

A woman with blonde hair, wearing a grey sweater over a white collared shirt and a black skirt, is walking through a modern office hallway. She is holding a small potted plant. The hallway has glass walls and a patterned carpet. Large, semi-transparent numbers '2018' are overlaid on the image.

2018

REPORT ON SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY

Nova KBM Group and
Nova KBM d.d.



Nova KBM

Name of the Parent Bank: **Nova Kreditna banka Maribor d.d.**
Short name of the Bank: **Nova KBM d.d.**
Registered office: **Ulica Vita Kraigherja 4, 2000 Maribor**
Website: **www.nkbm.si**
E-mail: **info@nkbm.si**
Skype: **NovaKBM**
Switchboard: **00386 2 229 22 90**
Call Centre: **080 17 70**
Share capital: **€150,000,000**
Registration number: **5860580**
VAT ID: **SI94314527**
Account No: **01000-0000400014**
IBAN: **SI56 0100 0000 0400 014**
BIC (SWIFT): **KBMASI2X**
LEI: **549300J0GSZ83GTKBZ89**
GIIN: **XQ7A4V.0000.LE.705**



CONTENT

3

11

25

1. INTRODUCTION

1 Statement by the President of the Management Board	10
2 Company profile in brief	12
3 Strategic focus of Nova KBM and the Nova KBM Group	18

2. SUSTAINABLE DEVELOPMENT

4 Sustainable development and social responsibility in the Nova KBM Group	19
4.1 Strategic goals of sustainable development and social responsibility in Nova KBM	19
4.2 Social responsibility and sustainable development management structure	19
4.3 Reporting on sustainable development and social responsibility	20
5 Challenges and opportunities of corporate social responsibility and sustainable development for the Bank	21
6 Sustainable communication with stakeholders	23
7 Materiality matrix	26

8 Sustainable management relations	28
8.1 Code of Conduct of Nova KBM and the Nova KBM Group	28
8.2 Anti-corruption activities	28
8.3 Contingency plan	28
8.4 Risk management	29
9 Sustainable relations to social environment	30
9.1 Employees	30
9.2 Customers	35
9.3 Suppliers	37
9.4 Media	38
10 Sustainable relations to nature	40
10.1 Energy	40
10.2 Paper consumption and printing	40
10.3 Separate collection of waste	41
10.4 Green banking products	41

3. SOCIAL RESPONSIBILITY

11 Socially responsible projects	42
11.1 Sports	42
11.2 Culture	43
11.3 Innovation	43
11.4 Education and professional development	44
11.5 Charity	44
12 Non-financial Statement	45
13 GRI Indicators	46
14 Persons responsible for reporting	48

Accessibility means openness to the environment.

Therefore, on our path to the goal, we make sure our steps leave footprints that are as sustainable as possible.

With a firm confidence in our values and with development of future generations in mind.

Every step counts.



24 trees will be preserved every year in a simple step: through the **E-notification** service, which enables receiving bank notifications in electronic form.



1 Statement by the President of the Management Board



Nova KBM actively pursues its strategy and the ambitious vision to become the best bank in Slovenia by 2020. When doing so, Nova KBM focuses on five strategic pillars: client excellence, growth and profitability, effective risk management and compliance, operational efficiency and organisational culture, and human resources development. The cornerstones of all strategic pillars are socially responsible and sustainable operations, through which the Bank strives for a long-term balance between the economic, social and environmental capital.

In addition to strategic pillars, the 2020 strategy encompasses also six corporate values: trust, responsibility, excellence, honesty, loyalty and integrity that are in line with the Bank's corporate social responsibility and sustainability directions.

Through its sustainable focus, the Bank pursues several strategic goals, the most important of which include: ensuring fair and consistent relationships with its stakeholders in a long run, assuming responsibility and managing risks, as well as

improvement of operations and enhancing trust in the Bank and its reputation. In line with its tradition and the status of the second largest bank in Slovenia, Nova KBM is an important partner to key stakeholders in its environment. We listen to the visions, ideas and challenges of individuals, companies, teams, and projects that seek a reliable financial partner. Together with stakeholders, we are striving to build mutually successful partnerships aimed at meeting numerous personal and business objectives, whereby we respect the principles of social responsibility and sustainable development.

We are aware of interdependency and interaction of the Bank with its stakeholders. Therefore, we are encouraging mutual trust by an open, two-way dialogue, whereby pursuing both balancing the expectations and success of our customers and improving the Bank's performance.

This report demonstrates that social responsibility and sustainable development make an important part of the Bank's

activity. It presents our key programmes and achievements in 2018, as well as our focus and challenges for the future. For the second year in a row, the report discloses our performance in the area of sustainability measured by indicators based on the GRI methodology.

There is no journey without challenges, and this applies also for Nova KBM. We embrace every challenge as an opportunity for further development and for setting our performance goals even more daringly. Numerous successful sustainability-related projects and activities implemented in cooperation with our stakeholders encourage us to keep to the path.

Encouraged and inspired by achievements and opportunities, Nova KBM will keep pursuing its vision and strategy, and incorporating the culture of responsibility and sustainable development into all areas of its operations and all relations with its key stakeholders.

John Denhof,
President of the Management Board

2 Company profile in brief

Name of the Parent Bank:	Nova Kreditna banka Maribor d.d.
Short name of the Bank:	Nova KBM d.d.
Registered office:	Ulica Vita Kraigherja 4, 2000 Maribor, Slovenia
Website:	www.nkbm.si
E-mail:	info@nkbm.si
Skype	NovaKBM
Switchboard:	00386 2 229 22 90



Nova KBM is a universal bank with the longest, more than 150-year banking tradition in Slovenia, with its headquarters in Maribor. The Bank is realising its vision to become the best bank in Slovenia by 2020 under the ownership of BISER BIDCO S.à r.l. Company, through which the purchase of the Bank's shares was performed by certain investment funds managed by affiliates of Apollo Global Management, LLC, and the European Bank for Reconstruction and Development.

Governance

The Bank has a two-tier management system, where relations between individual bodies are based on mutual division of rights and responsibilities. Nova KBM bodies include: Management Board, Supervisory Board, and the Shareholders' Meeting of the Bank.

The Management Board as at 31 December 2018

John Denhof
President of the Management Board

Jon Locke
Deputy President of the Management Board

Sabina Župec Kranjc
Management Board member

Matej Falatov
Management Board member

Supervisory Board

Andrej Fatur
Chair

Andrzej Klesyk
Deputy Chair

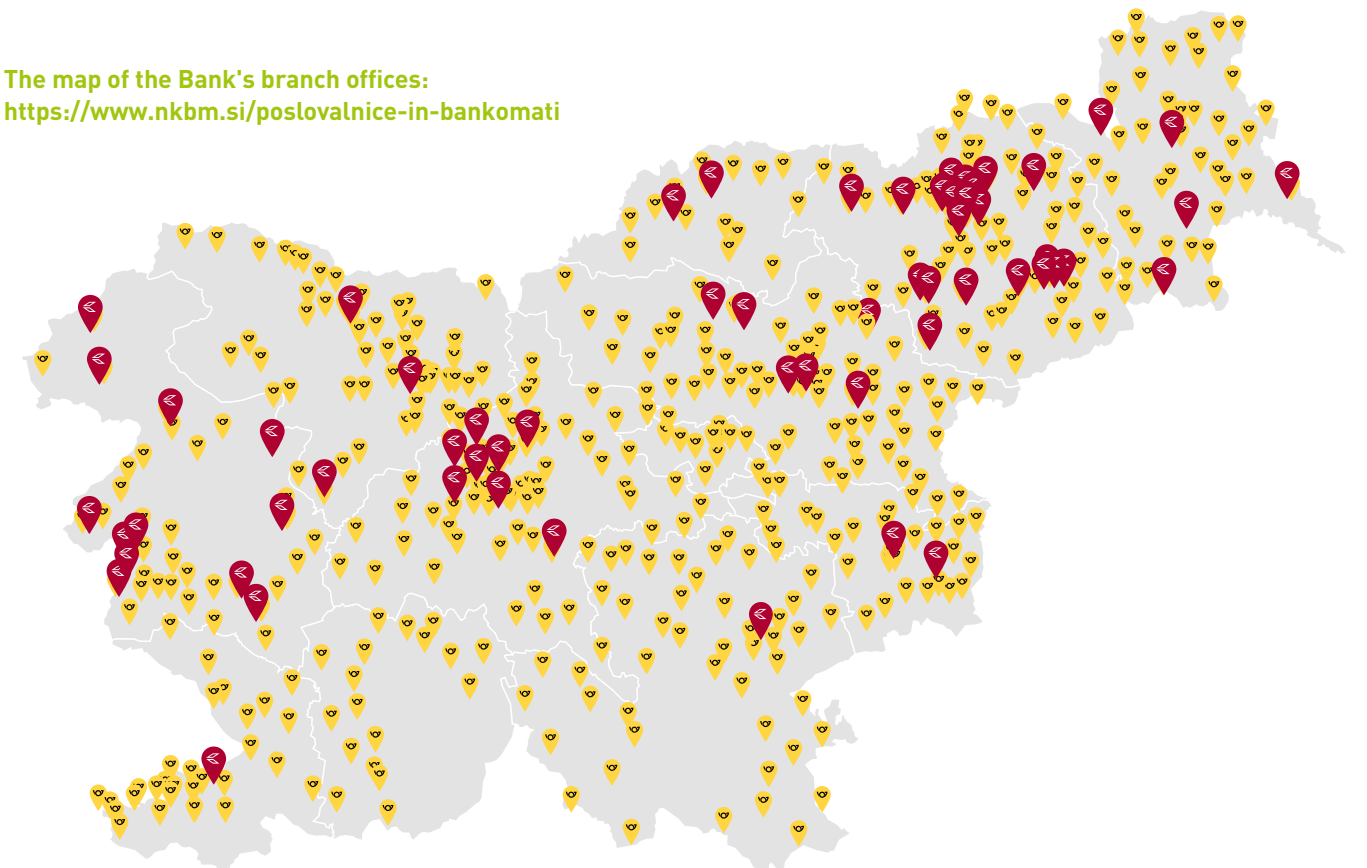
Members:
Manfred Puffer, Michele Rabà, Andrea Moneta, Alexander Saveliev

