

# Taking care of region of opportunities

**NLB Group Sustainability report 2021**





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# 2021 sustainability highlights



## Environmental

1. **Cloud-based digital signing** of documents introduced internally and for clients (private individuals and legal entities).
2. **ESG Risk Management**
  - **Taxonomy** integration into business strategy, target setting, product & service development and processes well under way.
  - As a systemically important institution, NLB d.d. started its preparations for **ECB Climate Stress tests**.
  - **ECB & EBA Guidelines** in the process of integration into business strategies, risk management framework and internal governance.
  - The **Environmental and Social Transaction Framework** was prepared and applies to transactions with greatest potential for significant **environmental and social impacts**.
3. **1<sup>st</sup> measurement** of Carbon footprint for the NLB Group's own operations for **past 3 consecutive years was performed**.
4. Over EUR **60 million** of EU Taxonomy-eligible long-term loans were approved by the NLB d.d. (the large corporates segment) financing investments in **energy infrastructure, telecommunications network, water supply network, construction of cultural and school facilities, and energy efficiency**.
5. NLB Group decreased its paper consumption for additional 6% compared to 2020, which means saving 200 trees.
6. On the **10<sup>th</sup> anniversary** of the project "**NLB Month of savings**", NLB Skopje organized an environmental challenge in which **10 t** of plastic was gathered for recycling.



## Social

7. 19/6/2021 on this day NLB handed over Bankarium, the **1<sup>st</sup> and only** banking Museum of Slovenia, to the public.
8. In 2021, **361 new employees** joined NLB Group:
  - **108** were younger than 30 years,
  - **240** were between **30 and 50 years old**,
  - **13** were older than **50 years**.
  - **38.5% of the newly employed were men and 61.5% women**
  - **98% of new hires are coming from local communities**.
9. Share of women in leading positions in NLB Group
 

Management Level	Women	Men
Percentage of B-3	63%	37%
Percentage of B-2	56%	44%
Percentage of B-1	45%	55%
Management Boards	19%	81%
Percentage all levels	57%	43%
10. The proportion of staff with disabilities stood at 1.5%.
11. **354** employees in NLB Group took parental leave: **320 women and 34 men**.
12. An employee in the NLB Group on average spent **20.4** hours on training. A total of **54,441** attendees took part in **1,463** training programmes.
13. NLB d.d. was named '**Top Employer**' by the Dutch Top Employer Institute for already **7<sup>th</sup> consecutive year**.
14. In our **#HelpFrame project**, advertisement space has been offered to **258 entrepreneurs** in the Region, where NLB Group is present.
15. Individuals and companies in Slovenia could pay donations with no fee for payment to **30 humanitarian organizations**.



## Governance

16. At Christmas season we supported **11 organisations** that promote inclusion – whether for children or elderly.
17. **Only 1** confirmed incident of corruption in 2021, when contracts with business partners were terminated or not renewed due to violations related to corruption.
18. NLB Group implemented its obligations as a signatory of the **UNEP FI PRB**. In 2021, we therefore:
  - **performed 1<sup>st</sup> impact analysis and**
  - **defined top 3 key impact areas for NLB Group and**
  - **set 4 sustainability targets**
  - **prepared 1<sup>st</sup> Self-Assessment report**
19. NLB Group **Sustainability Committee** was formed.
20. NLB Group set up and published the **NLB Group Sustainability framework** (available at: <https://www.nlb.si/sustainability>).
21. 1<sup>st</sup> NLB Group **materiality matrix** prepared.
22. **Online training programme** "NLB Group on the path to sustainable banking", available to all employees, was developed and launched.

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# CEO statement

**If you meet me on a highway, you will most probably overtake me. I drive relatively slowly as a conscious decision to optimise consumption of energy – one of many I keep close to my heart as they add sustainable note to my everyday life. What are yours?**

In NLB Group, we have put sustainability of our decisions and actions in the very centre of our business and operations. As a systemic player in all our markets, we are namely in the position to truly impact the quality of life in our home region – South-eastern Europe, and to ensure that it becomes not only more prosperous, but also more inclusive, diverse, transparent, and sustainable.

We hold E(nvironmental) dimension of the ESG especially close to our hearts by, amongst other, upgrading our climate-related and environmental risk management, supporting ideas and solutions that aim toward energy transition, and reducing our own carbon footprint. We are namely deeply aware of the banks' vital role in fighting climate change by supporting the global transition of the real economy towards net-zero, that is why we not only strive to reinforce, accelerate, and support the implementation of decarbonisation, but also want to lead by example.

Besides environmental issues, we are equally passionate about addressing social and governance topics, we advocate equal opportunities, as well as independent and professional corporate governance. We want to become one of the key drivers of change and sustainability agenda in our part of the world.

In 2022, we intend to explore the content even further and make sustainability activities more tangible throughout the Group. We are prioritising our efforts where we have, or can have, the most significant impact.

However, change doesn't simply start with banks offering green loans or distance themselves from financing coal-related projects. It starts with us. It starts with you – with the person in the mirror. With every conscious decision you make. With your small habits and little everyday actions, such as reducing the daily commute and driving speed on highways, switching off unnecessary lights and reducing room temperature in our offices and apartments, fully eliminating paper, if not required legally, respecting and promoting diversity and inclusion, while respecting meritocracy, as well as many other, that may seem insignificant, but are in fact a part of a great movement when we put them side by side with your co-workers', families', friends', neighbours' habits and actions. And this is what we strive for in the NLB Group: to become a beacon of sustainable business and operations and one of the most responsible and meaningful companies in the SEE.

Ultimately, here are our families, friends, co-workers, neighbours, sportsmen we cheer for, innkeepers who know how we take our coffee ... Here we can breathe with full lungs, create, experience ups and downs, weave ties. Here are our thoughts and our hearts. That is why we wish to see our home to thrive and remain for many generations to come what it is for us: a region of opportunities.

Blaž Brodnjak  
CEO



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# NLB Group at a glance

## Who we are and what we do?

The Group, headquartered in Ljubljana, is the largest banking and financial group in Slovenia with a strategic focus on selected countries in SEE, and with a population of approximately 17 million people – our home region. The Group is comprised of the leading and systemically most important bank in Slovenia, NLB, seven subsidiary banks in SEE, several companies providing ancillary services (i.e., asset management, real estate management, leasing, etc.), and a limited number of non-core subsidiaries in a controlled wind-down. The Group utilises a universal banking model and supports its clients through retail, corporate, and investment banking services.

**In six markets the market share of member banks exceeds 10%** (measured by total assets).

### Retail banking

In Slovenia includes banking with individuals and micro companies, asset management (NLB Skladi), and one part of the new subsidiary NLB Lease&Go which deals with retail clients, as well as the contribution to the result from the associated company Bankart.

### Corporate and investment banking

In Slovenia includes banking with Key corporate clients, SMEs, and Cross Border corporates, Investment Banking and Custody, Restructuring and Workout, and one part of the new subsidiary NLB Lease&Go that renders services to corporate clients.

### Strategic foreign markets

Of operations are in the following countries in the Western Balkans/SE Europe: Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo, and Montenegro. All Group subsidiary banks have a stable market position and strong reputation. The banks in the Group strategic foreign markets offer a full range of financial services to retail and corporate clients.

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# Financial overview<sup>1</sup>

Table 1: Strategic members overview

	Slovenia				Serbia			North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro
	NLB Group	NLB, Ljubljana	NLB Lease&Go, Ljubljana	NLB Skladi, Ljubljana	Komercijalna Banka, Beograd	NLB Banka, Beograd	KomBank Invest, Beograd	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica <sup>(vii)</sup>
<b>Market position in 2021</b>												
Branches	479 <sup>(i)</sup>	75	-	-	190	28	-	48	47	36	33	22
Active clients	1,891,064 <sup>(ii)</sup>	675,310	-	-	975,033	142,964	-	415,368	213,112	129,954	230,014	84,342
Total assets (in EUR million)	21,577	12,700	120	2,128 <sup>(iii)</sup>	4,165	715	2	1,771	927	728	931	751
Net loans to customers (in EUR million)	10,587	5,153	100	-	1,796	512	-	1,084	471	453	635	492
Deposits from customers (in EUR million)	17,641	9,660	-	-	3,425	449	-	1,400	760	593	799	610
Result after tax (in EUR million)	236.4	208.4	-0.9	9.0	34.8	4.3	0.0	39.0	18.2	10.0	24.4	10.1
Market share by total assets	-	26.3%	-	37.3% <sup>(iv)</sup>	9.7%	1.6% <sup>(v)</sup>	-	16.9%	19.1% <sup>(viii)</sup>	5.4% <sup>(vi)</sup>	16.3%	14.1%
<b>Macroeconomic indicators for 2021</b>												
GDP (real growth in %)	7.6		8.1			7.4		4.0		5.9	10.4	12.0
Average inflation (in %)	2.9		2.0			4.1		3.2		2.0	3.3	2.4
Unemployment rate (in %)	10.7		4.8			11.1		15.7		15.5	24.0	16.6
Current account of the balance of payments (as a % of GDP)	-1.4		4.8			-4.4		-3.5		-2.8	-6.8	-16.4
Budget deficit/surplus (as a % of GDP)	-4.8		-6.5			-4.1		-5.4		-2.7	-3.6	-4.7

<sup>(i)</sup> Including Komercijalna Banka, Beograd.

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

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

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

<sup>(v)</sup> Market share in the Federation of BiH as at 30 September 2021.

<sup>(vi)</sup> Market share as at 30 September 2021.

<sup>(vii)</sup> Merger of NLB Banka, Podgorica and Komercijalna Banka, Podgorica on 12 November 2021.

<sup>(viii)</sup> Market share in the Republic of Srpska.

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<sup>1</sup> For more information refer to Annual report.



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## Meeting stakeholders needs and expectations

NLB Group has set itself the directions and goals of (1) sustainable operations, (2) sustainable financing, and (3) a contribution to society through which it will create value for its stakeholders.

Strong relationships with our stakeholders can only be built through **transparent and continuous dialogue**, which we wholeheartedly encourage by opening different channels of communication. Consequently, **a system for dealing with external communication on environmental and social matters was put in place in 2021.**

We see our stakeholders as individuals and groups of people who trust us and have interest in what we do. As such, our stakeholders co-create the environment in which we make business, develop, and grow.

## Sustainability framework

### Commitment to the UN Sustainable development goals

Raising focus on sustainable operations and financing, on climate and environmental issues, as well as on other broader aspects of the ESG, is an opportunity for the NLB Group to follow even more closely the **UN Sustainable Development Goals** ('UN SDG') and the **Paris Climate Agreement**. This will also help the Group meet societal expectations, adapt to changing environments, and manage risks. This is demonstrated already in widespread action taken by the NLB Group. After adopting the Sustainability programme in 2020, the Group entered the next phase of sustainability in 2021. The NLB Group set up and published the **NLB Group Sustainability framework** and laid the foundations for three pillars of sustainability:

- sustainable finance,
- sustainable operations,
- contribution to society.

Key 5 UN SDGs in the NLB Group focus are:



**SDG 3:**  
Ensure healthy lives and promote well-being for all at all ages



**SDG 7:**  
Ensure access to affordable, reliable, sustainable, and modern energy for all



**SDG 8:**  
Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all



**SDG 12:**  
Ensure sustainable consumption and production



**SDG 13:**  
Take urgent action to combat climate change and its impacts

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## Commitment to the UN Principles for responsible banking

In September 2020, NLB d.d. became the first bank from Slovenia to commit to the **UN Principles for Responsible Banking** (UN PRB) – a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and **United Nations Environment Programme Finance Initiative** (UNEPFI).

The Bank committed to taking three key steps with the aim to continuously improve its contribution to international societal goals:

- Analyse its current impact on people and the planet.
- Based on this analysis, set targets where it has the most significant impact, and implement them.
- Publicly report on progress.

So far, we have successfully conducted impact and materiality analyses and set targets. The implementation phase of ESG-related targets awaits us in the coming months and years. You can find our first UN PRB self-assessment report in Annex I.

## Promoting sustainable economic activities

NLB Group strongly supports the transition to a low-carbon, more resource-efficient, and sustainable economy, and is committed to make a positive contribution to the financial system that supports sustainable growth. In NLB Group, sustainable finance is understood as finance that support economic growth while reducing pressures on the environment and considering social and governance aspects, as well.

NLB Group is committed to supporting financial products and services that pursue and contribute to environmental and social prosperity. NLB Group promotes sustainable economic activities such as renewable energy, energy efficiency, sustainable transport, pollution control and recycling, sustainable agriculture and food production, sustainable forestry, sustainable aquaculture and fisheries, sustainable water management, circular economy, economic and social inclusion, affordable housing and basic infrastructure, health, and education.

## ESG risk management

Managing risks and capital efficiently at all levels is crucial for the NLB Group to sustain long-term profitable operations. The NLB Group is engaged in contributing to sustainable finance by incorporating environmental, social, and governance risks into its business strategies, risk management framework, and internal governance. Thus, the management of ESG risks follows the European Central Bank (ECB) and the European Banking Authority (EBA) guidelines and are comprehensively integrated into all relevant processes.

## Environmental responsibility

We are committed to improve the quality of life in the region in which we live. Environmental responsibility for us means protecting the environment we live in, by taking decisive steps where we have the influence to make a change. We see two dimensions, which can change for the better because of our Bank's action:

- **Changing our business model** and developing banking products and solutions that have a positive impact on the environment. Using the best of digitalization and technological development to offer our client fully digitalized packages. Financing projects which co-create a low-carbon society and economy.
- **Changing our behaviour.** In 2021, we conducted the first measurement of CO<sub>2</sub> emissions for the whole Group with the aim of better understanding our impact, and thus implement all possible solutions to reduce it in the coming years. We measure our paper consumption and have ambitious targets for reduction, all with the help of the digitalization of operations.

## Social responsibility

Social responsibility has been at the heart of the Group's business model for a long time. The Bank pays special attention to knowledge and lifelong learning. The key pillars of the socially responsible operations of the Group are care for its employees and protection of lawfulness and integrity, as well as the promotion of entrepreneurship, increasing financial literacy and mentorship, support to professional and youth sports, humanitarian activities, and the protection of cultural heritage.

## Corporate sustainability governance

Sustainability is anchored at different levels within the bank (Management Board level, Executive Management level, Group level and Business & Country level), guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated in our daily operations. In Q3 2021, the NLB Group Sustainability Committee ('SC') was established. The SC acts primarily as a consultative body and as a decision-making body of the Management Board of NLB d.d. Therefore, NLB has put in place a 4-level NLB Group Sustainability Governance Structure, as follows:

1. The Supervisory Board of the NLB,
2. The Sustainability Committee,
3. The Sustainability Team,
4. Sustainability working groups.

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# Our sustainability position & goals

In 2021, the Bank, as a signatory to the UNEP FI PRB, a unique framework aiming at aligning bank's strategy and practice with the UN SDG and the Paris Climate Agreement, conducted an impact analysis.

In contrast to the materiality analysis, which pinpoints material topics for the Group's operations based on stakeholders' input, the conducted impact analysis expands the view by also including countries' needs and banks' performance. **The impact analysis thus identifies the most significant positive and negative impacts of our portfolio to the societies, economies, and environment in which the bank operates.** By determining significant impact areas, we were able to set tangible targets, which represents the second out of six principles for responsible banking, to which we adhere. Reflecting our commitment to embed sustainability in our business, we included all Group members in the analysis, as well as target-setting.



## 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 3:

### Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



## Principle 5:

### Governance & Culture

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



## 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 4:

### Stakeholders

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



## Principle 6:

### Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

**Picture 1:** 6 United Nations Environment Programme Finance Initiative's Principles for Responsible Banking.

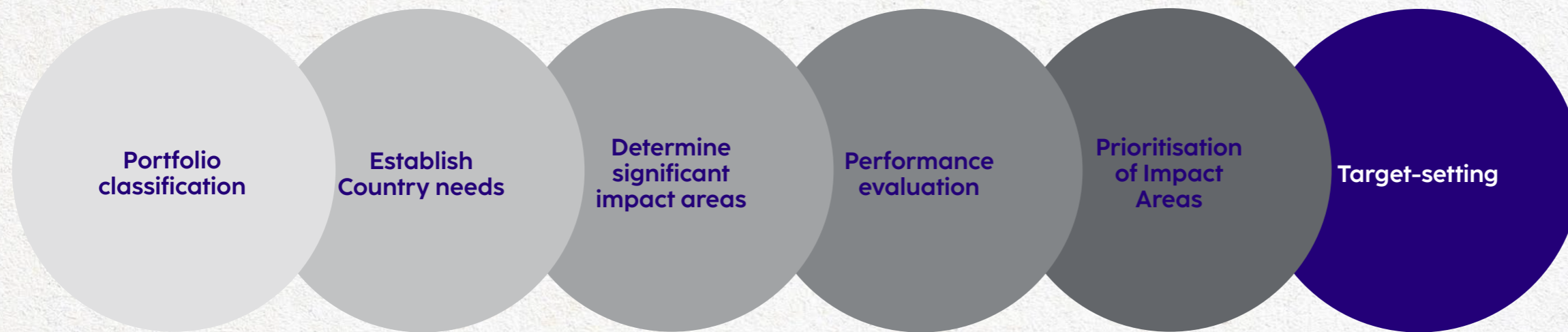
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## Methodological outline

By using the UN Portfolio Impact Analysis Tool for Banks, we made the following key methodological steps:



Picture 7: Steps in conducting impact analysis and target-setting.

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# Impact areas

Firstly, we analysed our portfolio and identified different business activities and the countries of operation, followed by identifying Group Members' country's needs. For some countries, the country needs are predefined by the UNEP FI Impact Analysis tool. However, in our case, none of the six countries of our operation is included any predefined data, which is why we used the best available sources (UN SDG, World Economic Forum, World Bank, etc.). The latter are also used by the UNEP FI to identify the country performance for each of the 52 indicators. Adding sector/client impact mapping as a third dimension, next to banking portfolio and country specific needs, the final list of the key impact areas as depicted below, was prepared by aggregating the top three positive and negative associated impacts areas per business line:

- employment,
- inclusive, healthy economies,
- resource efficiency/security,
- climate,
- economic convergence,
- information,
- integrity & security of person,
- strong institutions, peace, & stability,
- health & sanitation,
- soil,
- housing,
- waste,
- justice.

Following the performance evaluation, we have then prioritised the impact areas. With the aim for key impact areas to comprehensively reflect our banking operations, i.e. the context and specifics of our Region, we also included a materiality analysis in the prioritisation process, so, the overall score is based on three dimensions: performance, country needs, and materiality.

In line with the UNEPFI PRB methodology, the most significant impact the Group has with its products and services on societies, economies, and environments, are in the following areas:



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# Material issues

With the goal to highlight and transparently showcase the sustainability issues having a significant impact on NLB's performance, as well to report on our impact on people and environment, we conducted a materiality analysis. **The process of materiality analysis is intended to identify, evaluate, and prioritise essential ESG issues, which could affect NLB's performance and our stakeholders.** As such, the materiality analysis was carried out in the next phases:



The materiality analysis was taken into consideration in outlining the Sustainability Report, also as an input to impact analysis process, and is essential input in development of measures and actions for further development of strategies related to the ESG field.

## Stakeholder mapping

Stakeholder mapping was carried out as the first step of the materiality analysis, as it is essential to understand, which stakeholders' group are the most relevant to bank's operations. Our analysis was based on analysis of our own operations, peers' analysis, and overview of key actors in banking sector. Based on this input, the recognised six main stakeholder groups are: employees, private and business clients, suppliers and contractual partners, regulatory authorities, and investors.

## Identification of ESG material Issues

Identification of ESG material issues has been based on the following input:

- SASB sector/industry ESG specific issue<sup>2</sup>
- GRI aspect list
- NFRD<sup>3</sup> requirements
- our own knowledge and understanding of regional environmental and social factors.

We have additionally also reviewed our peers reports who are working in the same geographical and cultural area. Based on this, we listed 17 material issues for NLB Group's responsible operation and sustainable development:

<sup>2</sup> SASB – Sustainability Accounting Standards Board.

<sup>3</sup> NFRD - Non-financial reporting directive.

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**Material issues**   **Descriptions**

- Corporate Governance**
  - Establish comprehensive corporate governance mechanisms including the Corporate Governance Policy of NLB, governance of sustainability issues, etc.
  - Ensure Board of Directors and Board of Directors Committees' procedures, independence of Board members, compliance with the corporate governance code for listed companies, etc.
  - Apply Board and Senior Management oversight of sustainability.
- Systemic Risk Management**
  - Establish comprehensive risk management (incl. credit, market, operational risk etc.).
  - Assess and incorporate ESG risks in all products, as well as in customer assessment.
  - Analysis of risks associated with climate change that could affect the Bank's operations and facilities.
- Financial Performance**
  - Achieve financial targets and generate income for shareholders.
  - Establish economic resilience and generate economic value for the environment, economy, and society.
  - Foster inclusive and sustainable economic growth.
- Sustainable Finance**
  - Integrate environmental, social and governance (ESG) criteria in financing and investment activities and offer responsible products that promote energy transition, low carbon technologies and circular economy (e.g., green/social/sustainability loans, green bonds, etc.).
- Digitalization and Innovation**
  - Design modern digitalised and lean systems across internal operations.
  - Transform business activities around digital trends and embed new technologies, as well as an end-to-end approach in product development.
  - Create innovative business models and customer service, as well as a modernised branch network.

**Material issues**   **Descriptions**

- Employees Attraction, Development, Diversity, and Inclusion**
  - Create the right conditions to attract, develop, and maintain a talented workforce free from discrimination (e.g., gender, age, race, religion, disability, etc.).
  - Establishment of a long-term, stable employment environment.
  - Provide competitive compensation, quality benefits, opportunities for training, and professional development.
  - Maintain an inclusive work environment and promote gender equality by setting gender percentage targets and initiatives to achieve inclusion and diversity objectives.
- Environmental Footprint**
  - Improve the overall environmental footprint of the NLB Group's operations, including its carbon footprint.
  - Take measures to improve energy efficiency, reduce energy consumption, increase recycling of waste and paper, etc.
- Service Quality and Customer Satisfaction**
  - Enhance customer experience by making banking personal, instant, relevant, and accessible.
  - Provide products and services to ensure optimal customer service and satisfaction across the bank for all channels, monitor the state of clients' satisfaction with surveys, establish complaint resolution mechanisms.
- Transparent Information and Fair Advice to Customers**
  - Propose and offer appropriate products and services to customers.
  - Provide comprehensive and transparent information to customers about their rights, features, pricing, and terms of products and services.

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**Material issues Descriptions**

**Anti-corruption Measures**

- Comply with the anti-bribery and anti-corruption legislation, and regulatory environment and prevent financial economic crime such as money laundering, terrorism financing, tax fraud, bribery, and corruption.
- Establishment of an anti-corruption compliance programme (e.g., transaction monitoring and screening of new and existing clients).

**Regulatory Compliance and Business Ethics**

- Conduct business with the highest level of integrity and comply with all applicable laws, regulations, and standards.
- Establish mechanisms that contribute to detect and confront any such incompetence in NLB Group's business operations and ensure that employees comply with all internal principles, codes, policies, and values of the Bank.

**Health, Safety and Well-being**

- Prevent illnesses and accidents resulting from work and promote employee well-being.
- Implement measures to ensure that the work environment is safe, and the employees have adequate working conditions.
- Promote a healthy work-life balance, embed a family friendly workplace culture and establish programmes and benefits to support employees.
- Take proactive measures to address the effects of the Covid-19 pandemic.
- Develop suitable plans to deal with threats, incidents of violence, and robberies in the Branches.

**Responsible Procurement and Outsourcing**

- Integrate environmental, social, and governance (ESG) criteria in NLB Group's supply chain.
- Conduct assessment and screening of suppliers to ensure compliance with the principles on human rights, forced labour, child labour, fair labour standards, environmental protection, and anti-corruption.
- Establish appropriate mechanisms to secure customers' data in outsourcing agreements.

**Material issues Descriptions**

**Customer Privacy and Data Security**

- Protect customer personal data and confidential information.
- Ensure complete management of threats from cyberattacks, avoidance of unauthorised collection and use of sensitive data.

**Financial Inclusion and Capacity Building**

- Offer products and services that are widely accessible and aid vulnerable customers and groups with disabilities.
- Provide loans linked to affordable housing or basic infrastructure improvements.

**Positive Societal Impact**

- Create positive impact to the local communities in which it operates, as well as to the wider society.
- Enhance social investments, sponsorships and financing of actions and projects that support society.
- Promote employees and suppliers from local communities.

**Human rights**

- Respect human rights and comply with international labour practices.
- Manage potential human risks in NLB Group's portfolio and ensure that financing activities do not contribute to human rights violations.
- Provide access to decent work, create higher living standards, and promote human rights across the supply chain.
- Grievance mechanisms addressing human rights and labour practices (e.g., freedom of association, collective bargaining, forced or compulsory labour, child labour, etc.).

