

FREEDOM OF EXPRESSION

SOCIAL AND ENVIRONMENTAL POLICY

BUSINESS MODEL

PURCHASING POLICY

HR STRATEGY

ORGANISATIONAL CULTURE

HR STRATEGY

PERFORMANCE

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Non-financial statements

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Introduction

In accordance with Article 70c of the Companies Act, since 2017 the NLB Group has also reported on special provisions regarding companies that are subject to public interest in accordance with which it is obliged to include in its business report the Non-financial Statement.

The report must contain information on environmental issues, social and personnel issues, information on respect for human rights and information on the fight against corruption and bribery.

In accordance with the request of the Companies Act, the report was divided into six key chapters:

- Description of the company's business model
- Social responsibility of the NLB Group
- Environmental issues
- Social and personnel issues
- Respect for human rights
- Promoting freedom of expression on Internet and elsewhere

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

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

The report has been prepared through the coordination of various specialised divisions of the Bank, which also collected data for the NLB Group through their business lines.

Persons responsible for the report in the NLB Group by area:

- Description of the NLB Group business model: Ivan Radnai, Director of Strategy and Development
- Social responsibility of the NLB Group: Andrej Krajner, Director of Communications.
- Environmental issues of the NLB Group: Andraž Kramer, Director of Procurement and CREM.
- Social and personnel issues of the NLB Group: Vesna Vodopivec, Director of Human Resources and Organisation Development.
- Respect for human rights in the NLB Group: Rok Praprotnik, Director of Compliance and Integrity, Nada Drobnič, Director of NLB Contact Centre.
- Issues related to the Promoting freedom of expression on Internet and elsewhere, Director of Communications.

Pursuant to ZGD-1J, the Non-financial Statement of the NLB Group for 2019 will be part of the Annual Report on the Socially Responsible Policy of the NLB Group for 2019.

Description of the NLB Group business model

The NLB Group (the Group) is the largest banking and financial group in Slovenia with strategic focus in selected markets of SE Europe. It is present on markets with a population of around 17 million in total. The Group consists of NLB (the Bank) as the parent company in Slovenia, six subsidiary banks in SE Europe and several companies providing other services (asset management, insurance, real estate management etc.) and a limited number of non-core companies, which are in the process of controlled liquidation. The Bank is 25% owned by the Republic of Slovenia. The key strategic areas of operations of the Group in 2019 continued to be Retail Banking in Slovenia, Corporate Banking in Slovenia and Strategic Foreign Markets. In financing the Group follows carefully drafted principles, guidelines and procedures. The Group does not finance activities including illegal activities; production and trade in weapons, political parties, political forums and religious communities.

Retail Banking in Slovenia

Retail banking remains the solid anchor of the Bank, proven by the leading market position on the Slovenian market, offering comprehensive financial products and services. The Bank is notable for its vast and ramified network of 93 branch offices and 549 ATMs and 24/7 Contact Centre providing high-performance and high-quality services for all its clients. In 2019, Retail reached good results in spite of the difficult situation on the Slovenian market. The Bank is socially accountable to its clients, employees, environment and society at large with an important CSR mission to contribute to better quality of life of all citizens.

Corporate Banking in Slovenia

In the area of Corporate Banking in Slovenia, the Bank has a leading position as the key advisor to Slovenian companies. The Bank's strategic focus remained the development of relevant solutions through a genuine understanding of the clients' needs. With this developing partnership relationship, the Bank is a reliable partner to all corporate segments. The Bank offers a full spectrum of financial services to its clients, as well as capital markets advisory services, and continues to provide support by using traditional, electronic and mobile banking solutions.

Strategic Foreign Markets

The Strategic Foreign Markets of the Group are the following five countries of Western Balkans/SE Europe: Bosnia and Herzegovina, Serbia, Montenegro, Republic of Kosovo and Northern Macedonia, which are the home markets of six subsidiary banks. Those are noted for professional services, profitable operations, high capitalisation and self-funding, high reputation and recognition for up-to-date and flexible products and distribution channels. This puts them in a good position to benefit from the high growth rates present in the region. Four banks have a more than 10% market share in their markets. All subsidiaries follow the strategy of organic growth on the local market with reasonable networking at the level of the Group. Apart from the retail network in Slovenia the Group's vast network on the SE European markets consists of 225 branches and services 1,17 million active clients.

Non-Core Subsidiaries

The Group is still undergoing a gradual controlled wind-down of non-core part of Group's operations. This process is taking various measures recognized as the best fit

for each case from the sale process of the company, portfolio and individual assets to restructuring of receivables, simple collection or closing the subsidiaries in the liquidation process.

