



**Creating Better Footprints:  
NLB Group Sustainability Report 2022**

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Conference Call Conducted by Chorus Call Hellas



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OPERATOR: Ladies and gentlemen, thank you for standing by. I am Konstantinos,  
your Chorus Call operator. Welcome and thank you for joining the NLB

GROUP conference call and Live Webcast to present and discuss Creating Better Footprints: NLB Group Sustainability Report 2022.

At this time, I would like to turn the conference over to Mr. Blaž Brodnjak, CEO, Ivan Tomić, General Manager Strategy and Business Development and Alenka Recelj Mercina, Head of Sustainability.

Ladies and Gentlemen I will now read today's agenda:

Firstly, ESG landscape, expected trends in the next five years and the importance of the NLB Group.

Secondly, NLB Group Sustainability Strategy and journey towards Net-Zero.

Lastly, NLB Group 2022 key Sustainability highlights and 2023 road map.

And with that I would like to pass the floor to Mr. Brodnjak.

Mr. Brodnjak, you may now proceed.

**BRODNJAK B:** Thank you very much. Good afternoon and warm welcome, everyone, to our first webcast of this nature, specifically giving attention and focus to the entire sustainability framework and landscape, while we have been, of course, breaching many or the majority of bond risks of the planet, as we speak.

And in midst of the continuous fights of hegemony, for who will actually prevail in this context, we have in NLB Group sincerely and truly and genuinely committed ourselves to really take these things very seriously, and really start working intensively on what kinds of footprints we actually do create.

And this is not only, of course, climate-issues related, it is also societal-issues related, while of course we are promoting pacifism, while we are of course also promoting sustainable ways of living, while we are promoting returning to the habits of our grandparents.

We namely, firmly believe that the key of sustainability, sustainable turnaround actually, lies in us simply returning to the ways of living a couple of generations ago, which means that we simply contain consumerism logic. We simply don't buy what we don't need, we don't throw food away, and we consume locally-produced seasonal ones.

But of course, we are faced with also a framed and structured framework that is addressing this globally, and especially so, and specifically so, even more intensively in the later period, within the European Union and European Monetary Union context.

So, there has been significant focus to this area of activities coming from the European Commission, the European Central Bank, and many other bodies. And of course, there have been organised movements and organised institutions that have been dealing with this lately in a very determined way.

NLB, as the institution, has, by that, obviously joined several movements of this nature, committing not only to Net-Zero Alliance,

Banking Alliance, also to UN Principles for Responsible Banking, also actually committing to the very ambitious plan by also obtaining external evaluations for the ESG rating and so on.

But on the other hand, this story of course will not end here. This is just the first step of a very long journey. We have committed ourselves to be away from fossil technologies as much as possible already, years ago, especially when it comes to coal.

But on the other hand, we really are fully determined to actually drive the whole region forwards on this path, so we have been the first one of this nature from the financial institutions headquartered in this region.

And this specific event today is actually signalling this role, this a bit pretentious role of us actually drafting the agenda for the others in this region, not only when it comes to, of course, what we do on our own, but of course what we do with our decisions impacting others.

And this is not limited, clearly, to the carbon footprint measurements. It is, of course, also directly influencing credit decisions, and by that, directly guiding the economy of the region in a certain direction.

We can't do it alone, but we have been systemically important in six countries for the region, and by that, of course our decisions matter, and they do matter to the extent that we believe we can influence others to move also in this way.

In the upcoming years, we expect even more strengthened framework when it comes to, of course, regulation, when it comes to formal

expectations of various stakeholders, including, of course, very prominent ones in Slovenian investors.

On the other hand, clearly, we have a long way to go, still, in proper capturing of data, in proper capturing of what we actually do cause with our behaviour and our activities.

If you hear the horns in the background and sirens in the background, potentially this is, for example, a protest of farmers today, who have been now more or less confronted by a much more strict expected framework when it comes to the use of phytopharmaceutical protection means.

Which means that, of course, when it comes to self-sufficient production of food, this will actually cause a certain impact by them being forced to use more scientific methods, forcing them to of course be more innovative in how to produce food, and of course forcing them in many other directions.

