

# This is Our Home

NLB Group Sustainability Report 2020



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## ▶ NLB Annual Report 2020

The NLB Group Annual Report 2020 is available on the Bank's website: <https://www.nlb.si/financial-reports>.

# 2020 Sustainability Performance Highlights



## Comprehensive Sustainability program

NLB Group prepared its **first Sustainability program** & started developing an extensive Environmental and Social Management System (ESMS) in line with EBRD and MIGA requirements.



## Sustainability governance

NLB Group started developing **sustainability governance** (Sustainability coordinator and ESMS Officers being appointed).



## UN Principles for Responsible banking

NLB Group became a **signatory to the UN Principles for Responsible banking**.



## 56% of female managers

At the end of the year, women represented 56% of all management positions. 49% of women at the first management level (B-1), 55% of women at the second management level (B-2), 60% of women at the third management level (B-3). Women represent 31% of all Supervisory and Management Board Members.

Table 1: % of women in leadership positions in 2020

Member	B-1	B-2	B-3	Total	Supervisory Boards and MB
NLB d.d.	46%	57%	74%	61%	27%
NLB Banka, Podgorica	47%	60%	44%	50%	40%
NLB Banka, Banja Luka	50%	60%	68%	62%	25%
NLB Banka, Sarajevo	61%	55%	33%	49%	25%
NLB Banka, Prishtina	17%	53%	0%	28%	25%
NLB Banka, Skopje	67%	47%	62%	60%	40%
NLB Banka, Beograd	50%	44%	58%	52%	0%
<b>NLB Group</b>	<b>49%</b>	<b>55%</b>	<b>60%</b>	<b>56%</b>	<b>31%</b>

**274**

## Helped 274 small local businesses

#HelpFrame project intensively addressed the Bank's environmental and social role in all markets of NLB Group, as our goal is to establish a regional sustainability program. **83 companies from Slovenia** are presented through the project and **274** from NLB Group.

**-10%**

## Up to 10% lower electricity consumption

We continued with the **reduction of electricity consumption**, which was 10% lower than in 2019 in NLB d.d. In NLB Group, core members, compared to previous years, the volume did not change drastically, except for Sarajevo and Belgrade, where it decreased between 6 and 9.8%.

**-35%**

## Up to 35% lower paper usage

We also continued with **paper usage reduction**. In NLB d.d., compared to 2019, the amount of paper use decreased by 35% (from 27 to 18 pages per employee per working day). In NLB Group, core members the quantity by individual members decreased between 15 to 23%.

**-28%**

## -28% vehicles CO<sub>2</sub> emissions

Our **CO<sub>2</sub> emissions**, related to the use of company cars and vault vehicles, decreased by 28%.



## 69% of female employees

At the end of 2020, NLB Group employed **69% of women and 31% of men**.

**+ 307**

## 307 new employees

NLB Group hired **307 new employees**, of which 39.7% were younger than 30 years, 57% were between 30 and 50 years old, and 3.3% were older than 50 years. Altogether, 42% of the newly employed were men and 58% women. 97% of new hires were hired from local community.



## Inclusion and equal opportunities

NLB Group is committed to **inclusion and equal opportunities**. In 2020 the proportion of staff with disabilities stood at 2%.

**6,800**

## 6,800 training programs

By the end of the year **4,769 employees** participated in standard internal training programs and **2,029 employees** participated on external training courses.



## Non-discrimination

We have a policy of **zero tolerance to any form of discrimination and violence**. In reporting period, we had 1 incident of discrimination, which was resolved in February 2020 and there has not been any signs of mobbing.



## International tax standards

The NLB conducts its tax operations in line with the purpose and the requirements of the relevant legislation and **in accordance with the international standards** (e.g. OECD guidelines).

# CEO Statement

In 2020 we learnt a lot. We received important insights that we might not have gained so rapidly without the pandemic experience. It emphasised the importance of knowledge, experience, and trust between colleagues and between us and our clients. In the end, we in fact realised that we got a rare opportunity to further strengthen our bonds and, most importantly, it also brought the importance of sustainable business and living to the forefront. The question remains, however, whether the experience has shocked us enough to actually put sustainable development first or will the lessons of 2020 be forgotten once the pandemic is under control. Are we mature enough to finally realise that it is us who are primarily responsible for our own well-being and future?

In NLB Group, we believe that we have grown up! That is why we have put the sustainability of our business decisions and actions in the very centre of our operations. As a systemic player, we are in the position to truly influence the environment in which we operate and to fulfil our mission to impact the quality of life in our home region. We have also committed to this by approaching the global United Nations Principles for responsible banking, another in a series of the Groups' initiatives that demonstrate we really care, and that binds us to further intensify our work in the field of sustainability in a systematic, engaged, and continuous way.

We claim that sustainability is not just something one puts on paper, but an actual series of decisions and actions with which we aim to become a company with an important positive impact on the environment in our home region. We address it in all of our markets, with the aim of establishing a regional sustainability platform. We wish to support individuals and businesses with a local and international reach, who create and perform here and have understood their role in the context of sustainability in a comparable way.

This commitment has already brought results in 2020. The pandemic fuelled our drive for digitization and sparked us to further expand the range of our digital services, available 24/7, as well as to take even more decisive steps towards completely paperless business operations. It has also changed the paradigm of how we understand our work environment and accelerated the transition to working from home, which will significantly reduce the need for our own office space and travel, and also our carbon footprint as a result.

We are enormously proud of our first Group-wide CSR project – with the clearly defined sustainability component called #HelpFrame – with which we have really been proving our genuine loyalty and support for local small businesses, and addressed the improvement in the quality of life in this part of the world. By keeping sustainability in our minds, we have also offered our clients the Green Housing Loan and supported green investment opportunities.



However, we understand and approach sustainability in the banking sector as it is truly intended. Besides environmental issues, we are also addressing social and governance topics. We advocate equal opportunities, as well as independent and professional corporate governance. We want to become a beacon of sustainable operations and one of the most responsible companies in the region.

We have initiated a journey to sustainable banking. It is a long and, in our region, very challenging one, but we know where we are heading and what our goal is. As an institution with a systemic reach, we want to be one of the key drivers of change and one of the most meaningful companies and most desirable employers in the region we call and treat as our home. Our most honest wish, ambition, and plan is for it to thrive; hence, we support it, nurture it, invest in it, and make sure that it is ready – for whatever may come.

Blaž Brodnjak

CEO



## A new boost for sustainable development

The COVID-19 pandemic caused a downturn in the economy, but on the other hand it also brought us some positives. We pay more attention to what is happening in the environment and wonder how we influence it with our actions. In doing so, we have become enthusiastic about finding sustainable, especially local solutions.

One of the most recognised projects of 2020 in the entire region of SEE is certainly the #HelpFrame project. With the #HelpFrame project, we offered our own advertising space to 274 entrepreneurs, farmers, and micro and small businesses – which would be difficult for them to afford in these times – and thus helped them to reach potential customers, thereby making an important contribution to strengthening the domestic small business.

# Our Approach to Sustainable Banking

## Strong supporting foundations:

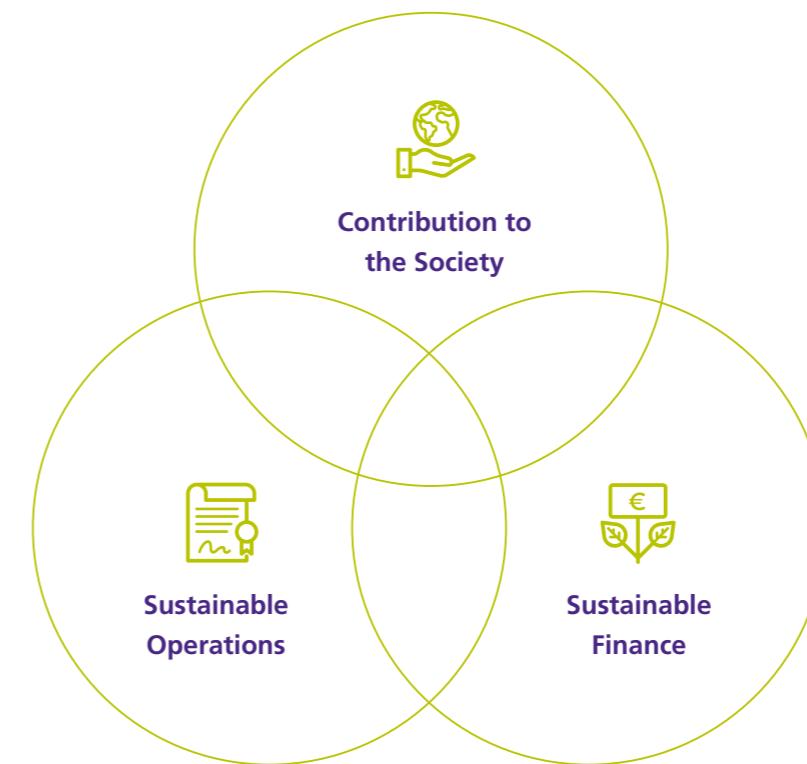


In 2020, the Group embarked on a path of more intensive integration of sustainability into banking operations. If until this year it was possible to detect the activities of banks in the Slovenian financial sector in the direction of more ecologically and socially acceptable operations, the COVID-19 pandemic strengthened banking agendas related to environmental and social risk management, and thus more comprehensive implementation of the ESG factors. The Group's social role has been stipulated in its Social and Environmental Policy (more information available on [www.nlb.si/social-responsibility](http://www.nlb.si/social-responsibility)), which has paved the way for more than a decade's work on responsible banking. However, the Bank's ambition is to increasingly focus on sustainability integration and translate it into a real value-added. The transition to sustainable banking requires the adaptation of most processes in the Group, as well as changes in the banking culture.

The NLB Group is responsible to its clients, employees, and the social environment, and aims to become their responsible and diligent mentor. The Bank pays special attention to knowledge and lifelong learning. The key pillars of the socially-responsible operations of the NLB Group are caring for its employees and protection of lawfulness and integrity, as well as the promotion of entrepreneurship, increasing financial literacy and mentorship, humanitarian activities, support to professional and youth sports, and the protection of cultural heritage.

In addition to the good performance of the Bank, the latter also wishes to contribute to a higher quality of life of the wider society. Already in 2011, all NLB Group member banks adopted their Social and Environmental Policy following the example of NLB d.d., and in their operations they act in accordance with the local banking and environmental legislation. In 2019, the revised Policy of the NLB Group was introduced in all core members of the NLB Group. In 2020, NLB Group members upgraded the Policy once again this time considering UN Sustainable Development Goals (SDGs).

NLB Group records sustainable financial performance and actively contributes to a more balanced and inclusive economic and social system.



## NLB Group Sustainability framework

With the adoption of the Group's Sustainability program, including the sustainability strategy at the end of 2020, the Bank has moved from the raising awareness phase to the phase of actively implementing sustainability elements into the business model. The goal of this organisation-wide initiative is to ensure sustainable financial performance of the Bank by considering social and environmental risks and opportunities in its operations, and to actively contribute to a more balanced and inclusive economic and social system.

In recent years, the Bank has signed Framework Agreements with the European Bank for Reconstruction and Development (EBRD) and in 2020 the Contract of Guarantees with the Multilateral Investment Guarantee Agency (MIGA). Based on this, the Bank and/or Group subsidiaries are obliged to develop its Environmental and Social Management System (ESMS) and comply with certain E&S requirements. In 2020, considerable progress was made in the area of establishing a basic mechanism for E&S screening. Also, the ESMS Officers were appointed in the Group banking subsidiaries. Further actions to strengthen ESMS are in progress.

## Key impact areas:

### Environmental

Climate Mitigation & Adaptation  
Biodiversity  
Resource Efficiency & Circular Economy

### Social

Gender Equality  
Human Rights  
Financial Inclusion  
Decent Employment

### Internal Change

Strategy Alignment  
Impact and Targets  
Clients and Customers  
Stakeholders  
Governance and Culture  
Transparency and Accountability

## UN Principles for Responsible Banking

NLB is the first bank from Slovenia to commit to the UNEP FI Principles for Responsible Banking.

On 4 September, the Bank became a signatory to the UN Principles for Responsible Banking (and UNEP FI member), which is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. More than 200 banks which represent around a third of the global banking industry have joined, leading the way towards a future in which the banking community makes the positive contribution to people and the planet that society expects. The Bank is expected to publish first reporting and self-assessment on the UN Principles for Responsible Banking within 18 months of becoming a signatory. Within a maximum of four years, the Bank must fully implement the required steps regarding impact analysis, target-setting & implementation, and accountability.

### Building partnerships

In 2020, we entered some very important partnerships to accelerate our implementation of the ESG factors. NLB is the first Slovenian bank that became a member of the CER (Centre of Energy Efficient Solutions) institute, which is Slovenia's most important and renowned network of advanced companies, and which play a leading role in promoting and developing climate neutral economy and green technologies. We proudly joined the initiative together with almost 100 important Slovenian companies. What is more, three NLB representatives, green visionaries, participated in the first GREENVISION hackathon for a sustainable, smart, and progressive Slovenia, organised by CER.

With the help of the IEDC WISE Institute, which is a World Institute for Sustainability and Ethics in Rising Economies, headquartered at IEDC-Bled School of Management, we established contact with several sustainability leaders from all over the world and received valuable insights on the opportunities and challenges posed by ESG integration. Together with the IEDC WISE Institute, we organised a company-wide event "NLB Group Sustainability kick-off" and started with the extensive awareness-raising and changing the culture program in our bank.



#### Principle 1: Alignment

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.



#### Principle 2: Impact & Target Setting

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.



#### Principle 3: Clients & Customers

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.



#### Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



#### Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and culture of responsible banking.



#### Principle 6: Transparency & Accountability

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.

### Sustainability reporting

NLB reports on its performance annually in terms of responsible banking, providing information about the main actions and commitments of the Bank in these areas, and in relation to its main stakeholders. In addition, the Bank also reports on the main initiatives it develops with society and the environment, particularly in the communities where it operates. For the reporting of non-financial information, NLB works within the framework of recognised international standards such as the Global Reporting Initiative (GRI).

With this first NLB Group Sustainability Report 2020, we have changed the way we report about Environmental, Social, and Governance (ESG) matters, in order to better respond to our stakeholder needs. This report accompanies our annual report and represents the first attempt to provide a data-driven summary of our sustainability performance.



298<sup>(i)</sup>

Number of branches in NLB Group

269.7

Result after tax in EUR million

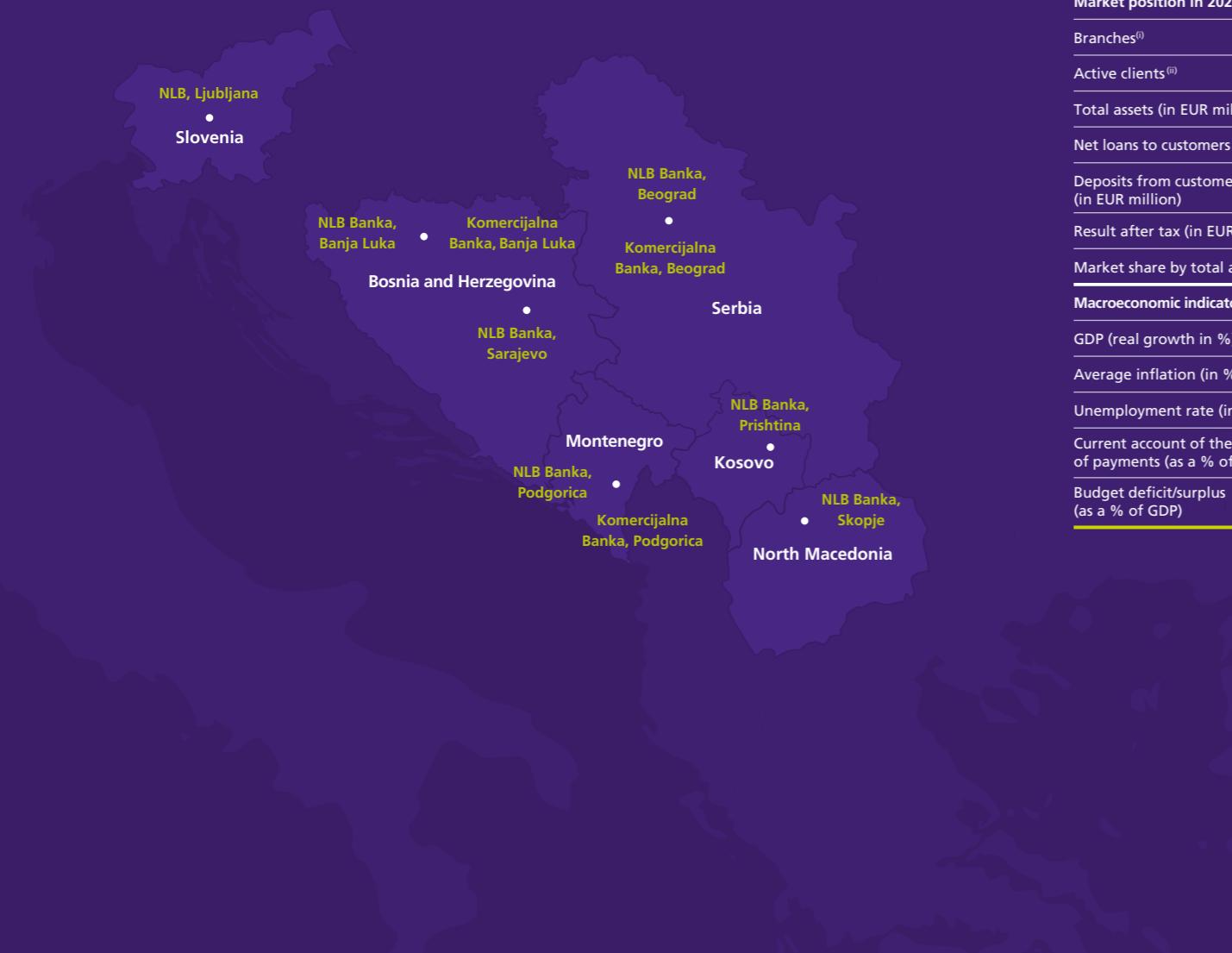
1,874,804<sup>(ii)</sup>

Total active clients of NLB Group

We are from this region and understand business environment, customs and, most of all, its people. With our commitment, knowledge, and innovative solutions, the Group takes superior care of its customers and creates a better life, a better future for us all. Welcome to our home.

# NLB Group at a Glance

## Presentation of the NLB Group



	NLB Group	NLB, Ljubljana	NLB, Lease&Go, Ljubljana	NLB, Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	Komercijalna Banka, Banja Luka	NLB Banka, Prishtina	NLB Banka, Podgorica	Komercijalna Banka, Podgorica	NLB Banka, Beograd	Komercijalna Banka, Beograd	Kombank INvest, Beograd
<b>Market position in 2020</b>														
Branches <sup>(i)</sup>	<b>298<sup>(i)</sup></b>	80	-	-	50	51	36	19	34	19	19	28	203	-
Active clients <sup>(ii)</sup>	<b>1,874,804<sup>(ii)</sup></b>	668,270	-	-	417,298	214,634	136,511	46,173	231,490	64,735	15,491	141,866	849,488	-
Total assets (in EUR million)	<b>19,566</b>	11,027	34	1,626 <sup>(iii)</sup>	1,586	796	647	236 <sup>(viii)</sup>	879	538	155 <sup>(viii)</sup>	687	3,907 <sup>(viii)</sup>	1 <sup>(viii)</sup>
Net loans to customers (in EUR million)	<b>9,645</b>	4,595	24	-	957	431	399	155 <sup>(viii)</sup>	559	367	104 <sup>(viii)</sup>	472	1,630 <sup>(viii)</sup>	-
Deposits from customers (in EUR million)	<b>16,397</b>	8,851	-	-	1,289	634	522	153 <sup>(viii)</sup>	748	432	120 <sup>(viii)</sup>	496	3,194 <sup>(viii)</sup>	-
Result after tax (in EUR million)	<b>269.7</b>	114.0	-1.1	5.5	19.2	10.1	5.9	0.7 <sup>(viii)</sup>	13.3	1.4	0.5 <sup>(viii)</sup>	2.6	24.9 <sup>(viii)</sup>	-
Market share by total assets	-	24.7%	-	34.9% <sup>(iv)</sup>	16.5%	18.6% <sup>(v)</sup>	5.3% <sup>(vi)</sup>	5.5% <sup>(v, ix)</sup>	17.2%	11.7%	3.4% <sup>(vii, ix)</sup>	1.9% <sup>(vii)</sup>	10.2% <sup>(vii, ix)</sup>	-
<b>Macroeconomic indicators for 2020</b>														
GDP (real growth in %)	-6.0	-5.5	-	-4.5	-	-5.2	-	-7.0	-	-13.0	-	-	-1.0	-
Average inflation (in %)	0.2	-0.3	-	1.2	-	-1.0	-	0.2	-	-0.3	-	-	1.6	-
Unemployment rate (in %)	15.5	4.9	-	16.4	-	18.0	-	26.5	-	18.0	-	-	9.0	-
Current account of the balance of payments (as a % of GDP)	-4.7	7.3	-	-3.5	-	-4.9	-	-7.5	-	-15.4	-	-	-4.3	-
Budget deficit/surplus (as a % of GDP)	-7.7	-8.5	-	-8.1	-	-4.6	-	-6.7	-	-9.9	-	-	-8.1	-

<sup>(i)</sup> Branch offices of Komercijalna Banka, Banja Luka, Komercijalna Banka, Podgorica and Komercijalna Banka, Beograd not included in total number of NLB Group branches.

<sup>(ii)</sup> Number of active clients of Komercijalna Banka, Banja Luka, Komercijalna Banka, Podgorica and Komercijalna Banka, Beograd not included in total number of NLB Group active clients due to different definitions.

<sup>(iii)</sup> Assets under management.

<sup>(iv)</sup> Market share of assets under management in mutual funds.

<sup>(v)</sup> Market share in the Republic of Srpska as at 30 September 2020.

<sup>(vi)</sup> Market share in the Federation of BiH as at 30 September 2020.

<sup>(vii)</sup> Market share as at 30 September 2020.

<sup>(viii)</sup> Data from internal reports of Komercijalna Banka group.

<sup>(ix)</sup> Data from CBs and own calculations.

## NLB Group business model and value creation

The NLB Group is the largest banking and financial group in Slovenia with a strategic focus in selected markets of SE Europe. It is present on markets with a population of around 17 million residents in total. The Group consists of NLB (the Bank) as the parent company in Slovenia, six subsidiary banks in SE Europe, several companies providing other services (asset management, insurance, real estate management, etc.) and a limited number of non-core companies which are in the process of controlled liquidation. The Bank is 25% owned by the Republic of Slovenia. The key strategic areas of operations of the Group in 2020 continued to be Retail Banking in Slovenia, Corporate Banking in Slovenia, and Strategic Foreign Markets.

In financing, the Group follows carefully drafted principles, guidelines, and procedures. The Group does not finance activities that include illegal activities, or the production and trade in weapons, political parties, political forums, or religious communities. By integrating sustainability considerations in its **risk management** framework and underwriting process, the Group can better manage risks around lending and investing, thus lowering their effect on the operational and business model. Those risks include potential human rights violations and the accompanying regulatory penalties, energy and water pricing risks and risks of climate change.

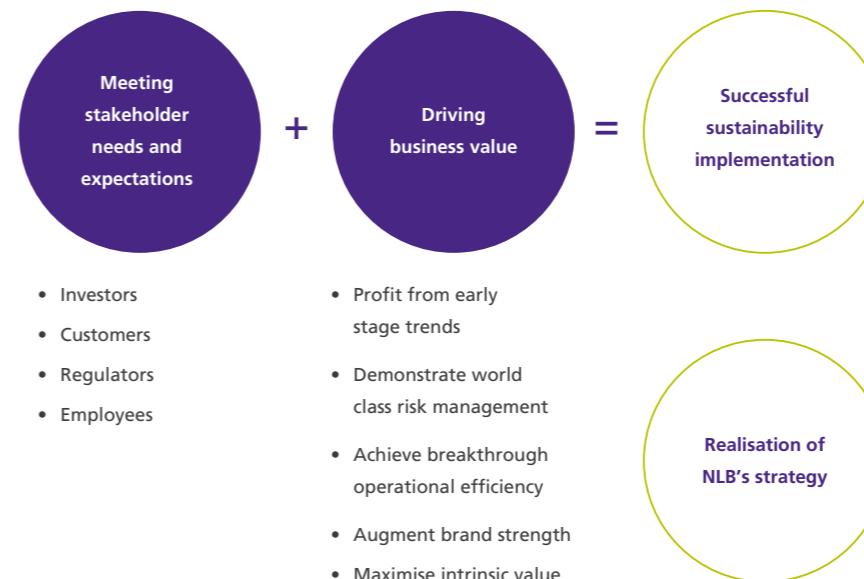
By positioning itself as sustainability-oriented bank in the SEE region, the Group can increase its access to large new markets and sectors that will thrive in **the transition to a low-carbon economy**, such as energy and water efficiency services, renewable energy sources, and green building products, thus securing for itself new long-term sources of revenues.

By **optimising its use of natural, human, and other resources**, NLB will not only reduce its environmental impact, but also save costs and increase operational efficiency. Environmental management will reinforce digital innovation and transformation, and vice versa.

Despite the COVID-19 pandemic, the Group has entered the crisis well-capitalised and prepared, and managed to exhibit profit resilience in the 2020 results.

The pandemic's effects have led the Group to some other strategic priorities and challenges. Most of the work processes were organised remotely (from home), while keeping a high level of business performance and customer service. The successful execution of such endeavours is reflected in the Group's current financial performance.

### How does NLB create business value?



### Retail Banking in Slovenia

With knowledge and professionalism, the Bank continues to have a leading position in market shares in loans and deposits. In Retail Banking, the Bank is striving to get closer to its clients through anchor products and by offering personalised digital services to suit their lifestyle. With its successful response to the COVID-19 pandemic circumstances, the Bank once again proved its effectiveness and knowledge of its customers, who turned to digital channels which are available 24/7. If customers wish to do business traditionally and stay in personal contact, the Bank continues to be present through its branch offices and the new mobile branch.

### Corporate Banking in Slovenia

The Bank has been focusing on strengthening its market position as a systemic player in its home region. It is actively participating in the market by supporting large infrastructure projects with a focus on sustainability as a future business model. As a leading player, the Bank is looking to cover more complex, cross-border lending and find entry points to suit clients' needs. The Bank would like to accelerate the growth through its presence on international financial markets with diversifying services for its clients. To overcome and mitigate the impact of COVID-19, responsive measures have been taken, including the #HelpFrame program that proves the Bank's full spectrum of services are available to clients in such circumstances.

## Strategic Foreign Markets

The Group Strategic Foreign Markets of operations are the following five countries in the Western Balkans/SE Europe: Bosnia and Herzegovina, Serbia, Montenegro, the Republic of Kosovo, and Northern Macedonia, which after the acquisition of Komercijalna Banka, Beograd are the home markets of nine subsidiary banks.

They are locally strongly embedded as important financial institutions and market leaders in various business segments. The banks have a stable market position and have earned a strong reputation. The market shares of subsidiary banks exceed 10% in five out of six markets.

**The bank subsidiaries follow the strategy of organic growth on the local market with reasonable networking at the level of the Group. Apart from the retail network in Slovenia, the Group's vast network on the SE European markets consists of 459 branches and services 2.1<sup>1</sup> million active clients.**

Despite the COVID-19 outbreak, all the banks maintained a strong liquidity and capital position and have shown remarkable growth in loan production volume, especially in the retail housing segment, where double-digit growth has been achieved. The introduction of modern technologies enabled the banks to swiftly adapt to the new market conditions and ensured the undisturbed continuance of all banking activities. The new circumstances related to pandemic and the economic uncertainty continue to affect the growth and acceptance of digital channels by our customers even further. The Group was prepared for such a market trend, since it was already the leading provider and innovator in its core markets before the outbreak.

The enlarged Group of banks benefits from the diversification of its portfolio, the possibility to boost cross-border activities by enhancing the untapped potential of intra-regional trade in the countries of operation, thus achieving the NLB Group's strategic mid-term targets.

## Non-Core Subsidiaries

The Group is still undergoing a gradually controlled wind-down of the non-core part of the NLB Group's operations. Various measures have been taken, such as the sale of the company, portfolio, and individual assets until the restructuring of receivables, simple recovery, or the closure of subsidiaries in the liquidation process.

1. As at 31.12.2020, including Komercijalna banka, Beograd.

## Governance and risk management

We have anchored sustainability at the different levels within our Group, guaranteeing that it receives attention from the highest decision-making bodies, while also being broadly integrated in our operations.

### NLB Sustainability governance as established in 2020:



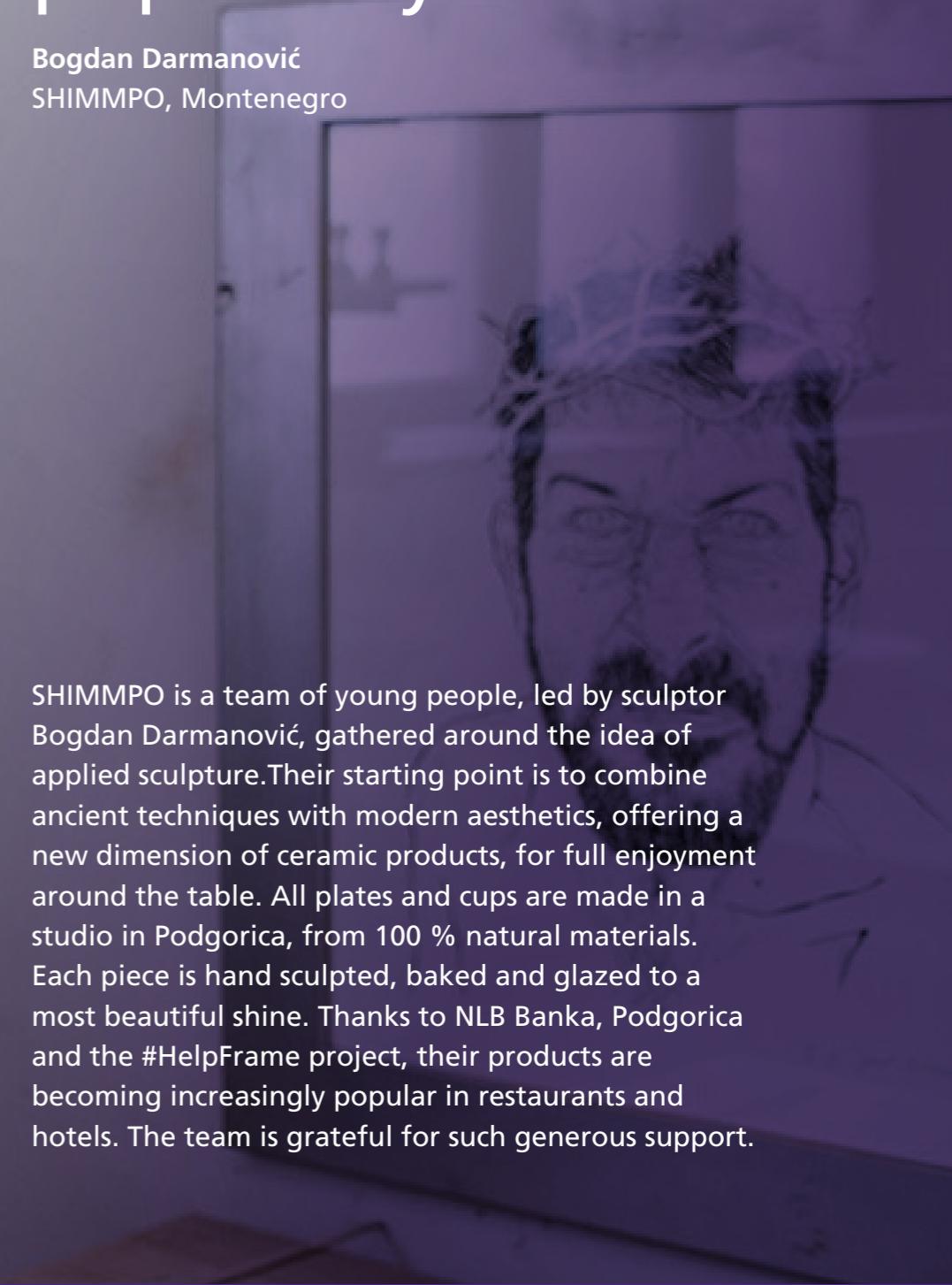
### Compliance and integrity are integrated in our business, governance, and risk management

**Compliance and integrity** business standards are integrated into daily operations of the NLB Group. They are contributing to a strong internal control environment and ensuring the management of compliance and integrity risks. NLB has laid down clear rules and guidelines for our employees in different areas of our operations. NLB Group ensures compliance with the legislation and the other regulatory requirements – which are upgraded by the high standards of ethics and integrity, transparency, and fairness embedded in the NLB Group Code of Conduct – we make sure that NLB Group, its shareholders, clients, business partners, and other stakeholders, as well as the employees, are appropriately protected against various risks related to the area of compliance and integrity. See the chapter ‘Compliance and Integrity’ in the 2020 Annual Report.

A photograph of a man with dark hair and a full, dark beard, smiling at the camera. He is wearing a dark blue t-shirt with a graphic design featuring the words "goose Lips" in a stylized font, and a small boat illustration below it. He is holding a stack of three ceramic bowls and a matching cup in his hands.

# Combining ancient techniques with modern aesthetics increasing in popularity

**Bogdan Darmanović**  
SHIMMPO, Montenegro



SHIMMPO is a team of young people, led by sculptor Bogdan Darmanović, gathered around the idea of applied sculpture. Their starting point is to combine ancient techniques with modern aesthetics, offering a new dimension of ceramic products, for full enjoyment around the table. All plates and cups are made in a studio in Podgorica, from 100 % natural materials. Each piece is hand sculpted, baked and glazed to a most beautiful shine. Thanks to NLB Banka, Podgorica and the #HelpFrame project, their products are becoming increasingly popular in restaurants and hotels. The team is grateful for such generous support.

**Risk management** in NLB Group represents an important element of the Group's overall corporate governance. It is implemented in accordance with set strategic guidelines, established internal policies, and procedures which take into account European banking regulations, the regulations adopted by the Bank of Slovenia, the current EBA guidelines, and relevant good banking practices. NLB Group gives high importance to the risk culture and awareness of all relevant risks within the entire Group.

Maintaining risk awareness is engrained in the business strategy of the Group. The Group's Risk management framework is forward-looking and tailored to its business model and corresponding risk profile. The business and operating environment relevant for the Group's operations is changing with trends, such as changing customer behaviour, emerging new technologies and competitors, sustainable banking, and increasing new regulatory requirements. Consequently, risk management is continuously adapting with the aim to detect and manage new potential emerging risks.

NLB Group is engaged in contributing to sustainable finance by incorporating ESG risks into its business strategies, risk management framework, and internal governance arrangements. Thus, the management of ESG risks follows ECB and EBA guidelines and will be comprehensively integrated into all relevant processes.

ESG risks do not represent a new risk category, but rather an aggravating factor for the types of risks managed through the established risk management framework. Nevertheless, the Group's overall risk management framework will be additionally enhanced by establishing their monitoring, management, and mitigation in a systematic and comprehensive manner. Furthermore, the assessment of ESG risks will represent an integral part of our credit approval process.

# The Three Pillars of NLB Group Sustainability

## Contribution to the Society

We actively contribute towards wider socio-economic development through our Corporate Social Responsibility activities with an overarching focus on education in the communities where we operate. In addition, we also support a range of external initiatives such as; social and humanitarian, arts and culture, health and the environment, and sports.

The Group's socially responsible actions have been continuously upgraded with projects that follow the UN Sustainable Development Goals (UN Sustainable Development Goals). The Group's first such regional project was launched in spring 2020. The **#HelpFrame project** intensively addresses the Bank's environmental and social role in all markets of the Group, as the goal is to establish a regional sustainability platform. The project provides advertising space to selected local entrepreneurs, farmers, as well as micro and small companies, thus helping their business to recover from the COVID-19 pandemic. 83 companies from Slovenia are presented and 274 for NLB Group

# #HelpFrame project

Due to its inherently sustainable nature, #HelpFrame project has become the first NLB Group's ESG project that brings business value to our clients and also to whole NLB Group.

The results of #HelpFrame project exceeded expectations – for the NLB Group and for our clients. So, this is not the end, rather the beginning of new era. The next phase will benefit from the experience and accomplishments achieved along the way and will start in spring 2021.

## Bosnia and Herzegovina

76 submitted clients

20 selected clients

1 new client, as focus was on existing ones

Different industries - majority operates in production, sales, education and tourism



## Serbia

115 submitted clients

30 selected clients

17 new clients  
15 different industries

Highest share from food production, transport and services

## Kosovo

37 submitted clients

20 selected clients

5 new clients  
14 different business activities

Mostly services, agriculture and trade



## Montenegro

80 submitted clients

20 selected clients

2 new clients  
15 different business activities



## North Macedonia

223 submitted clients

101 selected clients

6 new clients

Different industries - majority from retail, catering and restaurant services

Most of the bank's CSR financial budget was used to **mitigate the consequences of the Covid-19 pandemic**. Since March 2020, medical teams have been working around the clock to save the lives of patients infected with the Corona virus, which has spread rapidly to all regions where the NLB Group operates. Immediately after the announcement of the pandemic, NLB d.d. helped both University Clinical Centres in Maribor and Ljubljana with a donation totaling EUR 50,000. The financial support to the Slovenian health sector continued during the year. The Group's banks participated with **financing or the procurement of medical supplies**.

The **NLB Banka Prishtina** helped the University Hospital in Kosovo by purchasing 10 respirators and by donating EUR 20,000 for other medical care, which significantly helped to limit the health situation in Kosovo. The **NLB Banka Banja Luka** donated more than EUR 51,000 to the Solidarity Fund of Republika Srpska as a support to healthcare institutions and companies in Republika Srpska. It also supported purchase of respirators for the University Clinical Centre of Republika Srpska, the Clinical Centre Mostar and Clinical Centre Sarajevo. Together with other members of the Banks Association of BIH, NLB Banka Banja Luka tried to provide as much support as possible to Republika Srpska for easing Covid-19 epidemic. The **NLB Banka Beograd** was a donor of laboratory material for the Institute of Virology and Vaccines, which was at the beginning of the pandemic the only institute performing Coronavirus testing for the whole Serbia. The **NLB AD Banka Skopje** provided 10 medical beds for intensive care patients in the total amount of EUR 20,000 to the University Clinic for Infectious Diseases and Febrile Conditions. Moreover, EUR 30,000 has been donated to the Ministry of Health of the Republic of Northern Macedonia to help managing consequences of COVID-19. The **NLB Banka Podgorica** donated EUR 40,000 to the National Association of Healthcare Professionals, and EUR 4,000 to the Clinical Centre of Montenegro as a support for purchasing additional respirators. The employees of the NLB Banka Podgorica donated 400 packages of food and sanitation materials to children from socially disadvantaged families. **NLB Banka Sarajevo** donated a hemodialysis machine to the Hemodialysis Centre in Goražde.

Despite a drastic decline in public life, the Group maintained most of the agreed sponsorships and donor partnerships in the field of **culture and sports**. By supporting virtual festivals and events, the Group helped affected artists, who were left without income almost overnight.

In 2020, we continued implementing the **Theatre Interpreter** project for the equal integration of the deaf and hard of hearing into modern Slovenian society. The deaf and hard of hearing do not want more content intended only for them, but rather solutions that will allow them to equally integrate

into life. This is why we facilitated their viewing theatre performances with a Slovenian sign language interpreter. Borut Pahor, the President of Republic of Slovenia, became the honorary sponsor of the Theatre Interpreter initiative. We extended the project, and during the 2019/2020 theatre season made it possible for the deaf and hard of hearing to enjoy additional theatre performances with a sign language interpreter worth EUR 15,000.

In the field of sports, the Bank remained among the main supporters of all sports federations and clubs, with which we have been cooperating for many years.

In the scope of the **Youth Sports**, in 2020 NLB also supported 42 sports clubs throughout Slovenia for the fifth consecutive year. We continue to pursue the development and movement of young people in sports clubs. We supported children in sports clubs involved in disciplines that we also support on a professional level: skiing, handball, football, and table tennis.

Team sports require team efforts to achieve good results – it is good to know that one can always rely on the teammates, trust them, and pursue the set goals with even more success. While some people take participation in various sports events for granted, many are not so lucky. This is why NLB Group has been proudly supporting the international **wheelchair basketball league NLB Wheel** for 13 years. It provides support to help the basketball players exploit their potential and lets them know, with team spirit in mind, that unity is strength. At the final meeting of the NLB Wheel league in 2020, two wheelchair basketball players were drawn to receive new basketball wheelchairs. The two lucky winners, with the support of NLB Group, were given new basketball wheelchairs! Their devotion to sport will be prepared for all that follows.

The NLB Group was the recipient of numerous awards and citations of recognition in the year 2020. NLB d.d. is one of very few employers in Slovenia who has held the prestigious title "**Top Employer**" for six years in a row. The "**Top Employer**" title is granted to employers with best practices in the field of HR and development programs for their employees. In order to keep the title, constant development and an upgrade of HR practices is required. The NLB Group banking member, the NLB Banka sh.a. Prishtina received the award "**The Most Attractive Bank in Kosovo (in 2020)**" four times in a row. The award is granted in the course of Trade Facilitation Programme (TFP) of the European Bank for Reconstruction and Development. The NLB Banka a.d. Banja Luka received two prestigious awards BAM, granted to the most successful banks in BIH, considering financial indicators ROE and ROA.

## **Skopje**

Within the #HelpFrame campaign, the bank in cooperation with EBRD, introduced new loan products for supporting the competitiveness of local small and medium companies and the green economy funding program and green energy financing.

The bank was also very active in sponsorships and donations for entities and projects with social significance, such as: donations related to COVID-19 crisis to Ministry of Health and Infectious Diseases Clinic, a donation for schools, and for children from socially disadvantaged families for the realisation of online teaching. The bank supported with donations 16 sports entities (national sports federations, sports clubs and active athletes).

## **Banja Luka**

The bank was very active in sponsorships and donations for entities and projects with social significance. Besides the donation of respirators for the University Clinical Centre, the Bank donated for the Solidarity Fund to help companies and their employees who were banned from working during restrictive measures to ensure at least minimum wages for the unemployed due to the COVID-19 outbreak.

## **Sarajevo**

The focus of humanitarian projects and donations were COVID-19-related. More specifically, to support hospitals and the procurement of medical equipment, a haemodialysis device, and support of education and young people.

Engagement of the bank was visible in many corporate and social responsibility initiatives, including the sponsorship of the live event ‘Sarajevo Unlimited Forum’, sponsorship of the ‘Youth Theatre Sarajevo’ in support of culture, professional, and youth sports including basketball, football, and volleyball, the ‘Clean the Earth in One Day’ initiative, the ‘Ladies & Gentleman event’ in support of entrepreneurship, and many more.

## **Prishtina**

The bank was very active in sponsorships and donations for entities and projects with social significance, such as: hospital equipment by donating oxygen equipment to University Hospital and Clinical Service of Kosovo, thus helping the country health institution to protect the public health.

## **Podgorica**

The bank signed an agreement with EBRD for ‘Women in Business’ (WiB) support in order to boost higher inclusion of women in the economy and women entrepreneurs’ potential by providing access to finance and know-how to grow their businesses.

In the field of CSR activities, as a general sponsor, the bank promoted the TV series dedicated to young sport talents ‘I play my game.’ The bank also signed a contract to support sport club BC Budućnost Voli.

## **Beograd**

In addition to participating in the Group project, #HelpFrame and despite the challenges of the pandemic period, the bank successfully organised the NLB Organic competition. The fact that 73 projects arrived at the ninth consecutive NLB Organic competition, bringing the total number of projects that applied for the award since 2012, to reach 501, shows that the pandemic was not an obstacle for the organic producers either. With the Organic competition project, the bank simultaneously contributes to sustainable development, environmental protection, and the segment of agriculture that it believes is the future of Serbia.

At the beginning of the epidemic, the bank provided medical supplies for the Institute of Virology, Vaccines and Sera ‘Torlak,’ at that time the only institution where COVID-19 testing was performed for the whole Serbia. The bank also supported associations in Belgrade and Niš that gathered volunteers during the shortage of protective masks to contribute to the provision of masks for those who were at the forefront of the fight against the epidemic. The bank also participated in the UNICEF action for the procurement of oxygen flow meters, which are the basic oxygen support for COVID-19 patients.

## Sustainable Finance

**Sustainable finance integrates environmental, social, and governance (ESG) criteria into our business and investment decisions for the lasting benefit of our clients and society. Embedding sustainability practices within our lending, investments, products, and services, is the most significant way to support our national and global sustainable development goals. Moreover, it enables us to manage risks to our own financial performance and profit from business opportunities emerging from the transition to a greener, more inclusive economy.**

In recent years, the Bank signed Framework Agreements with the EBRD, and in 2020 the Contract of Guarantees with MIGA. Therefore, in 2020 the NLB Group successfully established a basic mechanism for environmental and social screening of current or potential financing applications against the MIGA and EBRD Exclusion List and applicable environmental and social laws. ESMS Officers were appointed and received a certificate for concluding the International Finance Corporation's online training program. Furthermore, by 30 June 2021, banking members are expected to establish a comprehensive environmental and social management system which requires further adaptations of the credit approval process with environmental and social due diligence checks.

### How do we develop a sustainable finance pillar in NLB Group?

- We are developing an ESG credit risk policy, establishing processes, and defining roles and responsibilities for implementation.
- Building internal capacity to assess ESG risks associated with lending and investment and to assess technical merits of green/sustainability financing opportunities.
- Identifying, validating, and short-listing sustainability-driven product and service innovation opportunities.
- Planning measures to value environmental and social impacts from sustainable finance activities.
- Developing a responsible investment policy and integrate ESG analysis.
- Evaluating options on adoption of further global principles and inclusion in a sustainability index.
- Developing a communications plan to position NLB as a market leader in green/sustainability financing and identifying and pursuing partnerships to generate green/sustainability financing opportunities.

In the process of integrating ESG factors, the Bank directs its efforts towards identifying new business opportunities arising from the transition to the circular and carbon neutral economy. In 2020, several long-term loans for projects which represent an important step in our **transition to a low-carbon society**, production energy from renewable resources, and a significant improvement the quality of the life in all region, were concluded.

NLB Group (NLB d.d. and NLB Bank Prishtina) entered into syndicated Facility in the amount of 115 million EUR, organised with the banks ERSTE and EBRD, provided to company Sowi L.L.C., Kosovo for financing the **project of wind farms "Selac" in Kosovo**, in total capacities up to 105 MW. The participation of NLB Group in this facility amounts to 23 million EUR. The project of the Selac wind farm will contribute in the production of a total of 10% of the total electricity production in Kosovo and will provide a significant improvement in living conditions of the local population of Kosovo.

**The ambition of NLB Group in our home region is to further expand our portfolio of financing green projects in the area of renewable energy.** So far, most tangible opportunities are seen with wind and solar farms.

As part of the banking book portfolio at the end of 2020, the bank has been overseeing investments in the ESG bank and sovereign securities in the amount of roughly EUR 57 million. **We are analysing investment options within the corporate green infrastructure space, while applying our standard return metrics.** The share of ESG investments within the banking book portfolio is expected to rise in the future. We are expecting around 10% (estimated ESG new issue market share) of our investments on the primary market to be allocated to ESG securities.

The Bank's offer also follows its new sustainability strategy, in gradually transitioning to **paperless banking**. The Bank has been following the trend of decreasing paper statements for several years. Only in the last five years the number of paper statements decreased by more than 50%. Also, one of the new products which contributes to paperless banking operations is the **NLB Package "My World" ("Moj svet")**, which was primarily created for young

clients between 18 and 27 years. Besides the soon to be digitized debit card, it also offers them use of m-bank 'Klikin' and e-bank 'NLB Klik' free of charge.

The business model of financing corporates is also changing, and a sustainable product portfolio is emerging. Business opportunities, such as energy renovations of buildings and the financing of a business where coal will be replaced, only prove the sense of cooperation to engage the economy in the direction of sustainable development. One of the first goals is the launch of **sustainable loans for legal persons**. Through the pilot project, the Bank will be able to define the specific purposes of sustainable financing and the documentation that proves the justification of the purpose, and also learn the most common sustainable loan purposes of Slovenian companies so that a more defined offer for sustainable financing could be prepared. Employees at the front desk will be trained to offer better customer advice on sustainable finance.

In 2020, one of the major projects in the Bank was to **provide help for young families on their road to their first home** with professional advice and material incentives. One hundred clients taking out a housing loan were randomly chosen and helped with repayment of three monthly instalments in the total amount of a maximum of EUR 1,000 for each client.

The **NLB Green Housing Loan**, with special benefits in financing the purchase or the building of a passive house for private individuals was introduced in October 2020. Benefits for borrowers include the following: the interest rate is lower by 50 bp and the cost of approval lower by EUR 100.

# Helping hand in crisis means a lot

Emire Duraku

B.K.M Agro Krusha, Kosovo

The company Agro Krusha comes from the agricultural village Krusha e Madhe in the municipality of Rahovec, Kosovo. It is led by Emire Duraku, an entrepreneur who together with her family cultivated about 15 hectares planted with vegetables for the production of ajvar and pickles. When COVID-19 hit the country, the company suffered a major fallback due to decrease in demand even though the company had reserves from good performance in the past. Knowing the importance of advertising Emire decided to join #HelpFrame project presented to her by her banking advisor and has received many offers for cooperation since.



## Sustainable Operations

'Sustainable operations' refer to managing our direct ESG impacts, and ensuring we operate ethically and efficiently. Our aim to improve sustainable operations is accomplished through measurement, management, and reporting performance in alignment with EU NFRD and UNEP FI.

### Environmental impact of our operations

#### Addressing 17 UN Sustainable Development Goals:



NLB d.d. complies with the environmental legislation and requirements which define the management of waste, emissions, and waste fuels in greater detail. The main regulations defining the area of waste management in Slovenia are the Environmental Protection Act, Public Utilities Act, the Decree on Waste Management (Official Gazette of the RS, No 34/08), Regulation (EC) No 1013/2006 on shipments of waste (OJ L 190, 12.7.2006, p. 1), and the Decree on the Implementation of the Regulation (EC) No 1013/06 on shipments of waste (Official Gazette of the RS, No 71/07).



### Power consumption



In 2020, NLB d.d. continued with the reduction of electricity consumption, which is 9.87% lower than in 2019 (12,338,373 kWh). In NLB Group's core members compared to previous years, the volume did not change drastically by individual members, except for in Sarajevo and Belgrade, where it decreased between 6% and 9.8% based on measured consumption. Power consumption in 2020 totalled 11,120,149 kWh (compared to 12,338,373 kWh in 2019). The reason for reduced power consumption was the reduction in the number of branch offices (the following branch offices were closed in 2020: Bled, Lucija, Mislinja, Poljanska, Radenci, Semič, Senovo, Stari trg, Šentvid, Tržaška 132, and Krim), and the refurbishment of old branches, numerous technical improvements (LED lights), rationalisation of behaviour among the employees, more rational energy consumption and work from home.



The graph below shows the power consumption over the years, and the reduction of consumption in the period from 2018 to 2020 is clear.

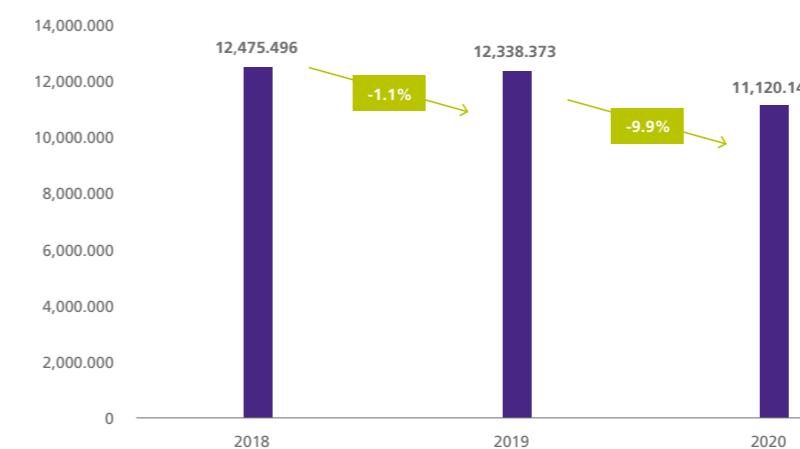


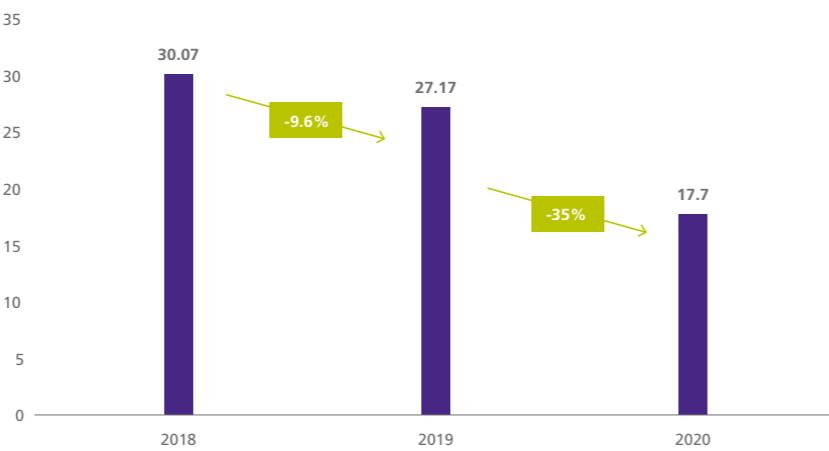
Figure 1: Electricity Consumption by Years in kWh for NLB d.d.

Sustainable development-oriented activities also bring certain risks for the normal operation of the Bank and the wider society. For instance, the **transition from gas oil heating to heat pumps, powered by electricity**, means a lower burden for the environment due to emissions; however, we have witnessed an increasing frequency of storms where the power supply can be disrupted, and so immediately prevent the Bank from operating at the location. We are aware of such risks and have several power generators on trailers that we can quickly re-establish the emergency operation of the Bank, thus managing the risk.

In general, the dependence on an uninterrupted power supply in relation to heating and electrical means of transport constitutes a risk, since the increase in the capacities of power production from environment-friendly sources does not follow the needs for electricity, which makes us more dependent on foreign sources. The risks are also associated with potential fines for a failure to segregate wastes, both for the company and for the responsible person of the Bank.

## Paper consumption

The graph below shows the consumption of paper (A4 format) per employee per working day and the reduced volume of consumed paper in the period from 2018 to 2020.



Source: Internal data, 2020

Figure 2: Consumption of paper (A4 format) per employee per working day for NLB d.d.

In 2020, NLB d.d. used 17.70 sheets of paper per employee per day. The reasons for the reduced use of paper are: a reduction in the archives on paper owing to the IT development, introduction of e-signature, the abolishment of paper statements, a reduction of the number of bank branch offices, streamlining of work processes, streamlining of the organisational structure of the bank operations, installation of central multifunctional devices for printing, working from home, as well as other measures for reducing costs and streamlining the Bank's operations.

## Building management

In 2020, five bank branch offices of NLB d.d. were renovated. In Ljubljana (NLB Tavčarjeva, NLB Bežigrad, and NLB E. Leclerc) and Koper, a comprehensive renovation was carried out, with the installation of energy-saving lights, a newer heating and cooling system with lower power consumption, and energy-saving electronic, audio-video, and computer devices. In Izola, a minor renovation was performed, with the wise consumption of power also being considered (LED lights) and a higher energy-efficiency of the buildings ensured.

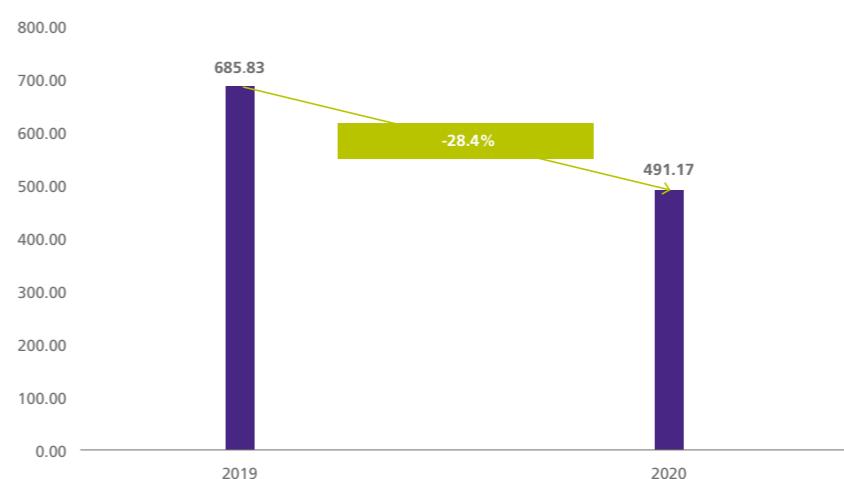
In the framework of space optimisation and the related optimisation of energy efficiency of business premises, we started with the gradual refurbishment of business premises at Šmartinska cesta 132 in Ljubljana (open space). The main purpose of refurbishment was to rearrange the business premises in order to set up a friendly, collaborative working environment, and to improve their energy efficiency (replacement of worn-out doors and windows, mounting of LED lights and the installation of forced ventilation of working areas – with the aim of reducing the consumption of energy products needed for cooling and heating the premises).

When renovating the business premises, replacing machine installation and heat pumps, and other environmentally-friendly devices are installed (e.g., LED lamps), as well as smart electronics steering individual consumers. The key goal of the NLB in this area is to omit the use of devices that are tied to the use of fossil fuels for heating (especially fuel oil) and to install devices with a higher energy efficiency. For this purpose, in the scope of the 'Imagine Programme' for the monitoring of costs associated with individual buildings, we are also introducing indicators which will show which buildings are less energy-efficient and the possibilities for investments in these buildings. This will lead to the largest financial effect and result of activities oriented towards sustainable development.

## Use of company cars

In 2019, our CO<sub>2</sub> emissions related to the use of company cars and vault vehicles, totalled 685.83 tonnes; and in 2020, the quantity was reduced to 491.17 tonnes. Working from home and the reduced use of company cars significantly contributed to the reduced CO<sub>2</sub> emissions.

The graph below shows the CO<sub>2</sub> emissions by year in tonnes from 2019 to 2020.



Source: Internal data, 2020

Figure 3: CO<sub>2</sub> emissions by year in tonnes.

As regards NLB's vehicle fleet, the use of electrical vehicles has increased considerably, leading to reduced harmful emissions into the environment. In 2020, the Bank also abolished regular transport of employees between the main two business locations in Ljubljana by van and introduced the possibility of using electric vehicles or public transport and public bicycles. We decided to dispose of the van on the location between Šmartinska cesta 132 and Trg republike 2 which used fossil fuel. The employees who used these means of transportation between the locations were provided the option of car sharing – using electric cars – and thus contributed to the reduction of CO<sub>2</sub> emissions in the City of Ljubljana. In 2020, we drove a total distance of 17,295 km using electric cars for business purposes (car sharing). Thus, we **contributed to a reduction of 3,709 kg of CO<sub>2</sub> emissions.**<sup>2</sup>

When using electrical vehicles instead of vehicles using liquid fuels, the risk is that such a vehicle is limited by kilometres that can be made, as well as the number and locations of the filling stations. This risk is managed by primarily using such vehicles for transport in local areas, and not for long travels.

We also encourage the use of bicycles for going to work. When renovating a floor in the Šmartinska 132 building, we also included an area where cyclists can take shower and change clothes before work.

#### Responsible procurement

Procurement in our bank is ensuring that environmental, social, and economic issues are addressed at all stages throughout the procurement lifecycle.

This is done by:

- lean procurement process which enables quicker, easier sourcing, and engagement of new suppliers,
- through the adoption of e-tools and paperless process which assess performance and benchmark activities throughout the life of a relationship with supplier (from sourcing to exit management),
- working with suppliers collaboratively to identify joint areas for improvement such as: waste reduce, carbon emissions, energy and water consumption, protection of biodiversity, support fair and sustainable economic growth, and deliver social benefits through procurement.

The formal basis of NLB's purchasing policy is the contract with the supplier. With the supplier of electric energy, an agreement was concluded on a 100% share of the electric energy obtained from RES (renewable energy sources) and CHP (co-generation of heat and power), which is defined in the contract with the supplier based on the law.

<sup>2</sup> Considering that the average consumption of a car in the urban environment is 7.50 litres per 100 km, it can be established that the annual consumption of fossil fuel would be 1,297 l, resulting in total CO<sub>2</sub> reduction of 3,709 kg.

The supplier of electricity must state the source of the electricity supplied and attach the certificate on the liquidation of the relevant number of certificates on electricity source to show that a 100% share of the supplied electricity was obtained from RES and CHP.

NLB d.d. and Avant Car have signed a contract on the shared use of electric vehicles (mostly for rides in Ljubljana and its vicinity). In this way, the use of fossil fuel vehicles will be partly reduced. In 2020, NLB d.d. employees drove 17,297 km (in Ljubljana and its vicinity; 3,000 km less than in 2019) using electric cars, thus reducing the use of fossil fuel vehicles. There are no environmental risks in this area and no written bases/rules/instructions/laws or methodology.

The key goal of NLB d.d. in this area of purchasing policy is to omit the use of devices that are tied to the use of fossil fuels (especially fuel oil).

#### Employment, diversity, and equal opportunity

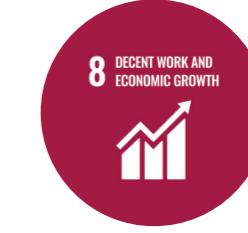
##### Care for employees

The main goal of the HR policy of the NLB Group is to invest in a systematic development of employees and permanently follow modern approaches to HR management. Further, HR development must be a systematic and target-oriented process, and based on HR methodologies and procedures, as the Group can develop efficient and committed employees through targeted investment in its staff. The NLB Group adopted a common HR strategy which clearly defines the key HR processes in order to provide support to the operations and organisation development. The business performance of the NLB Group is also based on a modern and permanent approach to HR management through a performance management procedure which is being systematically introduced in all banks. For the purpose of establishing the causes and areas where we can implement activities to improve corporate engagement, we also started exploring our corporate culture.

The NLB Group pays much attention to all major HR issues to be covered by a modern HR function:

- job planning and talent hunting,
- employee onboarding,
- talent management,
- key personnel management,
- employee training and development,
- management development,
- performance management aimed at measuring and rewarding performance at work,
- succession planning and career development,
- remuneration system, and the system of bonuses and benefits,
- as well as development of the Bank's corporate culture.

#### Addressing 17 UN Sustainable Development Goals:



As NLB is the largest banking group in the region, it tries to harmonise the best practices in its members by using minimal HR standards and aligned HR strategies. The main risks in relation to these issues related to the activities of the company, including its business relations, products, or services, when this is appropriate and proportionate, which might cause serious detrimental effects, and the methods employed by the company to manage these risks. The latter are managed by investing into training and development of the staff, appropriate staff planning, selection, and remuneration of the staff. Undesirable fluctuations are controlled by succession planning, employee rotation, mentorship, knowledge transfer, and talent management strategy.

For the purpose of establishing the causes and areas where we can implement additional activities to improve the corporate climate and engagement, we started exploring the corporate culture in all banks. The key indicators are the share of retained key staff, absenteeism, fluctuation, and committed employees. The indicators of investment in employee development are also important. They also include the share of employees participating in education and training and the number of hours of training per employee. They are indicators of the share of implemented development plans. The KPI in 2021 will include contents related to the adopted HR strategy and the three adopted projects that will support efficient operation of other important projects at the Bank.

These projects are:

- operational excellence;
- human talent development (an upgrade of the existing personnel strategy that will improve the ability of employees by creating the best possible environment for hiring and talent retention in the region for the desired competence sets);
- placing employees at the centre, focusing on an ongoing development of competence through orientation on an entrepreneurial mindset, on cooperation, and a result-oriented approach so that the efficiency could be improved within the organisation.

Concern for the development of employees and their well-being is a value that is reflected in various activities and opportunities available to all employees. We strive for high quality and compliance with the standards of a modern learning organisation. The NLB Group is multicultural and intergenerational. Regardless of different business circumstances and intercultural differences between individual members, we pay great attention to the training and education of our employees. We believe that in this way we follow the principles of the Learning Organisation and the idea of lifelong learning, thus raising awareness and encouraging employees to be aware and adaptable to changes.

## Employees in NLB Group

At the end of 2020, the number of employees in NLB Group rose to 8,792 of employees. Compared to 2019, the number of employees was higher by 2,914 due to the acquisition of Komercijalna Banka, Beograd and its subsidiaries in December 2020.

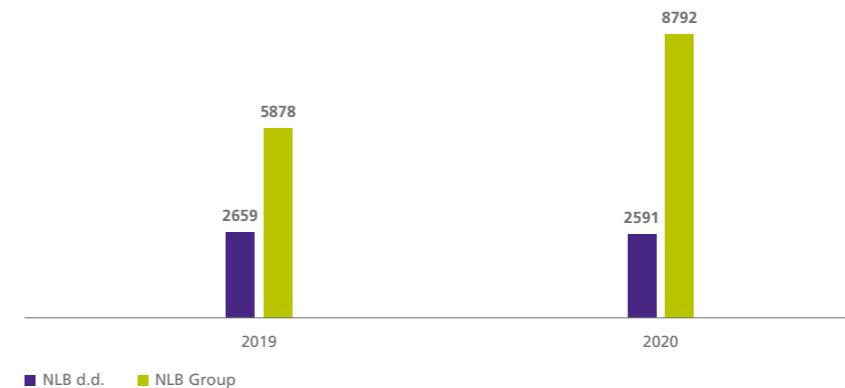


Figure 4: Number of employees in NLB Group.

## Employee structure in NLB Group by gender

At the end of 2020, NLB Group employed 69% women and 31% men. (Note that Komercijalna Banka, Beograd and its subsidiaries are not included in the report for 2020 since the acquisition happened in late December 2020.)

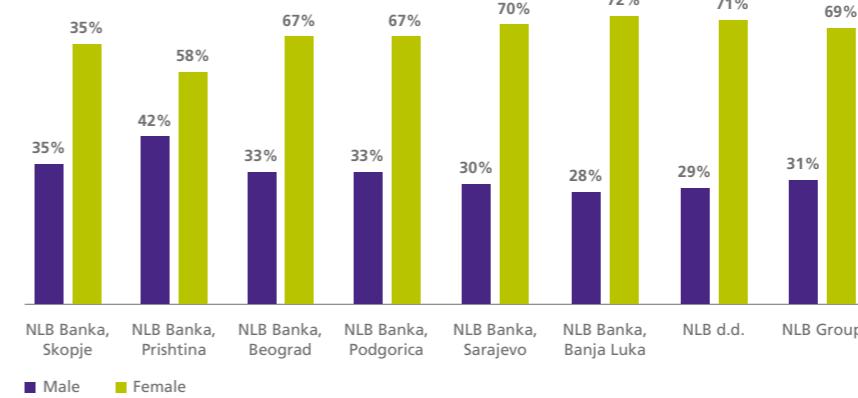


Figure 5: Employee structure in NLB Group members by gender at the end of 2020.

