

# Corporate Governance Statement of NLB

Pursuant to Article 70, paragraph 5, of the Companies Act (ZGD-1)<sup>19</sup> NLB hereby gives the following Corporate Governance Statement of NLB as a part of the Business Report of the NLB Group Annual Report 2021. The main function of this statement is the prompt informing of investors on the coherence of the Bank's corporate governance system.

## 1. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

NLB, as a public company whose shares are listed on Prime Market of the Ljubljana Stock Exchange, hereby discloses the compliance with the Slovenian Corporate Governance Code for Listed Companies, adopted by the Ljubljana Stock Exchange and Slovene Directors' Association, on 27 October 2016 (valid from 1 January 2017) as the code that applies for the bank. Information contained in this point represents a 'Statement of Compliance with the Corporate Governance Code' as defined in Article 24 of the Ljubljana Stock Exchange Rules, dated 27 May 2020 (<https://ljse.si/en/rules-and-regulations/252>).

### 1.1. References to the Code on Corporate Governance

The recommended best corporate governance practices contribute to a transparent and understandable corporate governance system, which promotes both domestic and foreign investor confidence, as well as the confidence of employees, other stakeholders (regulators, suppliers, etc.), and the general public. A decision on which code the Bank will follow was made jointly by the Management Board and the Supervisory Board of the Bank by adopting the Corporate Governance Policy of NLB (November 2020). In 2022, the Group will actively analyse the changes made with a renewed version of the Slovenian Corporate Governance Code for Listed Companies, that will be the first used for preparation of the Corporate Governance Statement of NLB for the business year 2022.

NLB also has its own corporate governance code. The NLB Group Code of Conduct is a standardised document for all members of the Group that defines values, lays down the

<sup>19</sup> The Companies Law (ZGD-1; Official Gazette of the RoS, No. 65/09 and consecutive changes).

standards of ethical business conduct, and serves as the guideline for all our relationships regardless of whether it involves clients, competitors, business partners, state authorities, regulators, shareholders, or internal relationships between employees. At the same time, it is the basis of the Group values and basic principles of conduct which provide specific conduct guidelines to its employees. The aim of this approach is to ensure compliance with all applicable laws, regulations, and standards. It is published on the Bank's web page (<https://www.nlb.si/compliance-and-integrity>).

Compliance with the aforementioned Code is explained in the Corporate Governance Statement of NLB on 'comply or explain basis,' in which the Bank provides explanation regarding deviations, reasoning for non-compliance with a certain recommendation, or alternative practices performed mostly due to stricter banking regulation. The statement refers to the Bank's system of corporate governance from the beginning to the end of financial year, which also corresponds to the beginning and the end of the calendar year (from 1 January until 31 December).

Corporate Governance Statement of NLB is included in the Business Report of the NLB Group Annual Report (published on <https://www.nlb.si/financial-reports>), and is also published as a separate report on the Bank's website under chapter on Corporate Governance (<https://www.nlb.si/corporate-governance>), as well as on the website of the Ljubljana Stock Exchange (<https://seonet.ljse.si>).

NLB strives to increase the level of its business transparency and informs the shareholders and other expert community in line with Guidelines on Disclosure for Listed Companies (Ljubljana Stock Exchange, 18 December 2020) on electronic communications system of the Ljubljana Stock Exchange (<https://ljse.si/en/rules-and-regulations/252>) and in line with Rules and Regulation of the Luxembourg Stock Exchange, as well as in line with Rules of the London Stock Exchange through Regulatory News Services (RNS) of the London Stock Exchange.

The Corporate Governance system of the Bank and all relevant information on Bank's management that exceeds the requirements of article 70 of the Companies Act (ZGD-1) are published in the chapter of **Risk Management** of this annual report, where ESG Risk Management for the year 2021 is described, as well as in the **Sustainability** chapter of this annual report, and the NLB Group Sustainability Report 2021 (<https://www.nlb.si/sustainability>). Some other aspects about the functioning of the Bank's managing bodies are described in the chapter of

**Corporate Governance** of this annual report, as well as in the Corporate Governance Policy of NLB (November 2020) published on the NLB's website (<https://www.nlb.si/corporate-governance>). Information on the Diversity Policy and Remuneration Policy is also described in the Pillar 3 Disclosures according to Basel standards (<https://www.nlb.si/financial-reports>).

## 2. COMPLIANCE WITH THE SLOVENIAN CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES

The Bank does not follow or partially implements or adhere to different, in most cases stricter, banking regulations with regard to the following recommendations:

**Recommendation no. 8.5:** In the reasoning of the proposals for the General Meeting, NLB does not cite eventual conflicts of interest because they are already included into the Fit & Proper procedure.

**Recommendation no. 10.1:** In assessing candidate's eligibility for a Supervisory Board member, statutory criteria are applied, however candidates don't have a certificate evidencing their specialised professional competence for membership on a Supervisory Board, such as the Certificate of the Slovenian Directors' Association, or any other relevant certificate. However, all strict conditions must be fulfilled according to banking legislature.

**Recommendation no. 12.2:** The Rules of Procedure of the Supervisory Board of NLB do not include the list of all types of transactions for which the Management Board needs prior approval of the Supervisory Board, but refer to Article 24 of the Articles of Association. The mentioned rules also do not include the Supervisory Board evaluation, education, and training of the members of the Supervisory Board. The mentioned provisions are part of other internal documents or decisions of the managing bodies.

**Recommendation no. 12.3:** The Rules of Procedure of the Supervisory Board of NLB do not include the scope of topics and timeframe to be respected by the Management Board in its periodic reporting of the Supervisory Board. However, the scope of topics and time frames of periodic reporting to the Supervisory Board are included in annual Action Plan of the Supervisory Board and Articles of Association. Professional

services of the Bank take care that timely information is provided to the Supervisory Board.

**Recommendation no. 15.3:** NLB does not follow this recommendation because the President of the Supervisory Board is at the same time President of the Nominations Committee.

**Recommendation no. 17.1:** In 2021, the Supervisory Board members (representatives of capital and representatives of workers) did not receive attendance fees, but received payments for performing their function based on the decisions of the General Meeting of shareholders dated 21 October 2019 and 15 June 2020. Remuneration of the members of the Supervisory Board is regulated by the Remuneration Policy for the Members of the Supervisory Board of NLB and the Members of the Management Board of NLB adopted by the Supervisory Board on 15 October 2021 and by the General Meeting of shareholders on 16 December 2021. The voting on mentioned policy by the General Meeting of shareholders was consultative.

**Recommendations no. 21.4 to 21.6:** In 2021, NLB did not pay variable remuneration in the form of NLB's shares to any member of the NLB Management Board, nor do stock option plans and comparable financial instruments make up most of the variable remuneration of any member of the NLB Management Board. In relation to the payment of variable remuneration in ordinary or preference shares of NLB, or share linked instruments, or equivalent non-cash instruments NLB complies with the recent changes introduced by the Banking Act (ZBan-3)<sup>20</sup> that came into force on 23 June 2021. In accordance with point 3 of the second paragraph of Article 190 of the ZBan-3, at least 50% of the variable remuneration of (among other) each member of the NLB Management Board shall comprise ordinary or preference shares of NLB, or share linked instruments, or equivalent non-cash instruments (hereinafter collectively: Instruments). This requirement applies to both the non-deferred and the deferred part of variable remuneration (which are different from recommendations 21.4 and 21.6, which provide that variable remuneration given as shares, as well as the execution of stock options and any other rights to acquire shares or be remunerated based on share price movements, must not be made possible for at least three years after such rights were awarded). When the variable remuneration of an individual Identified Staff for a particular year does not exceed

<sup>20</sup> Banking Act (ZBan-3; Official Gazette of the RS, No 92/21).

EUR 50,000 and does not exceed one third of his/her total remuneration for such year, ZBan-3 allows for an exception from the requirement that a part of variable remuneration must be paid in Instruments. On 15 October 2021, the Supervisory Board of the bank adopted a new Remuneration Policy of Members of the Management Board of NLB and the Members of the Supervisory Board of NLB, which was also adopted by the General Meeting of shareholders of the Bank on 16 December 2021. The voting on mentioned policy by the General Meeting of shareholders was consultative.

**Recommendation no. 25.3:** The Bank does not follow the recommendation on rotation of audit companies (at least once every seven years); however, the Bank complies with the Banking Law (ZBan-3) that allows longer period. However, the audit firm did replace the audit partner responsible for the audit of NLB and the Group financial statements for year 2020 and 2021.

