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ZGD-1J – STATEMENT ON NON-FINANCIAL OPERATIONS of the NLB Group for 2017

13.4.2018
Communications
Events, Social Responsibility and Activation

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Introduction

The reporting year 2017 was the first year for which special provisions regarding companies that are subject to public interest were stipulated by Article 70c of the Companies Act in accordance to which the NLB Group is obliged to include in its Business report also the Statement on non-financial operations which has to contain information on environmental issues, social and personnel issues, information on respect for human rights and information on matters related to the fight against corruption and bribery.

In accordance with the request of the Companies Act the Report was divided into five key chapters

- Description of the company's business model
- Environmental issues
- Social and personnel issues
- Respect for human rights
- Issues related to the fight against corruption and bribery

All four substantive chapters present operations of the NLB Group in the area of requested issues. In line with Article 70c of the Companies Act, each substantive chapter presents:

- Formal bases on the basis of which the NLB Group monitors the matters which have to be presented in the Report. Formal bases are constituted by descriptions of the company's policies and internal or external rules, instructions or regulations as well as other written procedures, instructions or rules regarding substantive issues, including implementation of due diligence procedures.
- Results of policies or internal and external rules, instructions or regulations, and formal bases on the basis of which the NLB Group monitors the matters which have to be presented in the Report (findings reached by the Bank on the basis of monitoring the implementation).
- Main risks in relation to the above stated issues related to activities of the NLB Group, including business relations, products or services, when this is appropriate and proportionate, which might cause serious detrimental effects, and the methods employed by the company to manage these risks.
- Key non-financial performance indicators relevant to individual activities.
- How in addition to monitoring these issues in the NLB d.d. they are monitored in other members in the NLB Group as well.

The Report was prepared by coordination of various specialised divisions of the Bank, which also collected data for the NLB Group through their business lines.

The Report was requested and prepared in this form and contents for the first time, therefore it was not possible to use the example of any available good practice.

Pursuant to ZGD-1J the Statement on non-financial operations of the NLB Group for 2017 Report will be attached to the Annual Report on the Socially Responsible Policy of the NLB Group for 2017.

ZGD-1J – Statement on non-financial operations of the NLB Group for 2017

NLB Management Board and NLB Supervisory Board confirm the ZGD-1J – Statement on non-financial operations of the NLB Group for 2017 stipulated by Article 70c of ZGD (Companies Act) presented hereinafter.

1. Description of NLB Group Business Model

The NLB Group is the largest banking and financial group in Slovenia, with strategic orientation in selected markets of SE Europe. It is present on markets with a population of 17.4 million in total. The NLB Group consists of NLB d.d. as the parent company in Slovenia, six subsidiary banks in SE Europe and several companies providing other services (asset management, insurance, real estate management etc.) and the limited number of non-strategic companies, which are in the process of controlled liquidation. NLB is 100% owned by the Republic of Slovenia. The key strategic areas of operations of the Group in 2017 were Corporate Banking in Slovenia, Retail Banking in Slovenia and Strategic Foreign Markets.

The main pillar of operations of the NLB Group is Retail Banking, where the Bank has a leading position on the Slovenian market, offering comprehensive, but simple services. NLB excels by its strong presence and large accessibility for clients through its ramified network of 108 branch offices and 557 ATMs across Slovenia and its Contact Centre. In 2017, this area represented the key pillar of the Bank's operations and reached good results in spite of difficult situation on the Slovenian market.

The Bank has an important social responsibility mission – in addition to good performance the Bank is actively involved in the environment where it is operating in order to contribute for a higher quality of life of all inhabitants. The Bank is responsible to clients, employees, society as a whole and to the environment.

In the area of corporate banking in Slovenia, the Bank has a leading position as the key advisor to Slovenian companies of all sizes, offering its clients the whole range of financial services. These include lending, cash management, payment services, trade finance services and consulting, and transactions on capital markets, including services on the markets of debt and equity capital, mergers and acquisitions, and consulting and treasury services. On capital markets, the Bank has the traditional role of connecting Slovenia with foreign financial markets and vice versa, as it offers a whole range of stockbroking and custody services for domestic and international clients. Excellent partnership is based on profound and true understanding of the clients' business. The Bank is strategically oriented in increasing support to small and micro companies.

The strategic part of the NLB Group in foreign markets consists of six banks, one pension insurance company and two companies. They are distinguished by high reputation and recognition for their state-of-the-art products, services and distribution channels. They follow the strategy of organic growth on local market with reasonable connecting at the level of the NLB Group.

The NLB Group plans a controlled and gradual elimination of non-strategic part of the segment. The strategy is being implemented by various measures, such as selling companies, portfolio and assets as well as collection of restructuring of individual receivables and closing of subsidiaries in the liquidation process. The key risk is represented by non-adjustment of business model to trends in banking and necessary digitalisation of operations.

In financing of non-financial companies the NLB Group follows carefully drafted principles, guidelines and procedures. Activities which the Bank does not finance include illegal activities; production and trade in weapons, political parties, political forums and religious communities.

2. Environmental issues

2.1. Social and environmental policy of the NLB

Social and environmental initiatives are responsibly included in the working processes of the NLB d.d. by its social and environmental policy. We, at the NLB understand the environmental policy as a set of principles and practices for the protection of and prudent interference in the environment, respect of the landscape, protection of natural and cultural heritage and promotion of sustainable development, and support and mentorship to a wider social environment. The document Social and Environmental Policy of the NLB is annually checked and, if necessary, amended.

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

The NLB has established regular annual reporting on implementation of social and environmental policy. Each year, we try to include more environmental policy contents in monitoring and reporting environmental issues and to include sustainable strategy in the Bank's operations.

In 2016, we also started to monitor social and environmental policy including socially responsible conduct in such a way as presented by GRI standards. In 2018, we shall try to upgrade monitoring to such a level, that we will be able to provide all obligatory GRI standards to meet their conditions for official publication in the report. Each year we shall try to monitor more standards, also those that are not obligatory in line with standardisation.

