



# 2023 Sustainability Report

Our Footprint  
for a Better Future



**HRVATSKA POŠTANSKA BANKA**



HRVATSKA POŠTANSKA BANKA

## **2023 Sustainability Report**

Zagreb, June 2024

# Contents



## About HPB

<b>INTRODUCTION</b> .....	4
Applied ESG Guidelines .....	7
<b>WE CREATE CONDITIONS FOR A BETTER LIFE IN CROATIA</b> .....	8
Our Sustainable Progress in 2023 .....	10
Foreword by the President of the Management Board .....	12
Foreword by the Chief Sustainability Officer .....	14
Strategic Outlook .....	15
<b>STRATEGY AND BUSINESS MODEL FOR SUSTAINABLE GROWTH</b> .....	16
About Us .....	17
Strategic Guidelines .....	27
Membership of Associations .....	30
<b>KEY PERFORMANCE INDICATORS</b> .....	32
Market Position and Financial Performance .....	33
Awards and Acknowledgements .....	37
Compliance with ISO 26000:2020 Standard .....	39
<b>OUR PATH TO SUSTAINABILITY</b> .....	40
HPB Group Principles of Sustainability .....	41
Principles of the UN Global Compact Initiative .....	42
Principles of Responsible Banking .....	43
ESG Policy .....	44
Double Materiality Assessment as the Foundation of Sustainability .....	47
Sustainability Goals .....	58
Enhancing Data Management Systems .....	68

## Environmental Sustainability

<b>OUR ADAPTATION TO CLIMATE CHANGE</b> .....	72
Climate Strategy and Transition Plan .....	73
Greenhouse Gas Emissions .....	78
Environmental Risk Impact Assessment .....	82
Analysis of Activities According to the Taxonomy Regulation .....	89
Digitalization of Banking Operations .....	90
Green Initiatives and Projects .....	92

## SUSTAINABLE FINANCING AND INVESTMENT

Green Asset Ratio .....	94
Green Asset Ratio .....	95
Framework for Sustainable Product Development .....	96
Incentive-Based Financing and Consultation Initiatives .....	97
ESG Questionnaire for Customers .....	99
Sustainable Investment .....	100
Project Sustainability Assessment .....	103

## Social Sustainability

### CORPORATE CULTURE AND HUMAN RESOURCE MANAGEMENT

Creating Sustainable Values .....	106
Diversity, Equity and Inclusion .....	107
Employee Structure .....	110
Selection Process .....	114
Building Resilience through Professional Training and Development .....	116
Performance Management .....	118
Organizational Vitality .....	118
Gender Pay Gap .....	120
Work-Life Balance .....	121
Freedom of Association and Collective Bargaining .....	122
Occupational Health and Safety .....	122
Recognition for HPB as an Employer .....	126

<b>COMMUNITY CARE</b> .....	128
HPB: Building Safer Schools and Kindergartens .....	129
Community Engagement through Volunteer Actions .....	130
Financial Literacy Programs .....	132
Collaboration with the Academic Community .....	134
Consumer Protection .....	135
Sponsorships and Donations .....	138

## Corporate Governance

### HIGHEST STANDARDS OF CORPORATE GOVERNANCE

Governance Structure and Role of the Governing Body .....	142
Diversity of the Governance Body .....	143
Appointment Process for the Governing Body .....	146
Professional Training and Development of Governing Bodies .....	146
Corporate Governance Code and Fundamental Principles .....	147
Application of the Code of Ethics .....	148
Compliance with Laws and Regulations .....	149
Anti-Corruption Program .....	150
Anti-Money Laundering .....	150
Prevention of Conflicts of Interest .....	151
Reporting Irregularities/ Whistle-Blowing .....	151
Internal Control and Audit .....	153
Remuneration Policy .....	153
Tax Strategy .....	154
Responsible Marketing and Product Safety .....	154
Transparent Communication with Stakeholders .....	155
Collaboration with Suppliers .....	155

<b>PRINCIPLES OF RESPONSIBLE BANKING</b> .....	156
<b>GRI INDEX</b> .....	168
<b>CONTACT</b> .....	175

# Introduction



**Hrvatska poštanska banka, p.l.c. (hereinafter: the Bank, HPB) has been committed to advancing sustainability and social responsibility reporting for many years, continually enhancing the scope and quality of information in alignment with relevant European Union legislation.**

As a longstanding signatory of the UN Global Compact initiative, HPB has been regularly reporting on its activities and plans in the areas of human rights, labor conditions, environmental protection, and anti-corruption since 2007. The Bank prepares and publicly discloses its Progress Report annually. In 2017, HPB integrated reports on socially responsible and sustainable business activities into its Annual Financial Report, in accordance with legal provisions and regulatory guidelines on sustainability reporting.

In 2023, HPB issued its first standalone [Sustainability Report for the year 2022](#). This report includes consolidated data for the entire HPB Group and takes a comprehensive approach to reporting on environmental, social, and governance (ESG) factors. This effort provides stakeholders with a broader range of information on sustainability, including impacts, strategies, goals, and initiatives aimed at transforming business operations towards sustainability.

The content of the Report has been developed based on the principle of double materiality, which serves as the foundation for selecting relevant topics. This analysis covers all topics and indicators with the most significant actual or potential positive and negative impacts on the environment, society, the economy, and all our stakeholders, including both our direct impacts and those resulting from the Bank's business relationships with other companies or customers. Beyond impacts, the Report also outlines risks and opportunities relevant to the Bank's sustainability practices. The Sustainability Report for 2023 encompasses the reporting period from January 1 to December 31, 2023. This Report has not been audited by an external auditor, a process planned for the 2024 Sustainability Report.

Sustainability reports in both Croatian and English, along with all other sustainability reports prepared by the Bank, are published and available to all stakeholders on the HPB website.

This Report has been prepared using the best currently available information and our interpretation of regulatory requirements and guidelines. Due to the limited availability, completeness, and quality of certain necessary data, as well as the lack of precise and standardized methodological frameworks, the information presented is subject to certain limitations and interpretations.

The content ensures the highest possible comparability between the 2023 Report and the 2022 Report. Where data is available, tables provide comparisons for the last two or three years.



## Applied ESG Guidelines

### GRI Standards

The Sustainability Report for 2023, as with previous reports, has been prepared in alignment with the internationally recognized Global Reporting Initiative (GRI) framework for non-financial reporting. Additionally, it incorporates methodologies from the new European Sustainability Reporting Standards (ESRS). This dual approach ensures a comprehensive evaluation of our societal and environmental impacts, as well as the effects of environmental factors on our business operations, market position, and financial performance.

Throughout the Report, GRI standards are referenced at all relevant sections. The Report concludes with a GRI content index and a detailed table outlining the Report's adherence to GRI standards.

### Principles for Responsible Banking

In 2022, the Bank became the first in the Republic of Croatia to officially sign the UN Principles for Responsible Banking (PRB). These Principles provide a unique framework for the sustainable banking industry, developed through an innovative global partnership between banks and the United Nations (UNEP FI). The roles, tasks, and responsibilities of the banking sector are outlined in six principles, aiming to align the banking industry with the UN's Sustainable Development Goals and the Paris Climate Agreement.

### Disclosures in Accordance with the EU Taxonomy Regulation

The EU Taxonomy Regulation establishes a framework for assessing whether certain economic activities are environmentally sustainable. Article 8 of this Regulation sets forth the reporting obligations. Financial companies, in accordance with the disclosure requirements, will calculate their Green Asset Ratios from 2023 onwards, representing the proportion of taxonomy-based economic activities in their financial activities (loans, investments, and insurance).

### Sustainability Reporting Guidelines

The content of the Sustainability Report for 2023 adheres to a range of relevant regulatory guidelines and recommendations, including the Non-Financial Reporting Directive (NFRD), the Corporate Sustainability Reporting Directive (CSRD), the Sustainable Finance Disclosure Regulation (SFDR), and the Accounting Act. The Bank is actively preparing for the implementation of the European Sustainability Reporting Standards (ESRS), which will guide the preparation of the Sustainability Report for 2024.

### Guidelines for ESG Risk Disclosures

The Bank adheres to all relevant guidelines issued by the European Banking Authority (EBA) and the European Central Bank (ECB) regarding the disclosure of environmental, social, and governance (ESG) risks. These guidelines ensure that all stakeholders receive transparent and comprehensive information about ESG risk exposures, enabling them to make well-informed and substantiated decisions.

# We Create Conditions for a Better Life in Croatia

A photograph of a man, a woman, and a newborn baby. The man is on the left, looking down at the baby. The woman is in the center, kissing the baby on the forehead. The baby is lying down, wrapped in a white blanket. The background is dark and out of focus.

Serving nearly 600,000 customers, we are the largest bank under Croatian ownership, playing a key role in driving a more sustainable and prosperous future for our nation's people and economy.

# OUR SUSTAINABLE PROGRESS IN 2023

## ENVIRONMENTAL INITIATIVES

- We have adopted the HPB Climate Strategy by 2050, demonstrating our commitment to transitioning to a low-carbon society. By implementing this strategy, we align with European and national regulatory goals to achieve carbon neutrality by 2050, setting clear expectations for reducing greenhouse gas emissions, decarbonization, and sustainable business operations.
  - We have enhanced our methodology and expanded the scope of calculating greenhouse gas emissions from our own activities, and for the first time, we have calculated the carbon footprint of our investments and loans.
  - To integrate environmental and climate risks into our risk management framework, we have improved the process of identifying and assessing environmental risks and evaluated their significance on other prudential risks.
- In compliance with regulatory requirements, we
- assessed the eligibility and alignment of the Bank's portfolio activities with the Taxonomy Regulation, a key EU document for achieving climate goals.
- In 2023, the Bank received the prestigious HRIO award
- in the Environmental Management category for our efforts in environmental management.

## EMPLOYEE COMMITMENTS

- We prioritize the respect for human rights, diversity, inclusion, and equity in the workplace, creating a supportive work environment where all employees can realize their potential. We have adopted the Principles of Diversity and Non-Discrimination and the Principles of Protection of Human and Children's Rights, establishing a foundation for integrating social factors into our business operations and stakeholder relationships.
- For the seventh consecutive year, we are proud recipients of the Employer Partner Certificate, recognizing excellence in our human resource management processes.

## TRANSPARENCY EFFORTS

- We are developing a model for managing sustainability data to ensure detailed reporting in accordance with new unified standards for environmental, social, and governance (ESG) factors. Higher-quality data will enable us to conduct more detailed analyses of our impacts, risks, and opportunities within the framework of double materiality assessment.
- Committed to responsible corporate governance, we strive for complete transparency by publishing accurate, timely, and reliable information about our environmental and social impacts. In 2023, we received PwC's Building Public Trust Award, showcasing the success of our continuous efforts to enhance corporate governance and transparent communication.

## COMMUNITY ENGAGEMENT

- We are strengthening our internal understanding and expertise, continuously advancing our skills in managing ESG factors. Additionally, our educational program provides customers with training on the impacts of climate change on their business operations.
- Being the first bank in Croatia to sign the UN Principles for Responsible Banking, we have performed our first impact analysis of our portfolio, highlighting key business segments with positive and negative effects.

## FOREWORD BY THE PRESIDENT OF THE MANAGEMENT BOARD



**I am thrilled to announce the impressive advancements we have made in sustainability in a relatively short time. It is an honour to present our efforts dedicated to fostering a stronger, more resilient, and sustainable future, as showcased in the HPB Group Sustainability Report for 2023.**

The past year has been the most successful in the corporate history of Hrvatska poštanska banka by all indicators. Since the end of 2019, HPB has consistently outgrown the market. This was confirmed and crowned in 2023 with the fastest asset growth in the market, propelling the Bank to fifth place in market share among banks in Croatia and achieving our medium-term strategic goals and vision.

Beyond asset growth and an expanded market share, the year was marked by exceptional profitability, the completion of the legal merger with Nova Hrvatska Banka, and a surge in market capitalization outperforming all major indexes. This performance earned us the ZSE award for the stock with the most notable price growth.

Our development path and the goals we set are rooted in our mission to create better living conditions in Croatia. In light of global challenges such as climate change, achieving our mission also involves enhancing the climate resilience of our economy and society, supporting the sustainable transition, and preserving the environment for future generations.

Promoting sustainability today ensures a better world for the generations to come. The sustainable transition presents both a significant challenge and an opportunity for us to positively impact our customers, society, and the environment, drive innovation for societal benefit, and mitigate the risks associated with climate change, which already incurs considerable costs and consequences worldwide.

Transitioning to a sustainable economy requires a persistent, comprehensive, and collaborative effort from all stakeholders. We recognize the necessary investments, engagement, and challenges that lie ahead on this path. However, as the largest bank under Croatian ownership, we bear both the responsibility and the capability to set an example, act as a catalyst, and actively support the sustainable transition.

In 2022, we embarked on our journey of transformation into an institution that consciously and effectively manages its environmental, social, and governance impacts, making substantial progress in sustainability.

Committed to our strategic goals, with sustainable business practices as a top priority, we made significant advancements in 2023 grounded in our sustainability principles. We invested considerable efforts in establishing new processes and practices and in strengthening our business model.

Our advancements in governance and market positioning were honoured with a transparency award from PwC and a distinction in environmental management from HRIO.

In the Sustainability Report for 2023, I am pleased to present a comprehensive overview of our material impacts on the environment and society. We also address the risks and opportunities related to sustainability across three key segments: environment, society, and governance. The report outlines our sustainability goals and details the plans and activities we are undertaking to achieve them.

I am proud of the progress we have made in sustainability within a short period. On behalf of the Management Board of Hrvatska poštanska banka and the entire HPB Group, I extend my heartfelt gratitude to all employees, shareholders, Supervisory Board members, customers, business partners, and the community for their trust, support, and engagement.

It gives me great pleasure to present our initiatives for a stronger, more resilient, and sustainable future through the HPB Group Sustainability Report for 2023.

— Marko Badurina,  
President of the Management Board

# FOREWORD BY THE CHIEF SUSTAINABILITY OFFICER

GRI  
2-14, 2-22

Over the course of 2023, we made significant strides in achieving our strategic sustainability goals. By embedding environmental, social, and governance principles into our operations, we committed to initiatives that drive positive change, enhancing both societal well-being and environmental health.

We understand that the journey ahead demands significant effort, requiring close intersectoral collaboration, business process transformation, and a shift in mindset towards sustainability. We are ready to tackle these challenges, deepening our understanding of ourselves and the world around us. Our sustainability journey opens new avenues for business development and highlights areas where we can make even greater positive contributions.

Sustainability transcends trends; it is a fundamental imperative that the market must address. HPB, as a financial institution, recognizes its pivotal role in driving the sustainable transition. We take this responsibility seriously, prioritizing our own advancements and aiding our customers and the business sector in the shift to a low-carbon economy.

Over the past year, our dedication to creating a sustainable future has been showcased through a variety of initiatives. We have improved our processes for identifying and evaluating environmental risks, examining their impact on other prudential risks. We have assessed the compliance and eligibility of the Bank's portfolio activities with the Taxonomy Regulation, participated in crafting the national ESG questionnaire for customers, and diligently adjusted our products and services to include sustainability criteria. These efforts aim to foster a sustainable transition and meet the global goals of the Paris Agreement and the Green Plan, targeting carbon neutrality by 2050.

In early 2024, we adopted a comprehensive Climate Strategy extending to 2050 and a Transition Plan through 2030, setting ambitious targets for reducing greenhouse gas emissions, achieving decarbonization, and ensuring environmentally sustainable operations. This underscores our steadfast commitment to a low-carbon economy.

Data quality and availability remain critical challenges for us. To overcome these obstacles, we are developing a robust sustainability data management model to ensure thorough reporting that aligns with new unified standards for environmental, social, and governance factors.

The path to sustainable transition is challenging, and our objectives are ambitious. Nevertheless, our commitment to fostering a better, safer, and more sustainable future is unyielding. I am honoured to be part of an institution that is fully committed to this important mission.

— **Nikolina Kolarić**,  
direktorica Ureda za održivo poslovanje



**The path to sustainable transition is challenging, and our objectives are ambitious. Nevertheless, our commitment to fostering a better, safer, and more sustainable future is unyielding.**

# STRATEGIC OUTLOOK

**We remain dedicated to achieving the targets set in our Climate Strategy, focusing on substantial progress by 2050**

**We will continue to aid our customers in their sustainable transition through advisory services, financial support, and sustainable product offerings**

**We aim to meet the disclosure requirements based on unified ESRS standards and the CSRD directive, while integrating other relevant reporting frameworks**

**We will improve the processes for identifying, determining, and assessing the significance of environmental risks to the Bank's operations, in line with regulatory guidelines**

**We will further incorporate the Principles for Responsible Banking into our business model, setting objectives in key impact areas**

**We are committed to further raising sustainability awareness among all our stakeholders**

**We will focus on identifying and managing our impacts throughout our value chain**





# Strategy and Business Model for Sustainable Growth

## ABOUT US

GRI 2-1

### A Retrospective on Our Journey and Key Milestones

#### Establishment and Beginnings of HPB

Hrvatska poštanska banka was established in October 1991, with its registered office in Zagreb. Its inaugural business address was at Tkalčićeva Street 7. Fifty founders/shareholders subscribed to and acquired the Bank's shares, among whom the business partners of Croatian Post and Telecommunication 'HPT' were prominent. HPT, being the largest shareholder, provided the initial premises and personnel for the Bank's operations. Registered as a universal banking organization, the Bank was authorized to conduct 'all cash, deposit, credit, and guarantee operations with legal entities and all banking operations with natural persons, including the provision of payment services.

In response to the retail and corporate demand for banking services, particularly in local areas without banks, the Bank leveraged the extensive network of HPT offices to introduce banking services. This included the acceptance of retail and corporate deposits, particularly from HPT business partners.

Initially, the Bank primarily engaged in retail banking, accepting HRD (dinar) and HRK deposits from individuals, managing payroll and pension payments, investing surplus funds in money markets, and providing short-term loans to legal entities. Despite the challenging operating conditions, the Bank consistently achieved growth in its balance sheet and profitability.

In 1995, the Bank acquired a building at Jurišićeva Street 4, which has served as its headquarters ever since and remains unchanged to this day.

#### Business Expansion

The Bank's first branch opened in Split in April 2003, marking the start of a significant expansion of its business network. In July 2005, the Bank founded HPB-nekretnine, a real estate limited liability company, and HPB Invest, a limited liability company for investment fund management, thereby establishing the HPB Group.

The Group's development continued in 2006 with the establishment of HPB Stambena Štedionica, a public limited company specializing in housing savings. This entity was successfully merged with the parent company on December 2, 2019, as part of a business rationalization and optimization effort.

#### Growth through M&A

In a historic move for the bank in 2018, it capitalized on an opportunity for inorganic growth by acquiring a 100% ownership stake in Jadranska Banka p.l.c. Šibenik (hereinafter: JABA) on July 14, 2018. JABA was previously undergoing a resolution process. The acquisition was swiftly followed by the initiation of a merger process with the bank, culminating successfully on April 1, 2019. Subsequently, JABA was integrated as a regional center within the bank, yielding positive synergistic and financial impacts on the bank's capital.



HPB performed exceptionally well in the period following 2019, significantly bolstering its capital position. When the Croatian branch of Sberbank entered rehabilitation on March 1, 2022, HPB swiftly and effectively responded by acquiring a 100% ownership stake in Sberbank d.d. through an expedited process. This action mitigated significant systemic risks that could have arisen from the uncontrolled collapse of Sberbank d.d. Croatia.

HPB assumed control and management of Sberbank on March 14, 2022. Since then, it has operated within the HPB Group as Nova hrvatska banka p.l.c. (hereinafter: NHB). This acquisition further enhanced the HPB Group's network of branches, serving both retail and corporate customers, advancing its strategic objectives of strengthening a domestically-owned banking group and contributing to the economic development of the Republic of Croatia.

To fully leverage synergistic effects and benefits for shareholders and customers, HPB and NHB agreed on December 20, 2022, to commence the legal and operational merger of Nova Hrvatska Banka p.l.c. into HPB. The legal merger was completed in April 2023, with the operational aspects expected to be fully concluded by mid-2024.

Alongside the merger with Nova hrvatska banka, HPB also executed the merger of Pronam Nekretnine d.o.o. This strategic move was aimed at further enhancing the Bank's financial position and performance, with the process being officially completed in March 2023.

## 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.

## 9/201

**Share capital increase through combined private and public capital injection.**

## 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.**

## 07/2022

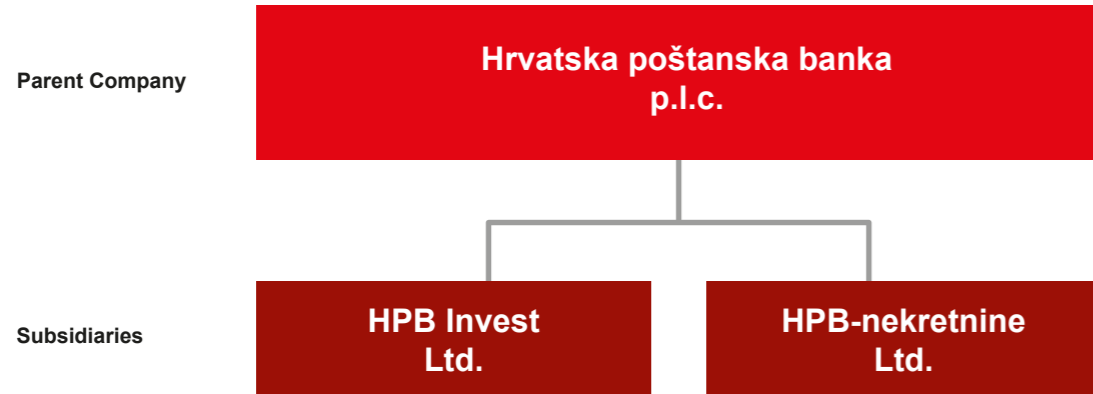
**Acquisition of Pronam Nekretnina.**

## HPB Group

Hrvatska poštanska banka is part of a group of related entities as defined by the Credit Institutions Act and is a 100% shareholder in the following companies, together constituting the HPB Group:

	Industrija	Država	Vlasništvo u %
HPB Invest Ltd.	Investment Funds Management	Croatia	100,00
HPB-nekretnine Ltd.	Real Estate Agency and Construction	Croatia	100,00

Hrvatska poštanska banka p.l.c. does not constitute a part of a concern as defined by the Companies Act.



GRI  
2-1, 2-2

## Governing Body

GRI  
2-1, 2-9, 2-10

### Management Board

From January 1 to September 12, 2023, the Bank's Management Board operated with three members:

- M.Sc. Marko Badurina, President of the Management Board
- Ivan Soldo, Member of the Management Board
- Anto Mihaljević, Member of the Management Board.

From September 13 to October 12, 2023, the Bank's Management Board expanded to four members:

- M.Sc. Marko Badurina, President of the Management Board
- Ivan Soldo, Member of the Management Board
- Anto Mihaljević, Member of the Management Board.
- Ph.D. Tadija Vrdoljak, Member of the Management Board.

From October 13 to December 31, 2023, the Bank's Management Board further expanded to five members:

- M.Sc. Marko Badurina, President of the Management Board
- Ivan Soldo, Member of the Management Board
- Anto Mihaljević, Member of the Management Board.
- Ph.D. Tadija Vrdoljak, Member of the Management Board.
- Josip Majher, Member of the Management Board.

The new term of the strengthened five-member Management Board, which began during 2023, marks the start of a new phase of intensive development for HPB in the upcoming four-year period.

## Management Board of Hrvatska poštanska banka p.l.c.

Management Board

<b>Marko Badurina</b> <i>President of the Management Board</i>	<b>Anto Mihaljević</b> <i>Member of the Management Board</i>	<b>Ivan Soldo</b> <i>Member of the Management Board</i>	<b>Tadija Vrdoljak</b> <i>Member of the Management Board</i>	<b>Josip Majher</b> <i>Member of the Management Board</i>
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Area of Responsibility

<ul style="list-style-type: none"> <li>Large Companies and Public Sector</li> <li>Financial Markets</li> <li>Compliance Division</li> <li>Internal Audit</li> <li>Management Board Office</li> <li>HR</li> <li>Legal affairs</li> <li>Strategic development</li> <li>Sustainability Office</li> <li>Digitization of Business</li> </ul>	<ul style="list-style-type: none"> <li>Retail</li> <li>Direct Channels Banking</li> <li>SME</li> <li>Marketing</li> <li>Quality Service Management</li> <li>Service Development and Sales Personnel Office</li> </ul>	<ul style="list-style-type: none"> <li>Credit Risk Management of natural person</li> <li>Credit Risk Management of legal entities</li> <li>Strategic Risk and Risk Control</li> <li>Collection Management</li> </ul>	<ul style="list-style-type: none"> <li>Financial management</li> <li>ALM</li> <li>Procurement and General Affairs</li> <li>Corporate Security</li> </ul>	<ul style="list-style-type: none"> <li>Business Support</li> <li>IT</li> <li>Products and Delivery Processes Management Division</li> <li>Organization and Project Management</li> </ul>
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Experience

<ul style="list-style-type: none"> <li>2019 – HPB d.d., President of the Management Board</li> <li>2017 – Sberbank d.d., Advisor to the Business Strategy Board for Financial Markets, Investment Banking, Financial Institutions</li> <li>2013 – Sberbank d.d., Deputy Director of the Financial Markets Division</li> <li>2012 – Volksbank d.d., Deputy Director of the Financial Markets Division</li> <li>2007 – Volksbank d.d., Liquidity and Trading Management</li> </ul>	<ul style="list-style-type: none"> <li>2019 – HPB d.d., Member of the Management Board</li> <li>2019 – Kentbank d.d., Director for Retail</li> <li>2017 – Allianz Zagreb d.d., Director of Sales Support</li> <li>2015 – Zagrebačka banka d.d., Sales Management Director for Individual Banking Clients</li> <li>2010 – Zagrebačka banka d.d., Director of the Region Zagreb</li> <li>2005 – Zagrebačka banka d.d., Director of the Region Sjeverozapadna Hrvatska</li> <li>2003 – Zagrebačka banka d.d., Leasing Sales Manager</li> <li>2001 – Zagrebačka banka d.d., Head of Sales Controlling</li> <li>1999 – Fer count d.o.o., Trainee Auditor</li> </ul>	<ul style="list-style-type: none"> <li>2019 – HPB d.d., Member of the Management Board</li> <li>2018 – Raiffeisen Bank International AG, Executive Director, Risk Management of Financial Institutions and States</li> <li>2015 – Raiffeisen Bank International AG, Director, Risk Management of Financial Institutions and States</li> <li>2013 – Raiffeisen Bank International AG, Risk Manager, Senior Risk Manager</li> <li>2011 – Raiffeisen Bank International AG, Analyst, Senior Analyst banks and Financial Institutions</li> <li>2010 – Ipreo Ltd., Analyst Global Markets</li> <li>2005 – FIMA Fas d.o.o., Assistant Director</li> <li>2005 – KPMG Croatia d.o.o., Junior Associate</li> </ul>	<ul style="list-style-type: none"> <li>2023 – HPB d.d., Member of the Management Board</li> <li>2023 – HPB d.d., Director of Digitalization of Business</li> <li>2022 – Nova hrvatska banka PLC, President of the Management Board</li> <li>2018 – Croatia banka PLC, Member of the Management Board</li> <li>2017 – Agromedimurje PLC, President of the Management Board</li> <li>2016 – Agrokor PLC Retail, Director of Projects</li> <li>2012 – Konzum PLC, Director</li> <li>2009 – Hypo Alpe Adria Bank PLC, Member of the Management Board</li> <li>2007 – Slavonska banka PLC, Hypo Alpe Adria Bank PLC, Advisor to the Management Board, Procurator</li> </ul>	<ul style="list-style-type: none"> <li>2023 – HPB d.d., Member of the Management Board</li> <li>2021 – Ministry of Labour, Pension System, Family and Social Policy, Cabinet of the Minister, Special Advisor</li> <li>2020 – V20 Turizam Ltd. – Hotel Blue Zagreb, Director / Partner</li> <li>2016 – Croatia Insurance Company PLC, Director, Insurance of Corporate clients and SME</li> <li>2012 – Croatia Insurance Company PLC, Director, Corporate client Management Service</li> <li>2011 – Croatia Insurance Company PLC, Head of Department for Development of External Sales Network</li> <li>2009 – Croatia Insurance Company PLC, Senior specialist for improving sales channels with financial institutions</li> </ul>
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Note: organizational jurisdiction as of December 31, 2023

## HPB Invest Management Board

The Management Board of HPB Invest consists of:

- Zvonimir Marić, President of the Management Board
- Lidija Grbešić, Member of the Management Board

## HPB-nekretnine Management

The management of HPB-nekretnine is headed by:

- Danijela Poljak, Director

## HPB Supervisory Board

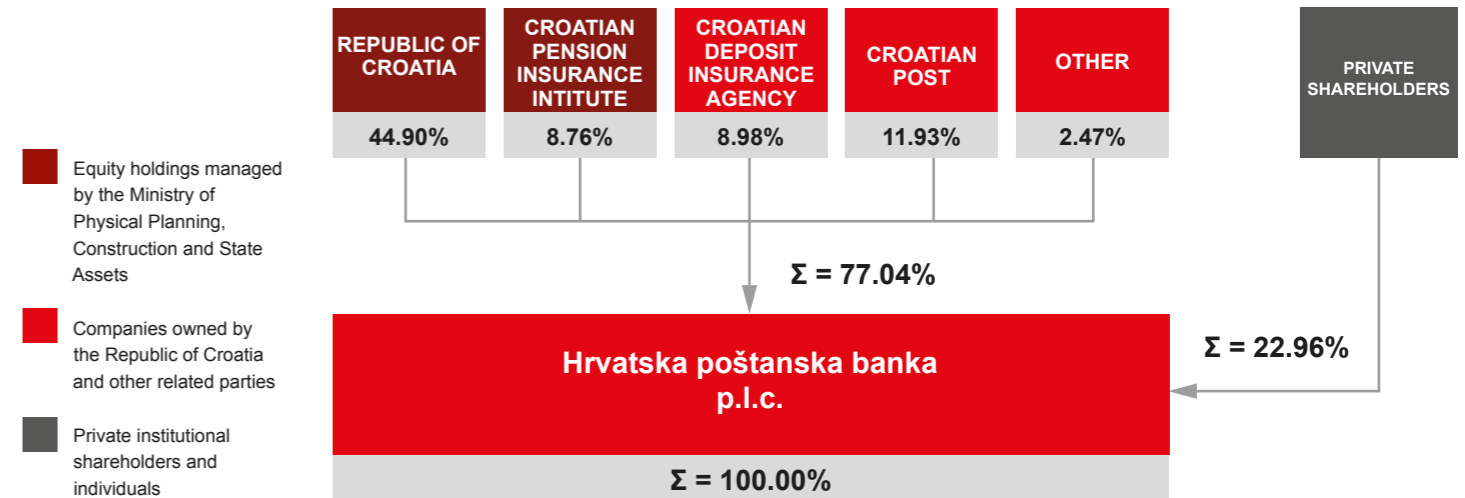
In the period from January 1 to December 31, 2023, the Bank's Supervisory Board operated with three members:

- M.Sc. in Economics Marijana Miličević, Chair
- prof. Ph.D. Mislav Ante Omazić, Vice-Chair
- M.Sc. Marijana Vuraić Kudeljan, Member

These Supervisory Board members were elected at the General Meeting held on May 10, 2021, for a term of four years. Their mandate commenced on August 8, 2021, following the Croatian National Bank's (HNB) prior consent, as required under the Credit Institutions Act.

