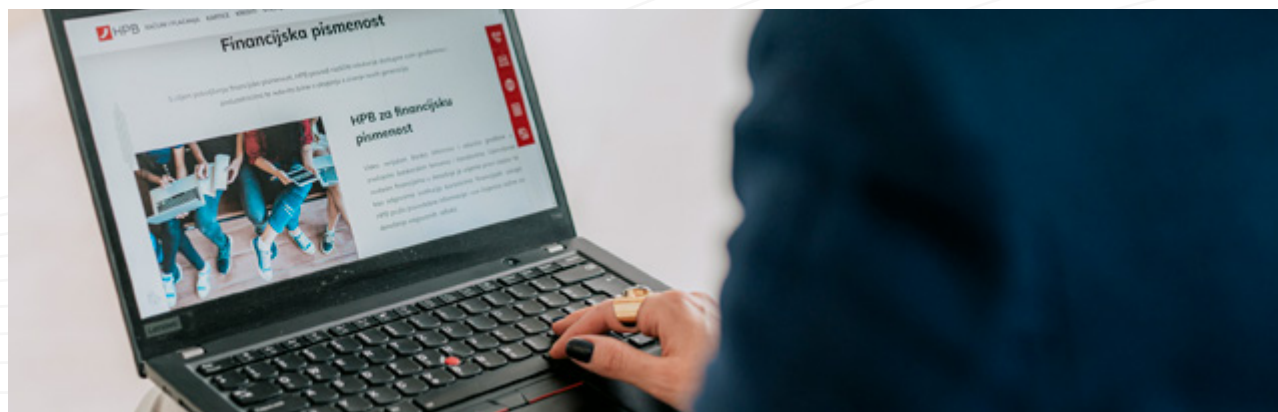
It takes more than one visit to deepen one's understanding of finances, however, it does provide children with some food for thought and raises awareness of financial responsibility.

By creating a series of videos called **"HPB for financial literacy"** which discuss banking matters and trends, the

Bank aims to provide simple and accessible training sessions for all citizens, equipping them with tools necessary to tackle financial challenges and to be financially responsible.

In 2022, the Bank continued its video series with three videos explaining APN housing loans with government subsidy and introduction of euro in Croatia.

In the video on APN housing loans with government subsidies, HPB presents its own model of participation in the subsidised housing loan program, which provides young people with an opportunity to buy their own homes, contributing to positive demographic trends and to economic and social development of Croatia. In the video called '5 questions about APN loans', citizens could learn most relevant information on the requirements and approval process for APN housing loans. The other two videos discussed the most relevant topic in 2022 - how to prepare for the introduction of euro as a new legal tender. In the videos called "5 questions about euro" and "How to exchange kuna for euro: Information for citizens", the citizens received most important information about the exchange of kuna for euro, the conversion model for their deposits and loans, the purchase of first euro starter kits and other changes taking places with the introduction of a new currency as of 1 January 2023.



Operations tailored to meet the needs of children

GRI 408

HPB Group strives to bolster the segment of child care and children's rights and the Banks seeks to align its activities with the principles of UNICEF **Convention on the Rights of Children**. The Group seeks to adapt its activities and business, focusing on the principles on which it can have the greatest impact: (3) Support to young workers, parents and guardians, (5) safe products and services and (10) Cooperation with the community.

In line with the **third Principle**, HPB Group continuously improves work conditions - flexibility, professional trainings and development, financial support and other benefits, thus aiming to ensure work-life balance, provide assistance in extraordinary circumstance, and ensure high-quality occupational health and safety. In addition, HPB provides decent work conditions to young employees, onboarding programs for trainees and internships for students. To exert more impact in this area and align with this principle, HPB group recognizes the need to provide other benefits to further improve work-life balance.

In line with the **Principle No. 5**, our products and services aim to help people address their needs concerning better living conditions and important areas of life (housing, education, travelling, business enterprises). HPB Group has also put in place a complaints procedure. Being aware of potentials risks related to its products which might lead to financial insecurity of families, the Bank is unwavering in its commitment to provide safe solutions, reliable technology and responsible lending.

In line with the **Principle No.10**, HPB Group continues to raise awareness of and promote financial responsibility

among adults and children and in its operations, seeks to ensure confidentiality and security of data and adhere to ethical principles. Aware of possible long-term consequences of financial hardship caused by insufficient financial literacy and irresponsible borrowing, HPB Group will direct its educational activities towards groups that lack access to relevant information concerning management of their finances.



Consumer protection

GRI 2-25

HPB Group listens and promptly responds to customers' needs and expectations. In order to do so successfully, the Bank uses various methods to obtain customers' feedback, for example, by measuring the level of product awareness, level of satisfaction and loyalty, the overall customer experience, recommendations and the intention to further use the Bank's services and similar.

HPB Group continuously implements measures designed to improve protection of customers' rights, invests in financial literacy activities and activities designed to keep customers informed.

In 2022, the Bank measured the service quality in its centres by using mystery shoppers who visited the branches and emailed the Bank. We achieved a high score of 84,44% for 2022, representing an improvement of 5,00% in the service quality.

We achieved good results in terms of number of complaints, with a decrease of 1,80 % in complaints in 2022. In addition, we reduced complaint resolution time by one day, from average 5,41 days to 4,41 day.

Personal data protection

GRI 418-1; 416-1; 416-2

Continuous attention is paid to security and protection, as well as to the improvement of the IT aspect of security and the raising of security standards for the protection of all data available to the Bank. Special attention is paid to the protection of personal data of clients, contractual

partners and employees, and the Personal data protection policy has been adopted and is being implemented, specifying the rules pertaining to the collection and processing of personal data and we have in place a number of internal acts adopted in line with the Personal Data Protection Policy. The Personal Data Protection Policy and all information pertaining to processing of personal data of customers, employees, business partners and other persons, whose data is being processed, is available on the Bank's website. The Bank has appointed a Personal Data Protection Officer who works independently and makes sure that the rights of customers, employees and contractual partners and their personal data are protected.

Enhancing entrepreneurship

GRI 203-2; 413-1

In collaboration with other institutions, HPB Group offers to its customers special credit lines aimed at promoting entrepreneurship.

A special credit line with favourable conditions is provided for financing agriculture and entrepreneurs, and in cooperation with the **Ministry of Veteran Affairs**, we provide loans for Croatian veteran micro and SME enterprises, to enable them to launch their businesses easier and better, and to support them as they grow and develop their businesses.

HPB also drives the development of the Croatian economy by **participating in financing vehicles provided by the Croatian Bank for Reconstruction and Development (HBOR)**, providing favourable SME financing. HPB is one of fifteen commercial banks that

had signed the Cooperation Agreements on interest subsidy instruments from the funds of the National Recovery and Resilience Plan (NRRP), in the amount of almost EUR 80 million.

As interest rates continue to rise significantly on the financial markets, subsidized interest rates represent an important tool aimed at mitigating consequences which businesses and public sector entities are facing because of the crisis. Subsidized interest rates have a positive impact on the economy as it encourages economic operators to invest, consequently increasing the volume of investments on the Croatian market. This instrument will help Croatian economy and society to become more sustainable, resilient and better prepared to tackle the challenges and opportunities brought on by green and digital transition.

Our customers-subsidy beneficiaries, and ultimately the economy and society as a whole will derive additional benefits as they will adapt their activities to 'green' standards, given the fact that all investments under the National Recovery and Resilience Plan must adhere to the principle of environmental protection.

The European Investment Bank (EIB), the lending arm of the European Union, advances the EU goals by providing long-term project loans, guarantees and advisory services. In cooperation with EIB, HPB secured an additional EUR 14 million for financing entrepreneurs. The funds will be channelled to favourable loans for maintaining liquidity, safeguarding jobs and investment.

HPB's **EU Desk** is a facilitation service, where customers can obtain advisory services related to available financial assistance from EU funds, which mainly pertains to the European Structural and Investment Fund and the National Recovery and Resilience Plan. More specifically, the Desk delivers information to the customers on open and announced tenders for certain sectors and purposes, provides consultancy services on

the options of competing in tender bids and on the suitability of projects for application. The customers are also provided with full support in project implementation and financing in all project stages, with the issuance of guarantees which are often a prerequisite for advance payment of granted subsidies, with project account maintenance, issuing of various certificates and other documents. Most common objectives of tenders for entrepreneurs are to increase competitiveness, implement digitalisation, boost innovation and improve energy efficiency and consequently, the assistance which the Bank provides with preparation or implementation of such projects indirectly contributes to goals at a macroeconomic level. The Bank also supports projects pertaining to social inclusion, environmental protection and culture and within the scope of its credit policies the Bank helps to achieve the goals of increased employment of vulnerable groups, improved level of inclusion, and restoration and reconstruction of cultural goods and environmental protection.

Cooperation with development institutions, primarily with HBOR and EIB, enables HPB to secure more favourable lending conditions for investments that result in stronger innovation, energy efficiency, better environmental protection and overall enhanced business and export competitiveness. By offering such credit lines, the Bank ensures portfolio sustainability and facilitates access to financing for special groups of entrepreneurs such as young entrepreneurs, minorities, the elderly, women or the disabled.

Cooperation with counties, cities and local communities

GRI 203-2; 413-1

Incentives for home ownership

Home ownership is a key challenge for everyone, especially for young families. HPB therefore cooperates with counties, cities and local communities to foster initiatives which encourage access to home ownership.

In collaboration with Osijek-Baranja County, HPB has been participating for several years in the project called "Housing loans as a boost to economy" and in this way the Bank helps improve demographic trends and meets economic needs. HPB believes that this project of subsidizing interest rates provides a great incentive for young families in Osijek-Baranja County.

In last year's tranche of APN Housing Loan Scheme with government subsidy, HPB achieved the best results since the launch of the programme. HPB is one of the most active banks within the APN Housing Loan Scheme, and the successful streak continued in 2022 with over 550 approved loans in the total volume of HRK 425 million.

Support for students

We are aware of the fact that investment in knowledge and intellectual capital is the best investment and a prerequisite for strengthening competitiveness of our country and therefore, we take part in a project which encourages young people to invest in their education. We signed a Business Cooperation Agreement with the town of Prelog under which full-time and par-time students with

residence in the town of Prelog area receive financial support to cover their cost-of-living expenses.

Business development credit lines for beginner entrepreneurs and women entrepreneurs

Implementation of HPB's corporate social responsibility is reflected in long-term relations established with counties, cities and local communities. Accordingly, HPB has prepared a loan programme for development of small and medium-sized entrepreneurship, in collaboration with the Dubrovnik-Neretva County and Šibenik-Knin County and in collaboration with other counties, the Bank implements HBOR's programme for development of entrepreneurship of young people, women and beginners and sole proprietors.

Projects for Croatian farmers

HPB actively participates in programs and projects aimed at Croatian farmers and the Bank therefore cooperates with the Varaždin County on the Project of credit lines for agriculture.

In addition, HBP is one of the six commercial banks which signed an agreement with Bjelovar-Bilogora County for the credit line 'Lending for spring sowing in 2022'. HPB continues to provide the credit line for spring sowing, which is intended for farmers in Bjelovar-Bilogora County and for their purchase of seeds, seedling plants, pesticides and fertilizers for the sowing of field crops and vegetable crops.

A special credit line with favourable conditions is provided for financing agriculture and entrepreneurs, and in cooperation with the Ministry of Veteran Affairs, we provide loans for Croatian veteran micro and SME enterprises, to enable them to launch their businesses easier and better, and to support them as they grow and develop their businesses.



CORPORATE GOVERNANCE

We adhere to ethical standards and apply best practice in corporate governance while continuously aligning our activities and processes with relevant regulations.