**Recommendation no. 27.4:** NLB draws up its financial calendar which is published on Banks' website (<https://www.nlb.si/financial-calendar>) and includes the date of the Annual General Meeting, however, it doesn't provide information on the dividend payment date. The dividend payment date is announced in the publication of the Agenda and Proposed Resolutions to be passed at the Annual General Meeting (<https://www.nlb.si/general-meetings>). The dividend payment date is determined based on KDD Operations Rules (Central Securities Clearing Corporation).

**Recommendation no. 29.2:** The Bank performs the corporate sustainability reporting according to Global Reporting Initiative Standards (GRI). Another institution suitable for independent external assessment of corporate sustainability reporting will verify the correctness of information in the corporate sustainability report presumably for business year 2022 (this also includes GRI standards). However, the bank already adopted a decision that in 2022 an independent external verification of the work of calculating the carbon footprint will be performed by renowned natural science and technology research institute in Slovenia.

**Recommendation no. 29.9:** NLB does not publish the rules of procedure of its bodies (Management Board and Supervisory Board and its committees) on its website. However, each year the Bank discloses the composition, competences, and work of its managing bodies in the Corporate Governance Statement of NLB and publishes it in the NLB Group Annual Report, on Bank's website (<https://www.nlb.si/corporate-governance>), as well as

on the web page of the Ljubljana Stock Exchange (<https://seonet.ljse.si>).

### 3. MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING

NLB is governed by the provisions of the Capital Requirements Regulation (CRR), with amendment, together with all applicable delegated acts, Banking Act (ZBan-3) and the Regulation on Internal Governance Arrangements, the Management Body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks regulating, and relevant EBA Guidelines, among other, the Bank's obligation to set up, maintain appropriate internal control, and risk management systems. Due to the above, the NLB has developed a steady and reliable internal governance system encompassing the following:

- a clear organisational structure with precisely defined transparent and consistent internal relations in the area of responsibility;
- effective risk management processes for identifying, measuring or assessing, managing, and monitoring risks, including risk appetite, risk strategy, ICAAP, ILAAP, recovery plan, and the reporting of risks to which the Group is exposed or could be exposed in its operations;
- incorporating main strategic risk guidelines into annual business plan review, budgeting process, and other relevant decision-making;
- suitable internal control mechanisms that include appropriate administrative and accounting procedures;
- the appropriate remuneration policies and practices that are in line with prudent and effective risk management, and thus promote risk management.

#### 3.1. Internal control mechanisms

Suitability of the internal control mechanisms are determined by the independence, quality and validity of:

- the rules for and controls of the implementation of the Bank's organisational procedures, business procedures, and work procedures (internal controls) and
- the internal control functions and departments (internal control functions).

### 3.1.1. Internal Controls

In August 2021, the Bank upgraded a system of internal controls by adopting a revised Policy Internal Control System that is harmonized with international regulatory requirements and standards (CRR, Banking Act, BIS, COSO, regulation of the BoS, EBA et al). A system of internal controls means a set of rules, procedures, and organisational structures aimed at:

- ensuring efficient and consistent implementation of NLB's strategies and operations,
- ensuring efficient and consistent processes and procedures in the NLB,
- protection of the value of NLB's assets,
- ensuring the reliability and integrity of accounting and management data and information,
- ensuring the operation and operation of the NLB in accordance with all applicable rules and regulations.

The system of internal controls in NLB is designed to ensure that for each key risk there is a process or other measure to reduce or manage that risk and that process or measure is effective for that purpose.

The aforementioned policy introduces a new description of the three lines of defence, namely:

1. First-level (or line) controls are implemented into business and non-business organisational units (OU): controls are designed to ensure the proper implementation of business activities, i. e., the Bank's operations. Supervision in each individual business area is carried out by the competent organisational unit (OU), which is responsible for the implementation of procedures;
2. Second-level controls are divided between Risk Management and Compliance control functions (including AML/CTF and Information security management) that carry out independent controls and supervision over the operation of the first line of defence. The business compliance function sees to the supervision of the correct implementation and ensuring compliance (line controls) with the regulatory framework, its consistent interpretation at the Group level, as well as to identifying, assessing, preventing, and monitoring overall risks to compliance and integrity in the NLB. The risk management function directs risk management and control by defining policies and methodologies for risk assessment and management;
3. The third level of controls 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 line and the second-level control functions.

In the event of deficiencies, irregularities of breaches identified in the process of implementation of internal controls the breaches are discussed at the Operational Risk Committee (which is collective decision-making body appointed by the Management Board of the Bank that is established for execution of individual tasks within powers of the Management Board of the Bank). The mentioned committee adopts decisions so that appropriate actions are taken and informs the Management Board of the Bank about deficiencies and actions taken on that behalf.

### 3.1.2. Internal Control Functions

The internal control functions are part of the system of the internal governance in the Bank. Internal control functions include:

#### a) The Internal Audit Function

The Internal Audit function is organised according to the Charter on the Internal Audit of NLB adopted by the Management Board on 13 November 2018 (and supplemented on 13 August 2019), to which the Supervisory Board of NLB gave its approval (30 November 2018 and 6 September 2019).

The Charter of the Internal Audit of NLB is the umbrella document about the understanding and role of the Internal Audit in NLB, which defines the purpose, powers, responsibilities, and tasks of the Internal Audit in line with the International Standards for the Professional Practice of Internal Auditing. The Charter lays down the position of the Internal Audit in the organisation, including the nature of the relationship between the functional responsibility of the Head of the Internal Audit to the supervisory body, grants authorisations to internal auditors for accessing records, employees, premises, and equipment relevant for performing their tasks, and defines the area and activities of the Internal Audit.

The Management Board has set up an independent internal audit function which gives assurances and advice about risk management, internal controls system, and management of the NLB. The mission and the principal task of the Internal Audit is to consolidate and secure the value of the Bank by issuing objective assurances based on risk assessment, with consultancy and deep understanding of the Bank's

operations. In addition to that, the Internal Audit carries out regular control of the quality of operation of the other internal audit departments in the Group and takes care of constant development of the internal auditing function.

Pursuant to the provisions of the law, the Bank has organised the internal audit as an independent organisational unit, primary responsible to the Supervisory Board of the NLB and secondary to the Management Board of the Bank.

The Supervisory Board of NLB must issue its approval of the appointment, remuneration, and dismissal to the Head of the Internal Audit, which ensures their independence and so, the independence of the work of the Internal Audit.

#### b) The Risk Management Function

The Risk Management Function is organised according to the Charter of the Risk Management Function of NLB adopted by the Management Board, in agreement with the Supervisory Board of NLB. The Charter on Functioning of the Risk Management Function of NLB is the framework document on understanding and role of the risk management function; it defines the purpose, validity, and method of operation, as well as the authorisations and responsibilities of the risk management function according to the requirements of the Banking Act (ZBan-3) and the Regulation on Internal Management Arrangements, Management Body, and Internal Capital Adequacy Assessment Process for Banks and Savings Banks.

The risk management function represents an important part of overall management and governance system in the Group. This function in NLB is organised within the Risk stream, covered by the member of the Management Board in charge of risk (Chief risk officer - CRO). The risk stream covers the following organisational units:

- Global Risk
- Credit Risk – Corporate
- Credit Risk - Retail
- Evaluation and Control
- Restructuring
- Work-out and Legal support

The risk management function is performed by the Global Risk. In accordance with the competences, authorisations, and responsibilities Global Risk is represented by its General Manager. The Global Risk is in functional and organisational terms separate from other functions where business decisions are adopted and where potential conflict of interest may arise with the risk management function. The head of the risk

management function has direct access to the Management Board of the NLB and at the same time unhindered and independent access to the Supervisory Board of NLB and the Risk Committee of the Supervisory Board of the NLB.

In members of the Group, the risk management function is organised according to the local legislation, considering the bases for set-up, organisation, and activities in risk management in the members, as defined in the document 'Risk Management Standards in the NLB Group.' The described standards on risk management provide the members of the Group the bases with which they have to align their organisation, strategic risk-taking guidelines, internal policies, methodologies, and reporting system.

Risk management and control is performed through a clear organisational structure with defined roles and responsibilities. The organisation and delineation of competencies is designed to prevent conflicts of interest, ensure a transparent and documented decision-making process, subject to an appropriate upward and downward flow of information. The competence line Risk Management in NLB, encompassing several professional areas, is in charge for formulating and controlling the Group's risk management policies, setting limits, overseeing the harmonisation, regular monitoring of risk exposures, and limits based on centralised reporting at the Group level.