Social responsibility of the NLB Group

2018 saw the revision of the Policy of social and environmental responsibility of the NLB Group which has been already implemented by NLB d.d. The NLB Group has an important socially responsible mission. In addition to the good performance of the Bank, the latter also wishes to contribute to a higher quality of life of the wider society.

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

Regular annual reporting on the implementation of social and environmental policy in the whole NLB Group has been established.

In 2016, NLB d.d. also started to monitor the Social and Environmental Policy in the way socially responsible conduct is presented by GRI standards. Each year we shall try to monitor more standards, also those that are not obligatory in line with standardisation.

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

The key risks in relation to social and environmental responsibility of the NLB

Group arise from the social, political, geographical and economic diversities of the region in which the NLB Group operates.

Key non-financial performance indicators relevant to individual activities

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

Social and environmental policy in the core members of the NLB Group

Already in 2011, all NLB Group member banks adopted their Social and Environmental Policy following the example of NLB d.d., and in their operations they act in accordance with the local banking legislation and environmental requirements, which is annually reviewed and revised. In 2019, the revised Policy of social and environmental responsibility of the NLB Group was introduced in all core members of the NLB Group.

¹Including also branch office which was closed as of 1 January, 2020

²As at 30/11/2019

Environmental issues

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

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

Since 2016, NLB d.d. has also monitored the Social and Environmental Policy in the way socially responsible conduct is presented by GRI standards.

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

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

Key non-financial performance indicators relevant to individual activities

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

Management of waste, paper, water, emissions, fuel

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

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

All NLB d.d. premises are equipped with waste collection points where the employees separate wasted themselves (packaging, municipal waste and paper).

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

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

Key non-financial performance indicators relevant to individual activities

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

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

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

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

The NLB d.d. faces no environmental risk in the area of building management. The environmental legislation and environmental requirements are followed upon renovation.

Key non-financial performance indicators relevant to individual activities

When renovating business premises and replacing machine installations, heat pumps and other environmentally friendly devices are installed (e.g. led lamps).

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

Purchasing policy

The formal basis of the NLB's purchasing policy is the contract with the supplier. With the supplier of electric energy an agreement was concluded on 100 % share of electric energy obtained from RES and CHP, which is defined in the contract with the supplier on the basis of the law.

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

The supplier of electric energy has to state the source of the supplied electric energy and attach the certificate on liquidation of the relevant number of certificates on electric energy source to show that a 100 % share of the supplied electric energy was obtained from RES (renewable energy sources) and CHP (co-generation of heat and power).

NLB d.d. and Avant Car have signed a contract on shared use of electric vehicles (mostly for rides in Ljubljana and its vicinity). In this way, the use of fossil fuel vehicles will be reduced partly. In 2019 the NLB d.d. employees made 20,325 km (in Ljubljana and its vicinity) using electric cars, thus reducing the use of fossil fuel vehicles. There are no environmental risks in this area and no written bases/rules/instructions/laws or methodology; there are also no goals defined for this area.

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

There are no environmental risks.

Key non-financial performance indicators relevant to individual activities

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

Social and personnel issues

The main goal of the HR policy of the NLB Group is to invest in a systematic development of employees and permanently follow modern approaches to HR management. Further, HR development must be a systematic and target-oriented process, based on HR methodologies and procedures, as the Group can develop efficient and committed employees through targeted investment in its staff.

The NLB Group adopted a common HR strategy, which clearly defines the key HR processes in order to provide support to the operations and organisation development. The business performance of the NLB Group is also based on a modern and permanent approach to HR management through the performance management procedure which is being systematically introduced in all banks.

Results of policies, and internal and external regulations, instructions and rules (the Bank's findings based on implementation monitoring)

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

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

HR development in the Group is based on a common model of competencies, developed for all job profiles. In the assessment of competencies, the personal development plan of the employees also includes individual deficiencies identified in the area of the requested competencies. Competencies are regularly assessed, especially for all managers, talents, successors and certain key employees. The catalogue of skills has an important role in employee development, as it serves as the basis for planning different development activities.

As HR development starts on the day of arrival of the new employee to the Group, we redesigned the employee onboarding process so as to establish systematic transfer of information and contents which every new employee must be acquainted with. The onboarding process is extremely important, as appropriate and effective integration of a new employee largely affects their motivation, commitment and consequently their performance at work. Education, training and upskilling with a mentor are the key activities supporting the planned development of an individual employee and are primarily carried out by using internal experts. In the NLB Group, the development process is harmonised with the mission, vision and goals, as well as other parts of the HR system. The Group pay special attention to this, which is evident from the amount of funds allocated, which grows every year.