Highlights

In 2018, Nova KBM:

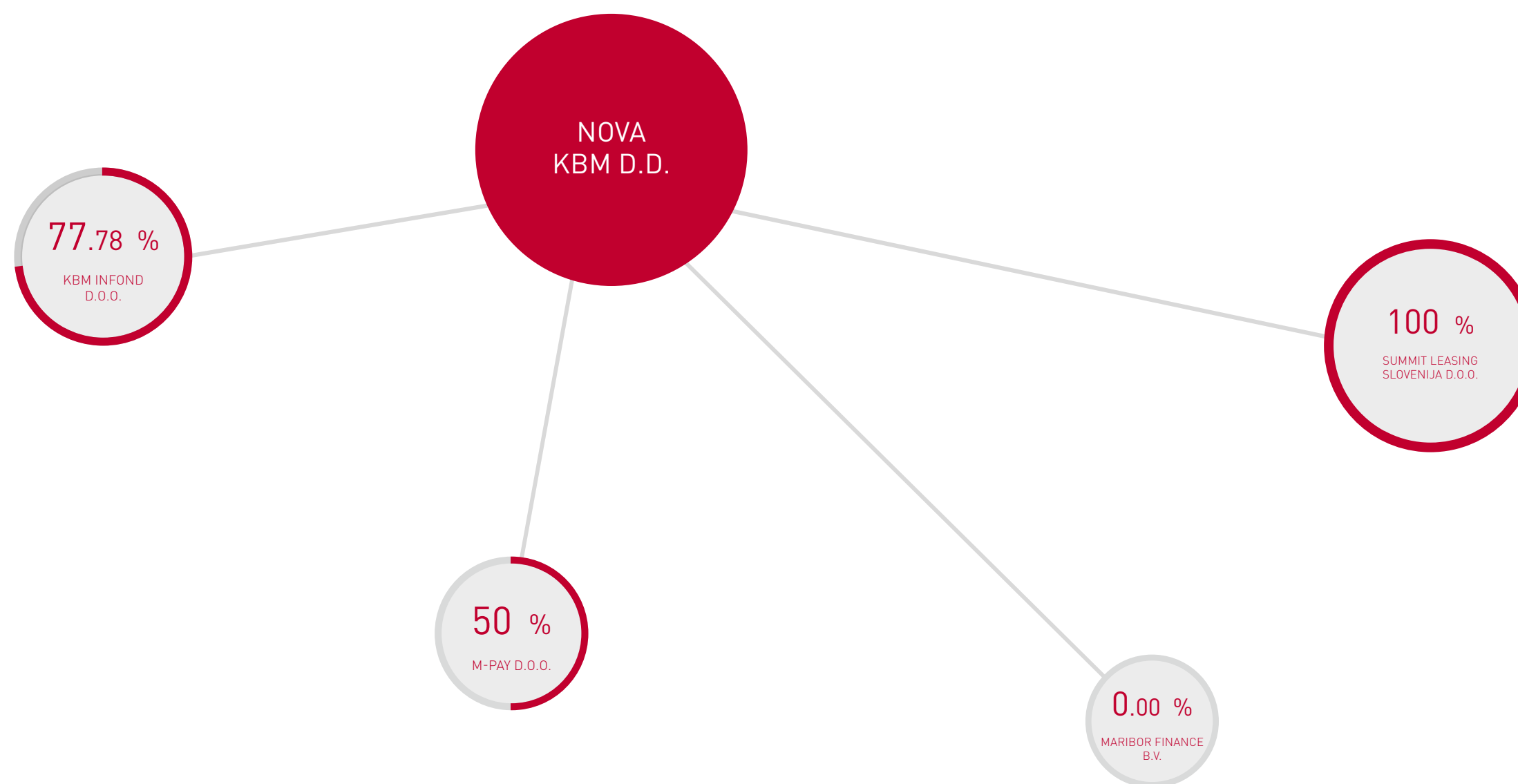
- Consolidated its position of the second largest bank in the country in terms of total assets, and an important bank in the Slovenian banking system
- Increased its market share
- Achieved profitability in all business segments
- Improved its international rating
- Improved client and employee's satisfaction, and
- Introduced new digital services providing a positive impact on user experience and the environment.

The map of the Bank's branch offices:
<https://www.nkbm.si/poslovalnice-in-bankomati>

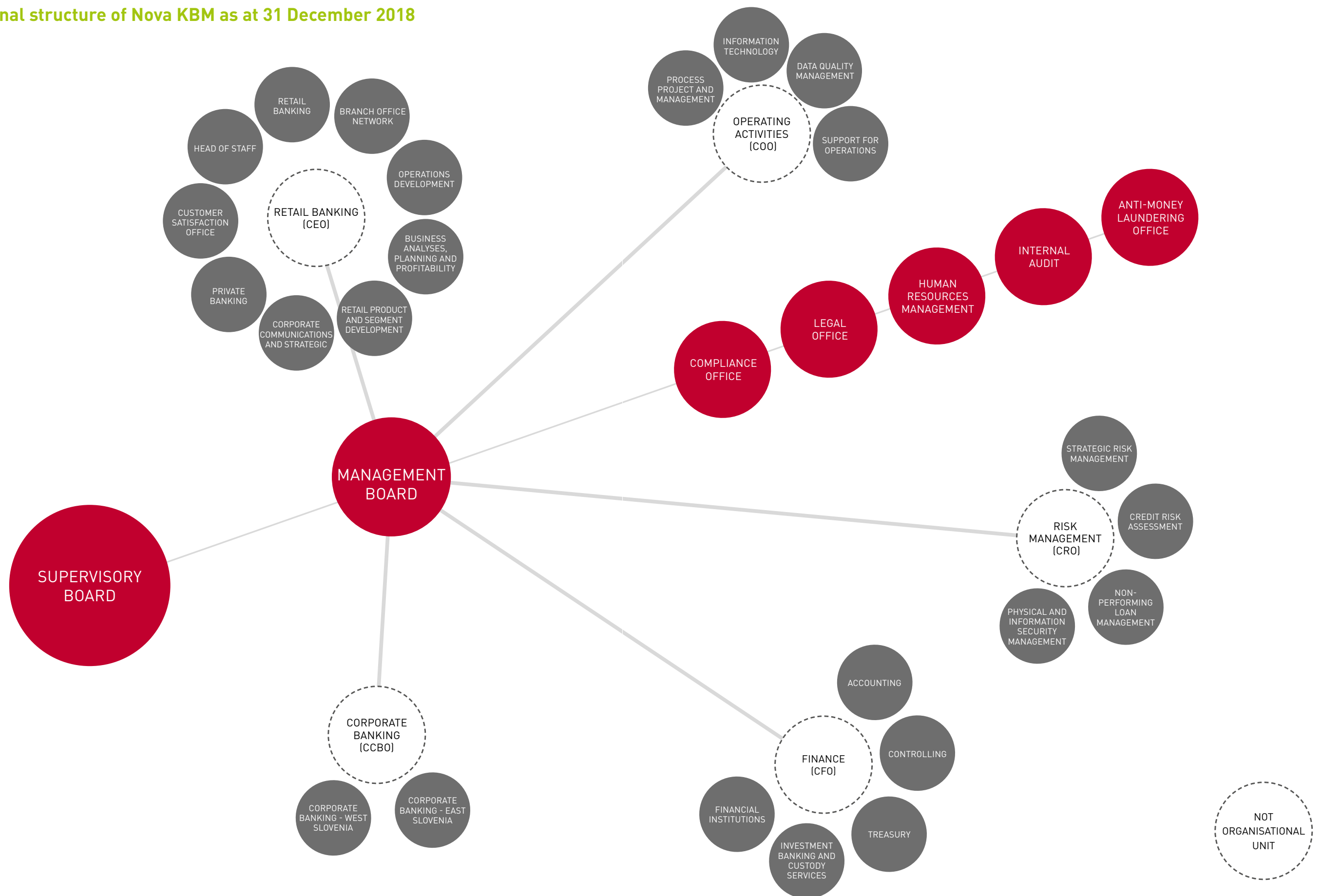


Nova KBM is the most accessible bank in Slovenia in terms of the number of its branch offices, Pošta Slovenije post offices, and ATMs of Nova KBM and SKB.

Organisational structure of the Nova KBM Group as at 31 December 2018



Organisational structure of Nova KBM as at 31 December 2018



3 Strategic focus of Nova KBM and the Nova KBM Group

Nova KBM decisively continues the implementation of the Strategy of Nova KBM and the Nova KBM Group for the 2017–2020 period, which was approved by the Management Board and the Supervisory Board in April 2017.

Vision and mission

In the heart of the Nova KBM's development strategy is the following vision: „To become the best bank in Slovenia by 2020.“

Nova KBM's vision is thoughtfully built on five key pillars or strategic areas. The Nova KBM's mission is a successful realisation of its strategic pillars:

- Client excellence
- Growth and profitability
- Ensuring effective risk management and compliance
- Operational efficiency
- Organisational culture and development of employees (Culture & Talents).

Metrics and milestones are set for each strategic pillar, thus enabling the Bank to monitor the implementation of its strategy.

Values

Implementation of the strategy is based on common values that employees of the Nova KBM Group shall take into account in their work, mutual relations, and in cooperation with all stakeholders:

- Trust
- Responsibility
- Excellence
- Honesty
- Loyalty
- Integrity.

