

# This is Our Home

NLB Group Sustainability Report 2020



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### ▶ **NLB Annual Report 2020**

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

# 2020 Sustainability Performance Highlights



## Comprehensive Sustainability program

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



## Sustainability governance

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



## UN Principles for Responsible banking

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



## 56% of female managers

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

Table 1: % of women in leadership positions in 2020

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

# 274

## Helped 274 small local businesses

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

# -10%

## Up to 10% lower electricity consumption

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

# -35%

## Up to 35% lower paper usage

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



## Inclusion and equal opportunities

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

# 6,800

## 6,800 training programs

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



## Non-discrimination

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

# -28%

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

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



## 69% of female employees

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

# +307

## 307 new employees

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

# 0

## No corruption

The anticorruption policy and procedures were revised in second half of 2020. There were **no confirmed cases of corruption in 2020**.



## International tax standards

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



# CEO Statement

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

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

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

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

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



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

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

Blaž Brodnjak

CEO





## A new boost for sustainable development

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

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



# Our Approach to Sustainable Banking

Strong supporting foundations:

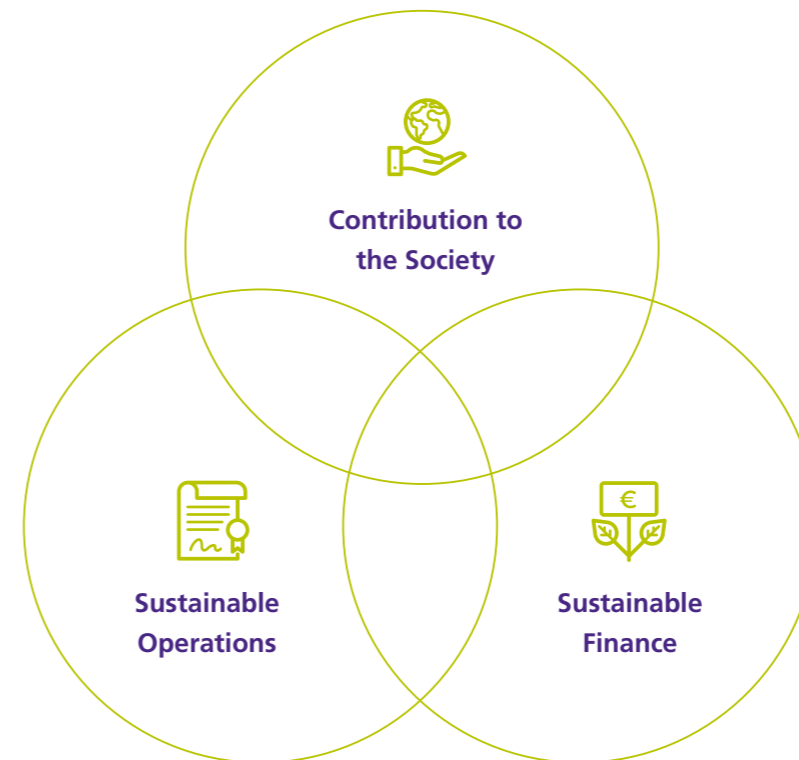


In 2020, the Group embarked on a path of more intensive integration of sustainability into banking operations. If until this year it was possible to detect the activities of banks in the Slovenian financial sector in the direction of more ecologically and socially acceptable operations, the COVID-19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

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

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

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



Key impact areas:

**Environmental**

- Climate Mitigation & Adaptation
- Biodiversity
- Resource Efficiency & Circular Economy