Corporate governance code and principles

As a public limited company listed on the Official market of the Zagreb Stock Exchange, HPB Group adheres to the Corporate Governance Code adopted jointly by HANFA and the Zagreb Stock Exchange and to the Corporate Governance Code for companies in which the Republic of Croatia has shares or stakes, which was adopted by the Croatian government.

By adhering to the Corporate Governance Code the Bank shows its commitment to the principles of corporate governance and social responsibility. To this end, all relevant and prescribed information is published on the website of the Zagreb Stock Exchange and HPB website.

Also, by applying the Code of Corporate Governance of Companies in which the Republic of Croatia has shares or stakes, adopted by the Government of the Republic of Croatia, the Bank strives, with its business strategy, to improve relations with business environment in which it operates by applying provisions pertaining to anti-corruption activities and mechanisms, measures and procedures to manage conflict of interest.

In line with good corporate governance practice, HPB Group adheres to fundamental principles and recommendations stipulated in the Code and ensures business transparency, specified rules of procedure for the Management Board and Supervisory Board, avoidance of conflict of interest for all employees, including key persons (members of the Management and Supervisory Boards, senior management), efficient internal control and effective accountability system and corporate social responsibility.

HPB Group operates in line with and improves corporate governance practice, adhering to the following principles:

- Business transparency
- Sustainable creation of value by safeguarding the interest of its stakeholders
- Efficient internal control system
- Efficient accountability system
- Avoidance of conflict of interest
- Ethically sound and responsible conduct

Governance structure

GRI 2-9; 2-10; 2-11; 2-12; 2-14; 2-18

Corporate governance structure is a two - tier board structure, composed of the Supervisory Board and the Management Board, which together with the General Assembly make sure that good corporate governance practice is implemented.

Members of the Management and Supervisory Board must fully cooperate and act in the best interest of the Bank, and jointly discuss and agree on strategy. Members of the Management Board and Supervisory Board do not make decisions based on personal interests or interest of related persons and do not participate in decision-making process which could lead to conflict of interest.

The responsibility of HPB Management Board is to manage the Bank, achieve strategic goals and protect the reputation of the Bank as a responsible and credible company. The Supervisory Board is responsible for supervision of the conduct of business affairs and submits a report on the supervision exercised over the conduct of business affairs in the Bank.

In order to successfully achieve their goals, the Management Board and Supervisory Board must communi-

cate and cooperate in a consistent, transparent and understandable manner. The Supervisory Board of HPB set up its own committees, which comprise and include resources necessary for effective performance of duties. Members of the Supervisory Board and its committees discharge their duties with due care and commit sufficient time to their duties.

Supervisory Board committees:

- Audit Committee
- Remuneration Committee
- Risk Committee
- Nomination Committee
- ESG Committee

The latest ESG Committee was set up in late 2022 in order to monitor harmonization process of the Bank with the guidelines on sustainable business operations.

The responsibilities of the new ESG Committee are as follows:

- supervising the implementation and possible changes in methodology pertaining to the management of environmental, social and governance factors
- supervising the implementation of the Policy on the management of environmental, social and governance factors
- regular review of basic principles of the Policy on the management of environmental, social and governance factors
- supervising implementation of policies and practices pertaining to the implementation of ESG risks in our operations, in line with overall corporate governance framework
- supervising the process of setting and achieving non-financial strategic sustainability objectives
- monitoring the impact of environmental and climate risks on the Bank's risk profile
- regular review of fundamental sustainability principles

pertaining to the social segment, through relationship with employees, investors and community

- supervising the implementation and processes pertaining to governance factors, especially in terms of anti-corruption policy, prevention of conflict of interest, diversity policy in governance bodies and sex and gender equality

Nomination and selection of the highest governance body

GRI 2-10

The Bank, as a legal entity of special interest to the Republic of Croatia, as specified under the Decision on Legal Entities of Special Interest to the Republic of Croatia (OG 147/2021), adheres to the procedures for appointment and removal of candidates for management board or supervisory board (chairman and board members) of legal entities of special interest to the Republic of Croatia, and to the requirements that must be satisfied by candidates for supervisory and management board members, which are prescribed under the provisions of the Regulation of the government on the Conditions for the Selection and Appointment of Members of Supervisory Boards and Management Boards of Legal Entities of Special Interest to the Republic of Croatia and the Manner of their Selection (OG 12/2019) - Regulation of the Republic of Croatia.

In addition, a candidate can be appointed to the Management and Supervisory Board only if they meet the requirements specified under the Companies Act, the Act on Credit Institutions, and the Decision on the Assessment of the Suitability of the Chairperson of the Management Board,

Members of the Management Board, Members of the Supervisory Board and Key Function Holders in a Credit Institution (OG 20/2021 and 104/2022). The Bank may nominate or select a person as the president or member of the Management Board, or, member of the Supervisory Board, if it has obtained a prior consent of the Croatian National Bank.

Appointment to the Management Board

In accordance with the Bank's Statute the Management Board should have at least 2 and no more than 5 members with the Supervisory Board deciding on the number.

Members and the president of the Management Board are appointed by the Supervisory Board to a maximum of 5 years, and can be reappointed without time limit.

As regards the requirements under CNB's Decision on the Assessment of the Suitability, the suitability of a Management Board member to perform relevant duties depends on the extent to which the candidate has the relevant characteristics and meets the prescribed requirements, ensuring that the person will discharge the duties within their remit in a professional, legal, safe and stable manner. The Members of the Management Board shall collectively possess the professional knowledge, skills and experience required to supervise the Bank's business operations severally and independently, and in particular to understand the operations and the significant risks to the Bank, which shall be ensured by an assessment of collective suitability of Management Board members as a whole.

The suitability assessment procedure entails an assessment of all relevant requirements for the selection as well as an assessment of whether all requirements for the president and members of the Management Board have been satisfied, under the Policy on Target Management Board Structure and assessment of suitability of the president and members of the Bank's Management Board, which is made available on the Bank's website, all in line with the provisions

of relevant regulations on the requirements and criteria for members of management boards in credit institutions and companies (Act on Credit Institutions, Companies Act and the CNB's Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution), which includes good repute, honesty and integrity, professional knowledge, ability and experience, critical thinking, absence of conflict of interest and sufficient time commitment for performance of duties under remit of Management Board member, with collective suitability criteria being also satisfied.

Assessment of suitability of the president and members of the Management Board is carried out by the Suitability Assessment Board, set up by the Bank, and the assessment on the suitability of the president and members of the Management Board is given by the Supervisory Board.

Appointment of Supervisory Board members

In accordance with the Bank's Statute, the Supervisory Board should have no more than 7 members whose appointment and removal are decided by the General Assembly. Unless otherwise decided by the General Assembly, members of the Supervisory Board shall be appointed for a maximum period of 4 years, that is, for a period until after the third General Assembly which decides on the discharge for the third business year after their appointment. Business year during which the Supervisory Board was elected shall not be comprised by such period.

If a member of the Supervisory Board steps down before the end of their designated term, at the next General Assembly, a new Supervisory Board member shall be elected and their term of office shall last until the end of the term of office for the previous Supervisory Board member.

In accordance with the CNB's Decision on the suitability

assessment, the suitability of a Supervisory Board member to discharge duties within their remit shall depend on the extent to which the member has the qualities and satisfies prescribed requirements, thus ensuring that they discharge duties within their remit in a professional, legal and stable manner. Members of the Supervisory Board shall collectively possess the professional knowledge, skills and experience required to supervise the Bank's business operations severally and independently, and in particular to understand the operations and significant risks of the Bank, and this is ensured by assessing the collective suitability of the Supervisory Board members as a whole.

The suitability assessment procedure entails an assessment of all relevant requirements for the selection and an assessment of whether all requirements for members of the Supervisory Board have been satisfied, under the Policy on Target Structure and assessment of suitability of the members of the Bank's Supervisory Board, which is available on the Bank's website, all in line with the provisions of relevant regulations pertaining to the requirements and criteria for members of supervisory boards in credit institutions and companies (Credit Institutions Act, Companies Act and the CNB's Decision on Suitability Assessment), which includes good repute, honesty and integrity, professional knowledge, ability and experience, critical thinking, absence of conflict of interest and sufficient time commitment for performance of duties under remit of Supervisory Board members.

Based on the findings of the suitability assessment, the Management Board shall prepare a proposal of a decision on suitability of a Supervisory Board member. The Management Board submits a proposal for a decision to the Appointment Committee/ Supervisory Board for their review and comments.

The General Assembly shall make a decision on the suitability of a Supervisory Board member based on the findings of the suitability assessment and all information necessary to reach an independent and objective decision.

Diversity of governance bodies

GRI 2-9; 405-1

One of the elements of corporate governance system is a regulated procedure for selection and suitability assessment of candidates for membership on the Management and Supervisory Boards. The main goals and principles of promoting diversity and gender equality on the governing bodies and in the management and supervisory function of HPB are specified in the Diversity Policy for members of the Management Board and Supervisory Board members. Guided by one of the core values of the European Union, by gender equality and principles of equal opportunity, HPB has set its targets to be achieved over a 5-year period, from 2021 until 2026. The Strategy for achieving diversity objectives relies on advancement opportunities at all levels regardless of gender, type of professional experience within the prescribed criteria and age.

Table 23. Share of women in the governing body

	Share of women – as at 31 December 2022	Target for the period 2021 - 2026
Management Board	0.00%	at minimum 20%
Supervisory Board	66.70%	at minimum 20%
Average	33.30%	at minimum 33.30%

Professional training and development of governing bodies

GRI 2-17

In accordance with the regulations, HPB has adopted policies specifying procedures to be used to identify business areas in which the members of the Management Board and Supervisory Board, jointly and separately, must pursue professional training and development.

With the aim of performing duties within their remit well, holders of key functions must pursue continuous professional training in the area within their remit and in other relevant areas, especially those pertaining to climate, environmental, social and governance risks.

Continuing training and professional development include participation at seminars, symposia, conferences, taking vocational examinations, obtaining certificates, licenses, and similar.

The Bank makes sure that holders of key functions undergo regular professional development in the following areas:

- financial markets,
- accounting and auditing,
- regulatory framework and prudential requirements,
- strategic planning and knowledge of the business strategy, business planning and realisation of business plans,
- risk management (identifying, assessing, monitoring, controlling and managing the main types of risks in a credit institution),
- corporate governance including also internal control system,
- anti-money laundering and terrorist financing, risks which money laundering and terrorist financing may pose for the business of a credit institution,
- international restrictions (sanctions),
- climate, environmental, social and governance risks,
- analysis of a credit institution's financial information.

Remuneration Policy

GRI 2-19; 2-20

HPB has adopted the Remuneration Policy for Hrvatska poštanska banka, public limited company and for HPB Group, which is aligned with the goals of business and risk strategy, and takes into consideration ESG risks. The Policy sets out an objective, transparent and appropriate remuneration system at the level of HPB Group. Consequently, the remuneration paid to employees for the tasks they perform does not lead to excessive and reckless risk taking, making sure employees act in accordance with the risk profile, long-term business interest, which also includes goals and long-term interests in terms of consumer rights protection and clearly defined measures for prevention of conflict of interest. The aim is also to attract and retain motivated and qualified employees and have in place a reward system which encourages efficient way of tackling business challenges in the long-run.

The Policy also defines basic principles and guidelines to which the Bank adheres when determining, awarding and paying all types of remuneration to the members of Management Board and Supervisory Board, and a remuneration system which clearly links defined business goals and performance and takes into account long-term interests of the institution and shareholders. Remuneration policy for the members of the Management and Supervisory Boards is set by the Supervisory Board and approved by the General Assembly, which in turn, makes decisions pertaining to the remuneration of Supervisory Board members.