4 Sustainable development and social responsibility in the Nova KBM Group

The Nova KBM Group, as a financial institution of national importance, can make a significant contribution to the growth of social welfare through its mode of operation, financial services and products, and the relationships it develops with strategic stakeholders.

This is why the Group incorporates its efforts on social responsibility and sustainable development in all levels of its operations as a self-regulatory mechanism that not only provides for active compliance with the law, ethical rules, and national and international standards, but also satisfies its own interests in the context of long-term strengthening of broader social welfare and preservation of the natural environment.

The Group considers sustainable growth the central development driver. The largest share of sustainable and socially responsible activities includes Bank's activities, therefore, the disclosures and data presented refer to Nova KBM as the leading company in the Nova KBM Group, except where noted otherwise.

The mission of the Bank, which is based on five pillars, is interwoven by social responsibility and sustainable development, emphasising its responsibility to the economic, social and natural environments. The Bank incorporates the culture of responsibility into all aspects of its development and behaviour, and promotes long-term development and success in all of its stakeholders.

The Bank builds its vision of social responsibility and sustainable development on:

- Successful performance of the Bank
- Excellent user experience
- A high value generated for all its stakeholders
- High standards of integrity, ethics and compliance
- Managing business risks
- Creating and recognising business opportunities, and
- Innovative management of continuous improvement processes.

4.1 Strategic goals of sustainable development and social responsibility in Nova KBM

During the period of 2016–2018, the Bank was setting up a mechanism of strategic management in social responsibility and sustainable development. This mechanism includes the process of continuous improvements, which is based on clear indicators, their measurement and evaluation.

By using this mechanism, the Bank pursues strategic goals, such as:

- Building trust in the Bank
- Sustainable care for the development of employees, which is defined in detail by the Human Resources Development Policy
- Assuming responsibility and managing risks
- Fair and consistent relationships with its stakeholders in a long run
- Quick and innovative exploitation of the opportunities in sustainable development
- Increasing efficient use of resources, which minimises the burden placed on the environment and reduces operating costs
- Continued, transparent and credible communication of social responsibility and sustainable development.

4.2 Social responsibility and sustainable development management structure

Corporate social responsibility and sustainable development is a responsibility of the Management Board. The Bank authorised the Corporate Communications and Strategic Marketing Department to carry out corporate social responsibility and sustainable

development strategic management, whereby the Department involves in its activities the entire organisational structure by respective functions.

4.3 Reporting on sustainable development and social responsibility

The 2018 Report on Sustainable Development and Social Responsibility of the Nova KBM Group is the second one in a row presented as a separate document, yet being at the same time complementary to the Nova KBM Group's Annual Report.

Previously, the Nova KBM Group had reported on its sustainable development and social responsibility in its Annual Report. In 2017, with the new owner, the Bank started drawing up reports in accordance with the ESG (Environmental, Social and Corporate Governance) guidelines covering three main factors in measuring sustainability and ethical impact on society (economy, society, environment). The Bank's owner – certain investment funds managed by affiliates of Apollo Global Management, LLC – prepares each year an overview of annual reports of all its companies. This overview enables the Bank to get an insight into a rich base of best practices in the area of corporate social responsibility and sustainable development, which include also the Bank, and can be integrated into its operations.

The Report on Sustainable Development and Social Responsibility discloses the Bank's non-financial information and sustainable and socially responsible strategic guidelines, policies, goals, activities, and results. These activities are based on the Code of Conduct, the Bank's strategic policies, and the Nova KBM Group's Policy on Corporate Social Responsibility and Sustainable Development, which was adopted in 2016 and revised in 2018. The policy of corporate social responsibility and sustainable development is incorporated in all policies, strategic and implementation documents, and other internal regulations of the Bank.

The Report reflects relations with key stakeholders. Relationships with each of the key stakeholder groups are fair and close. In 2018, the level of responsiveness to key

stakeholders further increased. Namely, the Bank keeps including new analytical and communication channels in accordance with new needs, which are recognised proactively, in communication with stakeholders. In accordance with its Policy on Corporate Social Responsibility and Sustainable Development, the Bank each year upgrades ESG indicators by the indicators that are defined by the GRI Standards and relevant to the Bank's business (they are found in the table at the end of this document).

The reporting is transparent and contains the data currently available in the Nova KBM Group. The following attributes were considered essential in choosing the content: relevance, stakeholder engagement, and sustainable context. In delivering the content, the Bank focused on balance, comparability, accuracy, clarity, and reliability of data. Key areas of interest were defined based on the matrix of key stakeholders and the Nova KBM Group's Policy on Corporate Social Responsibility and Sustainable Development. They were defined through a systematic process of training and measuring, since the complexity of the Bank's activity covers a wide range of areas of interest. All areas and activities of the Bank were involved in the process.

The persons responsible for reporting on sustainable development in the Nova KBM Group are Jernej Smisl, Director of Corporate Communications and Strategic Marketing Department, and Karidia Toure Zagrajšek, Director of Internal Communication and Sustainable Development.

The person responsible for preparing and coordinating the report on sustainable development is Petra Ravnika, Corporate Communications and Strategic Marketing Department. Interested public can establish a direct dialogue with the Bank relating to this report, through e-mail pr@nkbm.si.

5 Challenges and opportunities of corporate social responsibility and sustainable development for the Bank

In the context of technological, economic, financial, and other moral challenges, the banking sector is facing increased regulatory pressures and public control. In the competition game for customers, banks no longer compete only with each other, but with competitors coming from outside of the banking sector. Providing an excellent user experience is a winning key that should open the doors with more and more locks. Factors of social responsibility and sustainable development are also part of the winning combination.

Strategic steps of the Bank on the path to social responsibility and sustainable development are encouraged by the following global challenges, which are present also in the EU and significantly influence the banking sector:

- Regulatory changes, such as PSD2 (Payment Services Directive 2) and Instant Payment, that will significantly affect the field of payment services, and GDPR (General Data Protection Regulation)
- New financial and banking models (fin-tech solutions and companies)
- Digital transformation, which is radically changing processes, services, and behavioural patterns
- Requirements for excellent user experience
- Cybercrime and an increased need for security
- Changes in value patterns and shopping habits (decreased customer loyalty, different attitude towards traditional payment and banking services, increased awareness of the importance of environmental protection, etc.)

- Socio-demographic changes: ageing population, lower fertility, larger migration trends
- Climate change, which has resulted for society at large in making decisions on changes towards a circular economy, energy efficiency, promotion of renewable energy sources, reduction of carbon and water footprints, etc.

In the banking sector, challenges of corporate social responsibility and sustainable development do not provide only a basis for the development of new banking products and new opportunities for growth, but also a guarantee for improved management of all types of risks.

Nova KBM considers the development and implementation of socially responsible and sustainable products and organisational practices as an investment, which includes in particular:

- Its employees and recruitment of suitably qualified human resources, education and training of employees, strengthening of their competences, etc.
- Investment initiatives for social responsibility and sustainable development – the development of new products, new work processes, and the technology platform
- Effective management of all types of risks
- Ongoing monitoring of compliance and practices of social responsibility and sustainable development (in the Bank, in suppliers, customers, recipients of sponsorships and donations, etc.)
- Partnership and inter-alliance communication with all key stakeholders.

The Bank seeks to transform challenges of social responsibility and sustainable development into opportunities and strengths as much as possible, and especially at four levels, which together enable multiplier effects for successful performance of the Bank:

- Strengthening the commitment of employees
- Development of new businesses
- Attracting socially responsible investors
- Strengthening the reputation of the Bank.

In a long run, the Bank focuses on such a sustainable and socially responsible attitude in all its areas of operation, whereby increasingly influencing social and market changes. By doing so, the Bank follows its strategic goals, i.e. to become the best bank in Slovenia.

Four key strengths provided to the Bank through the implementation of social responsibility and sustainable development

- A socially responsible and sustainable bank has a higher reputation in the eyes of the public
- The Bank shall become a reputable employer



- Higher motivation of employees
- Employees are proud of the Bank
- Employees become ambassadors

- A socially responsible and sustainable bank and its products are attractive to investors interested in socially responsible and sustainable investments

- New business opportunities in the fields of green economy, sustainable energy solutions, social responsibility, etc.

6 Sustainable communication with stakeholders



The Bank incorporates the culture of transparency, openness, dialogue and responsibility into all aspects of its development and behaviour, and promotes long-term development and success in all of its stakeholders. The Bank's strategic stakeholders include:

- Employees, including the Nova KBM's Trade Union Coordination
- Customers
- The owner
- Regulators
- Suppliers
- Business and professional public
- Media
- A broader natural and social environment of the Republic of Slovenia.

Overview of the implementation of key dialogues

STRATEGIC STAKEHOLDERS	COMMUNICATION TOOL/FORM OF DIALOGUE	STRATEGIC STAKEHOLDERS	COMMUNICATION TOOL/FORM OF DIALOGUE
EMPLOYEES	<ul style="list-style-type: none">• Intranet, internal newsletter• Direct dialogue between employees and the Management Board (Skips)• Management Board Roadshows• E-mail• Personal communication• Employment development dialogue, goal setting• Surveys on satisfaction and engagement• Social and motivational events• Video clips and other communication channels	CUSTOMERS	<ul style="list-style-type: none">• Website• Digital communications• Personal communication• Survey questionnaires• Focus groups• Visits made by the management• Customer satisfaction surveys• Professional meetings, networking events, and strengthening business links
TRADE UNIONS	<ul style="list-style-type: none">• Personal communication• Regular meetings, harmonisations and negotiations• Website• E-mail	SUPPLIERS	<ul style="list-style-type: none">• Personal communication and meetings• Website• E-mail
OWNER	<ul style="list-style-type: none">• Supervisory Board meetings• Personal communication• Reports on performance• Website• E-mail	BUSINESS AND PROFESSIONAL PUBLIC	<ul style="list-style-type: none">• Website• Round tables• Focus groups• Professional workshops• Annual report• Report on sustainable development
REGULATORS	<ul style="list-style-type: none">• Reciprocal communication and reporting• Annual cooperation reviews• Report on performance• Website• E-mail	MEDIA	<ul style="list-style-type: none">• Regular communication, personal meetings• Press conferences• Interviews• Press releases and other communication tools• Website

The Bank is committed to a comprehensive approach to stakeholder engagement and an ongoing dialogue about its relationships, its role in society, its services, business results, and other issues. Furthermore, the Bank cooperates with its stakeholders with the aim of introducing further improvements.