**Social**

- Gender Equality
- Human Rights
- Financial Inclusion
- Decent Employment

**Internal Change**

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

## NLB Group Sustainability framework

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

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

## UN Principles for Responsible Banking

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

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

### Building partnerships

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

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



#### Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



#### Principle 2: Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



#### Principle 3: Clients & Customers

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



#### Principle 4: Stakeholders

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



#### Principle 5: Governance & Culture

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



#### Principle 6: Transparency & Accountability

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

## Sustainability reporting

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

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





 298<sup>(i)</sup>

Number of branches in NLB Group

 269.7

Result after tax in EUR million

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

Total active clients of NLB Group

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

# NLB Group at a Glance

## Presentation of the NLB Group

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

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

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

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

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

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

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

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

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

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

## NLB Group business model and value creation

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

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

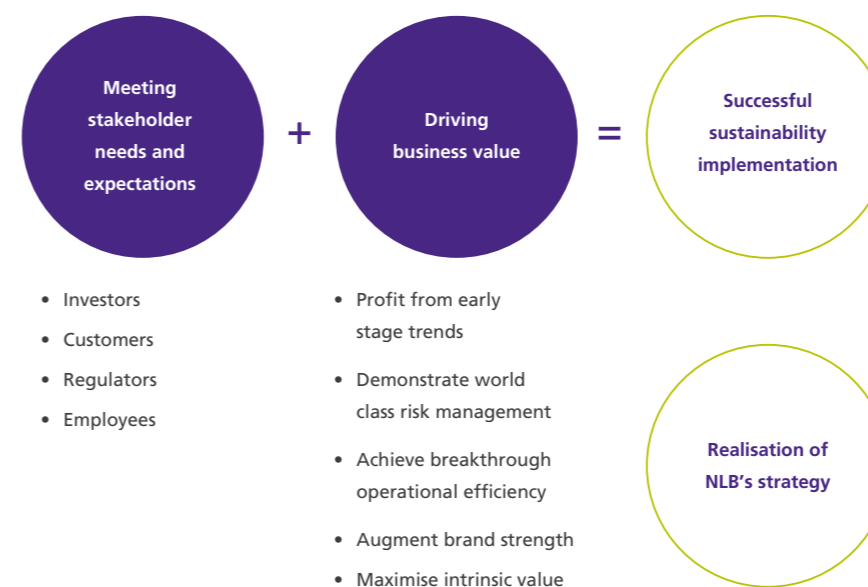
By positioning itself as sustainability-oriented bank in the SEE region, the Group can increase its access to large new markets and sectors that will thrive in **the transition to a low-carbon economy**, such as energy and water efficiency services, renewable energy sources, and green building products,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

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

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

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

### How does NLB create business value?



### Retail Banking in Slovenia

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

### Corporate Banking in Slovenia

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

## Strategic Foreign Markets

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

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

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

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

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

## Non-Core Subsidiaries

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

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

## Governance and risk management

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

### NLB Sustainability governance as established in 2020:



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

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





# Combining ancient techniques with modern aesthetics increasing in popularity

Bogdan Darmanović  
SHIMMPO, Montenegro

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

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

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

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

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

# The Three Pillars of NLB Group Sustainability

## Contribution to the Society

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

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



# #HelpFrame project

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

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



**Slovenia**  
**171** submitted clients  
**83** selected clients  
 43 new clients  
 37 different industries  
 Highest share from services, tourism and agriculture

**Bosnia and Herzegovina**  
**76** submitted clients  
**20** selected clients  
 1 new client, as focus was on existing ones  
 Different industries - majority operates in production, sales, education and tourism

**Serbia**  
**115** submitted clients  
**30** selected clients  
 17 new clients  
 15 different industries  
 Highest share from food production, transport and services

**Kosovo**  
**37** submitted clients  
**20** selected clients  
 5 new clients  
 14 different business activities  
 Mostly services, agriculture and trade

**Montenegro**  
**80** submitted clients  
**20** selected clients  
 2 new clients  
 15 different business activities

**North Macedonia**  
**223** submitted clients  
**101** selected clients  
 6 new clients  
 Different industries - majority from retail, catering and restaurant services



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

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

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

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

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

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

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

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

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

## Skopje

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

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

## Banja Luka

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

## Sarajevo

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

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

## Prishtina

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

## Podgorica

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

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

## Beograd

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

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

# Sustainable Finance

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

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

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

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

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

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

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

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

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

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

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

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

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



# Helping hand in crisis means a lot

Emire Duraku  
B.K.M Agro Krusha, Kosovo

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





## Sustainable Operations

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

### Environmental impact of our operations

Addressing 17 UN Sustainable Development Goals:

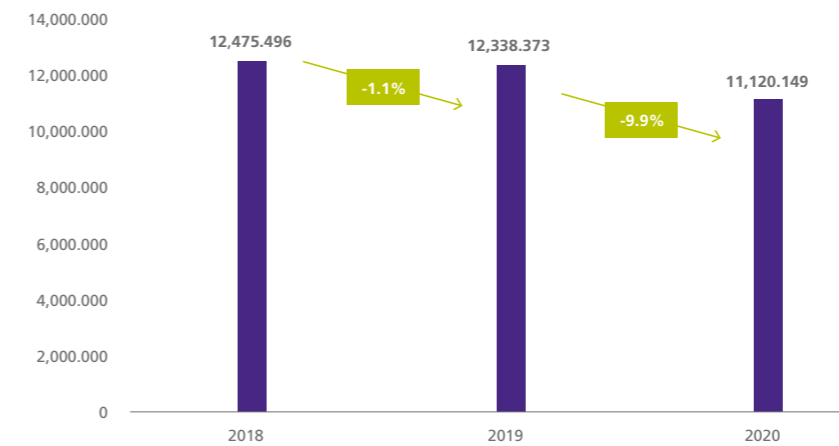


NLB d.d. complies with the environmental legislation and requirements which define the management of waste, emissions, and waste fuels in greater detail. The main regulations defining the area of waste management in Slovenia are the Environmental Protection Act, Public Utilities Act, the Decree on Waste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

### Power consumption

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

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



Source: Internal data, 2020

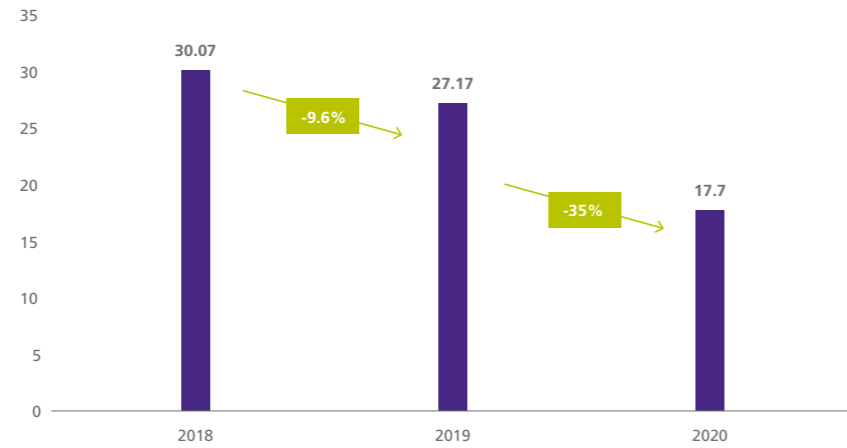
Figure 1: Electricity Consumption by Years in kWh for NLB d.d.

