

ESG REPORT

Nova KBM Group and
Nova KBM d.d.

2022



NovaKBM



CONTENTS

1	MESSAGE FROM THE PRESIDENT OF NOVA KBM'S MANAGEMENT BOARD	3
2	ABOUT THIS REPORT	5
3	BUSINESS MODEL OF THE NOVA KBM GROUP	6
4	DEVELOPMENT OF ESG MANAGEMENT	9
4.1	GLOBAL SUSTAINABLE DEVELOPMENT GOALS	10
4.2	RELEVANT ESG-RELATED AREAS	11
4.2.1	MANAGEMENT OF THE COVID-19 PANDEMIC AND ENERGY CRISIS	13
5	TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)	15
5.1	GOVERNANCE	15
5.2	STRATEGY	19
5.3	RISK MANAGEMENT	22
5.3.1	CREDIT RISK	22
5.3.2	SENSITIVITY ANALYSES AND STRESS TESTS	23
5.3.3	INVESTMENT STRATEGY	23
5.3.4	OPERATIONAL RISK AND THE PURCHASING PROCESS	24
5.4	METRICS AND TARGETS	25
6	MANAGING ENVIRONMENTAL IMPACTS	27
6.1	ENERGY EFFICIENCY	28
6.2	CARBON FOOTPRINT	29
6.3	VEHICLE FLEET AND SUSTAINABLE MOBILITY	29
6.4	WASTE MANAGEMENT	30
6.5	PAPER CONSUMPTION AND PAPERLESS OPERATIONS	31
6.6	ENVIRONMENTALLY FRIENDLY BANKING SERVICES	33
7	MANAGING SOCIAL IMPACTS	34
7.1	RESPONSIBILITY TOWARDS EMPLOYEES	35
7.2	RESPONSIBILITY TO CLIENTS	42
7.3	DIGITAL BANKING	43
7.4	FASTER SERVICES IN THE AREA OF OPERATIONAL SUPPORT	43
7.5	UPDATING OF CLIENT SERVICES IN THE CONTACT CENTRE	44
7.6	RESPONSIBLE MARKETING COMMUNICATION	45
7.7	PROGRAMMES FOR THE DEVELOPMENT OF THE SOCIAL ENVIRONMENT	45
7.7.1	SPONSORSHIPS AND DONATIONS	45
7.7.2	AWARENESS-RAISING PROGRAMMES	47
7.8	RESPONSIBLE PUBLIC RELATIONS	49
8	CORPORATE GOVERNANCE POLICY AND COMPLIANCE	50
8.1	COMPLIANCE	50
8.2	THE FIGHT AGAINST CORRUPTION AND BRIBERY	51
8.3	ESG POLICY	51
8.4	ENSURING DIVERSITY AND EQUAL OPPORTUNITIES	51
8.4.1	DIVERSITY OF MEMBERS OF THE GOVERNANCE BODY	52
8.4.2	KNOWLEDGE AND EXPERIENCE OF THE GOVERNANCE BODY IN THE AREA OF ESG	52
8.5	ONLINE SECURITY	53
8.6	DATA PROTECTION	53
8.7	SUPPLIER DUE DILIGENCE	54
8.8	FRAUD PREVENTION	54
8.9	RISK MANAGEMENT	55
8.10	INCIDENT AND CRISIS MANAGEMENT	55
9	EU-TAXONOMY	56
10	TABLE OF GRI INDICATORS	58
11	PERSONS RESPONSIBLE FOR REPORTING	62

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1 MESSAGE FROM THE PRESIDENT OF NOVA KBM'S MANAGEMENT BOARD¹



Dear Stakeholders,

Nova KBM is aware of its **role** as an important systemic bank in Slovenia in terms of the **green transition**. 2022 was another challenging year characterised by the Russian military aggression, which was followed by the energy crisis. As we are determined to continue to act responsibly in relationships with stakeholders, in the management of our impacts on the environmental and in ensuring the highest standards of corporate governance, our response to new circumstances was the launch of two new green products intended for the financing of purchases and investments that place a lesser burden on the environment. In 2023, we are planning the introduction of green products for corporate clients.

Regarding all macroeconomic factors we upgraded our comprehensive ESG strategy in 2022 with even more ambitious goals, through which we demonstrate our awareness about the increasing importance of a broader ESG agenda, in particular the challenge of **climate change**, for our operations and the environment in which we operate.

In this report, we present our decisive steps on the path of **transformation in the area of ESG**, as well as our vision, commitments, activities and achievements. We have strengthened

efforts to gradually transform our **portfolio** so that it will be as **compliant** as possible with the **Paris Agreement**, and so that it will finance sustainable development and the transition to a low-carbon or carbon-neutral economy. The Group has set 2022 as the baseline against which it will measure **Scope 3 emissions** (both its own and those of its clients). Based on analyses and the current situation, we will also be able to define medium- and long-term objectives in this area. With a focus on the **energy rehabilitation** of commercial properties and the promotion of **sustainable mobility**, we continued to implement short- and medium-term measures in 2022 to further reduce our Scope 1 and Scope 2 emissions, which, despite the normalisation of life with the easing of protective measures in connection with COVID-19, resulted in the lower carbon footprint of the Bank, which we reduced by an additional 60% relative to 2021. With the aim of transparent reporting the Bank has adopted a new methodology for calculating the carbon footprint, aligned with all relevant regulations and guidelines given by regulatory authorities.

Our business model continues to place a great deal of emphasis on digitalisation, paperless operations and the introduction of automated processes supported by user-friendly artificial intelligence.

The Bank has implemented some **key differences of EU taxonomy disclosures** in this report relative to 2021. In the **mandatory disclosure** section, we included data on eligible exposures to NFCs based in Slovenia subject to NFRD and multiplied it by the eligibility rate of activities that we received from clients. In the **voluntary disclosure** section, we included eligible exposures to Slovenian NFCs subject to NFRD based on NACE codes (AJPEs or internally determined risk activity), which are taxonomy eligible, and housing loans collateralized by residential immovable

¹ GRI 102-14

property 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 February 2022.

We have remained committed to the social and governance pillars of our ESG strategy. We have built **sustainable, open and proactive relationships with all stakeholders**: employees, clients, business partners, regulators and others. We focused on a high level of client and employee satisfaction. We continued to create an **inclusive working environment** that is based on **equality and diversity**. The Group supported more than 50 national, regional and local communities as **partner, sponsor or donator**. We will continue with **awareness programmes** in the area of financial literacy, which includes providing knowledge about banking products and services, responsible investing and borrowing, digital literacy, safe banking, fraud prevention and security in online commerce.

We are proud to be the first and thus far only bank in Slovenia to receive the **Green Star certificate**, which confirms that sustainability is strongly integrated in our business strategy, that the sustainable solutions we include in our operations are showing results, and that the Bank is working with various stakeholders to achieve climate neutrality. The certificate issuer, the CER Partnership for a Sustainable Economy, recognised our progress and found that Nova KBM has been on the path to the green transformation for some time, with objectives and measures in place for sustainable development, as well as a climate action plan. For the third year in a row, the Institute for the Development of Social Responsibility presented us the **HORUS award** for the management of strategic social responsibility. The Bank also received the title of **Superbrand** for the third consecutive year, while our **online and mobile banking applications were named the best in Slovenia**, likewise for the third year in a row.

We would like to thank all Group employees, clients and business partners for their trust, cooperation and open communication, all of which pave the way for our achievements and for ensuring added value to all our stakeholders.

The Nova KBM Group became a member of the OTP Group at the beginning of 2023. We are proud of our rich tradition, and are prepared for the new challenges and opportunities that the future will bring. We believe that our ESG transformation will continue successfully within the OTP Group.

Yours sincerely,

John Denhof,
President of Nova KBM's Management Board



2 ABOUT THIS REPORT

In accordance with the provisions of Article 70c of the Companies Act, we disclose non-financial data regarding operations in 2022 to our stakeholders in the **ESG report of the Nova KBM Group and Nova KBM**. As a stand-alone publication, the report is published every year at the same time as the Annual Report of the Nova KBM Group. Non-financial data for the 2017–2020 financial years were presented in the Report on Sustainable Development and Social Responsibility. We renamed the aforementioned report the ESG Report during the 2021 financial year. We included in the ESG Report for the 2022 financial year relevant aspects of reporting on environmental, social and governance activities, and information regarding the implementation of Nova KBM's ESG strategy, which was adopted in 2021.²

The report focuses on Nova KBM, which is the controlling company in the Nova KBM Group. The Bank's policies and guidelines in connection with the management of ESG are gradually being introduced at other companies that were part of the Nova KBM Group in 2022 (Summit Leasing Slovenija with 211 employees and ALEJA finance with 17 employees). As a rule, the report includes figures for a three-year period (from 2020 to 2022), except where the availability of figures makes it logical to use a different time series.³

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

- Article 70c of the Companies Act (ZGD-1),
- Regulation (EU) No 2020/852 on the establishment of a framework to facilitate sustainable investment, and amending Regulation 2019/2088 (EU environmental taxonomy) and Commission Delegated Regulation (EU) 2021/2178 (disclosures are presented in Chapter 9),
- ECB Guide on climate-related and environmental risks, and
- European Commission's guidelines regarding non-financial reporting.

In accordance with the relevant guidelines, the report discloses information in a fair, balanced and understandable way, comprehensively yet concisely, in a strategic and forward-looking manner, with a focus on stakeholders, and in a consistent and coherent way. The Group also recognises the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This information and data are disclosed in Chapter 5.

The report includes **quantitative and qualitative indicators** compatible with the reporting model 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 report,⁴ interested parties may contact us via the email address esg@nkbm.si.

² GRI 102-50, 102-51, 102-52

³ GRI 103-1

⁴ GRI 102-53

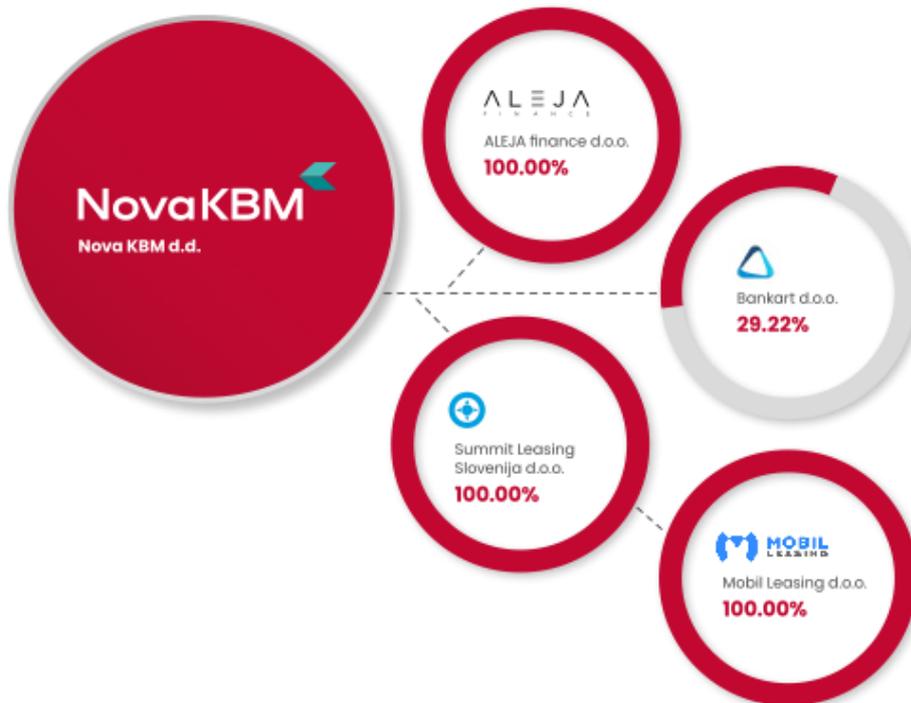
3 BUSINESS MODEL OF THE NOVA KBM GROUP

Nova KBM d.d. is a systemically important and universal bank with a more than 160-year banking tradition. 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 2022, Nova KBM’s bodies included the Bank’s Management Board (four members), Supervisory Board (seven members) and General Meeting of Shareholders.

The owner of Nova KBM and its subsidiaries is a special purpose entity under the ownership of funds managed by associates of Apollo Global Management Inc. and the European Bank for Reconstruction and Development (EBRD). With the completion of the purchase of Mercedes-Benz Leasing Hrvatska d.o.o. in 2022, Summit Leasing Slovenija d.o.o. expanded its leasing activity in Croatia. The company was subsequently renamed Mobil Leasing Hrvatska d.o.o.

At the end of 2022, the Bank’s client base comprised 1,735 large enterprises, 6,264 medium-sized enterprises, 35,195 small enterprises and 621,536 retail clients. The Nova KBM Group had 1767 employees, with 1,539 of them at Nova KBM, which ranks the Bank as one of the largest employers amongst banks and most important employers overall in Slovenia.

 The governance of the Nova KBM Group is presented in more detail in the 2022 annual report.



Nova KBM provides clients comprehensive financial services via a wide business network, supported by the most advanced and frequently awarded online and mobile bank applications. We are proud to be the most accessible bank in Slovenia.

 Detailed information regarding the Nova KBM Group’s business model and financial results are presented in the 2022 Annual Report.

Nova KBM's mission is successful operations in **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 key areas are presented in detail in Chapter 5.2.



TRANSPARENCY AND HONESTY



BEST TALENT TOGETHER



CLIENT EXCELLENCE



EFFICIENCY AND INNOVATION



WE DELIVER

Implementation of the strategy is based on common values,⁵ which have been co-created by employees in the Nova KBM Group. We are building and strengthening corporate culture through positive values that determine our actions, decisions and good practices.

Nova KBM received **4 sustainability and social responsibility awards** in 2022:



⁵ GRI 102-16

Nova KBM employees are actively involved with a number of professional associations⁶ and initiatives. Highlights are presented in the table below.

Major collaborations and Nova KBM’s membership in professional associations

• 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 Partnership for a Sustainable Economy
• Mainstreaming Climate and Financial Institutions
• IRDO – Institute for the Development of Social Responsibility
• Zeleno omrežje Slovenije (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



Nova KBM strengthened cooperation with CER Partnership for a Sustainable Economy in 2022.

We began the process of obtaining the Green Star certificate and, based on an evaluation of our best ESG practices and activities, were the first bank in Slovenia to receive that certificate, in September 2022.

The basis for issuing the Green Star certificate is an ESG assessment performed by the Green Star organisation in the following areas:

- sustainable operations and climate action that is based on international sustainable reporting frameworks and standards, and EU legislation.
- It assesses the impact of governance, environmental and social factors on a company, and the latter’s impact on the environment, climate and society.

Read more about the Green Star certificate at [this link](#).

⁶ GRI 102-13

4 DEVELOPMENT OF ESG MANAGEMENT⁷

Social responsibility and sustainable operations have been important elements of the Bank's identity since it began operating, while our approach to managing these areas has become more comprehensive and strategic over time. 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, while it published its first ESG report in 2021.