The Group puts great emphasis on the risk culture and awareness across the entire Group. Group's Risk Management framework is forward-looking and tailored to its business model and corresponding risk profile.

#### **c) The Compliance Function, Information Security Function, and AML/CTF Function**

Compliance and Integrity in the Group in its role as internal control function performs control activities with respect to the main following areas:

- anti-money laundering and counter-terrorist financing (separately for NLB and the Group)
- information security and data protection,
- personal data protection,
- regulatory compliance management,
- prevention of fraud and internal investigations,
- security,
- development of compliance risk methodologies, and setting and monitoring ethics and integrity standards;
- harmonisation of policies and practices within the Group (Competence line Compliance and Integrity).

Compliance and Integrity is an organisational unit of the Bank, placed directly under the Bank's Management Board in the organisational structure. The Bank adopted Integrity and Compliance Policy of the NLB and the NLB Group (Version 1, December 2016), which regulates the method and scope of the activities of the compliance function in the Bank. Separate policies regulate different areas which are organised within the Compliance and Integrity in NLB. Supervision over compliance of operations is within the competence of the Compliance and Integrity. This enables the Compliance and Integrity to operate independently from other Bank's departments.

The director of Compliance and Integrity does not perform any other function at the Bank that could possibly lead to conflict of interests. To ensure his independence, the director reports to the Management Board and to a specific member of the Bank's Management Board responsible for compliance area (including information security, personal data protection, and AML/CTF functions), which additionally ensures independence of operation of the Compliance and Integrity.

As information security, AML/CTF, and Group AML functions are organised within Compliance and Integrity, CISO for NLB, Group CISO, DPO (Data Protection Officer), head of AML/CTF area for NLB and head of Group AML are ensured full independence through equal reporting lines as the director of Compliance and Integrity and have direct access and separate reporting line to the Bank's Supervisory Board. Following NLB's model, the compliance function has been established in the core members of the Group, as well based on the Group standards for the compliance and integrity area. Through specific binding standards in the area of compliance and integrity, there is a harmonised system of standards and practices in the area of compliance and integrity in place in the entire NLB Group, in core and non-core members.

#### **3.2. Financial reporting**

With the aim of ensuring appropriate financial reporting procedures, NLB pursues the adopted Policy on Accounting Controls. The accounting controls are provided through the operation of the complete accounting function with the purpose of ensuring quality and reliable accounting information, and thereby accurate and timely financial reporting. The principal identified risks in this area are managed with an appropriate system of authorisations, a segregation of duties, compliance with accounting rules, documenting of all business events, a custody system, posting on the day of a business event, in-built control mechanisms in

source applications, and archiving pursuant to the laws and internal regulations. Furthermore, the policy precisely defines primary accounting controls, performed in the scope of analytical bookkeeping, and secondary accounting controls, i.e., checking the efficiency of implementation of primary accounting controls. With an efficient mechanism of controls in accounting reporting, NLB ensures:

- A reliable decision-making and operation support system
- Accurate, complete, and timely accounting data, the resulting accounting, and other reports of the Bank
- Compliance with legal and other requirements.

Financial statements of NLB and consolidated financial statements of the NLB Group are audited by the auditing company Ernst & Young d.o.o., Ljubljana. The mentioned auditing company was appointed as the auditor of NLB by the General Meeting of shareholders of the Bank for the financial years 2018 to 2022 (27 June 2018). The auditing company verifies the business report in accordance with the provisions of the Companies Act (ZGD-1).

#### **4. INFORMATION ON POINT 4, PARAGRAPH 5, OF THE ARTICLE 70 OF THE ZGD-1 regarding points 3, 4, 6, 8, and 9 of paragraph 6 of the same article**

**Explanation regarding significant direct and indirect ownership of the company's securities in the sense of achieving a qualified stake as determined by the act regulating acquisitions**

**(Point 3 of the sixth paragraph of Article 70 of the ZGD-1)**

Significant direct and indirect ownership of the company's securities in terms of achieving a qualifying holding as defined in the Takeovers Act (as of 31 December 2021).

Shareholder	Number of shares	Percentage of shares	Nature of ownership
RoS	5,000,001	25.00	shares
Brandes Investment Partners, L.P. <sup>(i)</sup>	/	>5 and <10	GDRs
EBRD <sup>(i)</sup>	/	>5 and <10	GDRs
Schroders plc <sup>(i), (ii)</sup>	/	>5 and <10	GDRs

<sup>(i)</sup> In the form of GDRs.

<sup>(ii)</sup> Further information is available in chapter [Events after the end of the 2021 financial year](#).

More information on the Bank's Share Capital is available on the website: <https://www.nlb.si/shares>.

**Explanation regarding the holders of securities that carry special control rights  
(Point 4 of the sixth paragraph of Article 70 of the ZGD-1)**

The Bank did not issue any securities carrying special controlling rights.

**Explanation regarding restrictions related to voting rights, in particular: (i) restrictions of voting rights to a certain stake or certain number of votes, (ii) deadlines for executing voting rights, and (iii) agreements in which, based on the company's cooperation, the financial rights arising from securities are separated from the rights of ownership of such securities  
(Point 6 of the sixth paragraph of Article 70 of the ZGD-1)**

The shares of the Bank are freely transferable, subject to the provisions of the Articles of Association of the Bank which require the approval of the Supervisory Board, namely for the transfer of shares of the Bank by which the acquirer, together with the shares held by the holder before such an acquisition and the shares held by third parties for the account of the acquirer, exceeds the share of 25% of the Bank's voting shares. Approval for the transfer of shares is issued by the Supervisory Board.

The Bank rejects the request for approval of transfer shares if the acquirer, together with the shares held by the acquirer before the acquisition and the shares held by third parties for the account of the acquirer, exceeded the 25% share of the Bank with voting rights, increased by one share.

Notwithstanding the provision mentioned in the first paragraph, approval for the transfer of shares is not required if the acquirer of the shares has acquired them for the account of third parties, so that it is not entitled to exercise voting rights from these shares at its sole discretion, while at the same time committing to the Bank, it will not exercise voting rights on the basis of the instructions of an individual third party for whose account it has acquired the shares if, together with the instructions for voting, it does not receive a written guarantee from that person that this person has shares for his own account, and that this person is not, directly or indirectly, a holder of more than 25% of the Bank's voting rights.

The acquirer who exceeds the share of 25% of the Bank's shares with voting rights and does not require the issuance of approval for the transfer of shares, or does not receive the approval of the Bank, may exercise the voting right from 25% of the shares with the voting rights.

There are no restrictions other than those mentioned and those that are regulatory.

**Explanation on the (i) company's rules on appointment or replacement of members of the management or supervisory bodies, and (ii) changes to company's Articles of Association  
(Point 8 of the sixth paragraph of Article 70 of the ZGD-1)**

**The appointment or replacement of members of the management or supervisory bodies**

**The Management Board**

The Management Board of the Bank is comprised of three to seven members, one of whom is appointed President of the Management Board of the Bank. The number of Management Board members is determined by a resolution of the Bank's Supervisory Board. The President and other members of the Management Board are appointed and recalled by the Supervisory Board of the Bank; the President of the Management Board may propose to the Chair of the Supervisory Board of the Bank to appoint or recall an individual member or the remaining members of the Management Board of the Bank.

The President and members of the Management Board shall be appointed for a period of five years and may be re-appointed for another term of office. The President and members of the Management Board may be recalled prior to the expiry of their term of office in accordance with

applicable laws and Articles of Association. Each member of the Management Board of the Bank may prematurely resign her/his term of office with a period of notice of three months. A written notice shall be delivered to the Chair of the Supervisory Board of the Bank. The notice term may be shorter than three months if requested by the resigning member of the Management Board of the Bank in his/her notice and is subject to the approval of the Supervisory Board of the Bank.

A member of the Bank's Management Board may only be a person who fulfils the legally prescribed conditions for a management board member under the law on banking and who obtained a licence from the BoS or the ECB, if executing the competences and tasks from Item (e) of paragraph 1 of Article 4 of Regulation (EU) no. 1024/2013 for the performance of the function of a bank's management board member under the law regulating banking. The Bank assesses every candidate following the Bank's Policy governing the Fit & Proper assessment prior to the appointment.