Relations and interactions with strategic stakeholders are crucial in achieving sustainable progress and assessing the impact of its operations.

The Bank finds it essential to listen actively to various stakeholders and respond to their views. Through such two-way communication, the Bank facilitates the balancing of competitive expectations and improving its performance.

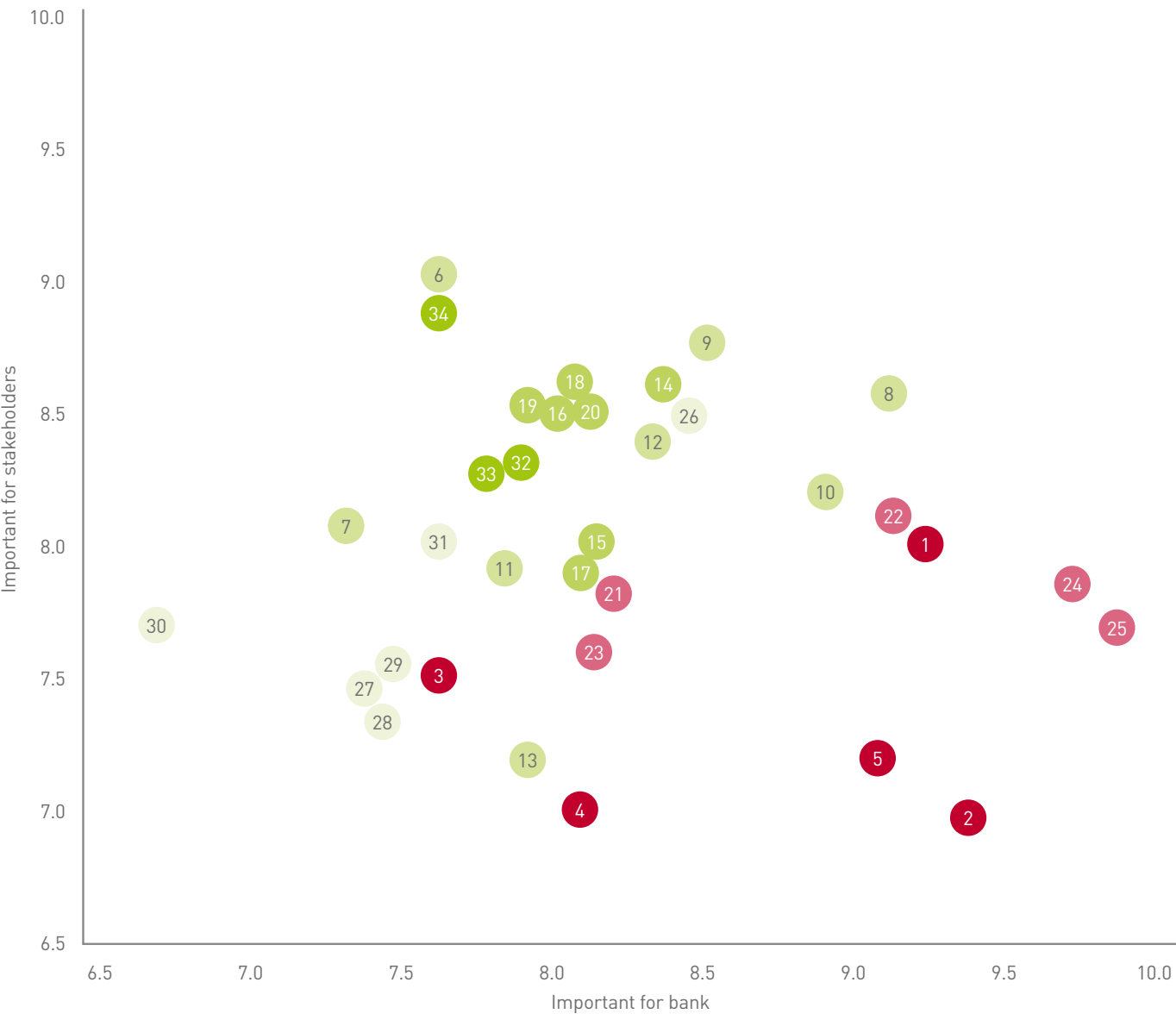


7 Materiality matrix

The materiality matrix is a tool used by the Bank to recognise and manage risks and opportunities in its strategic public relations. Key materiality areas have been identified in dialogue with the groups of our key

stakeholders. The materiality matrix reflects a broader understanding of the Bank's sustainable development, which is not limited to environmental issues, but includes also economic and social aspects.

Materiality matrix



Legend:

ECONOMIC PERFORMANCE	
1	Capital adequacy
2	Financial performance
3	Indirect impact on the economy
4	Tax policy
5	Risk management
CLIENT EXCELLENCE	
6	Pricing of products and services
7	Training people to make smart financial decisions (financial literacy)
8	Availability and accessibility of the Bank's products and services digitisation/personal approach
9	Customer privacy and data protection; prevention of phishing
10	Stability of information systems and platforms
11	Accurate communication about products and services
12	Innovation (process, product, marketing)
13	Responsible lending and debt reduction (prevention of excessive debt)
WORK PROCESSES IN THE BANK	
14	Employability and career development
15	Mentoring
16	Relationships between employees and the management
17	Occupational health and safety
18	Diversity and equal pay, development opportunities
19	Remuneration
20	Prevention of discrimination
FAIR BUSINESS PRACTICES	
21	Accurate customer information about risks
22	Corruption prevention
23	Prevention of anti-competitive behaviour
24	Regulatory development and compliance
25	Compliance with anti-money laundering
SOCIAL AND ENVIRONMENTAL IMPACTS	
26	Social impact on local communities
27	Environmental efficiency of the Bank's offices
28	CO ₂ emissions and energy use
29	Waste
30	Assessment of suppliers
31	Sustainable financing and investment policy
STAKEHOLDER ENGAGEMENT	
32	Stakeholder dialogue
33	Transparency and availability
34	Preserving and regaining confidence



8 Sustainable management relations

Nova KBM considers the commitment to corporate social responsibility and sustainable development the highest level of responsibility to all stakeholders, at all levels of the Bank's operations. Such management is based on the Bank's policies and strategic documents, and transferred to operational activities.

8.1 Code of Conduct of Nova KBM and the Nova KBM Group

In 2018, the Bank revised the Code of Conduct of Nova KBM and the Nova KBM Group. All employees were informed about the new Code of Conduct by a circular, and familiarised with the changes and new provisions of the Code through compulsory e-learning. Senior staff was familiarised with the changes through a special training event. Each employee received a neck ribbon containing the Bank's values. For 2019, the Bank plans to carry out various communication activities to promote the Code and the values, involving all employees.

8.2 Anti-corruption activities

In 2018, the Bank revised its Anti-Corruption Policy, which is being implemented through the Compliance Programme. Employees were introduced to it through internal communication campaigns, as the Bank intended to increase awareness among them. The Bank carried out also due diligence of external contractors, which includes the receipt of their compliance statements and risk assessment.

8.3 Contingency plan

With a purpose of managing incidents and crisis situations, the Bank has established a response structure, notification system, and related response plans. The response structure covers all employees of the Bank, individuals responsible for incident management and implementation of specific tasks, associated teams responding to an incident, and the Crisis Management Committee responsible for managing crisis events. In case of an incident, the Bank activates a General Response Plan, which defines notification, escalation and reporting, and depending on the nature of an incident, the Bank can also activate other specific response plans (e.g. business continuity plans). In the event of escalation and the announcement of crisis, the response shall be in accordance with the rules of procedure of the Crisis Committee.

The Bank's Business Continuity Policy outlines the purpose and guidelines of the Bank, determines the scope of the business continuity programme, priority processes of the Bank, identifies stakeholders, defines the roles and responsibilities, determines the requirements for the preparation, maintenance and verification of business continuity plans based on identified risks, and associated possible scenarios.

In 2018, the Bank set up business continuity plans for all its priority processes as defined in the business continuity management strategy and, additionally, the plans for investment banking, infrastructure and branch offices. During the year, by the exercises carried out, the Bank was improving the awareness and preparedness of employees and selected external contractors, and verified most of the plans, each of them usually by two scenarios. The response structure, notification system and the plan of responding on incidents and crisis were established and tested.

8.4 Risk management

Nova KBM defines the operational risk in line with the definition referred to in CRR regulation, reading as „risk of loss arising from inappropriate or failed internal processes, people and systems or external events“. Consequently, within the overall operational risk, Nova KBM Group also addresses reputational risk, model risk, employee conduct-related risk, system/IT risk, project risk, compliance risk, risk of fraud (external, internal), internet crime risk, and human resources risk.

The umbrella document on operational risk management is the Operating Risk Management Policy describing specific components of the operational risk management framework. The Operational Risk Department provides independent control over the implementation of the operational risk management framework, which includes also, inter alia, a review and verification of internal controls in view of reporting operational risk events, management of operational risk self-assessment procedures, monitoring key operational risk indicators, outsourcing control, monitoring the implementation of appropriate improvement measures, and managing the operational risk reporting process.

The report for the entire Group is discussed by the Operational Risk Committee, which is an advisory body to the Bank's Management Board. The tasks of the Operational Risk Committee include examination, discussion and decision-making in operational risk issues. Given the presence of Management Board members and directors of divisions and departments having an important role in managing operational risks, it is possible to take action even in case of a high level of risks identified.