And this will be a conflict, this will be a struggle, and this is something we can even anticipate. There will be a strong pushback from various parts of the society, and we simply have to be strong enough as a collective way of working, hegemons finally realising that the only way forward is systemic thinking on a global level.

That the only way forward is solidarity, more developed countries actually providing a certain framework to help less developed countries out, while containing our own consumerism, while addressing our demographic trends in a sustainable way as well, while supporting

meritocracy and key societal pillars, to include the handicapped ones, to the extent that of course there is a balance in society.

It's not only about democracy, it's about truly caring, because there are various ways of democracy, obviously, in this world, trying to be imposed on some others, by us understanding there are limitations of these democracies as well, in the global context.

So, my message is that in NLB Group, we are fully committed, we mean it truly and genuinely, and we are changing the ways we live, not as the business, but as individuals.

It is going to be quite a hefty journey in front of us, and before we reach everyone's heart in our business, it will take some time, but we want to go more forward. We want to go more far than that. We want to reach the heart of every individual in this society, in this region, and in the impact area of our business and operations.

And by that, my colleagues, Ivan and Alenka, will introduce what concretely we have been working on, and what is coming, and I will shortly wrap up then.

At the end, after, we will of course also give you a chance to raise any questions or any dilemmas you might have. So, I pass by that the word to Ivan, whom I kindly ask to continue, and then Alenka will take the floor.

TOMIĆ I:

Thank you, Blaž. So, I'll start first. A little bit on the footwork that's been happening in the background in the last two years, talk a little bit

about what have we done, what have we already achieved, and what we're planning to.

On the achievement side, later on, Alenka will address it in more details. So, here let me first explain, where did we place actually sustainability in our organisation? Probably the best analogy is a Roman or a Greek temple entry. Probably you have seen that strategy temple, where you have the mission and vision on top, that are supported by strategic pillars that stand on the foundation.

And normally, the foundation, you have the values. So, that's where we placed it. Sustainability is part of the foundation of this company, so it transfers out to the entire organisation. It does touch upon every aspect of banking, every organisational unit.

So, we have one small team that is coordinating all the efforts. Some other banks opted for creating a bank, within a sustainable bank, within a bank. We didn't go for that option. We went for a very small central team that cooperates heavily with the colleagues all around the bank.

Then, I'll start here. How did we start? I'll take it counter clockwise. So, on the previous page, I'm still on page six. Basically, here we first defined, okay, eight stakeholder groups, and we took a look. Okay, what do these stakeholder groups need from us? What are their needs, us as well as employees? What are the investor needs?

And then we mapped that to sustainability. So, one example could be, is it risk management, is it profiting from other trends? Is it a bid employer of choice? Is it a reputation?

Then we realised that we need to put a dozen actually claims from investors, put a high-teen number of policies and procedures that are the foundation of the risk management, so that we are able to scan environmental and social risks, that we avoid the adverse ones, that we promote actually the positive ones.

Then it was very natural that we undersign the Principles for Responsible Banking, and that we align our business model to all six.

Then, last year, we have undersigned the Net-Zero Banking Alliance, and we started working on that this year. That will define basically which exactly sectors we will be promoting, and as one of the key roles of any systemic financial institution, our role is to support growth.

But we want to support growth in sustainable sectors, and we want to be transparent with everyone. We want actually other institutions, be it financial or not, to follow the way.

That's why we want to play it as transparent as possible, so that we also inspire others in our region to follow the sustainability movement. Because we do believe that sustainability is a force for good, for our region and for other regions in the world.

So, how did we actually slice and dice this sustainability mountain? First, we put our Group Sustainability Framework, basically. It's an online document on our website, and it lays down the foundation. How do we approach sustainability, and what do we exactly do?

I will then move to the next page with the timeline. So, I would say that from 2020 and 2021, in the beginning, it was the year of the footwork.



Maybe the most important is that we joined UNEP FI, and that we approved the Sustainability Programme, and basically, we rolled up our sleeves to address different elements of sustainability.

