



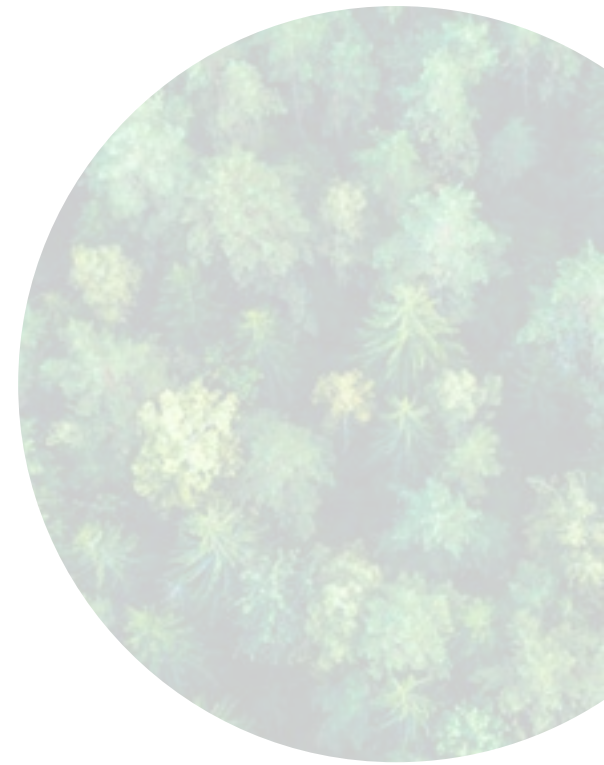
Sustainability Policy

This document presents the summary of the internal Sustainability Policy in NLB d.d. and NLB Group

NLB Group

Table of contents

1 Sustainability is embedded in NLB Group vision and business model.....3	4 Pillar 1: Sustainable operations 9	8 Reporting, disclosures, and communication 23
2 Aim and scope of the Sustainability Policy 4	5 Pillar 2: Sustainable finance 11	9 Outlook: leading by example in sustainability management..... 25
3 NLB Group sustainability overview 4	6 Pillar 3: Contribution to society18	
	7 Governance of sustainability and ESG.....18	



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We welcome your enquiries, comments and suggestions at: sustainability@nlb.si

Sustainability is embedded in NLB Group vision and business model

At NLB Group, we are aware that countries, businesses, and individuals in the region and around the world face important challenges of our time.

These include the negative environmental and social impacts of climate change due to greenhouse gas emissions, and challenges in establishing mechanisms to ensure an equal and just society, as well as ethics and integrity in corporate governance. With that in mind, NLB Group fully embraces a definition of sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.¹ Our sustainability efforts are founded on a long tradition of responsible and stakeholder-centred operations, which has been part of NLB Group’s identity since its establishment. Sustainability is also firmly embedded in NLB Group’s vision “to take care of the financial needs of its clients and at the same time improve the quality of life of the home region where we operate”. Moreover, sustainability is a vital element of

our core values which are growing people, encouraging entrepreneurship, and improving lives.

As a systemically important financial institution in the region, **NLB Group has set the goal to actively contribute to the sustainable transformation of the economy and society** to a more green, just and inclusive future for present and future generations. Therefore, the Group has placed sustainability matters and ESG factors² (environmental, social and human rights, and governance) at the core of its business strategy and business model.

¹United Nations General Assembly, 1987

²This definition of ESG factors also incorporates environmental, social, and employment matters, respect for human rights, and anti-corruption and anti-bribery matters, which are defined in regulation (EU) 2019/2088 of the European Parliament and of the Council (27 November 2019)

NLB Group is the 1st bank headquartered in SEE to commit to net-zero portfolio targets

In particular, NLB Group takes decisive actions to address climate-related risks and opportunities and thus contribute to achieving the Paris Agreement objective to limit global warming to 1.5°C by mid-century compared to the pre-industrial era. We recognize that as a financial institution the biggest impact it has on the environment and society is through the financed business activities of our clients. In addition, we are also focused on reducing emissions from our own operations.


To this end, NLB Group sets as its priority goals to align the lending and investment portfolio and its own operations with achieving **net-zero emissions by 2050 or sooner**, and to **finance green growth and transition** to low-carbon, resilient and resource-efficient economy.

In December 2023, we published the first NLB Group Net Zero disclosure report, which reaffirms our commitment to achieving net-zero by setting targets for reducing our financed emissions and maintaining a coal exclusion policy. The report provides a comprehensive overview of our efforts and progress towards transitioning the operational and attributable GHG emissions from lending and investment portfolios, in line with Net Zero Banking Alliance commitment.



NLB Group at a glance

NLB Group, headquartered in Ljubljana, is the largest banking and financial group in Slovenia with a strategic focus on Southeast Europe (“SEE”), covering markets with over 17 million people.



Nova Ljubljanska banka d.d.,
Ljubljana

The Group is comprised of the leading and systemically most important bank in Slovenia, Nova Ljubljanska banka d.d., Ljubljana (“NLB d.d.” or “NLB”), as well as six subsidiary banks in SEE and several companies providing ancillary services (including asset management, real estate management, leasing, etc.).

The Group utilizes a universal banking model and supports its clients through retail, corporate, and investment banking services. In its sustainable efforts, NLB Group does not limit itself to Slovenia (EU member), but aligns its business model (operations, financing, and investment activities) in all countries where it operates in accordance with European and national strategies – including countries in the process of moving closer to the EU (Serbia, Bosnia and Herzegovina, North Macedonia, Montenegro, Kosovo).

NLB d.d. is a listed company:
the Bank’s shares are listed on the Prime Market sub-segment of the Ljubljana Stock Exchange; and the GDRs, that represent shares, are listed on the Main Market of the London Stock Exchange.



Aim and scope of the Sustainability Policy

NLB Group's sustainability journey started with an organization-wide initiative together with the adoption of the Sustainability Programme in 2020, and continued with setting up the NLB Group Sustainability Framework in 2021.

In 2023, **Sustainability Policy in NLB d.d. and NLB Group** (hereinafter: the Policy) was adopted by the Management Board, which upgraded the former NLB Group Sustainability Framework.

This public document presents the summary of internal Sustainability Policy.

The Policy aims to demonstrate the commitment to our sustainability mission. In addition, it gives an overview and directions on how NLB Group manages sustainability-related challenges in a responsible and efficient manner.

This Policy provides a main starting point to understand NLB Group's sustainability and integration of ESG factors in its business model and processes. Namely, in addition to this Policy NLB Group has established

operational sustainability -related instructions, as well as domain-specific policies and instructions related to risk management, environmental management, HR, diversity and inclusion, human rights, compliance, anti-corruption, tax, procurement, and other specific internal documents, developed in the Sustainability Unit and respective business areas (competence lines), in accordance with the NLB Group Governance Policy.

All financial core members (banks, leasing and asset management companies) in NLB Group are obliged to comply to the Sustainability Policy, while non-financial members follow it voluntarily, as best practice.





NLB Group sustainability overview

The main mission of sustainability in NLB Group is to improve quality of life and contribute to a sustainable economy and society, and to lead these processes by example.