Within the general operational risk, improvements were made also in other risks. In 2018, Nova KBM placed significant attention on the systemic IT risk, through constant analysing, assessing and measuring IT risks, the implementation of risk self-assessment, and gathering loss events. These risks are classified into availability risk, security risk, risk of change, risk of data integrity, and risk of outsourcing. Special risk includes also the replacement of the Core Information System,

which was the largest project of the Bank in 2018. This risk is addressed by regular risk analyses and monitoring of measures under the project risk. When concluded successfully, it will significantly influence the reduction of the systemic IT risk level. An important part of systemic IT risk includes also internet crime risk. Internet crime is carefully managed by appropriate processes related to detection, recording, analysing and reporting incidents, as well as procedures related to managing and dealing with incidents and eliminating their consequences. The Bank carried out e-training for all employees of the Bank, and introduced regular information activities about news and threats in the area of information technology through the Intranet.

The Nova KBM Group made significant progress also in the process of regular surveillance of models, entering for this purpose into a contract with external validators in order to review important Bank's models, and improved these models based on their evaluations. It is also necessary to point out the progress made in reputational risk, where the Nova KBM Group adopted a separate Reputational Risk Management Policy with the aim of identifying, managing and monitoring risks in line with relevant EBA recommendations.

Improvements were also made in the area of internal and external risks of fraud, where the Compliance Office detects and identifies any suspicions of fraudulent activities in employees, receives reports, analyses the suspicion and assesses its level, deals with reported suspicions, detects them, and investigates suspected fraudulent acts, including through employee interviews and evidence obtaining and safeguarding. The Fraud Prevention Department is responsible for setting up a system of managing frauds and associated risks in the Bank, which excludes management of prohibited behaviour in employees.

9 Sustainable relations to social environment



9.1 Employees

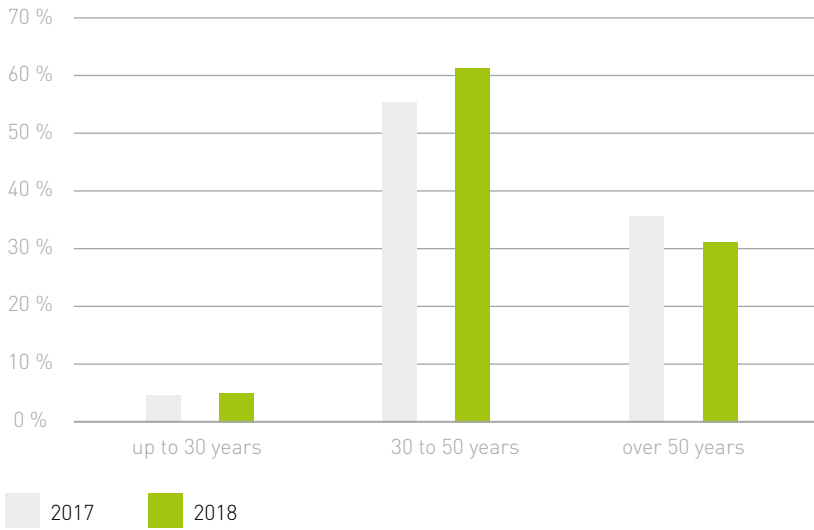
Employees are a key factor in the performance of the Bank. The Bank believes that its success and growth are founded on its satisfied and committed employees being properly qualified for their jobs and properly awarded. Therefore, the Bank creates a well organised and safe working environment, organises skill upgrading and training courses and, consequently, provides its employees with a possibility for personal and career development and participating in further development of the Bank.

Intensive restructuring in the area of human resources continued also in 2018, and was accompanied by a reduction in the number of employees. The Bank carried out also significant recruitment in the areas where new, different competencies not previously available in the Bank were needed.

Employee demographics

At the end of 2018, 74% of the total number of employees were women, and 26% men, likewise as in the preceding year. The average age of employees at the end of 2018 was 44.9 years. Compared to 2017, the average age decreased by 0.1 year.

Shares of employees by age structure



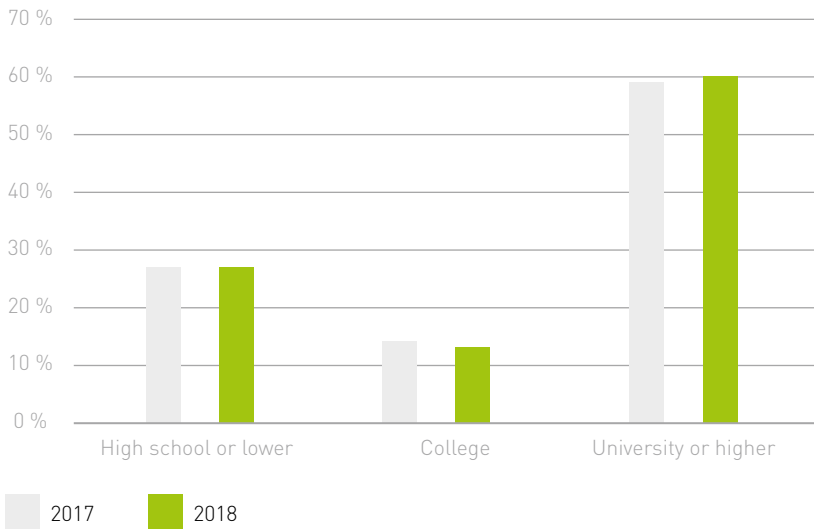
Structure of employees by age groups

At the end of 2018, the age group of up to 30 years of age included 5% of employees, which is the same figure as in 2017, 62% of employees belonged to the age group of 30 to 50 years, which is by 3 percentage points higher than last year, and 32% of employees were older than 50 years, which is by 4 percentage points lower than in the previous year.

Educational structure

At the end of 2018, the proportion of employees having a high school degree or lower was 27%, the proportion of employees with a college degree was 13%, and as many as 60% of the total workforce had a university degree or higher. Compared to 2017, the number of employees with a college degree decreased by 1 percent point, whereas the number of employees with a university degree grew by 1 percent point.

Educational structure of employees



Employee turnover and absenteeism

In 2018, employment contracts ended with 212 employees, while 96 employees were recruited anew. The Bank recorded the voluntarily employee turnover of 3.5% (regular cancellation of the employment contract by the employee and termination of the employment relationship by a mutual consent), which exceeded the figure for 2017 by 0.8 percent points.

In 2018, the Bank recorded the absenteeism of 5.3%, which exceeded the figure for 2017 by 0.8 percent points.

Family-Friendly Company Certificate

The Bank acquired the basic Family-Friendly Company Certificate in 2011, and the full certificate in 2015. Consequently, the Bank decided to implement 13 measures under the basic certificate, and further 5 new measures under the full certificate. In 2018, following the acquisition of KBS banka that also had a full certificate, a new project group was established comprising employees of Nova KBM, former PBS and KBS, and jointly selected additional 13 measures. In 2018, the largest volume of implemented



measures covered health protection, New Year presents for children, psychological help, and children's time bonus (paid absence for the first day of school and for introduction to kindergarten).

Training and skill upgrading

Training and skill upgrading plans are developed with the support of all departments of the Bank. In 2018, a great emphasis was given to managerial and sales skills, coaching, team-building, and e-learning.

The Bank most frequently covers its training and skill upgrading needs by internal courses. These courses are adjusted to the needs of employees in terms of content and time.

employees involved in skill upgrading. This figure could not be achieved by traditional training sessions in classrooms.

In total, employees participated at 217 skill upgrading events, which exceeds the previous year by 22%. Employees were involved in skill upgrading events 13,207 times, which exceeds the previous year by 21%. The Bank developed and carried out over 90 skill upgrading events customised in terms of the content and time. Each employee was involved in skill upgrading for 41 hours in average.

Lead Programme – the Leader Development Programme

In 2018, the Bank started the first generation of the Leader Development Programme (so-called „Lead Programme“), to which managers of different levels and areas in the Bank were proposed and selected. The purpose of the programme is to develop the best leaders, to make them even better at their work, and to equip them with the skills to assume even more demanding functions. The programme is based on a team work of leaders from various fields in finding solutions to real challenges the Bank is facing.

Secondary and tertiary student placement

Being aware of the importance of combining theoretical knowledge with practical skills, the Bank gives secondary and tertiary students an opportunity to engage in internship under the supervision of mentors, enabling the students to familiarise with work processes. For some of them, secondary and tertiary student placement represents the first contact with a company and the first work experience; therefore, the Bank did its best in 2018 to provide placement for as many secondary and tertiary students as possible.

Surveys on employee satisfaction and engagement

The Bank considers opinion and well-being of its employees important. For this reason, the Bank carried out in 2018 two employee satisfaction and engagement surveys („VOE – Voice of Employees“).

The results of the most recent survey carried out at the end of 2018 show an increase in the engagement rate by 10 percentage points, and an increase in employee satisfaction rates by as much as 13 percentage points, compared to the results of the survey carried out at the beginning of 2017. In order to provide a positive impact on engagement and satisfaction of employees based on the results of the survey, the Bank carries out measures and activities in five broader areas, namely communication, processes, career development, working environment, and remuneration.



Employee satisfaction increased by 13 percentage points

To strengthen healthy competition and cooperation

The Bank is aware that sports activity does not only strengthen health, but also affects healthy competition, team spirit, and cooperation. Therefore, in Nova KBM, various sports activities are carried out for its employees, with an aim to raise the level of their commitment. The largest event among them is the Bank's Olympics that gather almost all of its employees once a year. Through various sports activities, the Bank strengthens the team spirit and networking among its employees. The Bank provides its employees with various opportunities to participate in sports under sponsorship activities of the Bank. One of them is the participation of employees in the Marathon each year. The Bank is pleased that the interest of both runners and fans among employees is very high each year.