## Average age of employees in the NLB Group

At the end of 2020, the average age of employees in NLB Group was 44.1 years.

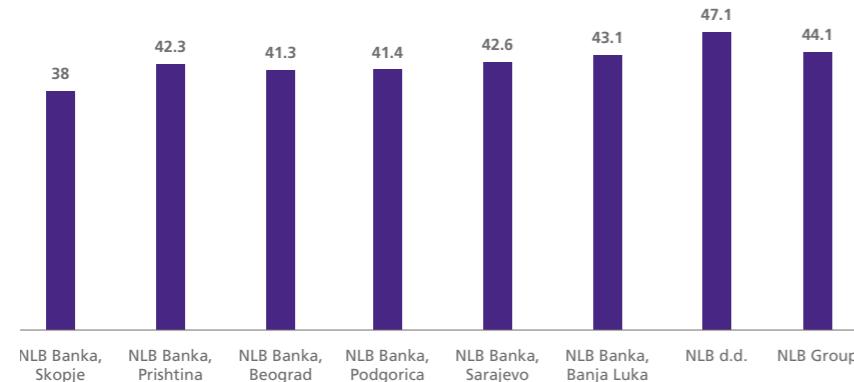


Figure 6: Average age of employees in NLB Group members at the end of 2020.

## Structure of new employees in NLB Group by gender and age

In 2020, NLB Group hired 307 new employees, of which 39.7% were younger than 30 years, 5.7% were between 30 and 50 years old, and 3.3% were older than 50 years. Altogether, 42% of the newly employed were men and 58% women.

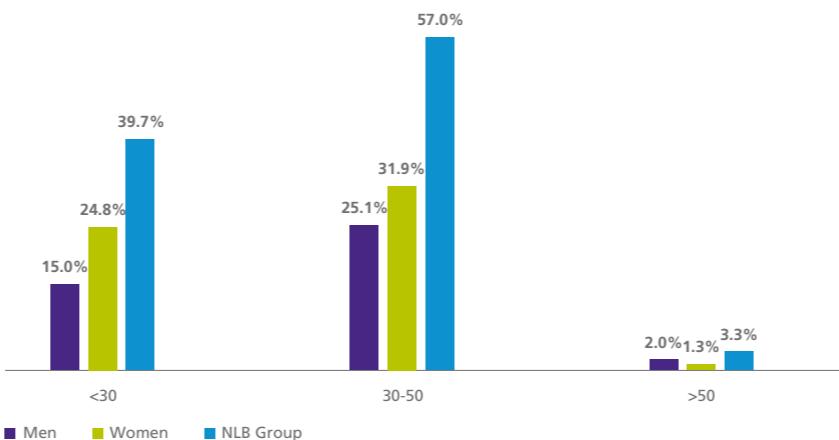


Figure 8: Structure of new employees in NLB Group by gender and age at the end of 2020.

## Structure of employee turnover in the NLB Group by gender and age

In 2020, an overall turnover of employees (voluntary and involuntary) in NLB Group stood at 6.7%, among men it was 7.6%, and among women it was 6.3%.

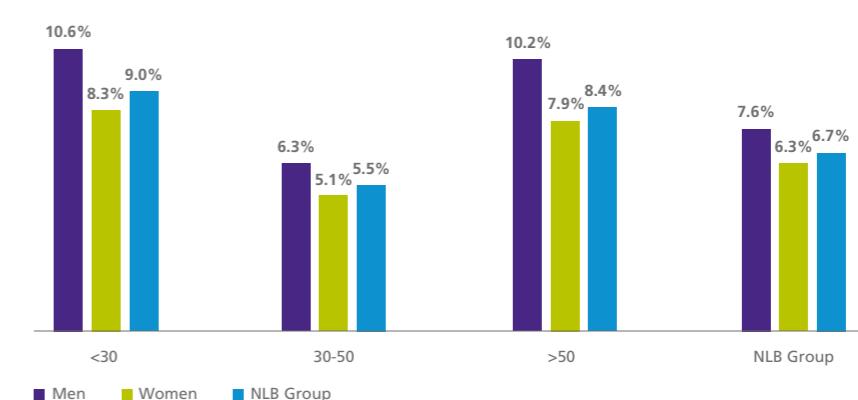


Figure 10: Graph: Structure of employee turnover in NLB Group by gender and age in 2020.

## Structure of employees by education in the NLB Group

In NLB Group, 70% of the employees have a tertiary education level.

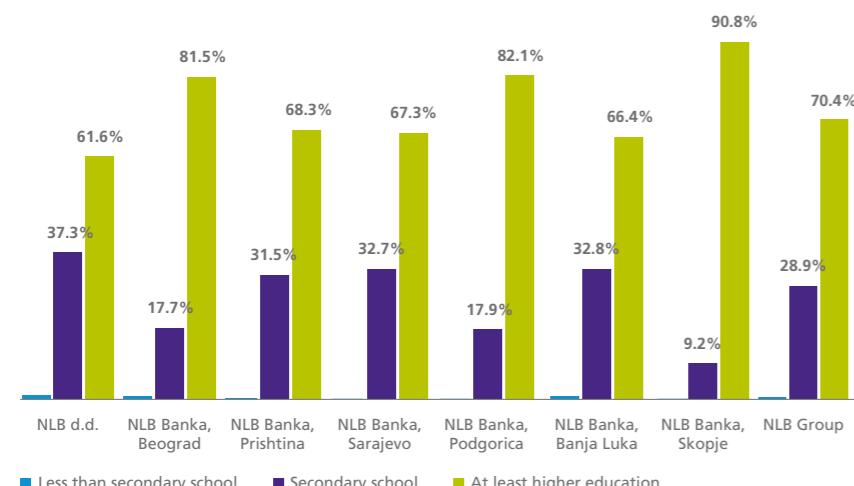


Figure 7: Structure of employees by education level in NLB Group at the end of 2020.

## Structure of departures in NLB Group by gender and age

In 2020, 382 employees left NLB Group. Of these, 12.3% were under 30 years of age, 50.3% between 30 and 50 years of age, and 37.4% over 50 years of age. Among those who left, 35.6% were men and 64.4% were women.

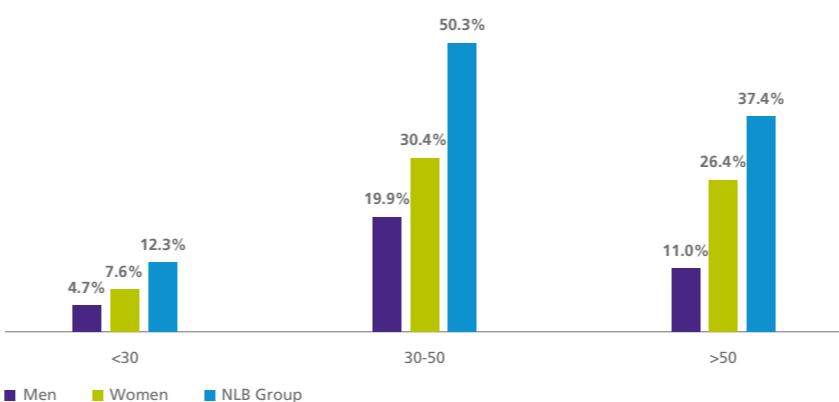


Figure 9: Structure of departures in NLB Group by gender and age at the end of 2020.

A decreasing trend of employee turnover continued in 2020. Compared to 2019, the turnover rate in 2020 decreased by almost 1% (1.3% compared to 2018).

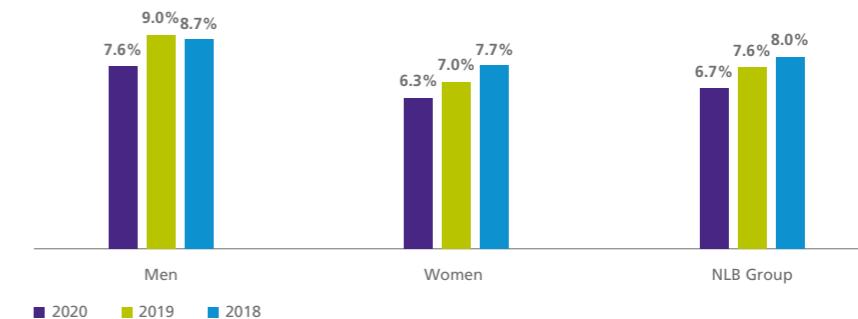


Figure 11: Employee turnover in NLB Group in the period of 2018 to 2020.

## Equality & Inclusion

NLB Group is committed to inclusion and equal opportunities. In 2020, the proportion of staff with disabilities stood at 2%.

At the end of 2020, women represented 56% of all management positions. Forty-nine per cent of women at the first management level (B-1), 55% of women at the second management level (B-2), and 60% of women at the third management level (B-3).

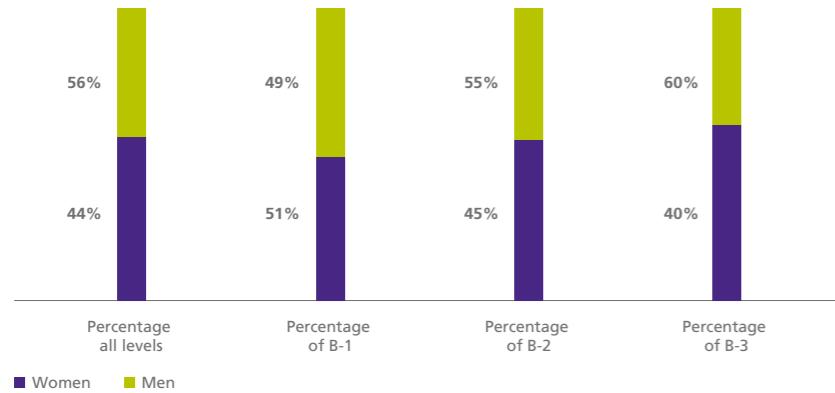


Figure 12: Management positions by gender at the end of 2020

## Health and safety

Only healthy and satisfied employees can be creative and efficient. Because of demands of today's lifestyle, employees are all too often overworked, exhausted, even burned out. In order to be able to identify this in time and take the necessary actions in such situations, awareness-raising is crucial. Awareness-raising activities for a healthy lifestyle include, healthy movement and eating, and positive psychophysical habits. Communication skills are also part of health awareness.

The **health and satisfaction** of our employees is very important to us. We provide excellent working conditions for employees throughout NLB Group and take care of the health and safety of our employees. We follow the legislation and recommendations, and introduce continuous improvements. We are continuously introducing a series of preventive measures through the Family-Friendly Company certificate and the Healthy Bank program. Caring for employees is one of the keys elements of socially responsibility in NLB Group. We invest intensively in the knowledge and well-being of our employees. Specifically, we believe that a satisfied and efficient employee is one who knows how to reconcile private and business life and is aware that his talent is recognised and appreciated. We pay special attention to: encouraging, guiding and developing employees, and providing support on their business journey. All NLB Group banks carry out a prior preventive medical examination, targeted

periodic preventive medical examinations, and other targeted preventive medical examinations. For many years, the NLB has demonstrated its socially responsible attitude to the employees through systematic training in the area of well-being, or so-called 'Corporate Wellness.' In general, the well-being and happiness of employees, together and independently affect four areas of health. If any of these areas has a lack of energy, then the person does not function optimally. These areas are body, mental, emotional, and spiritual levels. We choose such a programme, covering all four.

We also dedicated a lot of our attention to the awareness of our own responsibility for our health, creating a working environment that enables quality interpersonal relationships even at a distance and encouraging activities that strengthened our health – especially during the pandemic – and prevented infections.

The year 2020 was marked by pandemics and epidemics in individual countries, which had a particular impact on the health of employees. In order to protect employees and their loved ones as much as possible and to prevent the spread of virus, we have enabled employees to work from home where that was possible, in some places even before the declaration of the epidemic.

Where people had to come to the workplace they worked in "bubbles," where all safety measures were applied, and they always interacted with same group so potential spread could be controlled. For all employees where working from home wasn't an option, we introduced various quotas, such as for instance 70% of employees working from home and 30% of employees working in the office.

We gave all the technical support to our employees as a priority and provided work tools (computers with access to the banking environment and mobile phones). All employees received five washable masks and hand disinfectants were available at all key locations. We marked special routes of movement in the workplaces, for visitors. For employees who encounter a large number of customers in their daily work, we introduced the so-called "Bubbles," so that the same colleagues worked together, and potential different contacts that could result in spread of virus and complicate potential contact tracking, was brought to lowest possible risk. Customers entered the bank individually and each employee had their own hand sanitizer, masks, and also gloves where needed. Workplaces were regularly ventilated and disinfected, in accordance with the regulations of each member state of the NLB Group.

Working from home during COVID 19 is not the same as working from home under normal circumstances, as partners and children (kindergarten and school were closed) were also at home. Classes were held remotely, and parents were very involved in school obligations of their children. Also, parents caring for preschool children were burdened with time constraints due to caring for them. Parents who were employed with the upbringing and education of children were allowed to go on work leave with pay. All the parents who were

involved in the work process in any way felt tremendous pressure in all the commitments. The job moved to the kitchen or living room, and work, school, and family responsibilities dragged on throughout the day.

Therefore, we offered employees some training for health protection, namely:

- A restorative mindfulness course,
- The course in relaxation breathing techniques 'Healthy breath,'
- A homework organisation course 'Challenges and Opportunities in Working from Home,'
- Training of skills for the use of technological tools for work, cooperation, and remote management of MS Teams,
- A psychological approach to leadership in epidemic situations called 'The Psychological Aspects of Distance Management,'
- Leadership training on remote team management.

In addition to topics above, short guides on healthy habits were regularly published on the NLB internal website.

## Development of NLB Group employees

HR development in the NLB Group is based on a common model of competencies that is developed for all job profiles. In the assessment of competencies, the personal development plan of the employees also includes individual deficiencies identified in the area of the requested competencies. These competencies are regularly assessed, especially for all managers, talents, successors, and certain key employees. The catalogue of skills has an important role in **employee development**, as it serves as the basis for planning different development activities. HR development starts on the day of arrival of the new employee to the Group, so the onboarding process is extremely important, as appropriate and effective integration of a new employee largely affects their motivation, commitment, and consequently their performance at work. Education, training, and upskilling with a mentor are the key activities supporting the planned development of an individual employee and are primarily carried out by using internal experts.

With a mentoring approach, we share our knowledge and are a promoter of raising employees' financial literacy. We believe that only with knowledge, people and companies can gain the necessary self-confidence to develop ideas and the full entrepreneurial potential. We offer them support on this journey, and advise, give professional assistance, and, of course, teach them about our innovative and universal financial solutions.

Employee development In NLB Group includes planning and training for skill and competency development. The development process connects the responsibility for personal development in the direction of the strategic goals of the banking group and uses the findings of the organisational capacity of development and other personnel processes. In NLB Group, the development process is harmonised with the mission, vision, and goals, as well as other parts of the HR system. The Group pays special attention to this, which is evident from the amount of funds allocated, which grows every year. The Group's strategy is also to develop and use internal experts to carry out **internal training**. Consequently, organisation and implementation of internal training and upskilling (hereinafter: 'internal training') has priority over other types of training. The programme includes the development of competencies, expert knowledge, and functional skills. Investing in the future required skills of the employees is a prerequisite for high work the efficiency and performance of the Group. The skills, knowledge, and experience needed for successful future performance are obtained through a combination of ways – intensive developmental schemes for different groups of talents and internal career changes, rotations within the Group with regard to the developed expertise, and hiring on the external market for those skills, knowledge, and experience that would be impossible or take too long to develop internally. With a long tradition in employee training, we have set a high internal standard for acquiring and implementing knowledge into work processes.

At the same time, we also organise trainings for the development of various skills. We strive to carry out most of the training internally; although we also send employees abroad and to other institutions in Slovenia for the necessary gain of knowledge. In 2020, 4,769 participants took part in standard training programmes, which took place exclusively online from mid-March 2020 on. There were also 25,502 completed e-learning modules done by employees, and 2,029 participations in external trainings. The pandemic situation has fundamentally changed the established education system in 2020, and completely moved it online due to the pandemic. During this time, we used the tools, MS Teams and Skype for Business across the entire NLB Group. We offered employees training on how to use MS Teams in their daily work for better collaboration, and we also prepared special workshops for management staff to acquire knowledge for remote leadership.

We are actively working on the development of so-called 'Social Learning,' which includes forms of learning in the workplace such as: mentoring, coaching, rotation between different organisational units, and peer coaching. To improve teamwork and integrate the employees in the work environment, all banks conduct a corporate engagement survey every second year. Employee feedback is of exceptional importance for introducing changes and improvements. The progress is seen in the increasing employee responsiveness.

With all these forms of employee development, we also expand new acquaintances, strengthen cooperation between employees, and establish positive interpersonal relationships.

## Development of leadership skills

Employees at different levels of management are involved in the development of their leadership skills, and we pay special attention to those who are in the position of leader for the first time. The development of leadership skills is designed modularly, where the contents are meaningfully upgraded, and during the implementation of individual modules a certain period elapses in which the theory is transferred into practice. We develop the developmental needs of individuals through mentoring, coaching, peer coaching, and rotation. To encourage and develop constructive leadership behaviour, we began to develop a common leadership brand. Its purpose is to define key management behaviours that will clearly represent the head of the NLB at all levels and in the entire Group. Workshops with managers and talents were held in all banks, where key management behaviours were defined. This is followed by the creation of a management brand as a common brand of the Group, which means that all leaders in the Group will develop in accordance with a certain set of behaviours.

## Talent management

A special development programme (managers, experts, and young talents) is established for every group of talents, covering their special development and career needs. The development programmes include talents from all banks, who thus can learn creative thinking, strategic management, confident communication, and mentorship skills. Comprehensive talent management is ensured by the system of continuity and quality of management in the NLB Group. Through career development of employees, natural fluctuations, as well as constant changes in the organisational structure and processes, vacancies are opened in key positions. We want to fill them primarily with internal staff. It is necessary to identify employees with high potential to take on more demanding jobs, so that they can be developed in a focused and targeted manner, and prepared for a new role through a succession plan.

## Performance management

The NLB Group introduced performance management, development interviews with the employees, and the appropriate development plans. Performance management is the process of translating business goals into individual goals and includes cascading goals through organisation, a calibration system that allows us to differentiate individual performance, alignment of individual goals with business goals, assessing existing competencies and behaviours, and defines areas for improvement. The efficiency of the performance management process is reviewed annually in all banks and, if necessary, appropriate measures are taken. The selection procedure is transparent and in compliance with the local legislation. All grounds for the implementation of the Policy for Prevention of Harassment and Mobbing of Employees have been adopted. The key risk indicators in the

HR area are measured twice annually. The purpose of development activities is to train employees to achieve business goals, and thus meet their personal expectations and at the same time act socially responsible to all stakeholders. Through targeted learning and training, the NLB Group systematically changes its organisational culture, helps to develop new business practices, and strengthens the NLB brand.

## Promotion of local and international career development

By systematically focusing on talents and other key employees, we try to enable them career development they want to pursue, and at the same time encourage them to gain experience and develop their careers in other banks of the NLB Group. In addition to long-term transfers, we also support the short-term transfer of knowledge and rotation in the Group, thus strengthening cooperation and internal transfer of knowledge and skills. Our primary concern in 2021 is to ensure the development of all employees and the systematic development of managers and key professionals and their successors.

## NLB Group as a family-friendly bank

The ability to reconcile work and family responsibilities has a significant impact on employee performance and commitment. We are aware that by offering various additional benefits for all employees, they can more easily coordinate and organise, in addition to work obligations, also various family activities. Thus, in all banks of the NLB banking group, we encourage family-friendly measures and organise various events:

- For the children of employees: a visit by Santa Claus, an additional day off to enter school, introduction to kindergarten, information day, moving to a student dormitory, escort to hospital when no day off, scholarship for children in case of death of parents who were employed,
- For close family members: escort to hospital or examination, moving to a home for the elderly,
- For employees: co-financing of professional preventive examinations in various fields, solidarity assistance in case of prolonged sick leave, and sports activities,
- For all: NLB Family Day.

It means a lot to us that most of our employees appreciate and take advantage of these benefits.

More information on HR-related topics are incorporated in the 2020 NLB Group Annual Report, published on [www.nlb.si](http://www.nlb.si).



# Customers recognised us as a reliable and proven manufacturer

**Marko Vrhovac**

Domaćinstvo Vrhovac, Republic of Srpska, BiH

'Domaćinstvo Vrhovac' (The Vrhovac household) is located in the village of Mravica, near Prnjavor, Republic of Srpska and is engaged in the production of juices. The production started with pear juice, considering that the household had an orchard with over 3,000 trees. After excellent reactions to pears, apple, quince, chokeberry, blackberry, raspberry, grape and dogwood juices were soon added to the array of products. The basic idea is to create a quality domestic product using only top quality raw materials and thus start a successful family business in a completely natural environment. The #HelpFrame project immediately attracted their attention. As a developing business that does not yet have the possibility of serious promotion through traditional and digital channels, they managed to reach a large number of potential customers. By participating in the project, people recognised them as a reliable manufacturer, which gave their story the necessary boost.

# The Respect for Human Rights

## Respecting human rights through NLB Group standards of compliance, ethics, and integrity

The NLB Group's Code of Conduct establishes uniform rules of conduct for all NLB Group employees. In the NLB Group, we expect that all employees, as well as external business partners of NLB d.d. and members of the NLB Group respect human rights, employees' rights, as well as general standards of conduct defined in the NLB Group's Code of Conduct. This defines the values and basic rules of ethical business conduct, which the NLB Group respects, promotes, and expects. Our values and beliefs support our long-term goal of continuously improving the culture of our daily operations in the countries where the NLB Group is present. In the NLB Group, every employee, regardless of job or location, is required, as well as every other stakeholder in the NLB Group, to live in accordance with the highest standards of integrity in everything they do. The key to achieving these standards of conduct is also the strong culture of business compliance, which the NLB Group implements in practice by the obligatory conduct of all employees in accordance with its policies, rules, and other internal acts and in accordance with all relevant legislation and regulations in legal environments where NLB Group operates.

### **The results of policies and internal or external rules, instructions, or regulations (findings reached by the Bank based on monitoring the implementation)**

Through the performed regular activities of monitoring the adequacy of the implementation of management standards, we estimate that, given the size of the NLB Group, the implementation of management standards in the NLB Group is appropriate.

In 2020, we checked the implementation of the NLB Group Code of Conduct:

- in preventive audit of compliance of areas or processes in which the risks of conduct (unethical conduct, risks of internal and external fraud, risks of conflicts of interest, risks of corruption, risks of breaches of information protection and protection of personal data, etc.) are also included as typical risks of compliance and integrity;

- through regular control activities regarding the implementation of rules aimed at preventing breaches of standards of conduct;
- implementation of regular training of employees and training of target groups in the field of ethical standards;
- The Bank also monitors the implementation of standards of conduct through regular due diligence of external contractors and suppliers and through regular risk assessment which includes monitoring of, inter alia, human rights protection.

The effectiveness of the NLB Group Code of Conduct in 2020 was further verified through reports received through channels for (anonymous) reporting of suspected harmful practices (including the internally accessible (NLB Net) and publicly accessible Whistler application (at: [whistler.nlb.si](http://whistler.nlb.si))), and the system for dealing with suspicions of harmful conduct and taking corrective action. In addition, in 2020, based on the survey on ethics and compliance with the NLB and in the strategic members of the NLB Group, we found progress in strengthening the culture of ethics and compliance, so NLB Group will continue to implement awareness-raising activities, the manner of managing internal acts, and raising awareness about the risks of ethics and compliance. More specifically, this research examines the perception of employees in the bank in relation to ethical conduct and compliance with operations, also in connection with the situation regarding the perception of the prevention of harmful conduct. Based on this research, measures are also prepared to improve the situation, such as the implementation of targeted audit of business areas, special training, and the like.

The effectiveness of the NLB Group Code of Conduct is also part of the regular self-assessment in the field of corporate integrity, an element of which is also the assessment of ethical culture, the effectiveness of the system of prevention of harmful conduct or reports of suspected violations, the tone from the top, the commitment of the bank's management to corporate integrity, etc. The NLB Group Code of Conduct sets standards and rules of conduct that apply to all of us, regardless of the workplace or location of work, as well as to contractors acting on behalf of the NLB Group.

### **The main risks in relation to the above stated issues related to activities of the company, including its business relations, products, or services, when this is appropriate and proportionate, which might cause serious detrimental effects, and the methods employed by the company to manage these risks**

Risks perceived in connection with violations of standards of conduct:

- the risk of breaches of standards of conduct in relation to employees;
- the risk of breaches of standards of conduct in relation to customers;

- the risk of breaches of standards of conduct due to non-compliance with fundamental human rights by contractors, outsourcers, suppliers, and subcontractors;
- the risk of non-compliance of operations in fulfilling the legal obligations of external contractors, suppliers, and subcontractors;
- the risk of breaches of information security and personal data protection in meeting the legal obligations of external contractors, suppliers, and subcontractors.

Measures to manage the identified risks:

- Policies and procedures in place and internal control mechanisms to prevent harmful practices of all kinds (including breaches of standards of conduct);
- Regular training of employees and training of target groups in the field of standards of conduct;
- Carry out due diligence and take appropriate risk management measures for external contractors and suppliers;
- Carry out due diligence and take appropriate risk management measures against other contractual partners;
- Ensuring specific terms in written agreements and/or general terms and conditions with third parties which are vendors define minimum expectations of performance with respect to human rights as a requirement for investment;
- Ensuring the availability of channels for (anonymous) reporting of suspected harmful practices (including internally accessible (NLB Net) and publicly accessible Whistler application (at: [whistler.nlb.si](http://whistler.nlb.si)));
- Implementation of procedures and mechanism for dealing with suspicions of harmful conduct and taking corrective measures and implementation of measures to protect notifiers (internal and external).

### **Key non-financial performance indicators relevant to individual activities:**

- there have been no confirmed violations of fundamental human rights vis-à-vis employees and customers, or by external contractors and suppliers and other contractual partners;
- all employees receive compulsory training in the field of standards of conduct.

# Measures against mobbing and measures for improvement of organisational culture to protect human rights of employees

Zero tolerance and prohibition of any form of mobbing, as well as practical examples and guidelines for the employees have already been included in the NLB Group Code of Conduct, which is the basic document defining the desired and prohibited conduct in NLB d.d. and NLB Group.

The results of policies and internal or external rules, instructions, or regulations (findings reached by the Bank on the basis of monitoring the implementation):

With the purpose to **ensure the dignity** of employees and to provide a working environment in which no worker is exposed to maltreatment and sexual or other harassment by anybody performing tasks for NLB d.d., the latter has established a system for preventing all forms of mobbing. This year, the system of mobbing prevention was revised. A special commission for the renewal of anti-mobbing mechanisms in NLB d.d., composed of the representatives of the Bank, the NLB Workers' Council, and the NLB Trade Union, revised the Policy for Prevention of Harassment and Mobbing of Employees in NLB d.d., the Rules on the Prevention of Harassment and Mobbing at Work in NLB d.d., and the Instructions for the Business Process Prevention of Harassment and Mobbing at Work. By using these documents and the established procedures, the Bank also determines prohibited actions on a case-by-case basis and defines the procedure for their treatment and sanctioning of prohibited conduct.

For this purpose, the Bank has appointed the officer for the prevention of harassment and mobbing at work and established the Joint Committee for the Prevention of Harassment and Mobbing, consisting of the representative of the Bank, the Workers' Council and the representative trade unions.

The main risks in relation to the above stated issues related to activities of the company, including its business relations, products, or services, when this is appropriate and proportionate, which might cause serious detrimental effects, and the methods employed by the company to manage these risks.

The key goal of NLB d.d. is to prevent mobbing and any harassment of employees and to ensure a workplace which successfully prevents this so that no employee will be exposed to sexual or other harassment or maltreatment by anybody in the company.

The goal of NLB d.d. is written in the policy of preventing mobbing as ensuring the dignity of employees and providing working environment in which no worker is exposed to maltreatment and sexual or other harassment by anybody implementing the tasks for NLB d.d.

Also, at the NLB Group level, **equal opportunities, justice, and promoting culture focused on performance are respected**. The HR policies and practices are based on culture promoting equal opportunities and performance of employees. Discrimination is prohibited in the HR management practice. The relationship between employees and the management is founded on trust, support, and constant feed-back. In cases of disagreement, the conflict resolution procedure is defined.

Employees participate in the Workers' Council and the Trade Union with which the Bank regularly cooperates at formal meetings and through consultations. The organisational climate/employment engagement and organisational culture are of key importance and, therefore, regular measurements are carried out and also an action plan for improvements is prepared. In most cases, personnel practices of the Bank is above legislative minimum because the goal of the Bank is to ensure that employees are highly motivated and included in the Bank's operations. In addition to a penalty in the case of non-fulfilment of legislative requirements, the employees are the key to success. This is the reason why the Bank regularly monitors the engagement of employees and the organisational culture, and regularly checks the personnel practice.

## Key non-financial performance indicators relevant to individual activities:

- Key non-financial performance indicators related to organisational culture are listed in the chapter on 'Social and Human Issues';
- With regard to anti-mobbing measures, zero tolerance and prohibition of any form of mobbing has been established; see also GRI 406 standard;
- All employees receive compulsory ethics and integrity trainings covering standards of conduct.

## Respect for human rights as regards products and services for clients

The aim of the NLB Group is to focus banking business on the prevention of human rights abuse by introducing business procedures that specifically define how this is done. All NLB Group members respect human rights.

## Results of policies and internal or external rules, instructions or regulations<sup>3</sup>

The provision of financial services is, inter alia, linked to human rights issues and the efforts to make a positive contribution to exercising of human rights – as a financial intermediary for economic activities in general and by offering investment opportunities that contribute to sustainable development (microfinance).

NLB Group observes and guarantees the respect for human rights in banking operations through comprehensive business processes and methodologies for risk assessment.

## The main risks in relation to the above stated issues related to activities of the company, including its business relations, products, or services, when this is appropriate and proportionate, which might cause serious detrimental effects, and the methods employed by the company to manage these risks

Ensuring the financing of certain products and services can lead to negative impacts on human rights; for example, the impact on the survival of local communities or infrastructure projects.

The clients are informed of all the products and services of the Bank in a transparent manner in accordance with the applicable regulations and decisions. The Bank does not offer products and services that could have negative impacts on human rights, which is ensured by regular monitoring processes for all products and services that are offered by NLB Group. The transparency of products and services and employee behaviour is in line with the NLB Group Code of Conduct. The employees in banks possessing better knowledge of products and services of the Bank better manage and advise clients before selling products. This increases customer satisfaction and reliability. Members of the NLB Group manage risks in accordance with the instructions and comply with the requirements of NLB d.d. The training of employees in certain professional fields and in the field of information security is provided. The NLB Group Code of Conduct is complied with based on zero tolerance approach for any human rights breaches. The systematic growth of the sales culture is ensured through education, planning, and upgrading of sales communications and management.

<sup>3</sup> Findings reached by the Bank based on monitoring the implementation.

#### **Key non-financial performance indicators relevant to individual activities**

One key performance indicator is determining the needs of customers for a particular product and service, which is very important for ensuring customer satisfaction and meeting their needs. The second key non-financial performance indicator is to ensure continuous attention in dealing with clients and to check if they operate under jurisdiction characterised by political instability, weak governance, the suppression of minority groups, when the Bank is considering financing business activities in a conflict (war) zone, the development of financial products for vulnerable segments of clients, or when doing business with the corporate sector where the respect for human rights is known to be a problem.

#### **Protection of the privacy of the clients and employees**

Protecting the privacy of customers and employees, as well as third parties, is one of the key rules of admissible conduct set out in the NLB Group Code of Conduct. The Bank ensures the confidentiality of data both in the case of its own data processing and in the case of data processing by contractual processors. One of the goals is to ensure the legality of operations and the reputation of NLB d.d., and the members of the NLB Group also follow this approach.

#### **Results of policies and internal or external rules, instructions or regulations<sup>4</sup>**

The NLB Group Code of Conduct, and in more detail the NLB Corporate Security Policy, defines the basic goals and principles of protection of people, facilities (business premises), information, and property of both the bank and its customers. One of the key or fundamental goals of corporate security is to ensure the protection of data and information of our customers and employees and thus ensure their privacy. In addition, the privacy of customers and employees is protected by compliance with regulations in the field of personal data protection and the implementation of internal rules and procedures in this area. By implementing the measures and upgrading the existing measures, the Bank ensures the confidentiality of data both in the case of its own data processing and in the case of data processing by contractual processors. One of the goals is to ensure the legality of operations and the reputation of NLB d.d. Members of the NLB Group also follow this approach.

**The main risks in relation to the above stated issues related to activities of the company**, including its business relations, products, or services, when this is appropriate and proportionate, which might cause serious detrimental effects, and the methods employed by the company to manage these risks

#### Risks:

- the risk of possible unauthorised access to customer or employee data;
- the risk of data being disclosed to unauthorised persons, and
- the risk of incompetence or inappropriate behaviour of employees.

The privacy of NLB d.d. clients, as well as customers of individual members of the NLB Group, taking into account the new EU rules in the field of personal data protection, implemented in 2018 (the so-called 'GDPR regulation') is implemented by the company through implemented measures, for example:

- the need-to-know principle; which means that the employee has the authority or right to access only those data and information that he needs to perform his regular work duties;
- regular verification/verification of the adequacy of the allocated rights to access data;
- regular education and awareness of employees on the importance of data and information protection and ethical conduct;
- established privacy zones in the bank's branches;
- identifying possible breaches of data protection by employees;
- Carrying out security checks on application support and the computer network in order to identify potential vulnerabilities that could jeopardise the confidentiality of data and information.

#### **Key non-financial performance indicators relevant to individual activities:**

- no serious breaches of personal data protection have been confirmed in relation to employees and customers, or by external contractors and suppliers and other contractual partners;
- all employees receive compulsory training in the field of personal data protection and information protection.

<sup>4</sup> Findings reached by the Bank based on monitoring the implementation.

# Finding way to own a brand with help of scholarship

Tina Turk  
Skripsi, Slovenia

There are many young people who want to actively contribute to the environment. If there is any entrepreneurial spirit in them, interesting entrepreneurial ideas are born. Tina Turk, a 21-year-old economics student, designed the sustainable Skripsi brand. Her basic idea is that by buying Skripsi, customers not only get a nice wooden pen, but a tree is planted in their name. Tina is so passionate about her idea, that she even invested her scholarship in its development. Just at the time of entering the market, the young businesswoman suffered a major blow - an epidemic was declared. In the new situation, she was forced to reduce the necessary investment in advertising, but she kept on going and became even more active on social networks. The #HelpFrame project helped her to further conquer the market.



# Fighting Against Corruption and Bribery

Awareness of the importance of the fight against corruption and bribery was emphasised by the NLB Group in the NLB Group Code of Conduct, which prescribes that the NLB Group has zero tolerance for such harmful practices. NLB Group must reject all forms of bribery and corruption. These forms of action are unfair, illegal, and detrimental to countries with corrupt practices and society in general. We are already bound by the NLB Group Code of Conduct, which is publicly published on the pages of NLB d.d. The same in NLB d.d. and the NLB Group are also expected from our customers, business partners and third parties. All employees of the NLB Group are therefore subject to restrictions on the acceptance and giving of gifts, expressions of hospitality, and other influences on the conduct of employees in the NLB Group. Concrete measures are also prescribed to manage the risks associated with this. These are regulated in the Policy on the Prevention of Corruption and Bribery and on the Management of Conflicts of Interest.

In accordance with the Management and Supervision Policy of the NLB Group, the Standards in the field of Business Compliance and Strengthening Integrity also include obligations for members of the NLB Group to adopt all internal acts of the NLB d.d. in the field of prevention of corruption and conflicts of interest, and to implement their obligations.

## The results of policies and internal or external rules, instructions, or regulations<sup>5</sup>

There were no confirmed cases of corruption in 2020. Trainings in the field of prevention of corruption and bribery of employees were conducted within the set of trainings in the field of standards of conduct and ensuring integrity.

At the NLB Group level, the Policy on Prevention of Corruption and Bribery and on Management of Conflicts of Interest was renewed in 2020. The system of risk management of corruption and bribery was supplemented with additional risk indicators (red flags), and followed international standards in the fight against corruption system of rules for the prevention of corruption and bribery and the management of risks related to the engagement of agents and intermediaries, employment or hiring of services of (former) civil servants, contacts with high (state) representatives, the prevention of nepotism and of accelerated payments, and ensuring transparency in NLB Group operations.

Combined with awareness-raising, established control mechanisms, and training in this area, this was significant progress in the implementation of activities in this area in 2020. Implementation activities will continue in 2021.

The main risks in relation to the above stated issues related to activities of the company, including its business relations, products, or services, when this is appropriate and proportionate, which might cause serious detrimental effects, and the methods employed by the company to manage these risks.

Based on the Enterprise Compliance and integrity Risk Assessment (ECRA) done at the group level, NLB Group did not detect any significant new risks in the field of the fight against corruption and bribery in 2020. A specific questionnaire (World Economic Forum model: Good Practice Guidelines on Conducting Third-Party Due Diligence, Partnering Against Corruption Initiative - PACI) is used for this purpose. Nevertheless, the compliance functions carried out awareness-raising activities and a risk culture in connection with this area. Also, the approach to managing these risks in day-to-day operations has also been strengthened, for example, by implementing an assessment of these risks in relations with suppliers. Due to its regional presence, NLB Group is exposed to the risks of corruption in the area of South-Eastern Europe.

As part of the fight against corruption and bribery, the NLB Group carries out several activities to manage these risks:

- Ensuring specific terms in written agreements and/or general terms and conditions with third parties define anticorruption and antibribery standards as a minimum requirement for investment;
- Internal control mechanisms, including accounting controls, are in place for antibribery and anticorruption area;
- Regular, at minimum annual review, identification and assessment of risks of conflicts of interest and corruption in the case of external contractors and suppliers and other contractual partners of NLB d.d. and the NLB Group through due diligence processes;

- For the purpose of appropriate identification of such events, various (whistleblowing) channels are established for reporting of suspicions of harmful conduct (internally and publicly available). Procedures and mechanisms are in place to address suspicions of harmful conduct and to take corrective action in the event of a suspicion of corrupt conduct;
- NLB d.d. and NLB Group have implemented the envisaged measures for the protection of applicants (internal and external) and the manner of who orders them, and in what way and with what the protection of the applicant is ensured;
- In 2020, regular annual trainings were conducted for all employees and management of NLB d.d. and members of the NLB Group in the field of corruption and conflicts of interest;
- Targeted trainings were conducted for target groups of employees (sales network, managers, new employees) in the field of harmful conduct, available channels for reporting suspicions of harmful conduct, corruption, conflicts of interest and violations of the NLB Group Code of Conduct.

## Key non-financial performance indicators relevant to individual activities:

- Key non-financial performance indicators are monitored under the GRI 205 reporting standard.

<sup>5</sup> Findings reached by the Bank on the basis of monitoring the implementation.

# Promoting Freedom of Expression on the Internet and Elsewhere

Freedom of expression is one of the fundamental human rights that NLB d.d. strongly encourages – both among the employees and in relations with our clients and other stakeholders, both on digital platforms and in personal communication.

Intranet NLB d.d. (NLB Net) thus enables publication of information and news about the developments concerning the Bank and, in the Bank, commenting, asking questions, liking and giving ideas, and making proposals, to which a special web page, “City of Ideas” (Mesto idej), is dedicated. Each organisational unit has its own Intranet web page, on which the employees actively cooperate in the designing of the contents and respond to them. Two-way communication is strictly encouraged, and it is taken care that questions are responded by relevant answers. There is also a special webpage for the Trade Union and the Workers’ Council, which actively organise the webpage and participate in the communication by making comments.

In 2018, we continued with live stream addresses by the president of the Management Board, a form of open communication named the Open House of President of the Management Board. It is a live stream, during which the President of the Management Board briefly summarises the current events in the Bank, and then answers questions that are posted by employees either through NLB Net or through the e-mail address created specifically for this purpose.

NLB d.d. encourages clients to send their opinions on their experience with the Bank, which they can do through several channels: by e-mail, via the website, and social networks (Facebook, Instagram), as well as directly by a call or video call to the NLB Contact Centre, and in area branches and branch offices.

We find that the number of comments under the publications on the NLB Net is increasing, as well as the cooperation of employees in different prize games and surveys, in which they are asked about their opinions, proposals on the banking services, events, and other issues in the Bank.

There is a risk of internal information leakage, but it is actively managed. In the case of price-sensitive information, there are strict instructions (Rules on the Supervision over the Implementation of Personal Transactions in the Provision of Investment Services and Transactions in NLB d.d.), which are in compliance with the regulations and best practice in this area. The employees are also constantly reminded of the importance of handling internal information with caution by being provided regular news and obligatory training.

The employees are satisfied with the possibility of expressing their views and comments, since open communication contributes to a better atmosphere, trust, and openness.

In 2017, all members of the NLB Group established their intranets following the example of NLB d.d. Thus, comments and questions can be expressed in all members of the NLB Group. In addition, a common platform of the NLB Group – NLB Group Net was established in 2017, featuring the most topical news from all markets where the NLB Group operates. Freedom of comment and thus freedom of expression is provided on this platform, as well.

NLB Group members also encourage their clients to give their opinion on their experience with the Bank through channels and in the way as described above.

## Cyber-security with increased workload from home during COVID-19

The Bank prevents or manages cyber risks arising from the increased volume of work from home through implemented measures, some of which are explained below, namely:

- the use of privately owned devices (e.g., personal computers) is not allowed: the bank provided information resources owned by the bank to employees who needed the equipment or need it in terms of “working from home”; the exception is mobile phones, subject to the precondition or requirement that the bank’s security policy be installed and regularly updated on mobile phones;
- regular installation of security patches on personal computers used by employees when working from home is ensured, as well as uninterrupted operation of standardised dedicated tools (e.g., Sophos antivirus protection);
- provided instructions to employees regarding the provision of information security in the case of working from home.

Due to the increased volume of work from home, the bank did not abandon the implementation of controls in the field of information security and cyber security.

# Improving Customer Satisfaction

## Reorganisation of NLB Contact Centre due to COVID-19

NLB Contact Centre is the only contact centre in the field of banking in Slovenia, that enables customers to do business remotely 24 hours a day, 7 days a week. During the epidemic NLB d.d. has been seeking out new solutions for doing business remotely through the Contact Centre, in order to enable as many customers as possible to access banking services uninterrupted, without visiting our branches and risking infection. For the duration of the state of emergency we changed some directions, enabling first-time activation of our mobile banking and adding authorised signatories to accounts for the elderly remotely. The measures were well-received by the customers and we have managed to introduce many long-time elderly customers to modern banking services that they now gladly continue to use to this day. In order to keep the NLB Contact Centre running 24/7 during the epidemic, we have relocated our operation to a number of locations, thus reducing the operational risk and maximising the availability of our services. Working in smaller groups at different locations also protects our employees by reducing the chance of spreading infection by enabling sufficient safety distance in the workplace.

At the start of 2020, we enabled those hard-of-hearing to use basic banking services through video call, with the help of an interpreter for the Slovenian sign language. Due to the epidemic, the service is currently at a standstill. We will be bringing it back as soon as the circumstances allow it.

## Processing of Complaints

NLB d.d., has in compliance with legislation governing banking and financial services, two-tier customer complaint resolution system and selected institutions responsible for extra-judicial settlement of customer claims. NLB guarantees to customers complete information on the internal complaint process and the extra-judicial settlement of customer claims (IRPS), which contains all necessary clarifications about the complaint-solving methods and procedures.

NLB employees respect the customer's view of issues regarding contractual obligations and processing of our services and complaints are treated as a chance for improvement. A customer's opinion/complaint is respected and registered by NLB d.d. whether positive or negative. Targets followed by NLB d.d. in the process of complaint management are fast, efficient, and professional complaint settlement on all levels of the process, settlement of congenial reimbursement requests in a unified way, registration of complaints such as to enable content analysis with the purpose of improving products, processes, customer experience (transparency, quality, customer relation, etc.) and the formation of proposals on improvements with the purpose of preventing a larger number of similar mistakes and consequences of the negative customer experience.

Even in the time of extraordinary measures (COVID-19), NLB processed complaints along the established guidelines and within statutory periods. In order not to expose customers to virus via direct postal delivery or via appearance in the post office, classic registered mailing has been avoided as much as possible. Customers were instead contacted per email with the purpose of delivering answers/results via email using a password delivered by a separate email. In order to reduce operational risk of inability to process complaints due to absence of all employees working in complaint process the team has been distributed between four different locations with the home office being one of them.

## Complaints in NLB Group

Within NLB Group, the processing of complaints follows the same targets as NLB d.d. Accordingly, "Minimum Standards for the Sales Area" comprise also minimal standards for complaint management within banks of the NLB Group, which are:

- written Instructions for the resolution of customer complaints;
- two-tier customer complaint resolution system (centralised unit, which is responsible for substantive management of the resolution of customer complaints in the member and which is the substantive manager of the instructions for the resolution of customer complaints and acts as the second-instance complaints body);
- recording of received complaints and the preparation of annual report of customers complaints.

Minimal standards are implemented in all banks of the NLB Group. Experience shows that customers of banks, members of the NLB Group address their complaints also to NLB d.d. Ljubljana. As a consequence, there is a clear process of how to treat such complaints. The customer will be informed that NLB d.d. isn't in the position to process their complaint since it refers to the business relation between the customer and a bank from the NLB Group, which is an independent legal entity. The customer will be at the same time informed that their complaint has been redirected to the bank within NLB Group and that they can expect the feedback from this bank. After having redirected the complaint, we ask the particular bank within NLB Group to inform us on the outcome of complaint, which enables us to follow the processing of such complaints also in practice.

# The right support at the right time

Sergej Ivanov  
PG MAGI, Serbia

A veterinarian and a great lover of autochthonous breeds of domestic animals, Sergej Ivanov started breeding Balkan donkeys on Stara Planina 15 years ago. He wanted to preserve this breed whose number has greatly decreased due to the extinction of villages in this part of Serbia. On the farm, where the whole family works, he produces donkey's milk, which is extremely healthy, especially for respiratory diseases, and is most similar to mother's milk. The #HelpFrame project, realised in period when a large number of people started to search for natural sources of immunity due to the COVID-19 epidemic, brought him an increase in visits to the website, increased interest and sales of this healthy milk, and ultimately enabled farm improvement by increasing his herd.



# Tax Transparency

NLB conducts its tax operations in line with the purpose and the requirements of the relevant legislation and in accordance with the international standards (e.g., OECD guidelines).

NLB's attitude towards the Financial Administration is respectful, transparent, and professional.

When determining the tax obligations, the NLB complies with the legally permitted reliefs and exemptions from the tax base.

NLB cooperates with the Financial Administration for obtaining the relevant explanations and information for the provision of tax bases on a regular basis or wherever possible.

When establishing tax positions, NLB strives to achieve certainty and implements a conservative policy of assuming tax risks.

NLB does not use the structures for the purpose of tax avoidance or aggressive tax planning. NLB does not use the structures that are not in line with the purpose of the legislation or the use of which would subordinate its business motives to tax motives.

NLB strives to ensure that the appropriate part of its taxable profit is considered in those members of the NLB Group where the value is generated. As a rule, our operations with related persons are carried out at comparable market prices and in the case of any deviations, such fact is taken into account in the tax reports.

## Tax risk management

In order to assure effective tax risk management, a number of processes are in place such as:

- Handling tax-related topics by in-house by highly qualified tax experts who are provided with ongoing training,
- Maintain a strong control environment and tax risk framework to ensure compliance with tax laws,
- Providing continuous training to enhance tax risk understanding to all relevant parties,
- Ensuring that tax risk throughout the organisation are identified, managed, and communicated,
- Monitoring of updates to changes in tax laws and their impacts on NLB and industry,
- Reviewing tax treatment of every new product or business decision before its implementation,

## NLB has a special tax status, granted by Financial Administration

Financial Administration has granted NLB d.d. a special tax status which is based on cooperation, transparency, understanding, voluntary payment of taxes, and mutual trust. This status can be granted only trustworthy taxpayers who have appropriate internal tax controls in place. In 2020, only 11 big taxpayers had such a status in Slovenia.

## FATCA, CRS

The United States' Foreign Account Tax Compliance Act (FATCA) and the Organisation for Economic Co-operation and Development's Common Reporting Standard (CRS) are designed for greater transparency and to ensure that an individual wishing to "hide" assets from tax authorities will be unable to do so. FATCA focuses only on tax evasion by US Persons, whilst the CRS targets offshore tax evasion based on an account holder's country of tax residence. We have been compliant with FATCA and CRS since their effective date.

## Future challenges

The tax team faces new challenges to meet rapidly changing compliance obligations, to increase our strategic role, to contribute to the ESG agenda, and to ensure it can clearly articulate the ways in which the tax function can add value inside and outside of the organisation. Tax reporting processes must incorporate increased automation, better integrated data and processes, more analytic capabilities, and solid internal controls. These improvements will enable the tax function to deliver better quality output in less time, creating capacity to contribute more strategically to organisational decision-making.

# GRI Standards

## Economic

GRI Topic	GRI Disclosure	Value	Comment
GRI 202 – Market Presence	<b>202-2: Proportion of senior management hired from the local community</b>	<p>a. Percentage of senior management at significant locations of operation that are hired from the local community.</p> <p>94% Republic of Slovenia 100% Republic of Serbia 100% Republic of Kosovo 100% Federation of Bosnia and Herzegovina 97% Montenegro 100% Republic of Srpska (Bosnia and Herzegovina) 100% Republic of North Macedonia</p>	The recruitment procedure: In the event that NLB evaluates that the pool of talents does not provide a suitable candidate for the vacant senior management position, NLB prepares the tender invitation. The invitation is published on the Bank's website and on the premises of the National Employment Office. Among the registered candidates, there are several selection interviews and selection tests carried out. A Fit & Proper rating is also involved. The selected candidates are employed at the bank for an indefinite period with a 6-month probationary period.
	b. The definition used for 'senior management'		Senior management: General Managers directly subordinated to Management Board (B-1), the directors that are subordinated to B-2 level General Managers, other employees, who have an individual contract of employment (Advisor, Deputy Director, Head of Unit)
	c. The organisation's geographical definition of 'local.'	Slovenia, Serbia, Kosovo, Bosnia and Herzegovina, Montenegro, Republic of Srpska, North Macedonia	Republic of Slovenia and locations of NLB Group Members
	d. The definition used for 'significant locations of operation.'		Significant NLB Group Members
GRI 205 – Anti-corruption	<b>205-2: Communication and training about anti-corruption policies and procedures</b>	<p>a.Total number and percentage of governance body members that the organisation's anti-corruption policies and procedures have been communicated to, broken down by region.</p> <p>Slovenia: NLB d.d.: MB: 4 (100%) SB: 11 (100%) NLB Group core members: MB: 2 (50%); SB: 0 (0%); NLB Group, non-core members: / SEE region: NLB Group, core members: - Serbia: MB: 3 (100%), SB: 0 (0%). - BiH: MB: 6 (100%), SB: 5 (50%). - Montenegro: MB: 3 (100%), SB: 7 (100%). - Kosovo: MB: 3 (100%), SB: 0 (0%). - North Macedonia: MB: 4 (100%), SB: 5 (100%). NLB Group, non-core members: /</p> <p>NLB Group, non-core members: The revision of anti-corruption policies and procedures is planned to be implemented in H1/2021. Members are informed during the adoption process of the document NLB Group Code of conduct and NLB Group policies and procedures on conflict of interest and anti-corruption and anti-bribery.</p>	The anticorruption policy and procedures were revised in in second half of 2020. Implementation in NLB d.d. was finished, the implementation of the revision is ongoing at NLB Group level.  NLB Group, core members: they are committed to the same procedures as NLB d.d. (anti-corruption trainings and policies). The newly established company NLB Lease&Go is in the process of the implementation anti-corruption policies and procedures. The newly established company NLB Cultural Heritage (category of activity: museum) is not included in this report due to its specific nature (although it is subject to conduct rules of the NLB Group, part of which are also anti-corruption rules) The completion of the acquisition of Komercijalna Banka a.d. Beograd and its subsidiaries was finished on 30.12.2020, and is thus not included in the report not to distort the data presented. Implementation of NLB Group policies and procedures (including those specifically adopted for anticorruption area) will be implemented in KB in 2021.

GRI Topic	GRI Disclosure	Value	Comment
GRI 205 – Anti-corruption	<b>205-2: Communication and training about anti-corruption policies and procedures</b>	<p>b. The total number and percentage of employees that the organisation's anti-corruption policies and procedures have been communicated to, broken down by employee category and region.</p> <p>Slovenia: NLB: 2591 or 100% NLB Group core members: 45 (57.7%) of current employees NLB Group, non-core members: / SEE region: NLB Group, core banking members: - Serbia: 502 (100%) - BiH: 922 (100%) - Montenegro: 308 (100%) - Kosovo: 450 (100%) - North Macedonia: 934 (100%) NLB Group, non-core members: /</p>	Data should be interpreted taking regard to the explanation under previous point a.
	d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region..	<p>Slovenia: NLB d.d.: MB: / SB: 11 or 91,6% / Other NLB Group core members: MB: 2 (50%) SB: 0 (0%) NLB Group, non-core members: / SEE region: NLB Group, core members: - Serbia: MB: 3 (100%), SB: 0 (0%). - BiH: MB: 3 (50%), SB: 5 (50%). - Montenegro: MB: 2 (66,6%), SB: 0 (0%) - Kosovo: MB: 3 (100%), SB: 0 (0%). - North Macedonia: MB: 4 (100%), SB: 5 (100%). NLB Group, non-core members: /</p>	Data should be interpreted taking regard to the explanation under previous point a.
	e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.	<p>Slovenia: NLB d.d.: MB: / SB: 11 or 91,6% Employees: 2306 or 89,0% NLB Group core members: 42 (53%) of current employees NLB Group, non-core members: / SEE region: NLB Group (core members): - Serbia: 427 (85%) - BiH: 414 (45%) - Montenegro: 267 (87%) - Kosovo: 410 (91%) - North Macedonia: 671 (71,8%) NLB Group, non-core members: /</p>	Additional explanation regarding NLB d.d. data: MB members were trained and informed on anti-corruption rules through the revision process of the ABC policy in 2020, and they also received training materials on anti-corruption and anti-bribery, although no formal training was organised for them additionally. Members of the Supervisory Board received tailor-made training on this topic.

GRI Topic	GRI Disclosure	Value	Comment
<b>GRI 205 – Anti-corruption</b>	<b>205-3: Confirmed incidents of corruption and actions taken</b>		
a. Total number and nature of confirmed incidents of corruption	NLB: 0		
	NLB Group: 0		
b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption.	NLB: 0		
	NLB Group: 0		
c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.	NLB: 0		
	NLB Group: 0		
d. Public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such cases.	NLB: 0		
	NLB Group: 0		

Environmental			
GRI Topic	GRI Disclosure	Value	Comment
<b>GRI 301 – Materials</b>	<b>301-1: Materials used by weight or volume</b>		
a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by:			
b. renewable materials used.	Slovenia: NLB d.d. 17.70 A4 pages per employee per working day		Data is related to used A4 paper per employee per working day.
	NLB Group, core members: 36.89 A4 pages per employee per working day		NLB d.d. The number of pages has been constantly reduced. Compared to 2019, the amount of paper used decreased again (from 27.17 pages to 17.70 pages in 2020).
SEE region: * Sarajevo: 55,35 * Beograd: 25,81 * Skopje:38,25 * Prishtina: 24,42 * Podgorica:35,98 * Banja Luka:40,53			NLB Group, core members: Compared to previous years, the quantity by individual members decreased between 15% and 23%.
<b>GRI 302 – Energy</b>	<b>302-1: Energy consumption within the organization</b>		
a. electricity consumption in kWh	Slovenia: NLB d.d. 11.120.149 kWh		NLB d.d. In 2020 we continued with the reduction of electricity consumption, which is 9,87% lower than in the year 2019 (12.338.373 kWh).
	NLB Group, core members: 13.699.622 kWh		NLB Group, core members: Compared to previous years, the volume did not change drastically by individual members, except for Sarajevo and Belgrade, where it decreased between 6% and 9.8% based on measured consumption.
SEE region: * Sarajevo: 1.602.223 kWh * Beograd: 1.660.000 kWh * Skopje:4.200.000 kWh * Prishtina: 1.742.776 kWh * Podgorica:1.225.340 kWh * Banja Luka:3.269.283 kWh			
<b>GRI 305 - Emissions</b>	<b>305-1: Direct GHG emissions</b>		
	Slovenia: NLB d.d.: 491,17 tons CO2		In 2020, NLB d.d. produced 491,17 tons of CO2 from fuel consumption (treasury vehicles and official vehicles)
	NLB Group, core members: / (no data)		
<b>GRI 306 – Effluents and Waste</b>	<b>306-2: Waste by type and disposal method</b>		The waste is being treated by outsourced waste company.
Paper and cardboard recycling	Slovenia: NLB d.d.: 207133 kg		NLB d.d. Data for 2020
	NLB Group, core members: / (no data)		NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded.
Municipal wastes	Slovenia: NLB d.d.: 5.080 kg		NLB d.d. Data for 2020
	NLB Group, core members: / (no data)		NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill.
Wood	Slovenia: NLB d.d.: 6.200 kg		NLB d.d. Data for 2020
	NLB Group, core members: / (no data)		NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill



# Shift to local and regional market

**Grandfather of Samra Čomor**  
CoolTour, Bosnia and Herzegovina

Business ceased to exist for Vedran Grebo and Samra Čomor, owners of the touristic agency CoolTour Sarajevo, as it absolutely stopped with borders closing during the COVID-19 pandemic. The focus was shifted to local and regional market through offering of the hiking tours to Lukomir Village. The benefit of the tour is in establishing personalised experience through offering knowledgeable local guides and whose roots originate from the village, with family members still living in the area. The new situation considerably decreased their assets and required investments in promotion. The #HelpFrame project significantly helped Vedran and Samra reach a wider audience and be recognised as an authentic provider of touristic experiences locally and regionally.

GRI Topic	GRI Disclosure	Value	Comment
<b>GRI 306 – Effluents and Waste</b>	<b>Glass</b>	Slovenia: NLB d.d.: 6.360 kg  NLB Group, core members: / (no data)	NLB d.d Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill
	<b>Iron and steel</b>	Slovenia: NLB d.d.: 1.150 kg  NLB Group, core members: / (no data)	NLB d.d Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill
	<b>A mixture of concrete, brick and ceramics</b>	Slovenia: NLB d.d.: 183.000 kg  NLB Group, core members: / (no data)	NLB d.d Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill.
	<b>Electronic equipment</b>	Slovenia: NLB d.d.: 109.950 kg  NLB Group, core members: / (no data)	NLB d.d Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill.
	<b>Hydrogen fluoride</b>	Slovenia: NLB d.d.: 880 kg  NLB Group, core members: / (no data)	NLB d.d Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill.
	<b>Oil and fats</b>	Slovenia: NLB d.d.: 1.650 kg  NLB Group, core members: / (no data)	NLB d.d Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill.
	<b>Accumulators and batteries</b>	Slovenia: NLB d.d.: 90 kg  NLB Group, core members: / (no data)	The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill
<b>GRI 307 – Environmental Compliance</b>	<b>307-1: Non-compliance with environmental laws and regulations</b>		NLB d.d. and NLB Group received no fines or penalties regarding failure to comply with environmental laws. All legal waste disposal regulations are observed.

Social			
GRI Topic	GRI Disclosure	Value	Comment
<b>GRI 401 – Employment</b>	<b>401-1: New employee hires and employee turnover</b>	NLB In total, 94 new employees in 2020.  NLB Group: In total, 307 new employees in 2020 (significant group members)	NLB d.d.: In total, 94 new employees in 2020. 29 (31%) were younger than 30 years, 57 (61) were between 30 and 50, and 8 (9%) employees were older than 50. 87 (7%) were employed by the Republic of Slovenia.
	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region.		NLB Group: In total, 307 new employees in 2020. 122 (39.7%) were younger than 30 years, 175 (57%) were between 30 and 50. 8.0% and 10 (3.3%) employees were older than 50
	b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	NLB: In total, 162 employees departed from NLB d.d. in 2020.  NLB Group: In total, 382 employees departed from NLB Group in 2020.	97% of new hires were hired from local community. 42% were men and 58% were women.
			In total, 162 employees departed from NLB d.d. in 2020. 11 (7%) were younger than 30, 59 (36%) were in the age between 30 and 50, and 92 (57%) employees were older than 50 years old.
			NLB Group: In total, 382 employees departed from NLB Group significant members in 2020. 47 (12.3%) were younger than 30, 192 (50.3%) were in the age between 30 and 50, and 143 (37.4%) employees were older than 50 years old. 36% were men and 64% were women.
	<b>401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees</b>		Promote and protect the rights, obligations and responsibilities arising from the employment relationship are regulated by laws, collective agreements and internal regulations. All employees have rights as they are determined by law, collective agreements and internal regulations.
	<b>401-3: Parental leave</b>		
	a. Total number of employees that were entitled to parental leave.	NLB Group: 252 employees	NLB Group: (220 women, 32 men)
	b. Total number of employees that took parental leave.	NLB Group: 252 employees	NLB Group: (220 women, 32 men)
	c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender.	NLB Group: 153 employees	Some of the employees started parental leave in 2020 and are still using it, they shall return to work in 2021.
	d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work.	In general, all employees return to work after parental leave ended	In general, all employees return to work after parental leave ended and are still employed 12 months after their return to work.
	e. Return to work and retention rates of employees that took parental leave.		The decision to work separation after parental leave ended is voluntary and can be initiated by employee.

GRI Topic	GRI Disclosure	Value	Comment	GRI Topic	GRI Disclosure	Value	Comment
GRI 402 - Labor/Management Relations	402-1: Minimum notice periods regarding operational changes	NLB Group: The way of cooperation with the Labour unions and the Worker's council is fixed by collective agreements, the Act of workers and management and the Agreement on cooperation between Worker's council and employer. Deadlines for informing the Unions and the Worker's council is in most members in a minimum of 30 days, eight days in NLB Bank Belgrade. In NLB Bank Banja Luka, organisational changes are communicated before adoption, the minimum notice period is not defined.		GRI 403 - Occupational Health and Safety	Disclosure 403-2 Hazard identification, risk assessment, and incident investigation	c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals.	All employees are informed about hazards on their workplaces and with procedures and measures to avoid or reduce them. If a danger to the safety and health of the employee is identified, the employee must stop working. He/ She must inform a superior, who must take care to eliminate the danger. The employee does not return to the position until the danger has been eliminated.
GRI 403 - Occupational Health and Safety	403-1: Workers representation in formal joint management-worker health and safety committees	a. A statement of whether an occupational health and safety management system has been implemented	An occupational health and safety management system has been implemented in NLB Group because of legal requirements. Occupational Health and safety requirements are determined in The Laws and regulations on Safety and Health at Work applicable in each Member State.		d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system.	The safety statement with the risk assessment lists the measures for individual groups of workplaces with which we reduce the dangers that may occur in the workplace and in the work environment. If dangerous phenomena are detected, the group participating in the preparation of the risk assessment shall re-assess the risks in individual groups of workplaces where the dangerous phenomenon occurred.	
	Disclosure 403-2 Hazard identification, risk assessment, and incident investigation	b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.	In accordance with laws and regulations NLB Group has implemented health and safety management system on all workplaces that are controlled by the organisation.		a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimise risks.	In Serbia, the hired company does the site inspection each month, compiles statistics, and writes reports about it. In this way, the risk is being assessed each month, which allows the Bank to act upon any new risks or hazards and to prevent the employees from accidents. Each employee goes through a health and safety training where he/she is personally introduced to the possible risks and where he/she is given instructions for a healthy and safe way of working.	
			b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.		i. In some members employ professional workers for safety and health at work, who, together with the help of managers, takes care of the implementation of measures to ensure safety and health at work. Other members hire a licensed company to implement the occupational health and safety Law and to inspect the application of health and safety measures.	In some members the Bank has signed a contract with specialised external company to conduct risk assessment for each workplace. This contract is signed pursuant to law and administrative instructions issued by the Ministry of Labour and Social welfare. The Bank, depending on the recommendations received by the company, takes action to eliminate the risks.	
					ii. NLB follows the number of accidents and work-related health issues and acts immediately upon any new hazard to mitigate it.		
		b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals.	All employees are obliged to inform their immediate supervisor of any deficiencies and irregularities in their workplaces and in the work environment that could endanger their safety and health.				

GRI Topic	GRI Disclosure	Value	Comment	GRI Topic	GRI Disclosure	Value	Comment
GRI 403 - Occupational Health and Safety	Disclosure 403-3 Occupational health services	A description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimisation of risks, and an explanation of how the organisation ensures the quality of these services and facilitates workers' access to them.	In Slovenia, the Bank has a contract with the Occupational, traffic and sports medicine centre which participates in the preparation of the Safety Statement with a risk assessment, proposes measures to reduce exposure to loads and occupational hazards in the health risk assessment. Both the employer and the employee can consult an authorised Doctor of Work-related issues at any time. All employees attend regular preventive medical examinations within the deadlines prescribed by the doctor. Medical examinations are carried out at several different locations. In this way, workers have easier access to health services. Other locations: Regular site inspections and health and safety meetings and training courses for employees, ensuring that equipment is installed correctly and safely, doing the regular measurements of climate conditions in the bank, following the number of accidents and work-related health issues. Employees are encouraged to consult with the person in charge for security at the Bank in case of any doubts. The Bank is obliged to organise regular preventive medical examinations for employees also in some other	GRI 403 - Occupational Health and Safety	Disclosure 403-5 Worker training on occupational health and safety	a. A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.	Slovenia: Training in occupational safety and health and fire protection is carried out periodically every three years. Training education can be provided in the classroom or in the form of online education. For employees who work on higher risk position we provide an external professional contractor who gives them special training for their specific jobs or tasks. Education consists of theoretical and practical work. Serbia: Every employee goes through initial training upon his/her employment, and also through re-training which happens every four years. The training consists of theory and practice, during which the employees are being introduced to the general risks at their working places and to the possible ways to mitigate them. The risks are previously defined for each workplace through the Risk Assessment. If there are any employees working on a high-risk position, re-training happens every three years or less, depending on the risk to which he/she is exposed to. Those employees have unique trainings covering how to deal with risks at their working places. Kosovo: NLB Banka Prishtina provides instructions and conducts regular generic training to workers on occupational health and safety organised by an external professional company as well as specific training on using fire extinguishers and first aid. BH: The Bank implements technical, organisational and other fire protection measures, provided by the Law on Fire Protection, regulations adopted on the basis of the Law and other acts that may regulate this area. The training of employees related to fire protection is carried out according to the planned program in two parts, in the form of theoretical and practical training, by the responsible person (Coordinator for security and fire protection).
	<b>403-4: Health and safety topics covered in formal agreements with trade unions</b>				<b>Disclosure 403-6 Promotion of worker health</b>		
	a. A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers.	Slovenia: The Workers' council participates in the preparation of the Safety declaration with a risk assessment. The Workers' council provides information provided by employees. Together with the risk assessment team, they take measures and inform employees. The Workers' council gives initiatives and questions related to the field of safety at work all the time. The participation of the Workers' council is mandatory by law. Other locations: Every employee can send a proposal to upgrade health and safety management system by mail			a. An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided.	Each employee has the republic health insurance, according to the national legislation. Also, the Bank is obliged to provide collective insurance against risk of accident to all employees. In Kosovo, the Bank has signed a contract with private Health Insurance company for the coverage of all employees with private healthcare services.	
	b. Where formal joint management-worker health and safety committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why any workers are not represented by these committees.	Slovenia: One of the bodies of the Workers' council is the occupational safety and health committee. The Occupational Safety and Health Committee regularly cooperates with NLB. Initiatives and questions are addressed to Human Resources and organisational development. Other Countries: There is no formal health and safety committees.			b. A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organisation facilitates workers' access to these services and programs.	Workplace health promotion is a joint effort for employers, workers and society to improve health and well-being in the workplace. Health promotion measures are a combination of improving the organisation of work in the work environment, encouraging workers to take part in healthy activities, enabling healthy lifestyle choices and promoting personal development. In Slovenia, health promotion measures are written in a Safety statement with risk assessment.	