By implementing sustainability, NLB Group aims to achieve three overarching objectives:

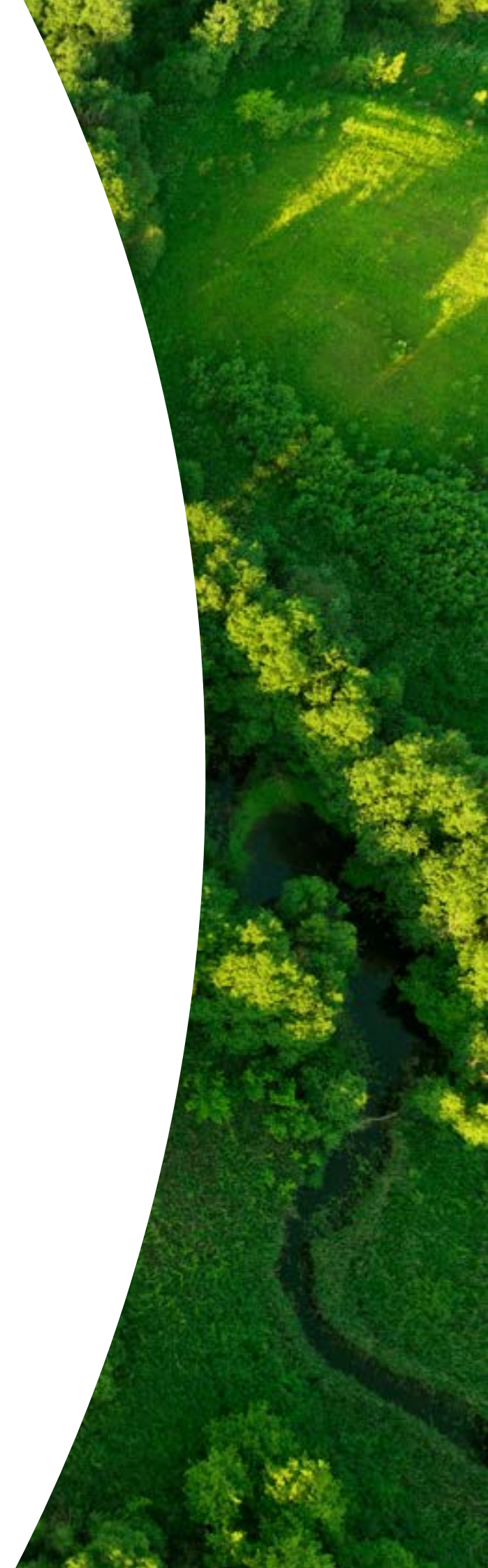
- to ensure the sustainable financial performance of NLB Group, and at the same time
- to achieve added value for its key stakeholders (clients, employees, suppliers, shareholders, etc.) by considering ESG factors, and to
- to successfully manage ESG impacts, risks and opportunities arising from these factors.

Sustainability at NLB Group encompasses three pillars:

- sustainable operations
- sustainable finance
- contribution to society

To deliver on our mission and objectives in all three sustainability pillars, NLB Group embraces and invests in five overarching underlying drivers:

- responsible engagement with key stakeholders and their inclusion in business model and business decisions,
- high standards of corporate governance, responsibility, compliance, ethics, and integrity in everything we do,
- comprehensive and efficient sustainability stewardship through all three ESG pillars (environmental, social and human rights, and governance factors),
- building strong corporate governance and culture with regards to sustainability matters,
- commitment to global sustainability initiatives and goals, such as the Sustainable Development Goals and UNEP FI – Principles for Responsible Banking, and the Net-Zero Banking Alliance.



Overview of NLB Group sustainability

Sustainability Mission

Leading by example
Improving quality of life
Contributing to a sustainable economy and society

Sustainability Objectives

Sustainable financial performance
+ adding value for stakeholders
+ successfully manage ESG impact, risk and opportunities

Sustainability Pillars



The way we deliver

- Commitments to global sustainability initiatives and goals**
- Comprehensive and efficient ESG stewardship, based on double materiality**
- Stakeholder engagement and inclusion, developing partnerships**
- High corporate governance standards, compliance, integrity and respecting human rights**
- Strong sustainability governance and culture**

3.1 Supporting UN SDGs

In 2020, NLB d.d. was the first bank in Slovenia to become a signatory to the UNEP FI (UN Environment Programme Finance Initiative) Principles for Responsible Banking and thereby officially endorsed the UN Sustainable Development Goals and the 2015 Paris Climate Agreement. As an international banking group, we consider ourselves obliged to support these important international initiatives and commitments. They are delivered through NLB Group's operations, financing and investment activities, and contribution to society in all regions where the Group operates.

At NLB Group we defined priority 10 SDGs³ which reflect our greatest impact on the environment and society. At the same time, the Group's sustainability indirectly contributes to all 17 SDGs to varying degrees as all of them are interconnected.



SDG 3: Good health and well-being
We develop banking products that focus on improving the quality of life in the region. Several of our social projects focus on health and well-being. We promote a good work-life balance among our employees.



SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
We invest in community growth by supporting educational institutions. We lead initiatives that increase financial and digital literacy and financial inclusion, especially among young people and the elderly. We provide our employees with a comprehensive range of training opportunities and encourage them to participate in lifelong learning, among our employees.



SDG 5: Achieve gender equality and empower all women and girls.
We finance initiatives which promote and empower women to have a greater voice and impact in business and society. We implement measures to reduce any gender-related gaps at our workplace.



SDG 6: Clean water and sanitation
We invest in sustainable water-management projects, and implement measures to decrease water consumption and increase efficient use of wastewater in our own operations.



SDG 7: Ensure access to affordable, reliable, sustainable, and modern energy for all
We finance the transition to renewable energy and energy-efficiency solutions and we implement the same solutions at our own premises. We promote energy-efficiency practice among our employees.



SDG 8: Promote inclusive and sustainable economic growth, employment, and decent work for all
We protect human and labour rights, fair pay, equal opportunities, and training and development opportunities for employees. We support entrepreneurship and job creation and new businesses, and expect our clients to have high social and human rights standards implemented in their operations.



SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation
We support and invest in innovation and technology, where in particular we consider the positive social and environmental impacts of technology advancements.



SDG 11: Make cities and human settlements inclusive, safe, resilient, and sustainable
We finance sustainable initiatives in cities, as well as the transition to energy-efficient and sustainable housing and other buildings, among our employees.



SDG 12: Ensure a sustainable consumption and production pattern
We finance the transition to a circular economy and promote sustainable consumption practices among employees.



SDG 13: Take urgent action to combat climate change and its impacts
We are committed to reducing our environmental impact, in particular greenhouse gas emissions in our own operations and in our credit and investment portfolio. We finance the transition to a low-carbon economy, while applying strict environmental screening in our credit process and decisions. We engage employees in forestation activities, sustainable mobility, and other activities with a positive impact on the climate.

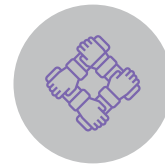
³ In 2021, the first UN PRB Impact Analysis was conducted, and five initial SDGs were defined. Through the further evolution of sustainability projects and initiatives, the initial list was enlarged to 10 key SDGs.



3.2 Commitment to the UN Principles for Responsible Banking

In addition to UN SGDs, NLB Group adopted the following commitments within the UNEP FI – Principles for Responsible Banking.

These Principles are firmly embedded in NLB Group's sustainability. In addition, NLB Group annually discloses fulfilment of its commitments as a signatory of the UN PRB and prepares a self-assessment report, which is complementary to the Sustainability Report (published on the NLB d.d. website: www.nlb.si/sustainability)



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.



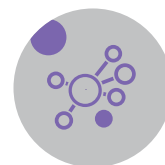
Principle 3: Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practise 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 a 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 imp/act and our contribution to society's goals.



3.3

Comprehensive and efficient sustainability management, based on double materiality

NLB Group manages its impacts on the environment and society comprehensively and in accordance with the double materiality perspective, in which the risks to the undertaking and the impacts of the undertaking each represent one materiality perspective. Therefore, our sustainability addresses both the financial and other impacts of NLB Group on the environment and society (inside out), as well as the financial and other impacts that the environment and society have on NLB Group (outside in). Understanding of the double materiality perspective applies to all three pillars (sustainable operations, sustainable finance, contribution to society).

3.4

Sustainability culture

NLB Group promotes a culture of responsible banking and wider sustainability culture at several levels, in particular by:

- providing professional training programmes for the highest management bodies and employees on sustainability, with the aim of strengthening comprehension and competences for realizing the sustainability strategy,
- systematic and open communication on sustainability topics among all governance bodies and competence lines,
- empowering the Management Board and senior management to lead by example and strengthen

- employees' awareness and engagement to support sustainability practices in NLB Group,
- organization of initiatives, events, and workshops aimed at raising employee awareness and engagement,
- promoting a safe environment to freely express diverse opinions, proposals, or dissatisfaction on sustainability matters.

