

A group of approximately 20 young girls, members of a soccer team, are posed on a green grass field. They are wearing yellow jerseys with 'INEX' and 'EROLINE' logos, black shorts, and yellow socks. One girl in the center is wearing an orange and black goalkeeper's uniform and holding a soccer ball. The background shows a stadium with bleachers and a building labeled 'NK RADOMLJE'.

# Building the future of our home court

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## NLB Group Sustainability Report

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**This is where we raise entire generations, where we give opportunities for learning, growth and prosperity, where we develop the healthy and responsible members of society. This is where we build on the future of our home court.**

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# Statement of the CEO

**At NLB Group, sustainability is at the heart of our mission to co-create a future in which economic growth, social well-being and environmental stewardship thrive in harmony. I am proud to present the NLB Group Sustainability Report 2023, demonstrating our commitment to driving positive change and sustainability across all aspects of our operations. This report outlines our progress towards achieving the net zero and other sustainability-related targets, together with the strategies we have adopted to tackle the pressing environmental and social challenges.**

Our dedication to sustainability extends through all markets in **the Southeast Europe region** where NLB Group operates. This region is our home. We contribute to its development by supporting economic growth, social welfare and environmental care. To this end, we pursue our policies and initiatives within three sustainability pillars: sustainable finance, sustainable operations and contribution to society.

We are taking an integrated approach to foster sustainable and dynamic diversification of industries in the SEE region. Our sustainability strategy focuses on **driving sustainable finance initiatives, promoting responsible banking practices, supporting industrial restructuring, and promoting green initiatives across various sectors. Our dedication to sustainable development is evident in our commitment to decarbonise our lending and investment portfolio by 2050 or sooner, provided in our NLB Group Net Zero Disclosure Report. However, we are primarily focusing on ourselves and therefore substantially reducing emissions from our own operations.**

By leveraging our resources and by understanding that achieving sustainable growth requires collective efforts, we collaborate with various stakeholders with the aim to address the barriers hindering **the green transformation of the region's economies, and to empower them for taking part in this process.** We believe that a regional sustainable industrial policy initiative can provide a valuable framework

for fostering industrial upgrading and addressing challenges associated with availability of technology and resources.

Social well-being and environmental care are intrinsically interconnected. The well-being of society depends to large extent on the health of the environment and the availability of natural resources. Similarly, environmental sustainability will thrive only if communities and societies are well-equipped and empowered to support it. Therefore, comprehensive **social well-being** lies at the core of NLB Group's sustainability agenda. We strive for **inclusivity, education, and community empowerment.** NLB Group's programmes and partnerships address social issues, improving the quality of life for individuals and communities across the region. By **uplifting marginalised groups, promoting education initiatives and supporting community development projects,** NLB Group actively contributes to a more equitable and prosperous society.

In addition, we also recognise the importance of supporting wider socio-economic development initiatives aligned **with the United Nations' Sustainable Development Goals (SDGs) and the Paris Climate Agreement.** We are dedicated to integrating these goals into our strategic frameworks and policy measures, aiming to contribute to the overall well-being and inclusive growth in the region where we operate. NLB Group is proud to be the first bank in Slovenia to

sign the **Global UN Principles for Responsible Banking.** This commitment further solidifies our role and responsibility in shaping a sustainable future not only in Slovenia but also in the broader Southeast Europe region. Looking ahead, we will continue to innovate and invest in environmental and social projects, and further embed sustainability into our core business strategies and decision-making processes. **We also pledge to enhance our reporting practices, ensuring transparency and accountability in measuring our sustainability performance and progress.**

In conclusion, NLB Group remains steadfast in its commitment to sustainability. Collaboration and continued efforts for the common good are key to achieving global sustainability. Therefore, **we invite stakeholders, partners and the community to join us in our sustainability journey,** as together, we can create a more sustainable and resilient future—for us all.

Sincerely,

**Blaž Brodnjak**  
CEO

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## Key Highlights 2023

## Environmental

We are focused on our journey to transition all operational and attributable GHG emissions from our lending and investment portfolios to align with pathways to net-zero by 2050, or sooner.

**The first NLB Group Net Zero Disclosure Report** and setting portfolio decarbonization targets for the first four sectors

EUR

**287** million

of new sustainable financing, supporting the green transformation of our clients

EUR

**500** million

issuance of NLB's inaugural green bond

EUR

**93** million

net asset value in two sub-funds which promote environmental and social characteristics

**10,999** ktCO<sub>2</sub>eq

of financed emissions

**19.4** ktCO<sub>2</sub>eq

of operational emissions

**7.6%**

annual reduction of operational emissions

**100%**

of carbon-free electricity in own premises in NLB and NLB Komercijalna banka, and 62% at NLB Group level

**15%**

reduction of electric energy consumption at NLB Group level

## Social

We contribute to a thriving society through responsible stakeholder engagement.

**+ 6** p.p.

increase of employee engagement (+ 27 p.p. vs. baseline year 2015)

**+ 8** points

increase in Net Promotor Score (NPS)

**334,430**

total hours or 43.65 hours or 7.2 days of training per employee (increased by 94% vs 2022: 22.4 hours)

**+ 1000**

employees actively engaged in the Group-wide awareness-building Sustainability Festival

Several initiatives to **improve the digital and financial education** of clients, young people, and seniors were executed Group wide

More than EUR

**1.35** million

donation to all markets in the region

EUR

**9.5** million

donated to mitigate the negative impacts of floods in Slovenia

Notes:

(1) Operational emissions include data of 20 material NLB Group members, Scope 1, Scope 2, and limited Scope 3 – without Category 15.

(2) Financed emissions (Category 15) include Scope 1, Scope 2, and Scope 3.

# Key Highlights 2023

## Governance

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

**16.0** (low risk)  
by Sustainalytics ESG Risk rating  
(improved by 1.7 points)

**56%** of women  
in all management positions in NLB  
Group (as high as in 2022)

**40%** of women  
in the NLB Supervisory Board

**7,572** total hours  
or **0,99 hours/employee** of  
sustainability related training (increased  
by 420% vs 2022: 1,452)

**ESG risk  
management** was  
further upgraded

**Strengthened  
governance  
framework**  
with upgraded  
Sustainability Policy  
and other internal  
documents

## NLB Group has seen a continuous improvement in its ESG Risk Rating

The Group's effort and progress on its sustainability journey are recognised by Sustainalytics, one of the world's leading independent ESG research, ratings and data firms. In 2022, the Group received its first ESG Risk Rating, becoming the first bank with headquarters and exclusive strategic interest in SEE to obtain this rating, as well as the first among companies listed on the Ljubljana Stock Exchange.

In 2023, the Group recorded a **1.7-point improvement** to achieve an overall **ESG Risk Rating of 16.0 points**, placing the Group in the 'Low Risk' category. Thus, the Group is ranked in the top 13% of all banks assessed by Sustainalytics. Sustainalytics rated the Group's ESG exposure as 'medium', similar to the subindustry average, and noted overall management of material ESG issues as 'strong'. Risk is negligible in Business Ethics and low in Data Privacy and Security, Product Governance, Corporate Governance, Human Capital and ESG Integration Financials. Furthermore, Sustainalytics found that no event occurred in the Group or its operations that would have a negative impact on stakeholders, operations or the environment.

## ESG Risk Rating History



Notes:  
(1) All data in Key Highlights to NLB Group (NLB and 6 subsidiaries banks) and year 2023, if not stated otherwise.

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# About this Report

**The NLB Group Sustainability Report 2023 refers to the Management Board statement on the non-financial report, which is included in the Annual Report, and is prepared in accordance with Article 56 and in conjunction with Article 70c of the Companies Act. Applying this regulation, and in line with NLB Group's ambition to lead sustainability in the region, this document represents the Group's consolidated report on non-financial operation.**

Furthermore, the report discloses information based on the following legal bases, requirements, recommendations and reporting frameworks:

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

## The report provides comprehensive information on sustainability in NLB Group.

The consolidated report enables interested parties to understand the material dimensions of NLB Group's development, performance, position and the impact of its activities. The report includes, within the overview of the Group's sustainability pillars, information on environmental, social and personnel issues, respect of human rights and issues regarding the fight against corruption and bribery, and other sustainability matters. The report describes the Group's business model, performance of material due diligence procedures, main risks and opportunities that stem from sustainability matters, key policies and activities that address them, as well as related results and key non-financial indicators.

As a rule, the Sustainability Report discloses sustainability-related data on NLB as the parent bank, headquartered in Slovenia, and six subsidiary banks in Serbia, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro. Altogether, the banks account for as much as 95% according to the number of employees in NLB Group and more than 99% according to its client base. Therefore, we consider the consolidated

disclosures focused on the banks represent a relevant and appropriate overview for the whole NLB Group. Nevertheless, the scope of this report goes beyond the banking members of NLB Group, as follows:

- In line with our direction towards comprehensive reporting related to all financial core members of NLB Group, this report also includes limited scope of sustainability-related disclosures of NLB Skladi, asset management company in Slovenia, which is bound by Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) and its amendments and additions. NLB Skladi complies with this regulation and its amendments and additions both at company level (with its remuneration policy) and at the level of the provision of services/products. The report also includes limited scope of sustainability-related disclosures of the leasing company NLB Lease&Go in Slovenia and its subsidiaries in Serbia and Macedonia.
- To assess all relevant drivers of NLB Group's operational emissions, the carbon footprint calculation (Scope 1, Scope 2, and limited Scope 3, excluding Category 15) included 20<sup>3</sup> Group members (financial and non-financial core members), whose operations have a significant and material environmental impact.

<sup>3</sup> Operational carbon footprint included 20 NLB Group members: NLB d.d., NLB Banka a.d., Skopje; NLB Banka a.d., Podgorica; NLB Banka a.d., Banja Luka; NLB Banka sh.a., Priština; NLB Banka d.d., Sarajevo; NLB Komercijalna Banka a.d., Beograd; KomBank Invest a.d., Beograd; NLB Srbija d.o.o., Beograd; NLB Crna Gora, d.o.o., Podgorica; NLB Skladi d.o.o., Ljubljana; NLB Lease&Go d.o.o., Ljubljana; NLB Lease&Go Skopje; NLB Lease&Go Leasing Beograd; REAM d.o.o., Beograd; REAM d.o.o., Podgorica; S-REAM d.o.o., Ljubljana; NLB Zavod za upravljanje kulturne dediščine, Ljubljana; NLB DigiT, d.o.o., Beograd; Bankart d.o.o., Ljubljana

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

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

As an issuer on London Stock Exchange, NLB discloses climate-related financial information for the second time in reference to, but not fully in compliance with, the TCFD recommendations regarding (1) governance, (2) business strategy, (3) risk management, (4) metrics and targets. In comparison with the previous report, additional information is disclosed, in line with the first NLB Group Net-Zero Disclosure report, including targets for reducing NLB Group's financed emissions and our strategic directions towards transitioning the operational and attributable GHG emissions from lending and investment portfolios to align with pathways consistent with achieving net zero by 2050 or sooner.

Further work is underway to enhance the identification, management and reporting of climate-related risks and opportunities with respect to the TCFD framework. In 2024, our aim is to provide CSRD readiness and align sustainability disclosures with the European Sustainability Reporting Standards (ESRS) by conducting the new double materiality analysis and further improving and automating the data collecting process. We also monitor other relevant reporting frameworks, such as sustainability-related financial standards IFRS S1 and S2 and the Taskforce on Nature-related Financial Disclosures (TNFD), and we aim to gradually integrate them into our reporting.

Ongoing efforts are being made to improve the identification, management, and reporting ESG impacts, risks, and opportunities.

## The report follows legislation, GRI and TCFD; in 2024 NLB Group will fully report by ESRS.

NLB Group presents its sustainability report on an annual basis. The reporting period of the NLB Group Sustainability Report 2023 is 1 January 2023 – 31 December 2023. Two restatements to the previous reporting period (1 January 2022 – 31 December 2022) have been performed: increasing the green lending targets by 2050 (see the Chapter Sustainable Finance and ESG Risk Management, and minor changes in operational carbon footprint calculations due to methodological improvements (see the Chapter NLB Group's environmental impact).

The NLB Group Sustainability Report 2023 is not subject to external assurance. It has been adopted by the Management Board and the Supervisory Board of NLB. The operational carbon footprint of NLB Group was verified by the external and independent institution, Jožef Stefan Institute (Energy Efficiency Centre). The report was adopted by the Management Board and the Supervisory Board of NLB d.d.<sup>4</sup> Both management bodies also adopted other sustainability-related reports to which this report is referenced (Pillar 3 Disclosures, sustainability-related chapters in NLB Group Annual Report, published at <https://www.nlb.si/financial-reports>).

The report is published on the NLB website ([www.nlb.si/sustainability](http://www.nlb.si/sustainability)), on the Ljubljana Stock Exchange's SEOnet system ([seonet.ljse.si](http://seonet.ljse.si)), on the websites of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and on the London Stock Exchange (LSE), at the same time as the NLB Group Annual Report 2023.

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

<sup>4</sup> Role of the Supervisory Board and the Management Board regarding disclosure of sustainability reporting (GRI 2-13)

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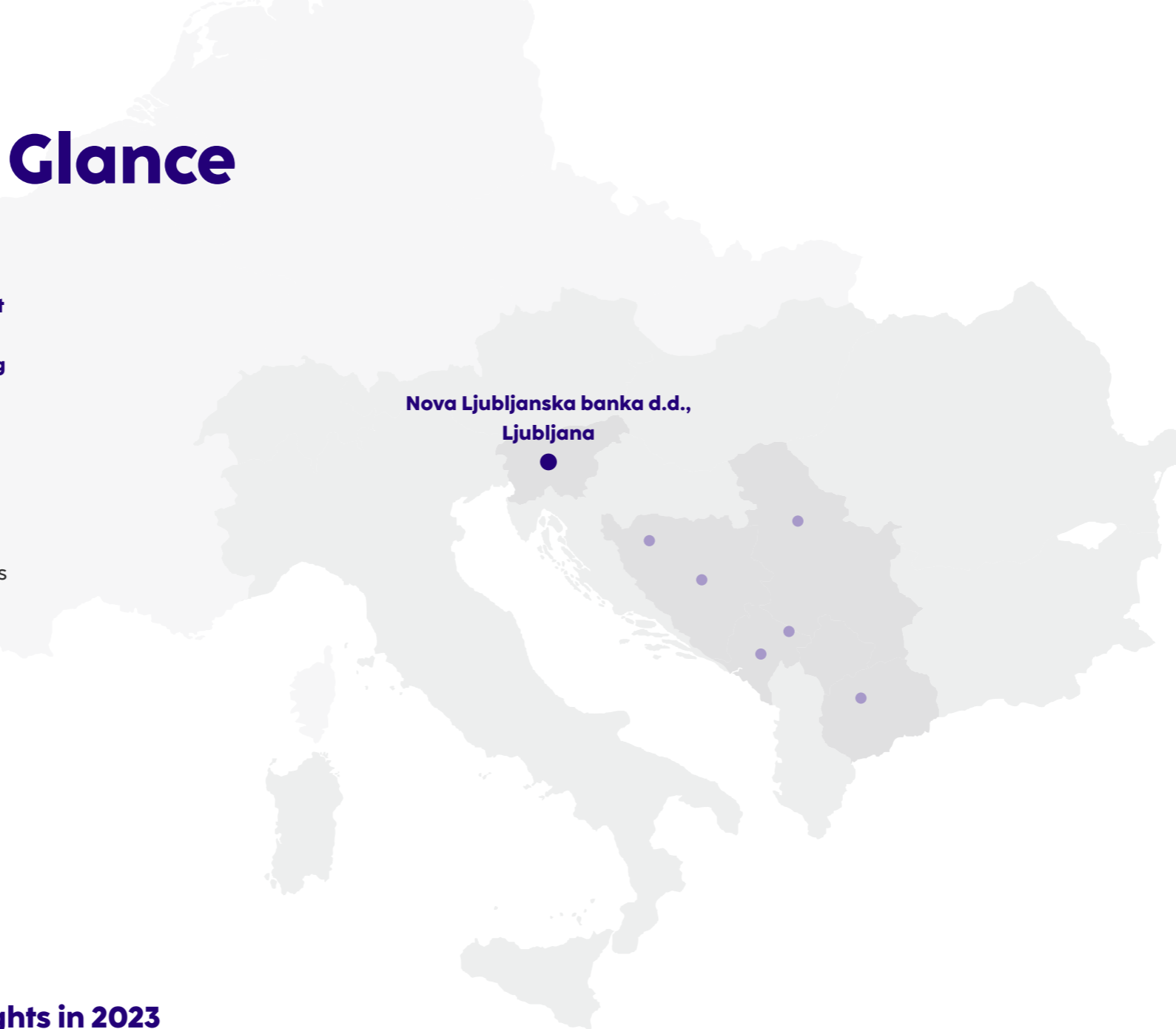
# NLB Group at a Glance

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

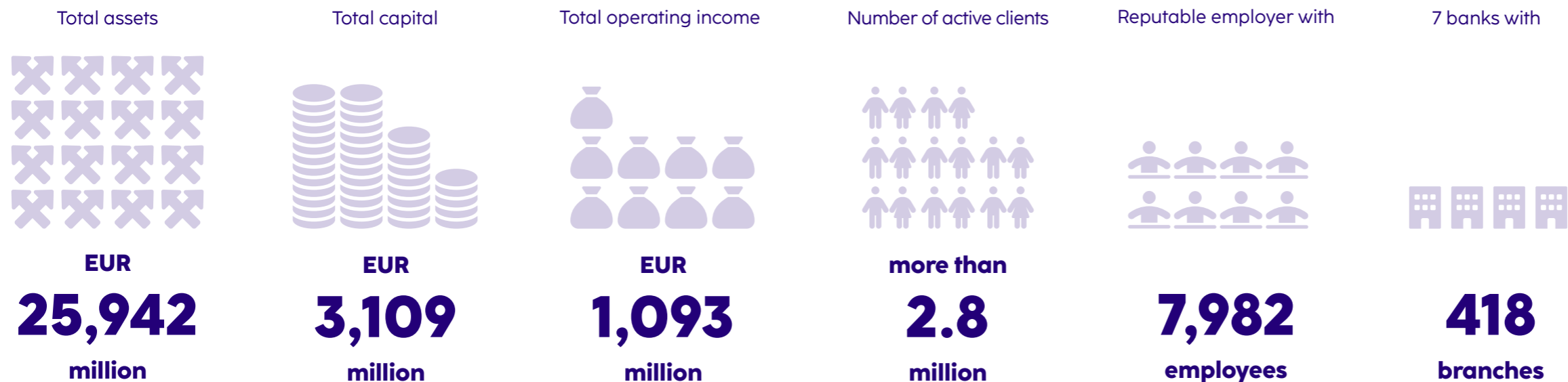
At the end of 2023, the Group comprised 30 members:

- financial core members: NLB as a parent bank and six subsidiary banks in five countries in Southeast Europe (Serbia, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro), leasing companies and asset management companies,
- non-financial core members: real estate management companies and other non-financial companies
- non-core members: companies in a wind-down process or companies considered non-strategic for NLB Group.

» For further details on the organisational structure of the NLB Group, including a description of the internal governance arrangements, please refer to the Group’s webpage [<http://www.nlbgroup.si/profile>].



## Key NLB Group performance highlights in 2023



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# Business strategy and vision

NLB Group's vision is to take care of the financial needs of its customers and improve the quality of life in its home region, Southeast Europe.

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

Figure 1: NLB Group strategic focus



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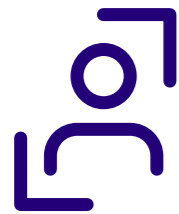
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» To find out more about NLB Group, its strategy, key performance indicators, and the macroeconomic and the regulatory environment, please refer to the NLB Group Annual Report 2023.

# NLB Group values

## GROWING PEOPLE



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

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

## ENCOURAGE ENTREPRENEURSHIP



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

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

## IMPROVING LIVES



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

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

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## Engagement with professional and business associations

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

Figure 2: Key memberships and collaborations

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

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

## Awards and recognitions

In 2023, several NLB Group banking members received notable awards for their sustainability-related contributions:

### NLB

- ESG finalist (by Finance, the leading national financial magazine)
- Top Employer in 2023 for the 8<sup>th</sup> consecutive year (Dutch Top Employer Institute)
- Two Best Employer Brand Awards in the categories of banking and the integration of corporate and employer brands
- Best indoor experience in 2023, and the title of Alzheimer Friendly Spot for Bankarium, the only financial museum in Slovenia

### NLB Komercijalna Banka, Beograd

- The first certified family-friendly bank in Serbia
- Awards for socially responsible campaigns - “NLB Organic” and “Support Framework”

### NLB Banka, Skopje

- The national award for demonstrated humanity and solidarity

### NLB Banka Banja Luka

- Golden Bam award for „Innovation“ in the banking sector as the first bank (together with NLB Sarajevo) for Google Pay launch in Bosnia and Herzegovina

### NLB Banka Sarajevo

- Golden BAM award for the Total ESG Effect category,
- Awards for the best digital socially responsible campaign “The Healing Horse” and “Go Green Star”

### NLB Banka, Prishtina

- Employer of the year (Kosovo Chamber of Commerce)
- “Friend of Children” award in recognition of its significant contributions to child protection efforts in Kosovo

### NLB Banka, Podgorica

- The best ESG and socially responsible bank in Montenegro

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

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# Sustainability evolution journey

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

Corporate responsibility and other sustainability elements have been part of NLB Group since very beginning of its operations. In 2020, the Bank faced the biggest strategic milestone when it became a signatory to the UN PRB (and UNEP FI member). Through the Principles, the Bank and its Group members take decisive action to align its core strategy, decision-making, lending and investing with the UN Sustainable Development Goals.

Based on these principles and to ensure successful management of the environmental, social, economic and governance challenges, as well as identifying business opportunities, the NLB Group Sustainability Programme was adopted in 2020. In 2021 the programme evolved into the comprehensive NLB Group Sustainability Framework ([nlb-sustainability-framework.pdf](#)), the mandatory framework for all core members of NLB Group in the region.

NLB Group is the only signatory to the UNEP FI Principles for responsible banking in Slovenia.

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

## Sustainability in NLB Group has made significant progress since 2020.

NLB Group made additional steps in its sustainability evolution journey in 2022 by joining the UNEP FI Net-Zero Banking Alliance (NZBA), which aims to harmonise credit and investment portfolios by reaching net-zero emissions by 2050 or earlier.

In 2023, the first NLB Group Net-Zero disclosure report [<https://www.nlb.si/nlb/nlb-portal/eng/sustainability/nlb-group-netzero-disclosure.pdf>] was published, aligned with NZBA methodology and reaffirming our commitment to achieving net zero by setting targets for reducing its financed emissions and maintaining a coal exclusion policy. The report provides a comprehensive overview of our efforts and progress towards transitioning the operational and attributable GHG emissions from lending and investment portfolios to align with pathways consistent with achieving net zero by 2050 or sooner. Another key milestone was issuing senior green bonds with a benchmark nominal value of EUR 500 million, to be granted within 36 months of issuance. The Group also improved sustainability governance framework by adopting the new NLB Group Sustainability Policy, with the rulebook for

harmonised sustainability management across the Group, which upgraded the previous Sustainability Framework. The policy demonstrates the commitment to our sustainability mission, which is leading by example, improving quality of life and contributing to a sustainable economy and society.

Throughout its sustainability journey, NLB Group kept our focus on strengthening the understanding of sustainability among our employees and clients in the region, as we firmly believe that commitment and engagement with our key stakeholders pave the way to achieving our sustainability targets. Despite its clear ambition and action to mitigate sustainability risks, the finance sector's role, including the Group, has its limitations. Climate action, as well as positive changes in business and society, necessitate collective efforts. It is also imperative for the clients to take action, while governments should provide the necessary guidance and direction through dedicated policies to achieve net-zero goals by 2050. Therefore, the NLB Group will continue to engage stakeholders, build partnerships and contribute to discussions on further improving sustainability-related regulations and supporting the environment.

Positive changes in business and society needs collective efforts of all stakeholders.

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## Overview of key milestones

### Until 2020

- Ad hoc management of sustainability-related matters in respective organisational units in NLB Group
- Basic reporting practice: CSR/ Non-financial report published as a stand-alone document, with included GRI standards
- NLB adhered to the UN Sustainable Development Goals

### 2021

- NLB Group Sustainability Programme anchored sustainable operations at various levels within the Group
- Comprehensive NLB Group Sustainability Framework prepared
- 2<sup>nd</sup> NLB Group Sustainability Report; additional reporting frameworks included: (UN PRB, EU Taxonomy)
- 1<sup>st</sup> NLB Group Operational Carbon Footprint Report prepared and externally verified

### 2022

- NLB joined the UNEP FI Net-Zero Banking Alliance (NZBA) as the first bank from Slovenia
- 3<sup>rd</sup> NLB Group Sustainability Report; additional framework included: TCFD (in reference to)
- 2<sup>nd</sup> NLB Group Operational Carbon Footprint Report prepared and externally verified
- NLB Group received its first ESG rating by Sustainalytics

### Outlook for 2024

- Fortify the implementation of the **UNEP FI Principles for Responsible Banking** in our business model and upgrade targets in our priority impact areas.
- Further developing and implementing a comprehensive **NLB Group Climate strategy**, including pathways to decarbonise the Group's portfolio and operations by 2050.
- **Financing a sustainable transition** of the Group corporate and retail clients in line with our net-zero commitment by providing them with sustainable banking, leasing and asset management products.
- **Implementing** the newly introduced sustainability-related governance framework across the NLB Group.
- **Providing CSRD readiness** and aligning sustainability disclosures with the forthcoming new directive and European Sustainability Reporting Standards ESRS by conducting the new double materiality analysis and further improving and automating the data collecting process. In addition, we will continue to integrate other relevant reporting frameworks, such as IFRS S1/S2 (where TCFD was transposed in October 2023) and keep following the implications of the Taskforce on Nature-related Financial Disclosures (TNFD) proposal.
- **Identifying and mitigating ESG risks** and pursuing opportunities stemming from lending or investment portfolios and business relations with key stakeholders, while following ECB and EBA guidelines.
- Further commitment to building **sustainability-related awareness, culture and capacity** in all NLB Group members.
- Exploring possibilities to **influence and further strengthen our value chain** in terms of sustainable practices.

Until 2020

2020

2021

2022

2023

### 2020

- NLB was the first bank from Slovenia to join the UNEP FI Principles for Responsible Banking
- NLB Group Sustainability Programme as a Group-wide initiative prepared, and implementation of sustainability in the business model started
- 1<sup>st</sup> NLB Group Sustainability Report with a clear focus on ESG factors published
- Corporate governance of the Bank is enhanced as sustainability is anchored at different levels within the Bank (Management Board, Supervisory Board and Group level, as well as Business & Country level), guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated in our daily operations

### 2023

- Comprehensive NLB Group Sustainability Policy and Standard Rulebook for sustainability management adopted and published on [www.nlb.si](http://www.nlb.si)
- 1<sup>st</sup> NLB Group Net-Zero disclosure report (NZBA), defining the first priority sectors in the portfolio decarbonisation strategy
- NLB issued its first senior green bonds
- 4<sup>th</sup> NLB Group Sustainability Report; upgraded with outline of the net-zero strategy to decarbonise the lending portfolio and operations, and initial green asset ratio (GAR)
- 3<sup>rd</sup> NLB Group Operational Carbon Footprint Report prepared and externally verified
- NLB Group improved ESG Risk Rating by Sustainalytics for 1.7 points to 16.0 (low risk)

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**Medals are  
not made  
of gold,  
but of  
practice  
and hard  
work.**



### **Sustainability strategy**

Through the dynamic and fast-paced nature of table tennis, the young learn to adapt and innovate, embracing hard work as a catalyst for progress. The same resonates within NLB Group sustainability strategy, where we navigate an everchanging landscape by continuously learning, taking action, and moving forward.

# Sustainability Strategy

NLB Group records sustainable financial performance and actively pursues its sustainable mission: to lead by example in improving the quality of life, and contributing to a sustainable economy and society in the region. To this end, the Group has set three sustainability pillars and clear objectives for each pillar. These are delivered through our dedication to international commitments, a double materiality perspective, stakeholder engagement, high corporate governance standards and strong sustainability governance and culture.

## Sustainability Mission

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

## Sustainability Objectives

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

## Sustainability Pillars

**1**  
**SUSTAINABLE OPERATIONS**



**2**  
**SUSTAINABLE FINANCE**



**3**  
**CONTRIBUTION TO SOCIETY**



## The way we deliver

**Commitments to global sustainability initiatives and goals**

**Comprehensive and efficient ESG stewardship, based on double materiality**

**Stakeholder engagement and inclusion, developing partnerships**

**High corporate governance standards, compliance, integrity and respecting human rights**

**Strong sustainability governance and culture**

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## Mission and objectives

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

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

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

## Overarching sustainability drivers

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

- commitment to global sustainability initiatives and goals, such as the UN Sustainable Development Goals, UNEP FI – Principles for Responsible Banking, and the Net-Zero Banking Alliance
- responsible engagement with key stakeholders and their inclusion in business models and business decisions
- high standards of corporate governance, responsibility, compliance, ethics, and integrity in everything we do

- comprehensive and efficient sustainability stewardship through all three ESG pillars (environmental, social and human rights, and governance factors)
- building strong corporate governance and culture with regard to sustainability matters

## NLB Group sustainability pillars

### 1 SUSTAINABLE OPERATIONS

#### General objectives:

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

### 2 SUSTAINABLE FINANCE

#### General objectives:

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

### 3 CONTRIBUTION TO SOCIETY

#### General objectives:

- to align each CSR activity with at least one UN Sustainable Development Goal
- to create added value by focusing on genuine societal needs and actively responding to these societal needs with appropriate initiatives and partnerships, in particular in the following areas:
  - Care for NLB Group employees
  - Financial literacy and mentoring
  - Responsibility to the environment
  - Sustainable entrepreneurship
  - Supporting professional and youth sports
  - Culture and protection of cultural heritage
  - Philanthropy

» For a comprehensive list of all relevant sustainability-related policies, please refer to Appendix 5.

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## Key sustainability KPIs and Targets<sup>1</sup>

KPI	2023	TARGET VALUE	TARGET YEAR
<b>Sustainability Governance</b>			
ESG Risk Rating (Sustainalytics) in points	16.0	<16.0	from 2023 onwards
<b>Pillar 1: Sustainable Operations</b>			
Operational emissions Scopes 1-3 (in tCO <sub>2</sub> )	19,421	net 0	2050
Paper consumption (No. of prints in thousands) <sup>2</sup>	73,433	65,343	2025
Share of electricity from zero-carbon sources <sup>2</sup>	62%	75%	2030
Digital penetration (% of active digital users in total number of clients) <sup>3</sup>	50.4%	55% 70%	2025 2030
Employee engagement	50%	≥50%	from 2023 onwards
Training hours/employee	43.65	33	from 2023 onwards
<b>Pillar 2: Sustainable Finance</b>			
Green lending to corporates (large, SME) - outstanding stock in EUR million <sup>4</sup>	331	1,370	2030
Green lending to micro and private individuals - outstanding stock in EUR million <sup>4</sup>	229	528	2030
Green lending total volume - outstanding stock in EUR million <sup>4</sup>	560	1,898	2030
Total financed emissions Scopes 1 - 3 (in t CO <sub>2</sub> ) <sup>5</sup>	10,999,680	net 0	2050
<b>Pillar 3: Contribution to Society</b>			
CSR which contributes to UN SDGs goals (% of total CSR activities)	97%	100%	from 2023 onwards

(1) All data refers to NLB Group banking members, except a) ESG Risk Rating, which refers to banking, asset management, and leasing operations in NLB Group; b) Diversity of management bodies, which refers only to NLB d.d.; c) Operational emissions Scope 1-3, without Category 15, which refers to 20 NLB Group members, including banking, asset management in leasing companies.

(2) These targets refer also to UN PRB Impact Area Resource efficiency - Security. Within these impact areas, NLB Group set two initial targets in 2021: 1. to decrease the number of paper prints in its operations until 2025 by 50% compared to 2019, 2. to reach 75% of electricity from zero-carbon sources.

(3) This target refers also to UN PRB Impact Area Inclusive and healthy economies. The target and progress data do not include NLB Komercijalna Banka Beograd and N banka, as the target was set in 2021 before the merger of NLB Banka Beograd with Komercijalna banka Beograd in April 2022, now operated under NLB Komercijalna banka Beograd, and the acquisition of N banka in March 2022, which was merged with NLB d.d. in 2023. Consequently, target and progress data were adjusted to include a comprehensive view of NLB Group. Hence, 40.1% penetration value reported for 2022 was adjusted to 35.5%.

(4) Green lending classification refers to the internal methodology of NLB Group, which refers to EU taxonomy, EBRD, MIGA and Green Bond frameworks. If a loan is mapped to either of these frameworks, it is considered a green loan. This target also refers to the UN PRB Impact Area Climate. Within this impact area, the initially set target in 2021 was to generate at least EUR 785 million of sustainable corporate financing (new production) in line with EU taxonomy by 2023. In 2023, NLB internally revised the target-setting process and adopted a new target for impact area Climate in line with Net-Zero Disclosure Report, published at the end of 2023. Consequently, new targets were set by 2030: sustainable(green) corporate financing EUR 1,370 million (outstanding stock) and sustainable (green) retail financing EUR 528 million.

(5) For further information and breakdown of NLB Group GHG financed emissions please refer to NLB Group Pillar III Disclosures 2023.

### Other metrics

To manage sustainability matters efficiently and comprehensively, NLB Group has set – up system for monitoring and disclosing key metrics to show results in each sustainability pillar. In addition to metrics that are presented in this Chapter, NLB Group enables stakeholders comprehensive overview of other metrics in Sustainability Data Library.

» For full list of metrics please refer to Sustainability Data Library 2023 on the NLB website.

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## Key internal acts with a substantial focus on sustainability matters

This section outlines key strategies and policies which NLB Group has established in recent years and which have a substantial focus on sustainability matters and ESG risks. These internal acts are a part of the robust governance and management framework NLB Group has put in place to mitigate its environmental

and social impacts, including managing human resources and respecting human rights. The internal acts are prepared in line with national legislation, European regulation and the highest standards in sustainability management. The internal acts describe procedures, guidelines, roles, responsibilities, risks and opportunities related to specific areas of the Group's operations. By adhering to these internal acts, the Group ensures the mitigation of sustainability-related risks that refer to the respective business area. Internal acts are regularly updated in line with the Group's

commitments, regulatory changes, sustainability developments and stakeholders' expectations. The Group will further develop internal acts to improve the identification and mitigation of sustainability-related risks in its internal operations and in relations with counterparties.

» For a comprehensive overview of all relevant policies mapped across environmental, social and governance matters, please refer to Appendix 5: Overview of sustainability-related policies in NLB Group.

SCOPE	POLICY	DESCRIPTION Goals, risks and opportunities	RESULTS Key achievements in 2023 are described in respective chapters as follows:
All three sustainability pillars			
	NLB Group Code of Conduct	<p>The NLB Group Code of Conduct represents the values and fundamental principles of conduct, sets out the rules that every employee in NLB Group must understand and respect, and defines what is expected of each NLB Group employee. It also reflects the standards that are expected in relationship to the Bank's and the Group's stakeholders. With this policy, employees have a common understanding of the fundamental principles of conduct on which the operations and actions of NLB Group are based and respect them in their relations with all stakeholders. Thus, the risk of unfair business practices, ethical violation, or unethical or immoral conduct, as well as reputational risk, is mitigated.</p> <p>The Code of Conduct is published on the NLB website: Code of Conduct (nlb.si)</p>	<p>All NLB Group employees completed the annual training.</p> <p>Chapter: Responsible Business Conduct</p>
	NLB Group Sustainability Policy	<p>The Sustainability Policy, complemented with the Standard – Rulebook on Sustainability Management, demonstrates a clear top-down and bottom-up process for sustainability governance, including climate change aspects, that extends from individual business units and countries to the management bodies. The policy explains the three pillars of NLB Group sustainability: sustainable operations, sustainable finance and contribution to society. It also establishes overarching and forward-looking sustainability-related principles and objectives, as well as governance and management rules and procedures, to integrate sustainability and ESG factors in NLB Group's business model and processes.</p>	<p>The comprehensive Sustainability Policy and Standard – Rulebook were adopted in 2023; implementation in NLB Group will continue through 2024.</p> <p>All NLB Group employees completed the annual training.</p> <p>Chapter: Sustainability Governance</p>
	Policy on Respect for Human Rights in NLB	<p>The policy describes the commitment of the Bank and the Group to respect human rights in accordance with the highest international standards. The policy aims to systematically monitor respect for human rights in all business areas, prevent human rights abuses in the context of banking business and mitigate risks in this respect. The policy contributes to a common understanding among employees of respecting human rights in relations with all NLB Group stakeholders internally (employees) and externally (customers, suppliers and other stakeholders).</p>	<p>All NLB Group employees completed the annual training, which included human rights topics.</p> <p>Chapter: Respecting Human Rights</p>
Policy on Corruption and Bribery Prevention Management of Conflict of Interest	<p>This policy aims to establish an efficient management system, i.e. to prevent and manage conflicts of interest, by regulating the system of rules and internal controls that will prevent such circumstances or enable timely and effective reaction when a conflict of interest arises. In their operations, NLB and other members of NLB Group are exposed to corruption risk, to which NLB Group is exposed in connection to the risk of fraud, and geographical exposure. This policy also regulates the rules and internal controls for corruption prevention and efficient management of corruption risks.</p>	<p>All NLB Group employees completed the annual training.</p> <p>Chapter: Responsible Business Conduct / Whistleblowing</p>	

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**Pillar 1:  
Sustainable  
Operations**

**Operational Risk  
Management Policy**

The policy is the master document regulating operational risk management in NLB, including ESG Risk. The objective of the policy and operational risk management in general is to limit the scope of potential losses and the probability of their occurrence to a level acceptable for the Bank or the Group from the aspect of defining the risk appetite, and indirectly from the aspect of maintaining reputation.

Chapter: ESG Risk Management

**Human Resources  
Development and  
Organisation Strategy**

The policy defines the basic areas and activities within NLB Group, in the field of human resources, education and organisation. The policy is complemented with the Standards for the Human Resources Business Line in NLB Group, the aim of which is to set up the standards of operation and harmonisation of operations in NLB Group members.

Chapter: Sustainable Employee Relations

In addition to this overarching policy, the Group has established several domain-specific policies which tackle key human resources risks and opportunities in specific domains, such as talent management and retention, training and development, prevention of mobbing and harassment, diversity, family friendly measures, remuneration and others

The process to update the Human Resources Strategy started in 2023, and will be completed in 2024.

For a description of all HR-related policies, see Appendix 5.

**Remuneration Policy  
for Members of the  
Supervisory Board  
and Members of  
the Management  
Board in NLB**

The policy defines the remuneration of members of the Management Board or the Supervisory Board of NLB and the process of awarding and disbursing variable remuneration. As part of the remuneration policy, the sustainability related KPIs are integrated in the target-setting and performance assessment of the Management Board, with targets being cascaded to respective competence lines and NLB Group members.

Chapter: Sustainability Governance/Remuneration and Integration of ESG goals

**NLB and NLB Group  
Policy on Remuneration  
of Employees**

The policy represents a framework that applies to all employees in the Bank and the Group. With the aim of prudent and effective risk management, the policy provides clear guidelines for the prudent remuneration of all employees in accordance with relevant regulations and documents. The policy harmonises a unified performance management system and remuneration in NLB Group and thus mitigates the risk of non-compliance with the requirements of the Banking Act and the EBA guidelines.

Chapter: Sustainable Employee Relations/Remuneration

**NLB Group Carbon  
Footprint Measurement  
and Reporting Policy**

The policy defines the measurement, management and reporting of NLB Group's performance regarding CO<sub>2</sub> emissions from its operations. The main objective is to measure the Group's own carbon footprint (Scope 1, Scope 2, Scope 3 – limited, without Category 15) and to mitigate carbon-footprint-related risks, and to take action towards operational net zero by 2050.

Chapter: Sustainable Operations / NLB Group's Operational Environmental Impact

**NLB Group Sustainable  
Car Fleet Management  
and Company Car Policy**

The policy supports the Group's ambition in ensuring the measuring and lowering of its operational carbon footprint. The policy aims to reduce environmental impacts and mitigate environmental risks in everyday business mobility within the Group.

Chapter: Sustainable Operations / NLB Group's operational environmental impact

**Standard – Procurement  
in NLB Group Members**

The standard defines the main principles in the purchasing process within the Bank and the Group. Its purpose is to ensure a uniform and transparent procurement procedure, including the minimum principles of ethical, social and environmental conduct NLB Group expects from all its suppliers.

Chapter: Sustainable Procurement

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**Pillar 2:  
Sustainable  
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**NLB Group Risk Strategy**

The strategy defines strategic risk orientations and constraints NLB Group has to follow while running its regular business activities following the Business Strategy, Risk Appetite, Capital Management and Budget and Financial projections of the Group. The main purpose of the Risk Strategy to define key content risk principles with the purpose of achieving the Group's mid-term strategic objectives. It represents the main cornerstone of the NLB Group Business Strategy.

Chapter: Sustainable Finance and ESG Risk Management

**NLB Group Risk Appetite Statement**

The statement (strategy) defines the general principles for risk-taking, objectives, risk-taking capacity, qualitative and quantitative indicators for measuring risk-taking, further development, monitoring and a process for communicating risk appetite. The strategy also includes ESG risks

Chapter: Sustainable Finance and ESG Risk Management

**NLB and NLB Group Lending Policy**

The policy provides clear approval rules that reduce risk in investment. It also includes the commitment the Group has made to strict limitation of new financing of coal-related sectors and a complete list of cross-sectoral and sector-specific prohibited (exclusion list), restricted and everyday activities from the ESG perspective, including MIGA and EBRD requirements.

Chapter: Sustainable Finance and ESG Risk Management

The complete list is published on the NLB Website: Exclusion list (nlb.si)

**Environmental and Social Transaction Policy Framework in NLB and NLB Group**

The policy sets out the process of assessing and managing ESG risks and impacts associated with transactions and promoting good environmental and social management practices in clients' transactions.

Chapter: Sustainable Finance and ESG Risk Management

The policy is complemented with several manuals which detail necessary procedures in the mitigation of ESG risks, including technical criteria for EU Taxonomy Eligibility, clients' GHG emissions collection and data assessment, extending reviews within ESMS, and others.

**Pillar 3:  
Contribution  
to Society**

**NLB Group Corporate Social and Environmental Responsibility Policy (for Contribution to Society)**

The policy defines key areas of social and environmental responsibility of NLB and the NLB Group's members in terms of their contribution to society. It defines rules and procedures for managing sponsorship, donations and other partnerships with NLB Group's stakeholders. In addition to taking care of NLB Group's employees, the key pillars of the NLB Group's socially responsible behaviour are promoting entrepreneurship, financial literacy and mentoring, support for world-class and youth sports, humanitarianism and the protection of cultural heritage. By adhering the policy, the Group mitigates the risks in the above-mention areas and the risk of damaging its reputation

Chapter: Contribution to Society

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# Commitments to UN SDGs

The UN Sustainable Development Goals are the underlying drivers of NLB Group’s sustainability pillars. The Group officially endorsed them by becoming a signatory to the Principles for Responsible Banking in 2020. They are firmly embedded in the NLB Group sustainability pillars with the aim to positively impact people and the planet while reducing negative

impacts and managing the remaining risks, as well as leveraging new business opportunities. In 2023, NLB Group continued to fulfil its commitment to UN SDGs across its business operations, financing and investment activities and contribution to society.

In 2021 NLB Group defined five initial priority SDGs which reflected its greatest and direct impact on the environment and society: 3 – good health and well-being, 7 – affordable and clean energy, 8 – decent work and economic growth, 12 – responsible production and consumption, 13 – climate action.

Since then, the Group has gradually implemented several additional sustainability-related commitments and initiatives, which address additional SDGs: 4 quality and education, 5 – gender equality, 6 – clean water and sanitation, 9 – industry, innovation and infrastructure, 11 – sustainable cities and communities. Therefore, in 2023 the Group enlarged the list to 10 priority SDGs.

**At the same time, the Group indirectly contributes to all 17 SDGs to varying degrees, as all of them are interconnected.**

## NLB GROUP SUSTAINABILITY PILLARS



**Sustainable Operations**

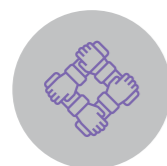


**Sustainable Finance**



**Contribution to Society**

## UN PRINCIPLES FOR RESPONSIBLE BANKING



**Principle 1:**  
Alignment



**Principle 2:**  
Impact &  
Target Setting



**Principle 3:**  
Clients &  
Customers



**Principle 4:**  
Stakeholders



**Principle 5:**  
Governance &  
Culture



**Principle 6:**  
Transparency &  
Accountability

## UN SUSTAINABLE DEVELOPMENT GOALS



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



**SDG 4:**  
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



**SDG 5:**  
Achieve gender equality and empower all women and girls.



**SDG 6:**  
Ensure availability and sustainable management of water and sanitation for all



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



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



**SDG 9:**  
Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation



**SDG 11:**  
Make cities and human settlements inclusive, safe, resilient, and sustainable



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



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

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# Commitment to UN PRBs

NLB Group is committed to aligning its business with all six principles for responsible banking and to transparently review and report on progress annually.



## PRINCIPLE 1: alignment

### NLB Group's Commitment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the UN SDGs, Paris Climate Agreement, and relevant national and regional frameworks such as the Sofia Declaration on the Green Agenda for the Western Balkans, and national energy and climate plans.

### Results in 2023

The Group:

- published first portfolios' decarbonisation targets in the NLB Group Net Zero Disclosure Report
- further alignment with the new provided national and regional frameworks such as National Energy and Climate Plans.
- offered customers products with a sustainability financing component.
- strengthened sustainability governance across NLB Group with nominated ESG coordinators.

Notes:  
 (1) Data as of 31 December 2020 when the first Impact Analysis and materiality assessment were performed. Data as of 31 December 2023 will be included in the 2024 double materiality analysis.  
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## PRINCIPLE 2: impact and target setting

### NLB Group's Commitment

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

### Background and methodology

Impact analysis is a vital part of NLB Group's implementation of PRB. The Group conducted its first impact analysis in 2021 using reference data for 2020. The method applied was based on the UNEP FI Portfolio Impact Analysis Tool for Banks and included six steps: portfolio classification, establishing country needs, determination of significant impact areas, performance evaluation, prioritisation of impact areas and target setting.

### Activities in 2023 and future methodology updates

In 2023, NLB Group started preparation for conducting a new impact analysis. Namely, since the initial impact analysis, the scope of NLB Group's portfolio has changed. In 2022, Komercijalna Banka Beograd was merged with NLB Banka Beograd and NLB acquired N Banka (former Sberbank), which were merged

in September 2023. In addition, two new leasing companies were acquired (NLB Lease&Go Leasing Belgrade and NLB Lease&Go Skopje), and the sale – purchase agreement for acquiring the new leasing company Summit Leasing Slovenia was signed in 2023 (completion of the transaction is subject to regulatory and anti-trust approvals and is planned for the second half of 2024).

The impact analysis as a broader discipline is developing continuously, tools are being upgraded, data are made more available and actual experience is being gained. Therefore, NLB Group continues to focus on synergies and consistency between the various requirements of the preparation of impact analyses.

Given the methodology developments, changes in the Group's portfolio, and the requirements of a new CSRD directive, NLB Group will carry out a new double materiality analysis which will include impact analysis aspects in 2024.

### Portfolio composition taking into account impact analysis (Scope/Portfolio classification)

NLB Group identified business activities and countries of operations as follows:

- business activities (consumer, business, corporate, and investment banking)
- six main countries of operation (Slovenia, Bosnia and Herzegovina, North Macedonia, Montenegro, Kosovo and Serbia)

Table 1: Portfolio breakdown

	Slovenia		Bosnia and Herzegovina		North Macedonia		Montenegro		Kosovo		Serbia	
<b>Consumer banking (# clients)</b>	(631,658)	33%	(152,387)	8%	(332,759)	18%	(42,462)	2%	(270,421)	14%	(464,539)	25%
<b>Business Banking (amount of outstanding loans in millions)</b>	(878)	29%	(437)	14%	(325)	11%	(324)	10%	(174)	6%	(907)	30%
<b>Corporate Banking (amount of outstanding loans in millions)</b>	(1,140)	63%	(202)	11%	(103)	6%	(101)	5%	(13)	1%	(260)	14%
<b>Investment Banking (Bond and Equity over MLA in millions)</b>	(1,014)	100%	N/A		N/A		N/A		N/A		N/A	

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For consumer banking, besides the sectors (current accounts, savings accounts, consumer credit, and overdraft, home loans, housing-related credit, vehicle-related loans and education-related loans), the UNEP FI tool also required the inclusion of the income level of the respective consumer share, as it is directly related to some critical areas such as equality. When collecting the business, corporate and investment banking data, it was important to focus on countries and sectors where the Bank is a major market participant. For business and corporate banking, the top 15 sectors per country were incorporated into the tool.

Among these, the analysis identified the three most common sectors in NLB Group:

1. wholesale trade, except motor vehicles and motorcycles
2. retail trade, except motor vehicles and motorcycles
3. public administration and defence; compulsory social security

**Establishing country needs and determination of significant impact areas (Context)**

The next step of the impact analysis was identifying the country's needs, and the third was adding sector/client impact mapping. Based on these two steps, NLB Group identified 13 significant impact areas: Employment, Inclusive & healthy economies, Resource efficiency & security, Climate, Economic convergence, Information,

Integrity & security of person, Strong institutions, peace, & stability, Health & sanitation, Soil, Housing, Waste, and Justice.

To identify country needs, NLB Group used UN SDG, WEF, World Bank and Academia data to identify the country's performance for each of the 52 indicators provided by the UN PRB impact analysis tool. Once the raw data had been collected, these data points were converted into country needs according to the ranking provided in the tool. The final step in determining the country-specific need for the impact area was to select the maximum score of each country's need from the different indicators. The following table depicts the specific country need levels for all 22 impact areas defined by the UNEP FI tool in all six countries where NLB Group operates.

**Table 2:** Establishing country needs and determination of significant impact areas

Business line	Slovenia		Bosnia and Herzegovina		North Macedonia		Montenegro		Kosovo		Serbia	
	+	-	+	-	+	-	+	-	+	-	+	-
Consumer Banking	Employment	Inclusive, healthy Economies	<b>Employment</b>	<b>Inclusive, healthy Economies</b>	<b>Employment</b>	<b>Inclusive, healthy Economies</b>	<b>Employment</b>	<b>Inclusive, healthy Economies</b>	<b>Employment</b>	<b>Inclusive, healthy Economies</b>	Employment	<b>Inclusive, healthy Economies</b>
	Inclusive, healthy Economies	<b>Resource efficiency / security</b>	<b>Inclusive, healthy Economies</b>	<b>Resource efficiency / security</b>	<b>Inclusive, healthy Economies</b>	<b>Resource efficiency / security</b>	<b>Inclusive, healthy Economies</b>	<b>Resource efficiency / security</b>	Inclusive, healthy Economies	<b>Resource efficiency / security</b>	<b>Inclusive, healthy Economies</b>	<b>Resource efficiency / security</b>
	Justice	<b>Climate</b>	Justice	<b>Climate</b>	Justice	<b>Climate</b>	Justice	<b>Climate</b>	Justice	<b>Climate</b>	Justice	<b>Climate</b>
	Inclusive, healthy Economies	<b>Climate</b>	Integrity & security of person	<b>Strong institutions, peace &amp; stability</b>	Resource efficiency / security	<b>Waste</b>	Resource efficiency / security	Waste	<b>Housing</b>	<b>Waste</b>	Housing	<b>Waste</b>
	<b>Climate</b>	<b>Resource efficiency / security</b>	<b>Strong institutions, peace &amp; stability</b>	<b>Waste</b>	Housing	<b>Climate</b>	<b>Housing</b>	<b>Climate</b>	Resource efficiency / security	<b>Climate</b>	Integrity & security of person	<b>Climate</b>
Business Banking	Integrity & security of person	<b>Waste</b>	<b>Employment</b>	<b>Climate</b>	Energy	<b>Resource efficiency / security</b>	Integrity & security of person	<b>Resource efficiency / security</b>	Culture & heritage	<b>Resource efficiency / security</b>	<b>Strong institutions, peace &amp; stability</b>	<b>Resource efficiency / security</b>
	Energy	Health & sanitation	Economic convergence	<b>Strong institutions, peace &amp; stability</b>	Integrity & security of person	<b>Strong institution, peace &amp; stability</b>	Economic convergence	<b>Strong institutions, peace &amp; stability</b>	Inclusive, healthy economies	Water	Economic convergence	Soil
	Information	Soil	Information	Health & Sanitation	<b>Strong institution, peace &amp; stability</b>	Culture & Heritage	Information		Economic convergence	Health & sanitation	Energy	Water
	Economic convergence	<b>Resource efficiency / security</b>	<b>Strong institutions, peace &amp; stability</b>	Biodiversity & Ecosystems	Economic convergence	Integrity & security of person	Integrity & security of person		Health & sanitation	<b>Waste</b>	<b>Resource efficiency / security</b>	<b>Resource efficiency / security</b>
Corporate Banking	Inclusive, healthy economies	Soil										
	<b>Economic convergence</b>	<b>Resource efficiency / security</b>										
Investment Banking												

Country needs ranking: ● Low need ● Medium need ● High need ● Extremely high need

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**Performance evaluation**

NLB Group established the Environmental and Social Management System (ESMS) and used the Environmental and Social Transaction Categorisation Framework, which includes assessing ESG risks on the client level. Based on the evaluation, NLB Group identified clients with the greatest negative impact and, since 2021, has not provided any new financing to coal-related sectors, including thermal coal mining or coal-fired electricity generation capacity, in any way, including eventual transitional enhancements. Further to this, an exclusion list of prohibited activities was published. Additionally, in 2023, NLB, in alignment with the Net-Zero Business Alliance set decarbonisation targets in four key target sectors, which will further support the achievement of the climate impact area goal, which is our priority.