## Ownership Structure

On December 31, 2023 the Bank's ownership structure was as follows:



Source: CDC

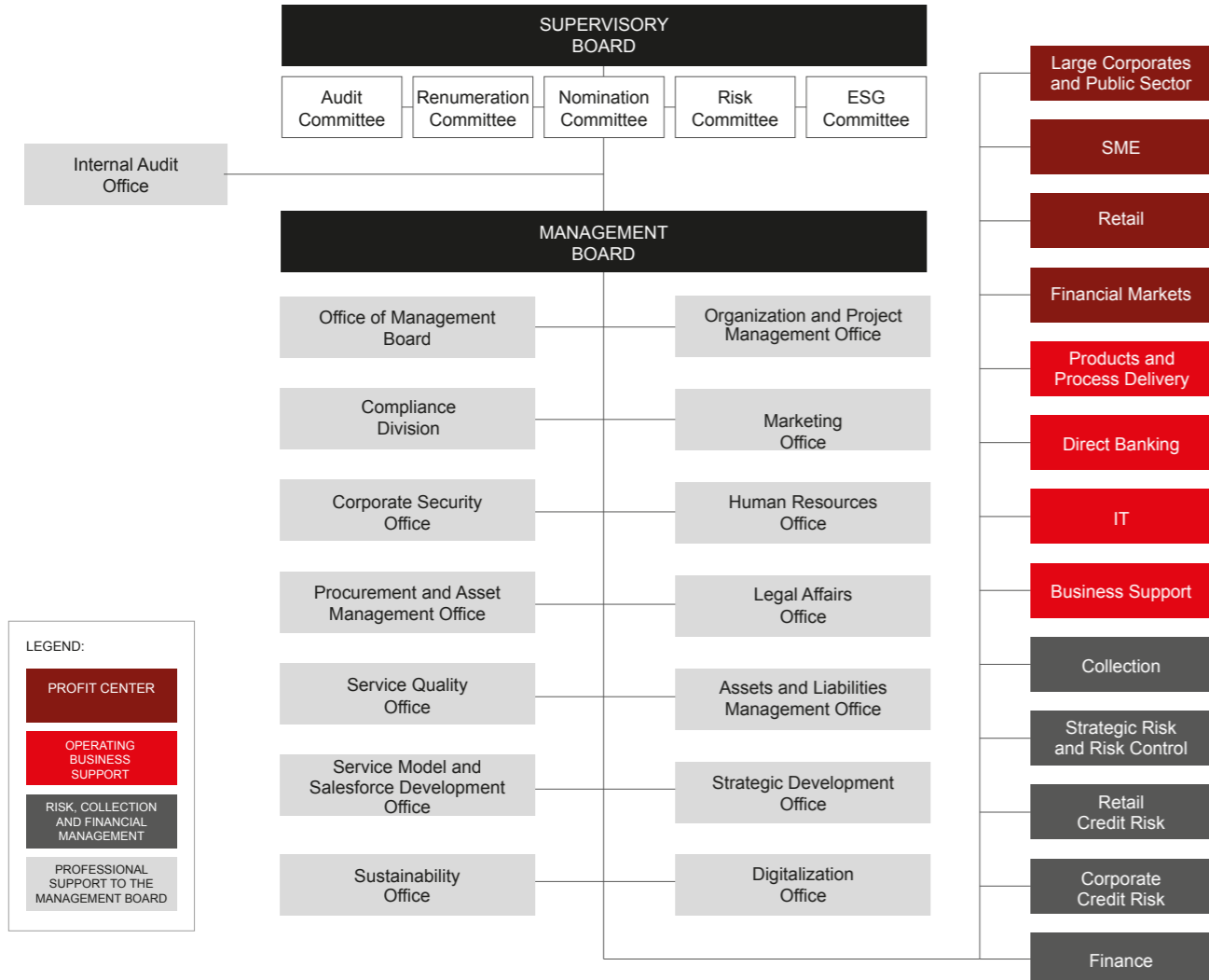
As of December 31, 2023, the Republic of Croatia, through the Ministry of Finance and other state institutions and legal entities under its control, holds a 77.04% of the equity and voting rights in the Company.

## Organizational Structure

GRI  
2-1, 2-2

The Bank's operations are organizationally structured through 28 units - 14 divisions and 14 offices. The Bank's organizational units are divided into four fundamental business areas:

1. Management Support
2. Profit Centre
3. Business Support
4. Risk Management, Collections, and Finance



## Sustainability Office

GRI  
2-13

The Sustainability Office is an organizational unit within the Bank, established in 2022. It is part of the management support area.

In response to rapid market changes and significant climate risks, the Management Board of HPB has taken on responsibilities and challenges that go beyond achieving strong financial results and business plans. To this end, a dedicated organizational unit was created to initiate, implement, and monitor the Bank's transformation towards sustainable business practices.

The main responsibility of the Sustainability Office is to integrate ESG factors, or sustainability criteria, into the Bank's operations. This is a substantial endeavour that requires the involvement of the entire Bank and necessitates close cooperation with all other organizational units. It involves initiating changes in business processes and fostering a mindset shift towards sustainability, while also addressing the challenges presented by regulatory requirements.





## Pillars of Development

GRI  
2-22, 3-3

The following areas have been identified as the foundational pillars of HPB's development:

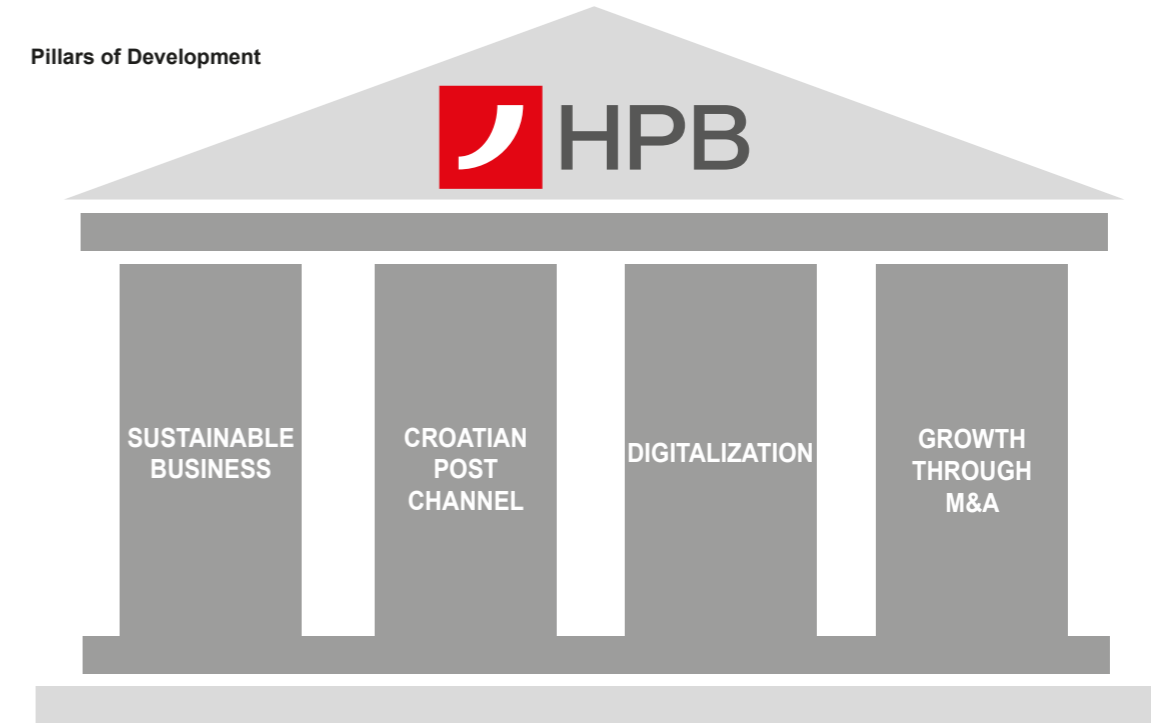
- Sustainable Business Practices:** The Bank is committed to advancing its mission and supporting current economic growth without jeopardizing future generations' needs. This dedication to sustainable development requires harmonizing environmental, social, and governance (ESG) factors, which underpin all of the Bank's business goals.
- Croatian Post Channel:** This channel is the most distinctive element of the Bank. The contractual, IT, and ownership connections establish the foundation of the largest branch network in Croatia, used for contracting and selling a portion of HPB's financial products. Introducing new products into the Croatian Post network will benefit both strategic partners and serve customers effectively.
- Digitalization:** The Bank is focused on keeping pace with trends in banking operations and non-bank competition while addressing the increasingly sophisticated needs of customers. Digitalization is no longer an advantage but a necessity for survival in the credit industry. It will be approached from two perspectives: (i) the client perspective, enhancing product and service functionalities, and (ii) the internal perspective, improving automation and process efficiency. The Bank's core system architecture will be adapted to increase development flexibility and effectively support the digitalization process. Additionally, the data management system will be upgraded through technological and process enhancements, improving data governance.
- Growth through M&A:** Through successful mergers and acquisitions in recent years, the Bank has significantly enhanced its internal competencies and expertise. The achievements of these M&A initiatives, along with their financial and synergistic benefits, provide the Bank with the confidence to further expand its market share in line with potential market opportunities.

We regard our commitment to sustainability as a perpetual process that demands the constant identification, monitoring, and control of our impacts, risks, and opportunities. This requires proactive engagement with our key stakeholders and the transparent provision of comprehensive insights into all our sustainability activities and achievements.

— Tadija Vrdoljak,  
Member of the Management Board



## Pillars of Development



ESG as a foundation for business transformation	The client comes first	Strengthening the market position
Implementation of ESG factors in business processes; integration of risk and materiality assessment	Digitization of business	Completion of the merger of Nova Hrvatska banka
New model of non-financial reporting; new standards	Development of E2E digital acquisition channels	Consideration of opportunities for inorganic growth
Sustainability as a corporate priority for all three factors	Availability of products and services through the largest distribution channel	To become an excellent place to work and develop
Ethical and effective leadership	Speed and efficiency in customer support	Achieving goals through an effective management system; achieving competitiveness in the part of payment of receipts

# MEMBERSHIP OF ASSOCIATIONS

GRI  
2-28

Throughout 2023, the Bank was an active member and participant in many national professional associations and organizations with which it has been collaborating for over a decade:

- **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)**

HPB continues to be a committed member of the **UN Global Compact initiative**, regularly reporting and enhancing its practices in socially responsible and sustainable business since 2007.



In 2023, the Bank proudly became a member of the **International Institute for Climate Action (IICA)**, reaffirming its strategic commitment to sustainable business practices. This membership signifies HPB's role and responsibility in the ambitious goal of transforming the European economy and society according to the principles of sustainability, green growth, and the circular economy, aiming for complete climate neutrality in Europe by 2050.



In 2022, the Bank underscored its commitment to sustainable business and development by joining the **Croatian Business Council for Sustainable Development (HR PSOR)**, and this collaboration has continued successfully through 2023. Membership in HR PSOR provides HPB with opportunities to be more actively involved in sustainable projects, support the organization's shared objectives by example, and contribute to societal development in partnership with those who share its principles, values, and commitment to sustainability.



Joining the **United Nations Environment Programme Finance Initiative (UNEP FI)** in 2022, HPB became the first Croatian bank to sign the **UN Principles for Responsible Banking (PRB)**. In 2023, HPB started integrating the six principles (alignment, impact and target setting, customers, stakeholders, governance, transparency) into all aspects of its operations. Additionally, the Bank identified its most significant environmental and social impacts via portfolio analysis.



By actively engaging in global and national associations and partnerships, we work collaboratively on sustainable initiatives to foster positive change.

# Key Performance Indicators

## MARKET POSITION AND FINANCIAL PERFORMANCE

GRI  
2-6, 201-1

HPB d.d. witnessed a nearly fivefold increase in net profit in 2023, reaching EUR 80.6 million, the highest in its corporate history. This profitability milestone resulted in an 18.31 percent return on equity, positioning HPB as the second-leading among Croatia's large banking institutions. Building on this momentum of increased profitability and the successful merger of Nova hrvatska banka, the Bank's capital and reserves experienced a 53.8 percent uplift, and the book value of HPB d.d.'s shares rose by EUR 92, culminating in a value of EUR 264 by year-end. Our cautious capital enhancement, alongside managed risk exposure, is reflected in a steady capital adequacy ratio of 22.5%.

Profit growth was significantly driven by a 106 percent increase in net interest income, primarily due to a rise in the ECB's reference interest rates, which positively impacted HPB's earnings from its liquid assets held at central and commercial banks. This boost was further amplified by the merger with Nova hrvatska banka, which became a part of HPB's operational units as of July 3, 2023. There was also a notable improvement in fee income, achieving a 6.5% increase, and the favourable dynamics in capital markets contributed to the operational results through dividends received, gains from valuation, and trading of financial instruments, totalling EUR 6.8 million. These factors combined to boost our total net operating income by 93% in 2023.

HPB, as one of the two remaining state-owned banks, secured the fifth position among credit institutions in Croatia by asset size as of December 31, 2023, with a market share of 8.97 percent. Our impressive financial performance was primarily driven by the substantial increase in revenue from central bank deposits and a slower rise in interest expenses on deposits. This success was significantly bolstered by HPB's market-leading introduction of the HPB Super štednja product.

— Anto Mihaljević,  
Member of the Management Board



EUR  
**80.6**  
million  
record net profit

Group (EUR '000)	2023	2022	2021	2020	2019
<b>Basic Indicators</b>					
Profit for the Year	83	127	27	24	19
Operating Profit	99	28	41	39	46
Total Assets	7,046	5,540	3,694	3,380	3,155
Loans to Customers	2,910	3,062	1,892	1,954	1,770
Received Deposits	5,923	4,641	3,111	2,815	2,663
Share Capital and Reserves	534	457	353	329	315
<b>Other Indicators</b>					
Return on Equity	51.30%	78.56%	16.68%	15.10%	12.09%
Return on Assets	1.18%	2.29%	0.73%	0.72%	0.62%
Operating expenses <sup>1</sup> to Operating Income Ratio	53.15%	79.18%	62.36%	64.10%	61.36%

Bank (EUR '000)	2023	2022	2021	2020	2019
<b>Basic Indicators</b>					
Profit for the Year	81	18	27	24	19
Operating Profit	94	24	41	38	43
Total Assets	7,046	4,563	3,694	3,380	3,155
Loans to Customers	2,910	2,107	1,892	1,954	1,770
Received Deposits	5,924	3,924	3,112	2,816	2,664
Share Capital and Reserves	534	347	352	328	315
<b>Other Indicators</b>					
Return on Equity	49.77%	10.92%	16.64%	14.99%	11.84%
Return on Assets	1.14%	0.39%	0.73%	0.71%	0.60%
Operating expenses <sup>1</sup> to Operating Income Ratio	50.56%	76.01%	62.03%	63.78%	61.27%
Regulatory Capital	505	345	349	307	293
Capital Adequacy	22.51%	23.57%	25.65%	21.82%	20.17%

<sup>1</sup> General and Administrative Expenses, Depreciation and Amortization and Other Cost

## KEY FINANCIAL INDICATORS

### Breaking into the Top 5 Banks in the Domestic Market

Securing a position among the top 5 banks in the domestic market, HPB successfully concluded a pivotal chapter of its strategic development in 2023. Looking ahead, we anticipate embarking on a new phase characterized by sustained market share expansion, significant market influence, achieving economies of scale, and thereby, enhancing value for our shareholders. Finalizing the operational integration with the customer and portfolio base of the former Nova hrvatska banka will unlock additional resources. This shift will accelerate our digital transformation and refine our internal operations and product suite, significantly improving the service experience for HPB customers.

### The Market's Leading Savings Product

This remarkable expansion is due to a proactive strategy and the introduction of the most appealing savings product in the market, HPB – Super štednja. This initiative significantly boosted the Bank's acquisition efforts, resulting in over 33 thousand agreements and EUR 1.1 billion in the volume of newly agreed deposits, of which about EUR 700 million represented new fund inflows.

The surge in HPB – Super štednja, alongside merger benefits, propelled a 51% boost in deposit and demand deposit account balances.

In 2023, HPB offered the most competitive interest rates in the Croatian banking market with the HPB Super štednja product: 2.80% for 6-month deposits, 2.90% for 9-month deposits, and 3.00% for 12-month deposits.

### Growth in Customer Numbers and Financing

In 2023, our primary goals and areas of significant priority were to expand our customer portfolio, enhance the quality of customer experience across all communication and sales channels, and further digitalize our operations, particularly in light of the merger with Nova hrvatska banka.

HPB Group recorded a very successful year across all business segments. In the retail segment we have a customer base of nearly 600,000 and we are exceptionally pleased with the expansion in the SME segment, where we boast 15,294 customers, representing a 35% growth year-on-year.

Large corporates segment also realised growth in 2023, up to 1,629 customers, which is a 9% increase year-over-year.

Alongside these positive trends in customer numbers, 2023 also saw continued growth in lending within both the retail and corporate segments, along with improvements in portfolio quality.

#### HPB Client Structure

Business segment	Total number of customers	
	2022	2023
Retail	499,400	562,000
Small and Medium Enterprises	11,320	15,293
Large Corporates and Public Sector	1,495	1,603

# 35%

increase in the number of SME customers

## Continuation of Positive Trends in Digital Services

The HPB Group is actively steering its operations towards digitalization, a strategic directive that has resulted in a steady increase in mobile banking users.

HPB was the first to introduce online account opening, access to the e-Citizens portal, biometric login for mobile banking, cash withdrawals at ATMs using a mobile phone, the largest range of services via the eBranch accessible by mobile, and is among the first three banks to implement instant payments.

In 2023, there was significant growth in users of the mHPB service across all business segments, particularly among business users, highlighting the quality and functionality of the service.

### Growth in Users of the mHPB Service

Customer segment	Total number of users		
	31 December 2021	31 December 2022	31 December 2023
Retail	107,790	117,287	127,000
Corporates	4,637	5,675	8,575



# 30%

increase in the number of mHPB corporate users

## AWARDS AND ACKNOWLEDGEMENTS

The Bank received the Zagreb Stock Exchange award for the Stock with the Highest Price Increase in 2023, following its designation as the Stock with the Highest Turnover Increase the previous year. This award is a testament to investor confidence, driven by exceptionally strong business and financial results in previous years and in 2023, reflecting in increased market capitalization. As one of the most liquid stocks with exceptionally high daily trading volumes on the Zagreb Stock Exchange, HPB's stock was included in the CROBEX indices in September 2023.

The Bank's long-term efforts to enhance corporate governance and ensure transparent and timely communication were acknowledged with PwC's **Building Public Trust Award** in 2023.



For the first time, HPB received the **HRIO – Sustainability Index award in the Environmental Management category**. This recognition reaffirms the Bank's excellence in operations, with environmental care being a significant aspect of its socially responsible business practices and sustainable development as a strategic directive. Given the strong competition and the increasing adoption of socially responsible and sustainable practices by companies in Croatia, we are extremely proud to be recognized as the best in environmental management.



HPB-nekretnine, a subsidiary of HPB, was awarded the **AAA Silver Creditworthiness Certificate of Excellence** by Dun & Bradstreet in 2023, recognizing its successful operations and responsible, high-quality management.

In 2023, for the seventh consecutive year, the Bank received the **Employer Partner Certificate**, recognizing its investments in employee development, enhancement of material benefits, and continuous improvement of the organizational climate.



In December, HPB received special **recognition in the Business Sector category of the 2023 Volunteer Oscars**, organized by the Volunteer Centre Zagreb.



## COMPLIANCE WITH ISO 26000:2020 STANDARD

The Bank's operations are aligned with the guidelines of the international standard for social responsibility, ISO 26000:2020. This conclusion follows the completion of the implementation process for one of the most widely recognized and applied ISO standards, finalized at the end of September 2023.

The implementation process and compliance analysis included evaluating the Bank's current organizational state in areas such as governance, human rights, labor practices, environmental impact, fair business practices, consumer issues, and community involvement and development. The standard's key issues focus on how the Bank operates, treats its employees, and assesses the impact of its activities, guided by principles such as accountability, transparency, ethical behaviour, respect for stakeholder interests, rule of law, and adherence to international norms and human rights.

Following a thorough business analysis and an internal audit with key organizational units, it was concluded that HPB is continuously dedicated to enhancing its social responsibility. A review of processes, procedures, and documented information in comparison with the standard's provisions confirmed that the Bank's business practices fully comply with the legal framework and regulatory requirements.

The analysis also identified exemplary business practices that exceed regulatory and legal expectations, as well as opportunities for improvement, which the Bank will prioritize in the upcoming period.

**By adopting the ISO 26000 standard, our Bank fosters a collective recognition of the importance of social responsibility both internally and externally, thereby advancing our strategic goal of long-term sustainable development and operations.**





# Our Path to Sustainability

## HPB GROUP PRINCIPLES OF SUSTAINABILITY

GRI  
2-23, 2-24

As we embarked on our journey to integrate environmental, social, and governance (ESG) factors into our business segments, we defined the following sustainability principles to guide our transformation:

- **Create long-term value for all stakeholders:** Enhance our own efficiency, support economic progress, and contribute to the well-being of society and the environment
- **Ensure respect for human rights, diversity, inclusivity, and equity:** Foster a supportive work environment where all employees can realize their potential
- **Strive to minimize negative environmental impacts:** Improve practices in managing environmental and climate risks, increase efficiency in the use of materials, energy, and water, manage waste responsibly, promote the circular economy, and finance environmentally sustainable activities
- **Engage in responsible financing and effective ESG risk management:** Facilitate customers' transition to sustainable business models through financial solutions, partnerships, and the establishment of responsible financing standards
- **Comply with regulatory and legal obligations related to ESG issues**
- **Adopt ethical business practices and best corporate governance standards:** This includes ethical sales and marketing practices, information security, data protection, and anti-corruption measures
- **Commit to full transparency:** Publish accurate, timely, and reliable information about our environmental and social impacts, and prepare sustainability reports based on international standards

# PRINCIPLES OF THE UN GLOBAL COMPACT INITIATIVE

GRI 2-23

As a signatory of the UN Global Compact initiative (UNGC), we are committed to adhering to ten principles of responsible business that encompass human rights, labor standards, environmental protection, and anti-corruption.

Human Rights		Labour Standards		
<p><b>Principle 1</b></p> <p>We support and respect the protection of internationally proclaimed human rights within our sphere of influence.</p>	<p><b>Principle 2</b></p> <p>We ensure that we are not complicit in human rights abuses.</p>	<p><b>Principle 3</b></p> <p>We uphold the freedom of association and the effective recognition of the right to collective bargaining.</p>	<p><b>Principle 4</b></p> <p>We support the elimination of all forms of forced and compulsory labour</p>	<p><b>Principle 5</b></p> <p>We support the effective abolition of child labour.</p>
Labour Standards	Environmental Protection		Anti-Corruption	
<p><b>Principle 6</b></p> <p>We support the elimination of discrimination in respect of employment and occupation.</p>	<p><b>Principle 7</b></p> <p>We support a precautionary approach to environmental challenges.</p>	<p><b>Principle 8</b></p> <p>We undertake initiatives to promote greater environmental responsibility.</p>	<p><b>Principle 9</b></p> <p>We encourage the development and diffusion of environmentally friendly technologies.</p>	<p><b>Principle 10</b></p> <p>We work against corruption in all its forms, including extortion and bribery.</p>

# PRINCIPLES OF RESPONSIBLE BANKING

GRI 2-23

As a signatory of the UNEP FI Principles for Responsible Banking, we have begun implementing six key principles that reflect elements of our vision and mission and demonstrate our commitment to the Paris Agreement and the United Nations Sustainable Development Goals (SDGs). We report on the application of these principles in an appendix that forms an integral part of this Report.

<p><b>Principle 1</b></p> <p><b>Alignment</b></p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks</p>	<p><b>Principle 2</b></p> <p><b>Impact &amp; Target Setting</b></p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	<p><b>Principle 3</b></p> <p><b>Clients &amp; Customers</b></p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>
<p><b>Principle 4</b></p> <p><b>Stakeholders</b></p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	<p><b>Principle 5</b></p> <p><b>Governance &amp; Culture</b></p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking</p>	<p><b>Principle 6</b></p> <p><b>Transparency &amp; Accountability</b></p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>

# ESG POLICY

GRI  
2-23, 2-24

The Environmental, Social, and Governance (ESG) Management Policy defines the management of sustainability issues, focusing on those recognized as material for the Bank as a financial institution, in accordance with regulatory requirements.

This Policy, which has been in effect since 2022, serves as the overarching guideline in the sustainability segment. It establishes the procedures and processes for integrating ESG factors into the business segments and activities of the HPB Group.

This Policy plays a crucial role in the Bank's operations, guiding business areas and activities that impact the environment and society. It outlines approaches to achieving sustainable goals and defines the principles of business conduct in environmental, social, and governance matters.

The Policy is grounded in a regulatory framework that includes the Paris Agreement, the Green Deal, EBA guidelines, and European and national sustainability reporting directives.

The ESG Policy establishes a framework for responsible and effective business operations through the following aspects:

- **Energy Efficiency: Managing and reducing the carbon footprint of the HPB Group and its business processes and activities**
- **ESG Risk Identification and Implementation: Incorporating ESG risk categorization into all areas of the HPB Group's operations**
- **Redirecting Capital Flows:: Promoting sustainable investments and encouraging energy transition among customers, suppliers, and business partners**
- **Diverse and Inclusive Work Environment: Fostering a diverse and inclusive workplace where everyone feels valued and important, focusing on talent development and transparent advancement systems**
- **Corporate Governance: Adhering to best practices in corporate governance and embedding legality and ethics into all business processes and activities**
- **Transparent and Compliant Reporting: Providing transparent and regulatory-compliant reporting on the environmental, social, and governance impacts of the HPB Group**

## Supplier Principles

The Bank has set high ethical business standards that are in accordance with all positive laws and regulations of the Republic of Croatia and the EU, with all business standards on the financial market, as well as with the Bank's internal acts. HPB Group expects its suppliers to align with the ethical values and goals defined in the [Principles for Suppliers](#).

These Principles set out main principles and expectations that the Bank places before suppliers who have or wish to establish and maintain a long-term business relationship with the Bank. This document, which is part of the Bank's ESG Policy, includes references to the positions and policies related to the Bank's suppliers, and acceptance of these is a prerequisite for cooperation with the Bank.

## Principles for Customers of the Bank's Products and Services

The Code of Ethics prescribes the principles of employee conduct towards customers, while the Principles for Customers of the Bank's Products and Services, which are part of the ESG Policy, outline the expected behaviour of customers. The Bank expects its customers to align with established ethical values, goals, and principles, including respect for human rights, environmental preservation, anti-corruption measures, and non-discrimination.

## Principles for Sponsorships and Donations

To ensure complete transparency in sponsorship and donation activities and to safeguard the integrity, prosperity, and reputation of the Bank, as well as the applicants, the Bank has established Principles for Sponsorships and Donations, which are part of the ESG Policy.

The allocation of sponsorships and donations is based on transparency, excellence, impartiality, and equality in the process, avoiding conflicts of interest, implementing measures to prevent money laundering and terrorism financing, effectiveness and efficiency, and promoting socially responsible and sustainable business practices.

## Principles of Diversity and Non-Discrimination

The Bank is a signatory of the Diversity Charter, which aims to foster the implementation of diversity policies in the business sector. Diversity is a cornerstone of modern society and essential for creating a positive workplace culture, emphasizing employment based on personal abilities and qualifications, free from discrimination and harassment.

The Bank is committed to cultivating 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.

These principles are enshrined in the Principles of Diversity and Non-Discrimination, which form a part of the ESG Policy.

## Principles of Human and Children's Rights Protection

The Bank has pledged to adhere to and align its operations with the principles of the UN Global Compact initiative, committing to advocate for human rights protection, and respect the principles established by the fundamental conventions of the International Labour Organization, particularly the right to collective bargaining and the prohibition of forced and child labour. Highlighting the importance of human rights protection, the Bank has defined and operates according to the Principles of Human and Children's Rights Protection, which are included in the ESG Policy.

GRI  
3-3, 308-1, 308-2,  
407-1, 408-1, 409-1,  
414-1, 414-2



# DOUBLE MATERIALITY ASSESSMENT AS THE FOUNDATION OF SUSTAINABILITY

GRI  
3-1, 3-2, 3-3

### In-depth Sustainability Analysis

Our approach to environmental, social, and governance (ESG) priorities is driven by our commitment to responsible and sustainable growth.

The foundation for directing our sustainability strategy and achieving further progress is the double materiality assessment, which we have been conducting since 2022. This assessment represents a comprehensive sustainability analysis. Conducting the double materiality assessment is a key component of our responsible business management. It enables us to focus on the sustainability issues that are material to us, better understand our impacts, risks, and opportunities, and prioritize the ESG areas that hold the greatest significance for our bank, investors, and stakeholders.

In the process of identifying material impacts, risks, and opportunities, we actively seek the opinions and feedback of our key stakeholder groups who are directly affected by our bank's operations.

In line with the Corporate Sustainability Reporting Directive (CSRD), our double materiality assessment includes both **impact materiality**, which covers information on the Bank's social, environmental, and governance impacts important to all our stakeholders, and **financial materiality**, which addresses the environmental and social risks and opportunities that could influence the Bank's development, performance, and position.