By applying this Remuneration Policy we seek to achieve a sustainable business model which takes account of all risks, including ESG. Our ESG goals show

that we have incorporated sustainability factors, which prompt our employees to try to achieve positive effects and to mitigate adverse impact of underlying ESG risks.

Consequently, performance review, which in some circumstances, may have an impact on the remuneration, is linked to the achievement of defined ESG goals.

Compliance with laws and regulations

GRI 2-27

The Bank has set up a compliance function, which is an essential part of organisational culture and for which relevant material, technical, operational and human resources are provided to ensure effective monitoring of compliance and appointment of a person responsible for compliance.

Compliance function has a supportive and/or advisory role to the Management Board and heads of organisational units, helping them meet compliance obligations under relevant regulations, i.e., the Bank's operations and advising responsible persons about adherence to compliance requirements with regard to specific obligations and responsibilities.

All organisational units and employees, and especially managers, must continuously monitor and implement, within their scope of work, compliance obligations under relevant regulations and minimise the compliance risks.

In addition, Internal Audit conducts continuous oversight over the operations of the Bank, in accordance with regulations, rules, principles and standards for internal audit. As a credit institution, the Bank has set up and implements an effective internal control system in all

business segments, which covers appropriate organisational structure, organisational culture, introduction of control functions in a credit institution, appropriate control activities and division of duties, appropriate internal controls which are integrated into business processes and activities of a credit institution, appropriate administrative and accounting procedures which ensure efficient and effective operations, prudent management, appropriate methods of identifying, measuring and mitigating risks, reliable financial and other information and reports and compliance with laws, regulations, regulator's requirements, and continuous compliance with internal policies, procedures, rules and decision of a credit institution.

Before and during the reporting period, no fines were imposed for non-compliance with laws and regulations.

Internal control and audit

GRI 2-16; 2-25

Internal audit and good risk management represent key segments driving the growth of our company.

Members of the Management Board and Supervisory Board and employees of all organisational units implement control measures, which are directly or indirectly integrated in business processes.

Internal audit carries out regular supervision of the Bank's overall business operations, in accordance with work methodology, adopted work plans, available resources and strategy, and aims to check and assess whether business affairs are run in line with relevant external regulations and relevant acts.

If it is determined that there are some irregularities in business activities or violations of risk management rules, which might jeopardize liquidity, solvency or security of the Bank's operations, the Internal Audit Office must notify the Management Board and Supervisory Board

HPB Group Code of Ethics

GRI 2-26; 406-1

HPB Group has adopted a new Code of Ethics so as to be able to implement provisions pertaining to business sustainability in terms of social and environmental responsibility

as well as corporate governance.

The Code of Ethics sets out the principles, guidelines and requirements pertaining to ethical business with all persons and entities that HPB Group is in contact with in the course of its operations - customers, employees, community, shareholders, regulatory authorities, contractual partners, competition. The Code of Ethics goes beyond a list of rules that we adhere to, and introduces a value system we believe in and we are committed to.

Managing a complex system such as a credit institution requires not only due diligence of a prudent manager, i.e., regulatory and best practice compliance, but it also encompasses agility, timely decision-making and a goal-oriented culture. Therefore, the principles of conduct stipulated in the Code of Ethics guide us to raise the standards in the daily operations at HPB Group.

HPB Group is committed to creating a work environment in which individual differences are accepted and respected and consequently any form of discrimination is

prohibited. Pursuant to the provisions of the Anti-Corruption Strategy and Plan of the Republic of Croatia, HPB has appointed an Ethics Officer who is responsible for receiving and addressing reports of breaches of the Code of Ethics.

In 2022, there were two reports of violation of provisions of the Code of Ethics, however, none contained elements of violation of the Code of Ethics which could be construed as discrimination.

Any actions contrary to the Code of Ethics, i.e., any breach of duty and misconduct shall be deemed gross breach of employment contract and the employees of HPB Group are aware of possible internal and external disciplinary proceedings, court proceedings and punitive actions which might arise out of any breach of duty, misconduct and failure to adhere to the Code of Ethics.

Any breach of the Code of Ethics shall be reported to and addressed by an Ethics Officer. Cases of violation can be reported:

- to an e-mail address: eticki.kodeks@hpb.hr or
- by sending a letter by post, addressed to the Ethics Commissioner at:
Hrvatska poštanska banka, p.l.c.
Jurišićeva ulica 4, 10000, 10000 Zagreb

Information on how to submit reports to the Ethics Officer is available on the Bank's website.

Zero tolerance to corruption

GRI 205-1; 205-2; 205-3

HPB Group adheres to the principle of 'zero tolerance' to

corruption and unethical conduct which are prohibited in any direct or indirect form.

HPB Groups operates with the aim of providing banking and financial services to its customers while at the same time adhering to the values of integrity, principles of professional conduct, hard work, determination, honesty, fairness and responsibility. In view of these values, corruption in any way or form is not tolerated nor are any attempts to offer or receive money or other benefits as an incentive or a reward for a performed task or activity.

Monitoring and control activities, used to strengthen anti-corruption measures, are carried out as part of the Action plans with measures, activities and projects which are to be implemented in the defined strategic period.

The Bank implements measures, activities and procedures to prevent money laundering and terrorist financing and therefore, before entering into a business relationship with customers, the Bank runs background checks through publicly available data, media reports and similar and based on the gathered data makes an assessment of the risk the customer poses.

Compliance monitoring function organizes regular anti-corruption trainings, which are compulsory for all employees, including members of the Management Board and Supervisory Board. In 2022, the Compliance Monitoring function organised the following anti-corruption trainings:

- internal reporting of irregularities in the Bank
- updates on latest changes to the new Act on Preventing the Conflict of Interest
- insider information, market protection and personal transactions

In 2022 there were no reported cases of corruption.

Prevention of conflict of interest

GRI 2-15

We are aware of the fact that even an appearance of conflict of interest may undermine the trust we seek to build with our customers. Therefore, we have adopted efficient procedures the aim of which is to prevent conflict between personal interest of employees and the interest of clients, contractual partners and the Group's interests.

We avoid transactions and situations when an employee represents the interests of HPB Group while at the same time he/she stands to benefit or have, directly or indirectly, any material gain.

With regard to the provision of investment and ancillary services pertaining to financial instruments, in addition to the Conflict of Interest Management Policy, we have also adopted the Regulation on Prevention of Conflict of Interest in the provision of investment services, which specifies standards to which we adhere in order to identify and prevent, i.e., efficiently manage conflict of interest, and to safeguard our customers against all possible adverse consequences, including potential conflict of interest. Our employees are paid for their work and we do not receive inappropriate gifts, services or money from our customers and contractual partners.

By adhering to the principle of conflict of interest prevention, HPB Group seeks to identify, assess and prevent real and potential conflict of interests. The principle is incorporated into all our organisational units in order to set up mechanisms, measures and procedures designed to prevent conflict of interest.

Prevention of conflict of interests starts with the trainings of all employees on how to identify and understand

possible circumstances and situations and to set up an efficient system for reporting irregularities. To this end, HPB Group has adopted internal acts, the Conflict of Interest Management Policy and the Regulation on the Prevention of conflict of interest in the provision of investment services, and has specified reasons why potential and real conflict of interest must be reported and how it can be reported.

Anti-money laundering and counter-terrorist financing

HPB Group has a successful system for prevention of money laundering and terrorist financing, which is completely aligned with legal regulations, tailored and adapted to the Bank's operations. The system is consistently implemented and meets relevant standards in anti-money laundering and terrorist financing. Furthermore, the Group adheres to restrictive measures imposed in accordance with legal acts of the European Union and the United Nations, including restrictive measures pertaining to proliferation of weapons of mass destruction.

Measures, actions and procedures pertaining to prevention and detection of money laundering and terrorist financing are carried out before entering into a business relationship and/or during every transaction, and also when concluding deals based on which property is acquired or used, and in other cases of dealing with funds, rights and other assets which might be misused for money laundering and terrorist financing.

So as to provide relevant professional training and development for all employees dealing with prevention of

money laundering and terrorist financing and to implement restrictive measures (sanctions), raise awareness of threats and possible risks of money laundering, terrorism financing and proliferation, our employees undergo regular trainings in this area.

Transparent communication with stakeholders

GRI 2-29; 206-1

Our shareholders and other stakeholders have a simple and non-discriminatory access to information on ownership structure of the company, corporate governance and financial and operational results. Information relevant for the shareholders, potential investors and other stakeholders is publicly available on the Zagreb Stock Exchange and on our website.

Annual financial statements, which are publicly available on our website, encompass current information on financial results and overview of business operations, in accordance with

regulations and rules of the Zagreb Stock Exchange, and follow latest international trends in financial reporting and market demands. Published information is accurate, relevant, timely and available, meeting the needs of all interested parties.

In addition to its website, the Bank uses also social media, i.e., external channels of communication with customers - LinkedIn, Facebook and Instagram while the main internal channel of communication is Intranet portal.

Tax strategy

GRI 207-1; 207-2; 207-3

HPB Group complies with all tax obligations and applies and adheres to tax regulations, especially those pertaining to financial crime, tax evasion and tax avoidance because we believe that fair taxation and fight against tax frauds, tax evasions, aggressive tax planning and money laundering play a key role in shaping an equitable society and strong economy.

HPB Group's policies also stipulate that the users of our products and services are expected to operate according to a fair and efficient tax system, which plays a crucial role in tackling inequality and that they are expected to agree to due diligence as a regular procedure in the relationship between the customer and the Bank.

Whistle-blowing

GRI 2-25

HPB Group has set up a whistle-blowing system for persons who work HPB Group members and a whistle-blowing system for third parties.

In accordance with the relevant Act on Whistleblowers' Protection, persons who work for HPB Group can report, in good faith, irregularities without fear of retaliation, i.e., adverse consequences for their employment status or current position in the Bank.

In line with adopted acts regulating procedures for reporting irregularities, confidentiality of information and protection of whistle-blowers, related persons, accused person, Confidential person and their deputy in order to create an environment which encourages employees and other persons working for the Bank to report any irregularities. Channels for reporting irregularities are safe and protected against unauthorized access.



For the Bank and HPB-nekretnine d.o.o, irregularities can be reported

in writing:

- to e-mail address: prijava.nepravilnosti@hpb.hr or
- by sending a letter by post, addressed to Confidential person or their deputy at:
Hrvatska poštanska banka, p.l.c.
Jurišićeva ulica 4, 10000, HR-10000 Zagreb

made verbally:

- by phone or other voice messaging system or
- at the request of the whistle-blower/person reporting irregularities, during an in-person meeting, which must be arranged within reasonable time.

For HPB Invest Ltd., irregularities can be reported:

in writing:

- to e-mail address: prijava.nepravilnosti@hpb.hr or
- by sending a letter by post, addressed to Confidential person or their deputy at:
HPB Invest Ltd.
Strojarska cesta 20, 10000 Zagreb

made verbally:

- by phone or other voice messaging system or
- at the request of the whistle-blower/person reporting irregularities, during an in-person meeting, which must be arranged within reasonable time.

For third parties who are not employed in HPB, there is a channel for reporting irregularities, frauds and suspected corruption through Irregularity Officer.

Third parties can report irregularities to the Irregularity Officer:

- by e-mail to: antikorupcija@hpb.hr or
- by sending a letter by post, addressed to Irregularity Officer, at:
Hrvatska poštanska banka, dioničko društvo
Jurišićeva ulica 4, 10000, HR-10000 Zagreb



**We are
here
for you!**

We create
conditions for
a better life
in Croatia.



HRVATSKA POŠTANSKA BANKA

The largest banking group in Croatian ownership.