- » For more details on the ESMS system, please refer to the chapter ESG risks in credit risk management.
- » For more details on the exclusion list, please refer to NLB website: <https://www.nlb.si/exclusion-list>

**Priority impact areas and targets**

in order for the key impact areas to comprehensively reflect banking operations, the impact analysis was complemented with a materiality analysis.

Both analyses identified positive and negative impacts of each business line.

The materiality analysis relied on the methodology which was internally developed in line with non-financial reporting guidelines at the time, and focused on stakeholders' assessment of sustainability matters for NLB Group business value (outside-in perspective), and the impact of NLB Group on the environment and society (inside-out perspective). The materiality analysis was an important input before the final determination of key impact areas, especially since

- » For details on the conducted Materiality Analysis, please refer to the Chapter Materiality Analysis.

the region in which NLB Group operates is rather diversified and therefore requires special attention to ensure the output is as precise as possible. Thus, NLB Group identified, evaluated and prioritised material sustainability matters that significantly impact its performance.

Based on the conducted impact and materiality analyses, NLB Group defined three priority impact areas, and set targets for each one:

1. climate
2. resource efficiency/security
3. inclusive & healthy economies

- » For a comprehensive overview of KPI, targets, and results, including those referring to the UN PRB target setting process, please see the chapter Sustainability KPIs and Targets.

**Table 3:** Key positive and negative impact areas by business line

	<b>Positive impact</b>	<b>Negative impact</b>		<b>Positive impact</b>	<b>Negative impact</b>
<b>Consumer Banking IMPACT</b>	<ul style="list-style-type: none"> <li>Employment</li> <li>Inclusive, healthy, economies</li> <li>Justice</li> </ul>	<ul style="list-style-type: none"> <li>Inclusive, healthy economies</li> <li>Resources efficiency/security</li> <li>Climate</li> </ul>	<b>Business Banking IMPACT</b>	<ul style="list-style-type: none"> <li>Housing</li> <li>Resources efficiency/security</li> <li>Integrity &amp; security of person</li> </ul>	<ul style="list-style-type: none"> <li>Waste</li> <li>Climate</li> <li>Resources efficiency/security</li> </ul>
<b>Corporate Banking IMPACT</b>	<ul style="list-style-type: none"> <li>Economic convergence</li> <li>Information</li> <li>Integrity &amp; security of person</li> </ul>	<ul style="list-style-type: none"> <li>Strong institutions, peace &amp; stability</li> <li>Health &amp; sanitation</li> <li>Soil</li> </ul>	<b>Investment Banking IMPACT</b>	<ul style="list-style-type: none"> <li>Inclusive, healthy economies</li> <li>Economic coverage</li> </ul>	<ul style="list-style-type: none"> <li>Soil</li> <li>Resources efficiency/security</li> </ul>

Notes:  
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## PRINCIPLE 3: clients and customers<sup>1</sup>

### NLB Group's Commitment

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. Clients and customers are essential stakeholders with whom the NLB Group develops strong partnerships in sustainable solutions.

### Activities and results in 2023

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- offered customers loans with a sustainable financing component at a lower interest rate than the Bank's regular offer.
- provided financing of the green transformation for private individuals and micro businesses in the region.
- provided sustainability financing to large infrastructure projects and smaller sustainable projects in the region, with the main purpose of financing being renewable energy, green building and energy efficiency.
- issued its inaugural green bond.
- started to develop social financing offer.
- enhanced client engagement activities by providing corporate and retail clients with relevant educational information, building an understanding of sustainability matters and by supporting them in their green transition.
- empowered employees to further improve client engagement, by providing training and other educational events on climate, ESG- and sustainability-related topics.

» For detailed information, please refer to the chapters Sustainable Finance and Climate (Net-Zero) Strategy.



## PRINCIPLE 4: stakeholders

### NLB Group's Commitment

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

### Activities and results in 2023

NLB Group members regularly engage with all stakeholders to best meet the interests of both sides on a daily, monthly and yearly basis. We are committed to open and transparent communication with all key stakeholders on all relevant topics, including those relating to sustainability, and we want to provide them with fast and accurate information based on actual data.

» For detailed information, please refer to the chapter Stakeholder engagement.



## PRINCIPLE 5: governance and culture

### NLB Group's Commitment

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

### Activities and results in 2023

- In accordance with the Articles of Association of the NLB, the Bank is committed to considering the environmental and social impacts of its business, with the aim of ensuring the Bank's sustainable development, which is one of its goals.
- Sustainability matters continued to be addressed in NLB Group's strategy and governance. The

responsibility for sustainability matters, including ESG risk management, is assigned within the organisational structure of the NLB Group member and is in accordance with the three lines of defence model.

- Sustainability governance was enhanced with the adoption of two new internal acts: the Sustainability Policy in NLB and NLB Group (replaced the NLB Group Sustainability Framework) and the Standard – Rulebook for Sustainability Management to harmonize activities in NLB Group members.
- The Supervisory and Management Board members received regular training on sustainability topics. Regular self-assessments of the collective suitability of its management bodies was carried out, which included knowledge on sustainability issues. The Supervisory Board and all of its five committees regularly considered sustainability issues at its sessions.
- The Sustainability Committee, being the advisory body to the Management Board, continued to steer the integration of ESG factors to the NLB and NLB Group members' business model.
- A new Climate Change Committee was established. The Committee has full authority and responsibility over the development and implementation of the NLB Group Net-Zero Strategy.
- The NLB Group regularly adopted and supplemented sustainability and ESG-related internal acts, upgraded due diligence processes in order to address ESG risks within the portfolio and its own operations, and promoted a culture of responsible banking.

» For detailed information please refer to the chapter Governance.

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<sup>1</sup> UN PRB's terminology uses both terms: clients and customers. In this report, NLB uses the common term clients to refer to all types of clients.



## PRINCIPLE 6: transparency and accountability

### NLB Group's Commitment

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

### Activities and results in 2023

NLB Group continues to regularly disclose sustainability information based on the following provisions and standards: the Companies Act (ZGD-1), Articles 56 and 70c; GRI, IFRS Sustainability Disclosure Standards, TCFD, Pillar 3 Disclosures. Annually, the Bank publishes the NLB Group Sustainability Report on the Bank's website and on the Ljubljana Stock Exchange's SEOnet system (seonet.ljse.si), on the websites of the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and on the London Stock Exchange (LSE), at the same time as the NLB Group Annual Report 2023.

## NLB is the first bank in Slovenia to sign the UNEP FI Principles for Responsible Banking

- In September 2020, NLB became the first bank in Slovenia to sign the United Nations Environmental Program Financial Initiative Principles for Responsible Banking (hereinafter: the Principles) and started to implement the Principles into all NLB Group banking members.
- The Principles are a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and the United Nations Organisation. The banking community through the Principles works together to accelerate a positive global transition for people and the planet. With over 330 signatory banks representing over half of the global banking industry, the Principles are the world's foremost sustainable banking framework.

- Through the Principles, banks take action to align their core strategy, decision-making, lending and investment with the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement. Banks from all over the world, including NLB, are convened by the United Nations to collectively produce cutting-edge guidance and pioneering tools on key areas of sustainable finance, learn best-practice from their peers, scientists and industry experts, and benefit from individual feedback and collective reviews as they progress on their sustainability journey.
- The Principles for Responsible Banking include the Net-Zero Banking Alliance, which is the climate-focused initiative of this global framework.

» For a comprehensive overview of UNEP FI Principles for Responsible Banking, please refer to the website <https://www.unepfi.org/banking/bankingprinciples/>

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## Commitment to the Net-Zero Banking Alliance

In line with NLB's commitment to a climate-positive future (i.e. creating a mindset of doing more good, not just less bad) and its net zero ambition<sup>1</sup>, NLB d.d. officially joined the UNEP FI Net-Zero Banking Alliance (NZBA) in May 2022, becoming the first banking group headquartered in Southeast Europe (SEE) to sign the Commitment Statement.

<sup>1</sup> GFANZ defines net zero as the state when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals. Organisations are considered to have reached a state of net zero when they reduce their GHG emissions following science-based pathways, with any remaining GHG emissions attributable to that organisation being fully neutralised, either within the value chain or through the purchase of valid offset credits. ([https://assets.bbhub.io/company/sites/63/2022/06/GFANZ\\_Recommendations-and-Guidanceon-Net-zero-Transition-Plans-for-the-Financial-Sector\\_June2022.pdf](https://assets.bbhub.io/company/sites/63/2022/06/GFANZ_Recommendations-and-Guidanceon-Net-zero-Transition-Plans-for-the-Financial-Sector_June2022.pdf))

## Why is NLB Group developing its climate (net-zero) strategy?

- There is an international, scientific consensus that our planet's climate is warming at an increasing pace. Human activities, particularly those based on the burning of fossil fuels, have considerably increased the average temperature of our planet—approximately 1.3°C above pre-industrial levels as of 2023.
- To avoid the worst impacts of climate change and preserve a liveable planet, the global temperature increase must be limited to 1.5°C above pre-industrial levels. This requires global net anthropogenic emissions to decline by about 45% from 2010 levels by 2030, reaching net zero by 2050.
- Emissions in the real economy, including those financed by the private banking sector, must be reduced rapidly to meet, or exceed, Paris Agreement targets. Many sectors are taking tangible actions to transition to a sustainable and low-carbon economy but do require support from financial institutions to move this transition into action. Therefore, even while society manages

the phaseout of technologies inconsistent with a 1.5°C temperature outcome, banks should be prepared to allocate their capital and their expertise to companies in such sectors in line with credible transition plans outlining the steps these companies are taking to decarbonise.

- In addition, banks have a fiduciary duty to generate fair returns while maintaining safety and soundness throughout the process of making their business models sustainable. Banks can—and should—play a pivotal role in clients' net zero transitions as well as the overall transition of the real economy. Banks' roles are as important as those of other types of financial institutions, if not more, as banks can engage and support their clients over the long term (even though individual loans are often short term).
- While banks recognise and are committed to fulfilling their critical roles in transforming the world to net zero, it will be crucial that the financial sector, policy makers, regulators and governments address the remaining gaps to enable and support banks' net zero commitments.

» For a comprehensive overview of NLB Group decarbonisation activities, please refer to the chapter Climate (Net-Zero) Strategy.

## Our journey to net zero



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# NLB Group's approach to biodiversity

NLB Group acknowledges the increasing importance of biodiversity, which is one of the key pillars for ensuring humanity's economic, social, or cultural services, such as producing food, fuels, and raw materials. The Group impacts nature, including biodiversity, while also being exposed to risks related to biodiversity loss.

Therefore, the Group welcomes the development of TNFD Recommendations and UN PRB Nature Target Setting Guidance for understanding and setting biodiversity action in the financial sector.

## NLB Group has started with the first steps towards nature-related assessment and disclosures.

Following the TNFD Recommendation, NLB has already started with the first steps towards nature-related assessment and disclosures and launched the first activities to deepen understanding of the fundamentals of nature for financial institutions and plans progression over time in the following years.

The current state of nature and biodiversity in the region where NLB Group operates is still rated as very good. Ecosystems are still in good condition, with well-preserved forest areas, lakes, and rivers. There is a high degree of endemism of fauna and flora, and many protected areas of European importance exist. However, biodiversity (both inside and outside protected areas) is threatened by three key challenges:

- the development of the region, which relates to the exploitation of resources (forests, rivers, mining), the construction of infrastructure, energy production, the development of tourism and intensive agriculture,
- poor public awareness of the need to preserve nature: citizens prioritize air and water pollution, which pose a direct and visible threat to their health.
- strong effects of climate change in the region, which can devastate biodiversity.

In 2023, a comprehensive environmental risk assessment of NLB Group's portfolio was conducted, which also included the assessment of biodiversity risk. Biodiversity was not identified as a material chronic physical risk in the short to medium term. In this time horizon, the Group does not observe any impact on its portfolio that would result from biodiversity loss, as well as from temperature changes or reduced water availability. Long-term potential impacts of these risks are taken into consideration.

## Biodiversity is not identified as a material chronic physical risk to NLB Group's portfolio in the short to medium term.

One of the key elements in restoring biodiversity and the ecosystem, mitigating risks, and managing stakeholders' expectations is understanding clients' activities, expectations, and capabilities.

NLB Group currently supports decarbonization activities in agriculture and forestry, which are material sectors with an impact on biodiversity, by the following approach:

- Offering specific financial products to support clients' green transition and activities to protect nature and biodiversity. The Group offers farmers a more favourable NLB Green Credit with a lower interest rate than the Bank's regular offer to reduce the carbon footprint and preserve biodiversity for purposes such as sustainable agricultural management, afforestation, and low GHG-emitting farm machinery and tractors.
- In addition, a dedicated team of specialized farmer support advisors was set up to support the agriculture sector. Advisers offer professional and individualized attention to clients in this sector, mainly to improve their knowledge of impacts on biodiversity. They provide consultation with farmers, stimulating them to invest in supporting R&D, raising awareness, using a low carbon approach, and providing other expert advice.

## NLB Group supports decarbonization in agriculture and forestry, which are material sectors with an impact on biodiversity.

In the future, NLB Group will develop additional measures for sectors with a higher risk of adverse impact on nature, including biodiversity, such as food production - agriculture, chemicals, oil, agriculture, mining, and others.

In addition, biodiversity is also considered within the Group's activities, such as real estate management, employee forestation activities, supporting projects and associations with a positive impact on biodiversity, and other initiatives.

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# Stakeholder engagement

**It is vital that NLB Group understands which stakeholders are the most relevant, and to embed their views, concerns and aspirations in our business decisions, including those related to sustainability. Therefore, NLB Group strives for regular, open, honest and continuous dialogue on a daily, monthly, yearly or another regular basis to meet our stakeholders' expectations. This chapter presents an overview of the most important stakeholder groups, their key concerns and ways of engagement.**

## Stakeholder groups

A materiality analysis identified the six most important stakeholder groups: employees, investors/shareholders, private individual clients, corporate clients (large and SMEs), regulatory authorities, suppliers and contractual partners. In addition, NLB Group ensures constructive dialogue with other stakeholders, such as local communities, professional and business associations, and the media.

NLB Group strives for regular, open, honest and continuous dialogue with the stakeholders.

## Stakeholder engagement on sustainability topics

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

NLB Group introduced the Sustainability e-mail inbox (sustainability@nlb.si). In case of any complaints related to sustainability matters, this channel also provides a grievance mechanism for affected stakeholders and communities, which is an efficient and reliable system to receive, address and document complaints and messages from external stakeholders. As a rule, complaints are resolved and closed within five working days of receipt. In addition, all questions and complaints received through social media are redirected to this channel and addressed in accordance with internal rules.

In 2023, the Group did not record any complaints regarding sustainability matters through the grievance mechanism or any other channels.

## Overview of key general and sustainability-related engagements with stakeholders

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

In 2023, there were no stakeholders complaints regarding sustainability matters.

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Table 4: Key areas of stakeholder engagement

	Key engagements
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Transparent and open communication through all internal channels (intranet, internal newsletters, personal meetings, coaching, etc.)</li> <li>• Measuring employee engagement, providing feedback opportunities and a grievance mechanism</li> <li>• Ensuring equal opportunities, respecting diversity</li> <li>• Improving the work environment, employee engagement, growth and personal development</li> <li>• Providing various training possibilities to enhance knowledge and skills</li> <li>• Ensuring work/life balance</li> <li>• Ensuring teamwork and well-being activities (social events, sports associations., etc.)</li> </ul>
<b>Investors – Shareholders</b>	<ul style="list-style-type: none"> <li>• Identification and communication of topics and initiatives relevant for investors' decisions</li> <li>• Regular discussion on strategies to follow global trends</li> <li>• Integration of investors' requirements into our operations</li> <li>• Organising special investor days</li> <li>• Presenting business results of NLB Group (reports, presentations, website publications, with publications in the electronic information system of the Ljubljana Stock Exchange (SEOnet) and the London Stock Exchange (RSN)), regular information at relevant business events</li> </ul>
<b>Private Individuals, Corporates</b>	<ul style="list-style-type: none"> <li>• Ensuring professional and friendly relationships with clients through sales and legal obligations through day-to-day operations</li> <li>• Supporting corporates and private individuals in their sustainability-related projects with financial products, professional services and relevant dialogue</li> <li>• Offering new green products, at a lower interest rate, and new digital solutions, adhering to principles of responsible marketing and communication</li> <li>• Keeping clients informed about reliable sustainability solutions</li> <li>• Special focus on data and cybersecurity</li> <li>• Promoting the sustainability agenda at various regional events</li> <li>• Measuring client satisfaction, providing feedback opportunities and a grievance mechanism</li> </ul>
<b>Regulatory Authorities</b>	<ul style="list-style-type: none"> <li>• Regular cooperation with the ECB, Bank of Slovenia and EBA</li> <li>• Promptly meeting all the regulatory requirements</li> <li>• Personal meetings and frequent dialogue on relevant topics</li> </ul>
<b>Suppliers and Contractual Partners</b>	<ul style="list-style-type: none"> <li>• Implementation of sustainability requirements in the procurement process</li> <li>• Personal meetings, dialogue on cooperation, challenges and issues</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>• Maintaining a close relationship with key representatives to support local communities in achieving their goals</li> <li>• Supporting various local community projects through building partnerships, donations and sponsorships</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Professional communication with the media through press releases, statements, press conferences, information briefings and other media events</li> </ul>

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## Materiality analysis

The main goal of the initial materiality analysis, which was conducted in 2021 and complemented the UNEP FI impact analysis, was to identify, evaluate and prioritise sustainability matters that could affect NLB Group's performance and its stakeholders.

In 2023, a comprehensive materiality assessment of environmental risk was conducted.

» To learn more, please refer to the Chapter ESG Risk Management.

Given the methodology developments, changes in the Group's portfolio and requirements of the new CSRD directive, NLB Group will carry out a new double materiality analysis in 2024, which will include both UNEP FI impact analysis and risk management aspects.

Through stakeholder mapping six main stakeholder groups were identified: employees, private and business clients, suppliers and contractual partners, regulatory authorities, and investors.

Identification was based on inputs from the Sustainability Accounting Standards Board (SASB), sector/industry ESG-specific issues, GRI list, Non-Financial Reporting Directive (NFRD) requirements and our own knowledge and understanding of regional environmental and social factors.

We also reviewed the reports of our peers working in the same geographical and cultural area. Based on this, an initial list of 17 material matters for NLB Group's responsible operation and sustainable development was compiled.

Stakeholders evaluated each of the 17 material issues to determine the importance of these issues for NLB Group's sustainable operations. The evaluation was performed in two parallel tracks: one with NLB Group's internal stakeholders, i.e. primarily Senior Management, who assessed the material issues according to their impact on the company's sustainable operation, as well as their impact on the economy, society and the environment. Secondly, the material issues were assessed through an online survey sent to the designated external stakeholders throughout the six countries where the Group is present.

The materiality analysis was carried out in four phases:



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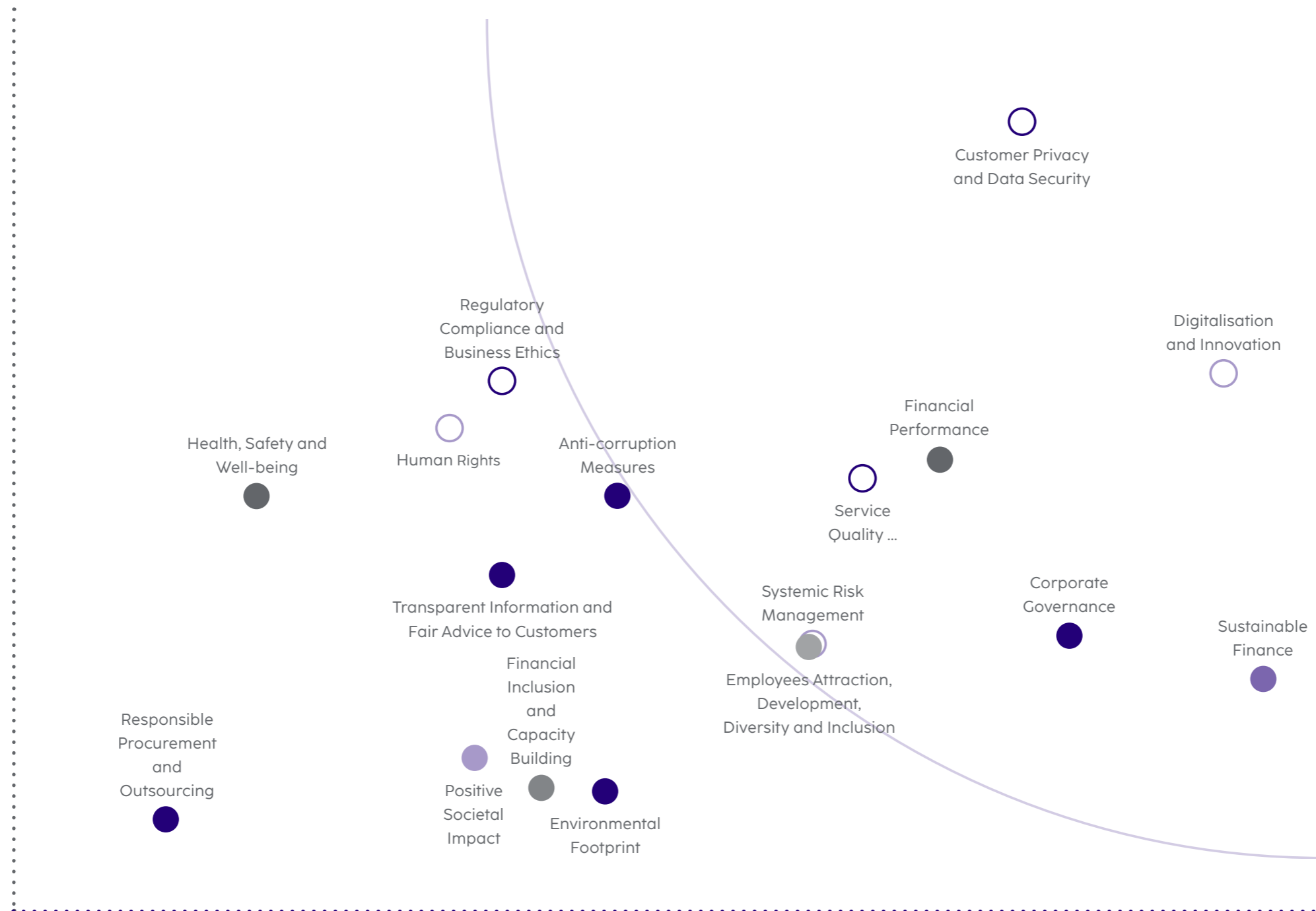
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# Materiality matrix

Figure 3: Materiality Matrix of NLB Group

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



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

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to Society**Appendices****Top eight material issues**

The final ranking and shortlisting of the top eight material sustainability matters for NLB Group is thus the result of a combination of the internal and external stakeholder evaluation process. In the table below, key activities that we have been focusing on in recent years (including in 2024) are outlined against each material issue.

**Table 6:** Top material issues - important sustainability-related topics

Material issue	Key activity area	Further description of activities and results
<b>Digitalisation and Innovation</b>	<ul style="list-style-type: none"> <li>We are focused on continuous development and implementation of new products for our clients, supporting the transition towards a low-carbon society and circular economy, and offer fully digitalised financial services, i.e. no physical form factor involved.</li> <li>By exploiting digitalisation, we continue to increase the share of paperless operations.</li> </ul>	Chapter: Sustainable Client Relations
<b>Sustainable Finance</b>	<ul style="list-style-type: none"> <li>We continue to monitor EU Taxonomy development and implement it in business operations and financing targets.</li> <li>We focus on acquiring new sustainable projects and expanding our sustainable portfolio throughout NLB Group, all in parallel with applying an appropriate ESG risk management framework.</li> </ul>	Chapter: Sustainable Finance
<b>Customer Privacy and Data Security</b>	<ul style="list-style-type: none"> <li>We keep a focus on maintaining the highest standards regarding customer privacy and data security by paying significant attention to preventative measures and management of cyber risks arising from the increased volume of digitalised services and work from home.</li> </ul>	Chapter: Responsibility, Compliance and Integrity
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>We continue to adhere to all national and international governance principles, mechanisms, and industry codes of conduct with the highest diligence.</li> </ul>	Chapter: Corporate Governance
<b>Financial Performance</b>	<ul style="list-style-type: none"> <li>We maintain and consolidate NLB Group's regional presence and continue to fulfil and exceed the financial expectations of our shareholders.</li> </ul>	Chapter: NLB Group at a Glance
<b>Service Quality and Customer Satisfaction</b>	<ul style="list-style-type: none"> <li>We continue to foster an open dialogue with our clients 24/7 to seek their opinions on their experience with the Bank, banking services proposals, events and any other issues. By doing so, we identify future needs and are able to respond to them quickly.</li> </ul>	Chapters: Sustainable Finance, Sustainable Client Relations
<b>Systemic Risk Management</b>	<ul style="list-style-type: none"> <li>Risk management in NLB Group is already implemented in accordance with the set strategic guidelines, internal policies and procedures.</li> <li>Environmental, social and governance (ESG) risks do not represent a new risk category, but rather an additional component of some specific types of risks already managed through the established risk management framework.</li> <li>The management of ESG risks follows ECB and EBA guidelines with the tendency of their comprehensive integration into all relevant processes.</li> <li>We strive to obtain relevant client data as a prerequisite for appropriate decision-making and corresponding proactive management of ESG risks.</li> <li>The Group continues with all of the above-mentioned activities to further enhance its existing risk management framework.</li> </ul>	Chapter: ESG Risk Management
<b>Employee Attraction, Development, Diversity, and Inclusion</b>	<ul style="list-style-type: none"> <li>We focus on exploring and understanding the corporate culture in all banks in the Group, where several KPIs are monitored, and attention is given to operational excellence and human talent development.</li> </ul>	Chapter: Sustainable Employee Relations

# Climate (Net-Zero) Strategy

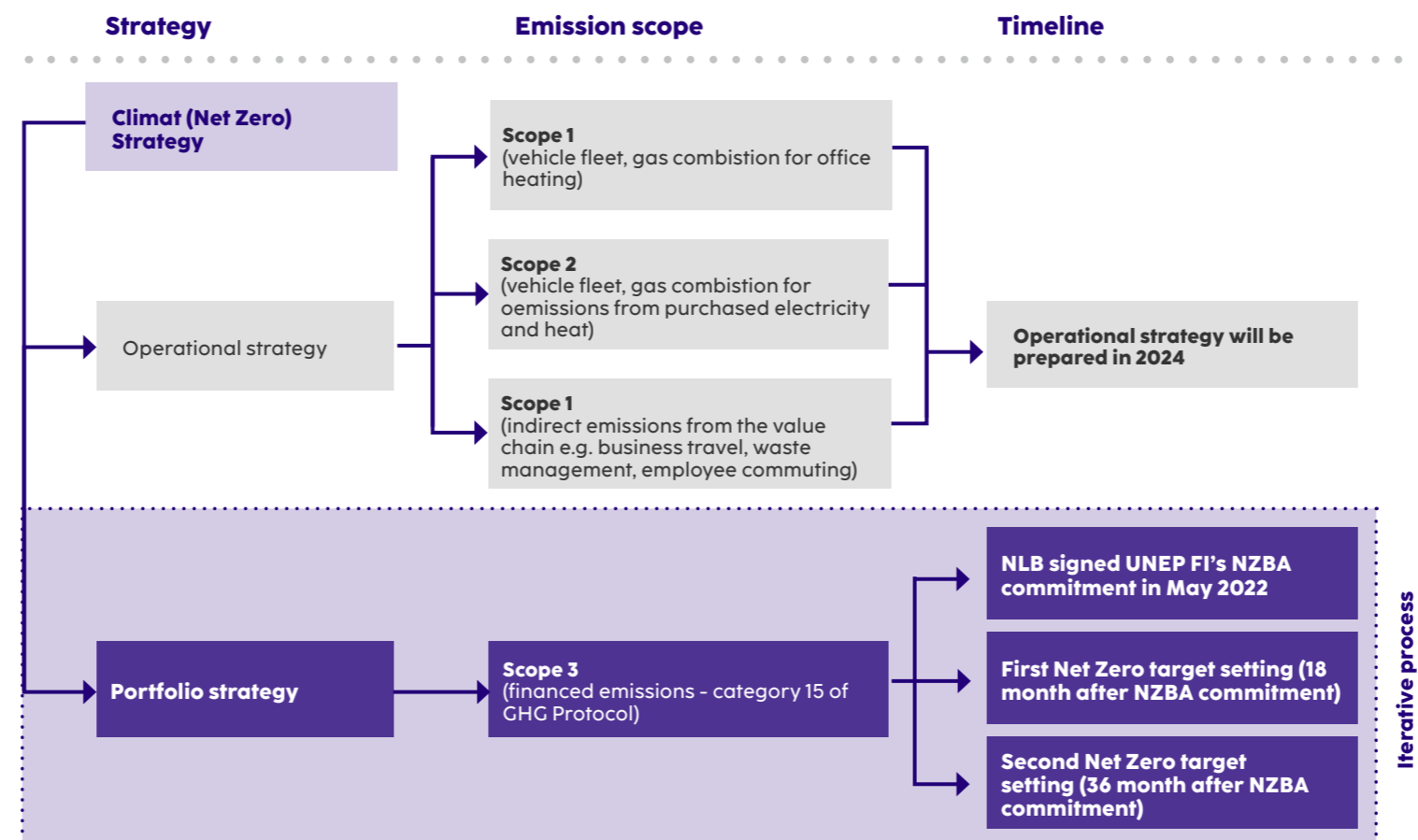
NLB Group recognises its important role in the net-zero<sup>1</sup> transition of its clients and the real economy, which is to be achieved by 2050. Therefore, the Group develops a strategy to allocate its capital and expertise to clients in such sectors in line with credible transition plans. Moreover, the Group is committed to decarbonising its own operations as well.

Transitioning to a net-zero emissions world subsequently implies that all economic actors work towards this objective. For banks, this requires changes in their capital allocation or granting criteria, engagement with clients to navigate their net-zero journeys, managed phaseouts of carbon-intensive economic activities, and a massive re-orientation of capital flows towards “transition” activities and solutions. By acting in an aligned manner, banks can support a consistent best practice approach and drive further efficiency across the whole economy towards a net-zero emissions pathway.

## Towards a comprehensive net-zero strategy

The Group has consistently taken proactive measures to minimise the environmental impact of its portfolio and operations. In 2021, the Bank took an important step by implementing a coal exclusion policy, prohibiting the financing of new coal-fired power plants. In addition, the Bank is active in the financing of renewable energy projects and promotes energy efficiency throughout its operations.

Figure 4: Scope and timeline of building a comprehensive NLB Group net-zero strategy



<sup>1</sup> GFANZ defines net zero as the state when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals. Organisations are considered to have reached a state of net zero when they reduce their GHG emissions following science-based pathways, with any remaining GHG emissions attributable to that organisation being fully neutralised, either within the value chain or through purchase of valid offset credits. ([https://assets.bbhub.io/company/sites/63/2022/06/GFANZ\\_Recommendations-and-Guidanceon-Net-zero-Transition-Plans-for-the-Financial-Sector\\_June2022.pdf](https://assets.bbhub.io/company/sites/63/2022/06/GFANZ_Recommendations-and-Guidanceon-Net-zero-Transition-Plans-for-the-Financial-Sector_June2022.pdf))

In line with NLB's commitment to a climate-positive future and its net-zero ambition, NLB officially joined the UNEP FI Net-Zero Banking Alliance (NZBA) in May 2022, becoming the first banking group headquartered in Southeast Europe (SEE) to sign the Commitment Statement.

In 2023 NLB Group made significant steps toward a comprehensive strategy which will encompass NLB Group's own operations and the portfolio, ensuring a holistic and timely decarbonisation approach, as presented in figure below.

The following chapters focus on decarbonisation targets and the progress on developing a portfolio net-zero strategy.

» To learn more about decarbonisation of NLB Group's environmental own operations, please refer to the chapter NLB Group's operational environmental impact.

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# NLB Group is the first bank headquartered in SEE to commit to net-zero targets

By the end of 2023, NLB Group reaffirmed its commitment to achieving net zero by setting targets for reducing its financed emissions and maintaining a coal exclusion policy. This strategic move aligns the Bank's financing activities with the goals of the Paris Agreement and marks an important step in its journey to address the climate crisis.

In its first Net-Zero Disclosure Report, NLB Group has set and publicly disclosed 2030 targets for reducing emissions associated with financing activities for four key sectors, and committed to mobilise EUR 1.9 billion in sustainable, i.e. transition finance.

## We set targets for reducing financed emissions in the first 4 sectors.

Transition finance can be broadly defined as financing that supports and enables a global transition towards a 1.5°C-aligned economy, through a range of means. It mobilises capital where it is most needed to facilitate the transition; this includes financing the development and scaling of climate solutions, but importantly also financing towards carbon-intensive companies which are gradually transitioning towards net zero but where further acceleration is necessary. Projects and initiatives that meaningfully advance a client's net-zero journey can be considered under the umbrella of transition finance as long as the client has a credible 1.5°C transition plan.

» To explore the full Net-Zero Disclosure Report, please see the NLB website: Sustainability (nlb.si)

Figure 5: NLB Group net-zero targets and commitments overview

NLB Group starting its net zero journey with four sectors

1. Power Generation
2. Iron and Steel
3. Commercial Real Estate
4. Residential Real Estate

Set intermediate 2030 targets for all

# 4

sectors covered

Retail and Corporate Banking commitment to mobilise

# €1.9 billion

volume in sustainable finance **by 2030**

Sector targets are aligned with the target to limit the global warming to

# 1.5°C

Commitment to finance at least

# 30%

of NLB d.d. new production in most energy efficient commercial buildings (<50kg CO<sub>2</sub>/m<sup>2</sup>) **by 2030**

Commitment to finance at least

# 15%

of NLB d.d. new production in top-rated mortgages (A&B EPC class) in Slovenia **by 2030**

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## Steps to net-zero

NLB Group’s net-zero journey is in line with the Guidelines for Climate Target Setting for Banks and consists of establishing an emissions baseline, setting and approving the first targets for priority sectors as well as reporting on absolute emissions and emissions intensity annually.

The targets cover the Group’s financed emissions, Scope 3 category 15, and apply to the Group’s lending activities for clients Scope 1 and Scope 2. Moreover, the Group used widely accepted science-based decarbonisation scenarios. The NZBA guidelines are applied throughout the journey on a comply-or-explain basis.

While the Group currently sets its targets based on the lending portfolio (using baseline data for 2021), we look forward to further developing our approach and methodology as well as refining our commitments accordingly. Implementing a net-zero strategy is not a one-off process, but rather an interactive process with an ongoing commitment of resources.

We will set further sector targets in 2025 and review all targets at least every five years.

NLB Group is decisive and steadfast in its commitment to co-lead the transition towards net-zero economies in the regions in which we operate. However, our role has its limitations. We recognise that climate action necessitates collective efforts. It is imperative that our clients also act, while governments should provide the necessary guidance and direction through dedicated policies to achieve net-zero goals by 2050. With joint forces, we can drive meaningful progress in tackling climate change.

## Establishing emission baseline

For the base year 2021, the total financed emissions of NLB Group amount to 2,516 kilotons of CO<sub>2</sub>. This volume includes Scope 1 and Scope 2 emissions from the Bank’s lending portfolio, as well as financed emissions from the Bank’s investment portfolio, encompassing both debt and equity investments. The implementation of the CSRD mandates a significant number of clients to report on their emissions. This, in turn, will enable the Bank to progressively incorporate the Scope 3 emissions of its clients into its financed emissions baseline.

As at 31 December 2021

### NLB Group financed emissions:

**2,516**  
kilotons of CO<sub>2</sub>

(Scope 1 and Scope 2 emissions)

Figure 6: Six cornerstones of the NZBA commitment

General scope	Baselining	Net Zero Strategy	Transformation Roadmap	Steering and Implementation	Reporting and Assurance
<ul style="list-style-type: none"> <li>Targets shall cover lending activities and should cover (on balance sheet) investment activities</li> <li><b>100% coverage to be gradually committed over time</b></li> </ul>	<ul style="list-style-type: none"> <li>Banks shall establish an emission baseline</li> <li>Banks’s targets apply to the bank’s <b>lending and investment activities</b> and shall include their clients’ Scope 1 Scope 2 (and Scope 3 emissions, where possible</li> </ul>	<ul style="list-style-type: none"> <li>Within 18 months of joining, set 2030 targets and 2050 target</li> <li>Further sector targets to be set within 36 months</li> <li><b>Banks shall use widely accepted science-based decarbonization scenarios</b></li> </ul>	<ul style="list-style-type: none"> <li>Banks’ first 2030 targets will focus on <b>priority sectors where the bank can have the most significant impact (most GHG-intensive)</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Targets shall be approved by the highest executive level within the bank</b></li> <li>Intermediary targets to be set every five years from 2030 onwards</li> </ul>	<ul style="list-style-type: none"> <li>Annually publish absolute emissions intensity</li> <li>Banks shall publicly disclose their targets and <b>report annually on progress</b></li> <li>Disclose progress against a board-level reviewed transition strategy</li> <li><b>The targets shall be reviewed at a minimum every five years</b></li> </ul>

The NZBA-guidelines are to be applied on a comply-or-explain basis

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## Breakdown by asset class and entity

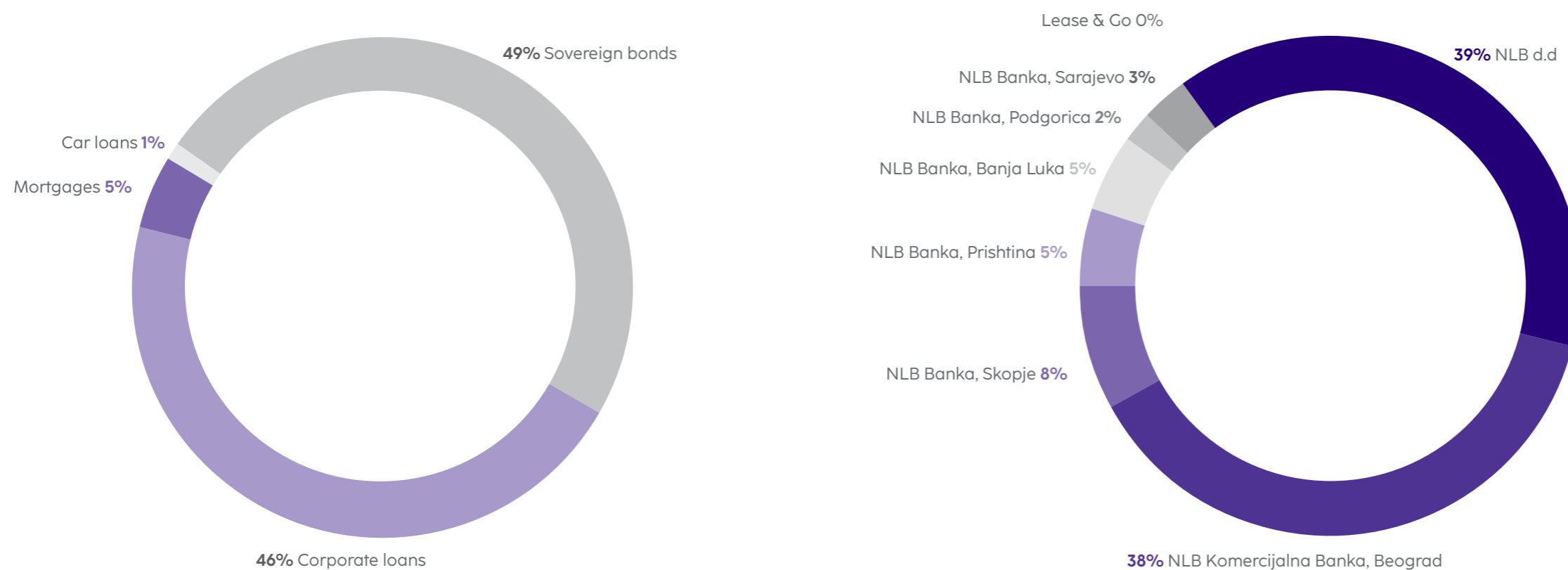
Remarkably, nearly 50% of these emissions are linked to sovereign bond exposure. However, significant concern arises from the methodological double-counting in financed emissions, as emissions from clients, previously accounted for in corporate and retail loans, are redundantly included when aggregating at a national level within sovereign bond emissions.

Pertaining to the sovereign bond portfolio, GHG emissions for 2020 were applied. For the purpose of attribution of Scope 1 absolute emissions, GDP adjusted by PPP was used. We also duly acknowledge the lack of market consensus on metrics or analysis methods, i.e., what scope of emissions should be included in a country's total GHG emissions. We seem to be faced with the choice of whether to use governmental or territorial emissions, production or consumption emissions, and whether or not to include/exclude LULUCF. The substantial time lag in verification of data reported seems to offer another challenge.

We therefore expect the decarbonisation process to unfold indirectly, since a practical approach is currently very limited.

Lastly, the country-level distribution of emissions is concentrated within two markets. Slovenia and Serbia collectively contribute nearly 80% of the total financed emissions. This substantial proportion is primarily influenced by financial exposure, as opposed to carbon intensity.

Figure 6: NLB Group baseline 2021, split by asset class and entity  
Total: 2,516 ktCO<sub>2</sub>



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## Comparison with NZBA priority sectors

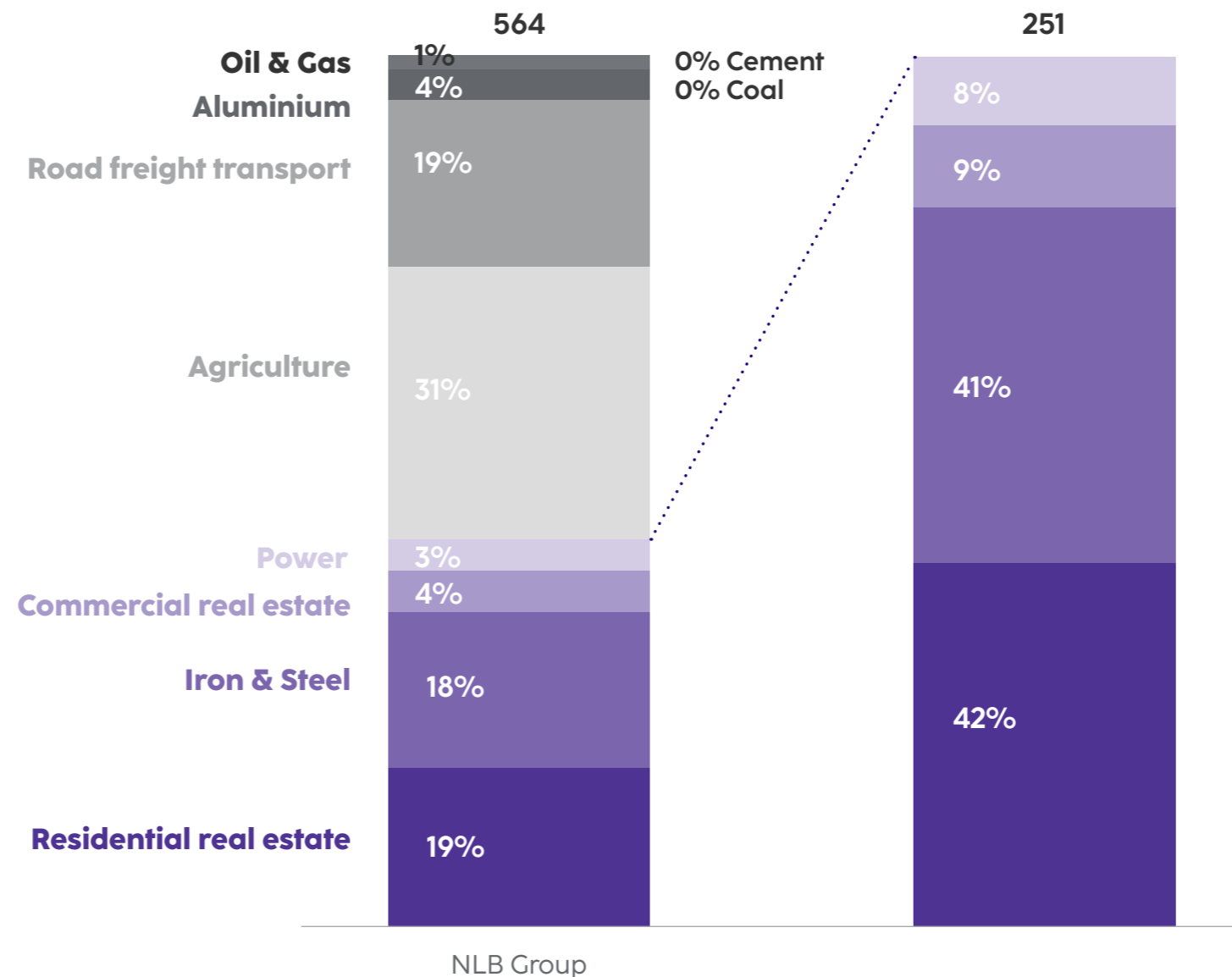
Among the 10 sectors eligible under NZBA, approximately 95% of NLB Group financed emissions are concentrated within six specific sectors: Agriculture, Residential Real Estate, Commercial Real Estate, Road Freight Transport, Iron & Steel, and Power Generation.

In the agricultural sector, there is currently no well-established net-zero pathway. Moreover, the sector exhibits significant heterogeneity, encompassing a diverse range of activities such as crops, livestock, fishing and forestry. Obtaining client-level data proves challenging due to its limited availability, primarily because a substantial portion of the portfolio is concentrated among smaller companies.

In road freight transport, challenges related to data are analogous to those encountered in agriculture. Furthermore, there are no anticipated short-term technological advances in the near future. The progress in these two sectors will be closely observed, and specific targets for each sector are scheduled to be disclosed during the second phase of target setting. Therefore, for the initial set of net-zero targets, NLB is unveiling objectives for four sectors considered most significant in terms of both absolute and relative carbon volumes, along with the financial exposure to these sectors.

The first four sectors collectively contribute to approximately 50% of financed emissions within the prioritised sectors identified by the NZBA.

Figure 7: NLB Group baseline 2021, split by 10 NZBA priority sectors (ktCO<sub>2</sub>)



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# Initial sector targets

As NZBA member, NLB has committed to individually setting initial emission reduction targets covering certain carbon-intensive sectors within 18 months of joining. Target setting required a cross-functional collaboration within the Bank to set credible and actionable targets, which supported the internal mainstreaming of net-zero transition planning.

Figure 7: Commitment to targets in the first key target sectors

Sector	Details			GHG 2021 Baseline	GHG 2030 Targets		Target Coverage	Commentary
	Scope(s) included	Scenario used	Unit of measurement	Portfolio baseline	Absolute	Relative		
<b>Power Generation</b>	1 and 2	IEA NZE	t CO <sub>2</sub> /Mwh	0.232	0.165	-29%	NLB Group	<ul style="list-style-type: none"> <li>NLB continues its commitment to coal exclusion introduced in 2021, with the existing exposure to be phased out</li> </ul>
<b>Iron &amp; Steel</b>	1 and 2	IEA NZE	t CO <sub>2</sub> /t	0.600	1.070	/	NLB Group	<ul style="list-style-type: none"> <li>Current baseline is already below the 2030 target</li> <li>Majority of exposure is covered by client's decarbonisation plans</li> </ul>
<b>Commercial Real Estate</b>	1 and 2	IEA NZE	kg CO <sub>2</sub> /m <sup>2</sup>	120	39	-68%	NLB d.d.	<ul style="list-style-type: none"> <li>National Energy and Climate plans do not exist outside of EU</li> <li>Inconsistencies between energy performance certificate methodology within region</li> </ul>
<b>Residential Real Estate</b>	1 and 2	IEA NZE	kg CO <sub>2</sub> /m <sup>2</sup>	43	19	-56%	NLB d.d.	<ul style="list-style-type: none"> <li>National Energy and Climate plans do not exist outside of EU</li> <li>Inconsistencies between energy performance certificate methodology within region</li> </ul>

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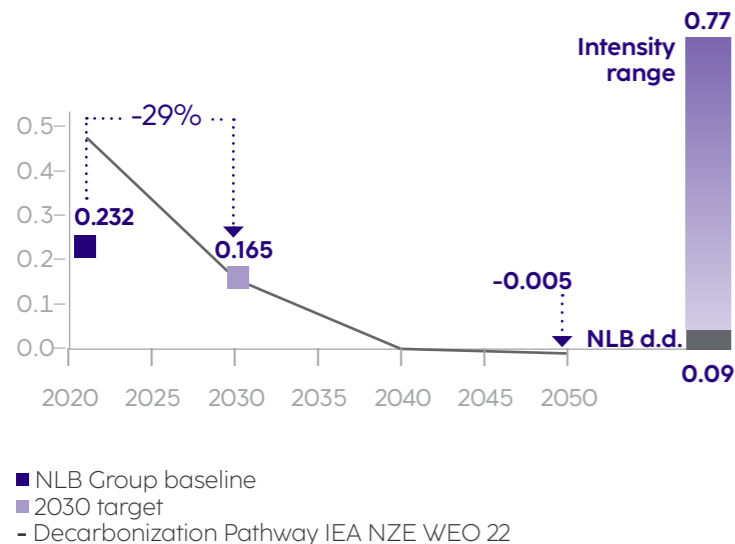
## Power Generation

As part of the NZBA commitment, NLB set targets for its power generation portfolio guided by the IEA NZE WEO 22 pathway. In the NZE 2050 scenario, global power generation leads the way by achieving net-zero emissions in 2040, to enable the global economy to achieve net-zero emissions by 2050.

The scenario envisions an average energy efficiency of  $-0.005 \text{ tCO}_2/\text{MWh}$  across our power generation portfolio by 2050 and an interim target of  $0.165 \text{ tCO}_2/\text{MWh}$  by 2030. NLB sets the science-based target at the Group level, further building upon its 2021 commitment to exclude coal from its financing and phase-out the existing portfolio exposures.

### Power Generation

Emission Intensity in  $\text{tCO}_2/\text{MWh}$



NLB Group will achieve its net-zero targets by continued engagement with its clients and by rewarding and incentivising clients to implement existing or develop decarbonisation plans for installing additional renewable energy production capacity, decommissioning fossil-based power production, and upgrading existing renewable energy plants to improve their efficiency, helping accelerate the energy transition.

The Group already has significant exposure to renewable energy sources and has set a financing pledge to further boost this carbon-neutral sector.

**However, NLB and other banks in the region will not be able to achieve such targets without the support of EU and national-level incentives to develop renewable energy production facilities, including funds directed to such projects.**

The accelerated development of technologies at scale, including green hydrogen production, is also crucial, as well as accelerating the phase-out of coal and other fossil-based power production. A need to reduce reliance on imported fossil-based energy from abroad is also evident. Finally, the long-term implementation of carbon capture and storage networks on a national and/or regional scale will help producers of fossil-based electricity abate their emissions.

## Iron & Steel

NLB's target scenario for the iron & steel portfolio is guided by the IEA NZE 1.5°C pathway, which is aligned with data from IEA global net-zero scenarios. This scenario envisions an average energy efficiency of  $0.108 \text{ tCO}_2/\text{t steel}$  across our iron & steel portfolio by 2050 and interim target of  $1.070 \text{ tCO}_2/\text{t steel}$  by 2030, which NLB sets at Group level. NLB's current baseline is at  $0.600 \text{ tCO}_2/\text{t steel}$ , which is already significantly below the 2030 target.

The steel industry can achieve net-zero targets by replacing emission-intensive technologies with low-emission technologies, reducing the emission intensity of their process by using low-carbon feedstock, and further developing and implementing their existing decarbonisation commitments and plans.

The majority of NLB Group sector exposure is already with clients which are well along their decarbonisation plans; as for other clients not as advanced on this path, our immediate objective is to understand where they are in terms of carbon intensity, and what their strategic targets are for 2030 and beyond so we can be a strategic partner to them.

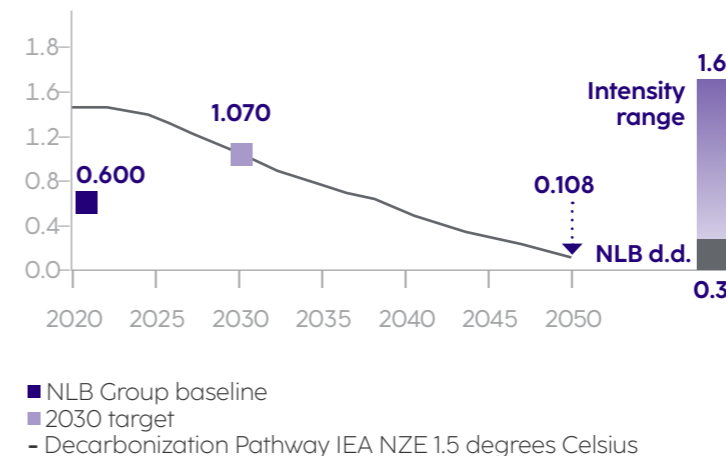
Key factors for achieving net-zero targets include ensuring that key clients in Slovenia with low-emission-intensive operations continue to operate via low-emission technologies (currently EAFs – Electric Arc Furnaces), ensuring that key clients with

decarbonisation commitments in place implement these plans as a minimum.

Decarbonising the industrial energy mix on a national scale across the region is paramount, as is the long-term implementation of carbon capture and storage networks on a national and/or regional scale to provide the opportunity for steel producers to join such networks.