**The Supervisory Board**

The Supervisory Board of the Bank consists of a total of 12 members, of which eight members represent the interests of shareholders and four members represent the interests of employees. Members representing the interests of shareholders shall be elected and recalled by the Bank's General Meeting from persons proposed by shareholders or the Supervisory Board of the Bank and members representing the interests of employees shall be elected and recalled by the Workers' Council of the Bank. Members of the Supervisory Board representing the interests of shareholders are elected by an ordinary majority of votes cast by shareholders.

The term of office of the Supervisory Board members commences on the day their appointment enters into force (start of term of office) and lasts up until the end of the Bank's Annual General Meeting of shareholders which decides on the use of accumulated profit for the fourth business year since the start of their term of office, unless otherwise stipulated at the time of appointment of individual members. In this context, the first year is deemed the business year in which the members of the Supervisory Board of the Bank started their term of office.

The general meeting of the Bank may dismiss an individual or all members of the Supervisory Board (representatives of shareholders) even before the expiration of their term of office.

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A resolution on a dismissal shall be valid if adopted with at least a three-quarter majority of all votes cast.

The Supervisory Board of the Bank shall at its first meeting after an appointment elect from among its members a Chair and at least one Deputy Chair of the Supervisory Board of the Bank. A member representing the interests of employees cannot be elected Chair or Deputy Chair of the Supervisory Board of the Bank. All the supervisory board members shall be independent professionals as defined by the Articles of Association.

A member of the Bank's Supervisory Board may only be a person who fulfils the legally prescribed conditions for a supervisory board member under the law on banking and who obtained a licence from the BoS or the ECB, if executing the competences and tasks from Item (e) of paragraph 1 of Article 4 of Regulation (EU) no. 1024/2013 for the performance of the function of a bank's supervisory board member under the law regulating banking. The Bank assesses every candidate following the Bank's Policy governing Fit & Proper assessment prior to the appointment.

#### **Amendments to Articles of Association**

A qualified majority of at least 75% (seventy-five per cent) of the votes cast by shareholders at the general meeting of the Bank's shareholders is required for the adoption of any amendments of the Articles of Association.

#### **Explanation regarding the authorisation of the members of the management, particularly authorisations to issue or purchase own shares**

##### **(Point 9 of the sixth paragraph of Article 70 of the ZGD-1)**

With the aim of ensuring NLB treasury shares for the payment of variable part of the remuneration to the employees of NLB in the form of NLB shares, the General Meeting of shareholders of NLB on 10 June 2019, authorised the Management Board for redeeming treasury shares in the period of 36 months from the adoption of the resolution at the General Meeting. The authorisation is valid for acquiring up to 36,542 NLB treasury shares, while the total percentage of shares acquired based on this authorisation, together with the treasury shares already in possession of NLB, may not exceed 10% of NLB share capital (2,000,000 shares). When disposing its treasury shares which NLB acquired based on this authorisation, the pre-emptive right of the existing shareholders to acquire shares is excluded in full in case

treasury shares are disposed of for the purpose of paying the variable part of remuneration to the employees of NLB in the form of NLB's shares. In 2021, however, NLB did not purchase treasury shares.

## **5. INFORMATION ON THE WORK AND KEY POWERS OF THE SHAREHOLDERS' MEETING AND OF ITS KEY POWERS, AND A DESCRIPTION OF SHAREHOLDERS' RIGHTS AND THE METHOD OF THEIR EXERCISING**

Competences of the Bank's General Meeting are stipulated in the Companies Act (ZGD-1), the Banking Act (ZBan-3), and the Articles of Association of the Bank. The General Meeting is a body of the Bank through which shareholders exercise their rights, which include among others: decisions on corporate changes (amendments of the Articles of Association, increase or decrease of share capital) and legal restructuring (mergers, acquisitions), adopting decisions on all statutory issues in respect of appointing and discharging members of the Supervisory Board (representatives of shareholders), and appointment of an auditor, distribution decisions (appropriation of distributable profit), and the granting of discharge from liability to the Management and Supervisory Board.

The General Meeting is convened by the Management Board. The General Meeting may be convened by the Supervisory Board in cases where the Management Board fails to convene the General Meeting or where a convocation is necessary to ensure unhindered operations of the Bank. The Supervisory Board may amend the agenda of the General Meeting convened in line with the bylaws.

As a rule, the General Meeting of the Bank shall be convened at the registered office of the Bank, yet it may also be convened at another venue specified by the convenor. The Management Board may stipulate that shareholders may attend or vote before or at the General Meeting by electronic means without physical presence. The General Meeting of shareholders shall adopt resolutions by simple majority of the votes cast, unless the applicable laws or the Bank's Articles

of Association stipulate a larger majority or other conditions (adoption and amendments of the Articles of Association, issue of convertible bonds or other equity securities, exclusion of pre-emptive right of existing shareholders, decrease in share capital, the status restructuring of the Bank, or liquidation of the Bank and discharge of Supervisory Board members).

The shareholders have the right to participate at the general meeting of the Bank, the voting right, pre-emptive right to subscribe for new shares in case of share capital increase, the right to profit participation (dividends), and the right to a share in surplus in the event of liquidation or bankruptcy of the Bank and the right to be informed.

According to Article 296 of the Companies Act, NLB informs shareholders on their rights as shareholders in an Information on the Rights of Shareholders that is published among the documents for convocation of each General Meeting (i.e., on expansion of the agenda, proposals by shareholders, voting proposals by shareholders, and the shareholders right to be informed).

There were two General Meetings of shareholders in 2021. The shareholders of NLB gathered on 36th General Meeting on 14 June 2021. Due to COVID-19 pandemic, for the first time the General Meeting was hybrid, as it was held live and online. The shareholders took note of the approved NLB Group Annual Report 2020, the Report of the Supervisory Board of NLB on the results of the examination of the NLB Group Annual Report 2020, and Information on the income of members of the Management Board and Supervisory Board of NLB for the previous business year.

The shareholders decided on the allocation of distributable profit for 2020. The distributable profit of NLB as of 31 December 2020 was EUR 341,992,219.43. Distributable profit in the amount of EUR 24,800,000.00 was about to be paid to the shareholders as dividends in two instalments. In accordance with the recommendation of the ECB, the Regulation of the BoS and adopted resolution of the General Meeting the first instalment of dividends in the total amount of EUR 12 million was paid on 22 June 2021 (EUR 0.60 per share), while the second instalment of dividends in the total amount of EUR 12.8 million (EUR 0.64 per share) was paid on 18 October 2021.

The General Meeting of NLB granted discharge to the members of the Management Board and Supervisory

Board for the 2020 financial year and adopted amendments and supplements to the Articles of Association of NLB and appointed Islam Osama Zekry as a new member of the Supervisory Board.

At the 37th General Meeting of shareholders on 16 December 2021, the shareholders decided on additional allocation of distributable profit for 2020, as the BoS's decision restricting the payment of dividends expired at the end of September 2021. Therefore, an additional EUR 67.4 million of distributable profit (EUR 3.37 per share) was paid to the shareholders on 24 December 2021.

NLB paid out a total of EUR 92.2 million as dividends (or 4.61 EUR per share) to shareholders in 2021 (EUR 12 million on 22 June, EUR 12.8 million on 18 October and EUR 67.4 million on 24 December), thereby reaffirming NLB Group's stable and successful business operations and strong capital position.

At the General Meeting, the shareholders also voted on the [Remuneration Policy for the Members of the Supervisory Board of NLB and the Members of the Management Board of NLB](#) required by the latest amendments to the Companies Act, applicable to all the companies whose securities are traded on an organised market. In the future, NLB will put it forward to vote at the General Meeting upon any material amendment or at least every four years.

## 6. INFORMATION ABOUT THE COMPOSITION AND WORK OF THE MANAGEMENT AND SUPERVISORY BODY AND ITS COMMITTEES

### 6.1. The Management Board

#### Composition of the Management Board

The Management Board is the decision-making and representation body of the Bank. It manages the company, makes business decisions autonomously and independently, adopts the development strategy, ensures sound and effective risk management, acts with the highest professional integrity, protects business secrets, and is held accountable for the legality of the Bank's operations within the limits set by the relevant regulations.

At the beginning of 2021, the Management Board of the Bank consisted of Blaž Brodnjak, CEO, Archibald Kremser, CFO,

Andreas Burkhardt, CRO, and Petr Brunclík, COO, since the Supervisory Board reappointed the president and members of the Supervisory Board (Blaž Brodnjak as the CEO, Archibald Kremser as the CFO, and Andreas Burkhardt as the CRO of NLB) on its session on 12 November 2020.