In 2022, the Bank began implementing the ESG project in which the members of the project team are tasked with implementing the ESG strategy in the Bank's operations.

We updated the ESG strategy, which was adopted in 2021, with even more ambitious goals in connection with environmental, social and governance factors. The Bank includes strategic ESG goals in internal policies, methodologies, procedures and instructions. These documents are regularly updated and their content included in annual training programmes. As part of the training programme, all of the Bank's employees were included in ESG-related online training in 2022, with more than 98% of employees briefed on the general acts that set out Nova KBM's ESG path. Summarised in training programmes were the key pillars of the ESG culture and activities that the Bank carries out with the aim of reducing our carbon footprint and raising the awareness of employees.

As part of ESG activities, we began to implement a bank-wide ESG project in which the members of the project team are tasked with implementing ESG initiatives in the Bank's operations.



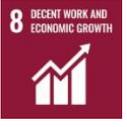
The ESG strategy, Climate Change and Sustainability Committee and the management of climate and other ESG risks are represented in detail in Chapter 5.⁸ A list of bylaws with ESG-related content is included in Chapter 10.

⁷ GRI 102-18

⁸ GRI 102-19

4.1 GLOBAL SUSTAINABLE DEVELOPMENT GOALS

Nova KBM understands and carries out activities in the scope of its ESG strategy in light of the United Nations' global sustainable development goals (SDG).⁹

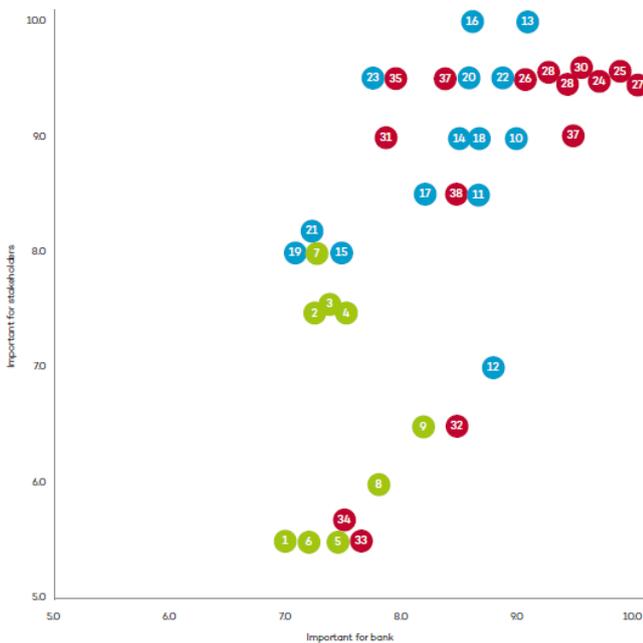
Sustainability goals	Impacts and creation of added value?	Indicators
 3 Good Health and Well-being	<ul style="list-style-type: none"> ✓ We focus on improving the quality of life through the development of contemporary banking services. ✓ Among employees we promote the active maintenance of physical and mental health, and the reduction of stress. 	GRI: 403-1, 403-2, 403-6 Details are presented in sections: Managing social impacts
 4 Quality education	<ul style="list-style-type: none"> ✓ We invest in the development and knowledge of employees, and endeavour to ensure a high level of competence. ✓ We invest in the financial literacy of our customers. ✓ We liaise with schools and universities for high-quality and practical training and education, through the participation of the Bank's management staff and other representatives in training and education programmes. 	GRI: 404-1, 413-1 Details are presented in sections: 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 are presented in sections: Managing social impacts, Corporate governance
 8 Decent work and economic growth	<ul style="list-style-type: none"> ✓ We support entrepreneurship and the creation of new jobs that contribute to sustainable growth. ✓ We support equal opportunities and meritocratic values, where achieving a reward is the result of effort, commitment and ability. 	GRI: 201-1, 401-1, 403-1 Details are presented in sections: Managing social impacts
 12 Responsible production and consumption	<ul style="list-style-type: none"> ✓ We help make borrowers and investors better aware of their needs and financial capabilities, as well as their risk profile. ✓ We strive to mitigate negative impacts on the environment through 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 are presented in sections: Managing social impacts, TCFD, Managing environmental impacts
 13 Climate action	<ul style="list-style-type: none"> ✓ We help fund energy-efficient and green projects aimed at achieving better energy efficiency and the transition to low-carbon economy. ✓ We are successfully reducing our carbon footprint (Scope 1 and Scope 2) in our operations, and are efficient in our use of energy resources. All our used electricity is provided from renewable sources. We encourage our clients to strive for the same goals in their operations. 	GRI: 302-1, 305-1, 305-2, 305-5 Details are presented in sections: TCFD, Managing environmental impacts

⁹ GRI 203-2

4.2 RELEVANT ESG-RELATED AREAS¹⁰

The adopted ESG strategy is based on relevant areas that we defined during a management workshop and on the basis of a review of regular studies back in 2020. Those areas are important for both the Bank and its stakeholders, and we actively manage the impacts of the Bank’s operations on the environment, wider society and corporate governance in them. A review of key stakeholders and their primary expectations and the most frequent types of dialogue with them facilitate the formulation of a materiality matrix, while ESG-related areas are integrated into the Bank’s five-pillar business strategy. We began using an ESG questionnaire in the purchasing process in 2022. That questionnaire is completed by the Bank’s suppliers to monitor the ESG practices developed by our business partners on the one hand and to promote ESG awareness on the other.

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

Strategic stakeholders ¹¹	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 Annual interviews and target setting Intranet, memos and internal newspaper Meetings of employees with members of the Management Board Meetings of directors and managers with the Management Board Sports, social and motivational events for employees Video memos and video stories Personal interviews and meetings Internal competitions and reward programmes
TRADE UNIONS	Open communication Opportunity for negotiation Representation of employee rights	Coordination meetings and negotiations Internet/intranet corner Personal interviews
SHAREHOLDERS	Stable financial return and achievement of business success Good risk management Excellent corporate governance Disclosures regarding 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 relationship 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
SUPPLIERS	Correct business cooperation	Interviews and meetings Standard modes of communication in purchasing and negotiations ESG questionnaire 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 ESG report
MEDIA	Credible information about the Bank Open and transparent communication	Press releases Press conferences, briefings and regular communication with journalists Interviews Media centre on website, social networks
LOCAL COMMUNITY	Investment in social development Caring for the natural environment Ethics and integrity	Events and press releases Sponsorships and donations ESG report Corporate volunteering

¹¹ GRI 102-40

A comprehensive approach to stakeholder engagement, which is defined by continuous dialogue with different stakeholder groups, allows us to reflect on what has been achieved and co-create new and improved communication opportunities.¹²

4.2.1 MANAGEMENT OF THE COVID-19 PANDEMIC¹³ AND ENERGY CRISIS

On 30 May 2022, the Slovenian Government adopted a resolution repealing the Ordinance on temporary measures to prevent and control COVID-19 infections, which resulted in the repeal of all measures that were adopted with the aim of preventing and controlling the spread of COVID-19 infections. From the beginning of the 2022 financial year until the repeal of restrictive measures, the Nova KBM Group complied with measures to prevent the spread of the new coronavirus.

Despite the gradual lifting of protective measures, clients continued to use banking services for the most part via digital channels such as the online and mobile banks. We consistently complied with prescribed measures to prevent the spread of COVID-19 when transacting with customers at branch offices. Employees at branch offices performed their work with an extremely high level of professionalism and a high degree of commitment to the Bank. The Group regularly communicated containment measures and health recommendations to its customers and employees via external and internal channels.

Adjustments to conditions during the recovery following the COVID-19 pandemic required increased investments in the replacement of IT equipment. We are proud of the fact that the Bank successfully equipped all work stations with laptop computers that facilitate remote work.

All client-related events organised by the Group were carried out online during the epidemic and period of stricter containment measures, and feedback from clients confirmed that hybrid organisation was convenient, in particular for events related to professional topics. We therefore have maintained this form of organisation going forward.

In 2022, in light of the COVID-19 crisis, the Group remained a reliable and responsible partner to its clients, who are retail and corporate clients, and continued with measures and activities to mitigate the negative consequences of the crisis. Primarily during the first half of 2022, the Group continued to assess the impact of the pandemic on individual borrowers in the corporate banking segment and, where necessary, took steps in terms of changes to ratings and restructuring statuses, and adjustments to expected credit losses.

Energy crisis

With the aim of minimising the expected negative consequences of the Russian military aggression, rising energy prices, supply-chain problems in certain sectors, and rising inflation and reference interest rates, the Group has adopted measures for the timely identification of entities that are or will be affected by the aforementioned crises, as well as measures to mitigate negative impacts on their operations or financial position, and thus the position of the Group.

¹² GRI 102-42, GRI 102-47

¹³ GRI 102-42



We are aware of our responsibilities in connection with the green transition. We therefore offered our clients two new green products intended for sustainable purchases and sustainable living.

Nova KBM is aware of its responsibility in the green transition as the second largest banking institution in Slovenia. For this reason, we offered two new products aimed at sustainable purchases and sustainable living to retail clients. Green consumer and housing loans are available at more affordable interest rates than usual, and have been well received by clients. Green products intended for corporate clients are also in development.



The Bank has carried out numerous sponsorship, donation and awareness-raising programmes that are described in more detail in Chapter 7.7.

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

The Nova KBM Group considers the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**¹⁴ and the **ECB Guide on climate-related and environmental risks** important frameworks for climate risk management and for transparent reporting on these issues. As a systemically important bank, we dedicate special attention to this area. Although the Group was not obliged to report on the basis of the TCFD for the 2021 financial year, we included those disclosures in non-financial reporting for the first time. **Reporting in this chapter is based on the following TCFD pillars: governance, strategy, risk management, and metrics and targets.** It discloses our current approach to managing climate-related and other ESG risks, as well as our clear desire to formulate the scope and content of climate-related reporting in the future.

5.1 GOVERNANCE

This chapter describes:

- the Management Board's control over climate-related risks and opportunities; and
- the role of senior management in the assessment and management of climate-related risks and opportunities.

Nova KBM's Management Board is aware of the ever increasing number of challenges in connection with climate change and its likely impact on the business environment and business model of the Nova KBM Group.

Nova KBM d.d. established the **Climate Change and Sustainability Committee** in May 2021. The committee is a delegated body¹⁵ that includes all members of the Bank's Management Board. It is responsible for the comprehensive and effective implementation of the Group's ESG strategy, so that the Group can more easily assess, manage and monitor the associated risks and potential business opportunities. The Group confirmed the ESG strategy document in March 2021.

The Bank continued activities in 2022 aimed at the implementation of its revised and upgraded ESG strategy.

In the context of the adoption of the rules of procedure of the Climate Change and Sustainability Committee, Nova KBM's Management Board defined the composition of that committee, its work and decision-making methods, powers and competences, method of preparation of documents for meetings of the Climate Change and Sustainability Committee, and method for signing resolutions and controlling the implementation thereof.

The mission of the Climate Change and Sustainability Committee is to ensure the comprehensive implementation of the ESG strategy across the organisation, to define, assess, manage and mitigate climate-related risks, and to exploit to the greatest extent possible the business opportunities brought about by the ESG transformation.

¹⁴ The TCFD (Task Force on Climate-related Financial Disclosures) was established in 2015 by the Basel Financial Stability Board (FSB), whose role is to promote international financial stability. The emphasis of the TCFD is reporting on the impact an organisation has on global climate. It strives to ensure that climate-related corporate disclosures are more consistent and thus more comparable. The TCFD has developed a reporting framework that is based on a set of consistent disclosure recommendations that companies apply as a means for ensuring transparency with regard to exposure to investors, borrowers and insurance underwriters with respect to climate-related risks.

¹⁵ GRI 102-19

It supervises the work of internal working groups established in all of the Bank’s business and control functions, and reviews and approves reports on the work of organisational units included in the implementation of the strategy. It also reviews and confirms the Bank’s annual ESG report.¹⁶

The Climate Change and Sustainability Committee is chaired by the member of the Management Board responsible for risk management (the President of the Management Board serves as deputy chair). Committee members include all of the members of the Bank’s Management Board, each of which is responsible for an area that is relevant to their function.



The committee is responsible for the comprehensive and effective implementation of the ESG strategy within the Nova KBM Group. All committee members strive to raise awareness about ESG amongst employees.

Overview of the responsibilities¹⁷ of Management Board members on the Climate Change and Sustainability Committee

Member of the Management Board who is a member of the Climate Change and Sustainability Committee	Area of responsibility
Member of the Management Board responsible for risk management	Manages climate-related and environmental risks in the risk management process (with an emphasis on credit – risk management) and the ICAAP and ILAAP framework.
President of the Management Board	Sustainability, and awareness and commitment of employees; ensuring that the Remuneration Policy and associated practices promote employee conduct that is in line with the Group’s ESG strategy.
Member of the Management Board responsible for finance and financial markets	Standards in connection with climate and environmental reporting.
Member of the Management Board responsible for corporate transactions	Development of sustainable financing, and associated products and services.

¹⁶ GRI 102–32

¹⁷ GRI 102–20

Other committee members include directors and advisors to the Management Board responsible for ESG-related areas¹⁸

Other members of the Climate Change and Sustainability Committee	Area of responsibility
Director of the Compliance Office	Control and coordination of the Bank’s activities aimed at ensuring compliance with relevant and valid ESG requirements and regulations, and coordination of and control over the implementation of the ESG strategy.
Director of the Strategic Risk Management Department	Inclusion of climate-related and environmental risks in the risk appetite framework (RAF), formulation of the relevant key risk indicators and the definition of the appropriate limits for the successful management of those risks.
Director of the Credit Management Sector	Inclusion of climate-related and environmental risks in the process of approving and monitoring loans.
Director of Credit Risk Management Department	Establishment of a comprehensive framework for the effective management of ESG risks in the Bank’s credit transactions.
Level 1 ESG advisor to the Management Board	Serves as ESG coordinator who promotes the implementation and coordination of the overall ESG strategy across the entire Group.
Level 2 ESG advisor to the Management board	Promotes the inclusion of ESG factors (with an emphasis on climate-related and environmental risk) in all risk management processes in the Group.

Only Management Members who serve as Committee members have voting rights. All committee members are responsible for promoting the ESG agenda within and between functional organisational units. Also invited to meetings of the Climate Change and Sustainability Committee as permanent members are the Bank’s procurators and the directors of other areas who are heavily involved in the implementation of the ESG strategy, including: Director of Product Development, Director of Asset and Liability Management, Director of Real Estate Management and Central Purchasing, Director of Marketing and Communication, Director of Internal Auditing and the Compliance Officer from the Compliance Department, which is responsible for ESG-related matters.