3.5

Corporate governance, compliance, integrity, and respect for human rights

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

The corporate governance of NLB is defined in the **Governance Policy of NLB d.d.** As a listed company NLB d.d. follows relevant Slovenian legislation, as well as the recommendations of the Slovenian Corporate Governance Code for Listed Companies, that supplements the binding provisions of responsible corporate governance. All the stakeholders and the general public are informed about this policy through disclosures on the Bank's website. The mentioned policy is harmonized and applicable together with the **NLB Group Governance Policy**, which lays down the principles and mechanisms of corporate governance in NLB Group members.

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 d.d. adopted the internal **Policy on Respect for Human Rights in NLB and the NLB Group**, thus setting the standards for the respect for human rights in its operations and expects the same standard to be ensured by its clients 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.

NLB Group's

zero-tolerance policy NLB Group is firmly committed to compliance and integrity, and has a zero-tolerance policy for any form of:

- corruption and bribery practices in the different jurisdictions where it operates,
- money laundering and terrorist financing,
- internal crime,
- violations in personal data and other confidential information protection, resulting in the leaking of confidential information or disclosure of confidential information to unauthorized persons, abuse of the market in financial instruments.

3.6 Stakeholder engagement and building partnerships













NLB Group members regularly engage with relevant (key) and other stakeholders to best meet the interests of both sides. Relevant stakeholders are those individuals and groups of stakeholders whose operation indirectly or indirectly essential sustains the achievement of goals and long-term development and sustainability of NLB Group. Other stakeholders are individuals and interest groups that contribute, either voluntarily or involuntarily, to the ability and activities in creating added value to sustain NLB Group and are therefore also the vehicle for potential gains and risks undertaken by NLB Group.

We are committed to open and transparent communication with all stakeholders about relevant topics. 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 research are also included in our engagement activities.

To strengthen and demonstrate our commitment to a sustainable transition, NLB Group has voluntarily decided over the years to join and adhere to key international initiatives, principles, and recommendations with regard to sustainability. 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 actively engage in strategic discussions about the role and benefits of sustainability and the urgency of the transition in the social and economic environment. Most importantly, such collaborations strengthen the 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.

Key memberships and collaborations

	UN Sustainable Development Goals		EBRD Women in Business Programme
	UNEP FI Principles for Responsible Banking		Global Reporting Initiative
	UNEP FI Net-Zero Banking Alliance		Multilateral Investment Guarantee Agency
	European Banking Federation – Sustainable Finance Expert Group, a representative at the European Banking Federation's Chief Sustainability Officers Roundtable		Sustainable Business Network Slovenia
	Slovenian Banking Association – Sustainable Finance Working Group		Bled School of Management
	AmCham Slovenia – Commission for Sustainable Growth		Chapter Zero Slovenia



To explore more about NLB Group, its strategy, key performance indicators, the macroeconomic and the regulatory environment in the Group's region, and key events, please refer to the NLB Group Annual Report 2023.

4

Pillar 1: Sustainable operations

At NLB Group, we are aware of nature-related impacts, risks, and opportunities of our operations. At the same time, we define sustainable operations in a much broader sense: not only as managing our non-financial operations by being an environmentally responsible institution, but by ensuring sustainable relations with our stakeholders.

General objectives:

- to decarbonize NLB Group's own operations, by achieving net-zero operational emissions by 2050 or sooner,
- to ensure positive impacts and to minimize adverse impacts of NLB Group's own non-financial operations on key stakeholders,
- to identify and mitigate risks, and to pursue opportunities stemming from business relations with key stakeholders that might affect financial operations of NLB Group or our stakeholders.

Key principles:

- We act responsibly towards the environment.
- We take into consideration ESG factors in the procurement process.
- We integrate sustainability practices in relations with our clients.
- We put sustainability at heart of human resources practices.



4.1 Environmental sustainability

At NLB Group, we have set a strategic ambition and initiative to decarbonize our own operations by 2050 or sooner, and are fully committed to developing and implementing it.

NLB Group responsibly follows the commitment to increase its positive operational environmental impacts and reduce the adverse ones. We mitigate the impact of our operations on the environment by addressing the issues of climate change, pollution, energy efficiency, water and resource use, biodiversity, and circular economy.

In particular, activities in this respect include assessing the operational carbon footprint of NLB Group, and implementing measures related to reduction and efficient use of energy and other resources, as well as on further organizational culture transformation to support NLB Group's environmental goals. Carbon footprint calculation follows science-based methodology and the guidelines of the Greenhouse Gas Protocol (GHG Protocol) and other relevant reporting standards. Measurement is verified by an external independent institution. The methodology and process are comprehensively addressed in the internal **NLB Group Operational Carbon Footprint Measurement and Reporting Policy**.

We implement activities to further reduce our carbon footprint, by monitoring and mitigating our Scope 1, 2, 3 impacts, with measures such as efficient use of energy, electricity supply from zero-carbon sources, reducing business travel and employee commuting, reducing consumption of paper, electricity, and other resources, efficient waste management, implementing a sustainable car fleet, etc.

To increase the efficiency of our environmental management and reduce our emissions, we aim to further implement digitalization and automatization in our processes, products, and channels. In this respect we follow the main principles of transition and aim to bring our digitalization and sustainability agenda together.

4.2 Sustainable procurement

In the procurement process, NLB Group responsibly includes assessment of ESG risks at all stages of the procurement life cycle and aims to decrease the carbon footprint stemming from the supply chain (as a part of our Scope 3 measurement). ESG factors are embedded in procedures stipulated in the internal document **Standard – Procurement in NLB Group members** and other NLB Group procurement internal documents and must be respected by bid-ders and suppliers.

For bidders to become NLB Group suppliers, they must meet financial and non-financial criteria and comply with predefined standards. The established supplier screening process encompasses various aspects of suppliers' operation, including ESG factors. Supplier due diligence includes data gathering on environmental, social, and human rights, as well as governance practices, and is performed in accordance with set thresholds and in line with internal procedures. ESG factors are also screened during annual evaluation of suppliers. All suppliers that receive low scores have to prepare improvement measures and their implementation is monitored by respective procurement officers.



4.3 Sustainable client relations

Our mission is to maintain the trust of our clients at all times. We are committed to high standards in all aspects of sustainable client relations, including identifying clients' needs and issues, responsible product development and offering, responsible marketing communications, and providing regular employee training on these matters.

In this respect, NLB Group members undertake to:

- offer products adapted to the needs of clients, with marketing policies reviewed by specific committees, i.e. the committee for new and existing products in NLB d.d. and equivalent committees in other NLB Group members,
- ensure that the marketing and sale of products and related communications are performed regularly, in compliance with all applicable regulations, standards, and best practice in the financial industry,
- deliver quality and value to clients, consistently and reliably, to promote excellence in service quality, and optimizing the client experience, measured by NPS (Net Promotor Score),
- improve client experience and business performance by comprehensive implementation of complaint management into the overall client experience process,
- protect the confidentiality and privacy of client data and use them in a responsible manner,
- provide information to clients in compliance with regulations so that it is considered impartial, clear, and never misleading, by using the appropriate communication channels to clients,
- implementing digital products and channels which enable better access to banking services and promoting financial inclusion,
- improving physical and technological accessibility to

- the services of all NLB Group members for all people, focusing on people with disabilities,
- uphold the highest standards of cyber- and physical security and therefore promote practices that maximize the security of its products and services,
- provide channels to clients which enable them to raise questions and concerns and receive a timely and qualitative response,
- provide client education on sustainability matters.

4.4 Sustainable employee relations

At NLB Group, sustainable practices and human resource management are strongly interconnected. Sustainability is firmly embedded in our values which are key drivers of organizational culture. Building on this foundation, we continuously embed sustainable principles and ESG factors into human resource management and organization. We are not only adhering to labour-related regulation, we are committed to investing in employee development, building a diverse and inclusive workplace environment, and seeking to constantly improve the employee experience.