Responsible marketing and product safety

GRI 417-1; 417-2; 417-3

In its advertising and marketing communication, HPB Group is guided by responsibility and good practice, respecting privacy and preferences of our customers, and paying special care in advertising and communication targeting children and young people. In its marketing communication, HPB Group is guided by principles of decency, honesty and accuracy, respecting human dignity. It does not encourage or condone any form of discrimination, and does not fuel fear or incite violence.

With regard to advertising activities, sponsorships and donations, the Marketing Office cooperates closely with the Compliance Sector, thus ensuring that all marketing activities are acceptable in terms of prevention of money laundering and terrorism financing, handling conflict of interest, all in accordance with the Bank's Code of Ethics, which is regulated by special internal acts.

In 2022, there were no reported cases of non-compliance in terms of classification and information about the product and services. There were also no reported cases of non-compliance with regulations and voluntary marketing codes.

New product development

GRI 416-1; 416-2

When developing new products, account is taken of the customers' interests, goals and characteristics in order to identify and avoid possible adverse effects on customers

and minimise potential conflict of interest. Before developing a new product and modifying existing products, first a target market must be identified as well as circumstances which might prevent users' of products from making informed decisions, while all the time taking into account good practices and regulations pertaining to the consumer protection. It is assessed what impact the product has on personal data protection, on technical and technological prerequisites through business process management and change management. In addition, potential risks for the users are identified, taking into account product complexity and the level of user's financial capability, and an analysis of possible adverse scenarios affecting the users in terms of customer protection is carried out. Also, assessments are carried out to determine the impact of products on necessary security requirements pertaining to physical and technical protections and information security.

Supplier cooperation

GRI 204-1

The selection of service providers and suppliers who have adopted, and in their business, are guided by the principles of social and corporate responsibility and whose values coincide with the values to which HPB is committed, is encouraged. We cooperate with suppliers we trust, aware of the fact that relations with other companies reflect on our reputation and public perception.

Our suppliers are selected based on clear and documented criteria, while adhering to clear and transparent procedure and avoiding any semblance of conflict of interest. We do not cooperate with companies in owner-

ship and in majority ownership of our employees and their family members.

We meet the deadlines and pay suppliers of goods and services and service providers in line with contracted conditions.

In addition to the Environmental, Social and Governance Policy, HPB Group adopted the Supplier Principles, the aim of which is to raise awareness among suppliers of the need for sustainable business.

The Bank cooperates with 99.7% of the suppliers from the Republic of Croatia.



'Through our marketing activities, we do not abuse the trust our customers place in us, and we do not provide any deceiving or misleading information. Through our informational and promotional materials and advertisements, our customers are always well and fully informed about our conditions and costs of our products and services.'

— Nikola Šiško,
Marketing Director



SUSTAINABILITY RISK MANAGEMENT

GRI 201-2

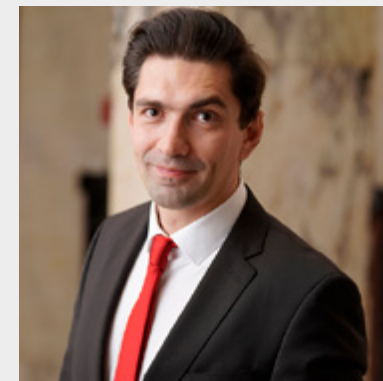


HPB opted to reorient capital flows towards a more sustainable economy and investments in order to achieve sustainable and inclusive growth.

Financial sector plays a crucial role in financing the transition to low-carbon, more resource-efficient and sustainable economy, and in managing financial risks stemming from ESG regulations. Financial institutions play a key role in managing risks and raising funds for sustainable projects, given their unique position acting as intermediaries for capital flow through their credit, investment and advisory role.

The key goal for EU regulatory agencies (EBA) is to support the financial sector in the transition process to more resilient and sustainable economy. In this regard, EBA is responsible for managing and monitoring ESG risks and makes sure that financial institutions properly incorporate such risks into their risk management framework.

It is therefore necessary to establish a good framework for sustainable banking products which will improve, measure, manage, disclose and monitor ESG risks. In accordance with international environmental and social agreements, treaties, charters and conventions, HPB Group is committed to providing financial support for investments and projects aimed at reducing carbon emissions and mitigating climate change and the Bank will not knowingly finance projects which are contrary to these goals. In order to regulatory comply with EU Directives, the Bank will determine ESG risks, in particular environmental and climate-related risks, within the capital adequacy assessment process.



'HPB opted to reorient capital flows towards a more sustainable economy and investments in order to achieve sustainable and inclusive growth, manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and foster transparency and long-termism in economic activity. When making decisions on financing, the Bank will, in addition to environmental factors, also take into account social and governance factors and sustainability risks and will give priority to projects, investments and customers whose business is guided by transparency and ethics, sound management, respect for labour and human rights, zero tolerance for corruption and to those that contribute to efficient and sustainable economy.'

— **Ivan Soldo**,
Member of the Management Board

Taxonomy-aligned classification of the portfolio

The focus of HPB's activities is on supporting the transition to sustainable economy: financing sustainable transition, inclusion, resilience and making a contribution towards global goals.

In order to comply with legislative framework mandated by EU Taxonomy, HPB analyzed its portfolio broken down by activities and identified activities which it believes to be environmentally sustainable.

By analysing the framework of the EU Taxonomy and understanding its purpose, we were guided by the following steps:

The first step of the analysis was to examine the framework of the EU Taxonomy, understand its purpose and main provisions, in order to be able to prepare a methodology for classification of activities

- The second step was to include the portfolio of large companies into analysis according to the statistical classification of economic activities (NACE)
- The third step was to collect and analyze data for a specific activity after the categories were defined. In this step we conducted an analysis to determine into which classification of EU Taxonomy specific activities within the Bank's large corporate portfolio would fall

Analysis of portfolio of large companies which are classified by activity showed that in the Bank's portfolio and in the analysed category, construction activity was prevalent with a share of 24.4% in the total exposure, followed by manufacturing industry with 9.7%, wholesale

and retail with 7.4%, transportation and storage with 7.2%, water supply with 5.7%, electricity supply with 4.5% and agriculture, forestry and fishing with 4% share. The share of other activities had no significant impact on the conducted analysis.

In the absence of data for verification of technical criteria defined under taxonomy framework, publicly available data ³ was analyzed.

Faced with the challenge of not having available data, intensive actions were undertaken in order to set up a system for collection, verification and understanding of collected data and of the shares of key performance indicators (turnover, capital investment -CapEx, maintenance costs - OpEx) taxonomy-aligned and taxonomy non-aligned activities. Report on that will be prepared for the next reporting period.

³Data publicly available on the customers' website

Economic activity	Share in total exposure of HPB
Construction	24.40%
Manufacturing	9.70%
Wholesale and retail trade; repair of motor vehicles and motorcycles	7.40%
Transportation and storage	7.20%
Water supply, sewage, waste management and remediation activities	5.70%
Electricity, gas, steam and air-conditioning supply	4.50%
Agriculture, forestry and fishing	4.00%
Financial and insurance activities	3.90%
Real estate activities	2.20%
Arts, entertainment, and recreation	0.80%
Professional, scientific, and technical activities	0.80%
Accommodation and food service activities	0.60%
Mining and quarrying	0.30%
Administrative and support service activities	0.10%
Information and communication	0.10%
Other service activities	0.10%

Share of activities in HPB's total exposure

Construction

Construction accounts for 24.4% in the total exposure of the Bank. The analysis of the portfolio showed that the customers were involved in large infrastructure projects and are among the biggest users of natural resources in the economy. They were, however, prepared for mitigation of possible environmental issues and financial risks that might arise. It is evident that in the given activity,

Table 24. Exposure of HPB by economic activity

the customers meet or exceed new industry standards in terms of quality and internal control procedures addressing potential issue, including those caused by climate risks. Based on the publicly available data, it is evident that customers adhere to obligations pertaining to environmental protection and prevention of pollution and that they improve their business by obtaining ISO certificates related to climate standards and successfully assess environmental impact before any construction, understanding potential environmental impact of the project and knowing whether they can mitigate unforeseeable issues which might increase operational and capital expenses of the company.

Manufacturing

The share of manufacturing industry accounts for 9.7% of the Bank's total exposure.

As the energy is key factor in manufacturing of industrial machinery and purchased electricity accounts for the biggest share in the energy consumption in that industry, type of energy used, the level of consumption and energy management strategy depend on the type of manufactured products.

The analysis of the portfolio showed that the customers in the given activity are increasingly turning to energy mix in their energy use, which includes the use of electric energy generated on site and use of alternative energy source which plays an important role and has an impact on costs and security of energy supply, and ultimately on the company's cost structure and regulatory risk.

In addition, if they are able to, companies limit the use of critical materials by switching to alternatives, thus ensuring their supply and mitigating potential financial impact stemming from disruptions in supply and unstable input prices.

Wholesale and retail trade

The share of wholesale and retail trade accounts for 7.4% of the Bank's total exposure.

The analysis of the portfolio and publicly available data showed that the companies are aware of the fact that by managing their overall energy consumption through increased efficiency and switch to alternative energy sources, they can boost their profitability by reducing costs and risks. Increasing number of companies seek to manage their food waste efficiently, which presents financial opportunities by cutting costs related to lower inventories and they invest efforts to redirect food sources to good purposes.

The companies included in the portfolio for the given sector implement activities and measures to prevent spoilage and contamination, such as control of temperature, frequent inspection of food and careful selection of suppliers, which enables them to identify risks and opportunities presented by change in consumer preferences and to adapt to consumer demands.

Transportation and storage

Transportation and storage account for 7.2% of the Bank's total exposure.

The road transport industry generates emissions mainly through combustion of diesel and other fuels which power engines in trucks, locomotives and ships. The analysis of the portfolio and publicly available data showed that the companies in that segment are aware of the fact that operations and waste disposal practices of ship transport companies may have significant environmental impact, such as water pollution and negative impact on marine life. It has also been shown that stronger regulation of emissions and higher fuel costs also prompt companies to invest in improving efficiency

of fuels in order to manage emissions.

Companies in this segment are increasingly turning to a more detailed reporting on climate impact and they disclose data on GHG emissions and on their activities related to sustainable business.

Water supply; sewage, waste management and remediation activities

The share of water supply; sewage, waste management and remediation activities accounts for 5.7% of the Bank's total exposure.

The total volume of abstracted water from surface and underground waters in Croatia, at the annual level (in line with the 2019 baseline), amounts to 680,74 hm³ (European Environment Agency, 2022.⁴). The percentage of water abstraction by sectors: 4.39% for agriculture, 66.26 % for public water supply, 11.37% for cooling in the generation of electricity, 10.70 % for manufacturing, 6.74% for cooling in manufacturing and 0.53% for mining and extraction.

Companies in this segment regularly publish the findings of water safety controls. Companies in this segment also deal with recycling of non-metal waste and scrap and with recycling of PET packaging and adhere to strict professional standards, making environmental protection their top priority.

⁴ <https://eur-lex.europa.eu/legalcontent/HR/TXT/HTML/?uri=SWD:2022:258:FIN&from=EN>

Electricity, gas, steam and air-conditioning supply

The share of electricity, gas, steam and air-conditioning supply accounts for 4.5% of the Bank's total exposure.

The analysis of publicly available data and internal analysis of the portfolio showed that companies in this sector seek to reduce GHG emissions from the generation of electricity and they do so by carefully planning their infrastructure investments in order to ensure energy mix for their electricity consumption. These companies also seek to address the issues pertaining to air quality, through internal activities aimed at reducing emissions and to set strategic priorities and assess long-term availability of water and impact on biodiversity.

Agriculture, Forestry and Fishing

The share of agriculture, forestry and fishing accounts for 4% of the Bank's total exposure.