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

The key risk in the area of environmental issues is to determine proper ratio between reducing the cost of the Bank's operations and providing sustainable ordering of renewable and non-renewable natural sources and purchase policy of the Bank.

Key non-financial performance indicators relevant to individual activities

The NLB is aware of their responsibility to the environment. Banking activity in itself does not represent any large threat to the environment. Nevertheless, management of waste and natural sources must be responsible and this fact as well as the environmental impacts have to be increasingly taken into account in the purchase policy.

Social and Environmental Policy of the NLB Group

In 2011, all banking members in the NLB Group adopted their Social and environmental policy like NLB d.d. and they act in their operations in accordance to the local banking legislation and environmental requirements.

NLB Banka Sarajevo takes into account local banking legislation and environmental requirements defining management of waste, emissions and waste fuels, and determining sanctions in the case of non-compliance. The key risk is represented by the fact that in this area there is no company dealing with glass waste management. The key non-financial performance indicator is the cost of waste management.

NLB Banka Banja Luka has approved the Social and environmental policy of 2011, which will in future also be aligned with the EBRD requirements. The Bank also respects legislative requirements and decrees on the basis of which it aligns internal banking acts.

NLB Banka Skopje respects legislative requirements and decrees on the basis of which it aligns internal banking acts. The Bank has approved the Social and environmental policy, which respects social and environmental initiatives in its working processes. The environmental policy includes the set of principles and business practices for protection and respect of the natural environment, protection of cultural heritage and promotion of sustainable development. In the area of electric energy supply they are obliged to respect the law regarding the purchase of minimum part of electricity from renewable resources (green energy). The quantity is exactly entered into each month's invoice and reported to the Regulatory commission control. The part of green energy amounts to 4.34%–4.88%. There is no legal obligation regarding waste separation. Nevertheless, the Bank separates waste that can be recycled. The only legal commitment refers to electronic waste, which is managed by specialised companies.

In its operations NLB Banka Belgrade follows the Serbian law defining management of waste which the Bank is obliged to recycle. NLB Banka Belgrade is sorting waste into categories: paper, PVC - plastic waste, mixed municipal waste. The Bank is also obliged to manage electronic waste properly. After sorting it is obliged to deliver such waste to certified operator which then carries out appropriate tests, measurements and management of waste. In the case of electronic waste, it is necessary to notify competent institutions. The main risk is waste referring to certain sorted out substances, which are destroyed before they are delivered to disposal facility or an adequate fee is allocated for destruction before recycling.

2.2. Management of waste, paper, water, emissions, fuel

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

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

Waste baskets were removed from all premises of the NLB d.d. and replaced by collection points where employees separate waste (packaging, mixed municipal waste, paper).

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

The risk in the case of non-separating waste is payment of a fine (a fine is paid by both the NLB d.d. and the President of the Management Board of NLB d.d.).

Key non-financial performance indicators relevant to individual activities

The objective in the area of waste, paper and emissions management is further respect of legislation and appropriate handling of waste and emissions

2.3. Building and vehicle fleet management

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

NLB d.d. strictly follows environmental legislation and requirements which in greater detail define the management of waste, emissions and waste fuels.

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

The NLB d.d. has no environmental risk in the area of building management. The environmental legislation and environmental requirements are taken into account upon renovation.

Key non-financial performance indicators relevant to individual activities

When renovating business premises and replacing machine installations, heat pumps and other environmentally friendly devices are installed.

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

2.4. Purchasing policy

Formal basis of the NLB's purchasing policy is the contract with a supplier. With the supplier of electric energy an agreement was concluded on 50% share of electric energy obtained from RES and CHP, which is defined in the supplier contract on the basis on the law. The goal is to maintain the same percentage of electric energy obtained from RES and CHP.

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

The supplier of electric energy has to state the source of the supplied electric energy and attach the certificate on liquidation of the relevant number of certificates on electric energy source to show that a 50% share of the supplied electric energy was obtained from RES (renewable energy sources) and CHP (co-generation of heat and power).

NLB d.d. signed with the supplier Avant Car a contract on the shared use of electric vehicles (mostly for rides in Ljubljana and the vicinity). In this way the use of fossil fuel vehicles will be slightly reduced, however, there are no environmental risks in this area and no written bases/rules/instructions/laws or methodology; and there are also no defined goals for this area.

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

There are no environmental risks.

Key non-financial performance indicators relevant to individual activities

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

Purchasing policy in the NLB Group

The purchasing policy in the NLB Group is in compliance with the policy of NLB d.d. The payment of liabilities to suppliers of the NLB Group is in accordance with instructions of the purchasing division. As regards financial liabilities to suppliers there are no disputable receivables. The key risk in this area is represented by the loss of good suppliers in the case of defaults in the settlement of liabilities. The key indicator is the cost of services, goods and activities in public procurement. Standards for public procurement are provided by the NLB d.d.

The NLB Group co-operates with suppliers at the level of the NLB Group. All members of the NLB Group have established rules for selection of suppliers which strive to ensure transparent operations and minimisation of risks, which can arise from business relationship with suppliers.

3. Social and personnel issues

The personnel policy of the NLB Group invests in the development of employees and continually follows modern approaches to HR management which is the key goal of each modern human resource department.

NLB d.d. has also adopted personnel strategy for the whole bank and individual personnel strategies by organisational unit. Business performance of the NLB Group is also based on modern and continuous approach of HR management. The HR development must be systematic and target-oriented process, based on appropriate HR methodologies and procedures, as the Bank can develop efficient and committed employees only by means of targeted investments in its human resources.

There is a Trade Union and Workers' Council in the NLB d.d. The Management Board of NLB d.d. co-operates with both workers bodies of NLB d.d. and also with the Slovenian Banking Trade Union. NLB d.d. also appointed a Health Protection Officer. The Bank has an authorised physician in the field of psychotherapy and has established suitable internal controls.