### Iron & Steel

Emission Intensity in  $\text{tCO}_2/\text{t steel}$



## Commercial Real Estate

Target scenario for the commercial real estate sector is guided by the SBTi 1.5-degree Celsius scenario and data from IEA global net-zero scenarios. This scenario envisions an interim target of  $39 \text{ kg CO}_2/\text{m}^2$  by 2030. The interim science-based target are set only for NLB, as only in Slovenia there are enough official EPC data to develop a robust enough baseline for target setting. In addition, Slovenia is part of the European Union; thus, it has set green transition targets on the national level, which are supported by legislation.

NLB will work towards achieving the target by engaging with clients and focusing on new production of commercial buildings with the best energy performance certificates. In addition, it will promote other green loans for retrofits and renovations of existing commercial housing stock with the focus on improving energy efficiency as well as for the installation of heat pumps.

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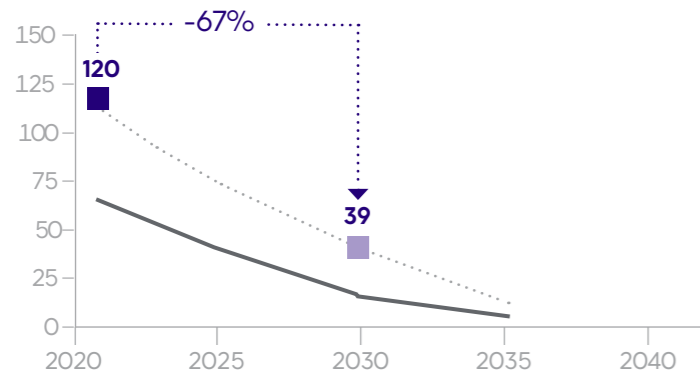
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## Commercial Real Estate

Emission Intensity in kg CO<sub>2</sub>/m<sup>2</sup>



■ NLB d.d. baseline  
 ■ 2030 Target  
 — SBTi 1.5° Pathway<sup>1</sup>  
 ..... reduction according to SBTi 1.5°

Currently, we notice in the market only moderate demand for the best energy-efficient buildings, as they have substantially higher construction costs which are not always passed on to tenants. However, NLB is determined to decarbonise this sector by committing to at least 30% of new production volume in the most energy-efficient commercial buildings (<50 kg CO<sub>2</sub>/m<sup>2</sup>) by 2030.

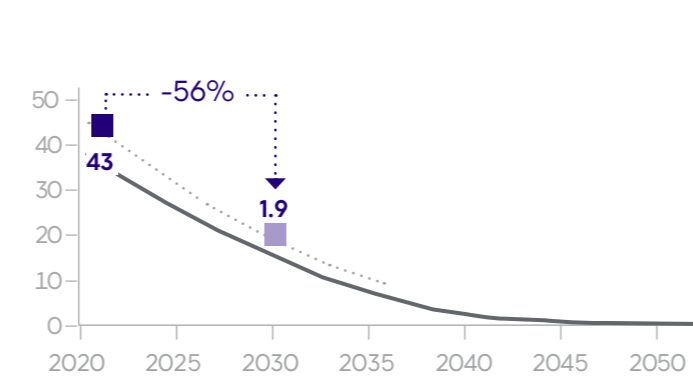
## Residential Real Estate

NLB's target scenario for residential real estate is guided by the SBTi 1.5-degree Celsius scenario and data from IEA global net-zero scenarios. This scenario envisions an average energy efficiency of 0.4 kg CO<sub>2</sub>/m<sup>2</sup> across our mortgage portfolio by 2050 and interim target of 18.7 kg CO<sub>2</sub>/m<sup>2</sup> by 2030. Similarly, as in Commercial Real Estate, the interim science-based target is set only for NLB, as only Slovenia has enough official EPC data to develop a robust enough baseline for target setting. In addition, Slovenia is part of the European Union; thus, it has set green transition targets on the national level, which are supported by legislation.

NLB will work towards the achievement of the target by engaging with clients and focusing on new production of homes with the best energy performance certificates (EPC A & B), and promote other green loans for retrofits and renovations of existing housing stock with the focus on improving energy efficiency as well as for the installation of heat pumps.

## Residential Real Estate

Emission Intensity in kg CO<sub>2</sub>/m<sup>2</sup>



■ NLB d.d. baseline  
 ■ 2030 target  
 — SBTi 1.5° Pathway  
 ..... reduction according to SBTi 1.5°

To emphasise the determination to move towards the targets of the mortgage portfolio, NLB commits to at least 15% of new mortgage production volume in Slovenia to be in energy label A and B, with an expectation of further increasing our commitment in the following years.

For this it is crucial for governments to implement policies such as those in place in EU countries, requiring all new buildings from 2020 onwards to be near-zero energy buildings (NZEBS), i.e. belonging to EPC Class A, which will lead all new construction and renovation to result in zero-energy buildings (ZEBs) as of 2030, i.e. ≈ 0 kWh/m<sup>2</sup>.

Achieving net-zero carbon emissions in the residential real estate sector is a challenging task that requires the collaboration of all stakeholders, including banks, governments, industry players, energy providers and homeowners.

Real estate, both residential and commercial, represents a significant contribution to carbon emissions in all 6 markets where NLB Group operates and it represents a significant barrier to achieving net zero by 2050. This calls for more drastic approaches, particularly in the modernisation of existing buildings.

The Group is committed to playing a crucial role in enabling modernisation by developing innovative financing solutions and partnerships. However, we recognise that this effort cannot be undertaken in

isolation. Governments must provide enhanced subsidies for homeowners and implement policies that support the development of the renovation supply chain. To put the challenge in perspective, even if all homes in NLB Group portfolio achieved label A or equivalent in all six markets by 2030, the Group would not meet the science-based interim target without a significant and rapid greening of the grid in all countries and conscious efforts by homeowners to reduce energy consumption.

In both the residential and commercial real estate sectors, the national energy mix plays a critical role in determining efficiency milestones. Governments and institutions must steer the transition towards renewable electricity capacity and phase out fossil fuels. In Slovenia, coal still accounts for a substantial portion of electricity production and will continue to do so until 2033, when the TEŠ coal-fired power plant is scheduled to be decommissioned, even more so in other markets where NLB operates.

Homeowner engagement is another key factor. Energy efficiency, as represented by energy labels, is paramount. Banks and homeowners can collaborate to drive progress in this area. Homeowners need to demonstrate a willingness and financial capacity to invest in renovations. Homeowners' energy consumption habits also significantly impact efficiency milestones. This necessitates the active participation of all household members and is influenced by the price of energy, which, as we learned in the recent years, can be extremely volatile due to global events.

To effectively track energy performance, NLB utilises energy labels where possible and uses proxy data where energy labels are not available. Where energy label data is not readily available, the Bank is devising alternative methods of determining CO<sub>2</sub> intensity using available data such as building year, modernisation and subsidised loans. NLB also continues to collect EPC labels for new mortgages, which will take time to encompass the entire portfolio.

NLB advocates for an inclusive approach to energy efficiency and does not believe in limiting finance to homeowners with the worst energy label homes (G or F labels). The bank's objective is to empower all homeowners to make the necessary changes, and it will continue to develop innovative products, services, and partnerships to achieve this goal.

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<sup>1</sup> SBTi Power Tool only allows a target year until 2035

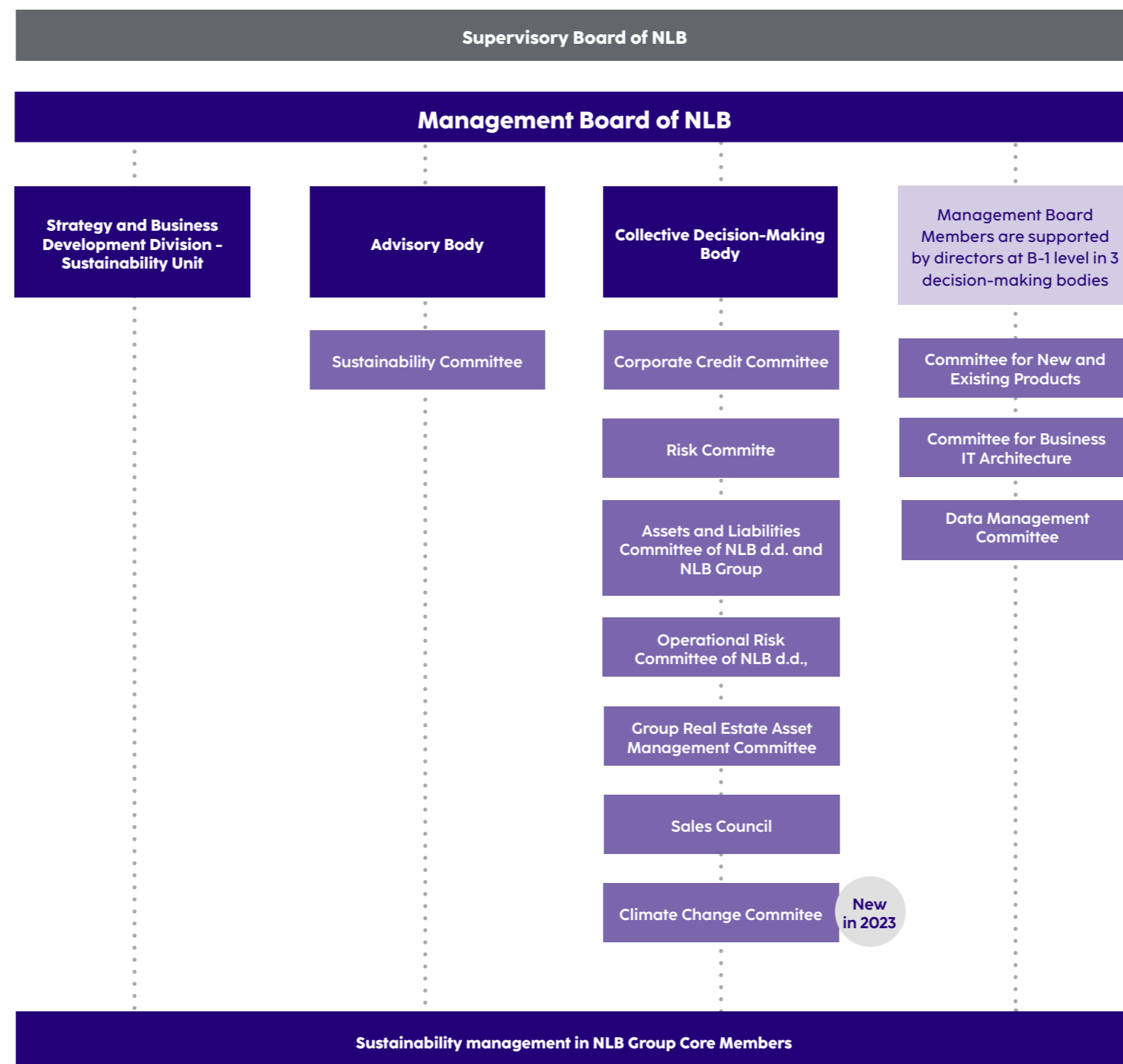
# Climate (net-zero) strategy governance

At NLB Group, paramount importance is placed on net-zero implementation as a multi-decade initiative. As such, a robust governance structure will be established, ensuring that the net-zero decarbonisation plans and sustainable financing are guided by top-level executives and implemented effectively across all sectors. Thereby, effective governance, strategic oversight and regular monitoring of NLB Group's net zero decarbonisation plans are entrusted to the highest executives.

To streamline decision-making and enhance accountability, a dedicated body named the Climate Change Committee was formed. This committee has full authority and responsibility over the implementation of NLB Group net-zero strategy. The committee is composed of key individuals who will cover both strategic and operational aspects of the decarbonisation efforts. The committee comprises all six members of the Management Board, as well as at least six core team members. The core team members include a project-lead from the Sustainability Unit and representatives of Global Risk, Retail Banking, Corporate Banking, Data/IT and Group Steering divisions/ departments. The core team is charged with designing the second round of target setting scheduled for mid-2025.

The composition of the committee ensures a holistic approach to the decarbonisation process. It brings together executives and experts from various areas to provide comprehensive guidance and insight. This collaborative effort aligns different areas of the organisation, enhancing interdepartmental coordination and facilitating effective decision-making.

Figure 7: Overview of net-zero steering within NLB Group's overall sustainability governance



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## Data and approach limitations

NLB Group acknowledges the intricate nature of establishing and evaluating sector targets. The Group has employed scenario pathways aligned with a 1.5°C global warming constraint across all sectors. The Group intends to forgo the utilisation of offsets to achieve its 2030 NZBA sector targets. Instead, the Group will monitor and contribute to the development of industry standards for offsets as they emerge. The Group will also engage with its clients to encourage them to formulate their own net-zero strategies, which may involve utilising carbon credits to offset residual emissions in accordance with scientific guidance. The targets have been developed under the supervision of internal risk functions and are approved at the executive level. In line with NZBA guidelines, the Group commits to reviewing its targets at least every five years, ensuring they align with significant changes in international agreements or national goals. The Group will also publish annual progress reports on these targets in its sustainability reports and continue to enhance its internal capabilities for target tracking and monitoring.

## Sector and scenario selection

In its initial round of NZBA targets, NLB Group has focused on fossil-fuel-based and highly energy-intensive sectors (power generation and iron and steel) and other sectors where the Group has substantial emissions and/or exposure and available data. These include residential mortgages and commercial real estate. The sectors of cement and oil and gas have been excluded due to the limited materiality of NLB Group's exposure. The Group's road freight transportation activities encompass a range of businesses of varying sizes, including many small businesses, posing data challenges that prevent the establishment of a road freight transportation target at this stage. Similarly, for agriculture, at the time of target setting, a comprehensive decarbonisation methodology had not yet been fully developed, and data challenges arising from mostly small and

medium-sized clients hinder the establishment of an accurate baseline for agriculture and limits the Group's ability to steer the portfolio at this time. NLB aims to address the remaining NZBA sectors in future reporting updates and will continue to assess its external sector statements.

NLB is using the IEA NZE 2050 scenario as the foundation for our sector targets as it limits global warming to 1.5°C by 2050 and it was recognised as a credible scenario. This is a more ambitious approach than some other scenarios, and it reflects the growing urgency of addressing climate change. The scenario relies conservatively on negative emissions technologies, which are methods of removing carbon dioxide from the atmosphere. This is a cautious approach that acknowledges the uncertainties surrounding these technologies, especially in the SEE region.

NLB Group will continue to support public policy developments that accelerate the green transition.

## Data limitations

NLB is employing the developing industry standard developed by the Partnership for Carbon Accounting Financials (PCAF) for measuring and disclosing financed emissions of its lending portfolio. This same PCAF approach has been employed in establishing baseline emission estimates for our targets, and client-related targets and commitments have been considered where applicable to inform our target setting process. Despite ongoing industry-wide data challenges, with not all companies reporting their emissions and underlying information on emissions from consumer-related assets such as mortgages not universally available across the whole region, NLB Group remains committed to enhancing its climate data capabilities. This includes expanding data sources and fostering partnerships with leading institutions and think-tanks in the region to increase the availability and quality of client-level data.

## Key Dependencies

Each target has been established with an understanding of the crucial dependencies on external parties and factors to achieve these targets, which is also disclosed in the specific sectors. To achieve net zero, concerted collaboration is essential, and NLB Group will continue to support public policy developments in Slovenia and the broader region that accelerate the transition. Public policy measures in all countries where the Group operates, and where our clients or customers operate or sell their products, will be instrumental in achieving decarbonisation at scale, particularly in high-emitting sectors such as housing and transportation. The Group will continue to partner with businesses and key industry players to spearhead the transition as they enhance their capabilities and skills to enable the necessary transformation. These key sector-specific dependencies are outlined in sector disclosures.

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**Play with  
heart,  
for passion  
fuels  
greatness.**

### **Sustainability governance**

Through team sports, the young learn effective communication and conflict resolution, skills also essential for cultivating inclusive and sustainable communities. Similarly, sustainability governance within NLB Group is fueled by the dynamics of a team sport, striving to make significant strides for both present and future generations.

# Governance

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

## Corporate Governance

The daily operations of NLB are run by the Management board, and the Supervisory Board is providing for the control and supervision of the Management Board's work.

The Bank's corporate governance framework is defined in the Corporate Governance Policy of NLB, which regulates the relationships between the Management Board, the Supervisory Board, the shareholders and other stakeholders of the company. The NLB Corporate Governance Policy is an internal document drawn up jointly by the Management Board and the Supervisory Board, wherein they commit to and publicly disclose how they supervise and run the company. It also provides the structure (organisation) through which the objectives of the company are supported and the means of attaining those objectives and monitoring performance are provided. The current version of the NLB Corporate Governance Policy was adopted by the Management Board and Supervisory Board in 2023. Key changes to the policy were made due to the recently changed Slovenian Corporate Governance Code for Listed Companies and other recent changes in EU and Slovenian legislation.

NLB Group is committed to the highest standards of corporate governance.

The NLB Corporate Governance Policy is harmonised with and applicable together with the NLB Group Governance Policy, which was amended in 2023 and defines the Group operating model through corporate and business governance rules, and principles, criteria and mechanisms for NLB Group. NLB Group is organised in a manner allowing NLB as the parent bank to manage the risks to which NLB Group is or may be exposed in its business operations.

» To learn more about the corporate governance structure and policy, please refer to the NLB website: <https://www.nlb.si/corporate-governance>.

## General meetings of shareholders

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

» Information on convocation of the General Meetings is published on the NLB website: General Meetings (nlb.si).

## Nomination, appointment and assessment of the Management Board and the Supervisory Board

NLB has established rules and procedures of nomination, selection (appointment), replacement and assessment of the management bodies (Management Board and Supervisory Board), which are stipulated in the Policy on the selection of suitable candidates for members of the Supervisory Board of NLB d.d. (hereinafter: the SB Policy), and the Policy on the selection of suitable candidates for member of the Management Board of NLB d.d. (hereinafter: the MB Policy). As stipulated in both policies, the selection process for the management bodies' members encompasses seven steps: identification of the need to search for and nominate a candidate for the member, definition of the profile, search for candidates, selection of the candidates, "Fit & Proper" assessment of the candidates, proposal for appointment of a candidate, appointment of a candidate as a management body member.

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## The Management Board

The Management Board represents the Bank and manages its daily operations, independently and at its discretion, as provided by the applicable laws and the Articles of Association of NLB. The Management Board appoints different committees, commissions, boards and working bodies to execute individual tasks within the powers of the Management Board. In accordance with the mentioned Articles of Association, the Management Board has three to seven members (the president and up to six members) appointed and dismissed by the Supervisory Board. The president and members of the Management Board are assigned to a five-year term of office. At the end of 2023, the Management Board of NLB was comprised of six members.

The MB Policy sets out the framework enabling the NLB d.d. Management Board to be composed in such a way that, as a whole, it has the appropriate knowledge, skills and experience required for an in-depth understanding of the Bank's strategy and challenges, and the risks to which it is exposed. The Policy sets out the process for selecting suitable candidates for Management Board members, which is composed of several steps, and the professional criteria of selection and expertly managed procedures of candidate selection enabling the bodies of the Bank to lay the grounds for selection and perform due diligence in accordance with the highest ethical standards and care in the selection of suitable candidates for Management Board members. This ensures that the Bank's Management Board is composed of individuals having a balanced range of skills, knowledge and experience with regard to the strategic goals and challenges, and possessing appropriate qualifications as a team considering the size, complexity and risk profile of the Bank. The MB Policy stipulates detailed and comprehensive criteria with regard to knowledge and competences that should be taken into account in the selection process.

Once a year, the Supervisory Board assesses the composition of the Management Board, performance, potential conflicts of interest of individual members, and performance of individual members and the Management Board as a whole, as well as its efficiency. If it establishes that the number of the members of

the Management Board is inappropriate or that the number of members of the Management Board must be increased, or that certain knowledge, skills and experience are lacking, or that the members in the Management Board are no longer qualified to perform this function because they do not meet the required conditions, or because one or several members are unsuitable and thus the Management Board as a whole no longer meets the required collective suitability, the process of finding a suitable candidate (or candidates) is started.

**In 2023, the composition of the Management Board remained the same as in 2022.**

## The Supervisory Board

The Supervisory Board of NLB consists of a total of twelve members, of which eight members represent the interests of shareholders and four members represent the interests of employees. The Members of the Supervisory Board of the Bank representing the shareholders' interests are elected and recalled at the Bank's General Meeting from persons proposed by shareholders or the Bank's Supervisory Board.

The SB Policy lays down the framework enabling the NLB Supervisory Board to be composed in such a way that, as a whole, it has the appropriate knowledge, skills and experience required for an in-depth understanding of the Bank's strategy and challenges, and the risks to which it is exposed. The SB policy sets out the process of selecting suitable candidates for Supervisory Board members, which is composed of several steps, and the professional criteria of selection and expertly managed procedures of candidate selection enabling the bodies of the Bank to lay the grounds for selection and perform due diligence in accordance with the highest ethical standards and care in the selection of suitable candidates for Supervisory Board members. As a rule, the Supervisory Board of NLB once a year assesses its composition, performance, potential conflict of interest of individual members of the Supervisory Board, performance of individual members and the Supervisory Board as a whole, performance of Supervisory Board committees and cooperation with the Management Board of the Bank.

If needed, the Supervisory Board sets measures for improving its effectiveness and monitoring of their implementation. If it establishes that the composition of the Supervisory Board is inadequate or deficient or in case of ending the mandate, the process of finding a suitable candidate is started. The SB Policy stipulates detailed and comprehensive criteria with regard to knowledge and competences that should be taken into account in the selection process.

As the term of office of the four current members of the Supervisory Board expired in 2023, the process of selection and nomination has started. An external agency was invited to participate in the process of selection and nomination. The members of the Nomination Committee have assessed the candidates' competences, skills, experience and other requirements, and nominated candidates. Suitable candidates were also nominated by the Slovenian Sovereign Holding. Two new Supervisory Board members were appointed, while for two of the current members the term of office was extended.

» For further details please refer to NLB Group Annual Report 2023, chapter Corporate Governance, and NLB Corporate Governance Statement, section Appointment or replacement of members of the management or supervisory bodies.

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## Independence of management bodies and management of conflicts of interest

NLB Group is committed to an efficient management of conflicts of interest in its operations, to avoidance and mitigation of and conflict of interest of Group employees performing daily operations, and particularly of members of the managing bodies. Members of the Management Board and the Supervisory Board pay special attention to recognising and implementing all the necessary precautions to avoid any conflicts of interest that could affect their judgment.

With the Policy on the Assessment of the Suitability of Management and Supervisory Board Members in NLB and Rules of Procedure of the Management Board and the Supervisory Board, the Supervisory Board committees and the Bank's boards and the Policy on Persons in Special Relationship of the Bank, we have established an effective management system, i.e. prevention and management of potential, actual and apparent conflicts of interest. The system for managing conflict of interest at the level of the Management and the Supervisory Boards consists of assessment of the conflict of interest in the framework of the Fit & Proper assessment of the candidates for members of the Management and Supervisory Boards, of the members of the Management and Supervisory Boards during their term of office, and management of conflicts of interest that arise unexpectedly in relation to an individual event. Upon taking the position, any change and once every year, the members of the Supervisory Board sign the **Statement of Independence**, in which they adopt a position regarding the fulfilment of criteria of the conflict of interest and inform the other members thereof.

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

## Diversity of management bodies and senior management

As a parent bank, NLB has established the Policy on the Provision of Diversity of the Management Body and Senior Management of NLB d.d. (hereinafter: Diversity Policy). At the 2022 Annual General Meeting, the Bank adopted amendments to align with the stipulations of pertinent legislation and address the concerns of stakeholders.

The Diversity Policy outlines specific goals for achieving diverse representation on the Supervisory Board, Management Board, and senior management. The Policy establishes various diversity goals, ensuring that the composition of the management body encompasses a collective proficiency in knowledge, skills and experience. This comprehensive approach aims to foster a deep understanding of the Bank's strategy, challenges and the associated risks. The Policy concurrently establishes a framework to promote diversity of the Supervisory Board, Management Board and senior management across dimensions such as gender, age, a spectrum of knowledge, skills, and experience, international exposure and geographical origin.

## Equitable gender representation

In line with its diversity policy and as a publicly listed company, NLB is aware of the recommendations of the initiative 40/33/2026 of the Association of Supervisors of Slovenia.

This initiative entails achieving a representation of 40% for members of supervisory boards and an overall 33% representation for members of supervisory boards and management boards of the underrepresented gender in public joint-stock companies and state-owned enterprises.

### As at 31 December 2023

#### Women in the NLB Supervisory Board

40%

4 out of 10 members

#### Women in the NLB Management and the Supervisory Board

31%

5 out of 16 members

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## Objectives, processes and measures

Considering the size of the Bank and the Group, their regional presence and business strategy, the following aspects, objectives and processes are important to ensure diversity:

### Gender diversity

The Bank pursues this objective by ensuring that all stakeholders involved in the HR process strive to construct a well-balanced pool of candidates during the recruitment process. This involves considering the equitable representation of the less-represented gender and achieving a suitable balance between both genders in alignment with the objectives outlined in the Policy. The establishment and implementation of a comprehensive policy for candidate selection create incentives for diversity within the management body. This includes promoting adequate gender representation in the management body, aiming to address the underrepresentation of a particular gender and outlining the criteria for the performance of each role, including the requisite profile for members of the management body, even prior to their appointment.

### Age diversity

The Bank pursues the achievement of age diversity that accurately reflects the Bank's age demographics. To fulfil this objective, the Bank employs recruitment channels designed to attract a broad spectrum of candidates across different age groups, ensuring representation from all demographic segments in both the management body and senior management. When appointing new candidates, the Bank carefully considers the appropriate balance between younger and older members within the management body or the age distribution within senior management.

### Professional competencies, skills, and experience

The collective expertise of the management body must encompass a diverse spectrum of knowledge, skills and professional capabilities. Composition shall adhere to specific criteria, encompassing factors such as experience, reputation, effective management of potential conflicts of interest, independence, time commitment and the overall cohesion of the body. The requests mentioned above apply mutatis mutandis to the senior management. The procedure for assessing

these criteria and the criteria used is defined in more detail in relevant policies to determine the suitability of the management bodies and key position holders.

### Continuity of composition of the management body and senior management

The Bank ensures a suitable ratio between the existing and the new members of the management body and senior management by not changing all members of the management body or senior management simultaneously when mandates expire.

### International experience

The Bank should ensure a suitable share of the management body and senior management members with international experience in different areas (e.g. foreigners and Slovenians doing business abroad). To this end, the Bank has established a timeframe, aligning with relevant policies for selecting qualified candidates in the selection process.

### Personal integrity

The management body and senior management members must achieve a high level of personal integrity whereby integrity represents the expected action and responsibility of individuals and organisations in preventing and eliminating risks of using authority, function, authority or other decision-making power contrary to law, legally permissible goals and according to the guidelines defined in the NLB Group Code of Conduct.

### Geographical provenance

The Bank strives for the management body members to have different geographical provenances, ensuring that at the collective level, the management body has suitable knowledge of the culture, market characteristics and legal framework in the areas where the Bank operates.

### To achieve the objectives outlined in this diversity policy, the following measures are applied:

- Upon the appointment of new members or re-appointment of the members of the Supervisory Board and Management Board, due consideration is given to the Policy on the selection of suitable candidates for members of the Supervisory Board and the Policy on the selection of suitable candidates for members of the Management Board. The above applies mutatis mutandis (with necessary adjustments) to the appointment and re-appointment of the Bank's senior management.
- The pre-definition of conditions for the performance of each function, including the required profile of prospective members of the management body, occurs prior to their appointment.
- Using recruitment pathways that attract a sufficiently wide range of different candidates.
- Should two candidates for the position of a member of the Management Board or a member of the Supervisory Board meet all the required tender criteria and at the same time the target gender representation is not achieved in a certain body, a candidate of the underrepresented sex shall be selected.
- In achieving the target representation of the Management Board, as well as by a predetermined replacement plan and by fulfilling another member of the Management Board, as defined by the Articles of Association of NLB.
- Considering the objectives of the diversity policy when assessing the collective suitability of management and supervisory bodies.

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## Diversity overview in 2023 and outlook

Table 8: Diversity of the NLB management bodies and senior management in 2023 and plan for 2024 – breakdown by diversity objectives

	Supervisory Board NLB		Management Board NLB		Senior management NLB	
	2023	Plan for 2024	2023	Plan for 2024	2023	Plan for 2024
Wide range of knowledge, skills and professional experience	High	High	High	High	High	High
International experience of the members in different areas	Medium High	Medium High	Medium High	Medium High	Medium High	Medium High
Continuity of composition of the management body	High	High	High	High	High	High
Personal integrity	High	High	High	High	High	High
Geographical provenance	Medium High	Medium High	Medium High	Medium High	Low	Low
Age structure	20-30 = 0	0	20-30 = 0	0	20-30 = 0	0
	30-40 = 0	0	30-40 = 0	0	30-40 = 1	1
	40-50 = 1	2	40-50 = 2	2	40-50 = 23	18
	50-60 = 5	5	50-60 = 4	4	50-60 = 14	16
	60+ = 4	5	60+ = 0	0	60+ = 2	2
Share of women	40%	42%	16.7%	30%	43%	45%

Table 9: Gender diversity in the NLB management body and senior management level in 2023 – breakdown by age

Age Group	Supervisory Board		Management Board		Senior management	
	Men	Women	Men	Women	Men	Women
< 31						
31-40					1	
41-50	1		2	1	18	5
51-60	2	3	3		4	10
> 60	3	1				2
<b>Total (number/share)</b>	<b>6 (60%),</b>	<b>4 (40%)</b>	<b>5 (83%)</b>	<b>1 (17%)</b>	<b>23 (57%)</b>	<b>17 (43%)</b>

Table 10: Gender diversity in the management body and senior management level in 2023 – breakdown by NLB Group bank members

	Supervisory Board		Management Board		Senior management	
	Men	Women	Men	Women	Men	Women
NLB	6	4	5	1	23	17
NLB KB Beograd	7	2	3	1	15	16
NLB Banja Luka	4	1	1	2	12	14
NLB Prishtina	4	2	2	0	11	2
NLB Skopje	3	3	3	0	6	14
NLB Sarajevo	4	1	2	1	8	11
NLB Podgorica	3	4	2	1	13	9
<b>Total (number/share)</b>	<b>31(65%)</b>	<b>17 (35%)</b>	<b>18 (75%)</b>	<b>6 (25%)</b>	<b>88 (52%)</b>	<b>83 (48%)</b>

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## Sustainability governance

NLB Group has implemented a comprehensive sustainability governance framework (top-down and bottom-up). As the highest governance bodies, the Management Board and the Supervisory Board are responsible for managing and supervising the implementation of sustainability related considerations (factors and risks).

Overall sustainability governance, including the implementation and management of ESG factors, and management of climate-related risks and opportunities, is set out **in the Sustainability Policy in NLB d.d. and NLB Group**. After its adoption by the NLB Management Board in December 2023 and the Supervisory Board in February 2024, the policy replaced the former NLB Group Sustainability Framework (1st version, September 2021). The Policy lays down the scope of sustainability in NLB Group, provides an overview and directions in relation to governance and management of sustainability and ESG matters in NLB Group, and ensures that assigned responsibilities are duly documented in relevant policies, procedures and controls.

The Policy is supplemented by the internal document **Standard – Rulebook for Sustainability Management in NLB Group**, which describes in detail established mechanisms for harmonisation of sustainability- and ESG-related policies, other documents, and processes at NLB Group level. In addition, NLB Group has over the years established several domain-specific policies and instructions related to risk management, environmental management, HR, diversity and inclusion, human rights, compliance, anti-corruption, tax, procurement and other specific internal documents, developed in the Sustainability Unit and respective business areas (competence lines), in accordance with the NLB Group Governance Policy.

In 2023 sustainability governance framework was upgraded.

### Integration of sustainability and ESG in NLB Group's strategy

The NLB Management Board and Supervisory Board are responsible for preparing and implementing NLB Group's strategy, a part of which are strategic ambitions related to sustainability and ESG. The Sustainability Unit is responsible for preparation of the Sustainability Policy, which is adopted by the NLB Management Board, while the Supervisory Board gives its consent to it. The Supervisory Board also approves NLB Group's strategy and oversees its implementation.

The sustainability-related governance and organisational structure are harmonised across NLB Group through established internal rules and procedures. As a rule, sustainability-related policies and other internal documents are adopted first in the parent bank NLB, whereas the Group members are responsible for adapting them and implementing them in their operations according to the guidelines of the parent bank and local legislation.

The sustainability-related governance is harmonised across NLB Group through established internal rules and procedures.

### Integration of sustainability and ESG in the organisational structure

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

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

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

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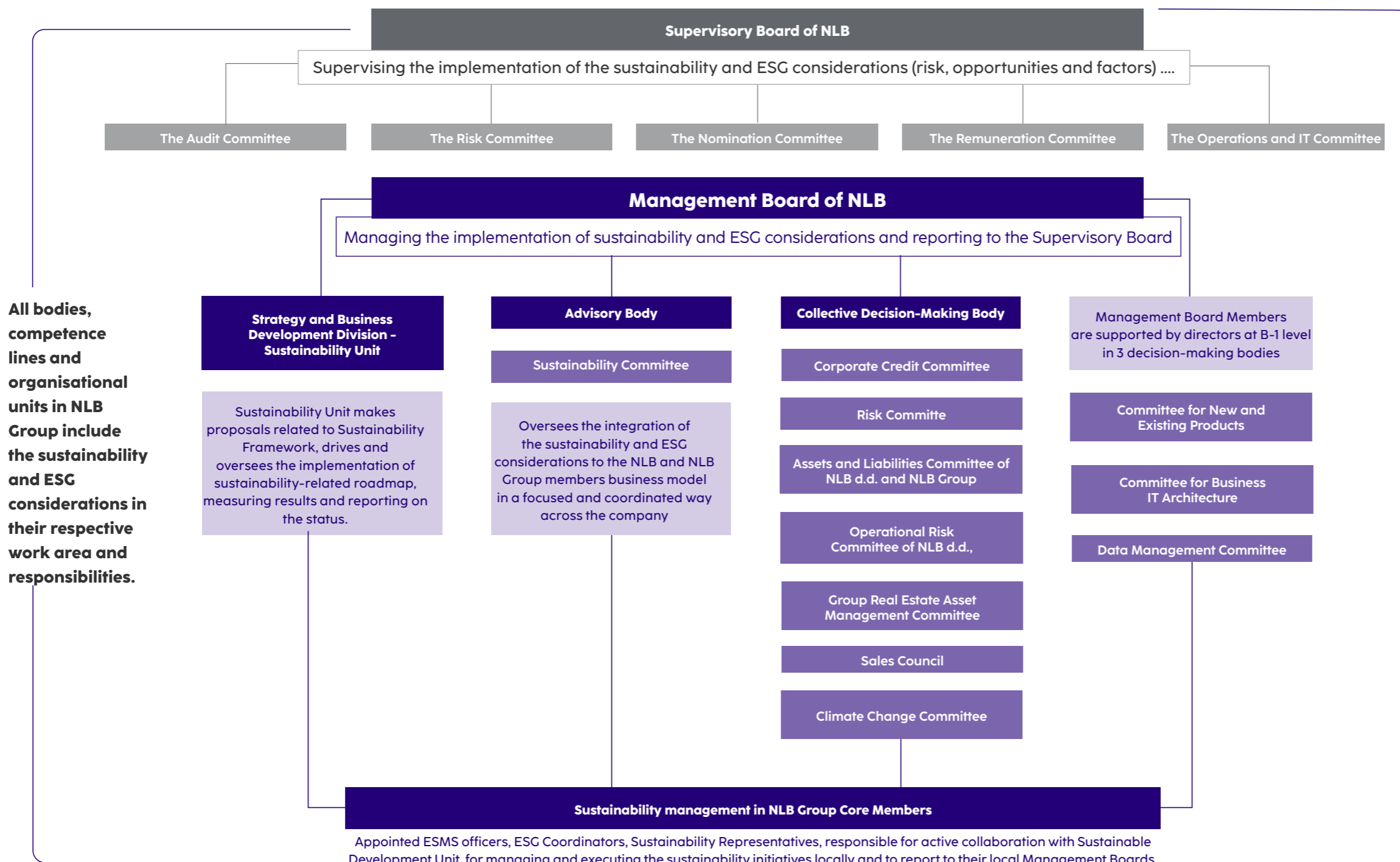
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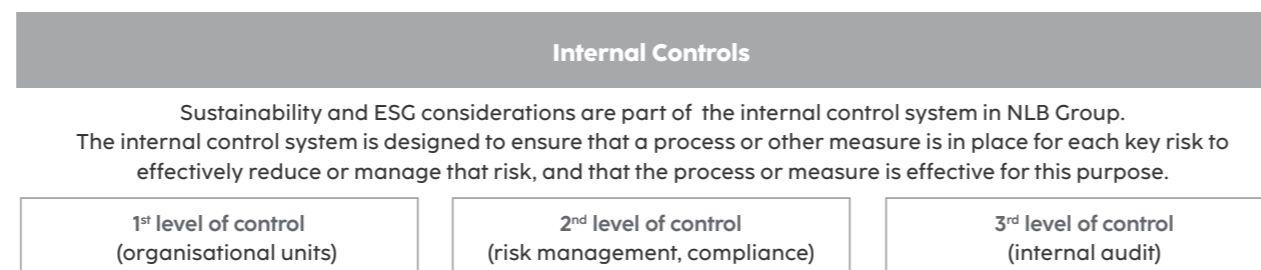
## Sustainability governance

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

Figure 9: Sustainability governance in NLB Group



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



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## Management Board and Supervisory Board oversight of sustainability and ESG

The NLB Management Board and Supervisory Board are responsible for effective governance, and strategic oversight of sustainability-related matters and ESG risks and opportunities, including environmental and climate-related ones. To assist and advise in the sustainability implementation process, as well as to execute individual tasks within the powers of the Management Board and Supervisory Board, there are several bodies (committees) in place. This chapter presents their oversight of key sustainability-related topics.

» For more information regarding oversight on other topics, please refer to the Corporate Governance Statement, published in the business report of the NLB Group Annual Report 2023.

### Management Board

The NLB Management Board is the Bank's highest decision-making and representation body. The Management Board manages the Bank and makes business decisions independently and autonomously, adopts strategies, ensures adequate risk control, and acts with the diligence of a conscientious and fair manager, protects business secrets, and is accountable for the lawfulness of the Bank's operation with the limits laid down by the regulators.

The **Sustainability Committee** is an advisory body to the Management Board, which tackles risks and opportunities related to climate and other sustainability issues. To explore the Committee's role and responsibilities in detail, please refer to the chapter NLB Group Sustainability Committee below.

The **Climate Change Committee** is a new body set out at the end of 2023. The Committee has full authority and responsibility over the development and implementation of the NLB Group Net-Zero Strategy, to streamline decision-making and enhance accountability related to set decarbonisation targets.

» To explore the Committee's role and responsibilities in detail, please refer to the chapter Climate (Net-Zero) Strategy

Sustainability matters, as part of broader management topics, are also regularly considered and approved at:

- a) seven collective decision-making bodies** that provide decision-making support to the whole Management Board: **Corporate Credit Committee, NLB Group Assets and Liabilities Management Committee, NLB Operational Risk Committee, NLB Group Real Estate Management Committee, Sales Committee, Risk Committee and Climate Committee.**
- b) three decision-making bodies** that provide decision-making support to respective Management Board members: **Committee for New and Existing Products, Committee for Business IT Architecture, and Data Management Committee.**

Committees support the Management Board and its members in fulfilling the responsibilities in managing respective areas. Identifying risks and opportunities that arise from environmental, social (including human rights) and governance issues, and supporting and accelerating integration of ESG factors in the Group are among the key responsibilities of each committee. Committee meetings are convened according to the meetings plan, regularly and frequently. The majority of them are held once a week, some of them monthly or every two or three months. Ad hoc meetings are convened when certain issues need to be addressed urgently.

### Supervisory Board

The NLB Supervisory Board and supervisory bodies of NLB Group members perform their function by monitoring the operations of individual NLB Group members, including those that are sustainability-related, within their competences in line with local legislation, and in accordance with the established Corporate Governance Policy in NLB d.d. and the NLB Group Governance Policy and the Guidelines, respectively.

Sustainability matters, as part of broader supervisory topics, are regularly considered and approved at the five NLB Supervisory Board committees:

**Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee, Operations and IT Committee.**

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**Table 11:** Key sustainability-related topic areas discussed and approved the Management Board, Supervisory Board and their committees in 2023

Key topic area	Key documents approved	MB	SB
Sustainability governance	<ul style="list-style-type: none"> <li>Sustainability Policy,</li> <li>Standard – Rulebook for Sustainability Management</li> </ul>	✓	✓
Goals, KPIs, remuneration, performance assessment	<ul style="list-style-type: none"> <li>Goals for NLB Group and NLB and for the members of the Management Board for 2024, including sustainability goals</li> <li>Setting sustainability-related indicators in Key Performance Indicators</li> <li>Sustainability-related plans in the NLB Group Financial Plan 2024 and financial projections 2024–2026</li> <li>Sustainability-related assessments: Collective Fit &amp; Proper assessment suitability of the members of the Management Board; Assessment of the Collective Suitability of Supervisory Board Members; Supervisory Board self-assessment; Audit Committee Self-assessment</li> </ul>	✓	✓
Net-zero strategy	<ul style="list-style-type: none"> <li>Net-Zero Disclosure Report, setting decarbonisation targets for the first 4 sectors and for green financing volume by 2050</li> </ul>	✓	✓
ESG risk management	<ul style="list-style-type: none"> <li>Statement of Management of Risk of NLB, Regular quarterly risk reports of NLB and the NLB Group;</li> <li>Risk Management Strategy of the NLB Group; NLB Group Risk Appetite; Internal Liquidity Adequacy Process (ILAAP), NLB Group Internal Capital Adequacy Assessment Process (ICAAP) the Recovery Plan of NLB Group, regular Risk reports for NLB and NLB Group</li> </ul>	✓	✓
Compliance and integrity	<ul style="list-style-type: none"> <li>The Action Plan for Compliance &amp; Integrity for 2024</li> <li>Regular Compliance and Integrity Reports</li> </ul>	✓	✓
Diversity	<ul style="list-style-type: none"> <li>Policy on the provision of diversity of the management body and senior management</li> <li>Annual Review of the Diversity Policy</li> </ul>	✓	✓
Reporting and disclosures	<ul style="list-style-type: none"> <li>NLB Group Sustainability Report for 2022, sustainability-related content in the Annual NLB Group Report for 2022, regular interim reports on the operations of NLB Group, including reports on sustainability</li> <li>Report of the progress and implementation of the ESG factors in NLB Group</li> <li>Pillar III Disclosures of the NLB Group for 2022 and acknowledgement of quarterly Pillar III Disclosures</li> </ul>	✓	✓

Management and Supervisory Boards' review and approval process is supported by organizational units that are responsible for particular domain and in particular by their advisory and collective decision making bodies.

These bodies prepare and coordinate the statements and reports, and submit them to the Management and Supervisory Board for discussion and approval.

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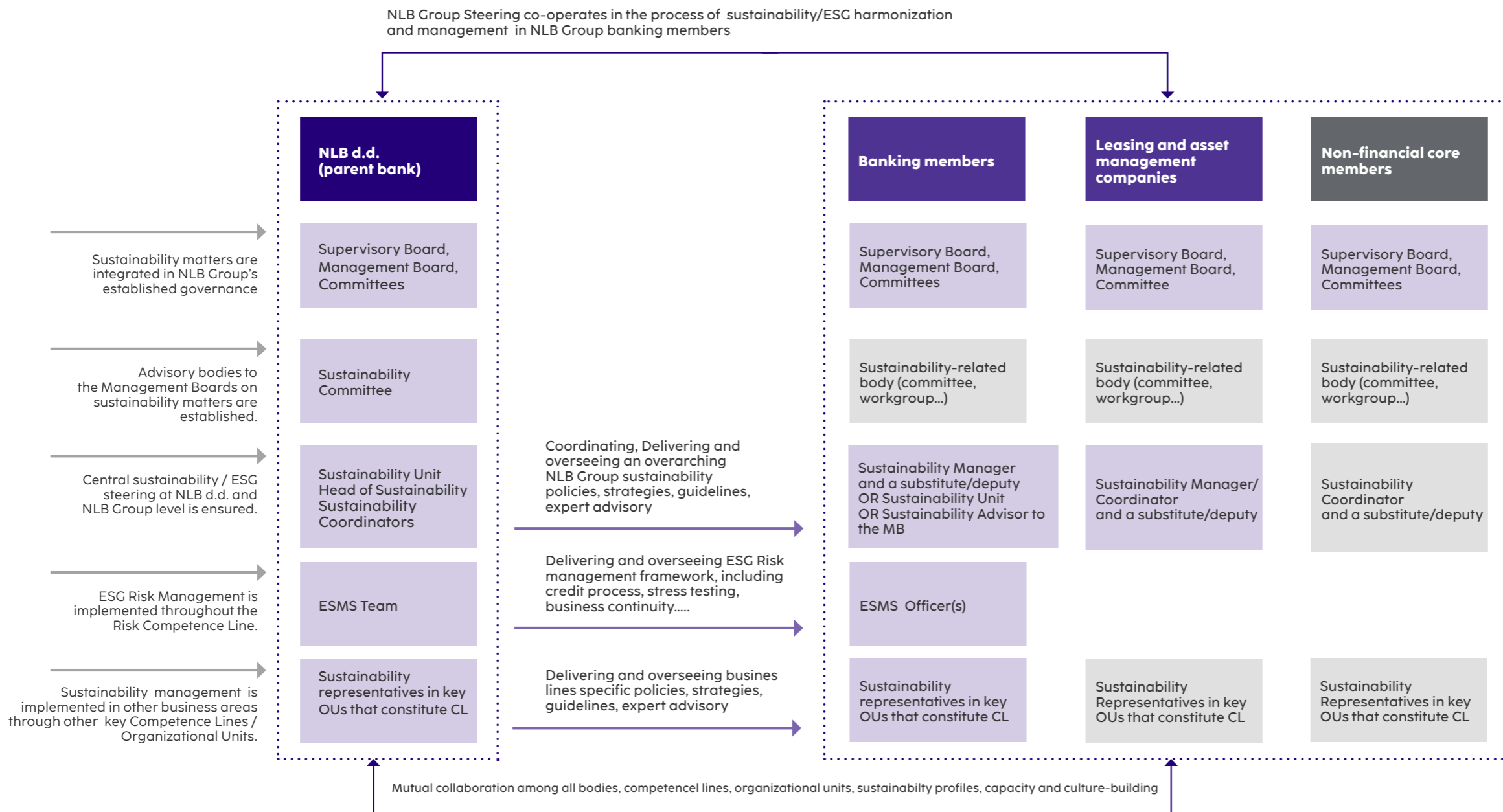
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# Management's role in managing ESG risks and opportunities

In NLB Group responsibility for managing the Bank's environmental and social impact is efficiently delegated across NLB Group members and competence lines, in line with harmonisation of the sustainability-related organisational structure.

Namely, the Group acknowledges the complexity of various sustainability matters and the urgency for integrating all business areas and aspects in the governance process. Therefore, apart from the Management and the Supervisory Boards and their bodies (Supervisory Board's committees, collective decision making and advisory bodies to the Management Board) organisational units tackle sustainability in their respective area of work and responsibilities, including climate-related, other environmental and social risks and other ESG matters.

Figure 10: Harmonization of sustainability in NLB Group



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## NLB Sustainability Committee and sustainability-related bodies in other NLB Group members

The NLB d.d. Sustainability Committee (hereinafter the Committee) is established as the central sustainability-related advisory body to the Management Board. The Committee oversees the integration of the ESG factors into NLB d.d. and the NLB Group members' business model in a focused and coordinated way across the company and issues opinions, recommendations and initiatives, and takes relevant decisions when needed. The Committee discusses, develops and validates sustainability strategies, policies, initiatives, methodologies, KPIs and other relevant documents and procedures, and recommends these for the approval of the NLB d.d. Management Board. The Sustainability Committee has an influence over sustainability-related strategic objectives and monitors their development and realisation.

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

NLB Group members establish local sustainability-related bodies considering the nature, scale and complexity of the activities and organisational structure of the member. Sustainability-related bodies can be established in various forms, such as sustainability teams, project groups, working groups, committees, etc. The sustainability-related body may include internal and external members.

The members of the local sustainability-related body are appointed by the management body of the NLB Group member, and the NLB Group member adopts the basic rules of procedure of such body.

## NLB Sustainability Unit

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

The Sustainability Unit is the overall coordinator of sustainability management and closely cooperates with the individual competence line which is a responsible owner of the entire process in its field of work, without unduly infringing upon the established internal governance system and control functions. The general roles and responsibilities of the Sustainability Unit are described in detail in the Rules of Organisation of NLB d.d.

## Competence lines

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

The established governance mechanism of the competence lines in general is stipulated in the NLB Group Governance Policy and Competence Lines Guidelines. Consequently, in the context of harmonisation and standardisation of NLB Group operations in terms of sustainability and ESG, the main roles of key competence lines are:

- to monitor that all NLB Group members nominate sustainability representatives in the competence lines' field of work (applies to primary and supporting competence lines, as defined in the Standard – Rulebook for Sustainability Management in NLB Group)
- to ensure that the relevant rules and principles (group-wide) related to sustainability and ESG are incorporated into the competence line's documentary framework (i.e. competence line policies, methodologies, etc.) and, using already established governance mechanisms, transfer them to the activities of NLB Group members.
- to monitor that members of the NLB Group operate in accordance with group-wide rules and principles of sustainability and ESG that are related to the competence line's field of work.

NLB Group members are responsible for complying with the local or sector-specific regulatory requirements applicable in the country of each NLB group member.

## Sustainability expert profiles

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

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# Integration of sustainability and ESG in three lines of defence

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

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

# 1<sup>st</sup>

**line of defence**  
organizational  
units

## First line of defence

First-level controls are designed to ensure the proper implementation of business activities in every organisational unit. Supervision in each individual business area is carried out by the competent organisational unit, which is responsible for the implementation of procedures according to the Rules on Authorisations and Signing. All business and non-business units represent the first line of defence, having primary responsibility for day-to-day risk management in climate-related and other sustainability matters. This applies especially to frontline employees in corporate, retail and financial markets, whose main responsibilities are:

- conducting activities with clients within the established ESMS framework, accountable for identifying and managing climate-related and other ESG risks
- obtaining relevant information on the sustainability profile of the client (aspirations, needs, decarbonisation plans, etc.), and identifying new opportunities in the commercial strategy, while adhering to internal acts
- informing clients about the development of new sustainable banking products via internal notifications, dedicated internal pages, manuals and educational meetings, while respecting the principles of responsible communication and avoiding any greenwashing risk

# 2<sup>nd</sup>

**line of defence**  
risk management,  
compliance

- providing clear directions with regards to new products and processes
- understanding, identifying and managing potential other ESG risks that refer to the unit's field of work
- ensuring that data for reporting and disclosures are gathered and managed in accordance with internal instructions and standards that apply for the financial industry
- taking part in awareness activities and training on mitigating climate-related and environmental risk and managing other sustainability topics.

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

# 3<sup>rd</sup>

**line of defence**  
internal audit

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## Second line of defence

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

The risk management function directs risk management and control by defining rules about risk appetite, risk strategy, other risk policies and guidelines, risk monitoring and management in the ESG regulatory framework, and climate-related risks. Its mandate is to provide an increased focus on holistic risk management and cross-risk oversight to further enhance risk steering and mitigation within NLB Group. In addition, the risk management function ensures that data for reporting and disclosures are gathered and managed in accordance with internal instructions and standards that apply for the financial industry, and provide training on efficient ESG risk management, in particular focused on climate-related risks.

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

The management of changes in the legal environment also comprises climate-related and other ESG risks among others (according to the internal document Rules on the Management of Changes in the Legal Environment). Compliance is included and monitors developments in the regulatory area, communicating these to relevant organisational units (e.g. newsletters on regulatory changes) and is included in the general sustainability activities to have proper oversight over the implementation activities in this area.

The status of implementation of legal changes or adjustments to the Bank's operations is regularly reported, but no less than quarterly, to the Management Board and separately to the Supervisory Board and, where appropriate, to the Risk Management function and other operational units. Compliance is actively involved in the ad hoc sustainability working groups, the Sustainability Committee, and regularly cooperates with the Sustainability Unit as well.

## Third line of defence

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

## Communication of critical concerns

Sustainability-related topics, including ESG risks, are regularly discussed and reported at all sessions of governance bodies, as well as through daily operations, in accordance with internal rules and procedures. Committee sessions are convened according to the meetings plan, regularly and frequently. The majority of them are held once a week, some of them monthly or every two or three months. Ad hoc meetings are convened when certain issues need to be addressed urgently.

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

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

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# Remuneration and integration of ESG goals

NLB Group has established remuneration policies to ensure that the remuneration arrangements help recruit, motivate and retain management body members, senior executives, and other employees.

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

Both remuneration policies provide clear guidelines for prudent remuneration to have responsible, fair and transparent remuneration mechanisms, forming the basis for developing business with the objective of creating and protecting value for all stakeholders. The proposal for remuneration policies is approved by the Management Board and the Remuneration Committee and adopted by the Supervisory Board.

As part of the performance evaluation process, NLB Group places a special focus on the achievement of sustainability-related matters, including climate and other environmental risks. Given the sustainability roadmap of NLB Group, the Management Board members and other identified employees are committed to achieving targets set out in their respective areas. In 2023, concrete targets and KPIs have been included in the performance plans of the members of the Management Board of NLB and other Group members, and were part of their individual assessments. The table below presents remuneration practices in NLB Group that refer to the Management Board members and other identified employees.

