

CODE OF CORPORATE GOVERNANCE



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INTRODUCTION

The purpose of this Code of Corporate Governance of Croatian Post Inc. (hereinafter referred to as the Code) is to promote the high standards of corporate governance and business transparency of Croatian Post Inc. (hereinafter referred to as the Company) to manage the Company in an efficient and responsible manner and to ensure Company's wellbeing by boosting its credibility, professionalism and competitiveness.

The implementation of this Code may improve strategic and operational supervision activities and financial and social efficiency.

In the course of its business, the Company encounters numerous challenges. Many of them are common to all service-providing companies, however, some of the challenges are a result of the Company's special position arising from its tripe role:

- 1. universal postal service provider*
- 2. legal entity of special interest to the Republic of Croatia and*
- 3. participant in the market for express postal services and other services.*

According to the Postal Services Act, the Company is a universal service provider. The performance of the universal service is of interest to the Republic of Croatia and it must be made available to all users across the Republic of Croatia on equal terms. The universal service may only be interrupted in case of force majeure.

Its role of a universal service provider requires that the Company makes such services affordable and cost-effective for all users on the entire territory of the Republic of Croatia on equal terms. This is why the Company's business model should take account of the legal obligation to provide the universal service across the Republic of Croatia and the relevant rules concerning competition.

Furthermore, the Company is a legal entity of special interest to the Republic of Croatia and an entity obliged to implement a certain number of laws and other regulations concerning the operation of legal entities of special interest to the Republic of Croatia.

On the other hand, the Company has been present in the market and has competed with other participants in the market for the service it provides. The Company is aware that successful business is contingent upon implementing modern corporate governance standards. Responsible and ethical conduct of companies is a condition precedent to the effective development of business relationships, sound development of competition, trust among the employees, business partners and customers, as well as adequate functioning of the market in general.

In the course of its business, the Company complies with the principles defined in the Code of Corporate Governance of Companies in which the Republic of Croatia holds Shares, which constitutes a collection of all professional conduct principles and good practices intended to strengthen corporate and shareholders' responsibility by implementing conduct standards for the purpose of achieving wellbeing for all participants because it is designed for all companies in which the Republic of Croatia holds shares, but primarily for legal entities of special interest to the Republic of Croatia.

As the Code of Corporate Governance of Companies in which the Republic of Croatia holds shares defines minimum requirements imposed by the Republic of Croatia on companies owned by it, a need has been identified to additionally regulate such corporate governance matters in the Company through a more comprehensive act.

This Code aims to bring the corporate governance standards in the Company closer to those implemented in companies whose shares are quoted on a regulated market, unless they are contrary to the Company's role as a universal service provider and legal entity of special interest to the Republic of Croatia.

The Company therefore modeled this Code after the corporate governance principles adopted by the Croatian Financial Services Supervisory Agency and Zagreb Stock Exchange in 2019 although Company's shares are not admitted to trading on the regulated market of the Zagreb Stock Exchange, in addition to the principles defined in the Code of Corporate Governance of Companies in which the Republic of Croatia holds Shares.

The Company also considered all its specifics while formulating this Code.

1 | COMPANY'S ORGANS AND THEIR MUTUAL RELATIONS

Pursuant to the Companies Act and the Articles of Association of Croatian Post Inc.— Full Text (hereinafter referred to as the Articles of Association), the Company's organs are the Management Board, the Supervisory Board and the General Assembly.

The Articles of Association and other internal acts must set out clearly the responsibilities of the Supervisory Board, the Management Board, and the General Assembly.

The categories of decisions and transactions for which the Management Board needs prior approval from the Supervisory Board are defined by the law and by the Articles of Association. In addition to decisions for which Supervisory Board's approval is required under the Articles of Association, the Management Board and the Supervisory Board may agree to define other categories of such decisions, for which purpose the Supervisory Board shall take a special decision.