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

The NLB d.d. devotes great attention to all major areas which have to be covered by modern HR function: planning of the needs for employees, on-boarding of new employees, talent management, employee education and development, development of the managerial staff, management by objectives aimed at measuring and remuneration of job performance, planning of successors and careers, employee salaries and bonuses as well as planning of the Bank's corporate culture development, organisational climate survey and worker representatives.

The HR development is based on the existing competencies model for each job. When assessing competencies, the competencies that are required for each job are considered consistently and they are included in employees' personal development plans. Assessment of competencies is performed regularly, especially for all managers and for some key employees with special development schemes. The obtained results are interpreted and focused development plans are prepared for all managers. This assessment is implemented every year. The Catalogue of Skills plays an important role in employee development as it serves as a basis for planning of education by area, enabling identification of gaps in knowledge and skills as well as choosing of educational methods to fill the established gaps.

Employing the right people in the right positions (from internal/external labour market) is based on the plan of the required employee competencies, the knowledge maps in individual organisational units and individual's potential to achieve the goals and HR plans, mostly on the basis of HR strategies of organisational units.. In accordance with the internal collective agreement, internal staff has priority when it comes to filling vacancies and we thus encourage and enable their development and building of their competencies, we carry out career plans, prevent staff leaving and knowledge and experience drain from the Bank. The principle of equal treatment of candidates regardless of their gender is strictly respected in all employment procedures.

Since the development of employees begins on the first day of the newly employed the Bank has established the new employee on-boarding process intended to set up systematic delivery of information and contents every newly employed has to be acquainted with. The on-boarding process is extremely important as appropriate and effective integration of a new employee largely affects their motivation, commitment and consequently their performance at work. Education, training and development of employees are the key activities that support the planned development of each employee and are mainly carried out in the Bank's own Training Centre. For the NLB, education means obtaining, developing and using knowledge with the aim of increasing the intellectual capital and improving the NLB's and the NLB Group's competitive advantage. In the NLB Group, the education activity is harmonised with its mission, vision and goals as well as other parts of the HR system. The Bank shows its special interest in this area by increasing the funds allocated to education every year. It is the Bank's decision and policy to use its own in-house experts to develop its employees. Consequently, organisation and implementation of internal education and trainings (hereinafter: internal education) has priority over other types of education. The programme includes development of

competencies, expert knowledge and functional skills. The basis for this are knowledge maps, requirements for individual jobs and profiles as well as career development plans for individual employees and groups of employees.

HR development is a systematic and target-oriented process as the Bank thus obtains efficient and committed employees by targeted investments in its human resources. Investments in the future knowledge and competencies of the employees are a prerequisite for high work efficiency and performance of the Bank in the future. Therefore, HR development is a good basis for the implementation of the NLB' strategy in the years to come. By formulating the Talent Management Strategy in the NLB Group we aimed at achieving the goal i.e. identifying the employees with a high potential for more demanding jobs, so that they can be developed according to the set objectives and prepared for their new role in line with the succession plan. This opens up the possibilities for career development of the key employees and gives priority to internal (re)employment over external recruiting.

With the aim of improving relations in working environment each year organisational climate is surveyed and compared with the previous years. The survey is carried out in all organisational units, whereas the results are obtained in each organisational unit using the same method; then they are presented to all employees. The purpose of the survey is to identify concrete opinions of the employees and their satisfaction as well as to create appropriate activities to improve the climate. Employee feedback is of exceptional importance for introducing changes and improvements. The progress is seen in the increased employee responsiveness, as they have recognised that the Bank has taken the right path and set the right goals. The corporate climate is a consequence of the corporate culture. For the purpose of establishing the causes and areas where activities can be implemented that would improve the corporate climate and commitment, we also started exploring our corporate culture. The Bank regularly takes care of its employees' health.

Preliminary preventive medical examinations, targeted periodical preventive medical examinations, other targeted preventive medical examinations, referrals to spas and other prescribed measures are carried out every year according to the Safety Declaration – Risk Assessment. For a number of years, the NLB has been practising a socially responsible attitude to its employees through systematic training and co-financing studies. It provides solidarity financial assistance to employees to overcome financial distress in co-operation with the trade union. In case of major accidents, it raises funds to help the people affected. Through the sports club it provides employees an opportunity for regular recreational exercise and similar. Our everyday stress levels and workload are constantly growing, and it is important to work together to determine how to find enough time to improve our well-being and avoid bad habits, despite all the pressures.

The Bank receives the full Family Friendly Company certificate every year. It was awarded by the Ekvilib Institute in co-operation with the Ministry of Labour, Family, Social Affairs and Equal Opportunities. This certificate is awarded by the independent organisation Ekvilib Institute, operating in different areas of social responsibility, human rights and development co-operation. In the process, the companies must abide by the project plan of implementing the selected measures and activities. Throughout the procedure, their work is monitored by the evaluator/adviser, as well as an auditor from the Ekvilib Institute who reviews the annual reports. In the context of a family-friendly company certificate the Bank conducts a number of activities: day off for parents when their children go to school for the very first time, flexible working hours (using paid leave) upon the transition of children to kindergarten, paid absence for exceptional family reasons, decreasing exposure to typical burden at workplace so as to maintain and strengthen health, preventive breast examinations, organised child care during summer and winter holidays (NLB Happy Holidays), additional bonuses from the banking offer and financial assistance, New Year's gifts for the Bank employees' children and gifts for newborn babies. After it had received the full certificate, it started implementing the following measures: a day's leave for accompanying nine-graders to a school information day or students moving to student homes, for accompanying a family member in case of a serious disease, using overtime hours also in the case the employees were not allowed to work overtime. Every year the Bank adds new measures.