In this respect, NLB Group members establish respective HR internal documents, rules and procedures, initiatives, and practices which:

- respect the human rights and labour rights enshrined in both domestic and international law,
- include diversity and inclusion, equal opportunities, and non-discrimination for reasons of gender, ethnicity, age, or any other circumstance,
- ensure efficient addressing of diversity, in particular gender equality in the highest governance bodies and senior positions,
- ensure fair pay and remuneration, and reduction of the gender pay gap,

- promote and ensure safety, health, work-life balance, and well-being of employees,
- attract and manage talents in order to drive the local and international career development of employees,
- promote internal dialogue and communication, and measure employee satisfaction through regular organizational culture surveys,
- maintain high standards of labour management relations and social dialogue,
- promote and implement training and other measures to ensure that employees build their sustainability capacities, awareness, and engagement,
- build and promote a sustainability culture which is an important driver for successfully steering the sustainability and ESG agenda in NLB Group.

NLB Group follows international frameworks in the area of respect for human rights, including the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, OECD Guidelines.

[International Labour Organization's: /www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm](https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm)

5

Pillar 2: Sustainable finance

Sustainable finance refers to the process of taking sustainability and ESG matters into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects.

General objectives:

- to align the lending and investment portfolio with achieving net-zero emissions by 2050 or sooner,
- to ensure a positive impact by financing a sustainable transition (green and social),
- to identify and mitigate climate-related and other ESG risks in relation to NLB Group's lending or investments,
- to ensure responsible asset management.

Key principles:

- we are committed to decarbonizing the lending and investment portfolio by designing and implementing NLB Group's comprehensive net-zero business strategy
- we provide a wide and diversified offer of sustainable financing products to our retail, corporate, and institutional clients.

- we ensure sound ESG risk management in lending and investment processes, including:
 - comprehensive ESG Risk Management Framework,
 - Environmental and Social Risks in the Credit Approval Process, ESMS (Environmental and Social Management System) with the due diligence mechanism,
 - promoting and financing sustainable economic activities,
 - not financing activities that are on the exclusion list.



5.1 NLB Group net-zero business strategy and portfolio decarbonization

In line with NLB's commitment to a climate positive future and its net zero ambition, NLB d d officially joined the Net Zero Banking Alliance in May 2022, becoming the first banking group headquartered in Southeast Europe to sign the Commitment Statement. Thus, NLB Group takes decisive steps to transition operational and attributable GHG emissions from its lending and investment portfolios to align with pathways to net-zero by 2050 or sooner. Following the NZBA commitment and guidance, we started to design a comprehensive NLB Group net-zero business strategy.

5.2 Financing clients' sustainable transition and client engagement

The NLB Group journey to net-zero will be supported by sound ESG risk management in lending and investing, as well as providing financial products for clients' transition to more sustainable operations. We recognize environmental and social challenges not only as risks, but also as opportunities. This is why we strongly support our clients by empowering them to take a responsible and prudent approach towards sustainability and by helping them to succeed in green transition.

5.2.1 Sustainable activities that NLB Group promotes and finances

We firmly believe that sustainable finance is an enabler of significant positive changes. NLB Group provides financing to various sustainable economic activities that meet financial and sustainability eligibility criteria of relevant frameworks, such as EU Taxonomy, MIGA, EBRD, NLB Group Green Bond Framework (following ICMA Green Bond Standards), etc.

Eu Taxonomy⁴ is a classification system which defines which economic activities can be considered environmentally sustainable. To this end, we established screening processes for EU Taxonomy sustainability by using NACE and SDK Codes. A report on EU Taxonomy alignment, i.e. the extent to which NLB Groups operations contribute to activities that qualify as environmentally sustainable according to the technical screening criteria laid out in the EU Taxonomy Regulation, are disclosed in NLB Group's sustainability report for the 2023 financial year and onwards⁴.

Eligibility criteria set out the NLB Green Bond Framework take into account the EU Taxonomy Regulation⁵ and the EU Taxonomy Climate Delegated Act⁶ with the intention to apply them on a best-efforts basis. In addition, NLB Group also assesses the projects and transactions against the eligibility criteria of MIGA and EBRD, which are elaborated in detail in internal documents.

⁴In accordance with the EU Taxonomy Regulation, banks that are subject to the Non-Financial Reporting Directive (NFRD) are from 2024 required to report in their yearly non-financial statements on their alignment with the EU Taxonomy.

⁵EU Taxonomy Regulation: (EU) 2020/852 of 18 June 2020 (link)
⁶EU Taxonomy Delegated Act on Climate Objectives: (EU) 2021/2139 of 9 December 2021

Figure on the next page a detailed non-exhaustive list of overarching areas that serve as a guide for NLB Group sustainable financing or refinancing, while eligible projects are defined in detail in the aforementioned frameworks and specified in NLB Group internal documents. The list will continue to evolve over time reflecting changes in classifications of sustainability criteria, stakeholders' needs and expectations, and regulatory requirements. In accordance with the EU Taxonomy Regulation, banks that are subject to the Non-Financial Reporting Directive (NFRD) are from 2024 required to report in their yearly non-financial statements on their alignment with the EU Taxonomy.



Sustainable activities that NLB promotes and finances

Renewable Energy	Green Building	Energy Efficiency	Clean Transportation	Pollution Prevention & Control	Sustainable Water and Wastewater Management
Electricity generation using solar photovoltaic technology	Construction of new buildings	Manufacture of batteries	Passenger interurban rail transport	Construction, extension and operation of water collection, treatment and supply systems	Production of heat/cool using waste heat
Electricity generation using concentrated solar power (CSP) technology	Renovation of existing buildings	Storage of electricity	Freight rail transport	Renewal of water collection, treatment and supply systems	Collection and transport of non-hazardous waste in source segregated fractions
Electricity generation from wind power	Acquisition and ownership of buildings	Installation and operation of electric heat pumps	Urban and suburban transport, road passenger transport	Construction, extension and operation of wastewater collection and treatment	Material recovery from non-hazardous waste
Electricity generation from hydropower		Installation, maintenance and repair of energy efficiency equipment	Transport by motorbikes, passenger cars and light commercial vehicles	Renewal of wastewater collection and treatment	
Electricity generation from geothermal energy			Infrastructure for personal mobility, cycle logistics		
Electricity generation from bioenergy			Infrastructure for rail transport		
Transmission and distribution of electricity			Infrastructure enabling low-carbon road transport and public transport		
Cogeneration of heat/cool and power from solar energy					
Installation, maintenance and repair of renewable energy technologies					

5.2.2 Sustainable financing offer

At NLB Group we define sustainable financing as transactions that refer to the process of taking environmental, social, and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects⁷ To support climate change mitigation, NLB Group has developed a wide and diversified offer of green financing products and defined criteria to define if a transaction is green/climate-neutral. Detailed descriptions of what are sustainable, green and climate-neutral transactions are stipulated in the internal document **Manual for Sustainable/Green/Climate Transactions Categorization in NLB d.d. and NLB Group**.

The green financing offer of NLB d.d. and other NLB Group includes:

- **Financing retail and corporate clients.** Since the introduction of the first green financing offer (NLB Green Housing Loan) in 2020, the Group continues to strengthen its green finance proposition with environment-related financing for private individual, micro, SME and corporate clients. The Group will continue to support clients in their transition to a low-carbon economy by fine-tuning products with consideration of future legislation and technical development, as well as by providing them with timely and relevant information about possible solutions for reducing their environmental footprint.
- **Funds.** The green offer of NLB Group also includes asset management through NLB Funds, a member of the NLB Group (two sub-funds that promote environmental and social characteristics and are in accordance with Article 8 of the SFDR Regulation (EU) 2019/2088).

- **Green bond.** In June 2023, NLB issued senior green bonds in a benchmark nominal value of €500 million, to be granted within 36 months of issuance. With the funds raised, NLB Group can finance or refinance existing or future loans for individual projects, and support projects in the fields of renewable energy sources, energy efficiency, green buildings, clean transport, sustainable management of water and wastewater, and pollution prevention and control. The bond is aligned to the best extent possible with the technical criteria for the review of the EU taxonomy and minimum social safeguards.

NLB d.d. and NLB Group members continuously develop and promote green financing products on their websites and other channels.