Then, in 2021, we did develop the framework with the three pillars, which we will see on the next page. We implemented the ESMS procedure in the bank, and we showed our Sustainability Report, that for the first time actually showed to us internally and externally, public, what is our operational carbon footprint.

As well, we went through the UN PRB Exercise to align our business model. Then, in 2022, there are three main milestones. We achieved a 46% reduction in our carbon footprint, so we went from 4 T to 2 T, which was quite remarkable within one year.

We also received a rating from Sustainalytics, that placed us in the top 15 banks that have been rated. And we joined the Net-Zero Banking Alliance.

Moving on to the next page, I just briefly here wanted to show basically, how do we approach sustainability in our bank? There are three main pillars. One is sustainable operations. Second, sustainable finance. And then the third one is contribution to society.

Within sustainable operations, this basically addresses what do we do internally as an organisation, it doesn't matter what type of organisation, so that our environmental and social footprint is improving, that we do measure our impacts, that we have responsible procurement, that HR aspects are catered for.

So, this is quite large. It's a programme within a programme, that has several roadmaps on its own. Then, moving to sustainable finance, that one is obviously key for the future, where we'll be defining our targets within specific sectors.

We will, of course, measure our carbon footprint when it comes to the financed emissions, and we will be tackling it sector-by-sector, and we'll be placing targets for especially high-intensity sectors.

And then the last and third component, we singled out actually from sustainable operations, contributions to society, because this part actually defines our sponsorships and donations that we are aligning with the UN SDGs.

Then, moving on, I would go to the next page. I already mentioned, there is no need to go deeper, that we are fully aligned with the six principles of PRBs.

And even if you take a look, this meeting is part of Principle Four and Principle Six, where we want to be transparent to all stakeholders and, as I said, inspire other organisations to follow the way.

If I would single out one, obviously it's the impact and target setting. We did, in 2021, set some of the targets. We can see them actually directly on the next page, I think it's page nine.

Yes, so we put here three areas. These are the targets we put in the first year. First year, you have climate. Second, resource efficiency. And third, inclusion and healthy economies. On the financing side, we

put 785 million new production, only for corporate. For the first time, we are marching fairly decent towards our targets.

We already have almost 170 million pipeline fulfilled. There are new projects that did happen, but they are recorded only when the money is disbursed to the clients, and we'll be looking at expanding this target once we complete the Net-Zero Banking Strategy towards the end of this year.

Moving on to the next one, by 2030 actually, we agreed that we will actually use 75% of all electrical for all energy actually, coming from renewable sources. And last year, we managed to bring that target to 70%, and there are two main reasons. It's that in Slovenia and in Serbia, we do procure 100% carbon-free actually electricity.

Then, going on, with the resource efficiency, the target of 50% paperless, 50% reduction from the baseline in 2019, which was the year before COVID, we are not that far away. We are already at 43% out of the 50%.

And the last target from the UN PRBs is that we set our target on the digital penetration to be at 55%. We are at just north of 40%, and it's moving towards the direction we do set.

Here we are a little bit limited and dependent, of course, on the market. Our markets are not the most, but not the least digital on the planet, and we are setting a full programme of incentives for people across all age groups, to get them onboarded to digital accounts.

Let's move on here. I already mentioned that we obtained the first rating last year, but bear in mind that this rating is based on 2021

deliverables, so we do expect actually improvement in the rating, just because there are 2022 deliverables not factored in. And one of them I already mentioned, -46% of operational carbon footprint, will be addressed in the next year's rating.

Then I'll just finish off with the next page on the journey towards net zero. We did commit that by 2030, we will have our emissions, financed emissions, and by 2050 we'll be aligned to net-zero goal.

First, so we started actually this year, this challenging exercise that has several phases, and we are in the first phase right now. We are measuring our emissions across different portfolios, mostly being corporate, retail, and sovereigns.

So, that's in the plan for this year, from the strategy itself. With that, I would pass to Alenka.