In the Bank there are three workers' representatives, i.e. two trade union associations, which employees join voluntarily, and workers' council as workers' representation which in line with binding legislation exercises the right to co-management. The Bank is obliged by two collective agreements, namely by the general branch agreement and by the internal which additionally raise the level of employees' rights.

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Since the NLB is the largest regional banking group it tries to harmonise its best practices in its members through minimum standards and harmonised HR strategies.

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

The risks in the area of personnel policy are managed by investments into education and development of staff, appropriate planning of employees, selection and remuneration of HR. Unwanted fluctuation is managed by planned successions, rotation of employees, mentorship and transfer of know-how and talent management strategy. Management by objectives, development interviews with employees and adequate determination of their goals by planning their development were introduced. Implementation of management by objectives is annually checked by organisational units, if necessary, adequate measures are adopted. The employment process is transparent, in line with legislation and the rules, regular informing of worker representatives is established in both directions. The policy of preventing mobbing and harassment at workplace is being redesigned. Individual aspects of HR area, such as absenteeism are discussed by the Risk Committee.

The key NLB d.d. risk indicators in the HR area are measured semi-annually.

Key non-financial performance indicators relevant to individual activities

The personnel policy of the NLB invests in the development of employees and continually follows modern approaches to HR management which is the key goal of each modern human resource department. Investments in the future knowledge and competencies of the employees are a prerequisite for high work efficiency and performance of the Bank in the future. Therefore, HR development is a good basis for the implementation of the NLB' strategy in the years to come.

The progress of the organisation is seen in the increased employee responsiveness, as they have recognised that the Bank has taken the right path and set the right goals. The corporate climate is a consequence of the corporate culture. For the purpose of establishing the causes and areas where activities can be implemented that would improve the corporate climate and commitment, we also started exploring our corporate culture. The key indicators are the share of retained personnel, the share of absenteeism, the share of fluctuation and the share of committed employees. The indicators showing investments in development of the employees are also important. They also include the share of employees participating in education and training, and the number of training hours per individual. The indicators showing how many development plans are prepared, implemented, the number of talents in all three segments are important as well.

Personnel issues in the NLB Group

Members of the NLB Group have adopted and approved personnel strategies for 3-5 years. The strategies clearly state the desired goals of development, KPIs measured by individual elements and action plans. In the Group the organisational climate, culture, management competencies are measured as well. The method of management by objectives is harmonised. Through personnel standards also individual elements of the HR function are harmonised. Annually members are set goals in the personnel area, such as: implementation of management by objectives, implementation of personnel strategies, work with talents and establishment of leadership.

In the NLB Banka Sarajevo personnel issues are regulated primarily by the Employment Act and Collective agreements, Works Council Act and Discrimination Prevention Act, which NLB takes into account in their operations. The policy and strategy of personnel management is based on long-term co-operation with employees, for which trust, and transparent and responsible relationship are of the utmost importance. In the area of Health protection at the workplace provision of safe working environment is of key importance. In addition to legally required documents (the Rules on employees, the Rules on allowances), the Bank has also adopted standards regarding ethics and values resulting from their policies. The part of regular assessment of performance is evaluation of ethical conduct and

competencies of every employee, which is in line with local legislation for safe working environment. The operations of the Bank are complied with local legislation in the area of safety at work. The key risk in this area is represented by the general operating cost. The activities to maintain projects of safe working environment are provided by the outsourced specialised company. There are no instructions or controls of the NLB d.d. Ljubljana or the NLB Group for this aspect.

In the LB Banka Belgrade social issues and issues regarding employees are regulated by the Serbian labour legislation. In line with the labour law all issues in the area of human resources are governed by the collective agreement, personnel strategy and internal acts. NLB a.d. Belgrade concluded a contract with a certified company to monitor health of employees as the outsourced contractor. They provide for all legal questions and additional measures to ensure safe working environment. When an employees start working at NLB a.d. Belgrade, they are included in training where risks of health care are presented and the entire training for aid in the case of injuries is organised. In co-operation with a certified company the Bank offers various types of medical examinations related to work risks and measurements of environmental situation at a workplace or occupational diseases of employees in the period of 3-4 years. Improvements of training and environment at a workplace. The key risk is cost of service and measurements of the outsourced contractors in the amount of approx. EUR 7,000 annually.

4. Respect for human rights

4.1. Measures against mobbing and measures for improvement of organisational culture

With the purpose to ensure the dignity of employees and to provide working environment in which no worker is exposed to maltreatment and sexual or other harassment by anybody implementing the tasks for the company, the NLB d.d. has adopted a written policy and the rules, which define prohibited conduct and determines their sanctioning. The Management of the Bank appointed a special authorised person for advice and support to employees. The co-operation was also established with the Trade Union of the NLB d.d. and the Workers' Council of the NLB d.d.

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

Currently, drafting the amendments to internal documents and related system of preventing mobbing is in progress in the framework of tripartite commission (representative of the Bank, Trade Unit and the Workers' Council).

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

Risks in this area definitely exist and therefore the Bank must have a system to prevent them. The risks arise from the Employment Relationship Act: the employer is liable for not establishing mechanisms to prevent mobbing. In addition, the Bank may be subject to criminal liability by the Criminal Liability of Legal Entities Act (ZOPOKD), namely for an offence committed by the perpetrator on behalf, for the account or for the benefit of a legal person, if:

- the committed offence represents implementation of an unlawful resolution, order or approval of the Bank's management or supervisory bodies;
- the Bank's management or supervisory bodies had an influence on the perpetrator or enabled them to carry out an offence;
- the Bank acquires unlawful proceeds of crime or objects obtained through offence;
- the Bank's management or supervisory bodies omit the due supervision over lawfulness of acts carried out by their subordinates. With mobbing mainly the following indent is relevant:
- ZOPOKD stipulates offences and chapters comprising similar offences for which (in addition to the perpetrator) a legal entity can be liable. These also include a criminal offence of mobbing at workplace from Article 197 of the Criminal Code. Especially the criminal liability, which does not exclude the aspect of damage liability, bears the risk of the Bank's reputation.