At its sessions, the committee discussed, *inter alia*, key milestones and activities by individual areas where ESG aspects are being implemented. It monitored key ESG-related performance indicators for 2022 and proposed indicators for 2023, as well as medium-term goals, and the expectations and recommendations of the regulator (ECB) that relate to the management of climate-related and environmental risks. The committee also monitored and discussed the updating of processes and methodologies being implemented at the Bank, including the introduction of internal ESG reports and a methodology for assessing the greenhouse gas emissions generated by the Bank’s customers. The committee continuously monitored the implementation of ESG-related internal audit recommendations, proposed green products, the updating of the Bank’s ESG-related bylaws and the acquisition of ESG certificates (e. g. Green Star certificate), and was briefed on the summary of the key results from the COP 27 Conference and the risk of greenwashing.

It also confirmed the ESG report for 2021.

Climate Change and Sustainability Committee meetings are held quarterly. Five regular meetings and two correspondence meetings were held in 2022.

The content discussed by the committee is then included in the relevant processes, i.e., the inclusion of the ESG questionnaire for clients in the credit process.

¹⁸ GRI 102-30

In connection with control over management in the assessment of risks and opportunities, we would like to highlight the fact that all Level 1 and 2 bylaws (strategies, policies and rules), including bylaws that are relevant in terms of ESG, are approved by the Bank's Management Board. Appendix in chapter 10 includes a list of ESG-related bylaws that are confirmed by the Bank's Management Board, similar to other bylaws.

In accordance with the expectations of the ECB and best corporate practices, Nova KBM's Management Board approved a new ESG Policy in 2022. The aim of that policy is to describe the approach of the Bank and Group to the inclusion of the ESG strategy and regulatory requirements for managing ESG risks in its policies and procedures. That policy serves as a framework for understanding and managing the environmental risks to which we are exposed, our impacts and opportunities.

The clear definition of roles and responsibilities is crucial for the effective implementation of the ESG Policy on the one hand, and for ensuring compliance in practice on the other.

The Bank employs a model of three lines of defence, which facilitates the comprehensive and effective management of risks, and clearly defines the responsibilities of individual levels and organisational units at the Bank in connection with risk management and internal controls. The Bank has internal controls in place at all organisational levels, including business, control and support functions, and at the level of individual products and services, with a clear and documented decision-making process, the clear segregation of responsibilities and powers, and a clear work process, defined by internal rules.

The heads of organisational units are responsible for the implementation of the ESG Policy in their respective work areas, and for providing the information and data required for monitoring and reporting. Risk owners are responsible for updating the risk register in which all relevant types of risks are identified and further mapped to a risk inventory if deemed material for the Group. The risk inventory is a collection of the risks to which the Group is exposed in its operations. Risk owners are responsible for including risk types and ESG factors in the general risk management framework and processes.

In accordance with their powers, all employees are responsible for the professional, high-quality, prudent and timely performance of the tasks set out in the relevant rules. Taking into account their competences, all divisions, departments and other organisational units at the Bank and within the Group are responsible for verifying the appropriateness, reliability and above all effectiveness of the performance of the internal processes and procedures of the Bank and Group, including potential changes, amendments and updates proposed by individual organisational units for the purpose of managing ESG risks, and for general compliance with external and internal regulations from all stakeholders at the Bank and within the Group. The Internal Control System Policy of Nova KBM and the Nova KBM Group defines the system of internal controls at the Bank.

The Bank's Management Board monitors and regularly assesses the effectiveness of internal governance arrangements and ensures the appropriate measures to eliminate identified deficiencies. The Bank's Management Board must take climate-related and environmental risks into account in the development of the overall business strategy, business objectives and risk management framework, effectively control climate-related and environmental risks, and ensure that the ESG project and management of ESG risks are given the necessary powers and influence to perform that function, as well as sufficient human and financial resources for the effective identification of risks.

The appropriate communication channels have been ensured for that purpose and serve as the basis for informing all of the Bank's employees about requirements.

The Supervisory Board is responsible for approving the Bank's ESG strategy, and for overseeing the effective functioning of the three-line model.

All decisions by the Bank's Management Board in connection with ESG-related matters are adopted by the Climate Change and Sustainability Committee.

Nova KBM 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, which serves as the primary building block of our corporate culture. We will continue to build an inclusive work environment and promote equality and diversity. We will continue to operate with full transparency and the highest level of integrity and will apply a policy of zero-tolerance to all forms of corruption in all business relationships and transactions.

5.2 STRATEGY

This chapter includes:

- Description of the climate-related risks and opportunities that the Group defined over the short-, medium- and long-term.
- Description of the impact of climate-related risks and opportunities on the activities, strategy and financial planning of the Group.
- Description of the resiliency of the Group’s strategy, taking into account various climate-related scenarios, including a scenario in which the atmosphere warms by 2°C or less.

The Group is aware of the increasing importance and relevance of a comprehensive ESG programme, in particular with regard to climate change, for its operations and the environment in which it operates. ESG factors are intertwined and have a holistic impact on all parts of the Group and all strategic pillars. For this reason, we have reinforced them with an ESG level, with the aim of gradually including ESG strategies in the overall business strategy.

Strategic pillars of the Nova KBM Group



The Group began a comprehensive **ESG transformation** at the end of 2020, and formalised its first ESG strategy in the spring of 2021. That policy was updated and upgraded in 2022, as we set ourselves even higher goals because we are aware that the transition to sustainable operations is necessarily ambitious. The purpose of the strategy is to ensure the inclusion of environmental, social and governance factors in the Group’s business strategy, and in all of its operations and processes. To that end, we included the following, forward-looking ESG principles in the Nova KBM Group’s business strategy.



ENVIRONMENTAL PRINCIPLES

1. The Group recognises that **its business environment is and will be impacted by climate change**. The latter will also impact the physical and macro-economic environment in which the Group operates. The **transition to a low-carbon** or carbon-neutral economy brings with it **risks and opportunities for the Bank** (and 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 an EU Member State**. The EU has **committed to reduce its GHG emissions by 55% from 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 commitments in support of the EU's commitments.
3. The European **authorities**, including the **ECB**, **expect that the financial sector will play a key role** in this process, and the **European Commission has set this out in the action plan for financing sustainable growth**.
4. The **Group** is aware of these **plans** and will use them to set business objectives for future accounting periods.
5. The Group will take actions in the short and medium term to **adapt the current investment and loan portfolio** to one that 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 term to **increase its commitments to financing the 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**, while recognising the progress already made in this respect in recent years.



Additional information about environmental impacts is presented in Chapter 6.



SOCIAL PRINCIPLES

8. The Group will remain a **socially responsible institution** and will continue to build **sustainable, open and proactive relations with all our stakeholders**: employees, customers, business partners and others. Its aim is to contribute to the **development of the broader social and economic environment** in which it operates.
9. As a **partner or sponsor of or donator** to events, projects and initiatives, the Group will support the national, regional and local communities. It will continue with **awareness programmes** in the area of financial literacy, which includes providing knowledge about banking products and services, responsible investing and borrowing, digital literacy, safe banking, fraud prevention and security in online commerce.



Additional information about social impacts 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**, and continue to have a zero-tolerance policy toward any kind of corruption in all our business relationships and transactions.

With the upgrading of the ESG strategy, we set more ambitious goals in 2022 that cover the seven areas presented below. The main goal is the increasing compliance of the Bank's portfolio with the Paris Agreement, and the

financing of sustainable growth and the transition to a low-carbon or carbon-neutral economy. All ESG initiatives implemented by the Bank are subordinated to that goal.

E  ENVIRONMENTALLY SUSTAINABLE GROWTH Enable net-zero transition of own and financed activities	S  SOCIAL SUSTAINABILITY Develop our environment through outspreading social initiatives & engaging with all stakeholders	G  ROBUST ESG GOVERNANCE Ensure transparent governance and secure functional ESG data
1 Sustainable portfolio 1.1. Paris Agreement aligned Corporate portfolio <ul style="list-style-type: none"> Align Corporate portfolio to Paris agreement 1.2. Sustainable products & Paris Agreement aligned Retail portfolio <ul style="list-style-type: none"> Shift product portfolio to be more sustainable; Align Retail portfolio to Paris agreement 1.3. Paris Agreement aligned Treasury portfolio & Sustainable financing <ul style="list-style-type: none"> Align Treasury portfolio to Paris agreement Secure sources of sustainable financing 	4 Social responsibility & Alliances <ul style="list-style-type: none"> Support ESG topics through partnerships, donations, sponsorships & charities Boost financial literacy of its client and wider society through developing and delivering various educational content Engage with and take active role in various associations that push forward the ESG transformation Align ESG communication and messages across all channels 	5 ESG Data governance <ul style="list-style-type: none"> Upgrade data models with all required ESG data points from all sources Secure accessible and reliable use of the ESG data its incorporation in relevant data models and reports
2 Climate, Environmental & Social Risk framework 2.1. CES Risk framework & control <ul style="list-style-type: none"> Develop & roll out CES (ESG) risk management framework & processes Assess and monitor CES risks, its impact on our business environment and integrate them in our business strategy 2.2. CES risk in credit risk <ul style="list-style-type: none"> Incorporate CES (ESG) risks in the Credit risk management & portfolio analysis 		6 Governance & Organization <ul style="list-style-type: none"> Ensure effective governance structure for dealing with ESG topics Incorporate ESG in internal policies & procedures Build up ESG culture & competence across the organization, incl. MB
3 Sustainable Operations <ul style="list-style-type: none"> Reduce our impact: Decrease scope 1, 2, and 3 emissions from own operations(Net-Zero transition of own operations) Source only from ESG compliant vendors 		7 Metrics, reporting & disclosures <ul style="list-style-type: none"> Secure regular and reliable tracking of all ESG KPIs Coordinate internal & external ESG-related reporting & disclosures

We expect that our strategic priorities will be updated as part of the integration process and alignment with the OTP group, which might also require further adjustments and upgrades to our ESG strategy.

 Additional information about corporate governance is presented in Chapter 8.

5.3 RISK MANAGEMENT

This chapter includes:

- Description of the Group's procedures for defining and assessing climate-related risks.
- Description of the Group's procedures for managing climate-related risks.
- Description of how the procedures for defining, assessing and managing climate-related risks are included in the Group's general risk management activities.

The management, measurement, mitigation and monitoring of ESG risks represent a continuous process that changes relatively quickly.

The Group has defined ESG risks as material for its business environment and business model. The assessment of ESG risks is a continuous process. For this reason, the Group will continue to define ESG risk factors and include them in existing risk types and not as separate ESG risks. The Group continues to focus on the introduction of ESG factors in internal processes in order to meet the associated regulatory requirements and improve the availability of data. The availability and quality of the data required to accurately measure and monitor ESG risks remain the greatest challenge. For this reason, the Group pays special attention to the collection of factual data from its clients and to developing valuation methodologies in the event data are not available.

The Group continuously monitors key ESG risks and assesses their impact on various business areas and risk areas in the scope of the regular assessment of the risk profile and the ICAAP. Focus is placed on the introduction of ESG risk factors in the relevant risk types. The Group's approach is the gradual inclusion of ESG factors in the risk management framework:

- short-term: emphasis on the introduction of acute physical risk and transition risk (i.e. policy changes to achieve the target of zero emissions);
- medium-term: emphasis on the introduction of chronic physical risk and transition risk in technological changes and policy changes, in particular with regard to water consumption, waste and energy consumption; and
- long-term: emphasis on the introduction of transition risk, which is represented by behavioural changes, and social and governance risks.

5.3.1 CREDIT RISK

In the middle of 2021, the Bank updated its credit process, and began collecting, monitoring and assessing the ESG risks of its clients. The Bank continued to update that process in 2022. We have defined the appropriate procedures for collecting and analysing data, and for monitoring ESG risks, and have defined decision-making powers based on assessed ESG risks in connection with activities and clients. ESG risks are currently assessed for large, medium-sized and small enterprises on the domestic and foreign markets, depending on the level of exposure.

The Bank closely monitors and assesses the ESG risks of its clients by collecting data from (i) publicly available sources (e.g. annual reports, sustainability reports, clients' websites, and information published on Bloomberg and other public media), (ii) external ESG data providers (Vigeo Eiris and MSCI), (iii) national and international agencies

and ministries, and (iv) by collecting data directly from clients (based on an internally developed questionnaire). The Bank classifies the activities of borrowers into low, medium and high ESG risk categories. The Bank has also defined industries that it does not as a rule finance (i.e. excluded industries) or that it finances only exceptionally. Based on an assessment of ESG risks, the Bank classifies clients into low, low-medium, medium-high and high ESG risk categories. As a general rule, investments are approved for clients with low, low-medium and medium-high ESG risk, and on a limited basis for clients with an assessed high ESG risk, mainly for the purpose of transition financing.

The Group has initiated several activities to identify a broader range of ESG risks that it faces, in particular climate-related and environmental risks that derive from its ordinary investments and lending, and has taken the first steps for managing those risks. The Group will continue to focus on the implementation of its established ESG strategy in all areas of operations and at subsidiaries, and will adjust that strategy as necessary.

The Bank has begun collecting data regarding the energy efficiency of the buildings in its real estate portfolio. Clients provide energy efficiency certificates, while the Bank independently collects data available in the register at the relevant ministry. For real estate without a certificate, the Bank obtains the relevant data and performs an energy efficiency assessment on that basis.

5.3.2 SENSITIVITY ANALYSES AND STRESS TESTS

As a systemically important institution, the Group participated in the ECB's climate stress test in 2022, which showed that the Group's treatment of and exposure to this type of risk is comparable to other participating institutions. The Group is also gradually developing and upgrading the internal stress testing process and the performance of sensitivity analyses with climate factors based on the experience it has gained and the collection of necessary data.

5.3.3 INVESTMENT STRATEGY

The Bank has integrated ESG considerations and goals in its investment strategy, and actively manages the social and environmental risks associated with investments.

A typical starting point for ESG integration is the identification of material qualitative and quantitative ESG factors that pertain to a company or its industry. ESG factors are integrated in our investment decisions through our general investment procedure. The Bank's ESG portfolio strategy comprises four approaches:

1. negative screening,
 2. best-in-class approach,
 3. reduction of GHG emissions, and
 4. impact investing.
1. Negative screening refers to the exclusion of certain industries that are incompatible with the Bank's values, ESG Strategy and set objectives. As part of its ESG strategy, the Bank has ruled out or limited certain industries for being detrimental to a sustainable economy. Excluded industries are stated in the NKBM Group's Corporate and Financial Markets Lending Policy. In 2022, the Bank liquidated investments classified as "excluded industries" from both ALM bond and IL Portfolios.
 2. The best-in-class approach refers to the preferential treatment of companies with better or improving ESG performance relative to sector peers. The Bank will apply the best-in-class approach for issuers in high-risk industries. The approach prioritizes the best practices of companies, regardless of their respective industry. The Bank will identify which companies are best placed for the major challenges of sustainable development, namely climate change, the over-exploitation of natural resources, demographic changes, health and well-being. Best-in-class is intended to promote positive changes and to encourage companies to improve their conduct and act more responsibly in order to be attractive for investors who are becoming more ESG-focused. Investment portfolios will give priority to the most sustainable companies in high-risk industries and companies that are showing efforts and initiatives for more

sustainable practices. In the bond selection process, the Bank is combining external resources and internal analysis.