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## Evaluation & Results

Evaluation has been done in two parallel tracks: one with the NLB Group internal stakeholders, i.e., primarily Senior Management, who assessed the material issues according to their impact on company's sustainable operation, as well as their impact on economy, society, and the environment. And secondly, through the online survey sent to the designated external stakeholders throughout the six countries, where we are present, who evaluated each one of the 17 material issues to determine the importance of these issues for NLB Group's sustainable operation.

The final ranking and shortlisting of **top eight material issues** is thus a result of combination of internal and external stakeholder's evaluation process:

1. Digitalization and Innovation,
2. Sustainable Finance,
3. Customer Privacy and Data Security,
4. Corporate Governance,
5. Financial Performance,
6. Service Quality and Customer Satisfaction,
7. Systemic Risk Management,
8. Employees Attraction, Development, Diversity, and Inclusion.

## Implementation

### 8 relevant material issues

### Outline of NLB Group activities for 2022



Development and implementation of new products for our clients, supporting transition towards low-carbon society and circular economy, and offer fully digitalized financial services, i.e., no physical form factor involved. By exploiting digitalization, we will continue to increase share of paperless operations.



Close monitoring of EU Taxonomy development and further implementation in business operations. Focusing on acquiring new sustainable projects and expanding our portfolio throughout the Group, all in parallel with applying adequate sustainable risk management framework.



Keep focus on maintaining the highest standards regarding customer privacy and data security by paying high attention to preventative measures and management of cyber risks arising from the increased volume of digitalised services and work from home.

### 8 relevant material issues

### Outline of NLB Group activities for 2022



Continue to adhere to all national and international governance principles, mechanisms, and code of conducts with the highest diligence.



Maintain and solidify our regional presence and continue to fulfil and exceed financial expectations of our shareholders.



Continue to foster open dialogue with our clients 24/7 to send their opinions on their experience with the Bank, proposals on the banking services, events, and any other issues. By doing so, we will proceed with identifying future needs and being able to respond to them quickly.

### 8 relevant material issues

### Outline of NLB Group activities for 2022



Risk management in the Group is implemented in accordance with the set strategic guidelines, internal policies and procedures. The management of ESG risks follows ECB and EBA guidelines with tendency of their comprehensive integration into all relevant processes. The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group strives to obtain relevant clients' data as prerequisite for adequate decision-making and corresponding proactive management of ESG risks. The Group will continue with these activities in the year 2022 to further enhance its existing risk management framework.



Novelty focus will be on exploring and understanding the corporate culture in all banks in the group, where several KPI will be monitored, and attention given to operational excellence and human talent development.

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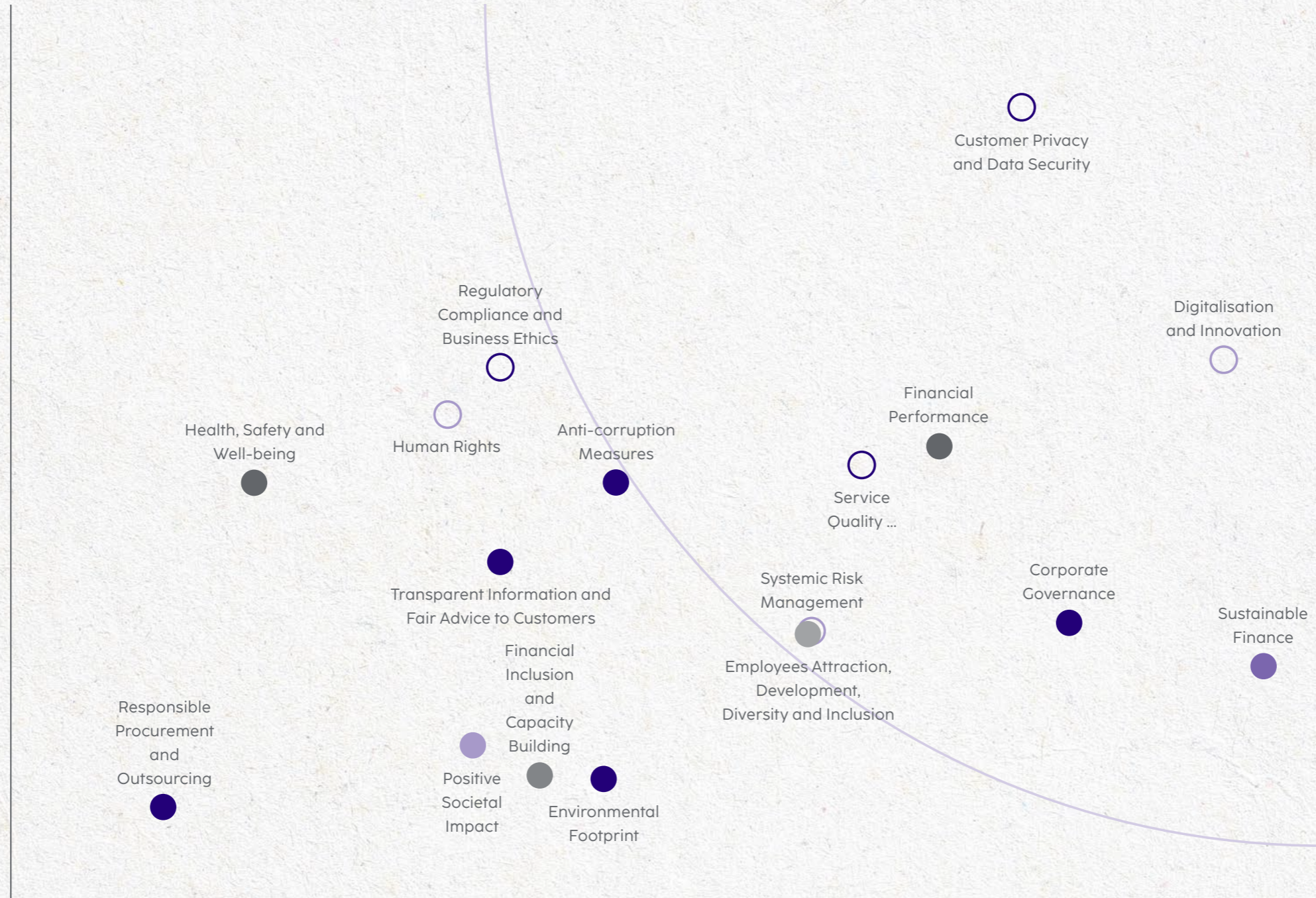
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# Materiality matrix

## Materiality Matrix of NLB Group

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



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

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# Target-setting

## UNEP FI PRB impact analysis: Target setting<sup>4</sup>

Impact area	Impact area description	External perspective/ country context	NLB Group target	KPI
<b>Climate</b>	Composition of the global atmosphere and its <b>exposure to greenhouse gas (GHG) emissions as a direct factor contributing to climate change.</b>	Although the SEE contributed only 0.7% of global carbon dioxide (CO <sub>2</sub> )-equivalent emissions in 2016 (Global Carbon Atlas, 2018), they are already facing severe effects from climate change, such as droughts and floods, which are likely to increase with global warming. SEE's annual CO <sub>2</sub> -equivalent per capita emissions still rank below the EU average of 6.4 tonnes. The highest values are in Bosnia and Herzegovina and Slovenia, which reach 6.3 and 6.2 tonnes, respectively; (IRENA, Renewable energy market analysis SEE, 2019).	<b>By the year 2030, the volume of new sustainable corporate financing in the NLB Group will be at least EUR 785 million.</b>	Transactions in line with EU Taxonomy (eligibility criteria) <sup>2</sup> .
<b>Resource efficiency/ security</b>	<b>Efficient use of limited, non-renewable natural resources</b> (which cannot be regenerated after exploitation) <b>and renewable natural resources</b> (which can return to their previous stock levels by natural processes of growth or replenishment) in the process of exploiting nature for production and consumption purposes. Can also be read as resource security.	By 2030, energy efficiency in the EU has to improve by 32.5%. For now, the rest of the SEE economies need to comply with the energy efficiency requirements of the Energy Community, which is set for update and extension towards 2030 (IRENA, Renewable energy market analysis SEE, 2019).	<b>By the year 2025, the NLB Group will decrease the number of paper prints in its operations by 50% compared to the year 2019.</b>	Supplied electricity production energy mix.  Number of prints.
<b>Inclusive &amp; healthy economies</b>	<b>Development and creation of sustainable, diverse and innovative markets that add value to society and the economy.</b> This includes under-served social groups' full and fair accessibility to labour markets, finance and entrepreneurship and, more generally, economic opportunity. It also includes, but is not limited to, access to <b>affordable, effective and safe financial services for individuals</b> , as well as micro-, small, and medium-sized enterprises.	The state of financial inclusion in SEE has seen some improvements over the last decade. The Global Findex Database (World Bank) shows that an average of 69% of adults in SEE report having an account at a bank or another type of financial institution in 2017, compared to 59% in 2011. However, this figure is still relatively lower than that of the wider Europe with an average of 84%.	<b>By the year 2025, the share of active digital retail users in the NLB Group will be 55%.</b>	Number of active digital users in retail (active digital user is an active user, who had at least 1 login in the past 3 months to digital channels (mobile or web)).

More information on our first self-assessment report as per the UNEP FI PRB can be found in Annex I.

<sup>4</sup> Please see: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en).

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# Stakeholder engagement

Strong relationships with our stakeholders can only be built through open, honest, and continuous dialogue. We see them as individuals and group of people who trust us and

have interest in our business and operational activities. Our stakeholders co-create the environment in which we operate and enable us our development and growth.

The process of materiality analysis has identified the below stated key stakeholder groups:

Stakeholder group	The purpose of our engagement	How we engage with them	Frequency
<b>Employees</b>	<ol style="list-style-type: none"> <li>Improving employee engagement</li> <li>Improving work environment</li> <li>Improving work environment</li> <li>Improving work environment</li> <li>Managing performance, growth and development</li> <li>Inform employees of changes and developments in the company</li> <li>Inform employees of news and developments and address employee questions</li> <li>Growth and development</li> <li>Growth and development</li> <li>Good working environment, health and safety</li> <li>Good working environment, health and safety</li> </ol>	<ol style="list-style-type: none"> <li>Employee engagement</li> <li>Employer value proposition survey</li> <li>Organisational culture survey</li> <li>Focus groups</li> <li>Regular performance and development reviews/discussions</li> <li>Intranet portal</li> <li>Meetings with the CEO</li> <li>Leadership development programmes</li> <li>Internal training programmes</li> <li>Whistle-blowing procedure</li> <li>Preventive regular medical checks</li> </ol>	<ol style="list-style-type: none"> <li>yearly</li> <li>yearly</li> <li>yearly</li> <li>yearly</li> <li>quarterly</li> <li>continuously</li> <li>quarterly</li> <li>yearly</li> <li>continuously</li> <li>continuously</li> <li>continuously</li> </ol>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Inform investors about business results, outlook and strategy of the bank and seek shareholder approval for items proposed on Annual General Meetings.</li> <li>Get information on the topics and initiatives that investors globally find important.</li> <li>Discuss strategy of the bank and get feedback on global trends in banking.</li> </ul>	<ul style="list-style-type: none"> <li>In essence, we have a two-sided conversation with our investors, but a lot of information conveying is done through regulatory reporting of business results (reports, presentations, data excel) and ad hoc announcements of relevant business events.</li> <li>We meet investors on investor conferences, one-on-one video and telephone calls, webcasts, in person, investor days and roadshows.</li> <li>Communication with investors is conducted solely by management board and investor relations department.</li> <li>We make sure that all shareholders are treated equally and have the right to obtain adequate information on a bank's activity.</li> </ul>	<ul style="list-style-type: none"> <li>We are available for discussion at any time apart from silent period (14 days before the announcement of business results).</li> </ul>
<b>Private individual clients</b>	<ul style="list-style-type: none"> <li>Relationship building, sales and legal obligations.</li> </ul>	<ul style="list-style-type: none"> <li>In person meetings, direct and indirect emails, calls and video calls. Also, through the online bank, mobile bank, and social media.</li> </ul>	<ul style="list-style-type: none"> <li>Daily.</li> </ul>
<b>Business clients</b>	<ul style="list-style-type: none"> <li>Relationship building, sales and legal obligations.</li> </ul>	<ul style="list-style-type: none"> <li>In person meetings, direct and indirect emails, calls and video calls. Also, through the online bank, mobile bank and social media.</li> </ul>	<ul style="list-style-type: none"> <li>Daily.</li> </ul>
<b>Suppliers and contractual partners</b>	<ol style="list-style-type: none"> <li>Regular touch points to discuss cooperation.</li> <li>Resolution of complaints.</li> <li>Expand contractual content with ESG, EBA, SRB and other requests.</li> <li>Feedback about annual evaluation.</li> </ol>	<ul style="list-style-type: none"> <li>Onsite meetings</li> <li>Virtual meetings</li> </ul>	<ol style="list-style-type: none"> <li>Usually once a year</li> <li>As needed</li> <li>As needed</li> <li>Once</li> </ol>
<b>Regulatory authorities</b>	<ul style="list-style-type: none"> <li>Supervisory Review and Evaluation Process (SREP).</li> <li>Regulatory reporting.</li> <li>Reporting in accordance with the Banking Act (ZBan-3) and Companies Act.</li> <li>Tatutory changes.</li> <li>On-site inspections and Audit reviews of the European Central Bank and the Bank of Slovenia.</li> </ul>	<ul style="list-style-type: none"> <li>Two-sided conversation with Joint Supervisory Team (JST) members via Email, telephone calls, online events, presentations, reporting, and other ad hoc meetings or requests.</li> <li>Regular JST meetings with Management Board and Supervisory Board.</li> <li>Presence of JST members on Supervisory Board sessions (and Audit Committee, Risk Committee, OPSIT Committee, Nomination Committee, Remuneration Committee).</li> <li>Presence of JST members on General Meeting of Shareholders.</li> <li>Onsite visits of inspectors in the NLB premises.</li> </ul>	<ul style="list-style-type: none"> <li>Communication on daily basis.</li> <li>At the individual events mentioned above.</li> </ul>

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Next to above mentioned, we also regularly interact and are members of the following professional and business associations:

- Sustainable finance working group at the Slovenian Banking Association,
- Sustainable finance expert group at the European Banking Federation,
- CER – Sustainable business network Slovenia,
- Commission for Sustainable growth at AmCham Slovenia,
- UNEP FI PRB working groups.

Furthermore, NLB has a representative at the European banking federation Sustainable expert group and a representative at European banking federation's Chief Sustainability Officers Round table, which is a forum of banking representatives forming a platform to develop a future role of sustainability officers within financial institutions.

**We believe that our active involvement and continuous dialogue foster capacity building and know-how, not only among the actors themselves, but also has the power to expand to public, and so contribute to greater public awareness of sustainability-related topics.**



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# NLB Group sustainability governance

According to the Articles of Association of the NLB d.d. the bank has a commitment to consider the environmental and social impacts of its business, with the aim of ensuring sustainable development of the bank, included as one of the goals of the bank (nlb.si/corporate-governance).

Sustainability is anchored at different levels within the bank (Management Board, Supervisory Board and Group level, as well as Business & Country level), guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated in our daily operations.

In Q3 2021, the NLB Group Sustainability Committee was established. The Sustainability Committee acts primarily as a consultative body and as a decision-making body of the Management Board of NLB d.d. Therefore, NLB has put in place 4-level NLB Group Sustainability Governance Structure, as follows:

## Supervisory Board of the NLB

The Bank has established a comprehensive framework for sustainable management, starting by sponsoring the matter at the level of the NLB SB, which, significantly contributes to the implementation of sustainability. The SB regularly monitors the implementation of ESG factors and discusses the topic on regular basis.

## Sustainability Team

Sustainability Team within Strategy and Business Development Division of the NLB oversees Group-wide sustainability agenda and it is tasked with driving the culture, coordinating initiatives, measuring the impact and reporting on progress. The team monitors implementation of the strategy and regularly informs the Sustainability Committee, the MB and the SB on progress.

## Sustainability Committee

It is composed of the highest-level officers and provides the overall vision and sustainability strategy, it 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.

## Sustainability working groups

Ad hoc working groups are being set up in the bank to introduce various elements of sustainability. Their composition varies according to the area of sustainability considered. ESMS Officers have been appointed in our banking members and report regularly to local boards. They come from within the risk management line and ensure the ESMS is properly implemented organisation wide.

## Rules of procedure of the NLB Group Sustainability Committee

Rules of procedure of the NLB Group Sustainability Committee (SC) lay down the powers and responsibilities of the Committee and its members, as well as the work and decision-making procedures.

SC is chaired by our Chief Executive Officer of NLB d.d. SC's membership is drawn from senior officials across all areas of the bank, including Sustainability, CSA & Cross-border Financing, Large Corporates, Small and Mid-Corporates, Group Steering, Strategy, and Business Development, Legal and Secretariat, Financial Markets, Global risk, Credit risk-

Retail and Corporate, Evaluation and Control, Group Real Estate Management, Procurement, Human Resources and Organisation Development, Sales Development and Management, Communication. The Sustainability Team reports quarterly to the Supervisory Board of the NLB d.d. on progress made with implementing the ESG-related commitments, requirements, and targets. For more information on the NLB Group sustainability governance please refer to Annex I (Principle 5).

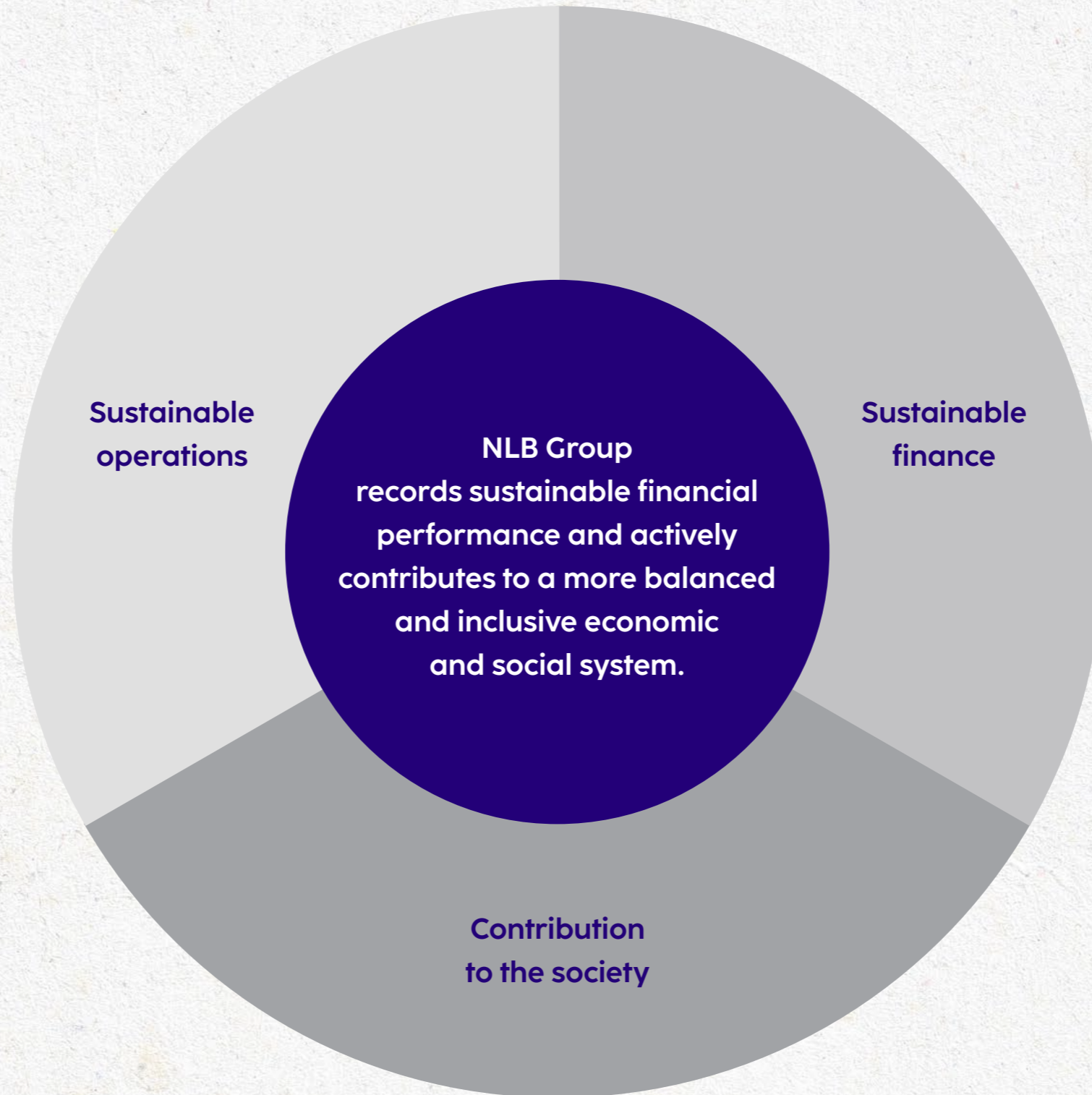
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# Three pillars of NLB Group sustainability in 2021

Our sustainability program is supported by 3 pillars- Finance, Operations and CSR

Strong supporting foundations:



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# Caring for the environment motivates our actions.

Given a choice, most people would choose a more environment-friendly lifestyle. Yet, many of them lack sufficient know-how of how to implement those practices into their daily lives and doing business. So, we devised a strategy to educate our clients and incorporate sustainable practices into our lending, investments, banking products and services. For us, it is the most important way we can support national and global sustainable development goals. This is a change we're happy to see: a shift toward a healthier environment.

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# Sustainable operations

By introducing the NLB Group Sustainability Framework in 2021 (nlb-sustainability-framework.pdf), the NLB Group officially committed itself to integrating sustainability into its banking operations. Sustainable operations are one of three key pillars of our sustainable performance. In terms of managing our Sustainable operations the most important step in 2021 was measurement of carbon footprint, whereas we continue with paper use measurement and reduction plans.

## NLB Group carbon footprint

We take our commitments seriously, which is why measurements have been done for past three years, i.e., the period from 2019 to 2021. With 2020 in 2021 being special years due to global pandemics, we set 2019 to be our baseline year. Year 2019 represents a pre-COVID year, when all operations were fully operative. In the upcoming years (in this case 2020 and 2021), certain measures have been introduced, such as home office, which already have influence also to the level of emissions, so we wanted to obtain a clear baseline year.

## Carbon footprint methodology

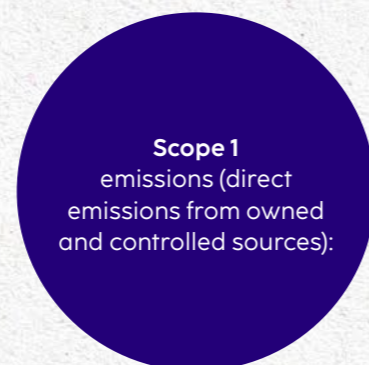
Aiming to report GHG emissions according to internationally recognized and neutral standards, the Group followed the guidelines of the Greenhouse Gas Protocol (GHG Protocol). For our purpose we referred to:

- Corporate standard (Corporate Accounting and Reporting Standard),
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

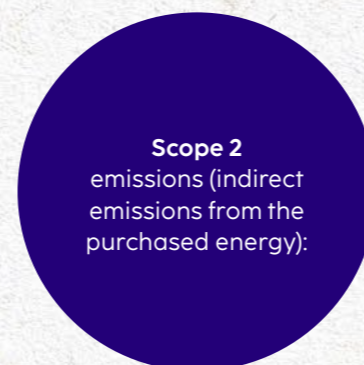
We followed all key principles as introduced by the GHG Protocol and performed the next steps:

1. Setting of methodology
2. Data collection
3. Data modelling
4. Interpretation of results & setting of KPIs
5. Carbon footprint report verification
6. Disclosure and reporting

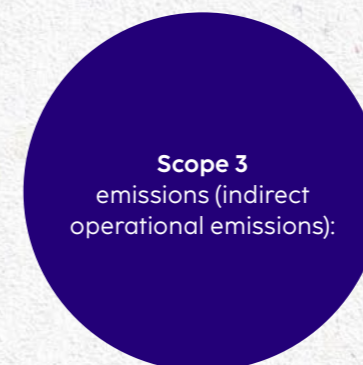
The Group's carbon emissions calculations consist of:



- Combustion of fuels.
- Company owned vehicle fleet (internal combustion engine).
- Company controlled fleet (internal combustion engine).
- Refrigerants (for HVAC systems).



- Electricity consumption (both location and market-based).
- Owned vehicle fleet – electric vehicles and PHEV (included in electricity consumption).
- District heating.



- employee commuting using own vehicles, public transport (bus, train), taxi – Category 7 of GHG Protocol.