GRI Topic	GRI Disclosure	Value	Comment
GRI 403 - Occupational Health and Safety	<b>Disclosure 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</b>		
	a. A description of the organisation's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.	NLB takes care of the safety and health of its employees through regular training and medical examinations. We take care of the training of people in first aid, firefighting and evacuation. We provide first aid, ergonomically adapt workplaces to employees, provide employees with ergonomic chairs, and other aids to maintain their health.	
	<b>Disclosure 403-8 Workers covered by an occupational health and safety management system</b>		
	a. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organisation, who are covered by such a system;	100% of all employees	
	b. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organisation, who are covered by such a system that has been internally audited;	100% of all employees	
	c. the number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organisation, who are covered by such a system that has been audited or certified by an external party.	100% of all employees	
	d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.	/	
	e. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.	Work and/or workplace of workers who are not our employees is controlled by their employer, who must also comply with laws and regulations.	
GRI 404 – Training and Education	<b>404-1: Average hours of training per year per employee</b>	Average hours of training that the organisation's employees have undertaken during the reporting period.	NLB Group: 18 hours per employee in the 2020
	<b>404-2: Programs for upgrading employee skills and transition assistance programs</b>		NLB Group: In 2020, 4,769 employees participated in standard internal training programs and 2,029 employees participated on external training courses
	a. Type and scope of programs implemented, and assistance provided to upgrade employee skills.	Internal education (lectures and workshops), e-trainings, external training courses, courses for new employees	
	b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	Continuous on-job trainings, internal rotations, internal and external education activities provided to facilitate continued employability	
	<b>404-3: Percentage of employees receiving regular performance and career development reviews</b>	Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period	NLB Group: 98% (2% lack is due to Maternity leave, long-term absence, or new employees who weren't present sufficient time of the period to be graded)
			The goal of the organisation was that all employees receive a regular performance and career development review.

GRI Topic	GRI Disclosure	Value	Comment
GRI 405 – Diversity and Equal Opportunity	<b>405-1: Diversity of governance bodies and employees</b>		
	a. Percentage of individuals within the organisation's governance bodies in each of the following diversity categories:		As organisation's governance bodies we consider NLB Management Board and NLB Supervisory Board
	Gender;	NLB Group: 31% female 69% male	NLB Group: Management Boards and Supervisory Boards in significant NLB Group members have 72 members, 50 male and females.
	Age group:	NLB Group: Under 30 years 0 31-50 years old 69% Over 51 years old 31%	22 members were older than 50, 50 were between 30 and 50 at the end of 2020.
	b. Percentage of employees per employee category	NLB Group: Under 30 years 9% 31-50 years old 62% Over 50 years old 29%	
	<b>405-2A Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.</b>		The level of wages in the bank is governed by internal rules and collective agreements and depends on the complexity of the workplace and the performance of employees. The level of complexity of the individual workplace is determined on the basis of the conversion of the criteria set out in the systemisation rules of jobs using factor analysis according to the job evaluation model. All employees in the bank have the same opportunities and opportunities regardless of gender, age, and location
	<b>405-2B The definition used for significant locations of operation</b>		NLB d,d, and significant NLB Group Members
GRI 406 – Non-discrimination	<b>406-1: Incidents of discrimination and corrective actions taken</b>		NLB has a policy of zero tolerance to any form of discrimination and violence.
	a. Total number of incidents of discrimination during the reporting period.	1	In reporting period, we had 1 incident of discrimination, which was resolved in February 2020 and there have not been any signs of mobbing.

# To know you have someone to rely on

Toni Gerasimovski  
TERMONET, North Macedonia

TERMONET is a leading company in the sale of products for a wide range of integrated systems and products for solar power, plumbing, and heating systems.

TERMONET is not only aware of the complexity and different demands of the market, they also provide service that transfers technical expertise and know-how with decades of experience. As for many, the past year has been full of challenges and difficulties. Customer interest has been significantly reduced, sales did not even come close to the desired results, and they faced difficulties in day-to-day operations. When they found out about the NLB #HelpFrame project, they recognised an opportunity to improve the situation, and thanks to the project they received support at a time when it was needed the most. Through the ads, they made contacts with clients for future cooperation. Also, the project confirmed their belief that we are stronger together, and that true partners are recognised in a crisis.



# 2021 Sustainability Roadmap

We claim that sustainability is an actual series of decisions and actions with which we aim to become a company with an important positive impact in our home region. As described so far, this commitment has already brought us some results in 2020, but our journey has only started. The roadmap for 2021 will pursue the following goals:

- At first, we will be further upgrading business strategy with UN SDG and ESG factors;
- We will develop NLB Group portfolios impact analysis together with the establishment of the organisation-wide ESG KPIs, their methodology and their implementation;
- We will implement the requirements defined in ECB Guide on climate-related and environmental risks into NLB Group Risk Management Framework;
- We will further develop sustainable product portfolio for private individuals and corporates;
- We will establish Environmental and Social Financing Framework for the NLB and the NLB Group.
- We will further implement EBRD and MIGA Environmental & Social Standards together with ESMS;
- We will continue with establishment of the NLB Sustainability Corporate Governance model.
- Last, but not least, we will intensify upgrading of CSR activities with UN SDGs throughout the whole Group.

# Komercijalna banka – the New Member of the NLB Group Family

**With the completion of the acquisition of an 83.23% ordinary shareholding in Komercijalna Banka a.d. Beograd (KB) at the end of 2020, NLB has achieved a final milestone in this important transaction to further execute our strategy of becoming the leading financial institution focused on and headquartered in our home, the SEE region.**

**Since Komercijalna Banka was acquired on 30th December 2020, we have provided their non-financial statement as a separate chapter of this report.**

**In 2021, we plan to fully integrate Komercijalna banka into our sustainability program.**

With a share capital of EUR 340 million and total capital amounting to EUR 655 million, we are one of the leading banks in the region, equally successful in retail banking, as well as in banking with the largest domestic and foreign corporations.

Komercijalna banka has a total of 1.4 million clients, serviced by a banking team of nearly 3,000 employees, trained for all banking operations.

We are one of the leading banks in the country and the region and we significantly contribute to the development of the economy, the greater quality of life of the citizens and overall prosperity, as well as the creation and acceptance of progressive values in all areas of work and creativity.

## Komercijalna banka mission

- We are a strong and reliable financial institution, a respected financial brand with a leading position in many segments of operations. We provide our clients support through modern, innovative, and customised banking products, offering top quality service.
- We respect the highest international standards and values as regards providing financial products and services. We contribute to the economic development and economic prosperity of the Republic of Serbia and all countries in which we operate.

## Transparent business and communication:

- regular reporting to the competent financial institutions in all segments of operations;
- detailed informing of the clients about each product or service of the Bank as well as their rights and obligations;
- regular informing of the media and other publics about the Bank's activities and performance results.

## UN Global Compact

Komercijalna banka has been a signatory of the United Nations Global Compact since 2008. The Global Compact seeks to promote 10 universally accepted principles in the field of protection of human and labour rights, environmental protection, and anti-corruption.

### Protection of human rights, where businesses should:

- Principle 1: support and respect the protection of internationally proclaimed human rights;
- Principle 2: make sure that they are not complicit in human rights abuses.

### Protection of labour rights, where businesses should:

- Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: uphold the elimination of all forms of forced and compulsory labour;
- Principle 5: prohibit all forms of child labour; and
- Principle 6: uphold the elimination of discrimination in respect of employment and occupation.

### Protection of the environment, where businesses should:

- Principle 7: support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption:

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### Protection of human rights

Komercijalna banka fully complies with the principle of protection of human rights, i.e., it supports and consistently respects the protection of internationally recognised human rights (**Principle 1**), and is not complicit in human rights abuses (**Principle 2**).

In order to implement the provisions of the Law on the Prevention of Harassment at Work and the Rules of Conduct of Employers and Employees Regarding the Prevention and Protection from Harassment at Work, the Bank publishes on its internal portal:

- Support person – a person whom an employee who is subject to harassment can turn to in order to present problems, gain advice and support in order to prevent and identify harassment;
- A person authorised to initiate proceedings for protection against harassment.

## Contact person for ethical issues and complaints

To all questions of employees regarding the application and interpretation of the provisions of the Labour Law, the Law on Gender Equality, the Law on the Prohibition of Discrimination, the Law on the Prevention of Harassment at Work, the Law on Professional Rehabilitation and Employment of Persons with Disabilities, etc., as well as any complaints and objections, adequate answers were provided by the Legal Affairs – Legal Affairs Division and Human Resources Division.

### Protection of labour rights

Komercijalna banka fully supports the freedom of association and the full exercise of the right to collective bargaining (**Principle 3**), the elimination of all forms of forced and compulsory labour (**Principle 4**), the prohibition of child labour (**Principle 5**), and the elimination of discrimination in respect of employment and occupation (**Principle 6**).

In enforcing labour rights, Komercijalna banka refers to the Labour Law of the Republic of Serbia. The Labour Law is harmonised with the conventions and recommendations of the International Labour Organisation, ratified by Serbia, and it contains all the standards and norms that secure the rights, protection, and working conditions of employees laid down in those conventions and recommendations.

Moreover, European Union directives have been incorporated into the Labour Law, thus creating conditions for employees to exercise their rights in accordance with international standards.

The Bank supports the freedom of association and the full exercise of the right to collective bargaining through the work of the Independent Trade Union of Komercijalna banka AD Belgrade. Collective rights of employees refer to the right to association, trade union organisation, collective bargaining, concluding a collective agreement, and information. They also refer to the right to express their views on important labour issues, consultation, participation, peaceful resolution of collective and individual labour disputes, as well as the right to collective action.

Komercijalna banka remains committed to Principle 4 and does not practice any form of forced or compulsory labour. The Bank has never been sued, accused, or sentenced for forced or compulsory labour. In accordance with the Law on Prevention of Harassment at Work, harassment, sexual harassment as well as abuse of the right to protection from harassment are prohibited and sanctioned.

At the same time, Komercijalna banka fully supports the prohibition of all forms of child labour and does not employ persons under the age of 18 (although the Labour Law in certain cases allows employment of persons under 18 years of age), and does not cooperate with business entities that employ persons under 18 years of age.

Komercijalna banka also fights against discrimination in terms of employment and choice of occupation, by acting in accordance with the provisions of the Labour Law, the Law on Gender Equality and the Law on Prohibition of Discrimination.

### Environmental protection

Komercijalna banka strives to responsibly support the precautionary approach to environmental challenges (**Principle 7**), promote greater environmental responsibility (**Principle 8**) and encourage the development and diffusion of environmentally-friendly technologies (**Principle 9**).

Komercijalna banka respects the highest international standards and values in the creation of financial products and services, and develops and implements activities in the field of environmental protection and protection of human and labour rights. By adopting the Environmental and Social Risk Management Policy and Procedure at the level of the banking group, the Group has defined standards for identifying, monitoring, and managing environmental and social risks in the process of approving and monitoring investments. This document is adequately applied at the level of the Group members through the incorporation of acts by each member in compliance with local regulations and internal acts of the Group members harmonised with the Bank's acts. The Group also develops activities in the field of environmental protection and protection of human and labour rights by applying the best practices of sustainable financing. Internal acts furthermore define the procedure for resolving and responding to complaints based on the direct or indirect impact of business activities on the environment and the social environment.

With the aim to protect the environment and minimise the possibility of events that might be harmful to the environment, and health or safety or the community as a whole, the Group uses a list of activities and projects that are excluded from funding or respects the defined limits for individual activities, thus meeting the standards of good international practice in this area.

At the beginning of 2020, the parent bank defined the possibility of financing highly controlled entities engaged in the activities of production and trade in arms and military equipment, i.e., dual-use items.

### Anti-corruption

Komercijalna banka is active and successful in the fight against all forms of corruption, namely it adheres to **Principle 10** of the UN Global Compact.

It bases its anti-corruption activities on the Code of Conduct – Rules of Conduct and Professional Ethics, recommended by the EBRD, which explicitly prohibits corruption and fraud.

In the fight against corruption, it exercises strict control of all processes, careful selection of employees, suppliers, partners and clients.

The issue of corruption is also regulated by the Procedure for Action against Fraudulent Activities, where giving and receiving bribes is termed a form of fraud. This Procedure regulates the internal control of the Bank in the part that concerns the identification and processing of fraudulent activities, and the Procedure applies to all organisational forms and units of the Bank and its subsidiaries, members of the banking group. During 2020, there were no reported cases of corruption (bribery and extortion).

### Sponsorships and donations

Through socially responsible projects, Komercijalna banka demonstrates in the best possible way its attitude and understanding that its clients, partners, and all other members of the social milieu with whom it is in contact are part of the same family – the family of Komercijalna banka.

Komercijalna banka is the lead sponsor of the Trade Union Hall (Kombank Dvorana) and the Women's Basketball Club (KKŽ Crvena Zvezda - Kombank), the Taekwondo Club Galeb, as well as the Athletics Federation of Serbia, and a permanent donor of the B92 Fund in the "Battle for Babies" campaign.

Following the declaration of a state of emergency in the country caused by the coronavirus pandemic, the Bank responded to this challenge with procedures that enabled it to conduct business in these circumstances, as well as by dedicating funds to emergency purchases and donations of medical supplies and hospital equipment. We donated to the National Health Insurance Fund (RHIF) for the purchase of respirators, and in cooperation with the B92 Fund, the Bank donated an urgently needed incubator to the Dragiša Mišović maternity hospital, which provides treatment for pregnant women and newborns diagnosed with COVID-19, and also 100 non-invasive ventilation masks which eliminate the need of an intubation of patients put on respirators and significantly facilitate the treatment process for patients.

At the end of the year, we donated 5,000 special masks for patients in the "red" zone and a 4D ultrasound device to the "Narodni front" maternity hospital. In addition, Komercijalna banka helped publish a monograph on the first governor, Georg Weifert, as well as the book "Stranci koji su zadužili Srbiju."

For its engagement and assistance to medical institutions in the fight against the COVID-19 epidemic, Komercijalna banka received an award from the Serbian Philanthropy Forum on the occasion of the National Day of Giving.

# This is Our Home



NLB d.d., Ljubljana  
[nlb.si](http://nlb.si)

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Ljubljana, April 2021



**Creating better  
footprints.  
For tomorrow.**

**NLB Group Sustainability report 2022**

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# CEO Statement

**Do you ever wonder what kind of trace would you leave behind if your world were to stop spinning today?**

**Without intending to be gloomy—quite the contrary,—to ensure a brighter, better future for generations to come, we strive to incorporate this type of mindful thinking into the everyday operations of NLB Group and our employees. We strive to create better footprints.**

**“... even more convinced that we are following the right path.”**

As one of our main objectives is improving the quality of life in our home region of Southeast Europe, it is not surprising that we have put sustainability in its broadest sense at the heart of our business decisions and actions. Besides the environmental challenges, our efforts intensively tackle social and very important governance aspects and are addressed by number of measures and milestones, many of which we successfully completed in 2022.

In the past year we have taken significant steps forward within the NLB Group Sustainability Framework and United Nations Principles for Responsible Banking. We have also joined the United Nations Net-Zero Banking Alliance, which aims to harmonise credit and investment portfolios with reaching zero net emissions by 2050 or earlier. We have continued developing a range of green products and solutions, were mindful of our own carbon footprint, and supported and promoted sports, culture and socially disadvantaged groups. We further recognised not only opportunities but also our responsibility to help the economy outside the framework of banking, too, as demonstrated by the #FrameOfHelp project, now in its third edition, during which we encouraged reflection and discussion about the sustainable future of our home region.

We are extremely proud that our efforts and our progress were confirmed by our first ESG rating [Sustainalytics rated NLB with an ESG Risk Rating of 17.7 and a low risk of experiencing material financial impacts from ESG factors], and consequentially even more convinced that we are following the right path.

The latter is clear to us. In 2023 we will continue to develop and address all ESG pillars in all our banking members throughout the region. Implementation of EU taxonomy, development of our net-zero business strategy and financing of green transition together with achieving decarbonisation goals will continue at an accelerated pace, while the development of internal systems and processes for monitoring the protection and respect of human rights in the Bank's operations and conservation of biodiversity will also gain momentum. Among the priorities, the first effects of which are anticipated to be seen in only a few years, are ongoing transition to a sustainable car fleet, optimisation and energy efficient improvement of the real estate portfolio and further comprehensive digitisation.



There is no denying that although clear, the road ahead of us is long and in our region a very challenging one, but we know where we are headed and what our goal is. And perhaps even more significantly, we are aware of the importance of the footprints we create—not only today, but also (for) tomorrow.

**Blaž Brodnjak**  
CEO

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# Key Highlights 2022

## Environmental

We are focused on our journey to transition all operational and attributable GHG emissions from our lending and investment portfolios to align with pathways to net-zero by mid-century, or sooner.

- We joined the **UNEP FI Net Zero Banking Alliance** and started developing the comprehensive **NLB Group Net Zero Strategy**
- **EUR 166,9 mio** of sustainable corporate financing, and **EUR 53 mio** of green loans to private individuals was generated.
- **New sustainability-related products** were introduced to support clients at their green transition.
- **46 % reduction of operational carbon footprint** (Scope 1 and Scope 2, limited Scope 3 – without Category 15: financed emissions).
- **100% of all electricity from zero carbon energy source** (in NLB and NLB Komercijalna banka), and **70%** at NLB Group level.
- Paper consumption was reduced by **17%**, thus **866 trees** were saved.
- **6,176 trees were planted** by NLB Group employees throughout the region.

**100% -46% 6,176**

of all electricity used by NLB and NLB Beograd was purchased from zero carbon energy source

operational carbon footprint reduction

trees were planted by our employees throughout the region.

The first ESG rating

NLB Group's efforts and progress on its sustainability journey was recognised by Sustainalytics, one of the world's leading independent ESG research, ratings and data firms in the world. In 2022, NLB received its first ESG rating, placing it among the best 15% of banks as assessed by Sustainalytics.

## Social

We contribute to a thriving society through responsible stakeholder engagement.

- Employee Engagement increased by **1 p.p.** vs. year 2021, and **by 22 p.p.** vs. baseline year 2015
- Net Promotor Score (NPS) increased **by 10 points** vs. year 2021, and **by 44 points** vs. baseline year 2019
- **82,280** employees took part in 1,690 training programmes. Employee training sessions increased to **22.4 hours/employee**.
- **More than 1,000** employees attended the first NLB Group Sustainability Day and strengthen their awareness and engagement.
- **300** companies offering sustainable solutions participated in the #FrameOfHelp project.
- Major partnerships in **3 new sustainable mobility** projects in Slovenia.
- Successful launch of the EBRD programme **Women in Business** in Montenegro.
- Several initiatives to **improve the digital and financial education** of clients, young people, and seniors were executed group-wide.
- **More than EUR 500,000** was donated to humanitarian organisations in the region.

**22.4**

hours of training sessions per employee were executed

**2**

new sustainable mobility projects in Slovenian market, NLB Group was a major partner

**+EUR 0.5 mio**

was donated to humanitarian organisations

**1,425**

hours were invested in sustainability related employee trainings

**56%**

share of women in all management positions

**17.7**

ESG Risk Rating: Low Risk

## Governance

We are committed to the highest level of corporate and sustainability governance standards.

- NLB Group was rated **17.7 – low risk by ESG Risk rating** (Sustainalytics).
- **Sustainability management** was enhanced, by establishing new Sustainability Development Unit and appointing ESG coordinators in the region.
- The share of women in all management positions in NLB Group was **56 %**.
- A comprehensive **ESG KPIs matrix** was implemented in NLB Group core members.
- **ESG Risk Management** and implementation of ESG factors in lending process continued.
- Several **internal policies were adopted and upgraded** to increase embeddedness of ESG in operations.
- **1,452 hours** were invested in sustainability related employee trainings.

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# About This Report

The NLB Group Sustainability Report 2022 is prepared in accordance with Article 56 and in conjunction with Article 70c of the Companies Act. Furthermore, the report discloses information based on the following legal bases, requirements, recommendations, and reporting frameworks:

- EU Taxonomy: Regulation (EU) 2020/852 establishing a framework for the promotion of sustainable investments and the delegated acts adopted under this Regulation.
- Requirements and recommendations of regulatory authorities: Bank of Slovenia (BS), Securities Market Agency (SMA).
- United Nations Principles for Responsible Banking (UN-PRB United Nations Principle for Responsible Banking).
- ECB Guide on Climate and Environmental Risks<sup>1</sup>.
- European Commission's Guidelines on Non-Financial Reporting<sup>2</sup>.
- Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in reference with the requirements and recommendations of the Financial Conduct Authority (FCA).
- International reporting standards (Global Reporting Initiative - GRI 2, 2021).

The consolidated report enables interested parties to understand the material dimensions of NLB Group's development, performance, position and the impact of its activities.

NLB Group is comprised of NLB, the leading and systemically most important bank in Slovenia, seven subsidiary banks in Southeast Europe (SEE), several companies providing ancillary services (asset management, real estate management, leasing, etc.), and a limited number of non-core subsidiaries in a controlled wind-down. As a rule, reporting discloses non-financial data on NLB and subsidiary banks.

<sup>1</sup> Guidelines on climate-related and environmental risks; Supervisory expectations relating to risk management and disclosure (November 2020), European Central Bank, Banking Supervision.

<sup>2</sup> Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01), (June 2019), European Comission.

Altogether, the banks account for as much as 97% according to number of employees and more than 99% according to its client base. Therefore, we consider the consolidated disclosures focused on the banks represent relevant and appropriate overview for the NLB Group.

The operational carbon footprint measurement (Scope 1, Scope 2, and Scope 3, excluding Category 15) includes 19 NLB Group members. Besides NLB and subsidiary banks, asset management, real estate management, leasing and some other companies are included in calculation, because their operations have significant and material impact on NLB Group's operational environmental impact<sup>3</sup>.

The report also includes data related to NLB Skladi, asset management company, which is bound by Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) and its amendments and additions. NLB Skladi complies with this regulation and its amendments and additions both at company level (with its remuneration policy) and at the level of the provision of services/products.

As an issuer on the London Stock Exchange, NLB discloses climate-related financial information for the first time in reference to, but not fully complied with the TCFD recommendations regarding (1) governance, (2) business strategy, (3) risk management, (4) metrics and targets. Further work is underway to enhance the identification, management and reporting of climate-related risks and opportunities with respect to TCFD.

NLB Group presents its sustainability report on an annual basis. The reporting period of NLB Group Sustainability Report 2022 is 1 January 2022 – 31 December 2022. No restatement to the previous reporting period (January 1st, 2021 – December 31<sup>st</sup>, 2021) has been performed.

<sup>3</sup> NLB d.d., NLB Banka a.d., Skopje; NLB Banka a.d., Podgorica; NLB Banka a.d., Banja Luka; NLB Banka sh.a., Priština; NLB Banka d.d., Sarajevo; NLB Komercijalna Banka a.d., Beograd N Banka, d.d., Ljubljana; KomBank Invest a.d., Beograd; NLB Srbija d.o.o., Beograd; NLB Crna Gora, d.o.o., Podgorica; NLB Skladi d.o.o., Ljubljana; NLB Lease&Go d.o.o., Ljubljana; REAM d.o.o., Beograd; REAM d.o.o., Podgorica; S-REAM d.o.o., Ljubljana; NLB Zavod za upravljanje kulturne dediščine, Ljubljana; NLB Digit, d.o.o., Beograd; Bankart d.o.o., Ljubljana.

The NLB Group Sustainability Report 2022 is not subject to external assurance. It has been adopted by the Management Board and the Supervisory Board of NLB. The operational carbon footprint of NLB Group was verified by the external and independent institution, Josef Stefan Institute (Energy Efficiency Centre).

The report is published on the Bank's website ([www.nlb.si/sustainability](http://www.nlb.si/sustainability)), on the Ljubljana Stock Exchange's SEonet system ([seonet.ljse.si](http://seonet.ljse.si)), on the websites of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and on the London Stock Exchange (LSE), at the same time as NLB Group Annual Report 2022.

Statement on Non-financial Operations, prepared according to Article 70.c of the Companies Act, is included in the Business Report of NLB Group Annual Report 2022.

» For more information on the report please contact: [sustainability@nlb.si](mailto:sustainability@nlb.si).



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In accordance with the unwavering commitment to the UN Principle for responsible banking, **NLB Komercijalna Banka Beograd** continued to integrate sustainability into every aspect of its business operations.

Among other things, we provided strong support for the financing of projects which increase energy efficiency and production from renewable sources. In less than a year, we ensured the supply of electricity from fully renewable sources and switched to a paperless procurement process. We also supported the development of the green agenda by launching sustainable products, as well as socially responsible and already recognisable projects. Within the 11<sup>th</sup> Organic competition, we continued to support and reward organic producers and processors, preserving land and resources for future generations, thereby **creating better footprints**.



Photo of NLB Komercijalna Banka Beograd employees passing by “Tečno drvo”, a new solution for air purification. The bank donated the solution to two most polluted municipalities in Serbia.

# NLB Group at a Glance

NLB Group is the leading financial group in Southeast Europe. This is our home. We want to take care of our home to the fullest and thus improve the quality of life in this region. Because where others see just a spot on the map, we see a region of opportunities.

## Business strategy

The Group's medium-term strategy includes focusing on protecting and strengthening its market position in our home region, actively participating in the growth and consolidation of the market, and promoting the Environmental, Social, and Governance (ESG) agenda. Digitalisation, client centricity, and cost efficiency remain some of the key strategic orientations to ensure delivery of the Group's vision.

### NLB Group in numbers (as at 31 December 2022)

- An extensive network of 440 branches in all markets where NLB Group operates.
- More than 2.7 million active customers.
- With successful operations, NLB Group generated a record high profit of €446.9 million in 2022, with the acquisition of N Banka in March significantly influencing the full-year business results of the Group.
- The balance sheet total of the NLB Group amounts to €24.2 billion.

Many changes occurred across the ESG landscape in 2022 which affected strategies of financial institutions in the region, including NLB Group. ESG regulatory developments are anticipated changes, and NLB Group is focused on embedding them systematically into its business processes and reporting. Less expected changes included global and regional political shifts, such as the fallout from the Russian invasion of Ukraine. Following the sanctions directed towards the Russian Sberbank and its subsidiaries, including Sberbank banka d.d. Slovenija, NLB responded conscientiously and responsibly, and by entering the ownership structure of this Slovenian bank (later renamed 'N Banka') at short notice and thereby helped to stabilise the Slovenian banking system during one of its most critical periods.

## Vision

In the Group, we will take care of the financial needs of our customers and improve the quality of life in our home region, Southeast Europe.

## Strategic focus

Accelerating the development of the SEE region

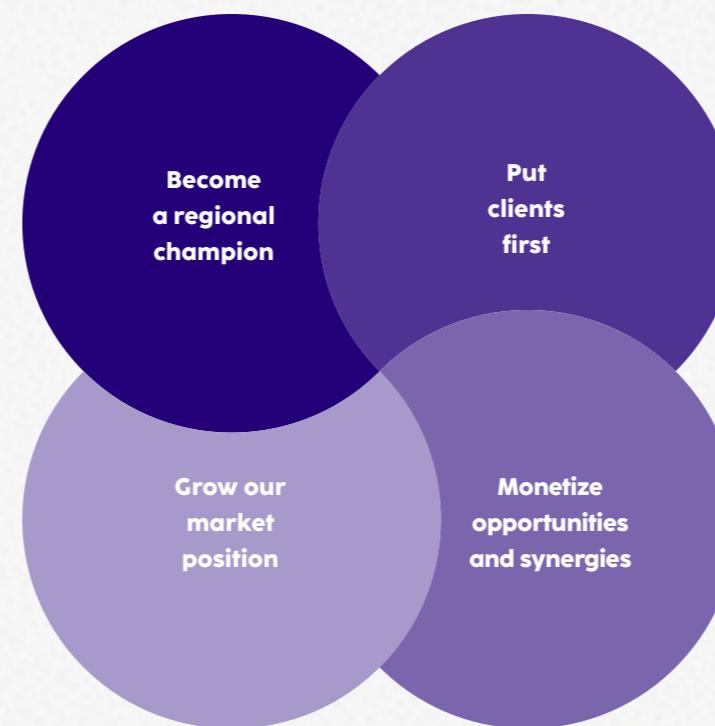
### Promoting the ESG agenda

Supporting stability of the banking sector

Growing client market share

Creating value, for shareholders

Offering a great place to work



## Key awards and recognitions in 2022

- The Best Investor Relations (Ljubljana Stock Exchange)
- Top Employer in 2022 (Dutch Top Employer Institute, 7th consecutive year)
- Best Annual Report 2021 among financial institutions and best accounting report by Finance Daily
- NLB Banka Skopje: Bank of the Year (The Banker), and The Best Bank in Macedonia (Europe Banking Awards)
- NLB Banka Podgorica: The Best Bank in Montenegro (Euromoney)

Digitalizing distribution channels

Adding new financial solutions as per clients' needs

Offering strong customer support

Finding inorganic expansion opportunities

Establishing horizontally diversified businesses

Finishing integration of N Banka

Continuing strategic transformation

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## Values

In 2022, NLB Group values were renewed in a decisive process, through workshops attended by employees from all levels and throughout the Group, and launched with several implementation initiatives. As a result, 3 key values and 15 behaviours were defined.



### Growing people

We are ambitious, curious people who want to learn continuously. We are skilled professionals and effective communicators.

- We are honest speakers and active listeners
- We acquire and share knowledge
- We are persistent in striving for continuous improvement
- We support each other to learn and improve
- We act together towards common purpose



### Encourage entrepreneurship

We understand our clients and colleagues, and continuously innovate to enhance their experience. We drive and embrace the changes.

- We are looking everything through digital eyes
- We are always going one step further
- We are respecting our agreements and promises
- We are proposing innovative and simplified improvements.
- We ask for empowerment and take responsibility



### Improving lives

We are changing ourselves to improve the quality of life in our home region.

- We are advocating and applying sustainable practices
- We show interest and understanding for one another
- We personally lead the change
- We take care of our personal impact on environment
- We look for opportunity in every challenge

## Engagement with professional and business associations

To strengthen and demonstrate our commitment to a sustainable, green and just transition, the Group has voluntarily decided over the years to join and adhere to key international initiatives, principles, recommendations and in respective areas. Furthermore, NLB Group members in the region frequently take part in local sustainability-related institutions and initiatives as active members, supporters or active participants in expert discussion groups, meetings and webinars.

Through these activities, we are actively engage in strategic discussions about the role and benefits of sustainability and the urgency of the transition in the social and economic environment. For example, as a member of the Slovenian and European Banking Association the NLB also actively participates in regulatory framework developments. Most importantly, such collaborations strengthen capacities for NLB Group's green transition, and enhance knowledge and experience sharing, which we embed in our daily operation and co-create future activities to achieve local, regional and world sustainability goals.



UN Sustainable Development Goals



UNEP FI Principles for Responsible Banking



UNEP FI Net-Zero Banking Alliance



European Banking Federation – Sustainable Finance Expert Group, a representative at the European Banking Federation's Chief Sustainability Officers Roundtable



Slovenian Banking Association – Sustainable Finance Working Group



AmCham Slovenia – Commission for Sustainable Growth



EBRD Women in Business Programme



Global Reporting Initiative



Multilateral Investment Guarantee Agency



Sustainable Business Network Slovenia



Bled School of Management

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# Key members overview<sup>1</sup>

Table 1: Key members overview for 2022 or as at 31 December 2022

	NLB Group	NLB, Ljubljana	Slovenia			Serbia	North Macedonia	Bosnia and Herzegovina	Kosovo	Montenegro	
Market position			N Banka, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	NLB Komercijalna Banka, Beograd <sup>(viii)</sup>	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica
Total assets (in EUR millions)	24,160	13,939	1,293	217	1,960 <sup>(iii)</sup>	4,670	1,848	995	838	1,084	852
Net loans to customers (in EUR millions)	13,073	6,062	939	189	-	2,589	1,171	523	521	741	532
Deposits from customers (in EUR millions)	20,028	10,984	899	-	-	3,692	1,462	797	673	894	693
Result after tax (in EUR millions)	447	160	11	1	8	66	38	19	11	32	17
Market share by total assets	-	27.6%	2.6%	-	39.1% <sup>(iv)</sup>	10.0%	16.3%	20.1% <sup>(v, vi)</sup>	5.9% <sup>(v, vii)</sup>	16.7%	13.3%
Branches	440 <sup>(i)</sup>	71	11	-	-	180	48	47	35	33	22
Active clients	2,772,342	687,537	39,769	-	-	972,264 <sup>(ii)</sup>	412,362	211,356	138,454	225,880	84,720
Macroeconomic indicators											
GDP (real growth)	3.8%		5.4%			2.3%	2.1%	3.8%	3.3%	6.1%	
Average inflation	11.5%		9.3%			12.0%	14.1%	14.0%	11.6%	13.0%	
Unemployment rate	9.3%		4.2%			9.4%	14.4%	15.6%	17.0%	14.8%	
Current account of the balance of payments (as a % of GDP)	-4.6%		-0.8%			-7.0%	-6.0%	-4.1%	-9.4%	-11.6%	
Budget deficit/surplus (as a % of GDP)	-2.9%		-3.5%			-3.3%	-4.5%	0.5%	-1.6%	-5.3%	

(i) 7 out of 11 N Banka's branches operating within NLB, Ljubljana branches, therefore not included in total number.

(ii) Number of active clients of NLB Komercijalna Banka, Beograd measured by different definitions as for the rest of the NLB Group members.

(iii) Assets under management.

(iv) Market share of assets under management in mutual funds.

(v) Market share as at 30 September 2022.

(vi) Market share in the Republic of Srpska.

(vii) Market share in the Federation of BiH.

(viii) In April 2022 NLB Banka, Beograd merged with Komercijalna Banka, Beograd.

<sup>1</sup> Data on a stand-alone basis as included in the consolidated financial statements of the Group. Only members with material contributions to the NLB Group performance are included.

# Sustainability evolution journey

**Our sustainability journey focuses on tackling environmental, social and governance considerations, aiming to one goal – to empower us and our stakeholders for successful transition to low carbon, inclusive, just and sustainable future.**

Corporate responsibility and other sustainability elements have been part of NLB Group since very beginning of its operations. In 2020, the Bank faced the biggest strategic milestone, when it became a signatory to the UN PRB (and UNEP FI member).

Through the Principles, the Bank and its Group members take decisive action to align its core strategy, decision-making, lending and investment with the UN Sustainable Development Goals.

Based on these principles and to ensure successful management of the environmental, social, economic and governance challenges, as well as identifying business opportunities, the NLB Group Sustainability Programme was adopted in 2020. The programme evolved in 2021 into a comprehensive NLB Group Sustainability Framework, the mandatory framework for all core members of NLB Group in the region.

»» To further explore Sustainability Framework, please refer to the Bank's website.



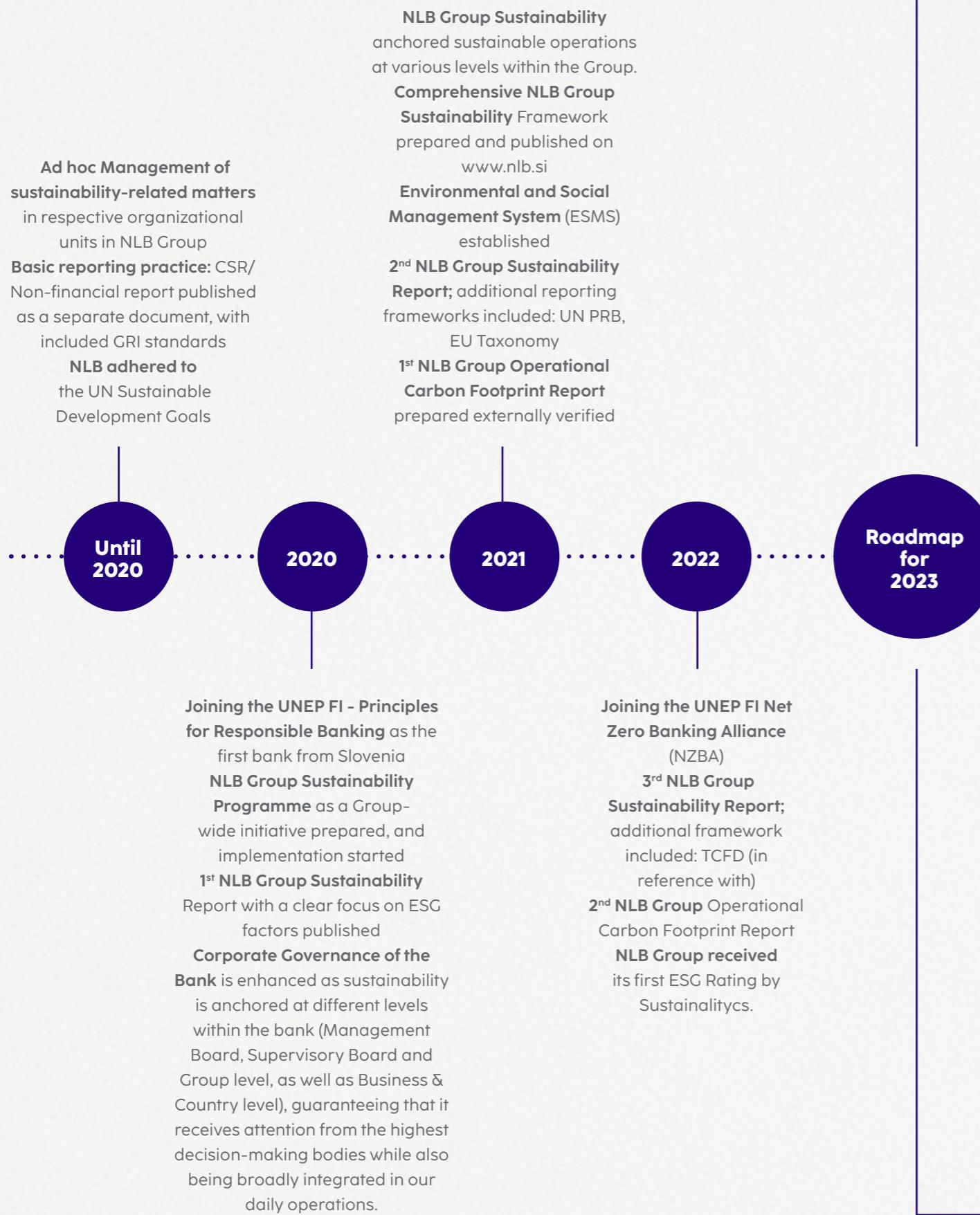
Another important step in realizing the Sustainability Framework agenda in NLB Group was development and implementation of the Environmental and Social Management System (ESMS) in 2021. ESMS is a part of a comprehensive risk management system within NLB Group. It is developed with the aim to improve the Bank's environmental and social (E&S) risk management capacity and to reduce credit and liability risks arising from environmental and social issues. The implementation of the ESMS is a part of signed agreements with NLB's shareholder European Bank for Reconstruction and Development (EBRD) and with the Multilateral Investment Guarantee Agency (MIGA), which brought contractual obligations to the NLB Group related to the implementation of sustainability requirements.

In 2022, NLB Group made additional steps in its sustainability evolution journey. By joining the UNEP FI Net Zero Banking Alliance (NZBA), which aims to harmonise credit and investment portfolios by reaching net zero emissions by 2050 or earlier, the Group continued to demonstrate its commitment to a low-carbon economy and financing the green transition. The next key milestone with regards to sustainability implementation is the development of a comprehensive NLB Group Net Zero Business Strategy with the aim to set clear portfolio decarbonisation targets. The process started in 2022, and the strategy is planned to be fully implemented in 2023.

»» To explore our approach to decarbonization and reaching net-zero please refer to Chapter Towards a Net-Zero Business Strategy.

In addition to developing the framework, system and strategy, we also kept our focus on strengthening the sustainability comprehension among our employees and clients in the region, as we firmly believe that commitment and engagement with our key stakeholders pave the way to achieving our sustainability targets.

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## Sustainable Operations

- NLB Group will disclose all relevant ESG data and further implement the EU Taxonomy. The focus will also be on analysis and implementation of the newly adopted Corporate Sustainability Reporting Directive, as well as the upcoming Corporate Sustainability Due Diligence Directive.
- NLB will set up and implement a Net Zero Strategy
- The Bank will further strengthen sustainability governance and will put renewed effort into the standardisation of sustainability throughout the Group.
- On the operational side, the Group will continue to lower its carbon footprint by implementing energy efficiency and energy resources management.
- The Bank will continue to offer regular (internal and external) sustainability training to all of its employees and new activities related to the well-being of employees and in line with the Full Family Friendly Company certificate.
- All relevant internal acts will be upgraded for the inclusion of ESG criteria in the supply chain.

## Sustainable Finance

- NLB Group will develop and implement the Net Zero business strategy with the aim to set its lending and investment decarbonization targets.
- First targets related to reducing its footprint in carbon-intensive industries will be published by the end of 2023.
- The Group will continue its engagement in contributing to sustainable finance by incorporating environmental, social, and governance risks into its business strategies, risk management framework, and internal governance in accordance with ECB and EBA guidelines and best banking practises.
- The Group will aim to improve its ESG rating.
- The Group will finalize implementation of EBRD environmental and social performance requirements in its business model.
- The Group will continue to support its clients in their green transition – fine tuning its products and expanding its NLB Green partner green financing.

## Contribution to Society

- NLB Group will continue with its contributions to local communities. To raise the level of sustainability awareness among employees, the Bank will organise 2nd NLB Group Sustainability Day, which aims at presenting sustainability-related topics, holding lectures by prominent sustainability experts and other educational activities.
- Our sponsorship and donations will continue to be based on supporting and following the UN Sustainable Development Goals.
- NLB Group will play an important role in raising sustainability awareness, building knowledge and capabilities by proactively engaging at the level of Slovenian and European banking industry sector.

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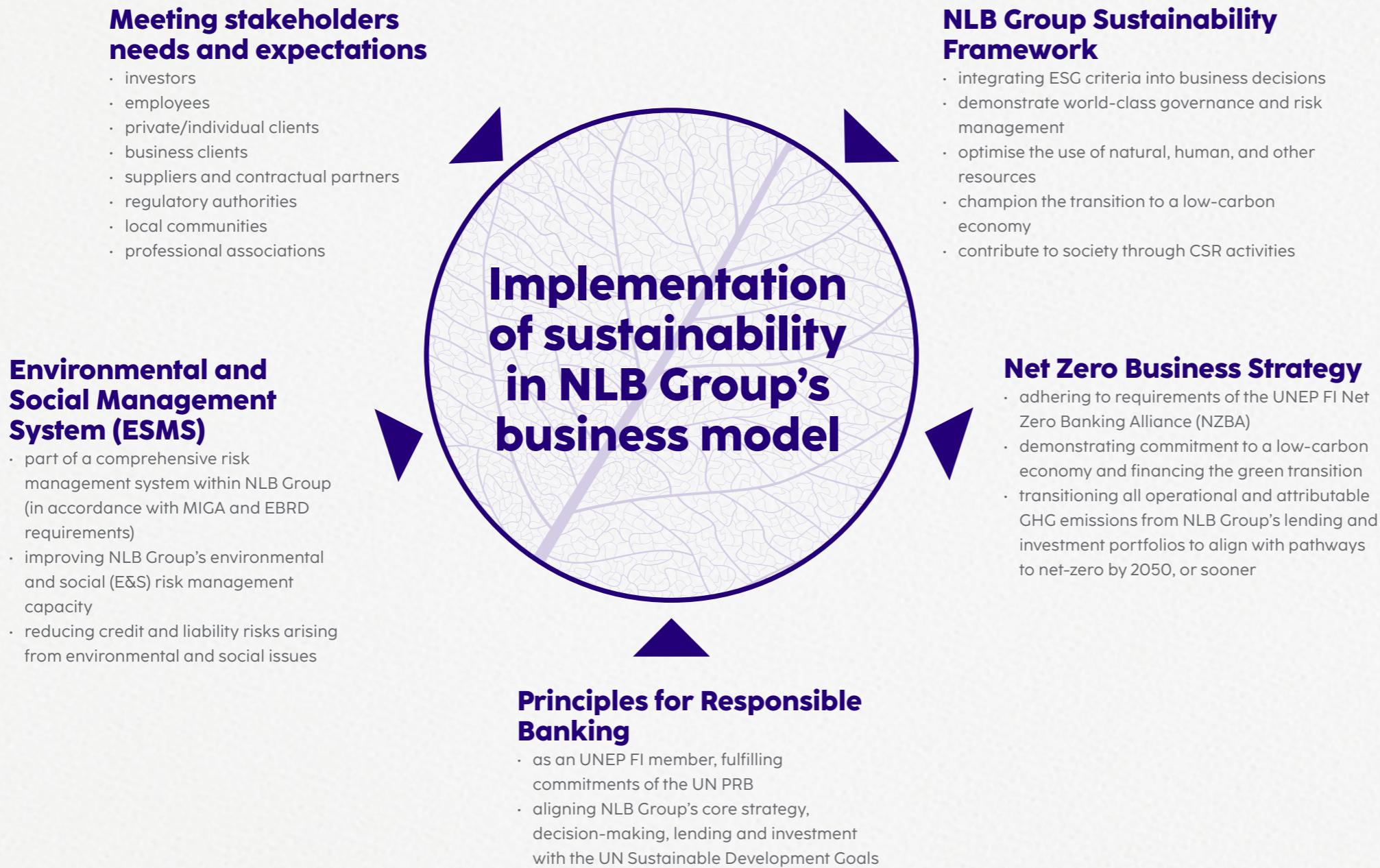
In the NLB Group, we have put sustainability in its broadest sense at the heart of our business decisions and actions. Besides the environmental challenges, our efforts intensively tackle social and governance aspects. In **NLB Banka Sarajevo**, we are committed to fulfilling this mission and thereby **creating better footprints**.

Within the sustainability framework, we pay special attention to the social dimension and questions of gender equality. We are proud that we have made significant progress in this field, as women now occupy more than half of the managerial positions within the NLB Group. Numbers, however, are not what counts the most. What counts are dedication and commitment to common goals, which are part of our business strategy's core. This is our home, and we stand for a region without bias, stereotypes and discrimination, a region that is diverse and inclusive, a region full of opportunities for the current and the future generations.

# Sustainability Strategy

NLB Group records sustainable financial performance and actively contributes to a more balanced and inclusive economic and social system. Our sustainability roadmap encompasses decisive approach, strategic pillars and comprehensive sustainability framework, supported with clear action plans.

## NLB Group's sustainability approach



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# Three pillars of NLB Group sustainability

Within the Sustainability Framework three main pillars of sustainable development are defined which set the broader strategic agenda for implementing sustainable elements in the business model and operations group-wide.



## Sustainable operations

- Managing our direct environmental and social impacts while ensuring ethical and efficient operations.
- Measuring, managing and reporting our direct ESG impact in line with recognised international standards and initiatives.
- Implementing measures to reduce our environmental footprint.
- Ensuring inclusion of the ESG elements at all stages of the procurement life cycle.
- Responsibility to employees: capabilities development, talent retention and development, diversity & inclusion, health and safety.
- Responsibility to clients: responsible marketing, customer experience.



## Sustainable finance

- NLB Group net zero business strategy
- Integrating the ESG regulatory framework, relevant standards, and criteria into our business and investment decisions.
- Supporting UN sustainable development goals through financing and investing activities, new products and services.
- Managing climate-related and environmental risks as well as searching for business opportunities emerging from the transition to a low-carbon, more inclusive, and circular economy.
- Supporting clients in their own low-carbon business transformation and reorienting capital flows in the direction of green transition.
- Treasury operations
- Green bond framework development
- ESG score & rating



## Contribution to society

- Active contribution towards wider socio-economic development with a focus on the local communities where we operate.

CSR activities (aligned with UN SDGs) in key areas:

- Financial literacy and Inclusion
- Humanitarian
- Cultural heritage
- Sports
- Entrepreneurship
- Environmental protection etc.

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# Sustainability and asset management

**Besides banking subsidiaries, the company NLB Funds, asset management (hereinafter: NLB Skladi), is considered important and material entity of NLB Group in terms of sustainable finance and GHG emissions. Based on NLB Group Sustainability Framework, related policies and guidelines of the parent bank NLB, and applicable legislation, NLB Skladi adopted its comprehensive Sustainable development policy.**

NLB Skladi is also bound by Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) and its amendments and additions. The company complies with this regulation and its amendments and additions both at company level (with its remuneration policy) and at the level of the provision of services/products.

Sustainable development is one of the strategic orientations of the company. NLB Skladi tackles the sustainable development activities at two levels: 1. Harmonisation within the NLB Group at company level and 2. Harmonisation of the company with legislation at the level of the provision of services/products.

Therefore, the aim of Sustainable development policy is to ensure the sustainable and successful operation of NLB Skladi, taking into account environmental, social and governance factors, their impact on company's risks and business opportunities, and to actively contribute to a more balanced and inclusive economic and social system.

With a sustainable business strategy, NLB Skladi strives to create added value by focusing on actual social needs, by actively responding to these social needs and by developing appropriate business solutions. It also strives to limit its negative impact on society by reducing the environmental footprint and by developing and implementing an environmental and social management system (ESMS).

»» For more information and overview on NLB Skladi sustainability-related services and products please refer to Chapter Green finance and solutions for customers.

## NLB Skladi pursues three pillars of sustainable business:



### Sustainable operation

Management its direct environmental and social impacts while ensuring an ethical and efficient business operations.



### Sustainable investment

Introduction of environmental, social and governance criteria (ESG) in its business and investment decisions with the aim of the lasting benefit of customers/investors and wider society.



### Social responsibility

Contribution to wider socio-economic development and acts responsibly in relation to its customers/investors, employees and the wider social environment.

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# Integration of SDGs and Principles for Responsible Banking into the NLB Group sustainability pillars

In 2022, the NLB Group continued with its commitment to the **UN Principles for Responsible Banking (the Principles)**. The Group joined this framework to make a positive contribution to people and the planet, with the special commitment to economic development and improving the quality of life in the region where the Group operates.

By adhering the Principles for Responsible Banking, the Group aligns its operations with the objectives of the **UN Sustainable Development Goals** and the **2015 Paris Climate Agreement**. These are reflected, together with national strategies in our region, in the Group Business Model through its operations, financing and investment activities.

The Group focuses on key 5 Sustainable Development Goals – those which reflect its greatest impact. These goals are the foundation for utilizing the principles for responsible banking and for setting **NLB Group Sustainability Pillars** in our overarching Sustainability Framework. Thus, the Principles enable the Group to embed sustainability across all its business areas, to make positive impacts on people and planet, while reducing negative impacts and managing remaining risks, as well as to leverage new business opportunities.

## NLB Group Sustainability Pillars



## UN Principles for Responsible Banking



## UN Sustainable Development Goals



# Commitment to the UN Principles for Responsible Banking

NLB Group is committed to align our business with the UN Principles for Responsible Banking and to transparently review and report on progress annually. Therefore, the Principles are reflected and referenced to through the contents of the NLB Group Sustainability Report. In addition, NLB Group annually discloses fulfillment of its commitments as a signatory of the UN PRB and prepares a self-assessment report, which is complementary to the Sustainability Report. Reporting relates to the 3 key steps: Impact Analysis, Target Setting & Implementation and Assured Reporting/ Accountability.

This chapter provides a high level overview of results and progress against set Principles.

» For further insight please refer to Appendix 2: UN PRB Self-Assessment Report.

## Impact areas, publicly announced targets, and target achievements

### Principle 1: alignment

#### NLB Group's Commitment

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.

#### Activities and results in 2022

In 2022 the Group:

- joined the United-Nations-Convened Net-Zero Banking Alliance,
- offered customers products with a sustainability financing component,
- strengthened sustainability governance across NLB Group with nominated ESG coordinators and established the ESMS system.

### Principle 2: impact and target setting

#### NLB Group's Commitment

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.

#### Activities and results in 2022

NLB Group continued its focus on fulfilling the impact and target setting commitments. Based on the NLB Group impact analysis, first performed in 2021, altogether 13 impact areas along business lines were identified. This was followed by the NLB Group analysis of NLG Group portfolio, materiality analysis and country needs. Based on these analysis, NLB Group prioritized 3 key impact areas and announced 4 key targets.

#### Impact area Climate

##### Publicly announced target by 2030

By the year 2030, the volume of new sustainable corporate financing in the NLB Group will be at least 785 mio EUR.

166.9 mio €

785  
mio €

##### Target achievements in 2022

By year 2022 the NLB Group has implemented 166.9 million of new sustainable corporate financing.

##### Publicly announced target by 2030

By the year 2030, 75% of all electric energy used in the NLB Group will come from zero-carbon sources.

70% 75%

##### Target achievements in 2022

At the end of 2022 we are currently already approaching 70% of all electricity used by NLB Group purchased from zero carbon energy source, 100% in Slovenia and Serbia respectively.

#### Impact area Resource efficiency / security

##### Publicly announced target by 2030

By the year 2025, the NLB Group will decrease the number of paper prints in its operations by 50% compared to the year 2019.

43% 50%

##### Target achievements in 2022

By the year 2022 the NLG Group decreased the number of paper prints by 43% compared to 2019

#### Impact area Inclusive & healthy economies

##### Publicly announced target by 2030

By the year 2025, the share of active digital retail users in the NLB Group will be 55%.

40,1% 55%

##### Target achievements in 2022

Share of active digital retail users in NLB Group in 2022 is 40.1%<sup>4</sup>

<sup>4</sup> The target and progress data do not include NLB Komercijalna Banka Beograd and N banka as the target was set in 2021 before the merger of NLB Banka Beograd with Komercijalna banka Beograd in April 2022, now operated under NLB Komercijalna banka Beograd, and the acquisition of N banka in March 2022, which is planned to be merged with NLB d.d. in 2023. Consequently, target and progress data will be adjusted to include a comprehensive view on NLB Group.

## Principle 3: clients and customers

### NLB Group's Commitment

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.

Clients and customers are essential stakeholders with whom the NLB Group develops strong partnerships in sustainable solutions.

#### Activities and results in 2022

The Group

- offered customers loans with a sustainable financing component at a lower interest rate than the Bank's regular offer.
- supported unique and innovative ideas and projects that best address sustainability #FrameworkOfHelp
- was active in providing sustainability financing to large infrastructure projects such as wind farms, solar projects, biomass projects, and energy-efficient buildings.

»» For more information please refer to Chapter Responsibility to Clients.

## Principle 4: stakeholders

### NLB Group's Commitment

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

#### Activities and results in 2022

The NLB Group members regularly engage with all stakeholders to best meet the interests of both sides on a daily, monthly, and yearly basis. We are committed to open and transparent communication with all key stakeholders on all relevant topics, including sustainability ones, and we want to provide them with accurate information based on actual data without delay.

»» For more information, please refer to Chapter Stakeholder engagement.

## Principle 5: governance and culture

### NLB Group's Commitment

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

#### Activities and results in 2022

- According to the Articles of Association of NLB, the Bank has a commitment to consider the environmental and social impacts of its business, with the aim of ensuring sustainable development of the Bank included as one of the goals of the Bank.
- NLB Group has a comprehensive corporate governance system in place that incorporates sustainable development. The Supervisory Board Members regularly take part in training on sustainable topics. The Bank carries out regular self-assessments of collective members of the management bodies, which also include knowledge about sustainability. Sustainability-related topics are regularly addressed on sessions of the Supervisory Board and all its five committees.
- The Bank's Corporate Governance is enhanced as sustainability is anchored at different levels within the Bank (Management Board, Supervisory Board and Group level, as well as Business & Country level), guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated in our daily operations.
- As the advisory body to the Management Board, the Sustainability Committee oversees the integration of the ESG factors to NLB d.d. and the NLB Group members' business model in a focused and coordinated way across the company and issues opinions, recommendations, initiatives and takes relevant decisions when needed.
- The NLB Group continuously adopts and supplements internal policies as well as upgrading due diligence processes in order to address ESG (environmental and social) risks within the portfolio.
- The NLB Group promotes a culture of responsible banking.

»» For detailed information on governance and culture, please refer to Chapters Governance, Human Resources and Compliance& Integrity.

## Principle 6: transparency and accountability

### NLB Group's Commitment

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.

#### Activities and results in 2022

NLB Group continues to regularly discloses sustainability information bases on the following provisions and standards: The Companies Act (ZGD-1), Articles 56 and 70 c; GRI, IFRS Sustainability Disclosure Standards, TCFD, Pillar 3 Disclosures. On annual basis, The Bank publishes its NLB Group Sustainability Report on the Bank's website and on the Ljubljana Stock Exchange's SEOnet system (seonet.ljse.si), on the websites of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and on the London Stock Exchange (LSE), at the same time as NLB Group Annual Report 2022.

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# Stakeholder engagement

**It is of the highest importance for NLB Group to understand which stakeholders are the most relevant, and to embed their views, concerns and aspirations in our business decisions, including those related to sustainability.**

Therefore, NLB Group strives to have a regular, open, honest and continuous dialogue on a daily, monthly, yearly or another regular basis to meet our stakeholders' expectations. This chapter presents an overview of the most important stakeholder groups, their key concerns and ways of engagement.

Through a materiality analysis, we identified the six most important stakeholder groups: employees, investors/shareholders, private individual clients, corporate clients (large and SMEs), regulatory authorities, suppliers and contractual partners.

In addition, NLB Group ensures constructive dialogue with other stakeholders, such as local communities, professional and business associations, and the media.

## Stakeholder engagement on sustainability topics

Communication and the nurturing of good relations with internal and external stakeholders on sustainability topics is one of the key responsibilities of the Sustainability unit. Other NLB Group representatives are also included in communication activities according to the sustainability roadmap and their respective powers in their field of work.

**In 2022, NLB Group further developed its external communication system by introducing the Sustainability e-mail box ([sustainability@nlb.si](mailto:sustainability@nlb.si)).** In case of any complaints related to sustainability matters, this channel also provides a grievance mechanism for affected stakeholders and communities, an efficient and reliable system to receive, address and document complaints and messages of external stakeholders. As a rule, complaints are resolved and closed within five working days of receipt. In addition, all questions and complaints coming through social media are redirected to this channel and addressed according to internal rules.

## Overview of key engagements with stakeholders

Stakeholders are regularly informed about general as well as sustainability-related issues through various communications channels, such as the Group's web page, the Annual and Sustainability Reports, the website and social media channels. In addition, we strategically pursue regular personal communication, meetings in person or on-line, consultations and conferences and special events, aiming to enhance trust and mutually successful partnerships with our stakeholders. Insight gathering, feedback and dialogue instruments such as polls and researches are also included in our engagement activities.

### Key engagements

#### Employees

- Transparent and open communication through all internal channels (intranet, internal newsletters, personal meetings, coaching...).
- Measuring employee engagement, providing feedback opportunities and grievance mechanism.
- Ensuring equal opportunities, respecting diversity.
- Improving the work environment, employee engagement, growth, and personal development.
- Providing various training possibilities to enhance knowledge and skills.
- Ensuring work/life balance.
- Ensuring teamwork and wellbeing activities (social events, sports associations...).

#### Investors - Shareholders

- Identification and communication of topics and initiatives which are relevant for investors' decisions.
- Regular discussion on strategies to follow global trends.
- Integration of investors requirements into the operations.
- Organizing special investor days (In May 2022, NLB Group organized its first Investor Day in Belgrade).
- Presenting business results of NLB Group (reports, presentations, website publications, with publications in the electronic information system of the Ljubljana Stock Exchange (SEONet) and the London Stock Exchange (RSN)), regular information at the relevant business events.

#### Private individuals, Corporates

- Ensuring professional and friendly relationships with clients through sales and legal obligations through day-to-day operations.
- Supporting corporates and private individuals in their sustainability related projects with financial products, professional services, and relevant dialogue.
- Offering new green products, at a lower interest rate, and new digital solutions, adhering to principles of responsible marketing and communication.
- Keeping clients informed are about reliable sustainability solutions.
- Special focus on data and cyber security.
- Promoting sustainability agenda on the different regional events.
- Measuring customer satisfaction, providing feedback opportunities and grievance mechanism.

#### Regulatory Authorities

- Regular cooperation with ECB, Bank of Slovenia and EBA.
- Promptly meeting all the regulatory requirements.
- Personal meetings and frequent dialogue on relevant topics.

#### Suppliers and contractual partners

- Implementation of sustainability requirements in the procurement process.
- Personal meetings, dialogue on cooperation, challenges and issues.

#### Local communities

- Maintaining close relationship to support local communities in achieving their goals.
- NLB Group supports different projects of local communities through building partnerships, donations and sponsorships, as well as with projects like »FrameOfHelp, «where local entrepreneurs contribute with activities and solutions to achieve at least one of the UN SDG.

#### Media

- professional communication with media through press releases, statements, press conferences, information briefings, other media events.

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# Materiality matrix and ESG material issues

With the goal to highlight and transparently showcase the sustainability issues having a significant impact on NLB Group's performance, as well reporting on our impact on people and the environment, we conducted a materiality analysis in 2021, which also served as a foundation for sustainability activities in 2022.

By conducting materiality analysis, we identified, evaluated, and prioritised essential ESG issues, which could affect NLB Group's performance and our stakeholders. The analysis was carried out in the following phases:



## Materiality Matrix of NLB Group

Stakeholder's needs  
and expectations  
relating to the NLB  
Group's operation



Economic, environmental, and  
social impacts according to  
the NLB Group

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## Top 8 material issues and key related activities

Outline of NLB Group activities	
<b>1. Digitalization and Innovation</b>	Development and implementation of new products for our clients, supporting transition towards low-carbon society and circular economy, and offer fully digitalized financial services, i.e., no physical form factor involved.  By exploiting digitalization, we will continue to increase share of paperless operations.
<b>2. Sustainable Finance</b>	Close monitoring of EU Taxonomy development and further implementation in business operations.  Focusing on acquiring new sustainable projects and expanding our portfolio throughout the Group, all in parallel with applying adequate sustainable risk management framework.
<b>3. Customer Privacy and Data Security</b>	Keep focus on maintaining the highest standards regarding customer privacy and data security by paying high attention to preventative measures and management of cyber risks arising from the increased volume of digitalised services and work from home.
<b>4. Corporate Governance</b>	Continue to adhere to all national and international governance principles, mechanisms, and code of conducts with the highest diligence.
<b>5. Financial Performance</b>	Maintain and solidify our regional presence and continue to fulfil and exceed financial expectations of our shareholders.
<b>6. Service Quality and Customer Satisfaction</b>	Continue to foster opened dialogue with our clients 24/7 to send their opinions on their experience with the Bank, proposals on the banking services, events, and any other issues.  By doing so, we will proceed with identifying future needs and being able to respond to them quickly.
<b>7. Systemic Risk Management</b>	Risk management in the Group is implemented in accordance with the set strategic guidelines, internal policies and procedures.  The management of ESG risks follows ECB and EBA guidelines with tendency of their comprehensive integration into all relevant processes.  The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group strives to obtain relevant clients' data as prerequisite for adequate decision-making and corresponding proactive management of ESG risks.  The Group will continue with these activities in the year 2023 to further enhance its existing risk management framework.
<b>8. Employees Attraction, Development, Diversity, and Inclusion</b>	Keep focus on exploring and understanding the corporate culture in all banks in the group, where several KPI will be monitored, and attention given to operational excellence and human talent development.

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We believe that environmental sustainability and economic development are not at odds – quite the contrary: sustainability can drive economic development and that is why we have intertwined ESG goals with all our activities and have invested not only significant funds but also our employees' time in increasing the quality of life in our home region.

**NLB Banka Podgorica** is particularly dedicated to environmental protection. By planting trees and clearing the burned terrain, as well as donating more than 300 seedlings, our volunteer club participated in the greening of the park forest of Gorica, which was repeatedly exposed to devastating fires. And on International Earth Day, we planted more than 50 seedlings of various trees, ornamental shrubs and flowers in the yard of a kindergarten, thereby creating a new avenue of trees and flowers that children are now able to enjoy. By taking care of the environment, we **create better footprints** not only for today, but also for tomorrow.



Photo: The burned-down park forest Gorica is turning green once again – also with the help of NLB Banka Podgorica employees, who helped by clearing the burned terrain, planting trees and donating seedlings.

# Governance

**NLB Group is committed to the highest standards of corporate governance. Thus, we create an environment of trust, transparency and responsibility needed for stimulating long-term investments, financial stability and business integrity.**

We intend to achieve the Group's long-term successful operation in a sustainable manner, not only by taking into account the economic aspect, but also the environmental, social and governance aspect (ESG). The following chapters briefly describe both the corporate governance framework and the listed aspects of the Group's operations.

The organisation, roles and responsibilities of individual bodies, as well as the manner of coordinating their operations to achieve the set goals related to climate, ESG and the broader sustainability considerations, are described in detail.

The chapter also follows TCFD recommendations in this respect: it therefore includes a description of the Board's oversight of climate-related risks and opportunities, and management's role in assessing and managing climate-related risks and opportunities.



## Corporate governance

The Management Board and Supervisory Board of NLB jointly formulate and adopt the Corporate Governance Policy of NLB in which they specify the principal orientations of the Bank's governance and the method of managing and supervising the Bank by considering the long-term objectives.

The corporate governance framework is defined in the Corporate Governance Policy of NLB (<https://www.nlb.si/corporate-governance>)<sup>1</sup>, which regulates the relationships between the Management Board, the Supervisory Board, the shareholders and other stakeholders of the company. It also provides the structure (organisation) through which the objectives of the company are supported, and the means of attaining those objectives and monitoring performance. The Policy is harmonised with and applicable together with the Corporate Governance Policy of NLB Group, which lays down the principles and mechanisms of corporate governance in NLB Group members.

