

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## ESG Risk Rating

# 10.5

Last Full Update Nov 29, 2024

# -5.4

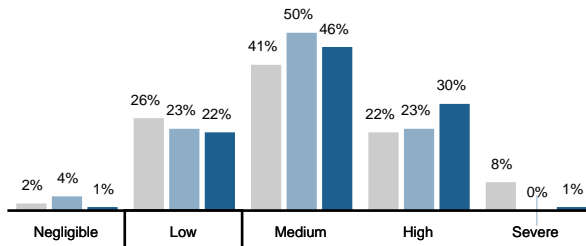
Momentum

# Low Risk



## ESG Risk Rating Score Change Log

## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk) (1 <sup>st</sup> = Top Score)	
Global Universe	428/15094	4th
Banks INDUSTRY	48/1026	6th
Diversified Banks SUBINDUSTRY	4/274	2nd

## Peers Table

Peers (Market cap \$2.7 - \$2.9bn)

	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	47.5 Medium	83.0 Strong	<b>10.5 Low</b>
2. Bank Handlowy w Warszawie SA	47.5 Medium	57.2 Strong	<b>22.0 Medium</b>
3. Bank of Hawaii Corp.	46.6 Medium	49.6 Average	<b>24.9 Medium</b>
4. PT Bank Permata Tbk	49.5 Medium	41.4 Average	<b>30.2 High</b>
5. China Banking Corp.	47.5 Medium	30.1 Average	<b>34.1 High</b>

# Nova Ljubljanska Banka d.d.

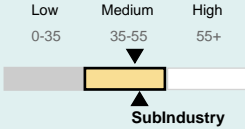
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**47.5** **+5.2**  
**Medium** Momentum  
Beta = 0.97



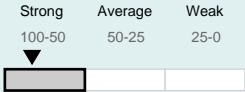
NLB's success depends on recruiting and retaining a workforce that supports its strategic growth and drives innovation. The company needs to effectively manage and incentivize employees to prevent skill deficits, compliance failures and operational inefficiencies. Furthermore, with a 30.2% market share and a 2.8 mn customer base in 2023, NLB plays an integral role on the Slovenian market. Deficiencies in meeting clients' needs via its marketing practices, and failure to ensure compliance with consumer protection regulations could result in significant legal and regulatory risks stemming from investigations, fines and lawsuits. In addition, NLB is investing heavily in digitalization, aiming to have 55% of clients on digital channels by 2025 and 70% until 2030 (up from 50.4% in FY2023 ). This elevates its exposure to data privacy and security issues, as well as operational disruptions.

The company's overall exposure is medium and is similar to subindustry average. Human Capital, Product Governance and Data Privacy and Cybersecurity are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

### ESG Risk Management

**83.0** **+17.6**  
**Strong** Momentum



NLB's overall ESG-related disclosure follows best practice and ESG-related issues are overseen by its management board and supervisory board. NLB exhibits above-average preparedness to manage its most material ESG issues. To mitigate human capital risks, the bank has in place initiatives to recruit new talent, and it provides development opportunities for its employees, such as mentoring, coaching and rotations. Furthermore, strong management of product governance is critical for avoiding fines and customer loss. In this regard, the bank has assigned managerial responsibility for responsible product offering and it reviews new products and services to ensure they fulfil the needs of consumers before they are launched. In addition, NLB discloses very strong policy commitments on personal data protection, complemented by very strong programmes on both data privacy and cybersecurity.

The company's overall management of material ESG issues is strong.

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score   Category	Score   Category	Score   Category	
Human Capital	5.7 Medium	66.9 Strong	2.1 Low	19.7%
Product Governance	7.6 Medium	75.0 Strong	1.9 Negligible	18.0%
Corporate Governance	8.0 High	82.4 Strong	1.4 Negligible	13.4%
Data Privacy and Cybersecurity	6.7 Medium	100.0 Strong	1.3 Negligible	12.6%
ESG Integration -Financials	5.1 Medium	75.9 Strong	1.2 Negligible	11.7%
Resilience	4.8 Medium	96.2 Strong	1.1 Negligible	10.4%
Business Ethics	7.6 Medium	90.6 Strong	1.1 Negligible	10.0%
Stakeholder Governance	2.0 Low	78.6 Strong	0.4 Negligible	4.1%
<b>Overall</b>	<b>47.5 Medium</b>	<b>83.0 Strong</b>	<b>10.5 Low</b>	<b>100.0%</b>

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

### Category (Events)

**5 Severe (0)**

**4 High (0)**

**3 Significant (0)**

**2 Moderate (0)**

**1 Low (0)**

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

## Category (Events)

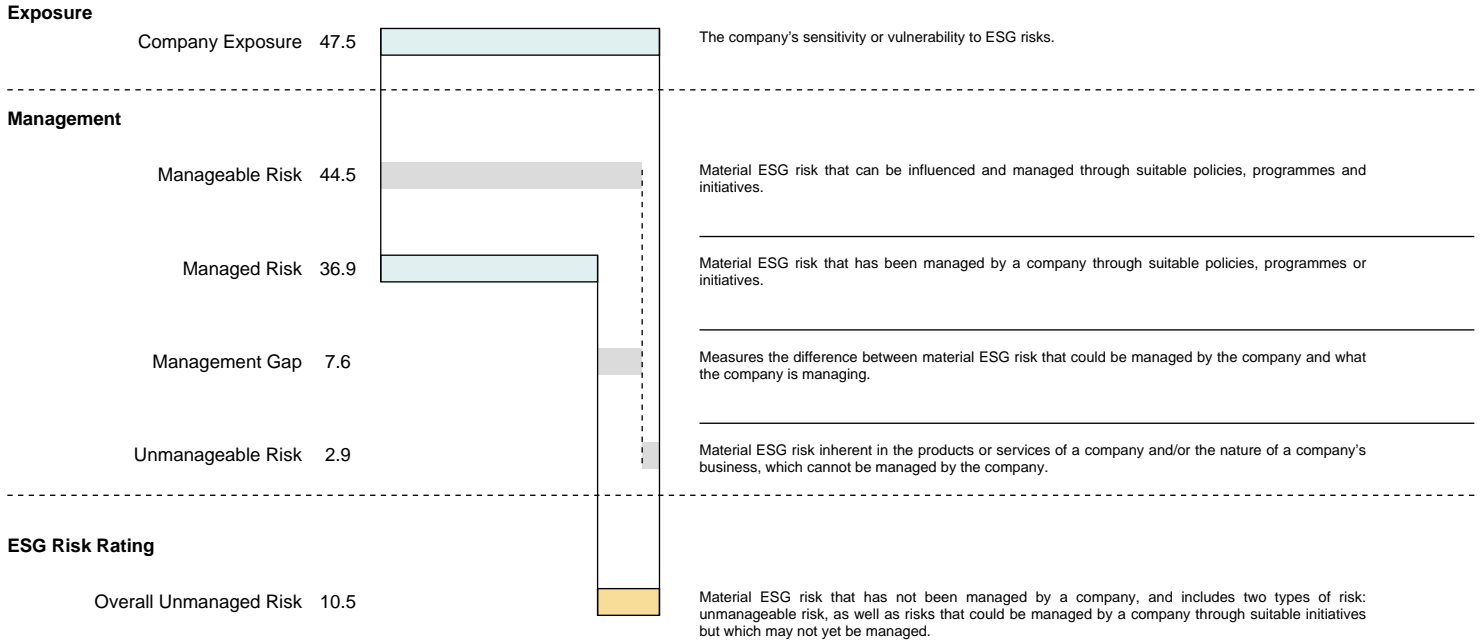
**None (17)**

- Access to Basic Services
- Accounting and Taxation
- Anti-Competitive Practices
- Bribery and Corruption
- Business Ethics
- Carbon Impact of Products
- Corporate Governance
- Data Privacy and Security
- Environmental Impact of Products
- Labour Relations
- Lobbying and Public Policy
- Marketing Practices
- Quality and Safety
- Resilience
- Sanctions
- Social Impact of Products
- Society - Human Rights

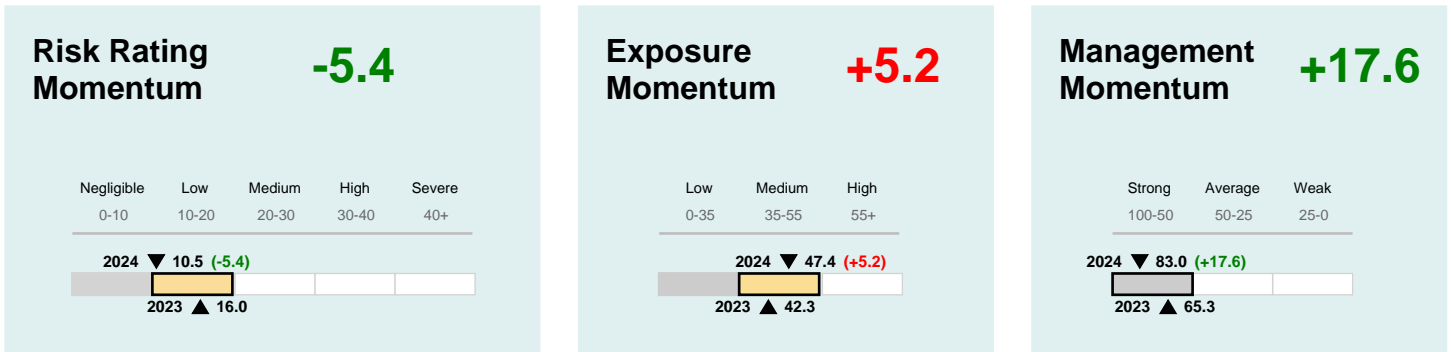
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



## Momentum Details



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## ESG Risk Rating Score Change Log [View Glossary](#)

Insufficient data. We require at least two score changes within the past 12 months to display a meaningful chart.

Attribute Date	Value Before Change	Value After Change	$\Delta$ Change In Value	Change Trigger
2024/05/23	16.0	14.6 ↓	-1.4	◇ Methodology Update

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue

Contribution 19.7 %



## Human Capital

Human Capital encompasses a company's management of its human resources, from acquiring and retaining top talent, to providing advancement opportunities in a diverse and equal work environment, and adopting an inclusive corporate culture.

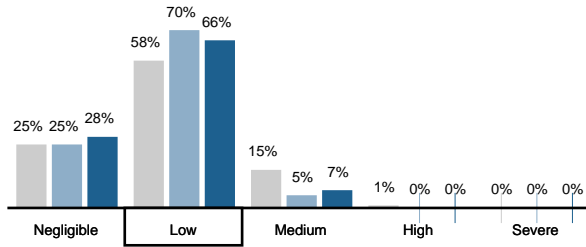
## ESG Risk Rating

# 2.1

## Low Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	1206/4342	28th
Banks INDUSTRY	101/354	29th
Diversified Banks SUBINDUSTRY	36/116	31st

## Peers Table

Peers (Market cap \$2.5 - \$3.9bn)

Peers (Market cap \$2.5 - \$3.9bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	5.7 Medium	66.9 Strong	<b>2.1 Low</b>
2. Alpha Services & Holdings SA	6.3 Medium	56.3 Strong	<b>2.9 Low</b>
3. Sydbank A/S	5.7 Medium	40.4 Average	<b>3.5 Low</b>
4. The Hachijuni Bank, Ltd.	5.7 Medium	36.0 Average	<b>3.8 Low</b>
5. The Gulf Bank of Kuwait	6.3 Medium	35.6 Average	<b>4.2 Medium</b>

# Nova Ljubljanska Banka d.d.

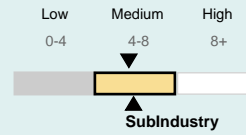
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**5.7**  
Medium



In FY2023, NLB's workforce included more than 7,982 employees at group level. Since the firm's core operations depend critically on its workforce, maintaining their job satisfaction is crucial in keeping turnover low and ensuring smooth operation. Moreover, NLB needs to effectively manage and incentivize employees to prevent skill deficits, compliance failures and operational inefficiencies. With elevated societal scrutiny on diversity and inclusion, the bank also needs to ensure alignment with best practices on these parameters.

The company's exposure to Human Capital issues is medium and moderately below the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x <b>0.95</b>
Company Issue Exposure	5.7

### Beta Indicators

### Beta Signal

Labour Relations	0.00
Operating Performance	-0.03
Solvency - Banking	-0.02
Asset Performance - Banking	0.00
Financial Flexibility - Banking	-0.02
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.05
Baseline	+1.00
Overall Beta	<b>0.95</b>



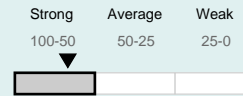
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.


## ESG Risk Management

**66.9**  
**Strong**



NLB is committed to eliminate discrimination against staff members on grounds of gender, age, race, colour, nationality, and other personal traits. Furthermore, it has in place strong measures for human capital development, including regular performance assessments to evaluate the employee's achievements, trainings and development programmes, covering both career and personal development, as well as diverse benefits meant to enhance employees wellbeing and retention. In addition, NLB has a collective agreement in place, signed in January 2022, which defines the rights and obligations of its employees. However, both its gender pay equality programme and diversity programme include adequate measures. Although it has initiatives in place to support the diversity of its existing employees, it does not disclose initiatives to recruit new talent from designated groups.