On 21 April 2021, the Supervisory Board of NLB and Petr Brunclík agreed on the termination of office that went into effect on 30 June 2021. As at 22 April 2021, his tasks were taken over by other members of the NLB Management Board.

Material changes that occurred in the Management Board after the end of the business year 2021 are described in special statement at the end of this Corporate Governance Statement of NLB.

#### Work of the Management Board

In 2021, the Management Board continued to work on the implementation of the NLB Group Strategy. The very solid financial results of NLB Group in 2021 enabled the Bank to pay out a total of EUR 92.2 million as dividends to the shareholders in 2021 (EUR 12 million on 22 June, EUR 12.8 million on 18 October, and EUR 67.4 million on 24 December), thereby reaffirming NLB Group's stable and successful business operations and strong capital position. Combining these dividend pay-outs, privatisation proceeds, and the residual value of the RoS, NLB has fully repaid the amount it received for the 2013 recapitalisation. After successful acquisition of Komercijalna Banka, Beograd in December 2020, the Management Board immediately started working on its harmonisation with NLB Group's standards. The Management Board worked on intensive digitalisation and emphasis on top quality user experience, as well as a commitment to sustainable operations and development. The Management Board worked on a commitment to sustainable operations and development and implementation of the ESG factors and their inclusion in the NLB Group business model. All year long, the Management Board took all necessary actions in order to lower the impact and consequences of COVID-19 epidemic in the Group.

A detailed information on composition and the amount of remuneration of the Management Board can be found in Appendices C.1 and C.3 of this statement.

### 6.2. The Supervisory Board

In accordance with the two-tier governance system, the Bank's Supervisory Board issues approvals to the Management Board related to the Banks' business policy and financial plan, approves the strategy of the Bank and

the Group, the internal control system organisation, and gives consent to the Annual Plan of the Internal Audit and to financial transactions defined in Articles of Association. The Supervisory Board acts in accordance with the highest ethical standards of management, considering the prevention of conflicts of interest. The Supervisory Board performs its tasks in accordance with the provisions of the applicable legislation governing the operations of banks and companies, the Bank's Articles of Association, and its Rules of Procedure of the Supervisory Board of NLB. The Supervisory Board may engage legal and other consultants and institutions required by itself or its committees to perform their tasks.

#### Composition of the Supervisory Board

In accordance with changes made to the Articles of Association of NLB (June 2020) that enabled workers' participation in the Bank's management bodies, the Supervisory Board consists of 12 members, out of which eight are representatives of the capital, and four are employee representatives (elected and appointed by the Workers Council of NLB).

At the beginning of 2021, the Supervisory Board of NLB consisted of 11 members, of which eight were representatives of shareholders (in addition to Primož Karpe, President and Andreas Kligen, Deputy members were also Mark William Lane Richards, Shrenik Dhirajlal Davda, Peter Groznik, David Eric Simon, Gregor Rok Kastelic, and Verica Trstenjak), and three were representatives of employees (Sergeja Kočar, Bojana Šteblaj, and Janja Žabjek Dolinšek). In January 2021, however, the Workers Council of NLB elected Tadeja Žbontar Rems as a member of the Supervisory Board of the NLB – the representative of the workers. With the mentioned election, the composition of the Supervisory Board was complete. Because the term of office of member of the Supervisory Board Peter Groznik expired in the middle of the year, the General Meeting of shareholders on 14 June 2021 elected Islam Osama Zekry as a new member of the Supervisory Board.

#### Statement of Independence of the Members of the Supervisory Board

In accordance with the Article 20 of the Articles of Association of the NLB all Supervisory Board, members must be independent experts. Persons representing the interests of employees in the Supervisory Board of the Bank are considered independent despite the existence of an employment relationship with the Bank upon fulfilling certain terms and conditions.

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A statement of independence, in which they declare themselves on their meeting of the criteria of conflict of interest, is provided by a candidate for a function of a member of the Supervisory Board, upon each change that would mean change of his/her independence status once yearly. It is published on the Bank's webpage (<https://www.nlb.si/corporate-governance>).

### Work of the Supervisory Board

In 2021, the Supervisory Board met at seven regular and 12 correspondence sessions. Upon receiving reports from its committees, the Supervisory Board acquainted itself or adopted the following most important decisions:

- NLB Group Strategy Implementation Progress Report;
- Annual NLB Group Report for 2020; Report of the Supervisory Board of NLB on the Results of Examining the Annual NLB Group Report for 2020; Corporate Governance Statement of NLB; Risk Management Statement of NLB; Annual Report of Internal Audit for 2020; Comprehensive Opinion of the Internal Audit for 2020;
- The Corporate Social Responsibility Report for 2020; The NLB Group Sustainability Programme; ESC Internal Documentary Framework (Lending Policies); NLB Group Sustainability Framework; Confirmation of Pillar III disclosures of the NLB Group for 2020;
- Proposals to convene the regular General Meeting of shareholders for 14 June 2021 and extraordinary meeting for 16 December 2021;
- Information on the Supervisory Board election; Membership in the committees of the Supervisory Board; Conflict of interest Management; Information of departure of the member of the Management Board; Self-assessment of the collective suitability of the members of the Supervisory Board; Supervisory Board self-assessment and Action Plan; Achievements of the goals of the Management Board in 2020; Annual self-assessment of employees performing special work; Information on award of variable part of salary of the members of the Management Board and employees performing special work; Future setup of the Governing Body; Fit & Proper assessment for candidates for membership of the Supervisory Board – representatives of employees;
- Appointments of the Director of Global Risk and the Director of Compliance & Integrity and their performance;
- NLB Group Financial Plan 2021 and financial projections 2022-2025; Interim Reports on the NLB Group Operations; Benchmark analysis of the NLB Group; NLB Group Budget 2022 and Financial Projections 2023 – 2025; Information on cost optimisation;

- NLB Group Risk Appetite; NLB Group Risk Strategy; Regular risk reports for NLB and NLB Group; Outcome of the Pragmatic SREP 2020; NLB Group Recovery Plan for 2021; Report on the Top 50 groups of clients by exposure in the NLB Group, Restructuring TOP 20; Revised ILAAP – Internal liquidity adequacy process; Revised ICAAP – Internal Capital Adequacy Process; Reputation Risk Management; Foreclosed Strategy for 2021 – 2025;
- Internal Audit's Annual Report for 2020; Internal Audit Plan (2022 & long - term plan, Action Plan for Compliance & Integrity for 2022; Regular periodic reports on Internal Audit; Compliance and Security, and on Information Security Assurance in NLB;
- Reports on the Documents received from the BoS and the ECB; Reports on the implementation of the requirements of the BoS and ECB and on the implementation of the requirements;
- Renovation of Internal Act on Internal Controls System; Rules and Procedures for the Sustainability Committee; Review of the Diversity Policy; New Remuneration Policy for employees for the NLB and the NLB Group; The Remuneration Policy of the Members of Supervisory Board of NLB and the Management Board of NLB;
- Investment Relations periodic Reports; NLB Workers' Council Report;
- Implementation of IT Strategy; Data Centres in the NLB Group; Strategy update; IT Security KPI's update; Status of IT – periodic Reports; Cor Banking System Consolidation;
- Consent to legal transactions with MIGA, Washington, Serbia Merger Scenarios; Information on Project Matthew; Expected sale of a subsidiary bank; large exposures, sale of receivables, write-offs of claims, approvals of transactions with persons in special relations with the Bank; establishment of new companies in Serbia and Macedonia, etc.

Composition and the amount of remuneration of the Supervisory Board members is described in the Appendices C.2 and C.4 of this statement.

### 6.3. The Supervisory Board Committees

All five Committees for the Supervisory Board function as consulting bodies of the Supervisory Board of NLB and discuss the material and proposals of Management Board of NLB for the Supervisory Board meetings related to a particular area. The Supervisory Board has the following committees.

- The Audit Committee
- The Risk Committee

- The Nomination Committee
- The Remuneration Committee
- The Operations and IT Committee

Committees are composed of at least three members of the Supervisory Board. The Worker's Council can nominate one Supervisory Board member – a representative of the workers into each committee. The member of the Committee may only be appointed from among the members of the Supervisory Board. The term of office of Chair, the Deputy Chair, and members of the Committee should not exceed their term of office as Supervisory Board members. The responsibilities of committees are defined in Rules of Procedure of the particular Committee of the Supervisory Board of NLB.

Composition of the aforementioned Committees in 2021 is described in detail in the Appendix C.2 of this statement.