**Note that Komercijalna Banka Beograd was included in reporting of GHG emissions also for 2019 and 2020, despite becoming part of NLB Group in 2021. However, GHG Protocol suggests recalculating baseline year in case of structural changes, therefore, data for Komercijalna Banka was included in this report.**

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## Exclusions

Scope 1	Exclusion
Fuel combustion	-
Vehicle fleet (ICE)	-
Refrigerant	Limited inclusion
Scope 2	
Electricity (market-based)	-
District heating and cooling	-
Vehicle fleet (Electric, PHEV, Hybrid))	-
Scope 3	
Purchased goods and services	Not included. Planned for 2022 Report (paper, water).
Capital goods	Not included
Fuel- and energy- related activities	No data available (estimation calculated ~2% of emissions).
Upstream transport and distribution	Not included
Waste generated in operations	Planned for 2022 Report.
Business travel	Planned for 2022 Report.
Employee commuting	-
Upstream leased assets	Included in Scope 1 and 2 report.
Downstream transport and distribution	
Processing of sold products	
Use of sold products	Not relevant
End-of-life treatment of sold products	
Downstream leased assets	Downstream asset leasing done in cases of immobilia/vehicle leasing.
Franchises	Not relevant
Investments	Not included

Please note that emissions caused due to employees' work from home (i.e., home office) have not been taken into consideration, although NLB reimburses its employees.



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## Carbon footprint Measurements

Carbon footprint calculation for the Group, 2019–2021

NLB Group	2019	2020	2021
Scope 1 [t CO <sub>2</sub> ]	3,731	3,409	4,555
Scope 2 [t CO <sub>2</sub> ]	28,466	31,177	29,051
Scope 3 [t CO <sub>2</sub> ]	4,632	3,761	3,093
Scope 1-2 [t CO <sub>2</sub> ]	32,197	34,586	33,606
Scope 1-2/emp. [t CO <sub>2</sub> /emp.]	3.75	4.08	4.03
Scope 1-3 [t CO <sub>2</sub> ]	36,829	38,347	36,699
Scope 1-3/emp. [t CO <sub>2</sub> /emp.]	4.29	4.53	4.40
Electricity [MWh]	39,644	37,566	36,399
Electricity/emp. [MWh/emp.]	4.6	4.4	4.4

Carbon footprint calculation for the Group per country, 2019–2021

Year	Scope	NLB Group	SI	RS	ME	MK	BA	Kosovo
2019	Scope 1 [t CO <sub>2</sub> ]	3,731	1,700	644	58	404	819	106
2020		3,409	1,437	559	52	292	987	81
2021		4,555	2,223	845	71	413	893	111
2019	Scope 2 [t CO <sub>2</sub> ]	28,466	8,816	9,520	658	3,386	3,196	2,890
2020		31,177	11,637	10,068	683	3,185	2,945	2,659
2021		29,051	9,651	10,088	555	3,289	2,682	2,785
2019	Scope 3 [t CO <sub>2</sub> ]	4,632	1,740	2,186	65	218	227	195
2020		3,761	1,361	1,764	62	152	242	178
2021		3,093	957	1,427	67	171	258	213
2019	Scope 1-2 [t CO <sub>2</sub> ]	32,197	10,516	10,164	716	3,790	4,015	2,996
2020		34,586	13,074	10,627	736	3,477	3,932	2,740
2021		33,606	11,874	10,933	626	3,702	3,575	2,896
2019	Scope 1-2/emp. [t CO <sub>2</sub> /emp.]	3.75	3.6	3.14	4.84	4.51	4.01	6.86
2020		4.08	4.62	3.33	4.71	3.91	4.04	6.2
2021		4.03	4.23	3.73	3.66	3.95	3.49	6.21

Based on the analysis, we learned that most emissions are related to emissions from electricity use. The main reason is that emission factors for electricity in the Region are among the highest in Europe with low penetration of renewables and underdeveloped market for low carbon electricity. While average emission factor per kWh of electricity accounts for around 0.25 kg CO<sub>2</sub>/kWh, the Region where NLB is operating experience emission factors high above 0.5 kg CO<sub>2</sub>/kWh. Further on, space heating emissions were increasing in 2020 and 2021 due to climate conditions, where year 2021 was at least 10% colder compared to 2019. Please note, that Scope 3 emissions include only employee commuting related emissions. In 2020, they were reduced by 17% compared to 2019, 18% respectively in 2021. The key reasoning is lower travel to/from work and higher share of employees working from home due to pandemics. A comparison of emissions for years 2019 and 2020 for NLB Group with or without Komercijalna Banka Beograd showed a difference of **25%**.

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## CO<sub>2</sub> reduction measures

Being aware of our Carbon footprint, the Bank decided for immediate and efficient measures to reduce CO<sub>2</sub> emissions from its operations.

### NLB Group CO<sub>2</sub> reduction measures

Field of operations	Measure category	Measure description
Emission factors	<ul style="list-style-type: none"> <li>Zero-carbon electricity supply.</li> <li>Renewable electricity self-sufficient supply.</li> </ul>	<ul style="list-style-type: none"> <li>Review of all contracts with electricity suppliers on all markets with the aim to guarantee zero-carbon electricity supply.</li> <li>Where possible, set up of solar PV on Bank's buildings.</li> <li>Where possible, rent out roofs/solar panels for self-sufficient supply of renewable electricity.</li> <li>Purchase of electricity directly from renewable electricity producers in the Region.</li> </ul>
Energy consumption	<ul style="list-style-type: none"> <li>Energy Efficiency</li> <li>Cooling</li> <li>Fleet</li> </ul>	<ul style="list-style-type: none"> <li>Energy performance screening of buildings with the goal of higher energy efficiency level in the buildings (especially insulation, window, LED lighting).</li> <li>Refrigerants with lowest CO<sub>2</sub> equivalent emission to be selected.</li> <li>Electrification of internal fleet (Sustainable mobility).</li> </ul>
Use of space	<ul style="list-style-type: none"> <li>Building management</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of office use and preparation of measures to optimize heating/lighting use.</li> <li>Divestment of real estates.</li> <li>Optimization of space-demand in buildings.</li> </ul>
Employee's commute	<ul style="list-style-type: none"> <li>Behavioural changes</li> </ul>	<ul style="list-style-type: none"> <li>Stimulation of work from home.</li> <li>Stimulation of use of public transport, cycling and walking.</li> </ul>

Please be informed, that at the beginning of the year 2022 we took immediate action to decrease our carbon footprint by implementing the most impactful measure, i.e. revision of contracts with electricity suppliers. We guaranteed zero-carbon electricity supply where possible, aiming at substantial decrease of CO<sub>2</sub> emissions in year 2022 and consequently mitigated the emission factors for electricity as currently the major cause of our carbon footprint from own operations.

**In 2019, NLB established electric mobility partnership with Avant2Go. Share of NLB employees in Ljubljana who can use this e-car sharing solution is increasing daily, and we are proud to promote solutions which decrease the level of traffic in cities and support sustainability. In 2022, specific measures to reduce the carbon footprint resulting from the mobility needs within the NLB Group will be evaluated, aiming at establishing a clear framework and target systems to continuously lower NLB Groups fleet emissions.**



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## Verification

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

- the report has been prepared according to GHG protocol (guidance for corporate reporting on Scope 1, 2, and 3 GHG emissions) and verified according to requirements of standard ISO 14064-3:2019: Greenhouse gases – part 3: principles and requirements and provides guidance for verifying and validating greenhouse gas (GHG) statements;
- the report accurately and completely represents GHG emissions Scope 1, 2, and 3 (limited) of the NLB Group for period from January 1<sup>st</sup>, 2019, to December 31<sup>st</sup>, 2021.

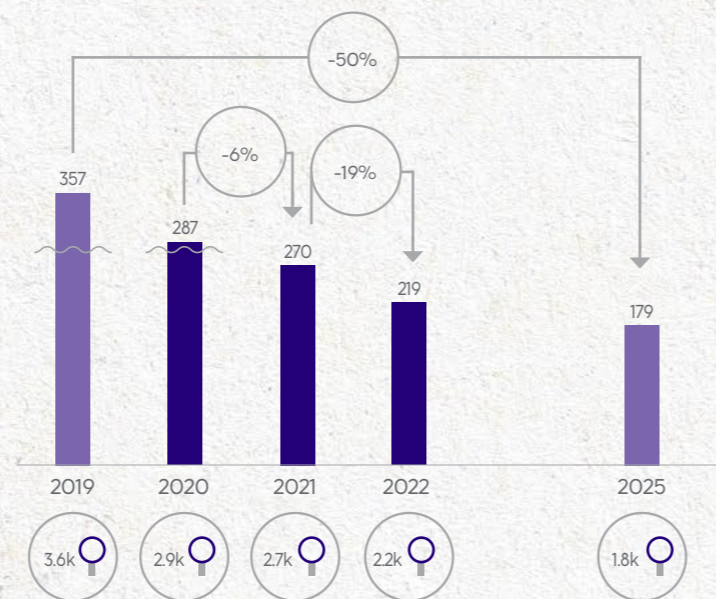
You may find the Verification certificate in the Annex II of this report.

## Paper consumption

The paperless collaboration project started in 2020 with a paper usage analysis and all of the related costs. We aim not just at reducing paper consumption but eliminating it wherever possible and replacing it with optimised processes supported by digital tools to improve customer satisfaction and increase the efficiency of our employees and our operations.

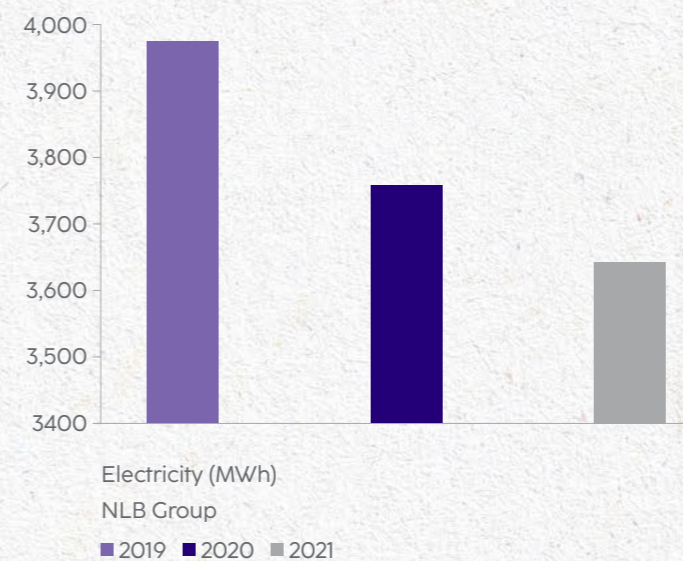
NLB d.d. is currently the biggest paper consumer in our Group but has made a significant progress since 2019. The number of physical postal items has decreased for 39% in the last two years, and the number of customers without any digital channels has dropped to less than 1/3. Internal paper consumption has decreased by almost 30% with the introduction of a digital signature for all employees and process digitalization. We have the ambitious goal that by the year 2025, the Group will decrease the number of paper prints in its operations by 50% compared to the year 2019.

**NLB Group paper consumption in tonnes**  
(from 2019 to 2025)



The focus in 2022 is to establish centralised monitoring and reporting of paper consumption on the group level and involve the rest of the banks to implement documentary systems, digital signatures, and optimise the processes that produce the most paper prints.

## Electricity consumption



Electricity consumption decrease reflects home-office and in some cases improvements of energy performance (energy efficiency) of buildings of NLB operations, whereas we plan to not only continue but also intensify this trend.

**NLB set itself a clear goal, that by 2030, 75% of all of electric energy used in the NLB Group will come from zero-carbon sources.**

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## Responsible procurement

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

The following practices have been an integral part of our procurement process for years:

- Adoption of e-tools and paperless processes to minimise the ESG impact on the side of the Group;
- Working with suppliers with goal to identify common areas such as: waste reduction, carbon emissions reduction, energy and water consumption, biodiversity protection, sustainable economic growth, and delivering economic benefits through procurement.

It is one of our **strategic priorities** to enhance the ESG aspects of our work in 2022, more specifically in relation to:

### Procurement policy

ESG guidelines and standards in the policy will be expanded for the elements not yet included.

### New RFPs

Due diligence questionnaires that we already use to assess all bidders' compliance to our standards will be amended with additional questions for expanded ESG assessment. Additionally, standard terms and conditions that are in use when contracting the suppliers will be amended with additional ESG elements.

### Existing suppliers

We will make an assessment of suppliers with whom we already have a business relationship and will thus actively influence on the appropriate sustainable orientation of existing suppliers. This activity will be concluded in two iterations by the end of 2023.

### Annual supplier evaluation

The questionnaire for our annual supplier evaluation process will be updated to enable regular annual screening of and feedback to suppliers with the expanded list of ESG topics.

### Reporting

The introduction of reports about bidders and suppliers with identified negative impact social and environmental impact, bidders and suppliers from whom improvement measures were requested, and bidders and suppliers with whom relationships were terminated because no improvements have been exhibited.



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# Sustainable finance

**We use our core business to promote sustainable development in our markets, while managing the environmental and social risks associated with our financing activities.**

## Private individuals

The goals of the NLB Group Sustainability framework were followed with the implementation of documentation's cloud signing within m-bank Klikin, which also helped to reduce the amount of paper documentation and proactively encourage the use of digital channels. The Bank has also been following the trend of decreasing paper statements for several years now. Also, the products themselves contribute to **paperless banking operations**, like NLB Package My World ('Moj svet') and NLB Package Digital. NLB Package My World ('Moj svet') is primarily created for young clients between 18 and 27 years, offering them also use of m-bank Klikin and e-bank NLB Klik. The NLB Digital Package can be opened 24/7 online through a video call in the Contact Centre.

The sales of **NLB Green Housing Loan** with special benefits for financing the purchase or building of passive houses, introduced in 2020, continued in 2021 with the total of EUR 9 million. Successful campaign within #HelpFrame, where all customers up to 40 years borrowing any housing loan in campaign's period participated in a draw, was repeated in 2021. In the campaign, up to 100 clients were reimbursed in three monthly instalments totalling a net amount of up to EUR 1,000. Following the ESG orientation of the Group, **special financing for the purchase of solar panels, power storage, and heat pumps** was agreed to be offered to clients of one of the Slovenian retailers, selling technical products.

**In the support of philanthropy aid in Slovenia individuals and companies could pay donations with no fee from payment transactions to 30 humanitarian organisations.**

The **mobile branch BankGo** visited many towns in Slovenia every month, ensuring the availability of banking services in remote areas of Slovenia. On average, the mobile branch is on the road five days a week, visiting at least three towns a day.

## Micro and SMEs

The Bank focused on defining specific purposes for sustainable financing of legal entities, which will lead to development of two sustainable loans aimed to finance projects in which most of the Slovenian companies focus their sustainable efforts for green transition. The loans are planned to go on the market in first half of the year 2022 and will be focused on energy efficiency (standalone offers and with partners).

An important step in a customer's journey is not just financing, so the Bank explores the best options to improve customers' experience in gathering the required documentation and also in the cloud-based signing of the documentation within m-bank Klikpro (introduced in December 2021) and additional digital solutions development planned in 2022. The latest contributing both in reduction of paper documentation and proactively encouraging the use of digital channels. The Bank has also been following the trend of decreasing paper statements for several years now.

The bank established **a team of specialists for agricultural segment**. An investment loan offer was extended to them with maturity up to 15 years and possibility of moratorium due to rising demand of agricultural companies for loans above 10 years and existing offer of those from competitors. This indirectly encourages local and ecological food production.

A cooperation agreement has been established with the University of Ljubljana, School of Economics and Business to help their students gain ESG knowledge and add it into their consideration frame, while developing new ideas for banking products. NLB presented six ESG product challenges to the students for private individuals and legal entities which will be the base for developing new ESG solutions in 2022.

The bank also took part in the project '**Digital Volunteers Collaborative Group**' and successfully helped the Slovenian SME company to digitalize their operations.

## Large corporates

In 2021, over EUR 60 million of EU Taxonomy-eligible long-term loans were approved by the Bank (the large corporates segment): the Bank financed investments in **energy infrastructure, telecommunications network, water supply network, construction of cultural and school facilities, and energy efficiency**. At the end of 2021, the Bank and the Group banking members set ambitious sustainable financing goals for the years 2022–2025. Based on the analysis, the focus will be on renewable energy sources, solutions for the carbon footprint reductions, improving energy efficiency, and supporting a circular economy.

In 2022, all employees in the large corporates segment will go through internal & external trainings on sustainable financing, which will enable us to better advise our clients on sustainable financing and help us to find optimal solutions together with them.

The Bank financed investments in  
**energy infrastructure,  
telecommunications  
network, water supply  
network, construction  
of cultural and school  
facilities, and energy  
efficiency.**

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## NLB Skladi

As part of the European Commission's Action Plan on Sustainable Growth Financing in December 2019, the European Parliament and the European Commission adopted a Regulation on the sustainability related disclosures in the financial services sector (SFDR) ((EU) 2019/2088). The purpose of the Regulation on disclosures is to increase transparency regarding sustainability characteristics and investments for end-users.

NLB Skladi supports this EU initiative and shall continue to strive to contribute to sustainable development. In 2021, NLB Skladi updated and newly adopted several acts, which took it a further step towards a sustainable society. Among other things, it updated the prospectus of umbrella fund NLB Skladi with management rules included, where it defined sustainability risks and defined sustainability aspects in investment decisions in accordance with the most current policies of regulators.

NLB Skladi also adopted a Shareholder participation policy and updated the General Meeting voting policy, adopted a new remuneration policy, which defined, among other things, the principle of equal pay for equal work or work of equal value for the employed men and women, and is thus gender neutral, and in particular, it not only explicitly included sustainability factors in the Policy itself, but also explicitly added a requirement that every person with a special nature of work must have such factors among their annual goals.

Finally, in 2021, NLB Skladi updated its product portfolio and offered its first green products, which take particular account of environmental sustainability aspects.

NLB Skladi pursues the concepts of sustainable development in investment decisions. Two subfunds of the NLB Skladi umbrella fund invest based on an additional emphasis on sustainability, namely:

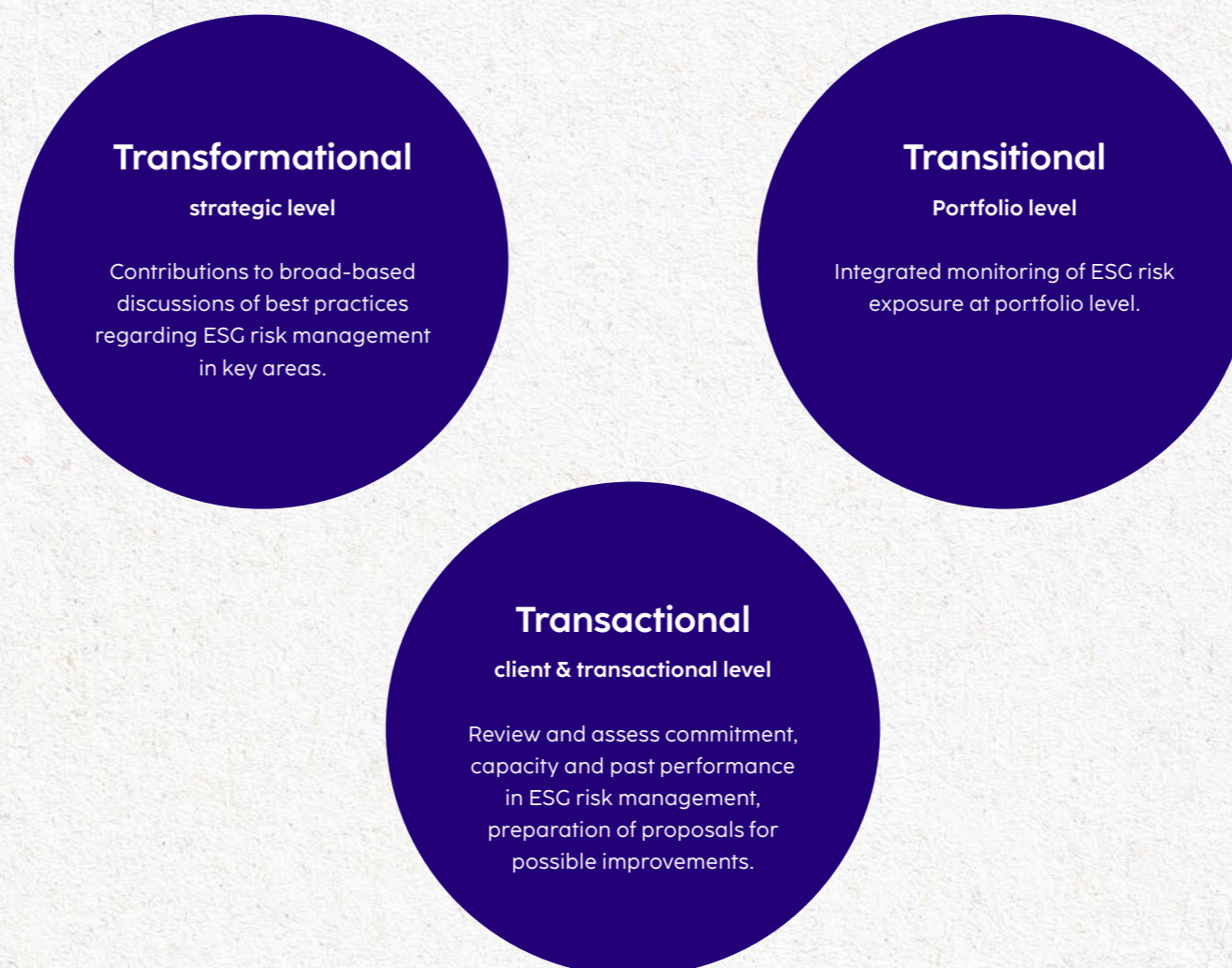
- **NLB Skladi subfund - Socially Responsible Equity Subfund** invests in issuers with above average environmental (E) and social (S) awareness in their operations, provided that they respect good governance practices (G).
- **The NLB Skladi - Green Equity Funds Subfund** focuses on investing in issuers with above-average environmental (E) awareness, assuming that they respect adequate governance practices (G).

With the remaining 18 subfunds of the NLB Skladi umbrella fund and with individual portfolios managed by NLB Skladi, the sustainability aspects are explicitly included in a due diligence of equity investments, which NLB Skladi has been pursuing for almost a decade and is one of the pioneers in Slovenia.

## ESG Risk management

The NLB Group integrates and manages ESG risks within the established risk management framework. ECB and EBA guidelines are followed, and are actively integrated into business strategies, risk management framework, and internal governance.

ESG risk management is addressed on three levels:



In 2021, the **Environmental and Social Transaction Framework** was prepared that applies to transactions with greatest potential for significant environmental and social impacts (it includes among others: exclusion list, regulatory compliance check). Special chapter addresses climate finance transactions. When approving climate finance transactions NLB Group will take into consideration clients and activities

that can make a substantial contribution by:

- having a low impact on the environment and having the potential to replace high impact activities (e.g., renewable energy),
- reducing impact from other activities,
- making a positive environmental contribution.

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## Transaction review (ESG risk screening)

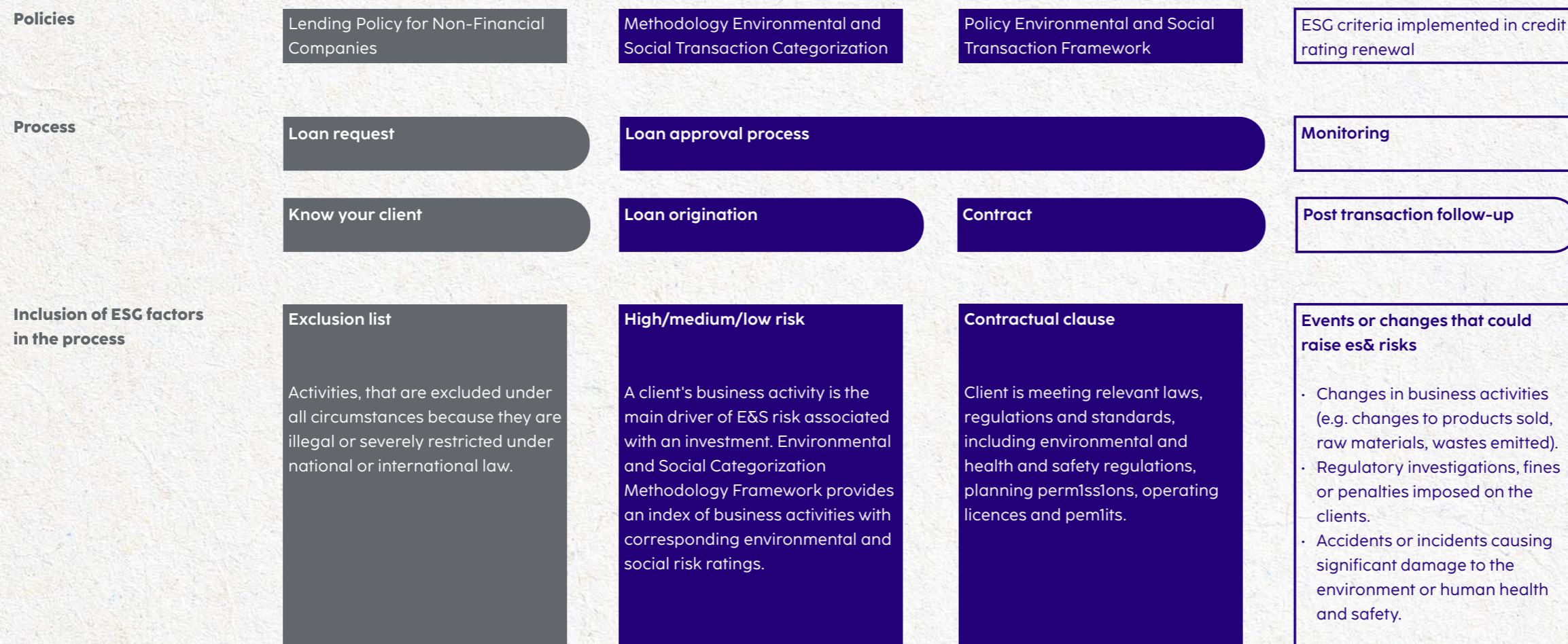
We started with the implementation of ESG factors in the underwriting process, whereby climate-related and environmental risks are considered at relevant stages of the credit-granting process and monitored on the portfolio level. In NLB Group, we strive to obtain relevant clients' data as prerequisite for adequate decision making.