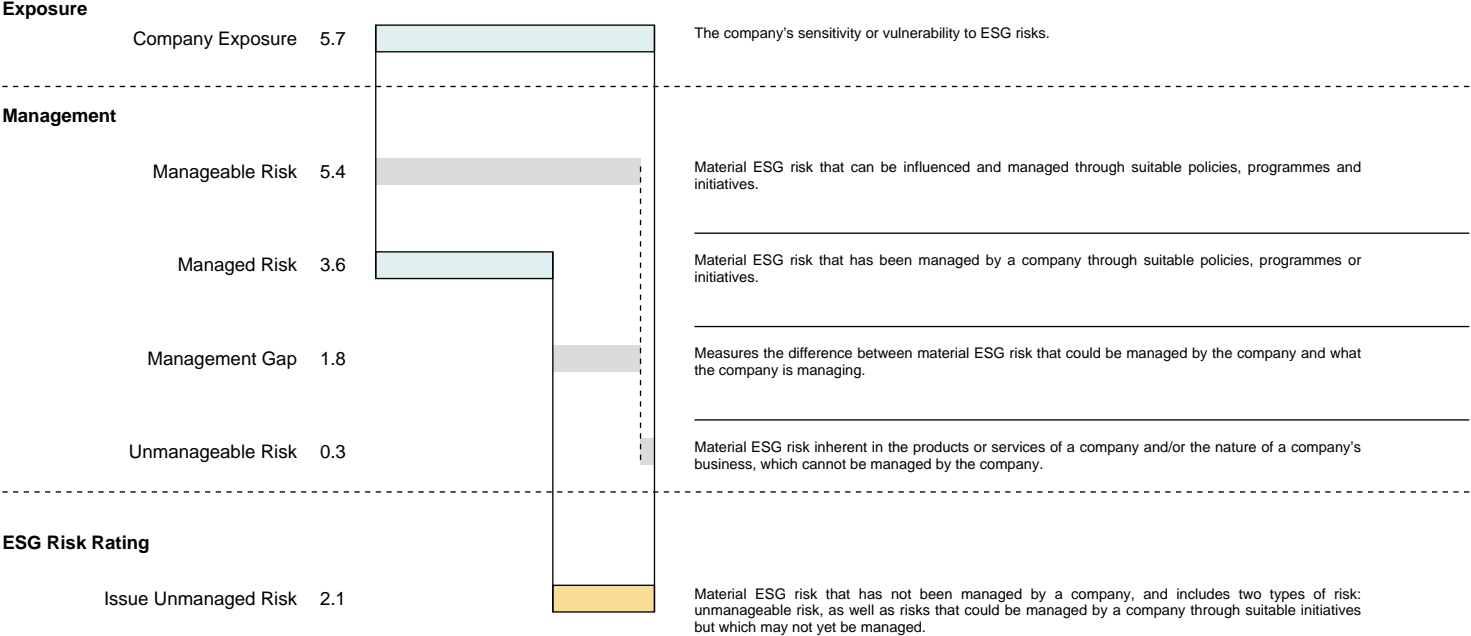
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Collective Bargaining Agreements	100	5.0%	5.0
Discrimination Policy	100	15.0%	15.0
Freedom of Association Policy	100	5.0%	5.0
Human Capital Development	75	27.5%	20.6
Diversity Programmes	50	22.5%	11.3
Employee Training	50	5.0%	2.5
Gender Pay Disclosure	50	5.0%	2.5
Gender Pay Equality Programme	50	10.0%	5.0
Employee Turnover Rate	0	5.0%	0.0
 Labour Relations	<b>Category 0</b>	0%	0.0
<b>Weighted Sum</b>			<b>66.9</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue

Contribution 18.0 %



## Product Governance

Product Governance encompasses a company's management of the entire lifecycle of its products and services to prevent and mitigate risks and consequences for its customers and end-users.

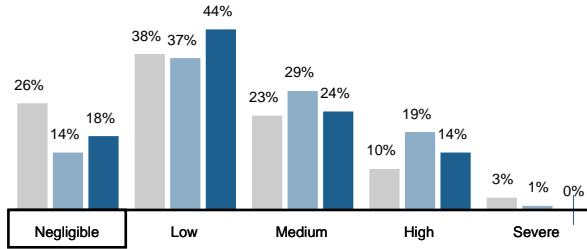
## ESG Risk Rating

# 1.9

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	869/3726	24th
Banks INDUSTRY	40/324	13th
Diversified Banks SUBINDUSTRY	18/116	16th

## Peers Table

Peers (Market cap \$2.5 - \$3.9bn)

Peers (Market cap \$2.5 - \$3.9bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	7.6 Medium	75.0 Strong	1.9 Negligible
2. The Hachijuni Bank, Ltd.	8.0 High	55.0 Strong	3.6 Low
3. Sydbank A/S	8.0 High	52.2 Strong	3.8 Low
4. Alpha Services & Holdings SA	8.8 High	55.0 Strong	4.0 Low
5. The Gulf Bank of Kuwait	8.8 High	25.0 Average	6.6 High

# Nova Ljubljanska Banka d.d.

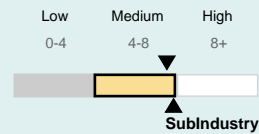
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**7.6**  
Medium



With a 30.2% market share on the Slovenian market, and with more than 2.8 million active customers in Slovenia and Southeast Europe, NLB must cater to diverse needs and customers. Given its significant number of clients and its increased emphasis on providing services digitally, NLB could face legal and reputational risks if its product offerings do not match its clients' profiles and needs. Additionally, deceptive marketing practices could expose the company to investigations and fines.

The company's exposure to Product Governance issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	8.0
Issue Beta	x <b>0.95</b>
Company Issue Exposure	7.6

### Beta Indicators

### Beta Signal

Access to Basic Services	0.00
Marketing Practices	0.00
Quality and Safety	0.00
Operating Performance	-0.03
Solvency - Banking	-0.02
Asset Performance - Banking	0.00
Financial Flexibility - Banking	-0.02
Headquarters Location	-0.02
Sales Location	0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>-0.05</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>0.95</b>

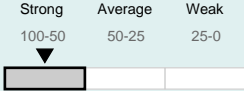
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**75.0**  
**Strong**



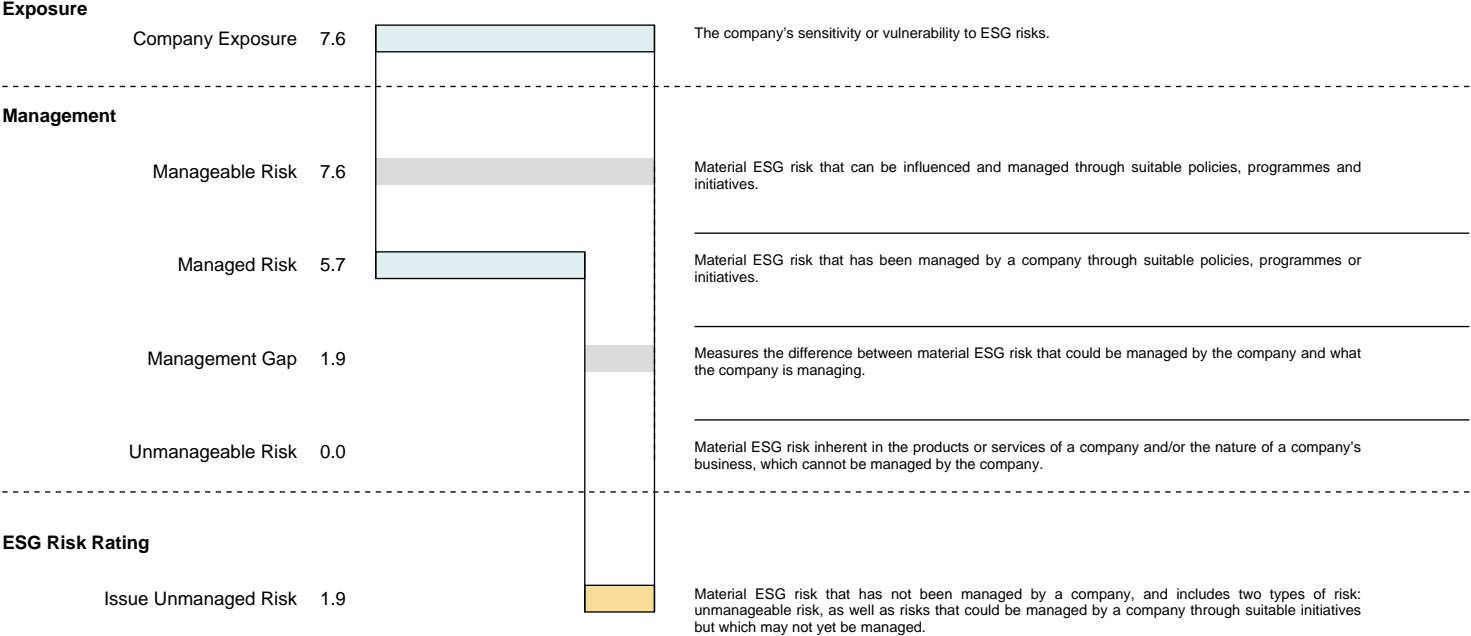
NLB's code of conduct outlines the bank's commitment to provide its customers with correct and accurate product information, to take client's interest and needs into account when selling and marketing products, and to maintain customer trust. In addition, NLB reviews new marketing policies and new products, to ensure they fulfil the needs of consumers before they are launched, and oversight on product and service quality is assigned to the committee for new and existing products. Furthermore, frontline staff are provided with regular training focused on responsible product offering and communication with clients. NLB also actively monitors customer satisfaction levels and discloses on its website mechanisms for receiving and investigating customer complaints. However, the company does not provide disclosure on the number and type of customer complaints received in 2023. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Responsible Marketing Policy	75	40.0%	30.0
Responsible Product Offering	75	60.0%	45.0
Access to Basic Services	Category 0	0%	0.0
Marketing Practices	Category 0	0%	0.0
Quality and Safety	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>75.0</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue

Contribution 13.4 %



## Corporate Governance

Corporate Governance encompasses the mechanisms, processes and policies by which a company is managed and overseen to ensure its ability to mitigate risks, increase long-term value creation and safeguard its reputation.

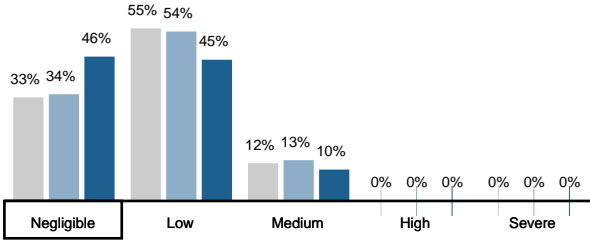
## ESG Risk Rating

# 1.4

# Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	767/4213	19th
Banks INDUSTRY	49/276	18th
Diversified Banks SUBINDUSTRY	28/101	28th

## Peers Table

Peers (Market cap \$2.5 - \$3.9bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	8.1 High	82.4 Strong	1.4 Negligible
2. Alpha Services & Holdings SA	6.7 Medium	73.6 Strong	1.8 Negligible
3. Sydbank A/S	6.7 Medium	67.5 Strong	2.2 Low
4. The Gulf Bank of Kuwait	7.4 Medium	51.2 Strong	3.6 Low
5. The Hachijuni Bank, Ltd.	6.7 Medium	45.2 Average	3.6 Low

# Nova Ljubljanska Banka d.d.

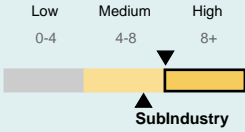
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**8.0**  
High



Corporate Governance has risen in prominence over the past 20 years, following a series of high-profile company failures throughout the world. These failures have resulted in value destruction through record fines, bankruptcies, or the dilution of existing shareholder equity. As a result, stricter standards on company disclosure and practices have emerged among institutional investors, stock exchanges, regulators, and other market actors. In practice, Corporate Governance focuses on issues such as board and committee composition, audit, shareholder voting rights, risk oversight and executive remuneration. Shortcomings in any one of these areas may signal increased risk for shareholders (especially minority shareholders) and other stakeholders. This growing emphasis on governance has led to the adoption of frameworks and guidelines designed to enhance transparency, ensure accountability, and protect the interests of all stakeholders. Enhanced governance practices can not only mitigate risks but also contribute to companies' sustainable growth and long-term value creation.

The company's exposure to Corporate Governance issues is high and moderately above the subindustry exposure.

#### Exposure Analysis

Subindustry Issue Exposure	7.0
Issue Beta	x <b>1.15</b>
Company Issue Exposure	8.0

#### Beta Indicators

#### Beta Signal

Largest Shareholder Voting	0.14
Corporate Governance	0.00
Qualitative Overlay	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.15
Baseline	+1.00
Overall Beta	<b>1.15</b>



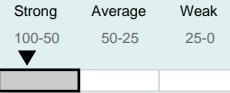
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**82.4**  
**Strong**



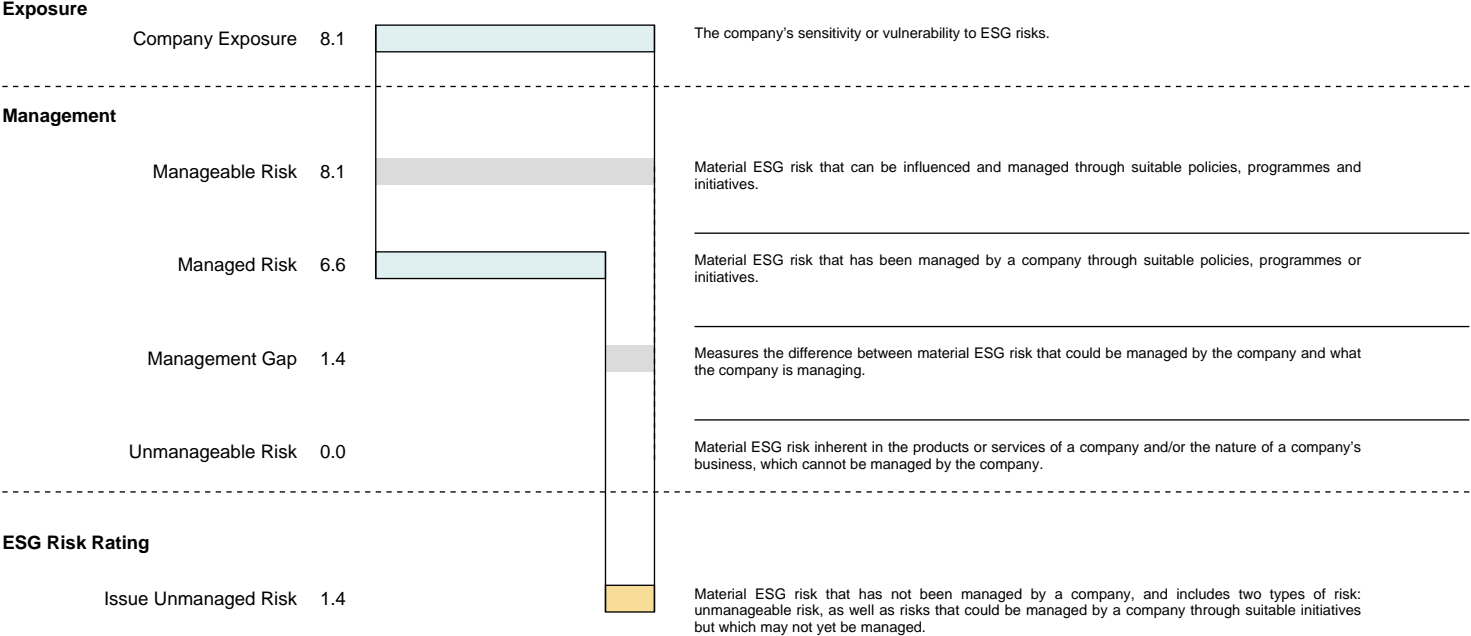
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Audit Committee Experience	100	7.0%	7.0
Audit Committee Independence	100	7.0%	7.0
Board Committee Structure	100	6.0%	6.0
Board Effectiveness	100	6.0%	6.0
Board Executive Experience	100	5.0%	5.0
Board Gender Representation Target	100	2.0%	2.0
Board Independence	100	7.0%	7.0
Board Non-Executive Experience	100	5.0%	5.0
CEO Pay Magnitude (Region)	100	2.0%	2.0
Executive Compensation Clawback	100	3.0%	3.0
Long-Term Incentive Programme	100	6.0%	6.0
Risk Oversight	100	5.0%	5.0
Short-Term Incentive Programme	75	5.0%	3.8
Board Gender Diversity	66	3.0%	2.0
CEO Pay Magnitude (Industry)	60	2.0%	1.2
Nominating Committee Independence	50	6.0%	3.0
Remuneration Committee	50	6.0%	3.0
Say on Pay	50	4.0%	2.0
Shareholder Dissent	50	3.0%	1.5
Voting Proportionality	50	10.0%	5.0
 Corporate Governance	<b>Category 0</b>	0%	0.0
<b>Weighted Sum</b>			<b>82.4</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue



### Data Privacy and Cybersecurity

Contribution 12.6 %

Data Privacy and Cybersecurity covers a company's data governance practices, including the collection, use, management and protection of data, to ensure compliance with regulations, safeguard against breaches and address ethical concerns on data use.

