

ESG REPORT

Nova KBM Group and
Nova KBM d.d.


2021



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1 STATEMENT FROM THE PRESIDENT OF THE MANAGEMENT BOARD¹



Dear stakeholders,

At Nova KBM, we recognise our role as an **important systemic bank in Slovenia**. We are determined to act responsibly in working with all our stakeholders, in managing our impact on the environment and in maintaining high corporate governance standards. This is aligned with our corporate values and is, simply, good for business. In 2021, we launched a comprehensive ESG program across the Nova KBM Group, recognising the growing importance and relevance of the broad ESG agenda, particularly the challenge of **climate change**, to our business and operating environment.

Clear and decisive steps were made in the last year in this respect. At the same time we are aware that we have a complex and demanding journey ahead of us. We adopted our first **ESG Strategy** in March 2021, and embedded an environmental, social and governance layer across all the Strategic Pillars of our business strategy. We have also established a **Climate Change and Sustainability Committee** as a governance and decision-making body which focuses on the delivery of the approved strategy.

In this report, we are presenting where we are on our **ESG journey**, together with an overview of our vision, activities and achievements. We also highlight our approach to the risks associated with climate change and how we approach the commercial opportunities which arise along the way. We have made a clear, principles-based commitment to adapt the Group's commercial and lending activity to one increasingly aligned with the Paris Agreement and to finance sustainable growth and the transition towards a low-carbon or carbon-neutral economy. The Group intends to use 2022 to set a reliable data baseline for Scope 3 emissions (both for its own and its customer emissions) which can act as a basis for medium and longer-term targets. The Group will continue to take actions in the short and medium term to further reduce its own Scope 1 and Scope 2 emissions, recognising the progress already made in this respect in recent years. In 2021, we reduced **our own carbon footprint by 20%, compared to 2020**.

¹ GRI 102-14

The key objective remains to meaningfully reduce our carbon footprint and to support our clients in doing the same. Key means to doing this are our investments in digitalisation of delivery of products and services to customers, increased paperless operations and process automation, complemented by the use of artificial intelligence.

Despite the challenges caused by the pandemic which persisted throughout 2021, we were active in our commitment to the social and governance pillar of our ESG strategy. We continued to build **sustainable, transparent and proactive relations with all our stakeholders**: employees, customers, business partners, regulators and others. We kept our focus on achieving high levels of client and employee satisfaction. We continued to build an **inclusive work-environment**, one based on respecting **equality and diversity**. The Group supported more than 40 national, regional and local communities as a **partner, sponsor or a donor**. We also continued with **awareness programs** in the areas of financial literacy, which include providing knowledge about banking products and services, responsible investing and borrowing, digital literacy, safe banking, security and fraud prevention in online transactions.

We are proud that our efforts were recognised by professional institutions. For the second consecutive year, the Slovenian Institute for the Development of Social Responsibility presented us with the **HORUS award** for strategic social responsibility management. For the third time in a row, the Bank received the title **Superbrand** and our **online and mobile banks were named the best in Slovenia**. We thank all of the Group's employees, our clients and business partners for their trust, cooperation and open communication – all these values pave the way to our achievements and delivering added value to all our stakeholders.

In 2022, the Group celebrates its 160th anniversary. We are proud of our rich tradition, and excited about the new challenges and opportunities ahead of us. We are confident that we will continue to make solid progress on our ESG journey.

Sincerely,



John Denhof

President of the Management Board

2 ABOUT THIS REPORT

The **ESG Report of the Nova KBM Group and Nova KBM** discloses non-financial data for all of our stakeholders. The Nova KBM Group has issued non-financial reports since 2017, publishing them each year as stand-alone reports alongside the Group's Annual Reports. The non-financial information and data for the financial years 2017–2020 were presented in an Annual Report on Sustainable Development and Social Responsibility. The present ESG Report for the 2021 financial year includes additional aspects of reporting on environmental, social and governance matters and an update on Nova KBM's ESG strategy.²

The report focuses on Nova KBM, the Bank, which is the primary entity within the Nova KBM Group. The Bank's policies and guidelines associated with ESG management are being progressively introduced at other companies in Nova KBM Group (Summit Leasing Slovenija, with 170 employees and Aleja Finance, with 14 employees). As a rule, the report includes figures for a three-year period (from 2019 to 2021), except where availability of figures makes it logical to use a different time series. Boundaries of data submitted in this report refer to Nova KBM, except where indicated differently³.

The figures presented in the report have been prepared in accordance with the following **regulatory requirements**:

- Companies Act (ZGD-1), Article 70c,
- EU Taxonomy Regulation (EU) 2020/852. Disclosures are presented in detail in Chapter 9.
- ECB Guide on climate-related and environmental risks
- European Commission guidelines on non-financial reporting.

Accordingly, the contents of this report are prepared in such a way as to satisfy the following key principles of disclosing material information which is fair, balanced and understandable, comprehensive but concise, strategic and forward-looking, stakeholder oriented, consistent and coherent.

The Group also recognises the recommendations of Task Force on Climate-related Financial Disclosures (TCFD), and we are disclosing this information and data in Chapter 5 of this ESG report for the first time.

The report includes **quantitative and qualitative indicators** compatible with the reporting framework of the GRI (Global Reporting Initiative) and with ESG reporting, which discloses environmental, social and governance key performance indicators to stakeholders. For additional information with regard to the report⁴, interested parties may contact us via the email addresses pr@nkbm.si or esg@nkbm.si

² GRI 102-50, 102-51, 102-52

³ GRI 103-1

⁴ GRI 102-53

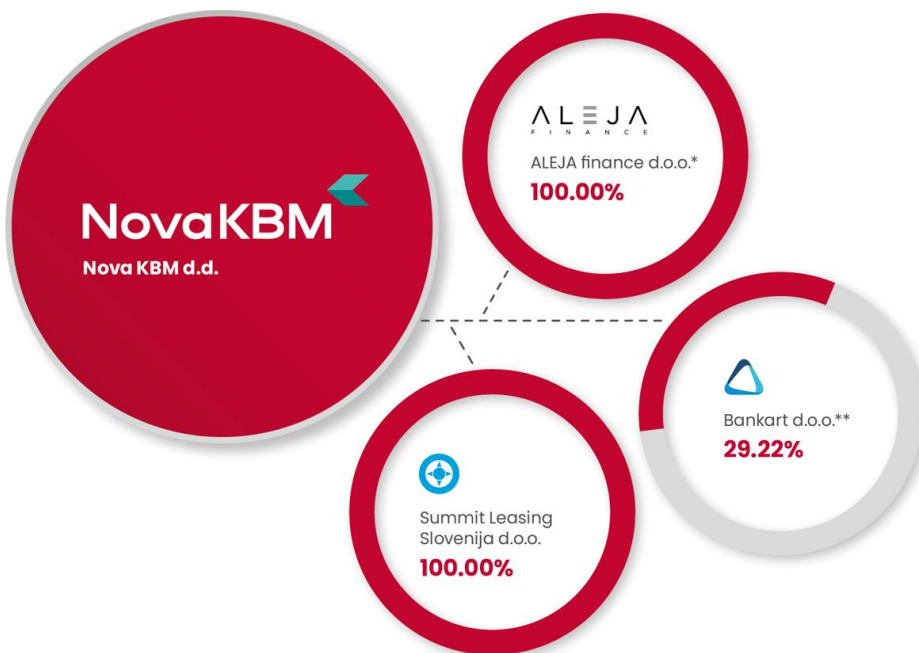
3 BUSINESS MODEL OF THE NOVA KBM GROUP

Nova KBM is a systemically important and universal bank with a rich 160-year history. In accordance with Slovenian legislation, the Group has a two-tier management system under which the relations between individual bodies are based on the mutual segregation of rights and responsibilities. As of 31 December 2021, Nova KBM’s competent bodies included the Bank’s Management Board (five members), Supervisory Board (seven members) and General Meeting of Shareholders. At the time of publishing this report, the Bank’s Management Board has four members.

The Bank and its subsidiaries are owned by funds managed by affiliates of Apollo Global Management Inc. and the European Bank for Reconstruction and Development (EBRD). In May 2021 the Group’s shareholders signed an agreement with OTP Bank on the sale of the whole of the issued share capital of Nova KBM Group. Closing of the transaction remains subject to the receipt of all consents required from the competent regulatory bodies which are expected during the second or third quarter of 2022.

At the end of 2021, the Bank had 1,843 corporate clients, 5,941 SME clients, 35,257 micro clients and 622.202 retail clients, whilst Summit Leasing Slovenia had 99,904 clients. As of 31 December 2021, the Nova KBM Group had a total of 1,801 employees, of whom 1,631 were employed at Nova KBM, which makes the Bank one of the biggest employers in Slovenia’s banking sector and a significant employer in the country.

 The Group Corporate Governance is described in detail in the Annual Report 2021.



Nova KBM is the most accessible bank in Slovenia. We provide our customers with comprehensive financial services through the largest branch network of more than 800 banking points and via modern, award-winning online and digital banking platforms.

 Detailed information on Nova KBM’s business model and financial results are disclosed in the Annual Report 2021.

The Group's commercial objectives are based on **five key pillars or strategic areas: growth and profitability, client excellence, strong risk management and compliance, operational efficiency, and organisational culture and talent development.**

 The Bank's strategy and focus areas are described in detail in Chapter 5.2.

Implementation of the strategy is based on the common values⁵ co-created by employees of the Nova KBM Group. We are building and strengthening our corporate culture through positive values that determine our actions and decisions.



**TRANSPARENCY
AND HONESTY**



**BEST TALENT
TOGETHER**



**CLIENT
EXCELLENCE**



**EFFICIENCY
AND INNOVATION**



**WE
DELIVER**

Nova KBM won 4 awards related to sustainability and social responsibility in 2021:



⁵ GRI 102 - 16

Nova KBM and its employees are actively involved with a number of **professional associations⁶ and initiatives**. Key counterparties are listed in the table below.

Significant involvement in professional associations and initiatives

- Chamber of Commerce and Industry of Slovenia and regional chambers
- Bank Association of Slovenia
- Managers' Association of Slovenia
- Association of Employers of Slovenia
- Slovenian Directors' Association
- American Chamber of Commerce
- British-Slovenian Chamber of Commerce
- CER – Sustainable Development Association
- Institute for the Development of Social Responsibility
- Green Network of Slovenia
- European Institute of Compliance and Ethics
- Commercial Law Institute
- Purchasing Association of Slovenia
- Institute of Internal Auditors (IAA Slovenia)
- Slovenian Advertising Chamber
- Public Relations Society of Slovenia



In 2021 Nova KBM joined the international initiative Mainstreaming Climate in Financial Institutions (MCFI).

As members of MCFI we have adopted **five Voluntary Principles for Mainstreaming Climate Action**, which we follow when preparing measures to tackle climate change:

- COMMIT to climate strategies
- MANAGE climate risks
- PROMOTE climate smart objectives
- IMPROVE climate performance
- ACCOUNT for your climate action. Be transparent and report.

More information about MCFI is available from [this link](#)


⁶ GRI 102-13

4 DEVELOPMENT OF ESG MANAGEMENT⁷

Social responsibility and sustainability have been important elements of the Bank's identity ever since its establishment. Over the years, its approach to managing these areas has become increasingly comprehensive and strategic. Nova KBM was one of the first institutions in Slovenia to engage in transparent non-financial reporting, and has been publishing stand-alone non-financial reports since 2017.

In 2021 the Bank embarked on a comprehensive ESG transformation and began incorporating environmental, social and governance factors even more directly in its business strategy.

We adopted a comprehensive ESG Strategy which serves as a governance roadmap for managing this agenda. The Bank embeds its strategic ESG objectives within its internal policies, methodologies, procedures and operating instructions. These documents are updated regularly and their contents included in annual training programs. The Bank also executed e-trainings on 85% of all ESG topics which are included in its internal acts, and will continue its education program throughout 2022.







 The ESG Strategy, Climate Change & Sustainability Committee and the management of climate and other ESG risks are presented in greater detail in Chapter 5.⁸ The list of internal acts with ESG-related content is included in Chapter 11.

⁷ GRI 102-18

⁸ GRI 102-19

4.1 GLOBAL SUSTAINABLE DEVELOPMENT GOALS

The Bank also maps its actions under its comprehensive ESG Strategy against the **Sustainable Development Goals (SDG) of the United Nations**.⁹

Sustainability goals	Impacts and creation of added value	Indicators
 3 Health and well-being	<ul style="list-style-type: none"> ✓ By developing modern banking services we contribute to improving the quality of life of our clients. ✓ We promote the active maintenance of the physical and mental health of our employees. 	GRI: 403-1, 403-2, 403-6 Details in the chapter: Managing Social Impacts
 4 Quality education	<ul style="list-style-type: none"> ✓ We invest in the development and knowledge of employees and work to ensure a high level of competence. ✓ We support improving the financial literacy of our customers. ✓ We seek opportunities to work with schools and universities to improve the quality of practical training and education via the participation of our senior management team and other representatives in education programs. 	GRI:404-1, 413-1 Details in the chapter: Managing Social Impacts
 5 Gender equality	<ul style="list-style-type: none"> ✓ We support diversity, inclusion and equal opportunities in the workplace regardless of gender, ethnicity, age, religion, sexual orientation or marital status. 	GRI:401-1, 406-1 Details in the chapters: Managing Social Impacts Governance
 8 Decent work and economic growth	<ul style="list-style-type: none"> ✓ We support entrepreneurship and the creation of new jobs. ✓ We support equal opportunities and a meritocracy where achieving a reward is the result of effort, engagement and ability. 	GRI: 201-1, 401-1, 403-1 Details in the chapter: Managing Social Impacts
 12 Responsible production and consumption	<ul style="list-style-type: none"> ✓ We help make borrowers and investors aware of their needs and financial capabilities. ✓ We strive to mitigate negative impacts on the environment through the sustainable management of energy consumption and natural resources, and by reducing our carbon footprint (Scope 1 and Scope 2). 	GRI:302-1, 417-1 Details in the chapters: Managing Social Impacts and Disclosures based on TCFD Managing Environmental Impacts
 13 Climate action	<ul style="list-style-type: none"> ✓ We strive to help fund energy-efficient and green projects aimed at achieving better energy efficiency and the transition to low-carbon economy. ✓ We are reducing our carbon footprint (Scope 1 and Scope 2) in our operations and are efficient in our use of energy resources. We will support our clients in doing the same. 	GRI:302-1, 305-1, 305-2, 305-5 Details in the chapters: Disclosures based on TCFD Managing Environmental Impacts

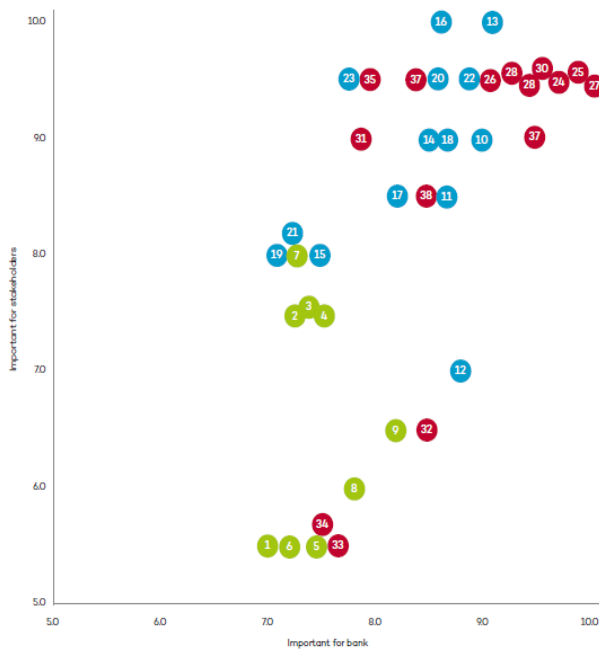
Detailed information on activities and our forward-looking ESG principles are presented in the respective chapters of the report, as shown in the table.