The availability of ESG data in the region where the Group operates is still lacking. Nevertheless, the Group strives to obtain relevant clients' data as prerequisite for adequate decision making and corresponding proactive management of ESG risks.

Climate-related and environmental risks were integrated in the client or transaction screening by performing following activities:

- ESG criteria implemented in credit rating renewal: in a process of credit rating renewal ESG screening of E&S high risk clients with exposure larger than 10m EUR is performed (from October 2021 onwards);
- ESG criteria implemented in project finance: in case of new project finance ESG screening of E&S high risk clients with exposure larger than 10m EUR is performed (from October 2021 onwards).

Besides addressing ESG risks in all relevant stages of the credit-granting process, relevant ESG criteria were also considered in the collateral evaluation process. On portfolio level, the Group does not face any large concentration towards specific NACE industrial sectors exposed to climate risk, whereby the role of transitional risk is more prevailing.



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## Prohibited activities

Environmental and social screening of current or potential financing applications against the MIGA 2013 and EBRD 2014 Exclusion List and applicable environmental and social laws is implemented.

In April 2021, a special chapter of the Lending Policy addressing Environmental & Social Framework with three categories (prohibited, restricted, normal activities) was amended with restrictions on coal-related financing. **NLB Group will not provide any new financing to thermal coal mining or coal-fired electricity generation capacity in any way, including eventual transitional enhancements.**

## Portfolio review

To provide employees of the NLB Group with a guide to a typical level of inherent environmental and social risk related to Category A Projects, and to particular business activities we developed the Methodology Environmental and Social Transaction Categorisation that ranks activities as:

- **HIGH ACTIVITY RISK** - The client's business activities may give rise to significant or long-term environmental and social risks and impacts. These may require more specialised risk assessment, and the client may not have the technical or financial means to manage them.
- **MEDIUM ACTIVITY RISK** - The client's business activities have limited environmental and social risks and impacts, and these are capable of being readily prevented or mitigated through technically and financially feasible measures.
- **LOW ACTIVITY RISK** - The client's business activities have minor/few environmental and social risks and impacts associated with them.

On portfolio level the Group does not face any large concentration towards specific NACE industrial sectors exposed to climate risk, whereby the role of transitional risk is more prevailing.

## Participation in ECB Climate Stress test exercise

As systemically important institution, NLB Group was also included into 2022 ECB Climate Stress test exercise. Preparation activities for the purpose of this exercise, consisting of three modules, are already underway. By performing this exercise ECB intends to assess how banks are prepared for dealing with financial and economic shocks stemming from climate risk. The exercise will be conducted in the first half of 2022 after which the ECB will publish aggregate results in July 2022.

## EU Green Taxonomy

The EU is committed to achieving ambitious climate and energy targets by 2030, in line with the UN 2030 Agenda<sup>5</sup>, the Sustainable Development Goals<sup>6</sup> (SDGs) and the Paris Agreement<sup>7</sup>. The EU's long-term strategy is to achieve net-zero Green House Gas (GHG) emissions by 2050.

One of the means to achieve the goals is the adoption of the EU Taxonomy Regulation, a classification system, establishing a list of environmentally sustainable economic activities for their contribution to six environmental objectives:

1. Climate change mitigation,
2. Climate change adaptation,
3. The sustainable use and protection of water and marine resources,
4. The transition to a circular economy,
5. Pollution prevention and control,
6. The protection and restoration of biodiversity and ecosystems.

An approach is to classify banks' exposures by assigning NACE codes<sup>8</sup> and comparing these with the Taxonomy-eligible NACE codes – the economic activity description which can be found in Annex I and Annex II of the Taxonomy Regulation.

Since the EU Taxonomy is still being developed and because data from corporates on taxonomy-aligned activities is limited, NLB Group is in the process of integrating taxonomy eligibility / alignment in its business strategy, target setting, product design and processes or in its engagement with clients and other stakeholders.

## Mandatory disclosures

According to Delegated act,<sup>9</sup> Article 10, from 1 January 2022 until 31 December 2023, NLB Group will prepare a disclosure of:

- the proportion of total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities<sup>10</sup>;

<sup>5</sup> <https://sdgs.un.org/2030agenda>

<sup>6</sup> <https://sdgs.un.org/goals>

<sup>7</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

<sup>8</sup> Based on the Regulation (EC) No 1893/2006 of the European Parliament and of the Council, establishing the statistical classification of economic activities NACE Rev. 2, adopted on 19 December 2006.

<sup>9</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015R0061>

<sup>10</sup> The Article 8 of Delegated act does not allow the use of estimates for mandatory disclosures. Mandatory disclosures should be based on information provided by the relevant counterparty through publications.

- the proportion of total assets of the exposures referred to in Article 7, paragraphs 1 and 2 – the exposures to central governments, central banks, and supranational issuers).
- the proportion of total assets of the exposures referred to in Article 7(3) – exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU.
- the qualitative information referred to in Annex XI.

We will also disclose the proportion of our trading portfolio and on demand inter-bank loans in our total assets.

**Our analysis shows that at the moment (March 2022) there is no publicly available data from NFRD companies in line with EU Taxonomy expectations. Therefore, mandatory EU Taxonomy disclosures will be provided by the NLB Group by the end of 2022.**

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## Voluntary disclosures

Voluntary disclosures are not part of the mandatory disclosures under Article 8 of the Taxonomy Regulation and are therefore disclosed separately in this chapter.

Consequently, the presented data below do not illustrate NLB Group's proportion of green assets because these require classification as taxonomy-aligned activities.

### • EU Taxonomy eligibility – NFRD companies

To determine the impact on climate adaptation and climate mitigation, a further deep dive review of NFRD companies was prepared (clients that are subject to non-financial reporting with over 500 employees in EU and are not a financial institution).

To determine the eligibility of our NFRD portfolio, we followed a sector approach (on the basis of NACE codes). An additional check was performed on the main activity of clients.

### • EU Taxonomy eligibility – Legal entities

To determine the scale and intensity of climate change and the environmental impact further assessment was performed on legal entities on-balance portfolio. To determine the eligibility of legal entities portfolio, we used a top-down approach on the basis of NACE codes.

The above metrics are unaudited and have been prepared to the best of our ability.

NLB Group focuses strongly on climate change and the environmental impact of our financial services. To determine impact on climate adaptation and climate mitigation further deep dive review of NFRD companies will be prepared.

	€	%
EU Taxonomy Non-Eligible NFRD clients	188,016,036	22.34
EU Taxonomy Eligible NFRD clients	653,567,689	77.66
<b>Total</b>	<b>841,583,725</b>	<b>100</b>

**Our total EU Taxonomy Eligible exposure to NFRD clients is 77.66% of total NFRD portfolio.**

	€	%
EU Taxonomy Non-Eligible - legal entities – on balance	2,726,441,721	52.64
EU Taxonomy Eligible - legal entities – on balance	2,453,027,469	47.36
<b>Total</b>	<b>5,179,469,190</b>	<b>100.00</b>

**Our total EU Taxonomy Eligible exposure to legal entities on balance exposure is 47.36% of total portfolio.**

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# Taking care of a fellow man.

Taking care of people means more than just providing them with what they need. It means recognising the inherent value and potential of all our employees, customers, neighbours and at times even those less fortunate. By enabling them with opportunities, we help them to be successful by their own merits while being authentically themselves. To us, it means we are building a society where its whole potential is never neglected, but always realised.

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## Contribution to the society

The Group contributes towards wider socio-economic development through its Corporate Social Responsibility (CSR) activities and is responsible to its clients, employees, and the social environment. We pay special attention to knowledge and lifelong learning.

Every year, we are striving to increase the share of CSR activities that pursue UN SDG. Our target for 2021 – at least 30% of all CSR activities in every bank member should be aligned with UN SDG – was achieved, even more, some member banks even exceeded it.



A world full of heart is a world full of opportunities

### Humanitarian activities

#### A world full of heart is a world full of opportunities

Our world is much more beautiful and colourful when we stand by each other and compassionately create new opportunities. That is why we made donations in each of the markets where we operate that promote inclusion whether to children, the elderly, or both.

In Slovenia, NLB d.d. donated to two humanitarian organisations, Botrstvo and Humanitarček, which will enable 200 disadvantaged children the opportunity to develop their talent and provide 21,000 hot meals to elderly people living below the poverty line.

NLB Banka Beograd and Komercijalna Banka Beograd supported Centre for youth integration SOS Dečija sela, a non-governmental, humanitarian, and non-profit organisation that has been working to improve the quality of life of children and youth without parental care.

As it has been a tradition for the past years, NLB Banka Sarajevo supported the Home for Children without Parental Care Tuzla, whereas NLB Banka Banja Luka focused on both youth and the elderly by providing 500 children with disabilities and socially endangered families with New Year's presents, and 500 seniors from elderly centres with Christmas lunch and bedding.

NLB Banka Podgorica's donation supported Rights centre for children - a non-governmental organisation that is helping children towards stronger participation in the decision-making process and ensuring their voices are heard. NLB Banka Prishtina also decided on double donation. The first went to the National Autism Association in Kosovo (ANAK), and the second donation was donated to the Ideas Partnership, an organisation that works mainly with Roma, Ashkali, and Egyptian communities in the field of education, health, social work, and the environment.

In addition, NLB Banka Skopje also decided to support both children and the elderly by donating to a daycare centre for the elderly in Skopje, and the Foundation for Educational and Cultural Initiatives Step by Step, Project "Be IN, Be

Inclusive, Be Included," that strives to improve the educational opportunities for children with disabilities and contributes to the development of an inclusive non-segregated primary education subsystem.

### Promotion of entrepreneurship

#### Understanding small entrepreneurs' challenges - #HelpFrame project continued in 2021

The Group's socially responsible actions have been continuously upgraded with projects that follow the UN Sustainable Development Goals. The Group's first such regional project was launched in spring 2020. The corona crisis has closed the door to many dreams in the previous years. That is why we decided to give a glimmer of hope with the #HelpFrame project for another year in 2021. The project is our way to give a helping hand to local small entrepreneurs who have been most affected by the situation in recent years. As part of the campaign, we donated advertising space to **73 selected entrepreneurs in Slovenia, and 258 in whole NLB Group**. Last year's participants were invited to become ambassadors of this year's project and to share their positive experiences in the #HelpFrame.

### Care for environment

#### Expansion of Organic Farming

Komercijalna Banka, as a new member of the Group, joined NLB Banka Beograd for the first time in the organisation of the 10<sup>th</sup> anniversary of the Organic competition. Over the years both banks have been the absolute leaders in the payment of subsidised loans for farmers – both in number and amount and this why **a record number of 83 received projects** in the field of organic production and processing was an outstanding result. Most of them were from the field of fruit-growing, but there were also very interesting projects related to the production of natural cosmetics, as well as renewable production without waste. It was with great pleasure to witness the expansion of organic farming and processing and award top 10 projects with a total of more than 40,000 EUR.

#### Planting trees, reducing paper, & recycling

NLB Group is focused on digitalization of services that also affect the reduction of paper usage and environmental

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protection. Digital platforms play significant role on saving paper that is spent while providing services to customers in the bank branches, therefore, equipping customers with digital services such as e-banking and m-banking reduces the usage of paper, thus saving trees. As a result, by using digital services our customers not only save their time, but they also contribute to reducing the Group's carbon footprint.

With this in mind, we also organised a special project across the Region. NLB Banka Prishtina made an investment in public parks for every new digital user. As part of the "To Love and Protect Nature" initiative, NLB Banka Prishtina planted 123 trees in the Velania Memorial Park. NLB Banka Sarajevo organised ecological activities with young students, employees, and local ecological organisations to plant trees in the region of Tuzla and Sarajevo. Employees of NLB Banka Banja Luka decided to give back to nature, what they used from it and voluntarily planted 343 trees – the amount of paper used in the past year. NLB Banka Podgorica provided help in solving the severe repercussions left by fires during the dry summer months. They founded a volunteer club in the bank and donated one tree for each of our employees to provide revitalisation of the Gorica forest park in Podgorica and therefore preserving the "lungs of the city." On the World Cleanup Day, the NLB Skopje for the first time in cooperation with the recovery organisation Pakomak, and organised an internal action for its employees. They cleared old and unnecessary administrative paper, which accounted for 600 kg of paper, then sent it out for recycling.

We did not, however, only put our energy into paper recycling. The 10<sup>th</sup> anniversary of the project "NLB Month of Savings" was focused on challenge for collecting old plastic bottles in the elementary schools throughout the country. The action was realised in cooperation with recovery organisations and public utility companies that were in charge of measuring the collected waste and transport to the collective centres for storage and recycling. Seventy schools participated in the action, thus collecting 10 tonnes of plastic, whereas one tonne translates to 7,200 kilowatt hours of electricity saved.

## Inclusiveness and integrity

### Helping young families with housing issues

Last year, Komercijalna Banka and NLB Banka Beograd joined NLB d.d. campaign of paying off housing loans, during which we rewarded 300 young people in Serbia and 100 in Slovenia who realised housing loans with a few free monthly instalments. This action is also part of a broader regional initiative of the Group, which aims to support young people to solve the housing issue and motivate them to continue building their lives in our region. This action is based on the idea that young people are a pillar of the sustainable future of our region, and that is why it is important to support their decision to continue living and create positive changes at this point on the map, which is home to all of us. By investing in their future, we are making a big investment in a better future for each of us.

### Inclusion of vulnerable groups with the help of digitalization.

NLB Skopje was the first bank in the country that made significant improvements to the functionality of its NLB mKlik application, making the app available for use by the visually impaired people. The application is adapted to be readable for the "built-in voice reader" functionality by being installed on the user's mobile phone. In this way, the visually impaired clients can have uninterrupted access to all their accounts, to perform all banking transactions, to update their data, to apply for mobile credit – simply and digitally thanks to the voice guide. This functionality, which is unique on the market, contributes to raising the quality of life of the visually impaired, enabling independent use of banking services at any time and any place.

## Support for professional and youth sports

### Enabling youngsters to spend quality time with peers

This year, the support of Youth Sports was carried out in three banks. Besides NLB d.d., also NLB Banka Skopje, and NLB Banka Sarajevo. NLB supported 42 sports clubs throughout Slovenia for the sixth consecutive year. We continue to pursue the development of youngsters in sports clubs and gave them the opportunity to spend quality free time with their peers. We supported children in sports clubs involved in disciplines that we also support on a professional level: skiing, handball, football, and table tennis.

Additionally, NLB Podgorica continued to support the best sports results by cooperating with their most trophy-winning basketball club, a participant in the **Aba League and Euro cup**.

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## Protection of cultural heritage

### Bankarium, the Slovenian Banking Museum

Saturday, 19 June 2021 was a special day for NLB and for Slovenia. On this day, NLB handed over Bankarium, the Banking Museum of Slovenia to the public. It is the first and only banking museum in the country and NLB founded it because, as our CEO, Blaž Brodnjak puts it “our tradition based on people, banking knowledge, and culture reach way back, more than 200 years old when the first banking institution – Carniola Savings Bank was established in 1820.”

The decision was adopted following the Sustainable Development Goal number 11 (*Make cities and human settlements inclusive, safe, resilient, and sustainable*) with the target to strengthen efforts to protect and safeguard the world’s cultural and natural heritage.

Visitors first walk into a 5,000-year-old history of world banking in a multimedia introduction. Then, they explore the 200-year-old banking heritage in the Slovenian territory. They can see all the currencies that were valid here during this period and check their purchasing power. Three different economic systems and major banking institution are explained, as well as key personalities of Slovene banking system. Among the bank practices, many will be attracted by bank counters from different periods, a rich collection of piggy banks, and even the interior of an ATM. Visitors will also be able to enter the bank vault, and in the end they can immerse themselves in the 3D VR application of modern mobile banking experiences.

## Increasing financial literacy

Bankarium, the banking museum of Slovenia, is not just a museum – it is also a financial literacy centre. Walking through six stages of personal finance management, visitors can play digital games and quizzes, and learn or check their financial literacy in a playful way. We are very excited to see that the centre is widely accepted and enjoyed by school groups, with which we have great influence in knowledge transfer to future generations.

In 2021, NLB Podgorica also supported the spread of financial literacy and expanded their role in society. They organised training courses to educate younger elementary school students about the importance of saving and having a healthy attitude towards money.



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# Our people

## Care for employees

The Group is continuously strengthening its HR practises based on feedback from reputable institutions and benchmarks with best-in-class HR practises. NLB d.d. was recognised as a **‘Top Employer’** by the Dutch Top Employer Institute for already the **7<sup>th</sup> consecutive year**, demonstrating a high level of expertise and contribution in all relevant HR areas. Through this achievement, we are continuing to ensure an even more stimulating work environment throughout the Group in the future.

### Health and safety

The occupational Health and safety management system in NLB has been implemented and follows all legal requirements based on occupational health and safety regulations.

In accordance with the legislation on health and safety at work and our internal Safety Statement, risk assessment is carried out according by a set methodology and on-site inspection of workplaces. Regular trainings in safety and health at work are provided to our employees alongside with appropriate personal protective equipment and its periodic inspection (where necessary). NLB keeps records of injuries at work, which include research of every injury and the adoption of measures to reduce the occurrence of injuries.

In addition to the technical risk assessment, a health risk assessment is also performed. Through joint measures, we provide employees the safest and healthiest jobs possible.

All employees are obliged to:

- inform their immediate supervisor of any deficiencies and irregularities in their workplaces and in the work environment that could endanger their safety and health.
- if an immediate danger to the safety and health of the employee is identified, the employee must stop working. The employee must inform his/her superior, who must take care to eliminate the danger.
- the employee does not return to such a position until the danger has been eliminated.
- all employees are duly informed about possible hazards on their workplaces and acquainted with procedures in case of eventual hazardous event.
- employees are provided with regular training (first aid, firefighting, evacuation) and regular preventative medical examinations.

The Worker’s council is also actively engaged in preparation of the Safety declaration with a risk assessment. It gives initiatives and poses questions related to the field of safety at work. Additionally, one of the bodies of the Worker’s council is the Occupational Safety and Health Committee, whose role is to propose initiatives, improvements and raises eventual questions to competent departments in the NLB.

The year 2021 was again marked by pandemic, and the challenges it brings from health & safety perspective as well as its impact on the working environment. The situation of COVID 19 strongly changed what we could offer our employees. We made sure we followed individual country’s COVID-19 regulative instructions and protocols, as well as additional best practices to protect the health of our employees. To protect them and their loved ones as much as possible and prevent the spread of virus, we have enabled employees to work from home. We began to introduce work from home in some places even before the declaration of the epidemic. **On average, 32% of the employees in NLB Group worked from home on a daily basis.** We gave all technical support to our employees as a priority and provided work tools (computers with access to the banking environment and mobile phones).

Please note, that in 2021 there was zero fatalities or high-consequences work-related injuries. We recorded 10 minor injuries, which consist of fall and slip. During our regular workplace risk assessment, we did not identify any high-risk workplaces.

Throughout the year, we offered employees numerous trainings for health protection. In addition to measures mentioned above, short guidelines on healthy habits were regularly published on the NLB internal website.

### Development of employees

The pandemic situation has changed the way we learn and train. We now provide majority of our trainings online. In 2021, we introduced and enabled access to **Udemy for Business** to half of the employees and with it access to more than 7,000+ online courses from many different subject areas. Besides excessive investment in trainings in areas of Banking & Finance and Sales and Compliance, we put a strong focus on **Leadership and Personal development trainings**, especially how to tackle the challenges of remote work. We also paid special attention to skills and initiatives that will shape our future and therefore trained our employees in areas of:

- Data management,
- IT development and operations skills, and
- Sustainability.

We are also actively working on the development of so-called “Social Learning,” which includes forms of learning in the workplace such as: **mentoring, coaching, rotation between different organisational units and peer coaching.** Employee development includes planning and training for skills and competencies development.

The purpose of development activities is to train employees to achieve business goals and thus meet their personal expectations, and at the same time act socially responsible to all stakeholders. Through targeted learning and training, the NLB Group systematically changes its organisational culture, helps to develop new business practices, and strengthens the NLB brand. **In 2021, an employee in the NLB Group on average spent 20.4 hours on training. A total of 54,441 attendees took part in 1,463 training programmes.**

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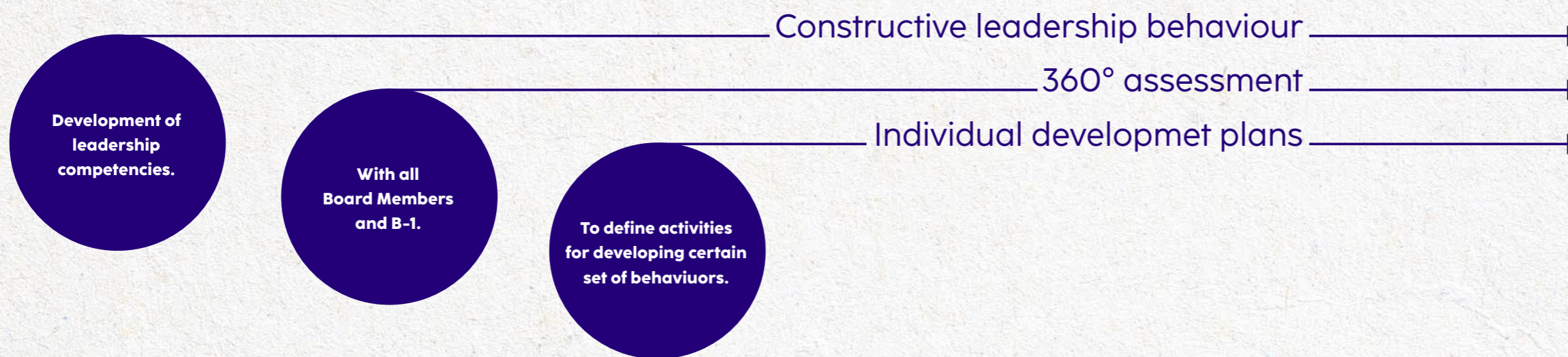


**Table:** Training programmes and attendees by training areas.

Training area	# Of training programmes	# Of attendees
Banking & Finance & Accounting & Compliance	440	36,334
Data science	97	2,525
Development (IT)	100	169
IT Operations	105	169
Leadership & Management	95	681
Marketing & Design (UX)	66	166
Personal development	240	1,433
Project management & Operations & Office productivity	142	5,953
Sales	60	2,145
Social responsibility & ESG	20	384
Workplace & Human resources	98	4,482
<b>Total</b>	<b>1,463</b>	<b>54,441</b>

## Development of leadership skills

Employees at different levels of management are involved in the development of their leadership skills, and we pay special attention to those who are in the position of a leader for the first time. The development of leadership skills is designed modularly, where the contents are meaningfully upgraded, and during the implementation of individual modules a certain period elapses in which the theory is transferred into practice. We pay attention to the developmental needs of individuals through mentoring, coaching, peer coaching, and rotation.



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## Talent development

In NLB Group, we have put special emphasis on leading the growth and development of our high potentials. We have implemented a common **Talent management strategy** and process and with the input of managers identified high potentials – leadership, professional, young talents, and successors for managerial positions. To support their growth, we are providing them with additional opportunities, knowledge and skills needed to manage and lead challenges of the future.

## Attracting talent

Aiming to attract top talent throughout the region we have started to actively develop our Employer brand in line with the corporate strategy and development. We have reviewed and analysed existing practices and impressions from the internal and external public, performed an internal and external survey, interviews, and multiple focus groups to identify the relevant employer value proposition. This will help us improve relevant areas and bring us closer to current and future employees.