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

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

## Paper consumption

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



Source: Internal data, 2020

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

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

## Building management

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

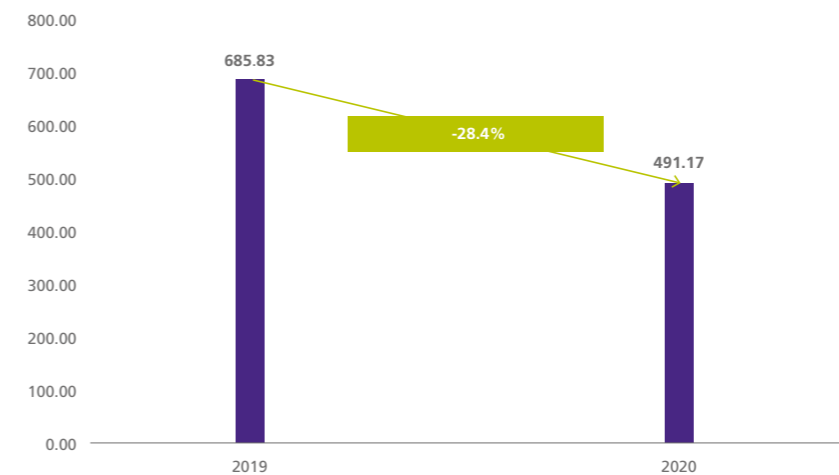
In the framework of space optimisation and the related optimisation of energy efficiency of business premises, we started with the gradual refurbishment of business premises at Šmartinska cesta 132 in Ljubljana (open space). The main purpose of refurbishment was to rearrange the business premises in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

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

## Use of company cars

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

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



Source: Internal data, 2020

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



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

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

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

### Responsible procurement

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

This is done by:

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

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

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

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

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

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

### Employment, diversity, and equal opportunity

#### Care for employees

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

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

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

### Addressing 17 UN Sustainable Development Goals:



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

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

These projects are:

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

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

## Employees in NLB Group

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

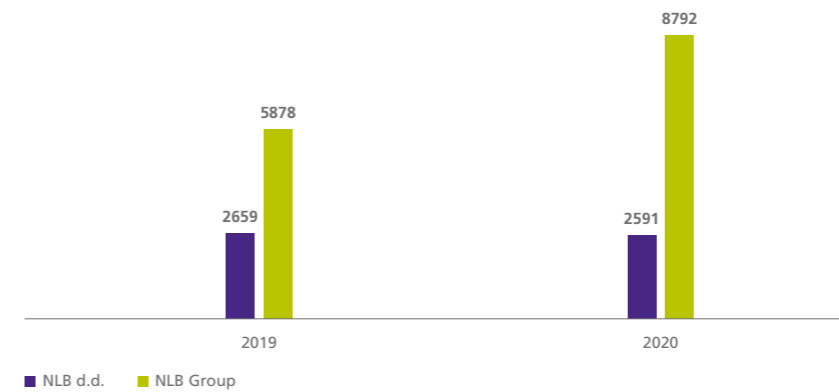


Figure 4: Number of employees in NLB Group.

## Employee structure in NLB Group by gender

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

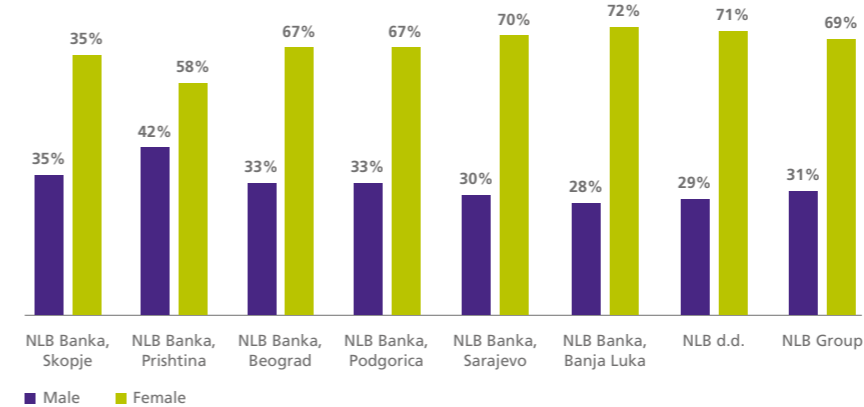


Figure 5: Employee structure in NLB Group members by gender at the end of 2020.

