

For publication



**Corporate Governance Policy of NLB d.d.  
Version 6, February 2023, general internal document**

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## Chronology of amendments

Version	Date	Description
1	12/12/2014	First version of the Corporate Governance Policy of NLB d.d.
2	15/12/2015	Amendment due to the adoption of the reference code of Slovenian Sovereign Holding (18/12/2014) and amendments to the ZBan-2 (in effect since 13/05/2015) and the ZGD-1 (in effect since 08/08/2015)
3	14/11/2017	Amendment due to the amendments and supplements to the Articles of Association of NLB d.d. (07/04/2017) and amendments to the reference codes – Corporate Governance Code for State-Owned Enterprises (May 2017) and Slovenian Corporate Governance Code for Listed Companies (27/10/2016)
4	08/03/2019	Regular amendment of the policy and changes made due to completed first phase of the privatization process of the Bank, Changes to Rules of Procedure of the Supervisory Board of NLB d.d and its committees
5	12/11/2020	Regular amendment of the policy and changes made due to termination of validity of the commitments given to the European Commission upon receipt of the state aid in December 2013, as well changes to the Articles of Association of the NLB d.d., as well as due to major changes of the regulation governing corporate and social responsibility
6	23/02/2023	Regular amendment of policy due to the alignment with the recommendations of the amended Slovenian Corporate Governance Code for Listed Companies (entered into force on 01/01/2022) and other relevant legislation (EBA Guidelines on internal governance, EBA Guidelines on sound remuneration policies and the relevant provisions of the Bank of Slovenia)

## 1. Introduction

The contents of this policy have been prepared in accordance with the recommended content as defined by the Slovenian Corporate Governance Code for Listed Companies as amended and adopted by the Ljubljana Stock Exchange and the Slovenian Directors' Association on 09/12/2021 (Recommendation no. 2).

## 2. Area of Use and Persons/Entities Obligated to Comply

The scope of application of this Policy is the Corporate Governance of NLB. The Policy applies to all employees and the management body (the Management and the Supervisory Boards). Corporate governance regulates the relationships between the management body, the supervisory body, the shareholders, and the stakeholders of the company. It also provides the structure (organisation) through which the objectives of the company are supported and the means of attaining those objectives and monitoring performance are provided. The purpose of corporate governance is to help create an environment of trust, transparency and responsibility needed for stimulating long-term investments, financial stability, and business integrity all of which support stronger growth and development of a more inclusive society.

This Policy is harmonised with and applicable together with the Corporate Governance Policy of the NLB Group, which lays down the principles and mechanisms of corporate governance in the NLB Group members (except for Nova Ljubljanska banka d.d.; further in text: **NLB or the Bank**).

## 3. Prime governance guidelines, considering the Bank's set objectives, values and social responsibility

### 3.1. Prime governance guidelines

The Management Board and Supervisory Board of NLB jointly formulate and adopt the Corporate Governance Policy of NLB in which they specify the principal orientations of the Bank's governance and the method of managing and supervising the Bank by considering the long-term objectives. They take into account the Bank's development needs and its specifics, such as its size and activity. All the stakeholders and the general public are informed about this policy through disclosures at the bank's website<sup>1</sup>.

As a public limited company NLB carries out its operations and corporate governance in accordance with the applicable legislation of the Republic of Slovenia (hereinafter: the **RS**)<sup>2</sup> and the European Union (further in text: **EU**) guidelines and regulations. The Bank also operates in accordance with the recommendations of the Slovenian Corporate Governance Code for Listed Companies<sup>3</sup> which contain the established criteria of good practice that supplement the binding provisions of the responsible corporate governance (more information on this code is provided in Section 4 of this Policy).

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<sup>1</sup> [www.nlb.si/corporate-governance](http://www.nlb.si/corporate-governance)

<sup>2</sup> particularly the provisions of the Companies Act (ZGD-1) and the Banking Act (ZBan-3), the BS Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks, the EBA Guidelines on internal governance, the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders the EBA Guidelines on sound remuneration policies

<sup>3</sup> [ljse.si/en/rules-and-regulations/252](http://ljse.si/en/rules-and-regulations/252)

NLB uses a two-tier governance system, according to which the Bank is managed by the Management Board and its operations are supervised by the Supervisory Board. The bodies of the Bank are: General Meeting, Supervisory Board and Management Board. The power of the Bank's bodies is laid down in the Articles of Association of NLB.<sup>4</sup>

The NLB Group operates in a wide range of different national and cultural environments in which the employees in the members of the NLB Group work. The NLB Group Code of Conduct<sup>5</sup> represents fundamental principles, values and rules and stipulates the fundamental principles of conduct on which the operations and actions of the NLB Group are based. It applies to all employees in NLB and in the members of the NLB Group, as well as the NLB Management Board and the NLB Supervisory Board, and the management and supervisory boards of the of the NLB Group members. The Code contains the rules to be complied with, defines acceptable and unacceptable conduct, defines expectations and determines standards expected in our relationship towards the other stakeholders.

Respect for human rights is an indicator of the maturity of a social and business environment and is therefore an important element of social responsibility. In accordance with the National Action Plan of the Republic of Slovenia on Business and Human Rights, NLB adopted the Policy on Respect for Human Rights in NLB and the NLB Group (January 2023), thus setting the standards of the respect for human rights in its operations and expects the same standard to be ensured by its customer and suppliers as well as the members of the NLB Group. NLB also signed the Commitment to respect human rights in business, with which the Bank will support the implementation of the National Action Plan of the Republic of Slovenia on Business and Human Rights.

Members of the Management Board and the Supervisory Board pay special attention to recognising and implementing all the necessary precautions to avoid any conflicts of interest that could affect their judgement. A conflict of interest represents the existence of certain circumstances that can potentially or actually hinder judgment in performing tasks or making decisions, which in this way lose the necessary element of objectivity, therefore members of management bodies are obliged to immediately report the occurrence or suspicion of a conflict of interest and all circumstances of a conflict of interest during their mandate reveal. We have established an effective management system, i.e. prevention and management of potential, actual and apparent conflicts of interest.

We have established procedures for transactions with persons in special relations with the Bank with the aim of preventing negative consequences of a possible conflict of interest and complying with the legislature. The Bank keeps a list of persons in special relationship with the Bank and provides all the necessary reporting to the regulators.

With the aim of ensuring efficient and consistent implementation of strategies and operations of the Bank, its processes and procedures, protection of the value of bank assets, reliability and integrity of accounting and management data and information, and the bank's business operations in line with all the applicable rules and regulations, the Bank has set up an efficient system of internal controls.

Business and operating environment, relevant for the Group's operations, is changing with trends such as sustainability, social responsibility, governance, changing customer behaviour, emerging new technologies and competitors, as well as increasing new regulatory requirements. Set governance and different risk management tools enable adequate oversight of the Group's risk profile, proactively support its business operations and its management by incorporating escalation procedures and using different mitigation measures when necessary. Apart from all material types of risk (credit, liquidity, market and operational risk) ESG risks do not represent a new risk category, but rather one of risk drivers of the existing type of risks. The Group integrates and manages them within the established

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<sup>4</sup> [www.nlb.si/corporate-governance](http://www.nlb.si/corporate-governance)

<sup>5</sup> [www.nlb.si/code-of-conduct](http://www.nlb.si/code-of-conduct)

risk management. The Bank prepares concise Statement of the Risk Management and publishes it in the Business Report of the Annual NLB Group Report.

NLB strives for transparency of operations which allows the recipients of information to correctly assess the position, operations, risks, and management of the Bank. Transparency of operations by ensuring quality disclosures, frequency of information delivery and accessibility of publications is one of the most important building blocks of the Bank's governance. Special attention is also paid to timely, comprehensive, and quality publications of documents related to the convocation of general meetings and the proposed resolutions to be adopted by the general meeting, particularly regarding the proposal of candidates for members of the Supervisory Board of NLB.

The Board and the Remuneration Committee of the Supervisory Board of NLB jointly approve the proposed remuneration policy for members of the management body. The remuneration policy is adopted by the Supervisory Board, and then submitted to the bank's shareholders' meeting for approval (the vote is of the advisory nature). Remuneration Policy for Members of the Supervisory Board of NLB and Members of the Management Board of NLB is supplemented in accordance with the new requirements of the EBA Guidelines on sound remuneration policies. The Policy is published at the Bank's website<sup>6</sup>. The Bank also compiles the Annual Report on Remuneration, which is discussed by the General Meeting. The voting on this resolution is of advisory nature. The report is available to public<sup>7</sup>. The Employee Remuneration Policy of NLB and the NLB Group is the framework applicable to all employees of NLB and is also implemented in the NLB Group.

The Management and the Supervisory Boards jointly devise the Policy on the provision of diversity of the management body and senior management in NLB. which is adopted by the General Meeting of the Bank. The Policy defines the Bank's commitments regarding diversity which are carried out in relation to the representation in the management body (both Management Board and Supervisory Board) and in senior management, considering various aspects of diversity (gender, age, professional competences, continuity in the composition of each body, international experience, geographic origin and other personal traits) as appropriate or the Bank's characteristics. The Policy is published at the Bank's website<sup>8</sup>.

Regarding the implementation of the said policy and other internal documents, the Bank's Supervisory Board drafts a proposal of candidates for the membership on the Supervisory Board for the General Meeting, performs self-assessment of the Supervisory Board and assessment of the composition of the Supervisory Board. Once a year, the Supervisory Board assesses the fulfilment of the goals of the Policy.

### **3.2. Strategy and Sustainable Development**

Sustainability is becoming a more and more important aspect of operations through which the Bank is trying to gain the trust of the relevant stakeholders and the public. The vision of the NLB Group Strategy 2020-2025 is to keep the role of the regional champion among the systemically important institutions in the SE Europe which generates value for all its stakeholders. To facilitate this vision, the NLB Group strategy is currently focused on: the growth in market position, putting the customers first, the digitalisation of the NLB Group, exploiting business opportunities and synergies and sustainable development.