Table 12: Remuneration practices in NLB Group

	Remuneration policy	How this applies to identified employees
<b>Fixed remuneration</b>	Increases in fixed salaries are based on combination of inflation, market comparisons, individual performance and experience	Fixed remuneration is determined based on the size and complexity of the role, benchmarked to the local market and impacted by function and evaluation of the role and individual performance.
<b>Performance assessment</b>	We use a groupwide performance management system with setting smart goals and cascading top down. Performance is assessed against pre-agreed individual goals aligned to business goals with qualitative and quantitative measures.	Qualitative and quantitative performance measures and objectives are set at the beginning of each year against the Group's three strategic value drivers. Achievement of the objectives is tracked throughout the year and evaluated at the end of the year.
<b>Short - term incentive (STI)</b>	These are annual discretionary awards paid in cash and instruments. Individual awards are based on a combination of group or NLB d.d., organisational unit and individual performance, and deferred awards are granted to identified employees.	STI are influenced by the Bank's, organisational unit and individual performance. If it exceeds EUR 50,000 it is deferred for a period of a 5 years and is awarded as 50% in cash and 50% in instruments (value depends on the NLB d.d. share price).

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

The Remuneration Policy for Members of the Supervisory Board and Management Board of NLB (hereinafter: Remuneration Policy) provides clear guidelines for prudent remuneration in accordance with the relevant Slovenian and EU regulations and documents, with the aim of ensuring prudent and efficient risk management.

The competent specialised department, the Management Board, the Remuneration Committee of the Supervisory Board and the Supervisory Board of NLB d.d. are involved in the decision-making process on the formulation, changes and amendments to the remuneration policy. An external contractor – legal advisor for corporate law, who is a permanent associate of the Bank, also participates in the formulation, preparation or implementation of the Remuneration Policy.

In 2023, the Bank amended the Remuneration Policy and submitted it to the NLB General Assembly<sup>1</sup>. It was not confirmed at the General Assembly, but since the voting is of consultative nature, the Remuneration Policy has entered into force and is applicable as of 1 January 2024. The Remuneration Policy will be further improved and presented to the shareholders at the next General Meeting.

Members of the Supervisory Board may only receive remuneration that is compliant with the relevant resolutions of the General Meeting. In the recent Remuneration Policy the provisions on the remuneration of the Supervisory Board members have been updated taking into account the resolutions passed by the 2023 General Meeting of Shareholders of NLB d.d.

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

- **The fixed part** reflects the relevant professional experience, responsibilities and duties of a member of the Management Board, as defined in his/her job description. The fixed part of the salary is determined based on the international benchmark of comparable banks with regard to the function/area covered by an individual member of the Management Board. The fixed part encompasses monthly salary, other income and reimbursements of expenses, other benefits as agreed with the member of the Management Board and defined in the Remuneration Policy, and pension benefits.
- **The variable part** depends on the results achieved that are directly connected with the achievement of the goals of NLB Group and the goals of each individual member of the Management Board that consists of goals for the area covered by an individual member and his/her personal goals. It is awarded and paid in cash and instruments, according to the incentive scheme. Variable remuneration depends on evaluation of performance criteria – if goals are partially achieved, the bonus is from 40% up to 60%, if goals are achieved, the bonus is from 60% up to 80%, and if all goals are exceeded, up to 100% of the maximum bonus. Should the personal goals not be achieved, the MB is not entitled to a performance bonus.

- **Variable remuneration** depends on the evaluation of performance criteria (if goals are partially achieved, the bonus is from 40% up to 60%, if goals are achieved, bonus is from 60% up to 80%, and if all goals are exceeded, up to 100% of the maximum bonus. Should personal goals not be achieved, MB is not entitled to performance bonus.
- **The Remuneration Policy also sets out rules** for guaranteed variable remuneration, retention bonus, compensation for early termination of the term of office and compensation for the non-competition period, as well as for malus, retention and return of variable remuneration (clawback) and pension benefits.

» For detailed information, please refer to the [Remuneration Policy for the Members of the Supervisory Board of NLB d.d. and the Members of the Management Board of NLB d.d. and the Remuneration Report for the Business Year 2023](#).

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<sup>1</sup> The proposal for the changes to the Remuneration Policy were approved by the Management Board and the Remuneration Committee and adopted by the Supervisory Board at its session on 26 October 2023. The amendment of the Remuneration Policy was then submitted to the NLB General Assembly, which was held on 11 December 2023.

## Variable remuneration: Sustainability-related goals, targets and weightings

The annual performance evaluation process for the NLB Management Board is based on financial and non-financial goals, i.e. other measurable targets, including ESG targets, with focus on environmental and social (employee-related) targets.

In 2023, the weighting for ESG goals was as follows:

- NLB's CEO: 20% weighting
- Other Members of the NLB Management Board: from 17–20% weighting

Detailed breakdown of targets per each member of the Management Board is presented in the following tables.

In addition, Long Term Incentive (LTI) plan for 2025 – 2027 for the NLB Management Board was approved by the Supervisory Board at the end of 2023.

Beside financial targets, the plan defines the following non-financial targets with 50% weighting in the overall LTI plan:

- linked to organisational culture, employee development: decrease in gender pay gap, decrease in actual and desired organisational culture,
- linked to customer relations: reaching the sustainable loan portfolio target by 2027.

Table 13: Financial goals of NLB Group for all members of the NLB Management Board

Goal Category	Weight	Goals Description	
Financial goals of NLB Group	MB members, incl. CEO; excl. CRO: max 50%	Total revenues	10%
		Cost/income ratio (CIR)	10%
		Return on equity after tax (ROE a.t.), normalised	5%–10%
		Cost of risk	5%
		Net fees and commission income	5%–15%
		Operational business margin	10%
	CRO: 20%	Cost/income ratio (CIR)	10%

Table 14: Other measurable targets of the NLB Management Board member for CEO Area

Goals in the areas covered by the Management Board member	30%	Implementation of the NLB Group strategy (strategic project)	10%
		No. of actionable partnership/ecosystem/acquisition opportunities	5%
		Acquisition of ESG rating and then after improving scores	5%
		Achieving a reduction in the NLB Group operational carbon footprint (excluding Scope 3 Category 15 emissions i.e. from lending / financial investment activity) compared to 2022.	5%
		Bank-level NPS enhancement	5%
Personal goals	20%	Overall behaviour in line with the value system of the Bank	5%
		Achieving employee engagement	5%
		Employee development – training/education days	5%
		Realisation of Individual Development Plan	5%

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Table 15: Other measurable targets of the NLB Management Board member for CRO Area

Goals in the areas covered by the Management Board member	Weight	Target	Percentage
Goals in the areas covered by the Management Board member	60%	Smooth integration of relevant N Banka's team into NLB	5%
		Cost of risk (in bps)	30%
		Implementation of Risk strategy of the NLB Group	10%
		Securing market competitive TTD (time to decision) in underwriting, w/o jeopardizing the quality of the risk decision	5%
		Full implementation of 2023-deadline ESG commitments as signed with EBRD/MIGA/NZBA and having established ESG-logic in all key risk governing documents, serving as fully integral part of risk-steering	5%
		All clients with exposure above 10 Mio EUR fully covered by ESG-logic, i.e. extended ESG review is performed	5%
Personal goals	20%	Overall behaviour in line with the value system of the Bank	5%
		Realisation of Individual development plan	5%
		Bank level NPS enhancement	4%
		Employee development - training/education days	3%
		Employee engagement enhancement	3%

Table 16: Other measurable targets of the NLB Management Board member for CFO Area

Goals in the areas covered by the Management Board member	Weight	Target	Percentage
Goals in the areas covered by the Management Board member	30%	Bank-level NPS enhancement	5%
		Implementation of the NLB Group IT strategy (strategic project with IT component)	10%
		Growth enabling issuance of Capital/MREL instruments	5%
		Completion of design, project documentation and obtaining necessary permits for the construction of the new Group HQ	5%
		Groupwide reduction of energy consumption (actual reduction in electricity use)	5%
		Overall behaviour in line with the Bank's value system	5%
Personal goals	20%	Achieving employee engagement	5%
		Employee development – Building and activating X talents as “data universe” champions	5%
		Realisation of Individual Development Plan	5%

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Table 17: Other measurable targets of the NLB Management Board member for CGPO Area

Goals in the areas covered by the Management Board member			
Goals in the areas covered by the Management Board member	30%	Ensuring our payment staff have improved technical and selling skills	5%
		Improving the efficiency and integration of Group function including the implementation of payment initiatives	5%
		Succession plan for all areas under personal responsibility	2.5%
		Bank level NPS enhancement	5%
		Introducing Google Pay and integration in NLB Pay not later than 30.06.2023, with the main goal client satisfaction and app rating improvement for NLB Pay across the Group (not NLB KB)	2.5%
		Full implementation of 2023-deadline ESG commitments as signed with EBRD/MIGA/NZBA in all subsidiaries (banks)	5%
Personal goals	20%	Achieving a reduction in the NLB Group subsidiaries' aggregate operational carbon footprint (excluding Scope 3 Category 15 emissions i.e. from lending / financial investment activity) compared to 2022.	5%
		Overall behaviour in line with the Bank's value system	5%
		Achieving employee engagement	5%
		Employee development – training/education days	5%
		Individually aligned development plan with the SB on concrete attendance of coaching/trainings/conferences/workshops	5%

Table 18: Other measurable targets of the NLB Management Board member for the Corporate Area

Goals in the areas covered by the Management Board member			
Goals in the areas covered by the Management Board member	30%	Succession plan for all areas under personal responsibility	5%
		Establish and develop CIB GROUP Project Finance HUB as competence centre for the Group, with a special focus on sustainable finance	5%
		Bank-level NPS enhancement and customer NPS enhancement	5%
		Cross selling index	5%
		Annual growth of groupwide corporate green lending portfolio	5%
		Establishment of groupwide partnership(s) with turnkey PV/battery/own use solutions for SME clients	5%
Personal goals	20%	Overall behaviour in line with the Bank's value system	5%
		Achieving employee engagement	5%
		Employee development – training/education days	5%
		Individually aligned development plan with the SB on concrete attendance of coaching/trainings/conferences/workshops	5%

Table 19: Other measurable targets of the NLB Management Board member for the CMO Retail Area

Goal Category	Weight	Target	Weight
Goals in the areas covered by the Management Board member	30%	Succession plan for all areas under personal responsibility	2.5%
		Bank-level NPS enhancement and customer NPS enhancement	5%
		Increase groupwide digital and specifically mobile penetration	12.5%
		New volumes of groupwide retail green lending portfolio (new sales)	5%
		Establishment of groupwide partnership(s) with turnkey PV/battery/own use solutions for micro and retail clients, with one or more distribution partner	5%
Personal goals	20%	Overall behaviour in line with the Bank's value system	5%
		Achieving employee engagement	5%
		Employee development – training/education days	5%
		Individually aligned development plan with the SB on concrete attendance of coaching/trainings/conferences/workshops	5%

## Remuneration policy for other identified employees

The remuneration of other identified employees (i.e. employees other than Management and Supervisory Board members who can significantly impact the risk profile of NLB and/or NLB Group in the scope of their tasks and activities) also comprises the fixed part and variable part of the salary and included assessment of achieving ESG goals, as presented in the table below. The fixed part of the identified employee salary consists of basic salary, allowances, compensation, reimbursement of costs, bonuses, voluntary supplementary pension insurance, and other remuneration arising from collective agreements (such as holiday allowance, jubilee award, solidarity assistance, etc.). The variable part is subject to meeting financial and non-financial goals. The following goals apply in the following ratio to determining the performance of an identified individual, whereas ESG goals are defined as a part of Organisation Unit goals. In addition to the variable remuneration, depending on performance against defined goals, severance pay is also the part of variable remuneration.

Table 20: Remuneration structure for other identified employees

Goal Category	NLB /NLB Group goals	Organisation Unit Goals	Personal goals
Identified employees	50%	30%	20%
Identified employees in control/supervisory function	20%	60%	20%

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## Performance assessment

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

## Management body training on sustainability-related topics

In accordance with the Banking Act and the EBA guidelines on assessing the suitability of members of the management body and holders of key functions, the Bank carries out regular self-assessments of the collective suitability of its management body, which includes also assessment of collective knowledge. By this, it detects potential deficiencies in the collective suitability and ensures that the management body always has a wide range of knowledge, skills and experience to be able to understand the Bank's activities and its main risks. In this context, climate-related and other ESG risks and opportunities, as well as broader sustainability considerations, have become increasingly important topics for the Management Board and Supervisory Board alike.

## The management body regularly attends training courses on sustainability.

Throughout 2023, several training courses on these topics were organised for different internal stakeholders, the levels of the Bank addressing different needs. The training programme contents for the Management Board members, covering their pertinent area, focused on topics of strategic relevance, including ESG.

## Collaboration with Chapter Zero initiative

In 2023, NLB was active as one of the biggest ambassadors of the Chapter Zero Slovenia initiative, which was launched in April 2023 under the patronage of the Slovenian Directors' Association (SDA) and British-Slovenian Chamber of Commerce (BSCC). Taking part in this initiative enables the Supervisory Board Members to build their capacity in regard to principles and frameworks for climate change strategy and action.

In 2023, the Management Board members attended various sessions on sustainability related topics, including Respecting Human Rights and Cyber Security Risk. Among others, some members of the Supervisory Board attended trainings on Sustainability Leadership Programme, Diverse and effective boards and committees in a changing and competitive landscape, and internal session on ESG - regulatory requirements, and commitments.

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

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# Responsible Business Conduct and Respecting Human Rights

**In NLB Group, responsible corporate governance is more than just respecting the applicable laws, regulations and standards. It is also a reliable compliance programme. The Group is committed to assuring compliance and integrity in the different countries where it operates. Compliance is integrated into the Bank's daily operations, thus contributing to a strong internal control environment and ensuring the management of compliance risks.**

The Group is dedicated to upholding legal and ethical standards. To promote a culture of compliance and prevent fraudulent activities, the Group has established various policies, procedures and training programmes. These initiatives are regularly reviewed, updated and monitored to ensure that they align with relevant laws, regulations and ethical standards. NLB Group employees are committed to the culture of responsibility for the customer, realisation of the planned business results and care for the environment and a healthy lifestyle. All employees are included in yearly training and awareness-raising activities in the areas of general ethics, anticorruption, anti-money laundering, information security, etc. The Group's Code of Conduct was updated in 2023 and provides guidance and the principles of expected behaviour regarding ethical conduct and requires appropriate conduct from all employees at any level of the organisation, including its contractors.

The commitment to the highest ethical standards and responsible banking is communicated transparently through external channels, such as press releases and the corporate website, and internally via newsletters and training sessions to ensure stakeholders and employees are informed about the Group's ethical business practices.

» For more information, please refer to the chapter Compliance and Integrity in the NLB Group Annual Report 2023.

## Responsible business conduct

We expect our employees to act in a fair, responsible and ethical manner, in adherence with the bank's compliance standards. The NLB Group's commitment to responsible business conduct is set out in NLB Group Code of Conduct.

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

The NLB Group operates in a wide range of different national and cultural environments in which the employees in the members of the NLB Group work. The Code applies to all employees in NLB and in the members of the NLB Group, as well as the NLB Management Board and the NLB Supervisory Board, and the management and supervisory boards of the of the NLB Group members.

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

## Compliance and Integrity programme

In NLB Group, Compliance and Integrity functions independently and separately from the Bank's operations. The Integrity and Compliance Policy of NLB d.d. and the NLB Group was updated in 2023 and sets a strong strategic framework for the Bank's comprehensive programme of compliance operations to constantly ensure compliance and integrity of operations; this includes timely identification and meeting of the requirements and commitments regarding integrity and compliance that apply to the Group; prevention, detection and elimination of violations of regulations, internal documents and other prescribed or assumed commitments as well as strengthening of the compliance and integrity culture.

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

NLB Group manages compliance risks also by speak-up culture, reporting mechanisms, and training.

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## Political involvement

NLB Group is politically neutral and therefore does not give financial contributions to political parties, political representatives or political campaigns. It is strictly a prohibited practice in NLB Group: members shall not make either direct or indirect political contributions.

NLB and other members of the NLB Group are committed to ensuring an apolitical reputation in their business dealings, avoiding any perception that their decisions are influenced by politics.

## Protection of personal data and information

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

## All employees completed training on compliance and data protection.

Preventive measures and thorough control within NLB and in relation to outsourced providers and suppliers help prevent the loss or abuse of data and the violation of data protection regulations, including the protection of personal data. Each complaint is thoroughly investigated, and appropriate measures are taken to manage the risks or prevent potential violations. To this end, all employees are included in yearly training and awareness-raising activities in the field of personal data protection. These sessions serve to raise awareness among employees, ensuring compliance with established standards of personal data protection and adherence to the regulations and standards.

Our communication strategy underscores the importance of providing information to stakeholders regarding our data protection policies. This ensures that our clients, partners and employees have a comprehensive understanding of our practices. More details about NLB's approach to personal data protection (i.e. Privacy Policy) are available in our General Information on Personal Data Protection on the NLB website.

» For more information, please refer to the chapter Compliance and Integrity in the NLB Group Annual Report 2023.

## NLB Group has strengthened its cybersecurity.

### Cybersecurity

Information security is at the top of the issues that enables the performance of the Group's businesses, so we pay special attention to assuring the confidentiality, integrity and availability of data, information and IT systems that support banking services and products for clients, especially when it comes to topic of cyber security, which includes the protection of internet-connected systems from cyberthreats. Due to the increasing number of users, devices and programs in the Group and considering that the growing volume and sophistication of cyber attackers and attack techniques compound the problem even further, cybersecurity in the Group is constantly tested and upgraded by security assessments, independent reviews and penetration testing, as well as regular discussions at the Bank's Information Security Steering Committee, Operational Risk Committee, and Management Board meetings.

During 2023, the Group increased its capacity in terms of human resources by establishing a new team in the Group CISO office and also hiring specialists in different domains. Additional improvements were made in vulnerability management where all Group members have a unified solution and configuration. As part of

information security governance and risk management, we are establishing a renewed information security framework in accordance with the requirements of ISO/IEC 27001:2022, and use of automated tools for risk management. Since only aware employees can ensure that technology serves its purpose, in the Group we are continuing with regular training about the importance of information/cybersecurity, as well as social engineering techniques and performing controlled phishing companies. On the other hand, we invest a lot of effort into protecting our clients from becoming victims of various scams.

» For more information, please refer to the chapter IT and Cyber Security in the NLB Group Annual Report 2023.

## Fighting corruption and bribery

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

NLB Group strongly condemns bribery and corruption, as outlined in the NLB Group Code of Conduct. We maintain zero tolerance for such practices, deeming them unfair, illegal and harmful to societies and countries with corrupt practices. We expect the same commitment from our customers, business partners and third parties. To ensure integrity, all NLB Group employees are subject to restrictions on accepting and giving gifts and hospitality, and other influences on their conduct, with concrete measures in place to manage associated risks.

## NLB Group keeps a zero tolerance for bribery and corruption.

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Within NLB Group, the recently updated Policy on the Prevention of Corruption and Bribery and on the Management of Conflicts of Interest, effective from April 2023, establishes a baseline for behaviour in situations with identified corruption risks. The policy outlines specific measures to manage these risks, aligning with international standards in the fight against corruption. These standards cover various aspects, including engagement with agents and intermediaries, hiring services of (former) civil servants, interactions with high (state) representatives, preventing nepotism, averting accelerated payments and ensuring transparency in NLB Group operations.

As part of the fight against corruption and bribery, 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 anti-corruption and anti-bribery standards as a minimum requirement for investment and purchasing
- Internal control mechanisms, including accounting controls, are in place for the anti-bribery and anti-corruption 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 and NLB Group through due diligence processes
- The compliance functions have carried out awareness-raising activities in connection with this area and have strengthened the approach to managing these risks in day-to-day operations, for example by implementing an assessment of conflict of interest and corruption risk in relations with suppliers.
- All employees are included in yearly training and awareness-raising activities in the field of prevention of corruption and bribery.
- In NLB Group various (whistleblowing) channels are established for reporting suspicions of harmful conduct (internally and publicly available), including suspicion of corrupt conduct.

» For more information, please refer to the chapter Compliance and Integrity in the NLB Group Annual Report 2023.

**Whistleblowing**

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

Every important suspected violation or act of misconduct (such as abuse, fraud, including suspected bribery or any form of corruption) must be reported and investigated. NLB Group maintains an environment that encourages employees to set questions which can be discussed with their managers or other employees in the Group, including the experts in compliance, money laundering prevention and anti-bribery and -corruption, or with lawyers or HR managers. Employees also have access to different channels through which they can report potentially non-ethical or inappropriate business practices (even anonymously): electronically via the Whistler web application (also available for external stakeholders):

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

**Table 21:** Cases of suspicion of harmful behavior in NLB and NLB Group in 2023 (financial core members)

	Total cases processed (1)	Whistleblowing cases (2)	Anti-Bribery and Corruption (3)	Conflict of interest (4)	Fraud (5)	Failure to comply with internal regulations (6)
<b>NLB</b>	42	0	0	1	15	18
<b>NLB Group</b>	77	3	3	4	48	28

(1) Total cases investigated in OU Investigation and Security (fraud area), a case can refer to different categories

(2) Investigating procedures were executed in line with the Whistleblower Protection Act

(3) Received reports related to anti-bribery and corruption (regardless of whether or not it was later confirmed) (internal and external)

(4) Reports received in relation to conflict of interest (regardless of whether or not it was later confirmed) (internal and external)

(5) Confirmed cases of fraud (internal and external) (intentional malicious acts)

(6) Number of confirmed irregularities on the part of employees (breach of internal acts, Criminal Code, etc)

» For more information about NLB's whistleblowing system, refer to: <https://whistler.nlb.si/faq-eng>.

» For a detailed breakdown, see the Appendix 1: Sustainability Data Library on the NLB website.

## Any suspected violation or act of misconduct must be reported and investigated.

The Whistler application is available 24/7 to the internal and external public, and the whistleblower can decide if he/she wants to reveal his/her identity or stay anonymous. Moreover, communication with the whistleblower is carried out within the application. All NLB Group banking members use the channel in their local language.

In the area of fraud investigation NLB processed 42 reports and NLB Group a total of 77 reports of suspicion of harmful behaviour through different channels (submitted by organisational units, via the Whistler application, other channels and based on own identification). All cases received were investigated by the Security Unit, in line with internal rules and procedures. Depending on the results of the investigation, different measures are taken afterwards (labour legal action, filing of a criminal complaint, civil lawsuit, issuing recommendations to improve the process, informing employees...).

## Tax transparency

Tax transparency and appropriate tax management are important elements of NLB Group's corporate and sustainability governance. Taxes are managed in different units within NLB Group. The Tax Policy of NLB Group is prepared and managed by Financial Accounting and Administration in NLB, which is also primarily responsible for taxes in the Bank, and approved by the Management Board. The policy stipulates general principles of conduct on the tax field that all NLB Group members adhere to. The Policy is reviewed once a year or more often if important changes occur and changed when it is necessary.

In NLB, Financial Accounting and Administration reports to the Chief Financial Officer. Important tax issues are discussed and decided by the Management Board, which is also regularly informed about changes in tax legislation. On the subsidiary level, the tax function is also generally organized under responsibility of local Chief Financial Officer.

### General tax principles

- Members of NLB Group conduct their tax operations in line with the purpose and the requirements of the relevant legislation and in accordance with the international standards (e.g. OECD guidelines).
- The attitude of members towards the Financial Administration is respectful, transparent and professional.
- When determining tax obligations, members comply with the legally permitted reliefs and exemptions from the tax base.
- Members cooperate 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, members strive to achieve certainty and implement a conservative policy of assuming tax risks. We optimise taxes only in legally permitted ways.

- Members do not use the structures for the purpose of tax avoidance or aggressive tax planning. The NLB does not use structures that are not in line with the purpose of the legislation or the use of which would subordinate its business motives to tax motives.
- Reasons for a member's presence in a certain country are purely business- and not tax-motivated. Members do not do business in tax havens or use them for tax avoidance and do not divert profits to tax heavens and jurisdictions with low taxation.
- Members do not enable or support tax-motivated arrangements of their clients and act preventively.
- Members strive to ensure that the appropriate part of its taxable profit is considered in those members of 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 considered in the tax reports.

NLB Group has strong control environment and tax risk framework.

## Tax risk management and control framework

As the parent bank, NLB defines NLB Group tax policy and controls the implementation of the tax function in the Group. Members of NLB Group inform NLB about their tax position. Each member is responsible for fulfilling its tax obligations in accordance with their respective legislation. The members are independent and entirely responsible for their own tax compliance.

To assure an effective management of tax risk and the control framework and awareness of the importance of the tax function, a number of processes are in place such as:

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

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## Management of tax concerns

Each member of NLB Group (disclosed in note 5.12.a of the Annual Report together with the type of primary business activity and country of residence which is the same as the country of incorporation) is taxable as required by local tax legislation. Income tax rates within NLB Group ranges from 9% to 32%. The reasons for the difference between income tax accrued and the tax due if the statutory rate is applied to profit before tax are disclosed in the Annual Reports of NLB Group members in the notes to Income Tax Disclosure.

The Financial Administration of the Republic of Slovenia has granted NLB a special tax status which is based on cooperation, transparency, understanding, voluntary payment of taxes and mutual trust. Other jurisdictions where NLB Group banking members operate do not have legislation that would allow them to obtain the special tax status.

The Banking Associations are important bodies for discussing important tax issues related to the banking industry and preparing comments on tax legislation proposal, initiatives for changes to the tax legislation and questions about tax opinions. Comments, initiatives and questions are professionally justified, reconciled with members of the Bank Associations and if relevant, consider the influence on the local community.

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

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

**Table 22:** Country by Country Reporting (CBCR) for 202\* (values in EUR thousands)

	Number of employees	Revenues from third-party sales	Revenues from intra-group transactions with other tax jurisdictions	Profit/loss before tax	Tangible assets other than cash and cash equivalents	Corporate income tax paid on a cash basis	Corporate income tax accrued on profit/loss
<b>Slovenia</b>	2,689	556,854	7,836	365,190	125,871	11,243	24,484
<b>North Macedonia</b>	962	90,233	-3,621	48,822	34,368	4,345	5,500
<b>Serbia</b>	2,480	255,886	9,767	146,319	122,032	9,060	15,587
<b>Montenegro</b>	390	51,658	-757	32,836	26,665	2,474	5,557
<b>Croatia</b>	1	-557	11	-366	0	0	0
<b>Bosnia and Hercegovina</b>	990	85,158	-1,591	40,555	37,189	3,132	3,932
<b>Kosovo</b>	468	56,374	-1,192	39,963	12,281	4,382	4,179
<b>Germany</b>	0	51	0	-402	84	0	0
<b>Switzerland</b>	2	-2361	-73	-2,309	1,094	11	12

1. The table includes all NLB Group entities (banks and non-bank members). There are only non-bank members in Croatia, Germany and Switzerland.

2. Number of employees is the number of employees as at 31 December 2023.

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

4. In accordance with OECD Guidance on the Implementation of Country-by-Country Reporting, dividends from Constituent Entities are not included in the column Profit/loss before tax and income tax paid or income tax accrued with respect to dividends from Constituent Entities are not included in the columns Corporate income tax paid on a cash basis and Corporate income tax accrued on profit/loss. The income tax paid with respect to dividends from Constituent Entities in Slovenia amounts to EUR 6,821 thousand.

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## Respecting human rights

NLB Group has traditionally respected human rights in its business operations. In 2023, the Group upgraded its approach to the evolving understanding and respect of human rights by joining the “National Action Plan on Business and Human Rights”<sup>1</sup> and adopting a comprehensive Policy on Respect for Human Rights in NLB and NLB Group.

Thus, the Group further committed to respect and prevent violations of human rights by all the highest international standards, including the ILO Convention, UN Guiding Principles on the Respect for Human Rights in Business and OECD Guidelines for Multinational Enterprises.

NLB Group also appointed a Human Rights Custodian in the Sustainability Unit, who monitors and oversees human rights compliance on the Group level, organises training, provides counselling, submits opinions, investigates complaints, and supports business units in preventing or addressing human rights violations.

NLB Group is committed to respect and prevent violations of human rights by all the highest international standards.

<sup>1</sup> Business and human rights:  
<https://www.gov.si/en/topics/business-and-human-rights/>

## Key mechanisms

The mechanisms for the protection and respect of human rights are considered in all business processes, taking into consideration especially:

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

NLB, as a parent bank, traditionally respects human rights and already has many mechanisms in place in relation to all of the above-listed stakeholders. In 2023, a gap analysis was performed through which the Bank identified additional measures that need to be systematically implemented. Among other measures, the Bank further invests in raising awareness, determining the significance of human rights issues based on risk levels, likelihood and severity of the violation in the value chain, and upgrading the due diligence processes for our customers and supply chain.

### Raising awareness

The Bank started with raising awareness and increasing understanding of human rights through training. NLB provided sustainability awareness-raising training for all NLB Group employees and has meaningfully included human rights topics. In addition, the Slovenian Human Rights Ombudsman institution offered in-depth training, “Human Rights Issues and Potential Violation for the Financial Sector,” for NLB management. Ninety-four individuals attended the training.

### Grievance mechanisms

In NLB Group, several grievance mechanisms are in place for all stakeholders, where human rights violations can also be detected and further addressed according to the severity of the breach. Employees can complain directly to management, to trade union trustees or through a whistleblower system. Clients and customers have different paths through email, phone, video call, online banking services or in person. NLB updated the policy in 2023 to investigate misconduct suspicions and improve whistleblower protection.

## Due diligence

The Bank is committed to respecting human rights in the whole value chain as well as acting on violations of human rights such as child labour, forced or compulsory labour, modern slavery and other actions that lead to the loss of human dignity in its operations. Therefore, due diligence processes were established primarily in the provision of financing as well as in the supply chain, as presented in the table below.

There were no human rights violations confirmed with clients, suppliers, and employees.

## Results

In 2023, the NLB Group detected through media coverage four potential incidents related to human rights violations among its clients. As follows from the Manual for Environmental & Social Incident Reporting, which operates in line with the EWS system (Early Warning System, managed by Credit Risk), we sent additional enquiries to four clients. Following their response and further actions, no human rights violation was confirmed. In 2023 NLB Group also did not detect any human rights violation with suppliers or employees.

In the future, NLB Group will continue to introduce additional measures and activities in its internal processes (recruitment, underwriting, supplier relations, etc.) to ensure that human rights remain respected and comprehensively protected with all its key stakeholders.

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Table 23: Due diligence system for detecting human rights violations related to clients and suppliers

	Policies and due diligence processes addressing respect for human rights	Respect for human rights is part of the due diligence process before signing a contract.	Inclusion of minimum expectations regarding respect for human rights in contracts and general conditions is enshrined in treaties.	Reviewing respect for human rights during the lifetime of the contract	Incident detected – additional follow up process	Established grievance mechanism
<b>Clients</b>	✓	Implemented (in line with an exposure and risk assessment)	✓	Implemented (in line with an exposure and risk assessment) - update of the same questionnaire	○	✓
<b>Suppliers</b>	✓	Implemented for orders: - over 100,000 RFP - spending over EUR 10,000 or 35,000 – different limits set by members	✓	Implemented: - annual supplier evaluation (For suppliers, based on active contracts and purchase orders, with annual spending exceeding a limit set by the Member in the preceding year or for suppliers in an important business segment, as proposed by the user) - Due diligence updated every 3 years (spending over EUR 10,000 or 35,000 – different limits set by members)	○	✓

Legend: ✓ Implemented  
○ Will be further improved in 2024

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**Wherever  
you go,  
leave  
behind  
a trail of  
encouragement.**



### **Sustainable operations**

When skiing, the youth must maintain focus on the terrain and other skiers, remain mindful of their surroundings, and plan ahead. All of these elements are also at the heart of sustainability and encourage them to leave a positive trail for future generations, ensuring they can experience the seasons as we do now.

# Sustainable Operations

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

## Sustainable employee relations

With almost 8000 employees, NLB Group is one of the largest employers in the SEE region. Sustainability is firmly embedded in the Group values which are key drivers of its organisational culture. Moreover, sustainable practices and human resource management are strongly interconnected through several initiatives.

### NLB Group employee structure

Compared to the previous year, in 2023 the number of employees in all 30 NLB Group members decreased by 246 to a total of 7982 employees. The decrease was mainly due to the optimisation of operations in the N Banka and NLB merger. In NLB and banking subsidiaries the total number of employees stood at 7570.

Figure 11: Total number of employees in NLB Group (all 30 members)

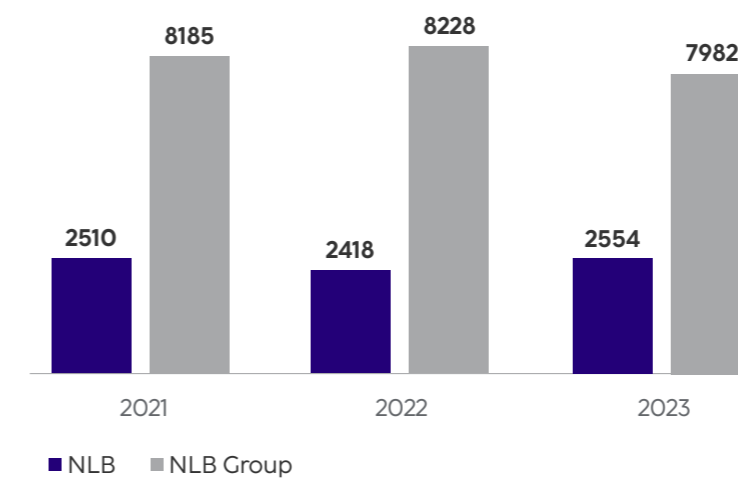


Table 24: Employee structure by gender and age: in NLB and banking subsidiaries, N = 7570

Age Group	Management boards of subsidiaries		B-1		B-2		B-3		Other employees		ALL employees	
	Share of men	Share of women	Share of men	Share of women	Share of men	Share of women	Share of men	Share of women	Share of men	Share of women	Share of men	Share of women
< 31	0%	0%	0%	0%	1%	1%	0%	1%	3%	8%	3%	7%
31-40	4%	0%	10%	6%	12%	9%	8%	13%	7%	18%	8%	17%
41-50	32%	12%	34%	28%	26%	28%	21%	35%	12%	25%	13%	26%
51-60	32%	8%	7%	12%	7%	13%	7%	12%	5%	17%	6%	17%
> 60	8%	4%	0%	2%	1%	2%	2%	2%	1%	3%	1%	3%
<b>Total</b>	<b>76%</b>	<b>24%</b>	<b>51%</b>	<b>49%</b>	<b>47%</b>	<b>53%</b>	<b>37%</b>	<b>63%</b>	<b>29%</b>	<b>71%</b>	<b>31%</b>	<b>69%</b>

At the end of 2023, women represented 56% off all management positions. 24% of women in Management Boards (NLB and subsidiaries), 49% of women at the first management level (B-1), 53% of women at the second management level (B-2), 63% of women at the third management level (B-3). Most employees (39%) were in the 41-50 age group, the average age of all employees was 43.91, which is 0.4 years less than in 2022.

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Figure 12: Employee structure in NLB Group banks by education, N = 7570

At the end of 2023, 75% of NLB Group employees were educated at least tertiary education level.

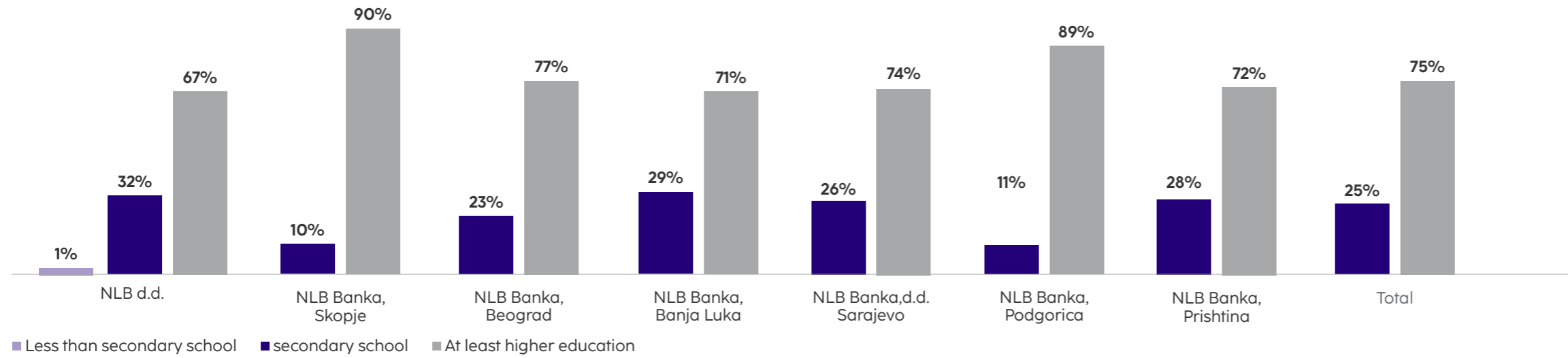


Figure 13: New employee structure in NLB Group banks by gender and age, N = 963

In 2023, NLB Group hired 963 new employees at its significant locations of employment, of whom 26.9% were younger than 31, 30.9% were aged between 31 and 40 years, 32.5% were aged between 41 and 50 years, 6.7% were aged between 51 and 60 years, and 0.2% of new employees were older than 60 years. Altogether, 33% of new employees were men and 67% were women.

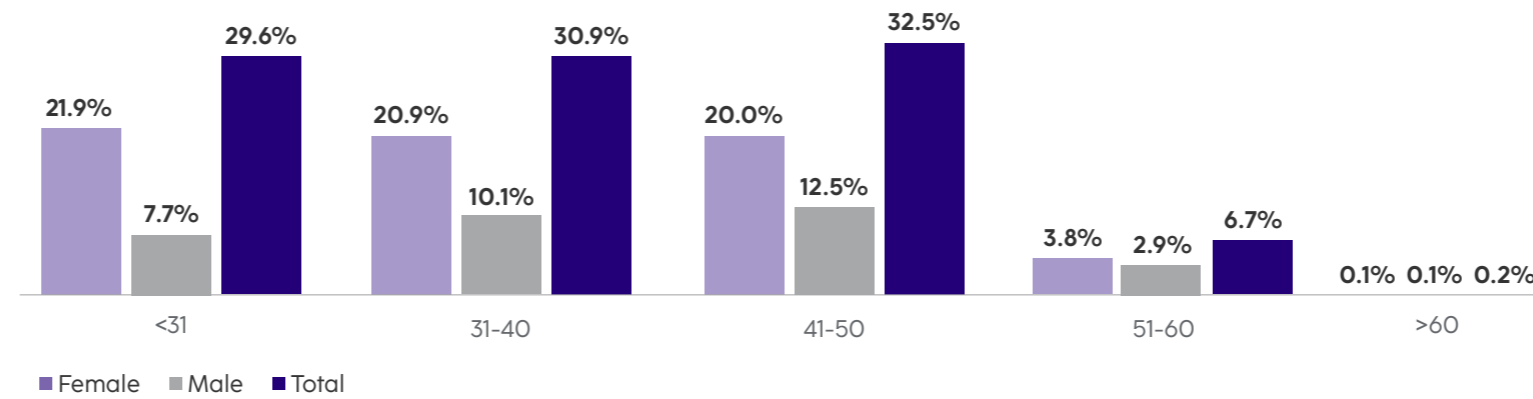
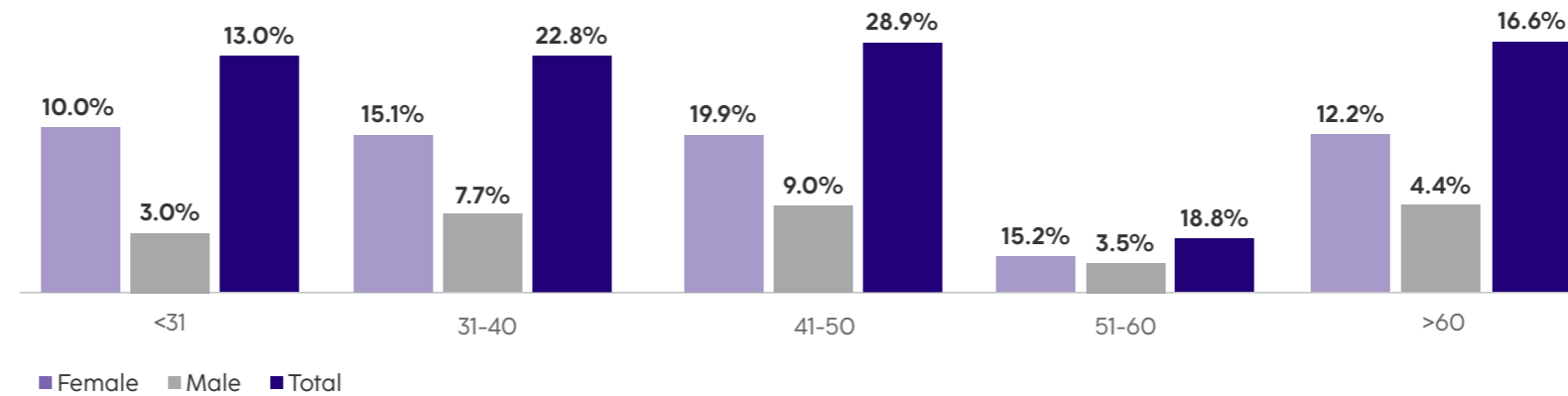


Figure 14: Employee departures structure in NLB Group banks by gender and age, N = 1054

In 2023, 1054 employees left NLB Group at its significant locations of employment. Of these, 13% were under 31 years of age, 22.8% were aged between 31 and 40. 28.9% were aged between 41 and 50, 18.8% were aged between 51 and 60, and 16.6% were over 60 years of age. Of those who left, 27.6% were men and 72.4% were women.



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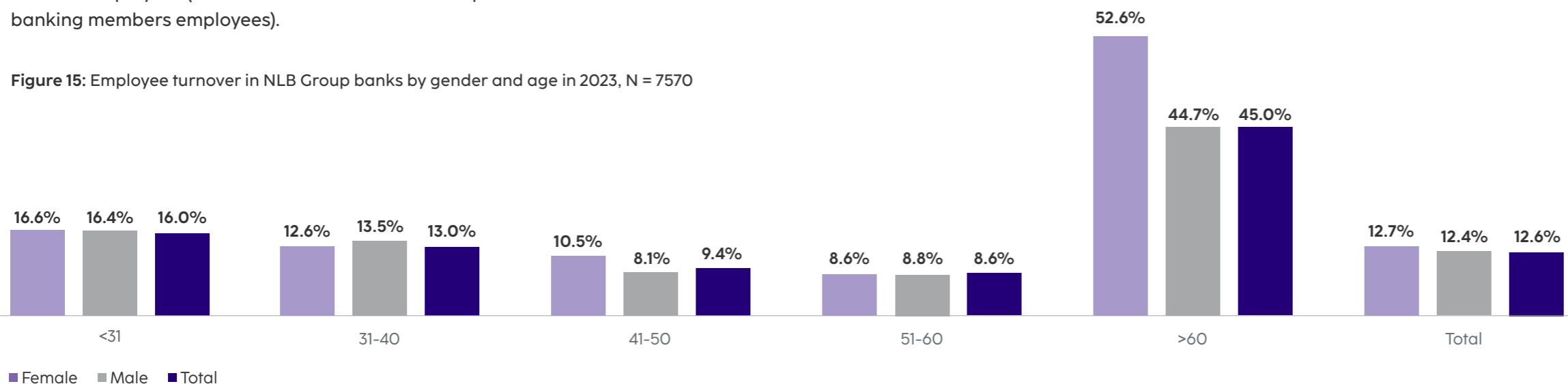
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At the end of 2023, the overall turnover of employees in NLB Group stood at 12.6%. The turnover rate is the highest in the age group above 60 which is close to the retirement age. A lot of employees opt to leave close to this age, hence the turnover rate also includes voluntary departures. This age group represents in total 310 employees (4 % in total number of NLB Group banking members employees).

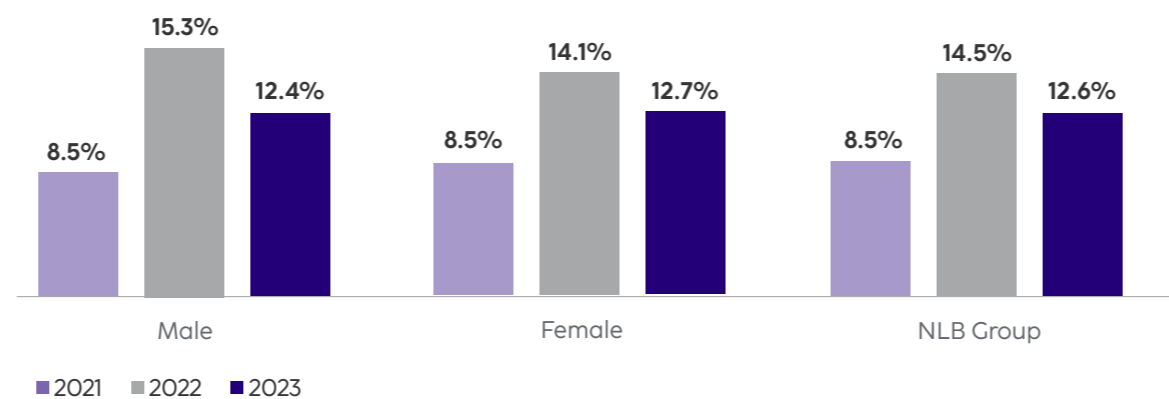
Figure 15: Employee turnover in NLB Group banks by gender and age in 2023, N = 7570



Compared to 2022, the turnover rate in 2023 decreased by 3% due to our retention efforts and because the major rightsizing in NLB Komercijalna Banka, Belgrade was already completed in 2022.

» For a detailed overview of the employee structure, please refer to the NLB Group Sustainability Data Library on the NLB website.

Figure 16: Employee turnover in NLB Group banks 2021–2023, N = 7570



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## Integration of sustainability in human resource management

The Group continuously embeds sustainability matters and ESG factors into human resource management and organisation. We not only adhere to labour-related regulation, but are committed to investing in employee development, building a diverse and inclusive workplace environment, and seeking to constantly improve the employee experience. In recent years, we have established respective HR internal documents, rules and procedures, initiatives and practices to assess HR-related risks and opportunities, manage human resources and ensure human capital development. Development of an organisational culture and employee engagement.

In 2023, we made significant efforts to ensure that we encourage behaviours that support our organisational culture values, updated in 2022, which are [Growing people](#), [Encouraging entrepreneurship](#), and [Improving lives](#). To provide the best environment for our employees and contribute further to their personal and professional growth, we continued to focus on leadership development through 360 feedback, building individual development plans for managers and employees and implementing leadership trainings to support psychological safety and constructive communication. To ensure the well-being of employees and regular feedback from them, we also measure employee engagement on the unit and department levels annually, so that action can be taken for constant improvement.

Table 25: Initiatives in human capital development

Human capital development area
Talent acquisition
Talent development and succession plan
Promoting local and international career development
Development of leadership skills
Training and education
Career end transition

In 2023, we improved the participation rate at the Group level from 74% to 81%, and improved the engagement rate by 6%.

Figure 26: Evolution of employee engagement in NLB Group banks

	2021	2022	2023
Engaged	53%	44%	50%
Not engaged	36%	39%	37%
Actively disengaged	11%	17%	13%

## Human capital development

Human capital development is based on risk assessment, which is embedded in NLB Group's regular review of key risk factors. This process involves evaluating potential risks associated with the employees, encompassing factors such as talent acquisition, employee retention and skills development. By conducting a comprehensive assessment, we identify areas of vulnerability and implement strategies and initiatives to mitigate these risks, such as employer brand activities, retention policies and activities, and skills development strategies. Effectively managing human capital risks not only ensures organisational resilience but also a proactive approach to workforce-related challenges.

### Initiatives

Employer branding; Cooperation with universities, etc.
Talent management and development; Succession plan for managers and key positions
Mobility Policy, including short-term rotations and long-term secondments within NLB Group
Individual development plans; Assessment
Various training programmes on emerging and pertinent subjects; Sustainability-related training and capacity building
Supporting programmes at retirement and termination of employment

## Talent acquisition

As a financial institution of systemic importance and with responsibility for the region's development, NLB Group is committed to being the employer of choice for the best talents in the region. Therefore, we actively develop our employer brand in accordance with the Group's strategy and development. We constantly review and improve existing practices and seek the opinion of the internal and external public. We also conduct regular internal and external employer brand research to gather information about the six main areas of employer characteristics (workplace, development opportunities, compensation and benefits, culture, leadership and reputation). Through that, and by involving our employees, we build strong value propositions to retain our employees and attract suitable candidates. In this way, we continue to improve and communicate the key elements of our offer as an employer of choice.

Throughout the Group we put an emphasis on being a caring mentor and therefore develop strong cooperation with universities with the aim of presenting NLB as an attractive employer and providing students with opportunities to learn and develop. Cooperation activities range from practice lectures by our employees, career fairs, work on diplomas and scholarships. Throughout the year, the Bank also offers part-time job opportunities or traineeships to students. To support diversity in our talent acquisition practices, we address implicit bias by having in place a structured process, standardised evaluation criteria, objective measures, interview panels and in some banks, an additional external psychological assessment to ensure objectivity.

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## Talent development and succession plan

At NLB Group, we build and place special emphasis on the management and development of employees who show great potential and desire for growth and progress. We have established a common talent management strategy, paying special attention to managerial, professional or young talent and successors in management positions. Together with the management, we plan their personal development and create opportunities to support their growth. We provide various additional opportunities, knowledge and skills necessary to manage and lead the challenges of the future and include them in a variety of projects.

We also offer diverse opportunities for mobility, cooperation and exchange of experience throughout the region. For this purpose, in 2023 we successfully organised an NLB Hackathon on data analytics for all Group employees. Its goal was to build and improve ideas and skills needed for future endeavours. The hackathon included a special "Data Experimentation Week". In addition, we organised the Talents-on Hackathon in NLB that was aimed at developing agile cooperation and design thinking skills through practical experience with talents. 130 talents participated, and they worked on various challenges from the Bank's overall operations.

Average hours of training programmes in NLB Group

**43.65**

hours

or **7.2**

days/employee

## Promoting local and international career development

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

### Development of leadership skills

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

NLB Group Women

**44.5**

hours

or **7.4**

days/employee

NLB Group Men

**41.6**

hours

or **6.2**

days/employee

As in previous years, we have placed a special emphasis on leadership development. At the end of 2022, we conducted an independent assessment of identified key competencies for all managers in NLB Group and in 2023, the assessment served as a guide for the development and growth of managers in NLB. Based on this feedback, development plans were created that helped us to continuously upgrade the management style and company culture in the entire region. The development of managerial competences is designed in a modular way, whereby the contents are upgraded, which means that during the implementation of individual modules, a certain period passes, during which the theory turns into practice. We pay attention to the development needs of individuals through mentoring, coaching, coaching between colleagues and rotations.

Investing in leadership development is among NLB Group's top priorities.

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## Training and education: general topics

The Group is continuously committed to leverage trainings throughout the region and make development of its employees its core value.

**Table 27:** Overview of training programmes in 2023 – breakdown by hours

	NLB	NLB Group
<b>Total training hours</b>	126,462	334,430
<b>Average hours/employee</b>	51.03	43.65
<b>Average hours/men</b>	44.9	41.6
<b>Average hours/women</b>	53.9	44.5

Note: In line with NLB Group internal methodology 6 hours equal 1 training day

### ESG specialized trainings in NLB Group

# 7,572

total hours

# 0.99

hours/employee

### General topics

In 2023, Group made significant strides in employee development, dedicating an impressive average of 43,65 hours per employee to a diverse array of training programs.

These programs not only covered mainstay topics such as personal development, compliance, leadership, banking and financial subjects but also expanded to address the growing importance of digital and data literacy. This broad-based approach to training ensures our team remains agile and well-versed in both traditional and emerging industry domains.

Furthermore, we are dedicated to fostering an inclusive environment where every employee has equal access to learning opportunities. By removing barriers to education and development, mostly with the help of digital channels, we ensure that all team members can grow, contribute, and thrive within our organization. One of a standout aspect of our training initiatives were also trainings on ESG topics.

» For additional information on training programmes, please refer to the NLB Group Annual Report.

### Sustainability-related training, culture and capacity-building

In 2023, 7,572 hours on Group level were invested in ESG specialized trainings and 37,332 hours were invested in Wellbeing & Workplace trainings. As one of our core values in Group is “Improving lives”, which has ESG agenda at its core, we are also addressing and including this value across our other trainings such as Compliance, Leadership and Personal development trainings.

Enhancing the sustainability skills of our employees and strengthening a culture of sustainability are crucial components of NLB Group’s strategic sustainable development. We are committed to fostering these sustainability competencies across all hierarchical levels. This commitment is also shared by the bank’s management and supervisory board, which is essential for the successful corporate governance of sustainable development within the NLB Group.

- We prioritize the development of general environmental knowledge and skills among our employees, including environmental protection, the rational use of resources like implementing paperless operations, reducing electricity and water consumption, and minimizing carbon footprint.
- We focus on the development of professional competencies in areas such as product development, sales, and customer relations. This ensures employees have a proper understanding and can effectively address Environmental, Social, and Governance (ESG) risks and opportunities, alongside developing financial products and financing conditions.
- Moreover, we are dedicated to enhancing the professional competencies of employees in other key business processes vital for integrating ESG factors into their areas of expertise.
- Furthermore, the development of general social competencies is essential. This includes ethical behavior and integrity, ensuring equal opportunities, embracing diversity, providing psychological safety among employees, fostering teamwork, caring for our workplace, the broader community, and the region.
- Beyond formal training, we place a strong emphasis on team-building activities and events that address social and environmental responsibilities. These activities are not only aimed at strengthening bonds among employees but also at instilling a collective sense of duty towards societal and environmental stewardship.
- In 2023, we further upgraded our dedication to raising sustainability-related culture. The Group-wide awareness-building Sustainability Festival was executed in October, which actively engaged more than 1000 employees in several sustainability activities.