To strengthen the perception of NLB Group as the digital transformation leader in the region and to attract top talent into our ranks, we have also organised **two very successful NLB Hackathons (Topics: Data Science and Open Finance)**.

## Developing organisational culture

Organisational culture is an important driving force of company development and employee well-being. Measurement of organisational culture has given us the roadmap to grow and further enhance constructive organisational styles. Involving employees from all backgrounds, areas and levels in focus groups has given us in-depth insights on the actions that need to be taken next to ensure even higher engagement and success.

## Promoting local and international career development

By systematically focusing on talents and other key employees, we try to enable them career development they want to pursue, and at the same time encourage them to gain experience and develop their careers in other banks of the NLB Group. In addition to long-term transfers, we also support the short-term transfer of knowledge and rotation in the Group. To enable these transfers, we adopted internal **Policy of Mobility within NLB Group** that will be implemented in entire NLB Group in first half of the year 2022.



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# Remuneration system

## For an employee working in the companies within the Group, salary is composed of:

### Fixed part

Determined according to the complexity of the work for which the employee has concluded a contract of employment.

### Variable part

Depends on the employee's performance for reaching set goals.

Employees are awarded:

- quarterly or half-yearly compensation and
- annual rewards related to the business performance of the bank in which they work.

Performance assessment is done by the head of the employee's organisational unit using a top-down approach to evaluate the employee's achievements in relation to goals set for a particular assessment period (quarter or half-year). The goals are set according to the 'SMART' method, meaning that they must be specific, measurable, achievable, relevant, and time bound.

### Regulatory changes

In the area of employee's remuneration, some legal changes were introduced in 2021, namely amendments to the Banking Act (ZBan-3) and the Companies Act (ZGD-1), which stipulated, among other things, that the Remuneration Policy of members of the Supervisory Board of NLB d.d. and members of the Management Board of NLB d.d., should be submitted for voting to the General Meeting of Shareholders. Thus, in December 2021, the Remuneration Policy was submitted to the General Meeting of Shareholders for a vote.

### Remuneration policy for members of the Supervisory Board of NLB d.d.

Members of the Supervisory Board may, in relation to their function of a member of the Supervisory Board, only receive remuneration that is compliant with the relevant resolutions of the Bank's General Meeting.

The Supervisory Board members are entitled to a remuneration for performing their function and/or attendance fees for their membership in the Supervisory Board of the Bank and the committees of the Supervisory Board of the Bank, and to reimbursement of other relevant expenses and costs.

### and member of the Management Board of NLB d.d.

Members of the Management Board receive remuneration consisting of a fixed part of the salary and a variable part of the salary. The amount of the variable part of the salary of a member of the Management Board depends on the achievement of the financial goals of the NLB Group, achieving financial goals in the areas within the competence of this member of the Management Board and personal goals. So, the objectives defined are intended to achieve long-term value creation and sustainable results and combine financial objectives with environmental, social and management objectives.

### Remuneration policy for employees in NLB d.d. and in NLB Group

In 2021, a new Remuneration Policy for employees in NLB d.d. and in the NLB Group was adopted, where the basic principles represent the framework for rewarding employees in NLB d.d. and the NLB Group and has also been implemented in all members of the NLB Group. The remuneration policy defines fixed and variable remuneration, the goal-setting system and performance criteria (KPIs) and sets out the conditions for the allocation and payment of the variable part of remuneration.

### Pay-out of a variable part of salary in 2021

Given the situation caused by the coronavirus pandemic and due to restrictions imposed by the Bank of Slovenia in 2020, the Bank was not able to take any decision on the allocation and payment of variable remuneration of employees performing special work until April 2021. After expiration of the restrictions the bank was able to pay out the non-deferred part of variable remuneration for 2019 (monetary part) and the deferred part of the variable remuneration for 2016 and 2017 according to the Remuneration Policy.

In line with the expectations regarding the financial results of the NLB Group for 2020, considering the circumstances related to the COVID-19 epidemic, the letter from the President of the ECB Supervisory Board and the amount of accrued funds for remuneration, the Bank assessed risk based on KPI's and KRI's objectives and remuneration policy criteria.

Accordingly, the Bank decided to make a preliminary adjustment of the variable part of the salary to employees performing special work for the financial year 2020 and reduced the corresponding variable part of remuneration of an employee performing special work.

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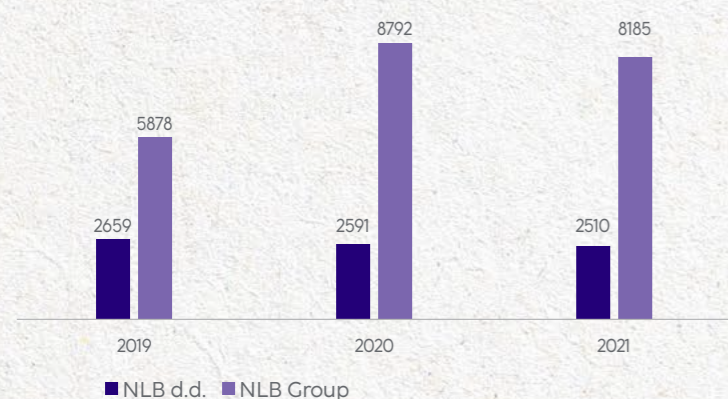


# Employment, diversity, and equal opportunity

## Number of employees

The Group continued with optimisation of processes and right sizing its staffing level. Due to the acquisition of Komercijalna Banka, Beograd and its subsidiaries in December 2020, the number of employees at the 2020 YE rose to 8,792, but has downsized throughout the year to reach 8,185 at the 2021 YE.

year	NLB d.d.	NLB Group
2019	2659	5878
2020	2591	8792
2021	2510	8185

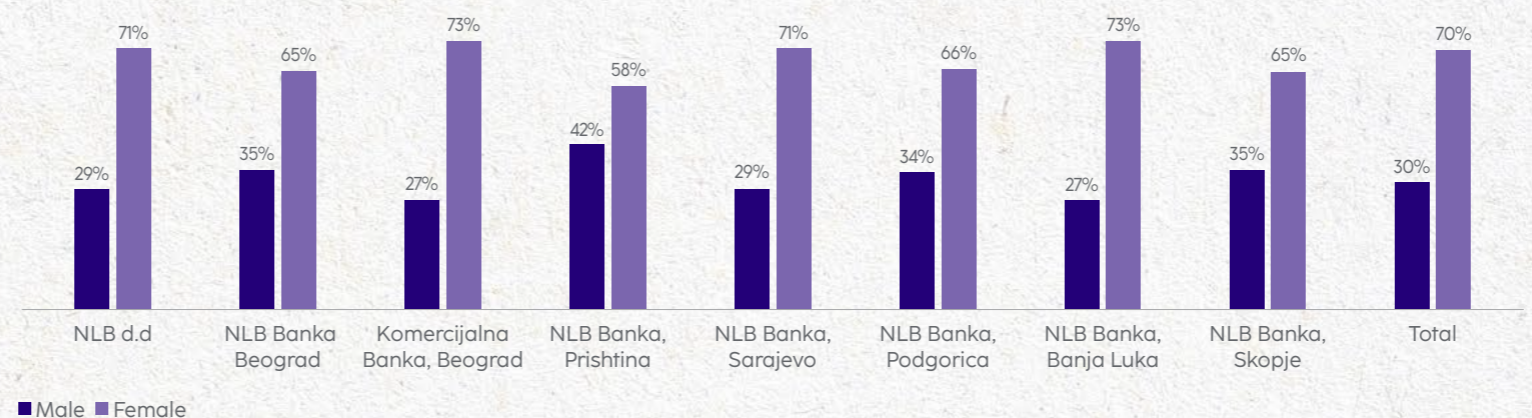


Graph 1: Number of Employees in NLB Group.

## Employee structure by gender

At the end of 2021, NLB Group employed 70% women and 30% men.

Group Member	Male	Female
NLB d.d.	29%	71%
NLB Banka, Beograd	35%	65%
Komercijalna Banka, Beograd	27%	73%
NLB Banka, Prishtina	42%	58%
NLB Banka, Sarajevo	29%	71%
NLB Banka, Podgorica	34%	66%
NLB Banka, Banja Luka	27%	73%
NLB Banka, Skopje	35%	65%
<b>Total</b>	<b>30%</b>	<b>70%</b>



Graph 2: Employee structure in NLB Group members by gender at the end of 2021.

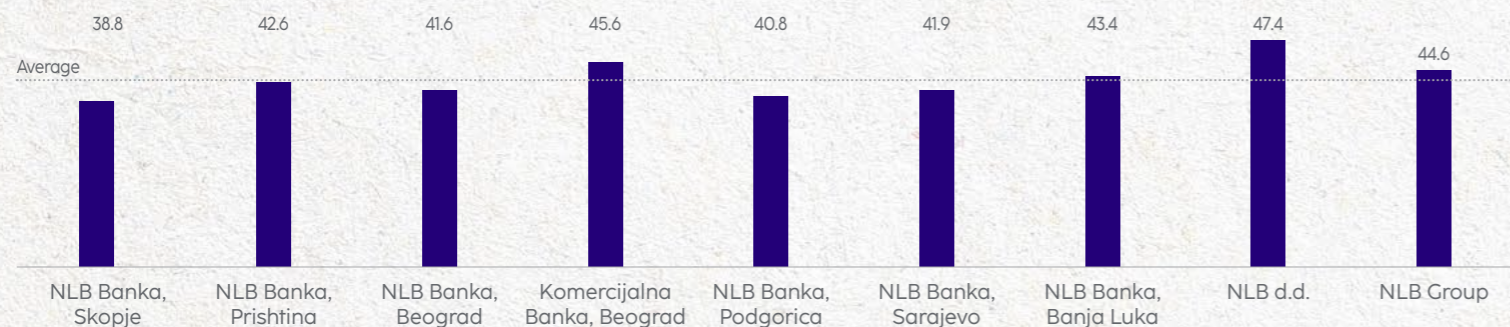
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## Average age of employees

Average age of employees in NLB Group stand at 44.6 years.

Group Member	Average Age on 31.12.2021
NLB Banka, Skopje	38.8
NLB Banka, Prishtina	42.6
NLB Banka, Beograd	41.6
Komercijalna Banka, Beograd	45.6
NLB Banka, Podgorica	40.8
NLB Banka, Sarajevo	41.9
NLB Banka, Banja Luka	43.4
NLB d.d.	47.4
<b>NLB Group</b>	<b>44.6</b>



Graph 3: Average age of employees in NLB Group by members at the end of 2021.



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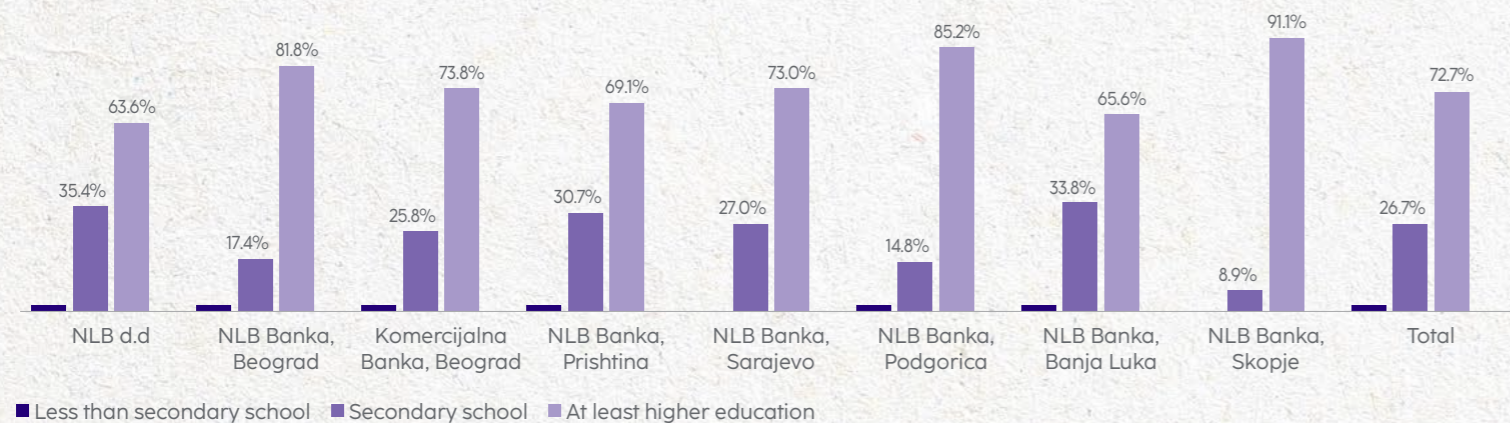
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## Structure of employees by education

In NLB Group, almost 73% of the employees have a tertiary education level.

Group Member	Less than secondary school	Secondary school	At least higher education
NLB d.d.	1.0%	35.4%	63.6%
NLB Banka, Beograd	0.8%	17.4%	81.8%
Komercijalna Banka, Beograd	0.5%	25.8%	73.8%
NLB Banka, Prishtina	0.2%	30.7%	69.1%
NLB Banka, Sarajevo	0.0%	27.0%	73.0%
NLB Banka, Podgorica	0.0%	14.8%	85.2%
NLB Banka, Banja Luka	0.6%	33.8%	65.6%
NLB Banka, Skopje	0.0%	8.9%	91.1%
<b>Total</b>	<b>0.5%</b>	<b>26.7%</b>	<b>72.7%</b>



Graph 4: Structure of employees by education level in NLB Group at the end of 2021.



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## Structure of new employees by gender and age

In 2021, NLB Group hired 361 of new employees, of which 29.9% were younger than 30 years, 66.5% were between 30 and

50 years old, and 3.6% were older than 50 years. Altogether, 38.5% of the newly employed were men and 61.5% women.

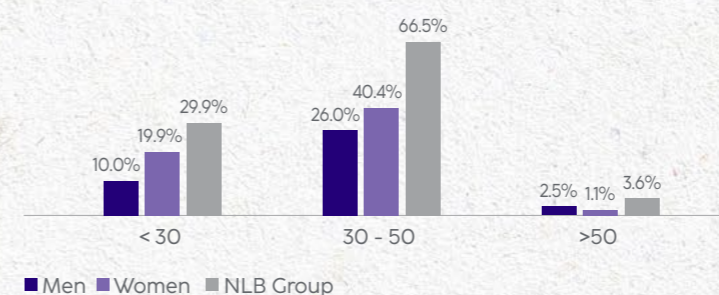
New Hires	Age Group	Men	Women	NLB Group
	< 30	10.0%	19.9%	29.9%
	30 - 50	26.0%	40.4%	66.5%
	> 50	2.5%	1.1%	3.6%
<b>NLB Group</b>	<b>NLB Group</b>	<b>38.5%</b>	<b>61.5%</b>	<b>100.0%</b>

## Structure of departures by gender and age

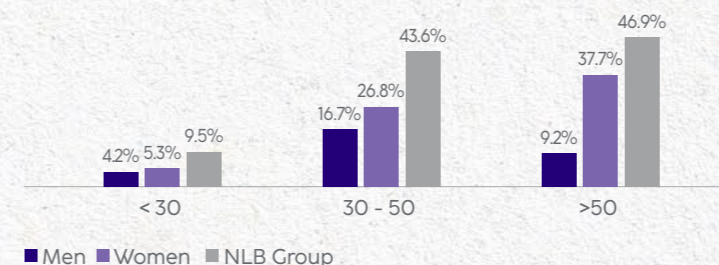
In 2021, 693 employees left the NLB Group. Of these, 9.5% were under 30 years of age, 43.6% between 30 and 50 years of age

and 46.9% over 50 years of age. Among those who left, 30.2% were men and 69.8% were women.

Departures	Age Group	Men	Women	NLB Group
	< 30	4.2%	5.3%	9.5%
	30 - 50	16.7%	26.8%	43.6%
	> 50	9.2%	37.7%	46.9%
<b>NLB Group</b>	<b>NLB Group</b>	<b>30.2%</b>	<b>69.8%</b>	<b>100.0%</b>



Graph 5: Structure of new employees in NLB Group by gender and age in 2021.



Graph 6: Structure of departures in NLB Group by gender and age in 2021.

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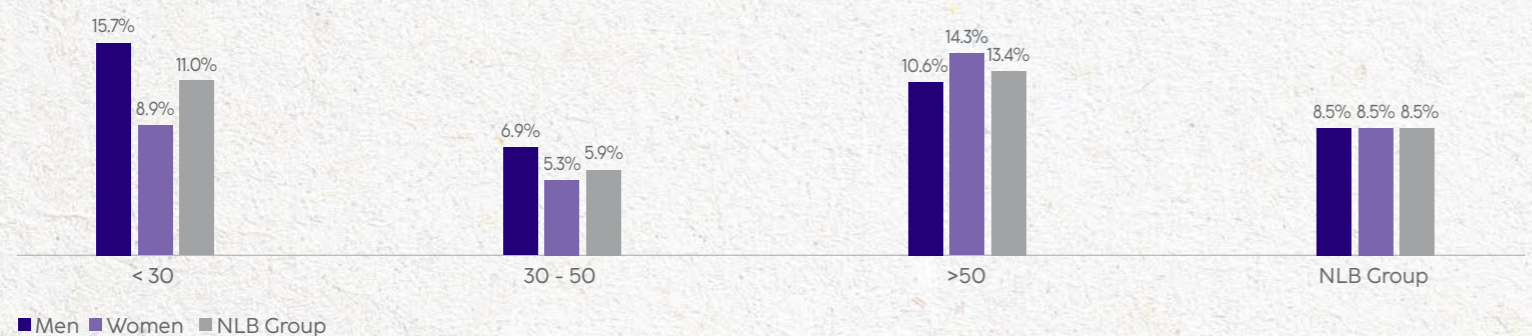
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## Structure of employee turnover by gender and age

In 2021, an overall turnover of employees in NLB Group stood at 8.5% (unwanted 1.5% and wanted 7%).

TURNOVER	Age Group	Men	Women	NLB Group
NLB Group	< 30	15.7%	8.9%	11.0%
	30 - 50	6.9%	5.3%	5.9%
	> 50	10.6%	14.3%	13.4%
	<b>NLB Group</b>	<b>8.5%</b>	<b>8.5%</b>	<b>8.5%</b>

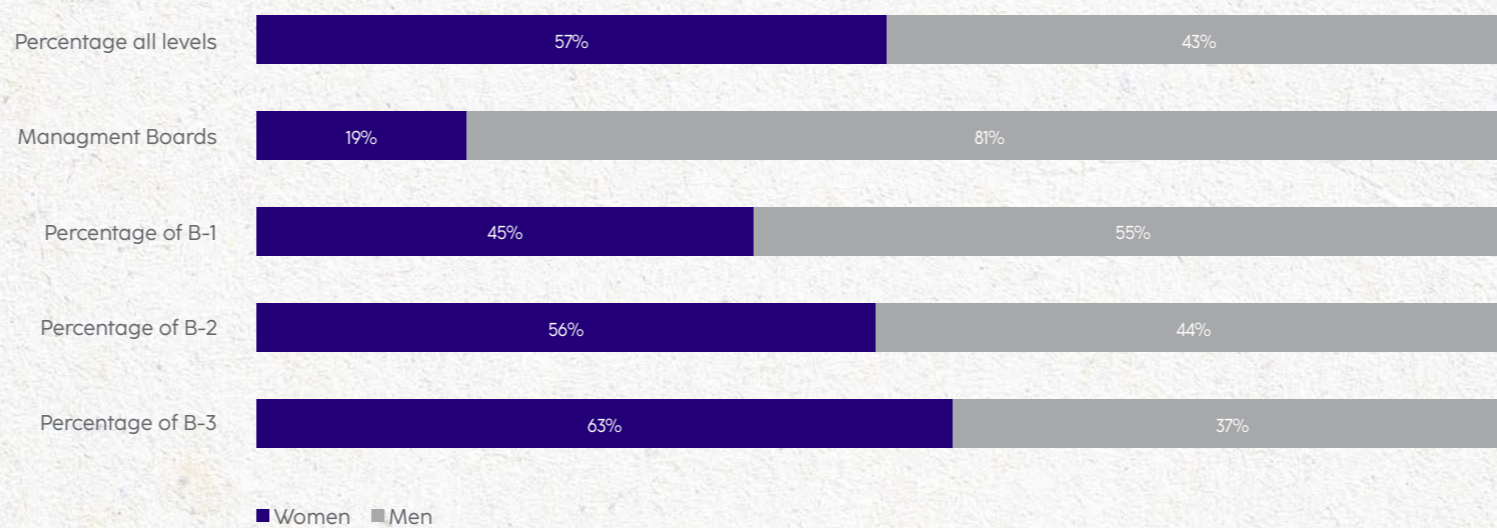


Graph 7: Structure of employee turnover in NLB Group by gender and age in 2021.

## Equality & Inclusion

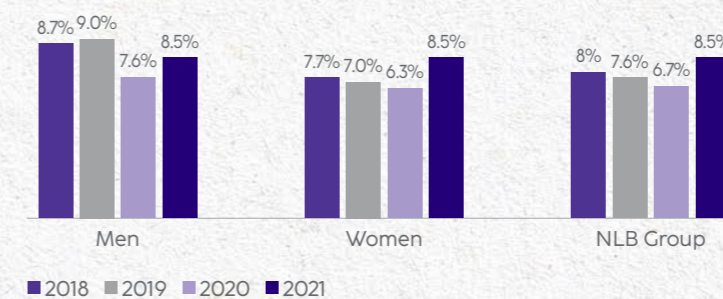
At the end of 2021, women represented 57% off all management positions. There were 19% of women in Management Boards, 45% of women at the first management level (B-1), 56% of women at the second management level (B-2), 63% of women at the third management level (B-3). In 2021, the proportion of staff with disabilities stood at 1.5%.

Management Level	Women	Men
Percentage of B-3	63%	37%
Percentage of B-2	56%	44%
Percentage of B-1	45%	55%
Management Boards	19%	81%
Percentage all levels	57%	43%



Compared to 2020, the turnover rate in 2021 increased by 1.8% (0.9% compared to the year 2019).

	Men	Women	NLB Group
2018	8.7%	7.7%	8.0%
2019	9.0%	7.0%	7.6%
2020	7.6%	6.3%	6.7%
2021	8.5%	8.5%	8.5%



Graph 8: Employee Turnover in NLB Group in the period of 2018 to 2021.

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## Diversity

The policy on the provision of diversity of the management body and senior management sets the framework in the area of diversity and representation of both genders in the management and supervision bodies (Supervisory Board and Management Board) and the senior management, and lays down the process of the selection and appointment of candidates, which enables the management body to be

composed in such manner that, as a whole, it possesses suitable knowledge, skills, and experience needed for in-depth understanding of the strategy and challenges of the Bank, and the risks to which the latter is exposed. With this Policy, the Bank also sets the framework for diversity regarding education, the range of knowledge, skills and experience, age, gender, and international experience.

**Table:** Review of management bodies and Senior management in 2021 and plan for 2022

	Supervisory Board of NLB d.d.		Management Board of NLB d.d.		Senior Management od NLB d.d.	
	2021	Plan for 2022	2021	Plan for 2022	2021	Plan for 2022
A wide range of knowledge, skills and professional experience	H	H	H	H	H	H
International experience of the members in different areas	H	H	H	H	MH	MH
Age structure	20-30 = 0	0	20-30 = 0	0	20-30 = 1	1
	30-40 = 0	0	30-40 = 0	0	30-40 = 5	5
	40-50 = 1	1	40-50 = 3	5	40-50 = 19	19
	50-60 = 8	6	50-60 = 0	1	50-60 = 13	13
	60+ = 3	5	60+ = 0	0	60+ = 0	0
Share of women	42%	42%	0%	16.7%	45%	45%

H-high MH-medium high ML-medium low L-low



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## Our people in numbers

Category	Value	Additional information
Share of senior management at significant locations of operation that are hired from the local community.	<p>86% Republic of Slovenia            99% Republic of Serbia            100% Republic of Kosovo            100% Federation of Bosnia and Herzegovina            98% Montenegro            100% Bosnia and Herzegovina            100% Republic of North Macedonia</p> <p>*Local = countries of operations of NLB Group</p>	<p>The recruitment procedure: If NLB evaluates that the pool of talents does not provide a suitable candidate for the vacant senior management position, NLB prepares the tender invitation. * The invitation is published on the Bank's website and on the premises of the National Employment Office. Among the registered candidates there are several selection interviews and selection tests carried out. Fit &amp; Proper rating is also involved. The selected candidates are employed at the bank for an indefinite period with 6 months' probation period.</p> <p>*Senior management: General Managers directly subordinated to Management Board (B-1), the directors that are subordinated to B-2 level General Managers, other employees, who have an individual contract of employment (Advisor, Deputy Director, Head of Unit)</p>
Total number and rate of new employee hires during the reporting period, by age group, gender and region.	<p>NLB d.d.: In total 135 of new employees in 2021, 38 (28%) were younger than 30 years, 94 (70%) were between 30 and 50, 3 (2%) employees were older than 50            129 (95.6%) were employed from Republic of Slovenia.            NLB Group: In total 361 of new employees in 2021, 108 (30%) were younger than 30 years, 240 (66.5%) were between 30 and 50            13 (3.5%) employees were older than 50            98% of new hires are coming from local community; 38.5% men and 61.5% women.</p>	
Total number and rate of employee turnover during the reporting period, by age group, gender, and region.	<p>NLB: In total, 216 employees departed from NLB d.d. in 2021.            NLB Group: In total, 693 employees departed from NLB Group in 2021</p>	<p>In total, 216 employees departed from NLB d.d. in 2021. Fifteen (7%) were younger than 30, 59 (27%) were in the age between 30 and 50 and 142 (66%) employees were older than 50 years old.</p> <p>In total 693 employees departed from NLB Group significant members in 2021. 66 (9.5%) were younger than 30, 302 (43.6%) were in the age between 30 and 50 and 325 (46.9%) employees were older than 50 years old. Thirty per cent were men and 70% were women.</p>
Benefits provided to full-time employees that are not provided to temporary or part-time employees	<p>Promote and protect the rights, obligations and responsibilities arising from the employment relationship are regulated by laws, collective agreements, and internal regulations. All employees have rights as they are determined by law, collective agreements, and internal regulations.</p>	
Total number of employees that took parental leave	<p>NLB Group: 354 employees (320 women, 34 men)</p>	
Total number of employees that returned to work in the reporting period after parental leave ended, by gender.	<p>Some of the employees started parental leave in 2021 and are still using it, they shall return to work in 2022. In general, all employees returned to work after parental leave ended.</p>	

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Minimum notice periods regarding operational changes

The way of cooperation with the Labour unions and the Worker's council is fixed by collective agreements, the Act of workers and management and the Agreement on cooperation between Worker's council and employer. Deadlines for informing the Unions and the Worker's council range from 8 to 30 days. In NLB Bank Banja Luka, organisational changes are communicated before adoption, minimum notice period is not defined.