#### 6.3.1. The Audit Committee of the Supervisory Board of NLB

The Audit Committee monitors and prepares draft resolutions for the Supervisory Board on accounting reporting, internal control and risk management, internal audit, compliance, and external audit, and as well monitors the implementation of regulatory measures.

At the end of 2021, the composition of the committee was as follows: David Eric Simon (Chairman), Shrenik Dhirajlal Davda (Deputy Chairman), Primož Karpe, Gregor Rok Kastelic (members). Changes in membership of the committee that occurred during the year are reflected in the chart on Supervisory Board Committees (C4 below).

The Audit Committee's tasks are defined by relevant law, the Bank's Articles of Association, Rules of Procedure of the Audit Committee of the Supervisory Board of NLB, resolutions of the Supervisory Board and other regulations, from which the Committee especially monitors and prepares proposals of resolutions for the Supervisory Board for the area:

- Accounting and financial reporting
- Internal control and risk management
- Internal audit
- Compliance of operations
- External audit

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There were seven regular sessions and three correspondence sessions of the Audit Committee in 2021. The following is a summary of key topics considered by the Audit Committee:

- NLB Group 2020 Annual Report, Overall Opinion of Internal Audit for 2020; Corporate Governance Statement of NLB; Statement on Management of Risk of the NLB, NLB Group on Sustainable Operations in 2020;
- Regular interim reports on the operations of the NLB Group, Business Performance Indicators for NLB and NLB Group, quarterly Internal Audit Reports, Compliance and Integrity Reports, Reports on Information security assurance in NLB;
- Audit Plan 2021, Internal Audit Plan (2022 & long-term), Action Plan for Compliance and Integrity for 2022;
- Regular reports on overdue material recommendations of the Internal Audit; Reports on the documents received from the BoS and ECB and on the implementation of the requirements of the BoS and ECB; Policy of the Internal Controls System; Rules of Procedure of the NLB Group Sustainable Committee;
- Performance assessment of the Director of the Compliance and Integrity and the Director of the Internal Audit;
- Self-assessment of the Audit Committee.

### 6.3.2. The Risk Committee of the Supervisory Board of NLB

The Risk Committee monitors and drafts resolutions for the Supervisory Board in all risk areas relevant to the Bank's operations. It is consulted on the Group's current and future risk appetite, the corresponding risk profile and risk management strategy, and helps carry out control over senior management concerning implementation of the risk management strategy.

At the end of 2021, the composition of the committee was as follows: Andreas Klingen (Chairman), Shrenik Dhirajlal Davda (Deputy Chairman), Islam Osama Zekry, Mark William Lane Richards, Gregor Rok Kastelic, David Eric Simon (members). Changes in membership of the committee that occurred during the year are reflected in the chart on Supervisory Board Committees (C4 below).

There were five regular sessions of the Risk Committee in 2021. Following is a summary of key topics considered by the Risk Committee:

- Statement of Management of Risk of the NLB
- NLB Group Risk Appetite
- Regular quarterly risk reports of NLB and the NLB Group
- NLB Group Risk Strategy;
- Internal liquidity adequacy process (ILAAP), The Internal Capital Adequacy Assessment Process (ICAAP) in NLB Group

- NLB Group Recovery plan for 2021
- NLB Group Non-performing Exposure and Foreclosed Assets Strategy for 2020 -2024 and semi-annual implementation reports
- Reputation risk management – management mechanisms
- Information on Pillar III Disclosures of the NLB Group for 2020; and Acknowledgement of quarterly Pillar III Disclosures
- Quarterly Information on status of information security in NLB and NLB Group
- Report on Top 50 groups of clients by exposure in the NLB Group; Report on Top 20 largest restructuring cases
- Initiation of procurement process for selection of statutory auditor for financial years from 2023 onwards; Auditing of the electronic (ESEF) format of financial statements
- Issuing subordinated Tier 2 bonds
- Proposals for the issuance of prior consent of the Supervisory Board of NLB for a legal transaction based on which the Bank's total exposure to individual client or a group of related clients would reach or exceed 10% of the Bank's eligible capital; consents to early repayments; approval of overdraft on business account of a client and final write-offs of receivables
- Report on the material court proceedings for NLB and NLB Group members

### 6.3.3. The Nomination Committee of the Supervisory Board of NLB

The Nomination Committee drafts proposed resolutions for the Supervisory Board concerning the appointment and dismissal of the Management Board members; recommends candidates for Supervisory Board members; recommends to the Supervisory Board the dismissal of members of the Management Board and the Supervisory Board (representatives of capital); prepares the content of executive employment contracts for the President and members of the Management Board; evaluates the performance of the Management Board and the Supervisory Board; and assesses the knowledge, skills, and experience of individual members of the Management Board and Supervisory Board and the bodies as a whole.

At the end of 2021, the composition of the committee was as follows: Primož Karpe (Chairman), Andreas Klingen (Deputy Chairman), Verica Trstenjak, Sergeja Kočar, Bojana Šteblaj (members). Changes in membership of the committee that occurred during the year are reflected in the chart on Supervisory Board Committees (C4 below).

There were seven regular sessions and one correspondent session of the Nomination Committee in 2021. The following is a summary of key topics considered by the Nomination Committee:

- The Supervisory Board election process and candidate selection; Bases for the Fit & Proper assessments of candidates; The suitability matrix – the self-assessment of the collective suitability of the Members of the Supervisory Board;
- The Management Board expansion process; New organisational structure;
- Review of the Diversity Policy; Rules and Procedures for the selection of candidates.

### 6.3.4. The Remuneration Committee of the Supervisory Board of NLB

The Remuneration Committee carries out expert and independent assessments of the remuneration policies and practices and formulates initiatives for measures related to improving the management of the Bank's risks, capital, and liquidity; prepares proposals for remuneration-related decisions of the Supervisory Board; and supervises the remuneration of senior management performing the risk management and compliance functions.

At the end of 2021, the composition of the committee was as follows: Gregor Rok Kastelic (Chairman), Mark William Lane Richards (Deputy Chairman), Shrenik Dhirajlal Davda, Sergeja Kočar, and Bojana Šteblaj (members). Changes in membership of the committee that occurred during the year are reflected in the chart on Supervisory Board Committees (C3 below).

There were four regular and five correspondence sessions of the Remuneration Committee in 2021. The following is a summary of key topics considered by the Remuneration Committee:

- Annual self-assessment of employees performing special work in accordance with the Remuneration Policy;
- Realisation of goals of Management Board of NLB for 2020 and proposal for goals for 2021;
- Information on the award of variable part of salary to members of the Management Board and employees performing special work in control function for the year 2020;
- Proposal for the payment of the non-deferred part of the variable pay for 2019 and payment of the deferred variable part of salary for 2016 and 2017 for the Bank's Management Board;

- Proposal of new Remuneration Policy of members of the Supervisory Board of NLB and members of the Management Board of NLB.

### 6.3.5. The Operations and IT Committee of the Supervisory Board of NLB

The Committee shall monitor and prepare draft resolutions for the Supervisory Board, whereby the main tasks that it performs are the following: monitors the implementation of the IT Strategy, Information Security Strategy, and Operations Strategy; monitors key operations and IT KPI's and service quality indicators; monitors key operations and IT projects and initiatives; monitors operating risks in the area of Operations, IT and Security; monitors the recommendations for ensuring and increasing the level of information/cyber security issued by CISO, addresses the report on potential violations, events, and incidents in the area of IT security; and monitors the Target Operating Model implementation in the areas of IT, the Security Operating System, Competence Centre, and Operations.

At the end of 2021, the composition of the committee was as follows: Mark William Lane Richards (Chairman), Islam Osama Zekry (Deputy Chairman), Andreas Klingen, Primož Karpe, Tadeja Žbontar Rems, Janja Žabjek Dolinšek (members).

There were five sessions of the Operations and IT Committee 2021. The Operations and IT Committee acknowledged itself with:

- IT Strategy progress update; IT Strategy implementation activities
- Cash Processing Optimisation update; Cost optimisation update
- Report on further progress of the Leveraging Information Capital project
- New digital platform DEMO; Information on projects
- KB IT Security update; GCC Belgrade – status of activities and plan
- Date centres in Belgrade; Proof on concept on Core Banking System; Consolidation of the Core Banking System
- Budgeting Group activities

### 6.4. Remuneration Policy for the Members of the Supervisory Board of NLB and Members of the Management Board of NLB

The General Meeting of shareholders on 16 December 2021 adopted the Remuneration Policy of the members of the

Supervisory Board of NLB and members of the Management Board of NLB (for the Supervisory Board members the policy is based on previously adopted resolutions of the General Meeting) that was changed due to recent amendments to the Companies Act (ZGD-1), and is to be followed by all the companies whose securities are traded on the regulated market.