⁹ GRI 203-2

4.2 MATERIAL TOPICS¹⁰ IN THE ESG CONTEXT

Nova KBM has defined focal points or material topics that are important both for the Bank and our stakeholders. We identified these topics at a management workshop in 2020 and on the basis of a review of regular engagement by the Bank with its stakeholder groups. We also made an overview of strategic stakeholders, their primary expectations and most frequent type of dialogue. A broader multi-stakeholder study is planned for 2022, the results of which will be incorporated into a materiality matrix.¹¹

Graph 2: Materiality matrix



Legend

ENVIRONMENT		GOVERNANCE	
1	carbon footprint (CO ₂ in metric tonnes)	24	cybersecurity
2	efficient use of energy (electricity, water, fuel)	25	data privacy
3	waste management	26	financial resilience
4	paper consumption	27	regulatory compliance
5	climate change and environmental impact of financial services	28	risk management
6	waste computer equipment	29	ethics and integrity
7	sustainable mobility	30	anti-corruption
8	responsible investing (in securities)	31	gender equality
9	green financing (loans, bonds)	32	employer reputation (employer brand)
SOCIAL		33	supplier assessment according to ESG aspects (environment, social, governance)
10	digitalization of banking services	34	process efficiency
11	responsible lending	35	innovation
12	satisfaction and engagement of clients (NPS)	36	anti-money laundering and terrorist financing
13	satisfaction and engagement of employees (VOE)	37	talent acquisition
14	organizational culture	38	capital adequacy
15	financial literacy		
16	health and safety at work		
17	work-life balance		
18	transparency in the offer of services and products		
19	access to finance for vulnerable groups of people		
20	client excellence		
21	digital literacy for vulnerable groups of people (older)		
22	employee development		
23	sponsorships and donations in local environment		

¹⁰ GRI 102-42, GRI 102-47

¹¹ GRI 102-21

Strategic stakeholders ¹²	Predominant expectations	Most frequent type of dialogue
EMPLOYEES	Training, development and opportunities for advancement An open, cooperative and healthy working environment Good relationships	Satisfaction and engagement survey Target setting and annual interviews Intranet and internal newsletters Meetings of employees with members of the Management Board Meetings of directors and managers with the Management Board Sports, social and incentive events for employees Video stories Personal interviews and meetings Internal competitions and reward programs
TRADE UNIONS	Open communication Opportunity for negotiation Representation of employee rights	Coordination meetings and negotiations Internet and intranet corner Regular updates on Group performance Personal interviews with senior management
SHAREHOLDER	Stable financial return and achievement of business success Good risk management Excellent corporate governance Disclosures of ESG indicators	Meetings of Supervisory Board and committees Business reports Interviews and meetings Major internal events attended by representatives of the owner
REGULATORS	Legal and regulatory compliance Transparency	Information and regular reporting Interviews and meetings (in person and via digital media) Annual reviews of operations Business reports Website
CUSTOMERS	Excellent user experience Access to secure banking services for all Confidentiality of business relationships Help in understanding products and financial literacy	Client meetings and visits to business clients at their place of work Individual discussions with staff and Bank representatives Website Contact centre Social media Surveys, focus groups Survey of satisfaction with products/services Professional meetings and networking events
VENDORS	Appropriate business cooperation	Interviews and meetings Standard modes of communication in purchasing and negotiations Website
PROFESSIONAL PUBLIC	Cooperation and support from the Bank on key topics and developments in key specialist areas	Website Social media Round-table discussions Specialist conferences and workshops Annual report Sustainability report

Strategic stakeholders	Predominant expectations	Most frequent type of dialogue
MEDIA	Useful information about the Bank and its activities Open and transparent communication	Press releases Press conferences, briefings and regular communication with journalists Interviews Media centre on website and use of social media networks
LOCAL COMMUNITY	Investment in social development Caring for the natural environment Ethics and integrity	Events and press releases Donations to charities and sports clubs Sustainability report Corporate volunteering

An integrated approach to stakeholder involvement, defined by regular dialogue with stakeholder groups, allows us to reflect on what we have achieved and helps create new ways in which to communicate.¹³

4.2.1 MANAGING THE COVID-19 PANDEMIC¹⁴

The Bank delivered service seamlessly to its customers **throughout the COVID-19 pandemic**. Thanks to our dedicated workforce, excellent crisis management and extensive investment in the digital transformation of operations undertaken in past years, the Group was able to manage pandemic risks rapidly and efficiently.

The Crisis Committee continued to function, meeting regularly and ensuring the introduction of internal rules and protocols and the implementation and communication of preventive measures. Activities were carried out in a coordinated manner in all the companies of the Nova KBM Group. Bank employees were made aware of the importance of the measures introduced to counter the spread of COVID-19 and observed them consistently.

Our branch network remained, with very few exceptions, open for business during the entire pandemic period and all key channels were operating well and within target KPIs. In 2020, in which the pandemic first appeared, the Bank made available to its clients both legislative and bilateral moratoria in order to support their businesses. In 2021, the vast majority of legislative and bilateral moratoria expired and the Group’s borrowers were able to service their obligations without material difficulty.

The Bank remained a good financial partner to the economy and the wider community. We supported many retail and corporate clients across the whole period of the pandemic.

The Bank also supported many organisations via sponsorships, donations and awareness programs, which are presented in detail in Chapter 7.8.

¹² GRI 102-40

¹³ GRI 102-42

¹⁴ GRI 102-42

Measures during the pandemic	E	C	Description
Protective and preventive measures: hand hygiene, use of face masks, social distancing, ventilation, protective screens in branches, disinfection of vehicles and premises, requirement to show proof of recovery, vaccination or a negative test and self-testing	x	x	The Bank continued to follow all health and safety instructions and measures, issued by the competent bodies.
Confidential internal reporting protocol in case of suspected coronavirus infection	x		The confidential internal notification protocol continued to be used effectively in 2021.
Care for employees with chronic illnesses, provision of information and organisation of work	x		The Bank facilitated the organisation of work tailored to suit employees with chronic illnesses.
COVID-19 vaccinations organised by the Bank	x		The Bank organised voluntary vaccinations for employees on its premises.
Promotion of working from home and upgrading of IT support	x		The Bank enabled 54% of employees to work remotely during 2021. Meetings took place in online form via secure platforms, as did events organisation, training and teambuilding sessions.
Safe working from home	x		In conjunction with an authorised safety officer, the Bank checked conditions for safe working from home and offered advice on setting up home workstations.
Online security awareness and training for employees and customers	x	x	At a time of increased use of digital services and growth in online fraud, the Bank worked intensively to provide information and training on these topics to its customers and employees.
Promotion of work/life balance	x		The Bank prepared a handbook with advice, and organised online workshops for employees.
Smart Business zNova loan, which can be arranged without visiting a branch		x	As a direct response to the consequences of the COVID-19 pandemic, we expanded the portfolio of banking services in 2021 which can be provided remotely with the Smart Business zNova loan.
Secure operations centre	x	x	In December 2021, the Bank established a Security Operations Center to enable 24/7 monitoring of its IT operations.

Measures during the pandemic	E	C	Description
Effective communication and relationship-building with employees	x		<p>The Bank continued to communicate intensively and promptly with employees about any changes in the Bank’s operations due to the pandemic. We also contributed to a positive climate by issuing internal newsletters frequently, having regular team meetings via remote channels, and promoting virtual socialising. These activities are described in detail in Chapter 7.1.</p>
Effective communication and relationship-building with customers		x	<p>The Bank continued to promote the use of digital channels. Our customers used cash machines, telephone banking and online banking more frequently.</p> <p>The Bank expanded its telephone banking options to include five types of banking products (loans, overdraft limits, payment cards, simplified insurance products and the Komplet bundle) and 15 other services, all without the need to visit a branch relating to payment cards, electronic banking, SMS notifications and changes to personal data that customers can turn on or off without visiting a branch office in person.</p> <p>The bank introduced an AI-enhanced smart chatbot, Niko, which offers a new form of interaction with customers and can answer questions on more than 400 topics, as well as unstructured questions from customers.</p>

Key: E – employees, C – customers

5 DISCLOSURES BASED ON THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The Group recognises the recommendations of the **Task Force on Climate-related Financial Disclosures**¹⁵ (TCFD) and ECB's **Guide on climate-related and environmental risks** as important frameworks for managing climate risks and ensuring transparent reporting. As a leading and systemic bank, we pay particular attention to these frameworks. Although the reporting based on TCFD is not required for this year, we are now including these disclosures in our non-financial report for the first time. **Reporting in this chapter is based on TCFD's four pillars: Governance, Strategy, Risk Management and Metrics and Targets.** It covers our present approach to climate-related and environmental risks and also our clear ambition to adjust our business model to one that is aligned with the Paris Agreement and the transition to a low-carbon economy.

5.1 GOVERNANCE

This chapter includes:

- The Management Board's oversight of climate-related risks and opportunities.
- Management's role in assessing and managing climate-related risks and opportunities.

The Management Board of the Group recognises the growing challenges related to climate change and their likely future impact on the Group's operating environment and business model.

The Group established a **Climate Change and Sustainability Committee (CC&S)** in May 2021. This is a delegated committee¹⁶ of the Management Board of the Group and comprises all of the Management Board members. The CC&S Committee is responsible for the comprehensive and effective implementation of the Group's ESG strategy, such that the Group is better able to assess, manage and monitor the associated risks and potential commercial opportunities. The Group approved its ESG Strategy document in March 2021.

On adoption of the Rules of Procedure of the Climate Change & Sustainability Committee the Management Board of the Group laid down the composition, mode of operation and decision-making, powers and competences, manner of preparing documents for CC&S Committee meetings and the manner of signing decisions and overseeing the implementation of those decisions.

¹⁵ The TCFD (Task Force on Climate-related Financial Disclosures) was created in 2015 by the Basel-based Financial Stability Board (FSB) whose role is to promote international financial stability. The TCFD's focus is reporting on the impact an organisation has on the global climate. It seeks to make firms' climate-related disclosures more consistent and therefore more comparable. TCFD has developed a reporting framework based on a set of consistent disclosure recommendations for use by companies as a means of providing transparency about their climate-related risk exposures to investors, lenders and insurance underwriters.

¹⁶ GRI 102-19

The mission of the CC&S Committee is to ensure the comprehensive implementation of the ESG Strategy across the entire organisation and to identify, assess manage and mitigate climate-related risks and to make the most of the potential business opportunities arising from the ESG transformation. It oversees the work of the internal working groups established across business and control functions of the Group, reviews and adopts reports regarding the activities of the relevant organisational units involved in delivery of the strategy. It also reviews and approves the Bank's annual ESG report. ¹⁷The CC&S Committee is chaired by the CRO (and co-chaired by the CEO). Committee members include all members of the Bank's Management Board, each of which take accountability for a particular, relevant area.

The CC&S Committee is responsible for the comprehensive and effective implementation of the Group's ESG Strategy. All Committee members are responsible for promoting ESG awareness among employees.

Overview of Management Board members' accountabilities¹⁸ in the CC&S:

MB Member of the CC&S	Area of Accountability
CRO	Managing climate-related and environmental risks, considering them in credit management process.
CEO	Sustainability, employee awareness and engagement; ensuring that the Remuneration Policy and practices stimulate behaviour among employees that is consistent with the Group's ESG Strategy
CFO	Climate-related and environmental reporting standards
MB member responsible for Corporate Banking	Development of sustainable financing and related products and services

Other members of the Committee are Directors and Advisors to the Management Board responsible for areas most closely related to ESG¹⁹:

Other Members of the CC&S	Area of Accountability
Head of Compliance Office	Overseeing and coordinating the Bank's activities aimed at ensuring compliance with relevant and applicable ESG requirements and regulations, coordinating as well as overseeing the implementation of the ESG Strategy
Head of Strategic Risk Management	Embedding climate-related and environmental risks into the RAF, developing appropriate KRIs and setting appropriate limits to effectively manage these risks
Head of Credit Management	Considering climate-related and environmental risks in the credit management process
Head of Credit Risk Management	Considering climate-related and environmental risks in the credit risk portfolio management process
ESG Advisor to the Management Board #1	Acts as an ESG Coordinator driving the implementation and coordination of the overall ESG strategy across the Group
ESG Advisor to the Management Board #2	Driving the incorporation of the ESG factors (focused on climate-related & environmental risk) across all risk management processes in the Group

¹⁷ GRI 102-32

¹⁸ GRI 102-20

¹⁹ GRI 102-30

The Board members have voting rights. All Committee members are responsible for promoting the ESG agenda within and across the functional organisational units. In addition, there are permanent invitees to the CC&S Committee meetings, including the Bank’s Procurators, as well as directors of other areas which are heavily involved in the implementation of the ESG strategy, including the Head of Product Development, Head of ALM, Head of Central Procurement & Real-Estate Management, Head of Marketing and Communication, and Head of Internal Audit, as well as the Ethics Compliance Officer who is dedicated to ESG matters at the Compliance Office.

5.2 STRATEGY

This chapter includes:

- Description of the climate-related risks and opportunities the Group has identified over the short, medium and long term.
- Description of the impact of climate-related risks and opportunities on the Group’s businesses, strategy and financial planning.
- Description of the resilience of the Group’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The Group recognises the growing importance and relevance of the broad ESG agenda, specifically that of climate change, to its business and operating environment. As a result, and recognising the ‘whole of group’ impact, the Group has strengthened its strategic pillars with an ESG layer that is embedded across all Strategic Pillars with the intention of incorporating its ESG strategy into its overall Business Strategy.