Injuries at work

In 2018, the Bank recorded 11 cases of work-related injuries, resulting in the total of 306 days of absence.

Promotion of health at workplace

Being aware of living in the time of rapid changes and constant adaptation, the Bank has been striving for decades to make its employees feel well, and to foster good interpersonal relationships. Particular attention is devoted to the health and safe

working conditions. In 2018 again, the Bank provided all of its employees with the opportunity to be vaccinated against seasonal flu, get preventive health check-ups, and use ergonomic equipment at their workplace.

Healthy psychophysical condition of employees and a favourable psychosocial environment are encouraged and ensured through free psychological help, which is available to employees 24 hours a day, seven days a week. The Bank has joined the Prevention of Psychosocial Risk Factors Project. Through workshops, videos and e-content, employees are familiarised with risk factors, prevention methods, self-help, and help to colleagues and family members, whereby the Bank is raising awareness of the importance of psychosocial risks and, above all, the possibility of preventing them.

Benefits include also 18 paid hours, which employees can use during the year to visit a doctor by themselves or on behalf of their children.

The Bank enables its employees to spend their free time in quality manner. Employees are entitled to a paid absence from work to participate at winter and summer sports games and marathons.

Moreover, a wide variety of recreational, sports and cultural events have been made available to employees for a number of years. A sports society has been active in the Bank for many years; it includes several different sports sections. Through informal gatherings, the Bank strengthens its values and builds the loyalty to the Bank among all of its employees.

Prohibition of discrimination and mobbing

Nova KBM adopted the Rules on the Prohibition of Discrimination, Mobbing and the Prevention of Other Forms of Psychosocial Risks at Workplace, since the Bank has a zero tolerance policy for such risks. The Bank also organises training courses on this topic for employees.

Incentive bonus system

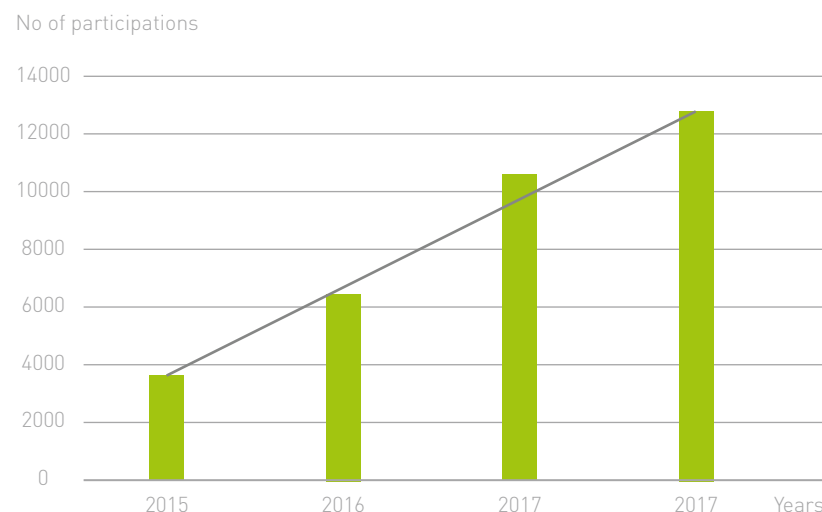
Nova KBM has a transparent remuneration system that is established on an appropriate basis and upgraded by variable payable



Number of participations at training courses in 2018 more than 4 times higher than in 2015

In order to ensure adequate qualification and professional and personal development of its employees, the Bank seeks to involve the broadest possible range of employees in training and skill upgrading programmes. This was one of the reasons why e-training was introduced. In 2018, this form was used to support as much as 10 topics. As a result of introducing e-training, the number of participations increased remarkably, since these trainings involved 98% of employees. At e-training courses, the Bank recorded 7,222 participations, i.e. 56% of the total number of

Number of participations at training courses 2015–2018



incentives, the basic purpose of which is to reward successful employees. All employees are included in the performance management process – the process of attaining individual goals as well as the common goals of the Bank and the goals of organisational units, whereby both the result and the way of how the result is achieved are important. Therefore, the performance assessment of each employee includes attainment of their individual goals, together with the method of their work and features of their behaviour, which are expressed through the competencies of each employee.

Goals for employees engaged in the sales functions and in the management of non-performing investments are set up at monthly and quarterly basis, while goals for other employees of the Bank are set up at annual level. During the annual employee interviews, which are carried out in February and March, the employee and their manager assess the results for the past period, set the goals for the current year, and discuss further development of the employee.

The year 2018 was marked by a revised incentive bonus system called „Sales Incentive Programme – SIP“ for employees in branch offices. The aim was to set up a fair awarding system at branch offices, which is easily understandable, enabling employees to calculate any financial bonus by themselves, while encouraging both individual and team performance. The system contributed to increased employee satisfaction, increased enthusiasm, reciprocity, and to focusing managers to more dispersed setting of individual goals. The key strength of the new incentive bonus system is its flexibility, as it allows continuous improvements and adjustment to Bank's goals. The changes resulted in the increased total amount earmarked for monthly bonuses.

Together to Excellence – the internal programme promoting the focus on customers

Excellent experience of our clients is a key part of the Bank's ambitions to become the best bank in Slovenia. In 2018, the Bank carried out numerous internal activities under the Client Excellence Programme,

which encouraged its employees to increase their focus on customers and, consequently, achieve the best results.

Key activities included the following:

- Let's learn from each other (a website for collecting ideas for improvements, focus groups for acquiring new customers and developing new products, etc.);
- Let's listen to customers (customer satisfaction survey by solving problems, personal calls and visits by managers, focus groups of customers, etc.);
- Let's improve (we solve numerous problems were solved, we made improvements on the basis of agreed measures, implemented action plans on the basis of customer satisfaction and surveys, training courses were carried out, etc.);
- We are measuring (continuous customer feedback has been covered by various customer satisfaction surveys);
- Let's communicate effectively (several internal circulars were sent, a large number of different Intranet quizzes were carried out for all employees, main values of Nova KBM were highlighted through the Mission Possible videos, etc.).

Champions Forum – promoting friendly competition

In 2018, the Bank launched the competition called the Champions Forum aimed at creating a friendly competition between groups of employees in branch offices. The goal is to increase sales as well as to improve client excellence. The criteria and rules of the competition, which will be completed in 2019, are clearly defined and fair, and represent a new and responsible way to contribute to the implementation of the Bank's strategy.



Skupaj do odličnosti | **Together to excellence**

Skips, Management Board Roadshows, and Nova KBM Olympics

The Bank also runs an internal programme called Preskok (Skips), the aim of which is to improve and strengthen a direct dialogue between employees and all members of the Management Board. Through these meetings, the Bank encourages open communication about daily challenges between the operational and strategic levels of activity in the Bank.

In addition, Management Board members regularly visit colleagues and teams at their work places under the Management Board Roadshow programme. In 2018, more than 60 % of employees were included in both programmes, and they will continue also in 2019. Both programmes are used as a tool aimed at improving internal communication and thus skipping the obstacles that would otherwise slow down the Bank on its path of positive changes.

Since 2016, the Bank has been organising annual national employee events called Nova KBM Olympics. In 2018, the event gathered 1000 employees. The main goals of the event, which includes an official part, and sports and social activities, are to strengthen the awareness of the Bank's strategy and key values, and to promote teamwork and engagement.

Nova KBM Sports Society

Guided by the care of health and an appropriate attitude towards sports, the Bank supports also the performance of the Bank's Sports Society, which includes several hundred employees.

Cooperation with trade unions

Considering the fact that an intensive human resources restructuring project was implemented in the Bank in 2018 and accompanied by a reduction in the number of employees, the Bank kept trade unions regularly informed about all planned measures. Cooperation with trade unions is good, and the Bank primarily strives for open communication and exchange of expert opinions.

Christmas activities for children of employees

Every year in the Christmas time, the Bank and the Trade Union organise a Christmas show with Christmas gifts for the youngest children of employees. Taking into account a geographical spread of Bank's units, the event was carried out in three regions: Maribor, Ljubljana, and Nova Gorica.

9.2 Customers

Client excellence has a central role in the Bank's business strategy. The Bank is aware that only an excellent user experience, tailored to individual customers, is the basis for a long-term relationship. In 2018, the Bank made several strategic steps in this area.

We have already mentioned a few of them in the section Together to Excellence, hereinafter we summarize additional activities.

Simple and user-friendly online bank

The Bank completed the first phase of the Bank@Net online bank redesign project. The Bank introduced an SMS token (a new security element), which provides two-stage authentication for secure login, use, and execution of payments via the online and mobile Bank@Net. Consequently, customers at online banking do not use the hard-token RSA key but SMS token. We activated online registration and activation of online bank. Furthermore, customers can reset and unlock their forgotten password by themselves.

We upgraded mobile bank services by an overview of investment funds and investment fund portfolio management. For business users, we introduced the use of soft-token – a HID approve for Poslovni Bank@Net.

The number of the online bank users increased to 153 thousand by the end of 2018.

Online conclusion of loans

In April 2018, the Bank introduced online conclusion of consumer/cash loans via the internet and through mobile bank. Sales of other products were also performed through digital channels.

Communication and marketing activities on the Bank's digital channels

All promotion campaigns for new products and product ranges are communicated

strategically important business partner of the Bank, and the two institutions together bring their services closer to the needs of their customers, enabling them to perform both banking and postal services at the same place. The introduction of specialised bank offices is an upgrade to the cooperation in the



through digital channels of the Bank, such as its website, social networks (FB, Instagram, etc.), ATMs, and LCD displays in branch offices. The Bank effectively uses the option of sending SMSs to customers, and e-mail marketing with a purpose of acquiring new customers and raising awareness among existing ones.

The Bank used the campaigns called Kredit naprej and MasterCard to redirect customers to its website.