The Bank's corporate governance is based on a two-tier system in which the Management Board manages the Bank, while its daily operations are overseen by the Supervisory Board. As the parent bank, NLB implements the corporate governance of Group members in compliance with applicable EU and national legislation, legal acts of the ECB and the Bank of Slovenia, EBA guidelines and regulatory requirements applicable to respective Group members, while also considering internal rules and other applicable regulations.

»» To learn more about the Corporate Governance Policy please refer to the Bank's website: <https://www.nlb.si/corporate-governance>.

<sup>1</sup> The current version of the policy was adopted by the Management and Supervisory Boards on 23 February 2023. Key changes to the policy were made due to recently changed Slovenian Corporate Governance Code for Listed Companies and other recent changes in the EU and Slovenian legislation.

## Supervisory Board's commitment to assess its suitability

As a rule, the **Supervisory Board of NLB shall once a year assess its composition**, performance, potential conflict of interest of individual members of the Supervisory Board, performance of individual members and the Supervisory Board as a whole, performance of Supervisory Board committees and cooperation with the Management Board of the Bank. If needed the Supervisory Board sets

measures for improving its effectiveness and monitoring of its implementation. In accordance with the Banking Act and the EBA guidelines on assessing the suitability of members of the management body and holders of key functions, the bank carries out **regular self-assessments of the collective suitability of its management body**, with which it detects potential deficiencies in the collective suitability and ensures that the management body as a whole always has adequate a wide range of knowledge, skills and experience to be able to understand the bank's activities and its main risks.

## Ethical considerations and human rights

The **NLB Group Code of Conduct** represents fundamental principles, values and rules and stipulates the fundamental principles of conduct on which the operations and actions of the NLB Group are based. The NLB Group operates in a wide range of different national and cultural environments in which the employees in the members of the NLB Group work. The Code applies to all employees in NLB and in the members of the NLB Group, as well as the NLB Management Board and the NLB Supervisory Board, and the management and supervisory boards of the NLB Group members. The Code contains the rules to be complied with, defines acceptable and unacceptable conduct, defines expectations and determines standards expected in our relationship towards the other stakeholders.

»» To learn more about Code of Conduct, please refer to the Bank's website: [www.nlb.si/code-of-conduct](http://www.nlb.si/code-of-conduct)

Respect for human rights is an indicator of the maturity of a social and business environment and is therefore an important element of social responsibility. In accordance with the National Action Plan of the Republic of Slovenia on Business and Human Rights, NLB adopted the Policy on Respect for Human Rights in NLB and the NLB Group (January 2023), thus setting the standards of the respect for human rights in its operations and expects the same standard to be ensured by its customer and suppliers as well as the members of the NLB Group. NLB also signed the Commitment to respect human rights in business, with which the Bank will support the implementation of the National Action Plan of the Republic of Slovenia on Business and Human Rights.

»» For detailed information please refer to Chapter Respecting Human Rights.

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## Management of conflicts of interest

NLB Group is committed to an efficient management of conflicts of interest in its operations. NLB pays special attention to avoidance and mitigation of conflict of interest of its employees performing daily operations, and particularly of members of the managing bodies. Members of the Management Board and the Supervisory Board pay special attention to recognising and implementing all the necessary precautions to avoid any conflicts of interest that could affect their judgement. With the Policy on the assessment of the suitability of the Management and Supervisory Board Members in NLB and Rules of Procedure of the Management Board and the Supervisory Board, the Supervisory Board committees and the Bank's boards and Policy on Persons in Special Relationship of the Bank we have established an effective management system, i.e., prevention and management of potential, actual and apparent conflicts of interest. The system for managing the conflict of interest at the level of the Management and the Supervisory Board, consists of assessment of the conflict of interest in the framework of the fit&proper assessment of the candidates for members of the Management and Supervisory Boards, of the members of the Management and Supervisory Boards during their term of office, management of the conflicts of interest that arise unexpectedly in relation to an individual event. Upon taking the position, any change and once every year, the members of the Supervisory Board sign the Statement of Independence, in which they adopt a position regarding the fulfilment of criteria of the conflict of interest and inform the other members thereof.

Full statements of independence are published at the Bank's website: [www.nlb.si/corporate-governance](http://www.nlb.si/corporate-governance).

## Risk management

According to Banking Act the Supervisory Board gives approval, subject to prior consultation with the Audit Committee, to the plan of risk management activities in accordance with the strategies and policies of assuming and managing risks to which the Bank is exposed in its operations, including the risks arising from the macroeconomic environment where the Bank operates, considering the business cycle at the time. The plan encompasses mainly the procedures for identifying, measuring or assessing and managing risks and the method of monitoring these procedures. Set governance and different risk management

tools enable adequate oversight of the Group's risk profile, proactively support its business operations and its management by incorporating escalation procedures and using different mitigation measures when necessary. Business and operating environment, relevant for the Group's operations, is changing with trends such as sustainability, social responsibility, governance, changing customer behaviour, emerging new technologies and competitors, as well as increasing new regulatory requirements. Apart from all material types of risk (credit, liquidity, market and operational risk) ESG risks do not represent a new risk category, but rather one of risk drivers of the existing type of risks. The Group integrates and manages them within the established risk management. The Bank prepares concise Statement of the Risk Management that is adopted by the Supervisory Board.

»» Full Statement of the Risk Management is published in the Business Report of the Annual NLB Group Report, available on the Bank's website: Financial Reports ([nlb.si](http://nlb.si)).

»» For further details please refer also to NLB Group Pillar III 2022 Disclosures, available on the Bank's website: Financial Reports ([nlb.si](http://nlb.si)).

## Transparency

NLB Group strives for transparency of operations which allows the recipients of information to correctly assess the position, operations, risks and management of the Bank and the Group. Transparency of operations by ensuring quality disclosures, frequency of information delivery and accessibility of publications is one of the most important building blocks of the Bank's governance. Special attention is also paid to timely, comprehensive and quality publications of documents related to the convocation of general meetings and the proposed resolutions to be adopted by the general meeting, particularly regarding the proposal of candidates for members of the Supervisory Board of NLB. The Management and Supervisory Boards jointly determine the proposed resolutions to be put on the agenda and the General Meeting then decides on the proposals on such agenda. For the election of the members of the Supervisory Board, the resolutions are proposed by the Supervisory Board alone, following the fit&proper assessment procedure and obtaining a positive assessment of such candidates from the Nomination Committee.

»» Information on convocation of the General Meetings of the bank is published on the Bank's website: General Meetings ([nlb.si](http://nlb.si)).



NLB Group pays  
**special  
attention**  
to avoidance  
and mitigation of any  
conflict of interest

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## Diversity and inclusiveness

The Policy on the provision of diversity of the management body and senior management (Diversity Policy), adopted by the General Meeting of Shareholders on 20 June 2022, defines the Bank's commitments on diversity that are implemented in relation to representation in the management body and senior management in relation to the aspects specified in this policy, which contains specific objectives and the manner of their implementation. The diversity policy has been amended in the part related to the description of the diversity policy, implementation and results of the diversity policy during the reporting period according with the amendments to the Companies Act.

NLB has amended the Policy on the provision of diversity of the management body and senior management in NLB on the basis of which it determines the target diversity pursued in relation to representation in the Supervisory Board, Management body and senior management according to gender, age, professional competencies, continuity in the composition of each body, international experience, personal integrity, geographical provenance and other personal characteristics of members of management body and senior management as appropriate for the bank in view of its characteristics. NLB respects and follows the initiative of the Slovene Director's Association for voluntary achievement of the goal of gender diversity by the end of 2026 (40% for members of supervisory boards and a total of 33% for members of supervisory boards and management boards of the underrepresented sex in public joint stock companies and state-owned companies). The Diversity Policy sets objectives for each aspect of diversity by the year 2025. Supervisory Board annually assesses the fulfilment of the goals set by the policy.

» To explore more about diversity of the management body and senior management please refer to the Bank's website.



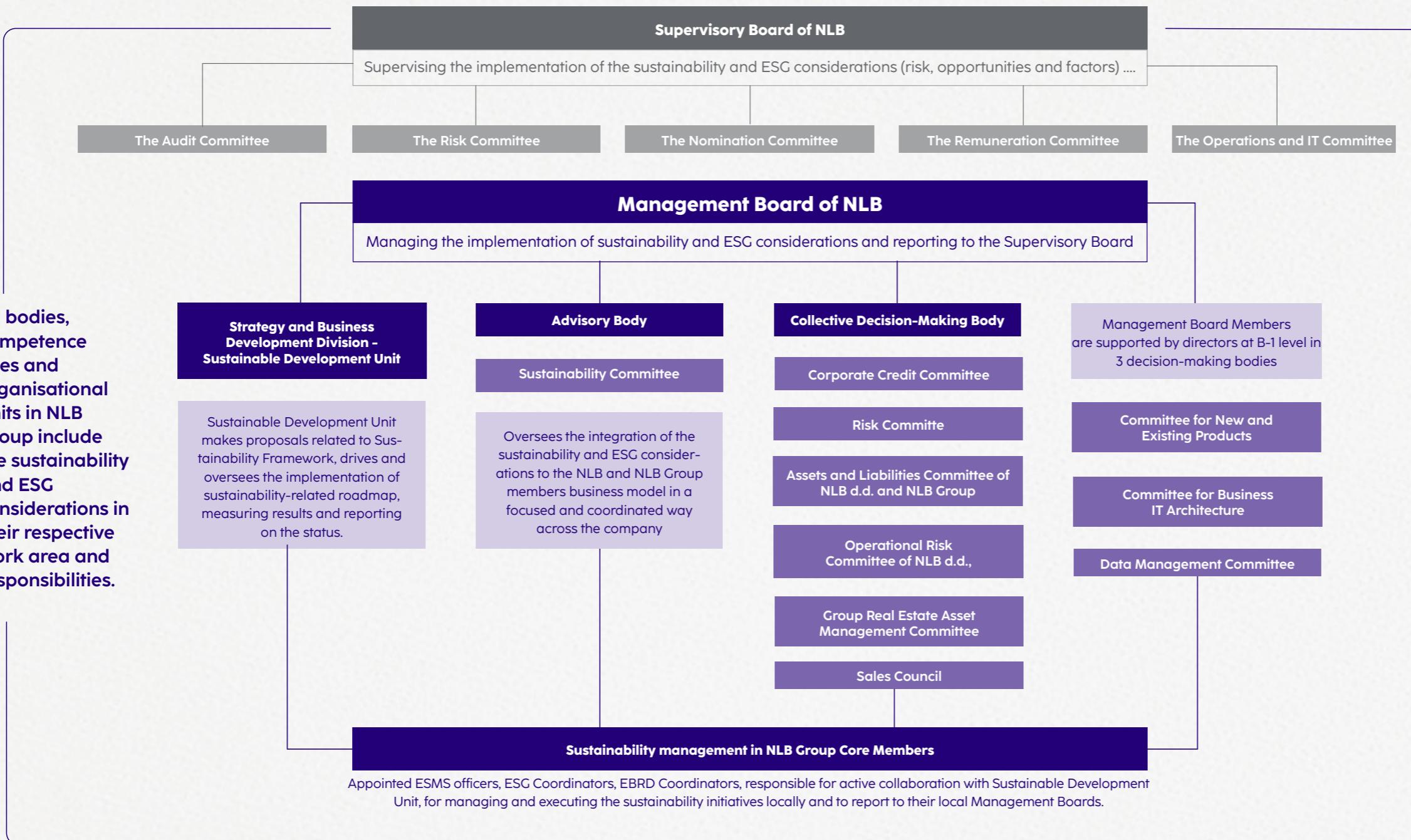
## Role of the Management and the Supervisory Board regarding disclosure of non-financial information

The Management and the Supervisory Board jointly adopt the following documents:

- The NLB Group Sustainability Report (published on bank's webpage: <https://www.nlb.si/sustainability>);
- Pillar 3 Disclosures of the Basel standards regarding the disclosures of capital and liquidity (published on bank's webpage: <https://www.nlb.si/financial-reports> );
- The Corporate Governance Statement of NLB; in accordance with Article 70 of the ZGD-1 (published in the NLB Group Annual Report: <https://www.nlb.si/financial-reports>, as well separately on the bank's webpage and on SEOnet: <https://seonet.ljse.si/> );
- NLB Risk Management Statement, prepared according to Article 17 of the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks (published in the NLB Group Annual Report: <https://www.nlb.si/financial-reports>).

# Sustainability - related governance

The NLB Group has implemented a comprehensive sustainability - related governance framework (top-down and bottom up).



# Board oversight of ESG risks and opportunities

## The Management Board's oversight

The Management Board is the most competent and the hierarchically highest decision-making and representation body of the Bank. The Management Board manages the Bank and makes business decisions independently and autonomously, adopts strategies, ensures an adequate risk control, and acts with the diligence of a conscientious and fair manager, protects business secrets and is accountable for the lawfulness of the Bank's operation within the limits laid down by the regulations. In accordance with the Articles of Association of NLB, the Management Board is composed of three to seven members, one of whom is appointed President of the Management Board of the Bank.

In addition to topics that were discussed at the Supervisory Board level (see the chapter below), the Management Board also discussed the following on its sessions:

- NLB Group Carbon Footprint Report and reduction measures
- NLB Group Sustainable Car Fleet Management and Company Car Policy
- ESG Rating
- Overview of ESG Activities and Data Requirements in Loan Origination that are Linked to Regulatory Requirements and Commitments in NLB and NLB Group
- 1<sup>st</sup> NLB Group Sustainability Day – awareness-raising and training activities

## The Supervisory Board's oversight

The management of the Bank's operations is overseen by the Supervisory Board. In this context, the Supervisory Board regularly also monitors the implementation and discusses main topics and initiatives, business opportunities, and risks related to climate-change, ESG and sustainability. The Bank's Supervisory Board consists of a total of twelve members, of which eight represent the interests of shareholders and four the interests of employees.

In 2022, the Supervisory Board addressed the following climate,- ESG- or sustainability-related topics, within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics:

## Reporting and disclosures

- NLB Group Sustainability Report for 2021; the sustainability-related content in the Annual NLB Group Report for 2021; regular interim reports on the operations of NLB Group, including reports on sustainability
- Report on the progress and implementation of the ESG factors in NLB Group

## Risk management

- Statement of Management of Risk of NLB; regular risk reports for NLB and NLB Group,
- Compliance and Integrity Reports,
- Internal Audit Plan (2023 & long-term), Pillar III Disclosures of NLB Group for 2021 and Acknowledgement of quarterly Pillar III Disclosures; Risk Management Strategy of NLB Group,
- Risk Appetite of NLB Group; Internal Liquidity Adequacy Assessment Process (ILAAP), Internal Capital Adequacy Assessment Process (ICAAP) in NLB Group

## KPI and plans

- Defining sustainability-related indicators in Key Performance Indicators
- Sustainability-related plans in the NLB Group Financial Plan 2023 and financial projections for 2024–2026
- Goals for NLB and NLB Group, and for the members of the Management Board for 2023, including sustainability goals
- Review of IT KPIs and interim Goals & Objectives

**“As the highest governance bodies, the Management Board and the Supervisory Board are responsible for managing and supervising the implementation of ESG factors, respectively.”**

## Remuneration and performance assessment

- Changes to the Remuneration Policy of the Members of Supervisory and the Management Board of NLB, Remuneration Policy for Employees of NLB and NLB Group – annual review, Amendment of the Policy to assess the suitability of the Management and Supervisory Board members of NLB
- Annual assessment of the identified staff; Awarding of variable pay to the Management Board members and heads of control functions, Development plan for three new members of the Management Board, Training for the members of the Supervisory Board in 2022
- Proposal for the introduction of an instrument for the allocation of a part of variable remuneration to employees who, in the scope of their competencies or work tasks and activities, could have a material impact on the Bank's risk profile (identified staff)
- Sustainability Collective Fit & Proper assessment suitability of the members of the Management Board, Assessment of the collective suitability of the members of the Supervisory Board, Supervisory Board Self-assessment, Audit Committee Self-assessment 2021, Achievement of the goals of the Management Board in 2021, Proposed goals of NLB Group

## Diversity

- Amendment of the Policy on the provision of diversity of the management body and senior management
- Annual Review of the Diversity Policy

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## Management's role in managing ESG risks and opportunities

In NLB Group the responsibility for managing its environmental and social risks and impact is efficiently delegated across management and business lines. Namely, we recognize the complexity of climate-related, ESG and broader sustainability considerations and the urgency for integrating all business areas and aspects in the governance process. Therefore, apart from the Management and the Supervisory Boards, all other governance bodies (Supervisory Board committees, collective decision making and advisory bodies to the Management Board) tackle the sustainability in their respective area of work and responsibilities, including climate-related, other environmental and social risks and other ESG considerations.

**“All governance bodies responsibly address ESG risks and opportunities.”**

### Advisory and collective decision-making bodies to the Management Board

To assist and advise in this process, as well as to execute individual tasks within powers of the Management Board, there are several committees in place.

A **Sustainability Committee** is an advisory body which tackles ESG risks and opportunities related to climate and other sustainability considerations. To explore the committees' roles and responsibilities in detail, please refer to the chapter NLB Group Sustainability Committee.

All management topics, including sustainability, are discussed and approved at six collective decision-making bodies: **Corporate Credit Committee, Assets and Liabilities Management Committee of NLB Group, NLB Operational Risk Committee, the Group Real Estate Management Committee, the Sales Committee, and the Risk Committee.**

Respective Management Board members are supported by directors (B-1 level) in three decision-making bodies, which also discuss sustainability considerations: **Committee for New and Existing Products, Committee for Business IT Architecture, and Data Management Committee.**

The committees support the Management Board in fulfilling the responsibilities in managing respective areas. Identifying ESG risks and opportunities, and supporting and accelerating integration of ESG factors in the Group are among the key responsibilities of each committee. Committee meetings are convened according to the plan of meetings, regularly and frequently. The majority of them are held once a week, some of them monthly or every two or three months. Extraordinary or correspondence sessions are convened if certain issues need to be urgently addressed.

In accordance with the provisions of the Articles of Association of NLB, the Supervisory Board also appoints committees which function as consultative bodies of the Supervisory Board of the Bank discussing the proposed materials and proposed resolutions of the Management Board of the Bank in individual areas intended for discussion at the meetings of the Bank's Supervisory Board. At the time of publishing this report, the NLB Supervisory Board had five committees, which also address sustainability topics: **Audit Committee, Risk Committee, Nomination Committee, Remuneration Committee, Operations and IT Committee.**

### Sustainability Committee

The Sustainability Committee acts primarily as an advisory body of the NLB Management Board, when needed. Any eventual decisions made at the Committee are further confirmed by the NLB Management Board through a correspondence session. The Committee convenes at a minimum quarterly, with ad-hoc meetings when needed.

Throughout 2022, the Committee had 17 members and was enlarged to 20 members in 2023. The Chairman of the Committee is the Chief Executive Officer of NLB d.d., and the Deputy Chairman of the Committee is the General Manager of Strategy and Business Development. The Sustainability Committee's membership is drawn from senior officials across all areas of the Bank. In addition, Management Board members of NLB Group members, ESG Coordinators and ESMS Officers of NLB Group are permanently invited to the meetings.

The Committee oversees the integration of the ESG factors into the NLB d.d. and NLB Group members' business model in a focused and coordinated way across the company and issues opinions, recommendations and initiatives and takes relevant

decisions when needed. The Committee discusses, develops and approves sustainability strategies, policies, initiatives, methodologies, KPIs and other relevant procedures, has the influence over sustainability-related strategic objectives and monitors their development and realisation. In case of deviations from the targets, the Sustainability Committee proposes corrective actions.

**“The Sustainability Committee held five meetings and addressed 22 ESG-related topics.”**

The Committee members take notes of:

- all key activities of the Sustainability department as the central coordination team, and monitors sustainability integration,
- the implementation of sustainability activities, including, but not limited to, regulatory requirements, contractual obligations, investors' needs, the Bank's ESMS, ESG-related KPIs, and sustainability commitments, which influence the ESG performance of NLB Group,
- the development of new sustainable financing products and portfolio development (areas: consumer, business, corporate),
- the status of sustainable investments, the sustainable loan portfolio, and the general status of sustainability in NLB Group.

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## Sustainable Development Unit

In 2022, the Bank upgraded the former organisational setting and established a designated organisational unit, Sustainable Development, within the Strategy and Business Development Division. In this manner, sustainability is coordinated through the central coordination team in NLB, which reports directly to the CEO of the Bank, who regularly reports to the Management and Supervisory Boards.

### “Sustainability in NLB Group is coordinated through the Sustainable Development Unit.”

The Sustainable Development unit makes proposals related to the Sustainability Framework, drives and oversees the implementation of the sustainability-related roadmap, measuring results and reporting on the status. It also prepares the NLB Group Sustainability Report and ensures its compliance with applicable regulations, as well as integration of relevant reporting frameworks (GRI, TCFD). It also ensures coordination of other ESG-related agendas, such as the UN Principles for Responsible Banking, – EBRD, and MIGA environmental and social performance standards and requirements. In collaboration with all the relevant functions of the Bank, the Sustainable Development unit is also a guardian of the NLB Group Net-Zero Business Strategy project.

## Sustainability management in NLB Group members

To accelerate awareness and to effectively integrate sustainability group-wide, each NLB Group core member has appointed a representative (a specialist or a middle manager), who is responsible for active collaboration with the Sustainable Development unit, for managing and executing the sustainability initiatives locally and to report to their local Management Boards.

### “Each NLB Group core member has appointed a local sustainability representative.”

In 2022, NLB Group achieved a certain level of standardisation of the Group-wide coordination approach around sustainability, namely:

- ESMS officers ensure the ESMS is properly implemented locally. As a rule, ESMS officers come from the risk management area.
- ESG coordinators act as a single point of contact for sustainability-related issues and tasks related to ESG factors implementation in NLB Group members.
- EBRD coordinators are responsible for the implementation of the environmental and social performance requirements in NLB Group.

As the roles are differently assigned across the Group, while the workload in those areas is growing, therefore, to clearly define the roles and responsibilities for managing and monitoring climate-related risks, NLB plans to standardize the organizational set-up across the Group. The standardization anticipates one coordination profile with enough seniority in each member to have a coordination role over all ESG related activities. Adequate reporting and monitoring communication line is also recommended to the Group members by establishing local Coordination body (in addition to the Group Sustainability Committee) to bring more structured and systematic way of sharing information and discussing dilemmas locally.

As a rule, sustainability-related policies are adopted at first in the parent bank NLB, whereas the Group members are responsible to adapt and to implement them into their operations, within 3 months after the adoption in NLB. Sustainability Development unit regularly performs training sessions for NLB Group members and advise them on policy implementation and other current topics. ESG members report regularly about key achievements and issues on a day-to-day basis, key topics are also reported at Sustainability Committee or escalated to the Management Board or Supervisory Board, if appropriate. To enhance the clarity and efficiency of sustainability rules group wide, the ESG Group Standards are in process of preparation and are planned to be implemented in 2023.

## Sustainability ad-hoc groups

A strategic and agile approach to sustainability governance and organisation is also realised through ad-hoc working groups. These groups are being set up to address and resolve various sustainability topics, and involve different internal and external stakeholders, depending on the nature of the topic. For example, legal-compliance-sustainability working group meets once a month with the aim to address sustainability regulatory framework and its developments.

## System of three defence lines in the sustainability area

Internal controls are established at all levels of the Bank's organisational structure, especially at the levels of commercial, control and support functions, and all financial services of the Bank. In its daily business, the Bank uses the internal document Internal Control System in NLB, which lays down the internal control system and the responsibilities for its establishment, continuous operation and improvement.

The Bank has adopted the internal document entitled Internal control system (ICS), which is a set of rules, procedures and organisational structures aimed at:

- ensuring the efficient and consistent implementation of NLB's strategies and operations,
- ensuring efficient and consistent processes and procedures in NLB,
- protecting the value of NLB's assets,
- ensuring the reliability and integrity of accounting and management data and information,
- ensuring the operations and activities of the NLB in accordance with all applicable rules and regulations.

The internal control system in NLB is designed to ensure that a process or other measure is in place for each key risk to effectively reduce or manage that risk, and that the process or measure is effective for this purpose. The appropriateness of the internal control mechanisms is defined based on the independence, quality, and applicability of the rules and controls of performance of organisational, business and work processes of the Bank (internal controls), and the internal control functions and departments (internal control functions).

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## Sustainability control through three lines of defence

The internal control system in NLB Group is implemented on several levels, that is first, second and third level controls, which also applies for climate-related, ESG and the broader sustainability considerations.

### 1<sup>st</sup> line of defence

**First-level controls** are designed to ensure the proper implementation of business activities, i.e. the Bank's operations. Supervision in each individual business area is carried out by the competent OU, which is responsible for the implementation of procedures according to the Rules on Authorisations and Signing.

All business and non-business units represent the first line of defence, having primary responsibility for day-to-day risk management in climate-related and other ESG issues. This applies especially to frontline employees in corporate, retail and financial markets, whose main responsibilities are:

- Conducting activities with clients within the established ESMS framework, accountable for identifying and managing climate-related and other ESG risks.
- Obtaining relevant information on the sustainability profile of the client (aspirations, needs, decarbonisation plans, etc.), identifying new opportunities in the commercial strategy, while adhering to internal acts.
- Informing clients about the development of new sustainable banking products via internal notifications, dedicated internal pages, manuals and educational meetings.
- Providing clear directions with regards to new products and processes.
- Understanding and identifying potential climate-related and other sustainability risks.
- Taking part in awareness activities or training in climate-related and other ESG topics.

In addition to frontline staff, employees in back offices also have a responsibility to identify sustainability-related risks and opportunities, to discuss or report them to their supervisors and take part in awareness activities or training.

### 2<sup>nd</sup> line of defence

**Second-level controls** are divided between internal control functions, risk management and business compliance; the latter carry out independent controls and supervision over the operation of the first line of defence.

The risk management function defines rules about the risk appetite, risk strategy, other risk policies and guidelines, risk monitoring and management in ESG regulatory framework and climate-related risks. Its mandate is to provide an increased focus on holistic risk management and cross-risk oversight to further enhance risk steering and mitigation within the whole Group.

The business compliance function is responsible for the supervision of the correct implementation and ensures compliance (line controls) with the regulatory framework and its consistent interpretation at the Group level, as well as identifying, assessing, preventing and monitoring overall risks to compliance and integrity in NLB. Among the responsibilities of the Compliance function is providing consultancy services to individual units about the applicable laws, directives, standards and regulations and guidance and support in assuring compliance, as well as identifying, assessing, preventing and monitoring overall risks to compliance and integrity in NLB Group. All of the aforementioned also apply to the ESG regulatory framework and climate-related risks.

The management of changes in the legal environment comprises also of the climate related and other ESG risks among others (according to the internal act Rules on the management of changes in the legal environment). Compliance is included and is monitoring developments in the regulatory area, communicating these to relevant units (e.g. newsletters on regulatory changes) and is included in the general sustainability activities to have proper oversight over the implementation activities in this area. The status of implementation of legal changes or adjustments to the Bank's operations is regularly reported, but no less than quarterly, to the Management Board and separately to the Supervisory Board and, where appropriate, to the Risk Management function and other operational units. Compliance is actively involved in the ad hoc sustainability working groups, the Sustainability Committee, and it regularly cooperates with the Sustainable Development unit as well.

### 3<sup>rd</sup> line of defence

The third level of control is performed by the internal audit function, which assesses and regularly checks the completeness, functionality and adequacy of the internal control system. Internal audit is completely independent of both the first- and second-level control functions. Sustainability is part of the Audit Universe, defined as a comprehensive overview of all activities in the Bank subject to internal audit. Therefore, it is integrated in the regular annual planning process.

## Communication of critical concerns

Sustainability related topics, including ESG risks are regularly discussed and reported at all sessions of governance bodies, as well as through daily operations, in accordance with internal rules and procedures.

The responsibilities of all levels of control and roles of all control functions in the Bank (internal audit, risk management, compliance and integrity function – including money laundering and terrorist financing prevention, and the information security) are further specified in the internal policy Internal Control System. Internal control functions have access to the Supervisory Board in the manner stipulated by the banking regulations. They regularly (quarterly) report to the Supervisory Board about their work.

NLB Group has also established Environmental and Social Incident Reporting, which sets out the procedure of environmental and social incidents reporting to EBRD and MIGA. As a rule, in addition to governance bodies of NLB Group member these financial Institutions must be promptly notified of any environmental or social incident or accident related to the client or the project, which has, or is likely to have, a significant adverse business effect.

»» For more information on risk management please refer to Chapter Strategy and Risk Management (Section Incorporation of ESG risks in credit approval process and corresponding governance) or NLB Group Annual Report 2022 (Chapter Risk Management) or NLB Group Pillar 3 Disclosures (Chapter Risk Management, objectives, and policies).

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## Remuneration and integration of ESG goals

The target-setting, performance evaluation and remuneration framework for the highest governance bodies, and other identified employees who can significantly impact the risk profile of NLB and/or NLB Group in the scope of their tasks and activities, is set out in the Remuneration Policy for Members of the Supervisory Board and Management Board of NLB d.d. and in Remuneration Policy for Employees in NLB d.d. and in NLB Group. (hereinafter remuneration policies). Based on the group guidelines the principles of the remuneration policies were also implemented in the NLB Group members.

Both remuneration policies clear guidelines for prudent remuneration to have responsible, fair and transparent remuneration mechanisms, forming the basis for developing business with the objective of creating and protecting value for all stakeholders. The proposal for the Remuneration Policy is approved by the Management Board and the Remuneration Committee, and adopted by the Supervisory Board. The Remuneration Policy is then submitted to the vote of the General Meeting for approval, whereby the voting is of a consultative nature.

As part of the performance evaluation process, NLB Group places special attention on the achievement of climate-related and other ESG goals. Given the sustainability roadmap of NLB Group, Management Board members and other identified employees are committed to achieving targets set out in their respective areas. In 2022, concrete targets have been included in their performance plans, and were part of their individual assessments.

### Remuneration policy for members of the Supervisory Board and Management Board of NLB

Members of the Supervisory Board may only receive remuneration that is compliant with the relevant resolutions of the General Meeting.

Members of the Management Board receive remuneration consisting of a fixed and a variable part of the salary.

- The fixed part reflects the relevant professional experience, responsibilities and duties of a member of the Management Board, as defined in his/her job description.

The fixed part of the salary is determined based on the international benchmark of comparable banks with regard to the function/area covered by an individual member

of the Management Board. The fixed part encompasses monthly salary, other income and reimbursements of expenses, other benefits as agreed with the member of the Management Board, and pension benefits.

- The variable part depends on the results achieved that are directly connected with the achievement of the goals of NLB Group and the goals of each individual. It is awarded and paid in cash and/or instruments, according to the incentive scheme.

### Variable remuneration: goals and weightings

The annual performance evaluation process for NLB Management Board members is based on financial and non-financial goals; the latter include also ESG goals.

**In 2022, ESG goals were considered as part of annual performance evaluation, as follows:**

- NLB's CEO: 10% weighting
- Other members of NLB's Management Board:  
from 5–20% weighting

Goal Category	Weight	Goals Description
Financial goals of NLB Group	MB members, incl. CEO; excl. CRO: 50%	<ul style="list-style-type: none"> <li>Net revenues</li> <li>Cost/income ratio (CIR)*</li> <li>Return on equity after tax (ROE a.t.), normalised</li> <li>Cost of risk</li> <li>Net fees and commission income</li> <li>Other financial goals in accordance with the annual plan approved by the Supervisory Board</li> </ul>
	CRO: 20%	<ul style="list-style-type: none"> <li>Cost/income ratio (CIR)</li> <li>Return on equity after tax (ROE a.t.), normalized</li> </ul>
Goals in the areas covered by the member of the Management Board	MB members, incl. CEO; excl. CRO: 30%	<ul style="list-style-type: none"> <li>Implementation of the NLB Group strategy</li> <li>Implementation of the ESG goals agreed in the sustainability roadmap in 4 key areas: <ul style="list-style-type: none"> <li>Sustainability governance</li> <li>Sustainable financing</li> <li>Operational environmental impact</li> <li>Contribution to society</li> </ul> </li> <li>Other strategic goals of the Management Board member for the responsible area (i.a. increase digital penetration, x-sell ratio, process optimization etc), which are set by the Supervisory Board for each year</li> <li>Achieving the customer satisfaction index (NPS)</li> </ul>
	CRO: 60%	<p>For CRO targets related to the risk area, as follows:</p> <ul style="list-style-type: none"> <li>Cost of risk</li> <li>Implementation of the Risk Strategy of NLB Group</li> <li>ESG risk management</li> <li>Implementation of the ESG goals agreed in the sustainability roadmap in the areas that are covered by CRO</li> <li>Other strategic goals of the Management Board member, which are set by the Supervisory Board for each year.</li> </ul>
Personal goals	All MB members: 20%	<ul style="list-style-type: none"> <li>Acting in accordance with NLB Group values</li> <li>Achieving the employee engagement/satisfaction index</li> <li>Employee development</li> <li>Personal development</li> </ul> <p>For CRO, in addition to above-mentioned goals:</p> <ul style="list-style-type: none"> <li>achieving the customer satisfaction index (NPS)</li> </ul>

(1) Variable remuneration depends on evaluation of performance criteria (if goals are partially achieved, the bonus is from 40% up to 60%; if goals are achieved the bonus is from 60% up to 80%; and if all goals are exceeded up to 100% of the maximum bonus. If personal goals are not achieved, the MB is not entitled to a performance bonus.

(2) The Remuneration Policy also sets out rules for guaranteed variable remuneration, retention bonus, compensation for early termination of the term of office, and compensation for the non-competition period, as well as for malus, retention and return of variable remuneration (clawback), and pension benefits.

»» (3) For detailed information on remuneration in NLB, please refer to Remuneration Policy for Members of the Supervisory Board of NLB d.d. and Members of the Management Board of NLB d.d.

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## ESG goals and NLB Group's Management Boards

In 2022, the variable part of the salary of NLB Group's Management Boards' members was subject to performance assessment against goals in five key ESG areas.

### Sustainability governance

- Adhering to national and European regulations, SDGs, UN PRB, and ECB Guide on climate-related and other ESG risks in line with the roadmap submitted to the ECB
- Ensuring efficient corporate sustainability governance, KPI measurement and reporting and incorporating of sustainability at all management levels throughout the Group
- Steering, acquiring and supporting development of talents to successfully implement and develop sustainability.
- IT development of the ESG system aimed at gathering ESG data and flagging transactions as per relevant regulatory/sustainability reporting requirements

### ESG risk management

- Implementation of MIGA, EBRD, EU taxonomy and other relevant regulatory frameworks to the underwriting process
- Integrating ESG factors into the risk management framework and underwriting process
- Executing the ESG 2022 stress testing exercise

### Business opportunities for sustainability financing

- Increasing financing of environmental and social projects in the corporate and retail segment, in line with individual targets

### Operational environmental impact

- Carbon footprint reduction, in line with individual targets
- Decreasing paper consumption, in line with individual targets

### Contribution to the society

- Aligning CSR activities to support UN SDGs

Note:

(1) A high-level, cumulative overview of key ESG goals is presented. Detailed targets for each Management Board member are defined in their individual remuneration plans.

(2) Targets, related to financed emissions will be included in the Management Board's remuneration in the timeline of the NLB Group Net-Zero Business Strategy.

## Remuneration policy of other identified employees

The remuneration of other identified employees (managers who can significantly impact the risk profile of NLB d.d. and/or NLB Group in the scope of their tasks and activities) is also comprised of the fixed part and the variable part of the salary, and includes assessment of the achievement of ESG goals. The fixed part of the identified employee salary consists of basic salary, allowances, compensation, reimbursement of costs, bonuses, voluntary supplementary pension insurance and other remuneration arising from collective agreements (such as holiday allowance, jubilee award, solidarity assistance, etc.). The variable part is subject to meeting financial and non-financial goals.

The following goals apply in the following ratio to determining the performance of an individual identified, whereas ESG goals are defined as a part of an organisation unit's goals.

Goal Category	NLB /NLB Group goals	Organisational Unit Goals	Personal goals
<b>Identified employees</b>	50%	30%	20%
<b>Identified employees in a control/ supervisory function</b>	20%	60%	20%

(1) In addition to the variable remuneration, depending on performance against defined goals, severance pay is also the part of variable remuneration.

»» (2) For more information on the Remuneration Policy, please refer to NLB Group Pillar 3 Disclosures.

## Performance assessment

- The decision on whether the performance criteria have been met and the decision on the payment of annual variable for the Management Board and identified employees in a control/supervisory function is made by the Supervisory Board. For other identified employees the decision is made by the Bank's Management Board.
- In the event of exceptional economic uncertainty or other extraordinary circumstances that could jeopardise the solid capital base of the Bank and/or NLB Group in the future, the Supervisory Board may postpone the decision on awarding and/or paying the variable remuneration (or part thereof) to the Management Board member until such exceptional circumstances cease.
- When assessing the performance of the members of the Management Board, the Supervisory Board also considers the year-on-year conditions of the local, regional and global banking and economic market.
- An interview regarding the achievement of results for the previous year and the agreement on goals for the next year is conducted with identified employees, based on the NLB Group strategy, NLB goals and the Bank's development and project goals. During the year, the achievement of goals is also checked, especially those related to strategic projects on an individual level with individual identified employees, as well as on a collective level, with the Bank's committees, and with the Supervisory Board.
- An employee who does not achieve personal goals is not entitled to the annual variable part of the salary, regardless of whether the goals of the bank and the goals of the organisational unit have been achieved. Likewise, an employee is not entitled to the annual variable part of the salary insofar as it grossly violates the values of NLB Group defined in NLB Group Code of Ethics.

In addition, the NLB Supervisory Board makes an annual self-assessment about its composition, performance, potential conflict of interest of individual members of the Supervisory Board, performance of individual members and the Supervisory Board as a whole, performance of Supervisory Board committees and cooperation with the Bank's Management Board, all in compliance with the recommendations of the Slovenian Corporate Governance Code for Listed Companies. If needed the Supervisory Board sets measures for improving its effectiveness and monitoring its implementation. In this context, climate-change, ESG factors and other sustainability topics are also addressed.

## Training on sustainability related topics

In accordance with the Slovenian Banking Act and the EBA guidelines on assessing the suitability of members of the management body and holders of key functions, the Bank carries out regular self-assessments of the collective suitability of its management body, which also includes assessment of collective knowledge.

It thereby detects potential deficiencies in the collective suitability and ensures that the management body always has an adequate and wide range of knowledge, skills and experience to be able to understand the Bank's activities and its main risks. In this context, climate-related and other ESG risks and opportunities, as well as broader sustainability considerations have become increasingly important topics for the Management Board and Supervisory Board alike.

Throughout 2022, several training sessions on these topics were organised for different internal stakeholders, addressing different needs at different levels of the Bank. The training programme content for Management Board members, covering their pertinent area, focused on topics of strategic relevance, including ESG.

At the end of 2022, NLB Group became one of the biggest ambassadors of the Chapter Zero Slovenia initiative, which is to be launched in April 2023 under the patronage of the Slovenian Directors' Association (SDA) and the British-Slovenian Chamber of Commerce (BSCC). Taking part in this initiative enables the Supervisory Board Members to build their capacity on principles and frameworks for climate-change strategy and action. The activities within this initiative will be fully implemented throughout 2023.

**“NLB Group became one of the biggest ambassadors of the Chapter Zero Slovenia initiative.”**

CEOs and other Management Board Members in NLB Group are also frequent guest-speakers on these topics at conferences, panel discussions and other events, organised by partnering professional associations.

Key training in 2022	The Supervisory Board and/or the Management Board of NLB	Members of Sustainability Committee
Corporate Governance and Integrity, Risk Management, Credit Risk, Cybersecurity Risk, Anti-Corruption and Money Laundering, Gender Equality	✓	
Corporate Governance and Integrity, Risk Management, Credit Risk, Cybersecurity Risk, Anti-Corruption and Money Laundering, Gender Equality	✓	
ESG Risk Management in an international bank	✓	✓
Implementation of EU taxonomy (UNEP FI)	✓	✓
Challenges for corporate boards in Slovenia (EU taxonomy, Sustainability governance, Net-zero strategies and transition plans, Sustainability finance and non-financial disclosures)	✓	✓

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# We create better footprints stamp Sustainability Day at NLB Group

## We create better footprints STAMP

For those of who give the future a chance ❤️

The stamp "We create better footprints" represents our care for society, individuals and the environment, with which the NLB group increasingly integrates sustainability into its operations. This stamp is a symbol of our commitment to leaving behind only the most beautiful footprints.

The NLB Group is committed to paperless business operations. Keeping in mind the high price the environment pays to sustain paper usage,

**NLB Banka Prishtina** focused its efforts on the digitalisation of services and the optimisation of internal processes that have a direct effect on the reduction of paper usage. Following our initiatives, the bank managed to reduce the use of paper by up to 19% in 2022 compared to the previous year.

As part of its commitment to paperless banking, the bank also started the initiative To Love and Protect the Nature and donated around 200 trees to be planted in Prishtina in the last two years. By doing so, it not only reaffirmed its commitment to nature, but also contributed to the reduction of its carbon footprint and helped ensure a better quality of life for future generations. We will remain on this path, committed to **creating better footprints**.

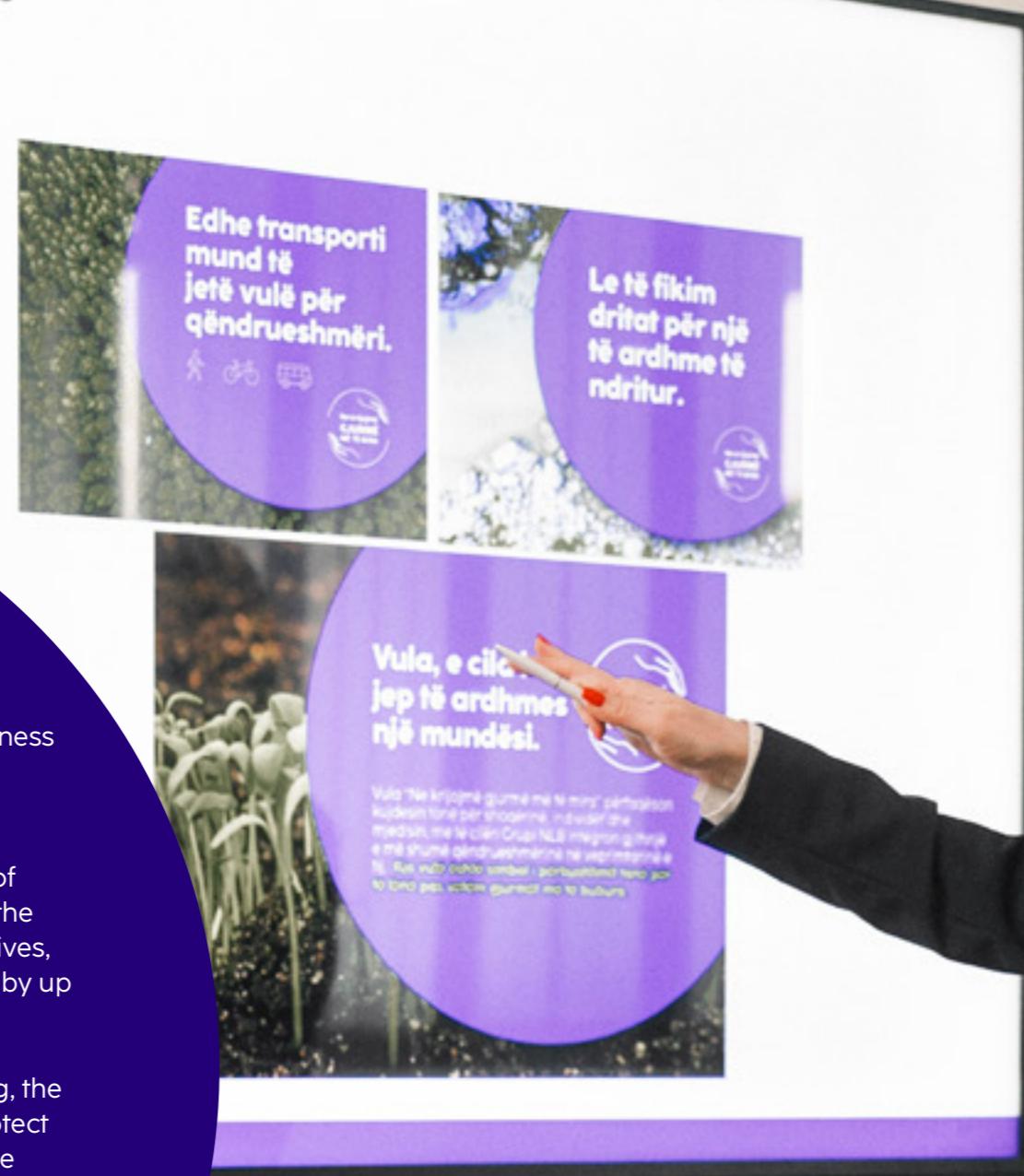


Photo: In NLB Banka Prishtina, we introduced simple but concrete steps that have a direct effect on the reduction of paper usage.

# Sustainable Operations

NLB Group is determined to increase its direct positive impacts and to mitigate its adverse impacts on environment and society. Therefore, we set out the management framework to operate responsibly, ethically, and efficiently.

## Environmental, social and human resources policies



NLB Group's has set out a robust governance and management frameworks to mitigate its environmental and social impacts, and to manage human resources capital in accordance with the highest standards. The key foundations for such framework are policies and other internal acts, which describe procedures, guidelines, roles, and responsibilities, as well as risks and opportunities that relate to specific areas of the Group's operations. Key internal policies that have been adopted and upgraded to identify and manage environmental and social considerations (factors and risks) are as follows:

- Key internal act is **the NLB Group Sustainability framework**, which laid foundations for three pillars of sustainability: sustainable finance, sustainable operations and contribution to society. The goal of this strategic, group-wide initiative is to ensure sustainable financial performance of the bank by considering social and environmental risks and opportunities in its operations, and to actively contribute to a more balanced and inclusive economic and social system.
- **Policy Environmental and Social Transaction Policy Framework in NLB and NLB Group** is one of several risk management systems we operate, comprising policies and processes to give us better understanding into our customers' activities, help address issues of concern, minimise risks to and manage stakeholder expectations. The objectives of this Policy are to set out how NLB Group will assess and manage environmental and social risks and impacts associated with the transactions and promote good environmental and social management practices in the client's transactions.
- **Policy on Respect for Human Rights in NLB and NLB Group** was adopted by the Management Board in 2023. Human Rights considerations are implemented in business processes at the following levels: employee's relations,

customer relations, banking products and services, suppliers, relations with other stakeholders.

- **Standard - Procurement in the Members of the NLB Group**, which purpose is to ensure a uniform and transparent Procurement procedure (including the minimum principles of ethical, social and environmental conduct that NLB Group expects from all its suppliers) of goods and services needed for performing the business activities in line with standards of conduct required by the NLB Group Code of Conduct as well as other group-wide NLB Group policies and procedures that are required to be uniformly applied within the NLB Group (taking into account, where relevant, any local specifics and deviations, which are always prealigned with NLB in line with group governance processes).
- **NLB Group Corporate Social and Environmental Responsibility**, which defines basic areas of sustainable operations of NLB Group members, including key sponsorships and donations areas. In addition to taking care of our employees, the key pillars of the NLB Group's socially responsible behaviour are promoting entrepreneurship, financial literacy and mentoring, support for world-class and youth sports, humanitarianism and the protection of cultural heritage.

Further description of environmental, social and human resources policies, results and key risks is embedded in NLB Group's Sustainability Report by inclusion of relevant and material data in respective chapters.

»» For comprehensive overview of all relevant policies that address environmental, social (including human resources) and governance considerations please refer to Annex 5: Overview of sustainability – related policies in NLB Group.

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# Responsibility, compliance and integrity

In NLB Group believe that responsible corporate governance is more than just respecting the laws, regulations, and standards. It is also a compliance and integrity programme.

NLB Group is committed to assuring compliance and integrity in the different countries where it operates. Compliance is integrated into the daily operations of the Bank, thus contributing to a strong internal control environment and ensuring the management of compliance risks.

We expect our employees to act in a fair, responsible, and ethical manner, in accordance with the bank's compliance standards.

The NLB Group Code of Conduct is a standardised document that describes ethical business conduct, outlines values, and sets conduct guidelines for relationships with clients, competitors, business partners, state authorities, regulators, shareholders, and internal relationships among employees. The aim of this approach is to ensure compliance with all applicable laws, regulations, and standards.

»» The Code of Conduct is available at the Bank's website: <https://www.nlb.si/code-of-conduct>

The Group is dedicated to upholding legal and ethical standards. In order to promote a culture of compliance and prevent fraudulent activities, the Group has established various policies, procedures, and training programmes. These initiatives are regularly reviewed, updated, and monitored to ensure that they align with relevant laws, regulations and ethical standards.

## Compliance and integrity programme

In NLB Group, Compliance and Integrity functions independently and separately from the Bank's operations. The basis of our Compliance Programme is provided in the Integrity and Compliance Policy of NLB d.d. and NLB Group. NLB Group raises awareness regarding the assurance of compliance and integrity with different legislative and regulatory requirements as well as good practices.

One of the notable highlights of the Group's Compliance Programme is the emphasis on creating a speak-up culture. Employees are encouraged to report any suspected violations of laws, regulations, or internal policies. This reporting mechanism allows the bank to identify potential compliance risks and take appropriate action in a timely manner.

## Political involvement

NLB Group is politically neutral, and therefore does not give financial contributions to political parties, political representatives or political campaigns. It is strictly a prohibited practice. NLB Group members shall not pay any political contributions – neither direct nor indirect.

## Protection of personal data and information

Policies, rules, standards, and procedures for personal data and information protection (e.g. business secrets) are used in our everyday operations in the area of data protection. Thus, we ensure compliance with the relevant regulatory provisions that can differ significantly from one country to another.

Preventive measures and thorough control within NLB and in relation to outsourced providers and suppliers help prevent the loss or abuse of data and the violation of data protection regulations, including the protection of personal data. Each complaint is thoroughly investigated and appropriate measures are taken to manage the risks or prevent potential violations. To this end, we organise regular education and training courses in order to raise awareness about protection among our employees and to ensure compliance with the established standards of information protection and compliance with the regulations and standards implemented by the Bank.

More details about NLB's approach to personal data protection (i.e Privacy Policy) are available in our General Information on Personal Data Protection on the NLB website.

»» For more information, refer to the chapter Compliance and Integrity in the NLB Group Annual Report 2022.

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## Cyber security

The Group is giving special focus to cyber security, and consequently assuring the confidentiality, integrity, and the availability of data, information, and IT systems that support banking services and products for clients. Cyber security in the Group is constantly tested and upgraded by security assessments, independent reviews, and penetration testing, also regularly discussed at the Bank's Information Security Steering Committee, Operational Risk Committee, and Management Board meetings. During 2022, the Group increased its capacity in terms of human resources by hiring specialists in different domains, and additional improvements were made in vulnerability management where all Group members have a unified solution and configuration. All employees in the Group are continuously educated about the importance of information/cyber security, as well as social engineering techniques

»» For more information, please refer to Chapter IT and Cyber Security in NLB Group Annual Report 2022.

## Respecting human rights

The NLB Group is making an important contribution to respect for human rights as a financial institution, as an employer, as a provider of banking products and services, and is a driving force for progress and prosperity in the region.

In accordance with the NLB Group Code of Conduct, all employees, external business partners, suppliers, and clients of NLB d.d. and members of the NLB Group are expected to respect human rights, employee rights and the fundamental principles of conduct set out therein. We also assess respect for human rights when setting criteria in the context of our investment policy and take due care to consider the direct and indirect effects on respect for human rights in the countries where we are present, which all employees must respect.

The mechanism for the protection and respect of human rights is considered in our business processes at the following levels:

- Employee's relations
- Customer relations, banking products and services
- Suppliers
- Relations with other stakeholders

In June 2022 the NLB d.d. decided on joining the commitment to the Slovenian 'National action plan for respecting human rights in economy', based on which companies adhere to the constitution and internationally recognized human rights. The commitment encourages 2030 Agenda, OECD Guidelines, ISO 26000, GRI and focuses on precarious work, gender equality, working environment for people with disabilities, consumer rights and forced labour.

In the second half of 2022 the Bank started with preparations of the comprehensive Policy on Respect for Human Rights in NLB d.d. and the NLB Group, which was adopted in January 2023. This Policy contains the commitment of NLB d.d. and the NLB Group to respect human rights in accordance with all the highest international standards, including but not limited to the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guidelines, Performance Standards 2,4,9 as per EBRD Environmental and Social Policy, and the OECD Guidelines. At the national level, expectations of economic operators are regulated by the National Action Plan of the Republic of Slovenia for the Respect of Human Rights in Business.

The policy is administered by the appointed Human Rights Custodian in Sustainable Development, who monitors and oversees human rights compliance on the Group level organises trainings and establishes a mechanism to address violations.

**"In 2022 no human rights violations have been confirmed in relation to employees and customers, or by external contractors and suppliers and other contractual partners."**

NLB also pays special attention to human rights in the context of the development of the Environmental and Social Factors/Risk Management System (ESMS), which aims to manage climate and/or environmental and social risks.

Based on the commitment and the policy mentioned above, the Bank will progressively upgrade the following measures or activities in its internal processes (recruitment, investment approval, supplier relations, etc.):

- a) preparation of policies and procedures as well as internal control mechanisms to prevent human rights violations,
- b) regular training of employees and training of target groups on human rights,
- c) conducting due diligence and taking appropriate measures to manage human rights risks,
- d) inclusion of special conditions on minimum expectations regarding respect for human rights in contracts and/or general conditions with third parties (customers, business partners, suppliers),
- e) ensuring the availability of channels for (anonymous) reporting of alleged abusive practices,
- f) implementing procedures and mechanisms to address suspicious or harmful conduct and take corrective action, and implementing measures to protect whistleblowers (internal and external) and prevent retaliation,
- g) engaging with key stakeholders, including customers, investors, external business partners and civil society, to promote progress in respecting human rights in business.

In addition, a thorough due diligence will be carried out to identify key risk factors for human rights violations, and further measures to mitigate such risks will be defined.

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## Fighting against corruption and bribery

NLB Group is firmly committed to compliance and integrity and has zero tolerance for any form of corruption and bribery practices in the different jurisdictions where it operates.

Awareness of the importance of the fight against corruption and bribery was emphasised by the NLB Group in the NLB Group Code of Conduct, which prescribes that the NLB Group has zero tolerance for such harmful practices. NLB Group rejects all forms of bribery and corruption. These forms of actions are unfair, illegal, and detrimental to countries with corrupt practices and society in general. The same is also expected from our customers, business partners and third parties as in NLB d.d. and NLB Group. All employees of NLB Group are therefore subject to restrictions on the acceptance and giving of gifts, expressions of hospitality and other influences on the conduct of employees in NLB Group. Concrete measures are also prescribed to manage the risks associated with this.

In NLB Group members, the Policy on the Prevention of Corruption and Bribery and on the Management of Conflicts of Interest sets a minimum standard of behaviour in proceedings with an identified corruption risk, as well as prescribing concrete measures to manage these risks. By enforcing common standards, the Group is following international standards in the fight against corruption with a system of rules for the prevention of corruption and bribery and the management of related risks related to the engagement of agents and intermediaries, employment or hiring of services of (former) civil servants, contacts with high (state) representatives, prevention of nepotism, prevention of accelerated payments, and ensuring transparency in NLB operations Groups.

**“The Group follows international standards in the fight against corruption.”**

The Enterprise Compliance and Integrity Risk Assessment (ECRA) is performed at the Group level and is intended for the review of the compliance risks, including the risk of conflict of interest and corruption in all processes and operations of the Group. The assessment also takes into account the internal control environment and mitigating measures are adopted if necessary. Furthermore, a specific questionnaire (World Economic Forum model: Good Practice Guidelines on Conducting Third-Party Due Diligence, Partnering against Corruption Initiative – PACI) is used for this purpose. Due to its regional presence, the NLB Group is exposed to the risks of corruption in South-Eastern Europe.

As part of the fight against corruption and bribery, the NLB Group carries out several activities to manage these risks:

- Ensuring specific terms in written agreements and/or general terms and conditions with third parties define anticorruption and anti-bribery standards as a minimum requirement for investment and purchasing.
- Internal control mechanisms, including accounting controls, are in place for the anti-bribery and anticorruption area.
- Regular, at minimum annual review, identification, and assessment of risks of conflicts of interest and corruption in the case of external contractors and suppliers and other contractual partners of NLB d.d. and the NLB Group through due diligence processes.
- The compliance functions have carried out awareness-raising activities in connection with this area and have strengthened the approach to managing these risks in day-to-day operations, for example by implementing an assessment of conflict of interest and corruption risk in relations with suppliers.
- Training in the field of prevention of corruption and bribery of employees were performed within the set of training courses in the field of standards of conduct and ensuring integrity.
- In NLB Group various (whistleblowing) channels are established for reporting suspicions of harmful conduct (internally and publicly available), including suspicion of corrupt conduct.

On the level of NLB Group, there was one attempted incident of corruption (in NLB d.d.) in 2022. The employee fully adhered to internal rules, immediately refused the bribe and reported the case to Compliance and Integrity, which immediately took action and resolved the issue, in line with internal procedures.



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## Whistleblowing

In NLB Group we understand the importance of whistle-blower protection, so we have designed the whistleblowing system for all stakeholders who believe that an act has been committed which is damaging to the bank or its employees, and which could have serious consequences with respect to regulatory sanctions, criminal liability or the Bank's reputation. Such practices harm both the Bank and our employees as well as our stakeholders.

All important suspected violations or misconduct (such as abuse, fraud, including suspected bribery or any form of corruption) must be reported and handled. NLB Group maintains such an environment that encourages employees to set questions which can be discussed with their managers or other employees in the Group, including the experts in compliance, money-laundering prevention, the fight against bribery and corruption, or with lawyers or HR managers. Employees also have access to different channels through which they can report potentially non-ethical or inappropriate business practices (including anonymously):

- electronically via the Whistler web application (available also for external stakeholders)
- via e-mail to the dedicated e-mail address
- by regular mail to the dedicated postal address or post box (also available for external stakeholders)
- in person
- by telephone

We use a strict policy of whistle-blower protection against retaliation measures and assurance of anonymity.

The Whistler application is available 24/7 to the internal and external public, and the whistle-blower can decide if they want to reveal their identity or remain anonymous. Moreover, communication with the whistle-blower is carried out inside the application. All NLB Group members uses the channel in local languages.

In the area of fraud investigation NLB d.d. processed 41 reports and NLB Group members 34 reports of suspicions of harmful behaviour through different channels (submitted by organizational units, via the Whistler application, other channels and based on own identification).

Among them, 10 reports of suspicions of harmful behaviour were categorised as whistle-blow cases at the Group level. Details are presented in the table below.

	Total cases processed	Whistleblow cases* and Corruption	Anti-Bribery and Corruption	Conflict of interest	Fraud	Failure to comply with internal regulations	Failure to comply with HR regulations
NLB	41	3		0	1	1	1
Members of NLB Group	34	7	1	1	1	3	1
	75	10					

\*received reporting of suspicion of harmful behaviour regardless of whether the suspicion was confirmed or not taking into account the legal definition (reporting irregularities with the employer, which the employee draws attention to)

anonymous applications or applications where it is not possible to determine whether they are from an external person or an employee are also taken into account

Depending on the results of the investigation, different measures are taken afterwards (labour legal action, filing of criminal complaint, civil lawsuit, issuing recommendations to improve the process, informing employees..).

»» For more information about our whistle-blowing system, refer to: <https://whistler.nlb.si/faq-eng>.



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## Tax transparency

An appropriate tax approach is an important element of NLB Group's corporate and sustainability governance. Taxes are managed in different units within the NLB Group. The Tax Policy of NLB Group is prepared and managed by Financial Accounting and Administration in NLB d.d., which is also primarily responsible for taxes in NLB d.d. Financial Accounting and Administration reports to the Chief Financial Officer. Important tax issues are discussed and decided by the Management Board, which is also regularly informed about changes in tax legislation. General principles of conduct on the tax field are written in the Tax Policy, which is approved by the Management Board. The Tax Policy is reviewed once a year, or more often if important changes occur, and changed when necessary. On the subsidiary level, the tax function is also generally organised under the responsibility of the local Chief Financial Officer.

### NLB's Tax Policy defines further basic tax principles:

- NLB conducts its tax operations in line with the purpose and the requirements of the relevant legislation and in accordance with the international standards (e.g. OECD guidelines).
- NLB's attitude towards the Financial Administration is respectful, transparent and professional.
- When determining tax obligations, NLB complies with the legally permitted reliefs and exemptions from the tax base.
- NLB cooperates with the Financial Administration for obtaining the relevant explanations and information for the provision of tax bases on a regular basis or wherever possible.
- When establishing tax positions, NLB strives to achieve certainty and implements a conservative policy of assuming tax risks. We optimise taxes only in legally permitted ways.
- NLB does not use the structures for the purpose of tax avoidance or aggressive tax planning. NLB does not use structures that are not in line with the purpose of the legislation or the use of which would subordinate its business motives to tax motives.
- NLB strives to ensure that the appropriate part of its taxable profit is taken into account in those members of the NLB Group where the value is generated. As a rule, our operations with related persons are carried out at comparable market prices and in the case of any deviations, such fact is taken into account in the tax reports.

### Tax risk management and control framework

In order to assure effective tax risk management, control framework and awareness of the importance of the tax function, number of processes are in place such as:

- Ensuring that tax risks throughout the organisation are identified, evaluated, managed and communicated;
- Maintaining strong control environment and tax risk framework to ensure compliance with tax laws;
- Tax risks are managed by tax questionnaires and detailed lists of controls for different types of tax;
- Detailed written instructions are prepared for different taxes, together with internal controls which have to be exercised;
- Reviewing tax treatment of every new product or business decision before its implementation;
- Handling of tax-related topics by in-house highly qualified tax experts who are provided with ongoing training;
- Providing continuous training to enhance tax risk understanding to all relevant parties. For the tax topics important to a wide range of employees, e-learning is also prepared (for instance, FATCA and OECD CRS identification and reporting and DAC 6);
- Monitoring of updates to changes in tax laws and their impacts on NLB and banking industry;
- Discussing important tax issues related to the banking industry within the Banking Association;
- Internal Audit and Compliance review the tax area in accordance with yearly plan;
- Tax is regularly audited by external auditors within the yearly audit.



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## Management of tax concerns

The Financial Administration of the Republic of Slovenia has granted NLB d.d. a special tax status which is based on cooperation, transparency, understanding, voluntary payment of taxes and mutual trust. This status can be granted only to trustworthy taxpayers who have appropriate internal tax controls in place. In 2021, only 11 big taxpayers had such status in Slovenia. This status, which is granted for a period of three years, was first granted to NLB in 2018 and was prolonged for another three years in 2021.

The Banking Association is an important body for discussing important tax issues related to the banking industry and preparing comments on tax legislation proposals, initiatives for changes to tax legislation and questions for tax opinions. Comments, initiatives and questions are professionally justified, reconciled with members of the Banking Association and if relevant, the influence on the local community is considered.

Individuals can raise concerns about business conduct (including in the area of tax) through the application for whistle-blowing as part of the general principles on integrity.

The assurance process for disclosures on tax has been completed as part of the assurance process for the Annual Report of NLB Group.

All entities of the NLB Group which do business in each jurisdictions in which NLB Group operates, countries of incorporation (which is the same as countries of tax residency) and the type of primary business activities are disclosed in the Annual Report of NLB Group (under 5.12). Reasons for the difference between income tax accrued and the tax due if statutory rate is applied to profit before tax are disclosed in the Annual Reports of Group members in the notes to Income tax disclosure.

Country-by-Country Reporting (CBCR) for the 2022 (values in EUR thousands)

	Number of employees	Revenues from third-party sales	Revenues from intra-group transactions with other tax jurisdictions	Profit/loss before tax	Tangible assets other than cash and cash equivalents	Corporate income tax paid on a cash basis	Corporate income tax accrued on profit/loss
Slovenia	2833	367,121	8699	135,062	123,101	4626	7349
North Macedonia	954	78,369	-2487	41,601	38,780	4820	4004
Serbia	2614	193,718	3026	70,729	122,795	1664	5192
Montenegro	380	38,251	-429	15,432	36,995	699	1782
Croatia	6	473	144	-170	1675	7	45
Bosnia and Hercegovina	971	71,205	-994	33,352	33,949	3884	3130
Kosovo	467	49,251	-866	36,095	12,803	3364	3740
Germany	1	58	-4	-646	98	0	0
Switzerland	2	103	-125	-2189	1860	32	24

Notes:

(1) Number of employees is the number of employees as at 31 December 2022.

(2) The columns Revenues from third-party sales and Revenues from intra-group transactions with other tax jurisdictions includes net interest income, dividend income from non-Constituent Entities, net fee and commission income, the net effect of financial instruments, foreign exchange translation, the effect on the derecognition of assets, net operating income, and gain less losses from non-current assets held for sale.

(3) In accordance with OECD Guidance on the Implementation of Country-by-Country Reporting, dividends from Constituent Entities are not included in the column Profit/loss before tax and income tax paid or income tax accrued with respect to dividends from Constituent Entities are not included in the columns Corporate income tax paid on a cash basis and Corporate income tax accrued on profit/loss. The income tax paid with respect to dividends from Constituent Entities in Slovenia amounts to EUR 2,560 thousand.

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# NLB Group's operational environmental impact

In 2022, NLB Group followed the commitment to increase its positive operational environmental impact, and reducing the adverse ones. The main focus was on measuring operational carbon footprint, implementing measures related to reduction and efficient use of energy and other resources, as well as on further organisational culture transformation to support NLB Group's environmental goals.

## Operational carbon footprint

NLB Group continued with strategic and comprehensive approach to mitigate its carbon footprint. This approach encompasses setting solid and internationally recognized methodology, careful calculation, defining targets and measures to reduce the footprint, as well as regular monitoring the progress. In this chapter operational carbon footprint results and methodology are presented - Scope 1, Scope 2 and Scope 3 (limited inclusion of categories, and Category 15, financed emissions excluded).

In Scope 1, all three types of emissions were measured:

- Scope 1.1 – direct emissions from combustion of fuels for heating
- Scope 1.2 – direct emissions from use of fuels in vehicles
- Scope 1.3 – fugitive emissions from heating, ventilation and air conditioning (HVAC) systems

In Scope 2, both types of emissions were measured:

- Scope 2.1 – indirect emissions due to electricity consumption
- Scope 2.2 – indirect emissions due to district heating consumption

In Scope 3, emissions related to limited categories were measured:

- Category 1 – Purchased goods and services: Paper and Water Use
- Category 5 – Waste from operations
- Category 6 – Business travel
- Category 7 – Employee commuting

To enable better insight and mitigation of Scope 3 emissions new categories 1,5, and 6 were included in the measurement.