In accordance with the Companies Act (ZGD-1) mentioned policy is published on the NLB website (<https://www.nlb.si/corporate-governance>), together with the date and voting results. Remuneration of the members of the Management Board and the members of the Supervisory Board for 2021 can be found in Appendices C3 and C.4 of this statement and in the chapter on the [Related Party Transactions](#) of this annual report (Financial report).

## 7. DESCRIPTION POLICY ON THE PROVISION OF DIVERSITY OF THE MANAGEMENT BODY AND SENIOR MANAGEMENT

Policy on the Provision of Diversity of the Management Body and Senior Management was adopted by the General Meeting of shareholders on 10 June 2019. With mentioned Policy, NLB defines target diversity pursued with respect to adequate representation of members of the Management Board and the Supervisory Board and Senior Management from the perspective of education, range of knowledge, skills and experience, age, gender, and international experience, as appropriate for the NLB with regard to its characteristics.

The Bank implements the principles of this policy through other policies and procedures, namely 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, as well as procedures of the Nomination Committee of the Supervisory Board. Key criteria for the selection of candidates were supplemented by criteria that include experience, reputation, management of potential conflict of interests, independence, time availability, and conditions for achieving collective suitability of the Supervisory Board.

Mentioned diversity policy is periodically reviewed by the Nomination Committee of the Supervisory Board.

### Implementation and the results achieved by the diversity policy during the reporting period:

#### a) The Supervisory Board

We estimate that the goals for 2021 were achieved, as the members of the Supervisory Board as a whole met at a high level the requirements related to the set of knowledge, skills, professional experience, and requirements related to relevant international experience in various fields; which is maintained in 2022. It is also estimated that the representation of women is 42% of the share, and it is planned in this amount for 2022.

Regarding the age structure, it is also considered appropriate, as the members of the Supervisory Board are represented in the age groups from 40 to 60+, which is also planned for 2022, with a slight increase in the share of members in the age group above 60 years (from 3 members to 5).

#### b) The Management Board

We estimate that the goals for 2021 have been achieved as the members of the Management Board as a whole meet at a high level the requirements related to the set of knowledge, skills, professional experience, and requirements related to relevant international experience in various fields; this is also planned for 2022.

There were no women represented in the Management Board in 2021, however, the plan for 2022 was that the share of women would increase to 16.7% or one woman was expected to be represented among the members of the Management Board. As stated below this goal was realised already in January 2022.

Regarding the age structure, in 2021 all members of the Management Board were in the age group of 40 to 50, however, in 2022 with additional members elected to the Management Board caused that the representation of this class increased (from 3 to 5), and one member of the Management Board will move to the age group from 50 to 60 years.

#### c) Senior Management

For 2021, we estimate that the goals were achieved, as senior management at a high level met the requirements relating to the range of knowledge, skills, and professional experience. Regarding the requirements related to international experience in various fields, it is estimated

that senior management has largely relevant international experience, which is planned to the same extent in 2022. It is also estimated that 45% of women in senior management appropriate and will be maintained as such in 2022.

Regarding the age structure, it is also considered appropriate, as senior management in the age structure is very dispersed and is thus represented in all age groups from 20 to 60 years, which is maintained in the same ratio in 2022.

Additional information on the framework, objectives, and chart with set goals of the Diversity Policy can be found in the chapter [Human Resources](#) of this annual report.

#### Statement on changes that occurred between the end of accounting period up to the publication of this statement

In accordance with Guidelines on Disclosure for Listed Companies, Point 6.3.2 (Ljubljana Stock Exchange, 18

December 2020) NLB hereby states that the following changes occurred between the end of accounting period up to the publication of this statement.

On 20 January 2022, the Supervisory Board appointed three new members to the Management Board, namely Hedvika Usenik, Antonio Argir, and Andrej Lasič. They all come from NLB or the Group, have extensive experience and proven value creating a track record. All three of them are currently executive assistants to the NLB Management Board: Hedvika Usenik for Retail and Private Banking, Antonio Argir for the NLB Group, and Andrej Lasič for Corporate and Investment Banking.

The reasons that the Supervisory Board adopted a decision to enlarge the Management Board from three to six members are the fact that NLB has successfully acquired the Komercijalna Banka, Beograd, that the Group's strategy also focuses on intensive digitalisation and emphasis on top quality

user experience. Also, the fact that the bank is implementing its commitment to sustainable operations and development, which all require and will require also in the future even more comprehensive, coordinated, and efficient management, both of individual business areas and the Group as a whole, as well as exploitation of all the synergies within the Group.

The Bank's Management Board, supplemented with three new members, is properly equipped for this challenge and offers the best combination of various knowledge, experience, and competencies. A five-year term of office for the new members will start after they have obtained a licence of the banking regulator, so until then they will continue to perform the functions of executive assistants to the Management Board.

Ljubljana, 11 April 2022

#### Supervisory Board of NLB



**Primož Karpe**  
Chairman

#### Management Board of NLB



**Archibald Kremser**  
CFO



**Andreas Burkhardt**  
CRO



**Blaž Brodnjak**  
CEO & CMO

Table 36: Composition of Management in financial year 2021 (C.1)

Name and Surname	Position held (President, Member)	Area of work covered within the Management Board	First appointment to the position	Conclusion of the position/term of office	Citizenship	Year of birth	Qualification	Professional profile	Membership in supervisory bodies in companies not related to the company
Blaž Brodnjak	President	CEO	6 July 2016	6 July 2026	Slovene	1974	MBA	Banking/Finance	Banks' Association of Slovenia, AMCham Slovenia, Handball Federation of Slovenia
Andreas Burkhardt	Member	CRO	18 September 2013	6 July 2026	German	1971	MBA	Banking/Finance	
Archibald Kremser	Member	CFO	31 July 2013	6 July 2026	Austrian	1971	MBA	Banking/Finance	
Petr Brunclík	Member	COO	18 May 2020	30 June 2021	Czech	1979	MSc	Information technologies and applied informatics	

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Table 37: Composition of Supervisory Board and Committees in financial year 2021 (C.2)

Name and Surname	Position held (Chairman, Deputy Chairman, Member)	First appointment to the position	Conclusion of the position / term of office	Representative of the company's capital structure / employees	Attendance at SB session in regard to the total number of SB session (for example 5/7) applicable on his/her mandate	Gender	Citizenship	Year of birth	Qualification	Professional profile	Independence under Article 23 of the Code (YES/NO)	Existence of conflict of interest, in the business year (YES/NO)	Membership in supervisory bodies in other companies or institutions
Primož Karpe	Chairman	10 February 2016	2024	Representative of the company's capital structure	7/7	male	Slovene	1970	MSc	Banking/ Finance	YES	YES	Angler d.o.o.
Andreas Klinggen	Deputy Chairman	22 June 2015	2023	Representative of the company's capital structure	7/7	male	German	1964	University Degree	Banking/ Finance	YES	NO	Kyrgyz Investment and Credit Bank CISC, Credit Bank of Moscow <sup>(1)</sup> , Nepi Rockcastle plc
David Eric Simon	Member	4 August 2016	2024	Representative of the company's capital structure	7/7	male	British	1948	Higher National Diploma in Business Studies	Banking/ Finance	YES	NO	Jihlavan a.s., Czech Aerospace industries sro, Central Europe Industry Partners a.s.
Peter Groznik	Member	8 September 2017	14 June 2021	Representative of the company's capital structure	3/3	male	Slovene	1971	PhD	Finance, industry, investment banking	YES	NO	MSIN d.o.o., Ljubljana, CETIS d.d., Ljubljana
Mark William Lane Richards	Member	10 June 2019	2023	Representative of the company's capital structure	7/7	male	British	1966	MSc	Banking/ Finance	YES	NO	BPL Global (Lloyds of London insurance Broker), Sheffield Haworth Ltd, Vencap International pic Ukraine (UK)
Shrenik Dhirajlal Davda	Member	10 June 2019	2023	Representative of the company's capital structure	7/7	male	British	1960	MSc	Finance	YES	NO	PJSC Ukrgasbank <sup>(1)</sup>
Gregor Rok Kastelic	Member	10 June 2019	2023	Representative of the company's capital structure	7/7	male	Slovene	1968	MSc	Banking/ Finance	YES	NO	
Verica Trstenjak	Member	15 June 2020	2024	Representative of the company's capital structure	7/7	female	Slovene	1962	PhD	Law	YES	NO	EU Agency for Fundamental Rights, Vienna
Sergeja Kočar	Member	17 June 2020	2024	Representative of the company's employees	7/7	female	Slovene	1968	MSc	Management	YES	NO	
Bojana Šteblaj	Member	17 June 2020	2024	Representative of the company's employees	7/7	female	Slovene	1962	MSc	Management	YES	NO	
Janja Žabjek Dolinšek	Member	20 November 2020	2024	Representative of the company's employees	7/7	female	Slovene	1957	MSc	IT	YES	NO	
Tadeja Žbontar Rems	Member	22 January 2021	2025	Representative of the company's employees	7/7	female	Slovene	1957	MSc	IT	YES	NO	
Islam Osama Zekry	Member	14 June 2021	2025	Representative of the company's capital structure	4/4	male	Egyptian	1977	PhD	IT	YES	NO	CIB Housing association, Egypt, Egyptian AI Council (Ministry of Communication and Information Technology)

<sup>(1)</sup> Till 14 March 2022.