Through the double materiality assessment, the results of which are detailed in our 2023 Sustainability Report, we have advanced beyond the previous year. We have revised material topics relative to the prior period, applying specific guidelines and recommended methodologies from the new European Sustainability Reporting Standards (ESRS).

# 1.

## Analyzing Our Business and Market Context

We begin with an in-depth analysis of our business activities, macroeconomic indicators in our market, and financial world trends. This market context analysis, along with business relationships and regulatory requirements and recommendations, serves as the foundation for identifying significant sustainability topics.

# 2.

## Identifying Relevant Stakeholders

We engage our stakeholders in identifying material topics. Unlike last year's double materiality assessment, which included feedback from a broad network of stakeholders, this year we concentrated on those deemed most relevant.

As a financial institution dedicated to serving its customers, we manage their finances, support their personal and business projects, and strive to maintain their trust. Equally important are our employees, who act as our ambassadors and drivers of success, significantly contributing to our business outcomes. Given their importance and number, customers and employees were identified as key stakeholders in assessing material topics.

# 3.

## Selecting Potential Material Sustainability Topics

The foundation for selecting a broader set of potential material topics was last year's Sustainability Report. We revised the topic names to align more closely with the sustainability themes defined by the ESRS standards. Potential material topics were identified across all three sustainability segments—environmental, social, and governance—narrowing the selection to those relevant to the financial sector.

# 4.

## Prioritizing and Classifying Our Impact Areas

We included key stakeholders in assessing the Bank's material impacts on the environment and society, gathering their opinions through surveys. Stakeholders assessed which sustainability topics had positive or negative impacts, whether the impacts were actual or potential, the timeframe for potential impacts to become actual, and how effectively the Bank manages these impacts.

Recognizing the subjective nature of stakeholders' assessments, often based on personal experiences and perceptions with limited access to information, we also conducted an internal analysis from the Bank's perspective.

Based on survey results, internal conclusions, and analysis, we prioritized and classified positive and negative impacts as actual or potential, determined their scope and scale, assessed the likelihood of potential impacts, and evaluated the mitigability of actual impacts.

Thresholds for assessing the magnitude, scope, probability, and reparability of sustainability topics were categorized through internal evaluation. The key factor in identifying the most significant impacts was their magnitude, with high and absolute impacts defined as priorities.

# 5.

## Prioritizing and Classifying Financial Materiality Topics

The same sustainability topics identified in the impact materiality assessment were included in the financial materiality assessment, analyzed for their financial impact on the Bank's operations, development, and performance from a risk and opportunity perspective.

For each identified financial risk, we determined its magnitude, scope, and likelihood based on internal categorization. The key factor for identifying the most significant topics was the magnitude of the financial impact, with high and absolute impacts defined as priorities.

In this iteration, we qualitatively presented the financial impacts of risks and opportunities, with plans to include quantitative representation in the next assessment.

# 6.

## Setting Operational Goals in Material Areas

To manage the identified material topics and mitigate negative impacts effectively, we set operational goals and transparently report on the activities we undertake to achieve these goals, aiming to become more sustainable and resilient.



# 220

.....  
**stakeholders surveyed**

## Materiality of Impact on Society, Environment and Economy

GRI  
 2-29, 3-1, 3-2

In the online survey we conducted to assess the materiality of the Bank's impacts on society, the environment, and the economy, 86 Bank employees and 134 business customers participated.

Both groups of stakeholders generally rated the Bank's impact on sustainability topics as positive or significantly positive, with effective or excellent management of these topics.

Internal stakeholders (employees) rated the following topics as positive or significantly positive with the highest scores: data privacy and security (92%), access to and availability of products and services (87%), and access to quality information (86%). External stakeholders (business customers) also rated data privacy and security (87%), responsible marketing (81%), and access to and availability of products and services (79%) as the most positive or significantly positive topics.

Internal stakeholders (employees) identified the following topics as negative or significantly negative with the highest scores: gender equality and equal pay for all (19%), adequate wages (17%), and opportunities for training and education (17%). External stakeholders (business customers) rated the Bank's carbon footprint (16%), bribery and corruption (14%), and the Bank's portfolio carbon footprint (14%) as the most negative or significantly negative topics.

The survey results highlight differences in the perception of certain topics between internal and external stakeholders, which is expected. To gain a more comprehensive picture of our positive and negative impacts, we objectively assessed the situation from our perspective to prioritize the most significant areas accurately.

### Our Most Significant Impacts

The key material issues where the Bank has a recognized negative impact on the environment and society are:

- .....
- **ENVIRONMENT – Climate Change:**  
**The Bank's portfolio carbon footprint**
- .....
- **SOCIETY – Workforce:**  
**Gender equality and equal pay for all**
- .....
- **SOCIETY – Customers and End Users:**  
**Data privacy and security**
- .....

The key material issues where the Bank has a recognized positive impact on the environment and society (absolute or high magnitude) are:

- .....
- **ENVIRONMENT – Climate Change:**  
**Sustainable financing**
- .....
- **SOCIETY – Customers and End Users:**  
**Access to and availability of products and services**
- .....

Positive Impacts

Segment	Theme	Sub-theme	Description of Impact and Role of the Bank	Impact Likelihood	Operational Goals	Activities Undertaken
ENVIRON- MENT	CLIMATE CHANGE	Sustainable Financing	<p>As a financial institution, the Bank has a significant impact on transitioning the economy to a low-carbon model by directing its investment and credit activities towards sustainable purposes.</p> <p>The Bank can encourage sustainable standards among its customers and other stakeholders, thereby promoting investment in innovation and new technologies while aiding customers in their transition to low-carbon operations.</p>	The impact is potential but could become tangible in the medium term (1 to 5 years)	<p>Develop sustainable financial products independently and in collaboration with other institutions that support environmentally friendly projects.</p> <p>Increase the Green Asset Ratio (GAR)</p>	<p>The bank has defined a framework for developing sustainable products and is currently adapting existing products and services, as well as the credit process, to integrate ESG criteria into all financial decision-making processes.</p> <p>The bank is establishing a data management model to ensure more transparent and quality tracking of sustainable financing.</p> <p>The bank has defined the methodology, structure, and data sources needed to calculate and monitor the GAR.</p>
SOCIETY	CLIENTS AND END USERS	Access to and availability of products and services	<p>Accessibility is a top priority for customers when selecting a bank. Since its inception, HPB has made considerable efforts to enhance accessibility for its customers, resulting in a significant impact.</p> <p>Through its collaboration with strategic partner HP, HPB has become the most accessible bank in Croatia, serving citizens and entrepreneurs even in the smallest and most remote areas of the country.</p> <p>The Bank continuously enhances its digital services to enable customers to conduct more of their financial transactions online. HPB has been a pioneer in introducing various digital services, including the SuperSmart account, eBranch, and eCash.</p> <p>For many years, the Bank has also offered free financial literacy programs for diverse customer groups, addressing the most relevant banking topics.</p>	The impact is tangible	<p>Ensure access to financial products, services, and technological solutions for various client groups in all areas where the bank operates.</p> <p>Expand and continuously improve digital banking services and products.</p> <p>Increase financial literacy and provide support to customers in making informed and reliable financial decisions.</p>	<p>Conducting user satisfaction surveys for the bank's products and services.</p> <p>Introducing new activities in the financial literacy program.</p>

Negative Impacts

Segment	Theme	Sub-theme	Description of Impact and Role of the Bank	Impact Likelihood	Operational Goals	Activities
ENVIRON- MENT	CLIMATE CHANGE	The Bank's portfolio carbon footprint	<p>Category 15 of Scope 3, financed emissions, represents the majority (over 90%) of the bank's GHG emissions. Since these emissions are more challenging for the bank to influence compared to its own emissions, the identified impact is negative.</p> <p>In 2023, the bank calculated Scope 3, category 15 for the first time and established baseline year values.</p>	The impact is tangible	<p>Reduce financed emissions and the impact on climate change through the portfolio.</p> <p>Increase the volume of low-emission economic activities in the portfolio.</p>	<p>Define the structure and data sources, and establish the methodology for calculating and monitoring Category 15 of Scope 3 emissions.</p> <p>Calculate the GHG emissions for the portfolio for the baseline year 2023.</p> <p>Identify measures to reduce portfolio emissions (through the development of sustainable products).</p>

Negative Impacts (continued)

Segment	Theme	Sub-theme	Description of Impact and Role of the Bank	Impact Likelihood	Operational Goals	Activities
SOCIETY	OWN-WORK-FORCE	Gender equality and equal pay for work of equal value	<p>"A gender pay gap analysis conducted in 2022 revealed a significant disparity in the gross hourly wages for women compared to men within the executive category, with women earning 23% less than men. Further investigation showed that this discrepancy arises from differences in organizational affiliation and educational levels between male and female executives. 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.</p> <p>Considering that the highest average pay within the executive category is significantly higher than the lowest, it is not appropriate to treat all executive positions as a single sample. Therefore, pay gap between men and women will be analyzed according to each job level within the executive category. This approach will provide more accurate data on potential pay gap between men and women.</p> <p>As the identified pay gap does not arise from gender inequality in salaries, the Bank has not established an action plan. "</p>	The impact is tangible	<p>Maintain a remuneration system based on equal criteria for employee remuneration for equal work or work of equal value, regardless of gender, race, ethnicity, language, religion, political or other beliefs, national or social origin, or other discriminatory criteria.</p> <p>Ensure diverse gender representation at all levels and maintain a culture where employees have equal access to opportunities regardless of their gender.</p> <p>Reduce the gender pay gap at all levels where it may exist.</p>	<p>Analyze potential discrepancies in pay related to employee gender (gender pay gap) and report transparently on the findings.</p> <p>Examine gender pay gap across segmented samples at each job level.</p>
SOCIETY	CLIENTS AND END USERS	Data privacy and security	<p>The impact pertains to cyber-attacks targeting the confidentiality, integrity, or availability of the bank's information and systems. Such attacks pose potential financial, regulatory, and reputational risks due to possible information loss or service disruption.</p> <p>To address these risks, the bank has implemented a comprehensive information systems management framework, incorporating various organizational and technical measures.</p> <p>A dedicated unit is responsible for physical, technical, and mechanical security, as well as cyber threat protection.</p> <p>To further mitigate risks, the bank regularly conducts security testing and provides ongoing employee education on information security.</p>	The impact is potential but could become tangible in the short, medium, and long term	Reduce the risk of cyber-attacks to the greatest extent possible.	<p>Continuously improve technical controls to detect and prevent security events that may compromise the confidentiality, integrity, and availability of the Bank's information and information systems.</p> <p>Conduct ongoing education and awareness programs for Bank employees.</p>
			<p>The impact is recognized due to the emergence of fake websites aimed at deceiving clients, impersonating the bank (e.g., fake call centres), and social engineering scams targeting customers to obtain user credentials or unlawful gain.</p> <p>The risk of impersonation to deceive customers is increasing, leading to the transfer of user credentials or unauthorized payments to attackers.</p>	The impact is tangible	Reduce the risk of social engineering attacks on the bank's customers.	<p>Continuously enhance technical controls to detect and prevent fraud on the Bank's digital channels.</p> <p>Continuously improve the Bank's business processes to detect and prevent fraud effectively.</p> <p>Continuously improve business processes to prevent money laundering.</p> <p>Conduct ongoing education and awareness programs for Bank customers.</p>

To understand how climate and market changes can impact our business, revenue, growth, and market position, we conducted a financial materiality assessment using our internal resources. In this iteration, we qualitatively presented the financial impacts, identifying the main risks and opportunities in significant sustainability topics. To mitigate potential risks and capitalize on opportunities, we set operational goals and reported on the activities we are undertaking to achieve them.

The key material issues identified from the perspective of financial materiality are:

- **ENVIRONMENT – Climate Change:**  
**Environmental risk management**
- **SOCIETY – Workforce:**  
**Adequate wages**

Segment	Theme	Sub-theme	Risks	Impact Explanation	Time horizon	Opportunities	Impact Explanation	Time horizon	Operational Goals	Activities	
ENVIRONMENT	CLIMATE CHANGE	Environmental Risk Management	Increased costs	Physical environmental risks are localized risks associated with the real estate financed by the Bank. If the Bank does not manage these risks, it could face financial losses.	Medium-term	Strengthening business stability	Identifying and assessing environmental risks that the Bank is exposed to through its portfolio, estimating the harmful impacts of climate change and potential threats to business operations as an integral part of the risk management framework, provides the Bank an opportunity to strengthen its resilience and stability, as well as the resilience of its customers to the negative impacts of climate change.	Medium-term	Integration of environmental risks into the risk management system	Developed methodology for identifying, assessing, and evaluating the impact of environmental risks	
				The Bank's customers face transition risks and business adjustments that may result in higher operating costs or reduced revenues, ultimately affecting their obligations to the Bank. If the Bank does not manage environmental risks, it may increase its exposure to sectors with significant greenhouse gas emissions (oil, gas, metal, mining, transport), impacting the Bank's Scope 3 emissions.		Revenue growth			By financing climate transition, the Bank has an opportunity to increase its lending activities and help clients with higher greenhouse gas emissions transform their businesses to low-carbon, thus overcoming transition challenges and costs more easily.		Incorporation of environmental risks into the credit process
SOCIETY	OWN-WORKFORCE	Adequate wages	Costs due to replacing and hiring new employees, including investments in onboarding and training.	Inflation can significantly impact the adequacy of wages. On one hand, it affects customers' purchasing power, leading to a reduction in the use of Bank services, and on the other hand, inadequate wages for employees can result in higher dissatisfaction, decreased efficiency, and ultimately employee turnover and higher fluctuation rates.	Medium-term	Revenue growth	Continuous improvement of working conditions and organizational culture can increase employee satisfaction and productivity.	Medium-term	Long-term employee satisfaction, especially in fairness in implementing the reward system	The Bank introduced a salary supplement for all employees.	
			Costs due to wage increases resulting from inflation.						Reducing employee turnover		Expanded material rights and benefits for employees from the Collective Agreement.
			Decreased business revenue resulting from employee inefficiencies, high turnover rates, and the scarcity of qualified workforce in the labour market.						Creating a corporate culture where employees are ambassadors		Regular and justified implementation of salary increase cycles (twice a year).
									Increasing employee loyalty		

# SUSTAINABILITY GOALS

Sustainable business practices form the cornerstone of the Bank's transformation, representing a corporate priority across all three ESG segments: Environmental (E), Social (S), and Governance (G).

The Bank's key goals for achieving sustainable business practices include:

- **Redirecting capital flows toward a sustainable economy and promoting investments in sustainable projects**
- **Incorporating ESG risks into existing risk categories (credit, reputational, market, and liquidity risks) within risk management frameworks, and identifying and quantifying these risks**
- **Contributing to the development of a low-carbon, climate-resilient, and circular economy through collaboration with international and national partners, in alignment with EU standards, to enhance global environmental standards**
- **Advancing social and governance standards**

## Contribution to the United Nations Sustainable Development Goals

GRI  
3-1, 3-2, 3-3



HPB bases its operations on the 17 United Nations Sustainable Development Goals (SDGs). Through our activities and focus, we support all 17 global goals, recognizing our most significant impacts in the following areas:

- SDG 3** Ensure healthy lives and promote well-being for all at all ages
- SDG 4** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 5** Achieve gender equality and empower all women and girls
- SDG 8** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 12** Ensure sustainable consumption and production patterns
- SDG 13** Take urgent action to combat climate change and its impacts

The UN Sustainable Development Goals provide us with a common framework to identify ways we can take a more active role in sustainable development and tackle some of the most pressing global societal challenges. By concentrating on areas where we possess the most expertise and can generate the greatest positive impact, we detail specific activities that advance our community and contribute to the achievement of the SDG goals.

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



3 GOOD HEALTH AND WELL-BEING



**Ensure healthy lives and promote well-being for all at all ages, especially our employees, stands out as a pivotal goal within the framework of sustainable development pursued by HPB Group. Employee health and safety was a priority throughout 2023.**

- 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 leave, in order to encourage them to take the annual medical examination.
- In pursuit of renewing the "" certification, which the Bank first implemented in 2022, it has sustained its commitment to health promotion and workplace safety. Throughout the year, "Health Polygons" were organized. To elevate the level of protection for both employees and bank visitors, the Bank invested in 11 Automatic External Defibrillators (AEDs) and trained 153 staff members in first aid, including the use of AEDs. Additionally, it equipped network branches with survival backpacks containing first aid kits and survival sets.
- The initiative to foster a healthy lifestyle and enhance the physical activity of our employees continued through HPB Sport. We organized a variety of activities aimed at cultivating a culture of sports within the HPB Group, meanwhile embracing corporate values such as solidarity, teamwork, and charity work. A key benefit offered by HPB Sport is the subsidization of individual recreational activities for its members, all in pursuit of promoting and underlining the significance of physical activity.
- Acknowledging the fact that mental health is just as important as physical health, psychological counselling is still available to employees. 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.
- 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.
- Evacuation and rescue drills continued to be conducted at HPB Group facilities and premises, and efforts are still being 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 2023 by implementing a fire alarm system, continuously eliminating potential risks that can cause injuries at work, improving microclimate conditions and lighting in the workplace, workplace temperature and ventilation.

- To secure a better work-life balance we promote flexible working hours, in cases where work processes allow such organization of work. Furthermore, for positions that accommodate flexible work arrangements, employees have the option to choose between two working models: exclusively from the employer's premises or remote work for up to 12 working days per month.
- To support our employees during significant family milestones, we grant a day off to parents whose children are entering kindergarten or school for the first time, allowing them to participate in these important moments. Reflecting our dedication to the well-being of our staff and their families, we also offer subsidies for childcare expenses.
- 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, employee discounts for certain banking products, occasional cash allowances such as payment for the birth of a child/adoption, or jubilee awards.
- 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.
- The Bank consistently carries out an organization vitality survey to learn about employee opinions, attitudes and satisfaction.
- The Bank has embraced Principles for the Protection of Human and Children's Rights within its Environmental, Social, and Governance (ESG) Management Policy. These principles are grounded in the fundamental conventions of the International Labour Organization, particularly those related to collective bargaining rights, and the prohibition of forced and child labour.

SDG Goal	Strategic Priorities	Implemented Activities in 2023
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**Quality education and lifelong learning opportunities for all** 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 continuously create and develop training programmes and deliver both internal and external employee training programmes.
- We strongly promote leadership training for management levels. The Bank conducts the Leadership Incubator: First-time Manager program, aimed at nurturing the growth of employees stepping into a leadership role for the first time, equipping them to face the challenges associated with their new responsibilities.
- Employees enhance their knowledge and skills through the eUčionica (eClassroom) portal. This platform offers interactive content, including regulatory and mandatory training to support and simplify daily operations. Employees also have access to external platforms for self-paced e-learning.
- 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 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.
- HPP runs a comprehensive and continuous onboarding programme HPB Start. Upon joining the organization, each new employee is provided with a specific customized onboarding (development) plan which is consistently monitored and evaluated in the first six months of employment.
- HPB is committed to improving the financial literacy of citizens. HPB Group has carried forward its enduring "HPB for Financial Literacy" initiative, implementing a variety of educational programs accessible to both citizens and entrepreneurs. In 2023, a key highlight was the partnership with the "Croatia for Children" Foundation, part of their "Already 15" campaign. The Bank contributed to the "Financial Knowledge – The Road to Prosperity" educational project, offering financial insights to the Foundation's beneficiaries. Enhancing its program, HPB participated in the Toni Milun 2.0 Financial Literacy Conference in Zagreb, Split, Osijek, and Rijeka, where Bank staff delivered well-attended sessions on loans and card services.
- Engaging in the European Money Week (EMW), celebrating Savings Day, and conducting various educational initiatives throughout the year, we continue to advance activities crucial for the financial futures of diverse generations.

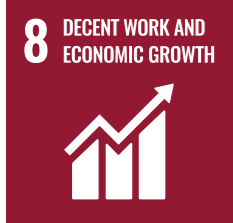
SDG Goal	Strategic Priorities	Implemented Activities in 2023
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**Achieving gender equality at HPB Group is one of our strategic goals. This is a global issue that many organizations worldwide have been tackling. HPB Group has taken systematic efforts to combat every form of workplace inequality, including gender inequality. 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.**

- 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. The Bank is committed to ensuring that all employees have access to equal opportunities for their professional advancement.
- HPB Group's remuneration policy is anchored in the principle of equal pay for equal work or work of equal value for all employees, irrespective of gender, race, ethnicity, language, religion, political or other beliefs, national or social origin, or any other form of discrimination. As part of its commitment to gender equality and in line with its Remuneration Policy, HPB Group closely monitors gender-related pay gaps. It regularly reports on these findings and recommends corrective measures where needed to eliminate any wage disparities and promote equity in employee remuneration.
- HPB Group's 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.
- HPB Group has established an effective system for reporting violations of the Code of Ethics by employees and third parties. This system also allows customers and other external stakeholders to report any observed ethical violations or operational irregularities.
- Within the framework of its Environmental, Social, and Governance (ESG) Management Policy, the Bank has adopted Principles of Diversity and Non-Discrimination. As a signatory of the Diversity Charter, the Bank considers respect for diversity as a cornerstone of modern society and a critical element in fostering a positive workplace culture.
- Additionally, HPB Group has implemented a robust internal reporting system for irregularities, in compliance with the Act for the Protection of Persons Reporting Irregularities (Whistleblower Protection Act).

SDG Goal	Strategic Priorities	Implemented Activities in 2023
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**Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all is one of the goals of HPB Group.**

- In collaboration with other institutions and local self-government units., HPB Group offers to its customers special credit lines aimed at promoting entrepreneurship.
- 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.
- 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.
- HPB cooperates with counties, cities and local communities to foster initiatives which encourage access to home ownership.
- The Bank responded to the challenge of inflation by offering exceptionally competitive interest rates on savings accounts for retail customers. This initiative, aligned with our dedication to social responsibility, was part of our support for the Croatian Government's strategies to mitigate the economic impact on citizens.
- 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.
- Employee volunteering activities continued within our corporate volunteering program Volunteer for Croatia. In 2023, the volunteer community at HPB saw significant growth, culminating in a total of seven volunteer initiatives involving over 100 employee volunteers.
- To combat and prevent socially unacceptable behaviours such as corruption, HPB Group introduced an Anti-Corruption Policy in 2023. This policy specifies the duties of its organizational units and affiliates, pinpointing critical areas susceptible to corruption and laying down the groundwork for anti-corruption actions consistent with Croatia's anti-corruption acts.
- HPB Group maintains a strict zero-tolerance policy on bribery and corruption, promoting legal, ethical, professional, and honest interactions across all business engagements.

SDG Goal	Strategic Priorities	Implemented Activities in 2023
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**Ensure sustainable consumption and production patterns is a strategically important goal for HPB Group. HPB Group has been systematically investing efforts in monitoring energy consumption and has been engaging the employees in training sessions and activities to implement guidelines for energy savings.**

- 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 2022, the Bank initiated the calculation of Scope 1 and Scope 2 greenhouse gas emissions. Moving forward into 2023, it plans to expand this calculation to encompass relevant Scope 3 emissions categories.
- HPB Group implements Supplier Principles that outline core principles and expectations for suppliers looking to establish and maintain a long-term business relationship with the Bank or its group members.
- 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.
- HPB Group employees and customers are continuously encouraged to use digital communication, document archiving, and process business transactions digitally.
- To encourage recycling, all HPB Group business premises in the city of Zagreb are equipped with appropriate waste separation containers.
- 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.
- All electronic waste are adequately disposed of by companies authorized to dispose of this type of waste.

13

CLIMATE  
ACTION

**Take urgent action to combat climate change and its impacts is one of the goals that HPB Group is championing, aware that climate change does not happen in the future, but is our reality. HPB has recognized its role in combating climate change and opted for a sustainability-driven operations. The Bank regularly provides training to all employees with the purpose of raising awareness of adverse environmental impacts, the need to pivot to sustainable business and to channel financing towards sustainable projects. HPB Group seeks to further high environmental standards among its customer base, and expects its suppliers to reduce their environmental impact.**

- HPB opted to redirect 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 financial and economic activity.
- The Bank established a Development Framework for Sustainable Products. This initiative seeks to steer capital and financial investments towards economic activities that are environmentally sustainable.
- Through the calculation of the Green Asset Ratio, HPB demonstrates the share of its primary banking operations—such as lending, investments, and financing—that are consistent with the taxonomy, in relation to its overall loans and advances, equity holdings, and additional balance sheet assets.
- The Bank actively contributed to the development of the national ESG questionnaire designed to evaluate environmental, social, and governance impacts. This initiative aims to collect essential data from customers to gauge their commitment to sustainable and responsible practices, as well as assessing ESG-related risks.
- The Bank is deeply committed to integrating environmental risks into its operations. A crucial step in this process was the identification and assessment of environmental risks and their potential effects on the Bank's broader operational landscape. This critical evaluation underpinned a comprehensive analysis aimed at understanding the significance of how environmental risks could influence the Bank's credit, market, and operational aspects.
- HPB Group continuously improves its methodologies and data quality necessary for calculating GHG emissions across Scopes 1, 2, and 3, including portfolio emissions in Scope 3, Category 15.
- The Climate Strategy up to 2050 and the Transition Plan up to 2030 have been adopted, reflecting the Bank's long-term commitment to sustainability.
- The Bank continuously enhances its digital banking services, which have a significant positive impact on the environment.
- Through collaboration with other institutions, the Bank participates in various reforestation actions, demonstrating its long-term commitment to nature conservation and environmental care.

## Strategic Annual Sustainability Goal


Over the past three years, the HPB Group has included a sustainability goal in its strategic annual objectives. In 2022, the goal was to encourage retail customers with transaction accounts, deposits, or loans to opt for online communication with the Bank and increase the number of statements sent via email. In 2023, the Bank set a sustainability goal to direct capital flows toward sustainable activities, working intensively on this throughout the year.

In line with the Bank's business strategy, financing directed towards sustainable activities and projects represents one of the key performance indicators (KPIs) of success. Contributing to the creation of a low-carbon, climate-resilient, and circular economy involves implementing projects that do not harm any of the three ESG segments: environment, society, and governance.

At the European Union level, defining sustainable products in terms of criteria was still under public debate in 2023, and understanding the term "sustainable financial product" had various interpretations. The market for sustainable financial products remains underdeveloped, partly due to ongoing regulatory definitions at the EU level. These regulations will eventually apply not only to large enterprises but also to small and medium-sized enterprises (SMEs), which should help increase the availability of environmentally sustainable products in the market.

Additionally, approving sustainable loans according to the Taxonomy Regulation criteria is a complex process that requires technological development and additional administrative duties and processes for identifying, assessing, managing, and monitoring ESG factors and risks. Despite the Bank's intensive efforts and synergy across different organizational units to achieve this goal, the KPI was met to a lesser extent than planned.

By adopting the Climate Strategy for the period up to 2050, demonstrating our commitment to transitioning towards a low-carbon society, the Bank reaffirmed its goal of directing capital flows into sustainable economic activities, financing investments and working capital, and financing projects related to energy efficiency. With the expectation that the market for sustainable products will continue to develop robustly in the coming period and that the supply and demand for financially sustainable products will expand, a strategic sustainability goal for 2024 has been set with a KPI defining the volume of placements for sustainable purposes.

	KPI	Achievement
Strategic Sustainability Goal 2022	Encouraging customers to communicate online with the Bank - KPI defines an increase in the number of statements sent via email	
Strategic Sustainability Goal 2023	Directing capital flows into sustainable activities - KPI defines the volume of placements for sustainable purposes	Achieved to a lesser extent than planned
Strategic Sustainability Goal 2024	Directing capital flows into sustainable activities - KPI defines the volume of placements for sustainable purposes	

## ENHANCING DATA MANAGEMENT SYSTEMS

The path to sustainable transition necessitates continuous progress in data management. The availability and reliability of relevant data in the sustainability segment remain critical limiting factors, preventing the Bank from fully and accurately meeting regulatory requirements and expectations. The lack of standardized methodologies leaves much room for various interpretations, which also complicates data comparison across the market.

The most important IT service, for which the Bank continues to allocate significant financial and personnel resources, is the data management system that underpins understanding customers and their needs. Only with an optimal data management system can the Bank compete equally in the competitive domestic banking market and deliver returns for shareholders.

Furthermore, new regulations, including those in the sustainability segment, increasingly burden the Bank's reporting resources. This challenge can be mitigated by a high-quality data management system, freeing resources to focus on data analysis rather than processing.

Legal regulations and reporting expectations regarding sustainability, to which the Bank is obligated, are becoming increasingly demanding. The breadth of requested ESG information, data, and indicators is expanding, highlighting the necessity for automated and centralized sustainability data management. Over the past year, the Bank has worked intensively on enhancing data management processes within the sustainability segment, which has been growing significantly each year. Manual data collection, monitoring, and control have become increasingly time-consuming and resource-intensive, increasing the risk of human error and reducing the ability to control and compare data effectively.

To address these challenges, HPB has initiated the implementation of a comprehensive IT solution to centrally collect, manage, and analyze sustainability data. This solution will enable the preparation and generation of sustainability reports in compliance with regulatory requirements, while also saving time and resources.



The Bank has implemented a Data Strategy that strengthens its commitment to improving the Data Management system, with a heightened focus on data quality and advanced analytics. A key differentiator will be leveraging cloud analytics capabilities, which will be a central focus in the Bank's future development of analytical systems.

— **Mirko Talajić**,  
Department for Data Management Support and Analytical System Development

Achieving the goals of the Paris Agreement and the Green Plan depends on the collective action of all economic stakeholders. We are committed to realizing our sustainable ambitions as part of our strategy, anticipating rapid market progress and development to meet these goals.



# Our Adaptation to Climate Change

## CLIMATE STRATEGY AND TRANSITION PLAN

GRI  
3-3, 201-2

Climate change presents a significant challenge for the entire economy, including the financial sector. It stems from both natural processes, such as changes in temperature, precipitation, and sea levels, and human activities, particularly greenhouse gas emissions. Given the severity of its impacts on the environment, society, and the economy, it is crucial to raise awareness and foster collective actions to become more resilient, mitigate climate change effects, and ensure long-term stability and sustainability.