The analysis of the portfolio covers at least 60% of the customers in this sector and the analysis shows that these companies continue to increase the value of production as this constitutes a prerequisite in order to continue significant investment cycle in production. Most investments are made in production automation, which helps optimize production costs in the long-run and makes production more prepared for challenges and risks. In addition, there are plans to continue investments in sustainable manufacturing, especially into drip irrigation system, resulting in manifold increase in yield. At the same time, companies are focusing on more sustainable agricultural production and are switching to organic production.

Other services

Activities whose share accounts for smaller percentage in the Bank's total exposure are financial and insurance activities with 3.9%, real estate sector with 2.2%, whereas art, entertainment, professional, scientific and technical activities, accommodation and food service activities, mining and quarrying, administrative and auxiliary services, information and communication and other service activities account for less than 1% of the Bank's total exposure.

Conclusion of the taxonomy-aligned portfolio

HPB is in the early stages of its attempts to connect quantitative data with qualitative data and to review that data in light of global, and strategic goals of the Bank, which provides a great opportunity for development and implementation of sustainable development as a whole.

Based on the data analyzed through the Bank's large corporate portfolio according to the exposure and share in specific activity and based on relevant criteria for the business relationship with customers, it can be concluded that activities contained in the portfolio are environmentally sustainable or tend to be so, have no significant adverse impact on environmental goal and can be considered aligned with the taxonomy.

Green Asset Ratio (GAR)

The new EU Taxonomy - aligned framework, which takes into account the rules and objectives of classification of economic activities aligned with environmental, social and governance factors, sets out guidelines for calculation of green asset ratio (GAR), that is, financial assets considered 'green' and sustainable.

First and foremost, it serves as a compass or dashboard to better manage taxonomy-related data streams and to report on them, measuring the performance of the companies in which one invests, giving greater visibility to business activities aligned with the taxonomy, enabling the definition of performance and investment strategies that are compatible with the European Union's environmental goals.

Calculation of GAR shows the share accounting for the core business of credit institutions - lending, investing and financing taxonomy-aligned activities, compared with total loans and advances, equity instruments and other balance sheet assets of the Bank.

GAR calculation method allows us to redirect more capital flows towards sustainable and innovative projects which fall under environmental pillar of ESG criteria.

HPB, therefore, decided to set 2022 as a baseline year for measuring GAR, so that in the following year we can improve the level of accuracy, transparency and comparability of data.

As part of our regular cooperation with European Investment Bank, HPB offers to its customers credit lines that are recognized as products with elements of sustainability. With these special credit lines, the Bank ensures the sustainability of its portfolio, by investing in new technologies, fostering innovation, and by optimizing financial costs for investors.

According to the available data, in 2022, GAR amounted to 2.67%, which is currently taken as a baseline for further development and promotion of sustainable products in HPB.

HPB continues to foster business cooperation with development institutions, primarily with the Croatian Bank for Development and Reconstruction, HAMAG-BICRO, the European Fund for Southeast Europe (EFSE), leading to increased innovation, better energy efficiency, better environmental protec-

tion and generally increased competitiveness of business and exports, adhering to the principle of 'Do No Significant Harm Principle - DNSH'. One of the crucial factors in achieving our strategic goals is the development of green, that is, sustainable products in all retail and corporate segments. By offering such products, we will help achieve sustainability objectives and encourage customers to make sustainable products or services their first choice.

GAR is therefore expected to be higher next year and HPB will report on it in the upcoming years.

Climate stress test

In order to assess and understand climate change impact on its business and financial stability, the Bank carried out preparations for climate stress test for its large corporate portfolio. The activities that were carried out help us identify portfolio exposure to climate risks and helps us to prepare on time for the challenges that might result from environmental change.

During the preparation period it is estimated that the Bank's climate stress test will include the large corporate portfolio classified according to the most represented economic activities (63% of the portfolio), and the following activities are underway:

1. The analysis of the portfolio exposure:
 - identification of physical and transitional risks for all most represented economic activities in the portfolio, based on the publicly available data ⁵
 - identification of the share of a specific economic activity in the total GHG emissions, based on the publicly available data ⁶
2. Selection of the stress test scenario, based on the portfolio exposure analysis
3. Identification of the impact physical and transitional risks have on the other types of risks

Analysis of portfolio exposure to environmental risks

Environmental risks include physical risks linked to impact of climate change on the environment (for example, rising sea levels, rising temperatures or extreme climate events such as floods, droughts, fires and storms) and transition risks resulting from the adaptation process to the low-carbon economy.

Identification of climate-related risks to the Bank's portfolio was based on the assessment of materiality:

- physical risks for the most prevalent economic activity in the portfolio, where high and increased risks were identified
- transition risks for the most prevalent economic activity in the portfolio
- data on GHG emissions of the most prevalent economic activity in the portfolio

In order to identify physical and transition risks, the Bank used publicly available data for economic activities. Due to limited availability of data, the Bank prepared a qualitative representation of the impact which physical and transition risks have on the economic activities which account for the largest share of the portfolio.

⁵ <https://www.sasb.org/standards/materiality-finder/>

⁶ <https://www.eea.europa.eu/hr>

Table 25. Identified climate-related and environmental risks by industry

Economic activity	Exposure	Climate-related and environmental risks		Transition risks	GHG emissions in million tonnes	GHG emissions by share (%)
		Very high risk	High risk			
Construction	24.40%	Forest fires, extreme weather conditions, floods, storms, sea level rise, droughts; impact on world heritage properties and other protected areas;	Air pollution, GHG emissions; exposure to unconventional mining practices (mountaintop removal, deep-sea mining); deforestation; biodiversity loss; land pollution; exposure to unconventional energy practices; transition risk	<p>Increased costs of raw materials: Climate-related events such as floods, droughts and fires can lead to disruptions in the supply chain of raw materials used in construction. This can increase the cost of these materials, leading to higher construction costs and reduced profitability.</p> <p>Changes in demand for certain types of buildings: As the effects of climate change become more severe, demand for certain types of buildings that can withstand extreme weather conditions can grow, such as hurricane-resistant homes or buildings with green roofs that can mitigate the urban heat island effect. This can shift demand away from traditional building types, requiring adaptation of construction practices and materials.</p> <p>Stranded assets: The construction sector can be impacted by the concept of stranded assets, where certain buildings or infrastructure investments can become obsolete or non-performing, devaluated or converted to liabilities, due to changing climate regulations, such as increased energy efficiency requirements.</p> <p>Reputation risk: Companies operating in the construction sector can face reputation risk if they are perceived as failing to contribute to the mitigation of climate change or failing to take sufficient action to mitigate its impacts. This can impact their ability to attract customers or secure financing.</p>	1.2	6.1
Manufacturing	9.70%	Deforestation; biodiversity loss; land pollution; water pollution, excessive water consumption; plastic pollution	Forest fires, extreme weather conditions, floods, storms, sea level rise, droughts;	<p>Increased energy costs: Rising fossil fuel prices and carbon emissions can incur significant energy costs in industrial processes, which can adversely impact the sector's profitability.</p> <p>Regulatory risks: The industry has been facing extensive regulation related to greenhouse gas emissions, use of hazardous chemicals and sustainable practices. As regulation is expected to become more stringent, the industry can face growing adjustment costs, which can lead to be shutdowns or reductions in production in some sectors.</p> <p>Supply chain disruption risk: Climate conditions can cause disruptions in the supply chain, such as water shortages, increased prices of raw materials and transportation services. This can impact the production capacity and profitability of the industry.</p> <p>Market risk: As more consumers turn to sustainable products and services, the industry can face the risk of losing market if it fails to keep up with the transition. In addition, industrialization can contribute to climate change, which can result in increased pressure from consumers, investors and regulators to improve the sustainability of industrial processes.</p> <p>Reputation risk: The industry can be exposed to reputation risk if it is perceived to be failing to contribute to the mitigation of climate change or failing to take sufficient action to mitigate its impacts. This can impact their ability to attract customers, secure financing and attract investors.</p>	1.3	6.6

Economic activity	Exposure	Climate-related and environmental risks		Transition risks	GHG emissions in million tonnes	GHG emissions by share (%)
		Very high risk	High risk			
Wholesale and retail trade	7.40%	Deforestation; biodiversity loss; land pollution; water pollution, excessive water consumption; plastic pollution	Forest fires, extreme weather conditions, floods, storms, sea level rise, droughts;	<p>Supply and delivery chain: Climate change can disrupt the supply chain and the delivery of goods, which can subsequently lead to difficulties in obtaining products, fulfilling orders and prolonged deliveries. This can impact wholesale and retail services and reduce customer satisfaction.</p> <p>Increased costs: Climate change can incur costs for the wholesale and retail trade sector. For example, higher temperatures can drive the rise in energy consumption for the purpose of air conditioning. Droughts, floods and other extreme weather conditions can impact product prices and drive up procurement costs.</p> <p>Growing sustainability responsibility: Climate change enhances the need for sustainable business. This can include adapting waste management practices, reducing greenhouse gas emissions and increasing the use of renewable energy sources. Wholesalers and retailers who fail to adapt to such practices may face criticism from the public and risk losing customers.</p> <p>Supply disruptions: Climate change can cause supply disruptions and price volatility. This can impact wholesalers and retailers who depend on the import or export of products, as well as those who rely on specific products that are sensitive to climate conditions, such as agricultural products.</p>	0.2	1.1
Transportation and storage	7.20%	Air pollution; greenhouse gas emissions; plastic pollution; transport exceeding 8 hours with possible severe impact on animals; exposure to weapons	Forest fires, extreme weather conditions, floods, storms, sea level rise, droughts; exposure to unconventional mining practices (mountaintop removal, deep-sea mining); water pollution, excessive water consumption; exposure to unconventional energy practices; illegal fishing vessels; controversial fishing practices	<p>Higher fuel prices: Climate change and the global campaign to reduce greenhouse gas emissions are driving up fuel prices and reducing fossil fuel consumption. This can lead to an increase in the cost of operations in the transport sector, particularly in air and road transport.</p> <p>Adaptive capacity: Climate change requires adaptation of the business model and technologies in the transport sector. This can include replacing old vehicles with more eco-friendly vehicles, introducing new technologies to improve fuel efficiency and using alternative energy sources such as electric vehicles, hydrogen and biofuels.</p> <p>Expanding scope of regulations: Governments worldwide have been introducing new legislation with the aim of reducing greenhouse gas emissions. This can impact operations in the transport sector and require operational adaptation in order to comply with regulations and standards.</p> <p>Extreme weather conditions: Climate change can cause extreme weather conditions such as floods, storms and droughts. This can cause business interruption and disruption in logistics and supply chain.</p> <p>Emissions responsibility: Climate change increases the need for responsible business and reduction of greenhouse gas emissions. This can impact the image and reputation of a company in the transport sector, primarily in air transport, where CO2 emissions are high.</p>	4.6	22.6

