



Overview of activities within
the PBZ corporate social
responsibility programme

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Privredna Banka Zagreb has not prepared the Non-financial statement as required by the Non-Financial Information Legislation availing of the exemption introduced by the local regulation, as being a subsidiary undertaking, which information is included in the Consolidated non-financial statement presented by Intesa Sanpaolo S.p.A.

INTRODUCTION

It is a widely known fact that companies and financial institutions no longer have merely economic responsibilities but, as active participants within society, they must also answer for the consequences of their decisions in the social and environmental spheres.

From formalization through the establishment of a responsible organizational unit in 2019, the CSR strategy in PBZ Group in Croatia (Bank, PBZ Card d.o.o., PBZ Leasing d.o.o.) developed from thematic standalone initiatives, through the clustering of CSR activities into dedicated concepts to create synergistic effects and impact strengthening, to expansion and infiltration in all business areas through the implementation of the ESG framework.

CSR plan 2023 contained following streams

1. Governance model
2. ESG framework implementation
3. PBZ Forest and Environmental initiatives
4. Financial Literacy and Community Support
5. Employee Wellbeing, Development and Corporate Culture

With this chapter, Bank bring closer look and highlight key initiatives and achieved results related to sustainability and CSR, recognizing and confirming the role of PBZ as one of the leaders in the Croatian banking sector that significantly influences the economic and social development of society. The main material topics presented in following chapter are: (1) Governance model, (2) ESG framework implementation, (3) Environment, (4) Customers, (5) Community and (6) Employees.

GOVERNANCE FRAMEWORK

Sustainability and long-term perspective are integrated and supported by the Bank's governance framework from which we highlight:

- Code of Ethics,
- Rules on internal reporting violations,
- Diversity and Inclusion Principles,
- Principles of human rights and
- Rules for Combatting Sexual Harassment,

all of which are aligned with regulatory requirements as well as with the governance model of Intesa Sanpaolo as the Parent Company.

The **Code of Ethics** defines the values of PBZ Group and describes the principles of behaviour that derive from

them in the context of relations with each stakeholder. Every employee of the Bank and member of the PBZ Group is obliged to become familiar with the Code of Ethics and consistently act according to it in their daily work. The Code describes the values that the PBZ Group believes in and is committed to, setting out the principles of conduct derived from the context of relationships with all stakeholders and, consequently, raising the standards that each person in the organization must maintain to earn the trust of all stakeholders. Code of Ethics was updated at the ISP Group level in 2023, and the adaptation of the local act is underway. The main features introduced by the new version of the Code are following: a reminder of the new corporate mission; an update of the Group's commitments on sustainability issues at an international level; more details on the commitment to avoid any discrimination based on the principle of 'Equity and Inclusion', to combat climate change and to support the transition to a sustainable economy, based on the principle of 'Environmental Protection'; and the strengthening of dissemination and training activities to encourage the adoption of the Code's principles and values.

The application of the Code of Ethics requires a consistent interpretation of the principles of conduct in all companies of the PBZ Group. Observed irregularities or violations of the Code of Ethics are reported to the dedicated address Etickikodeks.PBZGrupa@pbz.hr and resolved in accordance with internal procedures. In 2023 there were two grounded reports of non-compliance with the Code of Ethics. Received complaints from third persons were related to (1) priority service in branch for person with disability and (2) employee comment on social network that is not aligned with Diversity and Inclusion Principles. For both reports, corrective measures have been taken with following training activities to strengthen awareness and sensitivity on these topics. The PBZ Group has a system of **PBZ Rules on internal reporting violations (whistleblowing)** for any violation of the company's internal policies and procedures, for example the Bank's Code of Conduct, the Bank's anti-corruption guidelines, procurement rules, transparency in the promotion and placement of banking and financial products and services, as well as the management of gifts and entertainment expenses, and any behaviour that leads to a conflict of interest due to non-compliance with the rules and control procedures that are provided for such situations - for example, a conflict of interest of an employee due to personal in-

terest. 'Annual report on the proper functioning of the adopted internal reporting violations system for the year 2023' concluded that the system allows to the Bank's employees to report, with absolute confidentiality, facts or behaviours that may constitute an infringement of the rules governing banking activity or any other irregular conduct and that reporting system is compliant with the provisions of the Croatian Informant Protection Act and PBZ rules and acts.