MERCINA A R:

Thank you very much, Ivan. And good afternoon, everybody. Now I will provide some hopefully interesting insights with regards to the sustainability agenda. We will touch upon 2022 key sustainability highlights, and then we will conclude this presentation with the roadmap for this year.

Since we only have, let's say, 25 minutes left, I believe that I won't go into each and every detail. I would like to emphasise here that this presentation will be available for you on our webpage, [NLB.si](http://NLB.si), so you are kindly invited to download it and look through it again, after this webcast.

So, the year 2022 was, for sure, quite turbulent, not only on the level of European regulatory framework with regard to sustainability, but it was also very turbulent for our ESG agenda, for sure.

In this region, a lot of crucial things actually happened in the year 2022, which pushed our institution, our bank into ESG direction as well. So, as my colleagues mentioned, we decided to join a second initiative, Net-Zero Banking Alliance, and this actually meant the start of development of Comprehensive NLB Group Net-Zero Business Strategy, which we'll show the results by the end of 2023.

This is everything in line with the NZBA roadmap that we committed to. So, hopefully our next Sustainability Report will focus very much on Category 15 financed emissions, together with clear portfolios, decarbonisation targets. So, we believe that this will be another interesting next step for our bank.

Now I will try to focus a little bit more on the numerical aspect of sustainability. Of course, obviously we have some numbers, but on the other hand, we struggle with some ESG data very much, which I believe is the same as all other financial institutions throughout Europe.

So, our carbon footprint measurement was prepared for the year 2022. We lowered our operational carbon footprint. I have to emphasise here, operational carbon footprint. So, financed emissions were not measured for the year 2022. We lowered it for 46% compared to the year 2021. 70% of our electricity comes from zero-carbon energy sources, and this of course added very much to good carbon footprint results.

With regards to S in ESG, we again received the Top Employer Award. This happened eight years in a row. Top Employer Award is provided by a Dutch institute, and it's a very important international award, so we're very proud.

Next important thing also was the development of Comprehensive Human Rights Policy. I would like to point out that at the beginning of 2023, our bank also joined the National Action Plan for Respect for Human Rights in the Economy. This is a Slovenian action plan for respect of human rights in the economy. And together, we have three years now to establish a full system to monitor and to report on human rights status and situation in our bank.

We also appointed a Human Rights Custodian in our bank, and policy was also implemented in all of our members throughout the Group.

To raise awareness, we organised the first NLB Group Sustainability Day. It was devoted to ESG elements, to ESG importance, to achieve better understanding of different parts of the bank, how crucial for our future work sustainability is. And for the year 2023, we plan to prepare our second Sustainability Day for everybody, so for all employees in our Group.

With regards to G, so governance, we were very much active. In our Sustainability Committee, there were five sessions held. We tackled more than 22 topics. A lot of action plans were developed based on discussions at the Sustainability Committee, where the whole Management Board is present and the majority of D-1s as well.

Our reporting is becoming more and more comprehensive. We added another template, another reporting to it, a TCFD. We are, of course, at the starting point with TCFD, but we are very much determined to go deeper with regards to data.

And share of women in management positions, we believe it's pretty decent at 56% currently. So, with regards to sustainable finance, our second pillar, which was already mentioned, there were €167 million of sustainable corporate financing done in the previous year, and €53 million of green loans granted to private individuals.

We developed a decent range of different sustainability-related products that are available to take from shelf, I would say. We also developed a webpage where our clients can see our offer.

We are active in the EBRD Programme, Women in Business in Montenegro, where there is a very good, I would say, environment to enhance women in business. Of course, we're not only careful about opportunities, but we're very much aware of risks related to ESG.

As you may know, NLB is an ECB-related entity, and that's why we are enhancing our ESG risk management and climate risk management, and with continuation of the implementation of ESG factors in the lending process.

We also developed an Environmental and Social Management System to tackle ESG risk management challenges, but I will say a little bit more later on.

So, regarding contribution to society, I would like to emphasise here that in the year 2022, the Frame of Help Project was executed for the third time on the Group level, and this time we addressed companies in the region that prioritise sustainable IT business solutions.