NLB Group is engaged in contributing to sustainable finance by incorporating environmental, social and governance (ESG) risks into its business strategies, risk management framework and internal

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<sup>6</sup> [www.nlb.si/additional-disclosures-according-to-article-104-of-the-zban-3](http://www.nlb.si/additional-disclosures-according-to-article-104-of-the-zban-3)

<sup>7</sup> pursuant to the provisions of Articles 294a and 294b of the ZGD-1

<sup>8</sup> [www.nlb.si/additional-disclosures-according-to-article-104-of-the-zban-3](http://www.nlb.si/additional-disclosures-according-to-article-104-of-the-zban-3)

governance arrangements. With the adoption of the NLB Group Sustainability programme (January 2021), the Group implemented main sustainability elements into its business model.

By adopting the Sustainability Framework<sup>9</sup> at the Management Board and the Supervisory board of NLB in June 2021 the Bank laid down the strategy of sustainable development, commitment to the United Nations (further: UN) Sustainable Development Goals, sustainable economic activities, management of the ESG risks, structure of sustainable management, responsible banking and business ethics. We are aware of the impact of our operations on the society and respond to its needs and expectations in a balanced, relevant and transparent manner. We have set up three pillars: sustainable operations, sustainable financing and social responsibility.

In the area of sustainable development, NLB among other pursues the following goals and principles<sup>10</sup>:

1. The UN Sustainable Development Goals;
2. The UN Principles of Responsible Banking;
3. The UN Net Zero Banking Alliance.

Sustainable reporting discloses information on the Bank's values and the connection between the Bank's strategy and commitment to sustainable operations. Sustainable reporting is an excellent tool for measuring and monitoring the most important effects of the Bank on the broader community and the natural environment.

The Supervisory Board is responsible for overseeing sustainable operation. Each year, the Bank compiles the NLB Group's Sustainability Report which is adopted by the Management and the Supervisory Boards of the Bank. It is presented internally (with different communication tools and events) and also to the broader public, through a publication at the Bank's website<sup>11</sup>; information about the sustainable operations is regularly delivered inside and outside the Bank.

#### **4. Indication of the Reference Corporate Governance Code**

Since most shares of the Bank were sold in the first phase of privatisation of NLB and they were admitted to trading at the Ljubljana Stock Exchange on 14/11/2018, and as the global depository receipts (GDR) representing ordinary NLB shares were simultaneously admitted to trading at the London Stock Exchange, NLB became a public company<sup>12</sup>.

As of the said date, NLB's corporate governance follows the principles of the Slovenian Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange and the Slovenian Directors' Association, as last amended in December 2021, applicable as of 01/01/2022). The Code is published at the Ljubljana Stock Exchange website<sup>13</sup>. The Bank prepares the deviations from the said Code in accordance with the provisions of the ZGD-1 in the NLB Corporate Governance Statement, following the principle "comply or explain". The NLB Corporate Governance Statement is adopted by the Management and Supervisory Boards of the Bank. It is published in the business report of the NLB

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<sup>9</sup>[www.nlb.si/nlb-sustainability-framework.pdf](http://www.nlb.si/nlb-sustainability-framework.pdf)

<sup>10</sup> With more than 100 members from 41 countries and total assets of EU 68 billion, the Net Zero Banking Alliance encompasses almost one quarter of all global banking assets and is the key to the mobilisation of the financial sector in the effort of limiting the climate change. This Alliance puts banks on the map of branches that play a key role in supporting the business sector in its transition to the level of zero net emissions;

<sup>11</sup> [www.nlb.si/sustainability](http://www.nlb.si/sustainability)

<sup>12</sup> [www.nlb.si/shares](http://www.nlb.si/shares)

<sup>13</sup> [jse.si/en/rules-and-regulations/252](http://jse.si/en/rules-and-regulations/252);

Group Annual Report and separately at the Bank's website<sup>14</sup>. In the future it will also be published via the electronic system of the Ljubljana Stock Exchange (SEONet).

## 5. Definition of the groups of stakeholders, relevant stakeholders and the strategy of communicating and cooperating with them

The strategy of communication and cooperation, tactics and key communication messages are adapted to the target group of stakeholders, taking into account:

- the strategies and values of the NLB;
- the bases of the brand position and its emotional components;
- marketing goals; and

the NLB communication strategies and clear hierarchy of communication goals

### 5.1. Relevant stakeholders

For NLB, **relevant stakeholders** are those individuals and groups of stakeholders whose operation indirectly or indirectly essential for the achievement of goals and long-term development and sustainability of the Bank. Relevant stakeholders are:

**Employees** - Investment in employees begins with fair payment and wide possibilities of education and career development; the Bank uses the Family-friendly company certificate measures for ensuring a good balance between professional and private life. We promote diversity and inclusion, dignity and respect.

There are different ways of communicating with the employees: the programmes for the development of management and other competences, the survey on the employment value of the employer's offer; the survey on the organisational climate; focus groups; regular reviews/discussions on efficiency and promotion; intranet and e-news; regular open house days with the CEO (online).

**Shareholders/Investors** - Creating long-term value for the shareholders who provide capital for investments, growth and innovations. We are committed to transparency and efficient informing of shareholders.

Communication method: Shareholders can be informed of the activities and results of the Bank in the following manner: with announcements in connection with the convening of the general meetings and actual participation in the bank's general meetings; by acknowledging reports on the business results of the NLB Group (reports, presentations, etc.), by Bank website publications, with publications in the electronic information system of the Ljubljana Stock Exchange (SEONet) and the London Stock Exchange (RSN) and regular information at the relevant business events.

When results are published, the so-called webcast presentations are regularly organised for the investors, and they always have the opportunity to ask questions in real time. Bilateral conversations with the investors are important, namely at investor conferences in person or through video calls and telephone calls, in person, at investor days and roadshows. The communication with the investors is led exclusively by the Management Board of the Bank and the Correspondence Banking and Investor Relations.

We take care that all shareholders are treated equally. We are always available for discussion except during the silent period (14 days prior to the publication of business results).

**Customers/natural persons** - Provision of value to our customers/users. Their inclusion as co-creators of our services and products.

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<sup>14</sup> [www.nlb.si/corporate-governance](http://www.nlb.si/corporate-governance)



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Communication method: Personal communication, standard mail and e-mail, phone and video calls, SMS, online channels, online and mobile banking and social networks.

**Customers/companies** - Provision of value to our customers/users. Their inclusion as co-creators of our services and products.

Communication method: Personal communication, standard mail and e-mail, phone and video calls, SMS, online channels, online and mobile banking and social networks.

**Suppliers and contractual partners** - Compliance with the accepted obligations, fair and ethical conduct, respect of human rights and sustainable development.

Communication method: Meetings at the location; virtual meetings, due diligence questionnaires already in use for assessing compliance of all bidders with our standards (and which will be supplemented with additional questions for extended assessment of the ESG elements). The questionnaire for our annual process of assessing suppliers will be updated so that it will allow for the regular annual overview and feedback to the suppliers with an expanded list of ESG topics.

**Regulatory bodies** - Bank maintains a constructive dialogue with the regulators (BS And ECB; ATVP, Office of the RS for Money Laundering Prevention and some other supervisory institutions).

Communication method: bilateral dialogue, exchange of positions via e-mail, phone calls, online events, presentations, reports and other ad hoc meetings.

Regular meetings with JST and the Bank's Management and the Supervisory Boards; attendance of JST members at the meetings of the Supervisory Board and its committees as well as at the General Meetings of Shareholders, visits of inspectors at the location of NLB premises.

**Media, expert public and partners** - the Bank continuously builds and maintains relations with different media and their representatives.

Communication is carried out through press releases, statements, press conferences, information briefings, different events and the Bank's answers to media questions. Media communication is centrally coordinated exclusively by NLB Communications. The Bank/NLB Group addresses the local and broader community via the media. As a member of the Bank Association of Slovenia the bank also actively participates in the drafting of amendments to banking regulations.

## 5.2. Stakeholders

**Stakeholders** of the Bank are individuals and interest groups that contribute, either voluntarily or involuntarily, to the ability and activities in creating added value for the Bank and are therefore also the vehicle for potential gains and risks undertaken by the Bank.

The following are the Bank's stakeholders:

- Rating agency, ESG rating agency;
- public and state bodies;
- associations, non-governmental organisations, sports organisations, culture professionals, societies, influencers;
- international financial public - when we communicate with the EBRD as shareholder/investor, we sign an NDA relating to individual deal in preparation and use that framework to communicate with the EBRD about the relevant contents of the deal;
- brand ambassadors (talents, communications, sales, product marketing);
- specific internal audiences (trade union, worker council, pensioners, newly employed).

## **6. The process of informing the subsidiaries and the shareholders about the strategy and the NLB Group corporate governance standards**

### **Informing the subsidiaries**

The NLB Group Strategy is presented in a standardised manner at the highest level, namely in a meeting of the Management Board of NLB and all directors (level B1) and directors of all members of the NLB Group (Leadership Meeting). The most important points from the strategy are also discussed at the CEO meetings attended by the CEOs of subsidiary banks and strategic companies (NLB Skladi, Lease&Go).

Communication is also carried out by competence line (CMO for retail clients, CMO for corporate clients, CRO, CFO, COO areas), where it is focused on the discussion of partial strategic orientation at the level of the management, B-1 and lower levels.

### **Information for shareholders**

The Bank ensures transparent and timely informing of the shareholders in a manner that allows for quick access to such information on a non-discriminatory basis. The shareholders were informed about the Strategy via the Bank's website<sup>15</sup> and the online portal of the Ljubljana Stock Exchange (SEOnet), and GDR holders via the web portal of the London Stock Exchange (RNS).