The Supervisory Board and the Audit Committee must have timely access to the Company's premises, as well as its senior management and employees and documents they need to perform their duties. The procedures used by the Management Board to ensure such access shall be set out in the internal acts of the Company issued by the Supervisory Board at Management Board's proposal.

The Management Board shall keep the Supervisory Board informed of:

- operating performance of the Company
- its financial situation
- substantial financial and nonfinancial risks
- any warning from a competent authority or any other circumstances that may result in the repeal of the decision appointing the Company a universal service provider

The Management Board and the Supervisory Board shall agree upon the form and frequency of such reports, unless defined by law.

In case an event that may substantially affect the results, financial position or reputation occurs or is likely to occur, the Chairman of the Management Board shall promptly notify the Supervisory Board thereof.

2 | MANAGEMENT BOARD DUTIES AND SUPERVISORY BOARD MEMBERS DUTIES

While performing their duties, Management Board and Supervisory Board members shall act in the best long-term interest of the Company, taking into account the interests of its shareholders, employees, users of postal services and other stakeholders rather than their own interest or that of third parties.

When taking business decisions, the Management Board must also take into account the Company's capacity as a universal service provider and ensure that the Company is always able to provide the set of services comprising the universal service to all users of postal services across the Republic of Croatia, irrespective of their location, in accordance with the quality levels prescribed by the law and at affordable prices.

Conflict of interest

Management Board and Supervisory Board members shall not take any decisions based on their personal interests or interests of their related parties and shall not take part in taking decisions where such conflict of interest exists.

If a Management Board member believes he may be in a potential conflict of interest with regard to a certain decision, he shall notify the other Management Board members and the Chairman of the Supervisory Board. If a Supervisory Board member thinks he may be in a potential conflict of interest with regard to a certain decision, he shall notify the other members of the Supervisory Board.

Where a Management Board or Supervisory Board member believes that another Management Board or Supervisory Board member failed to report an existing or potential conflict of interest, he shall notify the Chairman of

the Supervisory Board thereof. If any of them finds the Chairman of the Supervisory Board to be in a conflict of interest, they should notify the Deputy Chairman of the Supervisory Board.

The Company shall maintain a registry of notifications concerning conflict of interest.

The Management Board shall adopt a conflict of interest policy that will be published on the Company's website.

Competition ban

Management Board and Supervisory Board members shall not engage in any activities competing with the Company's business, whether on their own account or on behalf of others, and shall not hold shares in any companies whose business competes with that of the Company.

Transactions with related parties

Neither the Company nor its related parties may enter into any transaction with a member of the Management Board or Supervisory Board or their related parties without prior approval from the Supervisory Board.

The approval and public report of such transactions must comply with legal provisions and financial reporting standards.

3 | APPOINTMENT OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

Management Board and Supervisory Board members shall be elected/appointed and must meet the requirements as defined in the specialized legislation prescribing the rules for the election and appointment of management and supervisory boards in legal entities of special interest to the Republic of Croatia.

4 | THE MANAGEMENT BOARD

As part of its duties, the Management Board shall:

- develop and implement Company's strategies and business plans
- manage Company's activities and resources
- enforce the Company's values and ethics
- appoint and dismiss members of senior management of the Company
- implement effective risk management and internal control systems and
- maintain constructive relationships with the shareholder and important stakeholders.

The management of Company's affairs and operation of the Management Board shall be defined in greater detail by the Management Board Rules of Procedure to be adopted by the Supervisory Board at Management Board's proposal.

Such Management Board Rules of Procedure shall define the cooperation between Management Board members, including procedures for holding meetings and taking decisions.

The Management Board shall also supervise the activities of its subsidiaries and ensure that proper cooperation is maintained and that rules are in place with regard to the responsibilities and reporting procedures between the Company and its subsidiary.

Composition

The Management Board shall have such a number of members that is sufficient for the effective performance of its duties.