Economic activity	Exposure	Climate-related and environmental risks		Transition risks	GHG emissions	GHG emissions
		Very high risk	High risk		in million tonnes	by share (%)
Water supply, sewage, waste management and remediation activities	5.70%	Forest fires, extreme weather conditions, floods, storms, sea level rise, droughts; water pollution, excessive water consumption; plastic pollution	Air pollution; greenhouse gas emissions; land pollution; impact on world heritage properties and other protected areas;	<p>Droughts: Climate change can cause more frequent droughts, which can impact the availability and supply of drinking water. This can diminish the capacity of water sources, build up water supply costs and reduce the water quality.</p> <p>Increased risk of flooding: Climate change can also lead to an increased risk of flooding, which can cause pollution of water sources and incur greater water treatment costs.</p> <p>Changes in water quality: Climate change can impact water quality at water sources, requiring additional water treatment to ensure safe drinking water.</p> <p>Changes in water demand: Climate change can create changes in water demand, for example an demand for irrigation water in dry periods can rise and the demand for water can be higher in warmer months to meet the air-conditioning needs.</p> <p>Infrastructure adaptive capacity: Climate change can require adaptation of the drinking water supply infrastructure to ensure reliable water supply under changed climate conditions.</p> <p>Infrastructure adaptive capacity: Climate change can require adaptation of the drinking water supply infrastructure to ensure reliable water supply under changed climate conditions.</p> <p>Aging infrastructure: Most of the water supply systems in Croatia are over 30 years old, which means that most of the equipment and infrastructure is outdated and needs to be modernized in order to maintain the quality and reliability of drinking water supply.</p> <p>Lack of investments: Croatia is among the countries with the lowest levels of investment in water resources in Europe. The lack of funds for investments in the modernization and development of infrastructure represents a transition risk for the drinking water supply sector in Croatia.</p> <p>Poor organization and management: Many water supply operators in Croatia suffer from poor organization and management, which can create difficulties in project planning and implementation, as well as in system maintenance.</p> <p>Lack of an efficient collection system: There are significant issues with water consumption payment collection in Croatia. According to some estimates, around 40% of water consumption in Croatia is not being charged for. Lack of an efficient collection system represents a significant financial risk for water supply system operators.</p>	0.04	0.2

Economic activity	Exposure	Climate-related and environmental risks		Transition risks	GHG emissions in million tonnes	GHG emissions by share (%)
		Very high risk	High risk			
Electricity, gas, steam and air-conditioning supply	4.50%	Air pollution; exposure to unconventional mining practices (mountaintop removal, deep-sea mining); exposure to unconventional energy practices	Forest fires, extreme weather conditions, floods, storms, sea level rise, droughts; land pollution; water pollution, excessive water consumption; impact on world heritage properties and other protected areas;	<p>Climate change: climate change can greatly alter temperature and precipitation, which can impact electricity generation from hydropower plants and other renewable sources of energy, such as solar and wind power plants.</p> <p>Increased risk of extreme weather conditions: climate change can lead to an increased risk of extreme weather conditions such as storms and floods, which can adversely impact electricity supply and cause disruptions in the supply.</p> <p>Changes in electricity demand: climate change is likely to alter electricity demand, for example, increase the demand for air conditioning during summer months, which can impact electricity generation planning.</p> <p>Changes in electricity generation costs: climate change and the increased risk of extreme weather conditions can impact electricity generation costs, which can have an impact on the electricity price for consumers.</p> <p>Adaptation of infrastructure: climate change may necessitate adaptation of the infrastructure for the purpose of generation and distribution of electricity to ensure reliable supply in the conditions of changing climate conditions.</p>	0.7	3.7
Agriculture, forestry and fishing	4.00%	Deforestation; biodiversity loss; land pollution; protected habitats and species; impact on world heritage properties and other protected areas; transport exceeding 8 hours with possible severe impact on animals; use of chemicals and medicines	Air pollution; greenhouse gas emissions; water pollution, excessive water consumption;	<p>Climate change: climate change is likely to cause changes in temperature, precipitation, wind, and other meteorological conditions that can significantly impact agricultural production.</p> <p>Changes in water availability: changes in precipitation and temperature can impact the availability of water for agriculture, particularly in areas that are already under stress caused by water scarcity.</p> <p>Increased risk of extreme weather conditions: climate change is likely to increase the risk of extreme weather conditions such as droughts, floods, and storms, which can cause significant damage to crops.</p> <p>Changes in crop seasonality and quality: climate change is likely to impact the seasonality and quality of crops, which can increase production costs and reduce yields.</p> <p>Increased risk of the spread of disease and pests: climate change and extreme weather events have a major impact on the spread of diseases and agricultural pests, impacting agricultural product yield and quality.</p>	2.6	12.8

Physical risks are risks from natural disasters such as fires, floods, droughts or storms, which can cause damage to real estate, infrastructure and the Bank's equipment. An analysis of the portfolio showed that the exposure to this type of risk is most common in construction (24.40% of the portfolio) and water supply, sewage, waste management and remediation activities (5.70% of the portfolio). Environmental risks also include deforestation, loss of biodiversity and land pollution and exposure to this type of risks is most common in manufacturing (9.70% of the portfolio), wholesale and retail (7.40% of the portfolio) and agriculture, forestry and fishing (4.00% of the portfolio). Transportation and storage (7.20% of the portfolio) and electricity, gas, steam and air-conditioning supply (4.50% of the portfolio) are exposed primarily to the risk of air pollution.

Transition risks include risks of political changes, changes in business operations, technology and market, and stem from attempts to reduce the impact of climate change. These changes can include changes in tax policy, GHG regulations and increasing prices of fossil fuels.

The Bank identified transition risks for all activities accounting for the largest share of its portfolio. For the construction sector which accounts for the largest share in the Bank's portfolio, we identified transition risks such as increased costs of raw materials due to disruptions in supply chain of raw materials used in the construction industry, which can increase the cost of these materials, leading to higher construction costs and reduced profitability. In addition, given the fact that consequences of climate change are becoming more serious, this could lead to an increased demand for certain types of buildings which can withstand extreme weather conditions, such as hurricane-resistant houses or green roof buildings which can mitigate the effects of heat islands in the

city. This can shift demand away from traditional building types, requiring adaptation of construction practices and materials. The construction sector can be impacted by the concept of stranded assets, where certain buildings or infrastructure investments can become obsolete or devaluated due to changing climate regulations, such as increased energy efficiency requirements. Companies operating in the construction sector can face reputation risk if they are perceived as failing to contribute to the mitigation of climate change or failing to take sufficient action to mitigate its impacts. This can impact their ability to attract customers or secure financing.

Table 26 gives a detailed overview of all identified transition risks for the most prevalent activities in the Bank's portfolio, and it can be concluded that for all activities the adaptation to climate change can lead to higher costs, disruptions in supply chains, disruptions in supply and demand and reputation risks.

For the purpose of calculating GHG emissions for the portfolio, publicly available data were used for specific economic sectors. Economic activities accounting for the biggest share in the Bank's portfolio, transportation and storage sector accounts for the biggest share in the total GHG emissions of all activities (22.6%). It is followed by agriculture, forestry and fishing (12.8%), manufacturing (6.6%) and construction (6.1%). The first three economic activities with the biggest share in the Bank's portfolio account for 13.8% of the total share in GHG emissions of all activities.

The Bank will carry out annual monitoring and review of the risk assessment and exposure to physical and transition risks, and depending on the available data, the analysis will cover more customer's segments, and provide a detailed overview of physical risks which includes regional exposure of the portfolio.

The Bank is introducing geographic information

system (GIS) software, which can create and analyze spatial databases necessary to determine environmental and climate-related risks specified by customer, collateral or specific projects, which will allow the Bank to conduct climate stress test with a quantitative overview of data. The first step in the implementation of climate-related and environmental physical risks in the Bank's operations is the creation of an address model, that is, a geospatial database of the Bank's real estate collateral. This will be the basis for the development of relational tables for the calculation of climate-related and environmental physical risks and assigning appropriate risk values to individual elements of the address model using GIS tools, thus enabling the Bank to automate all processes as much as possible.

The bank has already launched an address model development and the calculation of climate-related and environmental physical risks for the existing customers, while full implementation in business processes is planned in 2023.

The address model will allow the Bank to include in the climate stress test the calculation of financial consequences which could arise from physical or transition risks, which includes assessment of credit losses, investment losses and potential costs pertaining to the Bank's operations.

Preparing scenario for the implementation of climate stress test

One of the preparatory activities for stress test is to choose a scenario based on various estimate of future climate conditions and changes caused by climate conditions, while taking into account different rates of GHG emissions and other factors which might affect future climate.

As a basis for stress test scenario, the Bank uses examples provided by the Intergovernmental Panel on Climate Change (IPCC), Network for Greening the Financial System (NGFS) and Scenario Analysis for Systemic Environmental Risk (SASB).

Climate stress test scenario can be developed taking into account various variables and projections.

An example of a scenario, chosen by HPB, is shown below:

The Bank opted for a 'combined scenario' that combines transition and physical changes to show a complex interaction between economic and climate factors. The scenario encompasses construction sector as the most prevalent activity in the Bank's portfolio.

Necessary preliminary activities were done in order to determine characteristics of the selected activity:

:

- determining activities according to NACE code
- determining the exposure of a sector in the portfolio
- qualitative projection of climate-related and environmental risks in two categories (high and increased risk)
- defining transition risks for a specific sector
- defining the share of GHG emissions by sectors

Areas covered by the combined scenario:

- temperature increase of 2°C, compared to pre-industrial level until the end of the 21 century
- increased frequency of extreme weather events (floods, droughts, storms, etc)
- increased costs of raw materials as a result of limited availability
- stranded assets due to growing concerns over climate risks
- regulatory changes aimed at reducing GHG emissions and boosting energy efficiency of buildings
- reputational risk due to higher public awareness of the issues concerning sustainability and climate risks

We are aware of the fact that climate-related risks may be the drivers behind existing risk categories such as credit, operational, reputation, market or liquidity risk, and consequently we are seeking to incorporate such risk into the Bank's risk profile and to analyze to which extent and how climate-related risks affect other specific types of risks.

According to the combined scenario, possible impact of physical and transition risks on the Bank's risks is shown below:

- **Liquidity risk:** Increasing frequency of extreme weather events, such as floods, droughts and storms, may cause devaluation of property which is used for collateral in credit lines. Stranded assets due to climate risks may also affect the Bank's liquidity. Increasing prices of raw materials may result in reduced liquidity due to an increase in costs necessary to finance construction projects.
- **Credit risk:** Increasing frequency of extreme weather events may affect customer's ability to pay

their credit obligations, resulting in increased number of loan defaults. Increasing costs for raw materials may drive up prices in the construction sector, which can affect debtors' ability to meet their obligations towards the Bank. Also, assets stranded due to climate risks may lead to problems with loan collection and an increase of the Bank's credit risk.

- **Operational Risk:** Regulatory changes aimed at reducing GHG emission and improving energy efficiency of buildings may require from the Bank to modify its business models, processes and practice; leading to operational risks. Increased costs of raw materials can also affect the Bank's operating costs and result in additional operational risks.
- **Market Risk:** Increased public awareness of the issues related to sustainability and climate risks may lead to a reduced demand for unsustainable products and services, including unsustainable construction. This may lead to devaluation of the Bank's assets, affecting the market risk.
- **Reputational risk:** Increased public awareness of the issues related to sustainability and climate risks may lead to reputational risk if the Bank is perceived as not doing enough to mitigate its climate risks and promote sustainability, that is, failing to fund projects focused on sustainability.

Through its internal capital adequacy assessment process, the Bank quantified capital requirements for the exposure to physical risks in its portfolio of residential property which serves as loan collateral for natural persons. Furthermore, the Bank continues to improve its processes of quantifying the exposure to climate risks.

ESG Questionnaire for corporate customers

During 2022, in cooperation with other banks, and coordinated by the Croatian Banking Association (HUB), a set of questions was defined for national ESG questionnaire assessing environmental, social and governance impact. The questionnaire encompasses all ESG aspects through three segments:

- **Environment (E)**, for example, on GHG emissions, energy efficiency, water use, measures for prevention of pollution and waste management, circular economy, environmental risks, impact of companies on biodiversity
- **Society (S)**, for example, the goals of a company and impact on the community, relationship with employees and human rights, relations with customers and suppliers, etc.
- **Governance (G)**, for example, ethical aspects of business, anti-corruption, diversity in the governing bodies

The aim of the ESG Questionnaire is to obtain feedback from customers to enable the banks to assess their level of sustainability and responsibility and to assess ESG risks.

The questionnaire is primarily designed for large corporate clients that, on balance sheet date, exceed the average number of 500 employees during the financial year. According to the plans of the European Commission, small and medium-sized enterprises will also be required to complete the questionnaire in the future.