### **The process of informing the subsidiaries about the Group corporate governance standards**

NLB as the controlling company is striving to ensure that all members of the Group introduce high level standards of operation and transfer good corporate governance practices. The subsidiaries of the NLB Group are informed of the corporate governance standards:

- through the submission of standards for individual competence lines, adopted by the Management Board of the NLB and forwarded to the subsidiaries by individual competence lines;
- with the presentation of the standards at regular meetings of the competence lines with the representatives of the subsidiaries and the organisation of training for the representatives of the subsidiaries;
- upon the introduction of any amendments to the Slovenian Corporate Governance Code for Listed Companies, the subsidiaries are sent a notice about the amendments and supplements to the recommendations.

## **7. The policy of transactions between the Bank and the related companies (including their members of the Management Board and the Supervisory Board)**

The applicable regulations contain several definitions of the categories of related persons and associate them with special requirements. NLB gathers data on *“related persons” on different legal bases, namely:*

- *The Companies Act (ZGD-1)<sup>16</sup> and the International Accounting Standard IAS 24 stipulate the “related parties” and the requests relating to this category of persons;*

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<sup>15</sup> [www.nlb.si/investor-news](http://www.nlb.si/investor-news)

<sup>16</sup> For transactions concluded with related parties, the provisions of Articles 270.a, 281.b to 281.d, 284.a and 515.a of the ZGD-1 apply. The Supervisory Board's approval of transactions with related parties are the subject of Article 281.č of the ZGD-1.

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- *The Banking Act (ZBan-3)<sup>17</sup>, stipulates "persons in special relationship with the Bank" and the requirement relating to this category of persons;*
- *Article 527 of the Companies Act (ZGD-1) stipulates the term "related companies";*
- *of the Corporate Income Tax Act (ZDPPO-2), which defines "related persons" in Article 16;*
- *Decisions on the conditions for the provision of investment and other services for brokerage companies, which in Article 3 defines "related persons".*

The Bank adopted Policy on persons in a special relationship with NLB in which it defined all rules and procedures in respect of complying with regulations. Mentioned policy specifies certain internal procedures in relation to the transactions associated with the related persons with the aim of assessing whether a transaction was being performed in the framework of the Bank's regular activity and in line with the market conditions. The said policy also defines the process of preliminary approval of a transaction with persons in special relations with the Bank by the Supervisory Board of NLB and reporting to the competent bodies (Bank of Slovenia, ECB) and publication of data on the transaction with the aim of complying with the requirements from different regulations.

In the process of concluding transactions, preliminary approval by the Supervisory Board of the NLB is required for:

- the conclusion of each new transaction with a person in a special relationship with the Bank if, owing to the value of this transaction or the total value of all transactions with this person, the total exposure of the Bank to this person reaches or exceeds EUR 100,000, and for each further increase by EUR 100,000 (to EUR 200,000 etc.);
- or
- for the conclusion of any transaction with a person in a special relationship with the Bank if it is concluded under more favourable conditions than usual (which can also refer to a transaction at a lower limit than EUR 100,000) in the case of objective reasons (e.g. restructuring of the debtor).

In cases where a credit or deposit transaction or other transaction in the Bank is concluded with a person in a special relationship with the Bank under the terms and conditions that remain within the existing regular authorisations, the transaction is considered to be concluded under the usual conditions and no prior approval of the Supervisory Board is required (provided that the specified amount is not reached or exceeded).

If a credit, deposit or any other transaction in the Bank had been concluded under more favourable conditions with a person in a special relationship with the Bank based on the approval of NLB Supervisory Board the Bank of Slovenia and the ECB must be informed.

If the value of the investment or transaction exceeds 2.5% of the value of assets posted in the balance sheet in the last approved annual report of NLB, the competent OU which conducts the conclusion of the transaction must, as soon as it is concluded, prepare all the necessary information on the transaction and inform the **OU** Communication to publicly publish the relevant notice about the transaction.

Members of the NLB Group are also related persons. All transactions with the members of the NLB Group are strictly at arm's length basis. Therefore, the process is practically identical to the one carried out in the event of a non-related person. The conditions of banking business for the subsidiaries are laid down in the Pricing Policy for Borrowing by the Members of the NLB Group, always with the aim to set prices of services provided to the subsidiaries that do not deviate from the market prices. In the financial reporting section of the interim reports and the annual report of the NLB

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<sup>17</sup>Articles 169 and 170 of the ZBan-3;

Group, the Bank discloses the data on the transactions with related persons in accordance with the IAS 24.

The conditions for concluding transactions between the Bank and the members of the Management Board or the Supervisory Board are presented in greater detail in Point 8.4 of this Policy.

## **8. The commitment to set up a system for identifying conflicts of interests and independence of the members of the Supervisory Board and Management Board**

The Bank is committed to an efficient management of conflicts of interest in its operations. With this aim, the Supervisory Board has set up a system for identifying conflicts of interests and independence of the members of the Bank's Management and Supervisory Boards and the foreseen measures to be taken in the event of circumstances that considerably change their status towards the Bank<sup>18</sup>.

The conflict of interest exists when a person's impartial and objective performance of duties or decision-making, exclusively in the interest of the company within the term of office of an individual person, is jeopardised because personal business interests or interests of family members or a special disposition or any other interests related to other legal persons are involved.

The system for managing the conflict of interest at the level of the Management and the Supervisory Board, consists of:

1. assessment of the conflict of interest in the framework of the fit&proper assessment of the candidates for members of the Management and Supervisory Boards,
2. assessment of the conflict of interest in the framework of the fit&proper assessment of the members of the Management and Supervisory Boards during their term of office,
3. management of the conflicts of interest that arise unexpectedly in relation to an individual event,
4. special diligence in concluding new transactions between the Bank and the Members of the Management Board and the Supervisory Board, their immediate family members or related legal entities.

Upon taking the position, any change and once every year, the members of the Supervisory Board sign the Statement of independence, in which they adopt a position regarding the fulfilment of criteria of the conflict of interest and inform the other members thereof. Statements of independence are published at the Bank's website<sup>19</sup>.

In the event of doubt whether an individual member of the Management Board or Supervisory Board is in a conflict-of-interest situation due to the occurrence of certain circumstances and the nature of such conflict of interests (significant or less significant, long-term or unexpected and related to a specific event), the Compliance and Integrity is consulted and asked for further guidance.

### **8.1. Assessment of the conflict of interest in the framework of the fit&proper assessment of the candidates for members of the Management and Supervisory Boards**

Prior to the appointment, the Members of the Management Board and the Supervisory Board must fully and in detail disclose all the circumstances that caused or could cause the existence of a conflict

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<sup>18</sup> In this effort, it takes into account the rules of the ZBan-3 and the implementing regulations issued on its basis, the ECB and EBA guidelines and the Slovenian Corporate Governance Code for Listed Companies as well as the framework set up for the management of the conflict of interest by the Policy on corruption and bribery prevention and conflict of interest management.

<sup>19</sup> [www.nlb.si/corporate-governance](http://www.nlb.si/corporate-governance)

of interests in the performance of their function. This is done in the process of their fit&proper assessment.

The candidate's statement on actual or potential conflicts of interest are crucial for the implementation of the candidate's fit&proper assessment in the framework of the criterion "conflicts of interest and independence of mind". The fit&proper assessment, and within its scope the existence of potential conflicts of interest and the measures to eliminate or manage them, is adopted by the Supervisory Board on the proposal of the Nomination Committee. A positive assessment of the candidate is a precondition for the Supervisory Board to appoint a member of the Management Board or to propose to the General Meeting or the Worker's Council the appointment of a member of the Supervisory Board.

The process of assessing suitability of the candidates for the members of the Management or the Supervisory Boards is regulated in detail in the Policy on the assessment of the suitability of the Management and Supervisory Board Members in NLB.

## **8.2. Assessment of the conflict of interest in the framework of the fit&proper assessment of the members of the Management and Supervisory Boards during their term of office**

For the entire duration of the term of office, the Members of the Management Board and the Supervisory Board must take care to identify any potential new circumstances that could give rise to a potential or actual conflict of interests in the performance of their function. A member of the Management Board must immediately inform the Management Board and the Supervisory Board, and a member of the Supervisory Board must immediately inform the Supervisory Board of such fact<sup>20</sup>. The Nomination Committee also pays attention to a potential occurrence of the said circumstances in relation to an individual member of the Management Board and Supervisory Board on its own initiative and obtains the relevant data from the available internal and external sources.

If new circumstances arise in relation to an individual member of the Management Board or the Supervisory Board and are of such nature that could affect the conditions for appointment as member of the Management Board or the Supervisory Board (especially if they are of a long-term nature and must be constantly managed), the Nomination Committee initiates the process of fit&proper reassessment of such member of the Management Board or the Supervisory Board.

In any case, the fit&proper reassessment of each member of the Management Board or the Supervisory Board is carried out once a year. In the framework of regular annual fit&proper assessment, all circumstances which cause or could cause a conflict of interest of each member of the Management Board, or the Supervisory Board are assessed.

If in the scope of the fit&proper reassessment of a member of the Management Board or the Supervisory Board, under the criterion of "conflict of interest and independence of mind", conducted on the proposal of the Nomination Committee, the Supervisory Board establishes that a conflict of interest exists, measures are taken for its management; if that is not possible, the relevant member of the Management Board is dismissed or the Worker's Council or the General Meeting is proposed do dismiss the relevant member of the Supervisory Board.

The process of reassessing suitability of the candidates for the members of the Management or the Supervisory Boards is regulated in detail in the Policy on the assessment of the suitability of the Management and Supervisory Board Members in NLB.