<sup>(2)</sup> Since 8 March also: IPSO, UK.

- MB Statement
- SB Statement
- Key Highlights
- Strategy
- Risk Factors & Outlook
- Sustainability
- Performance Overview
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- Events After 2021
- Financial Report

Name and Surname	Membership in committees (audit, nominal, income committee, etc.)	First appointment to the position	Conclusion of the position/term of office	Chairman/Deputy Chairman/Member	Attendance at sessions of SB's Committees in regard to the total number of SB's session (applicable on his/her mandate)
Shrenik Dhirajlal Davda	Remuneration Committee	28 June 2019	2023	Member	4/4
Gregor Rok Kastelic	Remuneration Committee	28 June 2019	2023	Member/Chairman	4/4
Mark William Lane Richards	Remuneration Committee	26 June 2020	2024	Deputy Chairman	4/4
Peter Groznik	Remuneration Committee	26 June 2020	14 June 2021	Member	4/4
Bojana Šteblaj	Remuneration Committee	8 April 2021	2024	Member	2/2
Sergeja Kočar	Remuneration Committee	26 June 2020	2024	Member	3/3
Primož Karpe	Nomination Committee	15 April 2016	2024	Chairman	7/7
Andreas Klíngen	Nomination Committee	19 February 2016	2023	Deputy Chairman	7/7
Peter Groznik	Nomination Committee	6 October 2017	14 June 2021	Member	3/7
Verica Trstenjak	Nomination Committee	26 June 2020	2024	Member	7/7
Sergeja Kočar	Nomination Committee	26 June 2020	2024	Member	7/7
Bojana Šteblaj	Nomination Committee	8 April 2021	2024	Member	2/2
David Eric Simon	Audit Committee	7 April 2016	2024	Chairman	7/7
Primož Karpe	Audit Committee	15 April 2016	2024	Member	7/7
Shrenik Dhirajlal Davda	Audit Committee	28 June 2019	2023	Member/Deputy Chairman	7/7
Gregor Rok Kastelic	Audit Committee	28 June 2019	2023	Member	7/7
Janja Žabjek Dolinšek	Audit Committee	28 January 2021	12 August 2021	Member	4/4
Andreas Klíngen	Risk Committee	19 February 2016	2023	Chairman	6/6
Peter Groznik	Risk Committee	6 October 2017	14 June 2021	Member/Deputy Chairman	3/3
Shrenik Dhirajlal Davda	Risk Committee	8 July 2021	2025	Deputy Chairman	2/2
David Eric Simon	Risk Committee	7 April 2016	2024	Member	6/6
Mark William Lane Richards	Risk Committee	28 June 2019	2023	Member	6/6
Gregor Rok Kastelic	Risk Committee	26 June 2020	2023	Member	6/6
Islam Osama Zekry	Risk Committee	8 July 2021	2025	Member	2/2
Tadeja Žbontar Rems	Risk Committee	28 January 2021	12 August 2021	Member	2/2
Mark William Lane Richards	Operational and IT Committee	28 June 2019	2023	Chairman	5/5
Shrenik Dhirajlal Davda	Operational and IT Committee	28 June 2019	8 July 2021	Deputy Chairman	5/5
Andreas Klíngen	Operational and IT Committee	28 June 2019	2023	Member	4/5
Primož Karpe	Operational and IT Committee	15 April 2016	2024	Member	5/5
Bojana Šteblaj	Operational and IT Committee	26 June 2020	12 April 2021	Member	2/2
Tadeja Žbontar Rems	Operational and IT Committee	8 April 2021	2024	Member	3/3
Janja Žabjek Dolinšek	Operational and IT Committee	8 April 2021	2025	Member	3/3
Islam Osama Zekry	Operational and IT Committee	8 July 2021	2025	Deputy Chairman	2/2

External member in committees (audit, nominal, income committee, etc.) - The Banking Act (ZBan-2) that came into effect on 13 May 2015 contains provision stipulating that, irrespective of provision of Companies Act (ZGD-1) only members of the Supervisory Board can be appointed to Supervisory committees.

Name and Surname	Attendance at sessions of SB's Committees in regard to the total number of SB's session (for example 5/7)	Gender	Qualification	Year of birth	Professional profile	Membership in supervisory bodies in companies not related to the company
none						

Table 38: Composition and amount of remuneration of the Management Board members in the financial year 2021 (C.3)

Name and Surname	Position held (President, Member)	Fixed income - gross (1)	Variable income - gross			Deferred income (3)	Severance pay (4)	Bonuses (5)	'Draw- back' (6)	Total gross (1+2+3+4+5-6)	Total net <sup>(1)</sup>
			on the basis of quantity criteria	on the basis of quality criteria	Total (2)						
Blaž Brodnjak	President	441,770.20	43,750.00	43,750.00	87,500.00	42,710.85	0.00	2,310.19	0.00	574,291.24	241,568.49
Archibald Kremser	Member	420,808.88	41,666.67	41,666.67	83,333.34	42,710.85	0.00	34,116.83	0.00	580,969.90	244,905.39
Andreas Burkhardt	Member	405,091.54	40,104.17	40,104.17	80,208.34	42,710.85	0.00	32,671.82	0.00	560,682.55	237,273.57
Petr Brunclík	Member	221,963.09	7,316.72	7,316.72	14,633.44	0.00	385,000.00	30,091.68	0.00	651,688.21	327,310.24

<sup>(1)</sup> This chart does not include other benefits and cost refunds.

Table 39: Composition and amount of remuneration of members of the Supervisory Board and committee members in the financial year 2021 (in EUR) (C.4)

Name and Surname	Position held (Chairman, deputy Chairman, member, external member of Committee)	Payment for the performance of services - gross per year (1)	Attendance fees for SB and committees - gross per year (2)	Total gross (1+2)	Total net <sup>(1)</sup>	Travel expenses	Benefits
Primož Karpe	Chairman	96,000.00	-	96,000.00	74,400.00	4,629.06	447.47
Andreas Klingen	Deputy Chairman	90,000.00	-	90,000.00	90,000.00	4,946.99	447.47
Islam Osama Zekry	Member	38,607.52	-	38,607.52	25,432.70	5,704.85	447.47
David Eric Simon	Member	81,000.00	-	81,000.00	62,775.00	5,251.42	447.47
Peter Groznik	Member	32,800.00	-	32,800.00	23,855.44	0.00	0.00
Mark William Lane Richards	Member	81,000.00	-	81,000.00	53,358.72	2,642.98	447.47
Shrenik Dhirajlal Davda	Member	72,000.00	-	72,000.00	47,430.00	2,367.17	447.47
Gregor Rok Kastelic	Member	81,000.00	-	81,000.00	53,358.72	758.31	447.47
Verica Trstenjak	Member	65,790.32	-	65,790.32	43,339.32	0.00	447.47
Sergeja Kočar	Member	11,855.76	-	11,855.76	8,622.69	0.00	447.47
Bojana Šteblaj	Member	15,655.26	-	15,655.26	11,386.05	0.00	447.47
Janja Žabjek Dolinšek	Member	6,839.40	-	6,839.40	4,974.27	0.00	447.47
Tadeja Žbontar Rems	Member	26,656.31	-	26,656.31	19,387.12	0.00	447.47

<sup>(1)</sup> After the prepayment of income taxes which is not taken into account in potential subsequent balancing payments of personal income taxes.