ESG governance model includes strong managerial support that covers nearly all business and support functions within the PBZ Group as well as strong coordination and cross communication with Sustainability Manager and the Sustainable Development office at ISBD level. To ensure that ESG-related processes are managed in compliance with regulatory requirements, management and control of ESG risks, the ESG-specific internal governance structures are, at the PBZ HUB level set out at the following key levels:

- **PBZ Group Environmental Social and Governance (ESG) Committee** - a permanent consultative and decision-making committee of the Bank with the main goal to coordinate and steer ESG related matters and to ensure the correct implementation of the ISBD ESG strategy and respective ISP Group guidelines within the banks of the PBZ Group. ESG Committee is established through adoption of Rules of Procedure of the PBZ Group Environmental Social and Governance Committee (ESG Committee) by the Bank Management Board. The PBZ ESG Manager is the Chairperson of the ESG Committee.
- **PBZ Group ESG Manager** - The ESG Manager is the Management Board member of PBZ Bank (Deputy CEO) responsible to manage, promote and coordinate environmental, social and governance risk topics and initiatives within the Group.
- **PBZ Group Diversity & Inclusion Committee (D&I Committee)** - is a permanent consultative and decision-making committee of the Bank with the main goal to coordinate and steer Diversity and Inclusion ('D&I') related matters and to ensure the correct implementation of the PBZ Group's Diversity & Inclusion Principles within the banks and companies of the PBZ Group. The D&I Governance model, which the D&I Committee is integral part of, encompasses the SEE HUB. The roles and responsibilities are prescribed in the Rules of procedure of the Management Committees. PBZ CEO is the Chairperson of the D&I Committee.

In July 2022, the ISP issued the Group Guidelines for the Governance of Environmental, Social and Governance (ESG) Risks (last update was in June 2023), focusing primarily on the credit framework and related processes that were acknowledged and in December 2022 PBZ Group Guidelines on the governance of the Environmental, Social and Governance (ESG) Risks, have been adopted. Local credit governance framework was further enhanced with new or updated internal policies with built-in sustainability criteria such as 'PBZ Rules for Classification of sustainable credit products and lending transactions', 'Policy for the approval of new products, services and activities aimed at specific target customers of PBZ Group (POG Policy)' and 'PBZ ESG and Reputational Risk Clearing of Credit Transactions'.

Specific exposure limits for coal mining and oil & gas sector were defined and monitored on ISP Group level. Specific rules with respect to most significant transactions process for coal & mining sectors and list of controversial counterparties which are subject to MST process are defined by the Parent Company and subsequently locally integrated in PBZ Credit Manual for Corporate Clients. Additionally, PBZ has decided to set ESG internal exposure limits for ESG sensitive industries. This framework is being annually reviewed and monitored for compliance by Risk Management Department.

On September 2022 PBZ acknowledged updated Rules concerning the Equator Principles issued by Intesa Sanpaolo and on Management Board the ISP regulation Group guidelines for the governance of Environmental, social and governance (ESG) risks. Sustainability-related aspects are also integrated in Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Integrated Internal Control System Regulation (IICSR) procedures.

Furthermore, PBZ commitment toward sustainable goals and Net Zero envisages challenging objectives to reduce GHG emissions both for the Bank's own emissions and those of its loan and investment portfolios. With these goals, KPIs from ESG domain are present in PBZ for few years. In 2023, PBZ defined commercial targets related to ESG products and deals at PBZ Group perimeter that are included in scorecard of CEO and mandatory for all the other scorecards of PBZ managers. ESG KPI's are also integrated into Incentive System for Risk Takers and Middle Managers.

ESG FRAMEWORK IMPLEMENTATION

ESG area covers a very wide variety of participants within

Overview of activities within the PBZ sustainability and corporate social responsibility programme (continued)

ESG FRAMEWORK IMPLEMENTATION (CONTINUED)

the Bank, Corporate Bodies and main Corporate Functions such as CSR Office, Risk Management Department, Credit Department, Corporate & SME Division, Retail Division, Planning & Controlling, Data Office, Procurement Office etc. The adopted PBZ Group Guidelines for the Governance of Environmental, Social and Governance (ESG) Risks define the roles and responsibilities of these functions, as well as the reference principles and the macro-process for the governance of such risks. ESG focal point under CSR office is identified to ensure coordinated approach in implementation of ISP Group strategies and methodological ESG framework, while in 2024, the establishment of an ESG Office is envisaged, as direct support to the ESG Manager and the ESG Committee, with coordination responsibilities on ESG matters and projects within the entire organization. Additionally, ESG Competence Center is formed to support ESG topics related to Corporate and SME clients, primarily regarding risk-based transactions.