Altogether, 300 companies in the region participated, and the best project was awarded with a prize of €50,000, second place awarded €30,000 and so on. So, we were quite intense with this project.

In the year 2022, also a special inclusive charity project was carried out in the festive season, when we donated more than €500,000 to humanitarian institutions.

And so, if we move on, this is our Corporate Sustainability Governance Scheme. As you may see, it became quite comprehensive, and NLB Group implemented this governance framework top-down and bottom-up.

We wanted to make sure that all bodies, the competence lines, and organisational units included sustainability and ESG considerations in their respective work area and responsibilities.

Governance is also a focal point of our Sustainability Report for the year 2022, so you're invited to take a look. And with governance, of course remuneration is very much related.

So, in the year 2022, part of the variable part of the salary of NLB Group's Management Board's members was subject to performance assessment against goals in five key areas, namely sustainability, corporate governance, ESG risk management, transition and



sustainability financing opportunities, operational and environmental impact and contribution to society.

So, weights were different for each member, of course, but the range spans from 5% to 20%. Regarding our operational carbon footprint, actually a lot was already said.

Once again, the most important thing is that we lowered our Scope 1 to 3 carbon footprint from 4 T of CO<sub>2</sub> per employee to 2.36 T per employee, from the year 2021 to the year 2022, and that we actually, as you will see further on, we integrated quite a lot of key energy efficiency measures.

Maybe I will just quickly run through those that were implemented in the year 2022. We invested in branch renovation, we reduced actually ventilation and heating schedules, and increased waste air recovery percentage. Then we turned off night-lighting, where this was possible to do. We are constantly raising employee awareness regarding energy efficiency. Then, heating and cooling were much reduced.

So, there were already a lot of measures done, but we plan also quite a lot of measures for the next years, such as installation of solar powerplants, divestment of other areas, reduced heating, ventilation and cooling company business, work-from-home schemes, and reconstruction and refurbishment of different office buildings.

So, in the area of risk management, as I said, our bank is an ECB-regulated entity. ESG risks do not represent a new risk category, but rather, one of the risk drivers of the existing types of risks. So, the

management of ESG risks follows ECB and EBA guidelines, with the tendency of their comprehensive integration into all relevant processes.

So, the Group conducts materiality assessments, which is part of our overall risk identification process, and we do this to determine the level of transitional and physical risk to which the Group is exposed.

It was realised that transition risk, as assessed, is much more material compared to the physical risk. We also expect that with the implementation of the Net-Zero Strategy, that its impacts will gradually diminish.

Based on industry segmentation of portfolio and corresponding emissions, the Group has actually relatively low exposure to emission-intensive sectors. Again, much more about our Risk Management Framework is available in our Sustainability Report for the year 2022.

So, to measure ESG components within our loan origination and monitoring process, we embedded an Environmental and Social Management System. Actually, a big push to develop this system was our business partnership programme with EBRD and MIGA.

We actually implemented their Environmental and Social Requirements, and developed quite an extensive Environmental and Social Management System. And this system, it starts with the exclusion list.

So, if I now will jump to our exclusion list, which is quite extensive. Here I would like to say that NLB Group actually is committed not to provide any new financing to thermal coalmining or coal-fired electricity

generation capacity in any way, including eventual transitional enhancements.

This exclusion list, as I said, is fully aligned with EBRD and MIGA, as to very important international financial institutions with regards to sustainability. And for sure, this exclusion list will be developed in the future years as well.

So, here I would like to touch upon our portfolio product, Sustainable Product Portfolio. There were quite some new products for legal entities developed in the year 2022.

Actually, we offered three new green loans for legal entities. NLB Green Partner Loan to finance the construction of turnkey solar powerplants, NLB Green Loan for investments in the energy efficiency of business buildings, and NLB Green Loan for reducing the carbon footprint. That covers the area of energy efficiency, circular economy, and sustainable agriculture.

For your information, I would like to add here that for SMEs, we provide low interest rate on green loans. This interest rate is about 45 basis points to 160 basis points lower than our, I would say, ordinary offer, and there are no credit approval costs related to this offer.