Nova KBM Group Strategic Pillars



The Group began its comprehensive **ESG transformation** in late 2020 and formalised its ESG strategy in spring 2021. This strategy seeks to ensure the inclusion of environmental, social and governance factors in its business strategy and across all operations and processes of the Group. To this end, the Group included the following **forward-looking** principles in its business strategy:



ENVIRONMENTAL PRINCIPLES

1. The Group recognises that its **business environment is and will be impacted by climate change**. This will also have impacts on the physical and macro-economic environment in which the Group operates. Further, the **transition to a low-carbon** or carbon-neutral economy brings with it **risks and opportunities for the Bank** (like other financial institutions). The **Group recognises both physical climate change and transition risk as relevant drivers of its overall risk profile**.
2. **The Group operates in** a Member State of the **EU**. The EU has **committed to reduce its GHG emissions by 55% from the levels recorded in 1990 by 2030**. The European Green Deal has committed to making Europe a climate neutral continent by 2050. In these contexts, Slovenia has made its own efforts in support of the EU's commitments.
3. The European **authorities**, including the **ECB**, **expect** that the **financial sector plays a key role** in this process, and the **European Commission has set this out in its action plan for financing sustainable growth**.
4. **The Group** has familiarised itself with these **plans** and **will utilise them** within the development of its **commercial objectives** for the coming accounting periods.
5. The Group will take actions in the short and medium term to **adapt its current investment and loan portfolio** to one which is **aligned with the EU's NDCs to decarbonise** the economy, and such that its **exposure to climate and transition risk is reduced over time**.
6. The Group will take actions in the short and medium to **increase its engagements to financing the economic transition towards a low-carbon or carbon-neutral economy**.
7. The Group will take actions in the short and medium term to **further reduce its own Scope 1 and Scope 2 emissions**, recognising the progress already made in this respect in recent years.



Additional information on our environmental impact is presented in Chapter 6.



SOCIAL PRINCIPLES

8. The Group will remain a **socially responsible institution** and will continue to build **sustainable, transparent and proactive relations with all its stakeholders**: employees, customers, business partners and others. Its aim is to contribute to the **development of the broader social and economic environment** in which we operate.
9. The Group will support national, regional and local communities as a **partner, sponsor of or donor to** events, projects and initiatives. It will continue with **awareness programs** in the areas of financial literacy, which include providing knowledge about banking products and services, responsible investing and borrowing, digital literacy, safe banking, fraud prevention and security in online transactions.



Detailed information on our social impact is presented in Chapter 7.



GOVERNANCE PRINCIPLES

10. The Group is committed to meeting **the highest corporate governance and compliance standards**. We have codified our shared values, the foundation of ethical standards and rules of conduct, in our **Code of Conduct** that is the primary **building block of our corporate culture**. We will continue to build an **inclusive work-environment** and promote **equality and diversity**.
11. We will continue acting with full **transparency** and the highest level of **integrity**, as well as having zero-tolerance policy toward any kind of corruption in all our business relationships and transactions.



Detailed information on our governance is presented in Chapter 8.

5.3 RISK MANAGEMENT

This chapter describes:

- The organisation's processes for identifying and assessing climate-related risks.
- The organisation's processes for managing climate-related risks.
- How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

The governance, management, measurement, mitigation and monitoring of ESG risks is an ongoing process which is evolving relatively quickly.

In 2020 the Bank identified the Environmental, Social and Governance risks (ESG risks) as material for its future business. As the assessment of ESG risks is an ongoing process, the Bank will continue to identify ESG risk factors and incorporate them into existing risk types rather than into a single, standalone ESG risk type. In 2021 the Bank started to actively work on incorporation of these factors into the risk governance and management process, a process which will continue during 2022. Acute physical risk (such as floods, earthquakes, fires, extreme weather and environmental disasters) and transition risk (i.e. policy changes driven by the zero emissions target) have been identified as key risk drivers for the Group.

The Group has begun to monitor material ESG risks, and assess the impact on the different business and risk areas. The Group aims for the progressive integration of ESG, primarily climate-related and environmental risks, into its risk management framework:

- short term: focus on implementation of acute physical risk and transition risk (i.e. policy changes driven by the zero emissions target);
- mid term: focus on implementation of physical and transition risk in technology and policy changes focused mainly on water consumption, waste management and energy consumption;
- long term: focus on implementation of transition risk represented by behavioural changes and social and governance risks.

5.3.1 RISK INVENTORY AND ASSESSMENT PROCESS

In 2020 the Bank introduced ESG risk into its risk inventory. In 2021 the following risk types related to ESG were assessed in the risk profile assessment process:

- credit risk subtypes: credit default risk, credit concentration risk, country risk, project financing risk; and
- market risks: credit spread risk;
- operational risk subtypes: operational risk, outsourcing risk, reputational risk, human resources risk;
- funding and liquidity risk;
- strategy, business and profitability risk; and
- capital risk.

The initial results of this exercise show that the assessors recognise lower inherent risk than is recognised or assumed by the Risk Management function. The Bank will continue to collect data and information regarding these risks such that the ESG-related risks are better reflected in the assessments.

The Bank updated its Risk Management Framework in 2021, and among its objectives it included the embedding of ESG risk, and specifically climate-related and environmental risk, into its governance and management processes.

5.3.2 CREDIT RISK

In mid-2021 the Bank updated its lending process to include a ESG risk assessment of its clients. The Bank has defined the procedures for approving exposures to clients, both in terms of data collection and analysis, and in terms of the follow-up of clients or the definition of decision-making powers, depending on the output of the ESG risk assessment. Such assessments are currently only being performed on clients from the corporate segment.

The Bank closely monitors the ESG risks of its clients by collecting data from publicly available sources (including public disclosures, ESG reports published by its clients and industry assessments), external ESG data providers, national and international agencies and ministries, and by collecting data directly from clients (based on a questionnaire provided by the Bank to clients). Based on the ESG risk assessment, the Bank classifies clients or activities into low, medium and high ESG risk groups. The Bank has also identified industries from the ESG risk perspective that it does not finance in principle (i.e., excluded industries). As a general rule and in accordance with currently used rulesets, loans are primarily granted primarily to clients with low and medium ESG risk, and on an individual basis (case-by-case) to clients with an estimated high ESG risk.

The Group has initiated a process to recognise the wider ESG risks it faces, and specifically the climate-related and environmental risks arising from its regular investing and lending operations, and thus to take the first steps needed to mitigate these. The Group will continue to focus on the delivery (and where appropriate or necessary the adjustment) of its ESG strategy, and to reflect the ESG agenda across its operations and subsidiaries.

Furthermore, the Bank is obtaining data on the energy efficiency of the buildings in its real estate portfolio, while energy performance certificates (EPC) are being provided by the Bank's clients. The Bank also collects the EPC available in the EPC register at the relevant ministry. For properties without an EPC, the Bank is collecting a set of additional data that is used to estimate the energy efficiency of the buildings.

5.3.3 SENSITIVITY ANALYSIS

In the absence of adequate data to embed climate-related and environmental risk into its full internal stress testing exercise alongside the business planning process, the Bank has performed a sensitivity analysis of its exposure to carbon intensive industries in terms of the impact of an increase in key risk parameters on the level impairments and capital (including Pillar 2 capital requirement).

5.3.4 INVESTMENT STRATEGY

The Bank has integrated ESG considerations and objectives into its investment strategy, and we now have a framework to consider ESG in investment decisions.

5.3.5 OPERATIONAL RISK & PROCUREMENT PROCESS

The Bank continued to upgrade its operational risk event management process in 2021. The Bank has begun to reflect threats and controls related to ESG risk (physical and transition risk of climate-related and environmental events: impact on business continuity and reputational and/or liability risks) into the Operational Risk Register. Based on the Group's ESG strategy approach, the focus of the Group will be on the acute and chronic physical risk in the scope of the operational management framework. The Bank has internally developed a questionnaire to assess ESG-related risks at its vendors. From January 2022, the use of an ESG questionnaire is mandatory in all outsourcing and procurement processes exceeding €10,000.

5.4 METRICS & TARGETS

The aim of this chapter is to:

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Describe the organisation's processes for managing climate-related risks.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against the targets.



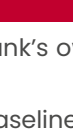
Since 2017 the Bank has been tracking and disclosing its Scope 1 and 2 emissions, and we have also set an ambitious target to further reduce our emissions in 2022. These actions require investments in its real estate (introduction of energy management systems, replacement of lights to LED, replacement of existing blinds, of HAVAC, etc.), electrifying its car fleet as well as sourcing all its energy from renewable sources.

The Bank intends to use 2022 to set a reliable data baseline for Scope 3 emissions (both for own and financed emissions) and set medium- and longer-term targets. Specifically, this means the collection and assembly of data regarding the GHG emissions of the Bank's loan portfolio. In Q4 2021 the Bank prepared estimates of the emissions of its domestic corporate lending, international lending, and bond portfolios. These estimates led to the development of a data collection methodology using both data sets prepared by the EU and national governments (and their agencies) and those generated by the Bank's clients. The results of these exercises and others to be undertaken during 2022 will be used to set the baseline for further Scope 3 (financed) portfolio emissions on the Bank and Group levels. The Bank acknowledges that extensive and granular climate-related data is not readily available on a borrower-by-borrower basis, but does not see this as a barrier to developing its risk management tools and reporting processes.

The Bank has adjusted its banking book securities and commercial loan origination and renewal processes to incorporate relevant ESG data and metrics into its decision making. The Group has set ambitious internal targets that will track the proportion of its portfolios which have been assessed from ESG and climate-related risk perspective.

In 2021 the Bank developed a set of **15 ESG-related internal KPIs for 2022 across each pillar of its ESG strategy**, and in 2022 these are expected to be incorporated in the Management Board's, B-1s' and performance management scorecards for all employees of the bank.

15 ESG-related internal KPIs for 2022 across each pillar of its ESG strategy

Pillar	KPI
 <p>Environmental</p>	<ol style="list-style-type: none"> 1. Reduce the Bank’s own GHG emissions (Scope 1 and 2) by at least 7% against 2021; 2. Set a data baseline for client Scope 3 emissions (with supporting methodology) as a framework for setting targets and limits to be applied in the coming accounting periods; 3. Replace 20% of the car-fleet with e-vehicles in 2022* 4. Source 100% of energy needs from renewable sources of electricity 5. At least 30% of the Bank’s exposures (excluding Retail, Micro and Other**) to be evaluated using ESG criteria*** 6. At least 80% of new medium- and long-term bank credits to be evaluated using ESG criteria 7. Launch green loan products for Retail & Corporate
 <p>Social</p>	<ol style="list-style-type: none"> 8. Implement a diversity & inclusion policy 9. ESG training completed by more than 80% of all employees 10. Maintain and improve NPS (Net Promotor Score) 11. Maintain and improve E-NPS & VOE (Voice of Employees)
 <p>Governance</p>	<ol style="list-style-type: none"> 12. 100% of vendors for new sourcing contracts over €10,000 to be subject to ESG screening 13. Update senior management performance scorecards with ESG goals 14. Update internal policies and documents to reflect ESG objectives and targets 15. Meet all regulatory expectations on ESG disclosures

6 MANAGING ENVIRONMENTAL IMPACTS

We are seeking to improve our response to global environmental challenges and opportunities while at the same time as taking into account the expectations of strategic stakeholders. The strategy is designed to manage the Bank's environmental impacts and factors, including:

- Climate change and own CO₂ emissions. The Bank has measured Scope 1 and Scope 2 emissions since 2019, whilst in 2021 we set the framework for measuring Scope 3 emissions in the future.
- Air and water pollution
- Energy efficiency
- Waste management
- Water usage
- Biodiversity and deforestation (actions to be undertaken in 2022)

KPI	2019	2020	Delta (%) 2020/2019	2021	Delta (%) 2021/2020
Carbon footprint (in metric tonnes CO ₂) Scope 1 and 2 per employee	2.454 (= 2,954,620/1,204)	1.923 (= 3,660,290/1,903)	-21.6%	1.796 (2,929,000/1,631)	-6.61%
Energy consumption (kWh) per employee	8,081 (= 9,730,000/1,204)	8,469.25 (=16,117,000/1,903)	+4.8%	7,639.46 (12,459,963/1,631)	-22.69%
Water consumption per employee (in m ³)	16.87 (= 20,318/1,204)	9.78 (= 18,615/1,903)	-42%	7.86 (= 12,492/1,631)	-32.89%
Waste management costs per employee (in €)	55.25 (= 66,523/1,204)	81.98 (= 155,999/1,903)	+148%	56.24 (91,722/1,631)	-31.40%
Paper consumption per employee* (in kg)	25.46	14.34	-56.32%	10.23	-28.76%
Fuel consumption in vehicle fleet per employee (in litres)	88.70 (= 106,800/1,204)	41.51 (= 79,000/1,903)	-46.8%	52.96 (86,386/1,631)	+27.58%

* The figures for 2020 do not include Abanka (which became a member of Nova KBM Group as of February 2020) due to unavailability. To ensure comparability, the figures only refer to Nova KBM.

6.1 ENERGY EFFICIENCY

Total energy consumption (in kWh)²⁰			
Energy	2019	2020*	2021
Energy consumption (in kWh)	9,730,000	16,117,000	12,459,963
Energy consumption/employee (in €)	8,081	8,469	7,639

The figure used is for the number of employees as of 31 December.

*Figures for 2020 are higher than in the previous year because of the merger of Nova KBM and Abanka that was completed as of 1 January 2021.

Total energy consumption fell by 22.69% in 2021. The Bank achieved this reduction through rationalisation of business premises and reduction of office space, energy loss prevention and energy saving measures.

In 2021, the Bank further invested in energy efficiency and executed the following key activities:

- We reduced consumption of energy products for the cooling and heating of premises through optimisation of the use of office space, the sale of surplus real estate and the efficient management of the existing remaining premises.
- We reduced our total business premises by 55.7 % (from 82,550 m² at the end 2020 to 36,550 m² at the end of 2021).
- We replaced outdated cooling systems in several branches.
- We continued to monitor the energy consumption operating parameters of HVAC systems at the central premises in Maribor, and took effective action in the case of discrepancies.
- In the case of renovations and capital expenditure on office premises and branches, the Bank followed energy efficiency guidelines and the provisions of construction legislation.

In 2022 we plan to invest in energy efficiency in the RCA Tezno building (one of the largest buildings in our network) by introducing an energy-efficient cooling and heating system, replacing blinds and existing lighting systems with LED lights.

The Bank used 1,870,758 kWh electricity from renewable energy sources in 2021, which represents 31% of all electricity consumed. The Bank signed the purchase agreement for 100% electricity from renewable sources, which is effective from January 2022.

²⁰ GRI 302-1

6.2 CARBON FOOTPRINT

The Bank has been calculating its carbon footprint (Scope 1 and 2) since 2019. The carbon footprint is a way to determine the emissions of carbon dioxide and other greenhouse gases, which the Bank measures using the GHG Protocol. In 2021 we set the procedures and general framework to include indirect emissions, such as commuting, business trips and others (Scope 3) into the calculation.

Total carbon footprint in the Bank fell by 20%. The carbon footprint per employee fell by 6.61%.

Carbon footprint (in million tonnes CO ₂)	2019	2020*	2021
Carbon footprint – direct CO ₂ emissions by the organisation - Scope 1 ²¹ (in million tonnes)	1,251	1,707	1,285
Carbon footprint – indirect CO ₂ emissions within the organisation - Scope 2 ²²	1,704	1,954	1,645
TOTAL carbon footprint ²³ (in million tonnes/delta in %)	2,955	3,660 (+24%)	2,929 (-20%)
Carbon footprint /employee (in million tonnes/delta in %)	2.450	1.923 (-21.6%)	1.800 (-6.61%)

The figure used is for the number of employees as of 31 December.