To ensure proper integration of ESG steps in our everyday business processes, as well as EU taxonomy and other ESG-related regulations alignment, IT infrastructure also needed to be modified and upgraded. With that purpose ESG Data Code project was initiated and currently in progress, strategically aligned with and supports business strategies, realization of ESG KPI's and production of regulatory and managerial reporting on ESG matters. Regarding regulatory reporting and disclosures, from NFRD perspective, the PBZ Group/Bank does not prepare the Non-financial statement as required by the Non-Financial Information Legislation availing of the introduced exemption, as being a subsidiary undertaking, which information about the PBZ Groups' ESG and CSR governance model and key achievements is included in the Consolidated non-financial statement presented by Intesa Sanpaolo S.p.A. In light of CSRD directive, the same approach is foreseen by the Parent Company, by which the Bank contributes to the preparation of the consolidated statement on level of ISP Group. The Consolidated Non-financial Statement of ISP Group is being drafted in accordance with the GRI Standards defined by the GRI (Global Reporting Initiative) therefore PBZ adheres to the same approach in its part of the contribution. However, in order to provide additional insight to interested stakeholders, the Bank also publishes a voluntary chapter within the Annual Report on activities within the PBZ sustainability and corporate social responsibility program. Additionally, during 2023, PBZ Group started contributing to ISP Group consolidated GAR Reporting process for

which first official contribution will occur in first quarter of 2024, with reference date as of 31 December 2023.

ENVIRONMENT AND CLIMATE CHANGE FROM PERSPECTIVE OF OWN EMISSION PLAN

The environment due to climate change requires our attention and urgent intervention.

In 2021 Intesa Sanpaolo, parent bank of PBZ, committed to a target of net zero emissions by 2030, for its own emissions and for financed emissions of the portfolio of non-financial companies in the sectors Oil & Gas, Power Generation, Automotive and Coal mining, and joined the Net-Zero Banking Alliance (NZBA), as well as Net Zero Asset Managers Initiative (NZAMI) through Eurizon Capital SGR, Fideuram ISPB Asset Management SGR and Fideuram Asset Management (Ireland), and the Net Zero Asset Owner Initiative (NZAOA) as well as the Net Zero Insurance Alliance (NZIA) through Intesa Sanpaolo Vita, to boost the shared effort to combat climate change.

PBZ contributes to these targets in accordance with the approach of the Parent Bank, defined through 'Rules for the environmental and energy policy' and 'Rules on Green Banking Procurement' and planned within Own Emission Plan from which we present main areas:

PAPER CONSUMPTION

Duplex copying of documents as a standard setting, reusable envelopes and similar activities results in a continuous trend of paper consumption reduction which in 2023 for the perimeter of PBZ Group (Bank, PBZ Card d.o.o., PBZ Leasing d.o.o.) amounted to 273,547 kg, while the use of recycled paper and eco-sustainable paper (paper that is in possession of an eco-label that certifies that the paper is produced either without polluting whitening agents or through sustainable forest management for example FSC, PEFC, ETC / TCF, etc...) is constantly increasing. In total paper consumption (273,547 kg), recycled paper share is 17% (47,745 kg) and eco-sustainable paper share is 82% (224,127 kg).

It is important to point out that out of total paper consumption, 47% (113,273 kg) refers to carbon neutral paper (paper that has no negative impact on the climate and adds no carbon dioxide to the atmosphere).

ENERGY CONSUMPTION

In 2023, first rooftop photovoltaic powerplant on the roof of PBZ group head office in Split with estimated 68.7 MWh annual production was built and put in production. Two addi-

tional photovoltaic powerplants in Slavonski Brod (estimated 35,6 MWh annual production) and Čakovec (estimated 44.6 MWh annual running) are also constructed and expected to become fully functional in first quarter of 2024.

LED technology, air conditioners with inverter technology with a higher degree of energy efficiency, the material and elements of quality insulation properties and ventilation with heat recovery, waste management system are considered standard practise in the Bank. For energy efficiency monitoring, PBZ Group has in place platform for systematic management of energy and energy products. During 2023, PBZ Group in Croatia consumed a total of 10.4 GWh of electric power from renewable sources.