» To explore more on NLB Group's financed emissions and efforts to decarbonise the Group's portfolio, please refer to Chapter NLB Group Pillar 3 Disclosures 2022, Chapter ESG Risk (14.4. - 14.7.)

» For overview of inclusion and exclusion list of Scope 3 categories, please refer to section Methodology.

In 2022, Total Scope 1, 2 and 3 (limited inclusion) emissions of NLB Group accounted for 19,906 t CO<sub>2</sub>, which is 46% reduction compared to 2021. Emissions from scope 1 and 2 show 16,015 t CO<sub>2</sub>, that is 52% reduction from 2021. Main reason for significant reduction of CO<sub>2</sub> emissions in 2022 was due to the fact that 100% electricity was purchased from zero-carbon sources in two largest and most material entities in NLB Group (parent bank NLB and NLB Komercijalna banka Beograd). Thus, the Group has increased the percentage of renewable electricity sourced for our operations to almost 70% at the Group level, and it is approaching the target to reach 75% by 2030.

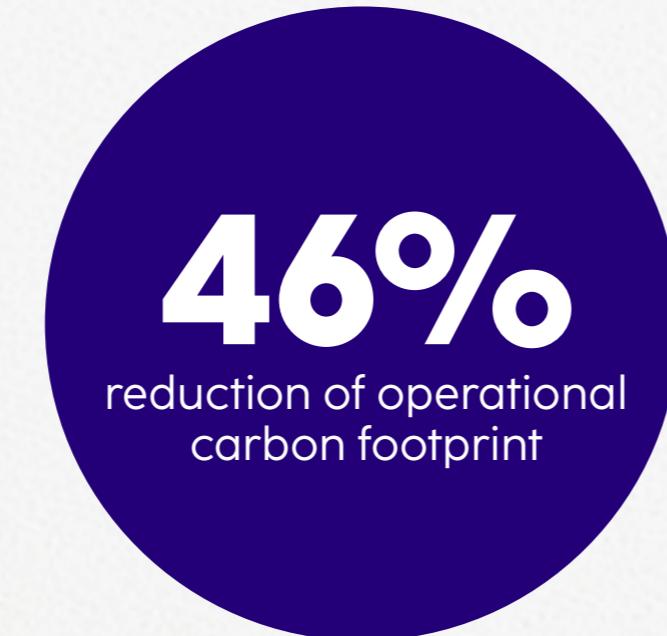
**Scope 1 emissions** accounted for around 20% of Scope 1 and 2 emissions, half of it for space heating, own fleet and fuel consumption of vehicles used for company purposes. Especially vehicle emissions were reduced in 2020 and 2021 due to COVID situation and respectively lower volume of km travelled. Space heating emissions were reduced in 2022 compared to 2021, also due to climate conditions, where year 2022 was approximately 10% warmer compared to 2021 in the region.

**Scope 2 emissions** decreased by 58% due to zero carbon electricity purchase in largest entities. Indirect emissions were in previous years by far the largest proportion of total NLB Group emissions. By purchasing zero-carbon electricity in Slovenia in Serbia, NLB Group managed to reduce total electricity carbon foot print by 70%. Slight reduction in other countries was also achieved. Furthermore, indirect emissions due to district heating consumption were reduced in due to the Group's several measures to optimize space heating climate conditions, and due to favourable climate conditions.

**Scope 3 emissions** included 3 more categories than in the first measurement. Therefore these emissions were higher by 26 % compared to 2021, however still lower than 2019. This was mainly affected by the fact that after pandemics lock downs and limited travelling economy and society gradually started to operate as before pandemics. Consequently, more personal meetings and other events with external stakeholders were conducted in 2022 compared to previous years. The Group will strive to further monitor needs and execution of business trips, and keep promoting efficient use of remote, digital ways for conducting meetings and collaboration.

Detailed data and comparison of carbon footprint from 2019 to 2022 at Group level and by countries are shown in tables on the next page.

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## Operational carbon footprint calculation for NLB Group, 2019–2022

NLB Group	Baseline 2019	2020	2021	2022	2022/2021	2022/2019
Scope 1 [t CO <sub>2</sub> ]	3,736	3,408	3,831	3,404	89%	91%
Scope 2 [t CO <sub>2</sub> ]	29,340	32,000	29,741	12,611	42%	43%
Scope 3 [t CO <sub>2</sub> ]	4,632	3,761	3,093	3,891	126%	84%
Scope 1-2 [t CO <sub>2</sub> ]	33,077	35,408	33,572	16,015	48%	48%
Scope 1-2/emp. [t CO <sub>2</sub> /emp.]	3.761	4.082	3.983	1.899	48%	50%
Scope 1-3 [t CO <sub>2</sub> ]	37,708	39,169	36,665	19,906	54%	53%
Scope 1-3/emp. [t CO <sub>2</sub> /emp.]	4.288	4.515	4.350	2.360	54%	55%
No. of employees	8,794	8,675	8,428	8,433	100%	96%

Notes:

- (1) In 2022, accuracy adjustments were made due to revised energy consumption in one of the entities for 2019–2022, hence minor deviations in total Scope 1 to Scope 3 (2% for 2019 and 2020, and 0,1% for 2021) from the prior report.
- (2) In 2022 NLB acquired N Banka, whereas merger of both entities is planned in 2023. N Banka's carbon footprint has only been calculated for 2022 and not for prior years to provide baseline 2019 data. The reasons for this decision are data scarcity, and low impact of N Banka (due to size, employee number and facilities) to total carbon footprint emissions, which is estimated to less than 2% of data in baseline year.
- (3) Note that Komercijalna Banka Beograd was included in reporting of GHG emissions also for 2019 and 2020, despite becoming part of NLB Group in 2021. However, GHG Protocol suggests recalculating baseline year in case of structural changes, therefore, data for Komercijalna Banka was included in this report.

## Inclusion/Exclusion overview

Scope 1	Inclusion/Exclusion	Explanation
1. Fuel combustion	Included	• Combustion of fuels
2. Vehicle fleet (ICE)	Included	• Owned and controlled vehicle fleet: internal combustion engine (ICE)
3. Refrigerant	Limited inclusion	• Refrigerants (for HVAC systems)
<b>Scope 2</b>		
1. Electricity	Included	• Both location and market-based electricity consumption was used for calculation.
2. District heating and cooling	Included	• District heating
3. Vehicle fleet	Included	• Owned vehicle fleet: electric vehicles and PHEV (included in electricity consumption)
<b>Scope 3 - Categories</b>		
1. Purchased goods and services	Limited inclusion (new category in 2022)	• Use of paper and water supply
2. Capital goods	Not included.	
3. Fuel- and energy- related activities	No data available	• Estimation calculated ~2% of emissions
4. Upstream transport and distribution	Not included.	
5. Waste generated in operations	Included (new category in 2022)	• general, hazardous, water and paper waste
6. Business travel	Included (new category in 2022)	
7. Employee commuting	Included	• Employee commuting using own vehicles, public transport (bus, train), taxi
8. Upstream leased assets	Included in Scope 1 and 2 calculation.	
9. Downstream transport and distribution	Included	
10. Processing of sold products	Not relevant	
11. Use of sold products	Not relevant	
12. End-of-life treatment of sold products	Not relevant	
13. Downstream leased assets	Not relevant	
14. Franchises	Not relevant	
15. Investments	Not included	• Planned to be included in 2023 measurement.

Notes:

- (1) Emissions caused due to employees' work from home (i.e., home office) have not been taken into consideration, although NLB reimburses its employees.
- (2) Emissions listed as "not relevant" above were considered to make non-material or no contribution to NLB Group's Scope 3 emissions
- (3) Refrigerants data were not included from following organizations: NLB Priština, NLB Sarajevo, NLB skladi, NLB Črna gora, Ream Beograd, Ream Podgorica, S Ream Ljubljana and NLB Zavod za upravljanje kulturne dedišćine, data not available. Emission data for these organizations are negligible.

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## Methodology

- To calculate Scope 1, Scope 2 in Scope 3 the guidelines of the Greenhouse Gas Protocol (GHG Protocol), were used, and we also referred to Corporate standard (Corporate Accounting and Reporting Standard), and Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The group will endeavour to further improve the data quality and methodology for calculating the comprehensive Scope 3 emissions.
- The key principles of GHG Protocol were performed: setting of methodology, data collection from key NLB Group entities in terms of their environmental impact, data modelling, interpretation of results and setting of KPIs, carbon footprint report verification, disclosure and reporting.
- Altogether, 19 entities of NLB Group were included in calculation. Beside NLB and subsidiary banks, asset management, real estate management, leasing and some other companies are included in calculation, because their operations have significant and material impact on NLB Group's operational environmental impact.
- With 2020 in 2021 being special years due to global pandemics which affected the total volume of GHG significantly, 2019 (pre-pandemic year) was set to be the baseline year.

## Verification

The carbon footprint of NLB Group was verified by the external and independent institution, Jozef Stefan Institute (Energy Efficiency Centre). The verifier issued a positive opinion of the NLB Group carbon footprint report of results and approved that:

- the report has been prepared according to GHG protocol** (guidance for corporate reporting on Scope 1, 2, and 3 GHG emissions) and verified according to requirements of standard ISO 14064-3:2019: Greenhouse gases – part 3: principles and requirements and provides guidance for verifying and validating greenhouse gas (GHG) statements;
- the report accurately and completely represents GHG emissions Scope 1, 2, and 3 (limited and without Category 15, financed emissions)** of the NLB Group for period from January 1st, 2019, to December 31st, 2022.

»» Original verification certificate is in the Appendix 6 of this report.

## Operational carbon footprint calculation for NLB Group per country, 2019–2022

Year	Scope	Slovenia	Serbia	Montenegro	Northern Macedonia	Bosnia and Herzegovina	Kosovo
2019		1,700	650	58	404	819	106
2020	Scope 1 [t CO <sub>2</sub> ]	1,437	559	52	292	987	81
2021		2,223	845	71	413	158	111
2022		<b>1,984</b>	<b>581</b>	<b>123</b>	<b>434</b>	<b>183</b>	<b>100</b>
2019		8,816	10,394	658	3,386	3,196	2,890
2020	Scope 2 [t CO <sub>2</sub> ]	11,637	10,891	683	3,185	2,945	2,659
2021		9,651	11,014	555	3,289	2,446	2,785
2022		<b>3,039</b>	<b>1,860</b>	<b>572</b>	<b>2,121</b>	<b>2,388</b>	<b>2,631</b>
2019		1,740	2,186	66	218	227	195
2020	Scope 3 [t CO <sub>2</sub> ]	1,361	1,764	62	152	242	178
2021		957	1,427	67	171	258	213
2022		<b>1,516</b>	<b>1,332</b>	<b>131</b>	<b>298</b>	<b>378</b>	<b>237</b>
2019		10,516	11,044	716	3,790	4,015	2,996
2020	Scope 1-2 [t CO <sub>2</sub> ]	13,074	11,450	736	3,477	3,932	2,740
2021		11,874	11,870	626	3,702	2,604	2,896
2022		<b>5,023</b>	<b>2,441</b>	<b>695</b>	<b>2,555</b>	<b>2,570</b>	<b>2,731</b>
2019		3.60	3.41	2.31	4.2	4.32	6.32
2020	Scope 1-2/emp. [t CO <sub>2</sub> /emp.]	4.62	3.59	2.31	3.96	4.26	5.92
2021		4.18	4.05	1.67	4.22	2.76	6.25
2022		<b>1.64</b>	<b>0.94</b>	<b>1.83</b>	<b>2.69</b>	<b>2.65</b>	<b>5.85</b>
2019		0.09	0.07	0.08	0.10	0.14	0.19
2020	Scope 1-2/m <sup>2</sup> [t CO <sub>2</sub> /m <sup>2</sup> ]	0.11	0.07	0.08	0.09	0.13	0.17
2021		0.10	0.07	0.07	0.10	0.09	0.18
2022		<b>0.03</b>	<b>0.02</b>	<b>0.08</b>	<b>0.07</b>	<b>0.09</b>	<b>0.19</b>

Notes:

In 2022, accuracy adjustments were made due to revised headcount and energy consumption in some of the entities for 2019–2022, hence minor deviations in total Scope 1 to Scope 3 (2% for 2019 and 2020, and 0.1% for 2021) from the previous report

## Electricity consumption

In 2022, electricity consumption decreased by 6 % compared to the year 2021, and by 14 % compared to the baseline year 2019. The key focus to reduce NLB Group's environmental impact is aimed to further improve energy efficiency and increase using renewable electricity.

NLB Group	2019	2020	2021	2022	2022/21	2022/2019
Electricity [MWh]	39,644	37,566	36,399	34,066	94%	86%
Electricity/emp. [MWh/emp.]	4.6	4.4	4.4	4	94%	87%
Electricity/m2 [kWh/ m2]	108	102	99	97	98%	90%

## Heating

Measurement included consumption (converted to MWh) of various resources: natural gas, heating oil, liquid petroleum gas, pellets, biomass, fuel combustion (gasoline, diesel). Altogether, the consumption was reduced by 15% compared to 2021, and 10% compared to the baseline year.

NLB Group	2019	2020	2021	2022	2022/21	2022/2019
Heating [MWh]	24,030	24,680	25,687	21,719	85%	90%
Heating/emp. [MWh/emp.]	2.8	2.9	3.0	2.6	85%	93%
Heating/m2 [kWh/m2]	65	67	71	62	89%	95%

## Fuel consumption

Fuel consumption (converted to MWh) for vehicles slightly increased – by 2%, compared to 2021 levels, which correlates to the end of pandemics and COVID restrictions which led to normalization of operations in 2022. Compared to pre-Covid, baseline year, fuel consumption was also lower, namely for 6%.

NLB Group	2019	2020	2021	2022	2022/21	2022/2019
Vehicle fuel [MWh]	7,171	5,532	6,586	6,733	102%	94%
Vehicle fuel/emp. [MWh/emp.]	0.84	0.65	0.8	0.8	102%	95%
Vehicle fuel/emp. [l/emp.]	81.5	63.8	78.1	79.8	102%	95%

## Paper consumption

To further ensure high standards of user experience, increase efficiency of processes, and to reduce its environmental impact, NLB Group is focused on promoting digital banking among customers, on further digitalization of services for clients, as well as digitalization of internal processes.

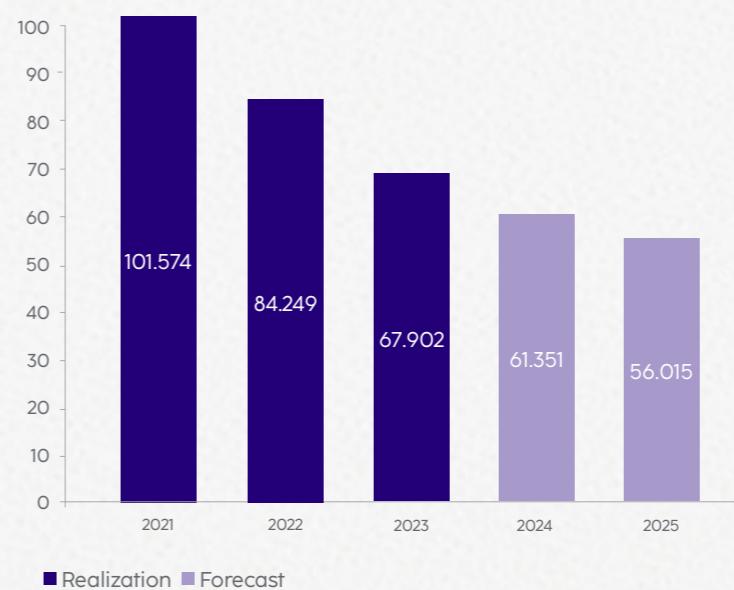
In this context, NLB Group started **the Paperless collaboration project** in 2020. After thorough analysis the target was set to achieve 50% reduction of number of paper prints in its operations by 2025 (compared to the year 2019). The project's aim is not just reducing paper consumption but eliminating it wherever possible and replacing it with optimised processes supported by digital tools to improve customer satisfaction, and increase the efficiency of our employees and our operations.

**In 2022, another step to achieving this goal has been made as paper usage (prints) was reduced by 17% compared to 2021. Thus, we saved 866 trees.**

Paper usage in NLB was lower by 26%, which is the highest reduction group – wide. All banking subsidiaries experienced reduction as well, ranging from 8% to 19%, respectively.

» To explore more about digitalization in NLB Group Annual Report 2022, please refer to Chapter IT and Cyber Security.

Graph: NLB Group paper consumption realisation and forecast (in number of A4 prints)



## Water and mixed waste

In NLB Group, we strive to reduce also mixed waste and water usage, despite these two categories are having a little impact on overall environmental footprint. All waste is sorted and deposited in designated containers, where local municipal companies enable removal of separated waste. Our aim is to decrease the numbers of waste containers and its volumes in business buildings and branches. To reduce water consumption, we for example, started to replace water taps without sensors for water flow and kettles in toilets with possibility of two different water flow rates.



## Car fleet management

The transition to zero-emission mobility is vital for preventing and mitigating the negative impacts of climate change. Therefore, reducing the CO<sub>2</sub> emissions of NLB Group own Fleet, is one of key strategic activities.

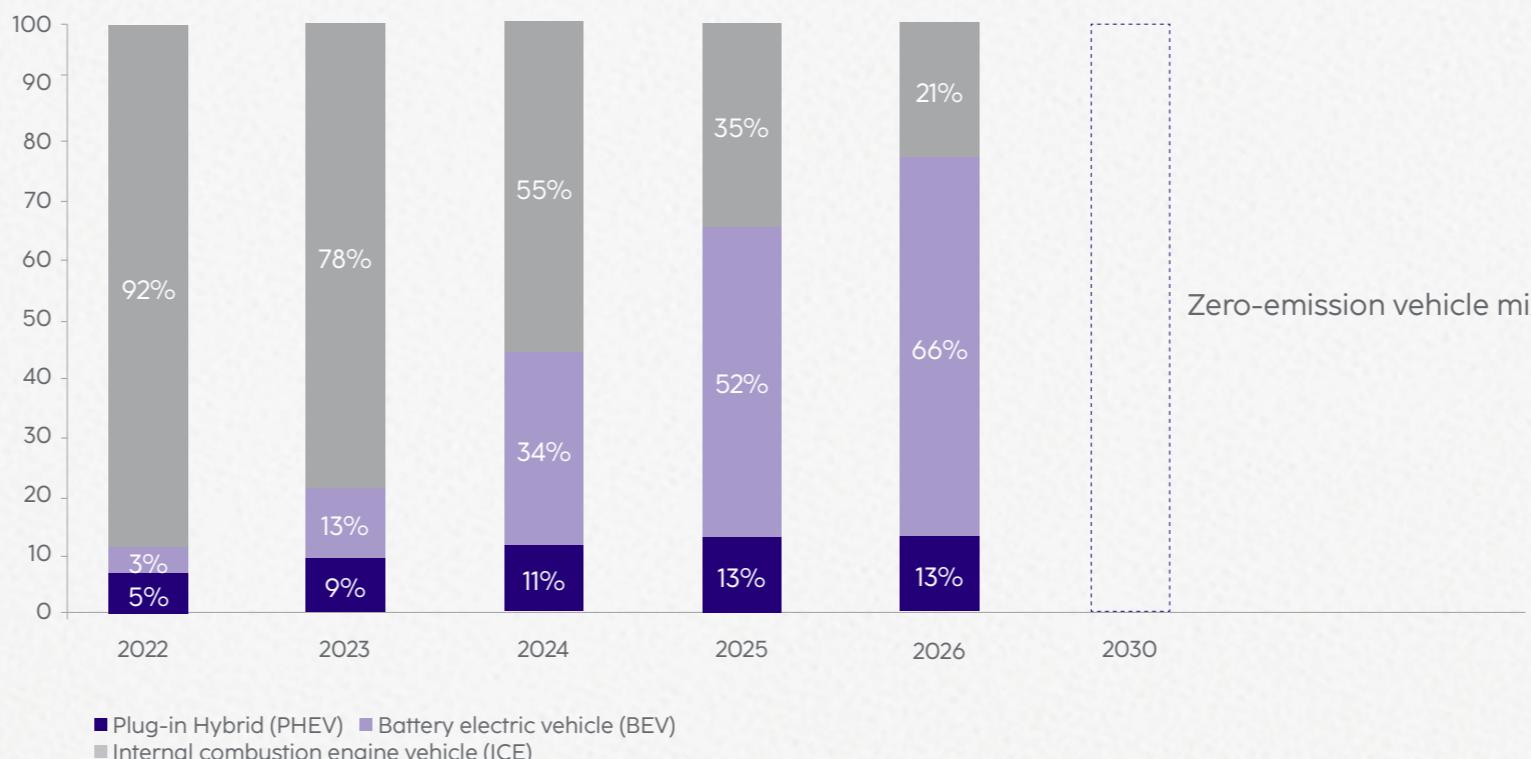
### Roadmap and targets

To achieve the goal of net-zero emissions, key ambition levels for sustainable fleet management have been defined:

- Use of cleaner fuels and technologies, contribution to group reduction of CO<sub>2</sub> emissions,
- Efficient vehicle use, raising environmental awareness of drivers and ECO driving, respect to the speed limits, careful fleet company car selection between BEV, PHEV and HEV based on Total Rental Costs (TRC), usage comparison and based on operational requirements for each working position or specific use. Supporting the change in the mindset of company car users, fleet management officer will regularly inform company car users about new technologies and organise presentation and trainings if needed to assure smooth transition and company car user acceptance,

- Transport demand management (pre-prepared solutions for different situations),
- Use of electric energy obtained from RES (Renewable Energy Sources) to support own company car charging network (this will have a significant effect on CO<sub>2</sub> calculation for BEV (Battery Electric Vehicle),
- Limitation of the electric car range risk (selection of cars based on demand and real range),
- Efficient Charging Infrastructure (not only higher capacity batteries, but also efficient and faster charging will contribute to better BEV range and usability).

Graph: NLB Group vehicle mix plan



## Key measures for energy efficiency and carbon footprint reduction

Field of operations	Measure category	Measure description	Progress
	Zero-carbon electricity supply	Review of all contracts with electricity suppliers on all markets with the aim to guarantee zero-carbon electricity supply.	On track.
Emission factors		Where possible, set up of solar PV on Bank's buildings.	
	Renewable electricity self-sufficient supply	Where possible, rent out roofs/solar panels for self-sufficient supply of renewable electricity.	On track.
		Purchase of electricity directly from renewable electricity producers in the Region.	
Energy consumption	Energy Efficiency	Energy performance screening of buildings with the goal of higher energy efficiency level in the buildings (especially insulation, window, LED lighting).	On track and several measures in place. To explore more refer to Chapter Key energy efficiency measures
	Cooling	Refrigerants with lowest CO2 equivalent emission to be selected.	On track.
	Fleet	Electrification of internal fleet (Sustainable mobility).	On track to reach zero emission vehicle fleet by 2030. To explore more refer to Chapter Car fleet management.
Use of space	Building management	Analysis of office use and preparation of measures to optimize heating/lighting use. Divestment of real estates. Optimization of space-demand in buildings.	On track.
		Stimulation of work from home. Stimulation of use of public transport, cycling and walking.	
	Behavioural changes	Promoting use of digital tools and technology for remote meetings and collaboration.	On track.
Employee's commute and Business trips			

### Key energy efficiency measures

To further optimise and reduce its operational environmental impact, NLB Group continues to implemented measures, which are subject to regular monitoring to follow their realisation as well as with purpose of detecting new or adjusted measures to be imposed.

#### Implemented measures in 2022:

- Investments in branch renovation are governed by energy efficiency principles including technical solutions/materials which are being applied (such as LED lighting, modern HVAC, thermal pumps, new windows, etc.).
- Where technically possible, empty spaces are heated solely to anti-freeze level.
- In office buildings ventilation / heating schedules were reduced and where technically possible accompanied by increase of waste air recovery percentage and reductions of air exchanges.
- The night lighting of branches and illuminated signs are being turned off (or are in progress) between 10 p.m. and 6 a.m., where technical possibilities allow such approach.
- Raising employee awareness on means and effects of proper ventilation and cooling/heating of premises.
- Heating in winter season and cooling during summer reduced to lower/higher temperatures accordingly.

#### Energy efficiency measures planned for 2023:

- Continuation of activities related to successful installation of solar power plants on buildings (obtaining approvals are in progress).
- Increased activities for divestment of owned areas not required for regular operations (through sale and/or lease).
- Continuation of monitoring and further implementation of individual measures to reduce heating, ventilation and cooling of buildings.
- Space management activities related to implemented »work-from-home«.
- Reconstruction and refurbishment for main office buildings with aim of increasing energy its efficiency.

## Responsible procurement and supply chain management

In the procurement process, NLB Group responsibly includes environmental, social, ethical, and economic issues at all stages of the procurement life cycle.

ESG principles are an integral part of the internal procurement regulation in the NLB Group and must be respected by the bidders. Additionally, ESG principles are also included in a dedicated questionnaire about outsourcing.

Procurement Guideline that defines the procurement process also defines the Due Diligence Questionnaire that is used to thoroughly screen the bidders. Due diligence analysis of bidders has been put in place with aim to check potential suppliers from various perspectives including the ESG. They all must meet these criteria to be able to become NLB Group's suppliers.

ESG elements are evaluated during annual evaluation of suppliers. All suppliers that receive low scoring must prepare improvement measures and their implementation is monitored by the NLB Group personnel.

Topics / Elements	Progress
<b>Procurement policy</b> ESG guidelines and standards in the policy will be expanded for the elements not yet included.	Both relevant policies were updated in August 2022 when additional ESG principles were added.
<b>New RFPs</b> Due diligence questionnaires that we already use to assess all bidders' compliance to our standards will be amended with additional questions for expanded ESG assessment.	Due Diligence Questionnaires were amended with additional ESG-related questions.
<b>General Provisions of the Agreement (GPA)</b>	GPA were upgraded and took effect in Q1 2023.
<b>Annual supplier evaluation</b> The questionnaire for our annual supplier evaluation process will be updated to enable regular annual screening of and feedback to suppliers based on expanded list of ESG topics.	The questionnaire was updated, and supplier evaluation was conducted, with an evaluation of suppliers using an expanded list of ESG themes.
<b>Reporting</b> The introduction of reports about bidders and suppliers with identified negative impact social and environmental impact, bidders and suppliers from whom improvement measures were requested, and bidders and suppliers with whom relationships were terminated because no improvements have been exhibited.	Reporting was upgraded.

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# Responsibility to employees

The Group continued with its long tradition of investing in employee development, and is determination to further develop organisational culture, leadership, and employee experience.

## Development of the organisational culture

A constructive organisational culture is key to the satisfaction and success of employees and the company itself. For this reason, it is important how we manage and upgrade the culture in NLB Group. Based on the measurement of organisational culture and by involving employees from all levels and countries in the Group in focus workshops, we gained a very good insight into the existing culture that will help us to upgrade it and prepare the company for the needs of the future. As part of the project, we also renewed NLB's values. The values that are our indicators for the future are Growing people, Encourage entrepreneurship and Encouraging people. In the coming period, together with our employees, we will build on and live these values.

## Employment, diversity and equal opportunity

### Number of employees in NLB Group

Compared to the previous year, the number of employees increased by 43 in 2022 to a total of 8,228 employees. In March 2022, NLB acquired Slovenian Sberbank (subsequently renamed to N Banka).

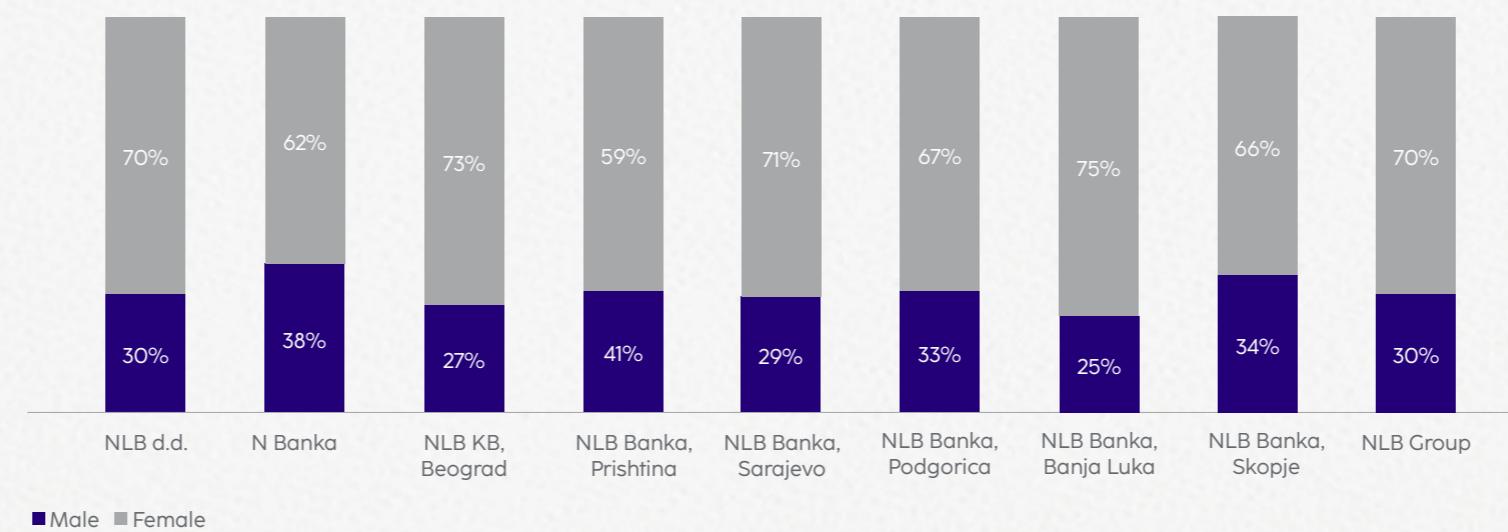
Graph: Number of employees in NLB Group



### Employee structure in NLB Group by gender

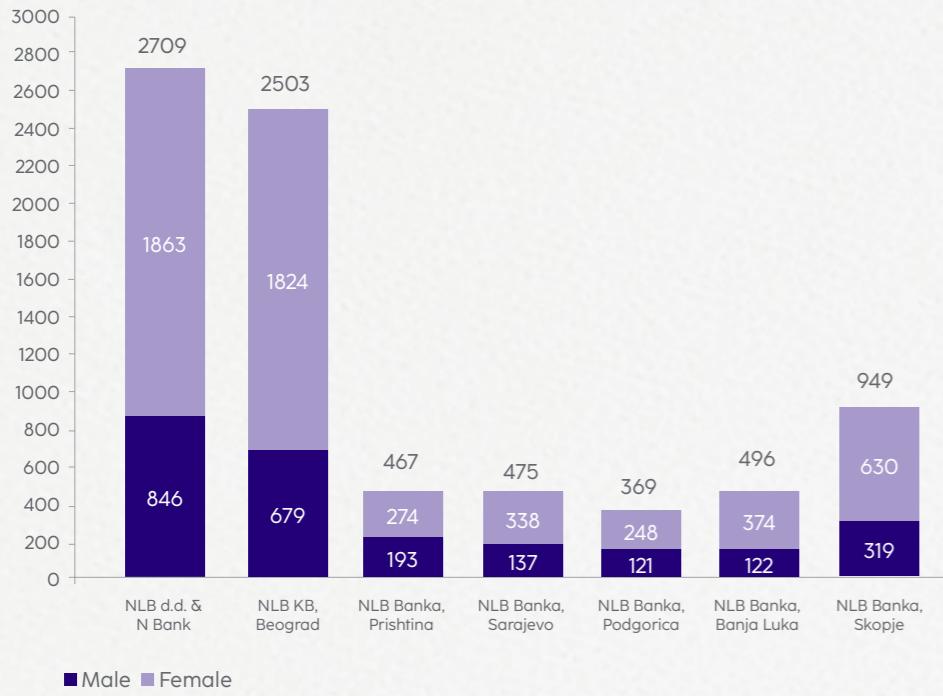
As in 2021, at its significant locations of employment 70% of NLB Group's employees were women and 30% men at the end of 2022.

Graph: Employee structure in NLB Group members by gender

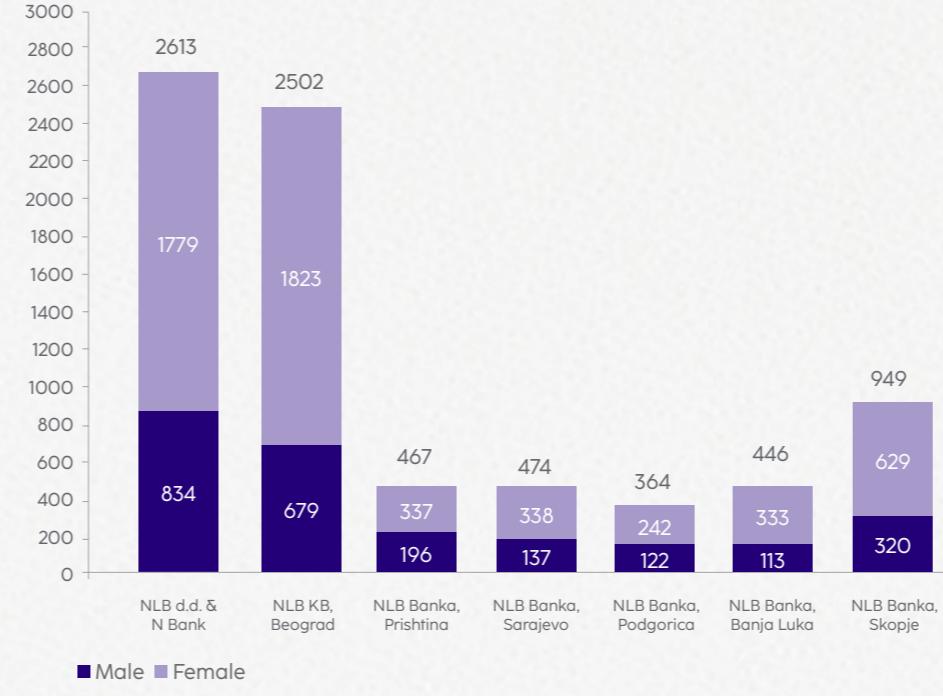


## Employee structure in significant locations of employment by gender and type of employment

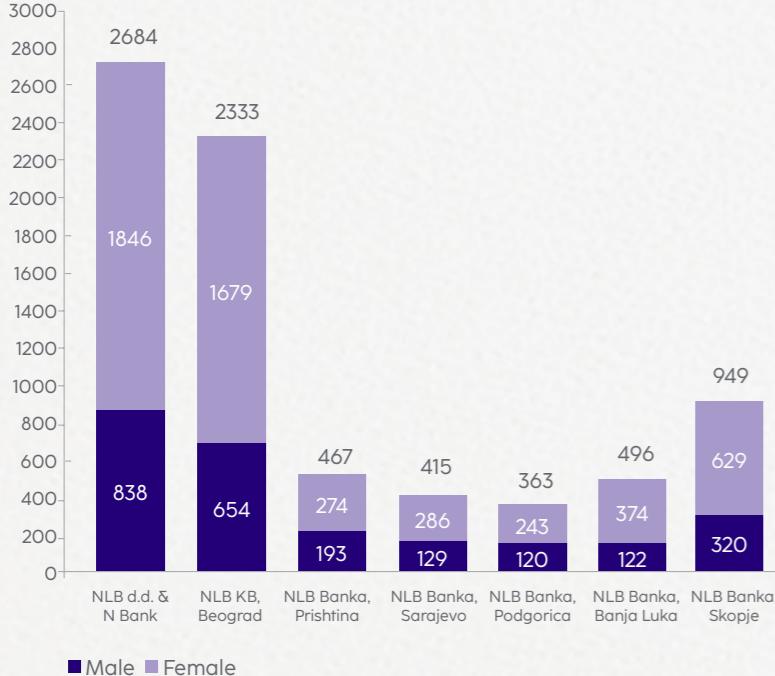
Graph: Number of employees (head count)



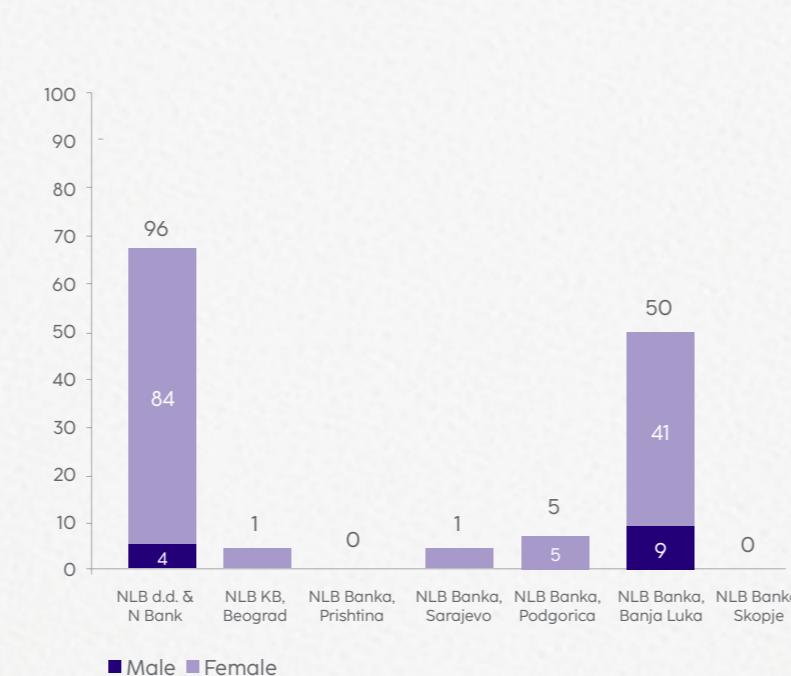
Graph: Number of full-time employees (head count)



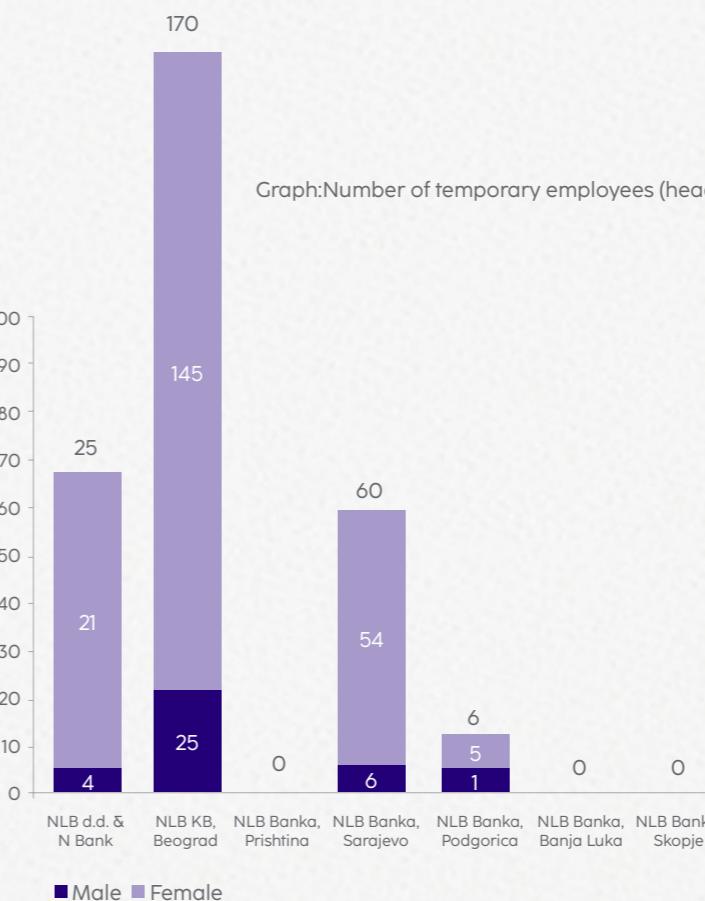
Graph: Number of permanent employees (head count)



Graph: Number of part-time employees (head count)



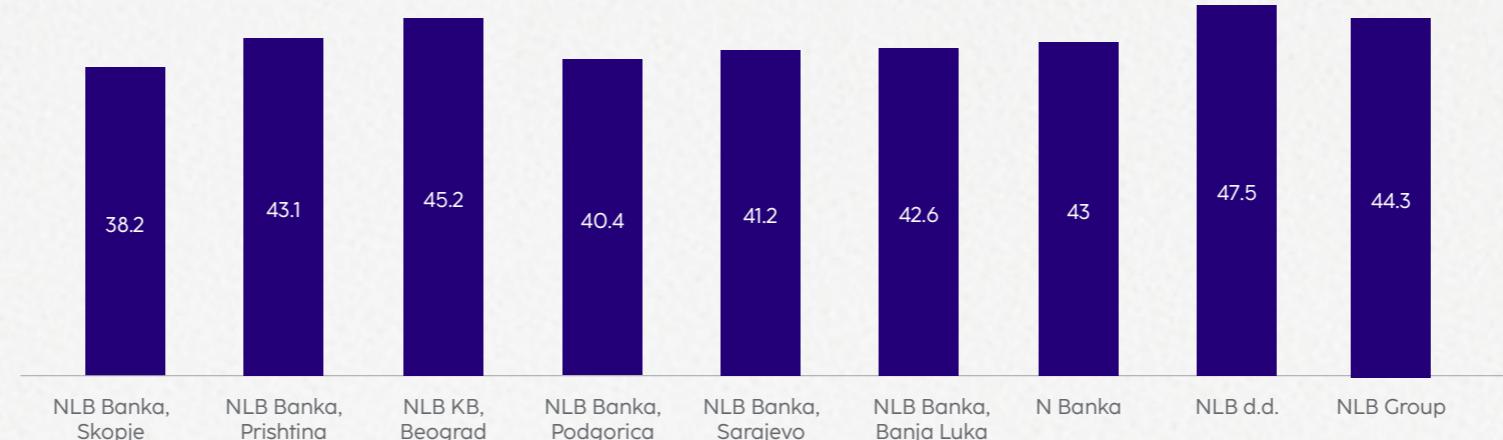
Graph: Number of temporary employees (head count)



## Average age of employees in NLB Group

The average age of employees at significant locations of employment stood at 44.3 years at the end of 2022, which is 0.3 years less than in 2021.

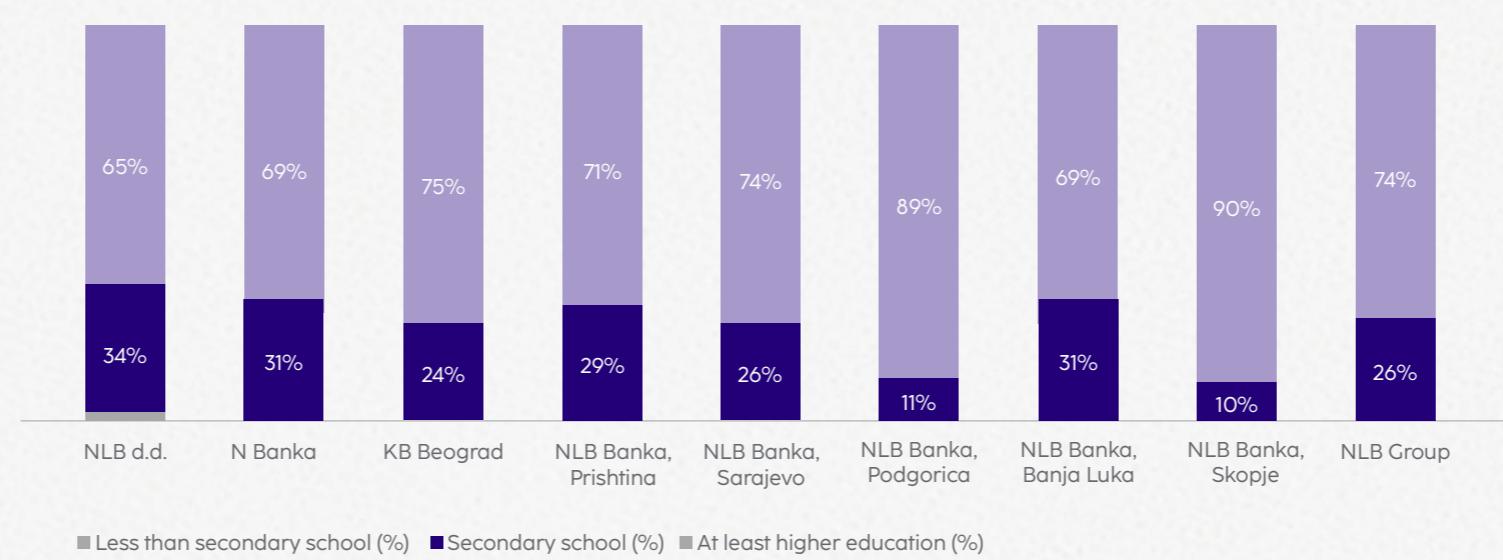
Graph: Average age of employees in NLB Group by members at the end of 2022



## Structure of employees in NLB Group by education

In NLB Group, 74% of the employees have a tertiary education level.

Graph: Structure of employees by education level in NLB Group at the end of 2022

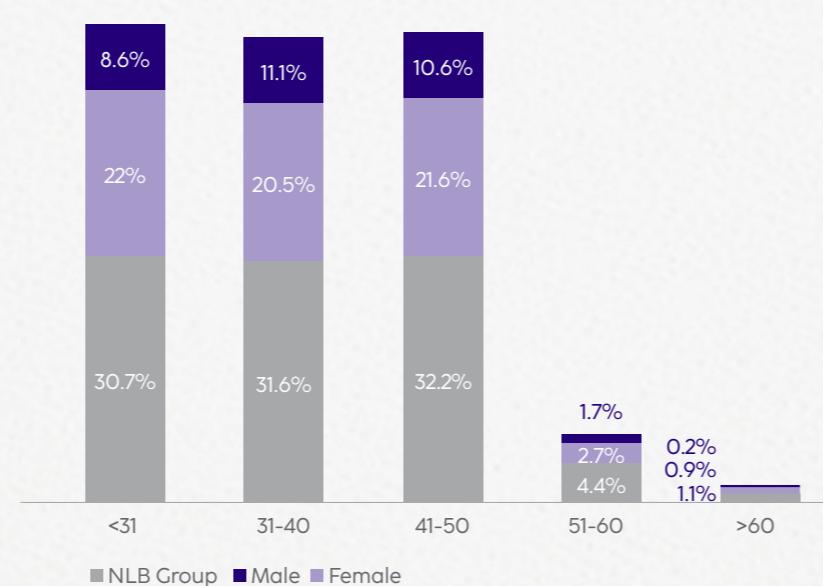


■ Less than secondary school (%) ■ Secondary school (%) ■ At least higher education (%)

## Structure of new employees in NLB by gender and age

In 2022, NLB Group hired 926 new employees at its significant locations of employment, of which 284 (31%) were younger than 31, 293 (32%) were aged between 31 and 40 years, 293 (32%) were aged between 41 and 50 years, 41 (4%) were aged between 51 and 60 years, and 10 (1%) of new employees were older than 60 years. Altogether, 32% of new employees were men and 68% were women.

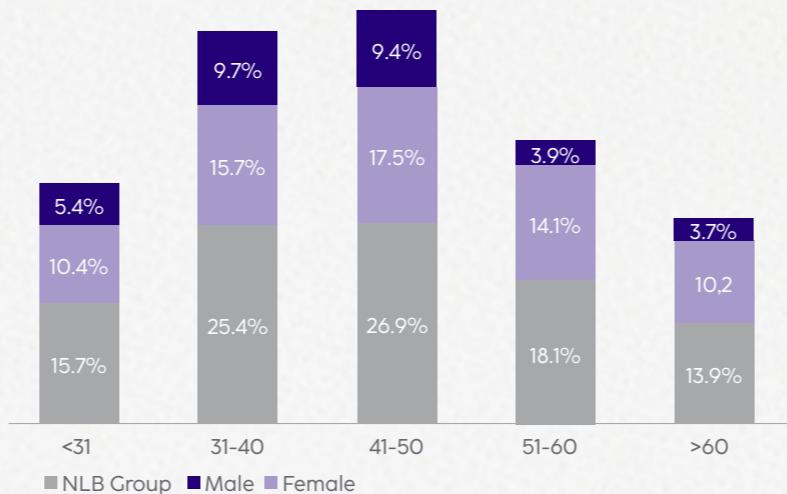
Graph: Structure of new employees in NLB Group by gender and age in 2022



## Structure of employee turnover in NLB Group by gender and age

In 2022, 1196 employees left the NLB Group at its significant locations of employment. Of these, 188 (16%) were under 31 years of age, 304 (25%) were aged between 31 and 40, 322 (27%) were aged between 41 and 50, 216 (18%) were aged between 51 and 60, and 166 (14%) were over 60 years of age. Among those who left, 32% were men and 68% were women.

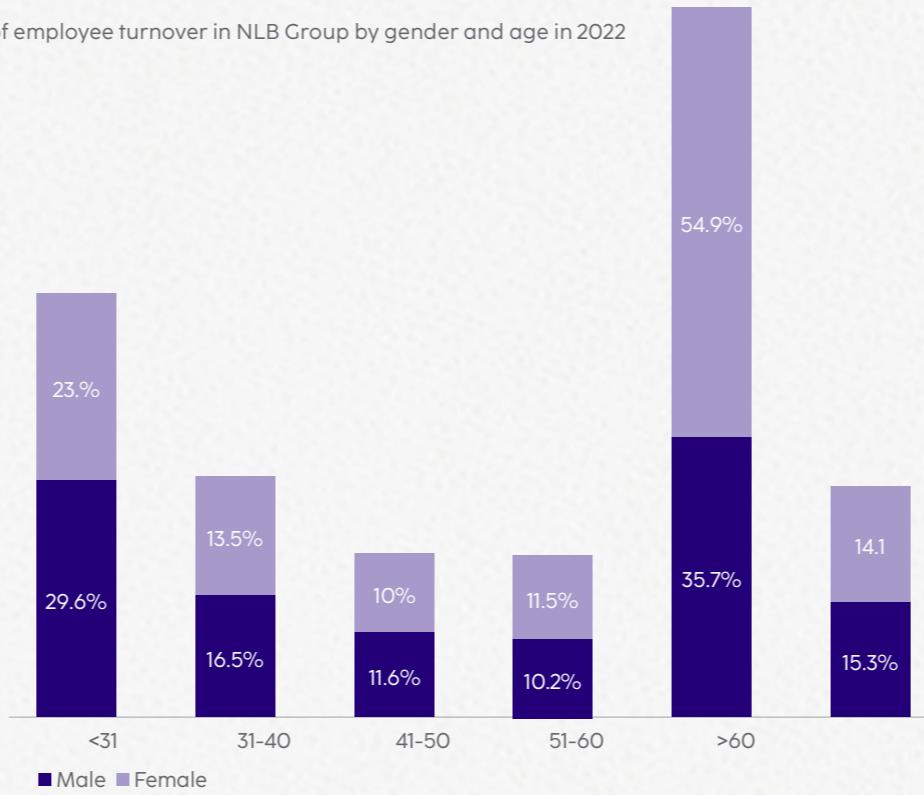
Graph: Structure of departures in NLB Group by gender and age in 2022



## Structure of employee turnover in NLB Group by gender and age

In 2022, the overall turnover of employees in NLB Group stood at 14.5%. The graph shows further distribution of this share by gender and age.

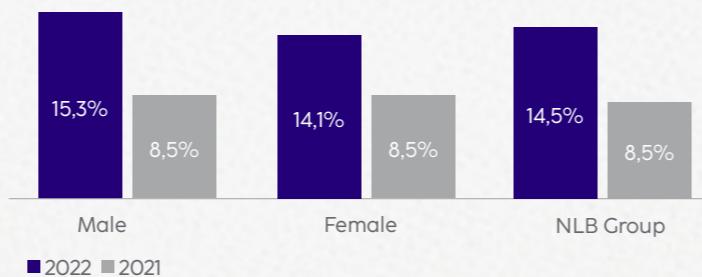
Graph: Structure of employee turnover in NLB Group by gender and age in 2022



## Structure of employee turnover in NLB Group by gender and age in 2022

Compared to 2021, the turnover rate in 2022 increased by 6%, mostly due to the higher number of retirements and early retirements, but also to the optimisation of processes and correct sizing staffing level in NLB Komercialna banka and N Banka (renamed from Slovenian Sberbank).

Graph: Employee Turnover in NLB Group in 2021 and 2022



## Work from home

The beginning of 2022 brought the calming down of the Covid-19 pandemic and, at the same time, the challenges it brought from the point of view of health protection, safety and the impact of this on the working environment. Given that we had already started working from home in some places before the announcement of the Covid-19 pandemic, this trend continued after the end of it. To protect the health and safety of employees, we actively encouraged working from home. Thus, in 2022, on average, 36% of employees in NLB Group worked from home every day. And this trend continues. At the same time, we provide employees working from home with all the necessary technical tools so that they can continue to access the banking environment well and without problems.

**“36% of employees in NLB Group worked from home every day.”**

## Parental leave

In 2022, 254 employees (214 women, 40 men) took parental leave. Some of the employees started parental leave in 2022 and are still using it, they shall return to work in 2023.

## Employee development



Care for employees and their development is one of the Bank's priority activities. In view of the demonstrated high level of professional knowledge and contributions to the HR field, NLB d.d. received the "Top Employer" award for the seventh year in a row by the recognised Dutch Top Employer Institute, which represents feedback from recognised institutions and a comparison with the best HR practices in the global environment. With this achievement, we are determined to further ensure a stimulating working environment in the Group for the future.

## Development of leadership skills

In NLB Group, we place great emphasis on the development of managers, as we are aware that they are the ones who have a key influence on the well-being of our employees. We empower managers and encourage them to constantly develop and progress, make them aware of the possibilities available to employees, and constantly ensure the upgrading of competences in accordance with the organisational culture and the requirements of the future.

In 2022, with the aim of developing the organisational culture and leaders, we included 136 individuals in the highest management positions in the entire NLB Group in a 360-degree feedback exercise on the impact of their leadership on employees. Based on this feedback, development plans were created that helped us to upgrade the management style and company culture in the entire region on a daily basis. The development of managerial competences is designed in a modular way, whereby the contents are upgraded, which means that during the implementation of individual modules, a certain period passes during which the theory turns into practice. We pay attention to the development needs of individuals through mentoring, coaching, coaching between colleagues and rotations. As an upgrade of the current development planning and programmes, at the end of 2022, we conducted an independent assessment of identified key competencies for all managers in NLB Group, which will serve as a guide for the development and success of management in the coming years.

## Developing talent

In NLB Group, we build and place special emphasis on the management and development of employees who show special potential and desire for growth and progress. We are implementing a common talent management strategy, paying special attention to managerial, professional or young talent and successors in management positions. Together with the management, we plan their personal development and create opportunities to support their growth. We provide a variety of additional opportunities and the knowledge and skills necessary to manage and lead the challenges of the future and include them in a variety of projects. As NLB Group, we also offer diverse opportunities for mobility, cooperation and exchange of experience throughout the region.

## Attracting talent

As a bank of systemic importance and with responsibility for the region where we live and work, we also want to play the role of an excellent and interesting employer, which is the first choice for the greatest talents in the entire region. That is why we are actively developing our employer brand in the entire region in accordance with the company's strategy and development. We reviewed and analysed existing practices and the impressions of the internal and external public, conducted internal and external research and interviews, and included more than 400 employees in focus groups across the entire Group. With this feedback, we set out what defines and marks us as a good employer and what represents our employment value as an employer. In this way, we continue to improve and communicate the key elements of our offer as an employer, thereby getting closer to existing and future employees.

As a leader in the region in the field of digital transformation, we make sure that internal employees can also be part of this transformation. For this purpose, in 2022 we successfully organised the NLB Hackathon (theme: "Data Translator") for all Group employees, the goal of which was to develop the most innovative ideas and data products using "data product-design" techniques. At the end of the year, the second NLB HACK KICK OFF event of this kind began (theme: "Data Experimentation Week"), which will continue in 2023.

In addition, the Bank organised challenges for young professionals in partnership with AmCham, the School of Economics and Business of the University of Ljubljana and IEDC – Bled School of Management, one of the leading international management development institutions in Europe. Throughout the year, the Bank also offer part-time job opportunities or practice to students.

In 2022, there were altogether 172 students and occasional workers employed in different areas of work (call centers, product promotion and marketing campaigns, simple administrative work of a temporary nature, property valuation, translations, IT project work).

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## Promoting local and international career development

We encourage the mobility of employees, as this enables them to further their career development, not only locally, but also at the regional level, as well as gaining international experience in other banks in the Group. Thus, in addition to long-term secondments to another NLB Group bank, we facilitate short-term rotations with the aim of transferring knowledge or good practices. For this purpose, the Mobility Policy within NLB Group was introduced in 2022 to make the mobility process easier and faster.

## Training

The Covid-19 pandemic has had a profound impact on the way we train and learn. That said, wherever appropriate, we conduct training programmes online, which is complemented with onsite classroom training. In 2022, the utilisation rate of Udemy for Business (a self-learning platform) increased significantly, especially in the areas:

- Personal Development
- MS Office tools (Excel, Word, PPT, Power BI, etc.)
- Leadership
- Languages
- Business
- Financial analysis

Furthermore, our staff have access to the “Learning paths” – longer training programmes on Udemy for Business that were created internally by in-house professionals in their respected fields such as:

- Change Management
- Strategic Thinking
- Data Science
- Business Analysis and Project Management
- Data Storytelling and Visualisation
- Deep Learning
- Big Data

In addition to extensive investment in training programmes in the Banking & Finance and Sales and Compliance areas, we placed a lot of emphasis on training in Leadership and Personal Development, particularly those topics that address the challenges of remote work. We also dedicated special attention to skills and initiatives that will shape our future and therefore trained our employees in the areas of:

- Data analytics (courses for data translators, data storytelling, data science, etc.)
- Sustainability and ESG (environmental and social awareness, diversity, etc.)
- Change management (communication, change mindset, etc.)
- Digital literacy (Industry 4.0, productivity tools, etc.)
- User experience (design thinking, storytelling, etc.)

As part of our ongoing efforts, we are also developing what is known as “Social Learning,” which encompasses methods of learning in the workplace including, but not limited to, coaching, mentoring, job rotations and job shadowing. Planning and instruction for the development of skills and competences are a significant part of staff development.

Training our employees to attain their business objectives while also acting in a socially responsible manner toward all stakeholders has been the objective and the purpose of our development efforts. That said, NLB Group systematically transforms its organisational culture, supports and helps develop new business practices, and strengthens the NLB brand through focused learning and training.

**“On average, an NLB Group employee did 22.4 hours of training in 2022, while in NLB this number was higher at 32.8 hours/employee.”**

In the future, the Group will strive to leverage training throughout the region.

NLB Group Training area	Number of enrolments	Learning hours
Banking & Finance & Accounting	7,949	35,534
Compliance & Legal & Audit	22,129	58,878
Data Analytics & Science	1,286	10,416
Development (IT)	1,570	2,225
IT Operations	2,344	5,219
Leadership & Management & Strategy	1,433	9,377
Marketing & Design (CX, UX)	715	2,927
Office Productivity & Agility & Project Management	1,191	6,132
Operations Management & Risk	2,614	9,731
Personal Development	1,214	13,188
Sales	1,984	10,511
Social Responsibility & ESG	23,816	3,482
Workplace & Human Resources	14,035	15,457
Total	82,280	183,078

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## Health and safety

### Management system

An occupational health and safety management system in NLB Group operations is based on legal requirements. Requirements in this respect are determined in The Laws and regulations on Safety and Health At Work applicable in each Member State. In accordance with laws and regulations NLB Group has implemented health and safety management system on all workplaces that are controlled by the organisation.

All employees and workers who are not employees but whose work and/or workplace is controlled by the Group are covered by an occupational health and safety management system that has been audited or certified by an external party. Other workers whose work or workplace is not controlled by NLB, is controlled by their employer, who must also comply with local laws and regulations.

**“Through joint measures, we provide to employees the safest and healthiest jobs as possible.”**

### Number of accidents

NLB Group follows the number of accidents and work-related health issues and acts immediately upon any new hazard to mitigate it. During the workplace risk assessment performed in 2022 we did not identify any high-risk workplaces. There were no fatalities as a result of work – related injury or ill health. Also, there were any high-consequence work-related injuries. We recorded up to 10 minor injuries such as slip or fall.

### Risk assessment and incident investigation

Risk assessment is carried out according by a certain methodology and on-site inspection of workplaces in accordance with the legislation on health and safety at work and the Safety Statement with risk assessment. Measures are taken to reduce exposure to occupational emissions. Regular training in safety and health at work is provided, appropriate personal protective equipment is provided and also regular periodic inspections of work equipment. Records of injuries at work are kept, which include research of every injury and the adoption of measures to reduce the occurrence of injuries. in addition to the technical risk assessment, a health risk assessment is also performed. Some NLB Group members employ professional workers for safety and health at work, who, together with the help of managers, take care of the implementation of measures to ensure safety and health at work. Other members hire a licensed company to implement

the occupational health and safety Law and to inspect the application of health and safety measures.

All employees are obliged to inform their immediate supervisor of any deficiencies and irregularities in their workplaces and in the work environment that could endanger their safety and health.

**“All employees are informed (OSH training) about hazards on their workplaces and with procedures and measures to avoid or reduce them.”**

If a danger to the safety and health of the employee is identified, the employee must stop working. He/She must inform a superior, who must take care to eliminate the danger. The employee does not return to the position until the danger has been eliminated.

The safety statement with the risk assessment lists the measures for individual groups of workplaces with which we reduce the dangers that may occur in the workplace and in the work environment. If dangerous phenomena are detected, the group participating in the preparation of the risk assessment shall re-assess the risks in individual groups of workplaces where the dangerous phenomenon occurred.

The Bank undertakes measures for level elimination, with objective posting in such a situation. During 2022, continuous control of the working conditions was performed and based upon these assessments, the update of the existing occupational risk assessment was done. These activities are in line with and above the minimal legal provisions and aimed to preventively address certain risks at specific branches of the Bank.

In some members the Bank has signed a contract with specialized external company to conduct risk assessment for each workplace. This contract is signed pursuant to law and administrative instructions issued by the Ministry of Labour and Social welfare. The Group, depending on the recommendations received by the company, takes action to eliminate the risks.

To additionally prevent and mitigate a negative occupational health and safety impacts, the Group takes care of several measures. For example, regular training on health and safety topics, and through preventive periodic medical examinations. The Bank also provides first aid, ergonomically adapt workplaces to employees, provide employees with ergonomic chairs and other aids to maintain their health.

### Workers participation

In NLB Group, all employees can participate with suggestions on how to improve the management of occupational health and safety or by expressing any concerns they may have in this respect. The Group has established various methods of worker participation, consultation and communication on occupational health and safety, for example

For example, in some countries, occupational safety and health committees or trade union representatives participate in the preparation of the safety declaration with a risk assessment. They collect information and questions from employees and take initiatives to improve occupational safety and health.

In countries where there are no occupational safety and health committees, guidelines, internal documents and health and safety management procedures have to be followed, and employees can participate with suggestions by email.

**0 fatalities**  
or high-consequence  
work-related injuries.

## **Health and safety training and promotion**

All NLB Group members organise regular and periodical training on occupational safety and health, fire protection, first aid, and evacuation. Training includes both theoretical and practical work and are executed in accordance with the member's training plans. As a rule, employees who work on higher risk position are provided with a special or additional training for their specific jobs or tasks. Trainings are provided by certified legal entities for OSH and other professional companies.

Workplace health promotion is a joint effort for employers, workers and society to improve health and well-being in the workplace. Health promotion measures are a combination of improving the organization of work in the work environment, encouraging workers to take part in healthy activities, enabling healthy lifestyle choices and promoting personal development.



Each employee has the republic health insurance, according to the national legislation. Also, the Bank is obliged to provide collective insurance against risk of accident to all employees. In addition, there are several projects and initiatives in place in each bank in the region in order to raise the awareness of employees to take care of their own health. Some examples are Health Bank project in NLB, cooperation with institutions related to health care (diabetes, high blood pressure, heart disease, etc.), employees' membership in the banks' sport associations, and others.

## **Labor management relations and social dialogue**

NLB Group members are committed to establishing constructive relations among employees and management, maintaining high standards of social dialogue and ensuring timely communication. This also includes open communication on relevant topics, and informing employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.

Based on the Labor Relationship Act two workers representative institutions were established in NLB:

- NLB representative trade union. Collective Agreement defines rights and obligations for employees and was signed in January 2022 with validation for two years. With Trade Union monthly meetings are held on open topics. If open negotiation, then meetings in line with negotiation process. Main topics of interest are related to social status improvement.
- Workers Council. Agreement on mutual cooperation was signed in August 2016. Regular monthly meetings held. Main topics of interest are related to working conditions.

The Bank has one authorized representative assigned for cooperation in labor relations. Workers also have at the moment two representative in Supervisory Board of NLB. In case the relevant internal rules should be amended or changed, an employer is obliged to ask the Labor Union's opinion before final adoption; and is obliged to get an agreement with proposed changes of internal rules from Workers' Council. The Labor Union's opinion is also required for the dismissal of employees due to redundancies. The way of cooperation with the Labor unions and the Workers council is fixed by collective agreements, the Act of workers and management and the Agreement on cooperation between Workers council and employer. Deadlines for informing employees and their

representatives prior to the implementation of significant operational changes that could substantially affect them range from 8 to 30 days, subject to the nature of operational change. At NLB Komercijalna banka Beograd the way in which the bank and trade union cooperate is governed by the Collective Agreement of the Bank. The union has the right to be notified of issues of importance for the position of employees in accordance with the Law on Labour and other regulations, whereby information is delivered at the request of the Union within 15 days from the date of submission of the application, at least six months and at the end of the business year.

**“We provide high standards of social dialogue and ensuring timely communication with employee representatives.”**

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## Diversity of the highest governance bodies

The Policy on the Provision of Diversity of the Management Body and Senior Management of NLB d.d. was amended in 2022 according to JST recommendations, amendments to the Companies Act (ZGD-1), amendments to the Banking Act (ZBan-3), EBA and ESMA Guidelines on assessing the suitability of members of the management body and holders of key functions, amendments to the Slovenian Corporate Governance Code and EBA Guidelines on Internal Governance. The amended Diversity Policy was adopted by the General Meeting of shareholder on 20 June 2022.

The Policy on the Provision of Diversity of the Management Body and Senior Management sets out the targets to be pursued in terms of representation on the Supervisory Board, Management Board and senior management according to different diversity goals so that the management body is composed in such a way that, as a whole, it has the knowledge, skills and experience necessary for in-depth understanding of the Bank's strategy and challenges and the risks to which it is exposed. With this Policy, the Bank also sets the framework for diversity regarding education, the range of knowledge, skills and experience, age, gender, and international experience.