Implementation of sustainability risk in the financial market segment and at HPB Invest

Report on principal adverse impact on sustainability factors

The Bank takes into account principal adverse impact on sustainability factors when managing customers' portfolios, or when making investment decisions for the portfolios under its management. Principal adverse impact on sustainability factors pertain to impact of investment decisions which may adversely affect sustainability factors.

The Bank considers principal adverse impact by using ESG methodology of assessing the issuer and the approach of exclusion of the issuer. This adverse impact stems from the issuer's operations and are linked to sectors as well as to geographical areas in which the issuer operates.

When considering and measuring principal adverse impact, the Bank uses regulatory framework, i.e., indicators specified under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR Regulation) and regulations adopted based on this Regulation, and principal adverse effects are calculated based on different methodologies.

Indicators are divided into mandatory indicators applicable to investments in companies, countries and supra-national organisations and into additional indicators applicable to investments, and they are measured depending on availability and quality of data.

The Bank will publish its first Report on principal adverse impact on sustainability by 30 June 2023, and the reference period is 1 January - 31 December 2022. Given the fact that the investments in the portfolios managed by the Bank may change over the reference period, the Bank determines principal adverse impact at a quarterly level, and once a year it publishes their average results in the aforementioned report.

The portfolios under the Bank's management are currently oriented on investments on the Croatian capital market, and given the fact that less data are available on principal adverse impact of the issuers on the Croatian capital market, the Bank identifies, considers and measures principal adverse impact using best effort basis, i.e., it takes into account objective circumstances with regard to availability and accuracy of data. Consequently, the Bank collects data available and published in the annual (non) financial reports of the issuers and data from the information sources such as Bloomberg, the Bank also uses participatory approach which includes direct communication with the issuer, mostly in written form by sending the Questionnaire to the issuer who fills it in and provides the Bank directly with data necessary for the Report on principal adverse impact.

Previous experience of collecting data directly from the issuer shows that data is collected to a lesser or greater extent, and this depends on the data available to the issuer and refers to a total of 57% of the issuers for all portfolios under the Bank's management.

Following data disclosures made by the issuer, and further regulatory developments, the Bank will adapt its methodology for measuring principal adverse impact on sustainability factors.

The Due Diligence Policy Statement concerning principal adverse impact is published on the Bank's website.

Sustainable investment and sustainability risk

Sustainable investing is a process which considers and takes into account environmental, social and governance factors when making decisions on investments or giving investment advice, believing that these factors should result in long-term increase of investments in sustainable economic activity and projects.

We strongly believe that incorporating environmental, social and governance factors into investment decisions contributes to long-term positive impact on total return and value of investment.

As specified under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, a sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment. For the portfolios under the Bank's management, they represent environmental, social and governance risks stemming from investments in financial instruments of the issuer and are linked to the issuer's way of doing business.

For the portfolios under the Bank's management, the impact of sustainability risk on other types of risks cannot be accurately determined or assessed. It is generally believed that the issuers that poorly manage their sustainability risks face a greater probability of a negative event, which can significantly impact many segments of their operations (increased costs, threat to reputation and similar). Consequently, sustainability risks spill over onto the price of the issuer's financial instrument (market risk), creditworthiness of the issuer (credit risk) and ultimately, lower liquidity of the instrument (liquidity risk). It is for this reason that the Bank manages sustainability risk by monitoring weighted average ESG rating of the portfolio and thus seeks to reduce impact of sustainability risk on other financial risks.

Policy on sustainability and responsible investing and ESG rating

In 2021, the Bank adopted the Policy on sustainability and responsible investing when providing investment services. The Policy is available on the Bank's website.

As part of the Bank's current portfolio management service, the Bank currently manages portfolios that fall under the category of products that do not have sustainable investment or promotion of environmental and social factors as their objectives in accordance with Articles 8 and 9 of the Regulation (EU) 2019/2088, i.e., they fall into the category of the so-called „neutral“ or „mainstream“ products. However, in its investment decision-making, the Bank takes into account sustainability and recognizes sustainability risks and sustainability is an integral part of the investment process.

In its investment decision-making process, the Bank applies its internally developed model of assessing sustainability risk. Given the fact that currently there is no available data in the publications of the issuers whose securities are included in the portfolios under the Bank's management, the Bank focuses and relies on a model which takes into account sustainability risk mostly by using the exclusion approach, rule of priority and participation, by following minimal average weighted ESG investment scores published by Bloomberg, and rating of adverse impact according to published PAI indicators.

The Bank is planning to offer portfolios which promote environmental and social characteristics under Article 8 of the Regulation (EU)2019/2088.

Impact on portfolio yield

If sustainability risk event occurs (such as adverse environmental, social and governance event), in the portfolios under the Bank's management, it is estimated that these

events might have negative impact on the investment value of the portfolio. This means that sustainability risks can, to a certain extent, have material impact on the portfolio yield, and this will depend on the investment policy and portfolio components. We believe that by including sustainability risk into investment decision-making process, i.e., by identifying, measuring and managing this risk, we apply a positive practice, which can in the long-run help us achieve the goals of the portfolio.

Compliance of HPB Invest operations with SFDR Regulation

HPB Invest, UCITS Management Company, recognizes and measures sustainability risk.

Sustainability risk is taken into consideration in the investment decision-making process, however, given that there are no funds under the company's management which have sustainable investment or promotion of environmental or social factors as their objectives in line with Articles 8 and 9 of SFDR Regulation, the funds are not subject to investment restrictions based on that risk. Sustainability risk can have adverse impact on the fund performance, however, the company believes that by following and taking into account this risk in the investment decision-making it can result in positive impact on the fund yields.

Several indicators are used to calculate sustainability risk for specific investment. One of the indicators refers to compliance status with the Paris Agreement on Climate Change. The objective of the Agreement is to hold the increase in the global average temperature to well below 2°C, safeguard food security, and to enhance the capacity of countries to tackle consequences of climate change, develop new 'green' technologies and help economically less developed member countries to achieve their national emission reduction targets.

Other indicators include CO2 emissions per capita, governance and social factors, ratings of external providers of ESD scores such as Bloomberg, MSCI, Sustainalytics and others.

At the present time, HPB Invest does not consider adverse impact of its investment decisions on sustainability factors (PAI), however, it acknowledges the importance of considering principal adverse impact such as indicators associated with climate and environment, social and work-related issues, respect for human rights, anti-corruption issues and issues preventing bribery. The company's operations adhere to deadlines and obligations specified in the SFDR Regulation.



2030 SUSTAINABLE GOALS

GRI 302-1; 302-4; 303; 303-5

In order to make informed and strategic business decisions and monitor our progress and results, we set sustainable goals until 2030.



Strategic sustainability goals

In order to make informed and strategic business decisions in line with regulations and guidelines, and in order to monitor our progress and results, HPB Group sets strategic sustainability goals.

Financial sustainability goal

In 2021, HPB Group incorporated one sustainability goal into strategic goals of the Bank for 2022. The 2022 goal was to encourage retail customers with a transaction account, a deposit or a loan to switch to online communication with the Bank and to increase by 40% the number of bank statements sent by e-mail until the end of 2022.

Table 26. 2022 Financial sustainability goal

	2022 KPI	Performance
Financial sustainability goal	Bolstering digital communication with customers KPI defines an increase in the number of bank statements delivered via email (40%)	✓

The Bank successfully achieved this KPI and by reducing the number of outgoing mail it also reduced consumption of paper and printer ink cartridges. By accomplishing this KPI, the Bank also contributed to another strategic development pillar - digitalization.

HPB Group has set a new sustainability goal for 2023, which is to redirect capital flows towards sustainable development.

Table 27. 2023 Financial sustainability goal

	2023 KPI
Financial sustainability goal	Redirect capital flows to sustainable investment KPI defines the volume of placements to investment in sustainable operations in the course of the year

UN Sustainable development goals (SDG)

HPB Group bases the impact of its business on 17 UN Sustainable development goals, recognizing its biggest impact and contribution for 6 goals listed in Table 26.

The Sustainability report outlines the activities we carried out in 2022, aligned with the global sustainable development goals.



Table 28. United Nations Sustainable Development Goals

SDG goal / sub-goal		2030 KPI	
SDG 3	Ensure healthy lives and promote well-being for all at all ages	3.4.	By 2030 reduce by one-third pre-mature mortality from non-communicable diseases through prevention and treatment, and promote mental health and wellbeing
SDG 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.5.	By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations
		4.1.	By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
SDG 5	Achieve gender equality and empower all women and girls	5.4.	Recognize and value unpaid care and domestic work (parenting, elderly care) through the provision of public services, infrastructure and social protection policies, and the promotion of shared responsibility within the household and the family
		5.5.	Ensure women's and gender-sensitive people's full and effective participation and equal opportunities for leadership at all levels of decision-making in the Bank through management systems and defined policies
SDG 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.2.	Achieve higher levels of productivity of economies through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors
		8.3.	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small- and medium-sized enterprises including through access to financial services
		8.5.	Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
		8.9.	Devise and implement policies to promote sustainable tourism which creates jobs, promotes local culture and products
		8.10.	Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all
SDG 12	Ensure sustainable consumption and production patterns	12.5.	Substantially reduce waste generation through prevention, reduction, recycling, and reuse
		12.6.	Encourage companies, especially large and trans-national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle
SDG 13	Take urgent action to combat climate change and its impacts	13.1.	Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries
		13.2.	Integrate climate change measures into, strategies, policies and planning, and ensure their operational implementation

Environmental goals aligned with the Taxonomy Regulation

GRI 2-4; 305-5

In the 2021 Non-Financial Report as part of the Annual financial report, the Bank first reported on its impact based on the first two environmental objectives of the Taxonomy Regulation:

- (1) climate change mitigation and
- (2) adaptation to climate change.

In accordance with regulatory obligations and guidelines, the Bank published three key climate impact indicators in 2021, compared to 2020:

Table 29. 2021 EU Taxonomy performance indicators

Environmental impact	2022 KPI	Result	Performance
Paper use	Reduce the total volume of paper use, i.e. reduce printing by 10% compared to 2020	10.33%	✓
Electricity consumption	Reduce the total quantity of electricity consumption by 5% compared to 2020	6.60%	✓
Water consumption	Reduce the total quantity of water consumption by 5% compared to 2020	7.90%	✓

Given that in 2021 the Bank did not have an established data collection model on the consumption of electricity and gas in kWh and water in m³ across the business premises and facilities, invoiced costs were used as parameters for determining the KPIs.

In the 2021 Non-Financial Report, the Bank committed itself to developing, in line with regulatory guidelines, methodologies and metrics for development of key performance indicators for adaptation to climate change, and during 2022, the Bank developed a data collection model on the consumption of electricity and gas in kWh and water in m³.

The Bank collected data on the consumption of energy and water in 2022, which is taken as the baseline year for setting goals aligned with the Taxonomy Regulation.

For the period until 2030, the Bank set new KPIs for its impact on environmental goals.

Table 30. 2022 EU Taxonomy performance indicators

Environmental impact	2030 KPI
Paper use	Reduce the total volume of paper use, i.e. reduce printing by 10% compared to 2022
Carbon footprint reduction	Reduce the carbon footprint by 10% compared to 2022
Responsible waste disposal	Install waste separation containers at all sites and facilities

In order to transition to low-carbon operations, HPB Group aligns its strategy with the Croatian Low Carbon Development Strategy until 2030, and relies on two scenarios: NU1 (gradual transition scenario) and NU2 (strong transition scenario). These scenarios predict a reduction of GHG emissions in the general consumption sector, between 30.2% and 73.8% in comparison with 1990.