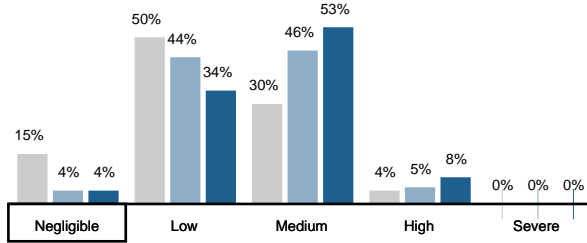
## ESG Risk Rating

# 1.3

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	75/2002	5th
Banks INDUSTRY	3/324	2nd
Diversified Banks SUBINDUSTRY	1/116	1st

## Peers Table

Peers (Market cap \$2.5 - \$3.9bn)

Peers (Market cap \$2.5 - \$3.9bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	6.7 Medium	100.0 Strong	1.3 Negligible
2. Alpha Services & Holdings SA	7.7 Medium	90.0 Strong	2.2 Low
3. Sydbank A/S	7.0 Medium	80.0 Strong	2.5 Low
4. The Gulf Bank of Kuwait	7.7 Medium	55.0 Strong	4.3 Medium
5. The Hachijuni Bank, Ltd.	7.0 Medium	15.0 Weak	6.2 High

# Nova Ljubljanska Banka d.d.

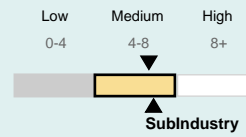
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**6.7**  
Medium



NLB has set a goal to have 55% of clients on digital channels by 2025 and 70% until 2030 (up from 50.4% in FY2023 ). Given the substantial amount of personally identifiable data that it collects, stores and processes, NLB is vulnerable to operational and legal risks from potential data breaches and cyberattacks. Moreover, rapid digitization of its operations, products and services could expose NLB to legal and regulatory risks in the case of service disruptions.

The company's exposure to Data Privacy and Cybersecurity issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	7.0
Issue Beta	x <b>0.95</b>
Company Issue Exposure	6.7

### Beta Indicators

### Beta Signal

Data Privacy and Security	0.00
Operating Performance	-0.03
Solvency - Banking	-0.02
Asset Performance - Banking	0.00
Financial Flexibility - Banking	-0.02
Headquarters Location	-0.02
Sales Location	0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>-0.05</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>0.95</b>

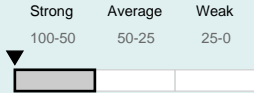
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**100.0**  
**Strong**



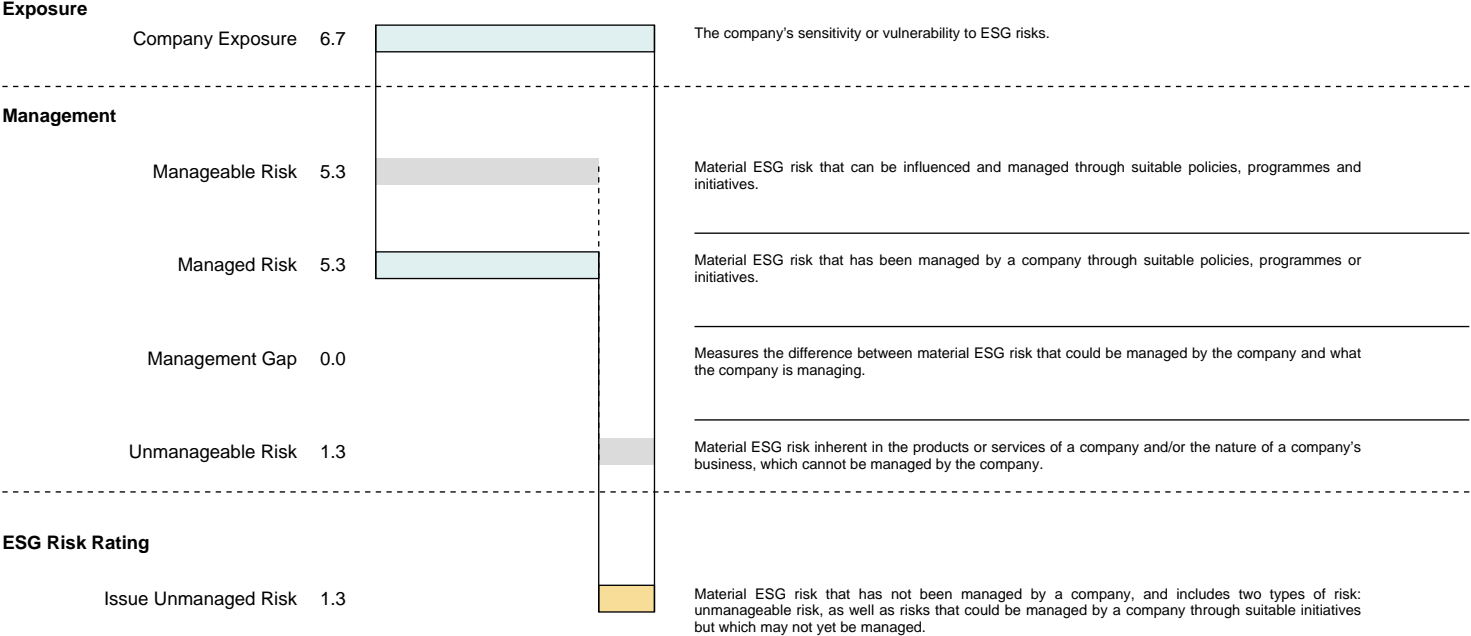
NLB has a very strong data privacy policy in place, supported by very strong programmes both on data privacy and cybersecurity. The company is committed to collecting and processing user data only for the intended purposes and it provides clear terms on the collection, use, sharing and retention of customer data in its privacy policy. Furthermore, NLB demonstrates a proactive approach, offering annual training and awareness sessions both on data privacy and cybersecurity issues, and it conducts regular privacy risk assessments. In addition, its systems undergo regular external independent reviews and penetration testing and the company has established local chief information security officers at core subsidiaries to ensure compliance. NLB's cybersecurity management system is also ISO 27001 certified, in line with best practice. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Cybersecurity Programme	100	40.0%	40.0
Data Privacy Policy	100	20.0%	20.0
Data Privacy Programme	100	40.0%	40.0
 Data Privacy and Security	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>100.0</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue

Contribution 11.7 %



## ESG Integration - Financials

ESG Integration - Financials covers the integration of environmental, social and governance criteria into financial and real estate decision-making as investors aim to lower their risk, maximize returns, and find profitable investment opportunities.

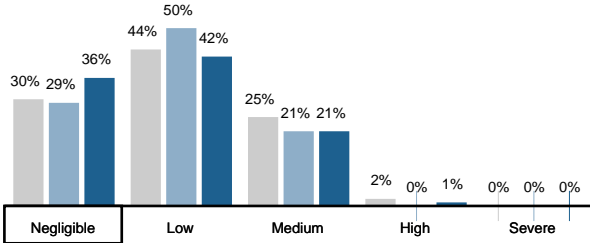
## ESG Risk Rating

# 1.2

# Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	129/999	14th
Banks INDUSTRY	50/354	15th
Diversified Banks SUBINDUSTRY	22/116	19th

## Peers Table

Peers (Market cap \$2.5 - \$3.9bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	5.1 Medium	75.9 Strong	1.2 Negligible
2. Sydbank A/S	6.0 Medium	58.3 Strong	2.5 Low
3. Alpha Services & Holdings SA	6.6 Medium	62.0 Strong	2.5 Low
4. The Hachijuni Bank, Ltd.	6.0 Medium	39.0 Average	3.7 Low
5. The Gulf Bank of Kuwait	6.6 Medium	3.6 Weak	6.4 High

# Nova Ljubljanska Banka d.d.

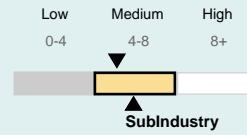
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**5.1**  
Medium



ESG Integration -Financials involves the integration of environmental, social and governance (ESG) criteria and metrics into financial lending and investment decision-making. With their comprehensive product offering, Diversified Banks face a multifaceted array of risks and opportunities related to responsible finance, with each bank facing a different level of exposure depending on its product mix and geographical footprint. In their lending operations, Diversified Banks are subject to criticism and may encounter risks by lending to controversial industries and projects, such as coal mines, hydroelectric dams, controversial weapons manufacturers and palm oil producers. For example, some Thai banks may face difficulties in expanding in Vietnam due to their involvement in financing a controversial hydroelectric dam opposed by Vietnamese government. Additionally, increasing regulations on coal producers from the US government have caused some miners to declare bankruptcy, leaving banks with credit losses. However, losses such as these in certain business areas are often able to be offset by gains in others, given banks' broad and varied lending portfolios. The asset management businesses at diversified banks face similar considerations as credit and loans; investment decisions can lead to reputational damage and losses on investments. Although asset managers are typically highly diversified, they are exposed to shifts in markets that arise due to ESG issues. Companies that employ successful risk management strategies, including ESG considerations, may experience a competitive advantage compared to their peers. They may also avoid criticism from NGOs, which are often the most vocal critics of bank lending and investment activities, though their criticism may not reach mainstream news and may therefore be unknown to a majority of customers. Diversified banks may also be able to capture business opportunities in the area of responsible finance. For example, some diversified banks have developed new products that cater to sustainability-minded investors and consumers, such as green bonds that invest in renewable energy and energy efficiency projects. Likewise, new lending products catering to businesses and retail customers can establish diversified banks in growth markets that may be particularly important in the event of regulatory and market shifts. Although most companies may have some level of finance activity, some approach it as a niche area rather than a core part of their business. However, shifting public expectations suggest responsible finance will increasingly be an important area of differentiation among diversified banks.

The company's exposure to ESG Integration -Financials issues is medium and moderately below the subindustry exposure.

#### Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x <b>0.85</b>
Company Issue Exposure	5.1

#### Beta Indicators

#### Beta Signal

Environmental Impact of	0.00
Social Impact of Products	0.00
Carbon Impact of Products	0.00
Society - Human Rights	0.00
Operating Performance	-0.03
Solvency - Banking	-0.02
Asset Performance - Banking	0.00
Financial Flexibility - Banking	-0.02
Headquarters Location	-0.02
Sales Location	0.05



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Beta Indicators	Beta Signal
Responsible Asset Portfolio	-0.05
Qualitative Overlay	-0.05
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
<b>Total Beta Signal</b>	<b>-0.15</b>
Baseline	+1.00
<b>Overall Beta</b>	<b>0.85</b>

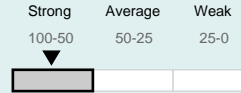
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR





Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**75.9**  
**Strong**



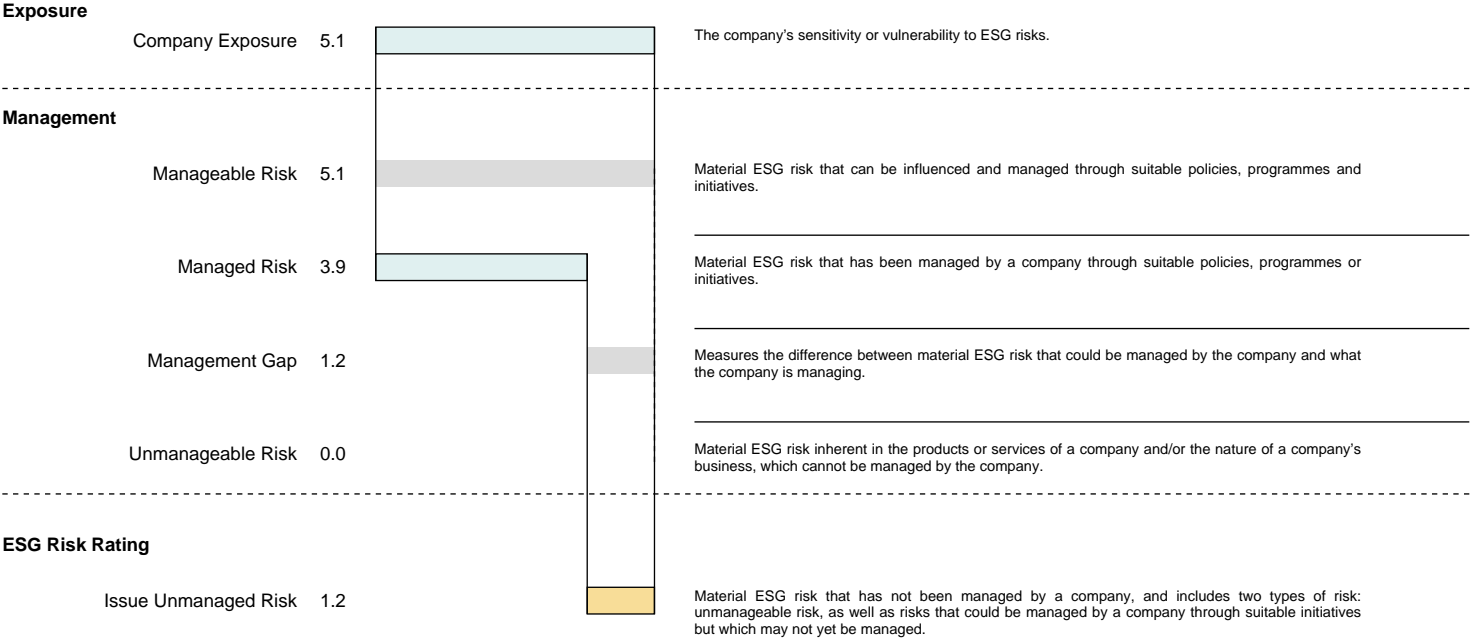
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Corporate Finance - ESG Integration	100	20.0%	20.0
Credit & Loan Standards	100	15.0%	15.0
Responsible Investment Programme	100	12.5%	12.5
Sustainable Financial Initiatives	100	7.5%	7.5
UNEPFI Signatory	100	2.5%	2.5
Responsible Investment Policy	80	7.5%	6.0
Responsible Asset Management	60	17.5%	10.5
Accessible Finance Commitment	25	7.5%	1.9
Equator Principles Signatory	0	2.5%	0.0
PRI Signatory	0	7.5%	0.0
 Carbon Impact of Products	Category 0	0%	0.0
 Environmental Impact of Products	Category 0	0%	0.0
 Social Impact of Products	Category 0	0%	0.0
 Society - Human Rights	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>75.9</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue

Contribution 10.4 %



## Resilience

Resilience focuses on the ability of financial institutions to withstand negative shocks arising from changes in economic conditions. It measures financial stability and the management of related risks with an emphasis on capital requirements.