In 2023 the Bank continued with a number of active measures to reduce carbon dioxide emissions. Most prominent initiative is electrification of car fleet that currently counts 143 electric company cars on the level of PBZ Group, and installation of electrical chargers. Transformation of the transport sharing system is visible through 2022 comparison:

- 2% of vehicles meet the Euro 5 standard (compared to 5% in 2022)
- 31% of vehicles meet the Euro 6 standard (compared to 90% in 2022)
- 68% of vehicles are electrical (compared to 5% in 2022).

PBZ FOREST

PBZ Forest started as a small green story in 2021 which we continued to carry out once a year. In cooperation with Project O2, PBZ reforestation campaign continued for the third year in a row but on the new location – Adica Forest Park (Potkova location) in Vukovar. The drone mapped, flew over and dropped 7,500 self-germinating seed bombs over 30,000 m², increasing area of PBZ Forest up to 50,000 m² from the beginning of the initiative. Additionally, we also planted 100 saplings of oak trees in the Adica forest park. It is important to highlight that PBZ Forest, which will contribute to the reduction of greenhouse gases, does not harm the biodiversity of the location since the seeds used in self-germinating packets are exclusively from autochthonous tree species specific to the area being reforested. For more information about PBZ Forest initiative please visit PBZ corporate website: <https://www.pbz.hr/en/gradjani/Nas-svijet/Odrzivi-razvoj/PBZ-suma.html>

Additionally, PBZ works continuously on raising awareness and environmental education of its employees through appropriate initiatives on occasions such as Earth hour, World Environment Day, Mobility week and European



week for waste reduction.

Along with the aforementioned initiatives, the bank constantly encourages its customers to contribute to sustainability by choosing digital and paperless way of banking.

CUSTOMERS

Beginning of 2023, PBZ successfully implemented **the introduction of the euro**. As planned, on January 2, PBZ branches were opened in accordance with regular working hours, enabling PBZ clients, individuals and business entities, continuous and unhindered use of all card services and payments, as well as ATM services and PBZ digital banking. Euro introduction produced significant impacts for Croatia and her citizens, and banks played the key role in the introduction process. The importance of this most complex and demanding project for PBZ so far was shown by the Bank's Management Board, which monitored the final executive phase of the euro introduction project from the Bank premises on Euro night and marked the first withdrawal of euro banknotes at PBZ ATMs in the first minutes of the new year 2023.

For Bank's clients, communication activities and dual display all the important information and prices throughout

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CUSTOMERS (CONTINUED)

all available channels continued throughout the year, in line with the Code of Ethics for the introduction of euro, that PBZ is signatory of.

The second emphasis was set on development of **ESG purpose-related products and activities**. During 2022, the initial focus was on redefining the product catalogue and creating new ESG lending products that will bring new values to clients. In 2023, the focus has been redirected to realizing the volume of ESG products and transactions in accordance with the regulatory direction that encourages and strengthens sustainable financing. To be able to monitor the production in a credible and valid way, the criteria and the classification process of sustainable deals and products were established in parallel, implementing the Group's Rules for the classification of sustainable credit products and lending transactions.

PBZ loan products approved as sustainable are following:

Retail (Individuals)			Small Business	
Environmental	Social	Social	Environmental	Social
Mortgage loans with collateral A, A+ or B	Non-purpose loans for retired persons	Housing loans with state (APN) subsidy	Model for crediting residential building owners for energy renewal	Model for crediting residential building owners for earthquake renewal
Energolans	Educalans	Parentalans		

Raising interest and awareness as well as providing basic information on the ESG topic were the goals of four workshops held by the ESG Competence Center across Croatia that were attended by more than 200 clients.

In addition to restructuring and repositioning the traditional distribution channels of the business network, PBZ continues to develop and improve its direct banking distribution channels making the mobile banking app and internet banking solution more accessible to new customers by abolishing the fees for the first three months of using the service. Leveraging PBZ Digital Banking, the Bank is raising awareness of sustainability through various actions and ISP Group initiatives. Some of the examples are the smart functionality #withPAY in-a-few taps donation possibility for biodiversity preservation as well as the Parent Bank initiative for the International Day of Awareness of Food Loss and Waste, aimed at raising awareness of the importance of sustainable growth and highlighting the

dedicated offers and actions to sustain the global effort to reduce the food wasting, enabling customers easy donation opportunity through our mobile app.