GRI INDEX



Table 31. GRI Statement of use

Statement of use	HPB Group Sustainability Report is drafted in line with GRI Standards for the reporting period from 1 January 2022 to 31 December 2022. The highest governance body oversees the process, and reviews and approves the reported data, including material topics aligned with Disclosure 2-14 - GRI 2 General Disclosures 2021
GRI 1 applied	GRI 1: Foundation 2021
Applicable GRI sector standards	

Table 32. GRI index

GRI STANDARD	DISCLOSURE	CHAPTER	REASON FOR OMISSION
GRI 2: General Disclosures 2021			
2-1	Organizational details	About us	
2-2	Entities included in the organization's sustainability reporting	Introduction, About us	
2-3	Reporting period, frequency and contact point	Introduction	
2-4	Restatements of information	2030 Sustainable development goals	
2-5	External assurance	Introduction	
2-6	Activities, value chain and other business relationships	Key performance indicators	
2-7	Employees	Corporate social responsibility – Employee care	
2-8	Workers who are not employees	Corporate social responsibility – Employee care	
2-9	Governance structure and composition	Responsible Corporate Governance	
2-10	Nomination and selection of the highest governance body	Responsible Corporate Governance	
2-11	Chair of the highest governance body	Responsible Corporate Governance	
2-12	Role of the highest governance body in overseeing the management of impacts	Responsible Corporate Governance	
2-13	Delegation of responsibility for managing impacts	Our principles of sustainable business	
2-14	Role of the highest governance body in sustainability reporting	Statement from the Chairman of the Management Board	
2-15	Conflicts of interest	Responsible Corporate Governance	
2-16	Communication of critical concerns	Responsible Corporate Governance	
2-17	Collective knowledge of the highest governance body	Responsible Corporate Governance	
2-18	Evaluation of the performance of the highest governance body	Responsible Corporate Governance	
2-19	Remuneration policies	Responsible Corporate Governance	
2-20	Process to determine remuneration	Responsible Corporate Governance	
2-21	Annual total compensation ratio	Corporate social responsibility – Employee care	
2-22	Statement on sustainable development strategy	Statement from the Chairman of the Management Board	
2-23	Policy commitments	Introduction, Our principles of sustainable business	
2-24	Embedding policy commitments	Our principles of sustainable business	
2-25	Processes to remediate negative impacts	Responsible Corporate Governance	
2-26	Mechanisms for seeking advice and raising concerns	Responsible Corporate Governance	
2-27	Compliance with laws and regulations	Responsible Corporate Governance	
2-28	Membership associations	About us	
2-29	Approach to stakeholder engagement	Materiality assessment	
2-30	Collective bargaining agreements	Corporate social responsibility – Employee care	

GRI STANDARD	DISCLOSURE	CHAPTER	REASON FOR OMISSION
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	Materiality assessment	
3-2	List of material topics	Materiality assessment	
3-3	Management of material topics	All chapters	
Topic Standards			
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Key performance indicators	
201-2	Financial implications and other risks and opportunities due to climate change	Sustainability risk management	
201-3	Defined benefit plan obligations and other retirement plans	Corporate social responsibility – Employee care	
201-4	Financial assistance received from government		Not applicable
GRI 202: Market Presence 2016			
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Not applicable, the Bank operates only in the Republic of Croatia
GRI 202-2	Proportion of senior management hired from the local community		Not applicable, the Bank operates only in the Republic of Croatia
GRI 203: Indirect Economic Impacts 2016			
GRI 203-1	Infrastructure investments and services supported	Corporate social responsibility – Community care	
GRI 203-2	Significant indirect economic impacts	Corporate social responsibility – Community care	
GRI 204: Procurement Practices 2016			
GRI 204-1	Proportion of spending on local suppliers	Responsible corporate governance	
GRI 205: Anti-Corruption 2016			
GRI 205-1	Operations assessed for risks related to corruption	Responsible corporate governance	
GRI 205-2	Communication and training about anti-corruption policies and procedures	Responsible corporate governance	
GRI 205-3	Confirmed incidents of corruption and actions taken	Responsible corporate governance	
GRI 206: Anti-competitive Behaviour 2016			
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Responsible corporate governance	
GRI 207: Tax 2019			
GRI 207-1	Approach to tax	Responsible corporate governance	
GRI 207-2	Tax governance, control, and risk management	Responsible corporate governance	
GRI 207-3	Stakeholder engagement and management of concerns related to tax	Responsible corporate governance	
GRI 207-4	Country-by-country reporting		Not applicable, the Bank operates only in the Republic of Croatia

GRI STANDARD	DISCLOSURE	CHAPTER	REASON FOR OMISSION
GRI 301: Materials 2016			
GRI 301-1	Materials used by weight or volume	Environmental sustainability	Incomplete data
GRI 301-2	Recycled input materials used		Data unavailable
GRI 301-3	Reclaimed products and their packaging materials		Data unavailable
GRI 302: Energy 2016			
GRI 302-1	Energy consumption within the organization	Environmental sustainability	
GRI 302-2	Energy consumption outside of the organization		Data unavailable
GRI 302-3	Energy intensity	Environmental sustainability	
GRI 302-4	Reduction of energy consumption	Environmental sustainability	
GRI 302-5	Reduction in energy requirements of products and services	Environmental sustainability	
GRI 303: Water and Effluents 2018			
GRI 303-1	Interactions with water as a shared resource		Data unavailable
GRI 303-2	Management of water discharge-related impacts		Not applicable
GRI 303-3	Water withdrawal		Not applicable
GRI 303-4	Water discharge		Not applicable
GRI 303-5	Water consumption	Environmental sustainability	
GRI 304: Biodiversity 2016			
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable, the Bank does not have branches in or near protected areas
GRI 304-2	Significant impacts of activities, products, and services on biodiversity		Not applicable
GRI 304-3	Habitats protected or restored		Not applicable
GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable
GRI 305: Emissions 2016			
GRI 305-1	Direct (Scope 1) GHG emissions	Environmental sustainability	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Environmental sustainability	
GRI 305-3	Other indirect (Scope 3) GHG emissions		Data unavailable
GRI 305-4	GHG emissions intensity		Data unavailable
GRI 305-5	Reduction of GHG emissions	Environmental sustainability	
		2030 Sustainable development goals	
GRI 305-6	Emissions of ozone-depleting substances (ODS)		Data unavailable
GRI 305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions		Data unavailable

GRI STANDARD	DISCLOSURE	CHAPTER	REASON FOR OMISSION
GRI 306: Waste 2020			
GRI 306-1	Waste generation and significant waste-related impacts	Environmental sustainability	
GRI 306-2	Management of significant waste-related impacts	Environmental sustainability	
GRI 306-3	Waste generated	Environmental sustainability	Incomplete data
GRI 306-4	Waste diverted from disposal		Data unavailable
GRI 306-5	Waste directed to disposal		Data unavailable
GRI 308: Supplier Environmental Assessment 2016			
GRI 308-1	New suppliers that were screened using environmental criteria	Our principles of sustainable business	Incomplete data, implementation of Supplier Principles is in progress
GRI 308-2	Negative environmental impacts in the supply chain and actions taken		Incomplete data, implementation of Supplier Principles is in progress
GRI 401: Employment 2016			
GRI 401-1	New employee hires and employee turnover	Corporate social responsibility – Employee care	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Corporate social responsibility – Employee care	
GRI 401-3	Parental leave	Corporate social responsibility – Employee care	
GRI 402: Labour/Management Relations 2016			
GRI 402-1	Minimum notice periods regarding operational changes	Corporate social responsibility – Employee care	
GRI 403: Occupational Health and Safety 2018			
GRI 403-1	Occupational health and safety management system	Corporate social responsibility – Employee care	
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Corporate social responsibility – Employee care	
GRI 403-3	Occupational health services	Corporate social responsibility – Employee care	
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Corporate social responsibility – Employee care	
GRI 403-5	Worker training on occupational health and safety	Corporate social responsibility – Employee care	
GRI 403-6	Promotion of worker health	Corporate social responsibility – Employee care	
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Corporate social responsibility – Employee care	
GRI 403-8	Workers covered by an occupational health and safety management system	Corporate social responsibility – Employee care	
GRI 403-9	Work-related injuries	Corporate social responsibility – Employee care	
GRI 403-10	Work-related ill health		Data unavailable

GRI STANDARD	DISCLOSURE	CHAPTER	REASON FOR OMISSION
GRI 404: Training and Education 2016			
GRI 404-1	Average hours of training per year per employee	Corporate social responsibility – Employee care	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Corporate social responsibility – Employee care	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Corporate social responsibility – Employee care	
GRI 405: Diversity and Equal Opportunity 2016			
GRI 405-1	Diversity of governance bodies and employees	Corporate social responsibility – Employee care	
GRI 405-2	Ratio of basic salary and remuneration of women to men	Corporate social responsibility – Employee care	
GRI 406: Non-discrimination 2016			
GRI 406-1	Incidents of discrimination and corrective actions taken	Corporate social responsibility – Employee care	
GRI 407: Freedom of Association and Collective Bargaining			
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Data unavailable
GRI 408: Child Labour 2016			
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour		Incomplete data, implementation of Supplier Principles is in progress
GRI 409: Forced or Compulsory Labour 2016			
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		Incomplete data, implementation of Supplier Principles is in progress
GRI 410: Security Practices 2016			
GRI 410-1	Security personnel trained in human rights policies or procedures		Data unavailable
GRI 411: Rights of Indigenous Peoples 2016			
GRI 411-1	Incidents of violations involving rights of indigenous peoples		Data unavailable
GRI 413: Local Communities 2016			
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Corporate social responsibility – Community care	
GRI 413-2	Operations with significant actual and potential negative impacts on local communities		Data unavailable
GRI 414: Supplier Social Assessment 2016			
GRI 414-1	New suppliers that were screened using social criteria	Our principles of sustainable business	Incomplete data, implementation of Supplier Principles is in progress
GRI 414-2	Negative social impacts in the supply chain and actions taken		Incomplete data, implementation of Supplier Principles is in progress

GRI STANDARD	DISCLOSURE	CHAPTER	REASON FOR OMISSION
GRI 415: Public Policy			
GRI 415-1	Political contributions		Not applicable
GRI 416: Customer Health and Safety 2016			
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Responsible corporate governance	
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Responsible corporate governance	
GRI 417: Marketing and Labelling 2016			
GRI 417-1	Requirements for product and service information and labelling	Corporate social responsibility – Community care	
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	Corporate social responsibility – Community care	
GRI 417-3	Incidents of non-compliance concerning marketing communications	Corporate social responsibility – Community care	
GRI 418: Customer Privacy 2016			
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Corporate social responsibility – Community care	



CONTACT

GRI 2-3



Sustainability Office

Hrvatska poštanska banka

Jurišićeva ulica 4, Zagreb

email: uop@hpb.hr



Nal pristup očuvanju okoliša

U svom poslovanju HPB promiče ideju zaštite okoliša, povećanja ekološke osviještenosti i odgovornog ponašanja te racionalnog gospodarenja otpadom.



Doprinos društvu i zajednici

Odgovarajući na potrebe društva i zajednice u kojoj posluje, HPB nastoji pozitivno utjecati na lokalnoj i globalnoj razini stvarajući uvjete za bolji život u Hrvatskoj.



Briga o zaposlenicima

HPB je posvećena stvaranju ugodnog i poticajnog radnog okruženja, ulaganju u razvoj i edukaciju svojih zaposlenika te brizi o njihovim pravima, ravnotežnim odnosima, sigurnosti i zaštiti.



Održivo ulaganje i financiranje

Integracijom načela održivosti u donošene odluke o investicijskom ulaganju i financiranju, HPB stvara dugoročno pozitivne učinke na društvo i okoliš.