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<sup>20</sup>Article 48(2) and Article 63(2) of the ZBan-3

### **8.3. Management of the conflicts of interest that arise unexpectedly in relation to an individual event**

The members of the Management Board and the Supervisory Board must constantly take care of the conflict of interests that occur unexpectedly in relation to an individual event (e.g. transaction, selection of a service provider, etc.). This means that:

- A member of the Management Board or Supervisory Board must upon their own initiative immediately inform the Management Board or the Supervisory Board of any circumstance due to which there exists or could exist a conflict of interest in relation to each event and provide detailed explanation. A member of the Supervisory Board must, in such a case, inform the Supervisory Board. In particular, this must be done in respect of a matter that is the subject of voting or if asked to do so by the Chair of the Management Board or the Supervisory Board.
- In the event of potential conflict of interests in a matter to be voted on, the member of the Management Board or the Supervisory Board shall abstain from voting and temporarily leave the room where the meeting is held for the duration of voting.
- An explanation and a statement of the member of the Management Board or the Supervisory Board on abstaining from voting due to conflict of interest shall be included in the minutes of the meeting of the Management Board or the Supervisory Board or a committee or board of the Bank.
- In the event of being informed of the circumstances of a conflict of interest by a member of the Management Board or the Supervisory Board, the president of the Management Board or the chairperson of the Supervisory Board shall, on the basis of his/her own assessment of the existence of the circumstances of a conflict of interest, take appropriate documented measures to eliminate the circumstances or to put monitoring of the circumstances in place. In the event of a complex situation of a conflict of interest, the chair of the Management Board or the Supervisory Board may, instead of adopting the said measures, inform the Management Board and a chair of the Supervisory Board which in such case assesses whether there exist the circumstances of a conflict of interest and adopts the necessary measures to eliminate or control such circumstances - if required, also the procedure of fit&proper reassessment of such member of the Management Board or the Supervisory Board (Point 8.2 above).
- In the case of occurrence of a conflict of interest with the Chair of the Supervisory Board, the Chair shall inform other members of the Supervisory Board who shall act in accordance with the above indents and adopt appropriate measures to eliminate or manage the occurrence of conflict of interest.
- The record of such identified conflicts of interest and measures taken in relation to them is kept by the Bank Secretariat.

The Compliance and Integrity is regularly informed of the content of the record of identified conflicts of interest. If necessary, it is also asked to provide consultancy in the case of measures for the management of conflicts of interest.

More detailed rules in this respect are regulated by the Rules of Procedure of the Management Board and the Supervisory Board, the Supervisory Board committees and the Bank's boards.

### **8.4. Special diligence in concluding new transactions between the Bank and the Members of the Management Board and the Supervisory Board, their immediate family members or related legal entities**

For transactions between the members of the Management Board and the Supervisory Board, the rules from Section 7 of this Policy and the provisions of the ZBan-3 apply, which set special limitations and requirements for transactions with persons in special relations with the Bank and include not only members of the Management Board and the Supervisory Board, but also their immediate family members and the related legal entities.

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The Members of the Management Board and the Supervisory Board must, when assuming their function, inform the Bank of the name and company name of the persons deemed to be in a special relationship with the Bank. They must also immediately inform the Bank of any change that affects the identification of the party as a person in a special relationship with the Bank.

A member of the Management Board and the Supervisory Board involved in a transaction (as a customer using the Bank's service or as the Bank's contractual partner) in relation to whom there is a risk of a conflict of interest due to their relationship with the customer or the Bank's contractual partner, shall not participate in drafting the proposal and deciding on the transaction concerned.

The Bank enters into transactions with the Members of the Management Board and the Supervisory Board or their immediate family members under conditions that are more favourable than those used for transactions with other persons. Only exceptionally, subject to objectively justified grounds, such transactions can be concluded under more favourable conditions than the usual; nevertheless, it is first necessary to obtain the approval of the Supervisory Board and inform the European Central Bank of such transaction.

Prior approval by the Supervisory Board is also required for the conclusion of a legal transaction with a member of the Management Board or the Supervisory Board or their immediate family members or a person having a special relationship with the Bank under conditions that are not more favourable than those concluded in the same period with other persons if, because of this transaction or the total value of all transactions, the Bank's total exposure to such person, including indirect exposure, achieves or exceeds EUR 100,000, and for any subsequent transaction due to which the bank's total exposure to an individual person increases by further EUR 100,000

Otherwise, the Bank's procedures for approving credit and other transactions with the Members of the Management Board and the Supervisory Board and their immediate family members and related legal persons, same as for any other customer. More detailed rules in this respect are defined in the Policy on persons in a special relationship with NLB.

## **9. Supervisory Board's commitment to assess its efficiency**

As a rule, the Supervisory Board of NLB shall once a year assess its composition, performance, potential conflict of interest of individual members of the Supervisory Board, performance of individual members and the Supervisory Board as a whole, performance of Supervisory Board committees and cooperation with the Management Board of the Bank, all in compliance with the recommendations of the Slovenian Corporate Governance Code for Listed Companies. If needed the Supervisory Board sets measures for improving its effectiveness and monitoring of its implementation.

In addition to the above, in accordance with the Banking Act and the EBA guidelines on assessing the suitability of members of the management body and holders of key functions, the bank carries out regular self-assessments of the collective suitability of its management body, with which it detects potential deficiencies in the collective suitability and ensures that the management body as a whole always has adequate a wide range of knowledge, skills and experience to be able to understand the bank's activities and its main risks. The self-assessment of the management is carried out by the management and forwarded to the Nominations Committee of the Supervisory Board. The Supervisory Board adopts the final assessment of the collective suitability of the Management Board and the Supervisory Board on the basis of the self-assessment of the Management Board and the self-assessment of the Supervisory Board, carried out by the Nominations Committee of the Supervisory Board.

In addition to that and as a rule at least once every three years the Supervisory Board ensures an external assessment in which it cooperates with an institution or external experts with relevant experience in Supervisory Board's work, in-depth knowledge of corporate governance and the functioning of the Supervisory Boards and their committees.

## **10. Committees of the Bank's Supervisory Board and their tasks**

In accordance with the provisions of the Articles of Association of NLB, the Supervisory Board appoints committees which function as consultative bodies of the Supervisory Board of the Bank. They discuss the proposed materials and proposed resolutions of the Management Board in individual areas, intended for discussion at the meetings of the Bank's Supervisory Board.

The expert support for the Supervisory Board's work is provided by its five committees, namely: The Audit Committee, the Risk Committee, the Nomination Committee, the Remuneration Committee and the Operations and IT Committee. When establishing a committee and upon the appointment of the members of individual committees, the Supervisory Board carefully weighs the optimal composition of each committee, considering the expert competences of individual members, which contributes to a more efficient work of the Supervisory Board.

Each committee is composed of at least three members of the Supervisory Board of the Bank. The chair and the members of the committees can only be elected from among the members of the Supervisory Board. The Workers' Council can propose one member of the Supervisory Board - worker representative to each committee. The term of office of the Chair, the Deputy Chair and the members of the Committee shall not exceed their term of office as Supervisory Board members.

The Committees perform the tasks defined by the currently applicable laws and regulations and the Rules of Procedure of the Supervisory Board and its committees. The principal tasks of the committees are:

### **10.1. Audit Committee Audit Committee of the Supervisory Board of NLB**

The Audit Committee above all monitors and prepares draft resolutions for the Supervisory Board in the following areas: accounting and financial reporting, internal control and risk management, internal audit, compliance and external audit.

### **10.2. Risk Committee of the Supervisory Board of NLB**

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

### **10.3. 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 (capital representatives); 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.

#### **10.4. Remuneration Committee of the Supervisory Board of NLB**

The Remuneration Committee carries out expert and independent assessments of the remuneration policies and practices and on this basis gives initiatives for the measures related to the improvement in the management of the Bank's risks, capital and liquidity, it prepares proposals for the decisions of the Supervisory Board in relation to remuneration, including those that impact risks and management of the Bank's risks, and supervises the remuneration of the senior management performing the internal audit, risk management and the compliance functions.

#### **10.5. Operations and IT Committee of the Supervisory Board of NLB**

The Committee monitors and prepares draft resolutions for the Supervisory Board with the following principal tasks: monitoring the implementation of the IT Strategy, Information Security Strategy and Operational Strategy, monitoring the key operations and the key performance indicators of IT and the service quality indicators, monitoring of key risks in the area of operations, IT and security, monitoring recommendations for ensuring and increasing the level of information/cyber security issued by the Chief Information Security Officer (CISO), discussing the report on potential violations, events and incidents in the area of information security and monitoring the implementation of the target operational model in the IT area, the security operating system and the operations.

### **11. A clear system of division of responsibilities and authorisations between the Management Board and the Supervisory Board of the Bank**

The delimitation of responsibilities between the Management and the Supervisory Boards is made in accordance with the provisions of the ZGD-1 and the ZBan-3 and detailed in the NLB Articles of Association of NLB.

#### **11.1. The Management Board of the Bank**

The Management Board is a collective body comprising the President/Chief Executive Officer and Members. The Management Board shall manage and represent the Bank independently, and at its own discretion, and shall hold all powers necessary for this purpose pursuant to the applicable law and the Articles of Association of the Bank. All decisions of the Management Board must be independent of external factors and adopted for the benefit of the Bank.

The Management Board is hierarchically the highest decision-making and representation body of the Bank that manages the Company and makes business decisions independently and autonomously, adopts the development strategy, ensures an adequate risk handling and risk control, and acts with the diligence of a conscientious and fair manager, protects business secrets and is accountable for the lawfulness of the Bank's operation within the limits laid down by the regulations.

The members of the Management Board are responsible for individual areas of operation, as specified in the currently applicable Rules on Organisation of NLB.

The Management Board of the Bank may transfer individual powers and activities from its scope of duties to other Bank employees or committees appointed in accordance with the Rules on Organisation of NLB d.d.

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In accordance with the provisions of the Rules of Procedure of the Management Board, the latter can appoint collective bodies and consultative bodies such as:

### **Collective decision-making bodies:**

At the level of the Management Board:

- a) Corporate Credit Committee,
- b) Assets and Liabilities Committee of NLB d.d. and the NLB Group,
- c) Operational Risk Committee of NLB d.d.,
- d) NLB Group Real Estate Asset Management Committee,
- e) Sales Council,
- f) Change the Bank Committee,
- g) Risk Committee.