In recent years, the financial sector has been increasingly shifting towards greater ecological and climate responsibility. Banking institutions, in particular, are recognizing the importance of integrating sustainability principles into their core strategies due to regulatory expectations. Banks' strategic commitment and responsibility in mitigating climate change act as catalysts for innovation and customer attraction. By promoting a culture of sustainability, banks encourage the development of innovative and environmentally friendly financial products and services, thereby attracting eco-conscious customers and positioning themselves favourably in the growing sustainable finance sector.

The transition to a low-carbon economy offers an opportunity for everyone to contribute to a more resilient and sustainable economy.

### Our Role in the Transition to a Low-Carbon Economy

The Bank acknowledges and embraces its role in enhancing the economy's resilience to climate change. Taking on the ambitious goals set by European and national legislative and regulatory frameworks to achieve carbon neutrality by 2050, the Bank has developed a Climate Strategy for the period up to 2050.

By adopting the Climate Strategy, the Bank contributes to global sustainability goals, accepts responsibility for ensuring its resilience to climate change, and actively contributes to strengthening the economy as well as broader societal and environmental welfare.

The Strategy outlines the principles, identified impact areas, priorities, and goals of the Bank in adapting to and mitigating climate change.

The key EU and national documents and regulations shaping the transition plan and aligning with HPB's Climate Strategy include:

- **The Paris Agreement:** An international treaty signed by the EU, emphasizing global action to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.
- **The European Green Deal:** The main strategic framework aimed at achieving carbon neutrality by 2050. This plan includes various initiatives and measures to reduce greenhouse gas emissions, improve energy efficiency, promote renewable energy sources, and preserve biodiversity.
- **The Low-Carbon Development Strategy of the Republic of Croatia until 2030 with a view to 2050**

## Guiding Principles of HPB's Climate Strategy

Our Climate Strategy is aimed at driving transformative changes that encourage sustainable and low-carbon economic practices and business operations, integrating both our initiatives and those of our key stakeholders.

The Strategy is built on the following principles:

- **Sustainability in Financial Decisions:** Integrating environmental criteria into all financial decision-making processes, and promoting investments in sustainable projects and technologies.
- **Support for the Transition to Sustainability:** Providing financial and advisory support to customers in their shift towards sustainable and low-carbon operations.
- **Transparency and Accountability:** Ensuring transparency in financial investments and financing, addressing climate-related risks, and implementing measures to reduce the Bank's carbon footprint.
- **Education and Awareness Raising:** Educating employees, customers, and the community about the importance of sustainability and climate change, and the role each individual can play in mitigating environmental impacts.
- **Innovation and Technological Development:** Promoting innovation and the development of technologies that support a low-carbon economy, including investments in renewable energy sources, emission reduction technologies, and sustainable infrastructure.
- **Partnerships and Collaboration:** Collaborating with relevant stakeholders to share knowledge, resources, and best practices for achieving sustainable development.

In line with the core principles of our Climate Strategy, we have pinpointed key areas where our business can make a significant impact in adapting to and mitigating climate change. These focus areas include managing environmental risks, developing sustainable financial products that support environmentally friendly projects and enable a sustainable transition, reducing greenhouse gas emissions from both our operations and financed activities, educating our customers, bolstering internal resources, continuously enhancing our expertise in managing ESG factors, and embedding sustainable practices within our operational processes.

— Renata Boldin,  
Head of Environmental Sustainability Unit



## Goals of the Climate Strategy

GRI  
302-4

An integral part of the Strategy is the Transition Plan for shifting to a low-carbon economy by 2030. This plan sets out short-term, medium-term, and long-term KPIs, specific actions, and steps required to achieve these goals, resources needed, and roles and responsibilities for meeting the Climate Strategy goals.

We have set gradual implementation goals for qualitative and quantitative KPIs to integrate our climate strategy into our business processes, directing our resources and financing towards customers and projects that meet our environmental criteria and expectations.

Our Transition Plan undergoes regular reviews and adjustments, taking into account the latest scientific advancements and the progress made by our customers in their transformation efforts.



**A central priority for us is to serve as a proactive partner, offering robust support to our customers as they navigate the transition to a low-carbon economy. By working together, we aspire to cultivate a healthier environment and a more resilient economy.**

Area Of Impact	Goal	Key Performance Indicators	Impact on Bank and Economy Stability
Environmental risk management	<b>Enhancing Environmental Risk Management</b>	<ul style="list-style-type: none"> <li>Integration of environmental risks into the risk management system</li> <li>Incorporation of environmental risks into the credit process</li> </ul>	<ul style="list-style-type: none"> <li>Structured and improved monitoring and management of environmental risks</li> <li>Focusing on economic activities and customers with lower exposure to environmental risks and/or positive environmental impacts</li> </ul>
Sustainable Products	<b>Funding Sustainable Initiatives</b>	<ul style="list-style-type: none"> <li>Increase the Green Asset Ratio (GAR)</li> <li>Increase in Bank's Transition Asset Ratio (BTAR)</li> </ul>	<ul style="list-style-type: none"> <li>Establishing the bank's market position with sustainable products</li> <li>Supporting customers in transitioning to low-carbon operations</li> <li>Strengthening the climate resilience of customers</li> </ul>
Energy Efficiency and Carbon Footprint	<b>Reduction of GHG emissions</b>	<ul style="list-style-type: none"> <li>Reduction of the Bank's operational carbon footprint</li> <li>Reduction of financed emissions</li> </ul>	<ul style="list-style-type: none"> <li>More energy-efficient operations</li> <li>Increasing the volume of low-emission activities in the portfolio</li> <li>Reducing climate change impacts through direct activities and the portfolio</li> </ul>
Customer Education and Strengthening Internal Resources	<b>Raising Awareness on Sustainability</b>	<ul style="list-style-type: none"> <li>Implementation of educational programs</li> <li>Collaboration with institutions focused on sustainability initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Facilitating compliance with regulatory requirements</li> <li>Increasing transparency</li> <li>Strengthening the capacity to implement sustainability policies, both internally and among customers</li> </ul>



# GREENHOUSE GAS EMISSIONS

**Our financing activities represent the largest source of our greenhouse gas emissions, positioning them as a critical focus for driving the transition to a low-carbon economy.**

HPB Group calculates its own greenhouse gas emissions to understand, identify, and monitor the impact of its operations on climate change and the environment. This process enables us to set realistic goals for emission reduction and lay the groundwork for transforming our business in line with the European Union's ambitious goal of achieving carbon neutrality by 2050.

The calculation of HPB Group's greenhouse gas emissions for 2023 adheres to the GHG Global Corporate Protocol Standards (GHG Protocol), the world's most widely used standard for greenhouse gas accounting. The GHG Protocol provides a framework for measuring and reporting greenhouse gas emissions, with the primary goal of creating a comprehensive and transparent inventory of the Bank's emission sources in a consistent and cost-effective manner.

To calculate greenhouse gas emissions resulting from the primary activities of financial institutions—financing and lending, which fall under category 15, Scope 3 in accordance with the GHG Protocol—HPB Group employs the methodology of the Platform for Carbon Accounting Financials (PCAF standard).

The GHG Protocol defines activities that cause greenhouse gas emissions across Scopes 1, 2, and 3. Based on its business activities, HPB Group has identified the sources of emissions and the data required for calculating and monitoring these emissions.

Data for the calculation of Scope 1, 2, and 3 emissions are collected for each reporting period, which runs from January 1 to December 31 for the previous year. These data are gathered at the business entity level, specifically for the Bank, HPB Invest, and HPB Real Estate, and include all available information necessary for calculating greenhouse gas emissions that HPB Group members possess.

GRI  
2-4, 3-3, 302-1, 302-2,  
302-3, 302-4, 302-5,  
305-1, 305-2, 305-3,  
305-4, 305-5

# 649.41

tCO<sub>2</sub>e  
Scope 1

# 597.05

tCO<sub>2</sub>e  
Scope 2

## Sources of Greenhouse Gas Emissions for HPB Group

For the reporting year, the sources of emissions identified under Scope 1 (direct greenhouse gas emissions from sources controlled or owned by HPB Group) include data on the following activities:

- Combustion of natural gas – measured in kWh
- Combustion of diesel fuel – measured in litres
- Combustion of gasoline – measured in litres

### Scope 1

Emission Source	Consumption	Consumption Unit	CO <sub>2</sub> e Emission	Emission Unit
Natural gas	1,576,980.00	kWh	365.85	tCO <sub>2</sub> e
Diesel	85,295.50	litre	260.57	tCO <sub>2</sub> e
Petrol	8,397.09	litre	22.99	tCO <sub>2</sub> e

Under Scope 2 (indirect greenhouse gas emissions associated with the purchase of electricity, steam, heating, or cooling), the identified sources are:

- Electricity consumption – measured in kWh
- Heating via thermal networks – measured in kWh

### Scope 2

Emission Source	Consumption	Consumption Unit	CO <sub>2</sub> e Emission	Emission Unit
Electrical energy	2,299,452.00	kWh	538.07	tCO <sub>2</sub> e
District heating Zagreb	111,430.00	kWh	43.23	tCO <sub>2</sub> e
District heating Osijek	46,761.00	kWh	15.75	tCO <sub>2</sub> e

Scope 3 includes emission activities from assets not owned or controlled by HPB Group, but influenced indirectly by its operations. Scope 3 is divided into several reporting categories, which are recognized as material based on the nature of HPB Group's business:

- **Category 1:** Purchase of goods and services – measured in €, includes operational administrative costs

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- **Category 2:** Capital goods – measured in €, includes investments in capital goods

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- **Category 3:** Fuel and energy – measured in kWh

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- **Category 5:** Waste generated in operations – measured in tons, includes data on the measured quantities of waste generated by HPB Group operations

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- **Category 6:** Business travel – measured in €, includes data on costs incurred during business trips

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- **Category 7:** Employee commuting – measured in kilometres, includes data from employee surveys on daily commutes

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- **Category 15:** Investments – measured in €, includes financed emissions, i.e., emissions related to providing financial services

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The calculation of greenhouse gas emissions for Category 15 of Scope 3 is particularly important for HPB Group as it reflects the emissions from the Group's primary activity, which is investments.

The following segments from the portfolio were used in the calculation for Category 15:

- Listed equity and bonds
- Corporate and project finance
- Real estate loan portfolio
- Government debt – loans
- Government debt – bonds

Using the PCAF methodology for calculating emissions from financial data on investments, the Bank's portfolio exposure to greenhouse gas emissions, which constitutes approximately 99% of all direct and indirect emissions, was determined.

**Scope 3 Category 15**

Emission Source	CO <sub>2</sub> e Emission	Emission Unit
Listed equity and corporate obligations	74,226.21	tCO <sub>2</sub> e
Business loans and project financing	338,036.33	tCO <sub>2</sub> e
Mortgages	13,988.63	tCO <sub>2</sub> e
Government debt	369,725.42	tCO <sub>2</sub> e

**Emission Factors Used**

The calculation of greenhouse gas emissions for HPB Group is based on the application of relevant emission factors, sourced from national and international public databases. Emission factors are calculated ratios that correlate greenhouse gas emissions with measures of activity or consumption at the emission source, enabling the conversion of various units of emission sources into tonnes of CO<sub>2</sub>e.<sup>1</sup>

Emission factors for the spend-based method, expressed in €, that were not published for 2023 have been adjusted for inflation using the inflation rate between the reporting year and the year the emission factor was issued, according to the inflation calculator from the Croatian Bureau of Statistics. Emission factors for the spend-based method expressed in other currencies have been adjusted using the reference exchange rate from the European Central Bank as of December 29, 2023.

<sup>1</sup> CO<sub>2</sub>e – expresses the equivalent amount in kilograms of CO<sub>2</sub> that warms the atmosphere the same as 1 kg of another greenhouse gas.

**New Calculation Methodology**

Compared to the previous reporting period, we have significantly expanded the scope of our calculations. Data availability remains limited for certain areas, particularly for calculating Category 15 of Scope 3. In these cases, estimates were made based on methodologies outlined in the PCAF standards.

There are also differences in the sources of emission factors used compared to the previous year.

In the 2023 calculation, we observed an increase in Scope 1 and 2 emissions due to improved data quality and the application of new emission factors. The quality of data on energy consumption has significantly improved. For Scope 1, 91% of data from all Bank locations was collected, and for Scope 2, 79% of data from all locations was gathered.

The emission factors used in the 2023 calculation are higher than those used for the 2022 calculation, directly leading to an increase in reported greenhouse gas emissions. However, a significant reduction in energy consumption was observed, with a 32% reduction in gas consumption and a 30% reduction in electricity consumption.

799,574.21

tCO<sub>2</sub>e  
Scope 3

**Scope 3**

Category	CO <sub>2</sub> e Emission	Emission Unit
Category 1	2,860.00	tCO <sub>2</sub> e
Category 3	16.09	tCO <sub>2</sub> e
Category 5	8.77	tCO <sub>2</sub> e
Category 6	60.83	tCO <sub>2</sub> e
Category 7	651.93	tCO <sub>2</sub> e
Category 15	795,976.59	tCO <sub>2</sub> e

# ENVIRONMENTAL RISK IMPACT ASSESSMENT

GRI  
3-3, 201-2

**We are continually improving our management of climate change-related risks by utilizing diverse climate scenarios to evaluate the potential impacts of environmental risks on our operations.**

The European Central Bank (ECB) has recognized climate risks as critical drivers for the euro area banking system, stressing that institutions need to adopt a strategic and comprehensive forward-looking approach when addressing climate and environmental risks.

Throughout 2023, the Bank was dedicated to integrating environmental risks into its operations, aligning with the framework and expectations set forth by the ECB regarding risk management and disclosures, as outlined in the Guide on Climate-Related and Environmental Risks and other relevant documents.

At the end of 2023, the first comprehensive assessment of the impact of environmental risks was conducted. The purpose of this assessment was to identify and evaluate physical and transition environmental risks and to understand how nature-related issues could affect the Bank's operational environment.

Conducting the general assessment of environmental risk impact was essential for evaluating the material significance of these risks and their impact on the existing categories of prudential risks already recognized by the Bank's risk management system.

The methodology for assessing the material significance of environmental risks was approved by the governing body.

Transitioning to a low-carbon and circular economy presents both risks and opportunities for the economy and financial institutions. The material damage resulting from climate change and environmental degradation can have a significant impact on the real economy and the financial system. To pinpoint areas where environmental risks materially affect the Bank's operations, we have established a procedure to assess their material significance. This process involves evaluating various risk drivers and identifying the transmission channels through which these risks influence existing categories of prudential risks, particularly credit and operational risks.

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



## Approach to the General Assessment of Environmental Risk Impact

In conducting the general assessment of environmental risk impact, the Bank utilized an integrated approach to deeply analyze the environmental risk assessment process in accordance with reporting expectations. This approach includes defining the geographical and business environment in which the Bank operates, mapping the Bank's operational areas within the geospace, and analyzing the Bank's vulnerability in relation to spatial exposure to environmental risk.

Approach To General Environmental Risk Assessment – LEAP	
LOCATE Location and Identification	EVALUATE Evaluation
<ul style="list-style-type: none"> <li>Define the geographic scope of the Bank's operations</li> <li>Determine the business environment</li> <li>Identify environmental risks and their impact on the Croatian economy</li> </ul>	<ul style="list-style-type: none"> <li>Identify materially significant environmental risks</li> <li>Identify business segments of the Bank exposed to environmental effects</li> <li>Determine the interdependencies between environmental risks and the Bank's business model</li> </ul>
ASSES Assessment	PREPARATION Reporting Preparation
<ul style="list-style-type: none"> <li>Analyze the Bank's vulnerability to spatial exposure to environmental risks</li> <li>Conduct a general assessment of the impact of physical risks</li> <li>Conduct a general assessment of the impact of transition risks</li> </ul>	<ul style="list-style-type: none"> <li>Reporting: publication obligations and management reporting</li> <li>Prepare a documented conclusion of the comprehensive environmental risk assessment</li> <li>Define the reporting timeline</li> </ul>

The Bank identified and determined physical and transition risks for the real estate collateral portfolio, for economic activities in the portfolio of corporate customers (large enterprises), and for the portfolio of individuals with credit exposure to the Bank. After identifying and establishing environmental risks, the Bank identified the transmission channels through which the occurrence of these risks could affect its operations and conducted an assessment of the likelihood of these identified environmental risks based on publicly available scientific assessments, within the geographical areas where it operates, using various climate scenarios.

Environmental risks have the potential to affect the Bank's financial performance by materializing through various financial risk categories (credit, market, operational, liquidity, and funding risks) related to the Bank's exposures to other counterparties and invested assets. In 2023, we at HPB developed a process that includes a general assessment of environmental risk impact, identification of the transmission channels through which these risks can influence the business operations of the Bank's customers, and an evaluation of the impact on the risks already recognized in our risk management system, i.e., the materiality assessment. Where environmental factors increase business risk for the Bank, this is considered a materially significant impact on the existing prudential risk categories.

— **Ognjen Brakus**,  
Executive Director - Strategic Risk Management and Risk Control Division



Scope of General Environmental Risk Assessment					
Geographical Location of the Bank's Operations	Impact of Environmental Risks on Economic Activities in the Portfolio	Transmission Channels	Probability of Environmental Risk Occurrence	Climate Scenario Analysis	Assessment of Bank's Hazards, Exposures, and Vulnerabilities

For the assessment of physical risks, the Bank decided to use climate scenarios developed by the Network for Greening the Financial Systems (NGFS), as they are directly related to physical risks and climate change factors (GHG emissions, global temperature increase), and consider physical risks over appropriate time periods for such risks.

In assessing the impact of transition risks, the Bank opted to apply climate scenarios from the European Central Bank (ECB), as they consider the macroeconomic context, provide sectoral granularity, and have suitable timeframes for observing transition risks.

### Impact of Physical Risks on Credit Risk

Based on the analysis of indicators for the Republic of Croatia and the environmental risks to which our country is exposed, the following have been identified as the potentially most significant physical risks to the Bank's operations:

- Risk of fire
- Risk of flood
- Risk of drought
- Risk of earthquakes

The impact assessment of physical risks covers the portfolio of real estate collateral for both retail and corporate customers, with detailed analysis down to the cadastral municipality level. It also addresses the portfolio of corporate customers (large enterprises), with the evaluation refined to the level of economic activities to which the Bank is exposed.

### Spatial Exposure of the Real Estate Portfolio to Physical Risks

The process of general assessment of physical risks on the portfolio of real estate collateral is based on the analysis of hazards, spatial exposure, and vulnerability, using the AcrGIS software tool for spatial data analysis and management.

The hazard analysis identifies potential threats that could cause damage or disrupt normal operations. The spatial exposure analysis determines which climate-related hazards are relevant to the specific locations where the Bank operates. The vulnerability analysis, which is the result of the hazard and spatial exposure analyses, reveals the most significant threats from natural disasters in the Republic of Croatia and the extent to which they could affect the Bank's operations.

The conclusions of the analyses indicate that the Bank's real estate collateral portfolio is spatially exposed to potential threats of fire and earthquake risks.

### Vulnerability of Economic Activities to Physical Risks

Based on expert assessments and analyses of parameters affecting economic activities according to NGFS climate scenarios with various time horizons, vulnerability expectations were created for each economic activity to which the Bank is exposed through its portfolio of corporate customers (large enterprises).

Portfolio of Business Entities – Large Corporates:				
1. Identification of Economic Activities	2. Exposure to Economic Activity	3. Identification of Physical Risks with High Potential Impact on Economic Activity	4. Impact Analysis Through Application of Different Climate Scenarios	5. Quantitative Determination of Vulnerability of Economic Activities in the Portfolio

### Assessment of the Material Significance of Physical Risks on Credit Risk

To assess the materially significant impacts of physical risks, the Bank analyzes the probability of occurrence of fire, earthquake, drought, and flood, the amount of exposure, the related insurance coverage (IO), and the likelihood of default.

Combining qualitative and quantitative data, the Bank has defined materially significant areas of physical risk in its portfolio through the heat map shown below. In this context, the Bank defines short-term as up to one year, medium-term as one to five years, and long-term as over five years.

A medium level of significance is defined for exposures in the manufacturing, tourism, and construction industries in the medium-term and long-term periods, and for wholesale and retail trade and water supply in the long-term period.

Key risk drivers for residential real estate include exposure to earthquakes above 10% of the portfolio and, in the medium and long term, exposure to fire. For commercial real estate, the risk drivers are also earthquakes, but with a smaller share of exposure, and fire.

### Impact of Transition Risks on Credit Risk

The assessment of the impact of transition risks includes the portfolio of retail customers with credit exposure to the Bank and the portfolio of corporate customers (large enterprises) at the level of economic activities.

### Impact of Transition Risks on Retail Customers

The transition risk identified as having the greatest impact on retail customers is the rise in energy prices. Since the impact level of this risk largely depends on the customer's income level, the Bank monitors the behaviour of the portfolio of retail customers based on income levels, categorized into three groups. Customers with low incomes are at a higher risk of experiencing financial difficulties when energy prices unexpectedly rise, and they tend to respond to such shocks by reducing savings, delaying payments, and increasing borrowing.

The impact of transition risk is observed through transmission channels – increased household costs, higher indebtedness, and reduced creditworthiness. The general qualitative assessment concludes that the risk increases proportionally with the delay in the transition, with the most significant impact expected for customers with incomes below the average income in Croatia. There is a high risk in the long-term scenario of a Delayed Transition. For customers with incomes above the average income, no material impact on creditworthiness is expected.



In assessing the material significance of transition risk on the retail portfolio, with energy price fluctuations as a key risk driver, the Bank segments retail customers by product type, aligning income brackets with two primary product categories: cash loans and housing loans. The Bank then evaluates material significance across short, medium, and long-term periods. Particular attention is given to the portion of the portfolio with incomes below the national average in Croatia in the final assessment of environmental risk materiality.

— Vlatka Hunjet,  
Executive Director - Retail Credit Risk Management Division

### Vulnerability of Economic Activities to Transition Risks

To assess the impact of transition risks on identified economic activities, the following components affecting profitability were analyzed:

- Impact on the reduction of sales revenue (e.g., decreased demand due to the replacement of traditional products with new sustainable products, reputational damage)
- Impact on sales/production costs (e.g., sustainable transition and increased compliance costs, increased regulatory and legal costs, higher production costs due to the replacement of traditional raw materials with sustainable and more expensive ones)
- Impact and significance of energy costs for particular business activity
- Other potential extraordinary costs (or extraordinary loss of revenue) resulting from supply chain disruptions and changes in climate conditions

### Assessment of the Material Significance of Transition Risks on Credit Risk

The Bank examines the drivers of transition risk by linking them to exposures by category, the average probability of default, and the average remaining maturity of the portfolio.

By combining environmental risk categories with the exposure share in the portfolio of corporate customers (large enterprises) and the probability of default (PD), the Bank qualitatively identifies materially significant exposures in the context of transition risk.

By combining qualitative and quantitative data, the Bank has overall defined the materially significant areas of transition risk in its portfolio through the heat map shown below.

The Bank estimates that the highest material significance of the impact of transition risk on credit risk is in the sectors of construction, manufacturing, wholesale and retail trade, transportation and storage, and tourism. These sectors are rated with a medium level of material significance.

In the cash loan portfolio, for customers with below-average income, the conclusion is that the product is exposed to transition risk in the event of a significant increase in energy prices in the medium and more pronounced long-term scenario. For housing loans, the proportion of customers with below-average income is smaller compared to cash loans, indicating a significantly lower risk for this product. In the event of rising energy prices, the Bank estimates that customers' available income will be sufficient to meet their obligations, considering the structure of collateral, such as residential mortgages.

### Impact of Environmental Risks on Market Risk

The Bank assesses the impact of environmental risks on market risk by investigating how transition risks affect exposure to economic activities.

This involves a detailed analysis of the structure and concentration of issuers within the trading book. Transition risks are then applied to these issuers, and simulations are conducted to observe changes in market value under scenarios where the issuers' credit quality deteriorates, such as a rating downgrade.

Considering the potential revenue impact and the simple composition of the trading book, the assessment concludes that environmental risks are not materially significant to the Bank's market risk.

### Impact of Environmental Risks on Operational Risk

To evaluate the significance of factors affecting operational risk, the Bank examines the impact of physical environmental risks on its portfolio of owned, leased, and rented properties, along with repossessed properties.

The materiality assessment accounts for the probability of environmental risk occurrence on the Bank's assets, the concentration of properties in specific regions, and the capacity to maintain business continuity.

Based on these considerations, the Bank concludes the material significance of environmental factors on operational risk.

There is a notable concentration of earthquake risk in the City of Zagreb, which is significantly mitigated by having alternative locations, resulting in a medium level of assessed risk exposure.

Besides earthquake risk, the Bank also faces fire risk, particularly in Zagreb, Split, and Vodice, where it has a larger property presence.

Besides earthquake risk, the Bank also faces fire risk, particularly in Zagreb, Split, and Vodice, where it has a larger property presence. The fire risk to operational risk and management is mitigated by maintaining multiple business premises at different locations. Additionally, all business premises are insured, which greatly mitigates the financial impact of fire incidents. Considering all these factors, the exposure to operational risk associated with fire is low to medium.

No other materially significant exposures have been identified.

Drawing from expert assessments, macroeconomic trends and forecasts, and the analysis of the mentioned components affecting financial positions, we have identified the potential impacts of specific transition risks on the economic activities where the Bank holds significant exposure.

”



— **Danijel Grubiša**,  
Executive Director -  
Corporate Credit Risk  
Management Division





## ANALYSIS OF ACTIVITIES ACCORDING TO THE TAXONOMY REGULATION

GRI  
2-4

The Taxonomy Regulation is a significant European regulatory initiative designed to redirect capital flows towards environmentally sustainable and climate-neutral economic activities. Serving as a classification tool to support the implementation of the European Green Deal, the taxonomy identifies climate and environmentally sustainable economic activities and investments, enhancing the understanding of environmental sustainability. The regulation also sets forth corporate reporting obligations for these economic activities.

Although the key indicator according to the taxonomy for credit institutions is the green asset ratio, in 2023 the Bank also assessed its activities as taxonomy-eligible and taxonomy-aligned. The objective of this evaluation is to guide the Bank's operations towards sustainability, establish accurate KPIs, and provide stakeholders with the data they need through transparent reporting to direct their capital into sustainable activities and investments.

According to the Taxonomy Regulation, the first step is to identify the economic activities of the institution that are taxonomy-eligible. These are activities covered by the Regulation that potentially contribute significantly to achieving environmental objectives, regardless of whether they meet the DNSH ('Do No Significant Harm') technical screening criteria and the implementation of Minimum Safeguards. Since the Bank's primary activity, K64.19 – Other financial service activities, except insurance and pension funding, is not currently listed among the activities covered by the EU taxonomy, the Bank has identified additional activities it indirectly engages in, which include:

- Purchase and ownership of buildings
- Transport using motorcycles, passenger cars, and light commercial vehicles

Both activities are recognized as contributing to the environmental objective of climate change mitigation.

Following the identification of taxonomy-eligible activities, we proceeded to assess the technical criteria specified in the Taxonomy Regulation, including the DNSH criteria and the implementation of Minimum Safeguards. A detailed analysis revealed that while these activities are taxonomy-eligible, they are not taxonomy-aligned, indicating that the Bank currently does not have any taxonomy-aligned activities.

The identified activities that the Bank indirectly engages in will serve as a foundation for defining environmental KPIs aimed at reducing GHG emissions, with the goal of aligning our activities with the taxonomy in future periods.

## Continuous Development of Digital Services

Our customers are increasingly relying on digital channels for their daily banking needs. Therefore, aligning with our strategic focus on digital solution development, we aim not only to respond to the evolving needs of our customers but also to proactively offer services that anticipate future banking trends, thereby positively influencing environmental preservation.

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 digital services also reduces the impact of vehicles on the environment, and digital documents and signatures in communication with customers reduce paper volumes. Additionally, it reduces the needs for physical office premises, drives down energy consumption and scales down the resources necessary for the operations.

After the legal merger of Nova hrvatska banka, which was a highlight of 2023, intensive preparations for the operational merger of the Banks have begun. As part of this process, we are developing digital services such as enabling mHPB for retail customers who are credit card holders without a contracted transaction account, the ability to split transactions at ATMs and with credit cards through the mHPB mobile banking service, and a seamless and efficient solution for migrating users from NHB applications to HPB applications completely digitally, without the need to visit Bank branches.

Additionally, aligned with our Bank-wide initiative to increase online payment security, we have continuously developed functionalities in mHPB and Internet banking throughout 2023 to reduce the risk of online fraud. Concurrently, we have focused on developing new solutions aimed at improving the user experience on digital channels.

We remain committed to tracking market trends and advancing our digital operations to offer our customers solutions that are secure, fast, user-friendly, and environmentally sustainable.

— **Matija Čukman**,  
Executive Director - Direct Banking Division



## Responsible Use of Paper and Water

For the past several years, HPB Group's efforts have been focused on reducing the number of printed pages and promoting responsible 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. Choosing online communication is more environmentally friendly, faster and a simpler alternative to paper printing.

Despite an increase in the number of employees in 2023 due to the merger of two banks, maintaining almost the same number of printed pages as the previous year demonstrates an excellent trend. Additionally, a 34% reduction in the number of colour prints compared to the previous year underscores the positive impact and confirms our efforts towards further digitalization of operations

### Paper Consumption

Period	Number of Pages Printed
2021	7,579,795
2022	7,455,697
2023	7,481,798
Change	+ 0.40 %

HPB Group also reduced water consumption in 2023, achieving a 9% decrease compared to the previous year.

### Water Consumption

Period	Water Consumption (m3)
2022	9,805.00
2023	8,921.85
Change	- 9%

# GREEN INITIATIVES AND PROJECTS

GRI  
302-1, 302-4, 302-5,  
306-1, 306-2, 306-3

## Reforestation Around the City of Vukovar

In November 2023, as part of Magic Forest's 'Project O2', we participated in a reforestation initiative around the City of Vukovar. This project includes both manual planting and the use of drones to reforest hard-to-reach, deforested, or fire-damaged areas throughout Croatia using seed bombs – containing self-sprouting seeds of indigenous and non-invasive species.

HPB contributed to this volunteer activity at two locations in Vukovar: the 'horseshoe' area and the centuries-old Park Forest Adica, a beloved gathering place for Vukovar residents. Our colleagues from Slavonski Brod, Vinkovci, Vukovar, and Zagreb, alongside students from Blago Zadro Elementary School in Vukovar, manually planted 100 pedunculate oak saplings. In the more inaccessible area of 10,000 square meters, drones dispersed 2,500 seed bombs containing seeds of indigenous tree species. During the event, project leader Goran Ladišić educated participants on the importance of preserving forest biodiversity and the process of planting new saplings.