With regards to private individuals, interest rate is lower, for about 50 basis points, and we also offer €100 lower credit approval costs. So, there is quite an appealing offer as well.

Our people, very important slide. Almost last, but definitely not least. Very much. This is why there is a lot of text here, because we really

want to say a lot about these things, about employee wellbeing. We're very much aware that employee wellbeing will be a focal point of the next five years, with regards to sustainability.

I would like to emphasise here that NLB Group is complying with, I daresay, all ILO standards, local legislation, collective agreements and policies, and that's why we actually have a minimum of grievances, and basically no lawsuits with regards to labour practices.

We also developed quite some initiatives to improve the organisational culture. We are very much trying to develop constructive behaviour styles. The values that are our indicators for the future are, growing people, encouraging entrepreneurship, and encouraging people.

With regards to employee health and safety, we very intensively promote healthy habits. We provide safe and healthy jobs to our employees throughout the Group, and we implement joint measures like regular trainings, with the risk assessment of individual Groups of workplaces, and measures to reduce the dangers that may occur in different workspaces.

In the year 2022, 36% of employees worked from home, for better work-life balance. Actually, our bank continuously enables employees to work from home. Of course, those employees whose presence is not essential to the business process.

Regarding diversity and inclusion and gender pay gap, I would like to say that in the year 2022, the policy on the provision of diversity was developed, and most of the 2022 targets were already met. This policy

on provision of diversity is developed for the level of management body, and senior management of NLB DD.

Regarding gender pay gap, we realise that there is a slight gender pay gap, which is very much in line with the average Slovenian gender pay gap in the Slovenian economy.

The main reason we believe for the gender pay gap in our institution, is in the higher proportion of men in better-paid positions, and in the higher proportion of women in lower-paid positions, compared to the overall gender structure in the bank.

However, we introduced many initiatives to close the gap, and above all, to raise awareness among employees, to reduce the presence of unconscious bias.

Employee engagement was pretty good. Actually, last year, employee engagement in NLB Group has been measured, and the survey was completed by 73% of all employees, which is estimated to be above average. We have 44% of people that are engaged, 39% that are not engaged, and 17% of actively disengaged employees.

So, to wrap up our sustainability roadmap, here I would actually like to mention only four things. I believe that the most important will be employee wellbeing, which we already mentioned a couple of times.

Employees are super important for our sustainability agenda. The next thing that will be very much important in this year is our carbon footprint. We will measure the financed emissions Category 15, and we will of course disclose our baseline with regards to financed emissions.

We will further develop and implement our Net-Zero Business Strategy with decarbonisation targets, and this will, for sure, stay our focal point.

And we're very much aware that we will have to work with clients, with regards to carbon footprint, to get appropriate ESG data and to work on firm transition strategies, so that we can all and everybody move into the same direction, which is zero-carbon, for sure.

We will be very focused on sustainable business opportunities and ESG risk management, in line with our supervisors' expectations and, of course, in line with all the regulatory requirements.

So, I believe that that would be all from my side. We have a really good timing, I see. So, thank you very much. I would like to invite you now, if you have any questions, please, the floor is yours.

## **Q&A**

**OPERATOR:** Ladies and gentlemen, we will now move to our webcast questions. The first webcast question comes from Maya, from Slovenia. And I quote, how do you prepare on upcoming CSRD Directive and ESRS Standards?

**BRODNJAK B:** Alenka, will you answer that?

**MERCINA A R:** Yes, I'm happy to answer this question. So, regarding CSRD, and of course CS3D, which will be even more demanding, we prepare actually quite intensely.

I must say that we are very active in the Slovenian Banking Association and in the European Banking Federation, and in different partnerships, and with the aim to get as much information as possible, and to prepare our bank for this reporting step.

We're well aware that we will have to implement all of the ESRS Standards, that our Sustainability Report will have to be verified. We are also discussing already with different verification agencies how to do it and how to become partners in this next step.

We are well aware that a lot of new data will have to be disclosed, and we're also aware that we will have to prepare sustainability reporting actually in a little bit different format, so that it is machine-readable.