*The figures for 2020 are higher than in the previous year due to the merger of two banks (Nova KBM and Abanka) that was completed as of 1 January 2021.

 More information on our approach to managing and measuring the Scope 3 emissions of our customers is given in Chapter 5.4. (Metrics and Targets).

6.3 VEHICLE FLEET AND SUSTAINABLE MOBILITY

The Bank continued the process of optimising its vehicle fleet in 2021. By the end of 2021, the number of vehicles in the fleet had fallen by 23.4% (from 94 to 72). Fuel consumption increased from 79,000 litres in 2020 to 86,386 litres in 2021. This 9.34% increase in fuel consumption in 2021 compared to 2020 is a consequence of the increased volume of business travel after the lifting of pandemic containment measures.

The Bank aims to switch its fleet progressively to electric vehicles, while at the same time promoting forms of sustainable mobility among employees, including car-sharing, the use of public transport and alternative, environmentally friendly vehicles.

The Bank has bicycles available at certain of its locations which employees can use for short urban journeys. The Bank is also attempting to raise awareness of the advantages of sustainable mobility and cycling among both employees and customers.

 More details on this are provided in Chapter 7 Managing Social Impacts.

²¹ GRI 305-1

²² GRI 305-2

²³ GRI 305-5

Fuel consumption for vehicle fleet	2019	2020*	2021
Fuel consumption for vehicle fleet (in litres)	106,800	79,000	86,386

The figure used is for the number of employees as of 31 December.

*The figure for 2020 is lower than in the previous year due to measures and restrictions during the COVID-19 pandemic which significantly reduced business travel.

6.4 WASTE MANAGEMENT

Separation of waste raw materials at source is of crucial importance in achieving circular economy goals. The Bank has been carrying out the separate collection of waste for a number of years, as required by the ordinances of individual municipalities and their waste management licensees. The Bank monitors the quantity and costs of hazardous waste, which includes monitors, printers, batteries and cartridges. It also monitors non-hazardous waste, 100% of which is collected separately and removed for recycling. In view of the fact that bins of specific sizes are allocated to individual locations and emptied according to a fixed timetable, regardless of how full they are, it is not currently possible to trace quantities of municipal waste or establish actual quantities of waste. Waste costs are paid according to the size of the bin or container, and are not tied to the quantity of waste in the bin.

Waste management costs decreased by 41.2% in 2021 compared to the previous year.

Quantity of waste and waste management costs ²⁴	2019	2020*	2021
Waste management costs (in €)	66,523	155,999	91,722
Waste management costs/employee (in €)	129.56	81.98	56.24

The figure used is for the number of employees as of 31 December.

*The figure for 2020 is higher than in the previous year because of the merger of Nova KBM and Abanka that was completed at the end of the year.

6.5 WATER CONSUMPTION

The Bank is the holder of a Tap Water certificate. Employees are informed about the advantages of choosing tap water via an internal program called Let's drink tap water (Voda iz pipe).



All employees were issued with reusable water bottles in 2021. Where possible, we also encourage our partners and other stakeholders to drink tap water. In this way we spread awareness that drinking tap water is healthier and more environmentally friendly than bottled water, and leads to a reduction in plastic packaging and a smaller carbon footprint. We also aim to be economical in our use of water in our daily work and at banking events, and to avoid plastic packaging.

²⁴ GRI 306-3

	2019	2020	2021
Water consumption ²⁵	20,318	18,615	12,492
Water consumption per employee	16.87	9.78	7.66

The figure used is for the number of employees as of 31 December.

Our water consumption fell by around 6,123 litres in 2021, a **reduction of 32.89%**, in part as a result of our efforts and in part a consequence of the fact that fewer employees were present on business premises due to the COVID-19 pandemic.

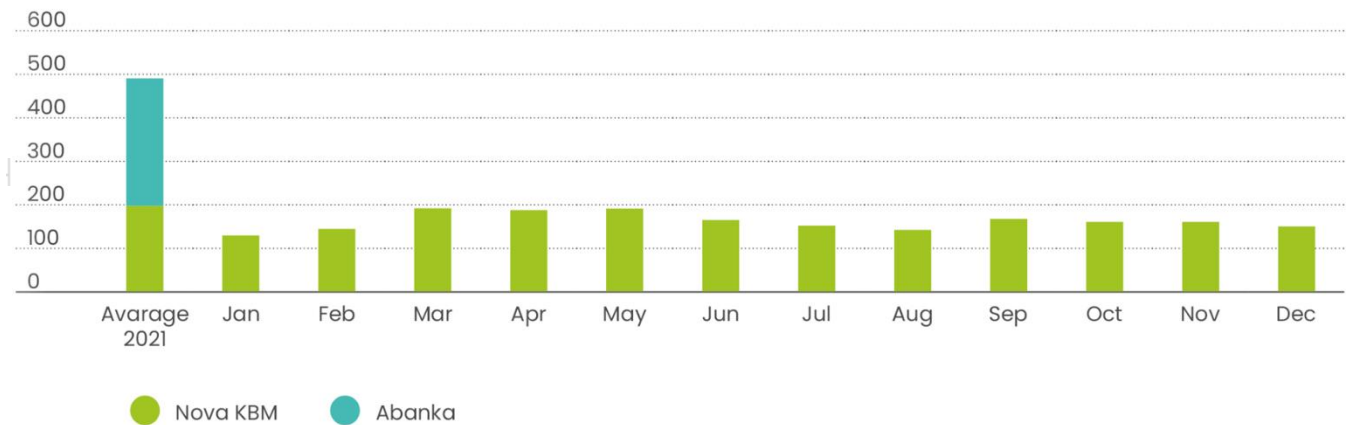
6.6 PAPER CONSUMPTION²⁶ AND PAPERLESS BRANCHES

The Bank has been rapidly reducing its paper consumption over the last three years via its Paperless branch program, internal bank-wide Printless campaign (Klik za okolje) and other measures.



Compared to 2019, when the Bank introduced a new core system and carried out a digital transformation which made paperless activities possible, we decreased our printing by 52.3 % (from 6.5 million to 3.4 million sheets per year). By promoting the benefits of paperless operations among clients and employees, the Bank also succeeded in reducing the volume of printed documentation in branches (retail and corporate). Paper consumption decreased from the 2020 monthly average of 490,000 sheets to 161,000 sheets in 2021, a reduction of around 70%.

Number of printed sheets of paper in Nova KBM branches (in thousands)



The Bank will continue to focus on delivery of its paperless branch objectives, primarily through activities aimed at increasing the delivery of business documentation via electronic banking.

By digitalisation and the promotion of a printless culture in the Bank, we reduced paper consumption by 13.9 tonnes compared to 2019 and saved 335 trees.

²⁵ GRI 303-5

²⁶ GRI 301-1

6.7 ENVIRONMENTALLY FRIENDLY BANKING SERVICES

The Bank also implements its ESG strategy through banking services and products that have positive impacts on the environment. Our range includes services and products that customers can sign up for or use with zero or minimal use of paper, are energy-efficient and produce less or minimal emissions.

Current environmentally friendly products/services/processes in the Bank include:

- Digital account opening
- Online transaction: consumer loans, debit cards and prepaid cards, Paket Komplet bundle
- Card payments – instead of cash
- Use of a mobile wallet instead of plastic cards
- Digital – Paperless signing on tablets
- Use of online/mobile banking for payments instead of in-branch payments
- New procedure for opening accounts in branches that promotes an exclusively digital option (current account & online banking, Personal Plus Account)
- Change POS settings so client copy not printed unless requested
- Green funds (these are issued by our partner asset management companies, and are marketed/distributed through our business network).

In the future, the Bank plans to develop additional products and services that support environmental goals, including:

- Virtual payment cards to reduce the use of plastic
- Green consumer loans and housing loans
- Dedicated loans for hybrid or electric cars and solar power plants.

7 MANAGING SOCIAL IMPACTS

Through Nova KBM’s ESG strategy, we are seeking to address the following social or societal issues:

- diversity and gender equality,
- human rights,
- standards of work and working conditions for employees,
- employee involvement,
- customer satisfaction and privacy,
- community relations.

KPI	2019	2020	Delta (%) 2019/2020	2021	Delta (%) 2020/2021
Level of employee engagement	+8 points	+5 points	+5 points	+3 points	+3 points
Level of employee satisfaction	+9 points	+6 points	+6 points	+3 points	+3 points
Employee Net Promoter Score		+35		+50	+ 15 points
Average training hours /employee**27	54 hours	39 hours	-27.9%	41 hours	+5.13%
Number of different contents of online training	15	37 (146%)	+146%	42	+13%
Voluntary turnover	4.5%	3.6%	-0.9%	5.6%	+2%
Absenteeism rate	5.3%	4.7%	-0.6%	4.8%	+0.1%
Number of working days lost due to injury	123	39	-68.29%	271	694%
Net Promoter Score (customer satisfaction)	+7 points	+9 points	+9 points	-3 points	- 3 points
Active Complaints		-30%	-30%	- 53,9%	- 53,9 %

**** Average training hours by employee:** The decline in average training hours in 2020 and 2021 is a consequence of measures during the COVID-19 pandemic. The set of training courses performed by external institutions and usually attended by Nova KBM employees changed during the pandemic. Training courses with participation in person were significantly reduced and even cancelled in certain periods due to government mandated containment measures. The result was a lower number of training courses and a shorter time of some training courses. Training providers adapted and moved their training courses to the online environment. In 2021, the trend started to reverse due to the less strict measures and removal of certain restrictions, which enabled the easier organisation of training. The figure used is for the number of employees as of 31 December.

²⁷ GRI 404-1

7.1 RESPONSIBILITY TOWARDS EMPLOYEES²⁸

In the implementation of its ESG strategy and standards, the Bank devotes particular attention to fostering the development of a positive workplace culture and employee conduct that reflects the Bank’s values, merit-based hiring and promotion, a high-quality working environment, equal opportunities and non-discrimination.

Human Resources Vision, Mission and Focus Areas

Human Resources Vision

- We aspire to enhance employee engagement, improve our organisation and culture and thereby support the Group’s focus on excellence.

Human Resources Mission

- To serve as a value-adding, strategic business partner that helps the organisation execute its strategy and achieve its vision.
- Clear dedication to attracting, developing, rewarding and retaining talented and diverse employees.
- Integration of HR and talent management practices, processes, systems and information that contribute to employee satisfaction and organisational culture and which ensure the Bank has the right people in the right place, at the right time and the right cost.

Focus Areas

- Key processes that drive efficiency, effectiveness, integration and role clarity.
- Flexible job descriptions and job competencies that support all talent management processes.
- Powerful integrated technology platform to leverage talent management practices and data and drive better execution.
- Relevant analytics to support decision-making across the Bank.
- Appropriate governance of all the above.

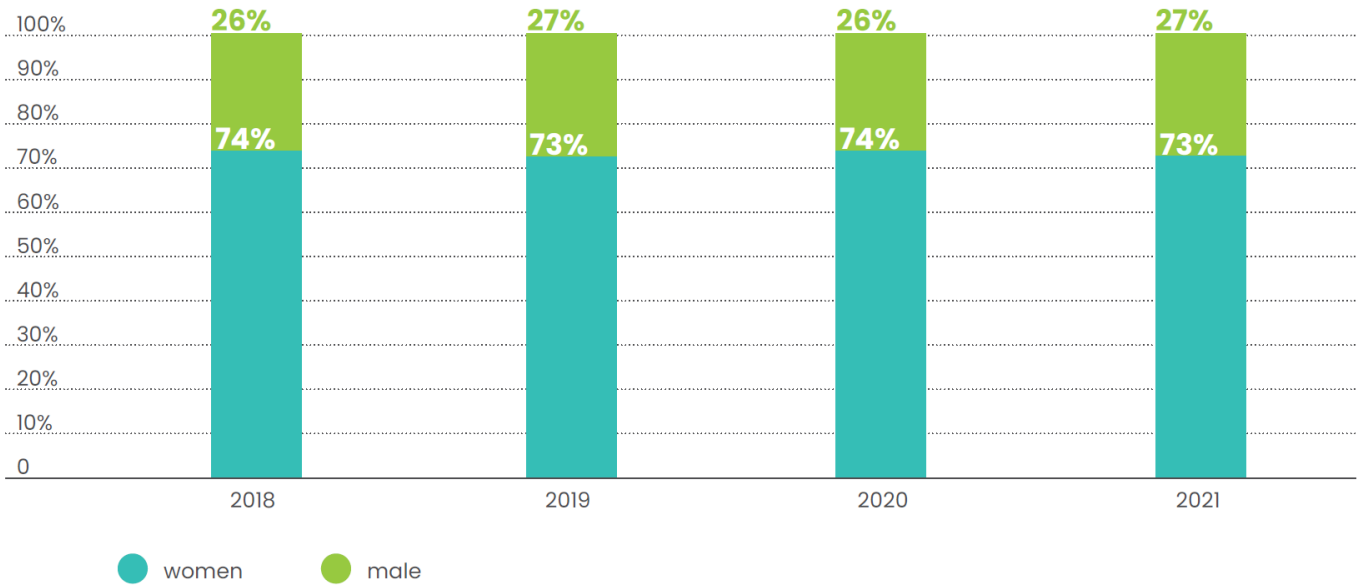
To pursue its vision and mission, in 2022 the Bank will launch a comprehensive People Strategy which will define strategic areas and include specific metrics to measure progress, key opportunities and risks in this respect.

The Bank supports employees’ personal and professional development, occupational health and safety, the fostering of good relationships, teamwork, cooperation and solidarity, promotes a healthy work-life balance, corporate volunteering, the sustainable inter-generational transfer of knowledge and experience, and the enhancing of knowledge and competences for social responsibility and sustainable development.