Twenty-nine fourth graders from Blago Zadro Elementary School contributed to the initiative in advance by creating artistic works on the theme 'Forests – The Green Lungs of the Earth.' HPB rewarded the ten most creative young artists with special gifts. This collaborative initiative by HPB, Magic Forest, and Blago Zadro Elementary School was also supported by the City of Vukovar.

## 'Invest in Our Planet' Creative Contest

To celebrate Earth Day 2023, we hosted the 'Invest in Our Planet' creative contest on HPB's Facebook page, asking our followers to share how they help the environment. This initiative is designed to raise awareness and inspire actions such as recycling, minimizing plastic usage, conserving water and energy, choosing sustainable transport, and other positive environmental practices.

The responses from our followers were highly inspiring and original. The most creative entry was awarded a bicycle.

## My Green Decision in 2023

The internal initiative 'My Green Decision,' aimed at increasing employees' environmental awareness, continued for the third consecutive year. Throughout 2023, this initiative focused on encouraging sustainable and healthy transportation methods, rational water usage, and reducing plastic use both at the workplace and beyond. Our employees were consistently informed about various savings methods, responsible environmental behaviour, and the benefits of small changes in their daily routines for themselves, their community, and the environment via the Green Board, a section on our internal portal.

# 2,500

seed bombs  
covering an area  
of 10,000 m<sup>2</sup>



## Energy Efficiency Guidelines

At HPB Group, we understand that minimizing unnecessary energy consumption and embracing smart practices can substantially contribute to our broader sustainability goals through small actions. In line with European Union directives that provide a unified framework for promoting energy efficiency within the EU, and the Energy Saving Guidelines in the Republic of Croatia, the Bank's Management has implemented Guidelines for Efficient Energy Consumption in the Workplace, which all employees are expected to adhere to. These guidelines include recommendations for the efficient use of electricity, water, heating gas, and energy in transportation.

## Responsible Waste Management

To promote recycling, all HPB Group business premises in the city of Zagreb are equipped with appropriate waste separation bins. 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. The Bank aims to ensure that waste separation bins are available at all locations where it operates throughout the Republic of Croatia.

HPB Group continues to responsibly dispose of old paper through authorized paper collection companies or independently using designated containers. In 2023, HPB Group recycled 7.7 tons of paper through authorized companies.

All electronic waste (old computers, printers, fax machines) is appropriately disposed of by companies authorized to handle this type of waste. The entire printer system within HPB Group is networked, and toner usage and consumption are monitored by the supplier.

# Sustainable Financing and Investment



## GREEN ASSET RATIO

GRI  
3-3, 2-4

HPB opted to redirect 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 financial and economic activity.

Sustainable financing is key to expediting and facilitating the transition to a low-carbon economy and effectively addressing climate change, which is resulting in increasingly frequent and severe extreme weather events. For us, it entails investing in a better and safer future by supporting our customers, fostering education and knowledge dissemination, and adapting financial products and services to meet the inevitable new challenges.

— **Josip Majher**,  
Member of the Management Board



As a key performance indicator, banks are required to disclose the share of green assets as defined by the Taxonomy Regulation.

HPB, as a financial institution, publishes the Green Asset Ratio (GAR), which shows the proportion of assets aligned with the EU taxonomy within selected financial assets. GAR is a key indicator that reflects banks' contributions to the EU's environmental and climate goals.

In principle, GAR is a simple ratio that quantifies assets aligned with the EU taxonomy as a percentage of total covered assets. Its primary aim is to help stakeholders understand the contribution of financial enterprises to European environmental and climate objectives. GAR serves as a guideline for better managing data flows related to taxonomy and reporting, as well as measuring the performance of companies in which investments are made. Our goal is to increasingly direct capital flows towards sustainable and innovative projects with the aim of reducing CO2 emissions.

The GAR calculation methodology for 2023 has been revised to comply with regulatory frameworks. After classifying and identifying the target customer group, the Bank gathered data on the eligibility and alignment of its customers' activities via the EU Taxonomy Questionnaire, detailing their taxonomy-eligible and taxonomy-aligned shares in business revenues for the primary environmental objectives – climate change mitigation and climate change adaptation.

Using this revised methodology and the available data, the Green Asset Ratio for 2023 is 0.75%.

# 0.75%

Green Asset Ratio

ENVIRONMENT

## FRAMEWORK FOR SUSTAINABLE PRODUCT DEVELOPMENT

With special credit lines, mainly from the Croatian Bank for Reconstruction and Development and the European Investment Bank, HPB ensures portfolio sustainability by funding investments in new technologies and fostering innovation, while meeting EU taxonomy criteria and adhering to the 'Do No Significant Harm' principle.

Consistent with the Bank's strategy, we are actively developing special credit programs aimed at financing sustainable investments, particularly in renewable energy, new technologies, and sustainable construction.

In 2023, the Bank established a Development Framework for Sustainable Products guided by its Policy on Environmental, Social, and Governance (ESG) Factors. This initiative seeks to steer capital and financial investments towards economic activities that are environmentally sustainable, in line with the European Green Deal and the Paris Agreement objectives.

The Bank categorizes products as sustainable if they align with predefined criteria and are tailored to their intended target groups. The Bank is fervently laying the groundwork for the launch and enhancement of such offerings. By providing sustainable products, the Bank plays a pivotal role in fulfilling sustainability objectives, ultimately aiming to boost its Green Asset Ratio (GAR), reflecting its commitment to supporting environmentally sustainable economic growth.

Through the calculation of the Green Asset Ratio, HPB demonstrates the share of its primary banking operations—such as lending, investments, and financing—that are consistent with the taxonomy, in relation to its overall loans and advances, equity holdings, and additional balance sheet assets.



## INCENTIVE-BASED FINANCING AND CONSULTATION INITIATIVES

### Sustainable Financing in Partnership with Development Institutions

Cooperation with development institutions, primarily with, 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. Through partnerships with development banks, HPB has also secured special credit lines for specific groups of entrepreneurs, such as women entrepreneurs, startup founders, and others.

By leveraging these lines, which focus on minimizing financing costs for investments in new technologies and promoting innovation, and by optimizing financial costs for investors from specific groups, including young entrepreneurs, minorities, older individuals, women entrepreneurs, and people with disabilities, the Bank ensures the sustainability of its portfolio. This approach also facilitates access to financing that supports the achievement of macroeconomic and sustainable development goals.

### Joint Initiative for Interest Rate Subsidies

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.

At the beginning of 2023, HPB signed a Cooperation Agreement on interest rate subsidies from the funds of the National Recovery and Resilience Plan (NPOO) with the Croatian Bank for Reconstruction and Development, which is entrusted with the implementation of financial instruments for interest rate subsidies amounting to almost EUR 80 million.

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.

### Easier Access to EU Funds

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.

Additionally, customers have access to comprehensive support in project implementation, including financing at all project stages, issuing guarantees (which are often a prerequisite for advance payment of granted subsidies), managing project accounts, issuing all types of certificates and other documents (letters of intent, confirmations, etc.), with support in closing the financial structure of the project being a key component for the smooth implementation and achievement of project goals.

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. It is important to note that these are high-value projects in terms of increasing the share of the Bank's sustainable assets, as each project complies with the 'Do No Significant Harm' principle and aims to optimize energy consumption and reduce CO2 emissions.

### Supporting Local Community Development

As a socially responsible institution, HPB is dedicated to fostering the development of local and global communities to improve social development standards and contribute to overall societal well-being.

The Bank collaborates with regional self-government units (counties) to support entrepreneurial activities, particularly focusing on small and medium-sized enterprises. These partnerships often allow counties to subsidize financing costs for targeted initiatives identified as priorities within their regions.

### Programs for Extending the Tourist Season

HPB is one of four banks participating in the Private Renters Credit Program in Zadar County. This program aims to enhance the quality of family tourist accommodations and extend the tourist season by offering favourable financing. Zadar County subsidizes the interest rate by 2% through its Program for Allocating Designated, Non-Refundable Funds from the budget.

#### Business Cooperation with Cities and Counties

City / municipality / county	Program / Partnership Initiative
Bjelovar-Bilogora County	Spring Sowing Credit Program 2023
City of Drniš	Interest Rate Subsidy Program for the 'Entrepreneurship Credit Project 2023'
Dubrovnik-Neretva County	Program to Support the Development of Small and Medium Enterprises in Dubrovnik-Neretva County for the period 2022-2024, 'Incentive 2022' Project
City of Vinkovci	Business Cooperation for Interest Rate Subsidies on Loan for Repairs and Maintenance of Common Areas in Residential Buildings
Koprivnica-Križevac County	HBOR Credit Programs 'Youth, Female and Start-Up Entrepreneurship' and 'Private Sector Investments'
Lika-Senj County	'Youth, Women, and Start-Up Entrepreneurship' and 'Working Capital' – Interest Rate Subsidy
Osijek-Baranja County	HBOR Credit Program 'Private Sector Investments' – Interest Rate Subsidy
Zadar County	Program 'Credit for Success' through Interest Rate Subsidies on Loans in Zadar County
Šibenik-Knin County	Small Business Credit Program in Šibenik-Knin County
Primorje-Gorski Kotar County	'Youth, Women, and Start-Up Entrepreneurship' in Primorje-Gorski Kotar County – Interest Rate Subsidy  'Working Capital' in Primorje-Gorski Kotar County – Interest Rate Subsidy
Zagreb County	Programs 'HBOR – Credit Subsidy', 'Youth, Women, and Start-Up Entrepreneurship', 'Working Capital', and 'Private Sector Investments' – Interest Rate Subsidy

The funds are approved for investment projects focused on the renovation and modernization of properties, as well as the procurement of equipment to improve or expand service offerings. For the Bank, this represents an excellent opportunity to support both existing and new customers.

HPB is always prepared to support the development of Croatian tourism and align its objectives and plans with providing top-quality services to private renters.

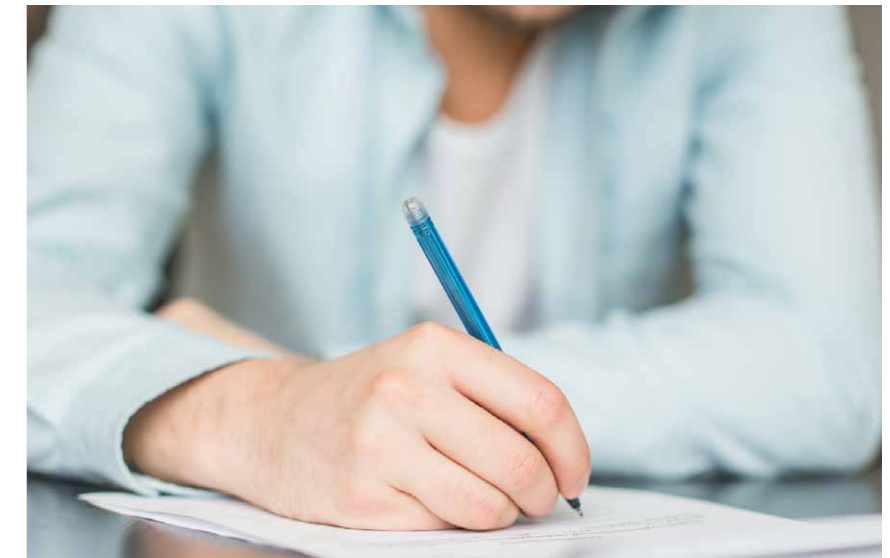
## ESG QUESTIONNAIRE FOR CUSTOMERS

In 2023, in collaboration with the six largest banks in Croatia, a set of questions was developed for a standardized ESG questionnaire to assess environmental, social, and governance impacts. The questionnaire covers all ESG aspects across three segments (environment, society, and governance), with full implementation planned for the first half of 2024.

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 aimed at large business entities with over 500 employees as of the balance sheet date. According to the European Commission's plans, the obligation to complete the questionnaire will eventually extend to small and medium-sized enterprises.

The ESG platform, serving as a centralized hub for collecting information on environmental, social, and corporate governance matters, provides crucial support to entrepreneurs and marks a significant advance towards sustainable financing. At HPB, we take immense pride in the contributions of the Sustainability Office, whose expertise and dedication were instrumental in bringing this major collaborative project to fruition.

HPB is committed to refining business processes to more effectively manage environmental, social, and governance factors and risks. Additionally, we are dedicated to developing and adapting products aimed at financing sustainable projects, with the ultimate goal of improving living conditions and fostering sustainable entrepreneurial initiatives.



# SUSTAINABLE INVESTMENT

As specified under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter: SFDR Regulation), sustainability risk refers to environmental, social, or governance events or conditions that, if they occur, could have a significant negative impact on the value of investments. 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.

It is generally accepted that issuers who poorly manage sustainability risks are more likely to experience adverse events, which can significantly impact various aspects of their operations (e.g., increased costs, reputational damage). Consequently, sustainability risk affects the price of the issuer's financial instruments (market risk), the issuer's creditworthiness (credit risk), and can ultimately contribute to lower liquidity of the instruments (liquidity risk). To mitigate these effects, the Bank manages sustainability risk by monitoring the weighted average ESG score of the portfolio, thereby striving to minimize the impact of sustainability risk on other financial risks.

However, since none of the portfolios currently managed by the Bank are explicitly aimed at sustainable investment or the promotion of environmental and social factors according to Articles 8 and 9 of the SFDR Regulation, these portfolios do not have specific investment restrictions based on sustainability risk.

Sustainable investment involves incorporating environmental, social, and governance (ESG) factors into investment decisions and advice, with the belief that these considerations will drive long-term growth in sustainable economic activities and projects.

At HPB, we strongly believe that integrating ESG factors into our investment process contributes to enhanced long-term returns and overall investment value.

— Antonijo Lokas,  
Executive Director - Financial Markets Division



## Sustainability and Responsible Investment Policy

The Bank's Sustainability and Responsible Investment Policy when providing investment services is published on the Bank's website.

As part of the portfolio management service, the Bank currently manages portfolios that fall into the category of products that do not aim for sustainable investment or the promotion of environmental and social factors according to Articles 8 and 9 of the SFDR Regulation. These are categorized as so-called neutral or mainstream products. However, when making investment decisions, the Bank considers sustainability and recognizes sustainability risks, making sustainability a mandatory part of the investment process.

### Statement 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 addresses the principal adverse impacts of its investment decisions on sustainability factors by implementing exclusion, preference, and engagement policies, as well as by monitoring and measuring these impacts.

For all portfolios under its management, investments in controversial weapons, fossil fuel exploitation, companies that generate revenue through human rights violations, labour and child rights violations, corruption, and bribery, as well as in sanctioned states and authoritarian regimes, are prohibited. Additionally, in managing its portfolios, the Bank focuses on reducing greenhouse gas emissions, carbon footprint, water consumption, energy from renewable sources, hazardous waste, and impacts on biodiversity.

To consider and measure the principal adverse impacts, the Bank uses the regulatory framework and indicators prescribed by the SFDR Regulation and the regulations adopted under this Regulation (Regulatory Technical Standards). The indicators are divided into mandatory indicators applicable to investments in companies, states, and supranational organizations (18 indicators) and additional indicators applicable to investments (one additional environmental and one social indicator). Their measurement depends on the availability and quality of data.

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 Report on Principal Adverse Impacts on Sustainability Factors.

The Bank published its first Report on Principal Adverse Impacts on Sustainability Factors on June 30, 2023, for the year 2022, and the next Report on Principal Adverse Impacts on Sustainability Factors will be published by June 30, 2024, covering the reference period from January 1 to December 31, 2023. This year's Report will include a comparison with data from 2022, showing the positive/negative impacts of the portfolio investments.

When making investment decisions, the Bank employs an internally developed model to evaluate sustainability risk. Given the current challenges of limited data availability in the disclosures of issuers whose securities are part of the portfolios managed by the Bank, our strategy focuses on a model that incorporates sustainability risk through exclusion criteria, preference rules, and active engagement. Additionally, the Bank monitors ESG scores of issuers as reported by Bloomberg and assesses adverse impacts based on published PAI indicators. The Bank plans to introduce portfolios that promote environmental or social characteristics in accordance with Article 8 of the SFDR Regulation.

— Iva Arnaut,  
Head of Investment Banking Unit



The portfolios managed by the Bank are currently concentrated on investments within the Croatian capital market. Due to the limited availability of up-to-date data on principal adverse impacts for a substantial portion of issuers in this market, the Bank identifies, evaluates, and measures these impacts to the best of its ability (on a best-effort basis), taking into consideration the objective circumstances related to data availability and accuracy. Therefore, in addition to gathering data available from issuers' annual reports/sustainability reports and information services like Bloomberg, the Bank employs an engagement approach. This involves direct communication with issuers, typically by sending questionnaires after the publication of annual reports, where issuers provide the necessary missing data directly to the Bank for the Report on Principal Adverse Impacts. Previous experience with direct data collection from issuers has shown varying levels of data submission, depending on the data available to the issuers. For the 2022 data, this applied to a total of 57% of issuers across all portfolios managed by the Bank. The analysis of the data submitted by issuers for 2023 will be completed by June 30, 2024. 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 Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors is published on the Bank's website.

## PROJECT SUSTAINABILITY ASSESSMENT

HPB Real Estate has pioneered the development of a 'Project Sustainability Assessment' to prepare the groundwork for directing capital flows towards more sustainable investments and achieving a climate-neutral Europe by 2050.

While the integration of sustainability principles has been globally promoted in recent years, it remains a relatively new focus for the financial sector in Croatia, requiring further incorporation into financial products and policies.

Our experts at HPB Real Estate have made a significant advance by creating a solution that addresses regulatory requirements and expectations in a comprehensive, encouraging, and educational manner.

This assessment is based on the Taxonomy Regulation and the 'Do No Significant Harm' (DNSH) principle. Key parameters for creating the 'Project Sustainability Assessment' structure include the environmental objectives defined by the Taxonomy and the technical criteria for evaluating the sustainability of various activities.



We launched the development of the 'Project Sustainability Assessment' in the spring of 2023 to align with the European Union's ESG guidelines and the Taxonomy Regulation. This initiative prepares us for the expert evaluation of environmental objectives affecting individual projects or properties. By being early adopters of these changes and anticipating market demands, we have positioned ourselves to tackle emerging challenges effectively.

— Danijela Poljak,  
Director – HPB-nekretnine

The Project Sustainability Assessment provides a description of the planned project and an evaluation of whether the submitted project documentation demonstrates that the project does not cause significant harm to any environmental objective and whether it significantly contributes to climate change. The conclusion of the 'Sustainability Assessment' is not definitive. It is a descriptive summary that outlines the number of environmental objectives for which the project can demonstrate no significant harm to the environment.

The process of developing the final product was challenging, involving the interpretation and understanding of a broad spectrum of activities, economic sectors, and regulatory requirements.

Our goal is to create a tool that the Bank and the wider community can use to identify and promote sustainable investments, thereby unlocking future benefits and financial incentives.

**We are creating prerequisites for steering of capital flows towards sustainable investments and reaching climate Net zero goals by 2050.**



# Corporate Culture and Human Resource Management

## CREATING SUSTAINABLE VALUES

At HPB, our mission to create better living conditions in Croatia shapes everything we do. This mission reflects our unwavering commitment to building sustainable values for our employees and all other stakeholders by making a positive impact on society and the environment through efficient and ethical business practices. It's both a privilege and a responsibility that our employees embrace with passion every day.

As the largest bank in Croatian ownership, Hrvatska poštanska banka thrives on quick decision-making, adaptability, and proactive steps essential for succeeding in today's dynamic banking landscape. Over the years, HPB has firmly established itself as a robust and ambitious institution, continually adding new value to Croatia while empowering our employees to drive change and contribute meaningfully to our achievements and successes.

Sustainability and community engagement are core to our business model and our relationship with our employees. We offer competitive benefits, employment in a rapidly growing and evolving organization, and an outstanding work-life balance—an increasingly important factor when choosing an employer. We believe our employees are the heart of everything we achieve; they are the driving force behind our success and our most valuable asset. At HPB, we proudly champion our team as our greatest strength.

# 62.65%

women in management positions

## DIVERSITY, EQUITY AND INCLUSION

At HPB, we have always championed the development of an organizational culture that respects and values diversity, both within our workplace and the broader community. Equality, transparency, and diversity are at the heart of our core values.

As a proud signatory of the Diversity Charter, we are committed to fostering a better, fairer, and more equitable society every day. With women holding 62.65% of our leadership positions and a workforce that spans multiple generations, HPB truly is a bank for all. Additionally, we are proud to employ 3% of individuals with disabilities and actively participate in initiatives and events that support this vital group. We continuously adapt our business operations to meet our customers' diverse needs and ensure accessible business premises for people with disabilities wherever possible.

Our product offerings reflect our commitment to diversity: gender-specific loans for women entrepreneurs, products tailored to both younger and older customers, and credit lines in partnership with domestic and international institutions to support a wide range of entrepreneurs. This inclusive approach drives economic progress and employment opportunities across the country.

Understanding that mutual respect and the appreciation of diversity begin with each individual, our corporate culture at HPB Group encourages and expects all employees and stakeholders to embrace inclusivity. We see our inclusive culture as a key strength and a driver of our success.

## Principles of Diversity and Non-Discrimination

Embracing our commitment to diversity and non-discrimination, the Bank has established the Principles of Diversity and Non-Discrimination within our Environmental, Social, and Governance (ESG) Management Policy.

	Description
Principle 1 <b>Equality and Non-Discrimination</b>	The Bank is committed to ensuring that all employees have access to equal opportunities for their professional advancement. Direct or indirect discrimination against any person seeking employment or employed based on gender, race, skin colour, ethnic or social origin, genetic features, language, religion or beliefs, political or any other opinion, membership of a national minority, property, birth, disability, age, or sexual orientation is forbidden.
Principle 2 <b>Cultivating Diversity in the Workplace</b>	The Bank is dedicated to fostering a work environment that appreciates and leverages the unique backgrounds and contributions of each team member. The Bank is committed to embracing a workforce from a wide array of backgrounds, championing the inclusion of individuals across all spectrums of gender, sexual orientation, race, ethnicity, religion, disability, age, and beyond.
Principle 3 <b>Promoting Unity and Mutual Respect</b>	It is imperative for Bank employees to adhere to values that cultivate a culture of inclusivity, security, and respect for diversity. Interactions among colleagues are expected to be conducted with utmost respect, contributing to a harmonious workplace atmosphere.
Principle 4 <b>Enhancing Personal and Professional Growth</b>	The Bank is dedicated to empowering every employee to cultivate their unique talents, foster innovation, and embrace creativity. It advocates for pushing beyond the limits in both professional growth and personal advancement.
Principle 5 <b>Fostering Diversity, Equality, and Non-discrimination in Governing Bodies</b>	The Bank actively promotes a culture of equality, diversity, and inclusion within its leadership teams. By adhering to its Diversity Policy, the Bank ensures a balanced representation of genders across its Management and Supervisory Boards, and reinforces these values throughout all levels of managerial roles.
Principle 6 <b>Ensuring a Respectful and Inclusive Work Environment</b>	The Bank stands firmly against discrimination and harassment in any form. It is actively engaged in initiatives aimed at eradicating such behaviours and elevates the consciousness of its workforce regarding the significance of these principles.
Principle 7 <b>Promoting Broad-Based Diversity Awareness</b>	The Bank is devoted to fostering an understanding of diversity's value, not only within its team but also among its broader circle of customers, suppliers, and other stakeholders.

**We believe that embracing and valuing diversity strengthens our organization and drives our success.**

# EMPLOYEE STRUCTURE

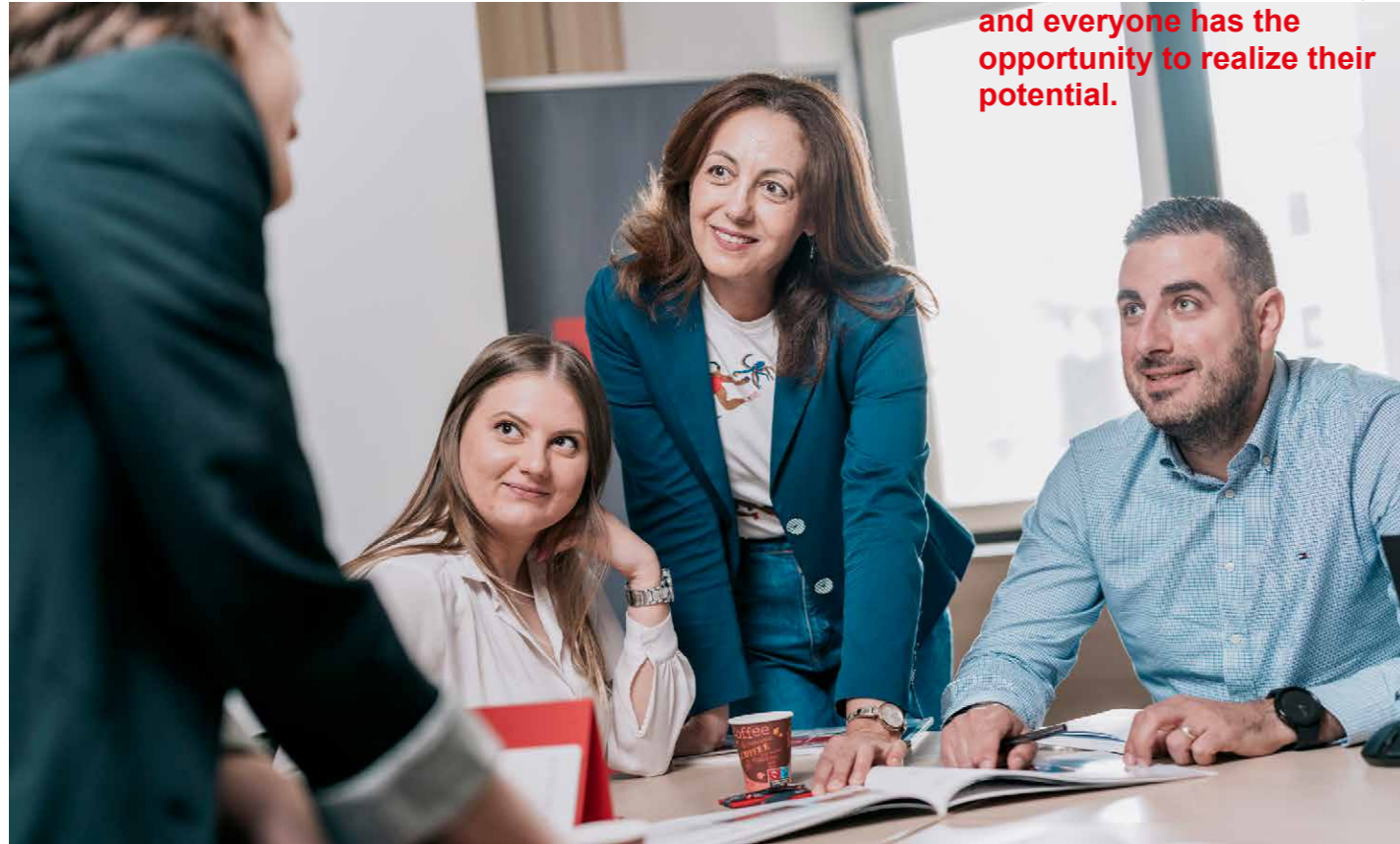
GRI  
2-7, 401-1, 401-2

The increase in our workforce in 2023 is due to the merger with Nova Hrvatska Banka. Despite this significant influx of new employees, our overall employee structure has remained relatively stable compared to the previous year. The only notable change is in the management body, where the percentage of women decreased due to an increase in the total number of members. Our goal for the future is to ensure at least 33.30% representation of women in the management body.