When electing Management Board members, it should be ensured that the Management Board as a whole has the skills, knowledge, education, experience and diversity necessary for the successful performance of their common duty.

Chairman of the Management Board

The Chairman of the Management Board shall be responsible for daily operations of the Company and shall:

- manage the development and implementation of Company's strategy and business plan
- ensure the effective functioning of the Management Board
- sign a fiscal liability declaration and
- maintain contact with the Supervisory Board, the shareholder and important stakeholders.

Limits on other appointments

Pursuant to the applicable law Management Board members may not be management or supervisory board members in other companies or perform any management activities in other companies.

In case the law or any other regulations allow for a member of the Company's Management Board to be appointed management or supervisory board member in other companies, such Management Board member must obtain prior approval from the Supervisory Board before accepting such appointment.

In any case, they may not be management or supervisory board members in companies whose business competes with that of the Company.

Management Board Review

The Supervisory Board shall on an annual basis review the effectiveness of cooperation between the Supervisory Board and the Management Board, as well as the adequacy of the support and information it receives from the Management Board

5 | SUPERVISORY BOARD

Supervisory Board members shall perform their duties diligently and shall dedicate sufficient time to them.

Supervisory Board members must be trained and educated for performing their duties in accordance with the specialized law which defines that representatives of the Republic of Croatia on supervisory boards of legal entities of special interest to the Republic of Croatia must receive specific training

In addition to specific functions defined by the law, the Articles of Association or this Code, the duties of the Supervisory Board shall include:

- contributing to the development of Company's strategy
- approving the business plan and
- supervising Management Board's performance in achieving objectives and how it performs its duties, as well as how it cooperates with the shareholder and the stakeholders.

A Supervisory Board member shall notify the Company Secretary of his membership in the supervisory or management board of any other company.

Chairman of the Supervisory Board

The Chairman of the Supervisory Board shall:

- ensure that the Supervisory Board has access to such resources, support and information as may be necessary for the performance of its duties
- ensure that the Supervisory Board discharges its responsibility for supervising the Management Board and its role in the development of Company's strategy without interfering with daily management of the Company
- chair Supervisory Board meetings so as to encourage open and meaningful discussions and
- maintain contact and ensure cooperation with the Management Board.

Supervisory Board meetings

Supervisory Board meetings shall be held at least once in each quarter, or more frequently if necessary.

The Chairman of the Supervisory Board shall ensure that there is an operating plan in place which defines how frequently the Supervisory Board should meet considering the Company's needs.

The Chairman of the Supervisory Board shall ensure that the times and agendas of future meetings allow the Supervisory Board to effectively and duly perform its duties.

Management Board members are normally allowed to attend Supervisory Board meetings, however, the Supervisory Board is entitled to meet without Management Board's involvement whenever it may deem it appropriate.

All materials required for a Supervisory Board meeting shall be provided to the members within the defined time limits to allow them sufficient time to prepare for the meeting.

The minutes of a Supervisory Board meeting must be recorded clearly and made available to all Supervisory Board members.

As part of the annual report, the Company shall disclose the records of attendance at Supervisory Board and Audit Committee meetings for each member.

As an exception allowed in justified cases, the Supervisory Board may take its decisions without holding a meeting in accordance with a procedure to be defined in Company's internal corporate acts.

Support to the Supervisory Board

The Supervisory Board Secretary shall advise the Supervisory Board on governance-related matters, provide support to the Chairman of the Supervisory Board and assist the Supervisory Board and the Audit Committee in their effective functioning, and shall also be responsible for compliance with the relevant Supervisory Board procedures.

The Supervisory Board may receive information or advice from parties external to the Company at Company's expenses if it finds this to be necessary for the successful performance of its duties.

The Chairman of the Supervisory Board shall ensure that the Supervisory Board regularly receives news and summaries from the Management Board, including experts if necessary, with regard to any matters relevant to the Company and the duties of Supervisory Board members.

The Supervisory Board is required to form an Audit Committee and define its term.