The Group's strategy is also to develop and use internal experts to carry out internal training. Consequently, organisation and implementation of internal training and upskilling (hereinafter: internal training) has priority over other types of training. The programme includes development of competencies, expert knowledge and functional skills. Investing in the future required skills of the employees is a prerequisite for high work efficiency and performance of the Group in the future. With the talent management strategy in

the NLB Group, we would like to identify the employees with a high potential to assume demanding positions. The skills, knowledge and experience needed for successful future performance are obtained through a combination of ways – intensive development schemes for different groups of talents and internal career changes, rotations within the Group with regard to the developed expertise and hiring on the external market for those skills, knowledge and experience that would be impossible or take too long to develop internally.

Talents are included in different forms of training, where they gain the required skills needed for future challenges. A special development programme (managers, experts and young talents) is established for every group of talents, covering their special development and career needs. The development programmes include talents from all banks, who thus have the opportunity to learn creative thinking, strategic management, confident communication and mentorship skills. To improve team work and integrate the employees in the work environment, all banks conduct a corporate climate survey every second year. The purpose of the survey is to identify actual opinions of the employees and their satisfaction as well as to create appropriate activities to improve the climate. Employee feedback is of exceptional importance for introducing changes and improvements. The progress is seen in the increasing employee responsiveness. The corporate climate is a consequence of the corporate culture. For the purpose of establishing the causes and areas where we can implement activities to improve the corporate climate and commitment, we also started exploring our corporate culture.

All banks carry out prior preventive medical examination, targeted periodic preventive medical examinations and other targeted preventive medical examinations. For many years, the NLB has demonstrated its socially responsible attitude to the employees

through systematic training in the area of well-being. Our everyday stress levels and workloads are constantly growing, and it is important to cooperate to establish how to find enough time to improve the employees' well-being. As the NLB is the largest banking group in the region, it tries to harmonise the best practices in its members by using minimal HR standards and aligned HR strategies.

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

The risks in the area of HR management are managed by investing into training and development of the staff, appropriate staff planning, selection and remuneration of the staff. Undesirable fluctuation is controlled by succession planning, employee rotation, mentorship, knowledge transfer and talent management strategy. The Group introduced performance management, development interviews with the employees and appropriate development plans. The efficiency of the performance management process is reviewed annually in all banks and, if necessary, appropriate measures are taken. The selection procedure is transparent and in compliance with the local legislation. All grounds for the implementation of the Policy for Prevention of Harassment and Mobbing of Employees have been adopted.

The key risk indicators in the HR area are measures twice annually.

Key non-financial performance indicators relevant to individual activities

For the purpose of establishing the causes and areas where we can implement

additional activities to improve the corporate climate and commitment, we started exploring the corporate culture in all banks. The key indicators are the share of retained key staff, the share of absenteeism, the share of fluctuation and the share of committed employees. The indicators of investment in employee development are also important. They also include the share of employees participating in education and training and the number of hours of training per employee. Indicators of the share of implemented development plans, especially in the area of talent management and career plans.

The KPI in 2020 will include contents related to the adopted HR strategy and the three adopted projects that will support efficient operation of other important projects at the Bank.

These projects are:

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

Respect for human rights

Measures against mobbing and measures for improvement of organisational culture

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

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

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

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

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

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

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

Code of Conduct of the NLB Group

In the Code of Conduct of the NLB Group, the NLB Group prescribes its core values and principles of conduct, thus establishing uniform rules of conduct in the daily operations throughout the NLB Group. In this way the NLB Group expresses its expectations that all employees and external business partners of NLB d.d. and NLB Group members respect human rights, employee rights and general standards of conduct defined in the Code of Conduct of the NLB Group.

The Code of Conduct of the NLB Group was already comprehensively revised in 2017. Through regular activities (risk identification, investigation of suspected misconduct etc.), a regular review of appropriateness of its implementation is also carried out, which, considering the size of the NLB Group, is at a high level. The implementation of the Code of Conduct (formerly the Code of Ethics and the Code of Corporate Compliance) is verified by preventive checking of the compliance of the areas and processes, which also include risks of conduct (unethical behaviour, risks of internal and external fraud, conflict of interest risks, corruption risks, risks of violations in the field of information protection and personal data protection, etc.) as typical risks of compliance and integrity.