Social financing offer

At NLB Group, we also recognize the challenges of social and financial inclusion of specific and vulnerable stakeholders (such as women, elderly citizens, youth, etc.) as well as a need to support clients, organizations, and projects which address important social challenges. Therefore, we aim to complement our green offer with social financing. Thus, we will additionally create a social impact and contribute to a more inclusive and just society in the region where NLB Group operates.

5.3 ESG Risk Management

At NLB Group, 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, operational, and reputation risk. Therefore, the Group integrates and manages ESG risks within the established risk management framework in the area of the aforementioned risks, business strategy, and internal governance arrangements.

ESG risk management in NLB Group is presented in detail in the internal documentary framework of the Risk Competence Line.

5.3.1 ESG risk management in sustainable finance

In the realm of NLB Group's financial operations, which is the focus of this section, we define ESG risks as the risks of any negative financial impact on NLB Group stemming from the current or prospective impacts of ESG factors on NLB Group's counterparties or invested assets⁸.

ESG risk management follows ECB (European Central Bank) and EBA (European Banking Authority) guidelines with the tendency of their comprehensive integration into all relevant processes in NLB Group. We have integrated ESG risk management in NLB Group's overall credit-approval process, collateral evaluation process and related credit portfolio management. In addition to addressing ESG risks in all relevant stages of the credit-approval process, relevant ESG criteria were also considered in the collateral evaluation process. Rules and procedures related to these processes are comprehensively stipulated in specific internal documents in each risk area, and summarized in the following sections.

⁷ Overview of sustainable finance (europa.eu)

⁸ Definition in the EBA report on management and supervision of ESG risks for credit institutions and investment firms, EBA, 2021

The Group is analyzing and carefully monitoring its credit portfolio from the perspective of ESG risks. For that purpose, the Group also uses the heat maps approach, whereby single risks are aggregated by using predefined weights for determination of final risk score. Such approach enables different views over the Group's corporate portfolio from a physical and transition risk perspective. Additionally, the Group established an internal ESG stress-testing concept to identify the most relevant financial vulnerabilities stemming from transitional and physical climate risk.

The Group conducts a materiality assessment, as part of its overall risk identification process, to determine the level of transitional and physical risk to which the Group is exposed. In this process, identification of environmental risk factors, relevant transmission channels, and their materiality and impact on the Group's financial performance in the short- and long-term period are assessed.

NLB Group also 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, serving as an early warning system in the area of ESG risks.

NLB Group has also established a system for reporting environmental and social incidents, the procedure by which such incidents are reported to the EBRD and MIGA. As a rule, these financial institutions must be informed of any environmental or social incident or accident related to a client or project that has or could have a significant adverse business impact on the operations of NLB Group. Incidents are also reported to the management bodies in accordance with internal rules.

5.3.2 ESG risk management and own operations

Having in mind NLB Group's overall operations, we define ESG risks as any actual or potential negative impact that arises from environmental, social, and human rights, and governance factors related to NLB Group itself or to any of our key stakeholders.

In addition to ESG risk management in the aforementioned processes, NLB Group has established a framework for comprehensive mitigation of environmental, social, and governance risks that are related to NLB Group's operations, as well as early warning systems and escalation process at different levels.

In this respect, we are focused on setting out efficient processes to manage ESG risks comprehensively in all respective business areas and all three sustainability pillars: sustainable operations, sustainable finance, and contribution to society.

Namely, ESG risks may occur in all key business areas and operations, therefore identifying risks in key competence lines' areas of work and the early warning system are essential steps of the planning phase of the sustainability management process. Moreover, competence lines define Key Risk Indicators (KRIs), monitoring procedures, and indicative scenarios for action in case such situations materialize in accordance with the rules and procedures stipulated in internal risk operational documents.

In particular, 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 undesired effects of the environment to mitigate their consequences. Additionally, ESG risk screening in the supply chain is part of the Group's supplier selection and regular assessment process.

The operational risk management framework is being constantly improved in accordance with ever-evolving changes in ESG topics, and is supplemented by the following activities (non-exhaustive list):

- monitoring stakeholders' perceptions and opinions, by surveys and other research tools,
- monitoring public opinion, issues, and trends that might evolve in ESG risk,
- setting out the mechanisms that enable internal or external stakeholders to raise complaints and concerns (such as grievance, whistleblowing mechanisms, contact centres, publicly accessible e-mail addresses, internal process for communicating critical concerns, etc.),
- in the event of a crisis or severe incident, carrying out crisis management and crisis communication in accordance with established internal rules and procedures.

5.3.3 Managing ESG Risks in the credit approval process

To ensure that credit decisions of NLB Group banking members adhere to sustainable financing criteria, we established the **Environmental and Social Credit Policy Framework**, which is binding for front offices and employees in credit risk management.

The policy sets out how NLB Group assesses and manages environmental and social risks and impacts associated with transactions. In accordance with the policy, when applying for financing, corporate clients and individuals performing business – e.g. doctors, lawyers, or sole proprietors – are subject to comprehensive environmental, social, and governance (ESG) risk screening or due diligence process, as presented in the following sections.

Environmental and Social Risk Management System (ESMS)

NLB Group has established the **Environmental and Social Risk Management System (ESMS)**, a comprehensive risk assessment and monitoring mechanism, which is fully embedded in NLB Group's loan origination and monitoring. The main objectives of ESMS are to identify and manage NLB Group's exposure to the ESG risk of its clients, and to promote their good environmental and social business practices.

Collecting clients' data

The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group has established a process of obtaining relevant ESG-related data from its clients, the data being the prerequisite for adequate decision-making and the corresponding proactive management of ESG risks. For larger corporate clients, direct Scope 1, 2, and 3 data-gathering processes are set up, whereas for the SME and micro segments, our own proxies are developed in cooperation with an external expert. In residential mortgages, the most important input for GHG calculation are the buildings' energy performance certificates. Besides the emissions, the Group collects, analyzes, and uses different relevant historical data for physical risk and publicly available climate change studies relevant for its region.

One of the key data-gathering and assessment tools for clients with larger and high environmental or social risk is the ESG questionnaire⁹. In the questionnaire clients have to provide data and information on how ESG factors and policies are integrated in their operations. In addition, clients' data are also collected through their financial and non-financial reports, media or other external resources.

⁹The questionnaire was developed in cooperation with the Bank Association of Slovenia and aims to standardize clients' ESG data gathering by banks in Slovenia.

5.4 Activities that NLB Group is not financing (exclusion list)

To contribute to a sustainable transition and to decarbonize the credit portfolio by 2050, NLB Group has committed to strict limitation of new financing of certain activities. This commitment is included as a rule in the internal documents **NLB Group Risk Appetite Statement**, **NLB Group Lending Policy**, and other specific instructions that are binding for all NLB Group members.

NLB Group acknowledges that phasing out coal is the main priority to reach the Paris Agreement's goal of limiting global temperature rise to 1.5 degrees. Therefore, we set risk appetite limits for coal mining (no new financing) and a target to reach zero exposure by 2030. By that, no new direct financing to coal-related industries – thermal coal mining or coal-fired electricity generation capacity in any way, including eventual transitional enhancements, are to be provided.

In addition, NLB Group has also identified some activities which require certain limitations and monitoring due to increased social and governance risk.

A transaction is rejected in the case that client is involved in any activity on the exclusion list. Screening is performed at the time the financing application is received, at the time the financing is approved, and periodically (e.g. annually) until the maturity of the financing.

NLB Group Exclusion list

The full list of cross-sectoral and sector-specific prohibited (exclusion list), restricted, and normal activities from the ESG perspective, including MIGA and EBRD requirements, that NLB Group adheres to in the financing decisions and process is comprehensively¹⁰ defined in the internal document NLB Group Lending Policy and published on the websites of NLB and other NLB members: www.nlb.si/exclusion-list

¹⁰The comprehensive list is in line with the NLB Group Business Strategy, Sustainability Policy, Environmental and Social Transaction Policy Framework, MIGA and EBRD agreements and their exclusion lists.