### Average age of employees in the NLB Group

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

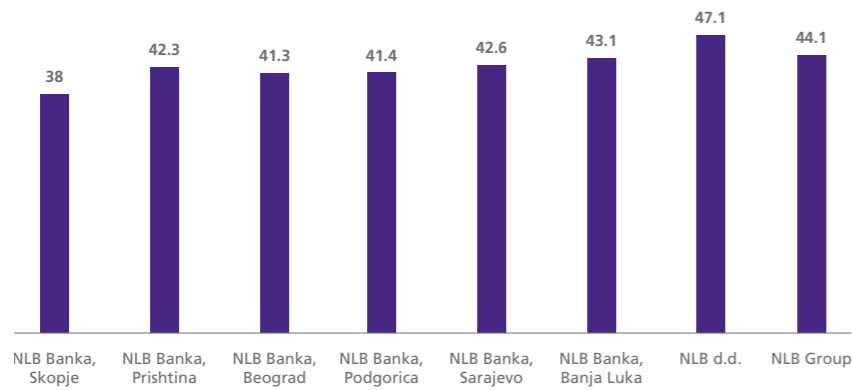


Figure 6: Average age of employees in NLB Group members at the end of 2020.

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

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

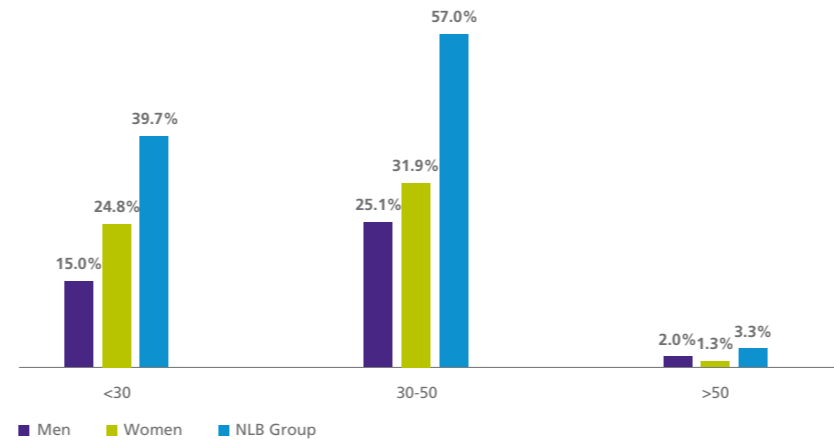


Figure 8: Structure of new employees in NLB Group by gender and age at the end of 2020.

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

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

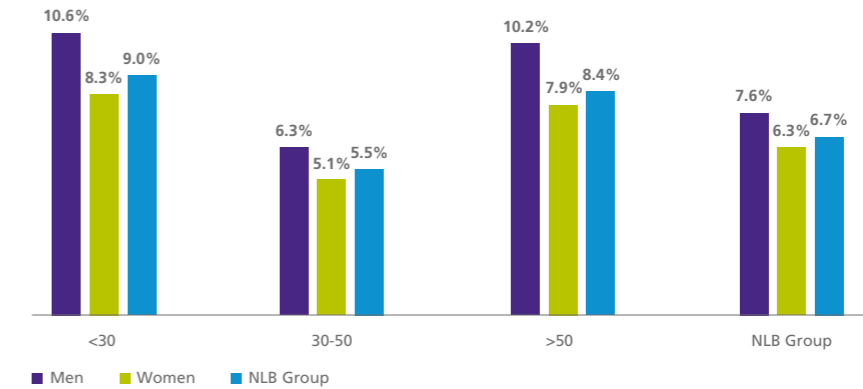


Figure 10: Graph: Structure of employee turnover in NLB Group by gender and age in 2020.

### Structure of employees by education in the NLB Group

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

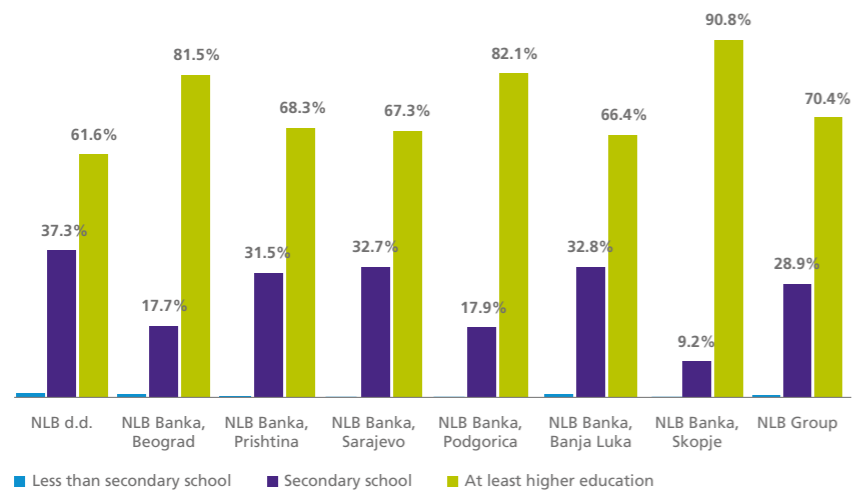


Figure 7: Structure of employees by education level in NLB Group at the end of 2020.