In Serbia the way of cooperation between the Bank and the Bank's trade unions is governed by the Collective Agreement of the Bank. The union has the right to be notified of issues of importance for the position of employees in accordance with the Law on Labour and other regulations, whereby information is delivered at the request of the Union within 15 days from the date of submission of the application, at least six months and at the end of the business year. The Bank is obliged to review in a timely manner the opinions, requirements, and proposals of the Trade Union Board, which are relevant to the economic and labour-social position of employees and to, as a rule, inform the Union Board in writing about the reasons for not accepting the given opinions, requests and proposals, no later than eight days after the date of receipt. The union is obliged to consider all proposals submitted by the Bank within eight days, and to inform the Bank in writing about the occupied positions.

Average hours of training that the organisation's employees have undertaken during the reporting period.

20.4 hours per employee in the 2021

Type and scope of programmes implemented, and assistance provided to upgrade employee skills.

Internal education (lectures and workshops), e-trainings, external training courses, courses for new employees

Every 3-months HR publishes the list of all instructor-led training programmes for the next period. We also offer constant access to internal e-learning programmes and to Udemy for Business. External programmes are also defined at the beginning of each year in coordination with the business functions, focusing on new trends and needs of the employees through attendance on conferences, summits, trainings, round tables, panels, and lectures

Transition assistance programmes provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

Continuous on-job trainings, internal rotations, internal and external education activities provided to facilitate continued employability

Share of total employees by gender and by employee category who received a regular performance and career development review during the reporting period.

NLB Group: 98% (2% lack is due to Maternity leave, long-term absence, or new employees who weren't present sufficient time of the period to be graded)

The goal of the organisation is that all employees receive a regular performance and career development review.

Share of individuals within the organisation's governance bodies in each of the following diversity categories:

As organisation's governance bodies we consider NLB Management Boards and NLB Supervisory Boards

Gender

NLB d.d.: 33.3% women, 66.7% men  
NLB Group: 22.6 % women, 77.4% men

Age group:

NLB Group:  
Under 30 years: 0  
31-50 years old: 50%  
Over 51 years old: 50%

31 members were older than 50, 31 were between 30 and 50 at the end of 2021.

Percentage of employees per employee category

Under 30 years: 7%  
31-50 years: 56%  
Over 50 years: 37%

The definition used for significant locations of operations

NLB d.d, and significant NLB Group Members

Total number of incidents of discrimination during the reporting period.

3

NLB has a policy of zero tolerance to any form of discrimination and violence. For two incidents no grounds established in the review process and are no longer subject to action. In the third case, the perpetrator was subject to measures under law on labour relations.

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# Respecting human rights

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

In the NLB Group, we expect that all employees, as well as external business partners of NLB d.d. and members of the NLB Group respect human rights, employees' rights, as well as general standards of conduct defined in the NLB Group's Code of Conduct. It defines the values, sets standards and basic rules of ethical business conduct, which the NLB Group respects, promotes, and expects, and applies to all employees, regardless of the workplace or location of work. All employees also receive compulsory training in the field of standards of the Conduct. The effectiveness of the NLB Group Code of Conduct is also part of the regular self-assessment in the field of corporate integrity, an element of which is also the assessment of ethical culture, the effectiveness of the system of prevention of harmful conduct or reports of suspected violations, the tone from the top, the commitment of the bank's management to corporate integrity, etc.

Our values and beliefs support our long-term goal of continuously improving the culture of our daily operations in the countries where the NLB Group is present. In the NLB Group, every employee, regardless of job or location, is required, as well as every other stakeholder in the NLB Group, to live in accordance with the highest standards of integrity in everything they do. The key to achieving these standards of conduct is also the strong culture of business compliance, which the NLB Group implements in practice by the obligatory conduct of all employees in accordance with its policies, rules, and other internal acts and in accordance with all relevant legislation and regulations in legal environments where NLB Group operates.

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

Please note, that there have been no confirmed violations of fundamental human rights vis-à-vis employees and customers, or by external contractors and suppliers and other contractual partners.

### Risks perceived in connection with violations of standards of conduct:

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

### Measures to manage the identified risks:

- Policies and procedures in place and internal control mechanisms to prevent harmful practices of all kinds (including breaches of standards of conduct).
- Regular training of employees and training of target groups in the field of standards of conduct.



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

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

**Zero tolerance and prohibition of any form of mobbing**, as well as practical examples and guidelines for the employees have already been included in the NLB Group Code of Conduct and in Policy of preventing mobbing as ensuring the dignity of employees and providing working environment in which no worker is exposed to maltreatment and sexual or other harassment by anybody implementing the tasks for NLB d.d.

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

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

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

All employees receive **compulsory ethics and integrity trainings** covering standards of conduct. Additionally, employees participate in the Workers' Council and the Trade

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

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

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

The provision of financial services is, *inter alia*, linked to human rights issues and the efforts to make a positive contribution to exercising of human rights – as a financial intermediary for economic activities in general and by offering investment opportunities that contribute to sustainable development (microfinance). **NLB Group observes and guarantees the respect for human rights in banking operations through comprehensive business processes and methodologies for risk assessment.**

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

breaches. The systematic growth of the sales culture is ensured through education, planning, and upgrading of sales communications and management.

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

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## Protection of the privacy of the clients and employees

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

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

### Risks:

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

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

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

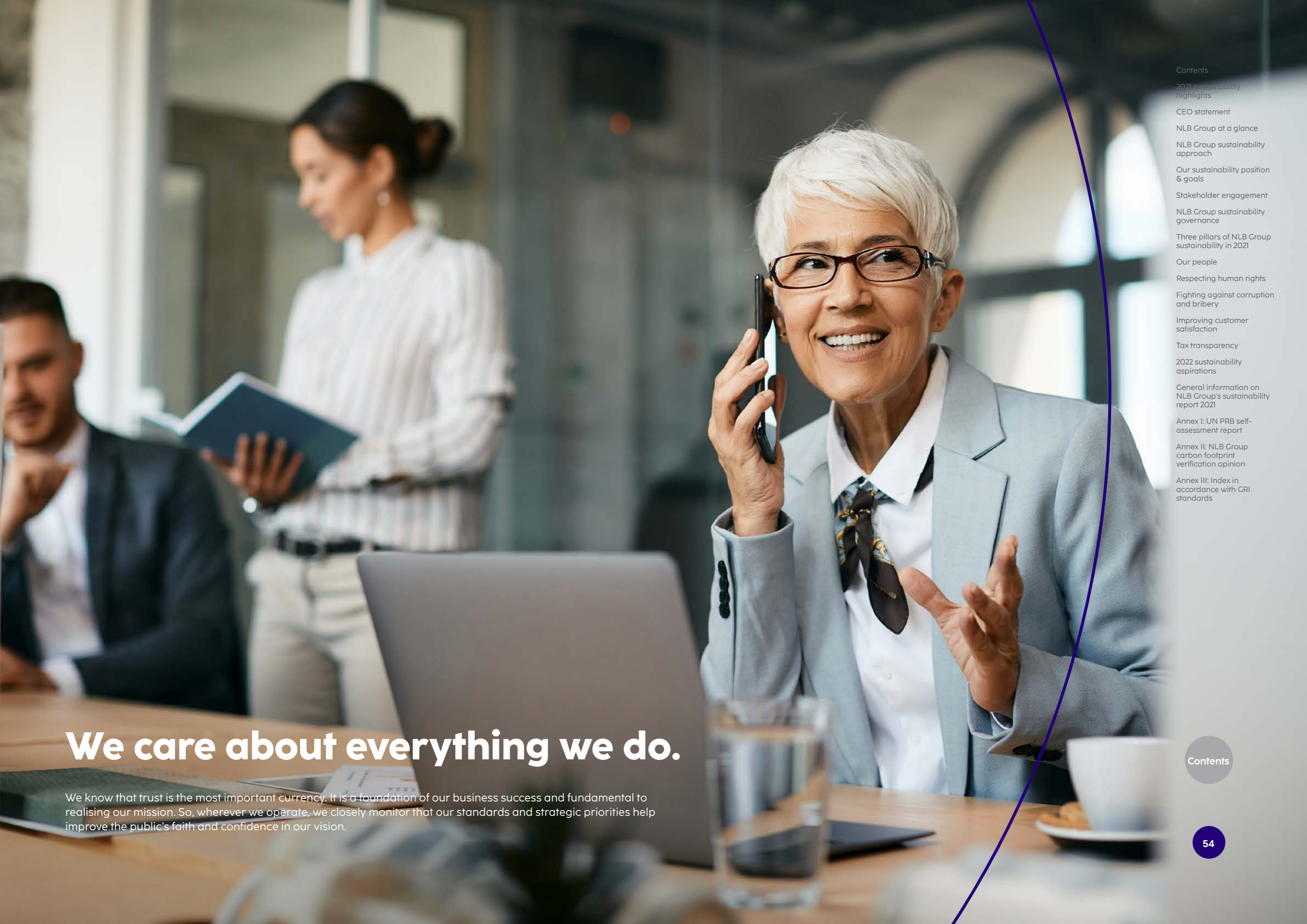
Please note, that **no serious breaches of personal data protection have been confirmed in relation to employees and customers, or by external contractors and suppliers and other contractual partners.**

**Zero tolerance  
and prohibition  
of any form of  
mobbing**

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# We care about everything we do.

We know that trust is the most important currency. It is a foundation of our business success and fundamental to realising our mission. So, wherever we operate, we closely monitor that our standards and strategic priorities help improve the public's faith and confidence in our vision.

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# Fighting against corruption and bribery

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

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

There was **one confirmed incident** of corruption in 2021, when contracts with business partners were terminated or not renewed due to violations related to corruption. Trainings in the field of prevention of corruption and bribery of employees were conducted within the set of trainings in the field of standards of conduct and ensuring integrity.

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

Combined with awareness-raising, established control mechanisms and training in this area, this was a significant progress in the implementation of activities in this area in 2020. Implementation activities continued in 2021, NLB Group also enlarged the scope of awareness-raising, established

control mechanisms and training in this area to small non-strategic members of NLB Group, a lot of effort was put into awareness of the importance of the fight against corruption and bribery also in this small companies.

Based on the **Enterprise Compliance and integrity Risk Assessment (ECRA)** performed at the Group level, the NLB Group did not detect any significant new risks in the field of the fight against corruption and bribery in 2021 as a part of the one already detected in previous assessments. A specific questionnaire (**World Economic Forum model: Good Practice Guidelines on Conducting Third-Party Due Diligence, Partnering against Corruption Initiative – PACI**) is used for this purpose. Nevertheless, the compliance functions carried out awareness-raising activities and a risk culture in connection with this area, the approach to managing these risks in day-to-day operations has also been strengthened, for example by implementing an assessment of these risks in relations with suppliers. Due to its regional presence, the NLB Group is exposed to the risks of corruption in South-Eastern Europe.

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

- Ensuring specific terms in written agreements and/or general terms and conditions with third parties define anticorruption and anti-bribery standards as a minimum requirement for investment.
- Internal control mechanisms, including accounting controls, are in place for anti-bribery and anticorruption area.

- Regular, at minimum annual review, identification, and assessment of risks of conflicts of interest and corruption in the case of external contractors and suppliers and other contractual partners of NLB d.d. and the NLB Group through due diligence processes.
- For the purpose of appropriate identification of such events, various (whistleblowing) channels are established for reporting of suspicions of harmful conduct (internally and publicly available). Procedures and mechanisms are in place to address suspicions of harmful conduct and to take corrective action in the event of a suspicion of corrupt conduct.
- NLB d.d. and the NLB Group have implemented the envisaged measures for the protection of applicants (internal and external) and the manner of who orders them and in what way and with what the protection of the applicant is ensured.
- In 2021, regular annual trainings were conducted for all employees and management of NLB d.d. and members of the NLB Group in the field of corruption and conflicts of interest.

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# Improving customer satisfaction

## Handling complaints

NLB d.d., has in compliance with legislation governing banking and financial services, two-level internal complaint process and two selected out-of-court settlement centres. NLB guarantees to customers complete information on the internal complaint process and the out-of-court settlement of customer claims (IRPS), which contains all necessary clarifications about the complaint-solving methods and procedures.

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

To improve the customer experience in dealing with complaints, we started measuring:

- customer experience in dealing with her complaint (after we solve the complaint the customer is invited to fulfil the survey),
- the average time of dealing with the complaints (our goal is to reduce the time taken to solve a complaint).

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

1. written Instructions for the resolution of customer complaints,
2. two-level internal complaint process (centralized unit, which is responsible for substantive management of the resolution of customer complaints in the member and which is the substantive manager of the instructions for the resolution of customer complaints and acts as the second-instance complaints body),

3. recording of received and solved complaints and the preparation of annual report of customers complaints. Minimal standards are implemented in all banks of the NLB Group.

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

## Net promoter score

One of the key measures for evaluating the NLB's position on the market is NPS (Net Promoter Score). It is measured on scale from -100 to 100 as willingness to recommend the company. For the third consecutive year, NLB has been experiencing the rise of the NPS and reached a positive value in June 2021. Highest NPS was measured in the segment of young clients.

Indicator is influenced by the various activities performed by the NLB, but mostly with the offer, attitude towards clients and perception of NLB in general. One of the best-rated traits of NLB is image of being important for the economic stability which indicates our responsibility for the community in which we operate. Clients also recognise our efforts of digitalisation as a provider of high-quality digital services.



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# Tax transparency

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

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

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

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

When establishing the tax positions, the NLB strives to achieve certainty and implements a conservative policy of assuming tax risks. We optimise taxes only on legally permitted ways.

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

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

## Tax risk management

To assure an effective tax risk management, number of processes are in place such as:

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

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

## FATCA, CRS

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

## Country by Country Reporting (CBCR)

In 2021, NLB Group fulfilled the criteria of EUR 750 million consolidated revenues for the Country by Country Reporting. In accordance with the applicable legislation, NLB will submit the first report for the year 2022 to the Tax Administration by the end of the year 2023. In that report NLB will provide a breakdown of the NLB Group's global revenue, profit before tax, income tax accrued and paid, and some other indicators of economic activities for each jurisdiction in which the NLB Group operates. Nevertheless, most data, which will be included in the CBCR, NLB already discloses in the Annual Report within the segment analysis section.

## Future challenges

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

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# 2022 sustainability aspirations

The Group has committed to sustainability and has been enhancing the management of environmental and social risks of its operations. It also substantially increased the use of digital channels, improved customer experience, and aims to create a flexible local digital ecosystem for offering products and services.

In 2022, the Group intends to delve even deeper into the content and make sustainability more tangible throughout the Group. The resources are shifting towards a low-carbon economy and engaging with customers is key in financing the transition. An important step forward will be done by **expanding the product portfolio** with loans dedicated for supporting energy efficiency measures and renewable energy production and introducing a digital-only card. The Group aims to **support global decarbonization goals** and will consider joining the Net Zero Banking Alliance and aim to expand the Group's measurements of emissions to full Scope 3. Implementation of climate-related and environmental risk management will **continue to follow ECB and EBA guidelines**. Moreover, participation in ECB climate-risk stress test exercise will provide additional important insights, which will surely have an effect on further adaptation of the existing Group's business model. Effective integration of sustainability-related regulatory requirements will be important in 2022 for **ESG disclosures and reporting** (e.g., EU Taxonomy, Pillar III). Being aware of the market needs, the Group plans to make required steps in order to obtain the first ESG rating. However, all of the above mentioned cannot be achieved without **highly motivated and adequately skilled teams**, hence relevant trainings will be an important part of the working agenda.



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# General information on NLB Group's sustainability report 2021

Note that the NLB presents its sustainability report on an annual basis. The reporting period of NLB Group Sustainability Report equals to the reporting period of financial reporting, namely January 1<sup>st</sup> – December 31<sup>st</sup>. The reporting period of NLB Group Sustainability report 2021 is January 1<sup>st</sup>, 2021 – December 31<sup>st</sup>, 2021. No restatement to the previous reporting period (January 1<sup>st</sup>, 2020 – December 31<sup>st</sup>, 2020) has been done.

NLB Group Sustainability report 2021 is not subject to external assurance, however, it has been confirmed by the Group's Management Board, as well as the highest governance body in the Group – Supervisory board. Independent external assurance of the Sustainability report is envisaged for the next year.

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



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# Annex I: UN PRB self-assessment report

This self-assessment report is prepared based on the UNEP FI PRB template.



## 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.

## Reporting and Self-Assessment Requirements

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

## High-level summary of bank's response

The Group, headquartered in Ljubljana, is one of the largest banking and financial groups in Slovenia, with a strategic focus on selected countries in South-eastern Europe (Bosnia and Herzegovina, Serbia, Montenegro, the Republic of Kosovo, and Northern Macedonia). The Group's presence on a 17 million people large market consists of 450 branches providing services to almost 2 million active clients. The Group is comprised of the leading and systemically most important bank in Slovenia, NLB d.d., seven subsidiary banks in SEE, several companies providing ancillary services (asset management, real estate management, leasing etc.), and a limited number of non-core subsidiaries in a controlled wind-down. The Group

utilises a universal banking model and supports its clients through retail, corporate, and investment banking services.

In **Retail Banking**, the Bank is striving to get closer to its clients through anchor products and by offering personalised digital services to suit their lifestyle, like digital channels which are available 24/7. If customers wish to do business traditionally and stay in personal contact, the Bank continues to be present through its branch offices and the new mobile branch. Retail banking includes banking with individuals and micro companies, asset management (NLB Skladi), and one part of the new subsidiary NLB Lease&Go that deals with retail clients.

In **Corporate Banking**, the Group has been focusing on strengthening its market position as a systemic player. As a leading player, the Bank is looking to cover more complex, cross-border lending and find entry points to suit clients' needs, whereas the Group is paying special attention to support large infrastructure projects with a focus on sustainability. Corporate and Investment Banking includes banking with Key corporate clients, SMEs, and Cross Border corporates, Investment Banking and Custody, Restructuring and Workout, and one part of the new subsidiary NLB Lease&Go that renders services to corporate clients.

## Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to 'Business report' in the NLB Group Annual Report 2021 ([Investor Relations nlb.si](https://www.nlb.si/investor-relations)).

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## Reporting and Self-Assessment Requirements

Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

### High-level summary of bank's response

Being aware of the climate change, the Group has been raising its focus on climate change, more specifically on sustainable operations, financing and risk management. After adopting the Sustainability programme in 2020, the Group set up the Group Sustainability framework in 2021 and laid the foundations for three pillars of sustainability: contribution to society, sustainable finance, and sustainable operations. Key SDGs in focus are SDG 3 (Good health and well-being), SDG 7 (Affordable and clean energy), SDG 8

(Decent work and economic growth), SDG 12 (Responsible consumption and production), and SDG 13 (Climate Action). Next to conducting impact analysis and target-setting, the Group adopted NLB Carbon footprint measurement and reporting policy and performed its first measurements for the period of 2019-2021, conducted the Group-wise sustainability online training programme for employees, and established the Sustainability committee. Additionally, a comprehensive ESG risk management framework has been set up throughout the

last years and is constantly developing and adapting to the latest standards.

In 2022, as a signatory to the UN PRB, the bank will consider joining the Net Zero Banking Alliance UNEP FI and will discuss possibilities in obtaining ESG rating. We will continue to work on aligning our business strategy with the most relevant SDG goals, the Paris Agreement, risk management policies and to implement relevant national and EU legislation.

### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](https://www.nlb.si)).

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## Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the 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.

### Reporting and Self-Assessment Requirements

#### Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:

**Scope:** The bank's core business areas, products/services across the main geographies that the bank operates in have been considered in the scope of the analysis.

**Scale of Exposure:** In identifying its areas of most significant impact the bank has considered where its core business/its

major activities lie in terms of industries, technologies and geographies.

**Context & Relevance:** Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.

**Scale and intensity/salience of impact:** In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic, and

environmental impacts resulting from the bank's activities and provision of products and services.

Show that building on this analysis, the bank has:

- Identified and disclosed its areas of most significant (potential) positive and negative impact.
- Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts.

### High-level summary of bank's response

To conduct the Impact Analysis, we engaged external advisors which used UNEP FI Portfolio Impact Analysis - Tool for Banks. We identified the following business activities and the countries of operation:

- Business activities (Consumer, Business, Corporate and Investment Banking) according to the UNEP FI.
- 6 main countries of operation (Slovenia, Bosnia and Herzegovina, North Macedonia, Montenegro, Kosovo, and Serbia).

After the first step, we identified Group Members' country's needs. Adding sector/client impact mapping as a third dimension next to banking portfolio and country-specific needs, the final list of the key impact areas as depicted below was prepared by aggregating the top 3 positive and negative associated impacts areas per business line:

- employment,
- inclusive, healthy economies,
- resource efficiency/security,
- climate,
- economic convergence,
- information,

- integrity & security of person,
- strong institutions, peace, & stability,
- health & sanitation,
- soil,
- housing,
- waste,
- justice.

To understand and take into consideration Group's performance in all 13 impact areas, we created a set of questionnaires for internal stakeholders. Following the performance evaluation, we have then prioritised the impact areas. With the aim for key impact areas to comprehensively reflect our banking operations, i.e. context and specifics of our region, we included the materiality analysis in the prioritisation process, hence the overall score is based on three dimensions: performance, country needs, and materiality. In this way we also included the view of the most significant stakeholders, which we identified.

Based on the UNEP FI PRB methodology, the most significant impact the Group has with its products and services on societies, economies, and environments, are in the following areas:

**Climate:** Composition of the global atmosphere and its exposure to greenhouse gas (GHG) emissions as a direct factor contributing to climate change.

**Resource efficiency & security:** Efficient use of limited, non-renewable natural resources (which cannot be regenerated after exploitation) and renewable natural resources (which can return to their previous stock levels by natural processes of growth or replenishment) in the process of exploiting nature for production and consumption purposes. Can also be read as resource security.

**Inclusive, healthy economies:** Development and creation of sustainable, diverse, and innovative markets that add value to society and the economy. This includes under-served social groups' full and fair accessibility to labour markets, finance and entrepreneurship, and, more generally, economic opportunity. It also includes, but is not limited to, access to affordable, effective, and safe financial services for individuals as well as micro, small and medium-sized enterprises.

### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](https://www.nlb.si/sustainability)).

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

**We have taken all necessary steps to conduct an in-depth Impact Analysis. The final report of the Impact analysis of the Group was presented to the NLB Group Sustainability Committee. The Bank will continuously strive to increase positive and reduce negative impact while managing the risks to people, society, and economies, primarily on the above-mentioned top impact areas, however, we will also pay special attention to the remaining identified impact areas.**

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## Reporting and Self-Assessment Requirements

### Target-setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact,” resulting from the bank’s activities and provision of products and services.

### High-level summary of bank’s response

In collaboration with our advisors, we examined the suitable KPIs and the plans and came up with four targets. Three of the targets are related to Climate and Resource efficiency/security impact areas and one is related to the Inclusive, healthy economies impact area.