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## Programmes and assistance in case of career endings

To facilitate continued employability and the management of career endings resulting from retirement or termination of employment, transition assistance programmes were provided.

## Diversity, equity and inclusion

In 2023, the NLB management body further increased awareness regarding the importance of diversity, equity and inclusion (DEI). As a result, initiatives and established targets have been introduced for the Management Board in relation to developing and integrating diversity practices. The primary emphasis is on fostering equitable treatment in areas such as hiring, promotions, educational opportunities and various aspects of employees' lives.

The following initiatives will be implemented in the coming years, starting in 2024:

- **Amendments of the NLB Group HR Strategy** with the focus on implementing DEI in all elements in HR processes. Within the upgraded HR Strategy, we will identify current and future workforce needs and establish clear guidelines on recruitment, onboarding, training and retention with the focus on DEI.

- **Organising training on topics related to DEI.** Our guidance principles and training programmes on diversity are essential components of fostering an inclusive and equitable workplace or community. We promote these initiatives with the aim to raise awareness about the importance of DEI, emphasising the value of different perspectives, backgrounds and experiences. Through our diversity training programmes (comprehensive in-house e-learning programmes and webinars on the topic of DEI, external training programmes, etc.), we will place a greater focus on educating employees and managers on issues such as unconscious biases, biases in HR processes (especially to mitigate biases in the recruitment process for managers) and the general importance of DEI.

- **Promoting the importance of diverse recruitment.**

To enhance the importance of diverse recruitment, we will communicate this commitment transparently, both internally and externally as the said proactive approach not only attracts diverse candidates but also signals to current employees that their unique contributions are valued and integral to the organisation's success. Beyond these intrinsic advantages, diverse recruitment reflects our commitment to social responsibility.

Initiatives and targets have been established to promote diversity, equity, and inclusion.

- **Reducing the gender pay gap.** In relation to our commitment to fostering a workplace characterised by equity and inclusivity, our primary focus in next period will be on addressing and reducing the gender pay gap. Recognising the pivotal role that fair compensation plays in creating a sustainable and just work environment, we need to analyse and rectify any existing disparities. By championing equal pay for equal work, we not only strive to empower and uplift our diverse workforce but also contribute to the broader societal goal of dismantling gender-based economic inequalities.

## Well-being, work life balance and family-friendly initiatives

The Group consistently prioritises imparting knowledge about healthy habits and advocates activities that contribute to employees' well-being and satisfaction. It fosters a healthy work environment conducive to meaningful interpersonal connections and a balanced work-life dynamic. **NLB and NLB KB, Beograd proudly hold a family-friendly certificate** as a testament to these efforts, while other NLB Group banking members aims to obtain such acknowledgment in the future.

## Well-being and health

For several years, under the umbrella initiative "Healthy Bank", NLB has been providing various training sessions for employees. In 2023, training topics included health issues, addressing stress management, and cultivating healthy habits, mental well-being, mindfulness, personal energy and effective communication. An internal sustainable mobility challenge ran from May to November, promoting exercise—walking, running, and biking—to reduce the work-commute-related carbon footprint. In addition, employees in NLB Group members can join several sports activities organised within internal sport associations, and traditional sports and team-building activities.

NLB Group consistently fosters activities that contribute to employees' satisfaction.

## Work from home

In 2023, on average, 16% of NLB Group employees worked from home for the majority of time. To support work-life balance and to reduce work-related commuting, NLB encourages employees to make use of this possibility as much as possible. At the same time, we provide employees working from home with all the necessary technical tools so that they can continue to access the banking environment without problems.

## Maternity and paternity leave

In 2023, 337 employees (331 women, 6 men) in NLB were entitled to parental leave and took it. Some of the employees started parental leave in 2023 and are still using it; they shall return to work in 2024. In general, all employees return to work after parental leave ends and are still employed 12 months after their return to work. The decision to terminate the employment contract after parental leave ended is voluntary and can be initiated by an employee.

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## Anti-discrimination and anti-harassment

NLB Group has a policy of zero tolerance of any form of discrimination and violence. In accordance with the relevant legislation, the Bank regulates the area of prevention and the possible occurrence of bullying and harassment in the workplace (mobbing).

For example, NLB, as a parent bank, has committed itself to ensuring the dignity of employees and creating a work environment without discrimination and harassment. A structure is in place that allows employees to raise concerns safely: Employees can turn to authorised representatives for help, solutions and advice, and then to the Committee for the Prevention of Bullying and Harassment in the Workplace. The representatives thoroughly investigate all complaints and process them in the Committee to ensure fairness and an independent view. All complaints raised are investigated. In 2023, there were no confirmed cases of discrimination or harassment and there was only one complaint, that proved false.

## Health and Safety

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

NLB Group has a zero tolerance policy towards all forms of discrimination and violence.

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

### Number of accidents

NLB Group tracks the number of accidents and work-related health issues and acts immediately upon any new hazard to mitigate it. During the workplace risk assessment performed in 2023 we did not identify any high-risk workplaces.

There were no fatalities as a result of work-related injury or ill health. Also, there were no high-consequence work-related injuries. We recorded five minor injuries such as slips or falls in 2023.

### Risk assessment and incident investigation

Risk assessment is carried out according to a specific methodology and on-site inspection of workplaces following the legislation on health and safety at work and the Safety Statement with risk assessment. Measures are taken to reduce exposure to occupational emissions. Regular training in safety and health at work is provided, appropriate personal protective equipment is provided, and regular periodic inspections of work equipment. Records of injuries at work are kept, which include research of every injury and the adoption of measures to reduce the occurrence of injuries. In addition to the technical risk assessment, a health risk assessment is also performed. Some NLB Group members employ professional workers for safety and health at work, who, together with the help of managers, take care of the implementation of measures to ensure safety and health at work. Other members hire a licenced company to implement occupational health and safety law and to inspect the application of health and safety measures.

All employees are obliged to inform their immediate supervisor of any deficiencies and irregularities in their workplaces and in the work environment that could endanger their health and safety. All employees are informed (OSH training) about hazards in their workplaces and with procedures and measures to avoid or reduce them. If a danger to the health and safety of an employee is identified, the employee must stop working. He/She must inform a superior, who must take care to eliminate the danger. The employee must not return to the position until the danger has been eliminated.

The safety statement with the risk assessment lists the measures for individual groups of workplaces with which we reduce the dangers that may occur in the workplace and in the work environment. If dangerous phenomena are detected, the group participating in the preparation of the risk assessment shall re-assess the risks in individual groups of workplaces where the dangerous phenomenon occurred.

The Bank undertakes measures for level elimination, with objective posting in such a situation. During 2022, continuous monitoring of the working conditions was performed and based upon these assessments, the existing occupational risk assessment was updated. These activities are in line with and above the minimal legal provisions and aim to preventively address certain risks at specific branches of the Bank.

Some NLB Group members have signed a contract with a specialised external company to conduct risk assessment for each workplace. This contract is signed pursuant to the law and administrative instructions issued by the Ministry of Labour and Social Welfare. Depending on the recommendations received by the company, the Group takes action to eliminate the risks.

To additionally prevent and mitigate negative occupational health and safety impacts, the Group undertakes several measures, for example, regular training on health and safety topics, and through preventive periodic medical examinations. The Bank also provides first aid, ergonomically adapts workplaces to employees' needs, and provides employees with ergonomic chairs and other aids to maintain their health.

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## Workers' participation in the management of occupational health

In NLB Group, all employees can participate with suggestions on how to improve the management of occupational health and safety or by expressing any concerns they may have in this respect. The Group has established various methods of worker participation, consultation and communication related to occupational health and safety.

For example, in some countries, occupational safety and health committees or trade union representatives participate in the preparation of the safety declaration with a risk assessment. They collect information and questions from employees and take initiatives to improve occupational health and safety.

All NLB Group members organise regular training on occupational safety and health, fire protection, first aid and evacuation.

In countries where there are no occupational safety and health committees, guidelines, internal documents and health and safety management procedures must be followed, and employees can participate with suggestions by email.

## Health and safety training and promotion

All NLB Group members organise regular and periodical training on occupational safety and health, fire protection, first aid and evacuation. Training includes both theoretical and practical work and is executed in accordance with the member's training plans. As a rule, employees who work in higher risk positions are provided with special or additional training for their specific jobs or tasks. Training is provided by certified legal entities for OSH and other professional companies.

Workplace health promotion is a joint effort for employers, workers and society to improve health and well-being in the workplace. Health promotion measures are a combination of improving the organisation of work in the work environment, encouraging workers to take part in healthy activities, enabling healthy lifestyle choices and promoting personal development. Each employee is covered by public health insurance, according to the national legislation. Also, the Bank is obliged to provide to all employees collective insurance against risk of accident. In addition, there are several projects and initiatives in place in each bank in the region in order to raise the awareness of employees to take care of their own health. These include the Health Bank project in NLB, cooperation with institutions related to health care (diabetes, high blood pressure, heart disease, etc.), employees' membership in the banks' sport associations, and others.

NLB Group provides high standards of social dialogue and ensure timely communication with employee representatives.

## Labor management relations and social dialogue

NLB Group members are committed to establishing constructive relations among employees and management, maintaining high standards of social dialogue and ensuring timely communication. This also includes open communication on relevant topics and informing employees and their representatives prior to the implementation of significant operational changes that could substantially affect them.

Based on the Labor Relationship Act, two workers representative institutions were established in NLB:

- NLB representative trade union. Collective Agreement defines employee rights and obligations and was signed in January 2022 with validation for two years. With Trade Union, monthly meetings are held on open topics. If open negotiation, then meetings are in line with the negotiation process. The main topics of interest are related to social status improvement.
- Workers Council. An agreement on mutual cooperation was signed in August 2016. Regular monthly meetings are held. The main topics of interest are related to working conditions.

The Bank has one authorised representative assigned to cooperation in labour relations. Workers also have, at the moment, two representatives in the Supervisory Board of NLB. If the relevant internal rules should be amended or changed, an employer is obliged to ask the Labor Union's opinion before final adoption and is obliged to get an agreement with proposed changes of internal rules from the Workers' Council. The Labor Union's opinion is also required for the dismissal of employees due to redundancies. The way of cooperation with the Labor unions and the Worker's council is fixed by collective agreements, the Act of workers and management and the Agreement on cooperation between Workers' council and employer. Deadlines for informing employees and their representatives prior to the implementation of significant operational changes that could substantially affect them range from 8 to 30 days, subject to the nature of the operational change.

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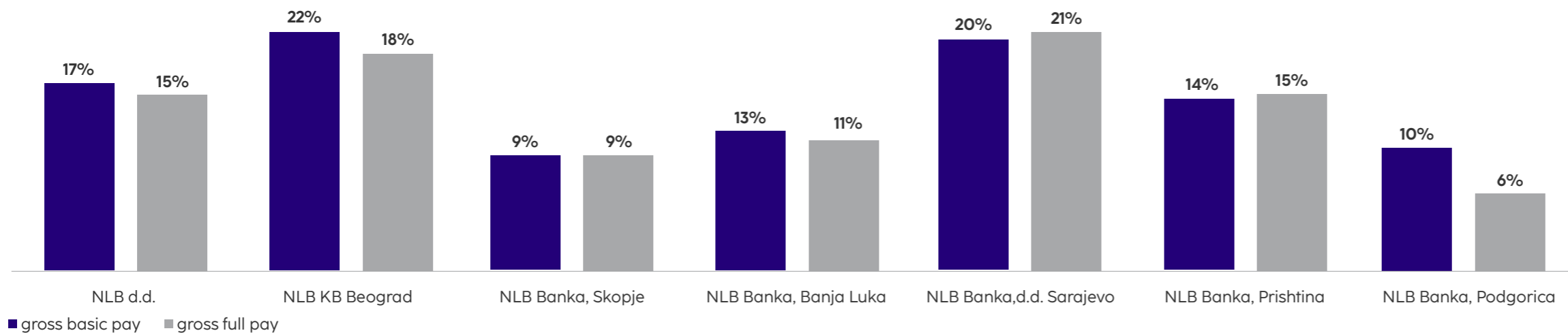
## Remuneration

The basic principles and the framework for rewarding employees in NLB and other NLB Group members is set out in the Remuneration Policy for Employees in NLB and in the Group. The policy defines fixed and variable remuneration, the goal-setting system and performance criteria (KPIs), and sets out the conditions for the allocation and payment of the variable part of remuneration for all employees. The remuneration framework for management bodies and other identified employees are set out in the Remuneration Policy for Members of the Supervisory Board and Management Boards of NLB, and respective policies in each NLB Group member.

The starting point for setting goals for employees is the implementation of Bank's business strategy and the goals of the organisational unit that the manager sets according to the system of goal setting from top to bottom. Then, a planning interview takes place between the employee and the manager, where the following topics are discussed:

- key employee goals that are important for achieving the bank's business goals
- goals, and achieving the expected competencies (behaviour) in the workplace
- the criteria for determining work performance are divided into two parts: goals (what, how much) and competencies (how, in what way)

Figure 17: Unadjusted average gender pay gap from gross pay in NLB Group banking members



## Performance assessment

Planning annual, semi-annual or quarterly employee goals and defining key competencies are the basis for annual, semi-annual or quarterly employee performance appraisal and payment of part of earnings based on work performance. The dynamics of planning, monitoring and evaluating work depends on the dynamics of tasks performed by employees in the organizational unit.

In 2023, on average, more than 90% of employees received regular performance and career development reviews, and only long-term absentees may be exempt.

» For more information on employee performance assessment and remuneration please refer to NLB Group Annual Report 2023, chapter Human Resources.

## Gender Pay Gap

Addressing and reducing the gender pay gap is an essential step toward building a more equitable and inclusive workplace. All employees in NLB Group have equal access to opportunities, resources, and benefits regardless of gender, age and location, and regardless of other personal circumstances (ethnicity, race, disability, sexual orientation, religious beliefs, parenting...)

The level of basic salaries in NLB Group is governed by local regulations, collective agreements and internal rules and depends on the complexity of the workplace. The level of complexity of the individual workplace is determined based on the criteria set out in the Rules of job classification using factor analysis according to the job evaluation model.

The graphs below illustrate the unadjusted Gender Pay Gap by Group members. The gap is mainly due to the higher proportion of women in lower and lower middle pay quartile.

The unadjusted Gender Pay Gap from gross basic pay represents the difference between average gross basic hourly earnings of male paid employees and of female paid employees as a percentage of average gross basic hourly earnings of male paid employees.

The unadjusted gender pay gap from gross full pay represents the difference between average gross full hourly earnings (basic pay plus all fixed allowances and bonuses) of male paid employees and of female paid employees as a percentage of average gross full hourly earnings of male paid employees. The calculation includes only employees who receive full pay for the reporting period. Part time employees and employees on a sick leave are excluded.

The average adjusted pay gap by positions of equal value in NLB fluctuates between 2-3%. For other NLB Group members, the adjusted pay gap will be calculated and disclosed when the current process of defining the group-wide model is completed.

The main goal of NLB Group is to reduce the gender pay gap and further monitor it. To this end, the Group plans to conduct a deep-dive analyse of all job positions and salaries to detect salary gaps, ensure equal pay for equal work to promote that all employees performing similar roles receive equal pay, regardless of gender, and promote pay transparency by clearly communicating the Group's remuneration policy and to set salary bands for different roles based on equal criteria.

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# NLB Group's operational environmental impact

In 2023, NLB Group followed the commitment to increase its positive operational environmental impact, and reduce the adverse ones. The main focus was on measuring operational carbon footprint and implementing measures related to reduction and efficient use of energy and other resources, as well as on further organisational culture transformation to support NLB Group's environmental goals.

## Operational carbon footprint

NLB Group continued with a strategic and comprehensive approach to mitigate its carbon footprint. This approach encompasses setting solid and internationally recognised methodology, careful calculation, defining targets and measures to reduce emissions, and regular monitoring of the progress.

The calculation of carbon footprint has been made as per the following Scopes (operational boundaries):  
 Scope 1 – direct emissions from owned and controlled sources  
 Scope 2 – indirect emissions from the purchased energy  
 Scope 3 – indirect emissions (selected emission categories, Category 15 - financed emissions excluded)

## Results 2023 vs 2022

# -7.6%

reduction of NLB Group operational emissions

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

Scope 1.1 – direct emissions from combustion of fuels for heating

Scope 1.2 – direct emissions from fuel consumption of company-owned and company-controlled vehicle fleet (internal combustion engine vehicles)

Scope 1.3 – refrigerants for HVAC systems

### In Scope 2, both types of emissions were measured:

Scope 2.1 – electricity consumption (both location and market-based), including electricity consumption from company-owned vehicle fleet – electric vehicles and PHEV/Hybrid

Scope 2.2 – indirect emissions due to district heating consumption

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

Category 1 – purchased goods and services: use of paper and water supply

Category 5 – waste generated from operations

Category 6 – business trips

Category 7 – employee commuting using their vehicles, public transport (bus, train), taxi

Indirect GHG emissions Scope 3, category 15 (financed emissions), were not included in reporting and verifying NLB Group's carbon footprint.

» To explore more on NLB Group's financed emissions and efforts to decarbonise the Group's portfolio, please refer to Chapter Climate (Net-Zero) Strategy

## Total volume of operational emissions

# 19,421 tCO<sub>2</sub>eq

Scope 1, Scope 2, Scope 3 (limited inclusion)

In 2023, total Scope 1, 2 and 3 (limited inclusion) operational emissions of NLB Group accounted for 19,421 t CO<sub>2</sub>eq, a 7.6% reduction compared to 2022. Scopes 1 and 2 emissions show 15 309 t CO<sub>2</sub>eq, a 10.7% reduction from 2022.

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**Scope 1** emissions decreased by 8.1% and accounted for around 20% of Scope 1 and 2 emissions, half of it for space heating own fleet and fuel consumption of vehicles used for company purposes. Vehicle emissions were further reduced in 2022 by 5%. Space heating emissions were reduced in 2023 compared to 2022 due to warmer climate conditions. As the year 2023 was not substantially warmer, it can be observed that NLB Group did reduce energy consumption due to energy-saving measures in 2023 compared to 2022.

**Scope 2** emissions decreased by 11%, and these indirect emissions were in 2023, as in previous years, by far the most significant proportion of total NLB Group emissions with 39% in total operational emissions. Indirect emissions due to district heating consumption were reduced due to the Group's several measures to optimise space heating climate conditions and due to favourable climate conditions. By purchasing renewable (with zero emissions) electricity in NLB (Slovenia) and NLB KB Belgrade (Serbia) for their premises, NLB Group managed to reduce the total electricity carbon footprint by 70% for the scope. The emission factors used in 2023 are used on location based principle for entities with exemption of NLB and NLB KB Belgrade. District heating is well developed in Slovenia and Serbia, which are the largest markets where NLB Group operates and, at the same time, the largest contributing countries of NLB Group with respect to emissions.

**Scope 3** emissions were higher by 6% compared to 2022, however still lower by 19% than in the base year 2019. The measurement included the same 4 categories as in the second measurement. Scope 3 emissions are dominated by employee commuting emissions. As the years 2020 and 2021 were outstanding due to COVID, an increase in commuting emissions was expected due to reduced employee office work. Emissions from paper use and the water supply category were 18% lower than in 2022 and remained very low compared to business trips and employee commuting emissions. Emissions from business travel increased by 72% due to low business activities in the early post-COVID period, and expanding this type of business communication was expected compared to 2022. The Group will continue with its work-from-home policy and keep monitoring the needs and execution of business trips. It will further promote the efficient use of remote, digital ways to conduct meetings and collaborate.

Detailed data and comparison of the carbon footprint from 2019 to 2023 at NLB Group level and by countries are shown in the tables below.

Table 28: Operational carbon footprint of NLB Group, 2019–2023

NLB Group Operational Carbon Footprint		2019	2020	2021	2022	2023	2023/2022	2023/2019
(tCO <sub>2</sub> eq)		Base year						
<b>Scopes 1-3</b>	All emissions from all scopes	37,657	38,499	36,494	21,017	19,422	92.4%	51.6%
<b>Scope 1-2</b>	Emissions from scopes 1 and 2	32,581	34,600	32,905	17,147	15,309	89.3%	47.0%
<b>Scope 1</b>	Total scope 1 emissions	3,758	3,337	3,690	3,737	3,408	91.2%	90.7%
<b>Scope 1.1</b>	Fuel Combustion	1,467	1,562	955	882	808	91.5%	55.1%
<b>Scope 1.2</b>	Vehicle fleet	1,872	1,442	1,713	1,748	1,660	95.0%	88.7%
<b>Scope 1.3</b>	Refrigerant	420	333	1,022	1,107	941	85.0%	224.2%
<b>Scope 2</b>	Total scope 2 emissions	28,823	31,264	29,215	13,409	11,901	88.7%	41.3%
<b>Scope 2.1</b>	Electricity	22,508	25,015	22,495	7,744	7,298	94.2%	32.4%
<b>Scope 2.2</b>	District heating and cooling	6,315	6,249	6,721	5,666	4,603	81.2%	72.9%
<b>Scope 3</b>	Total scope 3 emissions	5,075	3,898	3,589	3,870	4,112	106.3%	81.0%
<b>Scope 3.1</b>	Paper and water			466	418	342	81.6%	n/a
<b>Scope 3.5</b>	Waste				22	20	92.9%	n/a
<b>Scope 3.6</b>	Business travel				193	332	171.5%	n/a
<b>Scope 3.7</b>	Employee commute	5,075	3,898	3,123	3,237	3,419	105.6%	67.4%

(1) Data refer to all 20 NLB Group members included in the carbon footprint measurement.

(2) In 2023, NLB Group further improved the data-gathering process and made some accuracy adjustments for the 2022 calculation. Main corrections were made in Scope 1.3 – refrigerants and in Scope 2.1 – electricity emissions, as one of the entities reviewed its prior calculations and established that purchasing zero-carbon electricity referred only to their own premises and not the leased ones. The emission factor for leased objects was not 0 t CO<sub>2</sub>/kWh location-based, and the calculation for 2022 was restated from 19,906 tCO<sub>2</sub>eq to 21,017 tCO<sub>2</sub>eq (a difference of approximately 5%, which is the materiality threshold level in line with the established NLB Group's methodology).

Table 29: Operational carbon footprint calculation for NLB Group per country, 2019–2023

Year	Scope	Slovenia	Serbia	Montenegro	North Macedonia	Bosnia and Herzegovina	Kosovo
2019	Scope 1 (t CO <sub>2</sub> eq)	1,729	643	58	404	819	106
2020		1,379	551	52	292	981	81
2021		2,117	826	71	408	156	111
2022		1,947	957	123	427	182	100
2023		1,927	820	55	356	164	88
2019	Scope 2 (t CO <sub>2</sub> eq)	8,242	10,384	658	3,455	3,195	2,889
2020		10,912	10,879	683	3,185	2,945	2,660
2021		9,156	10,981	555	3,289	2,447	2,787
2022		2,903	2,893	572	1,919	2,409	2,714
2023		2,386	2,381	717	1,719	2,130	2,568
2019	Scope 3 (t CO <sub>2</sub> eq)	1,915	2,455	65	217	227	195
2020		1,380	1,885	62	151	242	178
2021		983	1,725	88	218	324	252
2022		1,479	1,346	131	297	378	241
2023		1,756	1,292	172	288	376	229
2019	Scope 1-2 (t CO <sub>2</sub> eq)	9,971	11,027	716	3,858	4,014	2,995
2020		12,291	11,430	736	3,477	3,926	2,741
2021		11,273	11,808	626	3,698	2,603	2,897
2022		4,850	3,850	695	2,346	2,592	2,814
2023		4,313	3,200	772	2,075	2,293	2,656
2019	Scope 1-2/emp. (t CO <sub>2</sub> eq/emp.)	3.56	3.17	4.84	4.59	4.01	6.82
2020		4.54	3.37	4.71	3.92	4.03	6.15
2021		4.21	3.77	3.66	3.95	2.55	6.26
2022		1.50	1.45	2.79	2.49	2.33	6.05
2023		1.46	1.29	2.48	2.18	1.98	5.42
2019	Scope 1-2/m <sup>2</sup> (t CO <sub>2</sub> eq/m <sup>2</sup> )	0.09	0.07	0.11	0.10	0.14	0.19
2020		0.11	0.07	0.11	0.09	0.13	0.17
2021		0.10	0.07	0.09	0.10	0.09	0.18
2022		0.04	0.03	0.08	0.06	0.09	0.18
2023		0.04	0.02	0.08	0.05	0.08	0.17

(1) In 2023, accuracy adjustments were made as explained in Notes to previous Table X, hence minor deviations in total Scope 1 to Scope 3 (2% for 2019 - 2021, and 0.9% for 2022) from the 2022 report-

## Methodology

- To calculate Scope 1, Scope 2 and Scope 3 carbon emissions the guidelines of the Greenhouse Gas Protocol (GHG Protocol), were used, and we also referred to Corporate standard (Corporate Accounting and Reporting Standard), and Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The Group will endeavour to improve further the data quality and methodology for calculating the comprehensive Scope 3 emissions.
- Carbon footprint calculation and reporting procedure were prepared according to key principles, as introduced by the GHG Protocol: relevance, completeness, consistency, transparency and accuracy. To provide the highest level of adopting key principles, the centralised approach was used for data gathering and calculation, i.e. data were gathered and calculated at the individual group member level and reported to the corporate level, where total NLB Group GHG emissions were calculated and reported.
- The critical principles of GHG Protocol were performed: setting of methodology, data collection from crucial NLB Group entities regarding their environmental impact, data modelling, interpretation of results and setting of KPIs, carbon footprint report verification, disclosure and reporting.
- Altogether, 20 entities of NLB Group were included in the calculation. Besides NLB and subsidiary banks, asset management, real estate management, leasing, and some other companies are included in the calculation because their operations have a significant material impact on NLB Group's operational and environmental impact.
- With 2020 and 2021 being special years due to global pandemics, which affected the total volume of emissions significantly, 2019 (pre-pandemic year) was set to be the baseline year.

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Table 30: Inclusion/Exclusion Overview

Scope 1	Inclusion/Exclusion	Explanation
1. Fuel combustion	Included	Combustion of fuels
2. Vehicle fleet (ICE)	Included	Owned and controlled vehicle fleet: internal combustion engine (ICE)
3. Refrigerant	Limited inclusion	Refrigerants (for HVAC systems)
Scope 2		
1. Electricity	Included	Both location and market-based electricity consumption were used for calculations.
2. District heating and cooling	Included	District heating
3. Vehicle fleet	Included	Owned vehicle fleet: electric vehicles and PHEV (included in electricity consumption)
Scope 3		
1. Purchased goods and services	Limited inclusion	Use of paper and water supply
2. Capital goods	Not included.	
3. Fuel and energy related activities	No data available	Estimation calculated ~2% of emissions
4. Upstream transport and distribution	Not included.	
5. Waste generated in operations	Included	General, hazardous, water and paper waste
6. Business travel	Included	
7. Employee commuting	Included	Employee commuting using own vehicles, public transport (bus, train), taxi
8. Upstream leased assets	Included in Scope 1 and 2 calculations	
9. Downstream transport and distribution	Included	
10. Processing of sold products	Not relevant	
11. Use of sold products	Not relevant	
12. End of life treatment of sold products	Not relevant	
13. Downstream leased assets	Not relevant	
14. Franchises	Not relevant	
15. Investments	Not included	Calculated separately. For more information, please refer to Chapter ESG Risk targets and metrics.

- Emissions caused by employees' work from home (i.e., home office) have not been considered, although NLB reimburses its employees.

- Emissions listed as "not relevant" above were considered to make non-material or no contribution to NLB Group's Scope 3 emissions

- Refrigerant emissions were Included only for the following NLB Group members: NLB d.d., Bankart, NLB KB Beograd, NLB Banka Skopje, and NLB Banja Luka; for other members, data were not available. Emission data for these organisations is negligible.

## Verification

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

- i. The report has been prepared according to GHG Protocol (guidance for corporate reporting on Scope 1, 2, and 3 GHG emissions) and verified according to requirements of standard ISO 14064-3:2019: Greenhouse gases – part 3: principles and requirements and provides guidance for verifying and validating greenhouse gas (GHG) statements;
- ii. The report accurately and completely represents GHG emissions Scope 1, 2, and 3 (limited and without Category 15, financed emissions) of the NLB Group for the period from 1 January 2019, to 31 December 2023.

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

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## Electricity consumption

In 2023, electricity consumption decreased by 15 % compared to the year 2022, and by 27 % compared to the baseline year 2019. The key focus to reduce NLB Group's environmental impact is to further improve energy efficiency and increase using renewable electricity.

## Heating

Heating consumption (converted to MWh) includes various resources: natural gas, heating oil, liquid petroleum gas, pellets, biomass, and fuel combustion (gasoline, diesel). Altogether, in 2023, the consumption for heating was reduced by 26% compared to 2022 and 32% compared to the baseline year.

## Fuel consumption

Fuel consumption (converted to MWh) for vehicles decreased by 24%, compared to 2022, and by 34%, compared to the base line year.

## Water and waste

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

Table 31: Electricity consumption

NLB Group	2019	2020	2021	2022	2023	2023/22	2023/2019
Electricity [MWh]	38,989	36,961	35,839	33,643	28,453	85%	73%
Electricity/emp. [MWh/emp.]	4.48	4.32	4.26	3.89	3.41	88%	76%
Electricity/m2 [kWh/m <sup>2</sup> ]	108.40	102.63	99.53	98.28	80,47	82%	74%

Table 32: Heating consumption

NLB Group	2019	2020	2021	2022	2023	2023/22	2023/2019
Heating [MWh]	26,544	26,999	25,530	21,506	17,993	84%	68%
Heating/emp. [MWh/emp.]	3.05	3.15	3.04	2.48	2.16	87%	71%
Heating/m2 [kWh/m <sup>2</sup> ]	73.80	74.97	70.90	62.82	50.89	81%	31%

Table 33: Fuel consumption

NLB Group	2019	2020	2021	2022	2023	2023/22	2023/2019
Vehicle fuel [MWh]	9,740	7,295	8,561	8,722	6,422	74%	66%
Vehicle fuel/emp. [MWh/emp.]	1.12	0.85	1.02	1.01	0.77	76%	69%
Vehicle fuel/emp. [l/emp.]	83.3	65.1	78.9	78.2	77.6	99.2%	93.2%

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## Key measures for energy efficiency and carbon footprint reduction

Table 34: Overview of measures per main field of operations

Field of operations	Measure category	Measure description	Progress
Emission factors	Zero-carbon electricity supply	Review of all contracts with electricity suppliers on all markets to guarantee zero-carbon electricity supply.	✓
	Renewable electricity self-sufficient supply	Where possible, set up solar PV on the Bank's buildings.	
		Where possible, rent out roofs/solar panels for a self-sufficient renewable electricity supply.	✓
Energy consumption	Energy Efficiency	Energy performance screening of buildings with the goal of higher energy efficiency levels in the buildings (especially insulation, window, LED lighting).	✓
	Cooling	Refrigerants with the lowest CO <sub>2</sub> equivalent emission are to be selected.	✓
	Fleet	Electrification of internal fleet (Sustainable mobility).	✓
Use of space	Building management	Analyse office use and pre-prepare measures to optimise heating/lighting use.	
		Divestment of real estate.	✓
		Optimisation of space demand in buildings.	
Employee's commute and business trips	Behavioural changes	Stimulation of use of public transport, cycling and walking.	✓
		Promoting the use of digital tools and technology for remote meetings and collaboration.	

- Emissions caused by employees' work from home (i.e., home office) have not been considered, although NLB reimburses its employees.
- Emissions listed as "not relevant" above were considered to make non-material or no contribution to NLB Group's Scope 3 emissions
- Refrigerant emissions were Included only for the following NLB Group members: NLB d.d., Bankart, NLB KB Beograd, NLB Banka Skopje, and NLB Banja Luka; for other members, data were not available. Emission data for these organisations is negligible.

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## Key energy efficiency and emission reduction measures

NLB Group has implemented various internal procedures and methodologies to implement ESG factors in business processes, including energy efficiency management and tackling operational emissions. The Group conducts real estate energy consumption audits, defines action plans for resource consumption reduction, set measures and KPIs and regularly follow the progress, and raises employee awareness about efficient energy consumption, waste reduction, sustainable mobility, and other environmental aspects.

To further optimise and reduce its operational environmental impact, NLB Group will continue to implement measures, which are subject to regular monitoring to follow their realisation as well as with the purpose of detecting new or adjusted measures to be imposed. In particular, the Group will proceed with the installation of solar power plants on buildings, divestment of owned areas not required for regular operations (through sale and/or lease), monitoring and further implementation of individual measures to reduce heating, ventilation and cooling of buildings, space management activities related to implemented “work-from-home” policy, and reconstruction and refurbishment of main office buildings with the aim of increasing their energy efficiency.

**Table 35:** Key measures in NLB Group members in 2023

	Investments in branch renovation are governed by energy efficiency principles including technical solutions/materials which are being applied (such as LED lighting, modern HAVC, heat pumps, new windows).
	Pursuing procurement guidelines to supply electricity from zero carbon sources in line with local energy laws and availability of the green energy production.
	Several projects for installing solar panels are completed (Slovenia, Kosovo), and underway (Serbia, Bosnia and Herzegovina, Slovenia).
	Automatic system for turning off PCs, movement sensors for lights, complete or partial shutdown of night lighting in branches and illuminated signs during the night time.
<b>Electricity consumption and supply</b>	Tackling heating and cooling consumption by installing new heating boilers, electronic thermostats, and other more efficient heating, cooling, and ventilation devices, BMS and CNS control system for remote regulation of the air temperature; setting the temperature limits of the air conditioners during summer and winter seasons, using ecological gas for air conditioners, and heating empty spaces solely to anti-freeze level, where technically possible.
	Installing LED lights in new and renovated premises to replace electric bulbs.
	In office buildings ventilation / heating schedules were reduced and where technically possible accompanied by increase of waste air recovery percentage and reductions of air exchanges.
	Decreasing the number of branches in line with local real-estate and business strategies.
<b>Waste and water management</b>	NLB Group members generate waste from various materials, mainly paper, plastic, organic and glass, which are separated in waste separators and later disposed of properly in outdoor waste separators wherever this service is available, and managed by the public utility company. In addition, NLB Group members in Slovenia also separate hazardous, construction and electronic waste.
	Further reduction of waste, in particular paper consumption, improving waste separation practices in line with capabilities of local waste management policies.
	Reducing water consumption and installation of water pipes with a sensor in line with renovation plans.
	Fleet replacement for hybrid and electric vehicles in line with NLB Group sustainable mobility strategy and local procurement plans.
<b>Sustainable mobility</b>	Internal guidelines for promoting remote meetings, on conducting business trips, energy-efficient driving, and other similar measures.
	Avant2Go car sharing service available for all employees in Slovenia, which offers 100% electric mobility experience. Since its introduction in 2017, the usage has grown significantly to more than 500 users in 2023.

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## Paper consumption

NLB Group is promoting reduction of paper usage and increased digitalisation of operations. The Group advocates digital banking and is constantly working on digitalisation of services and documents for clients, as well as automatization and digitalisation of internal processes. NLB strives for a good user experience, increased efficiency of processes and reduced environmental impact.

In this context, NLB Group started the strategic project Paperless Collaboration in 2020. The target was set to achieve a 50% reduction in the number of paper prints in its operations by 2025 (compared to the year 2019). The project's aim is to reduce paper consumption by eliminating it wherever possible and replacing it with optimised processes supported by digital tools and to improve the efficiency of our employees and our operations.

Among all banks in the Group, NLB KB Belgrade has the largest share in paper usage and the biggest environmental impact, accounting for nearly 48% of the Group consumption. In 2023, the largest saving was achieved in NLB d.d., reducing the number of prints by 3.5 million. The highest relative reduction of more than 50% compared to previous year was achieved by NLB Prishtina and NLB Podgorica. All NLB Group members have a negative trend in paper consumption.

### 2023 vs 2022 results

# 18%

decrease in  
paper usage

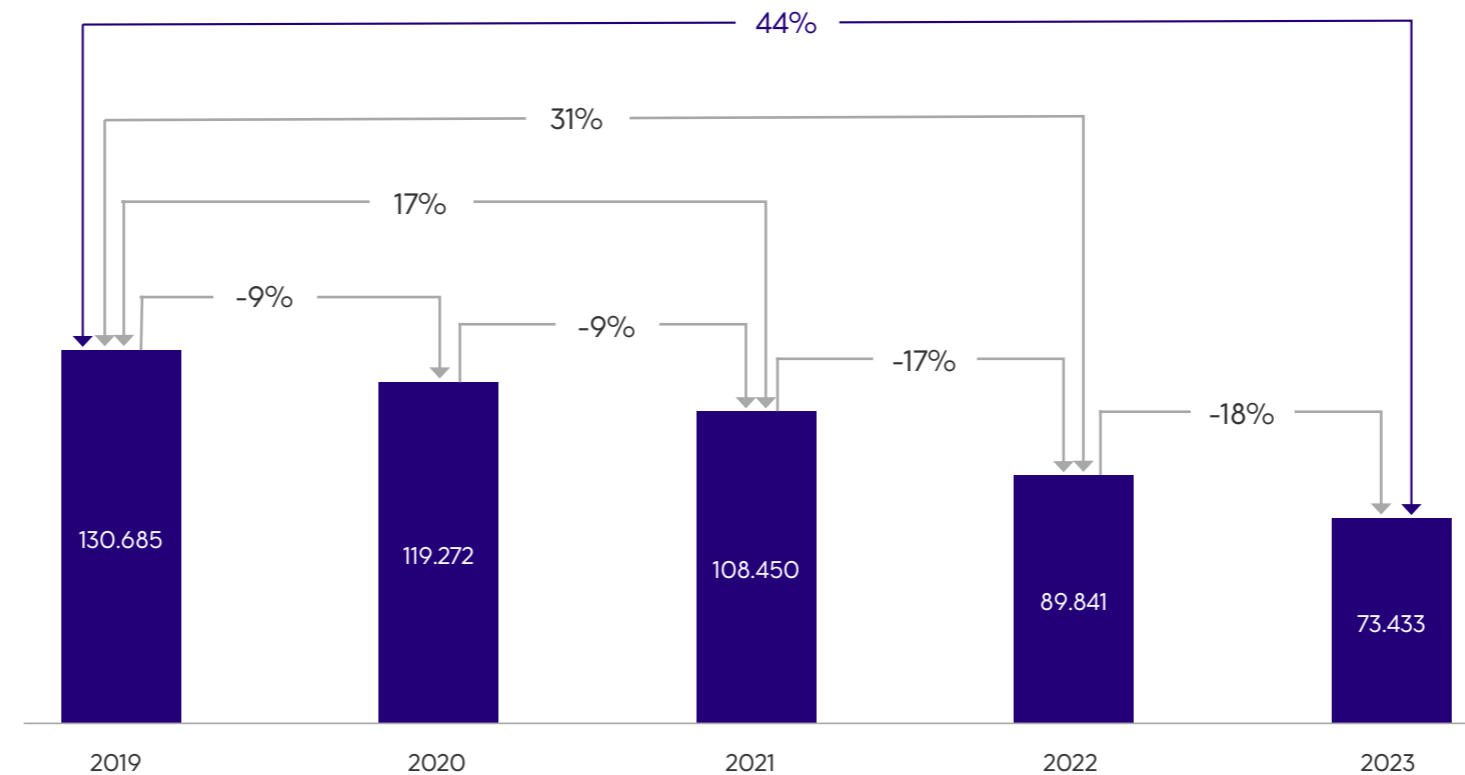
# 16.4 mio

less prints

# 820

saved trees

Figure 18: Paper consumption in NLB Group: number of prints (in thousands)



#### Methodological update:

In 2023, the monitoring and reporting methodology was updated as follows, :

- NLB KB Beograd figures were added from 2019 to 2023
- For NLB KB Beograd and NLB Sarajevo no data were available for 2019 and 2020, hence the assumption of equal consumption to 2021 was used
- Data for NLB Skopje and NLB Podgorica have been converted from paper to prints
- external prints are included for NLB d.d. from 2019 to 2023, and for banking subsidiaries from 2021 to 2023, as data for previous years were not available
- N Banka, which was acquired by NLB d.d. in 2022, was included in the monitoring of paper print usage from 2019 until the end of August 2023. On 1 September 2023 N Banka was merged with NLB and its paper print usage was integrated into the NLB d.d. overview.

» To explore more about digitalisation, please refer to the NLB Group Annual Report 2023.

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## Sustainable mobility

The transition to net zero emission mobility is vital for preventing and mitigating the negative impacts of climate change. Therefore, reducing the CO<sub>2</sub> emissions of NLB Group's own fleet is one of our important activities.

In 2022, the entire NLB Group adopted the NLB Group Sustainable Car Fleet Management and Company Car Policy which is followed by all NLB Group members in all member countries with the aim to achieve the green fleet mix vehicle mix by 2030.

NLB Group has set several ambition levels for sustainable fleet management.

To achieve green fleet mix, key ambition levels for sustainable fleet management have been defined:

- Use of cleaner fuels and technologies, contribution to group reduction of CO<sub>2</sub> emissions,
- Efficient vehicle use, raising environmental awareness of drivers and ECO driving, respect for the speed limits, careful fleet company car selection between BEV, PHEV, and HEV based on Total Rental Costs (TRC), usage comparison, and based on the operational requirements for each working position or specific use. Supporting the change in the mindset of company car users, the fleet management officer will regularly inform company car users about new technologies and organise presentations and training, if needed, to ensure a smooth transition and company car user acceptance.
- Transport demand management (pre-prepared solutions for different situations)
- Use of electric energy obtained from RES (Renewable Energy Sources) to support our own company car charging network (this will have a significant effect on CO<sub>2</sub> calculation for BEV – battery electric vehicles)
- Limitation of the electric car range risk (selection of cars based on demand and real range)
- Efficient Charging Infrastructure (higher capacity batteries and efficient and faster charging will contribute to better BEV range and usability).

**Table 36:** Roadmap and targets for the NLB Group fleet

Car Mix	Realisation		Planned (1)		
	2023	2024	2025	2030	
Plug-in hybrid (PHEV)	3%	15%	15%		
Hybrid (HEV)	16%	59%	63%		Green fleet mix
Battery electric vehicle (BEV)	12%	18%	18%		
Internal combustion engine vehicle (ICE)	69%	8%	4%		

Note (1):

- NLB Group fleet includes the vehicle fleets from its member companies: NLB d.d., NLB Skladi, NLB Leasing Group, NLB Banka Priština, NLB Banka Sarajevo, NLB Banka Skopje, NLB Banka AD Podgorica, NLB Komercijalna banka AD Beograd, NLB Banka a.d. Banja Luka, NLB DIGIT, Ream Beograd  
- The final realization of the vehicle mix shares in the following years might differ compared to the planned quantities and vehicle mix shares due to the situation on the market.

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## Responsible procurement and supply chain management

### Procurement process and policies

In the procurement process, NLB Group responsibly includes assessment of ESG risks at all stages of the procurement life cycle. ESG factors are embedded in procedures stipulated in the internal document Standard – Procurement in NLB Group members and other NLB Group procurement internal documents, and must be respected by employees, bidders and suppliers.

To manage ESG-related impacts, risks and opportunities efficiently and in a harmonised way, a synergy approach was established whereby in the majority of cases, NLB assesses and integrates the needs of several NLB Group members (predominately banks) and makes RFPs and purchases at the level of the NLB Group. Since 2023, NLB Group procurement policy stipulates that ESG factors must be included into the RFP specification of services/goods that will be the subject of purchase.

## ESG due diligence is embedded in procurement process.

An important part of NLB Group procurement policy is ESG due diligence procedures of its supply chain. All bidders and suppliers have to complete a questionnaire, which is a formal tool for data gathering on environmental, social and human rights, as well as governance practices of bidders and suppliers. In addition to questionnaires, procurement officers regularly perform other monitoring activities, such as media coverage on bidders and suppliers.

For bidders to become NLB Group suppliers, they must meet legal, financial and non-financial criteria, including ESG-related ones, and have to comply with predefined standards. If these criteria and standards are not met, the bidder is not selected.

Suppliers with annual spending above EUR 100,000 undergo a comprehensive annual evaluation, which encompasses various aspects of suppliers' operation, including the extended assessment of its ESG practices. Suppliers with low scores have to prepare improvement measures and their implementation is monitored by respective procurement officers.

ESG factors are also included in general provisions of the agreement (GPA), which are signed by each supplier together with the purchase contract. Thus, the supplier

commits to performing its contractual obligations, by adhering to a comprehensive list of required environmental, social and governance practices, including protecting human rights in its operations and its own supply chain. In addition, the GPA stipulates that the supplier's employees or its subcontractors can report cases of non-compliance of the supplier's commitments to the NLB grievance mechanism, whereby NLB ensures discretion and protection of the whistleblower's identity in accordance with its relevant internal document.

NLB Group will continue to further develop policies, due diligence metrics, monitoring and reporting in order to efficiently manage ESG impacts, risks and opportunities which stem from its supply chain. In line with NLB Group net-zero ambitions, we aim to assess emissions of our key suppliers (within NLB Group's Scope 3).

**NLB Group procurement policy stipulates that ESG factors must be included into the RFP specification.**

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## Supply chain overview

In 2023, NLB Group cooperated with a total of 5,871 suppliers from 37 different countries, of which 5,468 (93%) were local suppliers, covering 90% of the procurement spend. Since the procurement process is not applicable for various spend categories (e.g. taxes payable to municipalities, ministries, Central Bank, donations, sponsorships, etc.), cooperation based on the procurement process covered 2942 suppliers, of which 2740 were local suppliers with 92% of the procurement spend.

At NLB Group, we are committed to supporting local economies and local communities' welfare; therefore, we aim to cooperate with local suppliers whenever this is justified in line with our targets and policies. We

define local suppliers as those who are registered in the countries where NLB Group operates (Slovenia, Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia and Kosovo). In addition, our cooperation with local suppliers also reduces transport costs, thus serving as a proactive measure in substantial decrease of CO<sub>2</sub> emissions.

In total, almost all our suppliers (99%) are registered in Europe, of which roughly one third of them (33%) are in the European Union. Hence, they are subject to the respective regulation that also addresses ESG. NLB Group performs due diligence of bidders to check if they fulfil minimum ESG standards.

Table 37: Suppliers by location

Supplier are registered in	Number of suppliers	Share in total supplier spend*
Local markets (6 countries)	2,740	92%
European Union (19 countries)	972	49%
Europe (29 countries)	2,914	99.8%
Non-European countries	10	0.2%

Table 38: Suppliers by activity

Activity	Number of suppliers	Share in total supplier spend*
Information and Communication	335	36%
Professional, Scientific and Technical	387	11%
Administrative and Support Services	111	9%
Wholesale and Retail Trade, and Repair of Motor Vehicles	537	9%
Financial and Insurance	52	7%
Other activities	1,077	20%
Data not available	433	8%

\* Based on procurement process

## ESG overview of the procurement portfolio in 2023

In mid-2023, NLB Group started to conduct a comprehensive ESG analysis of its potential suppliers (bidders in the procurement process) for all new purchases. Due diligence included most of our suppliers with an annual spend above a predetermined threshold (ranging from EUR 10,000 to 35,000, subject to the size of the NLB Group banking member) and all new suppliers with contracts signed in 2023. We conducted 212 due diligence procedures with 31% of spend based on the procurement process.

### Due diligence results

Analysis of due diligence procedures and the overview of the procurement portfolio conducted in 2023 did not identify or detect any critical event related to new or regular suppliers with a negative impact on the environment, negative social impact, breaching rights of employees, or involving child labour or forced or compulsory labour. Accordingly, no relationship with any of NLB Group suppliers was terminated in 2023.

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## Sustainable client relations

NLB Group values the trust of its corporate and retail clients. This is why we are committed to high standards in all aspects of sustainable client relations, including identifying clients' needs and issues, responsible product development and offering, responsible marketing communications, and providing employee regular training on these matters.

## Client experience and satisfaction

NLB Group is committed to consistently and reliably delivering quality and value to clients, promoting excellence in service quality, and optimising the client experience and satisfaction, measured by NPS (Net Promoter Score).

Customer experience is measured through customer feedback, research, surveys and analytics to gain an insight into how customers interact with our services and products. The purpose is to identify areas of improvement or areas where we excel compared to our competitors, allowing us to make informed decisions on how best to serve our customers. By investing in improving the customer experience for clients, we create loyalty among existing customers while also attracting new ones.

The Group constantly focuses on areas such as increasing convenience through digital channels, offering personalised services tailored to individual needs, streamlining processes to reduce complexity and time-to-market for new products or services, and creating an interactive environment that encourages feedback from customers. Such initiatives not only improve the customer's experience but also help build trust between banks and clients which ultimately leads to increased loyalty over time.

In addition, the Group implements initiatives to enhance organisational culture and engagement for an excellent customer experience, such as the Golden Branch

competition in NLB. In 2023, the competition, which focuses on a range of areas from customer satisfaction, tidiness and digitalisation to team work and other parameters was conducted for the third year in a row.

**Table 39:** NLB Groupe Net Promoter Score at 31 December 2023

	2022	2023	2023/2022
<b>NLB Group Net Promoter Score</b>	28	36	+8 points

In general, client experience and satisfaction are derived from the comprehensive evaluation of products, services and interactions that clients have with NLB Group members. All these drivers are described in detail in the following chapters.

## Responsible product development, marketing and communication

In the realm of responsible product development, the Group takes a client-centric approach that places paramount importance on enhancing the customer experience by meticulously considering the evolving expectations of clients, prioritising efficiency in delivery timelines, and demonstrating an unwavering commitment to regulatory compliance. Achieving a delicate balance between innovation and adherence to regulatory frameworks is fundamental, as it not only fosters trust but also safeguards the integrity of the financial system, contributing to sustained customer satisfaction and reinforcing NLB Groups reputation as a responsible and reliable financial institution.

Reporting on product and/or service quality is conducted by the Committee for New and Existing Products in NLB and equivalent committees in other NLB Group members.

Besides product development, effective external communication is vital for NLB Group. Clear, transparent and timely messages to clients and other stakeholders build trust. Providing concise details

about new products, including features and risks, enables our clients to make informed decisions. A proactive response to inquiries and adherence to communication regulations ensures ethical and legal compliance. This approach not only fosters customer satisfaction but also enhances the NLB's credibility within the financial community.

## Responsible product development

NLB Group members review new products and marketing policies before offering them to ensure that clients can have full confidence in our products and services. The review is done by specific committees, i.e. the Committee for New and Existing Products in NLB and equivalent committees in other NLB Group members. The committee in NLB oversees the approval and monitoring of products, while also focusing on risks related to those products and the methods of managing those risks. The review process applies to all new and existing products and services, and involves key control functions, including Compliance and Integrity, to ensure that the products and services are compliant with all applicable laws and regulations as well as ethical standards. In the new revised version of the form, ESG risks are added as an obligatory category to specify product features from an ESG perspective and appropriate management of possible ESG risks. Committees are convened on a regular basis in each NLB Group banking member. For example, in 2023 in NLB as a parent bank, there were 12 sessions of committees for new and existing products, and nine new products, services and digital solutions were approved. In addition, NLB product managers, in cooperation with sales staff, continuously monitor social impact and risks of current products and/or services on a daily basis.

Tackling potential ESG risks is included in a rigorous review of new products and policies.

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## Responsible labelling, marketing and communication

NLB Group members provide information to clients in compliance with regulations and local legislation related to customer rights, guidelines and codes of professional associations. Thus, we provide impartial, clear and correct information to clients by using the appropriate communication channels. The Group is committed to offering clients financial products in accordance with their needs and income profile, and to educate them about all of the aspects of a product, including potential negative consequences and risks. Therefore, the banks systematically introduce initiatives focusing on these areas, including responsible lending.

For example, NLB provides clients and the general public with professional advice on a special website called Personal Advice (Nasveti Osebno on <https://www.nlb.si/nasveti-osebno>), such as how to manage personal finances in various life events, how to improve saving habits, establish a contingency fund, and other aspects of financial literacy.

Providing clients impartial, clear and correct information on products and services is among NLB Group's top priorities.

Moreover, as a parent bank NLB is a signatory to the commitment to implement sustainability standards in advertising (Slovenian Advertising Chamber) by 2030 or sooner. These standards will be gradually implemented in all NLB Group members.

## Digital-technological accessibility

At NLB Group we are continuously improving physical and technological accessibility by a vast branch and ATM network in the region, implementing digital products and channels which enable better access to banking services, focusing on people with disabilities, and promoting financial inclusion. Clients can be in contact with NLB through several different contact points, such as branch, mobile bank, contact centre, email, website, social media, ATM, web and mobile bank NLB Klik, mobile wallet NLB Pay, etc.

NLB strives to provide a wide range of 24/7 digital solutions to come closer to clients and offer them anchor products and the most accessible and personalised digital services. In order to increase use of digital channels in the region, NLB has established a best practice sharing group, and executed several awareness activities among clients in under-digitalised client groups.

Table 40: Key activities in results in 2023 at NLB Group level

	2021	2022	2023	Target
<b>Digital penetration Private Individuals (% of clients actively using digital banking (web or mobile))</b>	29.5%	35.5%	50.4%	55% of clients by 2025 70% of clients by 2030

Table 41: New digital products improvements in 2023 (NLB Group financial core members)

<b>Launch of new digital bank NLB Klik Slovenia</b>	Migration started in July 2023 and all 400,000 clients were successfully migrated by the end of August 2023. Main features: same on all devices, improved and simplified payments, personal finance management
<b>New digital bank in Sarajevo, Banja Luka and Podgorica</b>	Launch in Q1 2024
<b>Strong push on digitalising clients in all markets</b>	Executing internal and external improvements to achieve digital channel activation in all markets using marketing, improved processes and KPIs and client education. Effects shown in digital penetration growth of 14.9% on the Group level.