The NLB Group implements its standards of conduct by having established internal policies and procedures in order to prevent any breach of these standards, by carrying out regular training of employees and training of the target groups in the area of ethical conduct standards, and by performing regular assessments of risks in relation to outsourced providers and suppliers. Special procedures and channels for (anonymous) reporting suspected misconduct are established (including the internally accessible (NLB Net) and publicly accessible application Whistler at: whistler.nlb.si), as well as procedures

and mechanisms for treating suspected misconduct and adopting corrective measures. Measures for the protection of informants (internal and external) have been implemented in the whole NLB Group.

Additionally, an internal survey in the area of ethics and compliance is carried out annually in the core members of the NLB Group. This survey is carried out to check the perception of the Bank's employees in relation to ethical conduct and compliance of operations, also in relation to the situation as regards the perception of misconduct prevention. Based on the analysis of which the Bank's Management Board is informed, measures are drafted for the improvement of the situation, such as the implementation of target inspections of the areas of operation, special training, etc. In 2018, it was found based on the survey on ethics and compliance that the culture of ethics and compliance was strengthening, therefore, the NLB Group will continue to perform the activities aimed at increasing the awareness in this area.

The implementation of the Code of Conduct in the NLB Group is also a part of regular assessment in NLB d.d. in the area of corporate identity, and one element of that is the assessment of ethical culture, the efficiency of the system of prevention of misconduct or report of suspected violations, the tone at the top, the commitment of the Bank's management, corporate identity, etc. The Code of Conduct of the NLB Group sets the standards and rules of conduct that apply to all employees, regardless of the job or location, as well as to the contractors acting on behalf of the NLB Group.

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

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

Respect for human rights as regards products and services for clients

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

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

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

The key non-financial performance indicator is to ensure continuous attention in dealing with clients and to check if they operate under jurisdiction characterised by political instability, weak governance, suppression of minority groups, when the

Bank is considering financing business activities in a conflict (war) zone, the development of financial products for vulnerable segments of clients, or when doing business with the corporate sector where the respect for human rights is known to be a problem.

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

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

Protection of the privacy of the clients and employees

Protection of the privacy of the clients and employees is one of the key rules of conduct laid down in the Code of Conduct of the NLB Group. Additionally, the Corporate Security Policy of the NLB

defines the basic goals and principles of protecting people, facilities (business premises), information and assets of both the Bank and its clients. One of the key or fundamental goals of corporate security is to ensure protection of the data and information of our clients and employees, and thereby ensure their privacy. With the implemented measures, the Bank ensures data confidentiality both as regard its own data processing and when the data are processed by contracted processors. One of the goals is also to ensure the legality of operations and the reputation of NLB d.d. This approach is also used by the NLB Group members.

NLB d.d. manages risks arising from possible unauthorised access to data on clients, disclosure of data on clients to unauthorised person and lack of professionalism or inappropriate behaviour of bank employees by controlling accesses to applications with data and using audit trails, and precise methodologies, procedures and instructions for work, and regular training and raising the awareness of employees about the importance of data and information protection.

Issues related to the fight against corruption and bribery

The NLB Group already emphasised the awareness of the significance of fight against corruption and bribery in the Code of Conduct of the NLB Group, which prescribes that the NLB Group has zero tolerance to such misconduct. All forms of bribery and corruption must be rejected in NLB d.d. and the NLB Group. These forms of action are unfair, illegal and damage the countries in which the corruptive practices take place, and the society in general. We are bound to do so by the Code of Conduct of the NLB Group published on NLB d.d. website. NLB d.d. and the NLB Group expect the same from our clients, business partners and third parties. Therefore, all employees of the NLB Group are subject to limitations in giving and accepting

gifts, offering hospitality and otherwise influencing the conduct of the employees of the NLB Group. Specific measures for managing the risks associated therewith are also prescribed. They are laid down in the Policy on Conflict of Interest Management and Corruption Prevention of NLB d.d. and the NLB Group.

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

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

Due to its regional presence, the NLB Group is exposed to the risks of corruption in South-Eastern Europe. In the scope of the SOTIS/ECRA process (General assessment of integrity and compliance risks/Enterprise Compliance and integrity Risk Assessment), which the NLB Group carries out annually, the assessment of the corruption risk at the level of NLB d.d., at the level of the core NLB Group members and at the level of the whole NLB Group is also carried out. A special questionnaire is used for that purpose (model World Economic Forum: Good Practice Guidelines on Conducting Third-Party Due Diligence, Partnering Against Corruption Initiative - PACI).

Based on the SOTIS/ECRA assessments made, in 2018 the NLB Group did not detect any significant new risk in the area of fight against corruption and bribery.