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

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

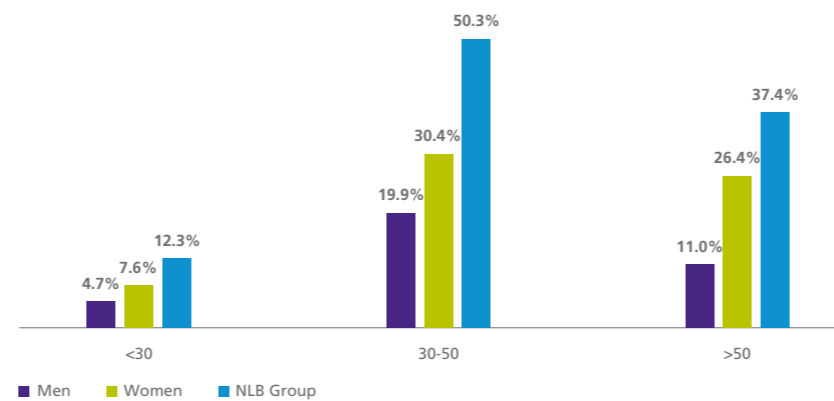


Figure 9: Structure of departures in NLB Group by gender and age at the end of 2020.

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

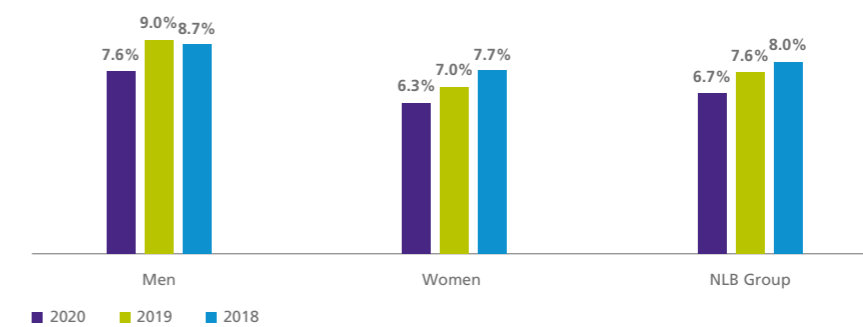


Figure 11: Employee turnover in NLB Group in the period of 2018 to 2020.



## Equality & Inclusion

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

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

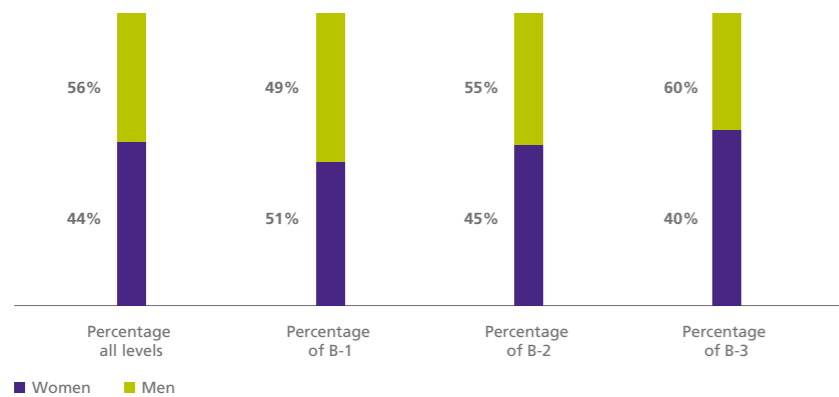


Figure 12: Management positions by gender at the end of 2020

## Health and safety

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

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

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

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

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

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

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

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

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

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

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

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

## Development of NLB Group employees

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

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

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

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

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

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

## Development of leadership skills

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

## Talent management

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

## Performance management

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

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

## Promotion of local and international career development

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

## NLB Group as a family-friendly bank

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

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

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

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





# Customers recognised us as a reliable and proven manufacturer

Marko Vrhovac

Domaćinstvo Vrhovac, Republic of Srpska, BiH

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



# The Respect for Human Rights

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

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

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

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

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

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

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

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

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

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

Risks perceived in connection with violations of standards of conduct:

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

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

Measures to manage the identified risks:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Risks:

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

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

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

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

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

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



# Finding way to own a brand with help of scholarship

Tina Turk  
Skripsi, Slovenia

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





# Fighting Against Corruption and Bribery

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# Promoting Freedom of Expression on the Internet and Elsewhere

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

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

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

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

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

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

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

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

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

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

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

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

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

# Improving Customer Satisfaction

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

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

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

## Processing of Complaints

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

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

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

## Complaints in NLB Group

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

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

Minimal standards are implemented in all banks of the NLB Group.