²⁸ GRI 102-8

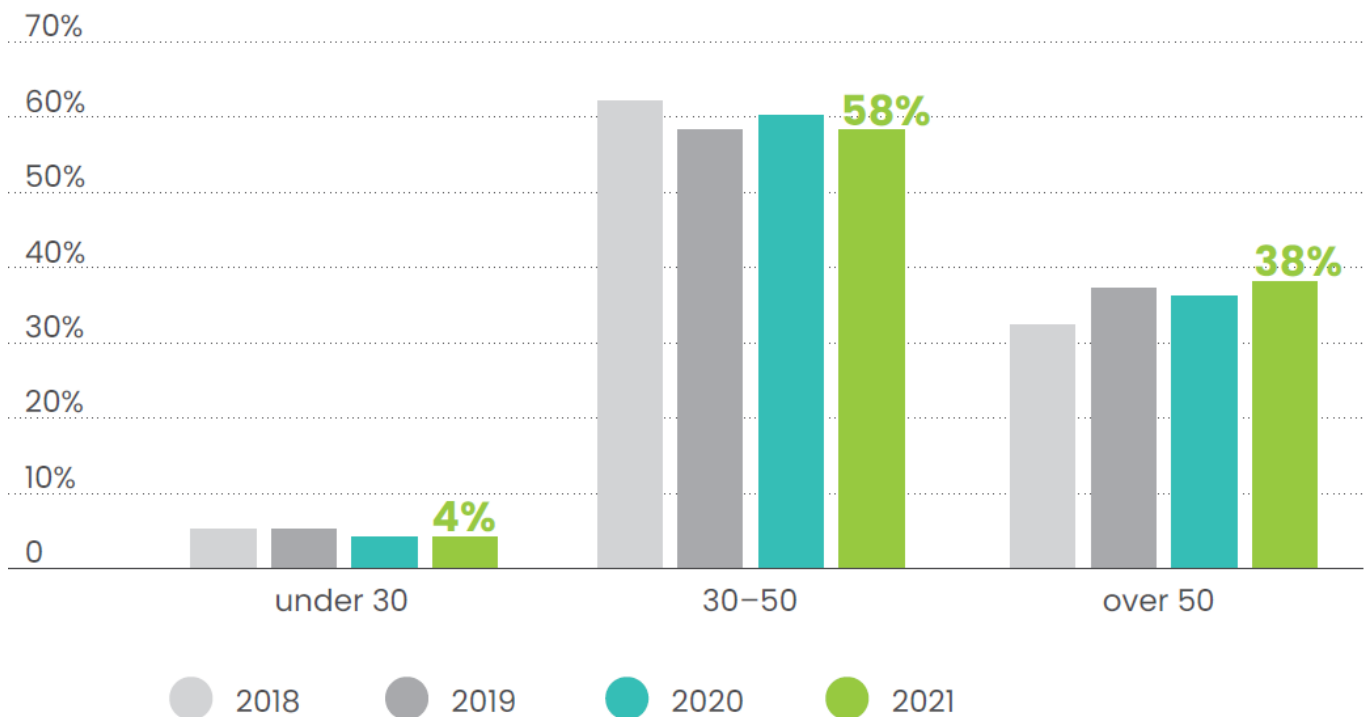
Breakdown of employees by gender

At the end of 2021 the Bank had 1,631 employees, of whom 73% were women, which is one percentage point less than in 2020, and 27% were men, which is one percentage point more than in 2020. Of directors at B-1 level, 41% were women and 59% men. The Bank employs 35 individuals on fixed-term contracts, who represent 2.14% of all employees.



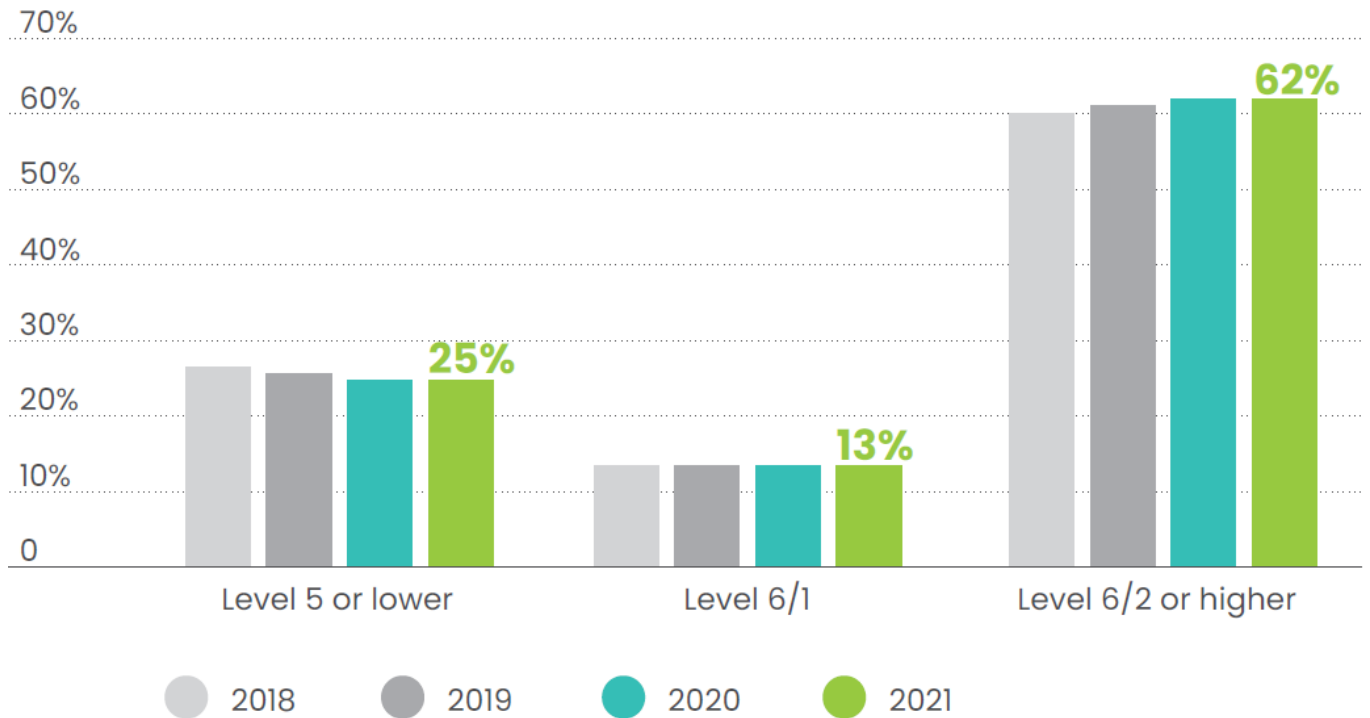
Breakdown of employees by age group

The average age of employees at the end of 2021 was 46.2, or 0.3 years higher than at the end of 2020. The under 30-age group accounted for 4% of employees, which is the same as in 2020, while 58% of employees were in the 30–50 age group, which is two percentage points less than last year. The over-50 age group accounted for 38% of all employees, which is two percentage points more than in 2020.



Analysis of employee educational qualifications

At the end of 2021, 25% of Bank employees had a Level 5 educational qualification or lower, 13% had a Level 6/1 qualification, 31% had a Level 6/2 qualification and 31% had a Level 7 qualification or higher. The percentages of employees with a Level 5 qualification or lower, a Level 6/1 qualification or a Level 6/2 qualification or higher were unchanged compared to 2020.



Satisfaction and engagement

The opinions of our employees are very important to us. That is why the Bank conducts twice-yearly employee satisfaction and engagement surveys (VoE – Voice of Employees) in conjunction with an external contractor – a practice we began several years ago and which we continued in 2021. The results of the last survey, carried out at the level of the Group in late 2021, point to an increase in the engagement rate by three percentage points and an increase in employee satisfaction by three percentage points compared to the results of the survey carried out at the end of 2020. The latter is a reflection of the successful implementation of activities as part of initiatives designed to promote a common culture and improve employee satisfaction and engagement.

In 2021 the positive trend continued, and the engagement rate increased by three percentage points. Compared to companies participating in the survey using the same methodology for measuring engagement, we are 4% above the Slovenian average. We will continue with measures and activities to further increase both employee satisfaction and engagement.

Introduction of non-monetary rewards

The Bank introduced a system of non-monetary rewards, which differs from the existing system of performance-based rewards in that employees choose their reward themselves. Those receiving rewards can choose additional paid time off from work, training or coaching of their choice, or even a leisure-time experience in the company of a loved one, which may include anything from relaxation and pampering to fine dining.

Renewing the onboarding process

The Bank has renewed the process of integrating new employees into the organisation (otherwise known as onboarding). Aware that starting a new job is an important moment in every employee's career, and in order to make that process as stress-free as possible, we provide future employees with all the information they need to help them settle into their new work environment, from the moment they accept a job offer until their first day on the job at the Bank. We have also added a welcome package that every future employee receives by post. The package includes a letter addressed to the new employee, the most relevant information about the Bank and helpful office supplies. The package also encourages the new employee to adopt a healthy lifestyle with the inclusion of a water bottle and a book of motivational thoughts by a well-known author. In this way, we make an important connection with each new employee, reinforce trust and create an employee-friendly work environment before they even start their job.

Encouraging innovation among employees

As an important step in encouraging innovation among employees, in 2021 Nova KBM introduced an application designed to collect their ideas – the 'Idejomat', the name of which was proposed by the employees themselves. The aim of the Idejomat is to promote the values of innovation and efficiency and include in the idea management process all those employees who wish to improve the operations, efficiency and performance of the Bank. A total of 280 different ideas were submitted to the Idejomat in 2021 by 124 employees, 18 ideas were confirmed as feasible, and in 2021 five ideas were already fully implemented.

The Bank has encouraged innovation via the **Idea Challenge** through which it hopes to receive employees' ideas for improvements relating to specific areas of work. At the start of the year we held an Idea Challenge on the topic of improving the efficiency of the Bank and its processes. The Idea Challenge lasted for two months, during which time 51 ideas for improving the efficiency of the Bank's operations were submitted. The submitted ideas were studied and reviewed on the basis of several criteria, including whether they were already in the implementation phase or planned to be introduced, or actually represented something that the Bank had not yet considered or addressed; what the business effect of the idea was; how quickly and simply the idea could be implemented; and whether the person proposing the idea could implement it themselves. The winners of the Idea Challenge received interesting and useful prizes.

With the aim of encouraging and developing innovation among its employees, the Bank introduced an application for the collection of ideas called the Idejomat, which employees filled with 280 different ideas.



Employment and staff turnover²⁹

Intensive restructuring continued in the context of reorganisations and the establishment of a new organisational structure and the simultaneous reduction in the number of employees, which was a consequence of the duplication of positions following the merger with Abanka and the automation of processes. Where possible, the Bank has used soft methods to reduce the number of employees and made every effort to ensure conditions that are more favourable for employees than those statutorily prescribed. Throughout the process of reducing the workforce, we cooperated and communicated transparently with trade unions.

Recruitment largely took place in areas where new competences not present internally in the Bank were necessary.

A total of 328 employment contracts ended in 2021, and 56 new employees were recruited. We recorded voluntary employee turnover of 5.6% (regular termination by employees and termination of employment by mutual agreement), which was two percentage points higher than in 2020.

²⁹ GRI 401-1

Training³⁰

Our employees participated in 311 different training programs in 2021 for a total of 66,058 hours, which translates to an average of 41 hours per employee. We also responded successfully to the emergency situation in connection with preventing the spread of COVID-19 by organising all internal and external training via digital channels, i.e. in the form of e-training.

The Bank is aware of the importance of investing in the development of managers. For this reason, we organised workshops for all managers on management skills linked primarily to motivating and maintaining the engagement of employees, including through remote means. At the end of 2021 we revived the **Lead program**. The latter is a one-year development program intended for potential managers from various levels and areas at the Bank. The program will continue and be completed in 2022. The objective of the program is to find the most original and effective solutions for the real challenges that the Bank faces, while connecting managers from various levels and areas. The program is based on the use of teamwork to address challenges with the direct cooperation and support of the Bank's senior managers. Additional workshops will be organised for managers on the topics of personal development and the effective and concise communication of solutions to challenges. To ensure a relaxed atmosphere, we will also organise teambuilding events at the end of the workshops.

Employees received an average of 41 hours of training in 2021, an increase of more than 5.13 % compared to last year.

Internal coaching³¹

Experienced external coaches have been available to senior management and management staff at Nova KBM for some time. In 2021 we launched an internal coaching program with the aim of making this support available to a wider range of employees. Through the intensive **training of internal coaches**, which began in 2021, future coaches will acquire the skills and basic competences needed to support the personal and professional development of their colleagues via a structured process.

With the aim of encouraging the personal and professional development of employees, the Bank has begun the intensive training of internal coaches.

Connecting with young people and mentoring

Once again, special attention was given in 2021 to **recruiting young talent**. With the aim of linking the academic and business worlds, and recruiting promising young talent, we have been working with educational institutions in the preparation of various projects for several years. We also attend various careers fairs and other events organised by educational institutions. In cooperation with the Faculty of Economics at the University of Ljubljana, we organised a four-day educational event for students in 2021. To date, the Banking School has been attended by more than 50 students from various faculties and study programs. We are particularly pleased that such forms of networking are developing into long-term cooperation and potential jobs for young people entering the labour market. We also participated in two **careers fairs** in 2021, where our HR representatives were available to answer jobseekers' questions.

Family-Friendly Company certificate

Nova KBM has been a holder of the full **Family-Friendly Company certificate** since 2015, and in 2021 we added a new baby bonus to the existing range of measures. This is a popular measure carried over from the former Abanka that we introduced at the merged bank at the request of employees. A total of 16 family-friendly measures are

³⁰ GRI 404-1

³¹ GRI 404-2

now available to employees. Among the most popular in 2021 were flexible working hours, additional days of paid leave to care for sick children, the giving of gifts to employees' children and additional hours for doctors' visits for employees over the age of 50.

Nova KBM is a holder of the full Family-Friendly Company certificate with total of 16 family-friendly measures available to employees. In 2021 we added a new baby bonus to the existing range of measures.



Occupational health and safety and health promotion³²

The Bank dedicates particular attention to occupational health and safety, since providing safe and healthy working conditions is one of the most important tasks of an employer. We regularly refer employees for preventive and periodic medical examinations, and ensure the ergonomic arrangement of work stations in accordance with their needs. We regularly organise various forms of training for employees. In 2021 we invited all employees to participate in compulsory e-training on the subject of occupational health and safety, and continued to provide advice on health and safety when working from home. Over the course of the year we also organised a number of internal e-training courses for employees, flu vaccinations at the Bank and active breaks as part of our efforts to promote health. Our objective is to prevent workplace injuries, reduce the sick leave rate and raise employee awareness about the importance of health through the implementation of various measures and by taking a preventive approach.

The Bank has its own Nova KBM Sports Club, where employees can work on their physical fitness and health in a context that promotes socialisation with colleagues outside the working environment. Employees can also make use of a modern sports and relaxation space in the Bank's central building in Maribor. Other initiatives connected with the promotion of health in the workplace include the Nova KBM Runs program and other selected events which the Bank supports as a sponsor, and in which employees greatly enjoy participating.

Absenteeism and workplace injuries³³

The annual absenteeism rate in 2021 was 4.8%, which is 0.1 percentage point up on last year. We recorded four injuries at work in 2021, which is one more than in the previous year. The total number of working days lost due to injury was 271.

Free psychosocial support for employees and their families

Free psychosocial support is available to Nova KBM employees and their immediate family members 24 hours a day, every day of the year, in the form of telephone, online or face-to-face counselling. All the counsellors are experienced psychologists and psychotherapists with many years' experience of offering psychosocial support in the working environment. Counselling for employees and their immediate family members is anonymous and completely free. Figures for 2021 show that the largest number of employees sought help with emotional distress and problems in the personal sphere, and that the most popular form of counselling was face-to-face counselling.

Solidarity assistance

The Bank also looks after employees living in less favourable conditions by awarding scholarships to the children of deceased employees.