Considering the size of the Bank and the Group, and their regional presence and business strategy, the following aspects are important to ensure diversity:

Goal area	Description
<b>Gender structure</b>	The Bank has set a quantitative goal by defining a period for achieving this goal. Therefore, it respects and follows the initiative 40/33/2026 Association of Supervisors of Slovenia for voluntary achievement of the goal of sexual diversity by the end of 2026: 40% for members of supervisory boards and a total of 33% for members of supervisory boards and management boards of the underrepresented sex in public joint stock companies and state-owned companies. Before changes in the boards, by July 20, the Bank was achieving this goal, and will strive to reach it again.
<b>Age structure</b>	The Bank encourages the achievement of diversity as regards the age structure, which should reflect the age structure in the Bank as much as possible.
<b>Professional competencies, skills and experience</b>	The Bank ensures for the management body that members with experience in the field of finance, law and corporate governance are provided, who are familiar with banking activities, have skills in the area of management and experience in risk management. The management body as a whole must cover an adequately wide range of knowledge, skills and professional experience of its members, and be composed with regard to the following criteria: experience, reputation, management of potential conflicts of interest, independence, available time and collective suitability of the body as a whole. The above-mentioned requests apply mutatis mutandis to the senior management.
<b>Continuity of composition of the management body and senior management</b>	The Bank ensures for the management body appropriate continuity, meaning a suitable ratio between the existing and the new members of the management body and senior management.
<b>International experience</b>	The Bank endeavours to achieve a suitable share of the management body and senior management members with international experience in different areas, especially those identified where a certain gap appears (e.g. foreigners and Slovenes doing business abroad).
<b>Personal integrity</b>	The management body and senior management members must achieve a high level of personal integrity whereby integrity represents the expected action and responsibility of individuals and organisations in preventing and eliminating risks of using authority, function, authority or other decision-making power contrary to the law, legally permissible goals and in accordance with the guidelines defined in the NLB Group Code of Conduct.
<b>Geographical provenance</b>	Considering the Bank's presence on foreign markets, the Bank endeavours for the management body members to have different geographical provenances, as this ensures that at the collective level the management body has suitable knowledge of the culture, market characteristics and legal framework in the areas where the Bank operates.

The Bank implements the principles of the Diversity Policy through policies and procedures, namely the Policy on the Selection of Suitable Candidates for Members of the Supervisory Board and the Policy on the Selection of Suitable Candidates for Members of the Management Board, as well as procedures of the Nomination Committee of the Supervisory Board. Implementation is in process in NLB Group and should comply with local regulations. The Diversity Policy of NLB d.d. is reviewed annually by the Nomination Committee of the Supervisory Board of NLB d.d.

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In order to achieve the objectives of this diversity policy, NLB Group applies the following measures:

- upon the appointment of new members or re-appointment of members of the Supervisory Board and Management Board, taking into account the Policy on the Selection of Suitable Candidates for Members of the Supervisory Board and the Policy on the Selection of Suitable Candidates for Members of the Management Board. The above applies mutatis mutandis upon the appointment and re-appointment of the Bank's senior management;
- pre-definition of the conditions for the performance of each function, including the required profile of the members of the management body, even before they are appointed;
- using recruitment pathways that attract a sufficiently wide range of candidates;
- if two candidates for the position of a member of the Management Board or a member of the Supervisory Board meet all the required tender criteria and at the same time the target gender representation is not achieved in a certain body, a candidate of the underrepresented sex shall be selected;
- in achieving the target representation of the Management Board, as well as by a predetermined replacement plan and by fulfilling another member of the Management Board, as defined by the Articles of Association of NLB d.d.;
- taking into account the objectives of the diversity policy when assessing the collective suitability of management and supervisory bodies.

## Management bodies and senior management in 2022 and plan for 2023

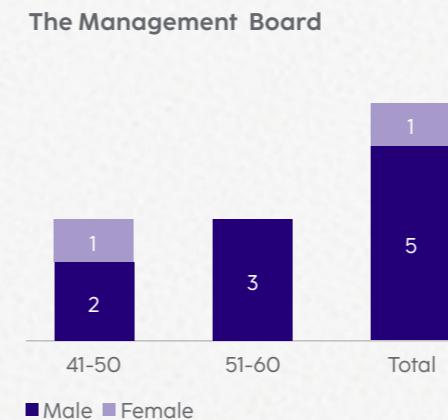
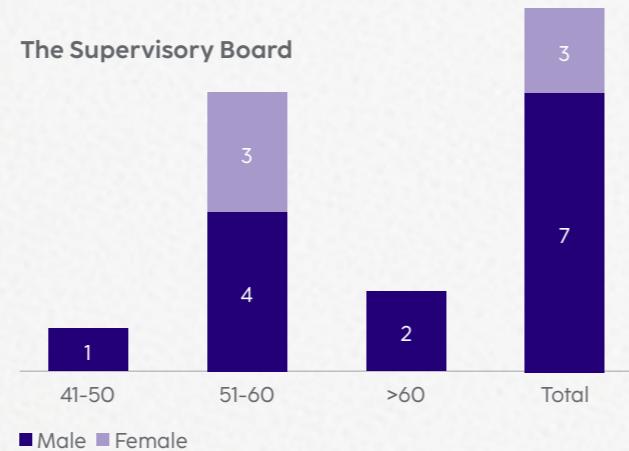
	Supervisory Board of NLB		Management Board of NLB		Senior Management of NLB	
	2022	Plan for 2023	2022	Plan for 2023	2022	Plan for 2023
Wide range of knowledge, skills and professional experience	High	High	High	High	High	High
International experience of the members in different areas	Medium High	Medium High	Medium High	Medium High	Medium High	Medium High
Continuity of composition of the management body	High	High	High	High	High	High
Personal integrity	High	High	High	High	High	High
Geographical provenance	Medium High	Medium High	Medium High	Medium High	Medium High	Medium High
Age structure	20-30=0	0	20-30=0	0	20-30=0	0
	30-40=0	0	30-40=0	0	30-40=0	1
	40-50=1	2	40-50=3	2	40-50=1	18
	50-60=7	5	50-60=3	4	50-60=7	16
	60+=2	5	60+=0	0	60+=2	2
Share of women	30%	42%	16.7%	16.7%	41%	45%

H - high; MH - medium high; ML- medium low; L- low

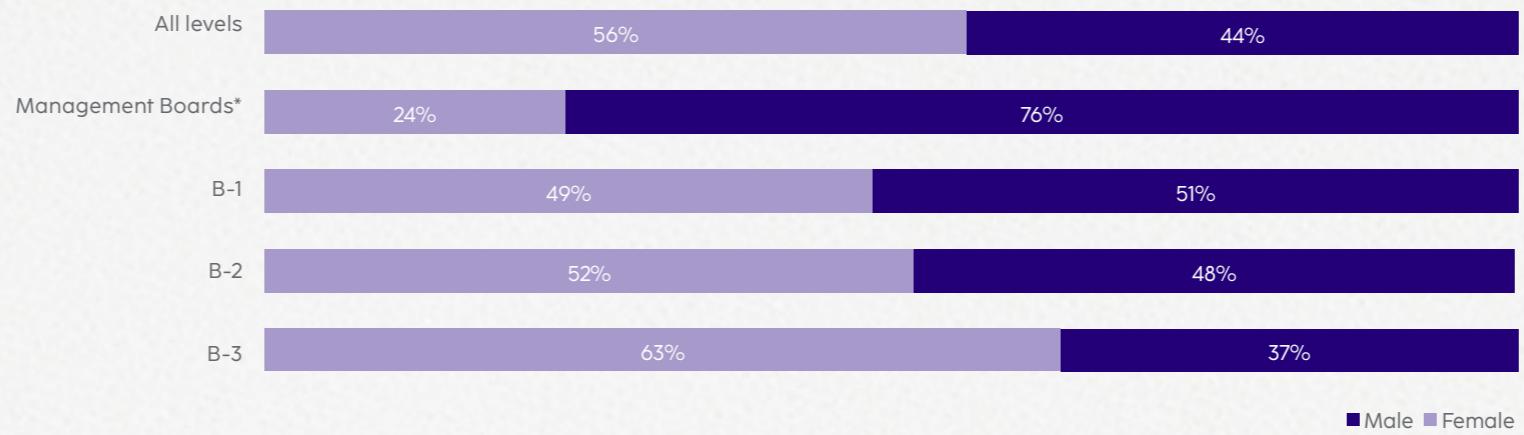
## Gender Diversity, Equality & Inclusion

The Management Board of NLB has 6 members: 5 men and 1 woman. The Supervisory Board of NLB has 10 members: 7 men and 3 women.

Graph: Gender and age diversity of Supervisory and Management Boards

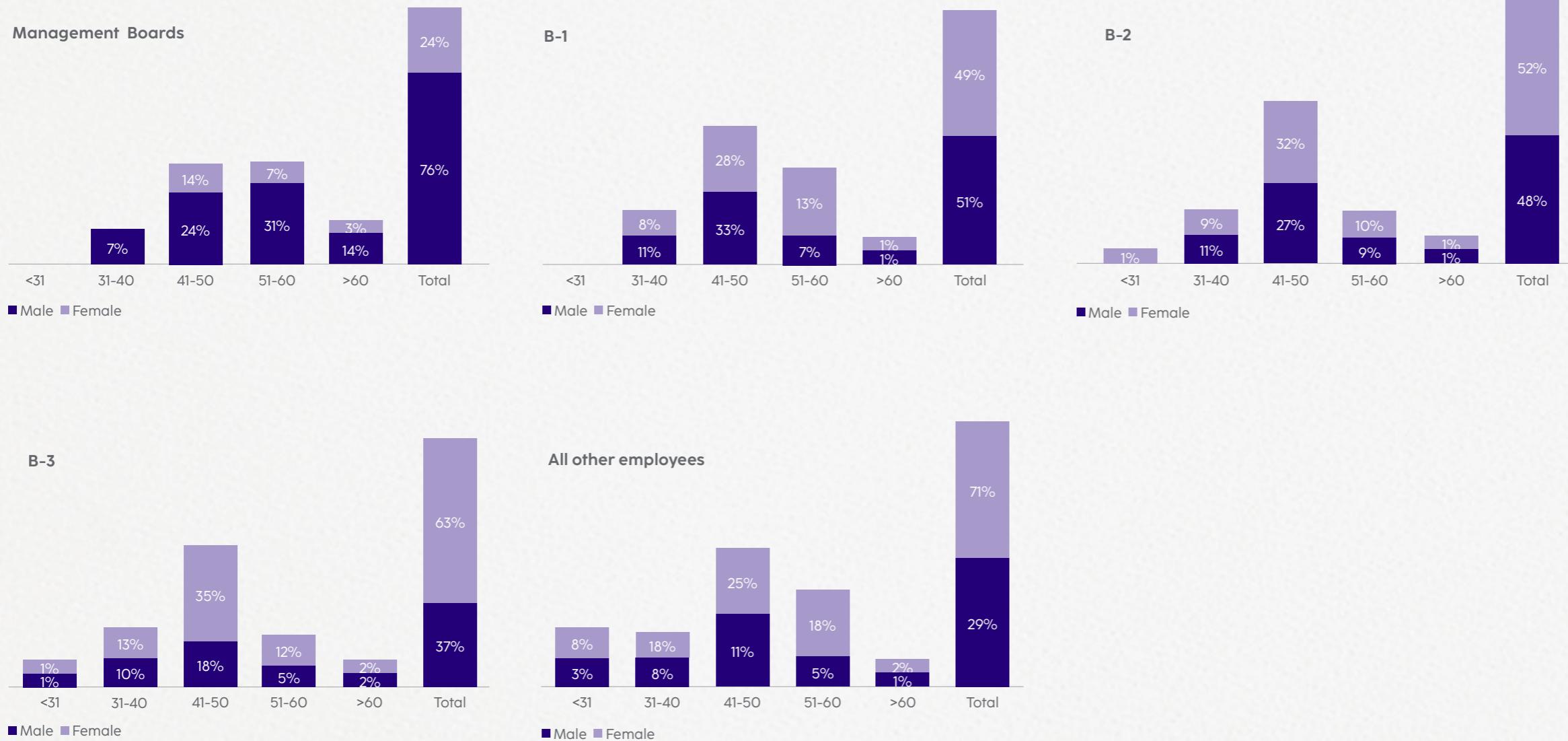


At the end of 2022, women represented 56% of all management positions. 24% of women in Management Boards (NLB d.d. and subsidiaries), 49% of women at the first management level (B-1), 52% of women at the second management level (B-2), and 63% of women at the third management level (B-3).



## Gender and age diversity of leadership and employees

Graph: Gender diversity of leadership



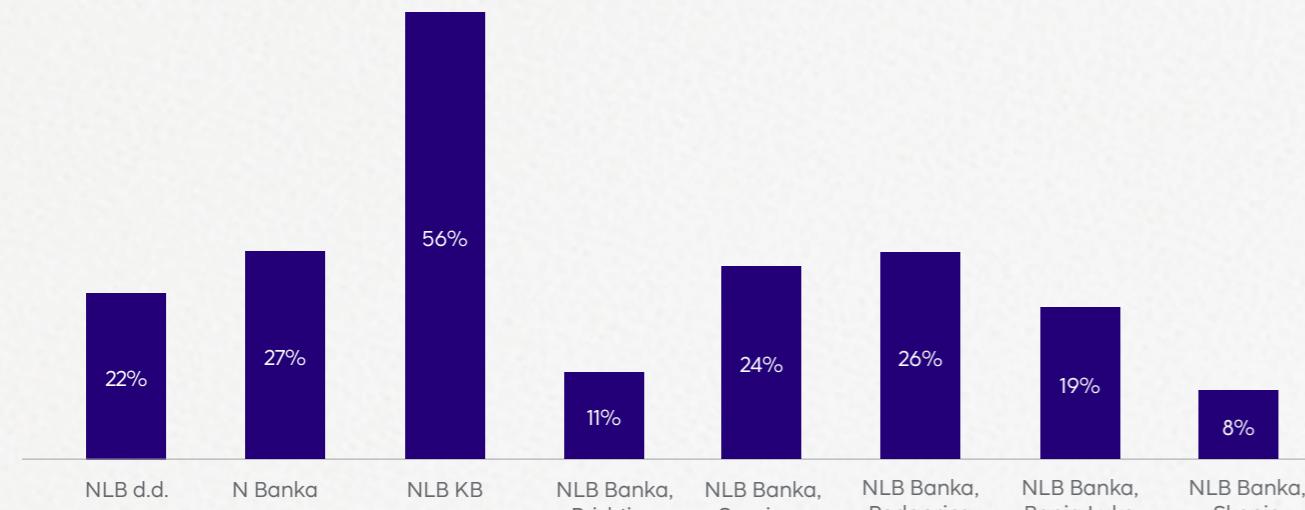
## Gender pay gap

The level of wages in NLB Group is governed by internal rules and collective agreements and depends on the complexity of the workplace and the performance of employees. The level of complexity of the individual workplace is determined based on the criteria set out in the systemisation rules of jobs using factor analysis according to the job evaluation model. All NLB Group employees have the same opportunities regardless of gender, age, and location.

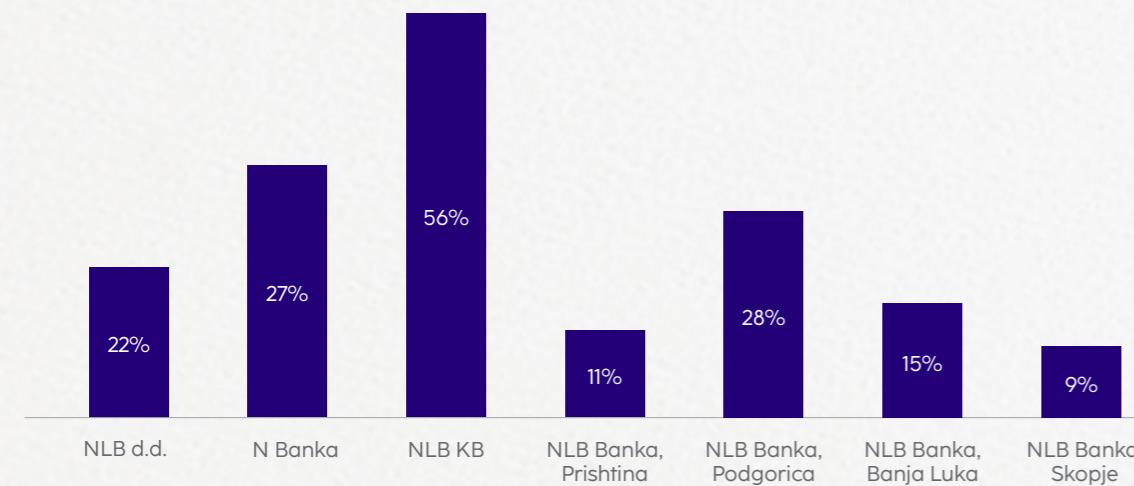
The graphs below illustrate the unadjusted Gender Pay Gap by Group members. The gap is mainly due to the higher proportion of women in the lower and lower-middle pay quartiles. The average of the adjusted pay gap by positions of equal value fluctuates between 2% to 4%. NLB Group will strive to reduce the pay gaps by progressively balancing gender representation by job positions and by pay quartiles according to the overall gender structure of the bank.

The unadjusted Gender Pay Gap from gross basic pay represents the difference between median gross basic hourly earnings of male paid employees and of female paid employees as a percentage of median gross basic hourly earnings of male paid employees.

Graph: Unadjusted median gender pay gap from gross basic pay



Graph: Unadjusted median gender pay gap from gross full pay



The unadjusted Gender Pay Gap from gross full pay represents the difference between average gross full hourly earnings (basic pay plus all fixed allowances and bonuses) of male paid employees and of female paid employees as a percentage of average gross full hourly earnings of male paid employees. The calculation includes only employees who receive full pay for the reporting period. Part-time employees and employees on sick leave are excluded.

## Remuneration

The basic principles and the framework for rewarding employees in NLB and the Group is set out in the Remuneration Policy for Employees in NLB and in the Group. The policy defines fixed and variable remuneration, the goal-setting system and performance criteria (KPIs), and sets out the conditions for the allocation and payment of the variable part of remuneration.

The starting point for setting goals for employees is the implementation of Bank's business strategy and the goals of the organisational unit that the manager sets according to the system of goal setting from top to bottom. Then, a planning interview takes place between the employee and the manager, where the following topics are discussed:

- key employee goals that are important for achieving the Bank's business goals.
- goals and achieving the expected competencies (behaviour) in the workplace,
- the criteria for determining work performance are divided into two parts: goals (what, how much) and competencies (how, in what way).

Planning annual, semi-annual or quarterly employee goals and defining key competencies are the basis for annual, semi-annual or quarterly employee performance appraisals and payment of part of earnings based on work performance. The dynamics of planning, monitoring and evaluating work depends on the dynamics of tasks performed by employees in the organisational unit.

On average, more than 90% of employees receive regular performance and career development reviews, and only long-term absentees may be exempt.

»» For more information on employee performance assessment and remuneration, please refer to NLB Group Annual Report 2022.

»» For more information on the Management Board performance assessment and remuneration, please refer to Chapter Remuneration and integration of ESG goals.

# Responsibility to clients

## Customer experience

Customer experience is an essential success factor in NLB Group. Improving the customer experience positively influence market share and profitability while providing customers with a better overall service. It is measured through customer feedback, research, surveys and analytics to gain insight into how customers interact with our services and products. The purpose is to identify areas of improvement or areas where we excel compared to our competitors, allowing us to make informed decisions on how best to serve our customers. By investing in improving the customer experience, we create loyalty among existing customers while also attracting new ones.

We are constantly focusing on areas such as increasing convenience through digital channels, offering personalised services tailored to individual needs, streamlining processes to reduce complexity and time-to-market for new products or services, and creating an interactive environment that encourages feedback from customers. Such initiatives not only improve the customer experience but also help build trust between banks and our clients which ultimately leads to increased loyalty over time.

One measure to enhance organisational culture and engagement for excellent customer experience, the Golden Branch competition, was established. The title Golden Branch goes to a branch where employees work together, where customers are receiving the best customer experience in terms of advice, service and feeling comfortable in the branch, because work spaces are perfectly arranged. In 2022, for the second year in a row, NLB organised the Golden Branch competition with very specific parameters, from customer satisfaction, tidiness and digitalisation to team work. The aim of the project is to connect branches to a level where good practices will be shared and adopted by branches that might need a little help in specific areas.

## Net Promoter Score

One of the key measures for evaluating the NLB's position on the market is NPS (Net Promoter Score). It is measured on a scale from -100 to 100 as willingness to recommend the company. For the fourth consecutive year NLB has been experiencing the rise of the NPS reaching a positive value of +11 (as of June 2022).

The indicator is influenced by the various activities performed by NLB, but mostly with the offer, attitude towards clients and perception of NLB in general. One of the NLB's best-rated traits is the impression of being important for economic stability, which indicates our responsibility to the community in which we operate. Clients also recognise our efforts of digitalisation as a provider of high-quality digital services.

## Digitalisation

The focus of digitalisation is on using the available, ever-changing information technology tools, in order to increase the efficiency of the bank through more innovative, personalised, accurate and prompt service to the clients. Currently, clients can contact with NLB through several different contact points (branch, mobile banker, contact centre, email, website, ATM, e-bank, m-bank, mobile wallet, social media). High growth in smartphone penetration among the population creates the opportunity to move more customers to alternative distribution channels that they use anyhow on a daily basis. NLB strives to provide a wide range of 24/7 digital solutions to come closer to clients and offer them anchor products and the most accessible and personalised digital services.

The main target for NLB Group is digital penetration of active customers. The goal for NLB Group is for 55% of clients to be active on digital channels by 2025. NLB Group ended 2022 reaching 35.5% penetration. In addition, NLB has launched a best practice sharing group that will support reaching the set digital penetration targets in all countries in the coming years. During 2023, planned improvements on digital channels will be launched, as well as awareness activities among clients in under-digitalized regions. We are confident that these activities will have a positive impact on digital penetration in the future.

Of those who use digital banking in NLB Group, 62.3% are actively using it, private individual clients having slightly higher percentage at 62.7%, and legal entities are close behind at 58.1%. We established that among private individuals the most digitalised clients are in NLB (89.4%) and NLB Banka Banja Luka (88.9%). Legal entities, on the other hand, are the most digitalised in NLB Banka Banja Luka (85.6%) and NLB Banka Podgorica (84.5%).

NLB offers a Digital package and Digital Only card, which were implemented in the last two years and are slowly gaining recognition among clients. Demand to contract via digital channels is used more: in NLB it represents 16.2% of total demands and in NLB Banka Skopje 15.1%. In NLB 12.3% of contracts are concluded via digital channels.

NLB Pay is a mobile wallet that enables contactless payments with smartphones equipped with NFC technology, so clients can pay at all POS terminals that allow contactless payment and withdraw cash at contactless ATMs. It is available in NLB and NLB Group members, together having 102,902 clients, of which 28.8% are active users. In NLB 1.86% of all card transactions go through NLB Pay, while in NLB Prishtina the percentage is even higher at 2.95%.



## Complaints management process

In NLB Group, we treat customer complaints and feedback as an opportunity to improve our services, processes and customer relationship. Therefore, we carefully measure the volume, structure of complaints, the way they are resolved and the overall customer experience.

In compliance with legislation governing banking and financial services, the Bank has established two-level internal complaint process and two selected out-of-court settlement centres.

»» The complete information on the complaint process is available for customers on the Bank website.

NLB employees respect the customer's view of issues regarding contractual obligations and processing of our services and complaints are treated as a chance for improvement. A customer's opinion/complaint is respected and registered, whether positive or negative.

Key target areas followed by the Bank in the process of complaint management are:

- Fast, efficient, and professional complaint.
- Settlement on all levels of the process, settlement of satisfactory reimbursement requests in a unified way.
- Registration of complaints such as to enable content analysis with the purpose of improving products, processes, customer experience (transparency, quality, customer relation, etc.).
- The formation of proposals on improvements with the purpose of preventing a larger number of similar mistakes and consequences of the negative customer experience.

In NLB Group, the same targets are followed in terms of processing of complaints as in the Bank. Accordingly, "Minimum Standards for the Sales Area" are implemented in all banks of the NLB Group. These standards are:

- Written Instructions for the resolution of customer.
- Complaints two\_level internal complaint process (centralized unit which is responsible for substantive management of the resolution of customer complaints in the member and which is the substantive manager of the instructions for the resolution of customer complaints and acts as the second\_instance complaints body).
- Recording of received and solved complaints.
- The preparation of annual report of customers complaints.

In 2022, 86% of all complaints were resolved positively. We have also set up a preliminary system to measure customer satisfaction with complaint handling. More than half of the customers who responded to the survey and were satisfied with the resolution of their complaint became promoters of the bank after this experience. In the future, we will further strengthen the system for managing the customer's experience of using financial services and complaint handling, and increase the number of respondents to the satisfaction surveys.

Similarly to the entire Slovenian banking system, card services have the largest share in the total number of complaints, whereas the share of complaints in relation to the total number of card transactions is low, namely 0.055%. Alongside the complaint resolution system, NLB has a system in place to detect and prevent card abuse. We also raise customer awareness of the dangers of online commerce and shopping, thereby contributing to risk management in this area.



## Digital and financial literacy

As the population ages, NLB is recognising the importance of providing safe digital banking services that meet the needs of the older population, some of which are transitioning to digital channels for the first time. We are making efforts to ensure that older people are included for the best digital banking experience.

Especially in this post-Covid year, we are increasingly taking a proactive approach to ESG initiatives such as providing digital and financial education and advice to older people, helping them safely and better manage their money with using digital channels.

For this reason, we organised 10 practical workshops specifically tailored to the needs of older people – “How to do modern banking safe and digital with NLB”. We introduced them to online and mobile banking and how to do business safely and avoid frauds. We helped our older customers to activate the digital banking apps Klikin and NLB Pay-e on their smartphones and showed them how they can use our banking services, make payments in stores or confirm online purchases, transfer money or manage their card security settings.

In 2022 we also started a partnership with the social enterprise Simbioza. Their activities are based on intergenerational cooperation, volunteering and lifelong learning. In 2011, when their story begins, youngsters were teaching older people about computers: their first nationwide project was “E-pismena Slovenija”. NLB cooperation with Simbioza is based on three pillars:

- Digital skills for older people workshops (online and offline). In 2022 we ran 13 workshops with a total of 121 participants. They are mainly performed in collaboration with KC specialists.
- The second pillar is content cooperation with their first and only app exclusively made for older people, named “Magda”. Magda is full of useful information tailor-made for seniors. Cybersecurity, NLB bank branches and ATM machines, how-to videos on online and mobile banking – NLB Klik, Klikin and NLB Pay are just a few of them.
- The last pillar is cooperation between our mobile branch NLB Bank&Go and their mobile classroom. We go on the road together, bringing digital banking knowledge and banking solutions on their doorsteps.

NLB Group members NLB Banka Prishtina and NLB Banka Sarajevo organised a set of guides and workshops to help their customers with their financial and digital literacy. In Prishtina they created special guides on how to make payments, while in Sarajevo three different sets of activities were provided – Digital Corner (e-banking education for seniors), Savings Day (live and online theatre plays for children) and Youth Camp.

NLB Banka Podgorica introduced a special web platform within the web portal, dedicated to financial literacy, and combined it with the Bank's official profiles on social networks. Through both channels, clients and other interested citizens are provided with useful financial advice, giving answers to questions about how to independently manage personal and business finances, how to borrow reasonably, and how to plan for the financial future.

» To explore more about financial literacy initiatives for youth, please refer to [Financial literacy for youth](#).

## Bank accessibility

For clients in smaller Slovenian towns where there are no bank branches, NLB enables uninterrupted banking operations and personal contact with a bank employee with a specially adapted vehicle NLB Bank & Go that enables the realisation of banking services on the road. In 2022 NLB Bank&Go regularly

visited 24 different locations four days a week, and on Fridays was present at specially arranged events, clocking up in total approximately 45,000 kilometres on the road.

## Responsible product development

The Group is committed to providing clients with valuable products and services that meet their needs and benefit shareholders. To achieve this, the Group reviews new products before offering them to ensure that clients can have full confidence in our products and services.

The Committee for Existing and New Products is in charge of approving and monitoring products while also focusing on risks related to the product and the method of managing those risks. The review process applies to all new and existing products and services, and involves key control functions, including Compliance and Integrity, to ensure that the products and services are compliant with all applicable laws and regulations as well as ethical standards.

## Humanitarian transactions

In the support of philanthropic aid in Slovenia, individuals and companies could pay donations with no fee from payment transactions to humanitarian organisations. In 2022, NLB exempted 32 humanitarian organisations from fees, which resulted in 6,104 transactions worth a total of €588,834.

**“32 humanitarian organisations were exempted from payment transaction fees.”**



**23**  
**workshops**  
on digital banking  
for older people



Employees are our most valuable asset and a vital aspect of the NLB Group's good business performance. In NLB Banka Skopje we therefore continuously invest in their training and education, thereby **creating better footprints** in their lives.

Looking comprehensively at the development of employees and the development of leadership skills, a series of activities was organised in 2022 in our bank, which represent a combination of standard trainings, e-learning and mentoring that resulted in an increase of 38% in the hours of training compared to the previous year.

Special emphasis was given to topics related to banking operations, IT technologies and the advancement of knowledge and skills in the segment of Data Management, as well as the development of leadership competencies. We also paid attention to strengthening cooperation and support as a basic element of joint development.



Photo: In 2022, employees of NLB Banka Skopje spent more time on trainings, which, among other things, encouraged cooperation and mutual support.

# Sustainable Finance and Risk Management

**Finance is a key enabler of the transition towards a low-carbon economy and society. We are contributing to this goal by managing climate-related risks and opportunities, and by supporting our clients in a transition journey with comprehensive sustainable and green finance solutions.**

In this chapter we outline the actual and potential impacts of climate-related risks and opportunities on NLB Group's businesses, strategy and financial planning, describing:

- The climate-related and other ESG risks and opportunities NLB Group has identified over the short, medium, and long term.
- The impact of climate-related risks and opportunities on NLB Group's businesses, strategy, and financial planning.
- The ambition to make NLB Group's strategy even more resilient.



## Risk identification and materiality assessment of climate-related and other ESG risks

NLB Group considers climate and other environmental risks as environmental risk. Transition risk and physical risk are subcategories of climate risk. Both categories are then further divided into even more subcategories, as presented in the table on the right.

### Materiality assessment

1. In the first step, the risk drivers relevant for Slovenia and other countries where NLB Group is present are identified. In addition, the Group considers exposure to other environmental risks, such as biodiversity risk, waste disposal and pollution.
2. The Group analyses how such risks can impact its clients and the Bank itself, and defines transmission channels.
3. Furthermore, the Group assesses how other factors (sources of variability) which determine the likelihood or the size of the impact, so-called amplifiers, mitigants and geographical heterogeneity impact its operations.
4. In the final step, the materiality of the impact is assessed. These analyses were performed on proxy data for CO<sub>2</sub> emissions and energy usage, historical data for physical risk, and expert judgement supported by publicly available climate change studies.

The following environmental risk drivers were considered when conducting the materiality study for NLB Group:

<b>Transition risk</b>	<ul style="list-style-type: none"><li>• Climate Policy changes</li><li>• Technological changes</li><li>• Behavioural changes (investor and consumer sentiment)</li></ul>
<b>Physical risk</b>	<ul style="list-style-type: none"><li>Acute Physical risk<ul style="list-style-type: none"><li>• Floods</li><li>• Drought</li><li>• Heat waves</li><li>• Windstorm</li><li>• Wildfires</li><li>• Hail</li><li>• Freezing rain</li><li>• Landslide</li></ul></li><li>Chronic Physical risk:<ul style="list-style-type: none"><li>• Temperature changes</li><li>• Reduced water availability</li><li>• Biodiversity loss</li></ul></li></ul>
<b>Other environmental risks</b>	<ul style="list-style-type: none"><li>• Waste disposal</li><li>• Nature conservation incl. biodiversity loss</li><li>• Pollution</li></ul>

For the impact analysis, however, the Group decided to use a slightly different approach to the classification of transition risk, which relies more on risk factor pathways as described by UNEP-FI. Although the main drivers of the risk remain policy, technological and behavioural changes, UNEP-FI methodology relies on its impact on cost, capital expenditures and revenues.

The methodology for assessment of environmental risks should be treated (due to its complexity, lack of good-quality micro-level data, comparability between institutions, cross-country comparability and comparability of different risk categories) as expert based, though it can be still subject to changes due to the aforementioned reasons.

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Each of the identified physical risk factors is assessed from a probability and impact perspective. The methodology used has been developed internally. It relies on all available climate and environmental data (including insurance companies' loss statics), studies available for its region (namely, provided by different relevant state institutions) and expert judgement. While the probability of a severe physical risk event is evaluated based on the location of the exposure, the impact of such an event relies more on the industry (segment) of the counterparty. Probability and impact scores are then combined into a vulnerability score.

To identify physical risk factors, the Group is using 5 level risk assessment scale:



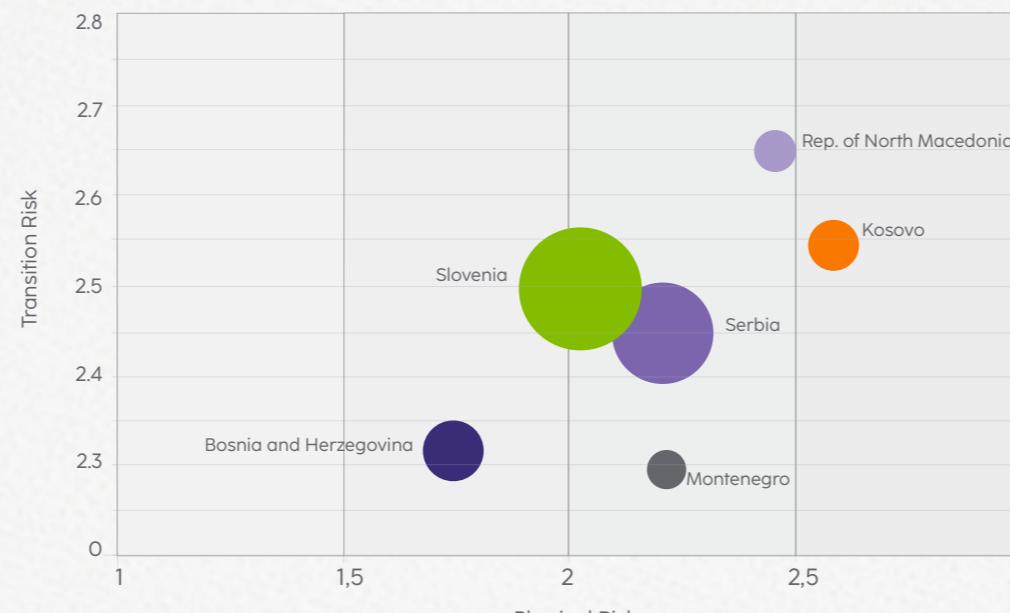
For residential mortgages the Group assesses flood risk by using flood maps, which means that the exact flood risk level is determined based on the micro location of the real estate. From the physical risk perspective, in the short to medium term, the Group does not classify any exposure as high risk. However, assuming worst-case scenarios in climate change, certain exposures (such as agriculture in some regions) are also classified as high physical risk in the long term.

Transition risk factors are assessed based on the UNEP-FI methodology, which is industry based. The methodology was elaborated by the Group to a more granular level and is combined with actual or proxy emissions data. Here, too, the Group uses the same 5 level scale as described above. For residential mortgages the Group assesses transition risk by using energy performance certificate (EPC) scores, energy consumption and CO<sub>2</sub> emissions, which are derived from the EPC. From the transition risk perspective the highest risk is expected in the medium term, although due to the favourable composition of the Bank's portfolio, only limited exposure is classified as high risk.

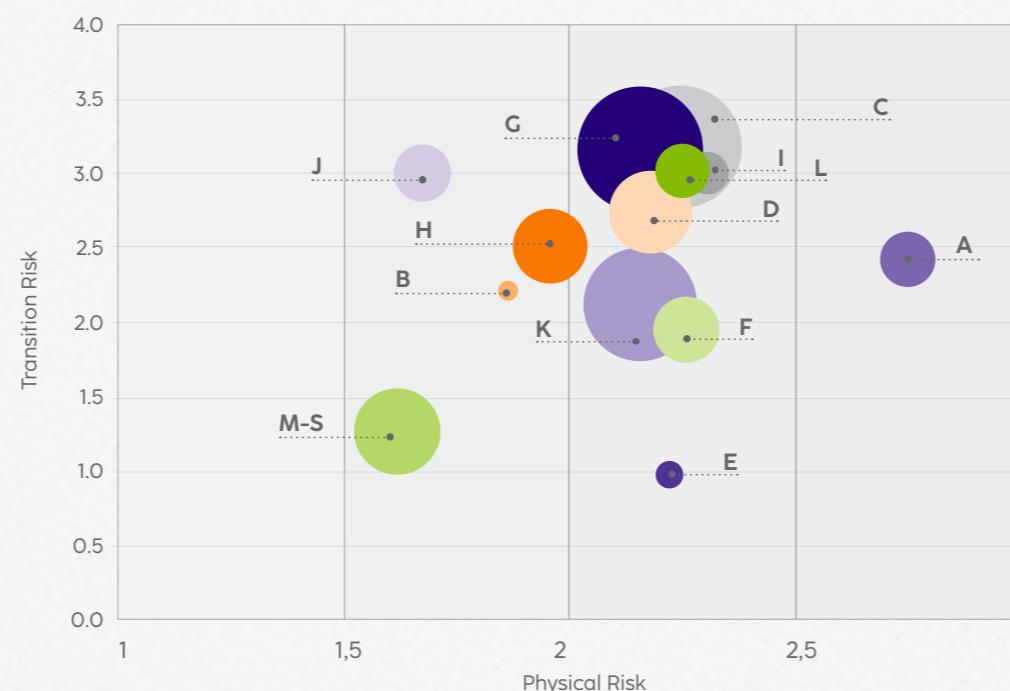
## Heat maps: physical and transition risk by country and by industry

Using the scoring methodology described above, the Group analyses and monitors its portfolio and performs a materiality assessment with the use of heat maps. Based on this, different views over the portfolio are possible (location, industry, segment, etc.). To develop heat maps, the Group aggregates single risks by using predefined weights to determine the final risk score.

Based on currently available data, two different views (by country and by industry) over the Group's corporate portfolio from physical and transition risk perspective are presented in the charts below.



- Bosnia and Herzegovina
- Kosovo
- Montenegro
- Rep. of North Macedonia
- Serbia
- Slovenia



- A Agriculture, Forestry and Fishing
- B Minning and Quarrying
- C Manufacturing
- D Electricity, gas, steam and air conditioning supply
- E Water supply, sewerage, waste management and remediation activities
- F Construction
- G Wholesale and retail trade, repair of motor vehicles and motorcycle
- H Transportation and storage
- I Accomodation and food service activities
- J information and communication
- K Financial and insurance activities
- L Real estate activities
- M-S Other

# Impacts of climate-related and other ESG risk on the Group's business model

In the process of identifying risk factors, relevant transmission channels and their materiality and impact on the Group's financial performance in the short- and long-term is assessed. The impacts of climate-related risks, as well as the Group assessment and key mitigation activities, are described in the table below.

## Transition risk impact

- Transition risks already arise in the short term due to the EU's determination to reduce carbon emissions in accordance with its ambitious net-zero by 2050 strategy.
- With the implementation of NLB Group's net-zero strategy in 2023 it is expected that its impacts will gradually diminish in the long run. Nevertheless, the Group assessed it as more of a material than a physical risk. This can already be observed through higher energy and emission costs. There are certain industries which are directly or indirectly related to fossil fuels and such industries are considered riskier.
- The level of transition risk does not depend only on the industry itself but also on the companies (ESG awareness, strategy, efficiency, etc.) and their location (outside the EU there is less regulation).
- On the portfolio level the Group does not face any large concentration of specific NACE industrial sectors exposed to climate risk, whereby the role of transitional risk is more prevalent. Based on industry segmentation of the portfolio and corresponding emissions the Group has relatively low exposure to emission-intensive sectors in its corporate clients' business. There is some exposure in more emissions-intensive industries, such as energy, transportation, industry and agriculture; however, exposure to clients with high emissions is rather limited. As part of its strategy, NLB Group does not finance companies that extract fossil fuels or operate coal-fired power plants. In residential mortgages the most important input for GHG calculation are the buildings' energy performance certificates.

## Physical risk impact

- The most relevant natural disasters are drought and floods, while hail and windstorm are also frequent but less material. However, we can expect that its impact will increase in the long run if no adequate policy changes are implemented in a timely manner. Other events are not material for the region and Group's business model.
- A model for assessing flood risk based on national (Slovenian) flood risk zones was developed – determining flood risk on the actual location of the real estate in collateral; a model for other NLB Group countries is in development. For all collaterals in our portfolio, flood risk (high, moderate high, moderate, moderate low, low) was determined.
- Based on the analysed data, floods and drought do cause material losses, but they do not have a material effect on the Group's portfolio.
- Chronic physical risks in Slovenia are assessed as not material to the Bank's collateral exposure.
- Some past losses in the region were observed in public infrastructure and agriculture, but such losses were to a large extent reimbursed by the government (impact on sovereign debt). Further on, as supported by insurance statistics, many losses caused by physical risk are covered by insurance which also limits the impact of these risks on the Bank's performance.
- The Group's credit portfolio is well diversified (from the industry and location perspectives) which reduces the impact of such events. Stress tests performed on the real estate portfolio reveal that some losses could occur due to physical risk, though with no significant impact on the Group's performance.

## Other environmental risks impact

- Exposure to other environmental risks is not material in the short run, though their long-term potential impacts are taken into consideration.
- The Group is also using EBRD methodology to assess other environmental risks, such as waste disposal, nature conservation incl. biodiversity loss, and pollution. The 3-level scale (low, medium and high risk) as defined by the EBRD is used. In addition, the Group is exploring possibilities to perform more granular and individual assessments where needed. From this perspective only a small proportion of the Bank's portfolio is classified as high risk.

»» For more information on industry segmentation of the portfolio please refer to Chapter Financed emissions and NLB Group Pillar III Disclosures 2022, Chapter ESG Risk (14.4. - 14.7.).

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# NLB Group's risk management framework in the area of ESG

This chapter discloses how NLB Group identifies, assesses and manages climate-related risks, and describes:

- NLB Group's processes for identifying and assessing climate-related and other ESG risks
- NLB Group's processes for managing climate-related and other ESG risks
- How processes for identifying, assessing and managing climate-related and other ESG risks are integrated into NLB Group's overall risk management

The Group is strategically focused on contributing to sustainable finance by incorporating ESG risks into its business strategies, risk management framework, and internal governance arrangements. Thus, sustainable finance integrates ESG criteria into Group's business and investment decisions for the lasting benefit of Group's clients and society. ESG risks do not represent a new risk category, but rather one of risk drivers of the existing type of risks, such as credit, liquidity, market and operational risk. The Group integrates and manages them within the established risk management framework in the area of credit, liquidity, market and operational risk. The management of ESG risks follows ECB and EBA guidelines with tendency of their comprehensive integration into all relevant processes.

## ESG data availability

The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group made a large progress in the process of obtaining relevant ESG related data from its clients, being prerequisite for adequate decision-making and corresponding proactive management of ESG risks. For the purpose of calculation of credit portfolio GHG emissions several important activities started in 2022. For larger corporate clients we initiated direct Scope 1 & 2 & 3 data gathering processes, whereas for SME and micro segment we developed our own proxies in cooperation with external expert. In residential mortgages the most important input for GHG calculation are the buildings' energy performance certificates. By end of 2022 we formed the emission calculation for the Slovenian market, whereas in the Region this process will continue and will be developed in 2023. Besides emissions the Group collected, analysed and used different relevant historical data for physical risk and publicly available climate change studies relevant for its region.

»» For calculation and additional information on financed emissions please refer to preliminary quantitative data in NLB Group Pillar III Disclosures 2022, Chapter ESG Risk (14.4. - 14.7.).

## Results of Materiality assessment

The Group conducts materiality assessment, as part of its overall risk identification process, to determine the level of transitional and physical risk to which the Group's is exposed. In this process identification of environmental risk factors, relevant transmission channels and their materiality and impact to the Group's financial performance in the short- and long-term period is assessed. From the perspective of physical risk most relevant natural disasters are drought and floods, while hail and windstorm are also frequent but less material. Though we can expect that its impact will increase in the long run, namely if no adequate policy changes will be timely implemented. Chronic risk is not determined as material risk. Transition risks arise already on the short term due to determination of EU to reduce the carbon emissions according to its ambitious net zero strategy by 2050. With implementation of NLB Group Net Zero Business Strategy in 2023, it is expected that its impacts will gradually diminish in the long run. Nevertheless, the Group assessed them more material than physical risk. NLB obtained in 2022 for the first time an ESG Risk Rating. Assigned rating reflects a low risk of experiencing material financial impacts from ESG factors.

## Credit risk management

The management of ESG risks addresses the Group's overall credit approval process and the related credit portfolio management. Sustainable financing is implemented in accordance with the Group's ESMS. In addition to addressing ESG risks in all relevant stages of the credit-granting process, relevant ESG criteria were also considered in the collateral evaluation process.

The Group is analysing and monitoring its credit portfolio by using heat maps. For the purpose of heat maps the Group aggregates single risks by using predefined weights for determination of final risk score. Such approach enables different views over the Group's corporate portfolio from physical and transition risk perspective. With regards to physical risk some negative historical events in the past years in the Region were observed on the public infrastructure and agriculture, but they were reimbursed to a large extent by the government or insurances. Consequently, there were no material impacts on Group's portfolio quality or liquidity. On the portfolio level the Group does not face any large concentration towards specific NACE industrial sectors exposed to climate risk, whereby the role of transitional risk is

more prevailing. Based on industry segmentation of portfolio and corresponding emissions the Group has a relatively low exposure to emission-intensive sectors in its corporate client's business. More exposed industries represent energy, transportation, industry and agriculture, though the exposure to the clients with high emissions in these branches is rather limited. As part of its strategy, the Group does not finance companies that extract fossil fuels or operate coal-fired power plants. In residential mortgages the most important input for GHG calculation are the buildings' energy performance certificates (EPC).

## Collateral management

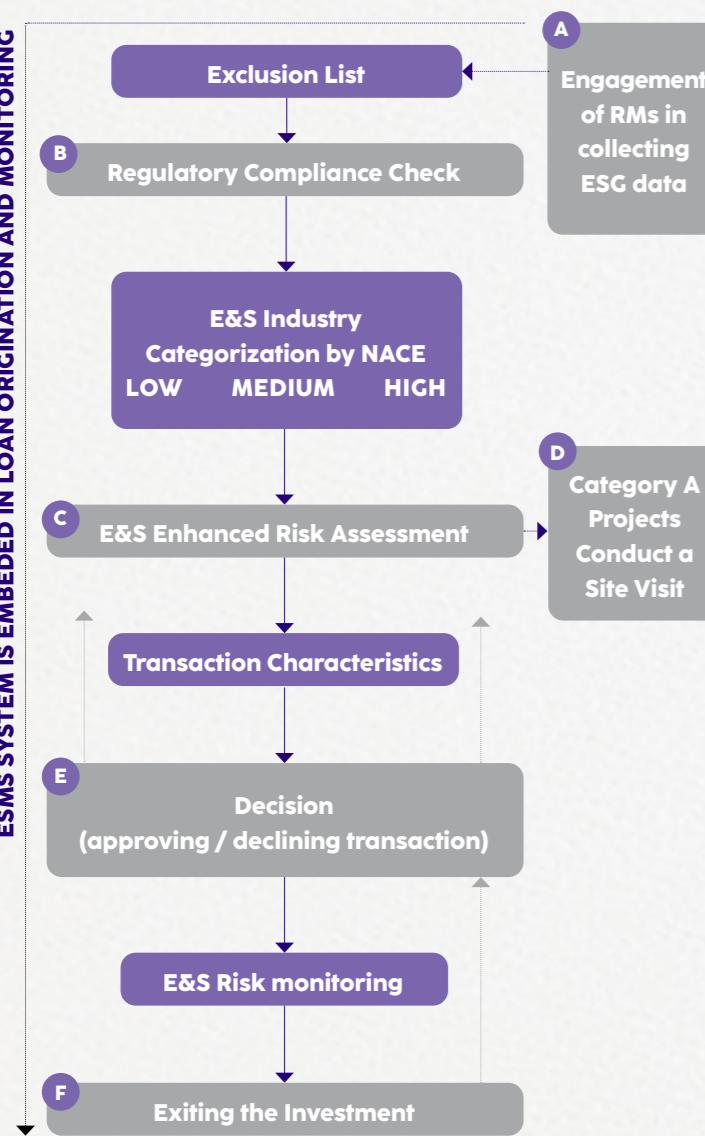
For new lending the Bank gathers energy performance certificates (EPC-s) for real estate in collateral in all cases when energy performance certificate is mandatory according to Slovenian law. Owners of buildings which do not sell or rent out their properties, do not need an EPC. For Back book the Bank relies on actual data from public EPC registry and modelled EPC-s. For modelled EPC-s in Slovenia external provider modelled missing EPC-s based on public EPC registry data and information from national building registry. Activities for collecting additional official and modelled energy performance certificates (EPC-s) in the whole Group are underway.

Model for assessing flood risk based on national (Slovenian) flood risk zones was developed – determining flood risk on the actual location of the real estate in collateral. For all collaterals in our portfolio, flood risk (high, moderate high, moderate, moderate low, low) was determined. Other physical risks in Slovenia are assessed as not material to the Bank's collateral exposure.

## Operational and reputation risks

The Group carefully considers potential reputation and liability risks which could arise from sustainable financing of its clients. Special attention is given to the approval of new products and monitoring of fulfilment of relevant criteria by the clients. Additional key risk indicators have been addressed, servicing as an early warning system in the area of ESG risks. Series of rules in the area of ESG for existing and new suppliers to continue business relationships were established. Besides, physical risks, as part of ESG risks in the area of operational risk, are addressed in the Group's business continuity management (BCM). Business continuity plans include relevant ESG risks. They are prepared to be used in the event of natural disasters, IT disasters, and the undesired effects of the environment to mitigate their consequences.

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## Key steps of the transaction approval process

### Stress testing

The Group established internal ESG stress testing concept to identify the most relevant financial vulnerabilities stemming from transitional and physical climate risk, which will be further enhanced by considering additional disposable ESG related data. The results of climate stress tests showed no material impacts on the Group's capital and liquidity position.

As systemically important institution, the Group was included into 2022 ECB Climate Stress test exercise, consisted of three modules. The exercise was conducted in the first half of 2022 and aggregate results were published in July 2022. By performing this exercise ECB assessed how banks are prepared for dealing with financial and economic shocks stemming from climate risk. The Group's overall results were within the range of average peer results.

### Incorporation of ESG risks in credit approval process and corresponding governance

In recent years, the Bank signed Framework Agreements with the EBRD, the Contract of Guarantees with MIGA and committed to the UN Principles of Responsible Banking. Consequently, the Group established mechanism for environmental and social screening of current or potential financing applications against the MIGA and EBRD Exclusion List and applicable environmental and social laws. The management of ESG risks addresses the Group's overall credit approval process and related credit portfolio management. Sustainable financing is implemented in accordance with the Group's ESMS. Beside addressing ESG risks in all relevant stages of the credit-granting process relevant ESG criteria were also considered in the collateral evaluation process.

### Key steps of the transaction approval process

- Collection of ESG data is embedded in KYC (know your client) rules and procedures.
- After ensuring that the transaction is not included on the exclusion list, Regulatory Compliance checks and verifies that the client is adhering to the applicable laws, regulations, and standards.
- If the transaction is classified with high environmental or social risk, a strict deviation management process is in place that ensures further enhanced risk assessment.
- During a project's lifetime, ESG risk monitoring is established to assess the impact of each risk and create a strategy for its mitigation. It is thereby ensured that the risks are being adequately addressed and that any changes or newly emerged risks are identified and addressed promptly.
- If the client fails to comply with the investment's ESG

requirements, we assess the situation and determine the best course of action. This could include exiting the investment or taking steps to mitigate the risk of non-compliance. Potential financial losses or legal consequences are considered, as well as any potential reputational damage. We also take into consideration our overall ESG strategy and how exiting the investment may affect our ability to meet our ESG goals.

- In residential mortgages the most important input for GHG calculation are the buildings' energy performance certificates (EPC). Therefore, for new lending the Bank gathers energy performance certificates (EPCs) for real estate in collateral in all cases when an energy performance certificate is mandatory according to Slovenian law. Owners of buildings who do not sell or rent out their properties do not need an EPC. For back book the Bank relies on actual data from the public EPC registry and modelled EPCs. For modelled EPCs in Slovenia an external provider modelled missing EPCs based on public EPC registry data and information from the National Building Registry. Activities for collecting additional official and modelled energy performance certificates (EPCs) in the whole Group are underway.

In the context of ESG risk management of our clients, NLB has started to implement a questionnaire (developed in cooperation with the Bank Association of Slovenia). A questionnaire is part of the ESMS due diligence process for clients with the exposure above 10 mil EUR and E&S classification as high risk. Within the process clients have to clarify whether the company put in place policies relating to the ESG aspects of their operations.

The credit ratings of clients that are materially important to NLB Group and the issuing of credit risk opinions are centralised via the Credit Committee of NLB. The process follows the co-decision principle, in which the Credit committee of the respective group member first approves their decision, following which the Credit Committee of NLB gives their opinion. E&S enhanced risk assessment in the Group is performed for following transactions:  
Project finance or corporate loan where tenor is at least 36 months and relates to project with total value above 10 million EUR,  
Corporate loan with a tenor of at least 36 months and with client's exposure above 10 million EUR,  
Financing applications relating to secondary market transactions or syndicated loans where the participation of the bank is below 25% of the total loan value.

## Risk metrics/targets

The implemented Environmental and Social Management System applies to transactions with the greatest potential for significant negative environmental and social impacts.

According to ESMS, ESG risk management is considered on three levels:

- having a low impact on the environment and having the potential to replace high-impact activities (e.g. renewable energy),
- reducing impact from other activities,
- making a positive environmental contribution.

**The Environmental and Social Transaction Categorisation methodology uses the above-mentioned contributions to rank transactions in three levels:**

<b>High activity risk</b>	The client's business activities may give rise to significant or long-term environmental and social risks and impacts. These may require more specialised risk assessment, and the client may not have the technical or financial means to manage them.
<b>Medium activity risk</b>	The client's business activities have limited environmental and social risks and impacts, and these are capable of being readily prevented or mitigated through technically and financially feasible measures.
<b>Low activity risk</b>	The client's business activities have minor/few environmental and social risks and impacts associated with them.

### EBRD environmental classification of NLB Group gross exposure as at 31 December, 2022 (in EUR thousand)

Segment	Gross exposure	EBRD Environmental VIEW		
		Low	Medium	High
Central government	4,745,630	4,745,627	0	3
Institutions	369,030	369,030	0	0
Companies	6,545,870	3,334,131	2,163,242	1,048,498
Private persons	6,743,370	6,743,370	0	0
	18,403,900	15,192,158	2,163,242	1,048,501
		83%	12%	6%

The table shows Gross exposure to credit portfolio valued at amortized cost or fair value through P&L.

Sustainable ESG financing in accordance with Environmental and Social Management System (ESMS) is integrated in Risk Appetite Statement of NLB Group. As part of its strategy, the Group does not finance thermal coal mining or coal-fired electricity generation capacity in any way, including eventual transitional enhancements. No such investments were approved during 2022. Additional key risk indicators and targets in the area of ESG are going to be addressed in 2023 based on on-going activities related with the Net Zero Banking Alliance commitment, signed by the Group.

# Green finance and solutions for clients

## Lending

In NLB Group, we recognise climate-related changes not only as risks, but also as business opportunities, and recognise a responsibility to support clients in their green transition. Therefore, since the introduction of the first green financing offer (NLB Green Housing Loan) in 2020, the Group continues to strengthen its sustainable finance proposition with sustainability-related financing for private individual, micro, SMEs and corporate clients. In 2023 NLB will continue to support clients in their green transition by fine-tuning products with consideration of future legislation and technical development, as well as by providing them timely and relevant information about possible solutions for reducing their environmental footprint.

<b>Corporate clients (Large, SMEs, Micro, cross-border)</b>	NLB Group generated <b>new green loan</b> volume for micro and corporate clients in the amount of <b>€166,9 million.</b> (1)  The purpose of financing was to <b>support</b> wind farms, solar projects, biomass project, and energy efficient buildings.  Our efforts in <b>the region</b> resulted in the <b>financing of several larger projects</b> , including major residential real estate in Bosnia and Herzegovina and a large renewables project in Serbia.  <b>Several regional client events</b> were executed, aiming to increase knowledge and strengthen the awareness, as well as empowerment, of corporate clients.
<b>Private Individuals</b>	NLB generated <b>new green loan volume</b> for retail clients in the amount of over <b>€53 million.</b> (1)  NLB continued to <b>support clients in green transition</b> with already established green finance products and introduced: <ul style="list-style-type: none"><li>• NLB Green Housing Loan and</li><li>• NLB Green Partner Loan to finance the construction of turnkey solar power plants, power storage and heat pumps</li></ul>
<b>New products for legal entities</b>	NLB introduced <b>3 new green loan offers</b> for legal entities (Micro and SME): <ul style="list-style-type: none"><li>• NLB Green partner loan to finance the construction of turnkey solar power plants</li><li>• NLB Green Loan for investments in the energy efficiency of business buildings</li><li>• NLB Green Loan for reducing the carbon footprint, that cover the area of energy efficiency, circular economy and sustainable agriculture</li></ul> In subsidiary banks the sustainable finance offer grew significantly, as they introduce to the market <b>20 different loan offers</b> (products), of which 13 are for private individuals and 7 for legal entities (Micro and SME). The majority of the finance offers focus on the purpose of energy efficiency and electric vehicles.

(1) Green lending classification refers to the internal methodology of NLB Group, which refers to EBRD, MIGA and EU taxonomy frameworks. If a loan is mapped to either of these frameworks, is currently considered as a green loan. To ensure a robust and standardised overview of green lending, this methodology will be fully aligned with CSRD, ESRS and EU taxonomy within regulatory timeframes.

## Asset management (funds)

NLB Funds, asset management (hereinafter: NLB Skladi) as a member of NLB Group, offers two sub-funds which promote environmental and social characteristics and adhere to Article 8 of Regulation SFDR ((EU) 2019/2088)):

- **Sub-fund NLB Funds - Equity Socially Responsible Global Advanced Markets** promotes a combination of environmental and social characteristics provided that companies adhere to good governance practices but does not invest in sustainable investments. Therefore, this sub-fund invests in issuers with above average environmental and social awareness in their operations, provided that they respect good governance practices. The reference value for the achievement of the environmental and social characteristics promoted by this sub-fund has been determined as the required minimum allowable weighted average score of the environmental, social and governance characteristics of all investments of the sub-fund. This sub-fund also promotes environmental and social characteristics in such a way that it eliminates

individual activities or sub-activities that it considers to be controversial. Such controversial activities or sub-activities in which the sub-fund will not invest are aviation and defence, gambling, tobacco, breweries, spirit drinks and wine producers, energy, metals and mining, paper and forest-based industry, and road transport. At the end of 2022, the fund managed a Net Asset Value in amount of €42.191.704.

- **Sub-fund NLB Funds – Equity Environmental** promotes a combination of environmental characteristics provided that companies adhere to good governance practices but does not invest in sustainable investments. Therefore, this sub-fund invests in issuers with above average environmental awareness in their operations, provided that they respect good governance practices. The reference value for the achievement of the environmental characteristics promoted by this sub-fund has been determined as the required minimum allowable weighted average score of the environmental and governance characteristics of all investments of the sub-fund. At the end of 2022, the fund managed a Net Asset Value in amount of €6.957.077.

1 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

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## Green Bond framework development

The Green Bond framework is an integral part of the process when issuing green bonds. Issuance of bonds in a green format is an ambition of NLB. In 2023 the Bank will take decisive steps in order to be ready to issue one of its future bonds in a green format.

## Treasury: ESG Bonds in the Group's portfolio

Debt securities marked as ESG issuances are included and constantly increasing in the Bank's portfolio based on market availability. Year-to-date ESG issuances of issuers with available limit are being monitored. At least the share of yearly ESG issues on the primary market in the total issue amount of issuers with available limits is invested in the Bank's portfolio. With this approach constant growth of this component is assured.

At the end of 2022 NLB Group had €191 mio in ESG bonds which represented 4% of the Group's banking book securities portfolio and was 100% higher than EOY 2021 (2% share)

## The key to successful green transition: empowered employees

NLB Group's green finance offer is strongly supported by training and other educational events on climate, ESG- and sustainability-related topics, which are executed by internal or external experts. Educational events are aimed at employees in all NLB Group business segments, especially frontline in corporate and retail segments. Through systematic and goal-oriented training employees better understand and embrace sustainability as an important part of the risk management process, as well as a business opportunity for providing support to regional economies.



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# Metrics and Targets

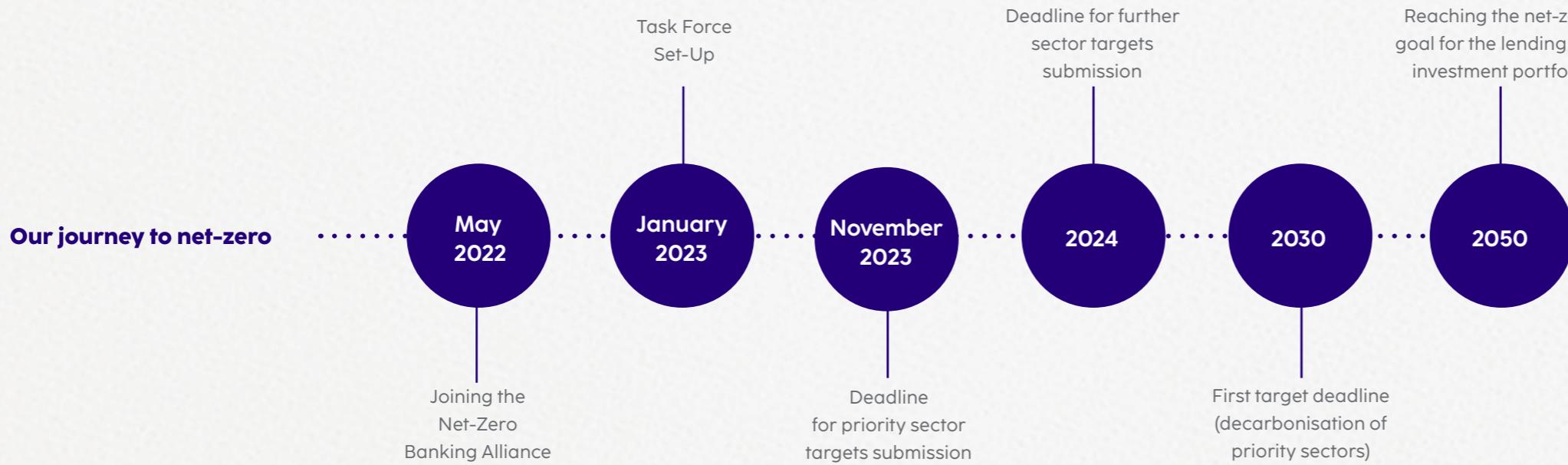
As outlined in our Sustainability Framework and Principles of Responsible Banking commitments, we are committed to being transparent and accountable, through clear outcomes, metrics and targets, relevant for our climate-related, ESG and other sustainability priorities.

This chapter outlines the set of metrics and targets we are using to successfully and efficiently manage the impact of NLB Group.

Furthermore, the chapter follows TCFD recommendations in this respect, on our best-effort basis and in-line with the broader context in the region where NLB operates. The environmental impact of financed emissions (Scope 3, Category 15) is preliminary presented, as NLB Group's portfolio analysis in this respect is still in progress and it is based on limited data acquired by NLB Group's clients. We aim to finalise the portfolio analysis and set a concrete decarbonisation strategy and targets within the timeline and commitments of Net-Zero Banking Alliance, which NLB Group joined in May 2022.

Therefore, this chapter does not include a detailed description at this stage, but rather outlines the metrics to assess climate-related risks and opportunities in line with NLB Group's strategy and risk management process. Mandatory (indicative value) and voluntary EU taxonomy disclosures are also provided.

»» For targets and progress related to NLB Group's operational environmental impact (Scope 1, Scope 2 and Scope 3 – limited), please refer to Chapter NLB Group's Operational Environmental Impact.



## Towards a Net-Zero Business Strategy

As a signatory of the UN Net-Zero Banking Alliance, NLB and NLB Group are committed to:

- Transitioning operational and attributable GHG emissions from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.
- Within 18 months of joining, setting 2030 targets (or sooner) and a 2050 target, with intermediary targets to be set every five years from 2030 onwards.
- Setting the first 2030 targets, which will focus on priority sectors where the Bank can have the most significant impact, i.e. the most GHG-intensive sectors within their portfolios, with further sector targets to be set within 36 months.
- Annually publishing absolute emissions and emissions intensity in line with best practice and, within a year of setting targets, disclosing progress against a board-level reviewed transition strategy setting out proposed actions and climate-related sectoral policies.
- Taking a robust approach to the role of offsets in transition plans.

## EU Taxonomy disclosures

To achieve ambitious goal of net-zero Green House Gas (GHG) emissions by 2050, one of the tools that was developed was the EU Taxonomy - a classification system created to help promote sustainable finance and investment. It provides a common language for disclosing information on the sustainability of economic activities, which can improve transparency and comparability across different companies and sectors. This can help investors and stakeholders make informed decisions and drive improvements in sustainability performance.

The EU taxonomy is linked to the EU's broader policy objectives, such as the Paris Agreement on climate change and the EU's Sustainable Development Goals. By aligning economic activities with these objectives, the EU taxonomy can help to achieve a more sustainable and equitable future.

In 2022 NLB was actively involved in raising awareness of the importance and relevance of the EU Taxonomy through participation in the Bank Association of Slovenia, raising awareness among businesses and integrating the Taxonomy into our business. The Bank will further strengthen active engagement in 2023 by helping businesses, working with other banks and focusing on the further integration of EU Taxonomy in our business.

### Mandatory disclosures

To evaluate NLB Group portfolio, a questionnaire was sent to all NFRD companies (clients that are subject to non-financial reporting with over 500 employees in EU and are not a financial institution) to show us their alignment according to EU Taxonomy. Data received presented only a small proportion of NFRD companies (15 %) which showed that companies do not yet have accessible data on the alignment of their operations with the EU taxonomy. Therefore, presented percentage represents only the indicative value.

The proportion in NLB Group's total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities\* - mandatory disclosures as at 31 December 2022

Indicators	RATIO (total assets of exposures) in %
NFRD**	3.31
NFRD (Taxonomy eligible)	0.21
NFRD (Taxonomy non - eligible)	0.27
The exposures to central governments, central banks and supranational issuers/total assets	29.01
The exposures to derivatives /total assets	0.22
Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU	24.31

The metrics in the table are unaudited and have been prepared to the best of our ability.