At the B-1 level:

- a) Committee for New and Existing Products,
- b) Sub-Committee of the NLB Group Real Estate Asset Management Committee,
- c) Money Laundering Prevention Committee,
- d) Retail Credit Committee of NLB d.d.,
- g) Development Council,
- e) Committee for Business IT Architecture,
- f) Data Management Committee,
- g) Corporate Client Acceptability Committee.

### **Advisory Bodies:**

- a) NLB Group Sustainability Committee,
- b) Watch List Committee,
- c) Committee for the divestment of the non-performing portfolio of the NLB Group.

The areas of operation, the scope of competence, the composition and other issues are regulated by the Rules of Procedure of individual bodies or boards.

The Management Board regularly, timely and thoroughly informs the Supervisory Board of all major issues related to the Bank's operations, implementation of its strategy and risk management. In the forwarding of information, it abides by the high standards of accuracy and confidence.

## **11.2. The Supervisory Board of the Bank**

The management of the Bank's operations is supervised by the Supervisory Board. The Supervisory Board of the Bank performs the tasks in accordance with the provisions of the Companies Act (ZGD-1), the Banking Act (ZBan-3), Articles of Association of the NLB and in the Rules of Procedure of the Supervisory Board of NLB and its committees.

The NLB Articles of Association specify which types of transactions can be concluded by the Management Board of the Bank only with the approval of the Supervisory Board, namely:

- the Bank's business policy;
- the Bank's financial plan;
- the organisation of the internal control system;
- the draft annual action plan of the Internal Audit;
- new issues of securities exceeding EUR 30,000,000;
- transactions related to the acquisition and holding of equity stakes in companies and other legal entities with the book value exceeding EUR 5,000,000;

- acquisition and disposal of portfolio investments in securities exceeding 5% of Bank's capital by issuer;
- decisions on the acts resulting in status changes of companies and other legal entities which are in the Bank's majority ownership;
- concluding a legal transaction which would result, considering the entire exposure of the Bank including indirect credit exposure, in an exposure of the Bank to an individual customer or group of related customers reaching or exceeding ten percent of the Bank's eligible capital and on which the total exposure, including the Bank's indirect credit exposure, to an individual client or a group of related clients increases by each further five percent of the bank's eligible capital.
- conclusion of transactions resulting in Bank's exposure to a person having a special relationship with the Bank under the law governing banking;
- the write-off of a receivable exceeding EUR 5 million or several receivables in case the total amount of the receivables simultaneously proposed to be written off exceeds EUR 5 million in the equivalent value of any currency, calculated at the mean exchange rate of the Bank of Slovenia on the day the decision is adopted;
- borrowing by raising loans, or issuing bonds or subordinated debt instruments for each such liability exceeding 25% of the Bank's capital;
- adoption of limits and criteria pursuant to which the Bank may grant loans to shareholders and members of the Management Board and Supervisory Board and procurators;
- other resolutions of the Management Board relating to a type of transaction requiring, pursuant to a resolution of the Supervisory Board adopted prior to the respective resolution of the Management Board, the approval of the Supervisory Board;
- appointment and dismissal of the head of Internal Audit;
- other matters pursuant to the applicable regulations;

In addition to the responsibilities of the Supervisory Board under the Articles of Association, the Supervisory Board has the following responsibilities:

- Supervises the adequacy of internal audit procedures and performance;
- discuss the findings of the Bank of Slovenia or the European Central Bank, whenever the latter exercises its powers and performs tasks relating to the supervision of the Bank in accordance with Regulation (EU) No 1024/2013, the findings of other government authorities, when those findings relate to the Bank, and the findings of the tax inspector or other supervisory authority during the supervision of the Bank;
- Checks and approves the Annual Report of the Bank with the auditor's report and the Management Board's proposal on the allocation of distributable profit, as well as other financial reports of the Bank, and compiles a written report thereon for the General Meeting;
- Explains to the General Meeting its opinion on the internal auditors' annual report and on the Bank's annual report;
- to act in accordance with the highest ethical standards of management, considering the prevention of conflict of interests;
- to adopt and supervise the implementation of the general principles of remuneration policies.

Every year in November, the Supervisory Board adopts the financial calendar<sup>21</sup>. The Financial calendar contains the dates of the unaudited and audited financial statements of the NLB Group. It is published on the SEONet and the Bank's website.

Access to documentation of the Supervisory Board after the termination of the function of a Supervisory Board member is regulated in the Rules of Procedure of the Supervisory Board of NLB and its committees.

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<sup>21</sup> [www.nlb.si/financial-calendar](http://www.nlb.si/financial-calendar)

The Supervisory Board once a year discusses and takes a position on the Workers' Council Report on the status of workers' participation in management.

## **12. Rules on the relations between the Bank and the related companies, including the members of the Management Board or the Supervisory Board, which are not regulated with the provisions on the conflict of interest**

The NLB Group consists of NLB as the parent bank and the members of the NLB Group (subsidiaries, associates or joint ventures). The principles and mechanisms of corporate governance of the companies in the NLB Group (except for NLB d.d.) are defined and regulated by the Corporate Governance Policy of the NLB Group and other internal regulations adopted by the Bank's Management Board.

The Group Steering in NLB is the Management Board's principal partner in the management of core and non-core members of the NLB Group. It is responsible for the development, formation and implementation of the corporate governance system of the NLB Group in line with the applicable strategy of the group with the aim of generating value added for the entire NLB Group.

The NLB Group members corporate governance is implemented:

- a) according to basic corporate rules via the bodies of NLB Group members:
  - by voting at the general meetings of the NLB Group members;
  - by exercising supervision through the supervisory bodies of the members of the NLB Group;
  - with proposals for the appointment of representatives of NLB to the supervisory bodies;
  - with proposals for appointment of managements of the NLB Group members;
  - with co-operation of the representatives of NLB in various committees and commissions of the members of the NLB Group
- b) by mechanisms providing efficient **business** supervision and governance, namely:
  - with harmonisation of operations by business area according to the so-called competence line principle;
  - through the meetings of the management boards for the NLB Group, the meetings of the managements of the NLB Group members, the ALCO Group Committee meetings and similar;
  - by implementing different development activities through several cross-functional working groups group projects, competence centres, centres of excellence;
- c) with additional forms of control in the NLB Group members, carried out in the scope of control functions (risk, audit, compliance, money laundering and terrorist financing prevention and information security) and via the external supervisors (ECB, external auditors, local control bodies).

## **13. Definition of the strategy communication which includes the high-quality standards of drafting and disclosing the accounting, financial and non-financial information**

### **13.1. Protection of business secret and inside information for the members of the management and supervision bodies and other persons**

In line with the provisions of the Articles of Association of NLB, business secret must be protected in accordance with the applicable provision regulating business secrets by all shareholders, employees,  
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members of the Management Board and of the Supervisory Board, other committees and bodies of the Bank and other persons who either at or in connection with their work or in any other way become acquainted with a business secret of the Bank.

A business secret comprises non-disclosed expert know-how, experience and business information that meet the following criteria:

- it is a secret that is not commonly known or easily available to persons in the communities usually dealing with such type of information,
- it has a market value,
- the holder of the business secret has taken all the reasonable precautions in the given circumstances to preserve such information as a business secret.

(The Trade Secrets Act, Article 2). Information defined by law as public or information about violations of the law or fair business practice may not be determined as business secrets.

It is assumed that the holder of the business secret has taken all the reasonable precautions in the given circumstances to preserve such information as a business secret if they marked such information as business secret in writing and informed of such fact all the persons who have access to or come into possession of such information, particularly the stakeholders, employees, members of the company's bodies, including members of the Supervisory Board of NLB and other persons.

Pursuant to Article 263 of the ZGD-1 and the Trade Secrets Act, the members of the Supervisory Board can be held liable for damages towards the company in the event of violating the duty to protect its business secrets. Any unauthorised disclosure of business secrets can be qualified as a criminal offence.

As a company whose financial instruments are admitted to trading<sup>22</sup>, NLB has set up a system used for regulating the handling of its inside information in a manner that allows it to meet the fulfilment of obligations from the Regulation (EU) No 596/2014 (MAR) applicable to issuers, particularly the obligation to disclose inside information to the public, keep a list of persons with access to inside information and to inform the listed persons about their obligations and prohibitions, publish information about the transactions of the management staff and inform the management staff and other persons with access to inside information about closed periods.

"Inside information about NLB" is any information that meets the following conditions:

- a) is detailed or has detailed specific characteristics;
- (b) has not been previously published;
- (c) directly or indirectly related to NLB or the NLB financial instruments; and
- (d) if it were made public, it would probably have a significant impact on the prices of such NLB financial instruments or the prices of derivatives.

Pursuant to the Rules on inside information of NLB, the document is binding for the following:

- Members of the NLB Management and Supervisory Boards;
- the employees in the NLB and other persons which the NLB defines as "persons with access to inside information" or those who obtain inside information while performing their work and know or should know that it was inside information,
- members of the management or supervisory bodies (in the countries where the members of the NLB Group have their registered office) and other persons a member of the NLB Group defines as "persons with access to inside information related to the NLB",
- employees in the OU in charge of investor relations who prepare and publish regulated information.

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<sup>22</sup> NLB's shares are listed at the Ljubljana Stock Exchange, GDRs are listed at the London Stock Exchange and bonds are listed at the Ljubljana and the Luxembourg Stock Exchanges.

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The obligations also apply after the termination of the relationship between the persons who are only subject to the above Rules and NLB or NLB Group members, if an individual disposes with non-published inside information until the moment they are bound to do so by the contractual provisions agreed with NLB or a NLB Group member.

Persons with access to inside information about LB may not engage in any transaction for their own account or for the account of a third party, directly or indirectly, in respect of shares or other financial instruments of the NLB for a period starting 30 calendar days before the intended public announcement of the financial results or the report for the preceding period until the public announcement of these results or reports (hereinafter: closed period).