³² GRI 403-1, 403-6

³³ GRI 403-9

In 2021 one secondary school student and two university students were supported by these scholarships (in one case a newly awarded scholarship). We are continuing to support one secondary school student and one university student in the 2021/22 academic year.

Teambuilding

Teambuilding is a popular activity designed to strengthen team spirit and increase employee satisfaction. All employees had the opportunity to take part in teambuilding activities in 2021, in those months when the COVID-19 situation allowed this. During periods of stricter lockdown, we encouraged informal online gatherings such as Zoom breakfasts, just as we did the previous year.

Promoting the flow of information and communication

Considerable emphasis was placed in 2021 on promoting the flow of information among employees, through activities such as **brown bag lunches**, **weekly takeaways** and **internal career interviews**³⁴.

Given that we have still not had the chance to really get to know some of our colleagues since the merger in 2020, the **brown bag lunches** were initially aimed at online presentations of the work of individual sectors and the main responsibilities of employees. The aim of the activity is to familiarise all Bank employees with the work of their colleagues in a simple and understandable way. Following the presentations of sectors, the activity will be reserved for leisure time content, such as brief presentations of co-workers' hobbies, trips, recipes, etc. Participation will be open to all employees who wish present an interesting aspect of their life outside work to their co-workers. Both brown bag lunches and weekly takeaways represent opportunities for employees to learn something new about subjects that interest them.

While brown bag lunches were initially intended for the presentation of sectors and later for leisure time activities, **weekly takeaways** are reserved for specialist topics from various sectors in the Bank. The activity takes place at the end of the working week via MS Teams, and is intended as a one-hour internal training course on topics in various specialist fields. All employees may register for the training.

As part of **internal career interviews**, we present the interesting career paths of some of our colleagues in our monthly newsletters.

³⁴ GRI 404-3

7.2 RESPONSIBILITY TOWARDS CUSTOMERS

Client excellence remains a central pillar of the Bank’s business strategy. The Bank thus continued to focus on strengthening our customers’ positive user experience and satisfaction, ensuring dialogue and obtaining customer feedback, all in the context of our **Together to Excellence** program. As part of our commitment to achieving client excellence, we carried out the following activities in 2021:

- **We focused on helping ex-Abanka customers** to ensure that their transition was as smooth and simple as possible. The merger which was completed at the beginning of 2021 brought some changes to these customers they needed to adjust to, which was reflected in a slight decline of NPS in Q1 and Q2 of 2021. Consequently, the overall NPS year average is lower in 2021 compared to 2020. However, with the implementation of several client-centred activities, improvements in Q3 and greater client acceptance of novelties, NPS started to increase, and in Q4 it was back to the normal level (i.e., the level before the merger).
- We kept a **high degree of transparency and responsiveness** via internal service standards: caring for our clients, professionalism, efficient sales and services, and nurturing relationships with clients.
- We performed regular surveys of our **customer satisfaction** with services (using the Net Promoter Score and other metrics), staff and banking channels. We listened carefully to customers and analysed their feedback, suggestions and complaints. On the basis of this information, we sought and continue to seek to improve our products and services via all delivery channels, in this way making a positive contribution to customer satisfaction.

Net Promoter Score	2019	2020	Delta (%) 2020/2019	2021	Delta (%) 2021/2020
Retail Banking (Group NPS)	8	17	+ 9 points	14	-3 points
Bundle Komplet	36	32	- 4 points	31	- 1 point
Bank@Net	36	69	+ 33 points	59	-10 points
Branch	76	73	-3 points	77	+ 4 points
Premium Banking	58	61	+3 points	64	+ 3 points

Net Promoter Score (NPS) is the ultimate measure to track customer satisfaction. The rates and evaluation range between minus 100 (minimal score) to plus 100 (the best score).

- The Bank continued **training** of sales staff who are in direct contact with customers and continued to exchange best business practices. We also conducted 12 training sessions on customer excellence that were attended by 590 employees.
- We successfully held a third edition of our internal sales incentive program **Arena prvakov**, which encourages team spirit and healthy competition among staff in the sales department.
- We also continued the **Adopt a Branch** program, where management staff take a selected branch under their wing and encourage the team to improve their performance on sales and service. It also enables branch teams to engage directly with senior management. In this way we seek to increase employee engagement and consequently **improve relationships with customers**.

7.3 DIGITAL BANKING

The digital transformation continued successfully in 2021. The use of digital services is increasing, and with it customer satisfaction. The Bank has a clear focus on ensuring that its digital channels are easy to use and secure.

Digitalisation and promoting digital usage is and will remain our focus of the ESG strategy, as it reduces the use of plastic and paper and the number of trips customers make to branches, which means less emissions.

- **As of the end of 2021, the share of digital transactions was 93.5%.**
- The Bank has upgraded services that enable customers to complete operations without going into a branch. Clients can open a Paket Komplet account and we also developed two new accounts, **Personal Plus and Net accounts**, which can now be opened online in just 10 minutes.
- In the last quarter of 2021, the Net Promotor Score for Bank@Net was as high as 71 points (the yearly average was 59). This year, our online (Bank@Net) and mobile banking (mBank@Net) were once again named the best mobile and online consumer banks in Slovenia by the independent research body E-laborat.

	2018	2019	2020	2021
Increase in Digital Usage (% of customers, compared to 2018)	n/a	+46%	+69%	+91%

*Data includes also Abanka clients before the merger in 2020. Data refers to all digital channels and usage in Nova KBM: Bank@Net, Mobile Bank@Net, e-notifications, Retail paperless, Poslovni Bank@Net, Halcom, Corporate paperless.

The active use of digital services more than doubled between the start of 2019 and the end of 2021.

7.4 IMPROVED CUSTOMER SUPPORT IN THE CONTACT CENTRE – WITHOUT VISITING A BRANCH

In 2021 the Bank expanded its telephone banking options via the Contact Centre to include five types of banking products (loans, overdraft limits, cards, simplified insurance products and the Paket Komplet bundle) and 15 other services, all without our customers having to visit a branch. We offer customers authentication and the chance to speak to an agent via video call, which we introduced in 2021, and access to basic information via a recorded message system that is available 24/7.

7.5 AUTOMATION OF PROCESSES AND THE USE OF ARTIFICIAL INTELLIGENCE

We are introducing the advantages of artificial intelligence to our operations, and in this way improving the user experience for remote operations.

We have launched a new platform for the creation of robotic processes that uses an **artificial intelligence system called Emma**. This will allow us to overcome technological obstacles more quickly and efficiently when optimising our business processes, and will make work easier for our colleagues.

The Bank has also introduced the **smart chatbot Niko**, which uses artificial intelligence to provide state-of-the-art interaction with customers, and if necessary, with advisers in the Contact Centre. A further upgrade in 2021 means that Niko is now able to chat to customers about more than 400 topics using natural language and free-form sentences. The range of topics is constantly increasing with the help of the team from the Contact Centre.

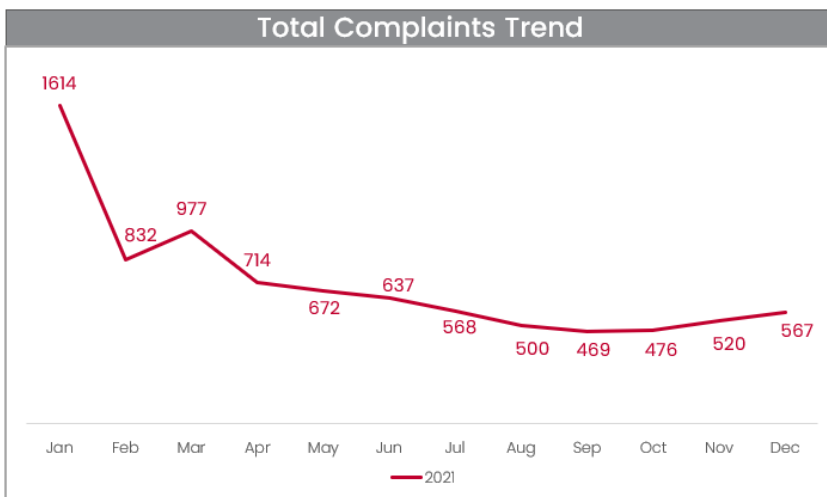
We are also introducing robotisation to other support processes. In 2021 we debuted a **robot called Robi** in our accounting department. Robi performs part of the bookkeeping process for simple invoices from our vendors, and prepares payments for goods and services.

7.6 IMPROVED COMPLAINT RESOLUTION PROCEDURES

The Bank takes customer feedback and complaints seriously and operates in accordance with the relevant legislation. In 2021 we continued to further improve the Bank’s complaint resolution processes. As a result, we resolve complaints more quickly, follow their progress actively and comprehensively thanks to improved information support, and regularly measure customer satisfaction with complaint resolution. Compared to 2019, the number of complaints fell by 15% in 2021.

The Bank’s **Quality Committee**, a special working group, meets quarterly and reviews key trends in customer feedback and complaints, and considers remedial adjustments to products, services and processes. The Committee oversees an efficient complaint management process, which monitors key drivers in a granular fashion (such as the number of complaints, breakdowns per product, segment, employee, average time, status...) and takes action to maintain the highest standards of complaint management.

The monthly number of complaints decreased constantly over 2021. The peak was in January, after the biggest bank merger in Slovenia, as clients were adjusting to changes after the merger. At the end of 2021 the monthly number of complaints had fallen by 65%. Complaints were resolved promptly. The new method of managing customer complaints has also brought a notable decrease in the number of active complaints, and a reduction in resolution time by one day. The number of active complaints at the end of 2021 was down from 712 to 328, and thus by 53.9% compared to the beginning of the year.



According to the PRSS (problem resolution satisfaction survey), satisfaction rates were high in 2021, as 76% of customers stated they were very satisfied or satisfied with the Bank’s complaint resolution, while the Net Promotor Score was 66. Customers included in the survey expressed their satisfaction with the addressing and resolution of their difficulties and complaints. They were also full of praise for the friendly, helpful and professional Bank advisers who helped them find the best solutions to their problems.

The number of active complaints at the end of 2021 fell by 53.9%, and the time taken to resolve customer complaints was reduced by one day to an average of three days.

7.7 RESPONSIBLE MARKETING COMMUNICATION³⁵

When marketing its products and services, the Bank uses both its own advertising channels (branches, website, mailings, etc.) and public media channels (television, internet, radio, social networks, etc.). It also uses promotional methods (prize competitions and programs) appropriate for the targeted segment of consumers in order to market its products and services. Advertisements for the Bank's products and services are one of the key sources of information for consumers, so it is important that the Bank always advertises in a clear, honest, accurate and non-misleading manner. In other words, in accordance with the fundamental principles of advertising and the requirements of both general legislation and specific consumer legislation.

The Bank advertises in a clear, honest, accurate and non-misleading manner.

The Bank's advertising is in line both with the Bank's strategy and with the actual characteristics of the products being advertised, since this allows consumers to be as free and as confident as possible in their choice of product. The information contained in the Bank's advertising materials is balanced, meaning that it does not only present the advantages of a given product but also the associated risks and costs. This area is regulated in more detail by Nova KBM's Fair Treatment of Consumers Policy.

7.8 PROGRAMS FOR THE DEVELOPMENT OF THE SOCIAL ENVIRONMENT³⁶

Our aim at Nova KBM is to inform, educate and empower our stakeholders and contribute to the wider development of society and its well-being. Our activities to this end include:

- Nova KBM takes part in major national, regional and local events, projects and initiatives as a **partner, sponsor or donor**.
- We organise special **awareness programs** in the areas of financial literacy, responsible investing and borrowing, fraud prevention and security in online operations. We work to ensure a positive organisational culture and encourage employees to perform volunteer and charity work and to be active in ESG-related areas.
- **We support the development of knowledge and the activities of professional associations.** Many Bank employees are actively involved in a range of professional organisations, and have ties with educational institutions as lecturers and as mentors for students preparing seminar papers and bachelor's or master's theses.

³⁵ GRI 417-1

³⁶ GRI 413-1

7.8.1 SPONSORSHIPS AND DONATIONS

Although 2021 was a difficult year, marked by the continuing pandemic and restrictions on public life, the Bank increased the level of sponsorship funds and donations in cooperation with individual partners and utilised them better, with a more dedicated and strategic approach. In the context of sponsorships, donations and other partnerships, the Bank seeks to engage as much as possible with activities focused on ESG goals such as protecting the environment, corporate volunteering and charity. The table below highlights some of the major collaborations in areas linked to ESG.

In 2021 the Bank introduced Primož Roglič, one of the world’s best cyclists, and his partner Lora Klinc, the author of the book *Kilometer Zero*, as ambassadors of the Bank working within marketing and communications activities on both the corporate and key products/segments levels, as well as other initiatives, which resulted in Nova KBM becoming the strongest brand on the market and increased its advertising visibility.

Field	Major collaborations
Sports ambassadors	Primož Roglič (the world’s best cyclist in 2020) – Nova KBM brand ambassador, Helena Javornik (athlete, Olympian), Eva Terčelj (silver medallist at the European Canoe Slalom Championships)
Sport	Basketball Federation of Slovenia, Ljubljana Marathon, Maribor Football Club, Nova KBM Branik Volleyball Club, Celje Handball Club, Mlinotest Handball Club
Culture	Ljubljana Festival, Lent Festival, Slovene National Theatre, Museum of Recent History – Celje
Professional associations and training	British-Slovenian Chamber of Commerce, American Chamber of Commerce, Chamber of Commerce and Industry – Coastal Region, BledCom Conference
Financial literacy	Banking School at the Faculty of Economics, University of Ljubljana
Environmental and climate topics	Together for a Greener Future project, Keep it Cool (short film competition for young filmmakers on the theme of climate change, organised by BSSC) Sustainable Leadership conference (Managers’ Association of Slovenia)
Modern technologies and digitalisation	Venture Factory (Podim conference)
Promotion of a healthy lifestyle	The Bank continued the Nova KBM Runs program , as part of which employees took part in several running events. We also took part in the charity event Run for the Cure , to help the Europa Donna association raise money for breast cancer awareness.
Promotion of corporate volunteering	As part of the Charity November campaign, employees volunteered to collect toys for children and make greetings cards for the elderly.
Donations	For the third year in a row, the Bank took part in the socially responsible program Chain of Good People and helped numerous families in Slovenia living below the poverty line. We also encouraged our employees to get involved in charity efforts, resulting in donations of material and money to various vulnerable groups.

7.8.2 AWARENESS-RAISING PROGRAMS

Raising ESG awareness

After adopting the ESG strategy in May 2021 the Bank started to implement group-wide awareness and training programs. The Bank regularly communicated the new strategy in its internal newsletter, intranet and management meetings. At the end of 2021 we compiled a comprehensive e-training program on ESG, and in the following weeks nearly all employees (97%) successfully completed the program and also showed a great interest in ESG topics.

At the end of 2021 we compiled a comprehensive e-training program on ESG, which was successfully completed by 97% of employees.