And we're also looking forward on new information from the European Commission with regards to the environment, European Single Access Point.

We're really looking forward to common standards, sustainability standards, so that all of the banks can be put on the same denominator and report with regard to same KPIs, so that we can compare each other, and that we can really see what our peers are doing, and how do we compare with our competitors.

So, CSRD, for sure, will be a big step, but we have already provided. Actually, we made an analysis of ESRS Standards, and a decent gap analysis. We believe that GRI Standards that we already address are, to a certain extent, aligned with ESRS, so it will make our future reports a little bit easier.

And of course, the most important thing is just to stay on top of this agenda, and we believe that since we are very well placed in different partnerships, that we will get all the information needed actually to implement ESRS. So, yes.

**BRODNJAK B:** One thing has to be mentioned, though. One, of course, the quality of approach and accessibility in Slovenia, and of course we are also operating in five other countries, so what we are talking about is more or less Slovenia. So, we do have challenges when it comes to, of course, data gathering and some other common approaches, when it comes to the entire operations of the entire region.

So, this is our focus to come, how actually will integrate the whole region in this very ambitious agenda, especially when we look at what is the production mix of electricity, what level of actually the energy efficiency we can be talking about, when it comes to, of course, consumption of energy and so on.

So, it is, of course, a tedious challenge and a tedious journey, but we are fully committed to come to the common denominator, also when it comes to our Group perimetry. It's on one side, Slovenia, with maybe better insights and standards of gathering information, but what we need is full commitment of the entire society, including governmental bodies.

So, this is something that is lacking, I guess, sufficient attention. So, central registries, depositories, repositories of information and so on, energy IDs and so on, this is something that of course still needs to come in a proper way, so that it's easily accessible.



We are the driving force, when it comes to the Bank Association, to somehow standardise and put to the common denominator any reporting needs for the companies, and what has to be in principle submitted, to make also lives of companies easier.

Because if they have 15 banks approaching them, and they have to of course fill in 15 forms, this is not something that's highly effective and efficient. It has to, of course, become a movement of just about everyone, not only the banks.

OPERATOR: The next webcast question comes from Morcha, from Slovenia. And I quote, how do you support, raise awareness and engagement of NLB Group clients in terms of sustainability?

BRODNJAK B: That's a pretty broad question. NLB has been more or less active in all best-possible dimensions. Allying, partnering with institutions that are dealing with this, is their core ambition and core initiative. It has been attending conferences, has been organising our own events.

Alinka was mentioning Sustainability Day, which is internal, but we have been active externally, really very actively in the last years, and we will simply continue to be even more active in this way.

Simply, organising today's event is a step in this direction. We want to incentivise for everyone to start being transparent, fully, when it comes to this entire universe of many activities and key pillars of the entire sustainability and ESG universe.

So, we claim, I personally believe, we have been amongst the pioneers of the region when it comes to that. And of course, this doesn't stop with the communication and information.

This is more or less something that you see it from the outside, but it's of course continuous, with many activities, just a part of which actually Alenka presented today. So, there is much more, and it's omnipresent basically.

We, as I said at the beginning, need to make sure that we touch everyone's heart, among our employees, and in the longer term also among our clients and all other stakeholders.

And I am provoking usually, first we need to stop shooting each other and sending weapons all over the world. And second, we simply start changing our lives dramatically, which means we don't speed at highways, we simply eat local, seasonally-produced food, and we don't consume for anything we don't really need. As long as we are not prepared to do that, the world will not change.

OPERATOR: The next webcast question comes from Vesna, from Corsica. And I quote, what do you see as the biggest challenges in reaching Net-Zero Business Target by 2050?

BRODNJAK B: Alenka and Ivan will, for sure, add something. I personally believe it's consistency and determination, that is not yet there. There are inconsistent messages. There are a lot of hypocrisy, there's a lot of moves and decisions that are, in my eyes, problematic.

If you, on one side, claim you want to get net-zero emission neutral, and you burn more coal than ever in history, and you are above 2019 level, something is wrong. Something is seriously wrong, right?