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



# The right support at the right time

Sergej Ivanov  
PG MAGI, Serbia

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



# Tax Transparency

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

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

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

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

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

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

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

## Tax risk management

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

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

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

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

## FATCA, CRS

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

## Future challenges

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



# GRI Standards

## Economic

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

GRI Topic	GRI Disclosure	Value	Comment
GRI 205 – Anti-corruption	<b>205-2: Communication and training about anti-corruption policies and procedures</b>		
b. The total number and percentage of employees that the organisation's anti-corruption policies and procedures have been communicated to, broken down by employee category and region.	Slovenia:  NLB: 2591 or 100%  NLB Group core members: 45 (57.7%) of current employees  NLB Group, non-core members: /  SEE region:  NLB Group, core banking members: - Serbia: 502 (100%) - BiH: 922 (100%) - Montenegro: 308 (100%) - Kosovo: 450 (100%) - North Macedonia: 934 (100%)  NLB Group, non-core members: /	Data should be interpreted taking regard to the explanation under previous point a.	
d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region..	Slovenia:  NLB d.d.: MB: / SB: 11 or 91,6% /  Other NLB Group core members: MB: 2 (50%) SB: 0 (0%)  NLB Group, non-core members: /  SEE region:  NLB Group, core members: - Serbia: MB: 3 (100%), SB: 0 (0%). - BiH: MB: 3 (50%), SB: 5 (50%). - Montenegro: MB: 2 (66,6%), SB: 0 (0%) - Kosovo: MB: 3 (100%), SB: 0 (0%). - North Macedonia: MB: 4 (100%), SB: 5 (100%).  NLB Group, non-core members: /	Data should be interpreted taking regard to the explanation under previous point a.  Additional explanation regarding NLB d.d. data: MB members were trained and informed on anti-corruption rules through the revision process of the ABC policy in 2020, and they also received training materials on anti-corruption and anti-bribery, although no formal training was organised for them additionally. Members of the Supervisory Board received tailor-made training on this topic.	
e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.	Slovenia:  NLB d.d.: MB: / SB: 11 or 91.6% Employees: 2306 or 89.0%  NLB Group core members: 42 (53%) of current employees  NLB Group, non-core members: /  SEE region:  NLB Group (core members): - Serbia: 427 (85%) - BiH: 414 (45%) - Montenegro: 267 (87%) - Kosovo: 410 (91%) - North Macedonia: 671 (71.8%)  NLB Group, non-core members: /	See also explanation for NLB d.d. under previous point d.	

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

## Environmental

GRI Topic	GRI Disclosure	Value	Comment
GRI 301 – Materials	<b>301-1: Materials used by weight or volume</b>		
	a. Total weight or volume of materials that are used to produce and package the organization's primary products and services during the reporting period, by:		
	b. renewable materials used.	Slovenia: NLB d.d. 17.70 A4 pages per employee per working day  NLB Group, core members: 36.89 A4 pages per employee per working day  SEE region: * Sarajevo: 55,35 * Beograd: 25.81 * Skopje:38,25 * Prishtina: 24,42 * Podgica:35,98 * Banja Luka:40,53	Data is related to used A4 paper per employee per working day.  NLB d.d. The number of pages has been constantly reduced. Compared to 2019, the amount of paper used decreased again (from 27.17 pages to 17.70 pages in 2020).  NLB Group, core members: Compared to previous years, the quantity by individual members decreased between 15% and 23%.
GRI 302 – Energy	<b>302-1: Energy consumption within the organization</b>		
	a. electricity consumption in kWh	Slovenia: NLB d.d. 11.120.149 kWh  NLB Group, core members: 13.699.622 kWh  SEE region: * Sarajevo: 1.602.223 kWh * Beograd: 1.660.000 kWh * Skopje:4.200.000 kWh * Prishtina: 1.742.776 kWh * Podgica:1.225.340 kWh * Banja Luka:3.269.283 kWh	NLB d.d. In 2020 we continued with the reduction of electricity consumption, which is 9,87% lower than in the year 2019 (12.338.373 kWh).  NLB Group, core members: Compared to previous years, the volume did not change drastically by individual members, except for Sarajevo and Belgrade, where it decreased between 6% and 9.8% based on measured consumption.
GRI 305 - Emissions	<b>305-1: Direct GHG emissions</b>	Slovenia: NLB d.d.: 491,17 tons CO2  NLB Group, core members: / (no data)	In 2020, NLB d.d. produced 491,17 tons of CO2 from fuel consumption (treasury vehicles and official vehicles)
GRI 306 – Effluents and Waste	<b>306-2: Waste by type and disposal method</b>		The waste is being treated by outsourced waste company.
	<b>Paper and cardboard recycling</b>	Slovenia: NLB d.d.: 207133 kg  NLB Group, core members: / (no data)	NLB d.d. Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded.
	<b>Municipal wastes</b>	Slovenia: NLB d.d.: 5.080 kg  NLB Group, core members: / (no data)	NLB d.d. Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill.
	<b>Wood</b>	Slovenia: NLB d.d.: 6.200 kg  NLB Group, core members: / (no data)	NLB d.d. Data for 2020 NLB Group, core members The Group does not have a state-regulated and legally prescribed regulation that the various wastes that go to the landfill should also be quantitatively recorded. The supplier who carries out the renovations takes the waste construction material to the city landfill