During 2023, third focus was set on area of **cybersecurity** with following highlights:

- All phishing campaigns that try to capitalize on the business impersonation of PBZ, were immediately detected with a notice on social media and our official websites and reported to the national CERT
- Every quarter, in collaboration with the Marketing team, campaigns that promote online safety are active. For example, on Black Friday, the focus was on how to properly shop online and what are the best practices to maintain online security.
- The bank has an annual external audit to verify compliance with the current regulations. In 2023 we were confirmed as compliant.
- Key initiatives during 2023 - the Cyber Group Resilience Program (CGRP) program during which we implemented the necessary security solutions defined by ISP to increase the security level of the information system and to achieve further compliance with the security measures of the Parent Company.

These highlighted efforts are recognized and appreciated by the clients as shown in the Retail Benchmarking Customer Satisfaction Survey in which PBZ maintained a stable position relating to Customer Satisfaction Index across main competitors in the market with a score of 77.1/100 (in 2022, PBZ score was 77.8/100).

COMMUNITY

In local community in which Bank operates, most prominent and recognizable impact is created through donations and **Financial Literacy initiatives**. The reasoning behind the latest derives from PBZ expertise, authenticity and commitment to sustainability that only in 2023 brought together over 2,500 participants.

Responsible financial behaviours are the topic of workshops that PBZ volunteers have been conducting since 2017 for young people and students as part of the Intesa Sanpaolo initiative "The Art of Saving" (Museo del Risparmio). During the long-term engagement of PBZ volunteers in schools, our dedication to youth education and interactive approach through workshops resulted in exceptional interest from schools. In 2023, our volunteers held as many as 57 workshops all over Croatia, providing valuable knowledge and

skills to more than 1,100 students. This positive response confirms that we are recognized as strategic partners in the field of financial literacy and indicates the need for continued cooperation and development of new initiatives. In 2023, we participated in the Financial Literacy Week at the Faculty of Economics through lectures, a podcast and the sharing of an informative (non-commercial) brochure on the topic of the household budget and savings. Our previous partners, schools, colleges, Youth Business Camp Adria, Scientific Society of Economists, enabled us to successfully implement various initiatives that had a positive impact on the financial knowledge and awareness of young people.

In order to adapt as much as possible to the needs of young people, we proactively expanded our initiative. In addition to live workshops, for the second year in a row we offer the possibility of online learning through engaging interactive quizzes. In this way, we want to maximally satisfy the needs of young people and provide them with the possibility of education adapted to their preferences and contemporary trends in education. 940 students from 65 classes from 27 cities took part in the PBZnalci quiz, which PBZ conducts in cooperation with the Šibenik Quiz Association. More information is available on <https://www.pbz.hr/gradjani/Nas-svijet/Odrzivi-razvoj/Financijska-edukacija.html> Privredna Banka Zagreb, as a signatory of the Charter on Volunteering, encourages its employees to participate in various volunteer actions through which we show concern for the community to which we belong. In addition to PBZ volunteers who spent 114 hours volunteering in schools, in December we organized another activity, family volunteering in homes for the elderly, which expanded the circle of our volunteer activities, giving us the opportunity to create a positive impact on the quality of life of the elderly together with family members. In this campaign, which was carried out in five cities in Croatia, our volunteers together with their family members spent 232 hours volunteering.

Donations represent most visible and impactful activity around community support. The general PBZ donation priorities are to make a tangible social contribution to the community in terms of social inclusion, the environment, culture, education. PBZ Group supports projects and initiatives with a direct local impact developed for the local community and projects that revolve around solidarity, social utility, environmental protection, and the promotion of culture. Bank also supports relationships with universities and schools, initiatives that encourage education and training for young people and their access to the world of work. From annual donation budget of 324 thousand

EUR in 2023 on PBZ level, 233 thousand was disbursed and distributed in following manner:

- Arts and Culture, Education and Research (12%)
- Economic development, Emergency relief, Environment, Social welfare (62%)
- Health area (26%)

Among the community-oriented initiatives, we highlight the 'Visa-card with a heart' initiative that supports the **humanitarian project "Doing Good Every Day"**. This year, PBZ Group together with its partners celebrated the fifteenth anniversary of this humanitarian project. With the collected funds, the PBZ group supports the projects of the Ministry of Health and the Ministry of Labour, the pension system, family and social policy for the welfare of children and young people and other people in need. On the occasion of the anniversary, a new project called "Helping children, helping the country" is included in the scope, the goal of which is to equip children's homes with electric vehicles, thus enriching the project with a new ESG component - care for the environment. For overall project, the PBZ Group has so far donated around EUR 5 million and delivered 76 donations to paediatric departments and children's hospitals and homes for children and youth throughout Croatia.