The focus in the region is on the fast growth of digital penetration and digital channels usage, in order to reduce activities in branches for simple, repetitive banking tasks, i.e. executing payments. This has an impact on client satisfaction and enables other sustainable initiatives that reduce the use of paper as much as possible.

NLB Slovenia is already on the next step of digitising the main banking processes, which will enable clients to source more banking products digitally and save them a trip to visit the bank. Adding new functionalities and boosting the usage of the new digital banking platform NLB Klik will continue in 2024. At the end of 2023, the platform handled over 8 million logins from more than 400,000 active clients.

In 2024, we will place a special focus on improving the accessibility of digital channels, both on the technological side and information and support offered to our clients. The special focus on digitalising elderly clients that are already well established in Slovenia will continue and best practice shared among Group members.

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to Society**Appendices****Physical accessibility**

In addition to technological advancements, direct contact with clients in branches remains an important element of client satisfaction, especially in case of more comprehensive clients needs. Therefore, the NLB Group branch and ATM network in the region enable clients quick and easy access to banking services.

In 2023, the NLB Group White book for branches was revised. Bank branches are and will be at the centre of our business, but with changes in the market, their role is changing significantly. With digitalisation, the number of transactions carried out in branches is decreasing. Regardless of the trends and popularity of digital channels, branches are a key touchpoint in the customer experience. By creating an innovative user experience and human contact, NLB promotes the sale of our services and solves our customers' problems.

The NLB branch must meet three key conditions:

- fulfilling the promise to our customers that we will always support and help them
- offering guidance and advice that focuses on helping clients achieve their life goals
- creating a positive brand effect and enabling us to differentiate ourselves from other providers.

With branches for the future, NLB will facilitate the use of new digital marketing channels and the use of digital connectivity while developing new tools and at the same time providing customers with quick and efficient client treatment and human contact.

In addition, NLB Group members also seek solutions in cases where physical accessibility is limited. For example, for clients in smaller Slovenian towns where there are no bank branches, 2020 NLB introduced a mobile branch – a specially adapted vehicle NLB Bank&Go that enables the realisation of banking services on the road. In 2023, NLB Bank&Go regularly visited 24 different locations.

**Accessibility for vulnerable clients**

In cooperation with the Association of the Blind and Visually Impaired of Slovenia, NLB adapted 52 ATMS throughout Slovenia to assist the blind and partially sighted with banking operations. With the help of voice instructions through headphones, blind and visually impaired people can withdraw cash or check their account balance.

**Promoting financial literacy and inclusion**

Following its core value of improving lives, and guided by the UNEP FI Principles for Responsible Banking, NLB Group promotes universal financial inclusion and supports the financial health of its clients. To this end, the Group conducted several initiatives in 2023 across the region where it operates, which included in particular elderly and young people. In the future, NLB Group will reaffirm its commitment to financial literacy and inclusion by enhancing target setting, further developing relevant initiatives, and reporting.

In addition, NLB Group employees in retail regularly attend internal and external trainings, like a retail academy, where topics such as effective training on financial inclusion, responsible credit and/or financial health are included in the curriculum/agenda. Moreover, NLB Skladi is active in the promotion of asset management activities and achieving better financial literacy in Slovenia, through a membership in the Association of Investment Fund Management Companies and by taking part in its initiatives.

» For a detailed presentation of financial literacy and inclusion, please refer to the chapter Contribution to Society.

**Cybersecurity and data protection**

NLB Group upholds the highest standards of cyber- and physical security and therefore promotes practices that maximise the security of its products and services. The Group is committed to protecting the confidentiality and privacy of client data and using them in a responsible manner. Security and data protection in NLB Group is governed by specific policies and internal acts. The cybersecurity management system, which is certified to the ISO 27001 standard is established and is valid for whole Group. In line with the governance framework, we regularly conduct internal and external security audits, vulnerability assessments and penetration tests on the company's systems and products affecting user data. In addition, to that Cyber security is regularly reported and discussed at the Bank's Information Security Steering Committee, Operational Risk Committee, and Management Board meetings. All NLB Group employees are continuously educated about the importance of cyber security and must complete regular training on cybersecurity and data protection. The Group also tests the awareness of its employees with social engineering attack simulations.

» To explore more, please refer to the chapters IT and Cybersecurity in the Annual Report and Responsible Conduct and Respecting Human Rights in the Sustainability Report.

## Regular communication with clients, grievance mechanisms and complaint management

All NLB Group members provide channels to clients which enable them to raise questions and concerns and receive a timely and qualitative response, such as regular personal communication with their customer relationship officer or branch employees, and contact centres, providing information and assistance via the website, phone or a video call (subject to each entity).

Clients' feedback, including complaints, is considered as an opportunity to improve our services, processes and customer relationships. Therefore, the Group embeds complaint management into the overall client experience process and conducts regular employee training to improve the overall customer experience. To this end, NLB Group has established grievance mechanisms, which are presented on the websites of NLB and other subsidiary banks.

Key target areas followed by NLB Group in the complaint management process are:

- fast, efficient, and professional complaint settlement at all levels of the process, settlement of satisfactory reimbursement requests in a unified way,
- registration of complaints such as to enable content analysis with the purpose of improving products, processes and 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 negative customer experience.

In line with legislation governing banking and financial services, NLB has established two-level internal complaint process and two selected out-of-court settlement centres. The process, rules and procedures of complaints management are defined in internal policies and instructions. The Bank has also defined material KPIs to monitor efficiency and risks related to complaints management, such as the share of complaints, value of claims and average resolution

time. KPIs are regular assessed on a scale from low to high risk, and reported to the operational risk committee.

To harmonise the complaints management Groupwide, Minimum Standards for the Sales Area are implemented in all NLB Group banks. These define measures that are binding for all banks, such as having written instructions, a two-level internal complaints process, recording of complaints received and solved and the preparation of an annual report on customer complaints.

NLB as a parent bank has a governance and reporting system in place, while implementation of a comprehensive framework for NLB Group is underway and is expected to be finished by the end of 2024. On this basis the report on the aggregate number of all complaints handled and the proportion of positively resolved complaints at NLB Group level will be provided.

In 2023, 90% of all complaints in NLB were resolved positively, which is a 4 p.p. increase compared to 2022. Similarly to the Slovenian banking system as a whole, card services account for the largest share in the total number of complaints, whereas the share of complaints in relation to the total number of card transactions is low, namely 0.055%). Alongside the complaint resolution system, NLB has a system in place to detect and prevent card abuse and we raise customer awareness of the dangers of online commerce and shopping, thereby contributing to risk management in this area.

# 90%

of all complaints in NLB were resolved positively

## Supporting clients – humanitarian organisations

In support of philanthropic aid in Slovenia, individuals and companies can make donations to humanitarian organisations without paying a fee. In 2023, NLB exempted 394 humanitarian organisations from compensation; the number of such organisations increased significantly due to the floods as we also included donations to voluntary fire brigades and other organisations that helped with this cause.

## Employee training on responsible/sustainable client relations

NLB Group provides regular employee training on all aspects related to sustainable client relations. In 2023, specific training was conducted for frontline staff, which also included contents on responsible product development, responsible offering and communication with clients.

## Client engagement on sustainability matters

Providing educational information and building credibility and understanding with corporate and retail clients to support them in their transition to sustainable way of living and working are among our key priorities in the overall client engagement framework.

» To learn more how we support our clients in developing and implementing their transition plans, please refer to the chapter Sustainable solutions for clients.

# 394

humanitarian organisations were exempted from compensation.

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**When aiming high, only our aspirations set the boundaries.**



### **Sustainable finance**

The Norica Žiri Ski Jumping Club has embarked on a green transition journey. After leveraging the advantages of geothermal energy, they have initiated a project to install a solar power plant to reduce emissions and increase energy efficiency. To further promote sustainability among clubs and because responsible goals matter in business and sports alike, the NLB Group has introduced ESG topics into the Sport to Youth Academy.

# Sustainable Finance and ESG Risk Management

## Sustainable solutions for clients

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

2023 marked a new milestone as NLB Group committed to green transition financing by 2030 in a total value of EUR 1.9 billion, which substantially exceeds the commitment of EUR 785 mio, set in 2021.

» For detailed distribution of the NLB Group financing pledge and portfolio decarbonisation targets, please refer to the Net-Zero Disclosure Report.

Retail and Corporate Banking commitment to mobilise

# € 1.9 billion

**volume (outstanding stock) in sustainable finance by 2030**

(of which corporate: EUR 1,370 and retail: EUR 528 million)

In 2023, NLB Group continued with successful financing of the green transformation for private individuals, micro businesses and corporates throughout the region.

Since the introduction of the first green financing offer (NLB Green Housing Loan) in 2020, the Group has strengthened its green finance proposition with environment-related financing. Supporting clients in their transition to a low-carbon economy will stay in the Group's focus by fine-tuning products with consideration of future legislation and technical development, as well as by providing them with timely and relevant information about possible solutions for reducing their environmental footprint.

## NLB Group is committed to support its clients in their transition to a low-carbon economy.

NLB commitment to finance at least

# 30%

**of new production in the most energy-efficient commercial buildings**

(<50 kg CO<sub>2</sub>/m<sup>2</sup>) by 2030

## Sustainable activities that NLB Group promotes and finances

NLB Group provides financing to various sustainable economic activities that meet financial and sustainability eligibility criteria of relevant frameworks, such as EU taxonomy, MIGA, EBRD, NLB Group Green Bond Framework (following ICMA Green Bond Standards), etc. To support climate change mitigation, NLB Group has developed a wide and diversified offer of green financing products and defined criteria, internal documents and procedures to assess if a transaction is green/climate-neutral.

NLB commitment to finance at least

# 15%

**of new production in top-rated mortgages (A & B EPC class)**

in Slovenia by 2030

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Table 42: NLB Group sustainable financing and refinancing areas (non-exhaustive list)

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

Figure shows a detailed non-exhaustive list of overarching areas that serve as a guide for NLB Group sustainable financing or refinancing, while eligible projects are defined in detail in the aforementioned frameworks and specified in NLB Group internal documents. The list will continue to evolve over time, reflecting changes in classifications of sustainability criteria, stakeholders' needs and expectations, and regulatory requirements.

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## Corporate banking

### In 2023 NLB Group successfully financed:

- larger sustainable projects in the region: renovations of electricity distribution networks in Slovenia,
- construction of wind farms in Montenegro,
- energy renovation of larger buildings in Serbia,
- establishment of electric battery production in Slovenia,
- smaller sustainable projects in the region in the field of renewable energy production (solar power plants), clean transportation and energy efficiency.

» For further information, please refer to the NLB website [Okolju prijaznejše bančne storitve \(nlb.si\)](https://www.okolju.prijaznejse.bancne.storitve(nlb.si)), and subsidiary bank websites.

## Retail banking

### Key activities for the private individuals:

- NLB continued to support clients in their green transition with already established green finance products which were revised and updated during the year:
- NLB Green housing loan
- NLB Green partner loan
  - All subsidiary banks developed Green partner loans and signed agreements with partners that offer green products and solutions.
  - The majority of NLB group loan offers focus on the purpose of green building, energy efficiency, renewable energy and electric vehicles (as part of clean transport).

### Key activities for the micro business segment:

- NLB continued to support clients in their green transition with already established green finance products which were revised and updated during the year:
- NLB Green partner loan
- NLB Green loan for investments in the energy efficiency of business buildings
  - NLB Green loan for reducing the carbon footprint
    - IN NLB and subsidiary banks, the sustainable loan offer was revised and updated considering the market changes and development.
    - The majority of NLB Group loan offers focused on the purpose of renewable energy, energy efficiency and electric vehicles (as part of clean transport).

» For further information, please refer to the NLB website [Zeleni kredit \(nlb.si\)](https://www.zeleni.kredit(nlb.si)), and subsidiary bank websites.

## Green bond

In June 2023, NLB issued its inaugural green bond in a benchmark size of EUR 500 million. The proceeds shall be used in line with the NLB Green Bond Framework which is aligned with ICMA principles. NLB Group can finance or refinance existing or future projects in the fields of renewable energy, energy efficiency, green buildings, clean transport, sustainable management of water and wastewater, and pollution prevention and control. The eligibility criteria – as outlined in the use of proceeds section of NLB Green Bond Framework – take into account the EU Taxonomy Regulation and the EU Taxonomy Climate Delegated Act with the intention to apply them on a best-efforts basis. In that respect the Group will focus on compliance with technical screening criteria for determining substantial contribution to climate change mitigation and, as they enter into law, to sustainable use and protection of water and marine resources, as well as pollution prevention and control. The Group will strive to allocate the full amount of the green bond within 36 months after issuance. The first annual allocation and impact report is expected to be published in June.

### Key activities in 2023

- Publication of the NLB Green Bond Framework
- NLB's inaugural Green Bond issuance in June
- Building up the Green-Bond-eligible assets portfolio

» For further information, please refer to Issuance of NLB Green Bonds and [nlb-green-bond-framework.pdf](https://nlb-green-bond-framework.pdf)

In 2023, NLB Group outstanding amount of green financing reached 560 mio EUR.

Table 43: NLB Group green financing at the end of 2023 in EUR mio

	Volume (new production)	Volume (outstanding stock)	Main purpose
Corporate green financing	198	331	Renewable Energy: + 58% Green Building: 30% Energy Efficiency :11%
Retail green financing	89	229	Green Building: + 80% Other: Clean transport, Energy Efficiency and Renewable Energy

(1) Data refer to NLB and 6 subsidiary banks in the region. Green lending classification refers to the internal methodology of NLB Group, which refers to EBRD, MIGA, Green Bond and EU taxonomy frameworks. If a loan is mapped to either of these frameworks (and NZBA in case of retail green financing), is currently considered as a green loan. To ensure a robust and standardised overview of green lending, this methodology will be fully aligned with CSRD, ESRS and EU taxonomy within regulatory timeframes.

(2) Retail green financing breakdown by type of client: for new production: 90% private individuals, 10% micro business, and for outstanding stock: 95% private individuals, 5% micro business.

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## Asset management (Funds)

NLB funds, asset management (hereinafter: NLB Skladi) as a member of NLB Group, offers two sub-funds which promote environmental and social characteristics and adhere to Article 8 of Regulation SFDR ((EU) 2019/2088

Table 44: Net Asset Value at the end of 2023 in EUR mio

	Sub-fund NLB Funds – Equity Socially Responsible Global Advanced Markets	Sub-fund NLB Funds – Equity Environmental	Total
Net Asset Value	81.7	11.3	93.0

### Sub-fund NLB Funds – Equity Socially Responsible Global Advanced Markets

promotes a combination of environmental and social characteristics provided that companies adhere to good governance practices but does not invest in sustainable investments. Therefore, this sub-fund invests in issuers with above-average environmental and social awareness in their operations, provided that they respect good governance practices.

- The reference value for the achievement of the environmental and social characteristics promoted by this sub-fund has been determined as the required minimum allowable weighted average score of the environmental, social and governance characteristics of all investments of the sub-fund.
- This sub-fund also promotes environmental and social characteristics in such a way that it eliminates individual activities or sub-activities that it considers to be controversial. Such controversial activities or sub-activities in which the sub-fund will not invest are aviation and defence, gambling, tobacco, breweries, spirit drinks and wine producers, energy, metals and mining, paper and forest-based industry, and road transport.

## NLB Skladi offers two sub-funds which promote environmental and social characteristics.

### Sub-fund NLB Funds – Equity Environmental

promotes a combination of environmental characteristics provided that companies adhere to good governance practices but does not invest in sustainable investments. Therefore, this sub-fund invests in issuers with above-average environmental awareness in their operations, provided that they respect good governance practices.

- The reference value for the achievement of the environmental characteristics promoted by this sub-fund has been determined as the required minimum allowable weighted average score of the environmental and governance characteristics of all investments of the sub-fund.

» For further information, please refer to the NLB Skladi website.

## Leasing

In 2023 NLB Lease&Go Group successfully financed:

- Alternative-powered vehicles (BEV) in Slovenia, Serbia, and Macedonia which contributed to cleaner transportation,
- Smaller sustainable projects in the field of renewable energy production (solar power plants).

In 2023 the entire NLB Group adopted the NLB Group Sustainable Car Fleet Management and Company Car Policy which is followed by all NLB Group members in all member countries to achieve the net-zero emission vehicle mix by 2030.

» For further information, please refer to the Chapter Sustainable mobility.

Table 45: NLB Lease&Go Group green financing at the end of 2023 in EUR mio (1)

	Financed contractual value (2023)	(net present value) for total number of financed BEV	Main purpose
NLB Lease&Go Group green financing	9,763	11,343	- Clean Transport - Renewable energy

(1) Data refers to NLB Lease&Go d.o.o. and subsidiaries NLB Lease&Go Skopje and NLB Lease&Go Leasing d.o.o. Beograd. Green lending classification refers to the internal methodology of NLB Group, which refers to EBRD, MIGA, Green Bond and EU taxonomy frameworks. If a loan is mapped to either of these frameworks, is currently considered as a green loan. To ensure a robust and standardised overview of green lending, this methodology will be fully aligned with CSRD, ESRS and EU taxonomy within regulatory timeframes.

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## Treasury: ESG Bonds in the Group's portfolio

The Group is actively present on the market of ESG-labelled debt securities issuances, whether primary or secondary. Its strategy is to invest at least the share of issued ESG debt securities on the primary market in the total issued amount of issuers where the Group has risk appetite, on a yearly basis. With this approach constant growth of the Group's ESG awareness in the debt securities portfolio is assured.

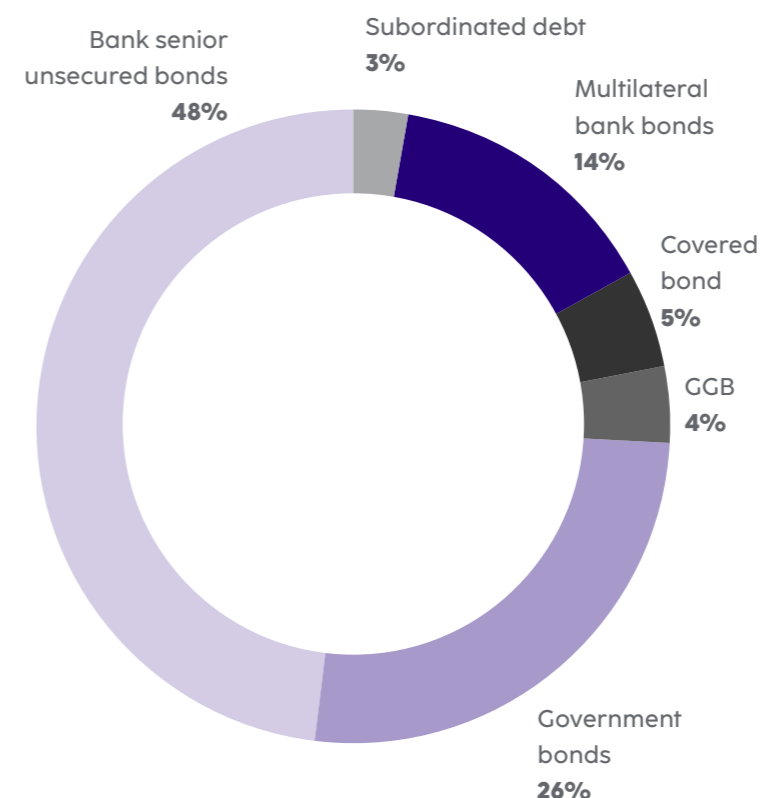
As presented in table below, at the end of 2023, NLB Group had EUR 304 million invested in ESG-labelled bonds which represents 6.5% of the Group's banking book debt securities portfolio and marked a 59% growth in compared to 2022 (4% share). More than half of the ESG portfolio was invested into bank bonds. In 2023, EUR 133 million of ESG-labelled bonds were added into the debt securities portfolio which is 11% of all new investments (YoY) on the Group level and 25% on NLB level with senior unsecured and government bonds leading the way (53% and 31%, respectively).

Table 46: ESG securities in NLB Group portfolio (in EUR mio)

	Banks	Government and multilateral banks	Total	Purchased in 2023
<b>Environmental</b>	146	80	226	90
<b>Social</b>	20	9	29	13
<b>Governance</b>	0	49	49	30
<b>Total ESG</b>	<b>166</b>	<b>137</b>	<b>304</b>	<b>133</b>
<b>Total portfolio</b>	826	3.860	4.687	1.255
<b>% of ESG</b>	20,1%	3,6%	6,5%	10,6%

(1) At least the share of ESG issues on the primary market in total issue amount of issuers with available limits for each asset class shall be also invested. Based on primary issues data from the last observation period, at least 15% of all investment in banking securities must be ESG-related.

Figure 19: Distribution of ESG debt securities by asset class



## Social financing offer

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

For example, NLB Banka Podgorica is the first commercial bank in Montenegro to join the EBRD Support Programme "Women in Business", with the aim of supporting the potential of female entrepreneurs, providing access to financing, but also to the knowledge needed for business growth. As the bank of primary choice for more than 32% of registered

businesses managed by women in Montenegro, NLB reciprocated the trust shown by female clients with a programme that offers a banking experience, with particularly easy access to funding sources, which is still the main obstacle to the wider inclusion of female entrepreneurs, through significant benefits created on the basis of a thorough market analysis, which are fully adapted to their needs and which remove barriers to growth and development and obstacles on the way to the realisation of financing.

## The key to successful green transition: empowered employees and client engagement

NLB Group's green finance offer is strongly supported by training and other educational events on climate, ESG- and sustainability-related topics, which are executed by internal or external experts. Educational events are aimed at employees in all NLB Group

business segments, especially frontline in corporate and retail segments. Through systematic and goal-oriented training employees better understand and embrace sustainability as an important part of the risk management process, as well as a business opportunity for providing support to regional economies.

The Group is also actively engaging with its clients to encourage them to develop their own net-zero strategies. We understand that collaboration and collective action are crucial in addressing climate change, and we are dedicated to supporting our clients in their efforts to transition to a sustainable future. Some examples of the Group's initiatives are educational events and conferences, and upcoming handbooks for clients on how to become an energy-efficient company, and how to establish own production of renewable energy sources.

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# ESG risk management

## Overview of the ESG Risk Management Framework

Adequate ESG risk management and internal controls are essential for ensuring NLB Group's sustained long-term operations, financial strength and reputation. NLB Group has established a three-line defence framework with the aim of managing risks effectively. The three lines of defence concept provides a clear division of activities and defines roles and responsibilities for risk management at different levels within the Group.

## Three-line defence model is established for effective risk management.

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

In the realm of financing activities (lending and investments), we define **as ESG risks the risks of any negative financial impact** on NLB Group stemming from the current or prospective impacts of ESG factors on NLB Group's counterparties or invested assets.

**ESG risks do not represent a new risk category, but rather one of the risk drivers of the existing type of risks, such as credit, liquidity, market, operational and reputation risk. Therefore, the Group integrates and manages ESG risks within the established risk management framework in the area of the aforementioned type of risks, business strategy and internal governance arrangements.**

ESG risk management follows ECB and EBA guidelines with the tendency of their comprehensive integration into all relevant processes in NLB Group. In addition, NLB Group adheres to the national and EU regulatory framework, recommendations and guidelines, as well as voluntary commitments and initiatives that NLB Group has joined in recent years, such as the UNEP FI PRB, and the UNEP FI NZBA. NLB Group is also a signatory of the Framework Agreements with the EBRD, and the Contract of Guarantees with MIGA. All the above-mentioned regulations, recommendations and guidelines are integrated in the internal regulatory framework of NLB Group.

While social and governance aspects are equally relevant, due to the global importance of climate change mitigation, the primary focus of NLB Group has been on developing and implementing a robust climate-related and environmental risk (CER) management framework for its portfolio and investments. In terms of social risk management, NLB Group also follows international frameworks in the area of respect for human rights, including the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, OECD Guidelines. NLB Group is committed to further developing processes and policies in order to upgrade mitigating social as well as governance risks in its internal operations, as well as in relations with its counterparties.

» For a full list of the regulatory framework and guidelines to which NLB Group adheres, please refer to the chapter About the Report in the NLB Group Sustainability Report.

» For detailed information on the risk management framework in NLB Group, please refer to the chapter Risk Management in the NLB Group Annual Report.

## Integration of ESG risks in business strategy and process

Efficient management of risks and capital is crucial for NLB Group to sustain long-term profitable operations. A robust Risk Management framework is comprehensively integrated into decision-making, steering and mitigation processes within NLB Group, with the aim of proactively supporting its business operations. ESG risks are incorporated in the Group's business strategies, risk management framework and internal governance arrangements.

The risk management function defines rules about risk appetite, risk strategy, other risk policies and guidelines. They are integrated in the risk management framework of the existing type of risks, such as credit, liquidity, market, operational, and reputation risk. Besides that, risk monitoring and proactive management in the area of ESG are established. The mandate of the risk management function is to provide and increased focus on holistic risk management and cross-risk oversight to further enhance risk steering and mitigation within the whole Group.

In addition to ESG risk management in the aforementioned processes, NLB Group has established a framework for comprehensive mitigation of environmental, social, and governance risks that are related to NLB Group's operations.

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

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

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In particular, physical risks, as part of ESG risks in the area of operational risk, are addressed in the Group's business continuity management (BCM). Business continuity plans include relevant ESG risks. They are prepared to be used in the event of natural disasters, IT disasters, and undesired effects of the environment to mitigate their consequences. Additionally, ESG risk screening in the supply chain is part of the Group's supplier selection and regular assessment process.

## Integration of environmental risks

NLB Group considers as environmental risks those related to climate change and environmental degradation (such as waste disposal, air and water pollution, and nature conservation, including biodiversity loss)

- In line with NLB's commitment to a climate-positive future and its net-zero ambition, we officially joined the Net-Zero Banking Alliance (NZBA) in May 2022, becoming the first banking group headquartered in Southeast Europe (SEE) to sign the Commitment Statement In line with UNEP FI Guidelines, the first NLB Group Net-Zero Disclosure Report was published in December 2023, which provides a comprehensive overview of our efforts and progress towards transitioning the operational and attributable GHG emissions from lending and investment portfolios to align with pathways that are consistent with achieving net zero by 2050 or sooner. NLB Group is pursuing the implementation of the transition strategy which will include active engagement with clients, to support their alignment with the net-zero pathway. Our transition strategy focuses on key sectors such as power generation, iron and steel, residential real estate, and commercial real estate, where we have significant emissions, exposure and NZBA-aligned targets.

» To learn more about our transition strategy, please refer to the chapter Climate (Net-Zero) Strategy.

- NLB Group's journey to net zero is supported by sound ESG risk management in lending and investing, as well as providing financial products for clients' transition to more sustainable operations. NLB Group provides financing to various sustainable economic activities that meet the financial and sustainability eligibility criteria of relevant frameworks, such as EU taxonomy, MIGA, EBRD, NLB Group Green Bond Framework (following ICMA Green Bond Standards), etc. In terms of business strategy, the green financing offer of NLB Group includes financing retail and corporate clients, green bond and asset management – funds which promote environmental and social characteristics and adhere to Article 8 of Regulation SFDR ((EU) 2019/2088). Since its introduction in 2020, NLB Group has gradually integrated into its business model and processes the EU Taxonomy, a classification system which defines which economic activities can be considered environmentally sustainable under the European Green Deal and the EU's 2030 Climate Target Plan. To this end, NLB Group established processes for screening its portfolio for EU taxonomy sustainability by using NACE and SDK Codes, and discloses the assessment in the Sustainability Report. The Technical Screening Criteria were used to determine which investments could be considered eligible for Green Bonds. The Bank's representatives also regularly participated in the task force group within the Bank Association of Slovenia, and raised awareness among clients and employees, and the Bank will continue to pursue such activities in the future.

» To learn more about environmental risk management related to NLB Group's counterparties, please refer to the chapter Credit risk management.

- NLB Group acknowledges that it has an impact on nature, including biodiversity, while also being exposed to risks related to biodiversity loss. Therefore, the Group welcomes the development of the TNFD Recommendations and UN PRB Nature Target Setting Guidance for understanding and setting biodiversity action in the financial sector. Following the TNFD Recommendation, NLB has already started with the first key critical steps towards nature-related assessment and disclosures and launched the first activities to deepen understanding of the fundamentals of nature for financial institutions and plans progression over time in the following years.

» To learn more, please refer to the chapter NLB Group's Approach to Biodiversity.

Environmental risks and factors are also considered in NLB Group's own operations. The Group mitigates the impact of its operations on the environment by addressing the issues of climate change, pollution, energy efficiency, water and resource use, biodiversity and circular economy. Since 2019, the Group has measured its own carbon footprint (Scope 1, Scope 2, and limited Scope 3), following science-based methodology and the guidelines of the Greenhouse Gas Protocol (GHG Protocol). In December 2023, NLB Group launched an initiative to decarbonise our own operations by 2050 or sooner, which complements the portfolio transition strategy.

» To learn more, please refer to the chapter NLB Group's Operational Environmental Impact.

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## Integration of social risks

NLB Group considers as social risks those related to the rights, well-being and interests of people and communities. These include (but are not limited to) factors such as (in)equality, health, inclusiveness, labour relations, workplace health and safety, human capital and communities. In this respect, NLB Group's social risk management framework considers national and international regulations, methodologies and standards in all of the above-mentioned areas.

Social factors and risks that are addressed by NLB Group are described in detail in the internal document Policy on Respect for Human Rights. The policy contains the commitment of NLB and NLB Group to respect human rights in accordance with all the highest international standards, including but not limited to the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guidelines, Performance Standards 2 (Labor and Working Conditions),<sup>4</sup> (Health, Safety and Security), and 9 (Financial Intermediaries) as per EBRD Environmental and Social Policy (<https://www.ebrd.com/environmental-and-social-policy.pdf>), and the OECD Guidelines. At the national level, expectations of economic operators are regulated by the National Action Plan of the Republic of Slovenia for the Respect of Human Rights in Business.

» To learn more about social risk management related to NLB Group's counterparties, please refer to the chapter Credit Risk Management.

## Integration of governance risks

NLB Group considers as governance risks those risks related to its own governance and counterparties' practices. This may include, but it is not limited to, management body remuneration, diversity and structure, shareholder rights, bribery and corruption, compliance, ethical standards, fair tax strategy and inclusion of ESG policies. Governance risk management is integrated in its business strategy, processes and the organisational setting.

» To learn more about governance risk management related to:

- NLB Group's own operations, please refer to the chapter Governance
- NLB Group's counterparties, please refer to the chapter Credit Risk Management

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## Environmental risk management

### Integration of short-, medium- and long-term effects of ESG risks in the risk framework

NLB Group conducts materiality assessment as part of its overall risk identification process to determine the level of transition and physical risk to which NLB Group is exposed. In addition, NLB Group uses all disposable climate and environmental data and studies available for its region (namely those provided by different relevant state institutions) to determine the level of environmental risk to which NLB Group is exposed. In this process, identification of environmental risk factors, relevant transmission channels and their materiality and impact on the Group's financial performance in the short-, medium- and long-term period are assessed. Furthermore, the Bank also considers two different climate scenarios in the long-term period, pessimistic RCP 8.5 and optimistic RCP 2.6 scenarios. While many climate studies project temperature and climate change until 2100, our materiality assessment also addressed the period beyond 2050.

» To learn more about materiality assessment, please refer to the chapter Materiality assessment.

From the perspective of physical risk, the most relevant (material) risk drivers are drought and floods, while hail- and windstorms are also frequent but less material. However, we can expect that its impact will increase in the long run, namely if no adequate policy changes are implemented in good time. Chronic risk is not yet determined as a material risk driver. Transition risk already arises in the short-term period due to the EU's determination (Fit for 55 regulatory framework) to reduce carbon emissions according to its ambitious net-zero strategy by 2050. With the implementation of NLB Group's Net-Zero Strategy in 2023, it is expected that its impacts will gradually diminish in the long run. Nevertheless, the Group assessed the risks to be more material than physical.

### Data availability, quality and accuracy, and efforts to improve these aspects

The availability of ESG data in the region where NLB Group operates is still lacking. Nevertheless, NLB Group has made considerable progress in the process of obtaining relevant ESG-related data from its clients, being prerequisite for adequate decision-making and corresponding proactive management of ESG risks. For the purpose of calculation of credit portfolio GHG emissions, several important activities started in 2022. Collection of ESG data was further improved in 2023. For larger corporate clients NLB Group initiated direct Scope 1 & 2 & 3 data-gathering processes, whereas for the SME and micro segments NLB Group has developed our own proxies in cooperation with an external expert.

In residential mortgages the most important input for GHG calculations are the buildings' energy performance certificates (EPC) in all markets where NLB is present. Energy performance certificates provide relevant information to banks on energy efficiency of buildings in collateral, so EPC data collection initiative is in action. NLB used different sources and methods to obtain data on EPC of the real estate in collateral as NLB is present in EU and non-EU markets. Multiple difficulties were discovered during the EPC data collection initiative, which explains the different fill grades among the CEE countries:

- EPCs are not established in the local legislation (e.g. Montenegro, Kosovo).
- EPCs do exist but are not enforced by local law. For clients in those countries, EPCs are created independently by the client.

By the end of 2023, NLB Group had performed the calculation of financed emissions for the Slovenian market and the rest of the region where NLB Group is present. NLB Group is engaged in the collection and analysis of different transition and physical risk relevant data, as well as using publicly available climate change studies relevant for our region in our long-term projections.

The main tool used for collecting ESG-relevant data from clients is the ESG questionnaire. For the time being, it is used for larger clients, engaged in high-risk activities according to internal ESG classification. Eventually, the scope will be extended also to other segments. In the questionnaire the clients must provide ESG-relevant data and information on how ESG factors and policies are integrated in their operations. In addition, clients' data are also collected through their financial and non-financial reports, media or other external resources.

The collection of ESG-relevant data was further improved.

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Furthermore, when needed, the Bank also performing more extensive ESG reviews of clients. Within the due diligence process, clients must clarify whether the company has put in place policies and mitigations relating to the ESG risks of their operations, such as:

- **Environmental data:** an explanation whether a client has put in place environmental policies, assessment of the company's GHG emissions (Scope 1, Scope 2, Scope 3) and related measures to reduce them, mitigation of environmental risks, transition plans, etc.
- **Social and human rights data:** an explanation of whether a client has put in place policies and measures relating to the social aspects of operations in the areas of human rights, equal opportunities / non-discriminatory practice, encouragement of staff diversity, health and safety at work, child labour and illegal work prevention, ethical business conduct, employee relations / labour standards, whistleblowing mechanisms, the company's impact on the community/society, programmes to support local communities, information on social aspects in the client's supply chain, mitigation of social and human rights risks, etc.
- **Governance data:** an explanation of whether a client has put in place policies and measures relating to the ethical aspects of governance (including anti-corruption and bribery considerations, avoiding conflict of interest), strategy and risk management (including a business continuity plan, protection of personal data), diversity in management and supervisory boards, transparency of the client's reporting on past emissions performance across all relevant scopes, commitment level of the highest management bodies to environmental and social matters, mitigation of governance risks, training and education on sustainability and ESG topics, etc.

### Key developments, results and outcomes in 2023:

- NLB Group developed its own proxies for Scope 1 and 2 for each market in our region in cooperation with a leading external expert institute in the area of energy efficiency.
- The collection of ESG-relevant data was further improved in 2023, with a focus on large companies.
- Financed emissions (Scope 1 and 2) were calculated for the total loan portfolio, using actual and proxy data.

- The methodology for the assessment of physical risks was further improved.
- The materiality assessment of environmental risks was updated.
- NLB continued with active involvement in the Sustainable Finance Committee, and the ESG Questionnaire national task force group within the Bank Association of Slovenia. The mission of the task force group is to provide efficient tools and a framework, such as the ESG questionnaire, for banks and savings banks in Slovenia to timely and carefully identify risks from the ESG field that have or could have a significant impact on the companies' operations in the future. NLB representatives contributed to updated versions of the ESG questionnaire and participated in discussions with solution providers and policymakers on how to further improve, standardise and simplify the data gathering process for companies and financial institutions.

The materiality  
assessment was  
updated and  
improved.

## Materiality assessment

The materiality assessment is a process of assessing the potential impacts of ESG risks, and in particular climate-related risks, for the Group. This analysis involves a granular breakdown of the risk drivers and the incorporation of forward-looking elements.

### NLB Group performs the materiality assessment in the following steps:

- **In the first step**, the climate and other environmental risk drivers relevant for Slovenia and other countries where NLB Group is present are identified. Beside physical and transition risk, NLB Group also considers exposure to other environmental risks, such as biodiversity risk, waste disposal and pollution.
- **In next step**, NLB Group defines the transmission channels to better understand how the climate and environmental risk drivers translate into traditional financial risk categories.
- **In the third step**, NLB Group assesses the probability and impact of each identified risk driver, using internal and external sources and methodologies. The assessment considers the geographic location and industry (segment) of the counterparty.
- **Furthermore**, NLB Group assesses how other factors (sources of variability) which determine the probability or the size of the impact, so-called amplifiers, mitigants and geographical heterogeneity, impact its operations.
- **In the last step**, the materiality of the impact is assessed. Considering probability and impact score, final vulnerability score is determined and assigned to each exposure. A heatmap tool is used for representation of vulnerability to each climate and environmental risk driver.

## Identification of climate and other environmental risk drivers

NLB Group considers environmental risks as climate risk and other environmental risk, such as nature conservation and biodiversity risk, waste disposal and pollution. Transition risk and physical risk are subcategories of climate risk. Both subcategories are then further divided into further subcategories, as presented in the table below.

**Table 47:** Climate and other environmental risk considered in materiality assessments

Climate risk	
<b>Transition risk</b>	<ul style="list-style-type: none"> <li>Climate Policy changes</li> <li>Technological changes</li> <li>Behavioural changes (investor and consumer sentiment)</li> </ul>
<b>Physical risk</b>	<p>Acute physical risk</p> <ul style="list-style-type: none"> <li>Floods</li> <li>Drought</li> <li>Heat waves</li> <li>Windstorms</li> <li>Wildfires</li> <li>Hailstorms</li> <li>Freezing rain</li> <li>Landslides</li> </ul> <p>Chronic physical risk:</p> <ul style="list-style-type: none"> <li>Temperature changes</li> <li>Reduced water availability</li> <li>Biodiversity loss</li> </ul>
Other environmental risk	
<b>Environmental risk</b>	<ul style="list-style-type: none"> <li>Waste disposal</li> <li>Nature conservation incl. biodiversity loss</li> <li>Pollution</li> </ul>

## Assessment of climate and environmental risk drivers and their impacts in the short, medium and long term

In line with internal risk management rules and procedures, NLB Group uses a 5-level scale for assessing climate-related physical and transition risk drivers:



### Physical risk

Each of the identified physical risk drivers is assessed from a probability (likelihood) and impact perspective. The assessment is performed in line with internally developed methodology, which relies on available climate and environmental data (including insurance companies' loss statistics), vulnerability and climate studies available for the region (provided by different relevant state institutions) and expert judgement. While the probability of a severe physical risk event is evaluated based on the location of the exposure, the impact of such an event relies more on the industry (segment) of the counterparty. Probability and impact scores are then combined into a vulnerability score. For residential mortgages the Group assesses flood risk by using flood maps, which means that the exact flood risk level is determined based on the micro location of the real estate.

### NLB Group performed the materiality assessment of physical risk as at 30 June 2023. Key findings were as follows:

- Short-term exposure to physical risk is not material; however, it is expected to increase gradually due to climate change.
- Over the medium-term horizon, the level of physical risk is assessed as moderately low.
- Over the long-term horizon, considering the RCP 2.6 scenario, the level of physical risk is higher, although still at the moderately low level. Considering the RCP 8.5 scenario, the level of physical risk over the long-term is increased and assessed as moderate.
- From the materiality perspective we can conclude that floods and drought are currently the only material risk driver in certain industries and regions. Hail- and windstorms are less material. Other events are not material. Chronic risk is also not determined as a material risk in the short- and medium-term. From the perspective of direct corporate exposure, mostly the agriculture sector in some countries is materially exposed to physical risk (high and moderately high level of drought) in the mid-term horizon. Vulnerability to physical risk in other industries is less material. Within the short- and medium-term horizon, no exposure is allocated to the high-risk bucket. Considering the long-term horizon, 7% of the corporate portfolio is allocated to the high-risk bucket under the RCP 2.6 scenario and 17% under the RCP 8.5 scenario.

### Transition risk

The assessment of transition risk factors is based on the UNEP FI methodology, which was elaborated by NLB Group to a more granular level. The methodology is combined with actual emission data of a counterparty or proxy emissions data. For residential mortgages the Group assesses transition risk by using energy performance certificate (EPC) labels, primary energy consumption and CO<sub>2</sub> emissions, and other information derived from the EPC.

### NLB Group performed the materiality assessment of transition risk as at 30 June 2023. Key findings were as follows:

- Transition risk is already a material risk driver and will reach its peak in the mid-term horizon.
- Over the short-term horizon, the level of transition risk is assessed as moderately low.
- Over the mid-term horizon, the level of transition risk will increase to moderate level.
- Over the long-term horizon, the level of transition risk is expected to start decreasing.
- As such, exposure to transition risk over the long-term horizon is less material. Using UNEP-FI methodology for classification of transition risk, only 4% of the corporate portfolio is allocated to the high-risk bucket and 10% to the moderately high risk bucket. 40% of the portfolio is allocated to the low or moderately low risk bucket and the remaining part is allocated to the moderate-risk bucket.
- From the industry view perspective, above-moderate exposures are in manufacturing, the wholesale and retail trade, and the construction and electricity production sectors in Slovenia and Serbia. Less material are such exposures in Kosovo and other countries. For these sectors, direct and indirect emission cost factors are contributing to the above-average risk score, although many industries will also be heavily impacted by Capital Expenditure needs (higher, above average, CAPEX risk score). Country-wise, the overall transition risk is the lowest in Slovenia and highest in Serbia, even though the UNEP-FI methodology is not country specific. In countries other than Slovenia (the rest of NLB Group), we expect delayed transition. This means lower short-term risk and faster transition in the mid-term period.

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The results of the materiality assessment of transition and physical risk over the medium-term horizon, as explained above, are presented in the following two charts. The first chart shows the exposure of the corporate portfolio to physical and transition risk by country, and the second by industry.

**Other environmental risk**

NLB Group also performed the materiality assessment of other environmental risk as at 30 June 2023. Key findings were as follows:

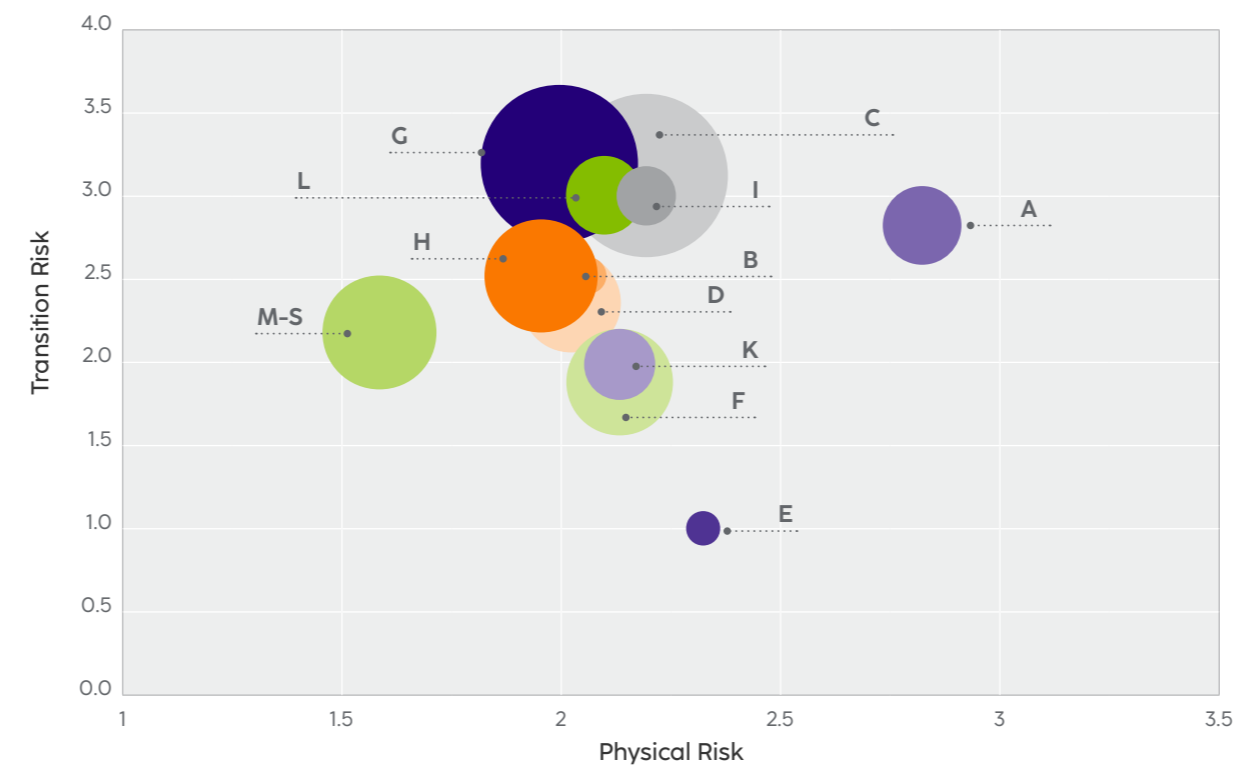
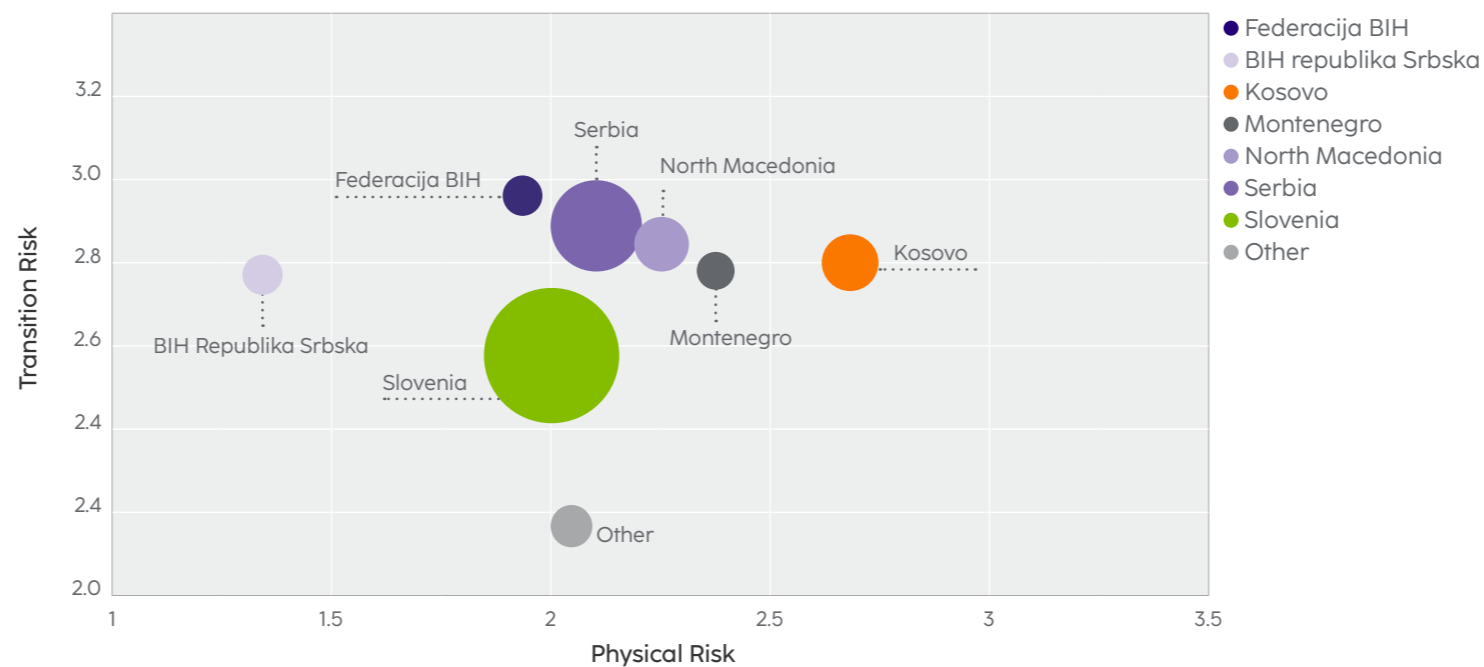
- Short-term exposure to other environmental risk is not material; however, it is expected to gradually increase and will reach its peak in the mid-term horizon.
- Over the medium-term horizon, the level of transition risk is assessed as moderately low.
- In the contrast to transition risk, other environmental risk is not expected to decrease in the long-term.

EBRD methodology was used for materiality assessment of other environmental risk, such as waste disposal, nature conservation incl. biodiversity loss, and pollution, over the medium-term horizon. However, in this case methodology considers only three risk buckets:



Methodology was applied to the corporate portfolio. 17% of the portfolio is allocated to above-moderate risk level and 34% to moderate risk level. The remaining part (majority) is allocated to the low-risk bucket.

**Figure 20:** Overview of the materiality of physical and transition risk by country and by industry



- A Agriculture, Forestry and Fishing
- B Mining and Quarring
- C Manufacturing
- D Electricity, gas, steam and air conditioning supply
- E Water supply, sewerage, waste management and remediation activities
- F Construction
- G Wholesale and retail trade, repair of motor vehicles and motorcycle
- H Transportation and storage
- I Accommodation and food service activities
- K Financial and insurance activities
- L Real estate activities
- Other: J, M-S

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## Conclusion on assessment of climate and environmental risk drivers and their impacts

### Transition risk impact:

- Transition risks already arise in the short term due to the EU's determination reduce carbon emissions in accordance with its ambitious net zero by 2050 strategy.
- With the implementation of NLB Group's net-zero strategy in 2023 it is expected that impacts of transition risks will gradually diminish in the long run. Nevertheless, the Group assessed transition risk as more of a material than a physical risk. This can already be observed through higher energy and emission costs. There are certain industries which are directly or indirectly related to fossil fuels and such industries are considered riskier.
- The level of transition risk does not depend only on the industry itself but also on the companies (ESG awareness, strategy, efficiency, etc.) and their location (outside the EU there is less regulation).
- On the portfolio level, the Group does not face any large concentration of specific NACE industrial sectors exposed to climate risk, whereby the role of transitional risk is more prevalent. Based on industry segmentation of the portfolio and corresponding emissions, the Group has relatively low exposure to emission-intensive sectors in its corporate clients' business. There is some exposure in more emissions-intensive industries, such as energy, transportation, industry and agriculture; however, exposure to clients with high emissions is rather limited. As part of its strategy, NLB Group does not finance companies that extract fossil fuels or operate coal-fired power plants. In residential mortgages the most important input for GHG calculation are the buildings' energy performance certificates.

### Physical risk impact:

- The most relevant natural disasters are drought and floods, while hail- and windstorms are also frequent but less material. However, we can expect that its impact will increase in the long run if no adequate policy changes are implemented in a timely manner. Other events are not material for the region and the Group's business model.
- A model for assessing flood risk based on national and EU flood risk zones was developed – determining flood risk on the actual location of the real estate collateral; a model for other NLB group countries is in development. For all collaterals in our portfolio, flood risk based on micro location (high, moderately high, moderate, moderately low, low) will be determined in 2024. Based on the analysed data, floods and drought do cause material losses, but they do not have a material effect on the Group's portfolio.
- Chronic physical risks in Slovenia are assessed as not material to the Bank's collateral exposure.
- Some past losses in the region were observed in public infrastructure and agriculture, but such losses were to a large extent reimbursed by the government (impact on sovereign debt). Further on, as supported by insurance statistics, many losses caused by physical risk are covered by insurance which also limits the impact of these risks on the Bank's performance.
- The Group's credit portfolio is well diversified (from the industry and location perspectives) which reduces the impact of such events. Stress tests performed on the real estate portfolio reveal that some losses could occur due to physical risk, though with no significant impact on the Group's performance.

### Other environmental risk impact:

- Exposure to other environmental risk (such as waste disposal, nature conservation incl. biodiversity loss, and pollution), is not material in the short run, though their long-term potential impacts are taken into consideration. The Group is following the developments in these risks, and exploring possibilities to perform more granular and individual assessments where needed.

## ESG stress testing

NLB Group has established an internal ESG stress testing concept to identify the most relevant financial vulnerabilities stemming from transitional and physical climate risk, which will be further enhanced by considering additional disposable ESG-related data. The results of the climate stress tests showed no material impacts on the Group's capital and liquidity position.

As a systemically important institution, NLB Group was included into the 2022 ECB Climate Stress test exercise, consisting of three modules. The exercise was conducted in the first half of 2022 and aggregate results were published in July 2022. By performing this exercise ECB assessed how banks are prepared for dealing with financial and economic shocks stemming from climate risk. The Group's overall results were within the range of average peer results.

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## ESG risks in credit risk management

NLB Group has implemented tools for identification, measurement and management of ESG risks in its overall credit risk management, including credit approval process and the related credit portfolio management, as well as in the collateral evaluation process.

### Credit approval process and related credit portfolio management

#### ESMS – Environmental and Social Risk Management System

NLB Group established the Environmental and Social Risk Management System (ESMS), a comprehensive risk assessment and monitoring mechanism in 2021. ESMS was initially set up to provide screening of current or potential financing applications against the MIGA and EBRD Exclusion List and applicable environmental and social laws, in line with Framework Agreements with the EBRD, the Contract of Guarantees with MIGA and the UNEP FI Principles for Responsible Banking. The main objectives of ESMS are to identify and manage NLB Group's exposure to the ESG risk of its clients, and to promote their good environmental and social business practices. The system is fully embedded in NLB Group's loan origination and monitoring and is regularly updated with any material factors or procedures in line with ESG-related developments and requirements.