Non-compliance with the provisions of the said rules and other internal documents of NLB which regulate the system for the prevention of abuse on the financial instruments market can have severe consequences for NLB (fines, prohibition of trading, withdrawal of shares or other NLB financial instruments from trading, other sanctions), which is why NLB has zero tolerance for such conduct. Consequently, NLB considers such violations to be severe violations of work obligations; measures can be taken against the perpetrator under the labour law or damage liability can be claimed. Consequently, the perpetrator can be subject to minor offence or even criminal proceedings.

The Bank's Rules on inside information of NLB clearly define the rules for identifying inside information and the rules for handling it until its publication. There is also appropriate regulation of the keeping of the list of persons with access to inside information and appropriate informing of employees about the inclusion on such list and the legal consequences arising from the inclusion on such list.

The Bank publishes data and messages that need to be published according to the applicable regulations (particularly the ZTFI-1 for regulated information) at the website of the Agency of the Republic of Slovenia for public records and services, in the electronic system of the Ljubljana Stock Exchange (SEOnet), in the electronic system of the London Stock Exchange (Regulatory News Service) and at the Bank's website. The Management Board decides on publication of other information important for shareholders or for the Bank and on the manner and form of its publication. The Bank publishes information and announcements, subject to a decision of the Management Board, in the Delo newspaper or on SEOnet and at the Bank's website.

The persons in charge of communicating with the investors are Valerija Pešec and Peter Jenčič: The information is published at the NLB website ([www.nlb.si/lastniski-kapital](http://www.nlb.si/lastniski-kapital)).

### **13.2. Definition of the contents and procedures of communication with the public**

The principal objective of the communication strategy is to strengthen the reputation of and confidence in NLB and the NLB Group. Through communication activities, key messages and consistency, we wish to constantly strengthen NLB's reputation and confidence in the Bank. Other communication goals include strengthening of the competitive advantages, meeting of the marketing goals, providing information to the customers, employees, owners, investors and the financial audience on the developments in the NLB Group, prevention and remedy of any crisis situations in the media.

#### **Advertising**

NLB performs advertising activities in line with the annual plan, which is based on the Bank's strategies, development plans, sales plan and activities of the competitors. The Bank massively communicates the novelties in its range of products and channels. Through key messages, we support the strengthening of attributes important for brand position.

#### **Content management**

An important area is the preparation of the contents contributing to a better understanding of our services and supporting our expertise, and their distribution to the final user. We systematically and proactively communicate with the target client segments throughout own channels (newsletters, website, etc.) and through cooperation with different media. With active management and cooperation of the management and various experts of the Bank we keep the perception as a highly expert institution opening to the public through its mentoring role and thus consolidating trust.

### **Management of the NLB brand and brand architecture**

The NLB actively manages the perception and position of its brand through regular measurements of the brand perception attributes and management of the brand look&feel. Through a monolith brand architecture, it achieves communication synergy at the level of the NLB Group. The management principles are defined by the Brand management policy of the NLB Group.

### **Sponsorship**

The principles and goals of sponsorship in the NLB Group are defined by the NLB Group Corporate Social Responsibility Policy which was also introduced in the banking members of the NLB Group. Sponsoring is part of the implementation of the communication strategy of the NLB Group, with which the members build their reputation and position on the market, getting established as an inseparable and useful link in the society in their respective environments, and simultaneously building a general positive image of the NLB in the general public.

### **13.3. Disclosure of accounting, financial and non-financial information of the Bank**

Accounting, financial and non-financial information of NLB and the NLB Group are disclosed in line with the applicable regulations and the legislation of the European Union hereinafter: the EU), all with the aim of achieving the highest standards of quality of their reporting, namely:

- a) in relation to accounting and financial information:
  - regarding the preparation of annual, semi-annual and quarterly reports of the NLB Group: International Financial Reporting Standards as adopted by the EU, the Companies Act (ZGD-1), the Banking Act (ZBan-3), the Market in Financial Instruments Act (ZTFI-1), the Regulation on the Books of Account and Annual Reports of Banks and Savings Banks, the EBA Guidelines on disclosures and the relevant implementing regulations; the external auditor auditing the NLB Annual Report for 2022 is the company E&Y d.o.o., Ljubljana<sup>23</sup>.
  - regarding the listing of financial instruments of NLB on the Ljubljana and Luxembourg Stock Exchange: appropriate laws and regulations, including the EU Regulation no. 596/2014 on market abuse.
- b) regarding non-financial information:
  - publication of the convocation of the General Meeting of Shareholders: in accordance with the provisions of the NLB Articles of Association (at the website of the Agency of the Republic of Slovenia for Public Legal Records and Related Services or the Delo newspaper or the Dnevnik newspaper or the Official Gazette of the Republic of Slovenia or, if deemed an equal publication method by the regulations, on SEOnet or any other such information system, which may replace it, the website of the London Stock Exchange (RS) and the Bank's website.
  - drafting the Corporate Governance Statement of NLB; in accordance with Article 70 of the ZGD-1 (published in the NLB Group Annual Report, as well separately on the bank's webpage and on SEOnet;

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<sup>23</sup> On 20/06/2022 the General Meeting of Shareholders adopted the resolution to appoint the auditing company KPM Slovenija d.o.o. auditor of NLB for the business years from 2023 to 2026.

- drafting of the NLB Group Sustainability Report<sup>24</sup> (published on bank's webpage);
- disclosures in accordance with Pillar 3 of the Basel standards regarding the disclosures of capital and liquidity<sup>25</sup> (published on bank's webpage);
- NLB Risk Management Statement: according to Article 17 of the Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks.

Active policy on investor relations is carried out in regular quarterly, semi-annual and annual presentations of the NLB Management Board of the results of the NLB Group organised for the investors in the form of Investor Days, publication of the Financial Calendar and current publications available on SEONet and RNS<sup>26</sup>, individual meetings with investors and participation in Investor Conferences

#### **14. Protecting the interests of the company's employees to define the method, content and standards of employee activities and assurance of the appropriate level of ethical conduct in the company, including the prevention of discrimination**

In the environment where rapid changes in the business, social environment and labour market situation are a constant, the operations and successful performance of the NLB Group is based on contemporary approaches to managing employees in the NLB Group. These are focused on the employees, their abilities and needs, and are considered the source of competitive advantage and efficient performance and reputation of the NLB Group and the Bank's brand.

Since managing the abilities of employees is based on present-day and mainly future needs and originates from The NLB Group's Business Strategy in conjunction with vision, mission, goals, culture, values and planned employee development, the HR function is a strategic function. As such, it is an important partner supporting the implementation of the strategy, promoting commitment and development of employee potential and appreciating all stakeholders of HR and other processes.

In accordance with the provisions of the ZSDU, the employees can cooperate with the employer in the implementation of the common goals and interests of labour and capital via the Workers' Council.

#### **The key pillars of the HR policy are:<sup>27</sup>**

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<sup>24</sup> - provisions of Article 70 c of the ZGD-1 on the drafting of the Statement on non-financial operations;  
- Regulation (EU) no. 2020/852 on taxonomy and Commission Delegated Regulation (EU) 2021/2178;  
- FCA (Financial Conduct Authority), London, disclosures on climate change;  
- international reporting standards (Global Reporting Initiative - GRI 2, 2021);  
- self-assessment in accordance with the UN Principles of Responsible Banking (UN PRB)  
- reporting of the carbon footprint in accordance with the Policy on measuring and reporting the carbon footprint in NLB and the NLB Group;

<sup>25</sup> in accordance with the Regulation (EU) no. 575/2013 and Commission Delegated Regulation (EU) no. 2021/637 (on the implementation of the regulation– implementation of technical standards (ITS) on sound disclosures of the ESG risks in accordance with Article 449a of the CRR) and publication in the annual, semi-annual and quarterly reports of the NLB Group ([www.nlb.si/nlb/nlb-portal/slo/o-banki/vlagatelj/financna-porocila](http://www.nlb.si/nlb/nlb-portal/slo/o-banki/vlagatelj/financna-porocila));

<sup>26</sup> Regulatory News Service of the London Stock Exchange;

<sup>27</sup>The basis for employee development and protecting interests of employees in NLB is the Collective Agreement for the Banking Industry, the NLB Collective Agreement, the Human Resources Management Policy, Master HR Strategy and HR strategies of individual OUs, the Rules on Job Classification, the Remuneration Policy for



### **HR Strategy**

The basis for the preparation and amendment of the HR strategy is the Bank's Business Strategy. The alignment of the HR strategy with the business strategy allows for efficient management of risks and quick adaptation to the business, process and organisational changes which improves the Bank's performance. The HR strategy is defined for a period of three years in all banking members of the NLB Group and for all organisational units and is revised annually. It allows for the planning and assurance of the optimised scope of competences for the present and future challenges in the NLB Group in accordance with the NLB Group Strategy, the Talent Management Strategy, retention, mobility and it also takes into account the present and future needs of the business processes and organisation.

### **Employment**

The basis for employment is the assurance of the appropriate candidates from the internal as well as the external market, with knowledge, skills and abilities that will allow them to efficiently co-create and contribute to the Bank's performance, who are committed and focused on the assurance of customer satisfaction and who are the ambassadors of the organisational culture and values of the NLB Group. Our primary task is to take care of and provide development opportunities to the existing employees who efficiently meet their career goals and consequently also the Bank's objectives through defined development plans and career paths.

### **Future knowledge and skill set**

The system of competences and knowledge that serves as the basis for ensuring the required set of future knowledge and skills (AI - artificial intelligence, digital knowledge, data management etc.) is the foundation or basis for efficient implementation of the business strategy, HR strategy, employment policy, development of all systems and activities of handling the abilities of employees of the NLB Group.