Pillar 3: Contribution to society

At NLB Group we believe that banks have an important social function which goes beyond lending and investing. Therefore, we consider social factors in all our operations and all pillars of sustainability. Furthermore, 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.

We understand contribution to society beyond providing philanthropy or donations, and supporting local initiatives with sponsorships. Therefore, we strive to align CSR activities with at least one UN Sustainable Development Goal. We have also established a comprehensive internal policy which defines key sponsorships and donations areas, as well as respective rules and procedures.

Our sustainability policy seeks to create added value by focusing on genuine societal needs and actively responding to these societal needs with appropriate initiatives and partnerships.

In particular, NLB Group focuses on the following sustainability domains:

- Care for our employees
- Financial literacy and mentoring
- Responsibility to the environment
- Sustainable entrepreneurship
- Supporting professional and youth sports
- Culture and protection of cultural heritage
- Philanthropy



Governance of sustainability and ESG

Governance of sustainability and ESG matters in NLB Group, representing an important element of the Group's overall corporate governance, is implemented in accordance with the set strategic guidelines, established internal policies, and procedures which consider the European banking regulations, the regulations adopted by the Bank of Slovenia, the current EBA guidelines, and the relevant good banking

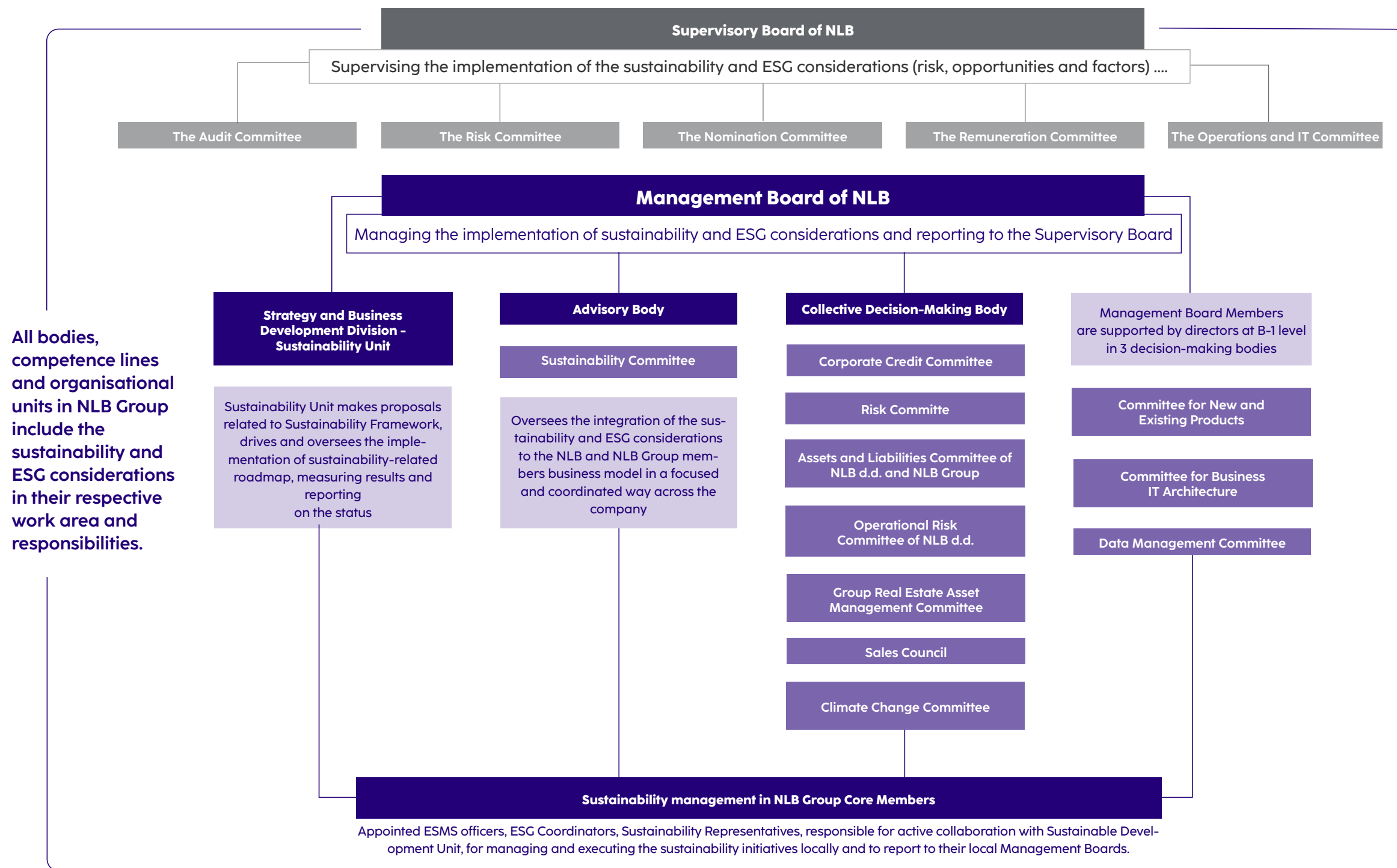
practices. EU regulations are followed by NLB, while NLB Group members operating outside Slovenia are also compliant with the rules set by their local regulators.

NLB d.d., as the parent bank, prescribes standards and procedures, and governs and oversees the implementation of NLB Group members in accordance with laws applied on a consolidated level. At the same time, NLB Group members must also fulfil the requirements set out in local legislation. The main document that defines the rules, criteria, and mechanisms for implementing the governance and control function within the NLB Group is the internal document **NLB Group Governance Policy**.

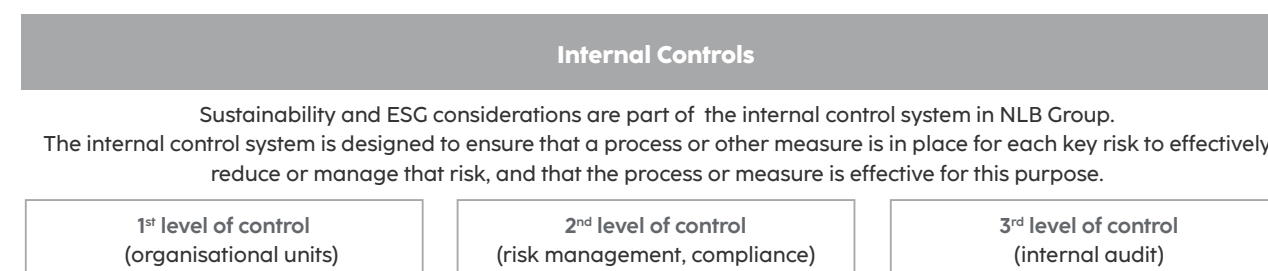


Sustainability governance

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



All bodies, competence lines and organisational units in NLB Group include the sustainability and ESG considerations in their respective work area and responsibilities.



7.1 Integration of sustainability and ESG in the organizational structure

At NLB Group, we ensure that the responsibility for ESG risk management, including climate-related and environmental risks, is assigned within the organizational structure of the NLB Group member and is in accordance with the three lines of defence model¹¹.

The responsibility for managing our ESG impacts, risks, and opportunities is efficiently embedded in NLB Group's organizational structure. Governance of sustainability and ESG, as well as organizational structure, is set up in a way that enables overall coordination of all important sustainable activities and development with the strategic ambitions of the NLB Group and compliance with legislative requirements related to sustainability.

NLB Group has also established mechanisms for harmonization of sustainability- and ESG-related policies, other documents, and processes at NLB Group level, which are summarized in this section and described in detail in the internal document **Standard – Rulebook for Sustainability Management in NLB Group**. The internal document defines specific roles and responsibilities of different bodies and sustainability expert profiles, including communication flows and reporting lines.