Key non-financial performance indicators relevant to individual activities

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

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

Measures against mobbing and measures for improvement of organisational culture at the NLB Group level

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

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

4.2. Code of Conduct of the NLB Group

In 2017 the Code of Conduct of the NLB Group replaced the existing Code of Conduct in NLB d.d. and the NLB Group members. In this Code, NLB d.d. expresses the expectations that the external business partners of NLB d.d. and the NLB Group members will respect human rights, labour rights, employment laws and environmental regulations. It has been designed to ensure that our external business partners respect human rights, labour rights, employment laws and environmental regulations.

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

The Code of Conduct of the NLB Group was completely revised in 2017, so we have not yet conducted a regular review of the adequacy of its implementation. The implementation of the Code of Conduct (formerly the Code of Ethics and the Code of Corporate Compliance) is verified by preventive checking of the compliance of the areas and processes, which also include risks of conduct (unethical behaviour, risks of internal and external fraud, conflict of interest risks, corruption risks, risks of violations in the field of information protection and personal data protection, etc.) as typical risks of compliance and integrity.

Additionally, we carry out annual internal survey in the area of ethics and compliance to check the perception of the Bank's employees in relation to ethical conduct and compliance of operations, also in relation to the situation in the perception of preventing harmful conduct, etc. Based on the analysis of which the Bank's Management Board is informed, measures are drafted for the improvement of the situation, such as the implementation of target inspections of the areas, special training, etc.

The implementation of the Code of Conduct in the NLB Group is also a part of regular assessment in NLB d.d. in the area of corporate identity, and one element of that is the assessment of ethical culture, the efficiency of the system of prevention of harmful conduct or report of suspected violations, the tone at the top, the commitment of the Bank's management, corporate identity, etc. Following the example of NLB d.d., the members of the NLB Group thus prepared the self-assessments in the field of corporate integrity and identified opportunities for improvement.

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

The key risk management measures at NLB d.d. are the following:

- Established internal policies and procedures;
- Regular training of employees and of target groups in the field of standards of ethical conduct;
- Regular risk assessment arising from outsourced providers and suppliers;
- Established procedures and channels for (anonymous) reporting of suspected misconduct (including internally accessible (NLB Net) and public Whistler application at: whistler.nlb.si);
- Established procedures and mechanisms for dealing with suspected misconduct and taking corrective measures;
- Implemented measures to protect whistleblowers (internal and external).

Risks:

- Reputation risk for NLB d.d. and the members of the NLB Group due to incidents or other irregularities in the provision of outsourcing;
- The risk of regulatory compliance in meeting the legal obligations of outsourced providers, suppliers and subcontractors.
- The risk of violations in relation to information protection and the protection of personal data in fulfilling the legal obligations of outsourced providers, suppliers and subcontractors.

Key non-financial performance indicators relevant to individual activities

The Code of Ethical Conduct of the NLB Group sets the standards and rules of conduct that apply to all of us, regardless of the job or location, as well as for the contractors acting on behalf of the NLB Group.

The Code defines the values and basic rules of ethical business conduct that are respected, encouraged and expected in the NLB Group. Our values and beliefs support our long-term goal which is to constantly improve the culture of our daily operations in the countries in which the NLB Group is present.

The NLB Group demands that every employee, regardless of their job or location of work, as well as every other stakeholder of the NLB Group, live in accordance with the highest standards of integrity in everything they do. The key for achieving these standards is strong culture of compliance practised by the NLB Group, with due diligence of all employees in accordance with its policies, rules and other internal acts and in line with the relevant legislation and regulations in the legal environments in which the NLB Group operates.

Code of Conduct of the NLB Group

The NLB Group's Code of Conduct is implemented in NLB d.d. and partly in the NLB Group at the level of strategic banking members of the NLB Group. The plan is to transfer this ethics and compliance survey model also to all members of the NLB Group in 2018.

4.3. Regular settlement of financial liabilities to suppliers

The payment of liabilities to suppliers in Slovenia is governed by the Code of Obligations and the Act on Prevention of Late Payments (July 2012). In the NLB, this is defined in the internal instructions for validating received invoices.

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

The NLB timely pays liabilities to suppliers. The deadline for the payment of obligations is from 15 to 60 days and is agreed upon ordering or contracting with suppliers. The NLB pays all invoices by the due date provided that the supplier issues the invoice in due time and that the invoice has been validated in due time. This is ensured by the NLB rejecting invoices issued by the supplier late and by daily monitoring the invoices that are due for payment. The NLB did not pay any default interest to suppliers due to payment delay in 2017.

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

If the NLB defaults on obligations to suppliers, the supplier could charge it default interest for the period from the payment deadline to the date of payment. Late payment of liabilities could also affect the business cooperation of the Bank and the supplier as a client of the bank.

Key non-financial performance indicators relevant to individual activities

Good business cooperation between the NLB and suppliers.

Settlement of financial liabilities to suppliers and the share of outstanding liabilities in the NLB Group

The NLB Group members are also settling their financial obligations to suppliers in a timely manner.

4.4. Respect for human rights as regards products and services for clients

The aim of the NLB Group is to focus banking business on the prevention of human rights abuse by introducing business procedures that specifically define how this is done. The NLB studies and guarantees the respect for human rights in banking operations through comprehensive business processes and methodologies for risk assessment. AML regulations for the identification and monitoring of PEP are applied to relations with private customers.

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

The provision of financial services is also linked to human rights issues and the efforts to make a positive contribution to exercising of human rights – as a financial intermediary for economic activities in general and by offering investment opportunities that contribute to sustainable development (microfinance). Respect for the rights of the Bank's clients (natural persons).