# 1,752

Total number of employees in HPB Group

**We are committed to fostering a fully diverse and inclusive organization where differences are embraced, and everyone has the opportunity to realize their potential.**



## Employee Structure - HPB

	2021	2022	2023
<b>Workplace segmentation</b>			
<b>Management Board and Supervisory Board (total)</b>	6	6	8
m/w (%)	66.66% m / 33.33% w	66.66% m / 33.33% w	75% m / 25% w
below the age of 30	0	0	0
aged 30 - 50	75% m / 100% w	50% m / 100% w	75% m / 100% w
aged over 50	25% m / 0% w	50% m / 0% w	25% m / 0% w
<b>Management levels (total number)</b>	174	187	256
m/w (%)	37.35% m / 62.64% w	34.75% m / 65.24% w	37.89% m / 62.11% w
below the age of 30	0% m / 0% w	0% m / 0% w	0% m / 0.39% w
aged 30 - 50	31.60% m / 47.12% w	28.34% m / 47.05% w	30.47% m / 43.75% w
aged over 50	5.74% m / 15.51% w	6.41% m / 18.18% w	7.42% m / 17.97% w
<b>Professional positions</b>	1111	1131	1454
m/w (%)	25.11% m / 74.88% w	24.12% m / 75.86% w	25.52% m / 74.48% w
below the age of 30	1.80% m / 6.48% w	2.12% m / 7.51% w	3.03% m / 6.88% w
aged 30 - 50	17.91% m / 50.49% w	16.71% m / 49.16% w	16.99% m / 51.93% w
aged over 50	5.40% m / 17.91% w	5.30% m / 19.18% w	5.50% m / 15.68% w
<b>Type of employment relationship</b>			
<b>Fixed-term</b>	44	83	83
m/w (%)	11.36% m / 88.63% w	16.86% m / 83.13% w	37.35% m / 62.65% w
below the age of 30	2.27% m / 52.27% w	10.84% m / 42.16% w	15.66% m / 28.92% w
aged 30 - 50	9.09% m / 36.36% w	4.81% m / 38.55% w	16.87% m / 31.33% w
aged over 50	0% m / 0% w	1.20% m / 2.40% w	4.82% m / 2.41% w
<b>Permanent</b>	1244	1238	1644
m/w (%)	27.49% m / 72.50% w	26.41% m / 73.58% w	26.89% m / 73.11% w
below the age of 30	1.36% m / 3.93% w	1.21% m / 4.03% w	1.89% m / 4.68% w
aged 30 - 50	20.49% m / 50.40% w	19.38% m / 49.43% w	19.16% m / 51.52% w
aged over 50	5.62% m / 18.16% w	5.81% m / 20.11% w	5.84% m / 16.91% w
<b>On request (e.g. work contract)</b>			
m/w (%)			40% m / 60% w
below the age of 30			n/a
aged 30 - 50			n/a
aged over 50			n/a

Employee Structure - HPB Invest

	2021	2022	2023
<b>Workplace segmentation</b>			
<b>Management Board and Supervisory Board (total)</b>	5	5	5
m/w (%)	80% m / 20% w	80% m / 20% w	80% m / 20% w
below the age of 30	0% m / 0% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	80% m / 20% w	80% m / 20% w	80% m / 20% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 0% w
<b>Management levels (total number)</b>	4	3	3
m/w (%)	0% m / 100% w	0% m / 100% w	0% m / 100% w
below the age of 30	0% m / 0% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	0% m / 100% w	0% m / 100% w	0% m / 100% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 0% w
<b>Professional positions</b>	6	6	6
m/w (%)	50% m / 50% w	20% m / 80% w	16.67% m / 83.33% w
below the age of 30	16.66% m / 16.66% w	16.60% m / 16.60% w	0% m / 0% w
aged 30 - 50	33.33% m / 33.33% w	16.60% m / 50% w	16.67% m / 66.67% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 16.67% w
<b>Type of employment relationship</b>			
<b>Fixed-term</b>	1	1	2
m/w (%)	100% m / 0% w	100% m / 0% w	50% m / 50% w
below the age of 30	0% m / 0% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	100% m / 0% w	100% m / 0% w	50% m / 50% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 0% w
<b>Permanent</b>	9	9	9
m/w (%)	22.22% m / 77.77% w	11.11% m / 88.88% w	11.11% m / 88.89% w
below the age of 30	11.11% m / 11.11% w	0% m / 0.09% w	0% m / 0% w
aged 30 - 50	0% m / 77.77% w	11.11% m / 77.77% w	11.11% m / 77.78% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 11.11% w

Employee Structure - HPB-nekretnine

	2021	2022	2023
<b>Workplace segmentation</b>			
<b>Management Board and Supervisory Board (total)</b>	4	4	4
m/w (%)	50% m / 50% w	50% m / 50% w	50% m / 50% w
below the age of 30	0% m / 0% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	50% m / 50% w	50% m / 50% w	50% m / 50% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 0% w
<b>Management levels (total number)</b>	1	2	2
m/w (%)	100% m / 0% w	100% m / 0% w	100% m / 0% w
below the age of 30	0% m / 0% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	100% m / 0% w	100% m / 0% w	100% m / 0% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 0% w
<b>Professional positions</b>	12	12	11
m/w (%)	25% m / 75% w	16.66% m / 83.33% w	18.18% m / 81.82% w
below the age of 30	8.33% m / 25% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	8.33% m / 50% w	8.33% m / 83.33% w	9.09% m / 81.82% w
aged over 50	8.33% m / 0% w	8.33% m / 83.33% w	9.09% m / 0.00% w
<b>Type of employment relationship</b>			
<b>Fixed-term</b>	0	0	0
m/w (%)	0% m / 0% w	0% m / 0% w	0% m / 0% w
below the age of 30	0% m / 0% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	0% m / 0% w	0% m / 0% w	0% m / 0% w
aged over 50	0% m / 0% w	0% m / 0% w	0% m / 0% w
<b>Permanent</b>	13	12	14
m/w (%)	30.76% m / 69.23% w	16.66% m / 83.33% w	28.57% m / 71.43% w
below the age of 30	0% m / 23.07% w	0% m / 0% w	0% m / 0% w
aged 30 - 50	23.07% m / 46.15% w	8.33% m / 83.33% w	21.43% m / 71.43% w
aged over 50	7.69% m / 0% w	8.33% m / 0% w	7.14% m / 0% w

# SELECTION PROCESS

To fill open positions at HPB, we deploy a variety of recruitment channels: internal and external job postings, our internal database of open applications, proactive searches through external candidate databases and headhunting agencies, as well as internal employee referrals.

Our selection process involves not only our professional colleagues but also psychologists from the Employee Development and Organizational Capacity Department to ensure adherence to the Ethical Code and the Law on Psychology.

The hiring process is governed by our Recruitment Procedure, which mandates that all decision-makers in the selection process must ensure that their reasons for selecting or disqualifying candidates do not include any criteria that are contrary to the Bank's Ethical Code regarding discrimination or any other legal acts regulating discrimination. We do not tolerate favouritism or direct or indirect discrimination based on race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership in a national minority, property, birth, disability, age, or sexual orientation.

Throughout the recruitment process, from start to finish, candidates are informed about the Bank's policies on diversity and inclusion. This information is available on our career website, in the survey following the job posting closure, and in the public announcement of selected candidates. During the application process, candidates provide information about their right to employment priority according to specific regulations of the Republic of Croatia, which we closely monitor to ensure proper handling. All job postings clearly state that applications from all genders are welcome. After the job posting closes, all candidates have the right to appeal and can complete an anonymous survey to provide feedback on any irregularities.

In 2023, we reduced the duration of the selection process, and this remains a goal for the coming years.

The turnover rate increased slightly in 2023 to 11.90% due to the merger with Nova Hrvatska Banka

HPB Group also employs students and external collaborators through student contracts and work agreements. Last year, 22 students were engaged mainly for administrative and support tasks, data processing, and similar roles, and 10 external collaborators were engaged under work agreements for specific projects, training implementation, data processing, digitization, and similar tasks.

The Bank adheres to the Labour Act, which requires that an employment contract be issued to the employee before they begin 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. During reorganizations, it is our standard practice to provide employees with their updated contracts 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.

## Employee Turnover

	2021	2022	2023
Duration of the selection process (in days)	46,48	54,75	54
Turnover rate (%)	9,00%	9,50%	11,90%
<b>Number of new hires</b>	106	156	165
m/w (%)	29% m / 71% w	26% m / 74% w	39% m / 61% w
below the age of 30	31	56	55
aged 30 - 50	72	94	95
aged over 50	3	6	15
<b>Number of leavers</b>	117	120	210
m/w (%)	34% m / 66% w	38% m / 62% w	28% m / 72% w
below the age of 30	10	19	39
aged 30 - 50	90	85	141
aged over 50	17	16	30
<b>Number of recruitment procedures</b>	64	91	98
Internal (%)	28,12%	35,16%	14,29%
External (%)	46,88%	42,86%	50,00%
Internal + external (%)	25,00%	21,98%	35,71%

# BUILDING RESILIENCE THROUGH PROFESSIONAL TRAINING AND DEVELOPMENT

GRI 404-1, 404-2

Recognizing that the world is evolving faster than ever, impacting our work, we continuously invest in the knowledge and education of our employees. We regularly conduct both mandatory and voluntary training sessions, both external and internal, for all staff members.

In 2023, we offered a significant number of training sessions across various business areas, both internally and externally. Additionally, employees had the opportunity to utilize digital platforms for individual learning. Our eLearning platform facilitated twice as many training sessions compared to the previous year, with a strong focus on SPNFT, compliance, corporate security, HR, and specialized banking knowledge.

Type of Training	Number of Trainings in 2022	Number of Trainings in 2023
Internal	65	95
External	318	240

We also ensured that our management team participated in various training sessions throughout 2023, covering topics such as corporate governance, employee benefits, risk management, anti-money laundering, market analysis, and more. Additionally, we conducted an introductory training for newly appointed Board members, focusing on familiarizing them with our internal organization and processes.

In 2023, we proudly launched our inaugural program to co-finance employee education, marking a strategic investment in enhancing our workforce's skills to boost overall business performance. This initiative aimed to make advanced education more accessible to our employees and to ensure a fair and transparent allocation of educational funding. We approved co-financing for 12 colleagues, confident that the valuable knowledge they acquire will greatly enhance their professional and personal growth. This, in turn, will significantly strengthen the Bank's capacity to achieve its business objectives.

— **Romana Čačić**,  
Head of People and Organization Capacity Development Unit



**335**  
training sessions

## Advancing Analytical Skills

In 2023, we continued to invest in the professional growth of our employees through the Data Nursery program. This initiative focuses on enhancing data and analytical competencies, raising awareness about effective data management, and guiding HPB towards a data-enabled future by establishing a Data Centre of Excellence. Participants mastered basic and advanced SQL, Power BI, AI concepts, and took part in workshops on creative thinking, problem-solving, and critical thinking. The program, which was also showcased at several international conferences, included three internal and five external training sessions, involving 106 employees.

Sharing knowledge is pivotal in developing analytical competencies. This is why, for the second consecutive year, we hosted the Data Conference titled 'Drivers of Change: How AI and Data Define Tomorrow's World'. The conference featured presentations of best data practices by participants, a guest lecture, a panel discussion, and a data quiz.

— **Monika Švogor**,  
People and Organization Capacity Development Senior Specialist



## Preparing for Leadership Roles

For colleagues in leadership positions, we launched the "First-Time Manager" Leadership Incubator, designed to enhance leadership skills across the entire Bank in the long term. This incubator is structured as a modular internal knowledge transfer program, where participants in small groups attend leadership training sessions over several months. The program aims to prepare colleagues taking on managerial roles for the first time by familiarizing them with key HR processes and tools, leadership skills, and knowledge from other specialized areas such as data management, project management, and financial management.

In the first year of this educational program, three cycles were conducted, involving more than 50 managers. Participants cumulatively achieved over 200 hours of internal and 600 hours of external training, in addition to engaging in self-directed learning activities.

## HPB Start - Onboarding Program for New Employees

For new colleagues, we continued with the HPB Start program, a comprehensive and continuous onboarding initiative. Upon joining the organization, each new employee is provided with a specific customized onboarding (development) plan which is consistently monitored and evaluated in the first six months of employment. The line manager, supported by HR, is responsible for creating, communicating, and evaluating the development plan, ensuring regular feedback is given. This approach promotes openness and transparency throughout the organization.

## PERFORMANCE MANAGEMENT

HPB Group continuously enhances its performance management processes, prioritizing transparency in goal setting for both the Bank and each individual employee. Managers receive ongoing training in goal-setting techniques, with a particular focus on aligning individual goals between managers and employees.

This performance management process steers the Bank towards achieving its strategic objectives and maintaining long-term sustainable operations. By defining goals and establishing measures to track their progress, we clearly communicate expectations to all employees. This approach ensures the improvement of performance at the individual, team, and Bank-wide levels. Additionally, it supports the ongoing development of individuals and teams, fostering behaviour that aligns with our corporate values.

## ORGANIZATIONAL VITALITY

GRI  
404-3

As part of our ongoing efforts to manage and foster a desirable organizational climate, corporate culture, and employee engagement, we conducted our organizational vitality survey for the third consecutive year in 2023, achieving a high response rate of over 80%. This year, we saw a significant increase in our organizational vitality index, with the main categories surveyed maintaining or improving their positive overall results.

We consistently observed high scores in areas such as employee motivation, empowerment, engagement, and relationships with line managers. Compared to the previous survey, the most significant improvements were in satisfaction with direct leadership and managerial fairness, satisfaction with reward systems, opportunities for development and advancement, and perceptions of leadership and organizational success.

Employees cited several top reasons for recommending HPB as an employer, including a pleasant work environment and relationships, organizational and job security and stability, and good benefits, salary, and working conditions. These positive results can be attributed to various organizational initiatives, such as increased employee benefits, enhancements in the performance management system, the continuous implementation of merit-based raises, advancements in employee development and internal promotions, the merger with Nova hrvatska banka, and targeted action plans for improvements at the unit level.

Survey results were shared with all employees, and management collaborated with their teams to develop action plans for necessary improvements. The Bank's Management Board, in partnership with the Human Resources Management Office, continues to oversee the implementation of these plans. This approach underscores the Bank's dedication to valuing and respecting employee feedback, addressing shortcomings collaboratively, and striving to make HPB an even better employer.

**80%**  
.....  
response rate of  
organizational  
vitality surveyi



# GENDER PAY GAP

GRI  
3-3, 401-2, 401-3

In the category of identified employees, there is no significant difference in the gross hourly wage of women compared to men. In this category, it was observed that the gross hourly wage for women is 3.2% higher than for men.

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 -11.8% less in relation to men.

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 -21.6% less in relation to men. Given that the highest average wage at the job level in this category is 130% higher than the lowest average wage, it was concluded that the category is too broad for comparison. Therefore, an analysis was conducted by job levels, showing that there is no significant pay gap between men and women within any category, with differences in wages within acceptable margins (less than 10%).

Throughout 2023, the Bank consistently focused on enhancing employee benefits. Alongside the standard two annual raise cycles, the amounts of non-taxable wage supplements were also increased. These measures have helped mitigate the inflationary effects on our employees' financial stability, and we remain committed to continuing these efforts.

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 8.82.

## Remuneration Data

	Number of Employees as of 31 Dec 2023		Pay Gap (per hour)
	Men	Women	%
Supervisory Board	1	2	-1%
Management Board	5	0	-
Identified employees (excluding MB and SB)	34	30	3,2%
Other employees (managers)	33	70	-11,8%
Other employees (executives)	401	1154	-21,6%

# WORK-LIFE BALANCE

GRI  
3-3, 401-2, 401-3

At HPB, we are committed to creating an environment that fosters a better work-life balance by offering a range of benefits:

- **Remote work:** Most positions at the Bank offer up to three days of remote work per week, helping employees balance work and family responsibilities more effectively.
- **Shortened Fridays:** HPB has adopted a working hours model of 8.5 hours from Monday to Thursday and 6 hours on Friday, allowing employees to start their weekends earlier.
- **Flexible Working Hours:** The Bank provides flexible working hours, enabling employees to adjust their schedules by one hour to better meet their personal needs.
- **Favourable Banking Services and Products:** HPB employees enjoy favourable fees, loan interest rates, and other financial services, including excellent loan terms for those seeking to purchase or renovate their dream home.
- **Support for Growing Families:** We offer financial support for employees who are parents or adoptive parents, providing monetary assistance for the birth or adoption of a child.
- **Kindergarten Subsidies:** To ease the financial burden for parents with kindergarten-aged children, we subsidize a portion of kindergarten costs.
- **Holiday Gifts:** Each year, children up to 15 years old receive a gift for St. Nicholas Day.
- **Additional Vacation Days:** Employees receive an extra vacation day for each child under 15 years old.
- **Special Leave:** We provide special leave for significant life events, allowing employees to spend more time with their loved ones. Additional leave is available for marriage or life partnership, the birth or adoption of a child, and the first day of school or kindergarten.

## Jubilee Awards and Parental Leave Data

	2023 Data
Number of jubilee award recipients	194
Number of birth/adoption gifts	50
Parental leave usage - men	14
Paternity leave	18
Parental leave usage - women	70
Return rate after maternity leave	1%

# FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

All employees are granted the freedom to associate, championed by the HPB union, with the goal of enhancing the working conditions, material well-being, and social status of the Bank's staff.

The collective agreement secures various material rights and benefits for employees, including financial entitlements for those retiring from employment.

In 2023, an addendum to the collective agreement was signed to counteract the inflationary impacts on our employees' financial stability.

The collective agreement applies to all employees except the Management Board.

# OCCUPATIONAL HEALTH AND SAFETY

In compliance with the Occupational Health and Safety Act, evacuation and rescue drills are conducted at all Bank locations every two years for all employees.

Additionally, our eLearning platform provides continuous training on information security, proper use of the Bank's information systems, and occupational safety.

As part of the "Health Friendly Firm" project, we continued to conduct Health Fairs in collaboration with the Croatian Institute of Public Health (HZJZ) and regional public health institutes. These fairs were held in Zagreb, Osijek, Split, and Rijeka, with approximately 150 employees participating. Employees had the opportunity to measure blood sugar and blood pressure, analyze body composition, raise awareness about the negative effects of smoking and alcoholism, and learn about mental health.

Continuing the "Health Friendly Firm" initiative, the Bank will carry out activities to promote health and occupational safety. These include intranet posts, health promotion campaigns, enhancing the safety of employees and customers, and procuring automated external defibrillators and crisis survival backpacks. In 2023, we recorded 15 workplace injuries.

All HPB employees have supplementary and additional health insurance, which includes a comprehensive medical check-up, for which employees can take a day off. Employees are also entitled to a day off for blood donation.

## Mental Health Support

Since 2021, HPB has offered psychological counselling services to employees at the employer's expense, making mental health resources more accessible. Regular internal communication encourages employees who might benefit from this service to utilize it. The counselling is provided by an external partner, ensuring employees' privacy and confidentiality. Approximately 45 employees have used this benefit since its introduction. Additionally, understanding that some roles in banking can occasionally involve stressful situations like robberies, HPB provides timely and adequate support through psychological crisis interventions.



GRI  
2-30, 201-3,  
403-1, 403-2, 403-3,  
403-4, 403-5, 403-6,  
403-7, 403-8, 403-9

## HPB's Sports Spirit

We promote a healthy lifestyle through HPB Sport, which has seen a continuous rise in membership. In 2023, we proudly had 400 colleagues participating in one of the 8 team sports and 2 special teams (hiking and running).

Key Activities in 2023:

- HPB Sports Games 2023
- 50th Jubilee Banking Games – Mali Lošinj
- Wings for Life – Zadar
- HPB Tennis, Chess, and Belote Tournament
- 2nd Memorial Basketball Tournament Zlatko Bazianec – 'Haki for Zlatko'
- B2B Run – Zagreb
- Hiking in Northern Velebit National Park (Premužić Trail)
- Advent Run – Zagreb
- Traditional HPB Sport Christmas Sports and Charity Tournament
- MNT Kutija Šibica (Small-Sided Football Tournament)

Additionally, to further encourage all Bank employees to stay physically active, we offer benefits such as reimbursement for the use of the Multisport card.

# 400

HPB Sport members



In the course of 2023, we launched a range of activities to cultivate a sports culture within the Bank, nurturing our corporate values of unity, teamwork, and humanitarianism. We organized multiple group training sessions and facilitated our athletes' participation in various sports events across Croatia. Moreover, 54 colleagues took part in the banking games, where we secured 6 medals.

— **Marijana Klišanin,**  
Secretary at HPB Sport





# RECOGNITION FOR HPB AS AN EMPLOYER

Employer Partner

7<sup>th</sup>

consecutive year

To earn the Employer Partner Certificate, companies must score at least 75% across 30 HR-related criteria. In 2023, HPB achieved an outstanding 83%, showcasing our dedication, particularly in light of the recently revised certification methodology and more stringent criteria. This remarkable result underscores our long-term commitment to employee development and education, the enhancement of employee rights through the Collective Agreement, our investment in a new employee application, and our continuous efforts to improve the organizational climate, culture, and engagement through ORVI surveys, alongside our high standard of HR reporting.

— Ana Đidara,  
HR Director



For the seventh consecutive year, the Bank is honoured to receive the Employer Partner Certificate. This accolade acknowledges excellence in human resource management processes and supports the attraction of top talent, the continuous improvement of processes, and the enhancement of motivation, engagement, and satisfaction among current employees.



In 2023, we achieved a significant increase in our organizational index vitality, with the main categories surveyed maintaining or improving their positive overall results.



# Community Care

## HPB: BUILDING SAFER SCHOOLS AND KINDERGARTENS

GRI 203-2, 413-1

HPB is a proud sponsor of the Red Cross program 'Safer Schools and Kindergartens', which is implemented nationwide at the start of each school year.

The program's objective is to systematically educate children and staff in kindergartens and schools on preparedness and appropriate responses during emergencies such as earthquakes, climate change-related events, stressful situations, and the provision of first aid.

To date, more than 30,000 children and 2,000 educational staff from 289 kindergartens and 114 primary schools have participated in the program.

In alignment with our mission, HPB has supported this initiative to actively contribute to societal advancement through practical measures.

By providing 30 essential first aid kits to schools and kindergartens, HPB underscores the importance of collective and individual efforts in building a safer society. This commitment to community care is a reflection of HPB's dedication to responsible business practices in everyday operations.

# 30

.....  
first aid kits provided to schools and kindergartens



SOCIAL

# COMMUNITY ENGAGEMENT THROUGH VOLUNTEER ACTIONS

GRI 203-2, 413-1

## 7

### volunteer initiatives



In 2023, our employees continued their volunteer activities through the corporate program 'Volunteer for Croatia,' providing crucial support to those in need and contributing to environmental conservation.

In 2023, the volunteer community at HPB saw significant growth, culminating in a total of seven volunteer initiatives involving over 100 employee volunteers.

- **House of St. Francis, Vugrovec:**  
Volunteers renovated the outdoor play and socializing area for children without adequate parental care, including sanding and painting benches, painting playground equipment, and tending to flower beds.
- **Šapice Animal Shelter Association:**  
Volunteers mowed lawns, trimmed branches and hedges, raked, weeded, and cleaned the shelter's outdoor space. They also donated dog food, leashes, shelves, towels, blankets, sawdust, and other useful items.
- **St. Duh Soup Kitchen:**  
Volunteers assisted in sorting food and distributing meals and groceries to those in need.
- **Missionaries of Charity Soup Kitchen:**
  - Volunteers distributed food and participated in other supportive activities, including dishwashing, window cleaning, floor mopping, and general cleaning of the premises.
  - Ahead of the holidays, volunteers beautified the Missionaries of Charity Soup Kitchen in Zagreb. Besides cleaning the space for residents, they decorated a Christmas tree and the dining area to create a festive atmosphere.

- **Magic Forest Reforestation in Vukovar:**  
As part of Magic Forest's 'Project O2,' volunteers helped reforest hard-to-reach, logged, or fire-damaged areas in Vukovar at two locations—the 'horse-shoe' and the centuries-old Adica Park Forest. They planted 100 oak seedlings with students from Blage Zadre Elementary School.
- **Christmas Gift Giving - House of St. Francis, Vugrovec:**  
Volunteers delivered Christmas gifts donated by bank employees to 30 children at the House of St. Francis in Vugrovec. In addition to individual presents, the children received packages of hygiene products, toys, and sweets.

In 2023 the Bank adopted the Employee Corporate Volunteering Regulation, which outlines the management of corporate volunteering. This regulation aims to achieve various elements of socially responsible business, such as upholding positive values, practicing good governance and ethical business, building trust and relationships, and having a positive social impact on the community, ensuring effective coordination of corporate volunteering within the organization.



HPB's 'Volunteering for Croatia' project has garnered significant recognition beyond our organization, earning a special commendation that celebrates our collective volunteer efforts. We are proud to announce that the Bank received the prestigious award in the Business Sector category at the 2023 Volunteer Oscar event. This honour, organized by the Volunteer Centre Zagreb and supported by the City of Zagreb and the Ministry of Labour, Pension System, Family, and Social Policy, underscores the impactful contributions our volunteers have made to the community.

— Mirela Strakoš,  
Head of Corporate Communications Unit



# FINANCIAL LITERACY PROGRAMS

GRI  
203-2, 413-1

Financial support  
for the first  
savings account  
for

100

scholarship  
recipients

With the goal of advancing financial literacy of customers, especially focusing on younger generations, HPB Group has carried forward its enduring "HPB for Financial Literacy" initiative, implementing a variety of educational programs accessible to both citizens and entrepreneurs, and diligently fostering knowledge development in new generations.

In 2023, a key highlight was the partnership with the "Croatia for Children" Foundation, part of their "Already 15" campaign. The Bank contributed to the "Financial Knowledge – The Road to Prosperity" educational project, offering financial insights to the Foundation's beneficiaries. Moreover, HPB facilitated financial contributions towards the first savings for 100 of their scholars.

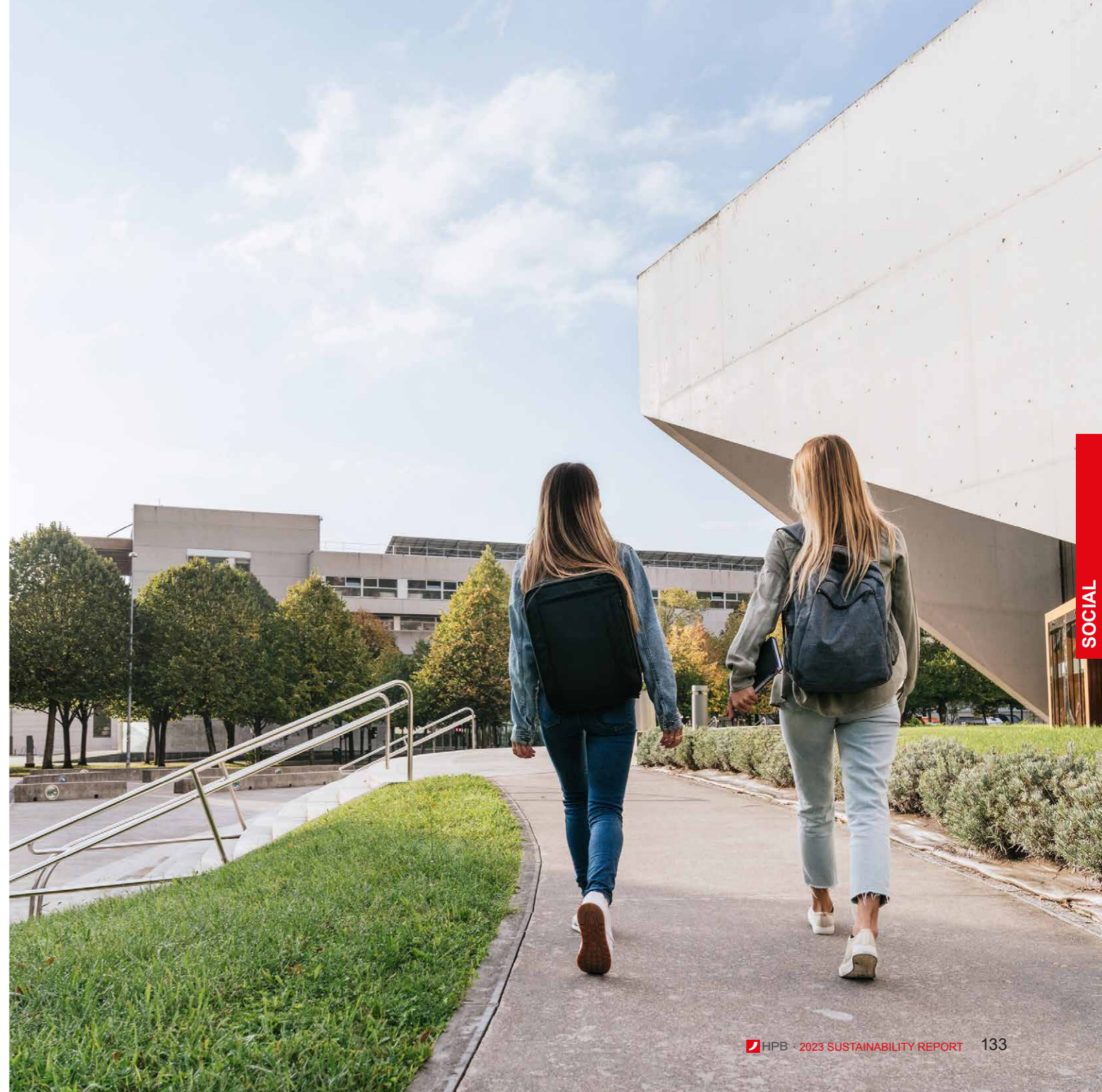


Enhancing its program, HPB participated in the Toni Milun 2.0 Financial Literacy Conference in Zagreb, Split, Osijek, and Rijeka, where Bank staff delivered well-attended sessions on loans and card services. Engaging in the European Money Week (EMW), celebrating Savings Day, and conducting various educational initiatives throughout year-round, we continue to advance activities crucial for the financial futures of diverse generations.

In preparation for World Savings Day on October 31, we organized meetings with children and youth in kindergartens, schools, and our centres. Financial literacy is crucial from an early age, particularly in financial planning and saving.

The Bank remains dedicated to the financial education of children and youth, a responsibility regularly undertaken by colleagues from our centres. For World Savings Day, our centre colleagues prepared engaging financial education sessions for the youngest, emphasizing the importance of saving.

Throughout 2023, the Bank's centres facilitated interactions with primary and secondary school students. These sessions covered key topics such as saving, responsible money management, the introduction of the new currency, and the Bank's products and services, making financial subjects more accessible and demonstrating the Bank's operations. Our branch network colleagues continue to diligently educate young people and other interested citizens about fundamental financial literacy concepts and provide adults with relevant information to make informed financial decisions.



SOCIAL

## COLLABORATION WITH THE ACADEMIC COMMUNITY

GRI  
203-2, 413-1

Through continuous and successful collaboration with the academic community, HPB demonstrates its commitment to customers and the broader community, establishing a positive image as a desirable employer. By supporting academic initiatives and consistently investing in education and mentorship, HPB is well-positioned to attract new talent.

We take pride in our bank's extensive collaboration with the academic community this year. Our participation in student competitions, career fairs, and panel discussions is part of our annual employer branding plan, designed to position the Bank as a socially responsible and desirable employer. These activities help us attract future talents and ensure a steady influx of high-quality candidates from the labour market.

In the first half of 2023, the Bank supported four student competitions (STEM Games, TVZ Mc2, Money Motion Student Hackathon, Organize Your Talk 2023) and sponsored awards for the top students at FERIT. Our colleagues represented the Bank at career days at University Sjever, the Polytechnic of Šibenik, and the Zagreb University of Applied Sciences, sharing their knowledge and expertise in panel discussions at the Bug Future Show and EDUkarijera - Education for Future Careers conferences. Additionally, students from the University of Applied Sciences "Lavoslav Ružička" in Vukovar selected HPB for their study visit.



## CONSUMER PROTECTION

GRI  
2-25, 3-3,  
416-1, 416-2, 418-1

### Commitment to Service Quality

HPB has implemented a Consumer and Non-consumer Protection Policy that provides a framework for effectively addressing unfair business practices, unfair contractual terms, prohibited advertising, unsafe products, and poor-quality services. This policy encompasses a set of measures and activities aimed at protecting both consumers and non-consumers in the offering, contracting, and utilization of the Bank's financial products and services.

As part of its ongoing efforts, the Service Quality Office initiated a series of workshops last year titled 'Quality Wednesdays,' which address various aspects of service quality. While this topic is often linked to employees who directly interact with customers, it also pertains to internal communication among staff, ultimately impacting the overall service quality provided to customers.

These workshops emphasize the influence of communication on service quality, focusing on factors that affect the perception of the interlocutor. Since many of these factors are often overlooked and, therefore, unmanaged, the goal of the workshops is to show how controlling communication and interaction styles can prevent misunderstandings and potential conflicts, thereby reducing complaints. The positive results of 2023 support this approach, with a 75.8% decrease in complaints submitted to the Bank compared to 2022.