#### The qualitative information referred to in Annex XI of Delegated act

\*In accordance with Article 10<sup>1</sup> Delegated Act, from 01.01.2022 - 31.12.2023, banks have to disclose the extent to which their activities are Taxonomy-aligned, the proportion of their assets that are Taxonomy-aligned, and any material risks associated with their engagement in Taxonomy-aligned activities.

\*\*It is not allowed to use estimates for mandatory disclosures, which should be based on information provided by the relevant counterparty. Exposures that are not fully supported by published Taxonomy reporting of the company receiving the financing, or in bilateral engagement for specified use of proceeds exposures, therefore will be assigned a null value when it comes to inclusion in estimation.

<sup>1</sup> [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-4987\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-4987_en.pdf) taxonomy-regulation-delegated-act-2021-4987\_en.pdf (europa.eu)

## Voluntary disclosures

Voluntary disclosures are not part of the mandatory disclosures under Article 8 of the Taxonomy Regulation and are therefore disclosed separately in this chapter.

In order to assess NLB Group portfolio, we have prepared a relevance assessment of eligibility – the share of our portfolio that is EU taxonomy-eligible (economic activity that is described and has technical screening criteria set out in the taxonomy).

In order to assess the suitability of NLB Group portfolio, an overview of the exposure of our portfolio (on- balance) to NFRD companies according to the EU taxonomy has been prepared on the basis of the description of activities (NACE codes).

**“At the end of 2022, Total EU Taxonomy Eligible exposure of NLB Group to NFRD clients was 78.38 % of total NFRD portfolio.”**

### EU taxonomy eligible (NFRD companies on-balance portfolio) – voluntary disclosures as at 31 December 2022

Indicators	NFRD on-balance exposure (in EUR)	NFRD on-balance exposure (in %)
EU Taxonomy Eligible NFRD clients	627,292,459.04	78.38
EU Taxonomy Non-Eligible NFRD clients	173,034,974.20	21.62
Total	800,327,433.24	100.00

To determine the scale and intensity of climate change and the environmental impact further assessment was performed on legal entities on-balance portfolio. To determine the eligibility of legal entities portfolio, we used top-down approach on the basis of NACE codes and further classified by activities that were recognized as the ones that can make a substantial contribution to climate change mitigation.

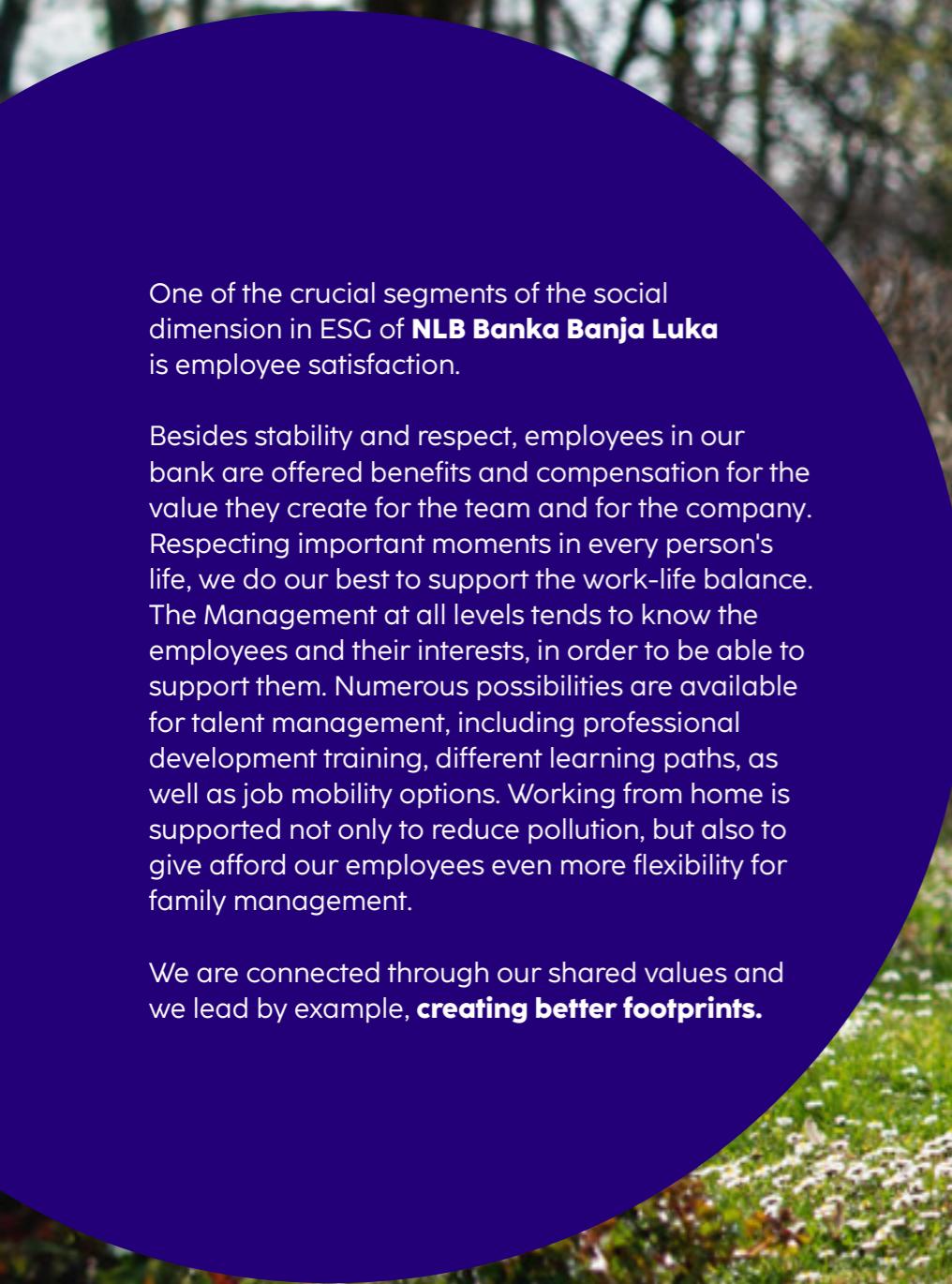
### EU taxonomy eligible (Legal entities on-balance portfolio) - voluntary disclosures as at 31 December 2022

Activities that were recognized as the ones that can make a substantial contribution to climate change mitigation.	On-balance exposure (in 1000 EUR)	On-balance exposure (in %)
Agriculture	326,281	1.94
Electricity	553,166	3.29
Information	337,707	2.01
Manufacturing	1,458,087	8.67
Real estate	323,847	1.92
Transportation	701,247	4.17
Water supply, sewerage, waste management and remediation activities	51,399	0.31
<b>Total</b>	<b>326,234</b>	<b>22.30</b>
Other activities	8.016.020	77,70

**“At the end of 2022, Total EU Taxonomy Eligible exposure of NLB Group to legal entities was 22.3 % of total on-balance portfolio.”**

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One of the crucial segments of the social dimension in ESG of **NLB Banka Banja Luka** is employee satisfaction.

Besides stability and respect, employees in our bank are offered benefits and compensation for the value they create for the team and for the company. Respecting important moments in every person's life, we do our best to support the work-life balance. The Management at all levels tends to know the employees and their interests, in order to be able to support them. Numerous possibilities are available for talent management, including professional development training, different learning paths, as well as job mobility options. Working from home is supported not only to reduce pollution, but also to give afford our employees even more flexibility for family management.

We are connected through our shared values and we lead by example, **creating better footprints**.



Photo of NLB Banka Banja Luka employees accompanying their children to school.

# Contribution to Society

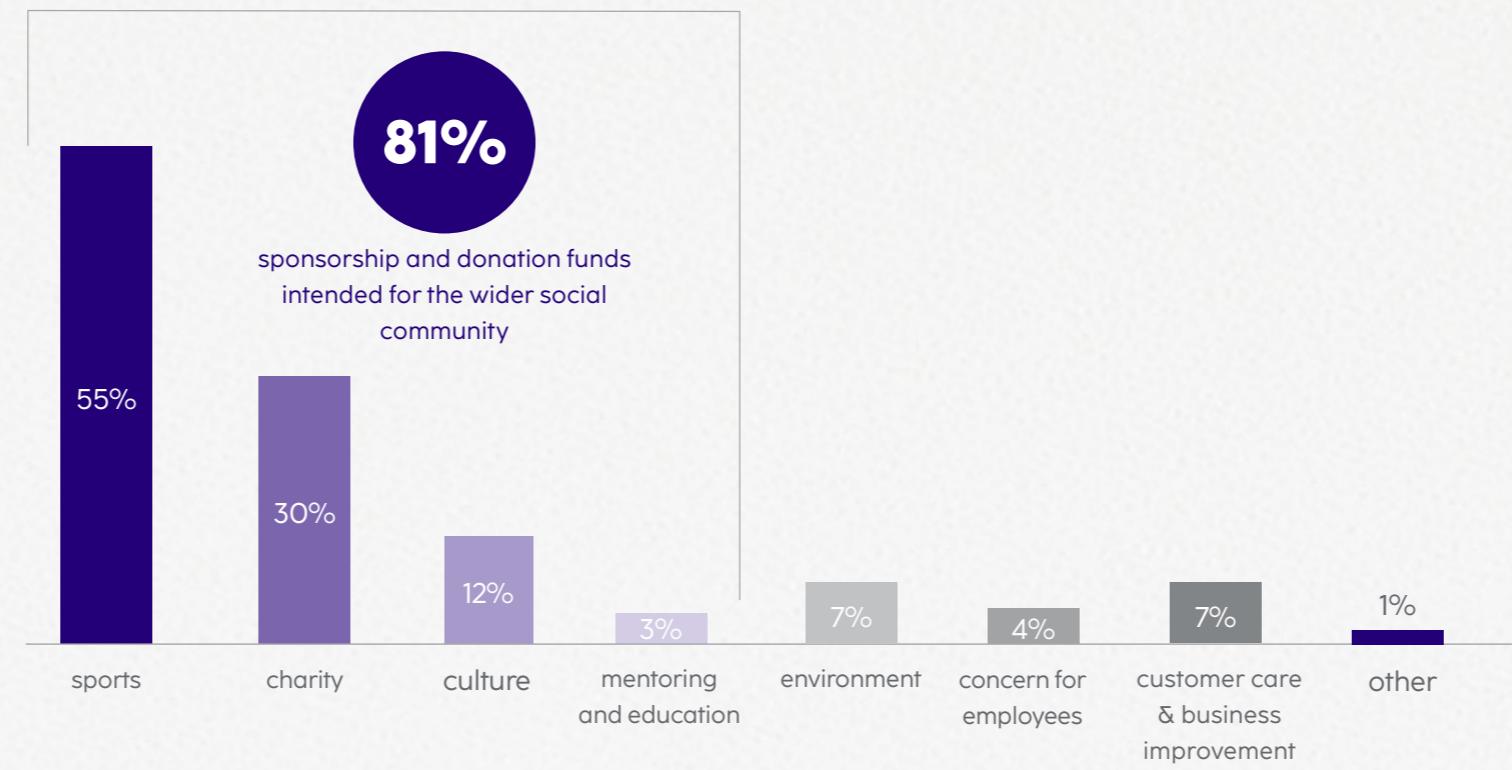
In NLB Group, we are determined in our intention to create a better footprint locally, where we operate, and in the region we consider our home. In respect of our contribution to society, our objective is to increase the share of CSR activities that pursue UN SDGs.

More than 100 sponsorships, donations, partnerships, project and other initiatives were executed in 2022. Therefore, this chapter is an overview of key CSR activities with the greatest impact group-wide.

**“+40% of all CSR activities were aligned with at least one of the UN SDG goals.”**

 No poverty	 Industry, Innovation and Infrastructure
 Zero Hunger	 Reduced Inequality
 Good Health and Well-Being	 Sustainable Cities and Communities
 Quality Education	 Responsible Consumption and Production
 Clean Water and Sanitation	 Climate Action
 Decent Work and Economic Growth	 Life on Land

## Sponsorship and donations overview in 2022



## Responsibility to the environment

### Green partner in building regional models to mitigate climate change

In 2022, NLB became a Green Partner of the GLWF (Green Light World Flight) project. Thus, we initiated measurements of black carbon, in addition to carbon dioxide, another important greenhouse gas. Polluted air globally causes 7 to 8 million premature deaths, and in the Western Balkans the situation is even more alarming, as according to some scientific findings, polluted air in this area causes one in ten deaths. The project is led by Slovenian aviator and climate change researcher Matevž Lenarčič and prof.dr. Griša Močnik, PhD, head of the GLWF scientific research team which gathered the data

in the region. In Bosnia and Herzegovina, measurements were made over Banja Luka, Zenica, Sarajevo, Tuzla and Ugljevik; in Serbia, Lenarčič flew over Belgrade, Obrenovac, Valjevo, Užice, Čačak, Kraljevo, Kruševac and Kragujevec. The measurements will be combined with the results of similar projects which will be carried out in 2023. The combined measurements will then serve as input and validation data for regional models of climate change and the dispersion of pollutants. (**SDG 13 – CLIMATE ACTION**)

## Regional #FrameOfHelp project on sustainable ideas

After two extremely successful projects during the pandemic, our #FrameOfHelp project has started for the third time, and this time we addressed companies in the region that prioritise sustainable ideas and solutions.

In 2022, as many as 300 companies participated the #FrameOfHelp project, with which NLB Group sought sustainable solutions to the challenges of the future. From them, the first-level jury first selected 10 finalists from each market where our banking members operate, and the international expert jury then selected the three best among them. The best project was awarded with a prize of €50,000, the second-placed project with €30,000, and the third-placed with €20,000. In addition, one of the consulting firms offered them eight hours of free professional advice on the successful introduction of sustainable business into the company's strategic and operational processes.

# 300 companies

cooperated in the  
#FrameOfHelp  
project

The visions of companies we have chosen to help realise:

- **Circular economy where artificial intelligence is the key.** With their solution ANTEJA ECG want to ensure 30,000 tons less CO2 emissions and more than 100,000 tons less waste in five years. (**SDG 13 – Climate Action, SDG 9 – Industry, Innovation and Infrastructure, SDG 12 – Responsible Consumption and Production**)
- **Focus on water consumption and food production.** Sustainable food production, specifically the development of automated irrigation systems that work with the help of sensors and a mobile application, and also to contributing to food supply, Smart Watering Solutions also ensure savings in water consumption. (**SDG 2 – Zero Hunger, SDG 6 – Clean Water and Sanitation**)
- **Modern technology to face the threat of fires.** A platform for early detection of fires and timely notification of competent services through an active monitoring centre. The project from Montex Elektronika is embedded in the local environment, as it unifies and coordinates the work of several services and citizens when a potential fire is reported. (**SDG 11 Sustainable Cities and Communities**)

### Forestation efforts

In addition to generating a positive impact on the environment by reducing paper usage in NLB Group's operations, our employees participated in different corporate-volunteering, tree-planting and forest-preservation initiatives. The following are small steps we are taking towards addressing biodiversity, an issue we will be involved with more actively in the future.

- The NLB Banka Podgorica volunteer club participated in the **greening of Gorica Forest Park**, which was repeatedly exposed to devastating fires, through planting activities and clearing the burned terrain, which resulted in the donation of more than 300 seedlings for this park forest. (**SDG 15 – Life on Land**)
- In the volunteer action that NLB Banka Skopje carried out under the motto "**Forests together**", we planted 3700 seedlings in the Malešev region. This region was one of the most affected by the big forest fires last summer. We carried out the action in cooperation with the PE "National Forests" (Malesevija) and the Municipality of Berovo, which actively participated in the organisation and planting of black pine and ash seedlings, characteristic of this climate. (**SDG 15 – Life on Land**)

• Through the initiative To Love and Protect Nature, **NLB Banka Prishtina promoted the importance of saving existing trees** by conducting paperless banking operations and at the same time donating to the greening of public spaces. Seventy-six trees were planted in Prishtina, Rr. Deshmoret e Kombit. (**SDG 15 – Life on Land**)

• Employees of NLB Banka Banja Luka took care of forestation on Jahorina – 2100 trees were planted by 320 employees. (**SDG 15 – Life on Land**)

• **NLB Komercijalna banka donated to the "Mokra gora" nature park** to finance works on the construction of new and repair of existing viewpoints. The area of the nature park is recognised as an internationally important area for birds and plants, a selected area for diurnal butterflies in Serbia and one of 61 Emerald areas in Serbia within the Pan-European Ecological Network. (**SDG 15 – Life on Land**)

### Organic farming

- NLB Komercijalna banka organised its traditional competition for organic projects (11th time). The total prize fund in the amount of €21,300 was awarded for the five best projects of growing and processing organic food. (**SDG 12 – Responsible Consumption and Production**)
- NLB Banka Banja Luka participated in two Organic Days events.

### Sustainable mobility

In 2022, NLB became a leading partner of two large local communities in Slovenia. The Bank supported the sustainable mobility project MBajk in Maribor, which provides an efficient and user-friendly system with 200 bicycles. Thus, the project contributed to the greater awareness of citizens about sustainability and to lowering CO<sub>2</sub> emissions in the city. The Bank was also one of key partners that supported establishing a city card system in the city of Kranj. The project enables easier use of public infrastructure for citizens, therefore encouraging them to engage in more sustainable practices. **SDG 11 – Sustainable cities and communities**

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## Financial literacy for young people

As a financial mentor NLB Group is dedicated to counselling in the field of financial literacy for various stakeholders.

The Bank continued with the project of visits to elementary schools and preschool institutions, which, along with symbolic donations of equipment and supplies for schools, aims to educate children through an interactive approach about basic financial concepts and the importance of saving and a responsible attitude towards money. (**SDG4 – Quality Education, SDG 8 – Decent Work and Economic Growth**)

NLB Banka Sarajevo supports Youth Business Camp – a project that educates and implements workshops with young people who want to develop in the business world. The high-quality education contributes to a better perception of the business climate in Bosnia and Herzegovina. (**SDG 8 – Decent Work and Economic Growth**)

The Bankarium museum, the flagship of NLB Cultural Heritage in Slovenia, continued its mission in strengthening financial literacy. Walking through six stages of personal finance management, visitors can play digital games and take quizzes, and learn or check their financial literacy in a fun way. The centre is widely accepted and enjoyed especially by school groups. Thus, NLB has a significant influence on knowledge transfer to future generations. (**SDG4 – Quality Education, SDG 8 – Decent Work and Economic Growth**)

» To explore more about financial literacy initiatives for our clients of all ages, please refer to chapter Digital and financial literacy.

## Professional and youth sports

NLB Group's socially responsible operations are still focused on the strong promotion of sports, through support of various sport associations, larger and smaller sports clubs, young athletes, whose talent and sportsmanship are an inspiration for all of society, and contribute in particular to good health and well-being.

Our goal is to raise awareness in among the public of the importance of physical exercise for preserving health, which in recent years has been a common concern of all of us, and focus the public's attention on the positive impact that sport will have on rehabilitation, socialisation and inclusion after the pandemic.

**“NLB has a significant influence on knowledge transfer to future generations.”**

The **NLB Youth Sports** project is one of the Bank's CSR long-term traditions. In 2022, for the eighth consecutive year, NLB d.d. supported 65 sports clubs throughout Slovenia. We continue to pursue the development of youngsters in sports clubs and give them the opportunity to spend quality free time with their peers. We supported children in sports clubs involved in disciplines that we also support on a professional level: alpine and Nordic skiing, handball, football, table tennis, volleyball and basketball. (**SDG 3 – Good Health and Well-Being, SDG 8 – Decent Work and Economic Growth**)

## Culture and protection of cultural heritage

Supporting cultural projects on the local and national level on all markets is practically in our DNA. Besides that, our efforts in 2022 in Slovenia were focused on protection of cultural heritage, namely on Bankarium, the Slovenian Banking Museum. It is the first and only banking museum in the country and founded by NLB, since our tradition is based on people, banking knowledge and culture reaching back to 1820 when the first banking institution – the Carniola Savings Bank – was established. Visitors first walk into the 5,000-year-old history

of world banking in a multimedia introduction. Then, they explore the 200-year-old banking heritage in the Slovenian territory. (**SDG4 – Quality Education, SDG 8 – Decent Work and Economic Growth**)

Last year, for the first time, NLB Banka Skopje supported the realisation of one of the most significant projects of culture and cultural heritage, the world-famous “Galician Wedding”, which was included by the New York Times among the nine European festivals that must be visited, and by National Geographic for the most traditional wedding festival in Europe. “Galician Wedding” was held from 15 to 17 July in the authentic surroundings of the village of Galicnik. (**SDG4 – Quality Education, SDG 11- Sustainable Cities and Communities**)

## Humanitarian activities

Apart from several donations carried out by the Group through the year, a special inclusive charity project was carried out in the festive season. Employees of NLB Group from the whole region nominated and voted for various associations, humanitarian organisations and groups to which we then allocated funds in the total value of more than €500,000 (**SDG 1 – No poverty, SDG 2 – Zero Hunger, SDG 3 – Good Health and Well-being**)

**65  
sports clubs**  
were supported by NLB

## Health programmes

Many of our donations are given to help the well-being and contribute to the health of the population in our region. In Slovenia and Sarajevo we helped children suffering from cancer, NLB Komercijalna banka donated to the Neonatology Institute and NLB Banka Skopje donated 80 spirometers for home use for patients over seven years of age. Supporting health was in focus for NLB Banka Prishtina. They donated an EEG device that serves to diagnose children with epilepsy, didactic materials and inventory that are necessary tools to treat children with communication disorders, cognitive disorders, and voice and swallowing disorders, and a capillaroscope device to the Rheumatology Clinic. They also supported Lifeline – the national suicide prevention call centre. (**SDG 3 – Good Health and Well-being**)

NLB Banka Banja Luka donated kitchen supplies to the humanitarian organisation “Mozaik prijateljstva” which organises a public kitchen for socially disadvantaged groups of citizens. Together with this donation, a group of employees organised and paid for a supply of bread for a certain amount of time. (**SDG2 – Zero Hunger, SDG 3 – Good Health and Well-being**)

**“NLB Banka Podgorica is the first commercial bank in Montenegro to join the EBRD Support Programme ‘Women in Business’”**

## Inclusiveness

NLB Banka Podgorica is the first commercial bank in Montenegro to join the EBRD Support Programme “Women in Business”, with the aim of supporting the potential of female entrepreneurs, providing access to financing, but also to the knowledge needed for business growth. As the bank of primary choice for more than 32% of registered businesses managed by women in Montenegro, NLB reciprocated the trust shown by female clients with a programme that offers a banking experience, with particularly easy access to funding sources, which is still the main obstacle to the wider inclusion of female entrepreneurs, through significant benefits created on the basis of a thorough market analysis, which are fully adapted to their needs and which remove barriers to growth and development and obstacles on the way to the realisation of financing. (**SDG 8, Decent Work and Economic Growth, SDG 10 – Reduced Inequality**)

As part of the “Women in Business” programme implemented by the EBRD and organised by NLB Banka Podgorica, in 2022 a series of free education sessions on the topic “CRM – Customer Relationship Management” was completed, created as an expression of the recognition of the need for women’s businesses to more readily face the challenge professionally called “permacrisis” or “permanent crisis”.

NLB Group supports the NLB Wheel – International Wheelchair Basketball League, helping basketball players reach their potential, and they, through team spirit and commitment to results, show that unity is strength. For this purpose, last year we provided funds with which we contributed to the purchase of sports wheelchairs. (**SDG 3 – Good Health and Well-being, SDG 10 Reduced Inequality**)





Cultural heritage does not only speak of our past – it is also a cornerstone on which we build our future.

With this in mind, **NLB** first established Bankarium, the Slovenian Banking Museum, and later confirmed its commitment to the preservation of cultural heritage with a new programme in the field of contemporary art. As part of the programme, the NLB Group will resume investing in acquisitions and commissions of works of art and art projects in our home region of Southeast Europe, as well as design a new art collection and gallery.

The NLB Group will thus become a central supporter and partner for art and artists in our home region. Together with Bankarium, which presents the history of Slovenian banking industry, development of institutions and banking practices, and serves as a digital centre of financial literacy, the Group **creates better footprints** not only for today, but also for tomorrow.



Photo of members of NLB Pensioners Association with their families in Bankarium, which is a valuable part of the social, environmental and governmental impact of the NLB Group.

# Appendix 1: ESG Key Performance Indicators for NLB Group

	2021	2022
<b>ESG Rating</b>		
Sustainabilitycs (1)	n/a	17,7
<b>Green lending (2)</b>		
Green lending to micro corporates - large, SME, cross-border (in EUR million)	60	166.9
Green lending to micro and private individuals (in EUR million)	9	53
<b>EU Taxonomy - voluntary disclosures (3)</b>		
EU Taxonomy Eligible NFRD clients (in EUR million)	653.567	627.292
EU Taxonomy Eligible NFRD clients (in %)	77.66	78.38
<b>Operational Environmental Impact</b>		
Scope 1 [t CO <sub>2</sub> ]	3,831	3,404
Scope 2 [t CO <sub>2</sub> ]	29,741	12,611
Scope 3 [t CO <sub>2</sub> ]	3,093	3,891
Scope 1-2 [t CO <sub>2</sub> ]	33,572	16,015
Scope 1-2/emp. [t CO <sub>2</sub> /emp.]	3.983	1.899
Scope 1-3 [t CO <sub>2</sub> ]	36,665	19,906
Paper consumption (annual decrease in %)	-6	-17
Electricity [MWh]	36,399	34,066
Electricity/emp. [MWh/emp.]	4.4	4
Heating [MWh]	25,687	21,719
Heating/employee [MWh/emp.]	3.0	2.6
Vehicle fuel [MWh]	6,586	6,773
Vehicle fuel/employee [MWh/emp.]	0.78	0.8
<b>Clients and Accessible banking</b>		
Net Promoter Score (annual growth in points)	+6	+10
Digital penetration (% of active digital users in total number of clients)	29.5	35
Number of branches	450	440

Notes:

(1) Sustainabilitycs ESG risk rating was obtained for the first time in 2022 (data for 2021 were included).

(2) Green lending classification refers to internal methodology of NLB Group, which refers to EBRD, MIGA and EU Taxonomy frameworks. If a loan is mapped to either of these frameworks, is currently considered as a green loan. To ensure robust and standardized overview of green lending, this methodology will be fully aligned with CSRD, ESRS and EU Taxonomy within regulatory timeframes.

(3) In order to assess the suitability of NLB Group portfolio, an overview of the exposure of our portfolio (on- balance) to NFRD companies according to the EU taxonomy has been prepared on the basis of the description of activities (NACE codes).

(4) The turnover rate in 2022 increased by 6 p.p. mostly due to the higher number of retirements and early retirements, but also to the optimisation of processes and right sizing staffing level in NLB Komercijalna banka and N Banka (ex Sberbank).

	2021	2022
<b>Employees</b>		
Total number of employees	8,185	8,228
eNPS / annual growth of engaged employees (in p.p.)	+17	+1
Total number of training programs	1,463	1,690
Training hours/employee	20.4	22
Turnover rate (%) (4)	8.5	14.5
Total number of incidents of discrimination during reporting period	3	1
Total number of incidents of violations of human rights vis-a-vis any stakeholder	0	0
<b>Contribution to society</b>		
SDGs goals full alignment (% of total CSR activities)	30	40
<b>Diversity and Inclusion</b>		
<b>Gender diversity</b>		
Share of women in Management and Supervisory Board (in %)	22.6	24
Share of women in management positions (in %)	43	56
Share of women in total number of employees (in %)	70	70
<b>Education diversity</b>		
Less than secondary school (in %)	0.5	0
Secondary school (in %)	26.7	26
At least higher education (in %)	72.7	74
<b>Age diversity</b>		
Average employee age (in %)	44.6	44.3
Employee age under 30 (in %)	7	8
Employee age from 31 – 50 (in %)	65	62
Employee age over 50 (in %)	37	30
<b>Gender pay gap</b>		
The average of adjusted pay gap by positions of equal value (in %)	n/a	from 2 - 4

# Appendix 2: GRI content index

## GRI content index

Statement of use

GRI 1 used

Applicable GRI Sector Standard(s)

Please note: (1) The Sustainability Report = NLB Group Sustainability Report 2022, Annual Report = The NLB Group Annual Report 2022  
 (2) As a rule, data for NLB Group and significant locations are presented: parent bank NLB, d.d. (Slovenia), and 7 subsidiary banks: NLB Banka a.d., Skopje (North Macedonia); NLB Banka a.d., Podgorica (Montenegro); NLB Banka sh.a, Priština (Kosovo); NLB Banka d.d., Sarajevo and NLB Banka a.d., Banja Luka (Bosnia and Herzegovina, respectively); NLB Komercijalna Banka a.d., Beograd (Serbia), and N Banka, d.d., Ljubljana (Slovenia)

GRI standard/ other source	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
<b>General disclosures</b>					
GRI 2: General Disclosures 2021	2-1 Organizational details	1. <a href="https://www.nlbskupina.si/profile">https://www.nlbskupina.si/profile</a> 2. <a href="https://www.nlb.si/at-a-glance">https://www.nlb.si/at-a-glance</a> 3. <a href="https://www.nlbskupina.si/nlb-group-companies">https://www.nlbskupina.si/nlb-group-companies</a> 4. See chapter NLB Group at a glance in the Sustainability Report, page 7			
	2-2 Entities included in the organization's sustainability reporting	1. See chapter About this Report in the Sustainability Report, page 5			
	2-3 Reporting period, frequency and contact point	1. See chapter About this Report in the Sustainability Report, page 5			
	2-4 Restatements of information	1. See chapter About this Report in the Sustainability Report, page 5			
	2-5 External assurance	1. See chapter About this Report in the Sustainability Report, page 5			
	2-6 Activities, value chain and other business relationships	1. See chapter NLB Group at a glance in the Sustainability Report, page 7 2. See chapter Sustainability Strategy in the Sustainability Report, page 14			
	2-7 Employees	1. See chapter Responsibility to Employees, in the Sustainability Report, page 51			
	2-8 Workers who are not employees	1. See chapter Responsibility to employees/ subchapter Attracting talent in the Sustainability Report, page 55			
	2-9 Governance structure and composition	1. See chapter Governance in the Sustainability Report, page 25 2. See the Bank's website at <a href="https://www.nlb.si/composition-and-operation-of-the-corporate-governance-body">https://www.nlb.si/composition-and-operation-of-the-corporate-governance-body</a> 3. See Corporate Governance Policy of NLB at <a href="https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf</a>			
	2-10 Nomination and selection of the highest governance body	1. See chapter Governance in the Sustainability Report, page 25 2. See Corporate Governance Policy of NLB at <a href="https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf</a>			
	2-11 Chair of the highest governance body	1. See chapter Governance in the Sustainability Report, page 25 2. See Corporate Governance Policy of NLB at <a href="https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf</a>			
	2-12 Role of the highest governance body in overseeing the management of impacts	1. See chapter Sustainability-related Governance in the Sustainability Report, page 28			
	2-13 Delegation of responsibility for managing impacts	1. See chapter Sustainability-related Governance in the Sustainability Report, page 28			
	2-14 Role of the highest governance body in sustainability reporting	1. See chapter Role of the Supervisory Board and the Management regarding disclosure of non-financial information in the Sustainability Report, page 27			
	2-15 Conflicts of interest	1. See chapter Governance in the Sustainability Report, page 25 2. See the Bank's website at <a href="https://www.nlb.si/conflict-of-interest">https://www.nlb.si/conflict-of-interest</a> 3. See Statement of Independence at <a href="https://www.nlb.si/nlb/nlb-portal/eng/about-us/corporate-governance/statement-of-independence-of-the-member-of-the-sb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/about-us/corporate-governance/statement-of-independence-of-the-member-of-the-sb.pdf</a>			
	2-16 Communication of critical concerns	1. See chapter Sustainability-related Governance in the Sustainability Report, page 28, sub chapter Communication of critical concerns, page 32			
	2-17 Collective knowledge of the highest governance body	1. See chapter Training on sustainability related topics in the Sustainability Report, page 35			

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2-18 Evaluation of the performance of the highest governance body	1. See chapter Remuneration and integration of ESG goals in the Sustainability Report, page 33			
2-19 Remuneration policies	1. See chapter Remuneration and integration of ESG goals in the Sustainability Report, page 33 2. See chapter Responsibility to employees, sub-chapter Remuneration in the Sustainability Report, page 62			
2-20 Process to determine remuneration	1. See chapter Remuneration and integration of ESG goals in the Sustainability Report, page 33 2. See chapter Responsibility to employees, sub-chapter Remuneration in the Sustainability Report, page 62			
2-21 Annual total compensation ratio		Yes	Confidentiality constraints	This information is assessed and monitored internally, however not reported publicly due to business secret.
2-22 Statement on sustainable development strategy	See Chapter Corporate Governance Statements / Statement on Non-financial operations in the NLB Group Annual Report 2022, page 142			
2-23 Policy commitments	1. See chapter Corporate governance in the NLB Group Annual Report 2022, page 110 2. See chapter Governance in the Sustainability Report, page 25 3. See chapter Environmental, social and human resources policies in the Sustainability Report, page 37 4. See chapter Respecting human rights in the Sustainability Report, page 39 5. NLB Group Sustainability framework; <a href="https://www.nlb.si/nlb-sustainability-framework.pdf">https://www.nlb.si/nlb-sustainability-framework.pdf</a> 6. EBRD Environmental and Social Policy (PR 2, 4, 9 are material for NLB Group); <a href="https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html">https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html</a> 7. UN Principles for responsible banking: <a href="https://www.nlb.si/press-release-30-9-2020">https://www.nlb.si/press-release-30-9-2020</a> 8. Net Zero Banking Alliance <a href="https://www.nlb.si/press-release-6-06-2022">https://www.nlb.si/press-release-6-06-2022</a> 9. <a href="https://www.nlb.si/code-of-conduct">https://www.nlb.si/code-of-conduct</a>			
2-24 Embedding policy commitments	1. See chapter Corporate governance in the Annual Report, page 110 2. See chapter Governance in the Sustainability Report, page 25 3. See chapter Sustainability-related governance in the Sustainability Report, page 28 4. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a>			
2-25 Processes to remediate negative impacts	1. See chapter Sustainability-related governance, section Communication of critical concerns (Environmental and Social Incident Reporting etc.) in the Sustainability Report, page 28 2. See chapter section Stakeholder engagement (external communication system) in the Sustainability Report, page 20 3. Whistleblowing mechanism: <a href="https://www.nlb.si/whistleblowing-system">https://www.nlb.si/whistleblowing-system</a>			
2-26 Mechanisms for seeking advice and raising concerns	1. See section Stakeholder engagement in the Sustainability Report, page 20 2. Whistleblowing mechanism: <a href="https://www.nlb.si/whistleblowing-system">https://www.nlb.si/whistleblowing-system</a> 3. Sustainability-related concerns: <a href="mailto:sustainability@nlb.si">sustainability@nlb.si</a>			
2-27 Compliance with laws and regulations		Yes	Confidentiality constraints	Required information (number and monetary value) is assessed and monitored internally. For general description of compliance with laws and regulations, please refer to chapters Corporate Governance, Corporate Governance Statements, Compliance and Integrity in the Annual Report.
2-28 Membership associations	1. See chapter Engagement with professional and business associations in the Sustainability Report, page 9			
2-29 Approach to stakeholder engagement	1. See chapter Stakeholder Engagement in the Sustainability Report, page 20			
2-30 Collective bargaining agreements	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 58			

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<b>Material topics</b>				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	See chapter Materiality matrix and ESG material issues in the Sustainability Report, page 21		
	3-2 List of material topics	See chapter Materiality matrix and ESG material issues in the Sustainability Report, page 21		
<b>Economic performance</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See the Annual Report, 2021, (Business report, pages 27 - 118), Financial report (pages 171 - 330)		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	1. See chapter Financial report, NLB Group Annual Report 2022.		
	201-2 Financial implications and other risks and opportunities due to climate change	1. See chapter Sustainable Finance and Risk Management in the Sustainability report 2022, page 67		
	201-3 Defined benefit plan obligations and other retirement plans	1. See chapter Labor management relations and social dialogue in the Sustainability Report, 58		
	201-4 Financial assistance received from government	1. Republic of Slovenia has 25% stake +1 share in NLB. See the Bank's page <a href="https://www.nlb.si/shares">https://www.nlb.si/shares</a>	Standard not applicable for 201-4a and 201-4b.	
<b>Market presence</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See the NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See the Annual Report (Business report, pages 27 - 118)		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Yes	Not applicable  Employees in NLB Group members in all countries / significant locations are not subject to minimum wage rules.	
	202-2 Proportion of senior management hired from the local community			
<b>Indirect economic impacts</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See the Sustainability Report 3. See the Annual Report (Business report, pages 27 - 118)		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	1. See chapter Sustainable finance and Risk Management in the Sustainability Report, page 67 2. See chapter Corporate and Investment banking in the Annual Report, page 70		
	203-2 Significant indirect economic impacts	1. See chapter Contribution to Society in the Sustainability report, page 79 2. See chapter Sustainable finance and Risk Management in the Sustainability Report, page 67 3. See chapter Responsibility to employees in the Sustainability Report, page 51 4. See chapter Responsibility to clients in the Sustainability Report, page 63		
<b>Procurement practices</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	See chapter Responsible procurement & supply chain management in the Sustainability Report, page 50		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Yes	Confidentiality constraints  This information is assessed and monitored internally, however not reported publicly due to business secret.	

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<b>Anti-corruption</b>							
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See the NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See chapter Fighting against corruption and bribery in the Sustainability Report, page 40					
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	1. See chapter Fighting against corruption and bribery in the Sustainability Report, page 40 2. See chapter Compliance and Integrity in the Annual Report, page 118					
	205-2 Communication and training about anti-corruption policies and procedures	1. See chapter Fighting against corruption and bribery in the Sustainability Report, page 50 2. See chapter Compliance and Integrity in the Annual Report, page 118					
	205-3 Confirmed incidents of corruption and actions taken	On the level of NLB Group, there was one attempted incident of corruption (in NLB) in the reporting period. The employee fully adhered to internal rules, immediately refused the bribe and reported the case to Compliance and Integrity, which immediately acted and resolved the issue, in line with internal procedures.					
<b>Anti-competitive behavior</b>							
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See the NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a>					
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There was no legal actions for anticompetitive behaviour, anti-trust or monopoly practices in the reporting period.					
<b>Tax</b>							
GRI 3: Material Topics 2021	3-3 Management of material topics	See chapter Tax Transparency in the Sustainability Report, page 42					
GRI 207: Tax 2019	207-1 Approach to tax	See chapter Tax Transparency in the Sustainability Report, page 42					
	207-2 Tax governance, control, and risk management	See chapter Tax Transparency in the Sustainability Report, page 42					
	207-3 Stakeholder engagement and management of concerns related to tax	See chapter Tax Transparency in the Sustainability Report, page 42					
	207-4 Country-by-country reporting	See chapter Tax Transparency in the Sustainability Report, page 42					
<b>Materials</b>							
GRI 3: Material Topics 2021	3-3 Management of material topics		Yes	Not applicable	The topic is not identified as material.		
GRI 301: Materials 2016	301-1 Materials used by weight or volume		Yes	Not applicable			
	301-2 Recycled input materials used		Yes	Not applicable			
	301-3 Reclaimed products and their packaging materials		Yes	Not applicable			
<b>Energy</b>							
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44 2. See Appendix 5: Overview of sustainability – related policies in NLB Group					
GRI 302: Energy 2016	302-1 Energy consumption within the organization	See chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44					
	302-2 Energy consumption outside of the organization		Yes	Not applicable	The topic is not identified as material.		
	302-3 Energy intensity	See chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44	Yes				
	302-4 Reduction of energy consumption	See chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44					
	302-5 Reductions in energy requirements of products and services		Yes	Not applicable			

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Water and effluents			
GRI 3: Material Topics 2021	3-3 Management of material topics	Yes	Not applicable The topic is not identified as material.
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Yes	Not applicable
	303-2 Management of water discharge-related impacts	Yes	Not applicable
	303-3 Water withdrawal	Yes	Not applicable
	303-4 Water discharge	Yes	
	303-5 Water consumption	Yes	Not applicable
Biodiversity			
GRI 3: Material Topics 2021	3-3 Management of material topics	Yes	Not applicable The topic is not identified as material. NLB Group plans to include biodiversity in sustainability considerations in next years.
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Yes	Not applicable
	304-2 Significant impacts of activities, products and services on biodiversity	Yes	Not applicable
	304-3 Habitats protected or restored	Yes	Not applicable
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Yes	Not applicable
Emission			
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44 - 47 2. See Appendix 5: Overview of sustainability – related policies in NLB Group	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44 - 47	
	305-2 Energy indirect (Scope 2) GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44 - 47	
	305-3 Other indirect (Scope 3) GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44 - 47	
	305-4 GHG emissions intensity	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 44 - 47	
	305-5 Reduction of GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 49	
	305-6 Emissions of ozone-depleting substances (ODS)	Yes	Information unavailable/incomplete These emissions were not calculated due to data unavailability in NLB Group members.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Yes	Information unavailable/incomplete

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<b>Waste</b>					
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 48 2. See Appendix 5: Overview of sustainability – related policies in NLB Group			
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 48			
	306-2 Management of significant waste-related impacts	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 48			
	306-3 Waste generated	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 48			
	306-4 Waste diverted from disposal			Yes	Information unavailable/incomplete  Waste was included in GHG calculation, Scope 3. Granular calculation in terms of this requirement was not possible due to inconsistency and unavailability of data in NLB Group members.
	306-5 Waste directed to disposal			Yes	Information unavailable/incomplete  Waste was included in GHG calculation, Scope 3. Granular calculation in terms of this requirement was not possible due to inconsistency and unavailability of data in NLB Group members.
<b>Supplier environmental assessment</b>					
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See Chapter Responsible procurement & supply chain management in the Sustainability Report, page 50 2. See Appendix 5: Overview of sustainability – related policies in NLB Group			
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria				
	308-2 Negative environmental impacts in the supply chain and actions taken	1. See Chapter Responsible procurement & supply chain management in the Sustainability Report, page 50 2. See Appendix 5: Overview of sustainability – related policies in NLB Group			
<b>Employment</b>					
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See section Responsibility to employees in the Sustainability Report, page 51			
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	1. See section Structure of new employees by gender and age in the Sustainability Report, page 53 2. See section Structure of departures by gender and age in the Sustainability Report, page 54			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	1. See section Structure of new employees by gender and age in the Sustainability Report, page 53			
	401-3 Parental leave	1. See section Parental leave in the Sustainability Report, page 55			
<b>Labor/management relations</b>					
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 58			
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 58			

<b>Occupational health and safety</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See Chapter Health and safety in the Sustainability Report, page 57 2. See Appendix 5: Overview of sustainability – related policies in NLB Group
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	1. See Chapter Health and safety in the Sustainability Report, page 57
	403-2 Hazard identification, risk assessment, and incident investigation	1. See Chapter Health and safety in the Sustainability Report, page 57
	Occupational health services	1. See Chapter Health and safety in the Sustainability Report, page 57
	403-3 Worker participation, consultation, and communication on occupational health and safety	1. See Chapter Health and safety in the Sustainability Report, page 57
	403-5 Worker training on occupational health and safety	1. See Chapter Health and safety in the Sustainability Report, page 57
	403-6 Promotion of worker health	1. See Chapter Health and safety in the Sustainability Report, page 57
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	1. See Chapter Health and safety in the Sustainability Report, page 57
	403-8 Workers covered by an occupational health and safety management system	1. See Chapter Health and safety in the Sustainability Report, page 57
	403-9 Work-related injuries	There were no fatalities or major accidents in the reporting period.
	403-10 Work-related ill health	There were no work-related ill health or major accidents in the reporting period.
<b>Training and education</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Training in the Sustainability Report, page 56 2. See chapter Human Resources in the Annual Report, page 106
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	1. See chapter Training in the Sustainability Report, page 56 2. See chapter Human Resources in the Annual Report, page 106
	404-2 Programs for upgrading employee skills and transition assistance programs	1. See chapter Training in the Sustainability Report, page 56 2. See chapter Human Resources in the Annual Report, page 106
	404-3 Percentage of employees receiving regular performance and career development reviews	1. See chapter Remuneration in the Sustainability Report, page 62 2. See chapter Human Resources in the Annual Report, page 106
<b>Diversity and equal opportunity</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Employment, diversity and equal opportunity in the Sustainability Report, page 51 2. See chapter Human Resources in the Annual Report, page 106
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	1. See chapter Diversity of the highest governance bodies in the Sustainability Report, page 59 2. See chapter Employment, diversity and equal opportunity in the Sustainability Report, page 51
	405-2 Ratio of basic salary and remuneration of women to men	See chapter Gender Pay Gap in the Sustainability Report, page 62
<b>Non-discrimination</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Employment, diversity and equal opportunity in the Sustainability Report, page 51 2. See Appendix 5: Overview of sustainability – related policies in NLB Group
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	NLB Group has a policy of zero tolerance to any form of discrimination and violence. There were no incidents of discrimination in the reporting period.

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<b>Freedom of association and collective bargaining</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1.See chapter Labor management relations and social dialogue in the Sustainability Report, page 58				
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		yes	Information unavailable/incomplete	Freedom of association and collective bargaining is included in NLB Group operations is described in 3-3. Comprehensive data from NLB Group suppliers are not yet available.	
<b>Child labor</b>						
<b>GRI 3: Material Topics 2021</b>	407-1 Management of material topics	1. See chapter Respecting human rights in the Sustainability Report, page 39 2. Please note: NLB Group operations are in line with ILO standards related to abolition of child labor, they adhere to national legislations which strictly prohibit child labor; comply with general provisions of the agreement with MIGA, which stipulate that in performing business activities or business activities of its sub-contractors NLB Group provides reasonable measures, not to use child labor or slavery; comply with EBRD PR2 requirements as respective standards and procedures are embedded in the Group's HR policies.				
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	There were no incidents of child labor in the reporting period. 1. See chapter Respecting human rights in the Sustainability Report, page 39 2. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 50				
<b>Forced or compulsory labor</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Respecting human rights in the Sustainability Report, page 39 2. Please note: NLB Group operations are in line with ILO standards related to elimination of forced labor, they adhere to national legislations which strictly prohibit forced labor; comply with general provisions of the agreement with MIGA, which stipulate that in performing business activities or business activities of its sub-contractors NLB Group provides reasonable measures, not to use child labor or slavery; comply with EBRD PR2 requirements as respective standards and procedures are embedded in the Group's HR policies.				
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	There were no incidents of forces and compulsory labor in the reporting period.				
<b>Security practices</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1.See Chapter Respecting human rights in the Sustainability Report, page 39 2. See Appendix 5: Overview of sustainability – related policies in NLB Group				
<b>GRI 410: Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures	1. Internal act "Instructions on the protection of banking facilities and banking operations". 2. Please note: Security personnel is trained and licenced in line with national regulations as set by Ministry of Interior, including human rights protection.	yes	Confidentiality constraints	NLB Group monitors required detailed information, which can not be disclosed due to business secret.	
<b>Rights of indigenous peoples</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics		yes	Not applicable		
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples		yes	Not applicable		
<b>Local communities</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics			Not applicable		
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs			Not applicable		
	413-2 Operations with significant actual and potential negative impacts on local communities			Not applicable		

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<b>Supplier social assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Environmental, social and human resources policies in the Sustainability Report, page 37 2. See chapter Responsible procurement & supply chain management the Sustainability Report, page 50				
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria		yes	Information unavailable/incomplete	Establishing internal process of assessing the comprehensive data in all NLB Group members is in progress.	
<b>Public policy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. Internal acts that prohibits political contributions.				
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	NLB Group is politically neutral. There were no financial contributions to political parties, political representatives or political campaigns in the reporting period. 1. See chapter Political involvement in the NLB Group Sustainability Report, page 38				
<b>Customer health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics		yes	Not applicable	The topic is not identified as material. NLB Group financial products and services do not have impacts related to health and safety.	
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories		yes	Not applicable		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		yes	Not applicable		
<b>Marketing and labeling</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1.NLB Group adheres to the fundamental principles of responsible advertising and the requirements of national general legislations and specific consumer legislations. 2. Responsible communication management on loans: <a href="https://www.nlb.si/razumno-zadolzevanje">https://www.nlb.si/razumno-zadolzevanje</a>				
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labeling	1. See chapter Green finance and solutions for clients in the Sustainability Report, page 73				
	417-2 Incidents of non-compliance concerning product and service information and labeling	There were no material incidents in the reporting period.				
	417-3 Incidents of non-compliance concerning marketing communications	There were no material incidents in the reporting period.				
<b>Customer privacy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Protection of personal data and information in the Sustainability Report, page 38 2. See chapter Cyber security in the Sustainability Report, page 39 3. See the Bank's website: <a href="https://www.nlb.si/general-information-on-personal-data-protection.pdf">https://www.nlb.si/general-information-on-personal-data-protection.pdf</a> 4. See Chapter Compliance and Integrity in the NLB Group Annual Report, page 118				
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		yes	Confidentiality constraints	NLB Group monitors required detailed information, which can not be disclosed due to business secret.	

# Appendix 3: TCFD Index Table

**As an issuer on London Stock Exchange, NLB discloses climate-related financial information for the first time in reference to, but not fully complied with the Task Force on Climate – Related Financial Disclosures (TCFD) recommendations regarding (1) governance, (2) business strategy, (3) risk management, (4) metrics and targets. Further work is underway to enhance the identification, management and reporting of climate-related risks and opportunities with respect to TCFD, as well as the upcoming Corporate Social Responsibility Directive (CSRD).**

The report follows TCFD recommendations in this respect, on our best-effort basis and partially. For example, the availability of clients' ESG data in the region where the Group operates is still lacking at the time of the publication of this report. Therefore, the report does not provide a detailed description of portfolio decarbonization strategies and targets at this stage, but rather outlines the metrics to assess climate-related risks and opportunities in line with NLB Group's strategy and risk management process.

Recommendations	Summary of disclosure	Disclosure location (Chapter, page) and extensive report	Disclosure level
<b>I. GOVERNANCE</b>	<b>Disclose the organization's governance around climate-related risks and opportunities, describing:</b>	Partially	
<b>a) The Board's oversight of climate-related risks and opportunities</b>	<p>1. As the highest governance bodies, the Management Board and the Supervisory Board are responsible for managing and supervising the implementation of ESG risks (including climate- related) in risk management framework, respectively. In 2022, both governance bodies addressed (had oversight, discussed and/or made resolutions) several ESG - related topics, within their respective area of responsibility, whether stand-alone or in connection with broader strategic topics.</p> <p>2. As part of the performance evaluation process, NLB Group pays a special attention to the achievement of climate-change related and other ESG goals. Given sustainability roadmap of NLB Group, management board members and other identified employees are committed to achieve targets, which are set out in their respective areas. In 2022, concrete targets have been included in their performance plans, and were part of their individual assessments.</p> <p>3. Throughout 2022, several trainings on these topics were organized for internal stakeholders at all levels of the Bank addressing different needs. The training program contents for the Management Board members, covering their pertinent area, focused on topics of strategic relevance, including climate- related and other ESG risks and opportunities.</p>	<b>NLB Group Sustainability Report 2022:</b> 1. Chapter Sustainability - related Governance, page 28 2. Chapter Remuneration and integration of ESG goals, page 33 3. Chapter Training on sustainability related topics , page 35	
<b>b) Management's role in assessing and managing climate-related risks and opportunities</b>	<p>Responsibility for managing its environmental impact is efficiently delegated across management and business lines. Apart from the Management and the Supervisory Board, all other governance bodies (Supervisory Board committees, collective decision making and advisory bodies to the Management Board) tackle the ESG risks sustainability in their respective area of work and responsibilities, including climate-related risks and opportunities. In addition, the same responsibility is efficiently delegated across management and business lines. The internal control system is implemented and designed to ensure that a process or other measure is in place for each key risk to effectively reduce or manage that risk, and that the process or measure is effective for this purpose.</p>	<b>NLB Group Sustainability Report 2022:</b> Chapter Management's role in managing ESG risks and opportunities, page 30	

Recommendations	Summary of disclosure	Disclosure location (Chapter, page) and extensive report	Disclosure level
<b>II. STRATEGY</b>	<b>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</b>		Partially
<b>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</b>	<p>1. NLB sustainability roadmap encompasses decisive approach, 3 strategic pillars (Sustainable Operations, Sustainable Finance, Contribution to Society) and comprehensive sustainability framework, supported with clear action plans.</p>		
<b>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</b>	<p>2.NLB Group considers climate-related and other environmental risks as environmental risk. Transition risk and physical risk are subcategories of climate risk.The Group conducts a materiality assessment, as part of its overall risk identification process, based on ECB, EBA, BoS, UNEP FI, EBRD and other relevant guidelines. Besides, the Group uses all available climate and environmental data and studies available for its region (namely, provided by different relevant state institutions) to determine the level of environmental risk to which the Group is exposed. In this process environmental risk factors relevant transmission channels are identified and their materiality and impact on the Group's financial performance in the short- and long-term assessed.</p> <p>3.In NLB Group, we recognise climate-related changes not only as risks, but also as business opportunities, and recognise a responsibility to support clients in their green transition. Therefore, since the introduction of the first green financing offer (NLB Green Housing Loan) in 2020, the Group continues to strengthen its sustainable finance proposition with sustainability-related financing for private individual, micro, SMEs, corporate, and asset management clients.</p>	<b>NLB Group Sustainability Report 2022:</b> 1. Chapter Sustainability Strategy, page 14 2. Chapter Sustainable Finance and Risk Management, page 67 3. Chapter Green finance and solutions for clients, page 73	
<b>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</b>	<p>As systemically important institution, the Group was included into 2022 ECB Climate Stress test exercise, consisted of three modules. The exercise was conducted in the first half of 2022 and aggregate results were published in July 2022. By performing this exercise ECB assessed how banks are prepared for dealing with financial and economic shocks stemming from climate risk. The Group's overall results were within the range of average peer results</p>		
<b>d) Banks should describe significant concentrations of credit exposure to carbon-related assets.</b>	<p>Preliminary quantitative data were gathered on financed emissions of portfolio, i.e. credit exposure to carbon related assets. Based on industry segmentation of portfolio and corresponding emissions the Group has a relatively low exposure to emission-intensive sectors in its corporate client's business. More exposed industries represent energy, transportation, industry and agriculture, though the exposure to the clients with high emissions in these industries is rather limited. As part of its strategy, the Group does not finance companies that extract fossil fuels or operate coal-fired power plants.</p>	<b>NLB Group Sustainability Report 2022:</b> 1. Chapter Financed emissions metrics and targets, page 75	
<b>e) Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.</b>	<p>In NLB Group, we consider transition risk and physical risk as subcategories of climate risk. Both categories are then further divided into even more subcategories, and presented in the report.</p>	<b>NLB Group Sustainability Report 2022:</b> Chapter Identification and assessment of climate-related and other ESG risks, page 67	

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<b>III. RISK MANAGEMENT</b>	Disclose how the organization identifies, assesses, and manages climate-related risks, describing:		Partially	<a href="#">CEO Statement</a> <a href="#">Key Highlights 2022</a> <a href="#">About This Report</a> <a href="#">NLB Group at a Glance</a> <a href="#">Sustainability Strategy</a> <a href="#">Governance</a> <a href="#">Sustainable Operations</a> <a href="#">Sustainable Finance and Risk Management</a> <a href="#">Metrics and Targets</a> <a href="#">Contribution to Society</a> <a href="#">Appendices</a>
a) The organization's processes for identifying and assessing climate-related risks	1. The Group is strategically focused on contributing to sustainable finance by incorporating ESG risks into its business strategies, risk management framework, and internal governance arrangements.			
b) The organization's processes for managing climate-related risks	2. ESG risks do not represent a new risk category, but rather one of risk drivers of the existing type of risks, such as credit, liquidity, market and operational risk. The Group integrates and manages them within the established risk management framework in the area of credit, liquidity, market and operational risk. The management of ESG risks follows ECB and EBA guidelines with tendency of their comprehensive integration into all relevant processes.			
c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	3. The Group established the Environmental and Social Management System (ESMS) – the mechanism for environmental and social screening of current or potential financing applications against the MIGA and EBRD Exclusion List and applicable environmental and social laws. Through ESMS, climate-related and other ESG risks are integrated in the Group's Risk Appetite Statement, and the management of these risks addresses the Group's overall credit approval process and related credit portfolio management.	<b>NLB Group Sustainability Report 2022:</b> 1. Chapter Identification and assessment of climate-related and other ESG risks, page 67 2. Chapter Sustainable Finance and Risk Management, page 67 3 . NLB Group's Risk management framework in the area of ESG, page 70		
d) Banks should consider characterizing their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk. Banks should also consider describing any risk classification frameworks used (e.g., the Enhanced Disclosure Task Force's framework for defining "Top and Emerging Risks")				

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Recommendations	Summary of disclosure	Disclosure location (Chapter, page) and extensive report	Disclosure level
<b>IV. METRICS</b>	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material, in particular:		Partially
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<p>1. The implemented Environmental and Social Management System (ESMS) applies to transactions with the greatest potential for significant negative environmental and social impacts EBRD environmental classification of NLB Group on-balance exposure as at 31 December, 2022: low risk 83%, medium risk 12%, high risk 6%.</p> <hr/> <p>2. Mandatory (indicative value) and voluntary EU taxonomy disclosures are provided. Voluntary disclosures (at the end of 2022, total EU Taxonomy Eligible exposure of NLB Group):</p> <ul style="list-style-type: none"> <li>a) to legal entities: 22.3 % of total on-balance portfolio</li> <li>b) to NFRD clients: 78.38 % of total NFRD portfolio</li> </ul>	<b>NLB Group Sustainability Report 2022:</b> <ol style="list-style-type: none"> <li>1. Chapter Risk metrics and targets, page 72</li> <li>2. Chapter EU Taxonomy Disclosures, page 76</li> </ol>	
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	In 2022, Total Scope 1, 2 and 3 emissions (limited inclusion, without Category 15 – financed emissions) of NLB Group accounted for 19,906 t CO <sub>2</sub> , which is 46% reduction compared to 2021. To calculate emissions the guidelines of the Greenhouse Gas Protocol (GHG Protocol), were used, and we also referred to Corporate standard (Corporate Accounting and Reporting Standard), and Corporate Value Chain (Scope 3) Accounting and Reporting Standard	<b>NLB Group Sustainability Report 2022:</b> <p>Chapter NLB Group's Operational Environmental Impact, page 44</p>	
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performances against targets.	<p>1. Climate-related and other ESG risks are addressed in all relevant stages of the credit-granting process, and in the collateral evaluation process. Additional key risk indicators and targets, related to climate-related and ESG risks, as well as opportunities, will be addressed in 2023 based on on-going activities related to the Net-Zero Banking Alliance commitment, signed by the Group. As a signatory, NLB Group is committed to transition operational and attributable GHG emissions from its lending and investment portfolios to align with pathways to net-zero by 2050 or sooner. By the end of 2023, NLB Group will set 2030 and 2050, i.e. net-zero target.</p> <p>2. NLB Group set several targets to manage its own operational climate related risks and measures to reduce the environmental impact. (50% reduction of paper print by 2025; 75% of all electric energy from zero-carbon sources by 2030). Targets in terms of new sustainable corporate financing were also set. (EUR 785 million by 2030)</p>	<b>NLB Group Sustainability Report 2022:</b> <ol style="list-style-type: none"> <li>1. Chapter Towards a Net-zero Business Strategy, page 75</li> <li>2. Chapter Impacts and Target Setting, page 18</li> </ol>	
d) Banks should disclose GHG emissions for their lending and other financial intermediary business activities where data and methodologies allow. These emissions should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology.	<p>1. The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group made a large progress in the process of obtaining relevant ESG related data from its clients, being prerequisite for adequate decision-making and corresponding proactive management of ESG risks.</p> <p>2. For the purpose of calculation of credit portfolio GHG emissions several activities started in 2022:</p> <ul style="list-style-type: none"> <li>- for larger corporate clients we initiated direct Scope 1 &amp; 2 &amp; 3 data gathering processes, for SME and micro segment we developed our own proxies in cooperation with external expert.</li> </ul> <p>By end of 2022 we formed the emission calculation for the Slovenian market, whereas in the Region this process will continue and will be developed in 2023.</p>	<ol style="list-style-type: none"> <li>1. <b>NLB Group Sustainability Report 2022:</b> Chapter Towards a Net-Zero Business Strategy, page 75</li> <li>2. <b>NLB Group Pillar 3 Disclosures 2022,</b> Chapter ESG Risk (14.4. - 14.7.)</li> </ol>	

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# Appendix 4: UN PRB Self Assessment Report



## Principle 1: Alignment

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.

### Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

NLB Group is dedicated to positively impacting the region of its operations. The business model incorporates environmental, social, and governance issues as NLB Group strives to create a net-zero society while benefiting our stakeholders. To further strengthen its mission, NLB Group refocuses on green financing and supporting a green transition. Besides, it actively seeks new business opportunities arising from social equality, and managing climate-related and other environmental and social risks.

»» 1. For more information about the BUSINESS MODEL please refer to: Annual Report 2022 p. 41

»» 2. For more information about M&A activities of NLB Group, please refer to: Annual Report 2022 p. 39 and p. 200

NLB Group is headquartered in Ljubljana and is one of Slovenia's largest banking groups. The Group is present in a market of 17 million people in six countries (Bosnia and Herzegovina, Montenegro, Serbia, the Republic of Kosovo, and Northern Macedonia) with seven subsidiary banks in South Eastern Europe (SEE), several companies providing ancillary services (asset management, real estate management, leasing, etc.) and a limited number of non-core subsidiaries in a controlled wind-down.

In the first months of 2022, NLB Group focused its internal resources on finalising the merger activities of NLB Banka Beograd to Komercijalna banka Beograd, Serbia (April 2022). The merged bank now operates under the name NLB Komercijalna banka Beograd. After completing one of the region's most demanding but successful integrations, the squeeze-out procedure followed with NLB d.d. becoming a 100% bank owner in July 2022.

On 1 March 2022, NLB d.d. acquired a 100% shareholding in Sberbank banka d.d., Ljubljana (subsequently renamed N Banka d.d.) to support the Slovenian Central Bank in maintaining the financial stability of the banking sector. Following the acquisition, NLB conducted a detailed post-acquisition review and also started the process of harmonisation and the merger of the bank with NLB d.d., which is to be completed by the end of Q3 2023.

Distribution of the number of customers and clients served in NLB Group after merging with KB Bank and acquiring N banka:

»» 3. For more information about the number of customers and clients served in 2022, please refer to: Annual Report p. 67

»» 4. For more information about segment analysis of NLB Group, please refer to: Annual Report 2022, p. 65

		Private individuals	NLB d.d. Legal entities	Total
NLB d.d.	active	25.8%	14.7%	24.8%
	all	19.5%	11.3%	18.7%
NLB KB Beograd	active	32.2%	63.2%	35.1%
	all	33.6%	58.8%	36.1%
NLB KB Skopje	active	15.8%	6.0%	14.9%
	all	21.3%	8.9%	20.1%
NLB Banka Prishtina	active	8.6%	3.3%	8.1%
	all	8.6%	4.9%	8.2%
NLB Banka Banja Luka	active	7.9%	5.3%	7.6%
	all	6.9%	6.6%	6.9%
NLB Banka Sarajevo	active	5.2%	3.2%	5.0%
	all	3.9%	3.0%	3.8%
NLB Podgorica	active	3.2%	2.1%	3.1%
	all	5.2%	4.8%	5.1%
N Banka	active	1.4%	2.1%	1.4%
	all	1.1%	1.7%	1.1%

Please note, that due to the abovementioned mergers, a rerun of impact analysis will be conducted after all merger activities are finalised.

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## Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes  
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: **European Central Bank (ECB), European Bank for Reconstruction and Development (EBRD)- Environmental and Social Policy, TCFD (Task Force on Climate-related Financial Disclosures), GRI, European Banking Authority (EBA), European Securities and Markets Authority (ESMA).**
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

In 2020, NLB Group adopted the Sustainability Framework, which forms the basis for the Group's sustainability activities. Based on the UN SDGs as one of the key international frameworks, NLB Group, as the important driving force for the real economy and therefore having a significant impact on the UN SDGs, considered them all in operations and identified five key UN SDGs where the NLB Group can contribute most positively and reduce the negative impact it might have on them:

- SDG 3 – ensure healthy lives and promote well-being for all at all ages
- SDG 7 – Ensure access to affordable, reliable, sustainable, and modern energy for all
- 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
- SDG 13 – Take urgent action to combat climate change and its impacts. These goals are the basis for internal policies, e.g., documents that clearly define the risks of individual businesses or transactions.

The UN SDGs are also integrated into internal risk and other policies.

All countries of NLB Group's operations have signed and adopted their documents following the UN SDGs and Paris Climate Agreement. For example, in Slovenia, the Slovenian Development Strategy 2030 and the Resolution on the Slovenian Long-Term Climate Strategy 2050 were adopted, the Framework for the Implementation of UN SDGs was adopted in Bosnia and Herzegovina, and in Serbia the UN SDG Cooperation Framework between the UN and the Republic of Serbia 2021–2025. Bosnia and Herzegovina, Kosovo, Montenegro, Northern Macedonia, and Serbia signed the Sofia Declaration on the Green Agenda for the Western Balkans.

Even though there are no concrete legal obligations for industry and business overall regarding climate change or environmental protection outside the EU area of our members' operations, in 2022 NLB Group entered the next phase of sustainability implementation in accordance with the UN Sustainable Development Goals, Paris Climate Agreement, and relevant national and regional frameworks by intensifying the financing of sustainable projects.

Following the UN SDG and Paris Agreement commitment in 2021 and 2022, NLB Group adopted several internal sustainability-related policies and frameworks.

The most important, however, is the NLB Group Sustainability Framework, which is binding for all NLB Group core subsidiaries. Further to this, NLB joined the Net-Zero Banking Alliance (UNEP FI) in May 2022 and started with the preparation of the net-zero business strategy.

In 2022, NLB Group paid particular attention to strengthening governance across the whole group with a strong network of ESG coordinators and a fully developed Environmental and Social Management System (ESMS), in line with the EBRD and MIGA environmental and social performance requirements.

»» 1. For more information, please refer to: Sustainability Report 2022 p. 7

»» 2. For more information about the Sustainability Framework, please refer to: Sustainability Framework

»» 3. For more information about EBRD requirements, please refer to: Environmental and Social Policy How to implement our performance requirements

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## Principle 2: Impact and Target Setting

**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.**

### Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

**a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

NLB Group conducted the impact analysis based on the UN PRB methodology in 2021 with reference data for 2020.

As a first step of the impact analysis, NLB Group used the UNEP FI Portfolio Impact Analysis Tool for Banks and identified business activities and countries of operations as follows:

- business activities (consumer, business, corporate, and investment banking)
- six main countries of operation (Slovenia, Bosnia and Herzegovina, North Macedonia, Montenegro, Kosovo, and Serbia).

<sup>1</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>2</sup> Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

The next step of the impact analysis was identifying the country's needs, and the third was adding sector/client impact mapping. Based on these two steps, NLB Group identified thirteen impact areas and prioritised impact areas as stated in Section C of this chapter.