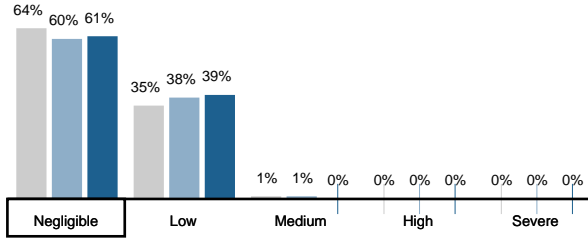
## ESG Risk Rating

# 1.1

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	7/91	8th
Banks INDUSTRY	4/78	5th
Diversified Banks SUBINDUSTRY	3/41	6th

## Peers Table

Peers (Market cap \$2.8 - \$2.8bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	4.8 Medium	96.2 Strong	1.1 Negligible

# Nova Ljubljanska Banka d.d.

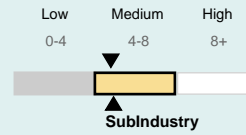
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**4.8**  
Medium



Resilience for Diversified Banks relates to companies' ability to withstand negative shocks arising from changes in economic conditions. Events such as the global financial crisis in 2008, and the US banking crisis in 2023, underscore the potential vulnerability of the financial sector to deficiencies in risk management and governance, as well as the dependency of national economies on "too big to fail" institutions. In these cases, a host of financial institutions either took excessive risks and mismanaged financial risks (e.g. interest rates), or had a poor risk and corporate culture, while downside risks and losses were borne by shareholders, bondholders, customers or taxpayers. During the 2008 financial crisis, billions of dollars of public funds were used to rescue distressed institutions. In response to the crisis, governments and regulatory bodies worldwide have enhanced global capital and liquidity standards under Basel III. The international Financial Stability Board (FSB) considers 29 Diversified Banks to be global systemically important banks (G-SIBs), which must adhere to more stringent regulations. Other regulatory frameworks include the Dodd-Frank Act, which affects financial regulation in the US and imposes further restrictions. Also, in 2014, the FSB defined a global standard for minimum amounts of Total Loss Absorbency Capacity (TLAC) to be held by G-SIBs, which go beyond the standard capital adequacy requirements. Certain recurring control measures, such as stress tests and resolution plans, are increasingly emphasized to reduce potential future government bailouts. In addition to demonstrating that they can meet standards for excess Common Equity Tier 1 capital (CET1), banks must also show that their controls and risk governance are in order. Consequences for control failures and risk management deficiencies include significant fines and restrictions on operating activities. Regulation will continue to be a key driver of resilience standards.

The company's exposure to Resilience issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	5.0
Issue Beta	x <b>0.95</b>
Company Issue Exposure	4.8

### Beta Indicators

### Beta Signal

Resilience	0.00
Operating Performance	-0.03
Solvency - Banking	-0.02
Asset Performance - Banking	0.00
Financial Flexibility - Banking	-0.02
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.05
Baseline	+1.00
Overall Beta	<b>0.95</b>

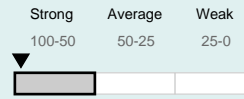
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR


Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**96.2**  
**Strong**



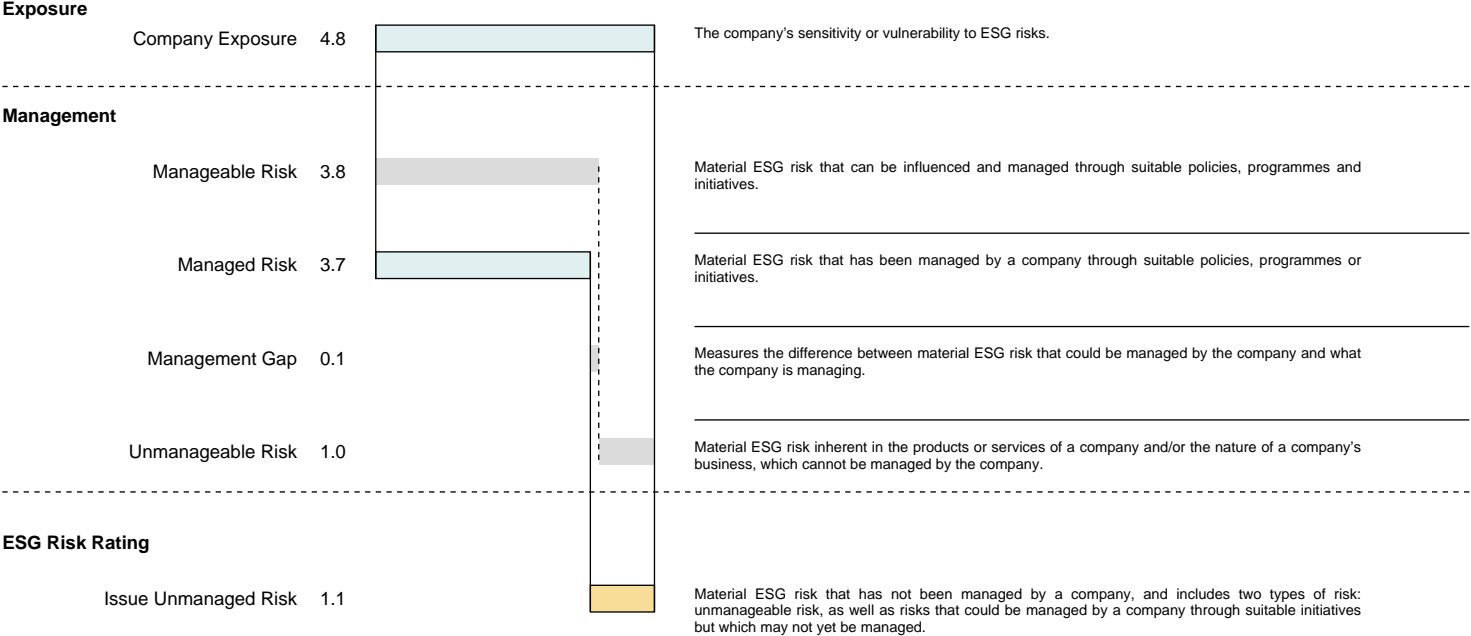
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Leverage Ratio	100	22.5%	22.5
Systemic Risk Management	100	22.5%	22.5
Systemic Risk Reporting	100	22.5%	22.5
Tier 1 Capital Buffer	100	25.0%	25.0
Asset Quality	50	7.5%	3.8
 Resilience	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>96.2</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue

Contribution 10.0 %

## Business Ethics

Business Ethics encompasses business practices that may be legal or illegal, and result in a financial benefit to an individual specifically or a company while having a negative impact on society or other company stakeholders.

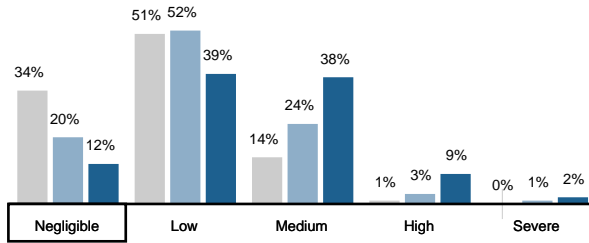
## ESG Risk Rating

# 1.1

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK (1 <sup>st</sup> = lowest risk)	PERCENTILE (1 <sup>st</sup> = Top Score)
Global Universe	365/4292	9th
Banks INDUSTRY	18/354	6th
Diversified Banks SUBINDUSTRY	3/116	3rd

## Peers Table

Peers (Market cap \$2.5 - \$3.9bn)

Peers (Market cap \$2.5 - \$3.9bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	7.6 Medium	90.6 Strong	1.1 Negligible
2. Alpha Services & Holdings SA	8.4 High	60.6 Strong	3.6 Low
3. Sydbank A/S	8.4 High	46.9 Average	4.7 Medium
4. The Gulf Bank of Kuwait	8.4 High	30.0 Average	6.0 High
5. The Hachijuni Bank, Ltd.	7.6 Medium	15.6 Weak	6.5 High



# Nova Ljubljanska Banka d.d.

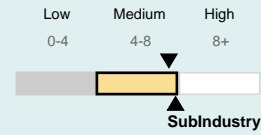
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

## ESG Risk Exposure

**7.6**  
Medium



Diversified Banks play a vital role in the functioning of the global economy, and it is essential that banks provide reliable and trustworthy services. Diversified Banks offer a complex range of financial products and services, own multiple business lines, and may operate in many countries. Ethical infractions may include broad market manipulations (of LIBOR, forex, Euribor, etc.), money laundering and sanctions violations. Due to the comparative ease of transferring money, bank employees may be motivated to offer or receive kickbacks or bribes to secure business opportunities, avoid taxes, influence legislation or avoid investigation by authorities. Additionally, banks are subject to conflicts of interest, such as advisors recommending a bank's own asset management services without prioritizing client needs or providing adequate disclosure. For many years, the industry's culture focused on financial incentives and underemphasized business ethics, which has contributed to frequent involvement in ethical controversies. Regulatory scrutiny is high, and banks have received record fines for ethics infractions (sometimes in the billions of dollars), but controversies are ongoing. Many banks are under investigation for Treasuries market manipulation and/or have been cited in the Panama Papers for enabling client tax evasion, sanctions violations and money laundering. Moreover, European banks with operations in the US have received extraordinary fines from US regulators, mainly for violating sanctions. Companies have responded by strengthening compliance monitoring programmes to adhere to regulations on sanctions and embargoes. Linking ethics programmes to material incentives is an emerging trend that enables banks to discipline infractions by clawing back bonuses and/or decreasing executive compensation. Though the largest banks from developed countries are subject to the highest media scrutiny, all banks in the subindustry are exposed to business ethics risks.

The company's exposure to Business Ethics issues is medium and similar to the subindustry exposure.

### Exposure Analysis

Subindustry Issue Exposure	8.0
Issue Beta	x <b>0.95</b>
Company Issue Exposure	7.6

### Beta Indicators

### Beta Signal

Accounting and Taxation	0.00
Anti-Competitive Practices	0.00
Bribery and Corruption	0.00
Business Ethics	0.00
Lobbying and Public Policy	0.00
Sanctions	0.00
Operating Performance	-0.03
Solvency - Banking	-0.02
Asset Performance - Banking	0.00
Financial Flexibility - Banking	-0.02
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Beta Indicators	Beta Signal
Total Beta Signal	-0.05
Baseline	+1.00
Overall Beta	<b>0.95</b>

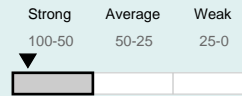
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**90.6**  
**Strong**



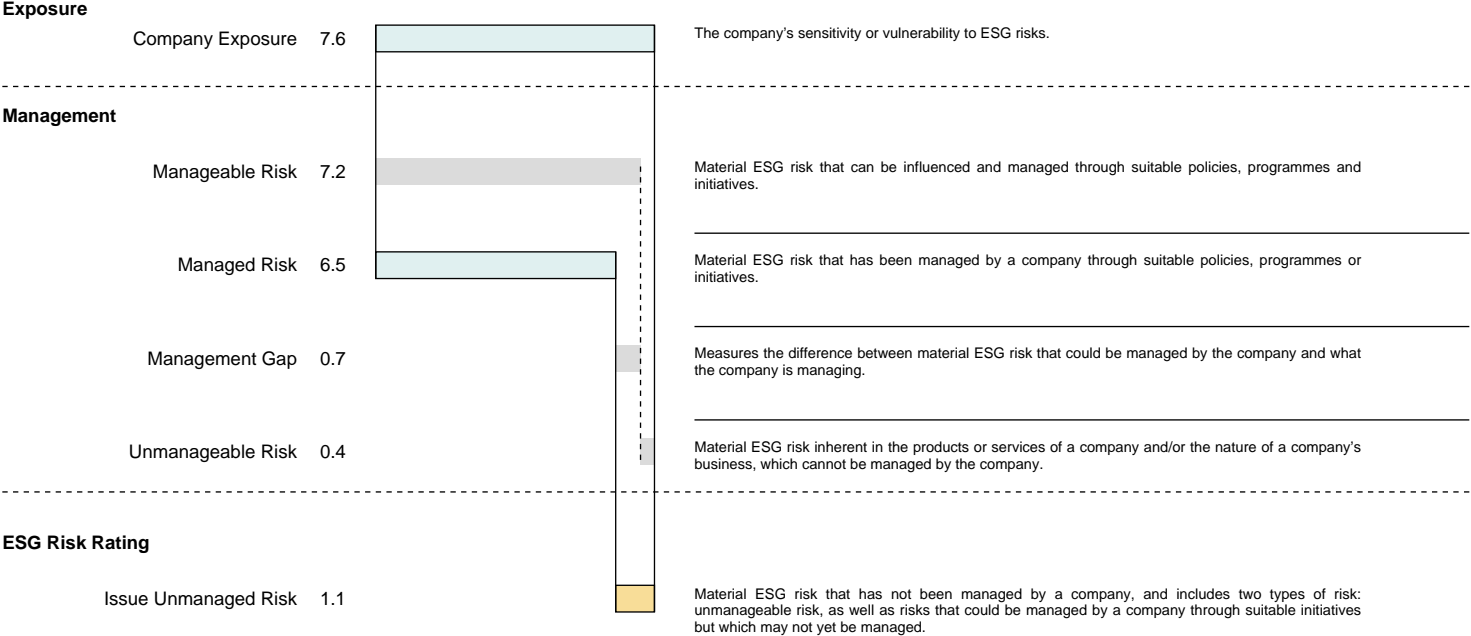
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Bribery & Corruption Policy	100	10.0%	10.0
Bribery & Corruption Programmes	100	15.0%	15.0
Business Ethics Programme	100	22.5%	22.5
Compliance Programme	100	15.0%	15.0
Money Laundering Policy	100	10.0%	10.0
Political Involvement Policy	75	5.0%	3.8
Whistleblower Programmes	75	17.5%	13.1
Transparency on Lobbying and	25	5.0%	1.3
Accounting and Taxation	Category 0	0%	0.0
Anti-Competitive Practices	Category 0	0%	0.0
Bribery and Corruption	Category 0	0%	0.0
Business Ethics	Category 0	0%	0.0
Lobbying and Public Policy	Category 0	0%	0.0
Sanctions	Category 0	0%	0.0
<b>Weighted Sum</b>			<b>90.6</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition



# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Issue

Contribution 4.1 %



## Stakeholder Governance

Stakeholder Governance encompasses the mechanisms, processes and policies used by a company to manage its extra-financial risks and broader stakeholder relationships beyond focusing solely on shareholders.