# - 75.8 %

reduction in complaints

### Personal Data Protection

HPB has implemented a robust data protection management system that adheres to the requirements of the General Data Protection Regulation (GDPR) in its operations. The Bank prioritizes employee training, promotes transparency in customer communications, and collaborates with supervisory authorities.

The Bank has appointed an independent Data Protection Officer (DPO) who ensures the protection of the personal data rights of customers, employees, and contractual partners.

Last year, there was one substantiated complaint regarding a privacy breach.

Comprehensive information about the processing of personal data for customers, employees, business partners, and other individuals is publicly available on the Bank's website.

Last November, HPB participated in the conference 'Data Protection and Modern Technologies with a Focus on AI and ChatGPT Applications in Work. Danijela Pedić, Head of the Data Protection Unit, spoke as a panellist about the crucial role of the Data Protection Officer in ensuring compliance with data processing standards in the context of emerging technologies. She emphasized that the role demands continuous learning and education to effectively support institutional business processes. Conferences like these are essential for raising awareness about the importance of the Data Protection Officer's role in organizations.

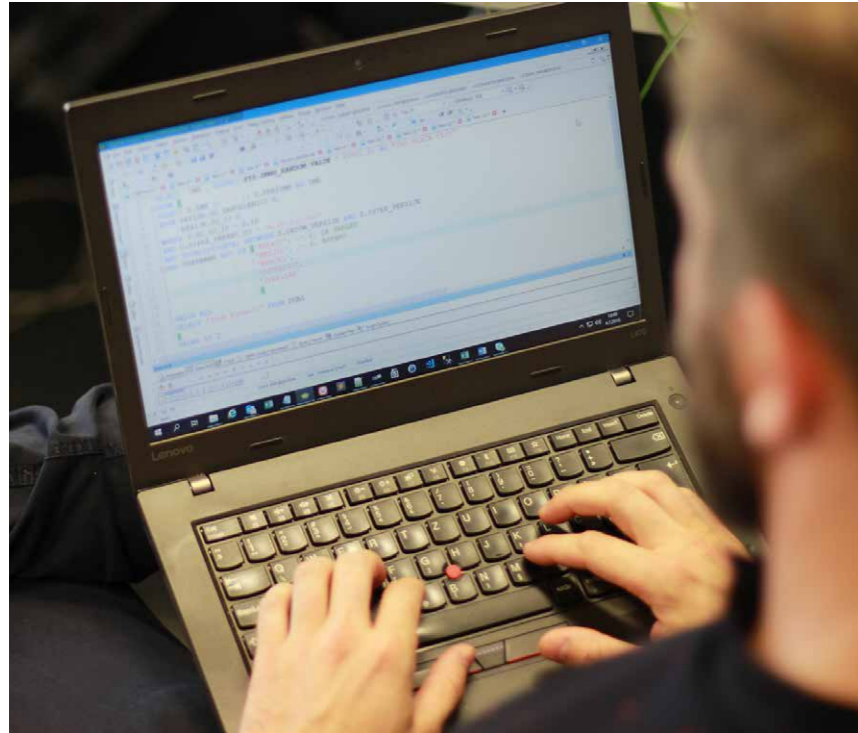
## Cybersecurity and Resilience

Ensuring cybersecurity and effectively countering attacks that target the confidentiality, integrity, or availability of information and information systems is a top priority for the HPB Group.

We treat the data of our customers and business partners with the highest level of care, taking into account factors that influence information security, including threats, technologies, and the regulatory environment.

The Bank has implemented a comprehensive information system management framework comprising various organizational and technical measures to identify and manage potential threats at the earliest possible stage. We have established a specialized unit that focuses on physical, technical, and mechanical security, as well as protection against cyber threats.

Vigilant and informed employees are essential in safeguarding the HPB Group from security threats. To reduce risks, HPB Group conducts regular security testing and ongoing employee training to raise awareness about information security.



**We treat the data of our customers and business partners with the highest level of care, taking into account factors that influence information security, including threats, technologies, and the regulatory environment.**

GRI  
3-3, 416-1,  
416-2

## Commitment to Human and Children's Rights

At HPB, we prioritize social responsibility and the respect for human rights. As part of our mission, we strive to ensure every child has a safe and healthy future by adhering to the highest standards in employment, working conditions, and child protection.

HPB strictly adheres to the minimum age requirements for employment, in compliance with international standards and legislation, to protect children from potential risks.

We also recognize all the rights that children are entitled to under the United Nations Convention on the Rights of the Child. This ensures every child, regardless of their background, status, or conditions, has the right to life, survival, development, and participation in society.

In 2023, emphasizing the importance of protecting human and children's rights, the Bank adopted the Principles of Human and Children's Rights, integrating them into its business processes and internal policies. Consistent with our values and commitments, we will continue to take necessary steps to maintain the highest standards in child protection. This includes educating our employees about children's rights, supporting local initiatives focused on child rights, and collaborating with organizations that promote child welfare.

### Principles of Human Rights Protection

1. Respect for labour rights
2. Prohibition of harassment and discrimination
3. Prohibition of forced labour, slavery, and human trafficking
4. Protection of employee health and safety
5. Work-life balance

## Commitment to Safeguarding Children's Rights

1. Incorporating children's rights
2. Eradication of child labour
3. Support to young workers, parents and guardians
4. Respecting and supporting children's rights in marketing and advertising
5. Development of safe products and services in line with children's rights
6. Collaborative engagement with communities and stakeholders for children's rights
7. Monitoring the effects on children via community and environmental engagement

### Caring for the Youngest with UNICEF

In collaboration with UNICEF Croatia, HPB aims to contribute to better conditions for children worldwide. By participating in UNICEF programs such as Guardians of Childhood and Partnership with Small and Medium Enterprises, and through regular monthly donations from the Bank and our customers, we support numerous activities for children in challenging social circumstances. Our goal is to help create a better world for children and society as a whole.

GRI  
408-1

# SPONSORSHIPS AND DONATIONS

GRI  
413-1, 203-1

To foster community development and environmental preservation, HPB Group actively supports and promotes projects of cultural, scientific, and social importance through its donations and sponsorships.

In 2023, HPB allocated nearly EUR 300,000 for donation activities. These funds were focused on supporting sports activities, preserving culture and tradition, and enhancing the working conditions of educational and scientific institutions, as well as humanitarian organizations, particularly those dedicated to children and youth.

In addition, HPB invested a total of EUR 904,000 in sponsorships throughout the year, backing various sports, cultural, educational, scientific, and ecological projects.

We maintain transparency by regularly reporting the amounts and purposes of our donations and sponsorships on our website.

Donations by Segments	In EUR
Children and youth	1,800.00
Elderly and sensitive groups	11,950.00
Sport	232,335.00
Culture	1,500.00
Science	1,000.00
Humanitarian	29,129.00
Other	21,636.00
Total:	299,350.00

Sponsorships by Segment	In EUR
Science	21,239.00
Education	25,708.00
Sport	421,244.00
Culture	346,582.00
Ecology	12,000.00
Corporate	54,125.00
Other	23,615.00
Total:	904,513.00

Donations	
2022	135,809.57
2023	299,350.00

Sponsorships	
2022	447,418.54
2023	904,513.00

**With our initiatives, business collaborations and humanitarian work we aim to provide support where is most needed, guided by necessities of society and the community that surrounds us.**





# Highest Standards of Corporate Governance

## GOVERNANCE STRUCTURE AND ROLE OF THE GOVERNING BODY

**To us, responsible business means operating with integrity, prioritizing sustainability, and embracing inclusivity. We ensure compliance with all legal and regulatory requirements while always being mindful of our impact on stakeholders, society, and the environment.**

As outlined in HPB's Articles of Association, the Bank's corporate governance is structured on a dual system comprising the Management Board and the Supervisory Board, alongside the General Assembly. These key governing bodies work together to ensure effective corporate governance, with clear procedures established for the operation of each body. Although the Management Board and the Supervisory Board have distinct roles, they jointly bear the responsibility for the Bank's long-term success and the alignment of its strategy with the broader interests of society.

HPB Management Board is responsible for the Bank's operations, achieving strategic goals, and maintaining the reputation of a responsible and credible institution. The Management Board represents the Bank and is both obliged and authorized to undertake all necessary representation actions in business dealings, legal proceedings, and before other authorities.

In carrying out its duties, the Management Board develops and implements strategies and business plans, establishes effective risk management and internal control systems, and maintains constructive relationships with shareholders and key stakeholders. The business plan for the forthcoming period outlines business segments and activities aligned with strategic objectives, with a continuous focus on enhancing risk management and internal control mechanisms and systems.

The Supervisory Board, in fulfilling its role, monitors, oversees, and supervises the Bank's operations. This includes evaluating the Management Board's performance in achieving objectives and its approach to fulfilling its duties, as well as its interactions with shareholders and other stakeholders. The Supervisory Board also monitors the effectiveness of internal control and risk management systems.

HPB Supervisory Board has established several committees, each composed of members equipped with the resources necessary to effectively perform their duties. Members of the Supervisory Board and its committees discharge their responsibilities with due care and dedicate ample time to their tasks.

Supervisory Board committees:

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

The ESG Committee, established at the end of 2022, ensures the Bank's adherence to sustainable business guidelines and oversees sustainability reporting.

GRI  
2-12

#### Responsibilities of the ESG Committee

- **Oversight of ESG Implementation:** supervising the implementation and possible changes in methodology pertaining to the management of environmental, social and governance factors
- **Policy Implementation Oversight:** ensuring the effective application of the environmental, social, and governance management policy
- **Regular Review of ESG Principles:** periodically reviewing the fundamental principles of the environmental, social, and governance management policy
- **ESG Risk Integration:** overseeing the proper incorporation of ESG risks into business processes in alignment with the corporate governance framework
- **Sustainability Goals:** supervising the establishment and achievement of non-financial strategic sustainability objectives
- **Environmental and Climate Risk Monitoring:** overseeing the monitoring of environmental and climate risks and their effects on the Bank's risk profile
- **Social Sustainability Review:** regularly assessing sustainability principles pertaining to social factors, including interactions with employees, investors, and the community.
- **Governance Practices:** monitoring the implementation and processes related to governance, especially anti-corruption policies, conflict of interest prevention, diversity policies in governance bodies, and gender equality

Members of the Management Board and the Supervisory Board are responsible for fostering the Bank's culture and values. They set clear expectations for themselves and employees regarding conduct towards colleagues and external stakeholders. They jointly create systems that support effective collaboration in the Bank's best interests. They operate in accordance with the law and the Bank's internal code of conduct, ensuring best practices in corporate governance are upheld, in partnership with the General Assembly.

## DIVERSITY OF THE GOVERNANCE BODY

GRI  
2-9, 405-1

HPB is committed to ensuring a diverse composition in its governance functions, aiming for equal representation across various dimensions such as education, professional experience, gender, age, and geographic origin where applicable. In doing so, the Bank ensures that it considers the type, scope of operations and the risks to which it is or to which it could be exposed.

Embracing the European Union's core value of gender equality and the principle of equal opportunities, HPB has set specific goals for the five-year period from 2021 to 2026. To achieve these goals, HPB has implemented a Diversity Policy for the Management Board and Supervisory Board. This policy is a key element of corporate governance, promoting diversity in education, professional experience, age, and geographic origin. It outlines the main objectives and principles of diversity, emphasizing gender representation in governance bodies, management, and supervisory roles. The policy defines what gender diversity means for the Bank, sets principles for the Management Board and Supervisory Board, and establishes the target representation for the underrepresented gender in these bodies along with a strategy and timeline to achieve this goal.



#### Share of Women in the Governing Body

	Share of Women – as at 31 December 2023	Target for the Period 2021 - 2026
Management Board	0.00%	minimum 20%
Supervisory Board	66.70%	minimum 20%
Average	25.00%	at minimum 33.30%

In line with the target to increase the representation of the currently underrepresented gender in the Bank's governing body by 2026, the current overall female representation is 25%.

## APPOINTMENT PROCESS FOR THE GOVERNING BODY

Under the designation as a legal entity of special interest by the Decision on Legal Entities of Special Interest to the Republic of Croatia ("Official Gazette," numbers 147/2021 and 78/2023), the criteria and procedures for electing and appointing members to the Bank's Management Board, including the prerequisites candidates must meet for roles within the Management Board (Chair and members), are governed by the Croatian Government's Regulation regarding the conditions for electing and appointing members to supervisory and management boards of entities of special interest to the Republic of Croatia and the manner of their selection ("Official Gazette," number 12/2019) (Government Regulation).

As stated in the publicly available **Bank's Articles of Association**, the Management Board is comprised of a minimum of two and a maximum of five members, with the Supervisory Board determining the exact number. Members, including the President of the Management Board, are appointed by the Supervisory Board for terms of up to five years, with the possibility of unlimited reappointment.

Besides adhering to the requirements set out in the aforementioned Government Regulation, a candidate for the Management Board must satisfy conditions laid down by the Companies Act, the Credit Institutions Act, and the Decision on the assessment of the suitability of the chairperson of the management board, member of the management board, member of the supervisory board and key function holder in a credit institution ("Official Gazette" numbers 20/2021 and 104/2022), ensuring they have received the Croatian National Bank's prior consent for the appointment. Furthermore, the internal **Policy on the Target Structure of the Management Board and the Suitability Assessment of the President and Members of the Management Board**, publicly available on the Bank's website, further defines the desired structure of the Management Board members, conditions for membership, and related activities and procedures.

## PROFESSIONAL TRAINING AND DEVELOPMENT OF GOVERNING BODIES

To ensure that the Management Board and Supervisory Board effectively fulfill their responsibilities and comply with legal regulations, HPB has adopted policies that outline procedures for identifying business areas in need of professional development and continuous education.

The Bank consistently provides training and emphasizes the professional development of knowledge and skills in the following areas:

- Financial market
- Accounting and auditing
- Legal framework
- Risk management (identification, measurement, monitoring, control, and management of key risks in a credit institution)
- Corporate governance, including the internal control system
- Anti-money laundering and counter-terrorism financing, and the associated risks for credit institutions
- International restrictive measures (sanctions)
- Climate, environmental, social, and governance risks
- Financial data analysis of the credit institution

## CORPORATE GOVERNANCE CODE AND FUNDAMENTAL PRINCIPLES

As an issuer of shares listed on the Zagreb Stock Exchange, HPB adheres to the Corporate Governance Code jointly developed by the Croatian Financial Services Supervisory Agency (HANFA) and the Zagreb Stock Exchange (ZSE), as well as the Corporate Governance Code for companies in which the Republic of Croatia holds shares or interests, issued by the Government of the Republic of Croatia.

The Bank operates in accordance with best practices in corporate governance and the recommendations of both Codes. In line with credit institution regulations, HPB continuously enhances its corporate governance and business transparency in safeguarding the interests of shareholders, investors, customers, employees, and other stakeholders. This is achieved by considering the Bank's structure and organization, strategy, and business goals, effective oversight of management and board responsibilities, and establishing efficient processes for identifying, measuring, monitoring, and reporting operational risks, along with implementing appropriate internal control mechanisms.

HPB's business strategy and key internal policies are designed to continuously improve transparency and operational efficiency, strengthening relationships with the business environment. This includes implementing anti-corruption provisions and mechanisms, measures, and procedures to manage conflicts of interest.

In 2023, HPB received PwC's Recognition for the greatest progress in building public trust, reflecting years of dedicated effort and investment in improving corporate governance and transparent, timely communication.

This new accolade underscores the Bank's ongoing achievements and successes. Additionally, two years ago, HPB was awarded HANFA's Corporate Governance Award, affirming its exemplary compliance with the Corporate Governance Code for companies listed on the Zagreb Stock Exchange.



# APPLICATION OF THE CODE OF ETHICS

GRI  
2-26, 406-1

HPB Group's 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 reflects HPB Group's vision, mission, and corporate values—support, responsibility, trust, innovation, and creativity—and is subject to ongoing enhancement. Special focus is placed on ensuring all staff are well-acquainted with and appreciate the ethical norms and values, with regular training sessions conducted, and compliance with these standards diligently monitored.

The Code of Ethics goes beyond a list of principles and 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.

To align with legal requirements, uphold the Bank's stringent ethical standards, and adhere to professional guidelines as detailed in the Code of Ethics and additional internal policies, HPB Group has established an effective reporting system for reporting breaches of the Ethical Code by employees and third parties. This system is designed to manage breaches of these standards, including compliance with the Croatian Government's Anti-Corruption Program for companies primarily owned by the state, ensuring that all activities are conducted with the highest level of integrity and transparency. This system facilitates both employees and external stakeholders to report any observed ethical violations or operational irregularities through designated, secure channels.

Reports of Ethical Code violations by employees and third parties can be submitted through secure reporting channels, with an appointed Ethics Commissioner responsible for handling these reports.

In 2023, four reports of Ethical Code violations were received, all of which were assessed to be unfounded.

Additionally, reports of suspected or known irregularities in the Bank's operations by customers and third parties can be submitted through protected channels, with the designated Officer for Irregularities handling these cases.

In 2023, one report of employee misconduct was received, which was substantiated, and appropriate measures were taken to address the issue.

# COMPLIANCE WITH LAWS AND REGULATIONS

GRI  
2-27

HPB mandates lawful, ethical, and professional conduct in all business activities as outlined in its fundamental regulations. This requirement applies to members of the Management Board, Supervisory Board, and all employees, in accordance with relevant laws, regulations, internal policies, corporate values, and professional standards of the banking industry.

All organizational units and employees, particularly managers, are responsible for continuously monitoring and ensuring compliance with applicable regulations within their respective areas. For example, the Finance Management organizational unit focuses on compliance with financial and tax regulations, the Human Resources Management organizational unit on labour and employment laws, and the Sustainability organizational unit on ESG regulations. These business and support lines constitute the first line of defence against compliance risks.

To further ensure adherence to laws and regulations and to provide an independent evaluation of compliance risks, HPB has established a Compliance Division as the second line of defence. This division is tasked with maintaining regulatory compliance, managing data protection and privacy systems, overseeing fraud prevention systems, and handling anti-money laundering and counter-terrorism financing measures. This approach safeguards customers, shareholders, employees, business partners, and the broader community in which HPB operates. The Compliance Division collaborates closely with all organizational units, the Management Board, the Supervisory Board, and various regulators and supervisors. It is organized into three departments: Compliance and Data Protection Department, Anti-Fraud and AML/CTF Department, Fraud Monitoring and Prevention Department.

Following the corporate principle of three lines of defence and adhering to relevant regulations, HPB has also established an internal audit function as the third line of defence. This independent function plays a crucial role in ensuring that the Bank's operations comply with laws and regulations. The Bank keeps detailed records of all legal proceedings against it and conducts appropriate legal and accounting monitoring, managed by the Legal Affairs Office and the Finance Division.



## ANTI-CORRUPTION PROGRAM

To combat and prevent socially unacceptable behaviours such as corruption, HPB Group introduced an Anti-Corruption Policy in 2023. This policy specifies the duties of its organizational units and affiliates, pinpointing critical areas susceptible to corruption and laying down the ground-work for anti-corruption actions consistent with Croatia's anti-corruption acts.

Designed to envelop all business operations within HPB and its subsidiaries, the policy serves every organizational units to effectively navigate corruption risks. Its ultimate objective is safeguarding HPB Group's integrity and reputation, thus maintaining its esteemed position among key stakeholders.

Throughout 2023, there were no indications or reports of involvement in bribery or corruption by the Bank/HPB Group or its employees.

## ANTI - MONEY LAUNDERING

Department for AML/CFT and International Regulation Measures is dedicated to developing and managing a comprehensive system to prevent money laundering and terrorist financing. It also ensures the Bank's compliance with applicable AML/CTF regulations.

HPB actively promotes awareness among all employees about the risks associated with money laundering and terrorist financing. Employees consistently apply AML/CTF measures in their daily operations, adhering to internal policies. Through comprehensive training and coordinated efforts, the Department and employees collaborate to safeguard our bank, mitigate risks, and ensure compliance with international restrictive measures.

GRI  
205-1, 205-2, 205-3

## PREVENTION OF CONFLICTS OF INTEREST

In line with the Credit Institutions Act, the Decision on the Governance System, the Conflict of Interest Prevention Act, and the Capital Market Act, HPB has adopted a Conflict of Interest Management Policy. This policy establishes fundamental principles aimed at identifying, mitigating, or preventing actual and potential conflicts of interest.

HPB proactively establishes conditions and mechanisms for its employees to identify potential and actual conflicts of interest. This approach ensures that conflicts of interest are either prevented or, if unavoidable, managed appropriately to protect the rights and interests of the Bank's customers and HPB Group members.

Every organizational unit within the Bank is responsible for adhering to these principles to effectively manage conflicts of interest. These principles are embedded in HPB's operational processes and internal policies, creating robust mechanisms, measures, and procedures for identifying, preventing, and managing conflicts of interest.

These principles are embedded in HPB's operational processes and internal policies, creating robust mechanisms, measures, and procedures for identifying, preventing, and managing conflicts of interest.

## REPORTING IRREGULARITIES/ WHISTLE-BLOWING

GRI  
2-15, 2-25

# 0

reports of irregularities

HPB Group has established a robust internal reporting system for irregularities in accordance with the The Act on the Protection of Persons Reporting Irregularities (Whistleblower Protection Act). This framework ensures that all individuals in the HPB Group's work environment can, without fear of retaliation or adverse effects on their employment or position within the HPB Group, report irregularities or illegal/improper conduct in good faith through designated and secure channels to a specifically appointed Confidential Contact.

HPB Group member HPB Invest Ltd., as a required reporter, has developed its own system for internal reporting of irregularities and whistleblower protection. This system is tailored to its size and business model, aiming for the highest degree of alignment with HPB's internal reporting framework.

HPB ensures the confidentiality of information and provides maximum protection for whistleblowers, associated persons, the reported individuals, the Confidential Person, and their Deputy. This approach creates a supportive atmosphere for employees and other individuals within the Bank's work environment to report observed irregularities. Detailed instructions and forms for reporting irregularities are available on the Bank's website.

In 2023, no reports of irregularities were received under the Whistleblower Protection Act.



HPB Group maintains a strict zero-tolerance policy on bribery and corruption, promoting legal, ethical, professional, and honest interactions across all business engagements. Our commitment extends to providing our employees with a workplace that rigorously adheres to both national and international anti-corruption regulations and standards, ensuring integrity in every aspect of our operations.

— Vera Miletic Fras,  
Executive Director - Compliance Division



## INTERNAL CONTROL AND AUDIT

Internal audit and effective risk management are pivotal to HPB's organizational structure.

Their responsibilities include implementing measures to ensure independence, objectivity, authority, accountability, and the continuous professional development and competency of internal audit personnel. The internal audit function assists other organizational units in achieving their goals by providing a systematic and disciplined approach to evaluating the effectiveness of the organization's risk management, control, and corporate governance processes.

The Internal Audit Office is required to notify the Management Board and the Supervisory Board of any detected illegal activities or breaches of risk management protocols that could jeopardize the Bank's liquidity, solvency, or operational safety.

The Audit Committee is mandated to assess the effectiveness of the internal audit process and its implementation at least once annually and report its findings to the Supervisory Board.

## REMUNERATION POLICY

GRI  
2-16, 2-19,  
2-25, 2-20

The Supervisory Board ensures that transparent and well-defined policies and procedures are in place for determining the remuneration of Management Board members. These policies align the interests of the Management Board with the long-term goals of the company and the ethical execution of its strategy. To support this, the HPB Supervisory Board has established a Remuneration Committee. This committee assists and advises the Management Board and the Supervisory Board in creating and regularly reviewing the core principles of the Remuneration Policy.

The Management Board has adopted the Remuneration Policy of Hrvatska poštanska banka and HPB Group, which has received approval from the Supervisory Board. The policy sets out an objective, transparent, and appropriate remuneration system for HPB and HPB Group. It is fully aligned with the strategic sustainability framework, incorporating goals crucial for the protection of environmental, social, and governance (ESG) factors. This policy also aligns with the values and long-term interests of HPB Group. By implementing the Remuneration Policy, HPB aims for a sustainable business model that considers all risks, including ESG risks. The integration of sustainability factors is evident in setting ESG goals, motivating employees to achieve positive impacts through their activities and mitigate negative impacts from ESG risk drivers. Remuneration policy is anchored in the principle of equal pay for equal work or work of equal value for all employees, irrespective of gender, race, ethnicity, language, religion, political or other beliefs, national or social origin, or any other form of discrimination. As part of its commitment to gender equality and in line with its Remuneration Policy, HPB Group closely monitors gender-related pay gaps. It regularly reports on these findings and recommends corrective measures where needed to eliminate any wage disparities and promote equity in employee remuneration.

The Remuneration Committee is obligated to review the Remuneration Policy at least annually, ensuring its compliance with remuneration-related policies and procedures, as well as with relevant regulations, standards, principles, and codes.

## TAX STRATEGY

One of the key functions of the Bank involves ensuring tax compliance and the consistent application of tax regulations.

This includes managing and overseeing the Bank's tax policy activities, as well as monitoring and structuring the Bank's tax processes that result in tax liabilities.

Due to frequent changes in tax regulations, the Bank systematically tracks and promptly implements any amendments in accordance with legal deadlines. We can confirm that in 2023, all necessary actions were taken to ensure the Bank's regulatory compliance.

## RESPONSIBLE MARKETING AND PRODUCT SAFETY

HPB approaches advertising, sponsorships, and donations with the utmost care to ensure compliance with regulations on preventing money laundering and terrorist financing, managing conflicts of interest, and adhering to the Bank's Ethical Code. These activities are governed by specific internal policies.

HPB strives to positively influence its work and social environment by actively supporting and promoting projects of cultural, scientific, and social importance. Through its sponsorship initiatives, HPB backs a wide range of cultural, sports, and educational programs, as well as various economic, scientific, and environmental projects. The Bank's donation program plays a key role in preserving culture and tradition and enhancing the working conditions of educational and healthcare institutions.

### Development of Safe Products

When developing new products, HPB adheres to best practices and regulations related to consumer protection. We carefully assess the impact of products on data protection, technical and technological prerequisites, and potential risks for customers through comprehensive business process management and change management. This includes evaluating product complexity, customer financial capability, and necessary security requirements such as physical and technical protection and information security.

GRI  
207-1, 207-2, 207-3,  
416-1, 416-2, 417-1,  
417-2, 417-3

## TRANSPARENT COMMUNICATION WITH STAKEHOLDERS

Transparency is a fundamental principle of sustainability. HPB is dedicated to providing accurate, timely, and reliable information about its environmental and social impacts. We achieve this through robust reporting practices and adherence to evolving regulatory guidelines.

We ensure that our shareholders and other stakeholders have easy and non-discriminatory access to information regarding the company's ownership structure, corporate governance, and financial and operational results. Our reports provide a clear and transparent overview of HPB Group's performance and progress in sustainable business practices and social responsibility.

Our Annual Financial Report, available on our website, delivers current information on financial results and business operations, complying with the laws and regulations of the Zagreb Stock Exchange, while also considering modern international financial reporting trends and market requirements.

HPB uses multiple platforms to communicate and inform customers, stakeholders, and the public. These include the website [www.hpb.hr](http://www.hpb.hr) and social media channels like LinkedIn, Facebook, Instagram, and YouTube. For internal communication, the primary channel is the Intranet portal.

## COLLABORATION WITH SUPPLIERS

HPB prioritizes working with business partners and suppliers who adhere to environmental, social, and corporate responsibility principles, ensuring their values align with those of the Bank.

Our supplier selection process is based on clear, documented criteria and follows a transparent procedure to avoid any potential conflicts of interest.

HPB has implemented Supplier Principles that set high ethical standards and values. In 2024, we plan to introduce an ESG questionnaire for suppliers to better monitor and evaluate their ESG impact and commitment to sustainable business practices.

HPB Group primarily collaborates with suppliers from the Republic of Croatia.

GRI  
2-29, 204-1, 206-1,  
308-1, 308-2, 407-1,  
408-1, 409-1, 414-1,  
414-2



# Principles of Responsible Banking

As part of the United Nations Environment Programme Finance Initiative (UNEP FI), HPB has pledged to fulfill the six principles of responsible banking within a specified timeframe.

The Bank is committed to transparently monitoring and reporting on its progress annually.

## Our Pathway Towards Applying the Principles of Responsible Banking

### Principle

# 1.

#### ALIGNMENT

HPB's business strategy will be consistently aligned to meet the needs of individuals and societal goals as outlined by the UN's Sustainable Development Goals (SDGs), the Paris Agreement, and relevant national and regional legal frameworks.

#### Achievements in 2023

To ensure alignment with national and regional legislative frameworks, the Bank has introduced several internal policies, including:

- Environmental, Social, and Governance (ESG) Management Policy
- Supplier Principles
- Principles of Diversity and Non-Discrimination
- Principles of Human and Children's Rights Protection
- Principles for Sponsorships and Donations
- Principles for Customers of the Bank's Products and Services
- Code of Ethics
- Anti-Corruption Policy
- Climate Strategy

HPB has strengthened collaboration among its organizational units in the field of sustainability. Significant efforts have been dedicated to internal and customer education, and by partnering with other institutions with similar goals, the Bank amplifies its impact and commitment to the Principles of Responsible Banking.

### Principle

# 2.

#### IMPACT & TARGET SETTING

HPB is committed to continuously enhancing the positive impacts and mitigating the negative impacts of its activities, products, and services on people and the environment, while effectively managing associated risks. To support this, the Bank will set and publicly disclose goals for the areas with the most significant impacts.

#### Achievements in 2023

In this reporting year, HPB conducted its first impact analysis, identifying the areas with the most significant positive and negative impacts. The next step will be to set specific goals for at least two of these key impact areas.

### Principle

# 3.

#### CLIENTS & CUSTOMERS

HPB is committed to acting responsibly towards its clients and customers, promoting sustainable economic activities and practices that contribute to the shared prosperity of present and future generations..

#### Achievements in 2023

Recognizing customers as key stakeholders, HPB has focused on developing sustainable business solutions. This includes expanding its product portfolio and offering special programs and promotions. The Bank has established a framework for developing sustainable products and, in collaboration with development and financial institutions, offers favourable lending conditions for investments that aim to enhance innovation, energy efficiency, environmental protection, and overall business competitiveness and exports. By utilizing these credit lines, HPB ensures the sustainability of its portfolio while facilitating access to financing for specific groups of entrepreneurs, including young entrepreneurs, minorities, the elderly, women entrepreneurs, and individuals with disabilities..