¹¹With regards to the Guide on climate-related and environmental risks, Supervisory expectations relating to risk management and disclosure, ECB, November 2020 – Expectation 5, and in connection with the Basel Committee Principles for the effective management and supervision of climate-related financial risks, Basel Committee on Banking Supervision (BCBS), June 2022 – Principle 4

7.1.1 Management bodies in NLB d.d. and other NLB Group members

The Supervisory Board of NLB d.d. and its committees

The Supervisory Board is the highest governance body in NLB and is responsible for overseeing the sustainability operations and management of the Bank's most significant risks. The Supervisory Board carries out its oversight of these matters directly, as well as through its committees. This may include periodic updates on the Bank's sustainability strategy, including objectives and progress, discussions regarding the climate models the bank utilizes to assess physical and transition risks, and reviews of our sustainability- and climate-related reporting, ESG risk management, KPIs and plans, remuneration and performance assessment, and diversity.

The expert support for the Supervisory Board's work is provided by its five committees, namely: the Audit Committee, Risk Committee, Nomination Committee, Remuneration Committee, and the Operations and IT Committee. They all participate in sustainability-related matters, and discuss the proposed materials and proposed resolutions of the Management Board in individual areas intended for discussion at meetings of the Bank's Supervisory Board.

The Management Board of NLB d.d. and its consultative and collective decision-making bodies

The Management Board is the 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 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 with the limits laid down by the regulators.

Coordination of the NLB Group-wide implementation of sustainability (ESG factors included) was initially defined by the Sustainability Programme, which was adopted by the NLB d.d. Management Board and Supervisory Board in 2020. The above-described coordination is within the work scope of the Sustainability Unit in Strategy and Business Development, which falls under the responsibility of the CEO of NLB d.d. The risk area, which is under responsibility of the CRO, performs the functions of management and control of all business risks, including climate-related and environmental risks and other ESG risks.

Different collective decision-making bodies and consultative bodies that are appointed by the Management Board for execution of individual tasks within the powers of the Management Board all play a significant role in implementing sustainable finance and sustainable operations, namely: the Corporate Credit Committee, Assets and Liabilities Management Committee of the NLB Group, NLB Operational Risk Committee, Change the Bank Committee, Risk Committee, Group Real Estate Management Committee, Sales Committee, Private Individual Credit Committee, etc.

Management bodies (Management Board and Supervisory Board) in NLB d.d. and other NLB Group members are perform their activities, including those that are sustainability-related, within their competences in line with local legislation, and in accordance with established Corporate Governance Policy in NLB d.d., the NLB Group Governance Policy and the Competence Guidelines, respectively.

7.1.2 Sustainability Committee in NLB d.d. and sustainability-related bodies in other NLB Group members

The Sustainability Committee in NLB d.d. (hereinafter the Committee) is established as the central sustainability-related advisory body to the Management Board. The Sustainability Committee oversees the integration of the ESG factors into NLB d.d. and the 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 validates sustainability strategies, policies, initiatives, methodologies, KPIs and other relevant documents and procedures, and recommends these for the approval of the NLB d.d. Management Board. The Sustainability Committee has an influence over sustainability-related strategic objectives and monitors their development and realization.

The committee is convened quarterly, and is composed of the senior officials across all areas of the bank, and chaired by the CEO of NLB. It provides the overall vision and sustainability strategy, defines key policies, reviews progress on major initiatives, decides on specific external partnerships and agreements, and ensures cohesion of the overall programme with the Bank's mission. **The Rules of Procedure of the Sustainability Committee** determine the composition and powers of the Sustainability Committee and its members, as well as the manner of its operation and decision-making.

NLB Group members establish local sustainability-related bodies considering the nature, scale, and complexity of the activities and organizational structure of the member.

7.1.3 NLB d.d. Sustainability Unit

The Sustainability Unit is set-up within the Strategy and Business Development Division (which is part of the CEO stream) in the parent bank NLB d.d. In this manner, sustainability in NLB Group is coordinated through the central coordination team. The team consists of sustainability coordinators and is led by the head of the Sustainability Unit, who reports to the director of the Strategy and Business Development Division, who reports directly to the CEO of NLB d.d. The latter also reports to the Management Board and Supervisory Board of NLB d.d.

The Sustainability Unit is the overall coordinator of sustainability management and closely cooperates with the individual competence line which is a responsible owner of the entire process in its field of work, without unduly infringing upon the established internal governance system and control functions.

7.1.4 Competence Lines

Sustainability and ESG are important topics that need to be strongly embedded in all key business areas in NLB Group. Each key competence line is therefore responsible for harmonization and oversight of the implementation of sustainability and ESG matters in its field of work. Relevant sustainability and ESG matters are communicated to the relevant key competence line in advance by the Sustainability Unit.

The established governance mechanism of the competence lines in general is stipulated in the NLB Group Governance Policy and Competence Lines Guidelines. NLB Group members are responsible for complying with the local or sector-specific regulatory requirements applicable in the country of each NLB group member.

7.1.5 Sustainability expert profiles

In each NLB Group member sustainability expert profiles are appointed who are responsible for implementation of sustainability matters subject to their scope of work: head of sustainability, sustainability coordinators, sustainability manager, sustainability manager deputies, ESMS officers, and sustainability representatives.



7.2 Integration of sustainability and ESG in three lines of defence

With the aim of ensuring efficient and consistent implementation of strategies and operations of NLB Group, its processes and procedures, protection of the value of bank assets, and reliability and integrity of accounting and management data and information, an efficient system of internal controls has been set up in NLB Group members. The appropriateness of the internal control mechanisms is defined based on the independence, quality, and applicability of the rules and controls of performance of organizational, business, and work processes of the internal controls in NLB Group, and the internal control functions. The foundation for this system is defined by 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. In accordance with internal procedures, the internal document is also implemented in NLB Group members.

Sustainability matters, including ESG risks, are strongly integrated in the established system of internal controls through three levels of defence. To this end, NLB Group has clearly defined the sustainability-related scope of work and responsibilities for each line of defence as described below.

7.2.1 First line of defence

First-level controls are designed to ensure the proper implementation of business activities in every organizational unit. Supervision in each individual business area is carried out by the competent organizational unit, which is responsible for the implementation of procedures according to the Rules on Authorizations 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 sustainability matters. 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, decarbonization plans, etc.), and 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, while respecting the principles of responsible communication and avoiding any greenwashing risk,
- providing clear directions with regards to new products and processes,
- understanding, identifying, and managing potential other ESG risks that refer to the unit's field of work,
- ensuring that data for reporting and disclosures are gathered and managed in accordance with internal instructions and standards that apply for the financial industry,
- taking part in awareness activities and training on mitigating climate-related and environmental risk and managing other sustainability topics.

In addition to frontline staff, employees in back offices (non-business units) are also responsible for identifying sustainability-related impacts, risks, and opportunities that refer to their field of work. They manage them in line with principles, rules, and procedures, as stipulated in this Policy and other internal documents, discuss or report them to their superiors, and take part in awareness activities or training.

7.2.2 Second line of defence

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

The risk management function directs risk management and control by defining rules about risk appetite, risk strategy, other risk policies and guidelines, risk monitoring and management in the 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 NLB Group. In addition, the risk management function ensures that data for reporting and disclosures are gathered and managed in accordance with internal instructions and standards that apply for the financial industry, and provide training on efficient ESG risk management, in particular focused on climate-related risks.

The business compliance function sees to the supervision of the correct implementation and ensures compliance (line controls) with the regulatory framework and its consistent interpretation at NLB 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 overseeing the implementation status of 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 mitigation of ESG and climate-related risks.

The management of changes in the legal environment also comprises climate-related and other ESG risks among others (according to the internal document Rules on the Management of Changes in the Legal Environment). Compliance is included and monitors developments in the regulatory area, communicating these to relevant organizational 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 regularly cooperates with the Sustainability Unit as well.

7.2.3 Third 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 and ESG matters are part of the Audit Universe, which is a comprehensive overview of all activities subject to internal audit. Therefore, it is integrated in the regular annual planning process of NLB d.d. and other NLB Group members.