Targets and their impact area and alignment with SDGs:

- **The first target: by the year 2025, the Group will decrease the number of paper prints in its operations by 50% compared to the year 2019.**

Impact area: Resource efficiency/Security



SDG 12-Responsible consumption and production



SDG 13-Climate action

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

- **The second target: by the year 2025, the share of active digital retail users in the Group will be 55%.**

Impact area: Inclusive & Healthy Economies



SDG 8-Decent work and economic growth



SDG 13-Climate Action

- **The third target: by the year 2030, 75% of all-electric energy used in the Group will come from zero-carbon sources.**

Impact area: Climate



SDG 8-Decent work and economic growth



SDG 13-Climate Action

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets.

- **The fourth target: by the year 2030, the volume of new sustainable financing in the Group will be at least EUR 785 million.**

Impact area: Climate



SDG 8-Decent work and economic growth



SDG 13-Climate Action

### Reference(s)/ Link(s) to bank’s full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](https://www.nlb.si)).

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target-setting.

**NLB set four SMART Targets with a clear link to support the above-mentioned SDGs. All targets will be reported on and if needed revised yearly. We will continue to review our targets, expand them, and especially work on further understanding our (potential) negative impact of the set targets on other dimensions of SDG goals.**

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## Reporting and Self-Assessment Requirements

### Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

### High-level summary of bank's response

Plans and roadmaps to achieve some of the above-mentioned targets are already in place and necessary steps and activities, have already been clearly defined. Next steps, to mention the most important ones, regarding the implementation of the targets are:

- to review the internal policies and procedures,
- to build internal capacities,
- to continue developing new products and accelerate the marketing of the existing products,
- to redirect customers to digital channels,
- to raise awareness internally and externally regarding paper consumption,
- to actively search new opportunities on the markets for sustainable financing
- to revise contracts with existing energy suppliers throughout the Group.

### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](#)).

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

**All targets, implementation activities and milestones for achieving the targets will be regularly monitored by the NLB Group Sustainability Committee and reported to the Supervisory Board.**

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## Reporting and Self-Assessment Requirements

### Progress on Implementing Targets

#### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented/needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures).

### High-level summary of bank's response

The Bank will annually report on the progress made against the targets set on its material issues through its annual NLB Group Sustainability report.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

**The bank set targets for the first time and will therefore report on the progress towards achieving them alongside with necessary steps taken in its next sustainability report.**



#### Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

## Reporting and Self-Assessment Requirements

Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should

include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

### High-level summary of bank's response

The Group is responsible to its clients, employees, and the social environment, and aims to become their responsible and diligent mentor. For this purpose, several activities and procedures are carried out within the NLB Group, some of which are:

**The NLB Group's Code of Conduct** establishes uniform rules of conduct for all Group employees, as well as for the contractors acting on behalf of the NLB Group. It defines the values and basic rules of ethical business conduct, which the Group

respects, promotes, and expects to be followed in the whole Group. Our values and beliefs support our long-term goal of continuously improving the culture of our daily operations in the countries where the NLB Group is present.

Within the framework of the programme of ensuring business compliance, the Group also deals with the ethics and integrity of the organisation. Such a programme encourages employees and other stakeholders to conduct business which

is consistent with a strong positive organisational culture. To promote responsible and ethical conduct by the employees, as well as other stakeholders, we regularly carry out mandatory training in all areas within NLB Compliance and Integrity (AML/CFT, prevention of fraud, corruption and conflict of interest, personal data protection, protection of information, regulatory compliance management, physical security, and a code of conduct).

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The Bank remains the leader in the Slovenian market because of the knowledge, experience, and understanding of customers' needs, resulting in many solutions that pave the way for new customers and change customer habits. Every year, customer experience is confirmed by the customer satisfaction index (CSI). For the year 2021, CSI remains stable and well above the competition. Furthermore, clients also expressed a high level of trust and loyalty.

The Committee for Existing and New Products in NLB is in charge of approving and monitoring products, while also

focusing on risks related to the product and the method of managing those risks. NLB is bound to only offer products and services that create value for our clients and the shareholders and meet the client's needs. The procedures of approving products and services apply to all new product offers, as well as various existing products. The key control functions must be involved in the process of product development and monitoring, including the compliance function, since every product must be compliant with the requirements of the regulations, inter alia, in the area of consumer protection, personal data protection, and prevention of money

laundering and terrorist financing. The bank has several contact points and a 24/7 call centre through which it is available for all questions, inquiries, complaints from its customers (for more details, please see our website [nlb.si/contact](http://nlb.si/contact)). Moreover, in the year 2021, we established a single contact point for all sustainability-related inquiries and issues ([sustainability@nlb.si](mailto:sustainability@nlb.si)).

### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to:

- [Code of Conduct \(nlb.si\)](#),
- [Compliance and Integrity \(nlb.si\)](#).

For more information, please refer to the 'Digitalisation and improved client experience' in the NLB Group Annual report 2021 ([Investor Relations \(nlb.si\)](#)).

### Reporting and Self-Assessment Requirements

*Describe* how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic

activities. This should include information on actions planned/ implemented, products and services developed, and, where possible, the impacts achieved.

### High-level summary of bank's response

We place our clients at the centre of everything we do. One of the key efforts is improved availability and inclusiveness for all clients. Based on these criteria and considering the local context of our different home markets, the following sustainability-focus domains have been defined on the NLB Group level:

#### Continuously developing sustainable products and services

Development of sustainable banking and financing products differs in relation to client segment, whereas we are giving special attention to products (standalone offer and with partners) linked with supporting renewable energy production (e.g., solar power plants), energy efficiency (power storage, heat pumps) and green housing loans. Further on, and due to importance of agriculture industry in the Region, the bank established a team of specialists for agricultural segment.

The Bank has strong focus in providing progressive digital solutions (Packages 'My World' and 'Digital') and explores the best options to improve customers' experience in gathering required documentation and also in cloud-based signing of the documentation, all while offering 24/7 contact with the Bank online through video call. In financing, we emphasize the importance of ESG criteria and support our clients in the implementation of sustainable infrastructure projects to achieve global and national energy and climate goals. In each organisational unit dealing with client financing, we have a designated coordinator for sustainable financing, who has in-depth knowledge in ESG risk policies and methodological framework and can thus best advice clients and take into consideration the following factors:

- adhering to NLB's Lending Policy

- having a low impact on the environment and have the potential to replace high impact activities (e.g., renewable energy) and reduce impact from other activities
- making a positive environmental contribution.

#### Stimulating entrepreneurship

We are committed to entrepreneurship, innovative thinking, and economic growth. We understand that by supporting innovative ideas and projects, we can contribute to economic growth, which is one of our fundamental objectives. Over the entire development process, new, innovative business solutions are and will be checked against the Sustainability Framework, which allows us to launch sustainable products and services that meet clients' needs. Initiatives were already launched, and the Group will continue working on

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other business solutions that contribute positively to these societal challenges. One of the most recognised projects of 2020 and 2021 in the entire region of SEE is the #HelpFrame project. With the #HelpFrame project, we offered our own advertising space to 258 entrepreneurs, farmers, and micro and small businesses, and thus helped them to reach potential customers, thereby making an important contribution to strengthening the domestic small business.

#### **Supporting financial literacy and financial inclusion**

Financial advice: helping clients make the right choices through good and transparent advice, and clear communication.

Financial behaviour: using analytics to understand and respond to client behaviour more effectively.  
Financial education: raising citizens' understanding of financial concepts and products. And that also means young people, since tomorrow's financial consumers should be able to make carefully thought-out choices.  
Financial inclusion: developing financial products and services that promote the financial inclusion of all citizens.

#### **Building partnerships**

We are committed to developing partnerships for a more advanced, innovative, and stimulating environment in the markets in which we operate. We regularly interact and are

members of the following professional and business associations:

- Sustainable finance expert group at the Slovenian Banking Association,
- Sustainable finance expert group at the European Banking Federation,
- CER – Sustainable business network Slovenia.
- Commission for Sustainable growth at AmCham Slovenia.
- UNEP FI PRB working groups.

#### **Reference(s)/ Link(s) to bank's full response/ relevant information**

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](https://www.nlb.si/sustainability)).

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#### Principle 4: Stakeholders

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

### Reporting and Self-Assessment Requirements

Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated, or partnered with for the purpose of implementing these Principles and

improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

### High-level summary of bank's response

As part of the process of undertaking our impact and materiality analysis, we consulted with our internal relevant organisational units, consulting agency, banking subsidiary members to discuss our assessment of the most relevant challenges and priorities related to sustainable development in the country. Stakeholder mapping was carried out as the first step of the materiality analysis, as it is essential to understand, which stakeholders' groups are the most relevant to the bank's operations. Our analysis was based on analysis of our operations, peers' analysis, and overview of the key actors in the banking sector.

Based on this input, the recognized six main stakeholder groups are: employees, private clients, business clients, suppliers and contractual partners, regulatory authorities, and investors.

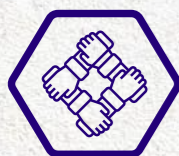
We engaged with these stakeholders through substantial online survey, where they prioritised material issues for the Group. Survey was carried out in all Group member countries.

### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](https://www.nlb.si)).

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## Principle 5: Governance & Culture

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

### Reporting and Self-Assessment Requirements

Describe the relevant governance structures, policies, and procedures your bank has in place/are planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

### High-level summary of bank's response

#### NLB Group Sustainability Governance Structure

According to the Articles of Association of the NLB d.d. the bank has a commitment to consider the environmental and social impacts of its business, with the aim of ensuring sustainable development of the bank, included as one of the goals of the bank (nlb.si/corporate-governance).

With the adoption of the NLB Group sustainability programme at the end of 2020, the NLB Group has moved from the raising

awareness phase to the phase of actively implementing sustainability elements into the business model.

We take our responsibility towards society and local economies very seriously and fully understand that we can only provide a positive impact if we do banking in a way that serves the United Nations Sustainable Development Goals (UN SDG).

Sustainability is anchored at different levels within the bank (Management Board, Supervisory Board and Group level ...),

guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated in our daily operations.

In the Q3 2021, the NLB Group Sustainability Committee was established. Sustainability Committee acts primarily as a consultative body and as a decision-making body of the Management Board of NLB d.d. Therefore, NLB has put in place 4-level NLB Group Sustainability Governance Structure, as follows:



The Bank has established a comprehensive framework for sustainable management, starting by sponsoring the matter at the level of the NLB SB, which, significantly contributes to the implementation of sustainability. The SB regularly monitors the implementation of ESG factors and discusses the topic on regular basis.



Sustainability Team within Strategy and Business Development Division of the NLB oversees Group-wide sustainability agenda and it is tasked with driving the culture, coordinating initiatives, measuring the impact and reporting on progress. The team monitors implementation of the strategy and regularly informs the Sustainability Committee, the MB and the SB on progress.



It is composed of the highest-level officers and provides the overall vision and sustainability strategy, it 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.



Ad hoc working groups are being set up in the bank to introduce various elements of sustainability. Their composition varies according to the area of sustainability considered. ESMS Officers have been appointed in our banking members and report regularly to local boards. They come from within the risk management line and ensure the ESMS is properly implemented organisation wide.

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### Rules and Procedures of the Sustainability Committee

Rules of Procedure of the Sustainability Committee (SC) lay down the powers and responsibilities of the Committee and its members, as well as the work and decision-making procedures.

SC is chaired by our Chief Executive Officer of NLB d.d. SC's membership is drawn from senior officials across all areas of the bank, including Sustainability, CSA & Cross-border Financing, Large Corporates, Small and Mid-Corporates, Group Steering, Strategy, and Business Development, Legal and Secretariat, Financial Markets, Global risk, Credit risk-Retail and Corporate, Evaluation and Control, Group Real Estate Management, Procurement, Human Resources and Organisation Development, Sales Development and Management, and Communication. ST reports quarterly to the SB on progress made with implementing the Principles.

### NLB Group Code of Conduct

The Code defines values and fundamental principles of ethical business conduct that we respect, promote, and expect in the NLB Group. It also sets the rules that every employee in the NLB Group must understand and respect and it reflects the standards that we are expecting our relationship to the rest of the stakeholders. Our long-term goal which is to constantly improve the culture of our daily operations, which is essential for achieving the long-term trust in countries in which the NLB Group is present. By incorporating everything we do, we contribute to the positive development of the environment.

Basic principles and rules of desired conduct include safe work environment; zero tolerance for discrimination; respect for clients' needs; avoidance of conflict of interest; anti-corruption; legal operations; environmental awareness; care for social environment; and respect for human rights ([www.nlb.si/compliance-and-integrity](http://www.nlb.si/compliance-and-integrity)).

### Lending Policy

We have also launched our updated NLB Group lending policy with a chapter devoted to addressing the economic activities with categories such as prohibited, restricted, and normal activities. The NLB Group Lending Policy was upgraded with the Exclusion List from EBRD Environmental and Social Policy (2014) and MIGA Environmental and Social Exclusion List (signed with NLB Group members) to which the bank must strictly adhere.

### Policies

Key ESG factors and key SDGs goals of the bank are incorporated in the following internal policies of NLB d.d.:

### Key ESG factors

### Policies

#### Environment (E:)

- NLB Group Sustainability Framework ([www.nlb.si/sustainability](http://www.nlb.si/sustainability)).
- NLB Group Risk Appetite Statement.
- NLB Group Risk Strategy.
- Lending Policy for Non-Financial Companies in NLB d.d. and NLB Group.
- Standard Criteria and Procedures for granting transactions to Legal and Private entities in NLB d.d. and NLB Group.
- Policy Environmental and Social Transaction Framework in NLB d.d. and NLB Group.
- Methodology Environmental and Social Transaction Categorisation Methodology.

Additionally, reports are included in the NLB Group 2021 Annual Report ([www.nlb.si/financial-reports](http://www.nlb.si/financial-reports)):

- in the chapter 'Strategy' of NLB Group 2021 Annual Report.
- in the chapter 'Sustainability' of NLB Group 2021 Annual Report.

ESG Risk Management is explained in the chapter 'Risk Management,' sub-chapter Incorporating ESG Risks of the NLB Group 2021 Annual Report.

#### Social (S:)

- NLB Group Code of Conduct and the NLB Group Corporate Social Responsibility Policy define issues of diversity, inclusion and equal opportunities of employees ([www.nlb.si/compliance-and-integrity](http://www.nlb.si/compliance-and-integrity); and [www.nlb.si/annual-reports-on-corporate-social-responsibility](http://www.nlb.si/annual-reports-on-corporate-social-responsibility)).
- Collective Agreement of NLB d.d..
- Remuneration Policy for Employees of the NLB d.d. and the NLB Group.
- Anti-mobbing and Harassment Policy.

Additionally, reports are included in the NLB Group 2021 Annual Report:

- in the chapter 'Human Resources' of NLB Group 2021 Annual Report.
- in the chapters of 'Diversity' and 'Remuneration' in a separate report on Pillar 3 Disclosures according to Basel Standards ([www.nlb.si/financial-reports](http://www.nlb.si/financial-reports)).

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## Governance (G:)

- Articles of Association of the NLB d.d. ([www.nlb.si/corporate-governance](http://www.nlb.si/corporate-governance)).
- Corporate Governance Policy of NLB d.d. (<https://www.nlb.si/corporate-governance>).
- Rules and Procedures of the NLB Group Sustainability Committee.
- Remuneration Policy for Members of the Supervisory Board and Members for the Management Board of the NLB d.d., ([nlb.si/corporate-governance](http://nlb.si/corporate-governance)).
- Policy on the selection of suitable candidates for members of the Management Board d.d. and Policy on the selection of suitable candidates for members of the Supervisory Board of NLB d.d.; ([nlb.si/nlb-portal/eng/investor-relations/general-meetings/2019-policy-on-the-selection-of-suitable-candidates-for-sb.pdf](http://nlb.si/nlb-portal/eng/investor-relations/general-meetings/2019-policy-on-the-selection-of-suitable-candidates-for-sb.pdf)); description available on bank's web page ([nlb.si/corporate-governance](http://nlb.si/corporate-governance)) and in Pillar 3 disclosures on bank's webpage ([www.nlb.si/financial-reports](http://www.nlb.si/financial-reports)).
- Policy on the Provision of Diversity of the Management Body and Senior Management (on [www.nlb.si/financial-reports](http://www.nlb.si/financial-reports) under Pillar 3 Disclosures and on [2019-policy-on-the-provision-of-diversity.pdf](http://2019-policy-on-the-provision-of-diversity.pdf) ([nlb.si](http://nlb.si))).
- Rules of Procedure of the Working Council.
- Importance of the fight against corruption and bribery was emphasized in the NLB Group Code of Conduct ([www.nlb.si/compliance-and-integrity](http://www.nlb.si/compliance-and-integrity)), which defines that the NLB Group has zero tolerance for such harmful practices.
- Active investor relations policy is performed according to the Corporate Governance Code for Listed Companies (mentioned above). It is reflected through regular quarterly, semi-annually and annual NLB Group results presentations for investors, organisation of Investor Days, publication of Financial Calendar and up-to-date announcements that are available on the SEOnet and RNS, one-on-one meetings with investors and with, participation on investor conferences.

Additionally, reports are included in the NLB Group 2021 Annual Report:

- In the chapter of 'Corporate Governance',
- general information on corporate governance available also on bank's web page of NLB ([www.nlb.si/corporate-governance](http://www.nlb.si/corporate-governance)),
- Guidelines on Cooperation with the Media ([www.nlb.si/guidelines-media](http://www.nlb.si/guidelines-media)).

### NLB d.d. is planning to make changes to the existing polices, as follows:

Corporate Governance Policy of NLB d.d. will be changed due to recent changes of the Slovenian Corporate Governance Code for Listed Companies that became valid on 1 January 2022 and will be first used for preparation of the Corporate Governance Statement for the business year 2022.

Remuneration Policy for Members of the Supervisory Board and Members for the Management Board of the NLB d.d., is to be aligned with recently changed Companies Act (ZGD-1) and recent EBA Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04 of 02/07/2021).

Policy on the Provision of Diversity of the Management Body and Senior Management will be renewed due to recent changes of the Companies Act (ZGD-1).

All necessary changes to internal policies are performed regularly, in accordance with the ECB and EBA Guidelines, other relevant EU legislature and state's legislature, as well as in accordance with the established best banking practices.

## Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](http://Sustainability.nlb.si)).

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## Reporting and Self-Assessment Requirements

Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should

include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

### High-level summary of bank's response

**Our approach to responsible and sustainable banking is regularly and actively addressed by our Management Board as well as our Supervisory Board.** Our CEO, who is a passionate advocate, regularly addresses employees on this topic, whether during regular meetings with employees live or indirectly during other public appearances, interviews, etc. In 2021, we developed and conducted online sustainability training for all employees of the NLB Group. The training includes The Principles for Responsible Banking and the role of all in their implementation.

Sustainability Team regularly participates in all UNEP FI PRB workshops, webinars, and is also part of the working group, hence having the knowledge and latest information, which can then be adequately implemented in the Group. To appropriately spread the sustainable culture and build capacity within the Group, ESG coordinators have been named in the Bank's subsidiaries. Further on, we regularly communicate and promote sustainability topics, inform employees about the progress, and try to ensure they would truly start to act in accordance with sustainable principles.

### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](#)).

## Reporting and Self-Assessment Requirements

Governance Structure for implementation of the Principles  
Show that your bank has a governance structure in place for the implementation of the PRB, including:

1. target-setting and actions to achieve targets set

2. remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

### High-level summary of bank's response

The NLB Group Sustainability Governance Structure is explained in detail above.

#### Supervisory Board of NLB d.d.

Within the NLB Group Sustainability Governance Structure the Supervisory Board of NLB d.d. addresses the implementation

of sustainability topics. Due to the growing importance of the topic, the Supervisory Board of NLB d.d. monitors the implementation of sustainability issues at almost every meeting and adopts relevant decisions regarding the agenda.

#### Powers of the NLB Group Sustainability Committee (SC)

At the level of NLB d.d. oversees the integration of the ESG factors to the NLB Group business model in a focused and coordinated way across the bank and issues opinions, recommendations, initiatives, and takes relevant decisions when needed.

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SC is a forum where we discuss, develop and approve sustainability strategies, policies, initiatives, methodologies, KPIs, and other relevant procedures of the NLB Group. SC performs operational oversight of the implementation of sustainability activities, including the regulatory requirements, contractual obligations, investors' needs, the Bank's Environmental and Social System (ESMS), ESG-related KPIs, and sustainability commitments, which influence the ESG performance of the NLB Group.

It also oversees the sustainable finance products portfolio development in all three areas: consumer, business, corporate, and oversees.

According to Rules of Procedures of the NLB Group Sustainability Committee the SC is responsible, among others:

Perform operational oversight of the implementation of sustainability activities, including the regulatory requirements, contractual obligations, investors' needs, the Bank's ESMS, ESG-related KPIs, and sustainability commitments, which influence the ESG performance of the NLB Group.  
Oversee the sustainable finance products portfolio development (areas: consumer, business, corporate).  
Perform the oversight of sustainable investments.

### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](#)).

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Perform oversight of the sustainable loan portfolio (for the purpose of sustainable bond issuance): (i) confirm the eligibility criteria for green/social projects, (ii) confirm green/social loans for their inclusion into the sustainable loan portfolio, (iii) adoption and updates (when necessary) of the Sustainable Bond Framework, (iv) oversight of the implementation of the Sustainable Bond Framework, including management of proceeds, reporting and external review.

Take relevant decision on sustainability-related topics, when needed.

#### Sustainability Team

Sustainability Development unit at NLB d.d. oversees the Group-wide sustainability agenda and it is tasked with driving the culture, coordinating initiatives, measuring the impact and reporting on progress. The team is responsible also for developing the sustainability strategy and implementing it across the NLB Group.

#### Sustainability working groups

*Ad hoc* working groups are being set up in the bank to introduce various elements of sustainability. Their composition varies according to the area of sustainability considered.

#### Target setting

Targets will be adopted by the Management Board and the Supervisory Board. They will be incorporated in the Sustainability Report of the NLB Group 2021 and published on our website.

#### Remedial actions

In the event, milestones could not be achieved, or unexpected negative impacts are being detected the SC would, according to Rules of Procedure of the NLB Group Sustainability Committee, take an adequate decision on sustainability matter and the Supervisory Board of the NLB d.d. would be informed and if needed would act appropriately. Namely, please note, that NLB d.d. has a two-tier system of corporate governance. According to provisions of the Articles of Association of the NLB d.d. and relevant provisions of the Companies Law (ZGD-1) critical concerns in general should be communicated as follows:

- at the first instance to the Management Board and
- to the Supervisory Board, as a highest governance body.

**According to the above, we are of the opinion that the NLB Group established an appropriate governance structure (NLB Group Sustainability governance) for ensuring that the UN PRBs are effectively implemented, including the setting and monitoring of targets if needed to take appropriate actions.**

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## Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

### Reporting and Self-Assessment Requirements

#### Progress on Implementing the Principles

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum of two areas.

#### High-level summary of bank's response

In its first 18 months since becoming a signatory, the Bank has taken steps to implement the PRB. Key points of this progress include the following:

The **NLB Group Sustainability framework** was published as a strategic document that highlights our ambitions and commitments to the integration of sustainability in the Group's business model. Besides providing an alignment of the Group's sustainability approach with the UN's Sustainable Development Goals (UN SDG), it offers stakeholders a list of sustainable economic activities promoted by the Group, and therefore sets out a basis for classifying financing as sustainable. Moreover, the document addresses in detail the Group's corporate sustainability governance structure.

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

To keep the 'double materiality' concept in the focus for the year 2021, the Group decided also for a traditional (GRI) **materiality analysis** as a complementary to the impact analysis, since GRI materiality and stakeholder identification can be used to further corroborate **impact analysis** findings and hence help with the setting of priorities.

In the second half of 2021, '**The NLB Group Carbon Footprint Measurement and Reporting Policy**' was adopted as an internal policy on a calculation of carbon footprint of the Group's operations, and so provides the key methodological approach on why and how the carbon footprint reporting for the Group will be carried out.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

**Upgraded NLB Group Lending Policy** with the MIGA and EBRD Exclusion List and implemented in credit approval process.

We have identified some existing and emerging good practices in the market, mainly within our peer group. Some of these practices were relevant to the Bank's operations based on a comparison of sustainable strategies, methodologies and setting targets for GHG emissions, green financing products and reporting. These good practices serve as our next steps in considering joining the Net Zero Banking Alliance, measuring GHG emissions and setting CO<sub>2</sub> emissions targets, green financing targets, and establishing ESG internal policies.

#### Reference(s)/ Link(s) to bank's full response/ relevant information

For more information, please refer to the NLB Group Sustainability Report 2021 ([Sustainability \(nlb.si\)](#)).