The Company shall make a description of Audit Committee's duties available on its website.

All Audit Committee members shall have the skills, knowledge and education, as well as professional and practical experience necessary for the effective performance of such Committee's duties.

At least one member of the Audit Committee shall be an expert in the area of accounting and/or auditing of financial statements.

A Management Board member may not be a member of the Audit Committee.

The Company shall incorporate the Audit Committee's operational report in the annual report, including information about the number of meetings held and members of the Audit Committee.

6 | REMUNERATION OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

Remuneration of Management Board members

The remuneration payable to Management Board members shall be defined in accordance with a specialized law regulating the salaries and other benefits of the chairmen and members of management boards in companies in which the Republic of Croatia or a legal entity incorporated by the Republic of Croatia holds a majority share of the share capital, unless otherwise defined by the applicable specialized law.

Remuneration of Supervisory Board members

The remuneration payable to Supervisory Board members shall be defined in accordance with a specialized law regulating the remuneration of supervisory board members in companies incorporated by the Republic of Croatia, unless otherwise defined by the applicable specialized law.

7 | COMPLIANCE AND WHISTLEBLOWER PROTECTION

An autonomous and independent organizational unit shall be responsible for compliance activities and shall, *inter alia*:

- propose the annual operating plan to the Management Board and the Supervisory Board
- submit annual and ad hoc reports to the Management Board and the Supervisory Board and
- identify and assess any compliance risks the Company is or may be exposed to and prepare risk management plans.

The Company has established procedures for the collection, processing and provision of information the Company is required to provide to the relevant supervisory authorities.

The reporting procedure is used to monitor the reporting time limits and includes all reports to the Management Board, the Supervisory Board, the General Meeting, HAKOM and other regulators and public authorities the Company is required to provide with such reports.

The Company has adopted an internal act which defines the procedure for internal reporting breaches of the law and for appointing a trusted person for internal reporting breaches of the law, which shall be published on the Company's website.

The misconduct reporting procedure ensures that employees or external stakeholders suffer no negative consequences if they report any suspicious misconduct.

The Management Board shall report to the Supervisory Board any breaches identified through this procedure and all actions taken to rectify such breach.

8 | **RISK, INTERNAL CONTROL AND AUDIT**

The Company has established a system of internal controls in accordance with the applicable law as a system of effective structures, policies and procedures to identify, report, manage and oversee substantial risks the Company is exposed to.

The Company has organized a risk management system designed to identify, measure, respond to, report and monitor such risks.

Such risk management system shall include strategic and operational risks, as well as any external risks the Company is exposed to.

In addition to the risks associated with market operations, the risk management system shall include the risks associated with the provision of the universal postal service and ensure that the performance of the universal postal service is not compromised.

The Company has organized an independent internal audit function responsible for monitoring the effectiveness of the risk management system, including the internal control system.

The Management Board shall:

- identify the major strategic, operational and external risks associated with the implementation of the strategy and maintenance of Company's activities
- maintain appropriate risk management and internal control systems to manage and avoid such risks
- at the proposal of the internal audit manager and after seeking Audit Committee's opinion, adopt annual and strategic (3-year) internal audit plans, subject to Supervisory Board's approval and
- regularly report to the Supervisory Board on the status of the major risks.

The persons responsible for the risk management system shall cooperate with the Audit Committee.

The Audit Committee shall:

- supervise the correctness and integrity of Company's financial statements and accounting policies, as well as other official communications in connection with the Company's financial performance
- oversee the effectiveness of internal financial controls in the Company
- ensure that the external audit function remains sufficient, independent and effective
- ensure that the internal audit function remains independent and sufficient
- provide its opinion about the annual and strategic (3-year) internal audit plans
- submit its opinion about major strategic, operational or external risks
- oversee the implementation of measures resulting from external or internal audits and internal supervision.