3. One of the Bank's ESG goals is also to decrease the carbon footprint of IL loans and ALM investments. The transition to a low-carbon society is becoming very important. The Bank will take responsibility for its investment decisions and consider their impact on climate. Additionally, the Bank will act to avoid and reduce greenhouse gas emissions. The carbon footprint is an important measure that helps identify the part of climate-related risk that the Bank is exposed to as an investor. As the first step, the Bank has started measuring the GHG emissions of the ALM bond and IL portfolios, using available data for individual companies' emissions from Bloomberg, or using benchmarks for industries' emissions to calculate its investment emissions. The Bank's aim remains to improve data and to have a more reliable baseline as sufficient input for decision making. Similar to the previous year, the Bank's focus throughout 2023 will be improving accuracy and incorporating other external sources for emissions and overall ESG scores. The Bank's goal is to monitor the carbon footprint of investment portfolios over time and gradually reduce the carbon footprint of its loans and investments.
4. Impact investing aims to create a positive environmental impact. The Bank will focus on companies making an active effort to either limit their negative societal impact or deliver benefits to society. Part of the Bank's ESG strategy is to increase the proportion of the ALM bond portfolio invested in green bonds. The Bank's medium-term goal is to ensure that green bonds will account for a higher proportion of the ALM bond portfolio than high-risk industries. Green bonds enable corporations and governments to borrow capital to fund projects that promote environmental sustainability and a low-carbon economy. Examples of green projects include renewable energy infrastructure, energy-efficient buildings, clean transportation, and waste management and recycling.

5.3.4 OPERATIONAL RISK AND THE PURCHASING PROCESS

Nova KBM continued to upgrade its operational risk management and outsourcing risk management frameworks in 2022. The Bank has included ESG-related risks in both risk management frameworks; in the area of outsourcing, those factors are included as early as the purchasing process. The Bank has developed an internal questionnaire for assessing ESG-related risks in connection with vendors. The use of the ESG questionnaire has been mandatory in all outsourcing and purchasing processes since the beginning of 2022.

Special attention was given to data quality, the upgrading of reports and the automation of operational risk management processes. Methodological approaches to operational risk assessment were upgraded and the operational risk register updated to include threats and controls related to ESG risk (physical, climate-related and transition risk of climate-related and environmental events: impact on business continuity, and reputational and liability risks). The Bank's risk indicators represent one way to obtain data regarding factors that reflect the business environment and internal control systems, and warn of changes. The Bank thus included ESG components in the process of setting indicators in order to manage ESG risks.

Nova KBM continued to upgrade the operational risk appetite.

It also dedicates special attention to the management of insurance claims.

The Bank organised several training courses on operational risk and outsourcing, while activities were implemented to improve the risk management culture.

Based on the approach set out in its ESG strategy, the Group will focus on acute and chronic physical risks in the scope of operational management.

The Group has begun to identify broader ESG risks that it faces, in particular climate-related and environmental risks that derive from ordinary investment and loan transactions, and has adopted the first measures to mitigate those risks. It will continue to focus on the implementation (and, where necessary or appropriate, adapt) its ESG strategy, and reflect the ESG agenda in its own operations and at subsidiaries.

5.4 METRICS AND TARGETS

This chapter covers:

- The disclosure of the metrics that the Group uses to assess climate-related risks and opportunities in accordance with its risk management strategy and procedures.
- Description of the Group’s procedures for managing climate-related risks.
- Disclosure of Scope 1 and Scope 2 greenhouse gas emissions, as well as Scope 3 and the associated risks, where appropriate.
- Description of the objectives the Group pursues in the management of climate-related risks and opportunities, and the achievement of those objectives.

The Bank has been monitoring and disclosing its Scope 1 and 2 emissions since 2017, while we also set the ambitious objective of further reducing emissions in 2022, which required investments in real estate (introduction of energy management systems, the replacement of lights with LED technology, the replacement of existing blinds, the replacement of heating, ventilation and air conditioning systems, etc.), the electrification of the vehicle fleet and the purchase of all energy from renewable sources.

The Group intends to use 2022 to establish a reliable data baseline for Scope 3 emissions (both own and financed emissions), and to define medium- and long-term targets. This specifically means the collection and aggregation of data regarding greenhouse gas emissions for the Group’s credit portfolio. During the final quarter of 2021, the Group drew up assessments of emissions for the portfolio of loans to domestic corporate clients, the international lending portfolio and the bond portfolio. Based on these assessments, it developed a data collection methodology using a set of data prepared by the EU and national governments (and associated agencies), and the Group’s clients. The results of these assessments and assessments carried out in 2022 will be used to define the data baseline for Scope 3 (financed) emissions at the level of the Bank and Group. The Group is aware that extensive and detailed climate-related data are not easily accessible for individual borrowers, but it does not see this as an obstacle to developing tools for managing risks and reporting processes.

The Group adjusted securities in the banking book and processes for granting and rolling over commercial loans by including the relevant ESG-related data and metrics in the decision-making process. It defined ambitious internal targets to assess the proportion of portfolios assessed in terms of ESG and climate-related risks.

The Group included ESG-related factors and targets in its investment strategy, and actively manages social and environmental risk in connection with its investments. The typical starting point for the inclusion of ESG factors is the identification of material qualitative and quantitative ESG factors that relate to a particular company or its business activity.

The targets below will be set in the Group’s investment strategy.

KPI	Threshold for 2023	Current value
Maximum proportion of exposures to high-risk corporate clients in the ALM bond portfolio	> 5%	0
Proportion of the entire ALM bond portfolio accounted for by green bonds	< 5 %	5%
Exposure to so-called excluded industries (in € million)	0	0

The Bank developed **15 internal ESG-related performance indicators for all pillars of its ESG strategy** for 2022, including criteria for assessing the performance of the Management Board, directors and all employees at the Bank. We achieved all established targets, some even before the planned deadline.

Area	Goal	Performance assessment
Growth and profitability		
Green loans	Green loans for retail and corporate clients	We offered green loans to household clients in November. Key criteria for green corporate loans were defined, while agreement regarding the necessary processes is still required. Planned timetable for implementation: March 2023.
Assessment of the Bank's exposure according to ESG criteria	+30% of the Bank's exposure is assessed according to ESG criteria (excluding the retail and micro enterprise segments)	Since 22 December, 40% of all exposures are assessed according to the new ESG methodology, which is an increase of 4 percentage points relative to November 2022. The target for 2022 was thus exceeded.
Assessment of new investments according to ESG criteria	+80% of new investments assessed according to ESG criteria	A total of 100% of new investments in IL and bonds assessed using ESG criteria. Excluded are exposure to central governments, central banks and supranational issuers, as they are not taken into account in the calculation of growth-at-risk (GaR).
Client excellence		
NPS (included in pillar II)	Inclusion in strategic pillar II	-
Risk management and compliance		
Management of climate-related and environmental risks	1) Fulfilment of all regulatory expectations regarding ESG exposures 2) Inclusion of ESG in the ICAAP in ILAAP 3) Scope 3 (financed) emissions: definition of starting point and limits	-
Inclusion of ESG in the Bank's internal policies	Updating of internal rules and documents taking into account ESG	A total of 29 of 30 bylaws that were identified for upgrading with ESG content were updated during the year (97%).
Operational efficiency		
Optimisation of the Bank's carbon footprint	1) Own GHG emissions (Scopes 1+2): reduced by at least 7% 2) Replace 20% of the vehicle fleet with electric vehicles 3) 100% of electricity obtained from renewable sources	1) Reduction of Scope 1 and 2 emissions by 60% relative to 2021. 2) Total of six electric vehicles purchased and another eight ordered. 3) Electricity for commercial buildings obtained exclusively from renewable sources.*
Inclusion of ESG criteria in the purchasing process	New suppliers are subject to review in terms of ESG criteria.	A total of 266 new suppliers assessed according to ESG criteria.
Culture and talent development		
Inclusion of ESG-related KPIs in employees' objectives	For the Management Board and level B-1	-
ESG training for all employees	+80% of employees must complete online training	A total of 99% of all employees completed online training.
Diversity and inclusion	Development and implementation of Diversity and Inclusion Policy	Policy was approved in December and entered into force on 1 January 2023.

*Applies to the buildings owned by the Bank. In minority (10 %) bank rents the real estates and cannot impact the purchase process of electricity.

Similar to 2022, the bank plans to set ESG KPIs for 2023 and mid-term which will be more specific and ambitious.

6 MANAGING ENVIRONMENTAL IMPACTS

Through the ESG strategy, we are striving to improve our response to global environmental challenges and opportunities, while at the same time taking into account the expectations of strategic stakeholders. The strategy is designed to manage environmental factors including:

- climate change and CO₂ emissions; the Bank has been measuring Scope 1 and 2 emissions since 2019,
- air and water pollution,
- energy efficiency, and
- waste management.

KPI	2020	2021	Delta (%) 2021/2020	2022	Delta (%) 2022/2021
Carbon footprint (Scope 1 and 2) per employee (in metric tonnes of CO ₂)	1,923	1,796	-6.61%	TBD	-60%
Electricity consumption per employee (in kWh)	8,469	7,639	-22.69%	6,281	-18%
Waste management costs per employee (in €)	82	56	-31.40%	50	-12%
Fuel consumption in vehicle fleet per employee (in litres)	42	53	+27.58%	62	18%
<i>Number of employees as at 31 December</i>	<i>1,903</i>	<i>1,631</i>		<i>1,539</i>	

* The figure for 2020 does not include the former Abanka (which became a member of the Nova KBM Group as part of the legal merger in 2020) due to the unavailability of the relevant data. Data relate solely to Nova KBM in order to ensure comparability.

6.1 ENERGY EFFICIENCY

Total energy consumption (in kWh) ¹⁹			
Total energy consumption	2020	2021*	2022
Energy consumption (in kWh)	16,117,000	11,913,111	9,666,438
Electricity consumption per employee (in kWh)	8,469	7,304	6,281

The number of employees as of 31 December is taken into account

* The data for 2021 have been updated due to a change in the data capture method.



We reduced energy by an additional 19% in 2022 relative to the previous year, as the result of the rationalisation of business premises and investments to improve the energy efficiency of our commercial real estate, and efficient energy consumption.

We continued investment in energy efficiency in 2022 and carried out the following key activities:

- We further reduced the consumption of energy products for the cooling and heating of premises through optimisation of the use of office space and the sale of superfluous real estate and the efficient management of existing premises.
- We introduced an efficient energy consumption system for heating and cooling needs in the RCA Tezno commercial building, and replaced blinds and much to the existing lighting with more energy-efficient LED lights.
- We replaced old cooling systems at several branch offices.
- We continued to monitor the energy consumption operating parameters of HVAC systems at the central premises in Maribor and took effective action in the event of discrepancies.
- In the case of renovations and capital expenditure on office premises and branches, we **followed energy efficiency guidelines** and the provisions of construction legislation.
- We set up 12 charging stations for electric vehicles at commercial buildings in Maribor and Ljubljana.

We are planning additional investments in 2023 to further increase the energy efficiency of our buildings. In addition to other activities, we will implement energy monitoring for the active control of energy consumption in our commercial buildings and replace existing lighting with more energy-efficient LED lights in 10 branch offices.



The Bank consumed 5.6 GWh of electricity that was obtained exclusively from renewable sources.

¹⁹ GRI 302-1

6.2 CARBON FOOTPRINT

The Bank is committed to careful environmental management and the control of greenhouse gas emissions with the aim of achieving carbon neutrality. To this end, it has been calculating its carbon footprint since 2019. The carbon footprint is a way to determine emissions of carbon dioxide and other greenhouse gases, which the Bank measures using the GHG Protocol. In 2022, we established procedures and a general framework for measuring indirect emissions that arise from travel to and from work, the use of company cars and other Scope 3 emissions.

Activities to achieve greater energy efficiency led to a reduction in emissions of scope 1 and 2. The bank purchased the electricity entirely from renewable sources except in buildings, where we cannot impact the purchase process as we rent the real estate (10 % of the total consumption).

CO2 emissions ²⁰		
	2021	2022
Scope 1	941	830
Scope 2	2,780	650
Total	3,720	1,481

The approach for calculating CO2 emissions of scope 1 and 2 in 2022 differs from previous years. The emission coefficients of the Environment Agency of the Republic of Slovenia and the National Inventory Report were used for the calculation in 2022.



The total carbon footprint at the level of the Bank was reduced by 60%.

 More information regarding Nova KBM's approach to measuring Scope 3 emissions at the Bank's clients is described in Chapter 5.4 (Metrics and targets).

6.3 VEHICLE FLEET AND SUSTAINABLE MOBILITY

We began the electrification of the vehicle fleet in 2022 with the aim of lowering the Bank's carbon footprint in this area. We set a target for 2022 of replacing 20% of the vehicle fleet with electric vehicles. We thus ordered 14 electric vehicles, six of which have already been delivered and eight of which will be delivered during 2023. A charging infrastructure was also set up, with 12 charging stations at three business locations of the Bank.

We also continued with the process of optimising the vehicle fleet. By the end of 2022, we had reduced the number of vehicles in the fleet by 4% (from 72 to 69), and thus reduced the number of vehicles with internal combustion engines and increased the number of electric vehicles. Despite the electrification of the vehicle fleet, fuel consumption was up by 11% in 2022 relative to 2021 due to the easing of epidemiological measures and the resulting sharp increase in business travel.

²⁰ GRI 302-1



In 2022, we pursued our established objective of replacing existing vehicles driven by internal combustion engines with electric vehicles, while continuing to promote sustainable mobility amongst employees with solutions such as car-sharing, the use of public transport and alternative, environmentally friendly vehicles.

We also expanded the accessibility of bicycles at our commercial buildings, so that bicycles are now available to employees for shorter urban distances at all three central buildings. We thus raise awareness of the advantages of sustainable mobility and cycling among both employees and clients.

 More information about awareness regarding sustainable mobility is included in Chapter 7 (Management of social impacts).

Fuel consumption by the vehicle fleet	2020*	2021	2022
Fuel consumption (in litres)	79,000	86,386	96,170

The number of employees as of 31 December is taken into account.

* Fuel consumption was significantly lower in 2020 due to the adverse conditions and restrictions during the COVID-19 pandemic, which reduced the amount of business travel considerably.

6.4 WASTE MANAGEMENT

The separation of waste raw materials at the 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. It 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 separately collected 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 were down by 16% in 2022 relative to the previous year.