ESMS is an ESG risk assessment mechanism fully embedded in NLB Group's loan origination and monitoring.

#### Key steps of the transaction approval process:

- Collection of ESG data is embedded in KYC (know your client) rules and procedures.
- After ensuring that the transaction is not included on the exclusion list, a Regulatory Compliance Check is performed, which verifies that client is adhering to the applicable laws, regulations and standards, including environmental and health and safety regulations, planning permissions, operating licences and permits.
- If the transaction is classified with high environmental or social risk, a strict deviation management process is in place that ensures further enhanced risk assessment.
- During a project's lifetime, ESG risk monitoring is established to assess the impact of each risk and create a strategy for its mitigation. It is thereby ensured that the risks are being adequately addressed and that any changes or newly emerged risks are identified and addressed promptly.
- If the client fails to comply with the investment's ESG requirements, we assess the situation and determine the best course of action. This could include exiting the investment or taking steps to mitigate the risk of non-compliance. Potential financial losses or legal consequences are considered, as well as any potential reputational damage. We also take into consideration our overall ESG strategy and how exiting the investment may affect our ability to meet our ESG goals.
- In residential mortgages the most important input for GHG calculation are the buildings' energy performance certificates (EPC). Therefore, for new lending, NLB gathers energy performance certificates (EPCs) for real estate in collateral in all cases when an energy performance certificate is applicable. For back book NLB relies on actual data from the public EPC registry and modelled EPCs. For modelled EPCs in NLB Group an external provider modelled missing EPCs based on public EPC registry data and information from the country specific databases. Activities for collecting additional official and more accurate modelled energy performance certificates (EPCs) in the whole Group are underway.

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The credit ratings of clients that are materially important to NLB Group and the issuing of credit risk opinions are centralised via the NLB Credit Committee. The process follows the co-decision principle, in which the credit committee of the respective group member first approves their decision, following which the NLB Credit Committee gives their opinion. ESG enhanced risk assessment in the Group is performed:

- at annual review of the client, when the thresholds of exposure and ESG risk level are met, and
- upon a new transaction proposal, when:
  - new loans relate to project finance with a total value of project above EUR 10 million,
  - financing applications relating to secondary market transactions or syndicated loans where the participation of the bank is below 25% of the total loan value,

- a new loan is above EUR 3 million and of at least 36 months of maturity and the client bridges the threshold for ESG review at the annual review.

The implemented Environmental and Social Management System (ESMS) applies to transactions with the greatest potential for significant negative environmental and social impacts. According to the ESMS, ESG risk management is considered on three levels:

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

## Collateral management

Real estate plays an important role in the debate on the transition to a carbon-neutral economy. NLB Group's ESG risk management in collateral evaluation process is focused on real estate climate transition and physical risks. Identification and materiality of specific ESG risks for real estate in collateral is assessed through NLB Group methodology for environmental risks. Climate transition and physical risks are measured through energy performance data of real estate and collateral location data.

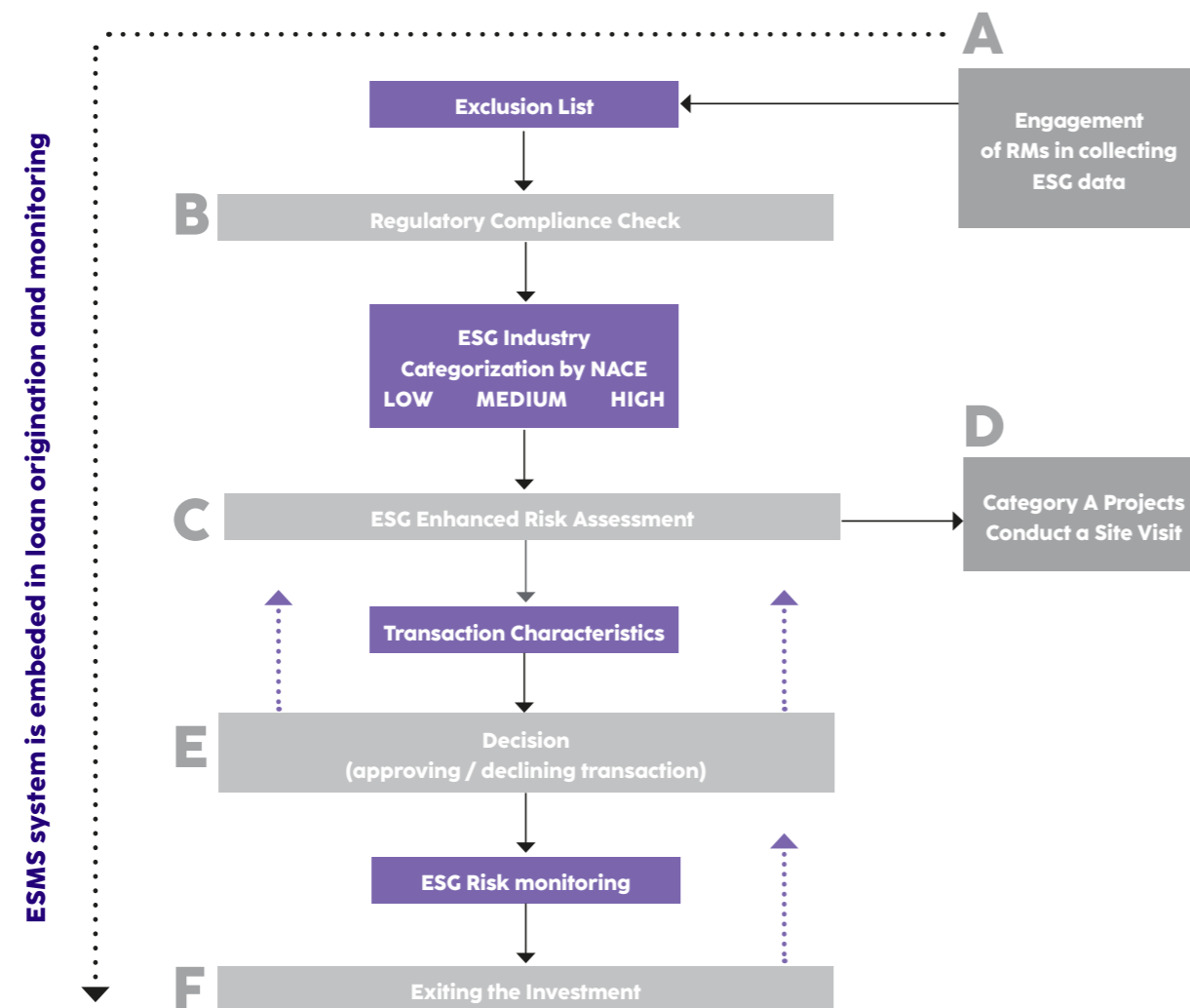
### Climate transition risk

Energy performance certificates provide relevant information to banks on energy efficiency of buildings in collateral, so EPC data collection initiative is in action. NLB Group used different sources and methods to obtain data on EPC of the real estate in collateral as the Group is present on EU and non-EU markets.

On the Slovenian market there is the publicly available EPC database from the Ministry of the Environment and Spatial Planning and the full national base is periodically matched with NLB's real estate in collateral; proxy EPC were also developed for collateral stock based on the national database. For new production information on EPCs is also collected from the borrower at loan origination and included in the NLB database, and official EPC has been mandatory for new residential mortgage loans for private individuals since the end of 2023 (before that only in cases when EPC was mandatory according to Slovenian law) which will, in time, increase the share of official EPC data.

In other non-EU countries multiple difficulties were discovered during the EPC data collection initiative. In some countries EPCs are not established in the local legislation (e.g. Montenegro, Kosovo), while in others EPCs do exist but are not enforced by local law. All missing EPCs in the NLB and NLB Group portfolio were modelled based on available characteristics of real estate in collateral (specifically for each country). Additional measures are in development to increase the share of official EPC data on all markets.

Figure 21: Key steps of the transaction approval process



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### Climate physical risk

The impacts of climate change on physical risk could arise from both an increase of extreme weather events (acute impacts) as well as from gradual global warming (chronic impacts). A model for assessing acute flood risk based on national (Slovenian) flood risk zones and EU flood risk zones (NLB Group members) was developed – determining flood risk on the actual location of the real estate in collateral. For all collaterals in the Slovenian portfolio, flood risk (high, moderately high, moderate, moderately low, low) was determined; flood risk assessment on the micro location of real estate for NLB group members is still in development. Other physical climate risks are assessed through NLB Group methodology for environmental risks as not material to the Bank's collateral exposure.

#### Key developments, results and outcomes in 2023:

- Update of collateral evaluation methodologies with physical and transition risk
- EPC data collection initiative – disclosure of EPCs for Slovenia, EPC proxies for the Balkan region from external provider obtained and communicated with Group members
- Flood tool development (implementation continues in 2024)

## Limits and exclusions

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

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

In addition, NLB Group has also identified some activities which require certain limitations and monitoring due to increased social and governance risk. A transaction is rejected in the case that client is involved in any activity on the exclusion list. Screening is performed at the time the financing application is received, at the time the financing is approved, and periodically (e.g. annually) until the maturity of the financing.

## NLB Group has committed to strict limitation of new financing of certain activities, including coal-related industries.

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

» For the full list, please refer to <https://www.nlb.si/exclusion-list>.

#### In 2023:

- NLB Group expanded the list of prohibited activities to better align with the Environmental and Social Policy of the European Bank for Reconstruction and Development (EBRD).
- The NLB Group Lending Policy was upgraded with the Exclusion List from the EBRD Environmental and Social Policy (2014) and MIGA Environmental and Social Exclusion List (signed with NLB Group members) to which the Bank must strictly adhere. The incident reporting procedure sets out the rules of environmental and social incidents reporting to EBRD and MIGA. As a rule, in addition to the governance bodies of NLB Group members, these financial Institutions must be promptly notified of any environmental or social incident or accident related to the client or the project, which has, or is likely to have, a significant adverse business effect.
- Established thresholds for ESG Due Diligence to identify and assess ESG impacts and issues (ecological obligations and risks, labour, working conditions, health, safety, cultural heritage, etc.) associated with transactions.
- NLB Group established thresholds for Assessment of ESG Factors within Financial Analysis for understanding ESG standards on Environmental and Social Sustainability.

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## Social risk management

In accordance with the NLB Group Risk Strategy and internal policies, the Group is willing to finance clients which adequately consider social responsibility in their business model and strategy, as defined in the Environmental and Social Credit Policy Framework. For certain clients above the defined threshold, additional ESG screening activities are performed as defined in the Framework. In addition, a set of rules in the area of social risk for existing and new suppliers are established to continue business relationships.

In the context of social risk management of our clients, NLB has started to implement a questionnaire (developed in cooperation with the Bank Association of Slovenia). The questionnaire is part of the ESMS due diligence process for clients. Within the process clients must clarify whether the company has put in place policies relating to the social aspects of operations in the following areas:

### 1. Impact on community/society:

- description of the client's programmes to support local communities

### 2. Employee relations/labour standards and human rights:

- whether the client has a collective agreement for basic workers' rights and if it provides its employees with additional benefits/bonuses (supplementary pension or health insurance, jubilee benefits, sports activities, etc.)
- description of mechanisms in place for making anonymous complaints regarding irregularities (whistleblowing) and for dealing with irregularities/infringements at the employer by the employees,

### 3. Customer protection and product responsibility

Processes and activities to identify, measure and monitor social risk within credit process, as well as implementation tools for identifications and management of social risks, are described in NLB Group's ESMS and screening process. For detailed information on the screening process, please refer to the chapter ESMS - Environmental and Social Risk Management System as the described process with new or existing counterparties also applies to social

risks. These processes are also defined in detail in other internal policies that govern specific social-related risks.

In this context, NLB Group regularly monitors fulfilment of non-financing activities that are not supported by NLB Group (exclusion list) due to a negative social impact. To mitigate social risk, the ESMS system includes a Regulatory Compliance Check, by which the client is checked for legal compliance and a contractual clause is included in the loan agreement that specifies that the client operates and complies with all applicable Slovenian and EU regulations applicable to the client (borrower) and its business, including social regulations (in addition to environmental).

Key topics that are subject to screening are:

- equality of people
- non-discriminatory regulation
- the possibility of advancement of the individual and social groups
- cultural heritage

## Governance risk management

Activities to engage and monitor clients' management of governance risks are set out in the Environmental and Social Transaction Policy Framework in NLB and NLB Group. The activities include assessment of:

- Commitment to managing ESG issues relevant to the business
- Presence of effective systems to manage ESG issues, including accountability
- Past record of regulatory breaches, fines, lawsuits, negative media or stakeholder protests/complaints that demonstrate how well the client has been managing E&S issues
- Past track record through an online search of publicly available information such as media reports, social media, and nongovernmental organisation websites

In this respect, during environmental and social screening of a client, the role of its management and/or supervisory board is assessed. This is done by reviewing their statement on non-financial reporting (if it is included in counterparty's annual report) and

within a questionnaire during the extended overview, which includes a specific question on the commitment level of senior management to ESG issues.

Counterparties' strategies to mitigate governance risks and governance performance are included in the screening (due diligence) process within the Group's ESMS. For more information on the ESMS and screening process, please refer to the chapter ESMS - Environmental and Social Risk Management System as the described process with new or existing counterparties also applies to governance risks. NLB Group continuously upgrades activities to rectify managing counterparties' governance risks.

In particular, to monitor counterparties' governance performance, NLB has implemented a questionnaire (developed in cooperation with the Bank Association of Slovenia). The questionnaire is part of the ESMS due diligence process as follows:

- Ethical aspects of governance (including anti-corruption and bribery considerations, related measures, training, and education, avoiding conflict of interest)
- Strategy and risk management (including business continuity plan, protection of personal data)
- Diversity in management and supervisory boards
- Transparency of clients' reporting on past emissions performance across all relevant scopes

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# ESG risk targets and metrics

## Financed emissions

As presented in the chapter Climate (Net-Zero) strategy, the NLB Group pursues its ambition to achieve climate neutrality by 2050. In line with this ambition, the Group discloses comprehensive information related to exposures to nonfinancial companies operating in sectors that significantly contribute to climate change, including, among other things, information on the credit quality of the exposures and on financed emissions (Scope 3, Category 15) as summarised in tables below and presented in detail in the NLB Group Pillar III Disclosures.

The availability of ESG data (and financed emissions data among others) in the region where the Group operates is still lacking. Nevertheless, the Group made significant progress in the process of obtaining relevant ESG-related data from its clients in the region.

NLB Group used the following data sources to obtain the GHG carbon emission data:

- Data provided by the clients (for a limited number of clients, the Bank was able to obtain actual Scope 1, 2, and 3 emissions data).
- Data found on the client's home web pages.
- External data / Proxies for Scope 1, 2, and 3 emissions for clients with no reported/published carbon footprint data.

In addition to climate change transition risk and related credit quality of exposures, NLB Group also monitors and reports on the energy efficiency of the collateral, exposures to the top 20 carbon-intensive firms, and exposures subject to physical risk.

» For detailed information please refer to NLB Group Pillar III Disclosures.

**Table 48:** Summary of Banking book - Climate Change transition risk: Credit quality of exposures

	Gross carrying amount (in EUR million)
Exposures towards sectors that highly contribute to climate change	5,262
Exposures towards sectors other than those that highly contribute to climate change	787
<b>Total</b>	<b>6,049</b>

**Table 49:** Summary of Climate Change transition risk: Credit quality of exposures by emissions

	GHG financed emissions - scope 1, scope 2, and scope 3 emissions of the counterparty (in tCO <sub>2</sub> eq)
Exposures towards sectors that highly contribute to climate change	10,619,885
Exposures towards sectors other than those that highly contribute to climate change	379,794
<b>Total</b>	<b>10,999,680</b>

## EU Taxonomy disclosure

The EU Taxonomy is a classification system designed to determine the environmental sustainability of economic activities within the European Union. For banks, it serves as a crucial framework for evaluating and disclosing the environmental impact of their investments and lending practices. By adhering to the EU Taxonomy, banks can identify and prioritize investments that contribute to environmental objectives, such as climate change mitigation and adaptation. The taxonomy provides clear criteria and standards, enabling banks to assess the alignment of their portfolios with sustainable goals, mitigate risks associated with environmentally harmful activities, and support the transition to a more sustainable economy. Compliance with the EU Taxonomy is mandated under articles 8 and 10 of the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088. This legislation lays down the criteria for determining whether an economic activity is environmentally sustainable and provides the basis for the EU Taxonomy's implementation across various sectors, including banking and finance.

For the first time, NLB discloses for the 2023 financial year information about the Taxonomy alignment with regard to the first two environmental objectives – “climate change mitigation” and “climate change adaptation, which includes:

- the proportion of NLB Group assets that meet the criteria outlined in the taxonomy for environmentally sustainable economic activities, and
- the exposure to nuclear energy and fossil gas energy sectors.

The summary of disclosure is presented in the table on the next page.

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Table 50: Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets (Turnover) in thousand EUR	Total environmentally sustainable assets (Capex) in thousand EUR	KPI (Turnover-based)**	KPI (Capex-based)***	% coverage (over total assets)*	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	Green asset ratio (GAR) stock	157,973.00	186,460.00	0.99%	1.17%	62.01%	21.78%	37.99%
		Total environmentally sustainable activities (Turnover) in thousand EUR	Total environmentally sustainable activities (Capex) in thousand EUR	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	GAR (flow)****							
	Trading book *****							
	Financial guarantees	1,074	36,221	0.89%	10.81%			
	Assets under management							
	Fees and commissions income**							

\* Share (%) of assets covered by the KPI, over total assets.

\*\*based on the Turnover KPI of the counterparty

\*\*\*based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used

\*\*\*\*GAR (flow) will be reported 2024.

\*\*\*\*\*For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR

Note: Fees and Commissions and Trading Book KPIs shall only apply starting 2026.

» For detailed EU Taxonomy disclosures please refer to the Sustainability Data Library on the NLB website and NLB Group Pillar III Disclosures.

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**When you  
help one,  
you always  
help more.**

### **Contribution to society**

After the disastrous flood, the young came together to take care of their home court. When the entire community unites, individuals learn the importance of solidarity when overcoming obstacles. Sustainability in NLB Group is also about making contributions – both within communities and to society at large.

# Contribution to Society

At NLB Group we believe that banks have an important social function which goes beyond lending and investing. Therefore, we consider social factors in all our operations and all pillars of sustainability. Furthermore, we actively contribute towards wider socio-economic development through our corporate social responsibility activities with an overarching focus on education in the communities in which we operate.









## Overview of sponsorships and donations in 2023

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

NLB contributed to improving life in the region by providing more than 300 sponsorships, donations, partnerships, projects and other initiatives in 2023. The following chapters give an overview of key CSR activities with the greatest impact Group-wide, providing a breakdown by UN SDGs and type of activity.

In 2023, climate action-related CSR activities had the highest share due to large donations to the 20 most affected municipalities and the country to mitigate the consequences of the devastating August floods in Slovenia.

Table 51: CSR Activities in NLB Group banks – breakdown by UN SDGs

UN SDG	Share of CSR activities (in%)
 Climate action	57
 Good health and well-being	19
 No poverty	6
 Sustainable cities and communities	4
 Reduced inequalities	3
 Quality education	3
 Life on land	2
 Decent work and economic growth	1
Other	5
<b>Total</b>	<b>100%</b>

Note:  
Climate Action has the highest share due to large donations to the 20 most affected municipalities and the country to mitigate the consequences of the devastating August floods in Slovenia.

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# Education, financial literacy and mentoring



**At NLB Group, we are dedicated to counselling in the field of financial literacy for various stakeholders, reducing inequalities and improving education.**

Goal 4- Quality education  
Goal 10 – Reducing inequalities

## NLB

- Bankarium, the banking museum of Slovenia, had 3854 visitors in 2023. It is not just a museum – it is also a financial literacy centre. Walking through six stages of personal finance management, visitors can play digital games and quizzes, and learn or check their financial literacy in a fun way. The centre is widely accepted and enjoyed by school groups (1140 pupils visited it). Thus, NLB has a significant influence on knowledge transfer to future generations.
- The Bank joined the Minicity initiative, which has made significant strides in promoting financial literacy throughout 2023. Besides playful education in finance in which 80,000 children participated, the Bank empowered prenatal families with crucial financial knowledge at three special education events.
- Partnering with Simbioza, NLB delivered four digital financial literacy workshops specifically designed for retirees, ensuring they navigate the financial landscape confidently.

## NLB Banka Banja Luka

- The Bank supported the ETF Students Hackathon, the task of which was the development of a mobile app for payments and monitoring of student expenses. Seven teams competed, with up to 60 students taking part.

## NLB Banka Podgorica

- The Bank organised various financial literacy programmes in seven schools, attended by 220 pupils aged between 10 and 12 years.
- The Bank sponsored the EYKA – an educational camp for financial literacy, attended by 30 young people.
- Four dialogues with youngsters were organised in four different cities across Montenegro. 120 high school students, students and young professionals participated in discussions about what a socially responsible bank can do for them. The young people discussed various aspects, from banking to social entrepreneurial initiatives and financial management.

## NLB Banka Skopje

- The Bank enabled an intercultural exchange of 10 students and two teachers from the Kolezija Elementary School in Ljubljana and Stip Elementary School from North Macedonia. Students researched different areas of each other's country and presented their results to each other in Zoom meetings. After the one-year activities, students made a written agreement to visit each other.

# Responsibility to the environment



**We continue to create and support a variety of initiatives that aim to reduce carbon footprint, combat climate change and increase positive impacts on the environment. We also empower our stakeholders to raise their awareness and engage them in such initiatives.**

Goal 13 – Climate action  
Goal 15 – Life on land

## NLB

- The Bank continued the partnership as a Green Partner of the GLWF (Green Light World Flight) project, led by Slovenian aviator and climate change researcher Matevž Lenarčič and prof. dr. Griša Močnik, head of the GLWF scientific research team. Thus, we support and enable measurements of black carbon, in addition to carbon dioxide, another important greenhouse gas. The combined measurements serve as input and validation data for regional models of climate change and the dispersion of pollutants.
- Bank employees planted 2500 seedlings on an area of approximately one hectare of the southern Trnovski gozd forest, near Nova Gorica. The forest has been affected by various natural disasters in recent years to such an extent that the forest can no longer regenerate itself.
- The Bank continued the long-lasting partnership encouraging sustainable mobility in the second largest Slovenian city, which enlarged the network to 230 city bikes.
- On the 150th anniversary of the Slovenian Beekeeping Association, the Bank decided to support its activities with general sponsorship, thereby also enabling the organisation of the 2023 International Young Beekeepers Competition. By supporting Slovenian beekeeping, which is among the best in the world, the Bank supports the preservation of a rich cultural heritage and the protection of the environment, thereby confirming its commitment to sustainability. The first competition of this kind in Slovenia was attended by over 150 participants from 30 countries from all continents of the world.

## NLB Banka Banja Luka

- Local branch employees participated in tree planting in an area of the city of Bijelina, which is prone to flooding, and by planting 30 trees contributed to preventing soil erosion.
- The Bank traditionally supports the art and ecology colony Bardača, where artists from the region gather and hold painting schools for young children, promote environment protection and preservation of this unique area. Up to 200 children from 4 local elementary schools participated.

## NLB Banka Podgorica

- Bank employees planted 103 trees in 7 schoolyards as part of the ambitious mission to green all schoolyards in Montenegro in the next 5 years.

## NLB Banka Sarajevo

- The Bank supported the project Eko Zeleni Tuzla and thus enabled the organisation and realisation of several eco programmes, focusing on education in schools for youngsters (6–19 years), research programmes and tree planting.

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# Sustainable and inclusive entrepreneurship



NLB Banka Banja Luka

NLB Banka Podgorica

NLB Komercijalna banka, Beograd

**We create and support several initiatives that promote entrepreneurship, innovative thinking, economic growth and inclusiveness**

Goal 10 – Reduced inequalities  
Goal 2 – Zero hunger

- The Bank organised, supported and participated in several Women in Adria events throughout Bosnia and Herzegovina. The events brought together women managers-entrepreneurs, enabled networking and experiences sharing and empowering each other, and point out the positive sides of female togetherness.
- The Bank continued cooperation in the EBRD Women in Business programme that helps women-led SMEs to access tailored finance and business advice and participated at the annual conference that celebrates women entrepreneurs in the Western Balkans.
- The traditional Organic contest aimed at encouraging organic agriculture in Serbia was organised. In 2023, 50 innovative projects applied to the 12th NLB Organic and the best four were awarded a total amount of RSD 2.5 million. In addition to the award for the best project in organic agriculture, new categories were: women, youth under 40 and a service industry that offers at least one organic product from Serbia.

# Supporting youth, women's and disabled sports



NLB

NLB Banka Sarajevo

NLB Banka Skopje

NLB Banka Komercijalna banka

NLB Banka Prishtina

NLB Banka Podgorica

**We promote positive values of sport, through support of various sports associations, clubs and young athletes, whose talent and sportsmanship are an inspiration for all of society, and contribute in particular to good health and well-being.**

Goal 3 – Good health and well-being  
Goal 5 – Gender equality  
Goal 10 – Reduced inequalities

- The Bank supported 66 sport clubs within the NLB Sport for Youth programme. More than 10,000 children aged from 6 to 14 years participated.
- Within the traditional NLB Sports Academy project, the Bank carried out 4 academies with more than 100 participants from Sport for Youth club representatives.
- As part of the NLB Wheel project, the Bank donated two sports wheelchairs for disabled athletes – basketball players.
- The Bank supported various sports activities (over 1630 students and 310 children). In addition, the Bank sponsored a basketball camp, which promoted healthy living, transferring knowledge of professionals to young generations (over 130 children).
- The Bank executed the Grassroot Sports Activities project (over 1000 children), and implemented the Special Olympics Macedonia "Young Athletes" programme for the cities of Kumanovo and Makedonski Brod. The programme is intended for children with and without intellectual disabilities, which aims to enable the development of children's motor and social skills through sports and sports activities. The Bank also sponsored the Macedonian delegation in this competition.
- 4 sports clubs (over 370 youngsters) were supported by the Bank.
- The Bank supported different sport clubs around Kosovo. The largest initiatives are sponsorship of Handball Federation of Kosovo, the women's league with 61 teams, and of the country's most successful women's handball club KHF Istog.
- Within support of the Chess Federation of Montenegro, the Bank contributes to the further development and popularisation of chess in Montenegro, with a special focus on young people and the continuation of the "Chess in Schools" campaign (over 400 children participated).
- The Bank also supports the Paramount basketball club, the only basketball club in Montenegro for people with disabilities

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# Philanthropy



**We contribute to society through philanthropy, charity and volunteerism. These initiatives are particularly aimed at socially disadvantaged groups of citizens or people in need due to various reasons and circumstances.**

Goal 3 – Good health and well-being

Goal 5 – Gender equality

Goal 10 – Reduced inequalities

Goal 13 – Climate action

## NLB Group

- Donation of the total amount of EUR 1.35 million on all the markets of our operations in our home region. Recipients of the donation were proposed and selected by employees.

## NLB

- The bank donated EUR 9.5 million to help the most affected citizens and municipalities in devastating floods in Slovenia,
- Within a partnership with the Alzheimer Slovenia association, Bankarium became a dementia-friendly spot, which represents an important step in the integration of people with dementia into society.

## NLB Banka Banja Luka

- The Bank supported a local association “DIABETno1” with the aim to raise awareness about the early prevention of diabetes, through a series of public educational events not only for local the community but also our colleagues.
- With the aim of establishing a laboratory for HLA tissue typing and establishing a register of voluntary donors of stem cell donors in Republika Srpska, entity of Bosnia and Herzegovina, the Bank supported a humanitarian action of the local community “With Love for Brave Hearts”.

## NLB Banka Priština

- 4 Kosovo municipalities that were affected by floods received a donation from the Bank.

## NLB Banka Sarajevo

- The Bank donated to an association for citizens suffering from dystrophy for their education programme, legal rights, mental health etc., and to elderly/retired seniors in need.

## NLB Banka Podgorica

- With the Bank’s donation to the socially responsible campaign “One goal. Beat breast cancer” in Montenegro, 100 breast screenings were made possible.

## NLB Banka Skopje

- The bank supported the Counselling Centre project for psycho-social support of persons with disabilities and their families for a period of 1 year and production of a video with advice for children with disabilities,
- By donating orthopaedic aids, the Bank helped the patients with cystic fibrosis. These aids are essential for daily home therapy for patients, and are not financed by the Health Insurance Fund in Macedonia, so the patients pay for them privately,
- The Bank also supported an initiative for a women’s intervention fund and 11 support centres in the National Network Against Women and Domestic Violence.

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**Every  
match is an  
opportunity  
to rise.**



### **Beyond the reporting**

Basketball creates strong bonds between players through shared triumphs and challenges on and off the court. These experiences help the young develop empathy and responsibility towards each other and the world. As we reflect back on NLB Group's sustainability journey in 2023, we are grateful for every match, every opportunity, every lesson, and every person who contributed to our success.

# Appendix 1: NLB Group Sustainability Data Library

**The Sustainability Data Library is an on-line supplement to the NLB Group Sustainability Report 2023 and is available to the stakeholders on NLB website: <https://www.nlb.si/sustainability>.**

It provides three year historical data (2021, 2022, 2023) on key performance indicators of the Group's sustainability pillars, namely sustainable operations, sustainable finance, and contribution to society.

In addition, the Sustainability Data Library provides comprehensive EU Taxonomy disclosures in compliance with the EU Taxonomy is mandated under Article 8 and article 10 of the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

NLB Group continuously strives to develop and expend its sustainability reporting, hence the Sustainability Data Library will be regularly updated on at least yearly basis.

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# Appendix 2: GRI Index Table

## GRI content index

<b>Statement of use</b>	NLB Group has reported in accordance with the GRI Standards for the period January 1 <sup>st</sup> 2023 till December 31 <sup>st</sup> 2023
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	There is no GRI Sector standard for financial/banking sector at the time of the preparation of this sustainability report.

Please note:

(1) The Sustainability Report = NLB Group Sustainability Report 2023, Annual Report = The NLB Group Annual Report 2023

(2) As a rule, data for NLB Group and significant locations are presented: parent bank NLB, d.d. (Slovenia), and 6 subsidiary banks: NLB Banka a.d., Skopje (North Macedonia); NLB Banka a.d., Podgorica (Montenegro); NLB Banka sh.a., Priština (Kosovo); NLB Banka d.d., Sarajevo and NLB Banka a.d., Banja Luka (Bosnia and Herzegovina, respectively).

(3) In addition to references below, Appendix 5: Overview of Sustainability-Related Policies provides high level information on domain-specific management of material topic.

GRI standard/ other source	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
<b>General disclosures</b>					
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	1. <a href="https://www.nlbskupina.si/profile">https://www.nlbskupina.si/profile</a> 2. <a href="https://www.nlb.si/at-a-glance">https://www.nlb.si/at-a-glance</a> 3. <a href="https://www.nlbskupina.si/nlb-group-companies">https://www.nlbskupina.si/nlb-group-companies</a> 4. See chapter NLB Group at a glance in the Sustainability Report, page 9			
	2-2 Entities included in the organization's sustainability reporting	1. See chapter About this Report in the Sustainability Report, page 7			
	2-3 Reporting period, frequency and contact point	1. See chapter About this Report in the Sustainability Report, page 7			
	2-4 Restatements of information	1. See chapter About this Report in the Sustainability Report, page 7			
	2-5 External assurance	1. See chapter About this Report in the Sustainability Report, page 7			
	2-6 Activities, value chain and other business relationships	1. See chapter NLB Group at a glance in the Sustainability Report, page 9 2. See chapter Sustainability Strategy in the Sustainability Report, page 16			
	2-7 Employees	1. See chapter Sustainable employee relations, in the Sustainability Report, page 74			
	2-8 Workers who are not employees	1. See chapter Sustainable employee relations, page 77			
	2-9 Governance structure and composition	1. See chapter Governance in the Sustainability Report, page 46 2. See the Bank's website at <a href="https://www.nlb.si/composition-and-operation-of-the-corporate-governance-body">https://www.nlb.si/composition-and-operation-of-the-corporate-governance-body</a> 3. See Corporate Governance Policy of NLB at <a href="https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf</a>			
	2-10 Nomination and selection of the highest governance body	1. See chapter Governance in the Sustainability Report, page 46 2. See Corporate Governance Policy of NLB at <a href="https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf</a>			
	2-11 Chair of the highest governance body	1. See chapter Governance in the Sustainability Report, page 46 2. See Corporate Governance Policy of NLB at <a href="https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/investor-relations/corporate-governance-policy-of-nlb.pdf</a>			
	2-12 Role of the highest governance body in overseeing the management of impacts	1. See chapter Sustainability governance in the Sustainability Report, page 51			
	2-13 Delegation of responsibility for managing impacts	1. See chapter Sustainability governance in the Sustainability Report, page 51			
	2-14 Role of the highest governance body in sustainability reporting	1. See chapter Management Board and Supervisory Board oversight of sustainability and ESG, page 53			
	2-15 Conflicts of interest	1. See chapter Governance in the Sustainability Report, page 46 2. See the Bank's website at <a href="https://www.nlb.si/conflict-of-interest">https://www.nlb.si/conflict-of-interest</a> 3. See Statement of Independence at <a href="https://www.nlb.si/nlb/nlb-portal/eng/about-us/corporate-governance/statement-of-independence-of-the-member-of-the-sb.pdf">https://www.nlb.si/nlb/nlb-portal/eng/about-us/corporate-governance/statement-of-independence-of-the-member-of-the-sb.pdf</a>			
	2-16 Communication of critical concerns	1. See chapter Sustainability governance in the Sustainability Report, sub chapter Communication of critical concerns, page 58			
	2-17 Collective knowledge of the highest governance body	1. See chapter Management body training on sustainability-related topics, page 65			

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**GRI 2:  
General  
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2-18	Evaluation of the performance of the highest governance body	1. See chapter Remuneration and integration of ESG goals in the Sustainability Report, page 59			
2-19	Remuneration policies	1. See chapter Remuneration and integration of ESG goals in the Sustainability Report, page 59 2. See chapter Sustainable employee relations, sub chapter Remuneration in the Sustainability Report, page 83			
2-20	Process to determine remuneration	1. See chapter Remuneration and integration of ESG goals in the Sustainability Report, page 59 2. See chapter Sustainable employee relations, sub chapter Remuneration in the Sustainability Report, page 83			
2-21	Annual total compensation ratio		Yes	Confidentiality constraints	This information is assessed and monitored internally, however not reported publicly due to business secrecy.
2-22	Statement on sustainable development strategy	See Chapter Corporate Governance Statements / Statement on Non-financial operations in the NLB Group Annual Report 2023, page 128			
2-23	Policy commitments	1. See chapter Corporate governance in the NLB Group Annual Report, page 113 2. See chapter Governance in the Sustainability Report, page 46 3. See chapter Key internal acts with a substantial focus on sustainability matters, page 19, and Appendix 5: Key sustainability-related policies 4. See chapter Respecting human rights in the Sustainability Report, page 71 5. See NLB Group Sustainability Policy: <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 6. EBRD Environmental and Social Policy (PR 2, 4, 9 are material for NLB Group): <a href="https://www.ebrd.com/news/publications/policies/environmental-and-social-policiesp.html">https://www.ebrd.com/news/publications/policies/environmental-and-social-policiesp.html</a> 7. UN Principles for responsible banking: <a href="https://www.nlb.si/press-release-30-9-2020">https://www.nlb.si/press-release-30-9-2020</a> 8. Net Zero Banking Alliance <a href="https://www.nlb.si/nlb/nlb-portal/eng/sustainability/nlb-group-netzero-disclosure_final_eng.pdf">https://www.nlb.si/nlb/nlb-portal/eng/sustainability/nlb-group-netzero-disclosure_final_eng.pdf</a> 9. <a href="https://www.nlb.si/code-of-conduct">https://www.nlb.si/code-of-conduct</a>			
2-24	Embedding policy commitments	1. See chapter Corporate governance in the Annual Report, page 113 2. See chapter Governance in the Sustainability Report, page 46 3. See chapter Sustainability governance in the Sustainability Report, page 51 4. See NLB Group Sustainability Policy at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a>			
2-25	Processes to remediate negative impacts	1. See chapter Sustainability governance, section Communication of critical concerns (Environmental and Social Incident Reporting etc.) in the Sustainability Report, page 51 2. See chapter section Stakeholder engagement (external communication system) in the Sustainability Report, page 30 3. Whistleblowing mechanism: <a href="https://www.nlb.si/whistleblowing-system">https://www.nlb.si/whistleblowing-system</a>			
2-26	Mechanisms for seeking advice and raising concerns	1. See section Stakeholder engagement in the Sustainability Report, page 30 2. Whistleblowing mechanism: <a href="https://www.nlb.si/whistleblowing-system">https://www.nlb.si/whistleblowing-system</a> 3. Sustainability-related concerns: <a href="mailto:sustainability@nlb.si">sustainability@nlb.si</a>			
2-27	Compliance with laws and regulations		Yes	Confidentiality constraints	Required information (number and monetary value) is assessed and monitored internally. For general description of compliance with laws and regulations, please refer to chapters Corporate Governance, Corporate Governance Statements, Compliance and Integrity in the Annual Report.
2-28	Membership associations	1. See chapter Engagement with professional and business associations in the Sustainability Report, page 12			
2-29	Approach to stakeholder engagement	1. See section Stakeholder engagement in the Sustainability Report, page 30			
2-30	Collective bargaining agreements	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 82			

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**Material topics**

<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	1. See chapter Materiality analysis in the Sustainability Report, page 34
	3-2 List of material topics	1. See chapter Materiality analysis in the Sustainability Report, page 34

**Economic performance**

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See NLB Group Sustainability Policy at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See the Annual Report	
	<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	1. See chapter Financial report in the NLB Group Annual Report
	201-2 Financial implications and other risks and opportunities due to climate change	1. See chapter Sustainable finance and ESG Risk Management in the Sustainability Report, page 100	
	201-3 Defined benefit plan obligations and other retirement plans	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 82	
	201-4 Financial assistance received from government	1. Republic of Slovenia has 25% stake + 1 share in NLB. See the Bank's page <a href="https://www.nlb.si/shares">https://www.nlb.si/shares</a>	Standard not applicable for 201-4a and 201-4b.

**Market presence**

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See the NLB Group Sustainability Policy at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 2. See the Annual Report (Business report, pages 29-81)		
	<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Yes	Not applicable
	202-2 Proportion of senior management hired from the local community	98% of senior management are hired from the local community.		

**Indirect economic impacts**

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See the NLB Group Sustainability Policy at <a href="https://www.nlb.si/sustainability">https://www.nlb.si/sustainability</a> 3. See the Annual Report (Business report, pages 29-81)
	<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported
	203-2 Significant indirect economic impacts	1. See chapter Contribution to Society in the Sustainability report, page 120 1. See chapter Sustainable finance and ESG Risk Management in the Sustainability Report, page 100 3. See chapter Sustainable employee relations in the Sustainability Report, page 74 4. See chapter Sustainable client relations in the Sustainability Report, page 95

**Procurement practices**

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 93
	<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers

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Anti-corruption						
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	1. See chapter Fighting against corruption and bribery in the Sustainability Report, page 40			
<b>GRI 205: Anti-corruption 2016</b>	205-1	Operations assessed for risks related to corruption	1. See chapter Fighting against corruption and bribery in the Sustainability Report, page 67 2. See chapter Compliance and Integrity in the Annual Report, page 123			
	205-2	Communication and training about anti-corruption policies and procedures	1. See chapter Fighting against corruption and bribery in the Sustainability Report, page 67 2. See chapter Compliance and Integrity in the Annual Report, page 123			
	205-3	Confirmed incidents of corruption and actions taken	1. See chapter Fighting against corruption and bribery in the Sustainability Report, page 68			
Anti-competitive behavior						
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	1. See chapter Fighting against corruption and bribery in the Sustainability Report, page 67			
<b>GRI 206: Anti-competitive Behavior 2016</b>	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There was no legal actions for anticompetitive behaviour, anti-trust or monopoly practices in the reporting period.			
Tax						
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	See chapter Tax Transparency in the Sustainability Report, page 69			
<b>GRI 207: Tax 2019</b>	207-1	Approach to tax	See chapter Tax Transparency in the Sustainability Report, page 69			
	207-2	Tax governance, control, and risk management	See chapter Tax Transparency in the Sustainability Report, page 69			
	207-3	Stakeholder engagement and management of concerns related to tax	See chapter Tax Transparency in the Sustainability Report, page 69			
	207-4	Country-by-country reporting	See chapter Tax Transparency in the Sustainability Report, page 69			
Materials						
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics		Yes	Not applicable	The topic is not identified as material.
<b>GRI 301: Materials 2016</b>	301-1	Materials used by weight or volume		Yes	Not applicable	The topic is not identified as material.
	301-2	Recycled input materials used		Yes	Not applicable	The topic is not identified as material.
	301-3	Reclaimed products and their packaging materials		Yes	Not applicable	The topic is not identified as material.
Energy						
<b>GRI 3: Material Topics 2021</b>	3-3	Management of material topics	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 84			
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organization	1. See chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 85			
	302-2	Energy consumption outside of the organization		Yes	Not applicable	The topic is not identified as material.
	302-3	Energy intensity	1. See chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 86			
	302-4	Reduction of energy consumption	1. See chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 89			
	302-5	Reductions in energy requirements of products and services		Yes	Not applicable	The topic is not identified as material.

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**Water and effluents**

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics		Yes	Not applicable	The topic is not identified as material.
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource		Yes	Not applicable	
	303-2 Management of water discharge-related impacts		Yes	Not applicable	
	303-3 Water withdrawal		Yes	Not applicable	
	303-4 Water discharge		Yes		
	303-5 Water consumption		Yes	Not applicable	

**Biodiversity**

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter NLB Group's approach to biodiversity, page 29			
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Yes	Not applicable	
	304-2 Significant impacts of activities, products and services on biodiversity		Yes	Not applicable	
	304-3 Habitats protected or restored		Yes	Not applicable	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		Yes	Not applicable	

**Emission**

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 84 2. See chapter Climate (Net-zero) Strategy, page 35			
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 84			
	305-2 Energy indirect (Scope 2) GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 84			
	305-3 Other indirect (Scope 3) GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 84 2. See chapter Climate (Net-zero) Strategy, page 35			
	305-4 GHG emissions intensity	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 84 2. See chapter Climate (Net-zero) Strategy, page 35			
	305-5 Reduction of GHG emissions	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 84 2. See chapter Climate (Net-zero) Strategy, page 35			
	305-6 Emissions of ozone-depleting substances (ODS)		Yes	Information unavailable/incomplete	These emissions were not calculated due to data unavailability in NLB Group members.
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Yes	Information unavailable/incomplete	

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<b>Waste</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 88				
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 88				
	306-2 Management of significant waste-related impacts	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 88				
	306-3 Waste generated	1. See Chapter NLB Group's Operational Environmental Impact in the Sustainability Report, page 88				
	306-4 Waste diverted from disposal		Yes	Information unavailable/incomplete	Waste was included in GHG calculation, Scope 3. Granular calculation in terms of this requirement was not possible due to inconsistency and unavailability of data in NLB Group members.	
	306-5 Waste directed to disposal		Yes	Information unavailable/incomplete	Waste was included in GHG calculation, Scope 3. Granular calculation in terms of this requirement was not possible due to inconsistency and unavailability of data in NLB Group members.	
<b>Supplier environmental assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 93				
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 93				
	308-2 Negative environmental impacts in the supply chain and actions taken	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 93				
<b>Employment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Sustainable Employee Relations in the Sustainability Report, pages 75, 76				
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, pages 75, 76				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	1. See chapter Sustainable Employee Relations in the Sustainability Report, page 83				
	401-3 Parental leave	1. See chapter Sustainable Employee Relations in the Sustainability Report, page 80				
<b>Labor/management relations</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 82				
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 82				

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### Occupational health and safety

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See Chapter Health and safety in the Sustainability Report, page 81
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	1. See Chapter Health and safety in the Sustainability Report, page 81
	403-2 Hazard identification, risk assessment, and incident investigation	1. See Chapter Health and safety in the Sustainability Report, page 81
	Occupational health services	1. See Chapter Health and safety in the Sustainability Report, page 81
	403-3 Worker participation, consultation, and communication on occupational health and safety	1. See Chapter Health and safety in the Sustainability Report, page 81
	403-5 Worker training on occupational health and safety	1. See Chapter Health and safety in the Sustainability Report, page 81
	403-6 Promotion of worker health	1. See Chapter Health and safety in the Sustainability Report, page 81
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	1. See Chapter Health and safety in the Sustainability Report, page 81
	403-8 Workers covered by an occupational health and safety management system	1. See Chapter Health and safety in the Sustainability Report, page 81
	403-9 Work-related injuries	There were no fatalities or major accidents in the reporting period.
	403-10 Work-related ill health	There were no work-related ill health or major accidents in the reporting period.

### Training and education

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Human Capital Development in the Sustainability Report, page 77 2. See chapter Human Resources in the Annual Report, page 110
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	1. See chapter Human Capital Development in the Sustainability Report, pages 78, 79 2. See chapter Human Resources in the Annual Report, page 110
	404-2 Programs for upgrading employee skills and transition assistance programs	1. See chapter Human Capital Development in the Sustainability Report, pages 77, 78, 79 2. See chapter Human Resources in the Annual Report, page 110
	404-3 Percentage of employees receiving regular performance and career development reviews	1. See chapter Human Capital Development in the Sustainability Report, page 83 2. See chapter Human Resources in the Annual Report, page 110

### Diversity and equal opportunity

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Diversity, equity and inclusion in the Sustainability Report, page 80 2. See chapter Human Resources in the Annual Report, page 110
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	1. See chapter Diversity of management bodies and senior management, page 48 2. See chapter Diversity, equity and inclusion in the Sustainability Report, page 80
	405-2 Ratio of basic salary and remuneration of women to men	1. See chapter Gender Pay Gap in the Sustainability Report, page 83

### Non-discrimination

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Anti-discrimination and anti-harassment in the Sustainability Report, page 81
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	NLB Group has a policy of zero tolerance to any form of discrimination and violence. There were no incidents of discrimination in the reporting period.

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### Freedom of association and collective bargaining

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Labor management relations and social dialogue in the Sustainability Report, page 82
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	1. See chapter Sustainable procurement and supply chain management, pages 93-94

### Child labor

<b>GRI 3: Material Topics 2021</b>	407-1 Management of material topics	1. See chapter Respecting human rights in the Sustainability Report, page 71 2. Please note: NLB Group operations are in line with ILO standards related to abolition of child labor, they adhere to national legislations which strictly prohibit child labor; comply with general provisions of the agreement with MIGA, which stipulate that in performing business activities or business activities of its sub-contractors NLB Group provides reasonable measures, not to use child labor or slavery; comply with EBRD PR2 requirements as respective standards and procedures are embedded in the Group's HR policies.
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	There were no incidents of child labor in the reporting period. 1. See chapter Respecting human rights in the Sustainability Report, page 71 2. See chapter Sustainable procurement and supply chain management, page 93

### Forced or compulsory labor

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Respecting human rights in the Sustainability Report, page 71 2. Please note: NLB Group operations are in line with ILO standards related to elimination of forced labor, they adhere to national legislations which strictly prohibit forced labor; comply with general provisions of the agreement with MIGA, which stipulate that in performing business activities or business activities of its sub-contractors NLB Group provides reasonable measures, not to use child labor or slavery; comply with EBRD PR2 requirements as respective standards and procedures are embedded in the Group's HR policies.
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	There were no incidents of forces and compulsory labor in the reporting period.

### Security practices

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Cybersecurity and data protection in the Sustainability Report, page 97
<b>GRI 410: Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures	1. Internal act "Instructions on the protection of banking facilities and banking operations". 2. Please note: Security personnel is trained and licenced in line with national regulations as set by Ministry of Interior, including human rights protection.

### Rights of indigenous peoples

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	yes	Not applicable	The topic is not identified as material.
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples	yes	Not applicable	

### Local communities

<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics		Not applicable	The topic is not identified as material.
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs		Not applicable	
	413-2 Operations with significant actual and potential negative impacts on local communities		Not applicable	

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Supplier social assessment						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 93				
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 94				
	414-2 Negative social impacts in the supply chain and actions taken	1. See chapter Responsible procurement and supply chain management in the Sustainability Report, page 94				
Public policy						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	NLB Group has established internal acts that prohibit any political contributions.				
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	NLB Group is politically neutral. There were no financial contributions to political parties, political representatives or political campaigns in the reporting period. 1. See chapter Political involvement in the NLB Group Sustainability Report, page 67				
Customer health and safety						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics		yes	Not applicable	The topic is not identified as material. NLB Group financial products and services do not have impacts related to health and safety.	
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories		yes	Not applicable		
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		yes	Not applicable		
Marketing and labeling						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Sustainable client relations, page 95				
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labeling	1. See chapter Sustainable solutions for clients in the Sustainability Report, page 100				
	417-2 Incidents of non-compliance concerning product and service information and labeling	There were no material incidents in the reporting period.				
	417-3 Incidents of non-compliance concerning marketing communications	There were no material incidents in the reporting period.				
Customer privacy						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	1. See chapter Protection of personal data and information in the Sustainability Report, page 38 2. See chapter Cyber security in the Sustainability Report, page 67 3. See the Bank's website: <a href="https://www.nlb.si/general-information-on-personal-data-protection.pdf">https://www.nlb.si/general-information-on-personal-data-protection.pdf</a> 4. See Chapter Compliance and Integrity in the NLB Group Annual Report, page 118				
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		yes	Confidentiality constraints	NLB Group monitors required detailed information, which can not be disclosed due to business secret.	

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# Appendix 3: TCFD Index Table

As an issuer on the London Stock Exchange, NLB discloses climate-related financial information related to NLB Group for the second time in reference to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations regarding (1) governance, (2) business strategy, (3) risk management, (4) metrics and targets. NLB acknowledges that this framework is fully incorporated in the IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) as of year-end 2023. NLB also takes decisive steps to report in accordance with the Corporate Social Responsibility Directive (CSRD) and ESRS (European Sustainability Reporting Standards) for the 2024 financial year, which also incorporates elements of TCFD framework. Further work is underway to enhance the identification, management and reporting of climate-related risks and opportunities with respect to all of the above-mentioned frameworks, which are strongly intertwined. Since the previous sustainability report, NLB Group has made significant improvements in all four TCFD recommendations, as described in the index table below.

RECOMMENDATIONS	Expectation and summary of disclosure	Disclosure location (Chapter, page) and extensive report
<b>I.GOVERNANCE</b>	<b>Disclose the organization’s governance around climate-related risks and opportunities.</b>	
a) The Board’s oversight of climate-related risks and opportunities	<p>1. In 2023, the Bank updated its governance of the ESG area by introducing two new internal documents: the Sustainability Policy, and the Standard – Rulebook on Sustainability Management. Both documents demonstrate a clear top-down and bottom-up process for sustainability governance, including climate change aspects, that extends from individual business units and countries to the management bodies. The policy also stipulates regulatory expectation for the management bodies in NLB and other NLB Group members with regards to sustainability and ESG.</p> <p>2. As the highest governance bodies, the Management Board and the Supervisory Board are responsible for managing and supervising the implementation of ESG risks (including climate-related) and the risk management framework, respectively. As part of the performance evaluation process, NLB Group pays special attention to the achievement of climate-change-related and other ESG goals. Given NLB Group’s sustainability roadmap, Management Board members and other identified employees are committed to achieving targets, which are set out in their respective areas. In 2023, concrete targets have been included in their performance plans, and were part of their individual assessments.</p> <p>3. Throughout 2023, several training sessions on these topics were organised for internal stakeholders at all levels of the Bank addressing different needs. The training programme contents for the Management Board members, covering their pertinent area, focused on topics of strategic relevance, including climate-related and other ESG-related risks and opportunities.</p>	<p><b>NLB Group Sustainability Report 2023:</b></p> <p>1. Chapter: Sustainability Governance                  2. Chapter: Remuneration and integration of ESG goals                  3. Chapter: Training on sustainability-related topics</p>
b) Management’s role in assessing and managing climate-related risks and opportunities	<p>1. Responsibility for managing its environmental impact is efficiently delegated across management and business lines. Apart from the Management and Supervisory Boards, all other governance bodies (Supervisory Board committees, collective decision-making and advisory bodies to the Management Board) tackle the ESG risks and sustainability in their respective area of work and responsibilities, including climate-related risks and opportunities. In addition, the same responsibility is efficiently delegated across management and business lines. The internal control system is implemented and designed to ensure that a process or other measure is in place for each key risk to effectively reduce or manage that risk, and that the process or measure is effective for this purpose.</p> <p>2. NLB Group uses the ‘three lines of defence framework’ as an important element of its internal governance, whereby the Risk Management function acts as a second line of defence. The Group has enhanced overall corporate governance which is reflected in lower SREP requirement in recent years. A robust and comprehensive Risk Management framework is defined and organised with regards to the Group’s business and risk profile, based on a forward-looking perspective to meet internally set strategic objectives and all external requirements. The proactive Risk Management and control system is primarily based on Risk Appetite and Risk Strategy, which are consistent with the Group’s Business Strategy, and focused on early risk identification and efficient risk management. Set governance and different risk management tools enable adequate oversight of the Group’s risk profile, proactively support its business operations and its management by incorporating escalation procedures and using different mitigation measures when necessary. In this respect, the Group is constantly enhancing and complementing the existing methods and processes in all risk management segments.</p>	

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## II. STRATEGY

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

d) Banks should describe significant concentrations of credit exposure to carbon-related assets.

e) Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.

### Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

1. Sustainability matters, including ESG risks, are integrated in NLB Group's strategy through three sustainability pillars: sustainable operations, sustainable finance, contribution to society.