The Supervisory Board shall:

- give its approval to the annual and strategic (3-year) internal audit plans
- supervise the effectiveness of overall internal controls in the Company and its risk management system and
- supervise the implementation of the procedures for reporting violations of the law or Company's internal rules of conduct.

The Audit Committee shall oversee the process of selecting and appointing an external auditor in accordance with the requirements of the law and shall provide its recommendations to the Supervisory Board for the selection of such external auditor and terms of their appointment.

The Audit Committee shall monitor the independence and objectivity of the external auditor and shall approve a policy concerning the permitted non-audit services provided by such external auditor and monitor the implementation thereof.

For the purposes of performing its duties, the Audit Committee may request from the Management Board such information and documents as may be reasonably necessary in accordance with a procedure to be incorporated in Company's internal acts.

9 | DISCLOSURE AND TRANSPARENCY

The shareholder and other stakeholders shall have easy and nondiscriminatory access to information about the Company's ownership structure, its corporate governance arrangements, and its financial and operating performance.

The Company shall publish on its website all information of interest to the shareholder, potential investors or any other stakeholders, including all information the Company is legally required to disclose according to the law, the Articles of Association or this Code.

All information required to be published on the Company's website shall be published so as to allow easy, transparent and unconditional access thereto.

Such information that must be made available on the website shall in particular include:

- Company's annual report
- half-year reports and other financial information required to be disclosed
- information on the terms of reference, composition and members of the Supervisory Board, the Audit Committee and the Management Board
- the Articles of Association and other internal acts in accordance with this Code
- Company's policies concerning its social and environmental impacts, human rights, bribery and corruption and
- Company's internal rules and details for reporting suspected misconduct.

The Company shall ensure that such information made available on its website remains current and are published in accordance with time limits prescribed in law and regulations. All such information provided on the website shall be made available free of charge and unconditionally.

In addition to the information that Company is required to disclose in accordance with the law, the Company's annual report shall include:

- records of the number of Supervisory Board meetings held and attendance records for each member
- details of any contracts or agreements between any Management Board or Supervisory Board members and the Company (or any parties related to either of them)
- the effectiveness of cooperation between the Management Board and the Supervisory Board
- an Audit Committee operating report including information on the number of meetings held, the members and their attendance records.

The Supervisory Board and the Management Board shall be jointly liable for the accuracy and integrity of financial or any other information disclosed by the Company.

10 | **STAKEHOLDERS AND IMPLEMENTATION OF COMPANY VALUES**

The Management Board and the Supervisory Board shall jointly determine whom they consider to be key stakeholders vis-à-vis the Company.

The Management Board shall establish effective mechanisms for regular interaction with key stakeholders and also for the purpose of informing the Supervisory Board of the results of such communications.

The Company implements specific codes defining specific rules of conduct to be complied with by all Management Board and Supervisory Board members, employees and other parties that act on behalf of the Company and prescribing a socially responsible business policy.

Such codes shall define how the Company shall:

- assess the environmental and community impacts of Company's activities, take into account the potential environmental and community impacts, and manage the associated risks
- ensure the protection of human and employee rights and seek to provide a favorable and stimulating working environment
- prevent and penalize bribery and corruption and
- take measures in case such codes are not complied with.

Such codes shall be published on the Company's website.

The Supervisory Board shall monitor their implementation and effectiveness.

Such codes may also define rules of conduct that the Company expects its suppliers, contractors and other business partners to comply with.

11 | APPLICABILITY OF THE CODE

The compliance of this Code by the Company shall not release it from its obligation to comply with the applicable laws and other regulations.

This Code shall apply as of 1 January 2021 and shall be published in HP Journal, the official journal of the Company, and on the Company's website.

Croatian Post Inc.
Chairman of the Management Board
Ivan Čulo, signed

Chairwoman of the Supervisory Board
Ivančica Urh, signed



**CODE OF CORPORATE
GOVERNANCE OF
CROATIAN POST INC.**