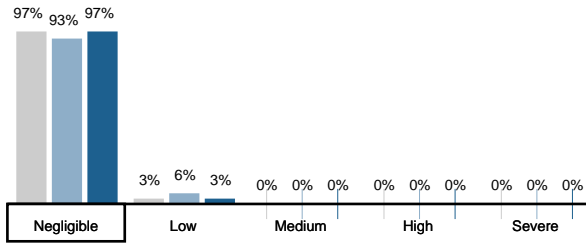
## ESG Risk Rating

# 0.4

## Negligible Risk



## ESG Risk Rating Distribution



## ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = Top Score)
Global Universe	437/4574	10th
Banks INDUSTRY	57/354	17th
Diversified Banks SUBINDUSTRY	32/116	28th

## Peers Table

Peers (Market cap \$2.5 - \$3.9bn)

Peers (Market cap \$2.5 - \$3.9bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	2.0 Low	78.6 Strong	0.4 Negligible
2. Alpha Services & Holdings SA	2.0 Low	61.4 Strong	0.8 Negligible
3. Sydbank A/S	2.0 Low	41.8 Average	1.2 Negligible
4. The Hachijuni Bank, Ltd.	2.0 Low	37.6 Average	1.2 Negligible
5. The Gulf Bank of Kuwait	2.0 Low	25.4 Average	1.5 Negligible

# Nova Ljubljanska Banka d.d.

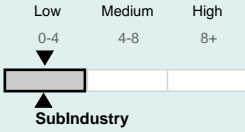
Diversified Banks Slovenia LJU:NLBR

## ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

### ESG Risk Exposure

**2.0**  
Low



Public and private companies across all industries are increasingly expected to demonstrate how they have considered their business' impact on a broad range of stakeholders, beyond focusing solely on the needs of shareholders. A core element of this includes establishing safeguards and controls to manage the environmental, social and governance risks arising from a company's operations. At the same time, due to increasing regulatory requirements, firms are being required to enhance disclosures and adopt more robust processes and policies to monitor and manage ESG risks. Companies that fail to adopt the necessary structures to address stakeholders' expectations are subject to increased scrutiny and pressure from a range of interested parties demanding transparency and action. This can leave firms exposed to operational, reputational and financial risks. Companies in which the board and senior management have oversight of and assume responsibility for ensuring that there are appropriate mechanisms in place to mitigate the firm's environmental and social impacts and ensure ethical business conduct are considered to have a competitive advantage.

The company's exposure to Stakeholder Governance issues is low and similar to the subindustry exposure.

#### Exposure Analysis

Subindustry Issue Exposure	2.0
Issue Beta	x <b>1.00</b>
Company Issue Exposure	2.0

#### Beta Indicators

#### Beta Signal

Qualitative Overlay	0.00
Exceptional Event Adjustment	0.00
Ownership	0.00
Total Beta Signal	0.00
Baseline	+1.00
Overall Beta	<b>1.00</b>

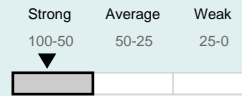
# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

## ESG Risk Management

**78.6**  
**Strong**



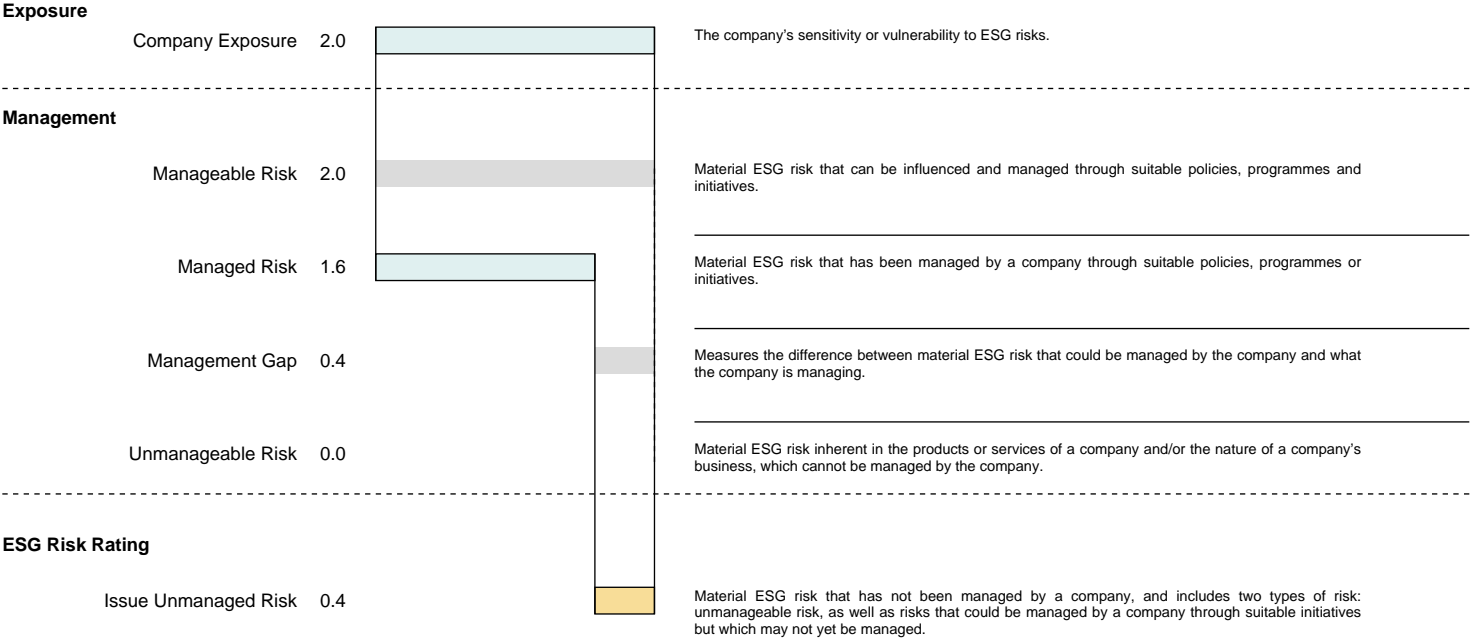
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Bribery & Corruption Policy	100	10.5%	10.5
Discrimination Policy	100	9.5%	9.5
ESG Governance	100	10.5%	10.5
ESG Reporting Standards	100	6.0%	6.0
GHG Reduction Programme	100	9.5%	9.5
Tax Disclosure	100	8.5%	8.5
Environmental Policy	75	8.5%	6.4
Political Involvement Policy	75	3.5%	2.6
Scope of Social Supplier Standards	75	4.5%	3.4
Whistleblower Programmes	75	10.5%	7.9
Supplier Environmental Policy	50	3.5%	1.8
Transparency on Lobbying and	25	3.5%	0.9
Verification of ESG Reporting	25	5.0%	1.3
Global Compact Signatory	0	6.5%	0.0
<b>Weighted Sum</b>			<b>78.6</b>

# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## Risk Decomposition





# Appendix

## Exposure Details

### Human Capital

#### EA.E.22 - Labour Relations

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

- 0.03  
Beta Signal

The company has a very strong net income margin.

Average Net Income Margin (Trailing 3 Years): 45.16  
Subindustry Median (Trailing 3 Years): 26.94  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

- 0.02  
Beta Signal

The company has a strong Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 0.16  
Subindustry Median (Trailing 3 Years): 0.15  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.6 - Asset Performance - Banking

0.00  
Beta Signal

The company has an average non-performing asset ratio.

Average Non-Performing Asset Ratio (Trailing 3 Years): 0.02  
Subindustry Median (Trailing 3 Years): 0.01  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.7 - Financial Flexibility - Banking

- 0.02  
Beta Signal

The company has a strong loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 65.06  
Subindustry Median (Trailing 3 Years): 79.63  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

Answer category for neutral beta signal adjustment

# Appendix



## Exposure Details

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### EA.S.2 - Subindustry Correction Factor

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0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

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0.00  
Beta Signal

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# Appendix



## Management Details

### S.1.1 - Freedom of Association Policy

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company has a strong policy on freedom of association

NLB Group's commitment toward freedom of association is reflected within its strong policy on the issue.

#### Citations

Non-public documentation shared with Sustainalytics on 09 Jan 2023  
 Prior to research start, the company sent documents on 04 October 2023

### S.1.2 - Discrimination Policy

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has a strong policy

#### Criteria

- Commitment to ensure equal opportunity
- List of the types of discrimination the company is committed to eliminate
- Reference to the ILO conventions

#### Citations

NLB Group Code of Conduct, released March 2023  
 Non-public documentation shared with Sustainalytics on 09 Jan 2023  
 Prior to research start, the company sent documents on 04 October 2023

### S.1.3 - Diversity Programmes

50	22.50%	11.3
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Diversity monitoring or audits
- Employee affinity groups, diversity councils, or networking groups
- Initiatives supporting a diverse workforce
- Initiatives to recruit from diverse talent
- Managerial or board level responsibility for diversity initiatives
- Mentorship programmes
- The company has a programme that applies to less than 50% of operations
- Training and guidance regarding diversity

#### Citations

NLB Group Sustainability Policy, released June 2024  
 NLB Group Sustainability Report 2023 (FY2023)

### S.1.3.1 - Gender Pay Equality Programme

50	10.00%	5.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- Commitment to gender pay equality
- Global gender pay gap audit or compensation review
- Initiatives to close the gender pay gap
- Monitoring and measurement
- Quantitative targets and deadlines

#### Citations

NLB Group Sustainability Report 2023 (FY2023)  
 Non-public documentation shared with Sustainalytics on 09 Jan 2023  
 Prior to research start, the company sent documents on 04 October 2023

### S.1.3.2 - Gender Pay Disclosure

50	5.00%	2.5
Raw Score	Weight	Weighted Score

The company has adequate disclosure

#### Criteria

- Disclosure of ratio of basic salary and remuneration of women to men for specific employment categories (level or function)
- Disclosure of the company's global mean (average) raw gender pay gap
- Disclosure of the company's global median raw gender pay gap

#### Citations

NLB Group Sustainability Report 2023 (FY2023)

### S.1.4 - Collective Bargaining Agreements

100	5.00%	5.0
Raw Score	Weight	Weighted Score

75% or more of the company's employees are covered by collective bargaining agreements

NLB Group reports in the Sustainability Report 2023 that it has a collective agreement in place, signed in January 2022 with validation for two years, which defines the rights and obligations of employees.

#### Citations

NLB Group Declaration for Coverage of Employees with KP Group, released August 2024

# Appendix



## Management Details

NLB Group Sustainability Report 2023 (FY2023)  
 The company provided feedback on 18 November 2024

### S.1.5 - Employee Turnover Rate

0	5.00%	0.0
Raw Score	Weight	Weighted Score

The company's employee turnover rate is high

#### Further Quantitative Criteria Details

FY: 2023 Source: Reported

Metric	Metric Value
Employee Turnover Rate	12.6 %

### S.1.5.2 - Human Capital Development

75	27.50%	20.6
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- Formal mechanisms to promote an open feedback culture
- Initiatives for talent development
- Initiatives for talent recruitment
- Initiatives for talent retention
- Quantitative targets related to human capital development
- Regular formal performance reviews for all permanent employees aligned with career development
- Reporting on human capital development metrics
- Reporting on human capital risk assessment

#### Citations

NLB Group Annual Report 2023 (FY2023)  
 NLB Group Sustainability Report 2023 (FY2023)

### S.1.6.1 - Employee Training

50	5.00%	2.5
Raw Score	Weight	Weighted Score

The company's average annual number of training days per employee is moderate

#### Further Quantitative Criteria Details

FY: 2023 Source: Reported

Metric	Metric Value
Employee Training Number of Days per Year	5.5 Days

# Appendix

## Exposure Details



### Product Governance

#### EA.E.1 - Access to Basic Services

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.24 - Marketing Practices

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.28 - Quality and Safety

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

- 0.03  
Beta Signal

The company has a very strong net income margin.

Average Net Income Margin (Trailing 3 Years): 45.16  
Subindustry Median (Trailing 3 Years): 26.94  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

- 0.02  
Beta Signal

The company has a strong Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 0.16  
Subindustry Median (Trailing 3 Years): 0.15  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.6 - Asset Performance - Banking

0.00  
Beta Signal

The company has an average non-performing asset ratio.

Average Non-Performing Asset Ratio (Trailing 3 Years): 0.02  
Subindustry Median (Trailing 3 Years): 0.01  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.7 - Financial Flexibility - Banking

- 0.02  
Beta Signal

The company has a strong loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 65.06  
Subindustry Median (Trailing 3 Years): 79.63  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.G.1 - Headquarters Location

- 0.02  
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Slovenia: Slightly lower exposure  
Source: Sustainalytics Country Risk Rating, November 2023.

# Appendix

## Exposure Details

### EA.G.3 - Sales Location

0.05  
Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Slovenia 50% (Slightly higher exposure)  
 Serbia 25% (Average exposure)  
 Macedonia 11% (Average exposure)  
 Other: 14%  
 Source: Sustainalytics Country Risk Rating, November 2023.  
 Morningstar, November 2023. All Rights Reserved.

### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

Answer category for neutral beta signal adjustment

### EA.S.2 - Subindustry Correction Factor

0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00  
Beta Signal

# Appendix



## Management Details

### S.3.1.1 - Responsible Marketing Policy

75	40.00%	30.0
Raw Score	Weight	Weighted Score

The company has a strong policy

#### Criteria

- The company has a general statement addressing sustainable marketing practices
- The company has a policy on responsible marketing, but it is limited in scope
- The policy includes a commitment to disclose potential negative consequences related to products in marketing materials
- The policy includes a commitment to provide accurate, complete and/or understandable information in marketing practices
- The policy includes a commitment to target an appropriate audience

#### Citations

NLB Group Code of Conduct, released March 2023  
 Non-public documentation shared with Sustainalytics on 09 Jan 2023

### G.1.3.8 - Responsible Product Offering

75	60.00%	45.0
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- Continuous monitoring of social impact and risks of current products and/or services
- Impact and risk assessment incorporated into product development
- Managerial responsibility for responsible product offering
- Mechanisms to receive and investigate complaints and implement corrective action
- Objectives to improve customer satisfaction
- Policy commitment on responsible products and services
- Provision to share risk information
- Regular training on responsible product offering and marketing
- Reporting on product and/or service quality

#### Citations

NLB Group Annual Report 2023 (FY2023)  
 NLB Group Code of Conduct, released March 2023  
 NLB Group Information Regarding the Internal Complaint Procedure of NLB, released July 2020  
 NLB Group Sustainability Report 2023 (FY2023)  
 Non-public documentation shared with Sustainalytics on 30 Mar 2023  
 The company provided feedback on 08 November 2023

# Appendix

 **Exposure Details**

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## Corporate Governance

**EA.CG.1 - Largest Shareholder Voting Power**

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0.14  
Beta Signal

A single shareholder or shareholder grouping controls more than 50% of voting power.

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**EA.E.13 - Corporate Governance**

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0.00  
Beta Signal

No evidence of relevant controversies

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**EA.S.1 - Qualitative Overlay**

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0.00  
Beta Signal

Answer category for neutral beta signal adjustment

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**EA.S.3 - Exceptional Event Adjustment**

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0.00  
Beta Signal



# Appendix



## Management Details

### G.2.3.2 - Executive Compensation Clawback

100	3.00%	3.0
Raw Score	Weight	Weighted Score

The company has a strong programme

**Criteria**

- The clawback provisions do not require malfeasance or misconduct on the part of the executive in order for the recoupment of incentive payouts
- The company has clawback provisions in place, providing for recoupment of executive incentive payouts

**Citations**

NLB Group Remuneration Policy, released April 2024

### G.2.3.3 - CEO Pay Magnitude (Industry)

60	2.00%	1.2
Raw Score	Weight	Weighted Score

The company's CEO remuneration is below its industry benchmark

**Further Quantitative Criteria Details**

FY: 2023 Source: Reported

Metric	Metric Value
CEO Three-Year Average Pay	731575.0 USD

### G.2.3.4 - CEO Pay Magnitude (Region)

100	2.00%	2.0
Raw Score	Weight	Weighted Score

The company's CEO remuneration is in line with its regional benchmark

**Further Quantitative Criteria Details**

FY: 2023 Source: Reported

Metric	Metric Value
CEO Three-Year Average Pay	731575.0 USD

### G.2.3.5 - Say on Pay

50	4.00%	2.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

**Criteria**

- Shareholders have a binding vote on prospective pay decisions, i.e. the remuneration policy
- Shareholders have a binding vote on retrospective pay decisions, i.e. the remuneration report
- Shareholders have an advisory vote on prospective pay decisions, i.e. the remuneration policy
- Shareholders have an advisory vote on retrospective pay decisions, i.e. the remuneration report
- Shareholders must approve equity executive remuneration plans

### G.2.6.2 - Long-Term Incentive Programme

100	6.00%	6.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

**Criteria**

- Actual LTI payouts are disclosed
- Half or more of the target LTI award is based on performance metrics measured over a period of five years or more
- Half or more of the target LTI award is based on performance metrics measured over a period of three years or more
- Half or more of the target LTI award is linked to performance metrics with disclosed targets
- Half or more of the target LTI award is paid out as performance-based equity awards
- The company discloses an LTI programme
- The target LTI award is linked to sustainability-related performance metrics with disclosed targets

**Citations**

### G.2.6.3 - Short-Term Incentive Programme

75	5.00%	3.8
Raw Score	Weight	Weighted Score

The company has a strong programme

**Criteria**

- Actual STI payouts are disclosed
- Half or more of the target STI award is linked to performance metrics
- Half or more of the target STI award is linked to performance metrics with disclosed targets
- The company discloses an STI programme
- The target STI award is linked to sustainability-related performance metrics with disclosed targets

**Citations**

NLB Group Remuneration Policy, released April 2024  
 Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)

# Appendix



## Management Details

NLB Group Remuneration Policy, released April 2024  
 Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)

### G.2.7.2 - Board Gender Representation Target

100	2.00%	2.0
Raw Score	Weight	Weighted Score

The company has a very strong target

#### Criteria

- The company has a quantitative target for board gender representation
- The company's board gender representation quantitative targets are aligned with international standards
- The company's board gender representation quantitative targets are tied to specific timelines
- The company states it aims to ensure gender representation or considers gender during the recruitment of directors

#### Citations

Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)

### G.2.7.3 - Board Gender Diversity

66	3.00%	2.0
Raw Score	Weight	Weighted Score

The company's board has an adequate gender balance

#### Further Quantitative Criteria Details

FY: 2024 Source: Reported

Metric	Metric Value
Majority Gender on Board - Percentage	66.7 %

### G.2.8.2 - Risk Oversight

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company has a very strong management system

#### Criteria

- The company discloses risk mitigation measures for industry-specific risk
- The company has a risk management framework in place
- The company identifies and assesses the main risks faced by the business
- There is a separate board committee in charge of oversight of industry-specific risks
- There is board-level oversight of industry-specific risks

#### Citations

NLB Group Corporate Website, Committees of the Supervisory Board, www.nlb.si; accessed 24 October 2024

Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)

### G.2.8.3 - Board Executive Experience

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company's board has adequate executive expertise

#### Further Quantitative Criteria Details

FY: 2024 Source: Reported

Metric	Metric Value
Board Experience (from Executive Positions)	6.0

# Appendix



## Management Details

### G.2.8.4 - Board Non-Executive Experience

100	5.00%	5.0
Raw Score	Weight	Weighted Score

The company's board has adequate non-executive expertise

#### Further Quantitative Criteria Details

FY: 2024 Source: Reported

Metric	Metric Value
Board Experience (from Non-Executive Positions)	2.0

### G.2.8.5 - Board Effectiveness

100	6.00%	6.0
Raw Score	Weight	Weighted Score

The company has a very strong level of board effectiveness

#### Criteria

- A senior or lead independent director or an independent vice-chair has been appointed in conjunction with the non-independent chair
- No more than one non-executive director serves on an excessive number of outside boards
- None of the non-executive directors serves on an excessive number of outside boards
- The chair and CEO roles are separate
- The chair does not concurrently hold any executive role
- The chair has relevant financial and/or industry experience and is independent
- The chair is independent
- The company has appointed a chairperson of the board

#### Citations

NLB Group Corporate Website, Supervisory Board Members, www.nlb.si; accessed 24 October 2024

Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)

### G.2.9.2 - Board Independence

100	7.00%	7.0
Raw Score	Weight	Weighted Score

The company has a strong level of board independence

#### Further Quantitative Criteria Details

FY: 2024 Source: Reported

Metric	Metric Value
Independent Board Members - Percentage	77.8 %

### G.2.10.2 - Audit Committee Experience

100	7.00%	7.0
Raw Score	Weight	Weighted Score

There is strong industry and/or financial expertise among the independent audit committee members

#### Criteria

- The audit committee includes at least one independent member with financial expertise
- The audit committee includes at least one independent member with industry expertise
- The audit committee includes at least two independent members with financial expertise
- The audit committee includes at least two independent members with industry expertise

#### Citations

NLB Group Corporate Website, Supervisory Board Members, www.nlb.si; accessed 24 October 2024

Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)

# Appendix



## Management Details

### G.2.10.3 - Audit Committee Independence

100	7.00%	7.0
Raw Score	Weight	Weighted Score

The company has a strong audit committee independence

#### Further Quantitative Criteria Details

FY: 2023 Source: Reported

Metric	Metric Value
Independent Audit Committee Members - Percentage	100.0 %

### G.2.12.2 - Remuneration Committee Independence

50	6.00%	3.0
Raw Score	Weight	Weighted Score

The remuneration committee's independence is weak

#### Further Quantitative Criteria Details

FY: 2023 Source: Reported

Metric	Metric Value
Independent Remuneration Committee Members - Percentage	50.0 %

### G.2.14 - Voting Proportionality

50	10.00%	5.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

#### Criteria

- The largest shareholder does not secure control through control-enhancing mechanisms
- There are no caps on voting rights.
- There are no cross-shareholdings with other entities
- There are no golden shares
- There are no other violations of the "one share, one vote" principle
- There are no supervoting shares
- Voting rights are not differentiated by duration of ownership

#### Citations

Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)  
 Nova Ljubljanska Banka d.d. Articles of Association, released June 2022

### G.2.15 - Nominating Committee Independence

50	6.00%	3.0
Raw Score	Weight	Weighted Score

The company has an adequate level of nominating committee independence

#### Further Quantitative Criteria Details

FY: 2023 Source: Reported

Metric	Metric Value
Independent Nominating Committee Members - Percentage	75.0 %

### G.2.16 - Board Committee Structure

100	6.00%	6.0
Raw Score	Weight	Weighted Score

The company has a strong committee structure

#### Criteria

- The company has established an Audit Committee
- The company has established a Nominating Committee
- The company has established a Remuneration Committee
- There are no representatives of the controlling shareholder on the Audit Committee
- There are no representatives of the controlling shareholder on the Nominating Committee
- There are no representatives of the controlling shareholder on the Remuneration Committee

#### Citations

### G.2.17 - Shareholder Dissent

50	3.00%	1.5
Raw Score	Weight	Weighted Score

The company registered instances of elevated shareholder dissent

#### Further Quantitative Criteria Details

FY: 2023 Source: Reported

Metric	Metric Value
Shareholder Dissent - Percentage	55.2 %

# Appendix



## Management Details

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NLB Group Corporate Website, Supervisory Board Members, [www.nlb.si](http://www.nlb.si);  
accessed 24 October 2024

Nova Ljubljanska Banka d.d. Annual Report 2023 (FY2023)

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# Appendix

## Exposure Details



### Data Privacy and Cybersecurity

#### EA.E.27 - Data Privacy and Security

0.00

Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

- 0.03

Beta Signal

The company has a very strong net income margin.

Average Net Income Margin (Trailing 3 Years): 45.16  
 Subindustry Median (Trailing 3 Years): 26.94  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

- 0.02

Beta Signal

The company has a strong Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 0.16  
 Subindustry Median (Trailing 3 Years): 0.15  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.6 - Asset Performance - Banking

0.00

Beta Signal

The company has an average non-performing asset ratio.

Average Non-Performing Asset Ratio (Trailing 3 Years): 0.02  
 Subindustry Median (Trailing 3 Years): 0.01  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.7 - Financial Flexibility - Banking

- 0.02

Beta Signal

The company has a strong loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 65.06  
 Subindustry Median (Trailing 3 Years): 79.63  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.G.1 - Headquarters Location

- 0.02

Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Slovenia: Slightly lower exposure  
 Source: Sustainalytics Country Risk Rating, November 2023.

# Appendix

## Exposure Details

### EA.G.3 - Sales Location

0.05  
Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Slovenia 50% (Slightly higher exposure)  
Serbia 25% (Average exposure)  
Macedonia 11% (Average exposure)  
Other: 14%  
Source: Sustainalytics Country Risk Rating, November 2023.  
Morningstar, November 2023. All Rights Reserved.

### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

Answer category for neutral beta signal adjustment

### EA.S.2 - Subindustry Correction Factor

0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00  
Beta Signal

# Appendix



## Management Details

### S.3.1.3 - Data Privacy Policy

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a very strong policy

#### Criteria

- The policy addresses the company's data retention practices
- The policy applies to a majority of the company's operations
- The policy contains a commitment to implement appropriate security safeguards
- The policy contains a commitment to require service providers to protect data at a level consistent with the company's privacy policy
- The policy has clear provisions around updates
- The policy includes a clear description of how data is being disclosed by the company and for what purpose
- The policy includes a clear description of how data is being used by the company or for what purpose
- The policy includes a clear description of the type of data being collected by the company
- The policy includes a commitment to provide data subjects with access to, correction and/ or erasure of their data
- The policy includes clear and accessible mechanisms for data subjects to raise concerns about data privacy

#### Citations

- NLB General Information on Personal Data Protection, released June 2023
- Non-public documentation shared with Sustainalytics on 01 Apr 2024
- Non-public documentation shared with Sustainalytics on 30 Sep 2023
- The company provided feedback on 18 November 2024

### S.3.1.3.1 - Data Privacy Programme

100	40.00%	40.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- The company conducts regular privacy analysis, risk assessments (PIAs, DPIAs), audits and/ or operational reviews
- The company has governance structures in place for privacy management
- The company has mandatory privacy training for employees
- The company has regular privacy awareness communications to employees
- The company's board receives formal privacy reporting
- The company's programme includes a breach notification process

#### Citations

- NLB Group Pillar III Disclosures 2023 (FY2023)
- NLB Group Sustainability Report 2023 (FY2023)
- Non-public documentation shared with Sustainalytics on 11 Apr 2024
- Non-public documentation shared with Sustainalytics on 11 Apr 2024
- Non-public documentation shared with Sustainalytics on 23 Apr 2024
- The company provided feedback on 18 November 2024

### S.3.1.3.3 - Cybersecurity Programme

100	40.00%	40.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- The company conducts regular internal cybersecurity assessments or audits
- The company conducts regular mandatory cybersecurity training for employees
- The company has a disaster recovery policy, plan or procedure in place
- The company has an incident management policy or procedure in place to deal with cybersecurity incidents and/or breaches
- The company has external cybersecurity assessments or audits conducted on a regular basis
- The company has governance structures in place for cybersecurity management
- The company has management systems certified to ISO 27001 standards
- The company's management conducts regular formal cybersecurity reporting to the board

#### Citations

- NLB Group Annual Report 2023 (FY2023)
- NLB Group Sustainability Report 2023 (FY2023)



# Appendix

## Exposure Details

### ESG Integration - Financials

#### EA.E.17 - Environmental Impact of Products

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.32 - Social Impact of Products

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.46 - Carbon Impact of Products

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.48 - Society - Human Rights

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

- 0.03  
Beta Signal

The company has a very strong net income margin.

Average Net Income Margin (Trailing 3 Years): 45.16  
Subindustry Median (Trailing 3 Years): 26.94  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

- 0.02  
Beta Signal

The company has a strong Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 0.16  
Subindustry Median (Trailing 3 Years): 0.15  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.6 - Asset Performance - Banking

0.00  
Beta Signal

The company has an average non-performing asset ratio.