7.3 Integration of sustainability and ESG in remuneration

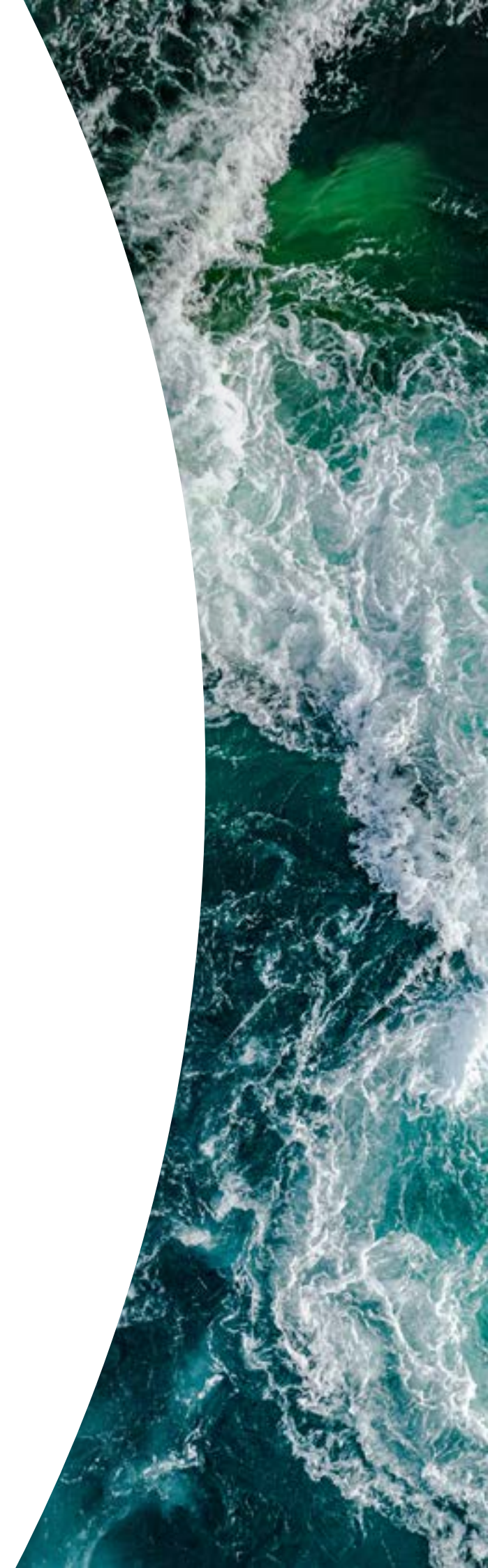
The target-setting, performance evaluation, and remuneration framework for the highest governance bodies, and other identified employees who can significantly impact the risk profile of NLB d.d. and/or NLB Group in the scope of their tasks and activities, is set out in the internal remuneration policies. Based on the Group guidelines, the principles of the remuneration policies are also implemented in the NLB Group members.

Remuneration policies set 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 a 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 sustainability and ESG goals. Management Board members and other identified employees are committed to achieving targets set out in their respective areas, which are included in their performance plans and are part of their individual assessments.

8

Reporting, disclosures, and communication



8.1 Reporting and disclosures

Sustainability information is increasingly integrated into investors' and other stakeholders' decision making, along with traditional financial data. Therefore, sustainability information needs to be reliable and prepared with internal control processes and board governance and oversight, similar to the processes used for financial data.

To this end, NLB Group is committed to providing our stakeholders with comprehensive, relevant, trustworthy, and timely information on sustainability and ESG matters. Our standard types of external sustainability-related reporting are annual **NLB Group Sustainability Report** (including Carbon Footprint Report and UNEP FI PRB Report), and semi-annual **Basel Pillar 3 Disclosures**. In addition, NLB Group also prepares domain or commitment-specific reports, such as the UNEP FI Net-Zero Business Report and the Green Bond Report, which are also published on NLB d.d. website in accordance with publicly disclosed commitments.

The reporting is carried out in line with regulatory requirements and reporting frameworks, standards, and recommendations relevant to financial institutions. It is based on monitoring, collecting, and validating data of NLB Group core members, aggregating data, and providing a consolidated report.

At NLB Group, the reporting process follows an interdisciplinary approach. Management of the overarching sustainability reporting system and data management/validation, in accordance with applicable standards and legislation, is coordinated by the Sustainability Unit, and all competence lines, business areas, and NLB Group members are involved in collecting and providing data.

As a rule, reports are discussed and adopted internally in accordance with established governance rules. Externally, they are published on the NLB d.d. website (www.nlb.si/sustainability), 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) in accordance with the financial calendar which is available on NLB d.d. website.

8.2 Stakeholder communication and grievance mechanism

At NLB Group, we are aware that regular dialogue with our stakeholders builds trust, which is critical to ensure successful delivery of our vision and mission. Moreover, a dialogue can provide valuable stakeholder information for further development of NLB Group. To this end, NLB Group respects the regulation and best practice regarding transparent, relevant, accurate, and timely communication and engagement with key stakeholders:

- employees,
- shareholders/investors,
- clients (natural persons and companies),
- suppliers and contractual partners,
- regulatory bodies.

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

Basic guidelines regarding the content and manner of communication with internal and external stakeholders in relation to sustainability and ESG follow the established overall communication strategy, channels, rules, and procedures in NLB Group. Strategic and specific rules for sustainability-related communication at NLB Group level are set and aligned by the Sustainability Unit and the Brand and Communication Unit.

The main information on sustainability in NLB Group, such as reports, policy overview, products, events, and contacts, is provided on the websites of NLB d.d. and other NLB Group members. In addition, several other communication channels to communicate with stakeholders are in place, such as meetings, e-mail, social media, intranet, etc. Due to the complex nature of communication, several organizational units are involved in this process, subject to their scope of work and responsibilities.

In line with its communication strategy and to fulfil requirements and recommendations stemming from key regulatory and financial industry frameworks, NLB Group has defined internal instructions detailing a clear communication process and grievance mechanism to provide external stakeholders with the required information or explanation on a specific issue related to ESG and sustainability matters.

Communication and grievance channel related to sustainability topics

The central point for collecting inquiries, such as questions, comments, or concerns is the publicly disclosed e-mail: sustainability@nlb.si.

8.3 Mitigating greenwashing risk

At NLB Group, we define greenwashing as a form of misleading marketing or communication that seeks to convince stakeholders that NLB Group's business practices, products, and services are environmentally friendly when in fact they are not. We also consider greenwashing to be any known overstatement of sustainable transition achievements aiming to achieve marketing, reputational, or business gain for NLB Group.

Identifying and mitigating greenwashing risk is an important part of NLB Group sustainability due to its effects on other types of risk, in particular on reputation and operational risk.

Therefore, we proactively and responsibly address greenwashing risk in all relevant business activities, in particular in product development, marketing communication, reporting and disclosures, and any other activity in our interactions with stakeholders.

To fulfil a high standard and ever-changing challenges in mitigating the greenwashing risk, NLB Group adheres to the following principles:

- We do not knowingly and intentionally carry out any greenwashing practices.
- We integrate greenwashing risk mitigation in key organizational units in all three lines of defence.
- In daily business conduct, product development, and communication, we take into account the legislation, standards, and best professional practice applicable in the field of consumer protection and responsible communication with stakeholders.
- When reporting and disclosing forward-looking commitments and results, we avoid overstatements, and discuss any shortcomings and planned remedies. We make sure that our disclosures are data-driven, relevant, accurate, reliable, and based on true interpretations of regulation requirements and recommendations.
- Any public communication content on sustainability-related management and financial products is aligned and reviewed by the competent organizational units before publication – as a rule, respective competence line (content); the Compliance and Integrity Unit and the Sustainability Unit (greenwashing risk control, respectively).
- We build awareness of employees about greenwashing risk and build their capacity in this area by training and other resources.
- In case of any identified gaps, errors, or misalignment in NLB Group disclosures, we responsibly take charge to remedy and correct them.





Outlook: leading by example in sustainability management

In the future, NLB Group is determined to further improve its environmental and social impact and to keep high standards in corporate governance. Therefore, the Policy also reflects our firm ambition to strengthen our position as a financial institution that leads by example in managing sustainability and ESG matters in Southeast Europe (SEE), the region we call our home.

In Ljubljana, June 2024