Waste management costs ²¹	2021	2022
Waste management costs (in €)	155,999	91,722
Waste management costs/employee (in €)	81.98	56.24

The number of employees as of 31 December is taken into account.

²¹ GRI 306-3

6.5 PAPER CONSUMPTION²² AND PAPERLESS OPERATIONS



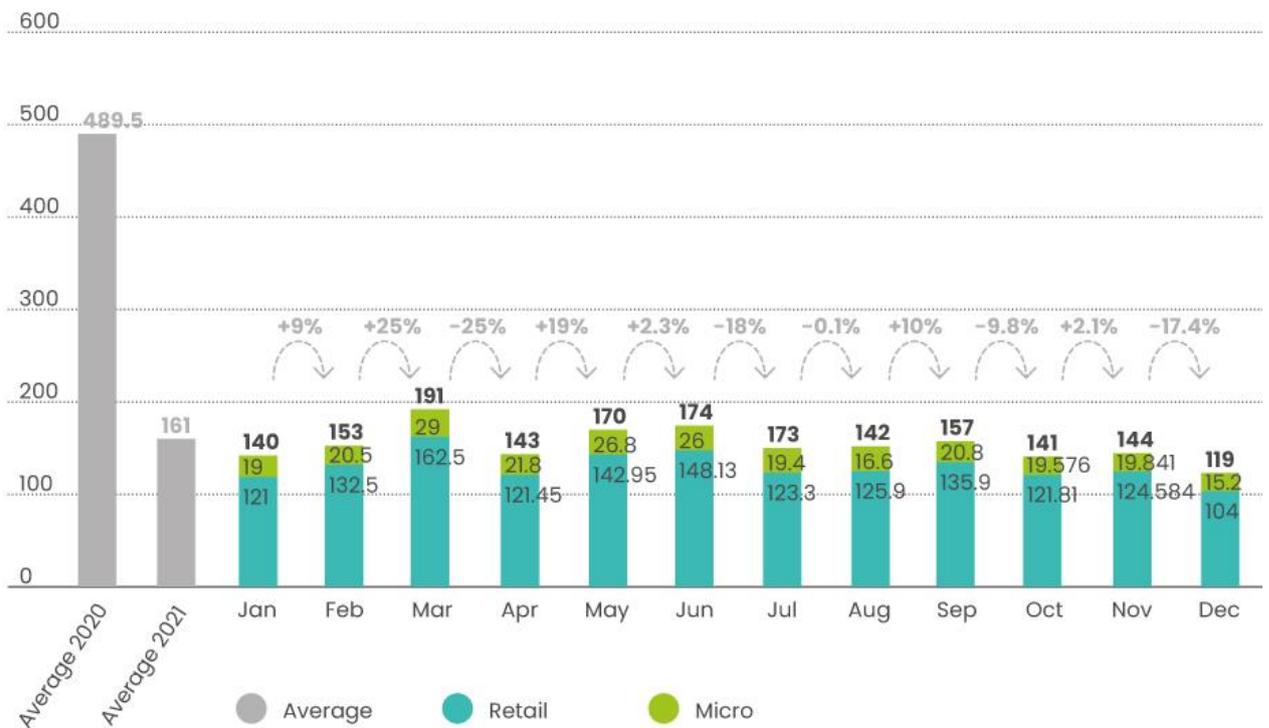
By promoting paperless operations, the Bank reduced paper consumption by around 6% in 2022 relative to 2021.



We continued the digital transformation in 2022, which was positively reflected in the volume of paper used at the Bank. By raising the awareness of employees and clients about the benefits of paperless operations and by reducing the number of printers, the Bank reduced the average number of printed sheets of paper from 161 thousand per month in 2021 to just over 151 thousand in 2022, or by around 6%.

²² GRI 301-1

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



We are raising awareness amongst employees and clients about the importance of reducing paper consumption through our Click for the Environment initiative, while digital banking channels, such as online and mobile banking, are enabling the delivery of an increasing number of digital documents to clients.

We expect an even greater decrease in paper consumption at the level of the Bank in 2023, as we will begin charging clients who otherwise use digital banking channels a fee for paper statements prepared at branch offices.

Significant reduction in paper consumption in banking operations

Paper consumption has traditionally been the most intensive in operational support at all banks. In the past, business was conducted to a great extent using paper printouts, in part in the form of manual records and controls, and local archives. The Bank likewise did business with clients and provided them information in paper form in the past.

In the age of electronic communication and the development of digital banking channels, there has been a major shift towards paperless operations with clients, while in the operational support of banking operations at Nova KBM, we have paid special attention in the scope of the ESG initiative to the problem of printing documents on paper in our internal activities: we have studied and changed our internal work processes, archiving procedures, workplace equipment and the habits of our employees.



We printed 40,000 fewer sheets of paper in 2022 relative to 2021, which translates to a 56% decrease in paper consumption.

We analysed the most manual tasks and work areas where paper printouts were used most frequently, and automated and robotised them. We digitalised the signing of loan agreements and agreements on the opening of

transaction accounts, which are now automatically archived in our electronic document system. We stopped storing documents in local archives, and digitalised and stored them in a central electronic archive. We have introduced the electronic receipt of court orders and tax enquiries, and deliver notifications directly from the back-office to clients' mobile or online banking application. We installed signature pads in our cash centre, and thus digitalised the Bank's vault operations. We simplified and digitalised the inquiry and reclamation process in card operations and payment transactions.

We equipped workstations with additional, larger screens to facilitate the viewing and reading of documents in digital form. Contributing to the accelerated change in working habits are hybrid forms of work, as employees spend part of their working time in their home environment. The availability of documents in digital form has thus gained in importance.

Paperless operations have become a part of the mindset and awareness of employees. We have encouraged them in this regard through the annual and quarterly objectives of individuals and teams, and we regularly monitored the results. We provide information about the status of the project, development and our achievements via regular emails and meetings of work teams. All of the above-described measures have contributed to enormous savings in the number of printed pages. We printed close to 40,000 fewer sheets in 2022 relative to 2021, and thus reduced paper consumption by around 56%.

6.6 ENVIRONMENTALLY FRIENDLY BANKING SERVICES

We are also implementing the ESG strategy through banking services products that have a positive impact on the environment. We offer clients services and products that they can order or use without paper or with a limited amount of paper, that are energy efficient, and that produce lower or minimal emissions. In 2022, we offered an overview of these services in one place on the Bank's website, which is dedicated to an overview of the Bank's ESG activities.

We upgraded some products that were available to clients without visiting a branch office or using paper, and introduced certain new products in 2022, as follows:

- New products and services that are available without visiting a branch office: the *Naprej* consumer loan, the ordering of debit and credit cards, the ordering of digital prepaid cards, the opening of the Net account, the ordering of the Komplet bundle, access to investment banking products, the digital signing of agreements and statements that clients receive via the inbox in their online banking application;
- the introduction of two new products for sustainable purchases and sustainable living: green consumer and housing loans;
- card payments – instead of cash;
- use of mobile wallet instead of plastic cards;
- paperless signing on tablets;
- the use of online and mobile banking payments instead of payments at branch offices;
- setting of POS so client copy is not printed unless requested;
- cooperation with Pošta Slovenije with the option to pay for ordered goods at home with a payment card instead of cash; and
- green and environmentally friendly funds: the Bank works with partner companies in the management and marketing of their securities in our business network.

The Bank will continue in the future to develop products and services that support environmental goals. Planned services include:

- virtual payment cards that will contribute to the continued reduction of the use of plastic; and
- the development of digital channels aimed at an excellent user experience and simplified use, resulting in a further increase in the number of digital users.

7 MANAGING SOCIAL IMPACTS

Through the ESG strategy, we also strive to manage social or societal factors including:

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

KPI	2020	Delta (%) 2019/2020	2021	Delta (%) 2020/2021	2022
Level of employee engagement	+5 points	+5 points	+3 points	+3 points	Unchanged level
Level of employee satisfaction	+6 points	+6 points	+3 points	+3 points	Unchanged level
Employee Net Promoter Score	+52 points	+52 points	+2 points	+2 points	+1 point
Training hours / employee*	39 hours	-27.9%	41 hours	+5.13%	34.8 hours
Number of different contents of online training	37 (146%)	+146%	42	+13%	50
Voluntary turnover	3.6%	-0.9%	5.6%	+2%	5.0%
Absenteeism rate	4.7%	-0.6%	4.8%	+0.1%	5.4%
Number of working days lost due to injury	39	-68.29%	271	694%	116

* GRI 404-1

* **Average number of hours per employee:** The drop in the number of hours of training per employee in 2020 and 2021 was the result of measures during the COVID-19 pandemic. Forms of training provided by external institutions and usually attended by employees at Nova KBM changed during the pandemic. In-person participation in training was greatly reduced as a result of preventive measures at the national level and was also cancelled in some periods. This resulted in smaller number of training sessions realised and a shorter duration of individual training sessions, while training providers gradually adapted and moved training online. The trend began to improve in 2021 due to the easing of certain measures and the ending of restrictions, which facilitated the organisation of training to some degree. Taken into account are the number of employees as of 31 December and a correction to records for 2020.

7.1 RESPONSIBILITY TOWARDS EMPLOYEES²³

In implementing its ESG strategy and labour standards, the Bank pays particular attention to the development of a positive organisational culture and employee performance in accordance with its values, and to ensuring a high-quality working environment and equal opportunities, without discrimination.

Human resource management – vision, mission and key areas

Vision	<ul style="list-style-type: none"> To strive for greater employee commitment and improvements to the organisational culture, and thus contribute to the achievement of excellence at Nova KBM.
Mission	<ul style="list-style-type: none"> To be a strategic partner who ensures added value, and helps the Bank implement its strategy and pursue its vision. A clear commitment to recruiting, developing, remunerating and retaining talented and diverse employees. Integration of HR and talent management practices, processes, systems and information that contribute to employee satisfaction and the organisational culture, and ensure the Bank has the right people in the right place at the right time and at the right cost.
Key areas	<ul style="list-style-type: none"> Key processes that promote efficiency, integration and the clarity of roles. Flexible descriptions of jobs and competences that support all talent management processes. A powerful, integrated technological platform that contributes to the improved implementation of talent management activities. The relevant analytics for the effective support of decision-making in all banking areas. The appropriate management of all the above-described areas.

As part of its vision and mission, the Bank has developed a comprehensive People Strategy that defines strategic areas, key opportunities and risks, and criteria for measuring progress.

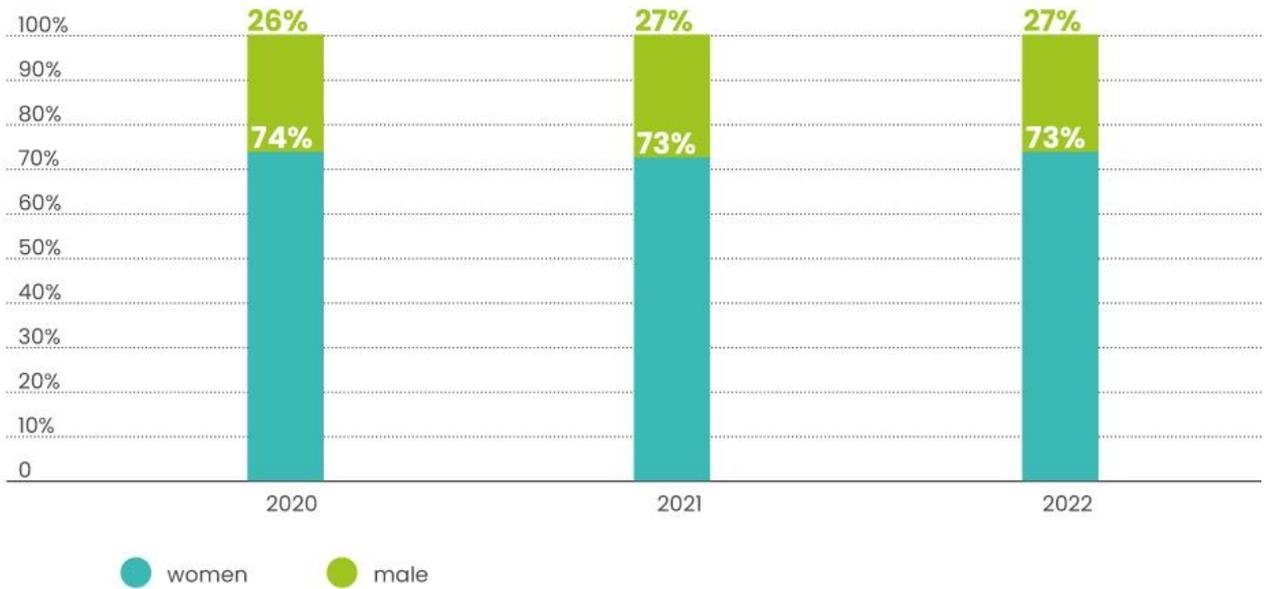


The Bank supports the personal and professional development of employees and occupational health and safety, and values the diversity of employees. We encourage interpersonal relations, teamwork and cooperation, and a work-life balance. We strive for solidarity and corporate volunteering. We ensure the sustainable transfer of knowledge and experience between generations of employees, and the upgrading of skills and competences for social responsibility and sustainable development.

²³ GRI 102-8

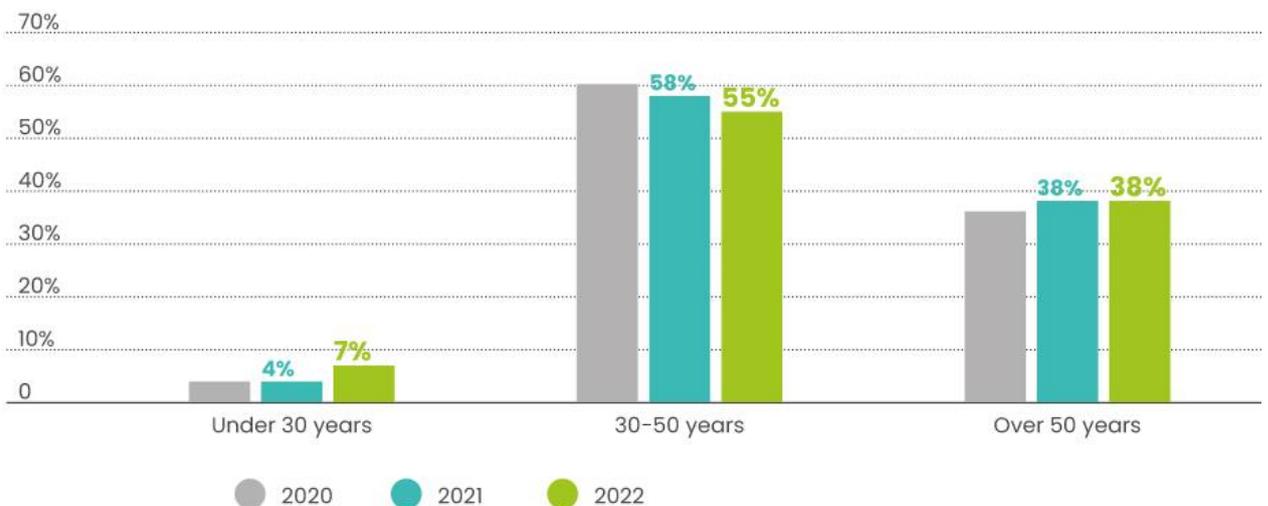
Breakdown of employees by gender

The Bank had 1,539 employees at the end of 2022, with women and men accounting for 73% and 27% of employees, respectively, the same as in 2021. A total of 33% of level B-1 directors are women, while 67% are men. There were 35 employees on fixed-term contracts at the Bank, representing 2.27% of employees.