Main risks in relation to the above stated issues related with activities of the company, including its business relations, products or services, when this is appropriate and proportionate, which

might cause serious detrimental effects in these areas, and the methods employed by the company to manage these risks

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

Key non-financial performance indicators relevant to individual activities

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

Respect for human rights as regards products and services for clients of the NLB Group

The NLB Group banks respect human rights. The clients are informed of all the products and services of the Bank in a transparent manner in accordance with the applicable regulations and decisions of the Federal Banking Agency. The Bank's range does not include products and services that could have negative impacts on human rights. The transparency of products and services and employee behaviour is in line with the Code of Conduct. The employees in banks possessing better knowledge of products and services of the Bank better manage and advise clients before selling products. This increases customer satisfaction and reliability.

The members of the NLB Group manage the risks of supervision and control of access to audit controls in accordance with the instructions and take into account the requirements of NLB d.d. Employees in certain fields of expertise and in the area of information protection are provided training. The Code of Ethics of Employees is respected with zero tolerance for information leak. Systematic growth of sales culture is ensured through training, planning and upgrading of sales communications and management. The key indicator of performance involves determining the needs of clients for a specific product and service, which is very important for satisfaction and satisfying the needs of clients.

4.4.1. Increasing financial literacy of clients

The NLB offers personal financial consulting services in order to pro-actively join, in a socially responsible manner, the international initiative as the largest financial institution in the country, and start systematically raising financial awareness, knowledge and responsible management of personal finance. Personal financial consulting is designed for our clients and includes a range of expert advisory services supported by calculations and tools for monitoring, controlling and improved managing of personal finance.

Consultants at the NLB help individuals with their personal finance management providing general and tailored financial advice: in the process of personal financial consulting, consultants review the existing financial situation of the client, calculate relevant indicators, compare them, and ultimately assess the appropriateness of the client's financial moves and propose potential improvements based on appropriate methodologies and work instructions.

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

The knowledge of the laws of finance and financial theory contributes to a higher level of financial awareness, which allows for better decisions. Individuals with greater financial knowledge are better able to control their cash flow, save more, distribute assets more appropriately and plan in time. Thus,

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personal finance of clients is more sound and sustainable in the long term, which increases customer satisfaction and confidence.

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

Client illiteracy can lead to a greater risk for a bank client and their business.

Key non-financial performance indicators relevant to individual activities

By organising, managing and planning personal finance, we wish to decisively influence the standard of living of individuals. Properly and consistently managed personal finance will provide them and their family members greater financial security.

Introduction of the services for increasing bank literacy in the NLB Group

Some banks in the NLB Group decided to start raising the awareness of their clients in the field of financial literacy in the future.

4.4.2. Protecting the privacy of bank clients

The Corporate Security Policy of NLB d.d. defines the basic goals and principles of protecting people, facilities (business premises), information and assets of both the Bank and its clients. Employees in certain fields of expertise and in the area of information protection are provided regular training. The NLB abides by the Code of Ethical Conduct of the Employees.

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

The purpose of the fundamental objectives and principles of protection is to ensure the legality of operations and the reputation of NLB d.d. The fundamental objectives and principles of protection are also defined in the internal acts of individual members of the NLB Group.

One of the key or fundamental goals of corporate security is to protect the data and information of our clients and thereby ensure privacy.

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

NLB d.d. manages the risks by controlling access to data applications, the audit trail and precise methodologies, procedures and work instructions.

Possible risks that are adequately controlled and managed in the NLB are as follows:

- Unauthorised insight into client data;
- Disclosure of client data;

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- Unprofessional or inappropriate behaviour by a bank employee.

Key non-financial performance indicators relevant to individual activities

The privacy of clients of NLB d.d. as well as the clients of each member of the NLB Group is realised through the implemented measures, for example:

- the need to know principle: an employee has the authorisation or the right of access only to those data and information that they need to perform regular work tasks;
- regular verification/checking of the adequacy of the rights granted to access data;
- regular training and raising the awareness of employees about the importance of data and information protection and ethical conduct;
- established privacy zones in the Bank's branches;
- identifying potential data protection violations by employees;
- carrying out security checks on application support and the computer network in order to identify potential vulnerabilities that would undermine the confidentiality of data and information.

Protecting the privacy of bank clients in the NLB Group

The NLB Group also takes into account the Rules on the Protection of Information, Persons and Property in the security policy of the NLB and plans the management of personal data security accordingly.

4.4.3. Client complaint management system at the Bank

In accordance with the laws governing the provision of banking and financial services, NLB d.d. has in place a system of internal two-stage complaint procedure and a selected provider of out-of-court resolution of consumer disputes. The NLB provides clients with information on internal complaint procedure and out-of-court settlement of disputes which includes explanations on the method of handling client complaints.

The NLB's objectives in handling client complaints are to quickly, efficiently and professionally resolve complaints at all stages of complaint handling, to resolve similar claims of clients in a uniform manner, to record complaints in a way that allows for substantive analysis in order to improve products, processes or other client experience (transparency, quality of handling, relationship, etc.) and to develop proposals for improvements in order to prevent the occurrence of a number of similar errors and the consequences of the client's negative experience.

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

The gap between the share of registered complaints and the proportion of clients expected to file a complaint decreases from one year to the next. The client's opinion is taken into account in NLB d.d. and recorded regardless of whether it is positive or negative.

The employees in the NLB respect the client's experience with individual events arising from contractual relationships and the performance of our services, and we consider claims as opportunities for improvement.

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

The key risks in connection with the complaint management system of NLB d.d. are:

- The risk of failure to inform clients about the internal complaint procedure and provider of out-of-court resolution of consumer disputes;
- The complaint received starts being handled late;
- Inadequate handling of the complaint;
- The client does not receive a response to a complaint or a claim for damages to the correct address.

The NLB manages risks using a model of two-stage processing of complaints. The NLB body in charge of the second stage of complaint processing is a special centralised organisational unit responsible for handling the client's objections against the decisions adopted by the body of the first instance, all special complaints and damage claims.