Details of the project and amounts devoted to it are available on the website <https://www.cinimdobro.hr/>.

Among charitable initiatives, since 2021 PBZ supports also Milky Way virtual humanitarian race organized by UNICEF Croatia. In 2023, PBZ team consisted of 38 colleagues that contributed to joint goal of the race: enabling the program for strengthening the resilience and socio-emotional skills of more than 13,000 primary and secondary school students and more than 450 teachers and other educational experts.

EMPLOYEES

The most important indicators of PBZ people practices could be provided through the received **Top Employer award 2023** for country/region. Top Employers Institute is the global authority on recognising excellence in people practices and the Top Employer label rewards the best global companies by examining aspects including the organization's HR and career development processes in each of its countries.

Similar recognitions in 2023 that confirmed the quality of PBZ HR practices are the renewal of the Certificate Employer Partner by Selectio, the Family Friendly Employer

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EMPLOYEES (CONTINUED)

recognition for the highest quality solutions in achieving a friendly atmosphere towards employees and their families and a balance between business and private life, and -for the first time – **Euromoney Award to PBZ for the best bank in the field of CSR.**

WELLBEING

Activities toward employees are continuously being upgraded. Since 2022 holistic concept of PBZ Family Practices summarizes existing family friendly practices with a series of new initiatives to synergistically strengthen the effect of our activities. The final aim of Family Practice Concept is to create added value to our employees in all life stages and ages through providing organizational, financial and qualitative support and thus fostering a work-private balance. In 2023 PBZ introduced following new initiatives under this concept, enabling equal benefits for biological, adoptive and foster parents, as well as for mothers and fathers:

- A supportive single payment for the arrival of a child was implemented. This measure represents payments for the birth/adoption/foster of a child in the amount of EUR 1,500 per child. During 2023 a total of 106 employees have used the new measure.
- Upon return from parental leave available for employee parents/adopters/foster parents is introduced the possibility of working part-time with full salary for a period of one month for employees (13 people used this measure) or
- a substitute measure of working in one shift (without working in the afternoon shift and without working on Saturdays and Sundays) up to one year after the first return to work (one person initiated this measure by the end of 2023).

New measures were introduced with the aim of enabling easier adaptation for employees after returning to work, adaptation to the environment and re-introduction to work. Additionally, apart from the day off for parents of first graders introduced previously, since 2023 all employees have a possibility to use a day off for birthday. In order to further support employees that are or will become parents, we have organized workshops on encouraging parenting and initiated PBZ Dad campaign in cooperation with the UNICEF expert team. Furthermore, during 2023 there were numerous activities for employees and their kids, such as competition for children who achieved outstanding results in the sports, art and science categories, first edition of PBZ Kids Week, advent events for the youngest, corporate

volunteering in nursing homes, participation in a training activity for children and youth with developmental disabilities etc.

It is important to mention that the core activities of the Family Practices concept continue to take place continuously, such as corporate kindergarten, sport association PBZ Standard with included Multisport offer, periodic health checks and therapies, solidarity aid, discounts for employees with contracted partners, PBZ Retirement club or employee education on personal finance.

In addition, through programs initiated by parent bank, employees had the opportunity to enrol their children in 10-days long ISBD Summer camp or ISBD Sport Junior Event, in which total of almost 130 PBZ children participated.

For employees, also within ISBD perimeter, the ISBD International Healthcare Programme (ISBD IHP) was once more renewed, providing to employees an indefinite-term employment relationship and their family members second medical opinions, medical treatments in top-level health facilities, assistance in the event of serious illnesses, covers treatment and complementary service costs etc.

DIVERSITY AND INCLUSION

Privredna Banka Zagreb adopted the 'PBZ Group Diversity and Inclusion Principles' to reaffirm and make more effective its commitment to implementing and disseminating policies to include all forms of diversity (gender, gender identity and/or gender expression, sexual orientation, marital status and family status, age, ethnicity, religious belief, political affiliation and affiliation to unions, nationality, language, cultural background, physical and psychological conditions or any other feature of each individual, also including the expression of one's own thought), in accordance with the principles of the Code of Ethics and the Code of Conduct. The key principles at the basis of PBZ Inclusion Policy are respect for all people in their identity and diversity expression, nurturing of everyone's skills and competences, meritocracy and equal opportunities.