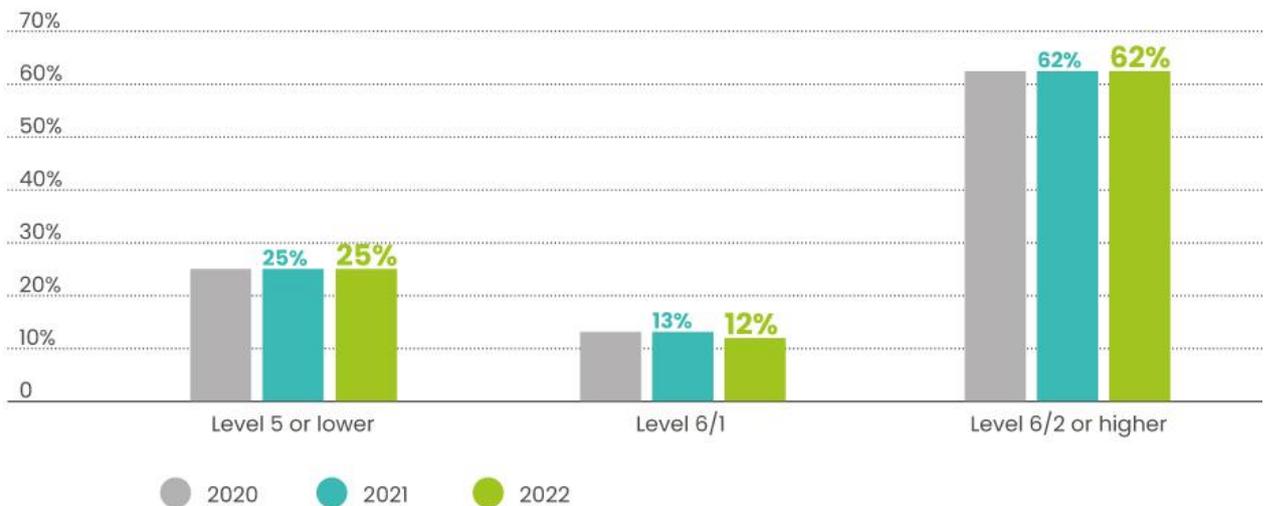
Breakdown of employees by age group

The average age of employees at the end of 2022 was 46, a decrease of 0.2 years relative to the end of 2021. The under 30 age group accounted for 7% of employees, an increase of 3 percentage points relative to 2021, while 55% of employees were in the 30–50 age group, which is 3 percentage points less than the previous year. The over 50 age group accounted for 38% of all employees, the same as in 2021.



Overview of educational structure of employees

At the end of 2022, 25% of Nova KBM employees had a Level 5 educational qualification or lower, 12% had a Level 6/1 qualification, 32% had a Level 6/2 qualification and 31% had a Level 7 qualification or higher. The percentage of employees with a Level 5 qualification or lower was unchanged compared to 2021, while the percentage of employees with a Level 6/1 qualification was down by 1 percentage point and the percentage of employees with a Level 6/2 qualification or higher was up by 1 percentage point.



Satisfaction and engagement survey

The opinions of our employees are very important to us. For this reason, the Bank conducts twice-yearly employee satisfaction and engagement surveys (VoE – Voice of Employees) in conjunction with an external contractor. Two surveys were conducted again in 2022. The results of the most recent survey, carried out at the Nova NKBM Group level at the end of 2022, show unchanged employee engagement and satisfaction rates relative to the results of the survey conducted at the end of 2021. The latter is a reflection of the active implementation of measures in the scope of initiatives to promote a common culture and improve employee satisfaction and engagement.

Non-monetary remuneration

The non-monetary remuneration programme that was introduced in 2021 continued in 2022. That programme differs from existing performance-related remuneration in that employees choose their preferred form of remuneration. 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 includes anything from relaxation and pampering to fine dining.

Renewing the onboarding process

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, the Bank provides 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 promoting innovation among employees, the Bank introduced application support back in 2021 for the collection of their ideas. The 'Idejomat' was named by employees themselves. The aim of the Idejomat is to promote the values of innovation and effectiveness and include in the idea management process all employees who wish to improve the operations, efficiency and performance of the Bank through their ideas. A total of 77 different ideas were submitted to the Idejomat in 2022 by 55 employees.

The Bank organised an **Idea Challenge** again in 2022 in form of the 'Robotisation of Processes', in the scope of which 18 ideas were submitted. Submitted ideas were studied, and an assessment of the feasibility of the idea, the impact of the robot on the Bank's operations and the speed of the robot's deployment was prepared together with the proposers. Ideas approved by process owners are in the process of implementation.

Employment and staff turnover²⁴

A total of 188 employment contracts were terminated in 2022, while 96 new employees were recruited. We recorded voluntary employee turnover of 5.0% (regular termination by employees and termination of employment by mutual agreement), which was 0.6 percentage points lower than in 2021. 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 statutorily prescribed conditions. 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 at the Bank were necessary.

Training²⁵

Our employees participated in 304 different training programmes in 2022 for a total of 53,523.5 hours, which translates to an average of 34.8 hours per employee. In 2022, internal and external training programmes were organised live in the form of workshops and via contemporary digital channels, which as a response to COVID-19-related conditions from the previous year proved to be an effective way to organise those programmes. Training is organised for both employees and students who perform work at the Bank via student services. Students participated in 11 different programmes covering a total of 228 hours.

Development of managers

The Bank is aware of the importance of investing in the development of managers. For this reason, we organised **workshops** for all managers again in 2022 **on management skills** linked primarily to practical guidelines in the area of promoting employee engagement, how to lead in conjunction with coaching, and how to adapt communication styles to the situation.

In 2022, we continued with the **Lead Programme** that we revived at the end of 2021. It is a one-year development programme intended for potential managers from various levels and areas at the Bank. It is based on the use of teamwork to address challenges, with the direct cooperation and support of the Bank's senior managers. Additional workshops were organised for managers on the topic of personal development. To ensure a relaxed atmosphere, we also organised teambuilding events. The programme was implemented throughout 2022 with the aim of finding the most original and effective solutions for the real challenges that the Bank faces, while connecting managers from various levels and areas. At the end of the event, we awarded a short trip abroad to the winning team with the most original solution.

²⁴ GRI 401-1

²⁵ GRI 404-1

Internal coaching²⁶

Experienced external coaches have been available to senior management and management staff at Nova KBM for some time. We began an internal coaching programme in 2021 with the aim of making this support available to a wider range of employees. Through intensive training, the Bank gained 16 internal coaches, who acquired the skills and basic coaching competences that they began using in 2022 to support the personal and professional development of their colleagues via a structured coaching process within the organisation.

Connecting with young people and mentoring

Once again, special attention was given in 2022 to **recruiting young talent**. With the aim of linking the academic and business worlds, and recruiting promising young talent, we have been working with education institutions in the preparation of various projects for several years. We also attend various career fairs and other events organised by education institutions. In cooperation with the Faculty of Economics at the University of Ljubljana, we organised a four-day educational event for students in 2022. To date, the Banking School has been attended by more than 60 students from various faculties and study programmes. 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. In cooperation with the Faculty of Electrical Engineering and Computer Science at the University of Maribor, the Bank organised visits by students to its business premises for the second year, during which it presented various content and business processes. We also participated in three **career fairs** in 2022, where our HR representatives were available to answer jobseekers' questions.

Family-Friendly Company certificate

Employees frequently face challenges in balancing their leisure time, family life and career. Nova KBM has been the proud holder of the full Family-Friendly Certificate since 2015. As part of that certificate, the Bank implements 16 measures to facilitate the balancing of employees' professional and private life. The most popular measures in 2022 were flexible working hours, additional days of paid leave to care for sick children, the giving of gifts to employees' children, a supplement for the birth of a child and additional hours for doctors' visits for employees over the age of 50.



The most popular measures in the scope of the full Family-Friendly Certificate in 2022 were flexible working hours, additional days of paid leave to care for sick children, the giving of gifts to employees' children, a supplement for the birth of a child and additional hours for doctors' visits for employees over the age of 50.



Occupational health and safety and health promotion²⁷

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. As part of our health promotion efforts in 2022, we organised workshops for employees on the topics of sedentary work, sleep, mental health and brain development. We also organised vaccinations against tick-borne meningoencephalitis, fruit day in the office, a massage chair and active breaks. Our objective is to prevent workplace injuries, reduce the sick leave rate and

²⁶ GRI 404-2

²⁷ GRI 403-1, 403-6

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, and socialise with colleagues outside the working environment in a pleasant context. Employees can make use of a modern sports and relaxation area in the Bank’s central building in Maribor. Other initiatives connected with the promotion of health in the workplace include the Nova KBM Runs programme and other selected events which the Bank supports as a sponsor and in which employees greatly enjoy participating.

Absenteeism and workplace injuries²⁸

The annual absenteeism rate was 5.4% in 2022, an increase of 0.6 percentage points relative to the previous year. We recorded three workplace injuries in 2022, which is one less than in the previous year. The number of working days lost due to workplace injuries was 116, a decrease of 155 relative to 2021.

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 2022 show that the largest number of employees sought help with emotional distress and problems in their personal life, and that the most popular form of counselling was face-to-face counselling.

Solidarity assistance



The Bank demonstrates its solidarity in the event of death, and awards scholarships to the children of the deceased. It thus helps them and other family members overcome the hardships of such life circumstances.

One secondary school student and one university student were supported by these scholarships in 2022. We are continuing to support one secondary school student and one university student during the 2022/2023 academic year.

Teambuilding

Teambuilding is one of the most popular activities for strengthening team spirit and employee satisfaction. Such activities were available again in 2022, with employees taking part in activities of their choice and preference, and visiting various locations across the country. We are also planning intersectoral teambuilding activities in the coming year to bring together and foster cooperation between employees, including between different units.

Promoting the flow of information and communication

Considerable emphasis was placed again in 2022 on promoting the flow of information among employees, through the continuation of activities such as brown bag lunches, weekly takeaways and internal career interviews.

²⁸ GRI 403-9

During the year, the **brown bag lunch** activity was intended for 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 presentations of all sectors, the remaining time is used to focus on free time activities and personal interest. 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. As the name of the activity suggests, it 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.

Through the implementation of **internal career interviews**, we present employees the interesting career paths of their co-workers in the scope of monthly newsletters.

7.2 RESPONSIBILITY TO CLIENTS

Client excellence is an important strategic pillar in the operations of Nova KBM. In 2022, the focus in the **Together to Excellence** programme was on strengthening our clients' positive user experience and satisfaction, ensuring dialogue and obtaining client feedback with the help of market research. We organised several programmes and activities in 2022 with the aim of achieving excellence in operations.

- We maintained a high level of transparency and responsiveness, and acted in line with our internal standards: customer care, professionalism, efficient sales and services, and the nurturing of client relationships.
- We dedicated special attention to strengthening **customer centricity**, the establishment of long-term relations with clients, and ensuring friendly and professional service. We regularly monitored our success in this regard via surveys.
- In the scope of **Together to Excellence training activities**, we shared our knowledge and experience with new employees in the areas of customer centricity and improving customer satisfaction.
- **At regular meetings on the subject of quality**, we closely monitored numerous quality indicators, including complaints and customer satisfaction with our solutions. Detailed analyses of complaints have served as a source of many improvements in both services and processes, which have also contributed to increased customer satisfaction.
- We made use of various market surveys to listen to clients' experiences, needs and expectations of the bank. We carried out **several surveys of our clients' satisfaction** with services (Net Promoter Score and other metrics), staff and banking channels. We listened carefully to customers and analysed their feedback, suggestions and complaints. Based on the latter, we introduced several improvements that contributed positively to customer satisfaction, which was also reflected in higher NPS (see table below).

Net Promoter Score	2019	2020	Delta 2020/2019	2021	Delta 2021/2020	2022	Delta 2022/2021
Retail banking (overall NPS)	8	17	+9 points	14	-3 points	26	+12 points
Komplet bundle	36	32	-4 points	31	-1 point	33	+2 points
Bank@Net	36	69	+33 points	59	-10 points	78	+19 points
Branch offices	76	73	-3 points	77	+4 points	85	+8 points
Premium Banking	58	61	+3 points	64	+3 points	68	+4 points

- We successfully repeated the **Champions Forum** for the fourth time. That forum is an internal programme aimed at promoting sales, team spirit and healthy competition amongst employees in the sales network.
- We continued with the **Adopt a Branch** programme, where management staff take a selected branch under their wing and help the team realise their initiatives and improve their excellence in their dealings with customers. Through these activities we increased employee engagement and consequently improved their relationships with customers.

7.3 DIGITAL BANKING

The digital transformation of the Bank continued in 2022. The use of digital services is increasing, and with it customer satisfaction.



In the scope of the ESG strategy, we will focus in the future on digitalisation and awareness about the advantages of using digital channels. We are thus reducing the use of plastic and paper, while clients no longer need to drive to branch offices, which in turn means fewer emissions.

The proportion of digital transactions had already reached 95.3% by the end of 2022.

- Through the Bank's award-winning online and mobile banking applications, we make it easy for clients to use numerous banking services remotely (payments, the ordering of new products, etc.). The NPS for Bank@Net reached 75 points in the final quarter of 2022 (the annual average was 59).
- In 2022, Bank@Net bank and mBank@Net were named best online and mobile banking applications in Slovenia for the third year in a row (independent research performed by E-laborat).
- The mDenarnic@ mobile wallet was used by approximately 145,000 clients at the end 2022 (compared with around 120,000 active users at the beginning of 2022).

Nova KBM began its digital transformation in 2017. The number of users of digital channels for banking services more than doubled from that time until the end of 2022. The majority of our clients, both retail and corporate, use digital channels for banking services on a daily basis, which is also evidenced by the millions of digital transactions executed each month.



From 2017, when the digital transformation of the Bank began, until the end of 2022, the number of users of digital channels for banking services more than doubled.

The number of transactions executed via digital channels has risen sharply in the last three years. In particular, we are seeing a major shift of clients to the mobile banking platform. Our clients are using the mobile banking application more frequently, largely due to its simple use.