With the aim for the key impact areas to comprehensively reflect banking operations, a materiality analysis was also conducted. With the materiality analysis, NLB Group identified, evaluated and prioritised essential sustainability issues that will significantly impact NLB's performance.

With three key activities:

1. analysis of the NLB Group portfolio,
2. identifying country needs, and
3. conducting the materiality analysis,

NLB Group identified the three most important impact areas: Climate, Resource efficiency & security and Inclusive & healthy economies.

Due to the merging processes with Komercialna Banka Beograd and the acquisition of N banka in 2022, the scope of the portfolio is changing. Since the process with N banka is still ongoing, the new impact analysis in 2022 would provide us with only partial results. Following the conclusion of the mergers (expected in autumn 2023), the preparation and implementation of the new impact analysis in the fourth quarter of 2023 will be reasonable and will give us more accurate data for the further development of targets.

»» For more information about materiality analysis, please refer to: Sustainability Report 2022, p. 21

»» For more information about impact analysis, please refer to: Sustainability Report 2021, p. 62

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition your portfolio globally and per geographical scope

Consumer banking (# clients)	(631,658)	33%	(152,387)	8%	(332,759)	18%
Business Banking (amount of outstanding loans in millions)	(878)	29%	(437)	14%	(325)	11%
Corporate Banking (amount of outstanding loans in millions)	(1,140)	63%	(202)	11%	(103)	6%
Investment Banking (Bond and Equity over MLA in millions)	(1,014)	100%	N/A	N/A	N/A	N/A

i) by sectors & industries<sup>3</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or  
ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.  
In the impact analysis, the NLB Group portfolio was broken into four business lines according to the UN PRB FI tool, and the data indicators were collected at the country level as of 31.12.2020:

- consumer banking
- business banking
- corporate banking
- investment banking

For consumer banking, besides the sectors (current accounts, savings accounts, consumer credit, and overdraft, home loans, housing-related credit, vehicle-related loans, and education-related loans), the UNEP FI tool also required the inclusion of the income level of the respective consumer share, as it is directly related to some critical areas like equality. When collecting the business, corporate and investment banking data, it was important to focus on countries and sectors where the Bank is a major market participant.

For business and corporate banking, the top 15 sectors per country were incorporated into the tool, among them the three most common in NLB Group:

1. wholesale trade, except motor vehicles and motorcycles,
2. retail trade, except motor vehicles and motorcycles,
3. public administration and defence,
4. compulsory social security.

Portfolio breakdown by geographical scope and business lines, as collected on 31.12.2020:

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**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

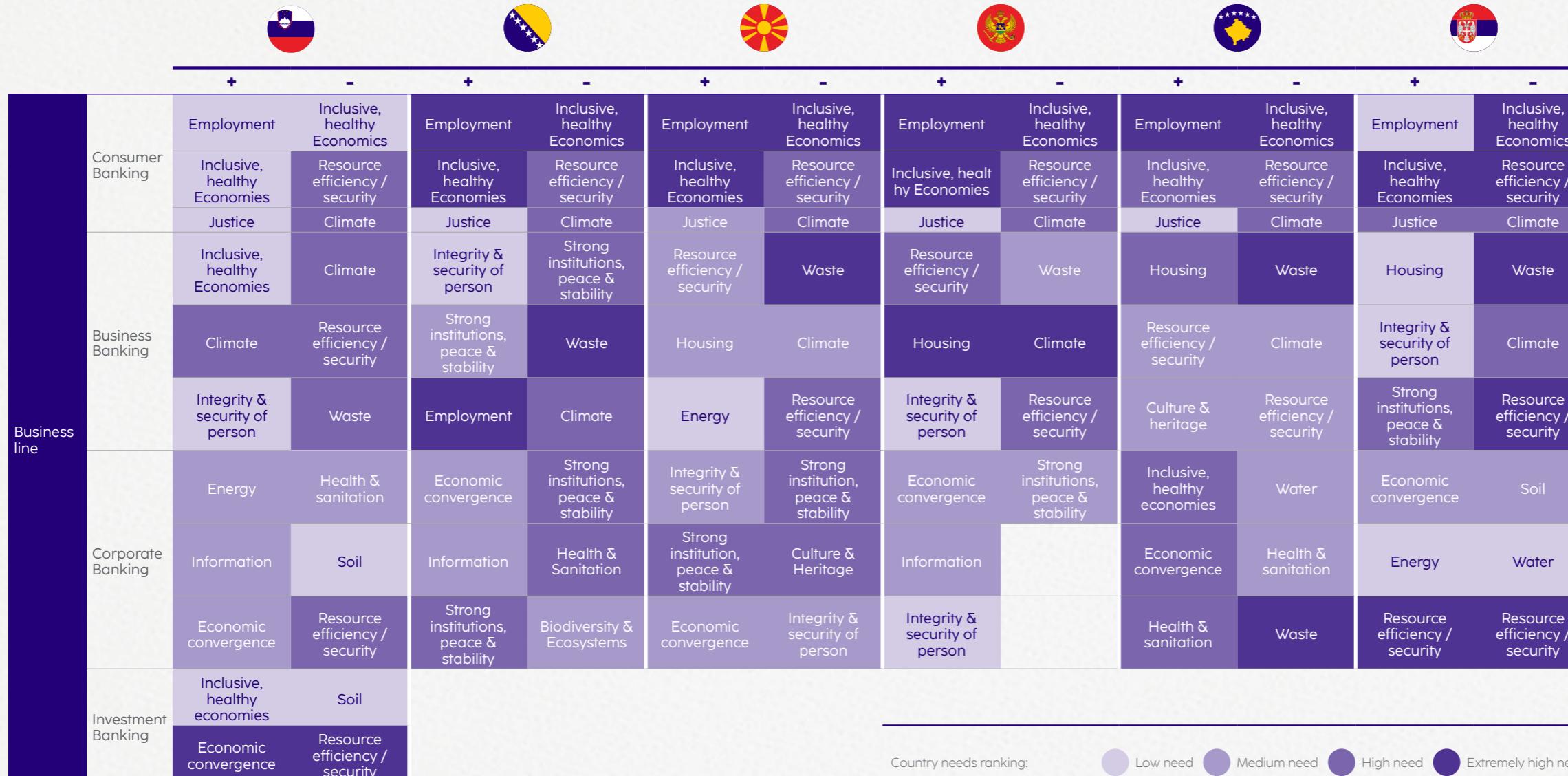
<sup>4</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

This step aims to put your bank's portfolio impacts into the context of society's needs.

To identify country needs, NLB Group used UN SDG, WEF, World Bank, and Academia data to identify the country's performance for each of the 52 indicators provided by the UN PRB impact analysis tool. Once we had collected the raw data, we converted these data points into country needs according to the ranking provided in the tool. The final step in

determining the country-specific need for the impact area was to select the maximum score of each country's need from the different indicators.

The following table depicts the specific country need levels for all 22 impact areas defined by the UNEP FI tool in all six countries of the NLB



Country needs ranking:

Low need   Medium need   High need   Extremely high need

Group operations based on the data collected on 30.12.2020

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Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)<sup>5</sup>? Please disclose.

To identify impact areas, NLB Group carried out impact analysis and materiality analysis and identified 13 impact areas:

- Employment,
- Inclusive & healthy economies,
- Resource efficiency & security,
- Climate,
- Economic convergence,
- Information,
- Integrity & security of person,
- Strong institutions, peace, & stability,
- Health & sanitation,
- Soil,
- Housing,
- Waste,
- Justice

NLB Group also implemented a materiality analysis, which identified and closely worked with six main stakeholders: investors, employees, private clients, regulatory authorities, suppliers and contractual partners, and business clients. Both analyses identified positive and negative impacts of each business line. The materiality analysis has been an important input before the finalisation of key impact areas, especially since the region where NLB is present is rather diversified and thus needs special attention in order for the output to be as precise as possible.

Out those, three areas were prioritised:

1. Climate
2. Resource efficiency & security
3. Inclusive & healthy economies

	<b>Positive impact</b>	<b>Negative impact</b>		<b>Positive impact</b>	<b>Negative impact</b>
Consumer Banking Impact	Employment	Inclusive, healthy, economies	Business Banking Impact	Housing	Waste
	Inclusive, healthy, economies	Resources efficiency/security		Resources efficiency/security	Climate
	Justice	Climate		Integrity & security of person	Resources efficiency/security
Corporate Banking Impact	Economic convergence	Strong institutions, peace & stability	Investment Banking Impact	Inclusive, healthy economies	Soil
	Information	Health & sanitation		Economic convergence	Resources efficiency/security
	Integrity & security of person	Soil			

<sup>5</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

»» 1. For more information about priorities of impact areas, please refer to: Sustainability Report 2021, p.12.

**d) For these (min. two prioritized impact areas):** Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this. The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

NLB Group recognised the customers with the most substantial negative impact and, since 2021, has not provided any new financing to coal-related financing, including thermal coal mining or coal-fired electricity generation capacity in any way, including eventual transitional enhancements. Further to this, the NLB Group Sustainability Framework includes an exclusion list of prohibited activities.

In line with joining the NZBA and fulfilling all necessary requirements for the first 18 months, NLB Group is currently analysing the portfolios after identifying customers with the most substantial positive or negative impact, and the results are expected by the end of 2023.

NLB Group also established the Environmental and Social Management System (ESMS), which is part of a comprehensive management system within NLB Group. It is developed with the aim to improve the Bank's environmental and social (E&S) risk management capacity and to reduce credit and liability risks arising from environmental and social issues.

#### **Self-assessment summary:**

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts<sup>6</sup>?

#### **Scope:**

Yes  In progress  No

#### **Portfolio composition:**

Yes  In progress  No

#### **Context:**

Yes  In progress  No

#### **Performance measurement:**

Yes  In progress  No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

#### **Climate change mitigation, climate change adaptation, financial health & inclusion.**

How recent is the data used for and disclosed in the impact analysis?

Up to 6 months prior to publication  Up to 12 months prior to publication  Up to 18 months prior to publication  longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

As described in chapter 1.1. NLB Group focused its operations in 2022 on the merger with Komercijalna Banka and the acquisition of N banka. Therefore, the review of the impact analysis from the end of 2020 will be reasonable to implement after the conclusion of both processes due to changes in portfolios.

<sup>6</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

»» 1. For more information about exclusion list of prohibited activities, please refer to: Sustainability Framework p. 19

»» 2. For more information about the ESMS system, please refer to: Sustainability Report 2022, p. 70

## Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets<sup>7</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>8</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. You can build upon the context items under 2.1.

NLB Group's dedication to UN SDGs reflects its financing and operations. SDGs and the Paris Agreement are integrated into national frameworks and legislation in the region of our operations. In Slovenia, as part of the European Union, we follow all the directives, recommendations and legislation valid in sustainable development, such as the European Green Deal. The other countries of our operations are also signatories of the SDGs agenda and the Paris Agreement. For example, Bosnia and Herzegovina, the Republic of Kosovo, Montenegro, North Macedonia and Serbia also signed the Sofia Declaration on The Green Agenda for the Western Balkans, which aligns the region with the EU Green Deal.

<sup>7</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>8</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Essential alignment with national policy frameworks by countries of NLB Group Operations:

### Slovenia:

We can see the strategic alignment of the selected targets (Climate, Resources efficiency & security, and Inclusive & healthy economies) in NLB Group and UN SDGs with national documents such as the Slovenian Development Strategy 2030. One of the priorities is dedicated to a low-carbon circular economy. Part of the answer to the challenge of reducing greenhouse gas emissions is the recently adopted National Energy and Climate Plan, which shows that 2030 Slovenia's total greenhouse gas emissions will be reduced by up to 36% by 2030 compared to 2005.

### Bosnia and Herzegovina

In Bosnia and Herzegovina, the SDG Framework for Sustainable Development Goals in Bosnia and Herzegovina is a core and joint document of all levels of government. The shared vision of the governments at all levels in Bosnia and Herzegovina is: "a prosperous, economically and institutionally developed, socially equitable country, of equal opportunities for all its citizens with developed infrastructure, knowledge-based society, where natural and other resources are used efficiently, the environment is protected, and rich diversity is taken care of."

### Republic of Kosovo

For example, the Energy Strategy of the Republic of Kosovo 2022–2031 describes directions and key actions for the energy sector's development over the next ten years. The vision of the Government of the Republic of Kosovo is to develop a CO2-free energy sector by 2050. Also, the Climate Change Strategy 2019–2028 – Action Plan On Climate Change 2019- 2021 sets five strategic objectives, two for low emission development (GS reduction) and three for adaptation to climate change.

### Montenegro

Montenegro identified air quality, climate change, and transport to meet the objectives of the Paris Agreement and global air quality targets.

The country has developed and adopted a set of legal, policy and guidance documents to reduce air pollution.

The National Strategy for Air Quality Management aims to protect air quality, biodiversity and the ecosystem by reducing air pollution levels.

The country's energy sector, comprising energy supply and consumption in the transport, residential and service sectors, had a very high share of greenhouse gas (GHG) emissions. In 2019, Montenegro adopted a law on protection from the negative impacts of climate change, thus regulating the implementation of measures necessary to establish a comprehensive system for reducing GHG emissions.

### North Macedonia

A long-term Vision for the Republic of North Macedonia is, by 2050, a prosperous, low-carbon economy, following sustainable and climate-resilient development pathways, enhancing competitiveness, and promoting social cohesion through action to combat climate change and its impacts. A long-term objective quantifying North Macedonia's contribution to the global effort is reduction of national net GHG emissions (including Forestry and Other Land Use and excluding MEMO items\*) of 72% by 2050 compared to 1990 levels and increased resilience of North Macedonia's society, economy and ecosystems to the impacts of climate change.

### Serbia:

In Serbia, for example, the Sustainable Development Cooperation Framework between the United Nations and the Republic of Serbia 2021–2025 has been signed, as well as the Low Carbon Development Strategy and National Energy and Climate Plan. However, a transitional risk exists. Also, so far, there are no concrete obligations for industry and business overall regarding climate change and environmental protection in Serbia. CO<sub>2</sub> emissions are one of the topics which will be very significant for all businesses – especially for those involved in the export business (CO<sub>2</sub> taxes).

Currently, most public references focus on two of our impact areas, namely Climate and Resource efficiency, and less on Inclusive & healthy economies, which will be NLB Group focus in the year 2023. For more detailed information regarding national legislations in the countries of our operations on implementation and alignment of legislations with SDGs and the Paris Agreement, please write to us at: sustainability@nlb.si

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**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline. You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex. Please include the relevant indicators using the indicator code in the following table:

Impact area	Indicator code	Response
<b>Climate change</b> (Targets: 1. By 2030, the volume of new sustainable corporate financing in NLB Group will be at least EUR 785 mio 2. By 2030, 75% of all electric energy used in NLB Group will come from zero-carbon sources.)	A.1.1.	In 2022 we became a signatory to the UNEP FI Net-Zero Banking Alliance and started with the comprehensive development of the NLB Group net-zero business strategy. Climate and environmental issues relevant to NLB Group were identified and implemented into the NLB Group Sustainability Framework issued in 2021. Net-zero portfolio targets and a thorough green transition plan will be publicly announced by the end of 2023.
	A.3.1.	NLB Group set the target by 2030 to finance new sustainable corporate projects with a scope of EUR 785 million.
	A.1.2.	In May 2022, we joined the Net-Zero Banking Alliance, and according to the plan, we will publish the target for the decarbonization portfolio by the end of 2023. NLB Group started with the measurements of financed emissions in 2022 – calculations will be available in H2 2023. The goal of NLB Group's net-zero business strategy is to set portfolio-related targets to lower financed emissions in line with the 1.5 degree Celsius pathway.
	A.1.3.	NLB Group has in progress a policy and process for client relationships.
	A.2.4.	Most of the lending portfolio will be analysed in line with NZBA methodology by the end of 2023.
<b>Financial health &amp; inclusion</b> (Target: By 2025, the share of active digital retail users in NLB Group will be 55%)	A.1.5.	NLB Group developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy-efficient mortgages, green loans, green bonds, green securitisations, etc.) as follows: 1. NLB Green Partner Loan to finance the construction of turnkey solar power plants. 2. NLB Green Loan for investments in the energy efficiency of business buildings 3. NLB Green Loan for reducing the carbon footprint 4. NLB Green Housing Loan 5. NLB corporate clients financing projects such as wind farms, solar projects, biomass projects and energy-efficient buildings.
	B.1.2.	The sales network in NLB d.d. covers 733 advisors, 53% bank advisors and 47% financial advisors. All advisors regularly attend internal and external training, similar to a retail academy, where topics such as effective training on financial inclusion, responsible credit and/or financial health are included in the curriculum/agenda.
	B.2.2.	In NLB Group 40.1% of customers are using online digital tools.
	B.3.1.	NLB Group is partnering with a social enterprise ( <a href="http://www.simbioza.eu">www.simbioza.eu</a> ) in providing digital training for older people. Cooperation is based on three pillars: - digital skills for older people – in 2022 13 workshops were provided with 121 participants, - content cooperation: we cooperate in app for older people, MAGDA - mobile branch: in connection with a mobile classroom we provide information and knowledge in remote environments. More information: Sustainability Report 2022, p.

The NLB Group set targets for three impact areas: Climate, Resource efficiency & security, and Inclusive & healthy economies. The baseline year for the targets is 2019, except for the target in sustainable corporate financing. Sustainable corporate financing started in 2021 as a new approach focusing exclusively on sustainability-related projects.

»» For more information about targets, please refer to: Sustainability Report 2022, p. 18 and p. 72

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**c) SMART targets (incl. key performance indicators (KPIs)<sup>919</sup>):**  
Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

The NLB Bank publicly announced four targets in 2021, and in 2022 we started with activities to further develop new targets more focused on our portfolio. We expect to set additional targets in 2023 and 2024 in the area of Climate and Inclusive, healthy economies. In line with our UNEP FI – NZBA commitment, in 2023 NLB Group will achieve the following milestones:

- Measurement of NLB Group's portfolios' carbon emissions.
- Decarbonisation scenarios applied to NLB's portfolios.
- Portfolio emission-based targets set and in line with the NZBA guidelines.

Impact area	Publicly Announced Target	KPI
climate	By 2030, the volume of new sustainable corporate financing in NLB Group will be at least EUR 785 mio.	Transactions in line with EU taxonomy (eligibility criteria) as per: <a href="https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en">https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en</a>
	By the year 2030, 75% of all electric energy used in NLB Group will come from zero-carbon sources.	Supplied electricity production energy mix
resource efficiency & security	By 2025, NLB Group will decrease the number of paper prints in its operations by 50% compared to 2019.	Number of prints
inclusive & healthy economies	By 2025, the share of active digital retail users in NLB Group will be 55%.	Number of active digital users in retail (*an active digital user is an active user who has had at least 1 login to digital channels (mobile or web) in the past 3 months).

<sup>919</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.  
Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

KPIs have been set for each target up to 2025 or 2030 and for each year individually. A responsible person has also been appointed for each KPI. KPIs are monitored on a quarterly and a yearly basis.

Actions delivered for the target achievements:

**1. By 2030, the volume of new sustainable corporate financing in NLB Group will be at least EUR 785 million.**

- find and support sustainable projects in the region
- promote the sustainable solutions across the region
- training for employees on sustainable topics
- inclusion of sustainable topics in client events (corporate and retail)

**2. By 2030, 75% of all electric energy used in NLB Group will come from zero-carbon sources.**

- buying electricity from carbon-neutral sources
- setting up own renewable-energy production units

**3. By 2025, NLB Group will decrease the number of paper prints in its operations by 50% compared to 2019.**

- introduction of digital signatures and digital tools
- optimisation, digitalisation and automatisation with a focus on providing a better customer experience
- spreading awareness of paper consumption

**4. By 2025, the share of active digital retail users in NLB Group will be 55%:**

- promoting the use of digital channels to various target groups via the full marketing mix
- establishment of a best-practice sharing platform
- development of new functionalities and consolidation of NLB Group digital banking solutions

#### Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... CLIMATE	... second area of most significant impact: ... RESOURCE EFFICIENCY & SECURITY	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... INCLUSIVE & HEALTHY ECONOMIES
<b>Alignment</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>Baseline</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>SMART targets</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>Action plan</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

## Target implementation and monitoring (Key Step 2)

### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

1. By 2030, the volume of new sustainable corporate financing in NLB Group will be at least EUR 785 million.

In the area of Corporate and Investment banking the Group made material progress in 2022. In all countries the Bank was active in providing sustainability financing and approved over EUR 166,9 million of new sustainable loan volume. The purpose of financing was to support wind farms, solar projects, biomass projects, and energy-efficient buildings. NLB Group participated in the financing of several larger projects, including major residential real estate in Bosnia and Herzegovina and a large renewables project in Serbia.

Sustainability was the key topic on the agenda of different regional client-focused events organised by NLB Group throughout 2022, aiming to increase knowledge and strengthen sustainability awareness among all corporate clients. In 2022, 480 clients attended these events. In addition, intensive training on sustainability was prepared for employees in all business segments.

2. By 2030, 75% of all electric energy used in NLB Group will come from zero-carbon sources.

At the end of 2022, we are already approaching 70% of all electricity used by NLB Group purchased from zero-carbon energy sources. In Slovenia and Serbia, 100% of electricity used is purchased from CO2-neutral sources.

3. By 2025, NLB Group will decrease the number of paper prints in its operations by 50% compared to 2019

NLB Group has decreased paper prints in 2022 by 43% compared to 2019.

4. By 2025, the share of active digital retail users in NLB Group will be 55%.

NLB Group has committed to digital penetration of 55% on the group level by 2025. At the end of 2022, NLB Group reached 40.1%, excluding NLB Komercijalna banka Beograd. According to our plan, we are now entering a period of accelerating the development of new functionalities in digital channels. We will also implement best-practice sharing activities throughout all NLB Group members to motivate clients to use digital channels.



## Principle 3: Clients and Customers

**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.**

### Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>10</sup> in place to encourage sustainable practices?

- Yes
- In progress
- No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

- Yes
- In progress
- No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>11</sup>). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

<sup>10</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>11</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

To encourage sustainable practices, we developed the following:

- NLB Group provides regular sustainability training for all employees. Specialised training, such as training on new green housing loans and other sustainability-related products, was available throughout the year for all sales-related employees.
- We offer our customers loans with a sustainable financing component at a lower interest rate than the Bank's regular offer, contributing to the sustainability goals of transitioning to a low-carbon future.
- The Group has been focusing on its market position as a systematic player and is paying particular attention to supporting large infrastructure projects with a focus on sustainability.
- With the "FrameOfHelp" project, NLB Group supports the best entrepreneurial projects with sustainability solutions in the region of its operations.
- NLB Group organises various events for clients and customers where sustainability is one of the main topics on the agenda.

- One of the targets for NLB Group is to increase the number of digital users. Besides improving our products and marketing activities, we also improve our customers' digital skills in partnership with the social enterprise Simbioza.
- NLB Group is a member of the Bank Association of Slovenia, where we cooperate with different working groups on implementing sustainability. In 2022, NLB Group participated in the preparation of the banking-sector-wide, unified ESG questionnaire aimed at collecting ESG data from non-financial companies to gauge the level of ESG factor implementation.

»» 1. For more information about client engagement, please refer to: Sustainability Report 2022 p. 12

»» 2. For more information about products, please refer to: NLB Green loans for legal entities

»» 3. For more information about products, please refer to: NLB Green loans for legal entities, NLB Green housing loan

»» 4. For more information about the "FrameOfHelp" project, please refer to: #OkvirPomoči

### Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.). NLB d.d. offers our clients and customers products for sustainable solutions and we also see the potential to develop further business opportunities in expanding the products developed in the NLB d.d. across the region of its operations.

#### The products for legal entities are:

1. NLB Green partner loan (SDG 7)  
Purposes: For investments in solar plants.
2. NLB Green loan for investments in the energy efficiency of business buildings (SDG 7)
3. NLB Green loan for reducing carbon footprint:  
Purposes: (SDG 7 & 13)
  - Energy efficiency
  - Circular economy
  - Sustainable agriculture

#### The products for private individuals are:

1. NLB Green Housing loan (SDG 11,12,13)  
Purposes: for purchasing or building a passive house, for purchase and installation of solar power plants with or w/o battery, for heat pumps, charging stations, IR panels, and gas boilers
2. NLB Green partner loan (SDG 11, 12,13)  
Purposes: for purchase and installation of solar power plants with or w/o battery, for heat pumps, charging stations, IR panels, and gas boilers

#### NLB Group finances corporate clients for projects such as:

- wind farms,
  - solar power plants,
  - energy-efficient buildings.
- (SDG 7,13)

»» 1. For more information please, refer to: Sustainability Report 2022 p. 34 and p. 73

»» 2. For more information, please refer to: NLB Green loans for legal entities, #OkvirPomoči

»» 3. For more information, please refer to: NLB Green loans for legal entities, NLB Green housing loan

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## Principle 4: Stakeholders

**We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.**

### Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>12</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

- Yes
- In progress
- No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

As a first step in the materiality analysis in 2021, a stakeholder mapping exercise was carried out to understand which stakeholder groups are most important for the Bank's business and what is essential for both parties. For more information, please refer to the Sustainability Report 2021, p.19, where detailed information about forms of cooperation is disclosed, as well as to the Sustainability Report 2022, p. To lead successful relationships with stakeholders, NLB Group communicates with stakeholders through the Sustainability team and ESMS Officers and their close associates across the whole Group. NLB Group encourages regular communications with key stakeholders. Therefore, we publish all relevant information, events and projects related to sustainable development in a visible place (on its website and in the media). For projects that might affect communities, NLB Group provides a communication channel for accessible and transparent communication and grievance mechanisms for affected communities.

NLB Group supports sustainable community projects which build awareness of sustainable solutions in society:

- "Trajnostni izziv" (Sustainability Challenge), where youngsters participate in workshops on sustainability,
- "Simbioza", improving the digital skills of older people,
- "Green Light World Flight", collecting valuable information on black carbon (BC) concentration, its regional heterogeneity, and vertical profiles with ultra-lightweight aircraft.

Besides the main stakeholders, NLB Group cooperates with business organisations: The Bank Association of Slovenia, AmCham, the Chamber of Commerce and Industry of Slovenia, CER-Sustainable Business Network Slovenia, the Sustainable Working Group at the Bank Association of Slovenia and internationally, UNEP FI PRB, and the European Banking Federation with a sustainable finance expert. We work extensively within the associations, gaining knowledge by working together and leading initiatives within the associations.

<sup>12</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

»» For more information, please refer to Sustainability Report 2021 p. 19, and Sustainability Report 2022 p. 20; and the Corporate Governance Policy of NLB, chapter 5, Definition of groups of stakeholders, relevant stakeholders and the strategy of communicating and cooperating with them.

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# Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

## Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

- Yes
- In progress
- No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB

»» 1. For more information regarding governance structures, please refer to: Sustainability Report 2022, p. 25

»» 2. For more information on the NLB Corporate Governance Policy, refer to: Sustainability Report 2022 p. 25 and Statement of NLB

»» 3. For more information on policies in place, refer to Appendix 5 of the NLB Group Sustainability Report 2022 p. 104

»» 4. For more information about remuneration practices linked to sustainability targets, please refer to Sustainability Report 2022, p. 33

implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as  
• remuneration practices linked to sustainability targets.

Several policies and procedures were implemented at the Group level, for the implementation of the Sustainability Strategy. Sustainability Framework was the first document and sets key directions for further development of the policies, procedures and structures of responsible principle banking, ESG and sustainability.

NLB Group is committed to the highest standards of corporate governance and sustainability governance, including oversight of PRB implementation, is integrated into the overall governance framework of the NLB Group.

The management board is the most competent and hierarchically highest decision-making and representative body of the Bank, supervised by the Supervisory Board, which regularly monitors the implementation and discusses main topics and initiatives, business opportunities, and risks related to climate change, ESG, and sustainability.

### Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

The NLB Group has taken several steps towards fostering a responsible banking culture.

NLB Group's leadership's communication about sustainability issues, including responsible banking, is an essential ingredient of communication. Sustainability is fully embedded in the strategy and the leadership's communication activities to create shared understanding, meaning and connection between leaders and stakeholders.

Sustainability is integrated into the business model and embedded in all operations among Group members.

With the sustainability team and ESMS officers, as well as others responsible for particular tasks of sustainability integration, for example, implementation of EBRD sustainability performance requirements, the capacity of employees is improving.

All employees have mandatory yearly e-learning sessions, with which we focus on crucial topics such as Ethics and Integrity, Conflict of Interest, Anti-corruption, and Bribery, Information Security and Social Engineering, Handling of Inside Information, Prevention of Harmful Practices, AML, and Security Training.

NLB Group also provides internal e-learning on sustainability that explains the concept, benefits, goals and Bank commitments. The training is obligatory for new employees.

In 2022, NLB d.d. recorded 1452,8 hours of education about sustainability topics. In NLB d.d. we also provided workshops regarding sustainability project financing, and in the last two months of the year, we started with short internal workshops on sustainability standards and procedures.

Sustainability is also integrated into the remuneration policy and performance management.

In November 2022, the Bank organised its first NLB Group Sustainability Day to raise employee awareness on this topic. NLB Group hosted expert lecturers, prof. dr. Lučka Kajfež Bogataj, leading Slovenian climate expert and Tomaž Fatur, a leading Slovenian energy efficiency expert to explain the trends and emphasise the importance of sustainability and climate change mitigation and adaptation actions. More than 1000 employees joined the virtual event.

»» 1. For more information about training, please refer to: Sustainability Report 2022 p. 35

»» 2. For more information about remuneration structures and performance management, please refer to: Sustainability Report 2022 p. 33

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## Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio<sup>13</sup>? Please describe.

Please describe what due diligence processes your banks has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

To clearly define risks, NLB Group has developed strategies and plans to mitigate or eliminate the identified risks, as well as monitoring and evaluating their effectiveness. The basis are the following overarching documents that clearly define the risk that a specific business or transaction is exposed to:

### Environmental and Social Policy Framework in NLB and NLB Group that includes:

- a. Description of environmental objectives
- b. Exclusion list (the list of prohibited activities including coal)
- c. The environmental and social risk management system that includes risk assessment and monitoring mechanisms, as appropriate
- d. Monitoring the investment for E&S risks

### Environmental and Social Transaction Categorisation

#### Methodology Framework in NLB and NLB Group that includes:

- a. Environmental & Social Risk Categorisation on the Client Level
- b. Description of Climate-Related and Environmental Risk on the Client Level
- c. Environmental & Social Risk Projects Categorisation on the Transaction Level
- d. Climate Finance Transactions on the Transaction Level
- e. Environmentally Sustainable Activities (EU Taxonomy) on the Transaction Level

<sup>13</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

In the process of the transaction approval, engagement of the RM (Relationship Manager) is essential to collecting ESG data at the KYC stage. After the checking that the transaction is not included on the Exclusion list (prohibited and restricted activities, amended with restrictions on coal-related financing), the Regulatory Compliance Check is the next step that includes verification that a company or organisation is adhering to the applicable laws, regulations and standards.

Automatic categorisation enables us to assess the risk level that classifies the transaction. If the transaction is classified with high E&S risk, a strict deviation management process is in place that ensures further enhanced risk assessment.

During a project's lifetime, it is important to properly implement ESG risk monitoring, assess the impact of each risk and create a strategy for mitigating them in order to ensure that the risks are being adequately addressed and that any changes or new risks are identified and addressed promptly. We also have a system in place that promptly alerts us upon becoming aware of the occurrence of any incident or accident relating to the client which has or is likely to have a significant adverse effect on the environment, workers or on public or occupational health or safety.

If the client fails to comply with the investment's ESG requirements, we assess the situation and determine the best course of action. This could include exiting the investment, or taking steps to mitigate the risk of non-compliance. Potential financial losses or legal consequences are considered, as well as any potential reputational damage. We also take into consideration our overall ESG strategy and how exiting the investment may affect our ability to meet our ESG goals.

## Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

- Yes  
 No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

- Yes  
 No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

- Yes  
 In progress  
 No

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## Principle 6: Transparency & Accountability

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.

### Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes
- Partially
- No

If applicable, please include the link or description of the assurance statement.

The NLB Group Sustainability Report is ready as a consolidated statement of non-financial performance and covers the other members of our Banking Group. The Sustainability Report is prepared based on the NFRD, implemented in Slovenian legislation in Article 70c of the Companies Act. Assurance under Article 70c is not mandatory, and we do not perform/provide it for our Sustainability Report. We will follow the CSRD in the future, once it is implemented correctly in our legal framework.

However, NLB Group's operational carbon footprint measurements published in the Sustainability Report 2021 and also in 2022 are assured by the individual external provider, Institut Jozef Stefan.

»» For more information, please refer to: Sustainability Report 2022, 5 and Appendix 6, p.109 of the NLB Group Sustainability Report 2022

ESG is part of the Audit Universe, defined as a comprehensive overview of all activities in the Bank subject to internal audit. Therefore, it is integrated into the regular annual planning process. At the end of 2022, the internal ESG audit review was conducted on the NLB Group level. The review is expected to be completed by the end of the first quarter of 2023. In line with UN PRB principles, our third self-assessment report for 2023 will be assured.

### Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: BASEL Pillar 3 ESG Disclosures (first reporting as of 31 December 2022)

»» Detailed information about frameworks and standards the NLB Group has integrated is explained in the Sustainability Report 2022. Basel Pillar 3 ESG Disclosures will be available on the NLB web pages.

### Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>14</sup>, target setting<sup>15</sup> and governance structure for implementing the PRB)? Please describe briefly.

Over the past two years, NLB Group has started embedding principles of responsible banking into its operations, and the process is still ongoing. With the explicit aim to improve the existing situation and implementation of the principles, our further activities in the next twelve months are: NLB Group is focusing on the actions as described in the Sustainability Report 2022 page xxx with the main actions as follows:

- NLB Group will disclose all relevant ESG data and further implement the EU taxonomy.
- NLB will set up and implement a Net-Zero Strategy.
- The first targets related to reducing our footprint in carbon-intensive industries will be published by the end of 2023.
- NLB Group will continue with its contributions to local communities.
- Preparation of revision of the impact analysis.

14 For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

15 For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

»» For more information, please refer to: Sustainability Report 2022, p. 12

### Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months.

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally
- Other: ...

If desired, you can elaborate on challenges and how you are tackling these:

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# Appendix 5: Overview of sustainability – related policies

**NLB Group has set out a robust governance and management framework to mitigate its environmental and social impacts, and to manage human resources capital in accordance with the highest standards. The key foundations for such framework are policies and other internal acts, which describe procedures, guidelines, roles, and responsibilities, as well as risks and opportunities that relate to specific areas of the Group's operations. By adhering to these policies and other internal acts, the Group ensures mitigation of risks that refer to the respective business area. NLB Group will further develop processes and policies in order to improve identification and mitigation of environmental, social, and governance risks in its internal operations, as well as in relations with counterparties.**

The table presents an overview of key internal acts (mainly policies or strategies, i.e. the first-level documents) which predominantly address specific ESG pillar or combination of pillars. In addition, NLB Group has established several detailed internal rulebooks and instructions to support the policies and their execution. For further insight on policy topics or results, please refer to NLB Group Sustainability Report 2022.

ESG Pillar	POLICY or other internal act	DESCRIPTION goals, results and key risks that are mitigated by the policy/internal act
Environmental Social Governance	<b>NLB Group Sustainability Framework</b>	The document lays foundations for three pillars of sustainability: sustainable finance, sustainable operations and contribution to society. The goal of this strategic, group-wide initiative is to ensure sustainable financial performance of the bank by considering social and environmental risks and opportunities in its operations, and to actively contribute to a more balanced and inclusive economic and social system.
	<b>Rules of Procedure of the NLB Sustainability Committee</b>	The rules determine the composition and powers of the Committee and its members, as well as the manner of its operation and decision-making.
	<b>Environmental and Social Transaction Policy Framework in NLB and NLB Group</b>	The policy is one of several risk management systems in the Bank and the Group. It comprises policies and processes to ensure the front-line employees a better understanding of customers' activities, help address issues of concern, minimise risks to NLB Group and manage stakeholder expectations. The policy set out process of assessing and managing environmental and social risks and impacts associated with the transactions, as well as to promote good environmental and social management practices in the customer's transactions.
	<b>Environmental and Social Transaction Categorisation Methodology Framework in NLB and NLB Group</b>	The framework provides a reference point for front-line employees on minimum standards, procedures and the governance and oversight in place in relation to environmental and social risks when dealing with customers and transactions.
	<b>NLB and NLB Group Lending Policy for Non-Financial Companies</b>	The policy provides clear investment approval rules that reduce risk by defining the principles for approving balance and off-balance transactions in terms of customer creditworthiness, portfolio diversification, industry, type of investments and target markets.
	<b>Lending Policy for Specific Clients Segments in NLB and NLB Group</b>	The policy defines a specific reference framework and additional principles for approving balance and off-balance transactions for specific customer segments. The result is a single reference framework for use in the business and credit risk management of NLB and NLB Group.
	<b>General Methodology for Credit Rating Classification in NLB and NLB Group</b>	The methodology is a basis for rating classification of NLB Group customers (legal entities and entrepreneurs).
	<b>Standard Procurement in the Members of NLB Group</b>	The standard defines main principles in the purchasing process within the Bank and the Group. Its purpose is to ensure a uniform and transparent procurement procedure (including the minimum principles of ethical, social and environmental conduct that NLB Group expects from all its suppliers) of goods and services needed for performing business activities in line with the standards of conduct required by the NLB Group Code of Conduct as well as other group-wide NLB Group policies and procedures.
	<b>Instructions for selecting suppliers of goods and services of NLB</b>	Instructions regulate the procedure for selecting suppliers of goods and services in the Bank which ensures: a uniform, clear and transparent procedure for selecting the most suitable or appropriate supplier of goods and services, the appropriate quality of the supplied goods and services, an adequate level of control of risks related to the purchased items and the supplier (including external providers and the outsourcing itself), ensures the protection of the bank's reputation and oversight over the fulfilment of the suppliers' contractual obligations towards the Bank.

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Environmental	<b>NLB Group Carbon footprint measurement and reporting policy in NLB Group</b>	Policy defines measurement, management and reporting the NLB Group's performance in terms of CO2 emissions. The main objective is to evaluate the Group's corporate value chain, mitigate environmental risks, and take adequate measures and adjust our business model when and if needed.
	<b>NLB Group Sustainable Car Fleet Management and Company Car Policy</b>	The policy supports the ambition of the Group in terms of ensuring the measuring and lowering of its operational carbon footprint. The policy's aim is to reduce environmental impacts and mitigate environmental risks in everyday business mobility within the Group.
Governance	<b>Articles of Association of NLB</b>	The Articles of Association of NLB is the fundamental internal act of the Bank. The basic objective of the Bank is to independently perform profitable activity on the market as its sole activity. The Bank's long-term goal, however, is to maximise its value. The Bank considers the interests of its employees, customers, creditors and other stakeholders and the Bank as a whole, with the aim of long-term success in the conduct of its business. The Bank considers the environmental and social impacts of its business, with the aim of ensuring sustainable development of the Bank.
	<b>NLB Corporate Governance Policy</b>	The Policy sets out the management framework, which is drawn up jointly by the Supervisory Board and the Management Board of NLB. In this policy, boards commit and publicly disclose how they will supervise and manage the Bank. The Policy describes main directions of management, taking into account long-term goals, the indication of the reference code, the relevant stakeholders and the way of communicating with them, and other matters as defined by the Slovenian Corporate Governance Code for Listed Companies. By adhering to this policy the Bank ensures sound corporate governance, which result in sustainable, responsible, and efficient operation of the Bank, and in trust of regulators, existing and potential shareholders, customers, employees and other stakeholders.
	<b>NLB Group Code of Conduct</b>	The NLB Group Code of Conduct represents the values and fundamental principles of conduct; sets out the rules that every employee in NLB Group must understand and respect, and defines what is expected of each NLB Group employee. It also reflects the standards that are expected relationship with the Bank's and the Group's stakeholders. By this policy, employees have a common understanding of the fundamental principles of conduct on which the operations and actions of NLB Group are based and respect them in their relations with all stakeholders. Thus, the risk of unfair business practices and ethical violation or unethical or immoral conduct, as well as reputational risk are mitigated.
	<b>NLB and NLB Group Integrity and Compliance Policy</b>	The Policy regulates the basic principles as well as the approach and standards in the management of risks associated with compliance and ethical operations at the level of NLB and is valid for employees of the organisational unit responsible for compliance. Through the system of corporate governance and supervision of the NLB Group and BL Compliance and Integrity, the Policy is reasonably transposed into the internal management of other companies in NLB Group so as to harmonise compliance risk management in NLB Group, with an emphasis on strategic members, and is valid in NLB Group companies for employees in organisational units responsible for compliance.
	<b>Internal control system</b>	The internal control system (ICS) is a set of rules, procedures and organisational structures aimed at: ensuring the efficient and consistent implementation of NLB's strategies and operations; ensuring efficient and consistent processes and procedures in NLB, protecting the value of NLB's assets; ensuring the reliability and integrity of accounting and management data and information; ensuring the operations and activities of NLB in accordance with all applicable rules and regulations. The internal control system is designed to ensure that a process or other measure is in place for each key risk so as to effectively reduce or manage that risk, and that the process or measure is effective for this purpose.
	<b>Policy on Corruption and Bribery Prevention and Conflict of Interest Management</b>	Generally, the conflict of interest management is regulated by the NLB Group Code of Conduct. The purpose of this policy is to establish an efficient management system, i.e. to prevent and manage conflicts of interest, by regulating the system of rules and internal controls that will prevent such circumstances or enable timely and effective reaction when a conflict of interest actually arises. In their operations, NLB and other members of NLB Group are exposed to corruption risk, to which NLB Group is exposed in connection to the risk of fraud and geographical exposure. This policy also regulates the system of rules and internal controls for corruption prevention and efficient management of corruption risks. The policy defines the following rules: a) each employee shall be responsible to reject any form of corruption and bribery with zero tolerance, and to immediately report any identified suspected misconduct through the established channels for reporting suspected misconduct; b) each employee shall be responsible to proactively disclose any conflict of interest in accordance with this policy, to adopt measures for appropriate management of such conflicts, and to act in the accordance with the rules of this Policy. c) all employees must be aware of and respect the Code of Conduct of NLB Group and the rules and their obligations hereunder. The employees must immediately report any suspected violation through the channels for reporting misconduct. d) the organisational units that must, in accordance with this policy and other internal documents, perform tasks and activities in the area of anti-corruption and conflict of interest management shall be responsible for adjusting the procedures and harmonising the operating instructions with this policy. e) the executives (members of the senior management) shall ensure that employees act in accordance with and are familiar with the rules of this policy, and that these rules are implemented in the scope of their duties and powers
	<b>Policy for Assessment of the Suitability of Management and Supervisory Board Members of NLB</b>	The Policy defines the procedure for preparing a fit and proper assessment of members of/candidates for the Bank's Management Board or Supervisory Board. The key aim of the policy is that each Board member at all times meets the conditions for appointment to the position of a Board member in accordance with the provisions of the Banking Act (ZBan-3)I applicable at a time, the Guide to fit and proper assessments of the European Central Bank in accordance with the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, the Expectations of the Bank of Slovenia in the area of assessing the suitability of members of the supervisory boards of banks and savings banks and the Slovenian Corporate Governance Code for Listed Companies.

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Governance	<b>Policy for Assessment of Suitability of Key Function Holders of NLB and NLB Group</b>	The Policy lays down the procedure for assessing the suitability of the key function holders or key function holder candidates. The key aim of the policy is that Key Function Holders must at all times meet the conditions for appointment to the position of a Board member in accordance with the provisions of the Banking Act (ZBan-3) <sup>1</sup> applicable at the time, the Guide to fit and proper assessments of the European Central Bank in accordance with the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, the Expectations of the Bank of Slovenia in the area of assessing the suitability of members of the supervisory boards of banks and savings banks and the Slovenian Corporate Governance Code for Listed Companies,
	<b>NLB Group Anti-Money-Laundering and Countering the Financing of Terrorism Policy</b>	The Articles of Association of NLB is the fundamental internal act of the Bank. The basic objective of the Bank is to independently perform profitable activity on the market as its sole activity. The Bank's long-term goal, however, is to maximise its value. The Bank considers the interests of its employees, customers, creditors and other stakeholders and the Bank as a whole, with the aim of long-term success in the conduct of its business. The Bank considers the environmental and social impacts of its business, with the aim of ensuring sustainable development of the Bank.
	<b>Acceptance Policy for Conducting Business with High-Risk Clients and Risk Appetite Concerning MLTF in NLB Group</b>	The Policy stipulates the content, the scope of tasks, and the control activities that employees must implement when conducting a business relationship or a transaction for a customer, delimits the responsibilities and risks among the organisational units which perform relevant tasks, and defines the frameworks and bases for business decisions when accepting or rejecting or even terminating business relationship with a customer when the risks exceed the acceptable level, as well as stipulating the control environment and the method of supervision over the implementation of tasks and scope defined in the Policy. The aim is to define and pursue the guiding principle that the overall level of high risk shall not reach a critical point at which risks can not be appropriately managed. By implementing the requirements from the Policy and therefore establishing the control environment, NLB Group reduces the risks to an acceptable level.
	<b>Rules on the Prevention of Market Abuse and Supervision over the Implementation of Personal Transactions in the Provision of Investment Services and Transactions in NLB</b>	This internal act lay down the rules for maintaining a list of insiders of NLB , the rules for the identification and further handling of cases where the Bank accesses inside information of third-party issuers, the general principle of zero tolerance of acts of market abuse, and more detailed rules for the reporting of cases of suspected market abuse, internal controls on the personal transactions of the persons concerned, and the obligation to publicly disclose the transactions of the members of the management bodies of the Bank in the financial instruments of the Bank. By adhering the rules, the Bank complies with the requirements to ensure the lawful handling of inside information and the detection and reporting of possible cases of market abuse to the competent supervisory authorities, in accordance with the requirements of MAR and the regulations governing the provision of investment services.
	<b>NLB Corporate Security Policy</b>	The policy addresses corporate security as a set of mechanisms and activities with which all necessary measures for the management of security risks are identified and executed. It defines basic goals and the principles of corporate security with the aim of protecting the bank's assets, employees and information, as well as lawfulness, and the reputation of the Bank and the Group.
	<b>NLB Rules on Personal Data Protection</b>	The rules outline the activities for ensuring the lawful processing of personal data in NLB. By having a common understanding of, and comply with, the rules, the Bank ensures mitigation of risks related to personal data processing and protect personal data of its stakeholders.
	<b>NLB Rules on the Security of Information, Persons and Property</b>	The rules determine the basic starting points for the safeguarding and protection of information, persons and property , which must be taken into account both in NLB. and in the NLB Group. The purpose of the regulations is to manage operational risks in the field of security. Security is defined as the activities, measures and procedures carried out by the bank's employees and contractors based on the provisions of the Corporate Security Policy at NLB, in accordance with this rulebook and internal regulations in the field of security, in order to protect information, persons and property from abuse, destruction, damage, alienation or any execution of another act harmful to the Group.
	<b>NLB Rules on Inside Information</b>	The rules regulate the process of identification of inside information on NLB within the Bank and the Group, and the process of public disclosure of inside information on the Bank, as well as the rules for determining closed periods. It also sets out the general duty to protect the confidentiality of inside information on the Bank., the prohibition of trading on the basis of such information, and the prohibition of trading during closed periods. By adhering to the rules The Bank complies with the requirements for public disclosure of its inside information, and the basic conditions for the lawful conduct of members of the governing bodies and employees in relation to inside information about NLB are ensured, as required by Regulation (EU) No 596/2014 on market abuse (MAR).
	<b>The policy of appointing and dismissing leading employees in NLB</b>	Procedure for the appointment of employees on an individual contract and for employees under the collective agreement with mandate. By adhering to the policy, the Bank ensures that fit and proper evaluation is completed, and thus mitigate the risk of violating the labour law.
	<b>Policy for the selection of suitable candidates for members of the Management Board of NLB</b>	On the basis of determinations of banking law, the policy sets the framework that ensures the composition of the Management Board so that, as a team, it comprises suitable knowledge, skills and experience.
	<b>The policy of selecting suitable candidates for a member of the Supervisory Board of NLB</b>	On the basis of determinations of banking law, the policy sets the framework that ensures the composition of the Supervisory Board that, as a team, comprises suitable knowledge, skills and experience.

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Governance	<b>Policy on the Provision of Diversity of the Management Body and Senior Management in NLB</b>	The policy defines the target diversity pursued in relation to representation in the Supervisory Board, Management Board and senior management as regards gender, age, professional competencies, continuity of the composition of individual bodies, international experience, geographical provenance and other personal characteristics of the members of bodies and senior management as appropriate for the Bank in view of its characteristics. By adhering to this policy, the Bank ensures management of diversity and mitigation of risks in this respect.
	<b>NLB Group Policy on the Implementation of Restrictive Measures (financial sanctions and embargo)</b>	The policy defines the content and scope of activities of control implementation, determines the responsibilities and ownership or risks of individual organisational units in relation to the performance of the tasks concerning activities related to this Policy, defines the framework of technological support for the implementation of controls, defines the minimum standard for testing the adequateness of the control system and defines the method of supervising the performance of the tasks with the content and scope as defined in the policy. By implementing the requirements from the Policy and therefore establishing the control environment, NLB Group reduce the risks to an acceptable level.
	<b>NLB Group Risk Strategy</b>	The strategy defines strategic risk orientations and constrains NLB Group has to follow during running its regular business activities in accordance with Business strategy, Risk appetite, Capital management and Budget and financial projections of the Group. The main purpose of the Risk strategy is the definition of key content risk principles with purpose of achieving the Group's mid-term strategic objectives. It represents a main corner stone of NLB Group Business strategy.
	<b>NLB Group Risk Appetite Strategy</b>	The strategy defines the general principles for risk-taking, objectives, risk-taking capacity, qualitative and quantitative indicators for measuring risk-taking, further development, monitoring and a process for communicating risk appetite.
	<b>Operational Risk Management Policy</b>	The policy is the master document regulating the management of operational risk in NLB, including ESG Risk. The objective of the policy and the operational risk management in general is to limit the scope of potential losses and the probability of their occurrence to a level acceptable for the Bank or the Group from the aspect of defining the risk appetite and indirectly from the aspect of maintaining reputation. The policy also outlines the management of operational risk in the area of environmental, social and governance (ESG) considerations.
	<b>Policy of Business Continuity Management in NLB</b>	The policy defines business continuity plan for crisis situations. It describes the management process and organization and enables preparation to assure business continuity and limit loses, caused by crisis situations.
Social	<b>Policy on Respect for Human Rights in NLB and NLB Group</b>	The policy describes the commitment of the Bank and the Group to respect human rights in accordance with the highest international standards. The aim of the policy is to systematically monitor respect for human rights in all business areas and to prevent human rights abuses in the context of banking business, as well as to mitigate risks in this respect. The policy contributes to a common understanding among employees of the importance of respecting human rights in relations with all NLB Group stakeholders internally (employees) and externally (customers, suppliers, other stakeholders).
	<b>NLB Training and Development Policy</b>	The policy systematically regulates the continued professional development of NLB employees. The Policy outlines the procedures and opportunities for acquiring, sharing, obtaining and transferring knowledge and expertise as well as the use of numerous development activities in the area of employee development. The primary purpose is the employees' advancement in the knowledge, skills and competences required in the workplace, both current and future, which shall be based on their career development plans.
	<b>NLB Collective Agreement</b>	The collective agreement determines the rights and obligations of the employer and employees in relation to the employment legal relationship.
	<b>NLB and NLB Group Policy on Remuneration of Employees</b>	The policy represent a framework that applies to all employees in the Bank and the Group. With the aim of prudent and effective risk management, the Policy provides clear guidelines for the prudent remuneration of all employees in accordance with relevant regulations and documents. The policy provides harmonisation of a unified performance management system and remuneration in NLB Group, and thus mitigate risk of non-compliance with the requirements of the Banking Act and the EBA guidelines.
	<b>NLB Rules on the Prevention of Harassment and Mobbing at Work</b>	The policy protects employees in the event of mistreatment and harassment. As an employer, NLB is obliged to ensure the dignity of employees and such a working environment in which no employee is exposed to mistreatment or sexual and other harassment by subordinates or superiors, colleagues or anyone else who performs work for the Bank. By this policy, all employees uniformly understand the importance of the prohibition of ill-treatment and harassment, which they all consistently respect in their relations with all stakeholders of the Bank.
	<b>NLB Group Mobility Policy</b>	The policy addresses transfer of knowledge and good practices within the Group for easier and better business throughout the Group. Thus, the policy defines the frameworks and orientations that enable the setting up of uniform starting points for implementing mobility within NLB Group and ensure compliance with the targets, values, culture and strategy of NLB Group. The policy also regulates all forms of status solutions/employment of employees, and provides harmonised process within the Group for easier and faster mobility of employees.
Environmental	<b>NLB Retention Policy</b>	The purpose of this policy is to identify all relevant factors and measures that contribute to greater and more successful employee engagement, with the desire to increase the belongingness, productivity, motivation, responsibility and creativity of employees and maintaining their employment in the Bank. By this policy, the Bank addresses retention of key employees in the Bank and transfer of knowledge, and mitigates the risk of departures of key employees.

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<b>ESG Pillar</b>	<b>POLICY or other internal act</b>	<b>DESCRIPTION goals, results and key risks that are mitigated by the policy/internal act</b>
Social	<b>NLB Learning and Development Policy</b>	The policy systematically regulates the process of continuous development of NLB employees. The Policy defines the methods and possibilities of acquisition, provision and transfer knowledge, experience and the use of diverse development activities in the field of employee development. By this policy, the Bank addresses continuous learning and development of employees and mitigates the risk of low level of knowledge, transfer of good practices and employee learning in the Bank.
	<b>Standards Human Resources Business Line in NLB Group</b>	The purpose of this document, which is complemented by the Human Resources Management Policy, is to set up the standards of operation and harmonisation of the operations in NLB Group members.
	<b>Work From Home Policy</b>	The policy addresses the NLB employees option to work from home. It regulates the conditions under which employees can perform their work and tasks from home or at a location outside the employer's premises. It also ensures compliance and consistent behaviour of employees with all regulations and labour laws and acts.
	<b>NLB Group Talent Management Strategy</b>	The strategy defines a process of identifying and developing employees with high development potential who will be the bearers of change in the future. Talent management also covers the process of succession planning. By this policy, the Group mitigates risk of departure of high-potential employees due to lack of development opportunities.
	<b>Family-Friendly Company – Healthy Bank (Organisational regulation)</b>	The organisational regulation defines the measures under the auspices of the Family Friendly Company certificate and the methods of using these measures. The regulation introduces measures for the work-life balance of employees and, through these, greater employee satisfaction and retention.
	<b>Remuneration Policy for Members of the Supervisory Board and Members of the Management Board in NLB</b>	The policy defines the remuneration of members of the Management Board or the Supervisory Board of NLB and the process of awarding and disbursing variable remuneration.
	<b>Policy to Assess the Suitability of Management and Supervisory Board Members of NLB</b>	The policy defines the procedure for preparing for the fit and proper assessment of members or candidates of the Management Board or Supervisory Board of NLB. By adhering to the policy, the Bank ensures that fit and proper evaluation is completed, and thus mitigate the risk of damaging the business and reputation of the Bank.
	<b>Policy to Assess the Suitability of Key Employees</b>	The policy lays down the procedure for assessing the suitability of key function holders or key function holder candidates in NLB and NLB Group. By adhering to the policy, the Bank ensures that fit and proper evaluation is completed, and thus mitigate the risk of damaging the business and reputation of the Bank.
	<b>New and substantial changes of existing products policy</b>	The purpose of the policy is the controlled introduction of new and significant changes to existing products, thereby reducing risks. Thus, the policy defines the Bank's framework for introducing new and significant changes to existing products: it defines the assessment factors for the introduction of new products and significant changes to existing products, defines the organisation's minimum standards for the introduction of new products and significant changes to existing products, and at the same time, it also regulates the area at the level of the banks of NLB Group.
	<b>Instructions for handling complaints in NLB</b>	The policy contains description of two-tier customer complaint resolution system and selected institutions responsible for extra-judicial settlement of customer claims. It provides complete information on the internal complaint process and the extra-judicial settlement of customer claims (IRPS), which contains all necessary clarifications about the complaint-solving methods and procedures.
Environmental	<b>NLB Group Corporate Social and Environmental Responsibility Policy</b>	The policy defines key areas of social and environmental responsibility of NLB and the NLB Group's members in terms of their contribution to society. It defines rules and procedures for managing sponsorship, donations and other partnerships with NLB Group's stakeholders. In addition to taking care of NLB Group's employees, the key pillars of the NLB Group's socially responsible behaviour are promoting entrepreneurship, financial literacy and mentoring, support for world-class and youth sports, humanitarianism and the protection of cultural heritage. By adhering the policy, the Group mitigates the risks in the above-mention areas and the risk of damaging its reputation.
	<b>Policy of Brand Management in NLB Group</b>	The policy provides guidelines for all brand management segments for brands owned by NLB for the entire NLB Group. By adhering to the policy, employees contribute to raising awareness, business performance and reputation of the Bank and the Group as well as mitigate risks of improper use of brands.
	<b>Policy Managing The Cultural Heritage</b>	The policy is an umbrella act of NLB's cultural heritage management, and a key document for NLB Institute for the Management of Cultural Heritage, member of NLB Group. The policy sets out basic instructions of good practices how to manage their artefacts and other assets of cultural heritage within the Group. One of the key objectives of the policy is to manage the Museum of Banking Bankarium, which aims to be a role model of preserving and presenting banking heritage and the promotion of financial literacy.

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# Appendix 6: NLB Group carbon footprint verification opinion

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## INDEPENDENT VERIFICATION OPINION OF THE NLB d.d. AND NLB GROUP CARBON FOOTPRINT REPORT

### INTRODUCTION

The Jožef Stefan Institute (Energy Efficiency Centre) has been engaged by NLB d.d. to prepare this verification opinion for the Carbon Footprint Report of NLB Group and corresponding methodology for the period from 1 January 2022 until 31 December 2022.

NLB d.d. was responsible for the preparation of carbon footprint and data collection for NLB Group. The Jožef Stefan Institute was responsible for the verification assessment and providing an independently expressed public opinion on the reported carbon footprint.

### OBJECTIVES

The verification objectives are to independently review and confirm:

- the methodological approach for carbon footprint calculation;
- conformity with verification criteria, principles and requirements from applicable standards or programmes for carbon footprint reporting, in the scope of the verification;
- the reported data are exact, complete, consistent and without nonconformity errors;
- the Carbon Footprint Report / Greenhouse Gas Emissions Report.

### VERIFICATION SCOPE

In accordance with the GHG Protocol, scopes 1,2 and 3 (limited scope), the carbon footprint report covers a reporting period from 1 January 2022 until 31 December 2022.

### ORGANISATION BOUNDARIES FOR REPORTING ON ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

The carbon footprint calculation includes NLB Group's members that are considered to make a significant contribution to the operational environmental impact of NLB Group. Among these are members where NLB d.d. holds a majority stake, and the associated company Bankart (with a direct holding of 45.64% of direct ownership, indirect ownership 46.03%).

### List of included NLB Group members:

1. NLB d.d.
2. NLB Banka a.d., Skopje
3. NLB Banka a.d., Podgorica
4. NLB Banka a.d., Banja Luka
5. NLB Banka sh.a., Priština
6. NLB Banka d.d., Sarajevo
7. NLB Komercijalna Banka a.d., Beograd
8. N Banka, d.d., Ljubljana
9. KomBank Invest a.d., Beograd
10. NLB Srbija d.o.o., Beograd
11. NLB Crna Gora, d.o.o., Podgorica
12. NLB Skladi d.o.o., Ljubljana
13. NLB Lease&Go d.o.o., Ljubljana
14. REAM d.o.o., Beograd
15. REAM d.o.o., Podgorica
16. S-REAM d.o.o., Ljubljana
17. NLB Zavod za upravljanje kulturne dediščine, Ljubljana
18. NLB DigIT, d.o.o., Beograd
19. Bankart d.o.o., Ljubljana

\* Until the merger of NLB Banka Beograd and Komercijalna banka Beograd on 30 April 2022, the carbon footprint measurement was carried out separately for the two banks. After the merger, the measurement was carried out for the merged bank NLB Komercijalna Banka a.d. Beograd.

### Greenhouse gas emission sources of NLB Group included:

- direct GHG emissions (scope 1) from following sources: combustion fuels (natural gas, light fuel oil, LPG, biomass), vehicle fuels (petrol and diesel), fugitive emissions from refrigerants in a limited scope;
- indirect GHG emissions (scope 2) from electricity use (location and market approach) and district heating use;
- indirect GHG emissions (scope 3) from the purchase of paper and water, office waste, business trips and employee commuting.

Indirect GHG emissions (scope 3), category 15 (carbon footprint of investments in the portfolio), were not included in the reporting and verification of the NLB Group carbon footprint.

### REPORTING PERIOD

1 January 2022 until 31 December 2022; calendar year 2022.

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#### VERIFICATION CRITERIA

Greenhouse Gas Protocol and Corporate Accounting and Reporting Standard, prepared by the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD).

#### VERIFICATION PROTOCOL

ISO 14064-3:2019: Greenhouse gases – Part 3: Specification with guidance for the validation and verification of GHG assertions.

#### LEVEL OF ASSURANCE

Reasonable level of assurance. Materiality level 5%.

#### VERIFICATION METHODOLOGY

The Jozef Stefan Institute has assessed the highest level of assurance focusing on the areas most important for NLB d.d., NLB Group and its stakeholders.

The following methods were used in the process of verification of GHG emissions, data management, sustainable development and the methodological approach for the carbon footprint report:

- review of documentation, evidence of data and sources for energy consumption and GHG emissions;
- review of procedures for data collection, handling and GHG emissions reporting;
- evaluation of methodological approaches for data collection, emission calculation and reporting;
- sample data overview, energy data and emission factors included in the report;
- evaluation of whether verification evidence is appropriate and supports the credibility of the carbon footprint report.

#### VERIFIED GREENHOUSE GAS EMISSIONS

NLB GROUP	2022
Scope 1 [t CO <sub>2</sub> ]	3,404
Scope 2 [t CO <sub>2</sub> ]	12,611
Scope 3 [t CO <sub>2</sub> ]	3,891
Scope 1-2 [t CO <sub>2</sub> ]	16,015
Scope 1-2/employee [t CO <sub>2</sub> /emp.]	1.9
Scope 1-3 [t CO <sub>2</sub> ]	19,906

#### VERIFICATION INDEPENDENCE

The Jozef Stefan Institute, Jamova 3, 1000 Ljubljana verified the NLB Group Carbon Footprint Report as an independent organisation and approved GHG emissions with its own calculations. During the verification process a balanced approach was applied to all stakeholders.

#### VERIFICATION CONCLUSIONS

The Jozef Stefan Institute has made following conclusions to the methodological report and NLB Group Carbon Footprint Report:

- the report is complete and conforms to GHG Protocol requirements, scope 1, 2 and 3;
- NLB d.d. has conducted scope definition and GHG emissions calculation according to the GHG Protocol;
- the methodological report appropriately defines baseline data, emission factors and other data according to the requirements of the GHG Protocol and ISO 14064:2019;
- the NLB Group Carbon Footprint Report for 2022 correctly represents GHG emissions at the level of each scope, total calculation and emission indicators (per employee, per m<sup>2</sup>);
- the reported data are exact, complete, consistent and without nonconformity errors;
- the reported carbon footprint of NLB Group was confirmed by the Jozef Stefan Institute's own calculations.

#### VERIFICATION OPINION

Based on the described verification procedures, the Jozef Stefan Institute confirms that the NLB Group Carbon Footprint Report:

- is prepared in accordance with the requirements of the GHG Protocol (guidance for reporting on scopes 1, 2 and 3) and GHG reporting guidelines from ISO 14064:2019: Greenhouse gases;
- correctly and completely represents data on GHG emissions included in the NLB Group Carbon Footprint Report for scopes 1, 2 and 3 (limited scope) for the period from 1 January until 31 December 2022.

Date: 9/3/2023

Tomaz Fatur, MSc  
Project Lead

Stane Merle, MSc  
Head of Energy Efficiency Centre



Prof. Boštjan Zalar, PhD  
Director

# Appendix 7: Abbreviations

AJPES	Agency of the Republic of Slovenia for Public Legal
BCM	Business Continuity Management
BEV	Battery Electric Vehicles
BS	Bank of Slovenia
BSCC	British Slovenian Chamber of Commerce
BSCC	Country by Country Reporting
CEO	Chief Executive Officer
CER	Sustainable Business Network of Slovenia
CIR	Cost/Income Ration
CRO	Chief Risk Officer
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive (2022/2464/EU)
DAC 6	The EU Council Directvie 2011/16
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ESMS	Environmental and Social Management System
ECRA	The Enterprise Compliance and Integrity Risk Assessment
ESG	Environmental, Social and Governance
EPC	energy performance certificate
ESMS	Environmental and Social Management System
EU	Taxonomy - Regulation (EU) 2020/852,
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
GHG	Greenhouse gases
GLWF	Green Light World Flight
GRI	Global Reporting Inititative – Sustainability Reporting
HEV	Hybrid Electric Vehicles
HVAC	Heating, Ventilation and Air - Conditioning
ICAAP	Internal Capital Adequacy Assessment Process

ICE	Internal Combustion Engine Vehicle
JST	Joint Supervisory Teams
KYC	Know Your Client
ILAAP	Internal liquidity Adequacy Process
LJSE	Ljubljana Stock Exchange
LSE	London Stock Exchange
MIGA	Multilateral Investment Guarantee Agency
NACE	Nomenclature of Economic Activities
NFRD	The Non-Financial Reporting Directive (2014/95/EU)
NLB d.d.	NLB d.d. – NLB or the Bank
NPS	Net Promoter Score
NZBA	Net Zero Banking Alliance
OECD	The Organization for Economic cooperation and Development
OECD CRS	OECD Common Reporting Standards
OU	organisational unit
PACI	Partnering Against Corruption Inititave
PHEV	Plug-in Hybrid Electric Vehicle
RES	Renewable Energy Sources
ROE	Return on Equity after tax
SASB	Sustainability Accounting Standards Board
SBA	Slovenian Banking Association
SDA	Slovenian Directors' Association
SEE	South Eastern Europe
SMA	Security Market Agency
SME	Small and Medium - sized enterprises
TCFD	Task force on Climate Related Financial Disclosures
TRC	Total Rental Costs
UN EPFI	United Nations Environment Programme Finance Initiative
UN PRB	United Nations Principles for Responsible Banking
UN SDG	United Nations Sustainable Development Goals

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NLB Group is committed to safeguarding the environment and to reducing printing and paper usage in our every process. Leading by example, this report is prepared in digital form only. We invite our stakeholders to join us in our safeguarding efforts and not print any copy of this report.

Photo: Archive of NLB Group and Istock

The NLB Group Sustainability Report is available at [www.nlb.si](http://www.nlb.si)

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