Within the D&I strategy most prominent initiative that promotes inclusivity and leads by example in our everyday corporate culture was PBZ Inclusive Manager contest conducted during the European Diversity Month. For the second year in a row, PBZ Inclusive Manager contest raised interest and confirmed recognition of the importance of this topic through total of over 110 nominations.

Special attention is being paid to the empowerment of women which was the purpose of two programs initiated in 2023: Women Leadership Academy and Push UP program. Women Leadership Program (35 participants) was creat-

ed to develop and grow pool of women candidates for key levels of management, to enable women leaders to gain a focused personal growth. Within the "PBZ Family Practice" concept, in cooperation with the Association of Croatian Women Entrepreneurs, the first cycle of Push UP workshops for women (100 participants) was held, focusing on well-being, self-confidence, stress coping. Added value achieved for both initiatives were mutual acquaintance, networking, exchange of experiences and support.

CAREER AND DEVELOPMENT

Because the education and training of employees and continuous investment in the development of their professional skills are one of the best ways that a company can show them that they are valuable to them, PBZ continuously invests in its resources.

In 2023, 97% of all employees received at least one training, and over 139 thousand training hours were realized. For the 2023, we highlight the following data:

- The training modules that impact **integrity of corporate conduct** and protection of customers are continuously and consistently implemented. One of the examples are anti-money laundering topics (AML) and corruption and bribery prevention (ABC courses) with realization of 12,160 training hours on PBZ Group level (compared to 17,059 training hours in 2022);
- Continuing attention was given to the ESG topics with the result of 12,156 training hours;
- 17th generation of the "**PBZ Business School**" conducted modules in on-site mode only. In total 40 employees graduated of PBZ Business School – General Program, 1st Business Certificate. Yearly, we have enrolled over 120 participants through two programs: General Management and Operational and Sales Management. Since the beginning in 2007, more than 1.200 employees graduated of one or both programs of the "PBZ Business School". In 2024 the format of PBZ Business School is in process of being upgraded;
- For the 5th consecutive year, an ongoing training program as a mandatory program and a part of **suitability criteria verification** has been prepared in collaboration with two renowned houses. Supervisory and Management Board, Key functions of the Bank but also all executive managers have had a chance to choose between 15 different strategic and leadership topics. Some of the hard skill topics were: Need for Cross-Functional Collaboration in ESG Implementation, Anti-Money Laundering and Countering the Financing of Terrorism, Application of artificial intelligence in business with deeper analysis in banking (predictive analysis), Regulatory framework and best practices related to operational and digital resilience (DORA) (1/2), Macro risks and opportunities with a focus on the sectoral perspective etc. Soft skill topics were: Leadership Wellbeing, Artificial Intelligence in Banking and Finance, Megatrends and Their Relevance for Banking, Leadership and Strategy Issues etc. In total 95 of our Top Managers were included in this training program participating in their own pace;
- **PBZ Women Leader Academy** has been implemented with the main aim to enable women leaders to gain a focused personal growth and to empower them to demonstrate their vision and to lead the change with outstanding conviction and confidence. The program is created for the PBZ women in management, holding positions in corporate bodies, executive and other managerial positions. We have gathered 35 women leaders and have prepared 3 modules through 2023: (1) Women on Board – Corporate Governance; (2) Bold women leadership – women leadership with impact; (3) Inspire and lead people through powerful storytelling methods;
- **RISK Academy** - PBZ adopted comprehensive set of policies and rules building Bank's credit risk culture, core values and expectations regarding credit risk. In order to further strengthen relevant knowledges on policies / rules / regulation (for all staff involved in credit risk-taking, management and monitoring processes) and in order to set-up more enhanced expertise development, we have defined several levels of credit risk education programs. Key goals of education programs to be set in CRO area: Credit culture enhancement; Development of general and specialized knowledge; Continuous following of important regulatory / procedures framework; Soft skills development; Efficient onboarding of new employees; Career development for prospect employees; Higher retention of employees in CRO area; Increased awareness of the need for continuous investment in learning and professional development. The Academy is consisted of two programs: through General program and 5 different topics 273 employees had a chance to improve their knowledge during 204 hours of training, while through Expertise program and 8 different topics 13 employees upgraded their specific knowledge during over 8 hours of training;

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CAREER AND DEVELOPMENT (CONTINUED)