7.4 FASTER SERVICES IN THE AREA OF OPERATIONAL SUPPORT

Nova KBM is aware that the Bank's responsiveness to requests, inquiries and complaints is very important to clients. We simplified internal procedures in 2022 and achieved a significant speed-up in customer service.

In the area of card operations, we overhauled the handling of financial complaints, and thus reduced the time it takes to resolve them. We began sending renewed and newly ordered payment cards by ordinary post, making it easier for clients to access them, as they no longer have to retrieve them from the post office. At the same time, we ensured that payment cards are equipped with all of the necessary security features and, by introducing virtual cards, we have made it possible for clients to transact with cards even more quickly, including via the mobile wallet, where the card is available to the customer the day after renewal or ordering.

In the area of payment transactions, further improvements to IT support increased the level of automated processing of foreign payment orders, and thus significantly sped up the processing of payments abroad, which is particularly important for companies and sole traders who do a great deal of business with foreign business partners. Through active monitoring, we also significantly reduced the number of inflows that require manual routing, and thus increased the speed of execution. All of these measures contributed to the higher throughput and faster execution of payment transactions, and increased customer satisfaction.

7.5 UPDATING OF CLIENT SERVICES IN THE CONTACT CENTRE

Our clients contacted Nova KBM's Contact Centre almost one million times in 2022 through various communication channels. We continuously develop and improve all of our communication channels.

Our greatest innovation in 2022 was the expansion of the chatbot Niko to two new access points in the online and mobile banking applications. In 2022, Niko provided answers to questions and banking services to one-third of clients who contacted the Bank via these two channels. One-third of customer contacts were made by Contact Centre advisers, while more than one-quarter of clients used the automated response system at the toll-free number 080 17 70 and 10% of clients contacted the Bank via email.



The chatbot Niko currently handles more than one-half of all conversations with clients.

We are most proud of the 99% automated response rate that we achieved with Niko: only 1% of clients require additional information and request a chat with an agent. The chatbot Niko now has more than 1,000 responses to the most frequently asked questions in its library.

We have noted a general increase in the use of the automated response service in the last year compared to previous years. That service is used by almost the same number of clients who wish to speak with a Contract Centre adviser. As many as 4% of clients who disconnected a call during the previous year when an answering machine answered their call to the Contact Centre now use one of the automated response system services, which provides them the information they want or sends it to them in a text message.

In 2022, we used robotics to automate several processes in the Contact Centre that were previously performed manually, and thus sped up processes and saved valuable time for advisors to provide better customer service, and to acquire and deepen their knowledge, which is crucial for the up-to-date and high-quality information that our clients expect.

Nova KBM continues to develop services that it offers via video call, which we use most frequently to help clients make changes to personal data and their telephone number, and to arrange the data of the authorised representatives of business clients who do not have a personal account at the Bank.

Nova KBM's Contact Centre has been handling customer complaints for all areas at the Bank for several years. We have also simplified procedures for clients in this area, particularly in the case of attempted payment card fraud, and significantly reduced our response times even in the most complex cases.



The number of complaints was down by 19% in 2022 relative to 2021, while complaint resolution time was further shortened, with an average response time of 3.9 days.

7.6 RESPONSIBLE MARKETING COMMUNICATION²⁹

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 programmes) 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 both of general legislation and of specific consumer legislation.



The Bank ensures that advertising is clear, fair, precise and not misleading.

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.

7.7 PROGRAMMES FOR THE DEVELOPMENT OF THE SOCIAL ENVIRONMENT³⁰

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 programmes** in the areas of financial literacy, responsible investing and borrowing, fraud prevention and security in online commerce. We 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.

7.7.1 SPONSORSHIPS AND DONATIONS

As the second largest banking institution in Slovenia, Nova KBM is aware of its responsibility in the development of the social environment. We maintained the level of sponsorship and donation funds in 2022 at the 2021 level, and supported numerous cultural projects, sports clubs and associations, and other organisations that work to improve society. In the context of sponsorships, donations and other partnerships, the Bank strives to include to the greatest extent possible activities that focus on ESG goals, such as protecting the environment, corporate volunteering and charity. The table below highlights some of the major collaborations in ESG-related areas.

²⁹ GRI 417-1

³⁰ GRI 413-1



Nova KBM extended its strategic partnership with Primož Roglič, one of the best cyclists in the world, and his wife, the businesswoman Lora Roglič Klinc. As the Bank’s ambassadors, the couple were included in all of our marketing-communication activities at the corporate and products levels. This has strengthened Nova KBM’s recognition as one of the strongest brands on the Slovenian market.

Area	Major collaborations
Sports ambassadors	Primož Roglič (Olympic champion) – Nova KBM brand ambassador, Helena Javornik (athlete, Olympian) and Eva Terčelj (canoe slalom champion)
Sport	Basketball Federation of Slovenia, Slovenian Ski Association, Ljubljana Marathon, Maribor Football Club, Bravo Football Club, Nova KBM Branik Volleyball Club, Celje Handball Club and women’s Mlinotest Handball Club
Culture	Ljubljana Festival, Lent Festival, Slovene National Theatre Maribor, Museum of Contemporary History in Celje
Professional associations and training	British-Slovenian Chamber of Commerce, American Chamber of Commerce and Chamber of Commerce and Industry of Slovenia (coastal region)
Financial literacy	Banking School at the School of Economics and Business
Modern technologies and digitalisation	Venture Factory (Podim conference)
Promotion of a healthy lifestyle	The Bank continued with the Nova KBM Runs programme, in the scope of which employees participated in several runs. We took part in a charity bike ride and contributed funds to the Maribor chapter of the Friends of Youth Association’s You Can Do It programme for children from socially disadvantaged backgrounds.
Promotion of corporate volunteering	Employees collected school supplies at the beginning of the year in the #give a notebook campaign. Receiving a tremendous response was the Fill a Bag for Happiness initiative, in which employees collected several hundred kilograms of food and other goods that we handed over to the Ljubljana Moste-Polje chapter of the Friends of Youth Association to brighten the holidays of the socially disadvantaged.
Donations	The Bank supported several associations and organisations that care for the socially vulnerable. In 2022, we worked with the VOZIM Institute, which takes an innovative approach to raising awareness amongst adolescents about safe and responsible driving.

7.7.2 AWARENESS-RAISING PROGRAMMES

Raising awareness about ESG

The Bank organises awareness-raising and training programmes in the area of ESG for both employees and external stakeholders. In 2022, we began including the area of ESG in the digital banking newsletter, *Naš utrip*, which includes a space dedicated to ESG minutes, where we provide an overview of the Bank's ESG activities, as well as practical tips for employees for more sustainable behaviour both at work and home.

We highlighted the Bank's many achievements in the area of ESG in 2022 with an advertising campaign centred on the Bank's ambassador, Lora Roglič Klinc. Through that campaign, we further promoted the use of digital banking amongst existing and potential clients.



We highlighted the Bank's many achievements in the area of ESG in 2022 with an advertising campaign centred on the Bank's ambassador, Lora Roglič Klinc.

We organised a second comprehensive e-training in September 2022 that was attended by 95% of the Bank's employees, amongst whom interest in the area of ESG is rising.

Financial literacy

Nova KBM is well aware that the financial literacy of clients is extremely important when it comes to making financial decisions. For this reason, 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 2022, we produced two awareness-raising videos for the Moste-Polje chapter of the Friends of Youth Association to help the socially disadvantaged plan their family budgets and make decisions about borrowing.

Promoting responsible lending

Nova KBM is committed to responsible lending and to ensuring that our borrowers understand every detail of the loan conditions, interest rates and the risks associated with taking out a loan. The Bank has adopted the following 5 commitments:

1. transparency of information and full disclosure,
2. professionalism,
3. guidance in the choice of a suitable loan and understandable price list,
4. creditworthiness assessment, and
5. clear 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 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 help customers complete a questionnaire, which is an essential step before proceeding with an investment, since it allows us to identify the customer's attitude towards risk and offer a suitable range of investments that match their risk profile.

Raising awareness about online security and fraud

Ensuring cybersecurity and raising the awareness of clients are important areas of focus in the Group's operations. We invest a great deal of effort in educating our employees on this topic, and informing clients and staff about how to identify pitfalls and avoid falling victim to online scams. In February 2022, together with the Slovenian Computer Emergency Response Team (SI-CERT), we organised a high-profile press conference, at which we warned about the growing number of online scams that are accompanying the rising number of users of primarily online purchases. We also worked with the SI-CERT to expand the Safe on the Internet awareness-raising programme.

Vulnerable customer groups

Activities to raise awareness and teach about safe online behaviour are intended for both employees (so that they can more easily recognise vulnerable client groups and devote adequate attention to them depending on the situation) and for vulnerable client groups, with the aim of preventing financial abuse to the greatest extent possible.

Raising awareness about international days with an ESG theme

In 2022, the Bank continued a systematic awareness-raising programme 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.

We joined the Slovenia-wide Reforestation work campaign, which was organised by the company Slovenski državni gozdovi to mark International Day of Forests. Together with family members, employees **planted more than 1,000 saplings** in Kidričevo, Rakov Škocjan and Trojane, which in the future will bind carbon dioxide, a greenhouse gas that is a major contributor to global warming and adverse climate change.



In 2022, we participated in the Slovenia-wide Reforestation campaign, learned how to handle electric vehicles, set up an urban beehive on the roof of a commercial building in Maribor and accumulated sustainable kilometres.

To mark Earth Day, which coincided with the extension of cooperation with Primož Roglič and Lora Roglič Klinc, we presented the Bank's first **urban beehive**, which is situated on the roof of a commercial building in Maribor. On World Bee Day, we settled five bee colonies in the beehive, and ensured the bees are comfortable in their new environment by planting bee forage plants in the immediate vicinity.

We delivered on our commitment to gradually replace the Bank's existing vehicle fleet with environmentally friendly **electric vehicles**. To mark World Environment Day, we organised training sessions to introduce the new electric vehicles to our employees and teach them how to use them. Employees were given the opportunity to take a test drive and thus prepared for their first business travel with an electric vehicle.

On European Car-Free Day, we organised a regional competition in the **accumulation of sustainable kilometres**. We called on employees to choose a more environmentally friendly alternative than their private car to get to work and home on that day, and recorded their sustainable kilometres according to the region from which they come. The eastern region, which accumulated the most sustainable kilometres, was awarded with a new bike stand, which is located in front of the Central Maribor Branch Office.

7.8 RESPONSIBLE PUBLIC RELATIONS



The Bank strives to present its vision, role in the national environment, strategic goals and 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. Notification via the Bank's own communication channels and social media platforms (profiles on Facebook, LinkedIn and Instagram) remained as important in 2022 as it was the previous year. 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 about social responsibility and sustainability, and about broader ESG topics.

With the impact of social media continuing to grow, we believe that the commitment to use them responsibly is one of the most important commitments 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 we express them and take them in our free time. For this reason, we always communicate with the aim not only of 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 2022, there were **2,733** articles about Nova KBM in the media with relevant content. The number of negative articles remained at a very low level again in 2022, while the proportion of positive articles was up relative to 2021. The latter were recognised by the general public and positively reinforced the Bank's reputation.

8 CORPORATE GOVERNANCE POLICY AND COMPLIANCE

8.1 COMPLIANCE

Within the Group, the mission of the **Compliance Department** is to work with other business areas to achieve the Group's strategic, corporate and financial objectives, while protecting the Group through the development and nurturing of an organisational culture that encourages ethical conduct and commitment to operations that are in line with the law, and to strengthen the values that are an important element of our Code of Conduct.

The **Code of Conduct** is the most important internal document of Nova KBM and the Nova KBM Group, and is the core document that describes our corporate culture and values. It provides guidance on how employees should act in certain circumstances and on different occasions that may arise in our business practices. It is linked to the vision and mission of Nova KBM and the Nova KBM Group, and is an essential part of their governance, development and risk management processes.

In 2022, we continued to ensure the highest standards of compliance, which will allow Nova KBM to gain a competitive advantage based on compliance:

- through the timely identification of compliance risks, the appropriate measures, the management of regulatory changes, the strengthening of institutional compliance through effective education and training programmes, and preservation of the Bank's reputation;
- by encouraging anyone who believes that a law, regulation, the Code of Conduct or any of the Bank's policies or procedures have been breached to immediately report what they see or suspect, without fear of retaliatory measures; and
- by preventing the leakage of information through a culture of compliance across the entire Bank.



A total of 97% of the Bank's employees completed online training on the topics of compliance and the Code of Conduct.

Compliance Department in the area of ESG

In accordance with the guidelines of excellent corporate governance, the Compliance Department, in cooperation with all other business functions, helps the Bank achieve its strategic, corporate and financial objectives, while protecting the Bank through the development and nurturing of an organisational culture that encourages ethical conduct and commitment to comply with the law, and the promotion of the values that are an important element of Nova KBM's Code of Conduct. It also controls and coordinates the Bank's activities aimed at ensuring compliance through the relevant and applicable ESG-related requirements and regulations, coordinates and oversees the implementation of the ESG strategy, in part by integrating ESG due diligence into the compliance due diligence of external contractors/suppliers, and by assessing the acceptability or unacceptability of an external contractor/supplier, including in terms of the management of ESG risks. The Compliance Department advises the Bank by identifying compliance risks and regulatory solutions, enhances institutional compliance through effective education and training programmes, preserves the Bank's reputation and helps prevent the leakage of information, which gives Nova KBM a competitive advantage. It is responsible for drafting and updating rules, and for drawing up a list of relevant ESG-related documents (primarily level 1 and 2) and regularly monitoring the implementation thereof.

8.2 THE FIGHT AGAINST CORRUPTION AND BRIBERY

Nova KBM and the Group expect transparency and the highest degree of integrity in all business relationships and transactions, and do not permit any real or perceived undue benefit as the result of harmful conduct. They also expect employees and third parties that transact with the Bank to conduct themselves with the same degree of integrity as the Group itself.

The Group has zero tolerance for all forms of corruption, and the giving or receiving of bribes: employees and third parties with whom employees do business are prohibited from offering, promising, giving or approving any assurance or agreement to provide or accept any benefit that constitutes or could constitute any form of bribe or corruption.

The Compliance Department performs due diligence in connection with external contractors/suppliers in accordance with the Anti-Corruption Policy, as well as due diligence in terms of ESG risks.

Rules relating to the fight against corruption and bribery are part of the annual training regarding of the Code of Conduct for employees.

8.3 ESG POLICY

With the aim of establishing a comprehensive corporate governance framework, we drafted the ESG Policy in 2022, which covers the management of ESG at the Bank.

The ESG Policy describes the approach of the Bank and Group to the implementation of the ESG strategy and regulatory requirements to manage ESG risks in their policies and procedures. It serves as a framework for understanding and managing the environmental risks to which we are exposed, our impacts and opportunities. It also defines roles and responsibilities for the effective implementation of the ESG Policy on the one hand, and for ensuring compliance in practice on the other.