# Shift to local and regional market

Grandfather of Samra Čomor  
CoolTour, Bosnia and Herzegovina

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



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

## Social

GRI Topic	GRI Disclosure	Value	Comment
GRI 401 – Employment	<b>401-1: New employee hires and employee turnover</b>		
	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region.	NLB In total, 94 new employees in 2020.  NLB Group: In total, 307 new employees in 2020 (significant group members)	NLB d.d.: In total, 94 new employees in 2020. 29 (31%) were younger than 30 years, 57 (61) were between 30 and 50, and 8 (9%) employees were older than 50. 87 (7%) were employed by the Republic of Slovenia.  NLB Group: In total, 307 new employees in 2020. 122 (39.7%) were younger than 30 years, 175 (57%) were between 30 and 50 50.8% and 10 (3.3%) employees were older than 50  97% of new hires were hired from local community. 42% were men and 58% were women.
	b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	NLB: In total, 162 employees departed from NLB d.d. in 2020.  NLB Group: In total, 382 employees departed from NLB Group in 2020.	In total, 162 employees departed from NLB d.d. in 2020. 11 (7%) were younger than 30, 59 (36%) were in the age between 30 and 50, and 92 (57%) employees were older than 50 years old.  NLB Group: In total, 382 employees departed from NLB Group significant members in 2020. 47 (12.3%) were younger than 30, 192 (50.3%) were in the age between 30 and 50, and 143 (37.4%) employees were older than 50 years old. 36% were men and 64% were women.
	<b>401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees</b>		Promote and protect the rights, obligations and responsibilities arising from the employment relationship are regulated by laws, collective agreements and internal regulations. All employees have rights as they are determined by law, collective agreements and internal regulations.
	<b>401-3: Parental leave</b>		
	a. Total number of employees that were entitled to parental leave.	NLB Group: 252 employees	NLB Group: (220 women, 32 men)
	b. Total number of employees that took parental leave.	NLB Group: 252 employees	NLB Group: (220 women, 32 men)
	c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender.	NLB Group: 153 employees	Some of the employees started parental leave in 2020 and are still using it, they shall return to work in 2021.
	d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work.	In general, all employees return to work after parental leave ended	In general, all employees return to work after parental leave ended and are still employed 12 months after their return to work.
	e. Return to work and retention rates of employees that took parental leave.		The decision to work separation after parental leave ended is voluntary and can be initiated by employee.



GRI Topic	GRI Disclosure	Value	Comment
GRI 402 - Labor/ Management Relations	<b>402-1: Minimum notice periods regarding operational changes</b>	NLB Group: The way of cooperation with the Labour unions and the Worker's council is fixed by collective agreements, the Act of workers and management and the Agreement on cooperation between Worker's council and employer. Deadlines for informing the Unions and the Worker's council is in most members in a minimum of 30 days, eight days in NLB Bank Belgrade. In NLB Bank Banja Luka, organisational changes are communicated before adoption, the minimum notice period is not defined.	
	<b>403-1: Workers representation in formal joint management-worker health and safety committees</b>		
GRI 403 - Occupational Health and Safety	a. A statement of whether an occupational health and safety management system has been implemented	An occupational health and safety management system has been implemented in NLB Group because of legal requirements. Occupational Health and safety requirements are determined in The Laws and regulations on Safety and Health at Work applicable in each Member State.	
	b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.	In accordance with laws and regulations NLB Group has implemented health and safety management system on all workplaces that are controlled by the organisation.	b. A description of the scope of workers, activities, and workplaces covered by the occupational health and safety management system, and an explanation of whether and, if so, why any workers, activities, or workplaces are not covered.
	<b>Disclosure 403-2 Hazard identification, risk assessment, and incident investigation</b>		
	a. A description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimise risks.	a. In accordance with the legislation on health and safety at work and the Safety Statement with risk assessment, risk assessment is carried out according by a certain methodology and onsite inspection of workplaces. Measures are taken to reduce exposure to occupational emissions. Regular training in safety and health at work is provided, appropriate personal protective equipment is provided and also regular periodic inspections of work equipment. Records of injuries at work are kept, which include research of every injury and the adoption of measures to reduce the occurrence of injuries. In addition to the technical risk assessment, a health risk assessment is also performed. Through joint measures, we provide to employees the safest and healthiest jobs as possible. i. In some members employ professional workers for safety and health at work, who, together with the help of managers, takes care of the implementation of measures to ensure safety and health at work. Other members hire a licensed company to implement the occupational health and safety Law and to inspect the application of health and safety measures. ii. NLB follows the number of accidents and work-related health issues and acts immediately upon any new hazard to mitigate it.	
b. A description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals.	All employees are obliged to inform their immediate supervisor of any deficiencies and irregularities in their workplaces and in the work environment that could endanger their safety and health.		

GRI Topic	GRI Disclosure	Value	Comment
GRI 403 - Occupational Health and Safety	<b>Disclosure 403-2 Hazard identification, risk assessment, and incident investigation</b>		
	c. A description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals.	All employees are informed about hazards on their workplaces and with procedures and measures to avoid or reduce them. If a danger to the safety and health of the employee is identified, the employee must stop working. He/She must inform a superior, who must take care to eliminate the danger. The employee does not return to the position until the danger has been eliminated.	
	d. A description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system.	The safety statement with the risk assessment lists the measures for individual groups of workplaces with which we reduce the dangers that may occur in the workplace and in the work environment. If dangerous phenomena are detected, the group participating in the preparation of the risk assessment shall re-assess the risks in individual groups of workplaces where the dangerous phenomenon occurred.	
			In Serbia, the hired company does the site inspection each month, compiles statistics, and writes reports about it. In this way, the risk is being assessed each month, which allows the Bank to act upon any new risks or hazards and to prevent the employees from accidents. Each employee goes through a health and safety training where he/she is personally introduced to the possible risks and where he/she is given instructions for a healthy and safe way of working.
			In some members the Bank has signed a contract with specialised external company to conduct risk assessment for each workplace. This contract is signed pursuant to law and administrative instructions issued by the Ministry of Labour and Social welfare. The Bank, depending on the recommendations received by the company, takes action to eliminate the risks.