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

**The Bank has taken very important steps in implementing the Principles over the first 18 months of becoming a signatory. Key steps include the issuing of the first NLB Group Sustainability report, publishing our NLB Group Sustainability framework, conducting Impact and Materiality analysis, executing the first Group carbon footprint measurement, and upgrading internal policies in the area of risk management, such as the NLB Group Lending Policy upgraded with the MIGA and EBRD Exclusion List, etc.**

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# Annex II: NLB Group carbon footprint verification opinion

## Institut "Jožef Stefan", Ljubljana, Slovenija

Jamova c. 39, t001 Ljubljana/ p.p. 3000/ Tel: (01) 4773 900 / Faks: (01) 5612 335



### INDEPENDENT VERIFICATION OPINION OF CARBON FOOTPRINT REPORT NLB GROUP

#### INTRODUCTION

Jozef Stefan Institute (Energy Efficiency Centre) has prepared this verification opinion for the Carbon Footprint Report of NLB Group for the period from January 1, 2019 until December 31, 2021.

NLB d.d. was responsible for preparation of carbon footprint and data collection for NLB Group. Jozef Stefan Institute was responsible for verification assessment and providing an independently expressed public opinion on the reported carbon footprint.

#### OBJECTIVES

Verification objectives are to independently review and confirm:

- methodological approach for calculation of carbon footprint;
- conformity with verification criteria, requirements from applicable standards or programmes for carbon footprint reporting, in scope of the verification;
- reported data are exact, complete, consistent and without mistakes of nonconformities ;
- carbon footprint report / report on greenhouse gas emissions.

#### VERIFICATION SCOPE

Carbon footprint report in accordance with GHG Protocol, scopes 1, 2 and 3 (limited scope) for the reporting period from January 1, 2019 until December 31, 2021.

#### ORGANIZATION BOUNDARIES FOR GREENHOUSE GAS EMISSIONS

The boundaries of the carbon footprint report included the properties where NLB d.d. has sole ownership and these properties are members of NLB Group:

1. NLB d.d.
2. NLB Banka a.d., Skopje
3. NLB Banka a.d., Podgorica
4. NLB Banka a.d., Banja Luka
5. NLB Banka sh.a., Priština
6. NLB Banka d.d., Sarajevo
7. NLB Banka a.d., Beograd
8. Komercijalna Banka a.d. Beograd
9. Komercijalna Banka a.d. Podgorica

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10. KomBank Invest a.d. Beograd
11. NLB Srbija d.o.o., Beograd
12. NLB Skladi d.o.o., Ljubljana
13. NLB Crna gora d.o.o., Podgorica
14. NLB Lease&Go d.o.o., Ljubljana
15. REAM d.o.o., Beograd
16. REAM d.o.o., Podgorica
17. S-REAM d.o.o., Ljubljana
18. NLB Zavod za upravljanje kulturne dediščine, Ljubljana
19. Bankart d.o.o., Ljubljana

Greenhouse gas emission sources of NLB Group included:

- direct GHG emissions (scope 1) from following sources: combustion fuels (natural gas, light fuel oil, LPG, biomass), vehicle fuels (gasoline and diesel), fugitive emissions from refrigerants in limited scope;
- indirect GHG emissions (scope 2) from electricity use (location and market approach) and district heat use;
- indirect GHG emissions (scope 3) from employee commuting.

#### REPORTING PERIOD

January 1, 2019 until December 31, 2021; calendar years 2019, 2020 in 2021.

#### VERIFICATION CRITERIA

Greenhouse Gas Protocol and Corporate Accounting and Reporting Standard, prepared by World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD).

#### VERIFICATION PROTOCOL

ISO 14064-3:2019: Greenhouse gases – Part 3: Specifications Specification with guidance for the validation and verification of GHG assertions.

#### LEVEL OF ASSURANCE

Reasonable level of assurance. Materiality level 5%.

#### VERIFICATION METHODOLOGY

Jozef Stefan Institute has assessed highest level of assurance focusing on areas most important for NLB d.d., NLB Group and its stakeholders.

Following methods were used in process of verification of GHG emissions, data management, sustainable development and methodological approach for carbon footprint report:

- review of documentation, evidences of data and sources for energy consumption and GHG emissions;

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- review of procedures for data collection, handling and GHG emissions reporting;
- evaluation of methodological approaches for data collection, emission calculation and reporting;
- sample data overview, energy data and emission factors, included in the report;
- evaluation if verification evidences are appropriate and support the credibility of carbon footprint report.

#### VERIFIED GREENHOUSE GAS EMISSIONS

NLB GROUP	2019	2020	2021
Scope 1 [t CO <sub>2</sub> ]	3.731	3.409	4.555
Scope 2 [t CO <sub>2</sub> ]	28.466	31.177	29.051
Scope 3 [t CO <sub>2</sub> ]	4.632	3.761	3.093
Scope 1-2 [t CO <sub>2</sub> ]	32.197	34.586	33.606
Scope 1-2/employee [t CO <sub>2</sub> /emp.]	3,75	4,08	4,03
Scope 1-3 [t CO <sub>2</sub> ]	36.829	38.347	36.699

#### VERIFICATION INDEPENDENCE

Jozef Stefan Institute verified the carbon footprint report of NLB Group as independent organization and approved GHG emissions with its own calculations. During verification process a balanced approach to all stakeholders was applied.

#### VERIFICATION CONCLUSIONS

Jozef Stefan Institute has following conclusions to methodological report and carbon footprint report for NLB Group:

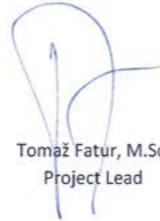
- the report is complete and conforms to GHG Protocol requirements, scope 1, 2 and 3;
- NLB d.d. has conducted scope definition and GHG emissions calculation according to the GHG Protocol;
- methodological report appropriately defines baseline data, emission factors and other data according to requirements of GHG Protocol and ISO 14064;
- carbon footprint report for NLB Group for years 2019, 2020 in 2021 correctly reports GHG emissions at the level of each scope, total calculation and emission indicators (per employee, per m<sup>2</sup>);
- reported data are exact, complete, consistent and without mistakes of nonconformities;
- reported carbon footprint of NLB Group was confirmed by own calculations of Jozef Stefan Institute.


#### VERIFICATION OPINION

Based on the described verification procedures Jozef Stefan Institute is confirming the carbon footprint report for NLB Group is:

- prepared in accordance with the requirements of GHG Protocol (guidance for reporting on scopes 1, 2 and 3) and GHG reporting guidelines from ISO 14064:2019: Greenhouse gases;
- correctly and completely represents data on GHG emissions included in carbon footprint report for NLB Group for scopes 1, 2 and 3 for the period from January 1, 2019 until December 31, 2021.

Date: 1.3.2022

  
Tomaž Fatur, M.Sc.  
Project Lead

  
Stane Merše, M.Sc.  
Head of Energy Efficiency Centre

Stamp  
  
  
Prof. Boštjan Zalar, Ph.D.  
Director

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# Annex III: Index in accordance with GRI standards

## GRI content index

Statement of use	NLB Group has reported in accordance with the GRI Standards for the period January 1 <sup>st</sup> 2021 till December 31 <sup>st</sup> 2021.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	There is no GRI Sector standard for financial/banking sector at the time of the preparation of this sustainability report.

GRI standard/ other source	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
<b>General disclosures</b>					
GRI 2: General Disclosures 2021	2-1 Organizational details	1. <a href="https://www.nlbkupina.si/profile">https://www.nlbkupina.si/profile</a> 2. <a href="https://www.nlb.si/at-a-glance">https://www.nlb.si/at-a-glance</a> 3. <a href="https://www.nlbkupina.si/nlb-group-companies">https://www.nlbkupina.si/nlb-group-companies</a> 4. See chapter NLB Group at a glance in Sustainability report.	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.		
	2-2 Entities included in the organization's sustainability reporting	See chapter NLB Group at a glance.			
	2-3 Reporting period, frequency and contact point	See chapter General information on NLB Group Sustainability report 2021.			
	2-4 Restatements of information	See chapter General information on NLB Group Sustainability report 2021.			
	2-5 External assurance	See chapter General information on NLB Group Sustainability report 2021.			
	2-6 Activities, value chain and other business relationships	1. See chapter NLB Group at a glance, Sustainability report 2021. 2. See chapter Stakeholder engagement, Sustainability report 2021. 3. See chapter Segment Analysis, Annual report 2021.			
	2-7 Employees	See chapter Our People, Sustainability report 2021.			
	2-8 Workers who are not employees			Information unavailable/incomplete	
	2-9 Governance structure and composition	1. See chapter Corporate Governance, Annual report 2021. 2. See chapter NLB Group sustainability Governance, Sustainability report 2021. 3. <a href="https://www.nlb.si/corporate-governance">https://www.nlb.si/corporate-governance</a>			
	2-10 Nomination and selection of the highest governance body	1. See chapter Corporate Governance, Annual report 2021. 2. See chapter NLB Group sustainability Governance, Sustainability report 2021. 3. <a href="https://www.nlb.si/corporate-governance">https://www.nlb.si/corporate-governance</a>			
	2-11 Chair of the highest governance body	1. See chapter Corporate Governance, Annual report 2021. 2. See chapter NLB Group sustainability Governance, Sustainability report 2021. 3. <a href="https://www.nlb.si/corporate-governance">https://www.nlb.si/corporate-governance</a>			
	2-12 Role of the highest governance body in overseeing the management of impacts	1. See chapter Corporate Governance, Annual report 2021. 2. See chapter NLB Group sustainability Governance, Sustainability report 2021. 3. <a href="https://www.nlb.si/corporate-governance">https://www.nlb.si/corporate-governance</a>			
	2-13 Delegation of responsibility for managing impacts	1. See chapter Corporate Governance, Annual report 2021. 2. See chapter NLB Group sustainability Governance, Sustainability report 2021. 3. <a href="https://www.nlb.si/corporate-governance">https://www.nlb.si/corporate-governance</a>			

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2-14 Role of the highest governance body in sustainability reporting	1. See chapter Corporate Governance, Annual report 2021. 2. See chapter NLB Group sustainability Governance, Sustainability report 2021. 3. See chapter Our sustainability position & Goals, Sustainability report 2021. 4. <a href="https://www.nlb.si/corporate-governance">https://www.nlb.si/corporate-governance</a>			
2-15 Conflicts of interest	1. <a href="https://www.nlb.si/corporate-governance">https://www.nlb.si/corporate-governance</a> 2. See chapter Fighting against corruption and bribery, Sustainability report 2021.			
2-16 Communication of critical concerns	1. See Annex 1 (Principle 5: Governance and Culture), Sustainability report, 2021.	2-16-b	Confidentiality constraints	There are confidentiality restraints for reporting on the issues.
2-17 Collective knowledge of the highest governance body	1. See chapter NLB Group sustainability Governance, Sustainability report 2021. 2. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a>			
2-18 Evaluation of the performance of the highest governance body	See chapter NLB Group sustainability Governance, Sustainability report 2021.			
2-19 Remuneration policies	1. See chapter Human Resources, Annual report 2021. 2. See chapter Corporate Governance, Annual report 2021. 3. See chapter Remuneration System, Our people, Sustainability report, 2021.			
2-20 Process to determine remuneration	1. See chapter Human Resources, Annual report 2021. 2. See chapter Corporate Governance, Annual report 2021. 3. See chapter Remuneration System, Our people, Sustainability report, 2021.			
2-21 Annual total compensation ratio			Not applicable	Not applicable.
2-22 Statement on sustainable development strategy	See Chapter Corporate Governance Statements / Statement on Non-financial information, Annual report, 2021.			
2-23 Policy commitments	1. See chapter Corporate governance, Annual report 2021. 2. <a href="https://www.nlb.si/code-of-conduct">https://www.nlb.si/code-of-conduct</a> 3. See chapter Human rights, Sustainability report 2021.			
2-24 Embedding policy commitments	1. See chapter Corporate governance, Annual report 2021. 2. See chapter Human rights, Sustainability report 2021. 3. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a>			
2-25 Processes to remediate negative impacts	1. See chapter respecting Human rights, Sustainability report, 2021. 2. See web page <a href="https://www.nlb.si/whistlerblowing-system">https://www.nlb.si/whistlerblowing-system</a>			
2-26 Mechanisms for seeking advice and raising concerns	1. See <a href="https://www.nlb.si/compliance-and-integrity-at-nlb">https://www.nlb.si/compliance-and-integrity-at-nlb</a> 2. See Code of Conduct <a href="https://www.nlb.si/code-of-conduct">https://www.nlb.si/code-of-conduct</a>			
2-27 Compliance with laws and regulations	/		Confidentiality constraints	Data is not publicly shared.
2-28 Membership associations	See chapter Stakeholder engagement, Sustainability report, 2021.			
2-29 Approach to stakeholder engagement	See chapter Stakeholder engagement, Sustainability report, 2021.			
2-30 Collective bargaining agreements			Not applicable	For NLB d.d. Collective agreement on the Slovenian banking sector, available at: <a href="http://www.pisrs.si/Pis.web/pregledPredpisa?id=KOLP302">http://www.pisrs.si/Pis.web/pregledPredpisa?id=KOLP302</a>

#### Material topics

GRI 3: Material Topics 2021	3-1 Process to determine material topics	See chapter Our sustainability position & goals, Sustainability report, 2021	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.
	3-2 List of material topics	See chapter Our sustainability position & goals, Sustainability report, 2021	

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<b>Economic performance</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	See chapter Financial report, Annual report 2021.				
	201-2 Financial implications and other risks and opportunities due to climate change	1. See chapter ESG Risk management, Sustainability report 2021. 2. See chapter Risk management, Annual report, 2021.				
	201-3 Defined benefit plan obligations and other retirement plans			Information unavailable/incomplete	Information unavailable.	
	201-4 Financial assistance received from government	See web page <a href="https://www.nlb.si/shares">https://www.nlb.si/shares</a>	201-4 a 201-4 b	Not applicable	Not applicable.	
<b>Market presence</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Please see GRI 405-2.				
	202-2 Proportion of senior management hired from the local community	See chapter Our people, Sustainability report, 2021.				
<b>Indirect economic impacts</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	1. See chapter Sustainable finance, Sustainability report, 2021. 2. See chapter Corporate and Investment banking, Annual report 2021.				
	203-2 Significant indirect economic impacts	1. See chapter Contribution to Society, Sustainability report, 2021. 2. See chapter Sustainable finance, Sustainability report, 2021. 3. See chapter Our people, Sustainability report, 2021.				
<b>Procurement practices</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	This information is internally followed, however not reported publicly.				
<b>Anti-corruption</b>						
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.				

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GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	1. See chapter Fighting against corruption and bribery, Sustainability report, 2021. 2. See chapter Compliance and Integrity, Annual report, 2021.
	205-2 Communication and training about anti-corruption policies and procedures	1. See chapter Fighting against corruption and bribery, Sustainability report, 2021. 2. See chapter Compliance and Integrity, Annual report, 2021.
	205-3 Confirmed incidents of corruption and actions taken	1. See chapter Fighting against corruption and bribery, Sustainability report, 2021. 2. See chapter Compliance and Integrity, Annual report, 2021.

**Anti-competitive behavior**

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Please be informed, that there was no legal actions for anti-competitive behaviour, anti-trust or monopoly practices.

**Tax**

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.
GRI 207: Tax 2019	207-1 Approach to tax	See chapter Tax transparency, Sustainability report, 2021.
	207-2 Tax governance, control, and risk management	1. See chapter Tax transparency, Sustainability report, 2021. 2. See Chapter Financial report, Annual report, 2021.
	207-3 Stakeholder engagement and management of concerns related to tax	See chapter Tax transparency, Sustainability report, 2021.
	207-4 Country-by-country reporting	See chapter Tax transparency, Sustainability report, 2021.

**Materials**

GRI 3: Material Topics 2021	3-3 Management of material topics	/	Not applicable	This topic is not material.
GRI 301: Materials 2016	301-1 Materials used by weight or volume	/	Not applicable	
	301-2 Recycled input materials used	/	Not applicable	
	301-3 Reclaimed products and their packaging materials	/	Not applicable	

**Energy**

GRI 3: Material Topics 2021	3-3 Management of material topics	See Sustainability report, 2021.		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	See chapter Sustainable operations, Sustainability report, 2021.		
	302-2 Energy consumption outside of the organization	/	Not applicable	Not relevant to NLB.
	302-3 Energy intensity	See chapter Sustainable operations, Sustainability report, 2021.		
	302-4 Reduction of energy consumption	See chapter Sustainable operations, Sustainability report, 2021.		
	302-5 Reductions in energy requirements of products and services	/	Not applicable	Not relevant to NLB.

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GRI 3: Material Topics 2021	3-3 Management of material topics	/	Not applicable	This topic is not material.
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	/	Not applicable	
	303-2 Management of water discharge-related impacts	/	Not applicable	
	303-3 Water withdrawal	/	Not applicable	
	303-4 Water discharge	/	Not applicable	
	303-5 Water consumption	/	Not applicable	
<b>Biodiversity</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	/	Not applicable	This topic is not material.
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	/	Not applicable	
	304-2 Significant impacts of activities, products and services on biodiversity	/	Not applicable	
	304-3 Habitats protected or restored	/	Not applicable	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	/	Not applicable	
<b>Emissions</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	See Sustainability report, 2021.		

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GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	See chapter Sustainable operations, Sustainability report, 2021.			
	305-2 Energy indirect (Scope 2) GHG emissions	See chapter Sustainable operations, Sustainability report, 2021.			
	305-3 Other indirect (Scope 3) GHG emissions	See chapter Sustainable operations, Sustainability report, 2021.			
	305-4 GHG emissions intensity	See chapter Sustainable operations, Sustainability report, 2021.			
	305-5 Reduction of GHG emissions	See chapter Sustainable operations, Sustainability report, 2021.		First measurement was done in 2021 for years 2019-2021. High impact reduction measures will be thus implemented in the course of 2022 and onwards.	
	305-6 Emissions of ozone-depleting substances (ODS)	/	Information unavailable/incomplete	Data not available in terms of NLB operations.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	/	Information unavailable/incomplete		
<b>Waste</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	See Sustainability report, 2021.			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	/	Not applicable	Please note, that the most important waste for NLB is paper. For more information on program to reduce the use of paper, please see chapter Sustainable operations, Sustainability report 2021.	
	306-2 Management of significant waste-related impacts	/	Not applicable		
	306-3 Waste generated	See chapter sustainable operations (Paper consumption), Sustainability report, 2021.			
	306-4 Waste diverted from disposal	/	Not applicable		
	306-5 Waste directed to disposal	/	Not applicable		
<b>Supplier environmental assessment</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria		Information unavailable/incomplete	Suppliers for all material purchases are going to be screened using environmental criteria.	
	308-2 Negative environmental impacts in the supply chain and actions taken		Information unavailable/incomplete	Suppliers for all material purchases are going to be screened using environmental criteria.	
<b>Employment</b>					
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.			

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GRI 401: Employment 2016	401-1 New employee hires and employee turnover	See chapter Our people, Sustainability report, 2021.		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	See chapter Our people, Sustainability report, 2021.		
	401-3 Parental leave	See chapter Our people, Sustainability report, 2021.		
<b>Labor/management relations</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.		
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	See chapter Our people, Sustainability report, 2021.		
<b>Occupational health and safety</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	See chapter Our people, Sustainability report, 2021.		
	403-2 Hazard identification, risk assessment, and incident investigation	See chapter Our people, Sustainability report, 2021.		
	403-3 Occupational health services	See chapter Our people, Sustainability report, 2021.		
	403-4 Worker participation, consultation, and communication on occupational health and safety	See chapter Our people, Sustainability report, 2021.		
	403-5 Worker training on occupational health and safety	1. See chapter Human Resources, Annual report, 2021. 2. See chapter Our people, Sustainability report, 2021.		
	403-6 Promotion of worker health	1. See chapter Human Resources, Annual report, 2021. 2. See chapter Our people, Sustainability report, 2021.		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	See chapter Our people, Sustainability report, 2021.		
	403-8 Workers covered by an occupational health and safety management system	/	Information unavailable/incomplete	Information unavailable.
	403-9 Work-related injuries	See chapter Our people, Sustainability report, 2021.		
	403-10 Work-related ill health	See chapter Our people, Sustainability report, 2021.		
<b>Training and education</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.		

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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	See chapter Our people, Sustainability report, 2021.		
	404-2 Programs for upgrading employee skills and transition assistance programs	1. See chapter Our people, Sustainability report, 2021. 2. See chapter Respecting human rights, Sustainability report, 2021.		
	404-3 Percentage of employees receiving regular performance and career development reviews	See chapter Our people, Sustainability report, 2021.		

#### Diversity and equal opportunity

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	See chapter Our people, Sustainability report, 2021.		
	405-2 Ratio of basic salary and remuneration of women to men	/	Information unavailable/incomplete	The level of wages in the bank is governed by internal rules and collective agreements and depends on the complexity of the workplace and the performance of employees. The level of complexity of the individual workplace is determined on the basis of the conversion of the criteria set out in the systemization rules of jobs using factor analysis according to the job evaluation model. All employees in the bank have the same opportunities and opportunities regardless of gender, age and location.

#### Non-discrimination

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.		
GRI 406: Non-discrimination 2016 and corrective actions taken	406-1 Incidents of discrimination	See chapter Our people, Sustainability report, 2021.		

#### Freedom of association and collective bargaining

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Information unavailable/incomplete	Suppliers for all material purchases are going to be screened using social criteria.

#### Child labor

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.		
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GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	1. See chapter Human Rights, Sustainability report, 2021. 2. See chapter Responsible procurement, Sustainability report, 2021.			Please note, that NLB is strictly following all laws and regulation which strictly prohibit child labor and forced or compulsory labor and is in line with ILO standards. Additionally, Group is following General provisions as per its agreement with Multilateral investment guarantee agency, which strictly says, that when performing business activities or business activities of its sub-contractors provide reasonable measures, not to use child labour or slavery similar working conditions, not to abuse any human right or breach of principles of safe and healthy working conditions and to be in breach of any legislation or internationally accepted standards of social and natural environment.
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**Forced or compulsory labor**

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	1. See chapter Human Rights, Sustainability report, 2021. 2. See chapter Responsible procurement, Sustainability report, 2021.			Please note, that NLB is strictly following all laws and regulation which strictly prohibit child labor and forced or compulsory labor and is in line with ILO standards. Additionally, Group is following General provisions as per its agreement with Multilateral investment guarantee agency, which strictly says, that when performing business activities or business activities of its sub-contractors provide reasonable measures, not to use child labour or slavery similar working conditions, not to abuse any human right or breach of principles of safe and healthy working conditions and to be in breach of any legislation or internationally accepted standards of social and natural environment.

**Security practices**

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Internal document "Instructions on the protection of banking facilities and banking operations".	Confidentiality constraints		Please note, that security personnel is trained and licenced in line with national regulations as set by Ministry of Interior, including human rights protection.

**Rights of indigenous peoples**

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GRI 3: Material Topics 2021	3-3 Management of material topics	/	Not applicable	This topic is not material.
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	/	Not applicable	
<b>Local communities</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics		Not applicable	This topic is not material.
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	/	Not applicable	
	413-2 Operations with significant actual and potential negative impacts on local communities	/	Not applicable	
<b>Supplier social assessment</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics	1. See Sustainability report, 2021. 2. See Annual report, 2021.		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	1. Please see chapter Responsible procurement, Sustainability report, 2021. 2. Please see chapter Respecting human rights, Sustainability report, 2021. 3. Please see GRI 408 and GRI 409.		
	414-2 Negative social impacts in the supply chain and actions taken	1. Please see chapter Responsible procurement, Sustainability report, 2021. 2. Please see chapter Respecting human rights, Sustainability report, 2021. 3. Please see GRI 408 and GRI 409.		
<b>Public policy</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics		Not applicable	
GRI 415: Public Policy 2016	415-1 Political contributions	/	Not applicable	Please note that NLB's CSR Policy prohibits sponsoring or donations to political parties.
<b>Customer health and safety</b>				
GRI 3: Material Topics 2021	3-3 Management of material topics		Not applicable	This topic is not material.
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	/	Not applicable	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	/	Not applicable	
<b>Marketing and labeling</b>				

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GRI 3: Material Topics 2021	3-3 Management of material topics		Not applicable	This topic is not material.
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	/	Not applicable	
	417-2 Incidents of non-compliance concerning product and service information and labeling	/	Not applicable	
	417-3 Incidents of non-compliance concerning marketing communications	/	Not applicable	

**Customer privacy**

GRI 3: Material Topics 2021	3-3 Management of material topics	1. See NLB Group Sustainability Framework at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See Sustainability report, 2021. 3. See Annual report, 2021.
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	1. See chapter Improving customers' satisfaction, Sustainability report, 2021. 2. See chapter IT and Cyber security, Annual report, 2021. 3. See chapter Respecting human rights, Sustainability report, 2021.

**Topics in the applicable GRI Sector Standards determined as not material**

Topic	Explanation
[Title of GRI Sector Standard]	
Not available.	There is no GRI Sector standard for financial/banking sector at the time of the preparation of this sustainability report.

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