ATMs

The Bank started increasing the use of ATMs by expanding its ATM network through partnering, whereby enabling customers to withdraw cash free of charge throughout Slovenia.

Specialised bank offices

The Bank continues its constructive cooperation with Pošta Slovenije, which is a

area of retail customers, and the exploitation of the evenly branched network of post offices for the sale of banking services to Bank's customers and other clients in local environments. The cooperation between Nova KBM and Pošta Slovenije is well accepted by customers; therefore, the Bank will keep it in progress.

Premium Banking

In 2018, the Premium Banking service for affluent clients was upgraded. The Bank added the Wealth Management Platform, a tool providing a comprehensive overview of the individual's personal finance. It is so-called 360-degree financial advice, which includes the preparation and monitoring of a personal finance plan (investments, insurance, pension, loans). The 360-degree financial advice enables personal bankers to guide Premium customers, helping them with achieving their goals in such a way that suitable solutions or products are sought together.

Premium customers are also offered additional benefits and special Premium experience. Through various thematic and lifestyle events and benefits of external partners, these customers are enabled to access additional professional contents and relaxing moments related to networking, finance, art, culture, cuisine, health, sports, fashion, and motorsport.

Modern services designed for elderly people

Until November 2018, more than 100,000 Bank's customers used passbooks. Approximately 40 % of them used a personal account with passbook, and about 60% had a savings deposit or passbook savings. Since Nova KBM cancelled passbooks on 5 November 2018, it upgraded the service by debit cards for all customers free of charge, and the new way of working with the Bank will be simpler, while offering a larger range of products and services than before.

We are aware that some customers miss seeing their balance in passbooks, therefore, we decided to enable them to check their transactions made and the savings deposit balance on statements that will be available to them free of charge at any of the Nova KBM or Pošta Slovenije units. This made the transition friendlier and the operations with cards in branch offices faster.

On the International Day of Older Persons, we organised a training course on how to use debit cards, which was delivered in several retirement homes. We were asked numerous questions, but experienced also a positive response, at the same time.

Renovated complaint system

The new complaint resolving process, which was introduced in October 2017, is being implemented in line with the goals set up. The process enables the Bank to monitor the causes of problem incidences in order to resolve customer complaints in a proper and timely manner, as well as to improve NPS scores. The Bank takes care of having complaints properly entered in the system and solved as soon as possible. The plan for

2019 includes further optimisation of the complaint solving process. According to the law, the Bank is required to respond to the complaint within 7 business days, but the Bank manages to respond in shorter time.

Strengthening financial literacy and corporate advice

The Bank has been providing an advisory role for several years, and it was further intensified in 2018. In partnership with some other institutions (the Slovene Enterprise Fund, Tovarna podjetij, and IRP – Institute for Entrepreneurship Research), the Bank ensured easier access to information and advice and, consequently, to grants from EU funds and banking funds to finance their projects.

9.3 Suppliers

Due to its size, the Bank can achieve synergy effects through sustainable and socially responsible management of supplier relationships. In this regard, there are not only economic interests of the Bank that count, but also socially responsible and sustainable impacts, which our suppliers can contribute to a wider societal welfare in cooperation with the Bank.

The Bank's procurement strategy seeks to achieve efficiency, cost-effectiveness, and management of costs, suppliers, and contracts. In 2018, Central Procurement and Cost Management Department updated the procurement process, defined procurement categories, and actively participated in drafting the 2019 plan. Furthermore, it carried out inquiries and negotiations, and reported on the effects achieved. In this area, the Bank pursues the goal of optimising the number of suppliers, increasing the volume, and building partnership relations. Under the procurement process, we carefully select suppliers, while taking care of entering into relationships with trustworthy suppliers that respect the rules of conduct, ethical standards, and the values of the Bank.

9.4 Media

The media landscape has been changing intensively over the last years. New media are emerging, other disappearing, the impact and impression of specific media are changing, and so does the method of media monitoring and obtaining information. The influence of social networks is growing. In the context of sustainable development and social responsibility, the Bank is interested in having its vision, role in the national environment, and strategic goals understood by the public. This is why the Bank, in the increasingly digitalised environment, devoted even more attention to exploitation of a wide range of communication channels, through which it can inform the public in a comprehensive, timely and accurate manner.

We established a new communication channel on social networks and strengthened our activities on the existing ones. At the same time, we keep providing adequate support to traditional media companies in implementing their role of objective informing and educating the public. Nova KBM encourages a positive and professional presence of the Bank in public, assistance with understanding banking contents, and proactive communication of socially responsible and sustainable topics.

In 2018, we increased the number of conferences for media and the presence of Bank's representatives at conferences of the sponsored partners, and members of the Management Board and managers of specific areas participated as speakers at several business and expert conferences.

The Bank assesses the efficiency of its relations with external public by regular monitoring its media coverage, analysing the contents, and by detailed analyses based on evaluation of publications in terms of quality and quantity. In 2018, there were in total more than 3,500 publications made on Nova KBM. The number of positive and neutral topics is growing.



10 Sustainable relations to nature

The natural environment is part of Nova KBM commitment to sustainable development. Since the Bank, as a service provider of national importance, wants to act in a socially responsible manner, it has identified its impacts on the natural environment. The biggest impacts that can be managed by the Bank include energy, the use of resources, and banking products that can stimulate responsible management of the natural environment by other entities present on the market.

10.1 Energy

Energy management is a vast area, as the Bank's business activity is geographically dispersed. The key areas of the Bank's energy management include efficient use of energy and sustainable mobility.

The Bank has a central control system set up at nine locations, through which it monitors energy efficiency and takes measures in case of deviations from the parameters set up. In 2018, the Bank's total energy consumption was 10,050,000 kWh, which is 5% less than in the preceding year, of which 6,650,000 kWh accounted for electricity, and 3,400,000 kWh for gas and heat used for heating.

Among major electricity consumers, the Bank replaced in 2018 cooling aggregates for technical systems (RCA DATA centre), as well as some smaller aggregates and air conditioners. Due to these changes, the Bank expects some savings in electricity consumption.

The Bank uses 65 vehicles. The average age of vehicles is four years. In 2018, the volume of fuel used for the needs of official and combined, i.e. official and private journeys, amounted to 87,200 litres, of which 81,550 litres of diesel and 5,650 litres of gasoline. Official cars are used on average 3 days a week, while vehicles in combined use are used daily.

10.2 Paper consumption and printing

As the Bank is a service company, its largest consumption of primary raw materials relates to the consumption of paper; while its activity requires considerable amount of printing, which is why the Bank manages these two segments in strategic terms.

E-notifications

E-notifications are a new Bank's project on paperless operations, which was started in December 2018. The Bank is switching to paperless and digital operations as regards all notifications to customers about accounts, payment cards, loans, deposits, mutual funds, and other notices. The Bank established a reward programme for its employees, which awards each switchover to paperless operations, and with each switchover, the Bank donates funds to the fund for tree planting in Slovenia after the project is completed. We will continue marketing activities aimed at greener Slovenia throughout the year 2019.

Central printing

By introducing a centralised printing system, the Bank achieved considerable savings, namely:

- In the number of printers, which was reduced from 620 to 417
- In terms of costs that decreased from €411,000 to €293,000.

New printers are more environment-friendly, as they consume 50% less energy than conventional toners in the process of toner heating. These devices have the Blue Angel eco-label, one of the most prestigious eco-labels in the world, and the Energy Star specification for energy-efficient devices. The Bank started using toner cartridges with larger charges suitable for 20,000 to 25,000 prints per charge, which results in less waste.

The central printing enables the Bank to have better control over printing, both in terms of paper use and costs.

10.3 Separate collection of waste

Separation of waste materials at source is a key element of the circular economy. The Bank has been conducting separate collection of waste for many years, which depends on ordinances of individual municipalities and their concessionaires. 100% of non-hazardous waste, which is separately collected and disposed of, is sent to recycling. The volume of municipal waste cannot be tracked and actual volumes cannot be determined, as the container size for a particular location is assigned by concessionaires. Containers are emptied irrespective of whether they are full or not. Costs are paid according to the container size and are not related to the waste weight or volume.

10.4 Green banking products

Green bond

In March 2018, the Green Bond issued by GEN-I Sonce in 2017, where the project involved SID Banka and indirectly also Nova KBM as an investor, received a prestigious award, the „Green Bond Pioneer Award“, granted by the international organisation Climate Bonds Initiative.

It is a prestigious award intended to companies, financial institutions and governments for achievements in the development of green bonds.

The Green Bond is the first Slovenian green bond issued on international market and will fall due in 2024. It complies with the non-binding principles (GBP – Green Bond Principles) prescribed by ICMA (International Capital Market Association), and brings to the Slovenian territory a new method of raising funds for projects promoting the production of electricity from renewable sources, sustainable management of waste and water,

energy efficient construction of real estate, and cleaner transport services or products.

In 2018 the Bank kept supporting sustainable development and invested in the SID Banka's Green Bond, which was the first Slovenian green bond issued on the international market. The internationally recognised company Sustainalytics confirmed the bond's full compliance with the Green Bond Principles of the International Capital Market Association. The Bank will keep looking for new investment opportunities in the field of sustainable development, green technologies, and environmentally friendly projects.

Promotion of environmental development

Nova KBM continued its cooperation with SID Banka d.d., particularly in the area of ensuring long-term sources to finance corporate customers. Most of these funds were dedicated to the development of environment-friendly companies, funding of competitiveness, and financing fixed assets and long-term working capital. Funds were mostly approved to small and medium-sized enterprises.

11 Socially responsible projects

Nova KBM, having a long tradition of operations and the integration in a wider societal environment, remains an active supporter of social responsibility, despite of the change in its ownership, and contributes to a higher quality of life and development of both the local and national environment.

We channel sponsorships and donations in a transparent manner to those projects, actions or activities that support our strategic policies and business goals.