It's not only because of the wars. It's because of the general, global, collective commitment. Is it there, or not? Are we looking at systemic thinking, or are we looking at still hegemony fighting for who's going to prevail?

And that's the biggest challenge, if you ask me. Hegemony needs to understand that it's about the entire planet, not the interest of one particular party to prevail. Ivan, go ahead.

TOMIĆ I:

Yes, I will add that there are some challenges. I would say the number-one challenge for us, as NLB Group, it actually is to get transparency on the data, because we operate in different regions where clients do not have all the data necessary for us to calculate our carbon exposures.

So, that's internal. The external one is actually the regulation itself. We see that the regulators are changing the way they calculate carbon emissions. Some countries' Ministers of Energy consider certain sectors highly carbon-intensive, some not. So, we see that in the next 26 years, and we can foresee that the regulation will change.

Take a look at nuclear. Take a look at some other industries. So, we will set out targets obviously by the end of this year, but I do see that regulatory change might affect our plan. And there, we don't have an option. We have to comply to regulations that are set on the government level.

**BRODNJAK B:** Yes, it is about real, systemic investment. So, forced electrification without the upgrade of the grid, it's just sand in the eyes. You want to install PV/solar all over the country, but the grid doesn't take it, and the storage capacity is not yet available to the sufficient extent, and so on. So, messaging needs to be consistent, and it's not necessarily consistent at this point of time. And not necessarily enough investment is actually routed and directed towards enabling the green transition.

So, one thing is about talking about that, and the second is you shut down the coal powerplant, but what is the alternative? And who is going to invest in the alternative? And is it happening? And is the grid ready to take it, and so on? It is a lot of words, but insufficient action in various countries, including Slovenia.

**TOMIĆ I:** Maybe one more just from my side. I will say that in this region, we might be lucky. And as a bank, we are not financing one of the dirtiest industries on this planet, let's say. There are no powerful traders in this region, deforestation is not that high, so on that systemic level, we might have a little bit easier job than our, let's say, peers in other parts of this planet.

**BRODNJAK B:** The biggest challenge will be air pollution, in principle, which is based on insufficient centralised heating systems in the cities of the region, still a strong thermal production on coal.

So, this switch is needed, but we see countries investing, so we see significant investment in Serbia, Kosovo, Croatia. A lot of wind parks, a lot of larger solar plants are in the pipelines. We've financed those.

So, we want to be a part of this transition by simply promoting positively, and supporting with finance, energy efficiency, and renewable production projects, while withdrawing support to any coal-related technologies. So, we have not been financing, for years, even any enhancements when it comes to the coal technologies.

In this respect, we are trying to assist this way, but it's a challenge. Still, the production mix in the countries is still not very favourable.

Slovenia is one-third nuclear, one-third hydro, and one-third thermal, basically. And once we shut off the only real power, sizable thermal, we will be more or less fully renewable. It's just not yet clear what this renewable source is going to be.

OPERATOR: Ladies and gentlemen, there are no further questions at this time. I will now turn the conference over to Mr Blaž Brodnjak for any closing comments. Thank you.

BRODNJAK B: I would just like to thank everyone for hanging in there. It was our first one, so provide feedback to us, please. What do you want to hear from us? How do you want actually us to conduct that, to be more effective maybe in messaging? And we kindly invite everyone simply to onboard this journey.

We live in a specific part of the world, with our own challenges, but overall, there is really full commitment of our team. NLB has been a pioneer, and will be even more vocal, even more active when it comes to advocating these topics, but above all, moving in this direction with our internal impact and, of course, external impact.

And we have been one of the pillars actually of also CSR in this region basically, supporting many cultural sports, humanitarian initiatives, and we will do even more. So, the more we will be successful, the more we will support these pillars of the sustainable development as well.

We are firm believers into meritocracy and clear corporate governance. There have been challenges in this respect. We will be loud and vocal about that as well. And until the next such occasion, stay healthy, consume local and seasonally-produced food, and don't buy anything you don't really need. Thank you very much.