Financial literacy

At Nova KBM we are well aware that the financial literacy of customers is extremely important when it comes to making financial decisions. That is why we are committed to transparency and the full disclosure of key information that customers need when choosing financial solutions at different stages of life and in different situations. In 2021 we redesigned the information and video tips available on the Bank's website (<https://www.nkbm.si/digital>) and published a special leaflet for senior citizens in which we describe making the first steps towards the world of digital banking.

Promoting responsible lending

Nova KBM is committed to responsible lending and ensuring that our borrowers understand every detail of the loan conditions, interest rates and risks associated with taking out a loan. The Bank has adopted the following five engagements to help achieve this:

1. transparency of information and full disclosure;
2. professionalism;
3. guidance in the choice of a suitable loan and understandable prices;
4. credit worthiness assessment; and
5. transparent advertising.

In order to help borrowers better understand their needs and financial capacity, we have created a special responsible lending website (<https://www.nkbm.si/odgovorno-kreditiranje>) containing all the information that potential borrowers need to know before deciding to take out a loan or during the repayment period. The website also includes a creditworthiness calculator which customers can use to calculate maximum loan amounts and familiarise themselves with the variables that affect the creditworthiness calculation.

Promoting responsible investment

Nova KBM is also committed to responsible investment and encourages its customers to invest in a responsible manner, with the right attitude to risk. It makes every effort to ensure that customers have a good understanding of their own needs and financial capacity. To this end, we have created an online Investment Guide (<https://www.nkbm.si/nalozbeni-vodnik>) for customers thinking about investing, where they can find all the information they need before making the decision to invest. Our marketing team helps customers complete a questionnaire, which is an essential step before proceeding with an investment, since it allows us to identify each customer's attitude towards risk and offer a suitable range of investments that match their risk profile.

Raising awareness of online security and fraud prevention

The Bank devotes much time and resources to protecting itself and its customers from cyber threats. At the same time it seeks actively to raise customers' awareness of such threats. We educate employees and provide information to our customers and staff on what to look out for when online and who to contact if they have concerns. In 2021, we kept our dedicated website www.nkbm.si/varno-poslovanje up-to-date with the latest information and tips for our customers. We also strengthened our cooperation with the Slovenian Computer Emergency Response Team SI-CERT, and re-presented their Awareness Program 'Safe on the Internet' on our public website.

Vulnerable customer groups

The Bank devotes attention to vulnerable customer groups, including the disabled, elderly, sick, women and adolescents. These groups are more exposed to various forms of financial abuse. The Bank carries out a range of activities designed to raise awareness and teach about safe online behaviour.

Awareness raising activities are aimed at both employees (so that they can more easily recognise more vulnerable customer groups and devote sufficient attention to their needs) and vulnerable customer groups, with the aim of reducing their exposure to financial fraud and abuse.

In 2021 we also marked the **International Day of Older Persons** by issuing a large-format leaflet aimed at customers who for reasons of illness or disability are unable to go to the bank or post office in person, and those caring for individuals who are unable (or no longer able) to manage their personal finances themselves. The leaflet also detailed some of the most common types of risk to which elderly people in particular are exposed.

Other efforts at raising awareness on international days with an ESG theme

In 2021 the Bank began a systematic awareness-raising program designed to coincide with international and world days that focus on the environment and society and encourage positive changes. We present the day in question to employees and draw their attention to events happening in the local environment, or invite them to activities organised by the Bank.

For last year's Earth Day, for example, we prepared a wide-ranging awareness-raising campaign called **Let's trust environmentally friendly decisions**, which took place as part of our permanent initiative Click for the Environment. We informed our customers and the general public about the importance of protecting the environment, and explained how choosing digital and "green" banking services **contributes to reducing paper consumption, avoids many journeys, saves a lot of fuel and reduces their carbon footprint**. Our message reached more than 100,000 individuals, who either received our email, visited our website, saw our posts on social media or read our articles in online newspapers.

For **World Cycling Day** we prepared an awareness-raising campaign involving a mass cycle ride in which 60 employees took part, and created an educational video on the importance of cycling and its positive impacts on health and the environment.

7.9 RESPONSIBLE PUBLIC RELATIONS

The Bank strives to present its vision, its role in the national environment, its strategic goals and its products and services to the general public and key stakeholders in a responsible manner.

In an increasingly digital environment, we are devoting even more attention to the use of a wide range of communication channels, with the help of which we are able to provide comprehensive, timely and accurate information to the public. We have also strengthened the provision of information via our own communication channels and social media accounts (website, Facebook, LinkedIn and Instagram). We provide regular briefings to journalists and maintain good relationships with them, supporting the media in their role as objective providers of information to the public.

Nova KBM is keen to maintain a positive and professional presence among the public, providing assistance in understanding banking topics and proactively communicating on topics relating to social responsibility and sustainability, as well as broader ESG topics. In 2021, despite the continuing pandemic, many representatives of the Bank were able to take part in a variety of conferences where they presented our strategy, products, services and achievements.

With the impact of social media becoming ever greater, we believe that the commitment to use them responsibly is one of the most important that the Bank and its employees can make. That is why our Code of Conduct lays down guidelines for the use of social media that are observed by all our employees. We use social media, online chat rooms and public forums in a responsible manner and clearly distinguish private messages from business communications, since we are well aware that interested parties will connect our messages and actions to our values and corporate culture, even if carried out in our free time. For this reason, we always communicate with the aim of not only avoiding damaging the Bank's reputation, but of protecting and strengthening it.

We determine the effectiveness of our relations with the external public through regular monitoring of coverage in the media, analysis of content and in-depth analyses based on the qualitative and quantitative evaluation of media coverage. In 2021 there were more than 2,590 mentions of Nova KBM in the media with relevant content. Following a reduction in the last two years, negative mentions remain at a very low level. Numerous positive mentions in the traditional media and social media have been recognised by the general public, and have made a positive contribution to the Bank's reputation.

8 COMPLIANCE AND CORPORATE GOVERNANCE POLICIES

8.1 COMPLIANCE

The **mission of the Compliance function** is to assist the Group, in partnership with its business lines, in achieving its strategic, corporate and financial goals while protecting the Group by developing and promoting an organisational culture that encourages ethical conduct, compliance with the law, and fosters those values that are an important part of our Code of Conduct.

The **Code of Conduct** is a critical and fundamental document which describes our corporate culture and values. It provides guidance for how employees should act in all circumstances that may arise in our business activities. It is linked to the vision and mission of Nova KBM and the Nova KBM Group, and forms an important component of their governance, commercial and risk management practices and processes. In 2021 we strove to maintain the highest compliance standard by:

- identifying compliance risks and regulatory solutions, augmenting institutional compliance through effective education and training programs, as well as preserving the bank's reputation;
- encouraging anyone with reason to believe that a violation of the law, a regulation, the Code of Conduct, or any policy and procedure of the bank has occurred to immediately report what they know or suspect without any fear of retaliation; and
- ensuring a bank-wide culture of compliance that will enable the Bank to obtain a competitive advantage through compliance.

Most Nova KBM employees (+95%) successfully completed the regular e-training on Compliance and Code of Conduct topics.

8.2 THE FIGHT AGAINST CORRUPTION AND BRIBERY

The Group expects transparency and the highest level of integrity in all of its business dealings to avoid any improper advantage, either in fact or appearance, as a result of harmful practices. It is also expected that the Bank's employees and third parties who cooperate with the Bank act with the same level of integrity as the Group itself. The Group does not tolerate bribery or corruption in any form – employees and third parties associated with its business are prohibited from offering, promising, giving or authorising any form of solicitation, agreement to receive, or accepting any good or service that constitutes, or could be perceived as constituting, bribery or corruption.

In 2021, the Rules on Managing Conflicts of Interest and Corruption Risks were updated with ESG due diligence. The topic was included in the overall Code of Conduct training for employees.

8.3 DIVERSITY AND EQUAL OPPORTUNITIES³⁷

Ensuring diversity and equal opportunities is part of the corporate culture of the Nova KBM Group, and is enshrined in its **Code of Conduct, Nova KBM Group’s Policy on the Selection of Suitable Candidates for Governance Body Members and the Rules on Prohibition of Discrimination, Mobbing and Other Forms of Psychosocial Risk in the Workplace**. We do not differentiate between employees on the basis of political orientation, ethnicity, citizenship, religion, age, marital status, sex, sexual orientation, gender identity, disability or any other characteristic. By the end of 2022 we plan to introduce a **Diversity, Equity, Inclusion and Belonging Policy**, which will regulate this area in greater detail, and continue the implementation of measures.

Number and share of women in Nova KBM	Number	Share
Women among all employees	1,194	73%
Women with directorial positions (B-1)	9	41%
Women on the Management Board	1	20%
Women on the Supervisory Board	1	14%

All data are as at the end of 2021.

8.3.1 GOVERNANCE BODY DIVERSITY

The Bank has not adopted a separate policy for the selection of members of its governance bodies, as this area is covered in full by the **Nova KBM Group’s Policy on the Selection of Suitable Candidates for Governance Body Members**. That policy was last updated by the Bank in September 2021.

In line with the provisions of the Banking Act, the Policy envisages the establishment and implementation of an appropriate policy for the selection of suitable candidates which, among other things, provides **incentives to achieve diversity within the governance body**, including the appropriate representation of both genders and policies to achieve these objectives by increasing the number of members of the under-represented gender on the governance body.

8.3.2 KNOWLEDGE AND EXPERIENCE OF THE GOVERNANCE BODY IN THE ESG FIELD

In accordance with EBA Guidelines on internal governance, and the supervisory guidelines and recommendations of regulatory authorities (Bank of Slovenia and ECB), the Policy also defines other related matters that could have a decisive effect on the Bank’s future operations. This concerns, in particular, the fulfilment of the condition regarding knowledge and experience in the areas of sustainable financing and associated ESG risks, IT risks, cyber risks, sustainable business models and digitalisation. Candidates for and members of the governance body must fulfil these criteria, both individually and at the level of the entire body.

In accordance with the revised EBA Guidelines on the assessment of the suitability of members of the governance body and key function holders, the Policy now includes knowledge of the prevention of money laundering and terrorist financing as a condition for the fulfilment of conditions covering knowledge, skills and experience.

³⁷ GRI 405-1

In accordance with the Bank's bylaws and the best practices of regulatory bodies (Bank of Slovenia and ECB), the Policy now includes a section entitled "Climate and environmental risks, and the collective suitability of the Bank's Management Board", which requires members of the governance body to formulate a strategic approach to the management of ESG risks and the appropriate understanding of the topic in question.

 Details on diversity among governance body members are included in Disclosures 2021.

8.4 ONLINE SECURITY

Nova KBM invests in upgrading human resources, processes and solutions for protection against cyber threats and data leakage. In December 2021, the Bank established a 24/7 security operations centre.

We have also continued the implementation of the information security management system for the purpose of ensuring adequate protection of the Bank's information resources against all threats, both external and internal, both deliberate and accidental, with the aim of ensuring:

- an acceptable level of information security regardless of communication channel, medium or form;
- monitoring and implementation of legal requirements in the information security field;
- protection of information against unauthorised access;
- maintenance of confidentiality of information;
- that confidential data and information are not accessible to unauthorised persons;
- maintenance of integrity of information by preventing unauthorised changes;
- accessibility of information to authorised users;
- employee awareness of the importance of information security;
- recording and reporting all incidents and appropriate action; and
- regular reviews and updates of information security policies.

The Bank took a step towards more secure online shopping in 2021 by introducing secure confirmation of online card payments in its mDenarnic@ mobile wallet and Bank@Net online banking applications. It is the only bank in Slovenia that allows customers to obtain their PIN, card number and CVV code via an online bank. The temporary blocking/unblocking of payment cards was introduced at the end of the year. Together with security SMS notifications, which enables customer to be instantly informed and alerted about their payments, these new measures increased card operations security.

 Card payments are described in detail in the Annual report.

8.5 DATA PROTECTION

Employees of the Nova KBM Group regularly encounter data of a confidential nature in their work. Data, regardless of its form, is of a confidential nature when it is defined as such by internal rules and when, even if it is not defined as confidential, it is not publicly available and it is clear that significant harm would be incurred if it were disclosed or if an unauthorised person were to find out about it. Employees protect all data they acquire knowledge of in their work in accordance with the applicable legislation. Even after the termination of employment, employees are obliged to protect the data they acquired knowledge of during their work. In 2021, the Bank introduced a special classification system for emails and official documents which enables employees to define the level of confidentiality of data they send to recipients in a simple manner.

In the area of protection of personal data, the Group has successfully implemented the requirements of the General Data Protection Regulation (GDPR) and raised employees' awareness of the importance of protecting personal data. The Bank recorded no cases of data breach with regard to personal data in 2021³⁸

8.6 VENDOR DUE DILIGENCE

The Bank continued its optimisation of vendor numbers in 2021, while also continuing to build partnerships with the aim of achieving the optimisation of operations and cost effectiveness.

The Compliance Office together with Centralised Purchasing and Cost Management Department updated the purchasing process in 2021 with the incorporation of a special ESG questionnaire which enables it to monitor the socially responsible, environmental, sustainable and governance practices of its vendors. The use of this questionnaire became effective from January 2022.

The Compliance Office conducts due diligence of external contractors and vendors. Part of this process involves assessing the vendor's compliance with anti-corruption rules, their credit risk, the compliance of their operations and review of the questionnaire. Every vendor is required to sign declarations confirming the compliance of its operations and that it is familiar with the Bank's Code of Conduct. The Bank is thus not only following its own economic interests, but monitoring the socially responsible, environmental, sustainable and governance practices of individual vendors.

The Bank has incorporated an ESG questionnaire into the purchasing process which enables it to monitor the socially responsible, environmental, sustainable and governance practices of its vendors.

³⁸ GRI 418-1

8.7 FRAUD PREVENTION MANAGEMENT

The Bank is dedicating increasing attention to the prevention of fraud through the provision of information and awareness-raising.

Online fraud has grown sharply around the world in recent years. The Bank is dedicating increasing attention to the prevention of fraud through the provision of information and awareness-raising. It has set up a reporting and alert system for cases of fraud, and refers all criminal practices of this kind to the competent authorities.

The Bank holds annual compulsory online training sessions designed to raise awareness of the various forms of fraud for all employees. Various internal channels are used to provide regular information and raise the awareness of, in particular, those employees who have contact with customers. We also work hard to make sure that our customers are well informed about the types of fraud they can be exposed to while online. We inform customers about the importance of online security via the media, social media and in-person conversations.


In 2021 we regularly publicised detected cases of fraud, along with general descriptions of online and social media fraud, posted relevant content on a dedicated website (<https://www.nkbm.si/varno-poslovanje>), worked to raise awareness of online fraud and established good cooperation with the media. Representatives of the Bank attended several cyber security conferences.

 More information on fraud prevention awareness programs is included in Chapter 7.