Key non-financial performance indicators relevant to individual activities

The share of complaints in out-of-court settlement of consumer disputes is lower than the market share of the Bank. More than half of the complaints in OCDR are considered unfounded for customers.

Complaint management system in the NLB Group

The NLB Group has set up an adequate system for monitoring complaints to the maximum possible benefit of bank clients according to the complaint management system.

The procedures on the conditions and handling of complaints of NLB Banka Sarajevo clients specify two levels of resolving complaints, defined by the procedure, as well as a specific method of filing client complaints, recording them, reviewing methods, deadlines for submitting a response to a complaint and sending a response to clients. The procedures also include activities to retain retail and corporate clients, offer to create a proposal for improvements and the method of reporting on received complaints.

The Bank's objectives in handling client complaints are to quickly, efficiently and professionally deal with complaints at all levels of complaint handling, in the same way addressing same requirements of clients, submitting objections so as to allow content analysis to improve products, processes and other client experience (transparency, quality of curing, relationships, etc.), and to provide proposals for improvements in order to prevent the occurrence of a number of similar errors and the consequences of the client's negative experience.

Ombudsman was introduced at the level of the FBiH for out-of-court settlement of disputed relations. The number of complaints filed in 2016 is 36% lower compared to the number of complaints lodged in 2015, while in 2017 it is approximately at the same level as in 2016. The decision of the Banking Agency of the FBiH on the conditions and method of handling a bank complaint by the bank, a microcredit organisation and a leasing company defined the Bank's obligation to quarterly report to the Banking Agency of the FBiH (FBA) on complaints filed. Compulsory components of the report are: proof that the report was accepted by the Bank's supervisory board, and a certificate of the Bank's internal auditor that the report is complete and accurate. The Bank deals with a complaint in two stages. The second stage of handling a complaint is the Development and Sales Support Department, supporting sales offices, which is responsible for handling client complaints that are not resolved at the first instance or to whose response the client again filed an objection, as well as for solving specific complaints, damage claims and complaints from clients addressed to the Ombudsman and the management of the Bank. According to the data available from the FBA's for 2015 regarding the total number of complaints filed with the Ombudsman, the share of complaints filed against the Bank is 3%. The procedures of NLB banka d.d. Sarajevo on the conditions and handling of complaints are aligned with the Instructions for settling the complaint of the client of NLB d.d.

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Other banks in the NLB Group, such as NLB Banka Podgorica, deal with clients' complaints in an appropriate and effective manner, in accordance with the Banking Law of Montenegro and the Consumer Credit Act. A market survey revealed that NLB banka AD Podgorica was the leading bank in client treatment in Montenegro. A high-quality record of all client complaints is kept using a two-stage system of recording and resolving complaints.

The procedure is accompanied by a system of automated notifications and an appropriate reporting system that will allow for better control and development of detailed reporting forms. The difference between the share of recorded claims and the share of clients filing complaints is decreasing each year. The new system of complaint handling significantly reduced the average time needed to resolve complaints and improved the complaint recording system.

The key risks of client complaint handling in the NLB Group, for which the Bank ensures proper monitoring:

- The risk of clients not being informed of the second stage of internal handling;
- The complaint is not handled in due time;
- Ineffective handling of complaints;
- The client does not receive a response to a complaint or a damage claim to the correct address.

Risk management:

- The Contact Centre quarterly reports to the management of the Bank on recording and managing complaints.
- Internal and external audits are supervised.
- Recording and handling complaints.

4.5. Cultural heritage and projects promoting social responsibility

The Social Responsibility Policy of the NLB Group defines the focus and key goals of the NLB Group in the field of humanitarian activities, care for employees and clients, and environmental protection. In its policy and strategy of social responsibility NLB d.d. also defines the key pillars of activities pursued in the area of social responsibility.

The protection of the cultural heritage of NLB d.d. is defined in the Ordinance designating the site of Trg republike, Ljubljana, as a cultural monument of national importance (<http://www.uradni-list.si/1/content?id=117856>) dated 17/06/2014.

The procedure for the allocation of sponsorship and donation funds is defined in the internal document – the Sponsorship and Donation Procedure from March 2017.

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

Based on the annual financial plan, which is approved by the Management Board of NLB d.d., the Social policy of NLB d.d. in relation to the wider environment is implemented, reflected through solidarity and humanitarian campaigns:

- support for top athletes and national teams,
- support to sports for young people,
- support to sports for the disabled,
- donations to the Bank Sports Club and the NLB Pensioners' Society,
- donation to all Slovenian maternity hospitals.
- increasing financial literacy among the young people,
- caring for movable and immovable cultural heritage,
- new measures were introduced for the full family-friendly company certificate,
- we continue the Healthy Bank project so as to raise awareness about the importance of healthy lifestyle and promote it among employees.

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

The key risk is the availability of financial resources for protecting cultural heritage and promoting social responsibility of the NLB Group, as the inquiries and requests for donations and sponsorships are increasing beyond the resources available to the Bank.

Managing cultural heritage and promoting social responsibility in the NLB Group

Similar as in NLB d.d., the NLB Group ensures constant support to various socially responsible initiatives in the field of humanitarian activities, culture, sports and environmental protection. The members of the NLB Group carry out activities in the field of social responsibility and protection of cultural heritage in accordance with the prepared strategies and policies of responsible social action.

4.6. Promoting freedom of expression on Internet and elsewhere

Freedom of expression is one of the fundamental human rights that NLB d.d. strongly encourages. Intranet of NLB d.d. (NLB Net) enables commenting, posting questions and submitting ideas. The latter can be realised through a dedicated web page "City of Ideas" (Mesto idej).

Two-way communication is consistently encouraged and rewarded. A new form of open communication was introduced in 2017, named the Open House of President of the Management Board. It is a live stream, during which the President of the Management Board briefly summarises the current events in the Bank, and then answers questions that are posted by employees either through NLB Net or through the e-mail address created specifically for this purpose. Individual OUs have their own web page where employees are actively involved in the content and respond to it.