Nevertheless, in the scope of their regular tasks, the compliance functions performed activities aimed at raising awareness and improving the risk culture also in relation to this area. Moreover, the approach to the management of such risks in daily operations was also enhanced, for instance by implementing the assessment of such risks in relations with suppliers.

In the scope of fight against corruption and bribery, the NLB Group performs several activities to manage the related risks.

In 2018, regular annual training was organised for all employees and management in NLB d.d. and the NLB Group members in the field of corruption and conflicts of interest. Specific targeted training was also organised for target employee groups (sales network, managers, new employees) in the field of harmful practices, channels available for reporting suspected misconduct, corruption, conflicts of interests and breaches of the Code of Conduct of the NLB Group. The risk arising from conflicts of interest and corruption is assessed for outsourced providers and suppliers and other contractual partners of NLB d.d. and the NLB Group. The necessary procedures and mechanisms for treating suspected misconduct and adopting corrective measures in the case of suspected misconduct have been established. For appropriate identification of such events, various channels are used for reporting suspected misconduct, published on the Intranet (NLB Net), in internal documents (including the Code of Conduct of the NLB Group), and the internally and publicly accessible Whistler application for reporting suspected misconduct (also enabling anonymous reporting). NLB d.d. and the NLB Group have implemented the planned measures to protect the informants (internal and external), and defined who adopts them and in what way, and how the protection of informants is ensured.

Client complaint management system

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

The employees in the NLB respect the client's experience with individual events arising from contractual relationships and the performance of our services, and we consider claims as opportunities for improvement. The client's opinion/complaint is taken into account in NLB d.d. and recorded regardless of whether it is positive or negative. The objectives pursued by NLB d.d. in handling client complaints are to quickly, efficiently and professionally resolve complaints at all stages of complaint handling, to resolve similar claims of clients in a uniform manner, to record complaints in a way that allows for substantive analysis in order to improve products, processes or other client experience (transparency, quality of handling, relationship, etc.) and to develop proposals for improvements in order to prevent the occurrence of a number of similar errors and the consequences of the client's negative experience.

Complaint management system in the NLB Group

The NLB Group follows the same complaint management objectives as those applicable to NLB d.d. To this end, the Minimum Standards for BL Sales in the

NLB Group also include the minimum standards for complaint management in the banking members of the NLB Group, namely:

- Written instructions for complaint management
- Two-level complaint management (centralised unit in charge of the substantive custody of the handling of complaints in the Bank and acting as content administrator for complaint management as the second-level complaint handling body).
- Recording of complaints and preparation of the annual report on client complaints.

All members of the NLB Group have implemented the minimum standards.

Practice has shown that **the clients of the banking members of the NLB Group also addressed some complaints to NLB d.d., Ljubljana**. A clear process of handling such complains has therefore been set up. The client is informed that NLB d.d. cannot handle such complaint because it is related to the relationship between the client and the banking member of the NLB Group which is an independent legal entity. They are also informed that their complaint would be redirected to the banking member that would respond to the complaint. The complaint is then forwarded to the relevant banking member of the NLB Group which is also asked to keep us informed of the resolution of the complaint so that we can monitor the method of handling such complaints also in practice.

Promoting freedom of expression on Internet and elsewhere

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

Intranet NLB d.d. (NLB Net) thus enables publication of information and news about the developments concerning the Bank and in the Bank, commenting, asking questions, liking and giving ideas and making proposals, to which a special web page, “City of Ideas” (Mesto idej), is dedicated. Each organisational unit has its own Intranet web page, on which the employees actively cooperate in the designing of the contents and respond to them. Two way communication is strictly encouraged, and it is taken care that questions are responded by relevant answers. There is also a special web page for the Trade Union and the Workers’ Council, which actively organise the web page and participate in the communication by making comments. In 2018 we continued with live stream addresses by the president of the Management Board, a form of open communication named the Open House of President of the Management Board. It is a live stream, during which the President of the Management Board briefly summarises the current events in the Bank, and then answers questions that are posted by employees either through NLB Net or through the e-mail address created specifically for this purpose.

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

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

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

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

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

Key non-financial performance indicators relevant to individual activities

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

Promoting freedom of expression in the NLB Group

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

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

NLB d.d.,
Ljubljana, 2. 4. 2020

NLB Supervisory Board



Primož Karpe
Chairman of the
Supervisory Board

NLB Management Board



Andreas Burkhardt
Member of the
Management Board



Archibald Kremser
Member of the
Management Board



Blaž Brodnjak
President & CEO