Average Non-Performing Asset Ratio (Trailing 3 Years): 0.02  
Subindustry Median (Trailing 3 Years): 0.01  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.7 - Financial Flexibility - Banking

- 0.02  
Beta Signal

The company has a strong loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 65.06  
Subindustry Median (Trailing 3 Years): 79.63  
Source: Morningstar, August 2024. All Rights Reserved.

# Appendix

## Exposure Details

### EA.G.1 - Headquarters Location

- 0.02  
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

Slovenia: Slightly lower exposure  
Source: Sustainalytics Country Risk Rating, November 2023.

### EA.G.3 - Sales Location

0.05  
Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Slovenia 50% (Slightly higher exposure)  
Serbia 25% (Average exposure)  
Macedonia 11% (Average exposure)  
Other: 14%  
Source: Sustainalytics Country Risk Rating, November 2023. Morningstar, November 2023. All Rights Reserved.

### EA.P.5 - Responsible Asset Portfolio

- 0.05  
Beta Signal

Between 5% and 9.99% of assets under management can be categorized as "responsible investment"

In FY2023, NLB reports that it had EUR 304 million (USD 328 mil) invested in ESG-labelled bonds, representing 6.5% of the group's banking book debt securities portfolio.

**Citations**  
NLB Group Sustainability Report 2023 (FY2023)

### EA.S.1 - Qualitative Overlay

- 0.05  
Beta Signal

Answer category for negative beta signal adjustment

Nova Ljubljanska Banka d.d. has slightly lower exposure to ESG Integration - Financials issues for the following reason: The bank conducts internal ESG stress testing to assess the vulnerabilities stemming from transitional and physical climate risks. In 2023, the test's results indicated that there are no material impacts on the group's capital and liquidity position.

### EA.S.2 - Subindustry Correction Factor

0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00  
Beta Signal

# Appendix



## Management Details

### E.3.1.10 - Credit & Loan Standards

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has detailed and specific standards and excludes certain industries from financing for sustainability reasons

NLB has comprehensive credit policies in place, which encompass standards for various business sectors and activities, as well as exclusion criteria for high-risk activities, based on environmental and social sustainability reasons. In the sustainability framework the bank commits to not knowingly finance any activities such as the production of or trade in weapons and munitions, production of or trade in alcoholic beverages (with a few exclusions), production of or trade in tobacco, production of or trade in wood or other forestry products other than from sustainably managed forests, among others. Moreover, it commits to not provide any new financing to thermal coal mining or coal-fired electricity generation capacity in any way.

#### Citations

- NLB Group Sustainability Framework, released September 2021
- Non-public documentation shared with Sustainalytics on 04 Apr 2022
- Non-public documentation shared with Sustainalytics on 10 Feb 2022

### E.3.1.15 - Sustainable Financial Initiatives

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has a strong programme

In FY2023, the group's total green lending volume stood at EUR 560 million (USD 605 million). Furthermore, it has established a targeted volume of EUR 1,898 million (USD 2,053 million) to be reached until 2030.

#### Citations

- NLB Group Sustainability Report 2023 (FY2023)

### E.3.1.11 - Responsible Asset Management

60	17.50%	10.5
Raw Score	Weight	Weighted Score

Between 5% and 9.99% of assets under management can be categorized as "responsible investment"

In FY2023, NLB reports that it had EUR 304 million (USD 328 mil) invested in ESG-labelled bonds, representing 6.5% of the group's banking book debt securities portfolio.

#### Citations

- NLB Group Sustainability Report 2023 (FY2023)

### S.4.2.19 - Accessible Finance Commitment

25	7.50%	1.9
Raw Score	Weight	Weighted Score

The company has a weak commitment

#### Criteria

- Responsibility of senior management or the board of directors towards microfinance commitments
- The company has established partnerships with other financial institutions, communities, NGOs, or governmental authorities to deliver microfinance solutions, in order to achieve its commitments
- The company has initiatives directly related to providing financial education to disadvantaged or low-income individuals
- The company has initiatives directly related to providing microfinancing solutions targeting low-income households, disadvantaged groups and small businesses set up by these individuals/groups
- The company has quantitative targets related to providing microfinance solutions targeting low-income households, disadvantaged groups, and small businesses set up by these individuals/groups
- The company reports on progress towards its microfinance solution targets
- The company sets specific timeframes for its stated target(s)

#### Citations

- NLB Group Sustainability Report 2023 (FY2023)

# Appendix



## Management Details

### G.1.3.1 - PRI Signatory

0	7.50%	0.0
Raw Score	Weight	Weighted Score

The company is not a signatory to the UN Principles for Responsible Investment

#### Citations

UN Principles for Responsible Investment, [www.unpri.org](http://www.unpri.org); accessed 16 October 2024

### G.1.3.2 - Responsible Investment Policy

80	7.50%	6.0
Raw Score	Weight	Weighted Score

The company has an adequate policy

#### Criteria

- Commitment to engage with companies on ESG issues
- Commitment to exclusion based on the companies' activities
- Commitment to integrate ESG factors or select best-in-class companies according to ESG factors

#### Citations

NLB Group Sustainability Policy, released June 2024

The company provided feedback on 30 October 2023

### G.1.3.3 - UNEPFI Signatory

100	2.50%	2.5
Raw Score	Weight	Weighted Score

The company is a signatory to the UNEP Finance Initiative

NLB Group joined UNEP FI on 04 September, 2020.

#### Citations

UNEP FI, [www.unepfi.org](http://www.unepfi.org); accessed 16 October 2024

### G.1.3.5 - Equator Principles Signatory

0	2.50%	0.0
Raw Score	Weight	Weighted Score

The company is not a signatory to the Equator Principles

#### Criteria

- The company is a signatory to the Equator Principles

#### Citations

Equator Principles, [www.equator-principles.com](http://www.equator-principles.com); accessed 16 October 2024

### G.1.3.6 - Responsible Investment Programme

100	12.50%	12.5
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Active ownership
- Best-in-class investments based on ESG factors
- Continuous monitoring of ESG risks
- Investment exclusions based on ESG factors
- Managerial responsibility for responsible investment
- Objectives and targets related to responsible investment
- Other initiatives to promote responsible investment
- Prior ESG risk assessment of investment
- Reporting on RI implementation and performance
- Requirements for investment managers to integrate ESG issues into investment strategies

#### Citations

NLB Group Annual Report 2023 (FY2023)

NLB Group Corporate Website, Exclusion List, [www.nlb.si](http://www.nlb.si); accessed 16 October 2024

### G.1.3.7 - Corporate Finance - ESG Integration

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Client engagement on ESG issues
- Engagement with transaction stakeholders
- Enhanced due diligence or avoidance of high-risk industries
- Environmental and social risk assessment and categorization
- Managerial responsibility
- Monitoring of environmental and social risks
- Regular internal audits of the company's programme
- Reporting of high-risk loans as percentage of total portfolio
- Training of relationship managers on ESG risk identification

#### Citations

NLB Group Annual Report 2023 (FY2023)

NLB Group Sustainability Report 2023 (FY2023)

Non-public documentation shared with Sustainalytics on 02 Jun 2022

Non-public documentation shared with Sustainalytics on 04 Apr 2022

# Appendix



## Management Details

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NLB Group Report of the company NLB Skladi on the implementation of the cooperation policy and voting, released June 2024

NLB Group Sustainability Report 2023 (FY2023)

NLB Skladi Corporate Website, How do we manage assets, [www.nlb.si](http://www.nlb.si); accessed 16 October 2024

Non-public documentation shared with Sustainalytics on 28 May 2024

The company provided feedback on 18 November 2024

The company provided feedback on 24 November 2022

The company provided feedback on 30 October 2023

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# Appendix

## Exposure Details



### Resilience

#### EA.E.29 - Resilience

0.00

Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

- 0.03

Beta Signal

The company has a very strong net income margin.

Average Net Income Margin (Trailing 3 Years): 45.16  
 Subindustry Median (Trailing 3 Years): 26.94  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

- 0.02

Beta Signal

The company has a strong Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 0.16  
 Subindustry Median (Trailing 3 Years): 0.15  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.6 - Asset Performance - Banking

0.00

Beta Signal

The company has an average non-performing asset ratio.

Average Non-Performing Asset Ratio (Trailing 3 Years): 0.02  
 Subindustry Median (Trailing 3 Years): 0.01  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.7 - Financial Flexibility - Banking

- 0.02

Beta Signal

The company has a strong loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 65.06  
 Subindustry Median (Trailing 3 Years): 79.63  
 Source: Morningstar, August 2024. All Rights Reserved.

#### EA.S.1 - Qualitative Overlay

0.00

Beta Signal

Answer category for neutral beta signal adjustment

# Appendix



## Exposure Details

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### EA.S.2 - Subindustry Correction Factor

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0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

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0.00  
Beta Signal

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# Appendix



## Management Details

### S.4.4.1 - Systemic Risk Management

100	22.50%	22.5
Raw Score	Weight	Weighted Score

The company has a very strong systemic risk reporting

#### Criteria

- Board responsibility for risk management
- Centralized risk management office
- Clawback provisions linked to all variable executive pay components
- Clawback provisions linked to risk management
- Clawback provisions timeframe of at least three years
- Employee risk training and awareness
- Internal audit of risk management system
- Performance-based variable compensation
- Variable compensation payout timeframe of at least five years
- Variable executive compensation capped at 200% of fixed salary

#### Citations

NLB Group Annual Report 2023 (FY2023)  
 NLB Group Pillar III Disclosures 2023 (FY2023)  
 NLB Group Remuneration Policy for the Members of the Supervisory Board and the Members of the Management Board, released April 2024

### S.4.4.2 - Systemic Risk Reporting

100	22.50%	22.5
Raw Score	Weight	Weighted Score

The company has a very strong systemic risk reporting

#### Criteria

- Reporting adheres to best practices
- Reporting on capital planning
- Reporting on credit risks
- Reporting on liquidity planning
- Reporting on management of changing risk environment
- Reporting on market risks

#### Citations

NLB Group Annual Report 2023 (FY2023)  
 NLB Group Pillar III Disclosures 2023 (FY2023)

### S.4.4.3 - Tier 1 Capital Buffer

100	25.00%	25.0
Raw Score	Weight	Weighted Score

The company's core Tier 1 capitalization is very strong

In FY2023, the bank's Common Equity Tier 1 ratio (CET1) stood at 16.36%.

#### Citations

NLB Group Pillar III Disclosures 2023 (FY2023)

### S.4.4.5 - Leverage Ratio

100	22.50%	22.5
Raw Score	Weight	Weighted Score

The company's leverage ratio is very strong

In FY2023, the bank's leverage ratio stood at 9.65%.

#### Citations

NLB Group Pillar III Disclosures 2023 (FY2023)

### S.4.4.8 - Asset Quality

50	7.50%	3.8
Raw Score	Weight	Weighted Score

The company's non-performing asset level is significant

In FY2023, the bank's NPL ratio stood at 1.5%.

#### Citations

NLB Group Annual Report 2023 (FY2023)



# Appendix

## Exposure Details



### Business Ethics

#### EA.E.2 - Accounting and Taxation

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.4 - Anti-Competitive Practices

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.6 - Bribery and Corruption

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.7 - Business Ethics

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.23 - Lobbying and Public Policy

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.E.30 - Sanctions

0.00  
Beta Signal

No evidence of relevant controversies

#### EA.F.1 - Operating Performance

- 0.03  
Beta Signal

The company has a very strong net income margin.

Average Net Income Margin (Trailing 3 Years): 45.16  
Subindustry Median (Trailing 3 Years): 26.94  
Source: Morningstar, August 2024. All Rights Reserved.

#### EA.F.5 - Solvency - Banking

- 0.02  
Beta Signal

The company has a strong Tier 1 capital ratio.

Average Tier 1 Capital Ratio (Trailing 3 Years): 0.16  
Subindustry Median (Trailing 3 Years): 0.15  
Source: Morningstar, August 2024. All Rights Reserved.

# Appendix



## Exposure Details

### EA.F.6 - Asset Performance - Banking

0.00  
Beta Signal

The company has an average non-performing asset ratio.

Average Non-Performing Asset Ratio (Trailing 3 Years): 0.02  
Subindustry Median (Trailing 3 Years): 0.01  
Source: Morningstar, August 2024. All Rights Reserved.

### EA.F.7 - Financial Flexibility - Banking

- 0.02  
Beta Signal

The company has a strong loan-to-deposit ratio.

Average Loan to Deposit Ratio (Trailing 3 Years): 65.06  
Subindustry Median (Trailing 3 Years): 79.63  
Source: Morningstar, August 2024. All Rights Reserved.

### EA.S.1 - Qualitative Overlay

0.00  
Beta Signal

Answer category for neutral beta signal adjustment

### EA.S.2 - Subindustry Correction Factor

0.00  
Beta Signal

### EA.S.3 - Exceptional Event Adjustment

0.00  
Beta Signal

# Appendix



## Management Details

### G.1.1 - Bribery & Corruption Policy

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a very strong policy

#### Criteria

- Definition and prohibition of facilitation payments
- Definition of bribery or corruption
- Definition of conflicts of interest and commitment to minimize these
- Guidelines of what is considered acceptable behaviour
- Prohibition of bribery
- There is no evidence of a formal policy but the company has a general statement addressing the issue

#### Citations

NLB Group Code of Conduct, released March 2023  
 Non-public documentation shared with Sustainalytics on 19 Apr 2023  
 On Tuesday, October 29, 2024, Sustainalytics sent Nova Ljubljanska Banka d.d. the Sustainalytics ESG Feedback Report  
 Prior to research start, the company sent documents on 04 October 2023  
 The company provided feedback on 08 November 2023  
 The company provided feedback on 13 November 2023  
 The company provided feedback on 15 November 2022  
 The company provided feedback on 24 November 2022  
 The company provided feedback on 30 October 2023

### G.1.1.1 - Bribery & Corruption Programmes

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Annual signoff of the policy on bribery and corruption by employees
- Internal monitoring system to detect corruption
- Managerial responsibility for bribery and corruption
- Mechanisms for employees to consult on ethical issues
- Operating guidelines addressing record keeping, approval procedures and appropriate behaviour
- Regular bribery and corruption risk assessments
- Regular training on bribery and corruption

#### Citations

NLB Group Code of Conduct, released March 2023  
 NLB Group Sustainability Report 2023 (FY2023)  
 Non-public documentation shared with Sustainalytics on 19 Apr 2023  
 The company provided feedback on 15 November 2022

### G.1.2 - Whistleblower Programmes

75	17.50%	13.1
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- An independent, reporting hotline available 24/7
- Available in local languages
- Available to suppliers, customers and other third parties
- Disclosure on the number of reports received, the types of misconduct and measures taken
- Non-retaliation policy
- Possibility for anonymous reporting and reports are treated confidentially
- Proactively communicated to employees
- Structures in place to process whistleblower reports

#### Citations

NLB Group Code of Conduct, released March 2023  
 NLB Group Corporate Website, Contact, www.nlb.si; accessed 17 October 2024  
 NLB Group Sustainability Report 2023 (FY2023)  
 Non-public documentation shared with Sustainalytics on 28 Jun 2024  
 The company provided feedback on 18 November 2024  
 Whistler, www.whistler.nlb.si; accessed 16 October 2024

### G.1.2.1 - Business Ethics Programme

100	22.50%	22.5
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Annual training of employees on the Code of Conduct
- Board responsibility for business ethics issues
- Commitment to address major business ethics risks
- Ethical risk assessments
- Incident investigation and corrective actions
- Managerial responsibility for business ethics
- Measures to deter non-compliance and reduce exposure to unethical opportunities
- Operating guidelines

#### Citations

NLB Group Annual Report 2023 (FY2023)  
 NLB Group Code of Conduct, released March 2023  
 NLB Group Sustainability Report 2023 (FY2023)  
 Non-public documentation shared with Sustainalytics on 14 Jun 2023  
 Non-public documentation shared with Sustainalytics on 19 Apr 2023  
 Non-public documentation shared with Sustainalytics on 23 Apr 2024

# Appendix



## Management Details

### G.1.4.1 - Money Laundering Policy

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a strong policy on money laundering

NLB Group has a comprehensive anti-money laundering policy in place. In addition, within its code of conduct the company states that it has zero tolerance for financial crime and it has in place procedures to identify and prevent money laundering and other financial crime.