8.8 RISK MANAGEMENT

All the companies of the Nova KBM Group treat risk management as a constant process of identifying, measuring and managing the risks that arise in the course of their operations. The Nova KBM Group monitors several types of risk:

1. credit risk
2. liquidity risk
3. market risk
4. interest rate risk in the banking book (IRRBB)
5. operational risk
6. strategic risk
7. profitability risk

 Risk management within the Nova KBM Group is presented in greater detail in the Annual Report. ESG risk management is described in Chapter 5.3.

8.9 INCIDENT AND CRISIS MANAGEMENT

The Bank has internal rules in place regulating its response to incidents and crises and ensuring that it is prepared for them. The purpose of the plan is to ensure a rapid and effective response to every type of crisis or incident. The plan defines management, information, escalation and reporting, among other things. If a crisis is declared, management of it is taken over by the Crisis Committee and action is taken in accordance with internal rules and the Crisis Committee Standing Orders.

The Nova KBM Group has included an umbrella definition of crisis management in its Business Continuity Policy, which derives from the ISO 22301 standard. In accordance with this policy, the Bank has set up a response structure (Crisis Committee) with a notification system, a crisis response plan and specific response plans which the Bank regularly maintains and tests in accordance with a predefined testing program. Several dry-runs and internal training sessions were conducted in 2021 for the purpose of ensuring preparedness in this context.

9 EU TAXONOMY

9.1 MANDATORY DISCLOSURES: TAXONOMY ELIGIBILITY REPORTING FOR BISER TOPCO AS OF 31 DECEMBER 2021

	Taxonomy eligible	Taxonomy non-eligible	Eligible exposure coverage % (over total assets)***	Non-eligible exposure coverage % (over total assets)***	Comments
2a Total assets	n/a	€ 6,278,980,842	n/a	63.01%	The Bank has followed guidance provided in the frequently asked questions (FAQs) on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets published on 2 Feb 2022. The assets covered in this analysis include only on-balance assets, excluding exposures to central banks, central government units and supernational issuers. Eligibility-related disclosures of financial undertakings shall be based on actual information, provided by the financial or non-financial undertaking, per Article 8(4) of the Disclosures Delegated Act. For 2021 the Group does not have any actual information provided by its clients on eligibility-related disclosures. As a result the full exposure is categorised as "non-eligible". However, the Group has made a best-effort estimate of the share of its taxonomy eligible exposure which is presented in the voluntary disclosure section. It is planned to collect this from clients during 2022 through an updated version of an ESG questionnaire which is already in use.

	Of which trading portfolio and on demand inter-bank loans in total assets	n/a	€ 88,140,811	n/a	0.88%	Includes the amounts of balance items A.I.3. Other demand deposits; and A.II. Financial assets available for trading. Eligibility-related disclosures of financial undertakings shall be based on actual information, provided by the financial or non-financial undertaking, per Article 8(4) of the Disclosures Delegated Act. For 2021 the Group does not have any actual information provided by its clients on eligibility-related disclosures, hence full exposure is categorised as “non-eligible”. However the Group has made a best-effort estimate of the share of its taxonomy eligible exposure which is presented in the voluntary disclosure section.
2b	Total exposures to central gov., central banks and supranational issuers		€ 3,685,686,941		36.99%	Includes exposures to the central bank, central government units and supranational issuers.
	Total exposure to derivatives		€ 3,707,182		0.04%	Amount of balance item A.II.1. Derivatives.
2c	Total exposure to non-NFRD companies		n/a		n/a	Comprehensive actual information is not currently available. The Bank currently does not have any actual information for all its clients if they are NFRD or non-NFRD companies. This data is planned to be collected from clients starting in 2022 through an updated version of an ESG questionnaire already in use.
2d	Annex XI disclosures					
	Contextual information in support of the quantitative indicators including the scope of assets and activities covered by the KPIs, information on data sources and limitations					See comments in the table above.
	Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking’s business strategy, product design processes and					The Bank’s objective is to meet regulatory expectations including the EU Taxonomy. The product design process in not applicable for NKBM, since

engagement with clients and counterparties

For credit institutions that are not required to disclose quantitative information for trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, trends observed, objectives and policy

financial products as defined by the EU Taxonomy are not yet offered by the Bank, hence SFRD is not applicable. The Bank has started aligning its product development process with the EU Taxonomy requirements. The ESG questionnaire currently in use in the Bank for Corporate clients will be updated to include EU Taxonomy eligibility and alignment questions.

See comments in the table above.

9.2 VOLUNTARY DISCLOSURES: TAXONOMY ELIGIBILITY REPORTING. NET BALANCE ON 31.12.2021, BISER DATA

	Taxonomy eligible	Taxonomy non-eligible	Eligible exposure coverage % (over total assets)**	Non-eligible exposure coverage % (over total assets)**	Comments
2a Total assets	€ 913,838,046	€ 5,365,142,796	9.17%	53.84%	<p>The coverage of % of eligible exposure represents an estimation which was performed on the “best-effort” approach explained below. This means that total eligible exposure of NKBM Group is up to 9% of its total assets. However, it is likely that this figure will change once actual information is obtained from clients.</p> <p>As per the frequently asked questions (FAQs) document on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets published on 2 Feb 2022, assets include only on-balance assets, excluding exposures to central banks, central government units and supranational issuers.</p> <p>Eligibility-related disclosures of financial undertakings shall be based on actual information, provided by the financial or non-financial undertaking, per Article 8(4) of the Disclosures Delegated Act. For 2021 the Bank does not have any actual information provided by its clients on eligibility-related disclosures. As a result and for the purpose of voluntary disclosures the Group has made a best-effort estimate of the share of its taxonomy eligible exposure. It is planned to collect this data from clients from 2022 through an updated version of an ESG questionnaire already in use. The eligibility estimation process used was the following:</p> <p>1. Only the following business segments were taken into account – Large domestic, Public, International lending and Financial Institutions excl. banks – combined exposure to these segments accounts for roughly 30% of the total assets of the Group (hence, 9.17% est. eligible exposure of total assets equals 31% est. eligible exposure of the total exposure to the segments in scope); Banks, SMEs, Micros and Retail segments are excluded; Large domestic exposure accounts for 75% of the estimated eligible exposure of the</p>

					<p>group.</p> <p>2. NACE industry classification was used to determine the eligibility of an exposure, which was reviewed by the Bank's underwriting function for each client and adjusted manually in cases where the official NACE code of the client did not reflect its actual, i.e. predominant activity. This means that the real economic activity of each client according to NACE classification was used.</p> <p>3. Level 4 of NACE classification (four-digit numerical codes) was used to define each industry as to whether it is Taxonomy eligible or not. Eligible activities were taken from the Taxonomy regulation – delegated act. Even if only one eligible activity was connected to a level 4 NACE industry (performed in line with the delegated act), this level 4 industry was flagged as Taxonomy eligible.</p> <p>4. The total Bank portfolio of clients was considered along with information about the NACE industry classification on level 4 and the net on-balance FINREP exposure for each client.</p>	
	Of which trading portfolio and on demand inter-bank loans in total assets	n/a	€ 88,140,811	n/a	0.88%	<p>Includes the amounts of balance items A.I.3. Other demand deposits; and A.II. Financial assets available for trading. Eligibility-related disclosures of financial undertakings shall be based on actual information, provided by the financial or non-financial undertaking, per Article 8(4) of the Disclosures Delegated Act. For 2021 the Bank does not have any actual information provided by its clients on eligibility-related disclosures. For the purpose of voluntary disclosures NKBM has made a best-effort estimate of the share of its taxonomy eligible exposure. This data is planned to be collected from clients from 2022 through an updated version of an ESG questionnaire already in use. The eligibility estimation process used is explained above.</p>
2b	Total exposures to central gov., central banks and supranational issuers		€ 3,685,686,941		36.99%	<p>Includes exposures to the central bank, central government units and supranational issuers.</p>
	Total exposure to derivatives		€ 3,707,182		0.04%	<p>Amount of balance item A.II.I. Derivatives.</p>

2c	Total exposure to non-NFRD companies	€ 759,367,046	7.62%	<p>Comprehensive actual information is not currently available. The Bank currently does not have any actual information for all its clients as to whether they are NFRD or non-NFRD companies. It is planned to collect this data from clients during 2022 through an updated version of an ESG questionnaire which is already in use. However, for the purpose of voluntary disclosures, the Bank estimated the share of exposures to non-NFRD companies, where only the exposure to the following entities was taken into account: business entities which have an annual turnover of more than €40 MM. Clearly, certain of these clients could still be subject to NFRD, for example if the entity would have total assets of more than €20 MM or more than 500 employees, which is why the Bank included this estimation only under in the voluntary disclosures. Actual data is planned to be collected from clients during 2022 through an updated version of an ESG questionnaire already in use.</p>
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10 TABLE OF GRI INDICATORS

This report has been compiled in accordance with the GRI Standards (2016): core option³⁹

INDICATOR	Page in the 2021 Annual Report	Page in the 2021 ESG Report
Organisational profile		
102-1 Name of the organisation	2,79-80	
102-2 Activities	81-89,92,113	
102-3 Location of headquarters	2	
102-4 Location of operations	2,114-116	
102-5 Ownership and legal form	3,52-54	
102-6 Markets served	114-116	
102-7 Scale of the organisation	98	
102-8 Information on employees and other workers	100-102	31-37
102-13 Membership in associations		8
Strategy		
102-14 Statement from President of the Management Board		3-4
Ethics and integrity		
102-16 Values, principles, standards and norms of behaviour	26	7
Governance		
102-18 Governance structure	42-48	
102-19 Delegating authority		9,16
102-20 Executive-level responsibility for sustainable development (economic, environmental and social topics)		17
102-21 Consulting stakeholders on economic, environmental and social topics		11
102-22 Composition of the highest governance body	43	
102-23 Chair of the highest governance body	43	
102-30 Effectiveness of risk management processes		17
102-32 Highest governance body's role in sustainability reporting		17
Stakeholder engagement		
102-40 List of stakeholder groups		12,13
102-42 Identifying and selecting stakeholder groups		11,13
102-43 Approach to stakeholder engagement		15
Reporting practices		
102-47 List of material topics		11
102-50 Reporting period		5
102-51 Date of most recent report		5
102-52 Reporting cycle		5
102-53 Contact point for questions regarding the report		5
102-54 Claims of reporting in accordance with GRI Standards		58
102-55 GRI content index		58
SPECIFIC DISCLOSURES		
GRI 200: ECONOMIC DISCLOSURES [2016]		
Economic performance		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management	26	5,11

³⁹ GRI 102-54, 102-55

approach and evaluation		
201-1 Direct economic value generated and distributed	8	
Indirect economic impacts		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	26	5,11, 8
203-2 Significant indirect economic impacts		8
Anti-corruption		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,13,19,46
205-2 Communication and training about anti-corruption policies and procedures		61
GRI 300: ENVIRONMENTAL DISCLOSURES		
Materials		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,28
301-1 Materials (paper consumption)		28
Energy		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,19,24,25
302-1 Energy consumption within the organisation		25
Water		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,24,27
303-5 Water consumption		27
CO₂ emissions		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,19,22,26
305-1 Carbon footprint (Scope 1)		26
305-2 Carbon footprint (Scope 2)		26
305-5 Reduction of GHG emissions		26
Waste		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,24,27
306-3 Waste generated		27
GRI 400: SOCIAL DISCLOSURES		
Employees		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,31
401-1 New employee hires and employee turnover		35
Occupational health and safety		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,36
403-1 Employee health and safety		36
403-6 Promotion of worker health		36
403-9 Work-related injuries		36
Training		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,30
404-1 Scale of employee training		34,35
404-2 Training programmes		34,35
404-3 Career development		37
Diversity and equal opportunities		
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation		5,11,47

approach and evaluation	
405-1 Diversity of governance bodies and employees	47
Local communities	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	5,11,20,41
413-1 Relationship with local communities	41-44
Marketing and labelling	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	5,11,41
417-1 Information on products and services for the protection of customers' interests	41
Customer privacy	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	5,11,49
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	49

11 OVERVIEW OF INTERNAL ACTS WITH ESG DOMAIN⁴⁰

Internal act	Environmental factors	Social factors	Corporate governance
ESG strategy	X	X	
Code of Conduct ⁴¹		X	X
Nova KBM and Nova KBM Group compliance policy			X
Reputation risk management policy		X	
Nova KBM work/life balance policy		X	
Rules on prohibition of discrimination, mobbing and other forms of psychosocial risk in the workplace		X	
Disclosure policy			X
Rules on centralised purchasing, Purchasing instructions	X	X	X
Rules on managing conflicts of interest			X
ILAAP policy within the Nova KBM Group	X		X
Social responsibility and sustainable development policy	X	X	X
Business continuity policy			X
Information security policy, Guidance on managing information security incidents		X	X
Fraud management policy		X	X
Nova KBM and Nova KBM Group governance policy			X
Policy governing the management of risk associated with information and communication technologies (ICT)			X
Policy regarding the prevention of money laundering and funding of terrorism			X
Group policy on suitable management body candidates			
Policy for assessing the suitability of members of the Bank's Management Board			X
Policy for assessing the suitability of members of management bodies and holders of key functions			X
Fair treatment of consumers policy, Instructions for working in the Contact Centre and dealing with customer complaints		X	
Customer acceptance policy		X	
Operational risk management policy			X
Instructions for bank staff – protection of personal data			X
Rules on safeguarding personal data			X
Health & Safety statement and risk assessment, Guidelines on preventing the spread of infectious diseases (COVID-19)	X		
Incident and crisis response plan			X
Safety declaration with risk assessment	X		
Diversity, Equity, Inclusion and Belonging – in preparation	X		

⁴⁰ Table includes key policies according to predominant ESG domain. The contents of key policies relating to environmental, social and corporate governance aspects and their implementation are described in greater detail in Chapter 8.

⁴¹ GRI 205-2

12 PERSONS RESPONSIBLE FOR REPORTING

Those responsible for preparing the ESG report are Stefan Spiroski, Management Board adviser and ESG coordinator, Karidia Toure Zagrajšek, ESG reporting project coordinator, expert associate/specialist in the Marketing and Communications Sector and Jure Bračko, director of the Marketing and Communications Sector.⁴²

Persons responsible for specific work areas categories:

Compliance Office	Simon Tantegel, director
HR Management, Processes and Organisation	Vesna Reich, director
Marketing and Communications	Jure Bračko, director
Product and Segment Development	Silvia Gabriela Birla, director
Digital Marketing	Tolga Rifat Yurteri, director
Sales Support	Branka Vujanovič, director
Banking Operations	Aleksandra Brdar Turk, director
Strategic Risk Management	Darja Hota Mesarič, director
Credit management	Franci Hočevar, director Marko Žagar, Credit Underwriting, head Saša Kebrič, Client Monitoring and Pre-Workout, head
Fraud Prevention	Aleš Ritonja, head
Physical and Information Security Management	Božidar Dajčman, director
Operational Risk	Nataša Tkalec Goršek, head
Centralised Purchasing and Cost Management	Sonja Šrubar Lovšin, director
ALM	Marko Stolica, director
Regulatory Reporting	Silva Matko Gosak, director

⁴² GRI 102-19