GRI Topic	GRI Disclosure	Value	Comment
GRI 403 - Occupational Health and Safety	<b>Disclosure 403-3 Occupational health services</b>	A description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimisation of risks, and an explanation of how the organisation ensures the quality of these services and facilitates workers' access to them.	In Slovenia, the Bank has a contract with the Occupational, traffic and sports medicine centre which participates in the preparation of the Safety Statement with a risk assessment, proposes measures to reduce exposure to loads and occupational hazards in the health risk assessment. Both the employer and the employee can consult an authorised Doctor of Work-related issues at any time. All employees attend regular preventive medical examinations within the deadlines prescribed by the doctor. Medical examinations are carried out at several different locations. In this way, workers have easier access to health services. Other locations: Regular site inspections and health and safety meetings and training courses for employees, ensuring that equipment is installed correctly and safely, doing the regular measurements of climate conditions in the bank, following the number of accidents and work-related health issues. Employees are encouraged to consult with the person in charge for security at the Bank in case of any doubts. The Bank is obliged to organise regular preventive medical examinations for employees also in some other
	<b>403-4: Health and safety topics covered in formal agreements with trade unions</b>		
	a. A description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers.	Slovenia: The Workers' council participates in the preparation of the Safety declaration with a risk assessment. The Workers' council provides information provided by employees. Together with the risk assessment team, they take measures and inform employees. The Workers' council gives initiatives and questions related to the field of safety at work all the time. The participation of the Workers' council is mandatory by law. Other locations: Every employee can send a proposal to upgrade health and safety management system by mail	
	b. Where formal joint management-worker health and safety committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why any workers are not represented by these committees.	Slovenia: One of the bodies of the Workers' council is the occupational safety and health committee. The Occupational Safety and Health Committee regularly cooperates with NLB. Initiatives and questions are addressed to Human Resources and organisational development. Other Countries: There is no formal health and safety committees.	

GRI Topic	GRI Disclosure	Value	Comment
GRI 403 - Occupational Health and Safety	<b>Disclosure 403-5 Worker training on occupational health and safety</b>	a. A description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations.	Slovenia: Training in occupational safety and health and fire protection is carried out periodically every three years. Training education can be provided in the classroom or in the form of online education. For employees who work on higher risk position we provide an external professional contractor who gives them special training for their specific jobs or tasks. Education consists of theoretical and practical work. Serbia: Every employee goes through initial training upon his/her employment, and also through re-training which happens every four years. The training consists of theory and practice, during which the employees are being introduced to the general risks at their working places and to the possible ways to mitigate them. The risks are previously defined for each workplace through the Risk Assessment. If there are any employees working on a high-risk position, re-training happens every three years or less, depending on the risk to which he/she is exposed to. Those employees have unique trainings covering how to deal with risks at their working places. Kosovo: NLB Banka Prishtina provides instructions and conducts regular generic training to workers on occupational health and safety organised by an external professional company as well as specific training on using fire extinguishers and first aid. BiH: The Bank implements technical, organisational and other fire protection measures, provided by the Law on Fire Protection, regulations adopted on the basis of the Law and other acts that may regulate this area. The training of employees related to fire protection is carried out according to the planned program in two parts, in the form of theoretical and practical training, by the responsible person (Coordinator for security and fire protection).
	<b>Disclosure 403-6 Promotion of worker health</b>	a. An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided.	Each employee has the republic health insurance, according to the national legislation. Also, the Bank is obliged to provide collective insurance against risk of accident to all employees. In Kosovo, the Bank has signed a contract with private Health Insurance company for the coverage of all employees with private healthcare services.
		b. A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organisation facilitates workers' access to these services and programs.	Workplace health promotion is a joint effort for employers, workers and society to improve health and well-being in the workplace. Health promotion measures are a combination of improving the organisation of work in the work environment, encouraging workers to take part in healthy activities, enabling healthy lifestyle choices and promoting personal development. In Slovenia, health promotion measures are written in a Safety statement with risk assessment.



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

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



# To know you have someone to rely on

Toni Gerasimovski  
TERMONET, North Macedonia

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





# 2021 Sustainability Roadmap

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

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

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

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

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

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

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

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

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

## Komercijalna banka mission

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

## Transparent business and communication:

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

## UN Global Compact

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

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

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

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

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

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

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

### Anti-corruption:

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

## Protection of human rights

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

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

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

## Contact person for ethical issues and complaints

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

## Protection of labour rights

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

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

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

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

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



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

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

### Environmental protection

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

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

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

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

### Anti-corruption

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

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

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

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

### Sponsorships and donations

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

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

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

At the end of the year, we donated 5,000 special masks for patients in the "red" zone and a 4D ultrasound device to the "Narodni front" maternity hospital.

In addition, Komercijalna banka helped publish a monograph on the first governor, Georg Weifert, as well as the book "Stranci koji su zadužili Srbiju."

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

# This is Our Home