2. NLB Group considers climate-related and other environmental risks as environmental risk. Transition risk and physical risk are subcategories of climate risk. The Group conducts a materiality assessment, as part of its overall risk identification process, based on ECB, EBA, BoS, UNEP FI, EBRD and other relevant guidelines. Besides this, the Group uses all available climate and environmental data and studies available for its region (namely, provided by different relevant state institutions) to determine the level of environmental risk to which the Group is exposed. In this process, environmental risk drivers and relevant transmission channels are identified and their materiality and impact on the Group's financial performance in the short- and long-term assessed. NLB Group performed the materiality assessment of transition risk and physical risk drivers and their impact in the short, medium and long term as at 30 June 2023. The findings are presented in the NLB Group Sustainability Report 2023.

3. NLB Group has consistently taken proactive measures to minimise the environmental impact of its portfolio and operations. In 2021, the Bank took an important step by implementing a coal exclusion policy, prohibiting the financing of new coal-fired power plants. In addition, the Bank is active in the financing of renewable energy projects and promotes energy efficiency throughout its operations.

In line with NLB's commitment to a climate-positive future and its net-zero ambition, NLB officially joined the UNEP FI Net-Zero Banking Alliance (NZBA) in May 2023, becoming the first banking group headquartered in Southeast Europe (SEE) to sign the Commitment Statement.

By the end of 2023, NLB Group reaffirmed its commitment to achieving net zero by setting targets for reducing its financed emissions and maintaining a coal exclusion policy. This strategic move aligns the Bank's financing activities with the goals of the Paris Agreement and marks an important step in its journey to become a regional leader in addressing the climate crisis.

In its first Net-Zero Disclosure Report, NLB Group has set and publicly disclosed 2030 targets for reducing emissions associated with financing activities for four key sectors, and committed to mobilise EUR 1.9 billion in sustainable, i.e. transition finance.

Findings of the assessment of climate and environmental risk drivers and their impacts show that on the portfolio level, the Group does not face any large concentration of specific NACE industrial sectors exposed to climate risk, whereby the role of transitional risk is more prevalent. Based on industry segmentation of the portfolio and corresponding emissions, the Group has relatively low exposure to emission-intensive sectors in its corporate clients' business. There is some exposure in more emissions-intensive industries, such as energy, transportation, industry and agriculture; however, exposure to clients with high emissions is rather limited. As part of its strategy, NLB Group does not finance companies that extract fossil fuels or operate coal-fired power plants. In residential mortgages the most important input for GHG calculation are the buildings' energy performance certificates.

The bank identifies and discloses exposures subject to acute and chronic physical risk, including exposures collateralised by immovable property, exposures by the business sector and foreclosed assets.

### Disclosure location (Chapter, page) and extensive report

#### NLB Group Sustainability Report 2023:

1. Chapters: Sustainability Strategy and Sustainability Governance
2. Chapter: Sustainable Finance and ESG Risk Management
3. The Net-Zero Disclosure Report (available on the NLB website).

#### NLB Group Sustainability Report 2023: Chapter: ESG Risk Management

#### NLB Group Sustainability Report 2023: Chapter: ESG Risk Management

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### III. RISK MANAGEMENT

a) The organization's processes for identifying and assessing climate-related risks

b) The organization's processes for managing climate-related risks

c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

d) Banks should consider characterizing their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk. Banks should also consider describing any risk classification frameworks used (e.g., the Enhanced Disclosure Task Force's framework for defining "Top and Emerging Risks")

e) Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.

#### Disclose how the organization identifies, assesses, and manages climate-related risks.

NLB Group considers as environmental risk climate (further divided into transition and physical risk) and other environmental risks. Transition risk and physical risk are subcategories of climate risk. Both categories are then further divided into even more subcategories, as presented in the table below. The Group is strategically focused on contributing to sustainable finance by incorporating ESG risks into its business strategies, risk management framework and internal governance arrangements. Thus, sustainable finance integrates ESG criteria into the Group's business and investment decisions for the lasting benefit of the Group's clients and society.

In NLB Group, ESG risks do not represent a new risk category, but rather one of the risk drivers of the existing type of risks, such as credit, liquidity, market and operational risk. The Group integrates and manages them within the established risk management framework in the area of credit, liquidity, market and operational risk. The management of ESG risks follows ECB and EBA guidelines with the tendency of their comprehensive integration into all relevant processes. In addition, the Bank is a signatory of the Framework Agreements with the EBRD and the Contract of Guarantees with MIGA, and is committed to the UN Principles of Responsible Banking.

Consequently, the Group established the Environmental and Social Management System (ESMS) – the mechanism for environmental and social screening of current or potential financing applications against the MIGA and EBRD Exclusion List and applicable environmental and social laws. Through ESMS, climate-related and other ESG risks are integrated in the Group's Risk Appetite Statement, and the management of these risks addresses the Group's overall credit approval process and related credit portfolio management.

#### Disclosure location (Chapter, page) and extensive report

NLB Group Sustainability Report 2023:  
Chapter: ESG Risk Management

NLB Group Pillar III Disclosures 2023

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#### IV. METRICS

a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

#### Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

For the first time, NLB discloses for the 2023 financial year information about the Taxonomy alignment with regard to the first two environmental objectives – “Climate change mitigation” and “Climate change adaptation”. Also for the first time, NLB discloses its exposure to the nuclear energy and fossil gas energy sectors.

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

NLB Group measures and reports on financed and operational emissions. The measurements rely on science-based methodologies, such as the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology.

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performances against targets.

- NLB Group has set the objective to reach net-zero emissions by 2050 or sooner. In its first Net-Zero Disclosure report published in December 2023:
  - the Group set and publicly disclosed 2030 intermediate targets for reducing emissions associated with financing activities for four key sectors: power generation, iron and steel, commercial real estate, residential real-estate,
  - committed to mobilise EUR 1.9 billion in sustainable, i.e. green transition finance.
- NLB Group set several targets to manage its own operational climate related risks and measures to reduce its environmental impact, including 50% reduction of paper printing by 2025; 75% of all electric energy from zero-carbon sources by 2025)

d) Banks should disclose GHG emissions for their lending and other financial intermediary business activities where data and methodologies allow. These emissions should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology.

NLB Group provides information on exposures to nonfinancial companies operating in sectors that significantly contribute to climate change, including, among other things, information on the credit quality of the exposures and on financed emissions.

#### Disclosure location (Chapter, page) and extensive report

**NLB Group Sustainability Report 2023:**  
Chapter: ESG risk Metrics and Targets /  
Subchapter: EU Taxonomy Disclosures

**NLB Group Pillar III Disclosures 2023**  
Chapter: ESG Risks/Subchapter: Green Asset Ratio

**NLB Group Pillar III Disclosures 2023 (financed emissions)**  
Chapter: ESG Risks / Subchapter:  
Credit Quality of Exposures

**NLB Group Sustainability Report 2023:**  
Chapter: NLB Group’s Operational Environmental  
Impact (operational emissions)

**NLB Group Sustainability Report 2023:**  
1. Chapter: Climate (Net-zero) Strategy  
2. Chapter: NLB Group’s Operational  
Environmental Impact (operational emissions)

**NLB Group Pillar III Disclosures 2023:**  
Chapter: ESG Risks / Subchapter:  
Credit Quality of Exposures

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# Appendix 4: UN PRB Self Assessment Report



## Principle 1: Alignment

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

### Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

» Please refer to the 2023 NLB Group Annual Report p. 66, 72, 82

» Please refer to the 2023 NLB Group Sustainability Report p. 23

### Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes  
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones:  
**NLB Group's response:** European Central Bank (ECB), European Bank for Reconstruction and Development (EBRD)- Environmental and Social Policy, TCFD (Task Force on Climate-related Financial Disclosures), GRI, European Banking Authority (EBA), European Securities and Markets Authority (ESMA).
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

» Please refer to the 2023 NLB Group Sustainability Report p. 16, 35



## Principle 2: Impact and Target Setting

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

### Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

**a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

» Please refer to the 2023 NLB Group Sustainability Report p. 23

<sup>1</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>2</sup> Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

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**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition your portfolio globally and per geographical scope

- i) by sectors & industries<sup>3</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

» Please refer to the 2023 NLB Group Sustainability Report p. 23

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?<sup>4</sup> Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. This step aims to put your bank's portfolio impacts into the context of society's needs.

» Please refer to the 2023 NLB Group Sustainability Report p. 24

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2).<sup>5</sup>

» Please refer to the 2023 NLB Group Sustainability Report p. 25

**d) For these (min. two prioritized impact areas):**

**Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe

<sup>3</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here

<sup>4</sup> Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

<sup>5</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this. The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

» Please refer to:

- 2023 NLB Group Sustainability Report p. 25
- 2023 NLB Group Sustainability Report p. 35-42
- 2023 NLB Group Sustainability Report p. 96
- 2023 NLB Group Sustainability Report p. 84-91

**Self-assessment summary:**

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?<sup>6</sup>

Scope:

Yes  In progress  No

Portfolio composition:

Yes  In progress  No

Context:

Yes  In progress  No

Performance measurement:

Yes  In progress  No

<sup>6</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

**NLB Group's response:** Climate change mitigation, climate change adaptation, financial health & inclusion.

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

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## Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets<sup>7</sup> have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with<sup>8</sup> have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

» Please refer to the 2023 NLB Group Sustainability Report p. 23

<sup>7</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>8</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

Impact area	Indicator code	Response to the question whether the bank has determined a baseline for selected indicators and assessed the current level of alignment?		
<b>Climate change mitigation</b> (Targets: 1. By the year 2030, the volume of outstanding sustainable corporate financing in the NLB Group will be at least 1,370 mio EUR and 528 mio EUR in retail banking  2. By the year 2030, 75% of all electric energy used in the NLB Group will come from zero-carbon sources. )	A.1.1.	Climate Strategy	In progress, Please refer to: 2023 NLB Group Sustainability Report Chapter Climate (Net-Zero) Strategy page: 35	
	A.1.2.	Paris Alignment target	Yes. NLB Group has determined the target to reach net-zero by 2050. Please refer to: 2023 NLB Group Sustainability Report Chapter Climate (Net-Zero) Strategy page: 35	
	A.1.3.	Policy and process for client relationships	Yes, please refer to Appendix 5 in 2023 NLB Group Sustainability Report	
	A.1.4.	Portfolio analysis	Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Climate (Net-Zero) Strategy page: 35	
	A.1.5.	Business opportunities and financial products	Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Sustainable Finance and ESG Risk Management page: 100	
	A.2.1.	Client Engagement process	Yes, please refer to: 2023 NLB Group Sustainability Report chapter The key to successful green transition: empowered employees and client engagement page: 104	
	A.2.2.	Pro-portion of financed emissions covered by a decar-bonization target	Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Climate (Net-Zero) Strategy page: 35	
	A.2.3.	Absolute emissions	Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Climate (Net-Zero) Strategy page: 35	
	A.2.4.	Sector-specific emission intensity	Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Initial sector targets page: 40	
	A.3.1.	Financial volume of green assets/low-carbon technologies:	Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Sustainable Finance and ESG Risk Management page: 100	
	A.3.2.	Financial volume lent to / invested in carbon intensive sectors and activities and transition finance	Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Sustainable Finance and ESG Risk Management page: 100	
	<b>Financial health &amp; inclusion</b> Target: By the year 2025, the share of active digital retail users in the NLB Group will be 55%, and 70% by 2030)	B.1.2.		The sales network in NLB d.d. covers 733 advisors, 53% bank advisors and 47% financial advisors. All advisors regularly attend internal and external trainings, like a retail academy, where topics such as effective training on financial inclusion, responsible credit and/or financial health are included in the curriculum/agenda.
		B.2.2.		Yes, Please refer to: 2023 NLB Group Sustainability Report Chapter Digital- technological accessibility page: 96
		B.3.1.		Yes, please refer to: 2023 NLB Group Sustainability Report Chapter Education, financial literacy and mentoring page: 121

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

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**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex. Please include the relevant indicators using the indicator code in the following table:

**c) SMART targets (incl. key performance indicators (KPIs)⁹):** Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

» Please refer to the 2023 NLB Group Sustainability Report p. 18

**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

» Please refer to the 2023 NLB Group Sustainability Report p. 18, 84, 96, 100

Target implementation and monitoring (Key Step 2)

For each target separately:  
Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank’s progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

» Please refer to the 2023 NLB Group Sustainability Report p. 18, 84, 96, 100

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	First area of most significant impact: <b>CLIMATE</b>	Second area of most significant impact: <b>RESOURCE EFFICIENCY &amp; SECURITY</b>	(If you are setting targets in more impact areas) your third (and subsequent) area(s) of impact: <b>INCLUSIVE &amp; HEALTHY ECONOMIES</b>
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.



## Principle 3: Clients and Customers

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

### Client engagement

Does your bank have a policy or engagement process with clients and customers<sup>10</sup> in place to encourage sustainable practices?

- Yes  
 In progress  
 No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

- Yes  
 In progress  
 No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities<sup>11</sup>. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

» Please refer to the 2023 NLB Group Sustainability Report p. 26, 65, 104, 150

### Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

» Please refer to the 2023 NLB Group Sustainability Report p. 100



## Principle 4: Stakeholders

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

### Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups<sup>12</sup>) you have identified as relevant in relation to the impact analysis and target setting process?

- Yes  
 In progress  
 No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

» Please refer to the 2023 NLB Group Sustainability Report p. 30

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<sup>10</sup> A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

<sup>11</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

<sup>12</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations



## Principle 5: Governance & Culture

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

### Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

- Yes  
 In progress  
 No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

» Please refer to the 2023 NLB Group Sustainability Report p. 26, 46, 51

### Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

» Please refer to the 2023 NLB Group Sustainability Report p. 61, 65, 77, 79, 104

### Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio<sup>13</sup>? Please describe.

Please describe what due diligence processes your banks has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

» Please refer to the 2023 NLB Group Sustainability Report p. 105, 146

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

- Yes  
 No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

- Yes  
 No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

- Yes  
 In progress  
 No

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<sup>13</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.





## Principle 6: Transparency & Accountability

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

### Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes  
 Partially  
 No

If applicable, please include the link or description of the assurance statement.

**NLB Group's response:** The 2023 UN PRB Self-Assessment Report marks our third report and is integrated into the broader NLB Group Sustainability Report. It primarily builds upon the content detailed in the core section of the report. In line with current national legislation assurance of the report is not obligatory. Nevertheless, NLB Group's operational carbon footprint measurements undergo independent verification by Institut Jožef Stefan, an external provider. In line with upcoming CSRD directive, and due to the revision of our UN PRB targets and alignment process with the Climate (net zero) strategy which means upgrading our current target setting and further development of the alignment with UN PRB principles, our Sustainability report will be fully audited in 2025 for the financial year 2024 for the first time.

The forthcoming report will encompass our fourth UN PRB report and will be part of the overall assurance process. Therefore, in consultation with UN PRB review experts, the first assurance of the UN PRB Self-Assessment Report will be also performed for the financial year 2024.

### Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI  
 SASB  
 CDP  
 IFRS Sustainability Disclosure Standards (to be published)  
 TCFD  
 Other: BASEL Pillar 3 ESG Disclosures

» Please refer to:

- 2023 NLB Group Sustainability Report p. 126
- Basel Pillar 3 ESG Disclosures published on the NLB web pages

### Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis<sup>14</sup>, target setting<sup>15</sup> and governance structure for implementing the PRB)? Please describe briefly.

» Please refer to the 2023 NLB Group Sustainability Report p. 14

<sup>14</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>15</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

### Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months.

- Embedding PRB oversight into governance  
 Gaining or maintaining momentum in the bank  
 Getting started: where to start and what to focus on in the beginning  
 Conducting an impact analysis  
 Assessing negative environmental and social impacts  
 Choosing the right performance measurement methodology/ies  
 Setting targets  
 Customer engagement  
 Stakeholder engagement  
 Data availability  
 Data quality  
 Access to resources  
 Reporting  
 Assurance  
 Prioritizing actions internally  
 Other: ...

If desired, you can elaborate on challenges and how you are tackling these.

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# Appendix 5: Overview of Sustainability-Related Policies

NLB d.d. (hereinafter NLB), as a parent bank, and other NLB Group members have set out robust internal governance and management frameworks to tackle its ESG impacts, risks, and opportunities, and manage human resources capital in accordance with the highest governance standards. The key foundations for such a framework are policies and other internal acts, which describe procedures, guidelines, roles, and responsibilities, as well as risks and opportunities related to specific areas of the Group's operations. By adhering to these policies and other internal acts, the Group ensures the mitigation of risks that refer to the respective business area. NLB Group will further develop processes and policies in order to improve the identification and mitigation of environmental, social (including human rights) and governance risks in its internal operations, as well as in relations with stakeholders.

The table presents an overview of key internal acts (mainly policies or strategies, i.e. the first-level documents) which predominantly address a specific ESG pillar or combination of pillars. In addition, NLB Group has established several detailed internal rulebooks and instructions to support the policies and their execution. For further insight on policy topics or results, please refer to the NLB Group Sustainability Report 2023.

ESG PILLAR	POLICY or other internal act	DESCRIPTION scope and key risks mitigated by the policy/internal act
ENVIRONMENTAL SOCIAL GOVERNANCE	<b>Sustainability Policy in NLB and NLB Group</b>	The policy is an overarching sustainability-related document which demonstrates a clear top-down and bottom-up process for sustainability governance, including climate change aspects, that extends from individual business units and countries to the management bodies. The policy explains the three pillars of NLB Group sustainability: sustainable operations, sustainable finance and contribution to society. It also establishes overarching and forward-looking sustainability-related principles and objectives, as well as governance and management rules and procedures, to integrate sustainability and ESG factors in NLB Group's business model and processes.
	<b>Standard – Rulebook for Sustainability Management in NLB and NLB Group</b>	The Standard describes the mechanisms for harmonisation of sustainability- and ESG-related policies, the strategy framework, and processes at NLB Group level. It also describes specific roles and responsibilities of different bodies and sustainability expert profiles, including communication flows and reporting lines.
	<b>Rules of Procedure of the NLB Sustainability Committee</b>	The rules determine the composition and powers of the Committee and its members, as well as the manner of its operation and decision-making.
	<b>Criteria and Procedures for Granting Transactions to Legal and Private entities in NLB and NLB Group</b>	This document sets out the criteria and procedures for approving transactions to the Bank's customers, with exception activities relating to the approval of loans to private individuals, and transactions in the area of treasury or capital investments.
	<b>Environmental and Social Transaction Policy Framework in NLB and NLB Group</b>	The policy is one of several risk management systems in place in the Bank and the Group. It comprises policies and processes to ensure front-line employees a better understanding of customers' activities, help address issues of concern, minimise risks to NLB Group and manage stakeholder expectations. The policy sets out the process of assessing and managing environmental and social risks and impacts associated with transactions, as well as promoting good environmental and social management practices in customers' transactions. The policy is interconnected with several ESG-related internal acts, such as specific manuals on technical screening criteria for EU Taxonomy, ESG exclusion list, clients' GHG emissions collection and data assessment, performing clients' extended reviews, ESG incident reporting and others.
	<b>Environmental and Social Transaction Categorisation Methodology Framework in NLB and NLB Group</b>	The framework provides a reference point for front-line employees on minimum standards, procedures and the governance and oversight in place in relation to environmental and social risks when dealing with customers and transactions.
	<b>NLB and NLB Group Lending Policy for Non-Financial Companies</b>	The policy provides clear investment approval rules that reduce risk by defining the principles for approving balance and off-balance transactions in terms of customer creditworthiness, portfolio diversification, industry, type of investments and target markets.

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ESG PILLAR	POLICY or other internal act	DESCRIPTION scope and key risks mitigated by the policy/internal act
ENVIRONMENTAL SOCIAL GOVERNANCE	<b>Lending Policy for Specific Clients Segments in NLB and NLB Group</b>	The policy defines a specific reference framework and additional principles for approving balance and off-balance transactions for specific customer segments. The result is a single reference framework for use in the business and credit risk management of NLB and NLB Group.
	<b>General Methodology for Credit Rating Classification in NLB and NLB Group</b>	The methodology is a basis for rating the classification of NLB Group customers (legal entities and entrepreneurs).
	<b>Standard Procurement in the Members of NLB Group</b>	The standard defines the main principles in the purchasing process within the Bank and the Group. Its purpose is to ensure a uniform and transparent procurement procedure (including the minimum principles of ethical, social and environmental conduct that NLB Group expects from all its suppliers) of goods and services needed for performing business activities in line with the standards of conduct required by the NLB Group Code of Conduct as well as other group-wide NLB Group policies and procedures.
	<b>Instructions for Selecting Suppliers of Goods and Services of NLB</b>	The instructions regulate the procedure for selecting suppliers of goods and services to the Bank, which ensures: a uniform, clear and transparent procedure for selecting the most suitable or appropriate supplier of goods and services, the appropriate quality of the supplied goods and services, an adequate level of control of risks related to the purchased items and the supplier (including external providers and the outsourcing itself), ensures protection of the Bank's reputation and oversight of the fulfilment of the suppliers' contractual obligations towards the Bank.
ENVIRONMENTAL	<b>Instructions for management of external sustainability communication channel on environmental and social issues and related grievance mechanism in NLB and NLB Group</b>	The instructions describe the communication process with external stakeholders on the topic of environmental and social sustainability through external communication channel and the establishment of a sustainability-related grievance mechanism.
	<b>NLB Group Carbon footprint measurement and reporting policy in NLB Group</b>	The policy defines the measurement, management and reporting of the NLB Group's performance in terms of CO <sub>2</sub> emissions. The main objectives are to evaluate the Group's corporate value chain, mitigate environmental risks, take adequate measures and adjust the Bank's business model if needed.
	<b>NLB Group Sustainable Car Fleet Management and Company Car Policy</b>	The policy supports the Group's ambition in ensuring the measuring and lowering of its operational carbon footprint. The policy aims to reduce environmental impacts and mitigate environmental risks in everyday business mobility within the Group.
	<b>Articles of Association of NLB</b> <a href="https://www.nlb.si/statute">https://www.nlb.si/statute</a>	The Articles of Association of NLB is the fundamental internal act of the Bank. The basic objective of the Bank is to perform profitable activity on the market independently as its sole activity. The Bank's long-term goal, however, is to maximise its value. The Bank considers the interests of its employees, customers, creditors and other stakeholders and the Bank as a whole, with the aim of long-term success in the conduct of its business. The Bank considers the environmental and social impacts of its business, with the aim of ensuring sustainable development of the Bank.
GOVERNANCE	<b>NLB Corporate Governance Policy</b> <a href="http://www.nlb.si/corporate-governance">www.nlb.si/corporate-governance</a>	The policy sets out the management framework, which is drawn up jointly by the Supervisory Board and the Management Board of NLB. In this policy, the boards commit and publicly disclose how they will supervise and manage the Bank. The policy describes the main directions of management, taking into account long-term goals, the indication of the reference code, the relevant stakeholders and the way of communicating with them, and other matters as defined by the Slovenian Corporate Governance Code for Listed Companies. By adhering to this policy, the Bank ensures sound corporate governance, which result in sustainable, responsible, and efficient operation of the Bank, and in trust of regulators, existing and potential shareholders, customers, employees and other stakeholders.
	<b>NLB Group Governance Policy</b>	The NLB Group Governance Policy is the master document that defines the Group's operating model through corporate and business governance rules and principles, criteria, and mechanisms for NLB Group, excluding the governance of the parent bank NLB d.d., which is subject to the separate Corporate Governance Policy of NLB d.d. The objective of the policy is to comprehensively regulate the segment of corporate and business governance of NLB Group members and define roles and responsibilities of relevant stakeholders, as well as to ensure that they act in an orchestrated manner in order to implement the NLB Group Strategy. It also includes sustainability and ESG management as part of Business Governance, and stipulates on a high level that each Competence Line must ensure within its respective area that sustainability and ESG rules and principles are transferred to the operation of NLB Group members, by using business governance mechanisms.
	<b>NLB Group Code of Conduct</b> <a href="https://www.nlb.si/code-of-conduct-1">https://www.nlb.si/code-of-conduct-1</a>	The NLB Group Code of Conduct represents the values and fundamental principles of conduct; sets out the rules that every employee in NLB Group must understand and respect, and defines what is expected of each NLB Group employee. It also reflects the standards that are expected relationship with the Bank's and the Group's stakeholders. With this policy, employees have a common understanding of the fundamental principles of conduct on which the operations and actions of NLB Group are based and respect them in their relations with all stakeholders. Thus, the risk of unfair business practices and ethical violation or unethical or immoral conduct, as well as reputational risk, are mitigated.
	<b>NLB and NLB Group Integrity and Compliance Policy</b>	The policy regulates the basic principles as well as the approach and standards in the management of risks associated with compliance and ethical operations at NLB level and is valid for employees of the organisational unit responsible for compliance. Through the system of corporate governance and supervision of NLB Group and BL Compliance and Integrity, the policy is reasonably transposed into the internal management of other companies in NLB Group so as to harmonise compliance risk management in NLB Group, with an emphasis on strategic members, and is valid in NLB Group companies for employees in organisational units responsible for compliance.

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ESG PILLAR	POLICY or other internal act	DESCRIPTION scope and key risks mitigated by the policy/internal act
GOVERNANCE	<b>Internal Control System</b>	<p>The internal control system (ICS) is a set of rules, procedures and organisational structures aimed at: ensuring the efficient and consistent implementation of NLB's strategies and operations; ensuring efficient and consistent processes and procedures in NLB, protecting the value of NLB's assets; ensuring the reliability and integrity of accounting and management data and information; ensuring the operations and activities of NLB in accordance with all applicable rules and regulations. The internal control system is designed to ensure that a process or other measure is in place for each key risk so as to effectively reduce or manage that risk, and that the process or measure is effective for this purpose.</p>
	<b>Policy on Corruption and Bribery Prevention and Conflict of Interest Management</b>	<p>Generally, conflict of interest management is regulated by the NLB Group Code of Conduct. The purpose of this policy is to establish an efficient management system, i.e. to prevent and manage conflicts of interest, by regulating the system of rules and internal controls that prevent such circumstances or enable timely and effective reaction when a conflict of interest actually arises. In their operations, NLB and other members of NLB Group are exposed to corruption risk, to which NLB Group is exposed in connection to the risk of fraud and geographical exposure. This policy also regulates the system of rules and internal controls for corruption prevention and efficient management of corruption risks. The policy defines the following rules:</p> <ul style="list-style-type: none"> <li>a) Each employee shall be responsible to reject any form of corruption and bribery with zero tolerance, and to immediately report any identified suspected misconduct through the established channels for reporting suspected misconduct.</li> <li>b) Each employee shall be responsible to proactively disclose any conflict of interest in accordance with this policy, to adopt measures for appropriate management of such conflicts, and to act in the accordance with the rules of this policy.</li> <li>c) All employees must be aware of and respect the Code of Conduct of NLB Group and the rules and their obligations hereunder. Employees must immediately report any suspected violation through the channels for reporting misconduct.</li> <li>d) The organisational units that must, in accordance with this policy and other internal documents, perform tasks and activities in the area of anti-corruption and conflict of interest management shall be responsible for adjusting the procedures and harmonising the operating instructions with this policy.</li> <li>e) The executives (members of the senior management) shall ensure that employees act in accordance and are familiar with the rules of this policy, and that these rules are implemented in the scope of their duties and powers</li> </ul>
	<b>Policy for Assessment of the Suitability of Management and Supervisory Board Members of NLB</b>	<p>The policy defines the procedure for preparing a fit and proper assessment of members of/candidates for the Bank's Management Board or Supervisory Board. The key aim of the policy is that each Board member meets at all times the conditions for appointment to the position of a board member in accordance with the provisions of the Banking Act (ZBan-3)<sup>1</sup> applicable at a time, the Guide to fit and proper assessments of the European Central Bank in accordance with the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, the Expectations of the Bank of Slovenia in the area of assessing the suitability of members of the supervisory boards of banks and savings banks and the Slovenian Corporate Governance Code for Listed Companies.</p>
	<b>Policy for Assessment of Suitability of Key Function Holders of NLB and NLB Group</b>	<p>The policy lays down the procedure for assessing the suitability of the key function holders or key function holder candidates. The key aim of the policy is that key function holders must at all times meet the conditions for appointment to the position of a board member in accordance with the provisions of the Banking Act (ZBan-3)<sup>1</sup> applicable at the time, the Guide to fit and proper assessments of the European Central Bank in accordance with the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders, the Expectations of the Bank of Slovenia in the area of assessing the suitability of members of the supervisory boards of banks and savings banks and the Slovenian Corporate Governance Code for Listed Companies.</p>
	<b>NLB Group Anti-Money-Laundering and Countering the Financing of Terrorism Policy</b>	<p>The policy lays down the key elements of the AML/CFT system, and the content and the scope of the tasks to be established and performed by NLB Group, its members and their employees. Key aims of the policy are: implementation of the legislative requirements of the ZPPDFT-2 and guidelines of the supervisory bodies in the procedures and framework of banking operations and operations of other members, definition of the control environment elements of the members and NLB Group, efficient implementation of the AML/CFT system, establishing an efficient system of policies, procedures, and internal controls at the level of individual members and the level of the NLB Group in order to efficiently combat all identified MLTF risks. By implementing the requirements from the Policy and therefore establishing the control environment, members and therefore the NLB Group as whole reduce the risks to an acceptable level.</p>
	<b>Acceptance Policy for Conducting Business with High-Risk Clients and Risk Appetite Concerning MLTF in NLB Group</b>	<p>The policy stipulates the content, the scope of tasks and the control activities that employees must implement when conducting a business relationship or a transaction for a customer, delimits the responsibilities and risks among the organisational units which perform relevant tasks, and defines the frameworks and bases for business decisions when accepting or rejecting or even terminating the business relationship with a customer when the risks exceed the acceptable level, as well as stipulating the control environment and the method of supervision over the implementation of tasks and scope defined in the policy. The aim is to define and pursue the guiding principle that the overall level of high risk shall not reach a critical point at which risks cannot be appropriately managed. By implementing the requirements from the policy and therefore establishing the control environment, NLB Group reduces the risks to an acceptable level.</p>

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ESG PILLAR	POLICY or other internal act	DESCRIPTION scope and key risks mitigated by the policy/internal act
GOVERNANCE	<b>NLB Corporate Security Policy</b>	The policy addresses corporate security as a set of mechanisms and activities with which all necessary measures for the management of security risks are identified and executed. It defines basic goals and the principles of corporate security with the aim of protecting the bank's assets, employees and information, as well as lawfulness, and the reputation of the Bank and the Group. The policy describes on a high level the Bank's corporate security system, which is based on: regulatory requirements, sectoral legislation, information security standards, standards and other recommendations in the area of people and property protection, EBA and ECB guidelines related to the area of corporate security, and requirements of contractual partners for which the Bank processes data.
	<b>Policy on the Information Security Management Function at the level of the NLB Group</b>	The policy defines the information security management function at the level of the NLB Group as an independent function aimed at providing the harmonisation of information security at the NLB Group level. The policy also describes the responsibilities and powers of the information security officer at the NLB Group level and individual information security officers at NLB Group members. With this policy NLB Group prevents and mitigates risks arising from threats and vulnerabilities in the area of information security.
	<b>NLB Rules on Personal Data Protection</b>	The rules outline the activities for ensuring the lawful processing of personal data at NLB. By having a common understanding of and complying with the rules, the Bank ensures the mitigation of risks related to personal data processing and protects the personal data of its stakeholders.
	<b>NLB Rules on the Security of Information, Persons and Property</b>	The rules determine the basic starting points for safeguarding and protecting information, persons and property, which must be taken into account in both NLB and NLB Group. The purpose of the regulations is to manage operational risks in the field of security. Security is defined as the activities, measures and procedures carried out by the bank's employees and contractors based on the provisions of the Corporate Security Policy at NLB, in accordance with this rulebook and internal regulations in the field of security, in order to protect information, persons and property from abuse, destruction, damage, alienation or any execution of another act harmful to the Group.
	<b>NLB Rules on Inside Information</b>	The rules regulate the identification process of inside information on NLB within the Bank and the Group, the process of public disclosure of inside information on the Bank, and the rules for determining closed periods. It also sets out the general duty to protect the confidentiality of inside information on the Bank, the prohibition of trading on the basis of such information and the prohibition of trading during closed periods. By adhering to the rules the Bank complies with the requirements for public disclosure of its inside information, and the basic conditions for the lawful conduct of members of the governing bodies and employees in relation to inside information about NLB are ensured, as required by Regulation (EU) No 596/2014 on market abuse (MAR).
	<b>Policy for Appointing and Dismissing Leading Employees in NLB</b>	The policy stipulates the procedure for the appointment of employees on an individual contract and for employees under the collective agreement with the mandate. By adhering to the policy, the Bank ensures that fit and proper evaluation is completed, and thus mitigates the risk of violating labour law.
	<b>Policy for the Selection of Suitable Candidates for Members of the Management Board of NLB</b>	On the basis of determinations of banking law, the policy sets the framework that ensures the composition of the Management Board so that, as a team, it comprises suitable knowledge, skills and experience.
	<b>Policy on the Provision of Diversity of the Management Body and Senior Management in NLB</b>	The policy defines the target diversity pursued in relation to representation in the Supervisory Board, Management Board and senior management as regards gender, age, professional competencies, continuity of the composition of individual bodies, international experience, geographical provenance and other personal characteristics of the members of bodies and senior management as appropriate for the Bank in view of its characteristics. By adhering to this policy, the Bank ensures the management of diversity and the mitigation of risks in this respect.
	<b>NLB Group Policy on the Implementation of Restrictive Measures (financial sanctions and embargo)</b>	The policy defines the content and scope of activities of control implementation, determines the responsibilities and ownership or risks of individual organisational units in relation to the performance of tasks concerning activities related to this Policy, defines the framework of technological support for the implementation of controls, defines the minimum standard for testing the adequateness of the control system and defines the method of supervising the performance of the tasks with the content and scope as defined in the policy. By implementing the requirements from the Policy and establishing the control environment, NLB Group reduces the risks to an acceptable level.
	<b>NLB Group Tax Policy</b>	The Tax Policy of the NLB Group defines the actions of the NLB Group members in tax area with the aim of minimising tax risks and optimising tax charges of the NLB Group. The basic condition for achieving these goals is accurate and timely implementation of tax legislation, which is why compliance with tax legislation is the first and foremost task of the tax function in every individual member. The policy defines the behaviour of the members from the aspect of the transparency, ethics and social responsibility, which follows the NLB sustainability strategy.
<b>NLB Group Policy on the Implementation of Restrictive Measures (financial sanctions and embargo)</b>	The policy defines the content and scope of activities of control implementation, determines the responsibilities and ownership or risks of individual organisational units in relation to the performance of tasks concerning activities related to this Policy, defines the framework of technological support for the implementation of controls, defines the minimum standard for testing the adequateness of the control system and defines the method of supervising the performance of the tasks with the content and scope as defined in the policy. By implementing the requirements from the Policy and establishing the control environment, NLB Group reduces the risks to an acceptable level.	

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GOVERNANCE	<b>NLB Group Tax Policy</b>	The Tax Policy of the NLB Group defines the actions of the NLB Group members in tax area with the aim of minimising tax risks and optimising tax charges of the NLB Group. The basic condition for achieving these goals is accurate and timely implementation of tax legislation, which is why compliance with tax legislation is the first and foremost task of the tax function in every individual member. The policy defines the behaviour of the members from the aspect of the transparency, ethics and social responsibility, which follows the NLB sustainability strategy.	
	<b>NLB Group Risk Strategy</b>	The strategy defines strategic risk orientations and constraints NLB Group has to follow while running its regular business activities in accordance with the Business Strategy, Risk Appetite, Capital Management and Budget and Financial Projections of the Group. The main purpose of the Risk Strategy is the definition of key content risk principles with the purpose of achieving the Group's mid-term strategic objectives. It represents a main cornerstone of NLB Group's Business strategy. Sustainability is included in the Risk Strategy.	
	<b>NLB Group Risk Appetite Framework</b>	The Risk Appetite Framework of NLB Group is defined as an overall approach which includes policies, processes, controls and systems through which the risk appetite is established, communicated and monitored. Risk Appetite is incorporated into ICAAP and ILAAP and their outcomes have been used to inform risk appetite setting, revision and monitoring. ICAAP and ILAAP frameworks represent the main points of limit-testing connected to capital requirements, liquidity and stress scenarios.	
	<b>NLB Group Risk Appetite Strategy</b>	The strategy defines the general principles for risk-taking, objectives, risk-taking capacity, qualitative and quantitative indicators for measuring risk-taking, further development, monitoring and a process for communicating risk appetite.	
	<b>Operational Risk Management Policy</b>	The policy is the master document regulating the management of operational risk in NLB, including ESG Risk. The objective of the policy and the operational risk management in general is to limit the scope of potential losses and the probability of their occurrence to a level acceptable for the Bank or the Group from the aspect of defining the risk appetite and indirectly from the aspect of maintaining reputation. The policy also outlines the management of operational risk in the areas of environmental, social and governance (ESG) considerations.	
	<b>Policy of Business Continuity Management in NLB</b>	The policy defines the business continuity plan for crisis situations. It describes the management process and organisation and enables preparation to assure business continuity and limit losses caused by crisis situations.	
	SOCIAL	<b>Policy on Respect for Human Rights in NLB and NLB Group</b>	The policy describes the commitment of the Bank and the Group to respect human rights in accordance with the highest international standards. The policy aims to systematically monitor respect for human rights in all business areas, prevent human rights abuses in the context of banking business, and mitigate risks in this respect. The policy contributes to a common understanding among employees of respecting human rights in relations with all NLB Group stakeholders internally (employees) and externally (customers, suppliers, other stakeholders).
		<b>NLB Training and Development Policy</b>	The policy systematically regulates the continued professional development of NLB employees. The policy outlines the procedures and opportunities for acquiring, sharing, obtaining and transferring knowledge and expertise as well as the use of numerous development activities in the area of employee development. The primary purpose is for employees to advance in the knowledge, skills, and competencies required in the workplace, both current and future, which shall be based on their career development plans.
		<b>NLB Collective Agreement</b>	The collective agreement determines the rights and obligations of the employer and employees in relation to the employment legal relationship.
		<b>NLB and NLB Group Policy on Remuneration of Employees</b>	The policy represents a framework that applies to all employees in the Bank and the Group. With the aim of prudent and effective risk management, the policy provides clear guidelines for the prudent remuneration of all employees in accordance with relevant regulations and documents. The policy harmonises a unified performance management system and remuneration in NLB Group and thus mitigates the risk of non-compliance with the requirements of the Banking Act and the EBA guidelines.
<b>NLB Rules on the Prevention of Harassment and Mobbing at Work</b>		The policy protects employees in the event of mistreatment and harassment. As an employer, NLB is obliged to ensure the dignity of employees and create a working environment in which no employee is exposed to mistreatment or sexual or other means of harassment by subordinates or superiors, colleagues or anyone else who performs work for the Bank. With this policy, all employees uniformly understand the importance of the prohibition of ill-treatment and harassment, which they all consistently respect in their relations with all stakeholders of the Bank.	
<b>NLB Group Mobility Policy</b>		The policy addresses transfer of knowledge and good practices within the Group for easier and better business throughout the Group. Thus, the policy defines the frameworks and orientations that enable the setting up of uniform starting points for implementing mobility within NLB Group and ensure compliance with the targets, values, culture and strategy of NLB Group. The policy also regulates all forms of status solutions/employment of employees, and provides a harmonised process within the Group for easier and faster mobility of employees.	
<b>NLB Retention Policy</b>		The purpose of this policy is to identify all relevant factors and measures that contribute to greater and more successful employee engagement, with the desire to increase the belongingness, productivity, motivation, responsibility and creativity of employees and maintaining their employment at the Bank. With this policy, the Bank addresses the retention of key employees at the Bank and transfer of knowledge, and mitigates the risk of departures of key employees.	

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ESG PILLAR	POLICY or other internal act	DESCRIPTION scope and key risks mitigated by the policy/internal act
SOCIAL	<b>NLB Learning and Development Policy</b>	The policy systematically regulates the process of continuous development of NLB employees. The policy defines the methods and possibilities of acquisition, provision and transfer knowledge, experience and the use of diverse development activities in the field of employee development. With this policy, the Bank addresses continuous learning and development of employees and mitigates the risk of low level of knowledge, transfer of good practices and employee learning in the Bank.
	<b>Human Resources Development and Organisation Strategy</b>	The policy defines the basic areas and activities within NLB Group in the field of human resources, education and organisation. The policy is complemented with the Standards for the Human Resources Business Line in NLB Group, the aim of which is to set up the standards of operation and harmonisation of operations in NLB Group members. In addition to this overarching policy, the Group has established several domain-specific policies which tackle key human resources risks and opportunities in specific domains, such as talent management and retention, training and development, prevention of mobbing and harassment, diversity, family-friendly measures, remuneration, and others.
	<b>Standards Human Resources Business Line in NLB Group</b>	The purpose of this document is to set up the standards of operation and harmonisation of operations in NLB Group members.
	<b>Work From Home Policy</b>	The policy addresses NLB employees' option to work from home. It regulates the conditions under which employees can perform their work and tasks from home or at a location outside the employer's premises. It also ensures compliance and consistent behaviour of employees with all regulations and labour laws and acts.
	<b>NLB Group Talent Management Strategy</b>	The strategy defines a process of identifying and developing employees with high development potential who will be the bearers of change in the future. Talent management also covers the process of succession planning. By this policy, the Group mitigates risk of departure of high-potential employees due to lack of development opportunities.
	<b>Family-Friendly Company – Healthy Bank (Organisational regulation)</b>	The organisational regulation defines the measures under the auspices of the Family-Friendly Company certificate and the methods of using these measures. The regulation introduces measures for the work-life balance of employees and, through these, greater employee satisfaction and retention.
	<b>Remuneration Policy for Members of the Supervisory Board and Members of the Management Board in NLB</b>	The policy defines the remuneration of members of the NLB Management Board or Supervisory Board and the process of awarding and disbursing variable remuneration.
	<b>Policy to Assess the Suitability of Management and Supervisory Board Members of Nova Ljubljanska Banka, Ljubljana</b>	The policy defines the procedure for preparing for the fit and proper assessment of members or candidates of the NLB Management Board or Supervisory Board. By adhering to the policy, the Bank ensures that fit and proper evaluation is completed and thus mitigates the risk of damaging the business and reputation of the Bank.
	<b>Policy to Assess the Suitability of Key Employees</b>	The policy lays down the procedure for assessing the suitability of key function holders or key function holder candidates in NLB and NLB Group. By adhering to the policy, the Bank ensures that fit and proper evaluation is completed, and thus mitigate the risk of damaging the business and reputation of the Bank.
	<b>New And Substantial Changes of Existing Products Policy</b>	The purpose of the policy is the controlled introduction of new and significant changes to existing products, thereby reducing risks. Thus, the policy defines the Bank's framework for introducing new and significant changes to existing products: it defines the assessment factors for the introduction of new products and significant changes to existing products, defines the organisation's minimum standards for the introduction of new products and significant changes to existing products, and at the same time, also regulates the area at the level of the banks of NLB Group.
	<b>Instructions for Handling Complaints in NLB</b>	The policy contains a description of the two-tier customer complaint resolution system and selected institutions responsible for extra-judicial settlement of customer claims. It provides complete information on the internal complaint process and the extra-judicial settlement of customer claims (IRPS), which contains all necessary clarifications about the complaint-solving methods and procedures.
	<b>NLB Group Corporate Social and Environmental Responsibility Policy (Contribution to Society)</b>	The policy defines key areas of social and environmental responsibility of NLB and NLB Group members in terms of their contribution to society. It defines rules and procedures for managing sponsorship, donations and other partnerships with NLB Group's stakeholders. In addition to taking care of NLB Group's employees, the key pillars of the NLB Group's socially responsible behaviour are promoting entrepreneurship, financial literacy and mentoring, support for world-class and youth sports, humanitarianism and the protection of cultural heritage. By adhering to the policy, the Group mitigates the risks in the above-mentioned areas and the risk of damaging its reputation.
	<b>Instruction for Implementing Marketing Communication Activities of NLB Group</b>	The instruction defines all stages of the internal marketing and communication process. It aims to standardise procedures and avoid any inconsistencies or legal inconsistencies in marketing and communication activities in NLB Group. The instruction is based on the legal, ethical and communication guidelines of national legislation and on good business practices in the field of marketing communication and public relations, including the commitment to comply with the legislation, with an emphasis on the Consumer Protection Act, and in this way to take into account the impact that the plan will have on consumer protection. with this instruction NLB Group prevents and mitigates the risk of developing unfair commercial practices in the marketing of products.
	<b>Policy Managing Cultural Heritage</b>	The policy is an umbrella act of NLB's cultural heritage management, and a key document for the NLB Institute for the Management of Cultural Heritage, a member of NLB Group. The policy sets out basic instructions of good practices to manage the artefacts and other assets of cultural heritage within the Group. Among other objectives, NLB promotes with this policy its social responsibility actions to care for, interpret and present its own cultural heritage, hence deepening its market position and improving its brand reputation.

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### INDEPENDENT VERIFICATION OPINION OF THE NLB d.d. AND NLB GROUP CARBON FOOTPRINT REPORT

#### INTRODUCTION

The Jožef Stefan Institute (Energy Efficiency Centre) has been engaged by NLB d.d. to prepare this verification opinion for the Carbon Footprint Report of NLB Group and corresponding methodology for the period from 1 January 2022 until 31 December 2023.

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

#### OBJECTIVES

The verification objectives are to independently review and confirm:

- the methodological approach for carbon footprint calculation;
- conformity with verification criteria, principles and requirements from applicable standards or programmes for carbon footprint reporting, in the scope of the verification;
- the reported data are exact, complete, consistent and without nonconformity errors;
- the Carbon Footprint Report / Greenhouse Gas Emissions Report

#### VERIFICATION SCOPE

The Carbon Footprint Report in accordance with the GHG Protocol, scopes 1, 2 and 3 (limited scope) is for the reporting period from January 1, 2023 until December 31, 2023.

#### ORGANIZATION BOUNDARIES FOR REPORTING ON ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

The carbon footprint calculation includes NLB Group's members that are considered to make a significant contribution to the operational environmental impact of NLB Group. Among these are members where NLB d.d. holds a majority stake, and the associated company Bankart (with a direct holding of 45.64% of direct ownership, indirect ownership 46.03%).

#### List of Included NLB Group members:

1. NLB d.d.
2. NLB Banka a.d., Skopje
3. NLB Banka a.d., Podgorica
4. NLB Banka a.d., Banja Luka
5. NLB Banka sh.a., Priština
6. NLB Banka d.d., Sarajevo
7. NLB Komercijalna Banka a.d. Beograd
8. KomBank Invest a.d. Beograd
9. NLB Srbija d.o.o., Beograd
10. NLB Črna Gora, d.o.o., Podgorica
11. NLB Skladi d.o.o., Ljubljana
12. NLB Lease&Go d.o.o., Ljubljana
13. NLB Lease&Go d.o.o., Skopje
14. NLB Lease&Go Leasing Beograd
15. REAM d.o.o., Beograd
16. REAM d.o.o., Podgorica
17. S-REAM d.o.o., Ljubljana
18. NLB Zavod za upravljanje kulturne dediščine, Ljubljana
19. NLB DigIT
20. Bankart d.o.o., Ljubljana

\* Until the merger of NLB d.d. and N Banka d.d. on 1 September 2023, the carbon footprint measurement was carried out separately for the two banks. After the merger, the measurement was carried out for the merged bank NLB d.d.

#### Greenhouse gas emission sources of NLB Group included:

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

Indirect GHG emissions (scope 3), category 15 (carbon footprint of investments in the portfolio), were not included in reporting and verification of NLB Group carbon footprint.

#### REPORTING PERIOD

January 1, 2023 until December 31, 2023; calendar year 2023.



# Appendix 6: NLB Group carbon footprint verification opinion

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### VERIFICATION CRITERIA

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

### VERIFICATION PROTOCOL

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

### LEVEL OF ASSURANCE

Reasonable level of assurance. Materiality level 5%.

### VERIFICATION METHODOLOGY

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

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

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

### VERIFIED GREENHOUSE GAS EMISSIONS

NLB GROUP	2023
Scope 1 [t CO <sub>2</sub> ]	3,408.4
Scope 2 [t CO <sub>2</sub> ]	11,900.9
Scope 3 [t CO <sub>2</sub> ]	4,112.3
Scope 1-2 [t CO <sub>2</sub> ]	15,309.3
Scope 1-2/employee [t CO <sub>2</sub> /emp.]	1.83
Scope 1-3 [t CO <sub>2</sub> ]	19,421.6

### VERIFICATION INDEPENDENCE

The Jožef Stefan Institute, Jamova cesta 39, 1000, Ljubljana, verified the carbon footprint report of NLB Group as independent organization and approved GHG emissions with its own calculations. During the verification process a balanced approach to all stakeholders was applied.

### VERIFICATION CONCLUSIONS

The Jožef Stefan Institute has following conclusions to methodological report and NLB Group Carbon Footprint Report:

- the report is complete and conforms to GHG Protocol requirements, scopes 1, 2 and 3;
- NLB d.d. has conducted scope definition and GHG emissions calculation according to the GHG Protocol;
- the methodological report appropriately defines baseline data, emission factors and other data according to the requirements of the GHG Protocol and ISO 14064;
- the NLB Group Carbon Footprint Report for 2023 correctly represents GHG emissions at the level of each scope, total calculation and emission indicators (per employee, per m<sup>2</sup>);
- the reported data are exact, complete, consistent and without nonconformity errors;
- the reported carbon footprint of NLB Group was confirmed by the Jožef Stefan Institute's own calculations.

### VERIFICATION OPINION

Based on the described verification procedures, the Jožef Stefan Institute confirms that the NLB Group Carbon Footprint Report:

- is prepared in accordance with the requirements of GHG Protocol (guidance for reporting on scopes 1, 2 and 3) and GHG reporting guidelines from ISO 14064:2019: Greenhouse gases;
- correctly and completely represents data on GHG emissions included in the NLB Group Carbon Footprint Report for scopes 1, 2 and 3 (limited scope) for the period from 1 January until 31 December 2023.

Date: 12/3/2024



Tomaz Fatur, M.Sc.  
Project Lead



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



Prof. Boštjan Zalar, Ph.D.  
Director

Stamp



# Appendix 7: Abbreviations

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services.
BCM	Business Continuity Management
BCP	Business Continuity Plans
BEV	Battery Electric Vehicles
BS	Bank of Slovenia
BSCC	British Slovenian Chamber of Commerce
CBCR	Country by Country Reporting
CEO	Chief Executive Officer
CER	Sustainable Business Network of Slovenia
CGPO	Chief Group Governance, Payments and Innovations Officer
CIR	Cost/Income Ratio
CMO	Chief Marketing Officer
CRO	Chief Risk Officer
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive (2022/2464/EU)
DEI	Diversity, equity and inclusion
DAC 6	The EU Council Directive 2011/16
EAF	Electric arc furnaces
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ESMS	Environmental and Social Management System
ECRA	The Enterprise Compliance and Integrity Risk Assessment
ESG	Environmental, Social and Governance
EPC	energy performance certificate
ESRS	European Sustainability Reporting Standards
EU-Taxonomy	Taxonomy - Regulation (EU) 2020/852
EYKA	Education Camp for Financial Literacy
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority

GFANZ	Glasgow Financial Alliance for Net Zero
GHG	Greenhouse gases
GLWF	Green Light World Flight
GRI	Global Reporting Initiative - Sustainability Reporting
HEV	Hybrid Electric Vehicles
HR	Human Resources
HVAC	Heating, Ventilation and Air - Conditioning
ICAAP	Internal Capital Adequacy Assessment Process
ICE	Internal Combustion Engine Vehicle
ICMA	International Capital Market Association
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
KRI	Key Risk Indicators
JST	Joint Supervisory Teams
KYC	Know Your Client
ICAAP	Internal Capital Adequacy Assessment
ILAAP	Internal liquidity Adequacy Process
LJSE	Ljubljana Stock Exchange
LSE	London Stock Exchange
LULUCF	The Regulation on land, land use change and forestry (EU) 2018/841
MB	Management Board
MIGA	Multilateral Investment Guarantee Agency
NACE	Nomenclature of Economic Activities
NFRD	The Non-Financial Reporting Directive (2014/95/EU)
NLB d.d.	NLB d.d. - NLB or the Bank
NPS	Net Promoter Score
NZBA	Net Zero Banking Alliance
NZE	Net zero emissions
OECD	The Organization for Economic cooperation and Development

OECD CRS	OECD Common Reporting Standards
OU	organisational unit
PACI	Partnering Against Corruption Initiative
PCAF	Partnership for Carbon Accounting Financials
PHEV	Plug-in Hybrid Electric Vehicle
PPP	Purchasing power parity
RCP	Representative Concentration Pathway
RES	Renewable Energy Sources
ROE	Return on Equity after tax
SASB	Sustainability Accounting Standards Board
SB	Supervisory Board
SBTI	Science-based targets
SDA	Slovenian Directors' Association
SDK	Standardna klasifikacija dejavnosti (Standard Classification of Activities - Slovenia)
SEE	South Eastern Europe
SFDR	Sustainable Finance Disclosure Regulation Regulation (EU) 2019/2088
SMA	Security Market Agency
SME	Small and Medium - sized enterprises
STI	Short-term incentives
TCFD	Task force on Climate Related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TRC	Total Rental Costs
UN EPFI	United Nations Environment Programme Finance Initiative
UN PRB	United Nations Principles for Responsible Banking
UN SDG	United Nations Sustainable Development Goals
WEF	World Economic Forum
WEO 22	World Energy Outlook 2022
ZEO	Zero-energy building

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**Appendices**

NLB Group is committed to safeguarding the environment and to reducing printing and paper usage in our every process. Leading by example, this report is prepared in digital form only. We invite our stakeholders to join us in our safeguarding efforts and not print any copy of this report.

NLB d.d., Ljubljana

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