### Principle

# 4.

#### STAKEHOLDERS

HPB will proactively and responsibly engage with relevant stakeholders to jointly achieve society's goals.

#### Achievements in 2023

All our reports provide a clear and transparent overview of HPB Group's performance and progress in sustainable business practices and social responsibility. We communicate with various stakeholder groups through multiple channels. Collaboration with key stakeholders is a core component of our materiality assessment process, ensuring that we focus on the most significant impacts.

### Principle

# 5.

#### GOVERNANCE

HPB is committed to effectively managing and upholding the principles of responsible banking..

#### Achievements in 2023

Addressing sustainability requires strong governance. Therefore, after identifying our environmental and social impacts, we set clear goals and metrics to measure our success in achieving them. This approach allows us to manage and reduce our negative impacts effectively. Additionally, as part of responsible corporate governance, we aim for full transparency by providing accurate, timely, and reliable information about all our environmental and social impacts and the actions we take to maximize positive and minimize negative effects.

### Principle

# 6.

#### TRANSPARENCY & ACCOUNTABILITY

HPB will systematically monitor its adherence to the principles of responsible banking, transparently and conscientiously reporting on its positive and negative impacts and contributions to societal well-being..

#### Achievements in 2023

This year's report includes the first in a series of impact analyses conducted by the Bank. These analyses provide a basis for identifying both positive and negative impacts, allowing us to create clear guidelines for advancing sustainability. Our goal is to reduce negative impacts, amplify positive impacts, and continuously monitor our progress in achieving socially responsible business practices..

## Impact, Risk and Opportunity Analysis

Conducting an impact analysis is essential for achieving the SDG goals. To this end, HPB used the UNEP FI Portfolio Impact Analysis Tool, which involved segmenting the portfolio, identifying national needs, determining significant impact areas, assessing progress, prioritizing key impact areas, and setting goals.

### Scope of Portfolio Analysis

During this reporting period, an analysis was conducted on credit products in the retail, large corporates, and small and medium-sized enterprises (SMEs) segments within the Republic of Croatia, the only country where HPB operates. The analysis also included the operations of Nova Hrvatska Banka (formerly Sberbank) starting from July 2023.

### Segmentation of the Analyzed Portfolio of Credit Products

Business Segment	Share of Analyzed Portfolio by Business Segment	Share of Business Segment in Total Bank Profit
Retail	98%	32%
Small and medium enterprises	75%	8%
Large corporates	93%	13%



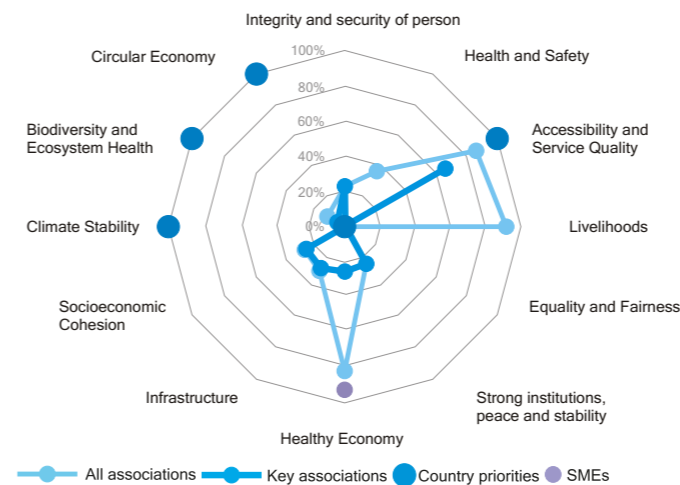
## Portfolio Exposure

For business entities, the analysis considered total profit, gross loan balance, and portfolio share by NACE code for credit products. The analysis covered up to fifty of the most financially significant sectors, accounting for over 75% of the total portfolio.

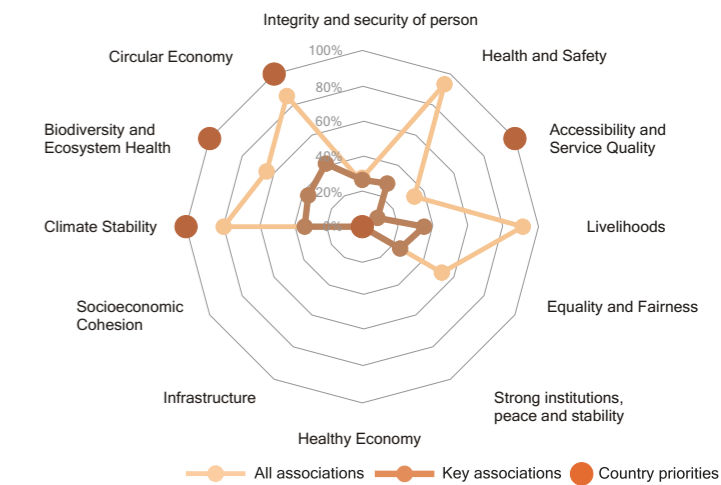
### Top Ten Sectors by Exposure Share in the Large Corporates Segment

Sector (NACE)	Non-Purpose Loans	Multipurpose Loans	Key Impact Indicators (SDG)
42.11 Construction of roads and motorways	0,19%	18,28%	Positive and negative impact
84.11 General public administration activities	17,82%	4,41%	Positive impact
55.10 Hotels and similar accommodation	1,31%	3,61%	
46.90 Non-specialized wholesale trade	2,82%	0,12%	
35.13 Distribution of electricity	-	2,61%	Positive and negative impact
36.00 Water collection, treatment, and supply	0,20%	2,36%	Positive and negative impact
38.11 Collection of non-hazardous waste	0,07%	2,20%	Positive and negative impact
68.20 Renting and operating of own or leased real estate	-	2,12%	Positive and negative impact
64.91 Financial leasing	2,01%	-	
45.31 Wholesale trade of motor vehicle parts and accessories	1,27%	-	Positive impact

### Impact Areas (Large corporates)



### Impact Areas (Large corporates)



**Top Ten Sectors by Exposure Share in the Small and Medium-Sized Enterprises Segment**



Sector (NACE)	Non-Purpose Loans	Key Impact Indicators (SDG)
55.10 Hotels and similar accommodation	12,22%	
41.20 Construction of residential and non-residential buildings	5,39%	Positive and negative impact
46.90 Non-specialized wholesale trade	5,18%	
35.11 Production of electricity from non-renewable sources	2,71%	Positive and negative impact
56.10 Restaurant and mobile food service activities	2,69%	Positive impact
56.30 Beverage serving activities	2,23%	
47.19 Other retail sale in non-specialised stores	2,22%	Positive impact
59.11 Motion picture, video, and television program production	2,19%	Positive impact
22.29 Manufacture of other plastic products	1,87%	Negative impact
49.39 Other passenger land transport n.E.C.	1,86%	Positive and negative impact

Industries with the largest financial shares typically show both positive and negative impacts, or solely positive impacts, while those with predominantly negative impacts are financed to a lesser extent. Detailed portfolio analysis allows for the identification of businesses that pose a risk of negative impact and those that can be further strengthened to enhance their positive impacts. The Bank will focus particularly on negative impacts to establish clear goals for mitigating and reducing undesirable effects.

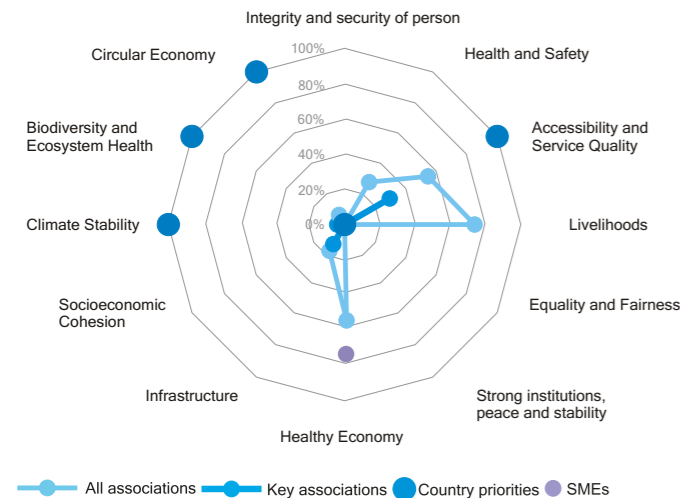
In addition to profit and balance, six credit products were analyzed in the retail business segment. The identified key impact indicators generally show positive impacts, with a lesser extent of negative impacts. The impacts from the retail business segment primarily represent potential for strengthening positive social goals.

**Segmentation of the Retail Credit Portfolio**

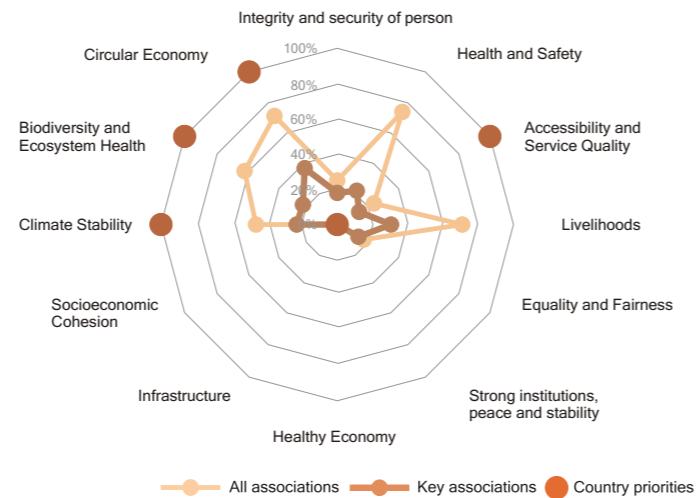


Product type	Share of Analyzed Portfolio	Key Impact Indicators (SDG)
Credit cards	0,61%	Positive and negative impact
Consumer loans and limits	43,15%	Positive and negative impact
Secured and lombard loans	0,08%	Positive impact
Housing loans and mortgages	47,51%	Positive impact
Education loans	<0.1%	Positive and negative impact
Other multipurpose loans	6,98%	Positive impact

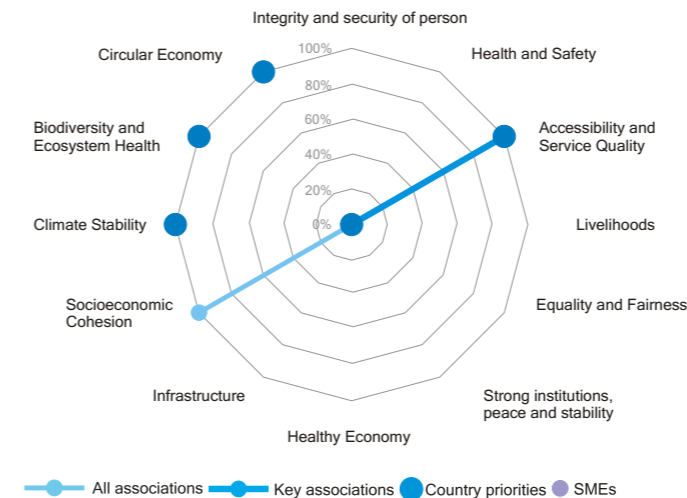
**Impact Areas (Small and Medium-Sized Enterprises)**



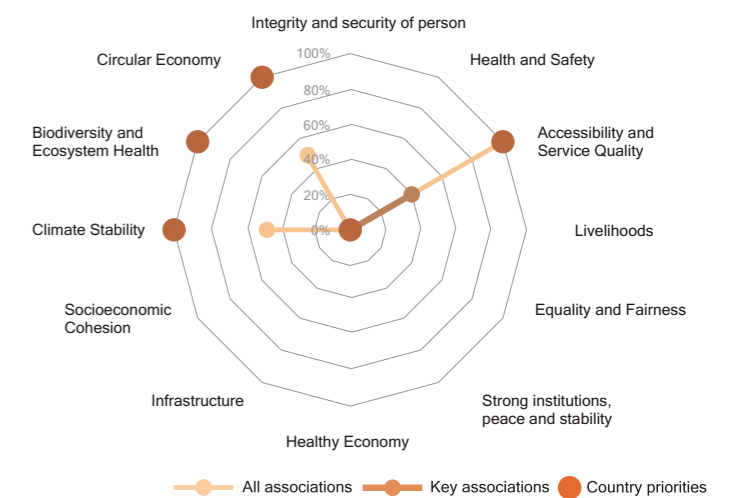
**Impact Areas (Small and Medium-Sized Enterprises)**



**Impact Areas (Retail)**



**Područja negativnog utjecaja (stanovništvo)**

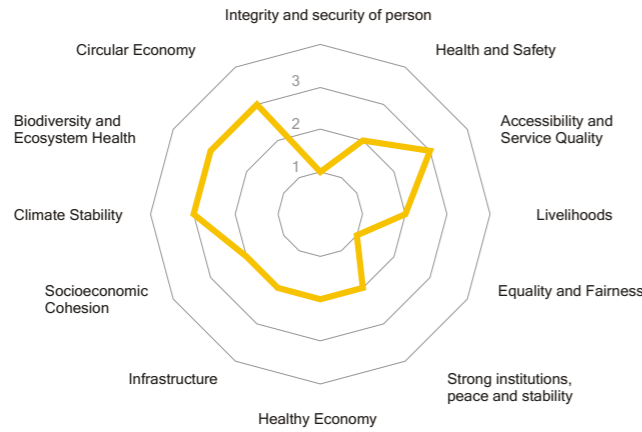


## Context and Significance of Impact

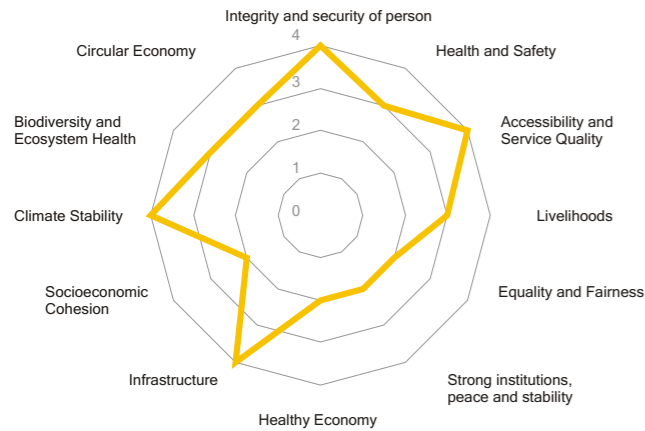
By taking into account national needs, global needs, the impact areas covered by a significant share of the portfolio, and the type of impact, we have determined the current significance of these impacts.

Identified national needs provide context for the overall analysis and represent the key goals the Bank aims to achieve in applying sustainable banking principles. Global needs are also considered as an additional guideline for prioritizing the achievement of specific goals.

### Significance of National Needs



### Significance of Global Needs (Statistical\*)



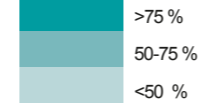
\*The "Statistics" are based on quantitative metrics and indicators from reputable international organisations, in which a scoring system is used, with 1 being the lowest impact need, and 4 being the highest impact need.

### Significance of Global Needs (Regulatory\*)



\*The "Policy documents" in the global needs are driven by the UN SDG Progress Report and the UN Secretary General's Annual Report. The information inputted allows us to broadly identify the policy priorities for the world.

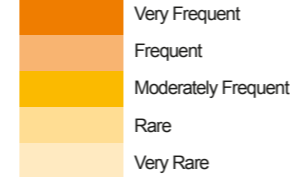
#### PORTFOLIO EXPOSURE



#### COUNTRY NEEDS



#### SDG (Frequency)



## Impact on SDG Goals

Impact analysis by business segment	Positive impact		SDG		Negative impact		SDG			
	Area of Impact	Theme			Area of Impact	Theme				
Retail	Accessibility and Service Quality	Finance	8	9	Climate Stability	Climate Stability		13		
		Housing		11	Circular Economy	Resource Intensity		12		
	Equality and Fairness	Equality	5	10						
	Socioeconomic Cohesion	Socioeconomic Cohesion	10	17						
Small and medium enterprises	Livelihoods	Employment	1	8	Health and Safety	Health and Safety		3		
		Wages	1	8						
	Healthy Economy	Growth of SMEs		8	Circular Economy	Resource Intensity		12		
						Waste	11	12		
	Accessibility and Service Quality	Drinking Water		6	Livelihoods	Wages	1	8		
		Food		2		Social Security		1	10	
		Energy		7						
		Housing		11						
		Healthcare	3	6						
		Education	9	11						
		Mobility	9	11						
		Information		16						
	Connectivity		9							
	Culture and Heritage		11							
Health and Safety	Health and Safety		3	Biodiversity and Ecosystem Health	Waterbodies	6	14			
					Air	11	12			
					Soil	12	15			
					Species	14	15			
					Habitats	14	15			
Large corporates	Livelihoods	Employment	1	8	Health and Safety	Health and Safety		3		
		Wages	1	8						
		Social Security	1	10						
	Accessibility and Service Quality	Drinking Water		6	Livelihoods	Employment	1	8		
		Food		2		Wages	1	8		
		Energy		7					Employment	1
		Housing		11						
		Healthcare	3	6						
		Education		4						
		Mobility	9	11						
Information			16							
Connectivity		9								
Culture and Heritage		11								
Finance	8	9								
Healthy Economy	Sector diversity	8	9	Circular Economy	Resource Intensity		12			
	Growth of SMEs		8		Waste	11	12			
Health and Safety	Health and Safety		3	Climate Stability	Climate Stability		13			
		Infrastructure	Infrastructure			9	Biodiversity and Ecosystem Health	Waterbodies	6	14
								Air	11	12
								Soil	12	15
								Species	14	15
				Habitats	14	15				

The Bank addresses all SDG goals, and the portfolio analysis has identified significant impacts on eight specific goals:

- 

**SDG 1**  
End poverty in all its forms everywhere
- 

**SDG 6**  
Ensure availability and sustainable management of water and sanitation for all
- 

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

**SDG 9**  
Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
- 

**SDG 11**  
Make cities and human settlements inclusive, safe, resilient, and sustainable
- 

**SDG 12**  
Ensure sustainable consumption and production patterns
- 

**SDG 14**  
Conserve and sustainably use the oceans, seas, and marine resources for sustainable development
- 

**SDG 15**  
Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss

Impacts can be both positive and negative across different sectors, and the themes within these impact areas are interdependent. This means that actions in one impact area can directly and indirectly influence others. Utilizing formulas from the UNEP FI tool, the analysis identified negative impacts in 11 areas and positive impacts in 14 areas, pinpointing the relevant themes for each impact area.

## Significant Impact Areas

The analysis has identified significant positive and negative impact areas. These parameters will be monitored in the next reporting period to track impact trends and set goals for the most critical areas.

Impact significance has been prioritized based on national goals, the share of the Bank's portfolio, the interdependence of various impact areas, and business segments, allowing for the broadening of influence across multiple domains.

### SIGNIFICANT NEGATIVE IMPACTS

The following themes have been identified as significant negative impacts:

- **Circular Economy** (SDG 11,12)
- **Livelihoods** (SDG 1, 8)
- **Climate Stability** (SDG 13)

### SIGNIFICANT POSITIVE IMPACTS

The following themes have been identified as significant positive impacts:

- **Accessibility and Quality of Service** (SDG 2,3,4,6,7,8,9,11,16)
- **Livelihoods** (SDG 1, 8)

Through an extensive review and analysis of the Bank's portfolio impacts, HPB has identified two strategically significant impact areas relevant to all business segments:

- **Circular Economy** (SDG 11, 12)
- **Accessibility and Quality of Service** (SDG 2,3,4,6,7,8,9,11,16)

Sustainable waste and resource management are crucial both in Croatia and globally. The Bank has recognized that a significant portion of its portfolio is exposed to this impact area and that its efforts can enhance sustainable consumption and production patterns and create inclusive, safe, resilient, and sustainable living environments.

Accessibility and quality of service constitute a major part of the Bank's portfolio, enabling a quicker and stronger positive impact on social needs of national and global interest (food, housing, healthcare) and other needs whose positive impact extends to other critical areas such as Health and Safety, Biodiversity and Ecosystem Health, Livelihoods, and Infrastructure.



# GRI index

## 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 to 31 December 2023.

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

Gri Standard	Disclosure	Chapter	Reason for Omission
<b>GRI 2: General Disclosures 2021.</b>			
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	Our adaptation to climate change	
2-5	External assurance	Introduction	
2-6	Activities, value chain and other business relationships	Key performance indicators	
2-7	Employees	Corporate culture and human resource management	
2-8	Workers who are not employees	Corporate culture and human resource management	
2-9	Governance structure and composition	About us, Highest standards of corporate governance	
2-10	Nomination and selection of the highest governance body	Highest standards of corporate governance	
2-11	Chair of the highest governance body	Highest standards of corporate governance	
2-12	Role of the highest governance body in overseeing the management of impacts	Highest standards of corporate governance	
2-13	Delegation of responsibility for managing impacts	About us	
2-14	Role of the highest governance body in sustainability reporting	Foreword by the President of the Management Board, Foreword by the Chief Sustainability Officer, Highest standards of corporate governance	
2-15	Conflicts of interest	Highest standards of corporate governance	
2-16	Communication of critical concerns	Highest standards of corporate governance	
2-17	Collective knowledge of the highest governance body	Highest standards of corporate governance	
2-18	Evaluation of the performance of the highest governance body	Highest standards of corporate governance	
2-19	Remuneration policies	Highest standards of corporate governance	
2-20	Process to determine remuneration	Highest standards of corporate governance	
2-21	Annual total compensation ratio	Corporate culture and human resource management	
2-22	Statement on sustainable development strategy	Foreword by the President of the Management Board, Foreword by the Chief Sustainability Officer, About us	
2-23	Policy commitments	Our path to sustainability	
2-24	Embedding policy commitments	Our path to sustainability	
2-25	Processes to remediate negative impacts	Community care, Highest standards of corporate governance	
2-26	Mechanisms for seeking advice and raising concerns	Highest standards of corporate governance	
2-27	Compliance with laws and regulations	Highest standards of corporate governance	
2-28	Membership associations	About us	

Gri Standard	Disclosure	Chapter	Reason for Omission
2-29	Approach to stakeholder engagement	Our path to sustainability, Highest standards of corporate governance	
2-30	Collective bargaining agreements	Corporate culture and human resource management	
<b>GRI 3: Material Topics 2021.</b>			
3-1	Process to determine material topics	Our path to sustainability	
3-2	List of material topics	Our path to sustainability	
3-3	Management of material topics	Our path to sustainability, Our adaptation to climate change, Corporate culture and human resource management	
<b>Topic Standards</b>			
<b>GRI 201: Economic Performance 2016.</b>			
201-1	Direct economic value generated and distributed	Key performance indicators	
201-2	"Financial implications and other risks and opportunities due to climate change"	Our adaptation to climate change	
201-3	Defined benefit plan obligations and other retirement plans	Corporate culture and human resource management	
201-4	Financial assistance received from government		Not applicable
<b>GRI 202: Market Presence 2016.</b>			
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Not applicable
GRI 202-2	Proportion of senior management hired from the local community		Not applicable
<b>GRI 203: Indirect Economic Impacts 2016.</b>			
GRI 203-1	Infrastructure investments and services supported	Community care	
GRI 203-2	Significant indirect economic impacts	Our adaptation to climate change	
<b>GRI 204: Procurement Practices 2016.</b>			
GRI 204-1	Proportion of spending on local suppliers	Highest standards of corporate governance	
<b>GRI 205: Anti-corruption 2016.</b>			
GRI 205-1	Operations assessed for risks related to corruption	Highest standards of corporate governance	
GRI 205-2	Communication and training about anti-corruption policies and procedures	Highest standards of corporate governance	
GRI 205-3	Confirmed incidents of corruption and actions taken	Highest standards of corporate governance	
<b>GRI 206: Anti-competitive Behavior 2016.</b>			
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Highest standards of corporate governance	
<b>GRI 207: Tax 2019.</b>			
GRI 207-1	Approach to tax	Highest standards of corporate governance	
GRI 207-2	Tax governance, control, and risk management	Highest standards of corporate governance	

Gri Standard	Disclosure	Chapter	Reason for Omission
GRI 207-3	Stakeholder engagement and management of concerns related to tax	Highest standards of corporate governance	
GRI 207-4	Country-by-country reporting		Not applicable, the Bank operates only in the Republic of Croatia
<b>GRI 301: Materials 2016.</b>			
GRI 301-1	Materials used by weight or volume		Not applicable
GRI 301-2	Recycled input materials used		Not applicable
GRI 301-3	Reclaimed products and their packaging materials		Not applicable
<b>GRI 302: Energy 2016.</b>			
GRI 302-1	Energy consumption within the organization	Our adaptation to climate change	
GRI 302-2	Energy consumption outside of the organization	Our adaptation to climate change	
GRI 302-3	Energy intensity	Our adaptation to climate change	
GRI 302-4	Reduction of energy consumption	Our adaptation to climate change	
GRI 302-5	Reductions in energy requirements of products and services	Our adaptation to climate change	
<b>GRI 303: Water and Effluents 2018.</b>			
GRI 303-1	Interactions with water as a shared resource		Not applicable
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	Our adaptation to climate change	
<b>GRI 304: Biodiversity 2016.</b>			
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
<b>GRI 305: Emissions 2016.</b>			
GRI 305-1	Direct (Scope 1) GHG emissions	Our adaptation to climate change	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Our adaptation to climate change	
GRI 305-3	Other indirect (Scope 3) GHG emissions	Our adaptation to climate change	
GRI 305-4	GHG emissions intensity	Our adaptation to climate change	
GRI 305-5	Reduction of GHG emissions	Our adaptation to climate change	
GRI 305-6	Emissions of ozone-depleting substances (ODS)		Not applicable

Gri Standard	Disclosure	Chapter	Reason for Omission
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Not applicable
<b>GRI 306: Waste 2020.</b>			
GRI 306-1	Waste generation and significant waste-related impacts	Our adaptation to climate change	
GRI 306-2	Management of significant waste-related impacts	Our adaptation to climate change	
GRI 306-3	Waste generated	Our adaptation to climate change	Incomplete data
GRI 306-4	Waste diverted from disposal	Our adaptation to climate change	Incomplete data
GRI 306-5	Waste directed to disposal	Our adaptation to climate change	Incomplete data
<b>GRI 308: Supplier Environmental Assessment 2016.</b>			
GRI 308-1	New suppliers that were screened using environmental criteria	Our path to sustainability, Highest standards of corporate governance	
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Our path to sustainability, Highest standards of corporate governance	
<b>GRI 401: Employment 2016.</b>			
GRI 401-1	New employee hires and employee turnover	Corporate culture and human resource management	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Corporate culture and human resource management	
GRI 401-3	Parental leave	Corporate culture and human resource management	
<b>GRI 402: Labor/Management Relations 2016.</b>			
GRI 402-1	Minimum notice periods regarding operational changes	Corporate culture and human resource management	
<b>GRI 403: Occupational Health and Safety 2018.</b>			
GRI 403-1	Occupational health and safety management system	Corporate culture and human resource management	
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Corporate culture and human resource management	
GRI 403-3	Occupational health services	Corporate culture and human resource management	
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Corporate culture and human resource management	
GRI 403-5	Worker training on occupational health and safety	Corporate culture and human resource management	
GRI 403-6	Promotion of worker health	Corporate culture and human resource management	
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Corporate culture and human resource management	
GRI 403-8	Workers covered by an occupational health and safety management system	Corporate culture and human resource management	
GRI 403-9	Work-related injuries	Corporate culture and human resource management	
GRI 403-10	Work-related ill health		Not applicable

Gri Standard	Disclosure	Chapter	Reason for Omission
<b>GRI 404: Training and Education 2016.</b>			
GRI 404-1	Average hours of training per year per employee	Corporate culture and human resource management	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Corporate culture and human resource management	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Corporate culture and human resource management	
<b>GRI 405: Diversity and Equal Opportunity 2016.</b>			
GRI 405-1	Diversity of governance bodies and employees	Corporate culture and human resource management, Highest standards of corporate governance	
GRI 405-2	Ratio of basic salary and remuneration of women to men	Corporate culture and human resource management	
<b>GRI 406: Non-discrimination 2016.</b>			
GRI 406-1	Incidents of discrimination and corrective actions taken	Highest standards of corporate governance	
<b>GRI 407: Freedom of Association and Collective Bargaining 2016.</b>			
GRI 407-1	"Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk"	Our path to sustainability, Highest standards of corporate governance	
<b>GRI 408: Child Labor 2016.</b>			
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	Our path to sustainability, Highest standards of corporate governance	
<b>GRI 409: Forced or Compulsory Labor 2016.</b>			
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Our path to sustainability, Highest standards of corporate governance	
<b>GRI 410: Security Practices 2016.</b>			
GRI 410-1	Security personnel trained in human rights policies or procedures		Not applicable
<b>GRI 411: Rights of Indigenous Peoples 2016.</b>			
GRI 411-1	Incidents of violations involving rights of indigenous peoples		Not applicable
<b>GRI 413: Local Communities 2016.</b>			
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	Our adaptation to climate change, Community care	
GRI 413-2	Operations with significant actual and potential negative impacts on local communities		Not applicable
<b>GRI 414: Supplier Social Assessment 2016.</b>			
GRI 414-1	New suppliers that were screened using social criteria	Our path to sustainability, Highest standards of corporate governance	
GRI 414-2	Negative social impacts in the supply chain and actions taken	Our path to sustainability, Highest standards of corporate governance	
<b>GRI 415: Public Policy 2016.</b>			
GRI 415-1	Political contributions		Not applicable

Gri Standard	Disclosure	Chapter	Reason for Omission
<b>GRI 416: Customer Health and Safety 2016.</b>			
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Community care, Highest standards of corporate governance	
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Community care, Highest standards of corporate governance	
<b>GRI 417: Marketing and Labeling 2016.</b>			
GRI 417-1	Requirements for product and service information and labeling	Highest standards of corporate governance	
GRI 417-2	"Incidents of non-compliance concerning product and service information and labeling"	Highest standards of corporate governance	
GRI 417-3	"Incidents of non-compliance concerning marketing communications"	Highest standards of corporate governance	
<b>GRI 418: Customer Privacy 2016.</b>			
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Community care	

# Contact

## Sustainability Office

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**HRVATSKA POŠTANSKA BANKA**



 HPB

 HRVATSKA POŠTANSKA BANKA

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