There is also a special web page for the Trade Union and the Workers' Council, which actively organise the web page and provide comments in the communication.

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

We establish that the number of comments to posts on NLB Net has increased. Also, the format of the Open House of President of the Management Board was well received.

In 2017, a record response to NLB Net was achieved – more than 50 comments to a news item. The number of likes also reached a record high – more than 250!

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

There is a risk of leak of inside information, but it is actively managed so that internal communication, always preceding external, is followed by up-to-date external communication, while price-sensitive information is first announced on the stock exchange system.

Key non-financial performance indicators relevant to individual activities

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

Promoting freedom of expression in the NLB Group

In the NLB Group, clients are encouraged to voice their opinion on the experience with the Bank. They can do so through various channels: the website and social networks of the Bank, as well as at branches, where they complete survey questionnaires. Activities and responses of the public are constantly monitored.

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

5. Issues related to the fight against corruption and bribery

In 2014, NLB d.d. adopted:

- Guidelines on the prevention and identification of corruption and conflicts of interest, 1st version, June 2014.
- Guidelines on the limitation of giving and receiving gifts by the employees of NLB d.d., 1st version, June 2014.
- Rules on the incompatibility of offices of the management board members, top management and other employees, 1st version, June 2014.

In 2017, these documents in the field of conflict of interest and prevention of corruption were completely overhauled with the Policy on Conflict of Interest Management and Corruption Prevention of NLB d.d. and the NLB Group. The internal acts of the Bank comprehensively regulate the circumstances in which conflicts of interest can arise, the limitations on the acceptance of gifts and the rules on the prevention of corruption, in addition to the specific measures for managing the risks associated therewith.

All employees and members of bodies of NLB d.d. are obligated to fully comply with those internal acts in this area.

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

Due to its regional presence, the NLB Group is exposed to the risks of corruption in South-Eastern Europe.

All forms of bribery and corruption must be rejected in NLB d.d. and the NLB Group. These forms of action are unfair, illegal and damage the countries in which the corruptive practices take place, and the society in general. We are bound to do so by the Code of Conduct of the NLB Group published on NLB d.d. website. NLB d.d. and the NLB Group expect the same from our clients, business partners and third parties. Therefore, all employees of the NLB Group are subject to limitations in giving and accepting gifts, offering hospitality and otherwise influencing the conduct of the employees of the NLB Group.

In 2017, a comprehensive assessment of corruption risk in individual members of the NLB Group and in the NLB Group as a whole was carried out for the first time. It was established that additional measures could be taken to manage the risks of corruption.

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

Corruption risks associated with the fulfilment of anti-corruption contractual obligations:

- Corruption risks associated with the sale of products and services to clients;
- Reputation risk;
- Risks of money laundering and terrorist financing due to illegal activities (arising from corruption);

Risk management measures;

- Regular training of all employees and education of target groups;
- Regular assessment of corruption risks in the NLB Group;
- Established procedures and channels for (anonymous) reporting of suspected misconduct (including internally accessible (NLB Net) and public Whistler application at: whistler.nlb.si);
- Established procedures and mechanisms for dealing with suspected misconduct and taking corrective measures;
- Implemented measures to protect whistleblowers (internal and external).

Key non-financial performance indicators relevant to individual activities

An assessment of corruption risk was carried out at NLB d.d., in the strategic members of the NLB Group and at the level of the entire NLB Group using a special questionnaire (model World Economic Forum: Good Practice Guidelines on Conducting Third-Party Due Diligence, Partnering Against Corruption Initiative - PACI).

Regular annual training was organised for all employees and management in NLB d.d. and the NLB Group members in the field of corruption and conflicts of interest.

Specific targeted training was also conducted for target employee groups (sales network, managers, new employees) in the field of harmful practices, channels for reporting suspected misconduct, corruption, conflicts of interests and the Code of Conduct of the NLB Group. The risk arising from conflicts of interest and corruption is assessed for outsourced providers and suppliers and other contractual partners of NLB d.d. and the NLB Group. Contracts with partners include anti-corruption clauses and clauses on conflicts of interest. There are various channels used for reporting suspected misconduct, published on the Intranet (NLB Net), in internal acts (including the Code of Conduct of the NLB Group), and the internally and publicly accessible Whistler application for reporting suspected misconduct (also anonymised).

Fight against corruption and bribery in the NLB Group

The prevention of corruption and bribery is implemented in NLB d.d. and the NLB Group at the level of strategic (banking) members of the NLB Group. In addition to the above, NLB d.d. adopted the Code of Conduct in the NLB Group which applies to the employees of NLB d.d. as well as the members of its bodies and lays down the standard conduct also for the members of the SB NLB d.d., including the prevention and avoidance of the conflict of interest, disclosure of such circumstance and appropriate measures for the management of conflicts of interest. The NLB Group's Code of Conduct is applied equally to all members of the NLB Group.

In accordance with the Corporate Governance Policy of the NLB Group, the Standards for Compliance and Integrity also define obligations of the NLB Group members to adopt all internal acts of NLB d.d. on the prevention of corruption and conflicts of interest, and to comply with their obligations.

In 2018, the NLB Group members will provide for alignment with the new Policy on Conflict of Interest Management and Corruption Prevention of NLB d.d. and the NLB Group, which, due to clearer rules, additional awareness raising, established control mechanisms and training in this field, represents a significant improvement in the implementation of respective activities.


Ljubljana, 13.4.2018

NLB Supervisory Board

Primož Karpe
Chairman of Supervisory Board



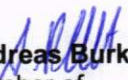
NLB Management Board




László Pelle
Member of
the Management
Board



Archibald Kremser
Member of
of the Management
Board



Andreas Burkhardt
Member of
the Management
Board



Blaž Brodnjak
President of
of the Management
Board