### **Education, training and upskilling of employees**

Education, training and upskilling of employees is a part and a key supporting element of planned development of an employee. 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 Group's competitive advantage. Most training is carried out via the on-line platform (e.g. Udemy) and in the Bank's Training Centre. The employees of the NLB Group assume responsibility for their personal and professional growth, are aware of the significance of lifelong learning and constant gaining of new skills and knowledge in order to efficiently manage the requirements that come with new methods of (including hybrid) work, communication, etc.

### **Employee remuneration and promotion**

The employee remuneration system under the Collective Agreement of NLB may, besides salary, also comprise other forms of remuneration, namely non-cash or non-financial remuneration. The larger part is related to financial remuneration, i.e. the salary system. The salary system includes the fixed and variable part of the salary and Bank performance bonus. The system of fixed, i.e. basic salaries is regulated by the NLB Collective Agreement and the Rules on Job Classification, which define the valuation of the complexity of individual jobs and the resulting model of determining the ranges of gross salaries by job. The system of variable part of the salary is regulated by the Employee Remuneration Policy of NLB d.d. and the NLB Group, the internal documents and in accordance with the provisions of the NLB Collective Agreement. It combines the contents of jobs, the required abilities (competencies) of employees, regular performance interviews, HR development, training, promotion (horizontal and vertical) and remuneration to comprehensively manage performance.

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employees at NLB and the NLB Group the Rules on the Monitoring, Assessment and Remuneration of Performance, and other policies and rules.

### **Employee development and talent management**

Employee development is a target-oriented process arising from the talent management strategy which is aligned with the Bank's business strategy, the NLB Group HR strategy and the HR strategy of each member, thus contributing to the creation of the Bank's values and culture. It represents an important factor of strategic employee management, connected with and complementary to other personnel activities. Based on the established current and future needs arising from the HR strategies and defined set of skills and knowledge for the future, it provides the necessary knowledge, experience and abilities to achieve high efficiency of employees and consequently of the Bank as a whole.

### **Mobility within the NLB Group**

Corporate governance of the NLB Group requires, among other things, strategic oversight, management in the NLB Group members, harmonisation of operations, and transfer of know-how and good practice. To this end, the NLB as the parent company of the NLB Group, posts its staff to other members, and staff can also be posted from a Group member to another member and the NLB.

### **Leadership and succession development**

The NLB Group fosters a new generation of leaders equipped for everything that is to come. In view of the quickly changing environment and business model, the system of succession had been set up for each management level in the entire NLB Group. The succession system is supported with development/career plans that enable the employees to develop their career in the local environment or the possibility of international mobility within the NLB Group, and thus the spreading of the Bank's values and culture.

### **Organisational culture**

The Bank has also set up the ideal culture of the NLB Group, measured the existing and prepared a long-term plan of improvements and changes. Through the NLB Group's core values, which support employee development, foster an entrepreneurial mindset and improve the quality of life, we set out the desired behaviours that guide the employees towards the expected standards of conduct within the NLB Group. The employee commitment is surveyed every year and a comparison made with the previous years. The measurement is carried out in all organisational units (also in the NLB Group), and the results are identified in every organisational unit in the same way and presented to all employees. The action plan of the necessary improvements is adopted and monitored.

### **Promotion of diversity and inclusion**

The Bank provides equal opportunities of employment regardless of the gender, race, skin colour, age, medical condition or disability, religious, political or other belief, sexual orientation or other personal circumstances. NLB strives to improve the representation of under-represented gender in management positions, which is monitored on an annual basis within the framework of the Policy on the provision of diversity of the management body and senior management, and the gender pay gap is also monitored. At the same time, NLB puts great emphasis on raising the awareness of the managers and all employees about the importance of ensuring diversity and inclusion, which is in line with the environmental, social and governance (ESG) factors.

### **Prevention of discrimination and all forms of mobbing**

With the adoption of the Policy for the prevention of harassment and mobbing of employees in NLB the Bank undertook to protect the employees' dignity at work and provide a working environment in which employees are not exposed to any form of harassment or mobbing by NLB, the superiors and/or other fellow workers; For this purpose, the Bank has appointed four officers for raising awareness, elimination and prevention of harassment and mobbing at work, who are at the employees' disposal. The legal definitions are defined more precisely also in the Rules on the prevention of harassment and mobbing at work. The Rules were drafted in cooperation between the Bank and the Workers' Council and provide detailed definitions, criteria, procedures and measures in the case of reporting.

### **Taking care of health, social security and social responsibility**

For a number of years, the NLB has been practising a socially responsible attitude to its employees through the Top Employer certificate, Family-Friendly Company certificate and the Healthy Bank project, systematic training and co-financing studies. It provides solidarity financial assistance to employees to overcome financial distress in cooperation with the trade union. In case of major accidents, the Bank raises funds to help the people affected. Through the sports club it provides employees an opportunity for regular recreational exercise and similar. The social policy of the NLB that influences a wider environment is reflected in solidarity and charity campaigns, support to top athletes and national teams. NLB provides assistance to companies seeking sustainable solutions, has introduced ATMs for the blind, takes care of movable and immovable cultural heritage and has also opened the first banking museum in Slovenia. The Bank is obligated to provide social security of employees according to the applicable legislation, the secondary regulations and internal acts.

## **15. Role of the Supervisory Board in the assessment of the internal controls systems**

In its day-to-day activities aimed at achieving safe, efficient and successful operations for shareholders as well as for clients and other stakeholders, the Bank encounters risks that are an integral part of banking operations.

The Bank has adopted the internal document entitled Internal control system (ICS), which is a set of rules, procedures and organisational structures aimed at:

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

The internal control system in NLB is designed to ensure that a process or other measure is in place for each key risk to effectively reduce or manage that risk, and that the process or measure is effective for this purpose.

The internal control system in NLB is implemented on several levels, namely:

**First-level (or line) 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 OU, which is responsible for the implementation of procedures according to the Rules on Authorisations and Signing.

**Second-level controls** are divided between internal control functions; the latter 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.

**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.

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Internal audit is completely independent of both the first line and the second-level control functions.

The appropriateness of the internal control mechanisms is defined based on the independence, quality and applicability of:

1. the rules and controls of performance of organisational, business and work processes of the Bank (**internal controls**), and
2. the internal control functions and departments (**internal control functions**).

### 15.1. Internal Controls

The internal control system of the Bank is established at the level of:

#### 15.1.1. Regular internal controls carried out through computer and/or human supervision at the level of each financial service and transaction (business activity) and business process and organisational unit

Internal controls are established at all levels of the Bank's organisational structure, especially at the levels of commercial, control and support functions, and all financial services of the Bank. In its daily business, the Bank uses the internal document Internal Control System in NLB d.d., which lays down the internal control system and the responsibilities for its establishment, continuous operation and improvement. The Bank established the monitoring of the operations and back offices at the organisational level.

With the aim of ensuring appropriate financial reporting procedures, the NLB Group pursues the adopted Accounting Controlling Policy. The accounting controlling is 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.

#### 15.1.2. Permanent and independent control functions performed in the framework of:

- the internal audit function;
- the risk management function;
- the compliance and integrity function, and in this framework:
- the money laundering and terrorist financing prevention function;
- the information security function.

Internal control functions:

- a) Internal Audit function

The internal audit function is organised in accordance with the Charter of the Internal Audit of NLB d.d. (Management Board 13/08/2019 in consent with the Supervisory Board 06/09/2019). 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 of the NLB has set up and organised - as its constituent part - an independent internal audit function which gives assurances and advice about risk management, internal control 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 NLB Group and takes care of constant development of the internal auditing function.

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

In line with the ZGD-1 and the ZBan-3<sup>28</sup>, the Internal Audit compiles the annual report on internal auditing which is submitted to the Audit Committee, the Supervisory Board and the auditor of financial statements. The Management board must inform the General Meeting of Shareholders of this report and the opinion of the Supervisory Board to the report. The Internal Audit issues its annual report to inform the Management Board, the Supervisory Board, the Audit Committee, the General Meeting of Shareholders and the auditor of the financial statements about: the statement of objectivity and independence, the implementation of the annual action plan, the principal findings of performed audits of operation; the assessment of the compliance of the remuneration practice with the remuneration policy, and the Quality Improvement and Assurance Programme.<sup>29</sup>

b) Risk management function

The risk management function is organised in accordance with the Charter of the Risk Management Function of NLB d.d. (hereinafter: the Charter). The Charter 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 of NLB d.d. is organised within the CRO, covered by the member of the Management Board responsible for risks.

The CRO includes the following organisational units:

- Global Risk,
- Credit Analysis – Corporate and Retail.
- Evaluation and Control,
- Restructuring,
- Workout and Legal Support.

The risk management function is performed by the Global Risk, whereas the manager or head in charge of the risk management function is the Director of the Global Risk. The Global Risk is in functional and organisational terms separate from other functions where business decisions are adopted and where conflict of interest may arise with the risk management function.

In members of the NLB Group, the risk management function is organised according to the local legislation, taking into account the bases for set-up, organisation and activities in the area of risk management in the members, as defined in the document Risk Management Standards in the NLB Group.

The risk management function participates in defining the key strategic policies of the NLB Group, such as the risk appetite statement and risk strategy. This function sees to the independent

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<sup>28</sup> Article 281a of the ZGD-1 and Article 164 of the ZBan-3;

<sup>29</sup> [www.nlb.si/skupscine-delnicarjev-v-letu-2022](http://www.nlb.si/skupscine-delnicarjev-v-letu-2022)

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identification, measurement and monitoring of risks to which the Group is exposed. In addition to providing a comprehensive view of risks, this function is also competent to present possible measures and substantive policies aimed at risk management within the defined risk appetite and risk profile. It also regularly monitors the implementation of adopted measures for risk management.

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 the NLB and the Risk Committee of the Supervisory Board of the NLB.

Global Risk regularly reports to the competent directors, the Management Board of the Bank and the Risk Committee in the framework of the Supervisory Board. Every year, the Management and the Supervisory Boards of the Bank explain the Bank's approach to the implementation of the risk appetite in the abridged Risk management statement, which is published on the Bank's websites, the special section of the business report in the scope of the NLB Group Annual Report.