- Recognizing that a well-structured onboarding program is the foundation for long-term employee engagement, productivity, and retention, PBZ strategically redesigned the **onboarding process** to align with the evolving needs and expectations of our workforce. All newcomers in PBZ are welcomed the first day with a welcome email and a welcome box on their desk. They are associated with a mentor who provides guidance and coaching for the professional development and with a buddy who offers an immediate onboarding assistance and help integrate new hires into the company culture. Fostering the mentoring culture, 1485 training hours have been invested in mentoring skills and techniques trainings while the revamped onboarding process successfully completed 132 employees, signalling a seamless and positive transition into their roles within the company;
- In 2023 the Off-Site Team Cohesion Program has been established with the goal of enhancing collaboration, strengthening the team connection and overall organizational sense of belonging. Through 47 different and carefully curated activities and interactive sessions, in overall 1541 employees. Participants not only strengthened professional relationships but also gained valuable insights into each other's strengths, contributing to a more cohesive and motivated team. The overwhelmingly positive feedback and observed improvements in team dynamics underscore the program's effectiveness in promoting a collaborative and unified work environment.

FORMALIZATION OF SMARTWORK

At the very beginning of 2023, 'the Rules on flexible work modalities' came into force in PBZ Group covering 2,107 employees of which 38% work in office mode, 33% in remote mode, and 29% in smart work mode. These Rules do not currently apply to the branch network since the technical and business preconditions are not met. In addition to Rules, overall governance model was defined, including alignment with Labour Law Act, annex distribution, implementation of digital individual modality attribute and remote work fee payments. Next level of work was further developed and implemented under SmartUP project. Health and Safety standards are ensured through ongoing home office inspections and IT equipment distribution.

Flexible working modalities emphasized the importance of developing a strong corporate culture. Flexible work

enables employees to balance business and personal needs, but also poses challenges in maintaining connection and togetherness. This change in the way of work requires organizations to adapt and actively invest in shaping a culture that supports employees and encourages innovation. Aware of the changes in our daily behaviour and business, as well as the need to strengthen the corporate culture based on the principles of responsibility, inclusiveness, professionalism, engagement, and mutual trust, during 2023 an internal SmartUP communication campaign was conducted. Lastly, standard organizational surveys during last year included SmartUP segment allowing us to listen the voice of employees and their feedback on satisfaction with the concept and its implementation. The initial results are positive and oblige the Bank as an employer to continue with the further development and implementation of the project.

INTERNAL COMMUNICATION

PBZ internal communication platform consists of Intranet with daily updated news, PBZ Espresso- weekly overview of the most important internal news and PBZXpress – monthly newspaper in digital format which we have been publishing continuously for over 16 years.

In 2022, in addition to previous, we implemented new platform called Jenz. The Jenz App is a closed social network for employees aimed at improvement of internal culture through strengthening connection between the colleagues and sense of belonging. Jenz is currently used by 1494 employees. In 2023, 322 official stories and 751 social stories were posted. Colleagues have been exchanged 345 praises, 29,455 likes and 943 comments. Annual plan of Internal communication, along the campaigns, posts, publications and events includes also periodic surveys, general or focused, to monitor the pulse of people. During July 2023, an Organizational Climate Survey was conducted in which 72% of PBZ Group employees participated, which is the highest redemption rate achieved in this type of survey. General satisfaction rate was 69%, which presents slight decrease in the perception compared to 2021 results (72%).

To further understand the reasoning behind survey results, seven focus groups were conducted at the end of the year throughout Croatia. The obtained key insights from employees will serve as guidelines for further growth and development within work processes as well as in other key segments that are important for employee satisfaction.

Finally, during 2023 sustainability was structurally integrated as regular topic in internal communication with aim to further raise awareness and impact people's everyday behaviour toward sustainable way. In addition to articles, both online education and AWorld application were made available for PBZ Group.

CONCLUSION

PBZ CSR and sustainability strategic holistic approach toward all stakeholder groups that is being developed and implemented in the last several years created recognizable areas of expertise and resulted in increased visibility, internally from employees as well as externally. In addition to previously mentioned employer-related recognitions, PBZ received in 2023 for the first time Euromoney Award for the best bank in the field of CSR based on commitment to facilitating positive changes in Croatian society, support to numerous humanitarian, social and health institutions, advances in employee-oriented activities in the field of well-being, diversity and inclusion, and the active encouragement of volunteering. Based on the same principles, PBZ continues its further development and contribution to its stakeholders: employees, the environment, clients, community and Parent Company.