#### Citations

- NLB Group Code of Conduct, released March 2023
- Non-public documentation shared with Sustainalytics on 13 Oct 2022
- Prior to research start, the company sent documents on 04 October 2023

### G.1.4.2 - Compliance Programme

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Customer due diligence related to illegal activities before starting a relationship
- Enhanced customer due diligence for clients operating in high risk countries
- Incident investigation and corrective actions
- Managerial responsibility for compliance
- Monitoring existing business relationships
- Operating guidelines for reporting suspicious transactions
- Reporting of irregularities
- Training for employees on anti-money laundering and terrorist financing
- Training on avoiding tax evasion facilitation
- Training on international sanctions compliance

#### Citations

- NLB Group Code of Conduct, released March 2023
- Non-public documentation shared with Sustainalytics on 13 Oct 2022
- Prior to research start, the company sent documents on 04 October 2023
- The company provided feedback on 24 November 2022
- Wolfsberg Group Correspondent Banking Due Diligence Questionnaire (CBDDQ), released October 2023

### G.3.1 - Political Involvement Policy

75	5.00%	3.8
Raw Score	Weight	Weighted Score

The company has an adequate policy

#### Criteria

- Approved by senior management
- Commits the company to disclose political donations and/or lobbying expenditures
- Partially prohibits political involvement
- Prohibits political involvement of any kind on the company's behalf

#### Citations

- Non-public documentation shared with Sustainalytics on 19 Apr 2023

### G.3.2.1 - Transparency on Lobbying and Political Expenses

25	5.00%	1.3
Raw Score	Weight	Weighted Score

The company has weak disclosure

#### Criteria

- The company discloses a detailed breakdown of lobbying and political expenses per recipients/ beneficiaries and per country
- The company discloses expenditures and/or beneficiaries supported via its lobbying or political finance activities, but with only limited scope
- The company discloses that it does not engage in any lobbying and political finance activities
- The company discloses the causes or themes that it supports through lobbying and political finance activities
- The company discloses the overall monetary value of lobbying and political expenses
- The company partially discloses expenditures and/or beneficiaries supported via its lobbying or political finance activities

#### Citations

- NLB Group Sustainability Report 2023 (FY2023)

# Appendix

## Exposure Details

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### Stakeholder Governance

#### EA.S.1 - Qualitative Overlay

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0.00  
Beta Signal

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Answer category for neutral beta signal adjustment

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#### EA.S.3 - Exceptional Event Adjustment

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0.00  
Beta Signal

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#### EA.S.4 - Ownership

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0.00  
Beta Signal

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The company is publicly traded.

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# Appendix



## Management Details

### E.1.1 - Environmental Policy

75	8.50%	6.4
Raw Score	Weight	Weighted Score

The company has a strong policy

#### Criteria

- Approved by senior management or the board of directors
- Commitment to consult with stakeholders on environmental issues
- Commitment to create environmental awareness
- Commitment to environmental protection
- Commitment to implement an environmental management system
- Commitment to monitor the company's environmental performance
- Commitment to reduce emissions, releases and waste
- Commitment to report regularly on environmental issues
- Commitment to use natural resources or energy more efficiently

#### Citations

NLB Group Code of Conduct, released March 2023  
 NLB Group Sustainability Policy, released June 2024  
 Non-public documentation shared with Sustainalytics on 10 Dec 2021  
 The company provided feedback on 08 November 2023

### E.1.7.0 - GHG Reduction Programme

100	9.50%	9.5
Raw Score	Weight	Weighted Score

The company has a very strong programme

#### Criteria

- Adoption of key mitigation technologies
- Demonstration of how initiatives put in place close the emissions gap between current performance and the targeted emissions reduction
- Emissions reduction coverage
- GHG emissions monitoring and measurement
- GHG reduction target
- Initiatives are linked to wider TCFD reporting
- Initiatives in place to reduce emissions
- Interim targets
- Net Zero and Science Alignment
- Regular GHG audits or verification

#### Citations

NLB Group Pillar III Disclosures 2023 (FY2023)  
 NLB Group Sustainability Report 2023 (FY2023)

### E.2.1 - Supplier Environmental Policy

50	3.50%	1.8
Raw Score	Weight	Weighted Score

The company has an adequate policy

#### Criteria

- The company has a general statement on green procurement
- The company's policy includes a commitment to consider suppliers' environmental performance in its procurement decision-making process
- The company's policy includes a commitment to engage with suppliers to improve their environmental performance
- The company's policy includes a commitment to monitor suppliers' environmental performance

#### Citations

NLB Group Sustainability Policy, released June 2024

### S.1.2 - Discrimination Policy

100	9.50%	9.5
Raw Score	Weight	Weighted Score

The company has a strong policy

#### Criteria

- Commitment to ensure equal opportunity
- List of the types of discrimination the company is committed to eliminate
- Reference to the ILO conventions

#### Citations

NLB Group Code of Conduct, released March 2023  
 Non-public documentation shared with Sustainalytics on 09 Jan 2023  
 Prior to research start, the company sent documents on 04 October 2023

# Appendix



## Management Details

### G.1.1 - Scope of Social Supplier Standards

75	4.50%	3.4
Raw Score	Weight	Weighted Score

The company has strong social supply chain standards

#### Criteria

- Addresses acceptable living conditions
- Addresses child labour
- Addresses corporal punishment/disciplinary practices
- Addresses forced labour
- Addresses freedom of association and the right to collective bargaining
- Addresses health and safety
- Addresses maximum working hours
- Addresses minimum living wages
- Addresses non-discrimination

#### Citations

Non-public documentation shared with Sustainalytics on 09 Jan 2023  
 Non-public documentation shared with Sustainalytics on 28 Feb 2023  
 Prior to research start, the company sent documents on 04 October 2023

### G.1.2 - Bribery & Corruption Policy

100	10.50%	10.5
Raw Score	Weight	Weighted Score

The company has a very strong policy

#### Criteria

- Definition and prohibition of facilitation payments
- Definition of bribery or corruption
- Definition of conflicts of interest and commitment to minimize these
- Guidelines of what is considered acceptable behaviour
- Prohibition of bribery
- There is no evidence of a formal policy but the company has a general statement addressing the issue

#### Citations

NLB Group Code of Conduct, released March 2023  
 Non-public documentation shared with Sustainalytics on 19 Apr 2023  
 On Tuesday, October 29, 2024, Sustainalytics sent Nova Ljubljanska Banka d.d. the Sustainalytics ESG Feedback Report  
 Prior to research start, the company sent documents on 04 October 2023  
 The company provided feedback on 08 November 2023  
 The company provided feedback on 13 November 2023  
 The company provided feedback on 15 November 2022  
 The company provided feedback on 24 November 2022  
 The company provided feedback on 30 October 2023

### G.1.3 - Whistleblower Programmes

75	10.50%	7.9
Raw Score	Weight	Weighted Score

The company has a strong programme

#### Criteria

- An independent, reporting hotline available 24/7
- Available in local languages
- Available to suppliers, customers and other third parties
- Disclosure on the number of reports received, the types of misconduct and measures taken
- Non-retaliation policy
- Possibility for anonymous reporting and reports are treated confidentially
- Proactively communicated to employees
- Structures in place to process whistleblower reports

#### Citations

NLB Group Code of Conduct, released March 2023  
 NLB Group Corporate Website, Contact, www.nlb.si; accessed 17 October 2024  
 NLB Group Sustainability Report 2023 (FY2023)  
 Non-public documentation shared with Sustainalytics on 28 Jun 2024  
 The company provided feedback on 18 November 2024  
 Whistler, www.whistler.nlb.si; accessed 16 October 2024

### G.1.4 - Global Compact Signatory

0	6.50%	0.0
Raw Score	Weight	Weighted Score

The company is not a signatory to the UN Global Compact

#### Citations

United Nations Global Compact, www.unglobalcompact.org; accessed 16 October 2024

# Appendix



## Management Details

### G.1.4 - Tax Disclosure

100	8.50%	8.5
Raw Score	Weight	Weighted Score

The company's tax disclosure is strong

NLB Group operates in Slovenia, Serbia, Montenegro and others in its home region of South-Eastern Europe. For FY2023, it discloses income tax data country-by-country.

**Criteria**

- The company reports on taxes paid by region, continent or using a mixed approach
- The company reports on taxes paid on a country-by-country basis for all of the countries in which it operates

**Citations**

NLB Group Annual Report 2023 (FY2023)  
 NLB Group Sustainability Report 2023 (FY2023)

### G.2.1 - ESG Reporting Standards

100	6.00%	6.0
Raw Score	Weight	Weighted Score

The company's ESG reporting is very strong

**Criteria**

- The company discloses ESG information on its website or in other publicly available materials, but not as an integrated or standalone report
- The company reports on ESG information, as part of an integrated or standalone report on an annual basis
- The company reports on ESG information as part of an integrated report or a standalone ESG or sustainability report
- The company's ESG reporting follows standards other than best practice standards
- The company's ESG reporting is fully aligned with best practice standards
- The company's ESG reporting is limited in scope or its scope cannot be determined
- The company's ESG reporting is partially aligned with best practice standards

**Citations**

NLB Group Sustainability Report 2023 (FY2023)

### G.2.2 - Verification of ESG Reporting

25	5.00%	1.3
Raw Score	Weight	Weighted Score

The company's verification of its ESG reporting is weak

**Criteria**

- At least some parts of the company's ESG report have been externally verified
- Data on one ESG topic reported by the company has been externally verified
- The company has received limited assurance for its ESG reporting
- The company has received reasonable assurance for its ESG reporting
- The company's entire ESG report has been externally verified

**Citations**

NLB Group Sustainability Report 2023 (FY2023)

### G.2.5 - ESG Governance

100	10.50%	10.5
Raw Score	Weight	Weighted Score

A management committee is responsible for overseeing ESG issues

NLB Group's sustainability and ESG issues are overseen by both its management board and supervisory board. The group's sustainability unit prepares the sustainability policy, which is adopted by the management board, while the supervisory board gives its consent to it.

**Citations**

NLB Group Sustainability Report 2023 (FY2023)

### G.3.1 - Political Involvement Policy

75	3.50%	2.6
Raw Score	Weight	Weighted Score

The company has an adequate policy

**Criteria**

- Approved by senior management
- Commits the company to disclose political donations and/or lobbying expenditures
- Partially prohibits political involvement
- Prohibits political involvement of any kind on the company's behalf

### G.3.2.1 - Transparency on Lobbying and Political Expenses

25	3.50%	0.9
Raw Score	Weight	Weighted Score

The company has weak disclosure

**Criteria**

- The company discloses a detailed breakdown of lobbying and political expenses per recipients/ beneficiaries and per country
- The company discloses expenditures and/or beneficiaries supported via its lobbying or political finance activities, but with only limited scope
- The company discloses that it does not engage in any lobbying and political finance activities



# Appendix



## Management Details

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### Citations

Non-public documentation shared with Sustainalytics on 19 Apr 2023

- The company discloses the causes or themes that it supports through lobbying and political finance activities
- The company discloses the overall monetary value of lobbying and political expenses
- The company partially discloses expenditures and/or beneficiaries supported via its lobbying or political finance activities

### Citations

NLB Group Sustainability Report 2023 (FY2023)

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# Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

## GLOSSARY OF TERMS

### Attribute Date

Publication Date when there is any change to the ESG Risk Score, ESG Risk Category, Sub-Industry or Framework.

### Beta (Beta, $\beta$ )

A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

### Change in Value






Delta between current and previous ESG Risk Scores.

### Change Trigger

Explains what triggered a company's score to change (e.g., methodology, event, annual update, partial update).

### ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

	<b>Negligible risk:</b> enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
	<b>Low risk:</b> enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
	<b>Medium risk:</b> enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
	<b>High risk:</b> enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
	<b>Severe risk:</b> enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

### ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

### Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

### Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

### Event Update

An internal process where an update of an event assessment for a company is performed; the event update is typically done when news about the involvement of a company in a controversy is reaching a certain threshold that requires either an initial event assessment or an update of an existing event assessment.

### Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

### Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

### Full Update

An internal process where a full assessment of a company is performed; the full update is typically done on an annual basis for ESG Risk Ratings.

### Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

### Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

### Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

### Management

A company's handling of ESG risks.

### Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

### Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

### Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

### Methodology Update

An internal process where the methodological architecture of a product is changed leading to changes in the rating/assessment of a company; methodological updates typically occur once within 3-5 years and are rolled out for all companies at once.

### Partial Update

An internal process where data points that feed a rating/assessment of a company are updated outside of the full update process and limited in scope; the partial update is typically restricted to a limited number of data points and occurring periodically.

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## GLOSSARY OF TERMS

### Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

### Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

### Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

### Value after Change

Current ESG Risk Score, ESG Risk Category, Sub-Industry or Framework.

### Value before Change

Previous ESG Risk Score, ESG Risk Category, Sub-Industry or Framework.

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