In accordance with their powers, all employees are responsible for the timely, professional, high-quality and effective performance of the tasks set out in the policy.

8.4 ENSURING DIVERSITY AND EQUAL OPPORTUNITIES³¹

Ensuring diversity and equal opportunities is part of the corporate culture of the Nova KBM Group and is enshrined in its bylaws, in documents such as the **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. With the aim of defining the aforementioned area in detail and continuing with the implementation of the relevant measures, in 2022 the Bank adopted the **Diversity, Equality, Inclusion and Commitment Policy**, which entered into force in 2023.

³¹ GRI 405-1

Number and proportion of women at Nova KBM	
	Proportion
Amongst all employees	73%
In directorships (B-1)	33%
On the Management Board	25%
On the Supervisory Board	14%

8.4.1 DIVERSITY OF MEMBERS OF THE GOVERNANCE BODY

The Bank has not adopted a separate policy for the selection of members of its governance bodies, as this area is covered in full, in substantive terms, 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 Banking Act (ZBan-3), the Policy envisages the establishment and implementation of an appropriate policy for the selection of suitable candidates which, *inter alia*, 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.

In accordance with the revised EBA Guidelines on the assessment of the suitability of members of the governance body and key function holders, the Bank must take into account additional requirements in the selection process. Those requirements must be met to ensure diversity and respect of the principle of equal opportunities (e.g. career planning and measures to ensure the equal treatment of and equal opportunities for employees of different genders, the organisation of training for managerial functions, discrimination prevention policy, etc.).

8.4.2 KNOWLEDGE AND EXPERIENCE OF THE GOVERNANCE BODY IN THE AREA OF ESG

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 the aforementioned 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 all relevant risks, including those in connection with the prevention of money laundering and terrorist financing, ESG, information security, etc. as a condition for the fulfilment of the criteria of knowledge, skills and experience. In 2022, we also held ESG training for the members of Nova KBM's management board prepared by external experts.

 Details regarding the diversity of governance bodies are summarised in Disclosures for 2022.

8.5 ONLINE SECURITY



We made a number of minor improvements in information security in 2022, while we also increased the scope of cooperation with other relevant institutions in this area.

We continued with the implementation of an information security management system with the aim of ensuring the appropriate security measures for the Bank's information sources against both external and internal and deliberate or coincidental threats. The objectives of activities in this regard are:

- to achieve an acceptable level of information security, regardless of the communication channel, media or form;
- to manage and implement legal requirements in the area of information security;
- to protect information against unauthorised access;
- to maintain the confidentiality of information;
- to ensure that confidential data and information are not accessible by unauthorised persons;
- to preserve the integrity of information and prevent unauthorised changes;
- to facilitate access to information by authorised users;
- to inform and educate all employees about the importance of information security;
- to record and report all incidents and take the appropriate action; and
- to regularly review and update the Information Security Policy.



Card operations are presented in more detail in the Annual Report for 2022.

8.6 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 applicable legislation. Even after the termination of employment, employees are obliged to protect the data they acquired knowledge of during their employment. We have 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 personal data protection, we successfully reviewed and implemented the requirements of the General Data Protection Regulation (GDPR) and raised employees' awareness of the importance of protecting personal data.³²

8.7 SUPPLIER DUE DILIGENCE

The Bank continued its optimisation of supplier numbers in 2022, while also continuing to build partnerships with the aim of achieving the optimisation of operations and cost effectiveness. In 2022, the Centralised Purchasing and Cost Management Department incorporated in the purchasing process a special ESG questionnaire that facilitates the monitoring of the socially responsible, environmental, sustainable and governance practices of its suppliers. That questionnaire has been in use since the beginning of January 2022.

The Compliance Department conducts due diligence in connection with external contractors and suppliers. Part of this process involves assessing a supplier's compliance with anti-corruption rules, their credit risk and the compliance of their operations. Every supplier is required to sign declarations confirming the compliance of its operations and that it is familiar with the Bank's Code of Conduct. With the introduction of the ESG questionnaire, the Bank is not only pursuing its own economic interests but monitoring the socially responsible, environmental, sustainable and governance practices of individual suppliers.



The Bank has incorporated into the purchasing process an ESG questionnaire that facilitates the monitoring of the socially responsible, environmental, sustainable and governance practices of its suppliers.

8.8 FRAUD PREVENTION



The Bank's representatives participated as speakers at several conferences on fraud prevention in 2022, and thus reinforced our reputation as a responsible bank.

Online fraud has grown sharply around the world in recent years. The number of phishing attacks, in particular, has risen in the last year, with those attacks targeting new payment channels. Nova KBM is dedicating an increasing amount of attention to informing and raising the awareness of clients and employees about the prevention of fraud. It has set up a reporting and warning system for cases of fraud, while we instruct our clients to report all criminal practices of this kind to prosecuting authorities.

³² GRI 418-1

The Bank holds annual compulsory online training sessions on fraud for all employees. Various internal channels are used to provide regular information and raise the awareness of, in particular, those employees who have direct contact with clients. We thus ensure that employees take the right action and know how to advise clients affected by fraud. We also work hard to make sure that our customers are well informed about the types of fraud they can be exposed to during online banking operations. We inform customers about the importance of online security via the media, social media and in-person conversations. In 2022, 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 participated as speakers at several conferences on fraud prevention.

 *More information about programmes aimed at raising awareness about the prevention of fraud is presented in Chapter 7.*

8.9 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, and
7. profitability risk.

 *Risk management within the Nova KBM Group is presented in more detail in the 2022 Annual Report. The management of ESG risk is described in Chapter 5.3.*

8.10 INCIDENT AND CRISIS MANAGEMENT

The Bank has bylaws in place that define how to respond to and be prepared to handle incidents and crises. The purpose of the plan is to ensure a rapid and effective response to all types of crisis or incident. The plan defines, *inter alia*, management, information, escalation and reporting. If a crisis is declared, management of it is taken over by the Crisis Committee and action is taken in accordance with bylaws and the rules of procedure of Crisis Committee.

The Nova KBM Group defines crisis management at the highest level in the scope of its Business Continuity Policy, which is based on 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 that the Bank regularly maintains and tests in accordance with a predefined testing programme.

We organised several internal training courses again in 2022 with the aim ensuring preparedness and raising awareness. The Bank conducts regular drills of the Crisis Committee, which include external stakeholders, such as the Security Operations Centre.

9 EU-TAXONOMY

in millions of euros	Gross carrying amount	of which assets eligible for Taxonomy (mandatory) ¹	Ratio on total GAR assets	Ratio on total assets	of which assets not eligible for Taxonomy (mandatory)	Ratio on total GAR assets	Ratio on total assets	of which estimated eligible assets (voluntary) ³	Ratio on total GAR assets	Ratio on total assets	Total Assets ratio
Assets included in the numerator and denominator											
Financial assets other than held for trading	4,028	9	0,1%	0,1%	4,019	59,1%	38,0%	1,162	17,1%	11,0%	
<i>of which Slovenian NFCs subject to NFRD disclosure obligations²</i>	177	9	0,1%	0,1%	168	2,5%	1,6%	135	2,0%	1,3%	
<i>of which HH Housing loans collateralised by residential immovable property</i>	1,027	0	0,0%	0,0%	1,027	15,1%	9,7%	1,027	15,1%	9,7%	
TOTAL ASSETS USED FOR THE ELIGIBILITY ANALYSIS (INCLUDED IN THE NUMERATOR AND THE DENOMINATOR)	4,028	9	0,1%	0,1%	4,019	59,1%	38,0%	1,162	17,1%	11,0%	38,1%
TOTAL ASSETS USED FOR THE ELIGIBILITY ANALYSIS (INCLUDED IN THE NUMERATOR AND THE DENOMINATOR) Excluding eligibility of HH Housing loans collateralised by residential	3,001	9	0,1%	0,1%	2,992	44,0%	28,3%	135	2,0%	1,3%	
Other assets only included in the denominator											
Outstanding loans to EU non-financial companies (not subject to NFRD)	2,107										19,9%
Outstanding loans to non-EU non-financial companies (not subject to NFRD)	188										1,8%
Derivative instruments - Hedging	6										0,1%
Interbank current accounts	75										0,7%
Cash on hand	172										1,6%
Other assets	224										2,1%
TOTAL ASSETS INCLUDED IN THE DENOMINATOR (TOTAL GAR ASSETS)	6,800										64,3%
Assets excluded from the numerator and denominator											
Outstandings with central governments and supranational issuers	1,622										15,3%
Outstandings with central banks	2,149										20,3%
Financial assets held for trading	9										0,1%
TOTAL ASSETS EXCLUDED FROM THE NUMERATOR AND THE DENOMINATOR	3,781										35,7%
TOTAL ASSETS BEFORE RECOGNITION OF PROVISIONS AND IMPAIRMENT	10,581										

¹ 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 February 2022 by European Commission. 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 2022 the bank received actual information on eligibility-related disclosures from 3 clients based in Slovenia and subject to NFRD (out of 14 clients based in Slovenia and subject to NFRD).

In the mandatory disclosure section, the Bank presented only the actual information on eligibility-related disclosures received from clients subject to NFRD, therefore information does not represent actual share of its taxonomy eligible exposure. In accordance with answer no. 7 of the guidance mentioned above, the bank made a best-effort estimate of the share of its taxonomy eligible exposure which is presented in the voluntary disclosure section.

² The Bank currently does not have any actual information for all its clients if they are NFRD or non-NFRD companies, therefore the Bank could only consider the list of NFRD companies based in Slovenia.

³ The eligibility estimation process used for the voluntary disclosure section was the following:

1. Only exposures to non-financial companies based in Slovenia and subject to NFRD were considered.
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.
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.
4. In line with the 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 February 2022 by European Commission (answer no. 24), the Bank considered mortgages as eligible assets.

ANNEX XI DISCLOSURES FOR MANDATORY DISCLOSURES	
	Explanations
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 engagement with clients and counterparties	"The Bank's objective is to meet regulatory expectations in the field of ESG, including the EU Taxonomy on the establishment of a framework to promote sustainable investments. The Bank would like to encourage the green transition of its clients and support the transition to a low-carbon or carbon-neutral economy by including it in its strategy and processes. Therefore, the Bank started using an ESG questionnaire for its clients, suppliers and external contractors. The Bank includes ESG elements in credit processes and other risk management processes. The Bank has started aligning its product development process with the EU Taxonomy requirements. Since SFDR does not apply to the bank, the Bank has not developed financial products as defined by the EU Taxonomy."
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	See comments in the table above.
Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evolution of the Taxonomy-aligned economic activities over time, starting from the second year of implementation, distinguishing between business-related and methodological and data-related elements	EU Taxonomy is still under development and the information on Taxonomy-aligned activities provided by the companies is currently very limited.

The Bank's objective is to meet regulatory expectations including the EU Taxonomy. The product design process is not applicable for NKBM, since financial products as defined by the EU Taxonomy are not yet offered by the Bank, hence SFDR 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.

10 TABLE OF GRI INDICATORS

This report has been compiled in accordance with the GRI Standards (2016): core level.³³

INDICATOR	Page in the 2022 Sustainability Report
Organisational profile	
102-1 Name of the organisation	6
102-2 Activities	6,7
102-5 Ownership and legal form	6
102-6 Markets served	6
102-7 Scale of the organisation	6-7
102-8 Information on employees and other workers	35
102-13 Membership in associations	8
Strategy	
102-14 Statement from President of the Management Board	3
Ethics and integrity	
102-16 Values, principles, standards and norms of behaviour	7
Governance	
102-18 Governance structure	9
102-19 Delegating authority	9, 15, 61
102-20 Executive-level responsibility for sustainable development (economic, environmental and social topics)	16
102-30 Effectiveness of risk management processes	17
102-32 Highest governance body's role in sustainability reporting	16
Stakeholder engagement	
102-40 List of stakeholder groups	12
102-42 Identifying and selecting stakeholder groups	11-12, 13
Reporting practices	
102-47 List of material topics	11-12, 13
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	59
102-55 GRI content index	59-61
SPECIFIC DISCLOSURES	

³³ GRI 102-54, 102-55

GRI 200: ECONOMIC DISCLOSURES [2016]	
Economic performance	
Indirect economic impacts	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	5
203-2 Significant indirect economic impacts	10
Anti-corruption	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	50-51, 61
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	26
301-1 Materials (paper consumption)	31-33
Energy	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	26
302-1 Energy consumption within the organisation	28, 29
CO₂ emissions	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	29, 30
305-1 Carbon footprint (Scope 1)	29
305-2 Carbon footprint (Scope 2)	29
305-5 Reduction of GHG emissions	29
Waste	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	30
306-3 Waste generated	31
GRI 400: SOCIAL DISCLOSURES	
Employees	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	35
401-1 New employee hires and employee turnover	38
Occupational health and safety	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	37
403-1 Employee health and safety	39-40
403-6 Promotion of worker health	39
403-9 Work-related injuries	40
Training	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	35
404-1 Scale of employee training	35, 38

404-2 Training programmes	38
404-3 Career development	41
Diversity and equal opportunities	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	50
405-1 Diversity of governance bodies and employees	51, 52
Local communities	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	45
413-1 Relationship with local communities	45
Marketing and labelling	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	42
417-1 Information on products and services for the protection of customers' interests	45
Customer privacy	
103-1; 103-2; 103-3: Explanation of the material topic and its boundary, management approach and evaluation	50
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	53

All bylaws, including ESG-related level 1 and 2 (strategies, policies and rules) bylaws, are approved by the Bank's Management Board.

Title of internal document	Environmental factors	Social factors	Corporate governance
ESG strategy	X	X	
Code of Conduct ³⁴		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, Pr40		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
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
Guidelines on preventing the spread of infectious diseases (COVID-19)		X	
Incident and crisis response plan			X
Safety declaration with risk assessment		X	
Diversity, Equality, Inclusion and Commitment Policy – being drafted		X	

³⁴ GRI 205-2

11 PERSONS RESPONSIBLE FOR REPORTING

The following persons is responsible for drafting the ESG report:
 Jure Bračko (Director of Marketing and Communication).³⁵

Responsible employees by individual work areas:

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Employee Development, Process and Organisation	Petra Fijavž, Director by proxy
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 Sector	Franci Hočevar, director Marko Žagar, manager of Transaction Approval Saša Kebrič, manager of Client Monitoring
Fraud Prevention	Aleš Ritonja, manager
Physical and Information Security Management	Božidar Dajčman, director
Operational Risk Management	Nataša Tkalec Goršek, manager
Centralised Purchasing and Cost Management	Sonja Šrubar Lovšin, director
Asset and Liability Management	Marko Stolica, director
Regulatory Reporting	Silva Matko Gosak, director

³⁵ GRI 102-19