### **c) Compliance and Integrity function**

The Bank adopted the Integrity and Compliance Policy of NLB and the NLB Group which regulates the method and scope of the compliance function in NLB and also harmonises the functions of compliance in the strategic members of the NLB Group which have established the compliance functions.

The Compliance and Integrity of NLB operates independently of and separately from the Bank's operations and covers the following areas:

- compliance with the regulations and prevention;
- fraud detection and control and protection;
- money laundering and terrorist financing prevention function, at the level of NLB and separately at the level of the NLB Group;
- information security function in cooperation with other relevant Bank OUs (e.g. IT), at the level of NLB and separately at the level of the NLB Group; and
- personal data protection.

The Compliance and Integrity is an organisation unit of the Bank, placed directly under the Bank's Management Board in the organisational structure. The director reports to the Management Board and to the member of the Management Board in charge of compliance, and to the Supervisory Board. They have direct access to the Bank's Supervisory Board. This enables the Compliance and Integrity to operate independently from other Bank's departments.

The NLB also introduced the compliance function in the core members of the NLB Group. It also established a harmonised system of standards and practices in the area of compliance and integrity in the whole NLB Group in the form of special binding standards in the area of compliance and integrity.

The following are also organised within the Compliance and Integrity:

### **Money laundering and terrorist financing prevention (AML/CFT) function**

The Money laundering and terrorist financing prevention (AML/CFT) function is in charge of regular monitoring and supervision of compliance with the in compliance with the Prevention of Money Laundering and Terrorist Financing Act, the implementing and internal regulations, drafting of the programmes for the implementation of the said act and other acts in the area of money laundering and terrorist financing prevention, quarterly checks of the implementation of the Money Laundering and Terrorist Financing Programme, drafting of the Training and Development Programme for the

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employees performing the tasks of detecting and preventing money laundering and terrorist financing, permanent development of the method of detecting illegal and suspicious transaction, monitoring of the customers' operations in the Bank's business units.

Detection and prevention of money laundering is the task of two expert teams - one for NLB (led by the AML/CFT Officer at the level of NLB) and one for the NLB Group (led by the AML/CFT Officer at the level of the NLB Group). Even though they are organisationally placed within the Compliance and Integrity, they act independently of the director of this department. In the scope of performing their tasks, both officers are directly responsible to the Management Board and the Supervisory Board of NLB: they report to the two bodies separately and have direct access to them, which guarantees their independence.

### **Information Security (CISO)**

The information security management function is an independent function focused on the provision and maintenance of confidentiality, integrity and availability of data and information, ensuring compliance of operations with external and internal regulations and standards, and supervising operations in these areas with the aim to manage information security risks. Its mission is the monitoring and control of information protection procedures with the aim of preventing unauthorised access to the data being stored, processed, or transferred and their changes, including the management of the related risks and the preparation of analyses of such risks in the ICAAP process.

As the parent bank, through the function of NLB Group Information Security (which is separated from the NLB Information Security function), NLB also takes care of the appropriate operation of the information security functions in other members of the NLB Group by providing support and cooperation.

It is ensured that the information security function in the bank is always organised in such a manner that it holds a high-level position in the organisation, similar to the positions of the risk management function, compliance function and internal audit function or the positions of the responsible persons in the bank without being subordinated to business functions or other functions the operations of which were being monitored. Even though both information security functions (for NLB and the NLB Group) are organisationally placed within the Compliance and Integrity, they act independently of the director of this department. In the scope of performing their tasks, both managers are directly responsible to the Management Board and the Supervisory Board of NLB: they report to the two bodies separately and have direct access to them, which guarantees their independence.

The employees performing the tasks of information security do not perform any operating and/or development tasks for the areas that they monitor and supervise in line with its responsibilities and authorisations.

Internal control functions have access to the Supervisory Board in the manner stipulated by the banking regulations. They regularly (quarterly) report to the Supervisory Board about their work.

## **16. The process of drafting proposals for the General Meeting**

The shareholders exercise their rights relating to the Bank's affairs at General Meetings. The General Meeting can be carried out also with electronic means without physical presence.

The General Meeting of the Bank decides or adopts resolutions in relation to the following matters:

- the Articles of Association and any amendments thereto;

- the NLB Group Annual Report, if not approved by the Supervisory Board, or if the Management Board and the Supervisory Board have conferred the decision on approval of the NLB Group Annual Report upon the General Meeting;
- decision on the use of distributable profit;
- granting of discharge from liability to the Management and Supervisory Boards,
- any changes in the share capital of the Bank;
- the annual volume and characteristics of issues of the Bank's convertible and equity securities;
- the appointment and recall of the members of the Supervisory Board who represent the shareholders' interests;
- remunerations and the participation of members of the Management Board and the employees in the profit;
- institution which shall audit financial statements of the Bank;
- the status restructuring of the Bank (merger, division, transfer of property, changed form of legal organisation) and dissolution of the Bank;
- other matters pursuant to the applicable regulations.

More details on the exercising of the rights of the shareholders at the General Meeting of Shareholders of the Bank are defined in the applicable regulations - the Bank's Articles of Association and the Rules of Procedure of the General Meeting.

The process of drafting the resolutions for the General Meeting is compliant with the provisions of Article 297.a of the Companies Act (ZGD-1). The Management and Supervisory Boards jointly determine the proposed resolutions to be put on the agenda and the General Meeting then decides on the proposals on such agenda. For the election of the members of the Supervisory Board, the resolutions are proposed by the Supervisory Board alone, following the fit&proper assessment procedure and obtaining a positive assessment of such candidates from the Nomination Committee.

## **17. Transitional and final provisions**

This Policy shall enter into force on the day it is adopted by the Management Board and the Supervisory Board of NLB and after it is published in the Register of internal documents of NLB. With the day of enforcement of this Policy, the NLB Corporate Governance Policy (Version 5 - 12 November 2020) shall cease to be valid.

The Corporate Governance Policy of NLB is a public document and is published at the Bank's website in the Slovenian and English languages. The shareholders and the interested public shall be informed of the adoption and the contents by a publication the Bank's website<sup>30</sup>.

## **18. Reference Documents**

1. Articles of Association of NLB d.d., Ljubljana (20/06/2022);
2. Banking Act – Zban-3 (Official Gazette of the Republic of Slovenia no. 92/21, with amendments)
3. Companies Act - ZGD-1 (Official Gazette of the RS, no. 65/09 - UPB3, with amendments)
4. Slovenian Corporate Governance Code for Listed Companies (adopted on 09/12/2021, valid from 01/01/2022);

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<sup>30</sup> [www.nlb.si/korporativno-upravljanje-v-banki](http://www.nlb.si/korporativno-upravljanje-v-banki);



5. Regulation on Internal Governance Arrangements, the Management body and the Internal Capital Adequacy Assessment Process for Banks and Savings Banks (OG RS No. 115/2021)
6. EBA Guidelines on Internal Governance (EBA/GL/2021/05, 2 July 2021);
7. EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/06/06, 2 July 2021);
8. EBA Guidelines on sound remuneration policies (EBA/GL/2021/04, 2 July 2021);
9. Guidelines on disclosure for listed companies, Ljubljana Stock Exchange, 18/12/2020;
10. Corporate Governance Policy of the NLB Group, Version 11, August 2019;
11. Rules of Procedure of the Supervisory Board of NLB d.d., 13 September 2019;
12. Rules of Procedure of the Management Board of NLB d.d., 12 January 2023;
13. Rules of Procedure of the General Meeting of NLB d.d. 01/06/2020;
14. Code of Conduct of the NLB Group (May 2017);
15. Policy on Respect for Human Rights in the NLB Group; 10/01/2023;
16. Internal Control System Policy, June 2021;
17. Policy on the selection of suitable candidates for members of the Supervisory Board of NLB d.d. 10/06/2019;
18. Policy on the provision of diversity of the management body and senior management, 20/06/2022;
19. Integrity and Compliance Policy of NLB d.d. and the NLB Group (December 2016);
20. Policy of the assessment of suitability of the Management and Supervisory Board members in NLB d.d. (April 2022);
21. Policy on conflict-of-interest management and corruption prevention of NLB d.d. and the NLB Group, June 2020;
22. Policy of the assessment of suitability of the Management and Supervisory Board members in NLB d.d. (April 2022);
23. Policy on conflict-of-interest management and corruption prevention of NLB d.d. and the NLB Group, June 2020;
24. Corporate Security Policy, June 2021;
22. Rules on the protection of people, information and property, May 2021;
25. Rules on inside information of NLB d.d. (January 2019);
26. Policy on persons in a special relationship with NLB d.d.;
27. Charter of the Risk Management Function of NLB d.d., November 2015;
28. Charter of the Internal Audit of NLB d.d., September 2019.

## 19. Statement of the person who prepared the Internal Document about the Alignment and Approval of the Internal Document

*» The person who prepared the internal document hereby ensures that the internal document was submitted for review, alignment and approval to all organisational units in the Bank which are affected by the proposed internal document or its amendments and they approved it. The internal document is aligned with them in a way that its contents are clear, compliant with other internal documents of the Bank and not in conflict with other internal documents of the Bank.*

## Preparation and Revision

Name and Surname	Preparation/Revision
Name and surname Manja Kerstein	Preparation
Name and surname	Review

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Jan Bukovec Geiger	
Name and surname Rok Praprotnik	Review
Name and surname Vesna Vodopivec	Review

**Competent body which adopted the document: The Management Board and the Supervisory Board of NLB d.d.**

Ljubljana, 23 February 2023

**Supervisory Board of NLB**

**Primož Karpe**  
Chairman

**Management Board of NLB**

**Andreas Burkhardt**  
Member

**Antonio Argir**  
Member

**Blaž Brodnjak**  
Chief executive officer

**Hedvika Usenik**  
Member

**Andrej Lasič**  
Member

**Archibald Kremser**  
Member