The primary goals the Bank pursues include: partnerships with the sponsorship or donation recipient, strengthening the Nova KBM brand, connection to the values and goals of the Bank, and support to projects in the fields of sports, culture, humanitarianism, education, sustainable development, etc.

The Bank plays an active role in supporting projects, individuals, non-profit organisations, associations, institutes, and clubs in the fields of sports, culture, education, healthcare, humanitarian projects, and other activities useful for the society. The sponsored projects are upgraded by partner cooperation and encouraged to act in a sustainable manner.

In 2018, the sponsorship and donation portfolio included more than 50 clubs,

institutions and projects in the fields of sports, culture, innovation, education and professional development, and charity.

11.1 Sports

In 2018, the Bank supported many teams, individuals, and events in nine different sports disciplines: basketball, football, volleyball, handball, alpine and freestyle skiing, road running, triathlon and kayaking. By supporting sports, Nova KBM contributes to the development of sport disciplines in the country and helps the teams and individuals in achieving the best results. At the same time, Nova KBM and sports share the same values and conduct, such as excellence, perseverance, competitiveness, teamwork. By promoting these values internally and under sponsorship programmes and by involving its employees in sponsorship projects, the Bank aims at improving loyalty and engagement of employees. Furthermore, employees have an opportunity to take part in the Nova KBM Sports Society activities in order to practice sports, improve their body fitness, and bond with their colleagues also outside the working environment. By tradition, sports teams of Nova KBM employees are among top teams at annual banking sports games.

- **Basketball Federation of Slovenia (male team – current European champions)**
- **National champions: Nova KBM Branik Women's Volleyball Club (2018), Maribor Football Club (2017)**
- **World Cups: Planica Ski Jumping World Cup for men, Maribor Golden Fox Alpine Skiing World Cup for women**
- **National Banking Sport Games**
- **Ljubljana Marathon, the largest running event in Slovenia; 80 employees participated in the teambuilding (the photo)**



11.2 Culture

The Bank is a traditional sponsor of Festival Lent and national theatres in Maribor and Nova Gorica, providing valuable contributions to the cultural development of both regions. Furthermore, the Bank supports young talents of the GD Nova Musical Society, and

seniors in the Nova KBM Choir. Among other benefits, these partnerships bring creativity and inspiration to the Bank's teams – the values that are highly appreciated also in the business environment.



SNG Maribor, Opera under the stars

11.3 Innovation

Nova KBM gives special attention to encouraging the development of young talents, strengthening cooperation with faculties, and thoughtful introduction of modern technologies into its processes.

The Bank has been a general sponsor of the PODIM International Innovation Conference for many years, and in 2018, for the second time in a row, the corporate partner of PODIM Challenge. The pilot innovation projects of the Bank under these challenges included services based on blockchain technology, contactless payment, and the use of data and data analytics to improve the user experience of the online and mobile bank.

In 2018, the Bank, as a partner to the Faculty of Electrical Engineering and Computer Science – the Institute of Informatics, co-organised the Winter School of Informatics. The Winter School is a project aimed at further deepening the knowledge in young people and breakthrough talents during the

period when no lectures take place. During the innovation challenge, students developed an application supporting the state-of-the-art form of pay-by-delivery using smart contracts and block chain technology.

The Bank plans to take part in the innovation community and work with start-ups also in the future, particularly in the field of mobile payment transactions and transfer of funds, and faster, cheaper and more convenient money transactions.

11.4 Education and professional development

Nova KBM every year supports several high-quality professional conferences and educational courses.

Employees of the Bank are well aware of their responsibility to participate as experts in exchange of knowledge, experience and good practices, whereby contributing to building an effective educational environment and high-quality human resources.

Many employees of the Bank are associated with educational institutions as lecturers and mentors in the preparation of seminar papers, diploma and master's theses. They also participate in the committees and management of various professional organisations and actively participate in expert projects.

11.5 Charity

In 2018, the Bank joined humanitarian campaigns again, while developing charity activities also by itself. The Bank provided financial support to the pan-Slovenian Botrstvo Project helping socially disadvantaged families. In accordance with

its role of social responsibility, the Bank additionally supported the activities carried out by Koraki za korakce charity association, Mirno morje institution, the Cardiovascular Health Society of Slovenia, and others. In 2018 again, instead of buying business gifts, the Bank allocated funds to the people in need through Veriga dobrih ljudi, the project led by Zveza prijateljev mladine Moste-Polje.

Charity campaign Koraki za korakce



12 Non-financial Statement

The Management Board of Nova KBM hereby declares that the non-financial report includes information on environmental, social, and employee matters, respect for human rights, and anti-corruption and bribery matters, in the context and to the extent necessary for an understanding of the Bank's development, performance, position, and impact of its activities.

It describes the business model of the Nova KBM Group and the Bank, which is based on the Code of Conduct (the later defines risks in the field of corporate integrity, including the risks of non-respecting human rights, and risks relating to corruption and bribery) and the Bank's Strategy.

The Nova KBM Group Policy on Corporate Social Responsibility and Sustainable Development is incorporated in all policies, strategic and implementing documents, and other internal regulations of Nova KBM (Nova KBM's Code of Conduct, Reputational Risk Management Policy, Anti-Corruption Policy, Compliance Policy, Marketing and Corporate Communications Policy, Procurement Policy, Human Resources Development Policy, etc.).

The content of the Policy on Corporate Social Responsibility and Sustainable Development includes all strategic stakeholders of the Bank and defines the focus of the efforts, plans, conduct, and relations managed by the Bank.

In the field of corporate social responsibility and sustainable development, the Bank includes risk management, in particular through reputational risk management, operational risk management, and compliance.

The scope and areas of disclosing non-financial key performance indicators relevant to the Bank's business, corporate social responsibility and sustainable operations, are based on due diligence, whereby the Bank relied on the GRI Standards methodology.

Report on non-financial operations is a complete and comprehensive document enabling stakeholders to understand the material dimensions of the development, performance, position, and the impact of the Bank's activities.

Management Board of Nova KBM d.d.

Matej Falatov
Member

Sabina Župec Kranjc
Member

Jon Locke
Deputy

John Denhof
President

13 GRI Indicators

Table of indicators in accordance with the GRI standard

INDICATOR		PAGE
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	5
102-2	Activities, brands, products, and services	5
102-3	Location of headquarters	5
102-4	Location of operations	5
102-5	Ownership and legal form	5
102-6	Markets served	5
102-7	Scale of the organisation	6
102-8	Information on employees and other workers	14
STRATEGY		
102-14	Statement from senior decision-maker	4
102-15	Key impacts, risks, and opportunities	9
ETHICS AND INTEGRITY		
102-16	Values, vision and mission	8
102-17	Mechanisms for advice and concerns about ethics	13
GOVERNANCE		
102-18	Governance structure	5,7
102-19	Delegating authority	8
102-20	Executive-level responsibility for economic, environmental, and social topics	4,8
102-21	Consulting stakeholders on economic, environmental, and social topics	11,12
102-22	Composition of the highest governance body and its committees	5
102-23	Chair of the highest governance body	5
102-29	Identifying and managing economic, environmental, and social impacts	9
102-30	Effectiveness of risk management processes	13
102-31	Review of economic, environmental, and social topics	12
102-32	Highest governance body's role in sustainability reporting	4,9
102-33	Communicating critical concerns	10,11

INDICATOR		PAGE
11STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	10, 11, 12
102-42	Identifying and selecting stakeholders	11
102-43	Approach to stakeholder engagement	11
102-44	Key topics and concerns raised	11,12
REPORTING PRACTICE		
102-47	List of material topics	12
102-50	Reporting period	9
102-51	Date of most recent report	9
102-52	Reporting cycle	9
102-53	Contact point for questions regarding the report	9,22
102-54	Claims of reporting in accordance with the GRI Standards	21
102-55	GRI content index	21
103-1	Explanation of the material topic and its boundary	9,12
202-1	Proportion of senior management hired from the local community	5
203-2	Significant indirect economic impacts	18
205-1	Operations assessed for risks related to corruption	13
205-2	Communication and training about anti-corruption policies and procedures	13
MATERIALS		
301-1	Materials used	18
ENERGY		
302-1	Energy consumption within the organisation	18
EMPLOYEE		
401-1	New employee hires and employee turnover	14
401-2	Benefits provided to full-time employees	15-16
403-1	Worker health and safety	15
404-1	Average hours of training per year per employee	15
404-2	Programmes for upgrading employee skills	15
404-3	Career development	15
406-1	Incidents of discrimination	15
LOCAL COMMUNITIES		
413-1	Operations with local community engagement	19-20
MARKETING AND LABELING		
417-1	Requirements for product and service information and labelling	16

This report is prepared in line with GRI Standards - the basic version.

14 Persons responsible for reporting

Compliance Office	Simon Tantegel , Director
Human Resources Development Department	Rok Zupančič , Director
Central Procurement and Cost Management Department	Denis Mulalić , p.p.
Real Estate Management	Rok Zupančič , p.p.
Physical and Information Security Management Department	Božidar Dajčman , Director
Operating Risk Management Department	Stojan Hostnik , Director
Sales Support Centre	Branka Vujanovič , Director
Customer Satisfaction Management Office	Yasemin Altinyay , consultant for customer satisfaction management
Corporate Communications and Strategic Marketing Department	Jernej Smisl , Director
Alternative Sales Channels Department	Mateja Kline
Digital Marketing Department	Tolga Rifat Yurteri , Director

Project Coordinator in the field of sustainable development: Petra Ravnikar, Communications Adviser

Project Managers: Jernej Smisl, Director of Corporate Communications and Strategic Marketing Department, and Karidia Toure Zagrajšek, Director of Internal Communication and Sustainable Development

Expert and content design: Fit media d.o.o.

Photos: Mediaspeed, Bank’s archive, SNG Maribor

Maribor, March 2019