

Nova Ljubljanska Banka d.d.

Diversified Banks Slovenia LJU:NLBR

ESG Risk Rating

16.0

Last Full Update Nov 24, 2023

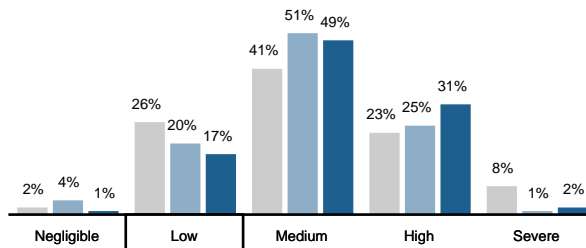
Not
available

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = Top Score)
Global Universe	2088/15719	14th
Banks INDUSTRY	131/1010	14th
Diversified Banks SUBINDUSTRY	23/349	7th

Peers Table

Peers (Market cap \$1.5 - \$1.6bn)

Peers (Market cap \$1.5 - \$1.6bn)	Exposure	Management	ESG Risk Rating
1. Nova Ljubljanska Banka d.d.	42.3 Medium	65.3 Strong	16.0 Low
2. BNK Financial Group, Inc.	52.9 Medium	52.5 Strong	26.8 Medium
3. Close Brothers Group Plc	46.1 Medium	43.8 Average	26.8 Medium
4. Union Bank of Taiwan	47.5 Medium	43.1 Average	28.3 Medium
5. Al Ahli Bank of Kuwait KSC	50.5 Medium	38.4 Average	32.2 High

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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

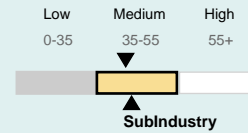
42.3

Not available

Medium

Momentum

Beta = 0.96



Following the Bank of Slovenia's decision to consolidate the country's banking sector, NLB acquired sole ownership of Sberbank banka d.d (now N Banka) in 2022. New supervisory board members were appointed, and the merger is set to conclude in 2023. While enhancing NLB's market position in Slovenia, the expansion increases its exposure to ethical violations such as money laundering and fraud; infractions could lead to investigations and fines. NLB is subject to a wide variety of regulations from EU and non-EU countries. Deficiencies in meeting clients' needs and expectations via its marketing practices and product offerings could prompt lawsuits against the bank. NLB is investing heavily in digitalization, aiming to have 55% of clients on digital channels by 2025 (up from 35.5% in FY2022). 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. Data Privacy and Security, Business Ethics and Product Governance 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.

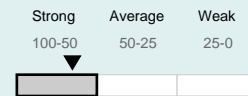
ESG Risk Management

65.3

Not available

Strong

Momentum



NLB follows best practices in terms of its management of material ESG issues. Its 2022 sustainability report was prepared in accordance with the GRI Standards, and the bank's ESG issues are overseen by its sustainability committee (chaired by the CEO), indicating that they are integrated into its core business strategy. NLB exhibits above-average preparedness to manage its most material ESG issues. Its strong policies and programmes on bribery, corruption and money laundering can help prevent legal and regulatory risks. Strong management of Product Governance, identified as one of the largest contributors to the company's ESG risks, is critical for avoiding fines and customer loss in light of the new consumer protection regulation. NLB also exhibits strong management of data privacy and security risks, but it has room for improvement, as its systems are not currently ISO 27001 certified.

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

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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	
Data Privacy and Security	6.7 Medium	60.0 Strong	3.5 Low	21.7%
Product Governance	7.6 Medium	55.0 Strong	3.4 Low	21.4%
Corporate Governance	9.0 High	64.0 Strong	3.2 Low	20.3%
Human Capital	5.7 Medium	58.8 Strong	2.5 Low	15.8%
ESG Integration -Financials	5.7 Medium	62.6 Strong	2.1 Low	13.3%
Business Ethics	7.6 Medium	88.7 Strong	1.2 Negligible	7.5%
Overall	42.3 Medium	65.3 Strong	16.0 Low	100.0%

Events Overview

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

Category (Events)

 **Severe (0)**

 **High (0)**

 **Significant (0)**

 **Moderate (0)**

 **Low (0)**

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Events Overview

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

Category (Events)

None (15)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Carbon Impact of Products

Data Privacy and Security

Environmental Impact of Products

Labour Relations

Lobbying and Public Policy

Marketing Practices

Quality and Safety

Sanctions

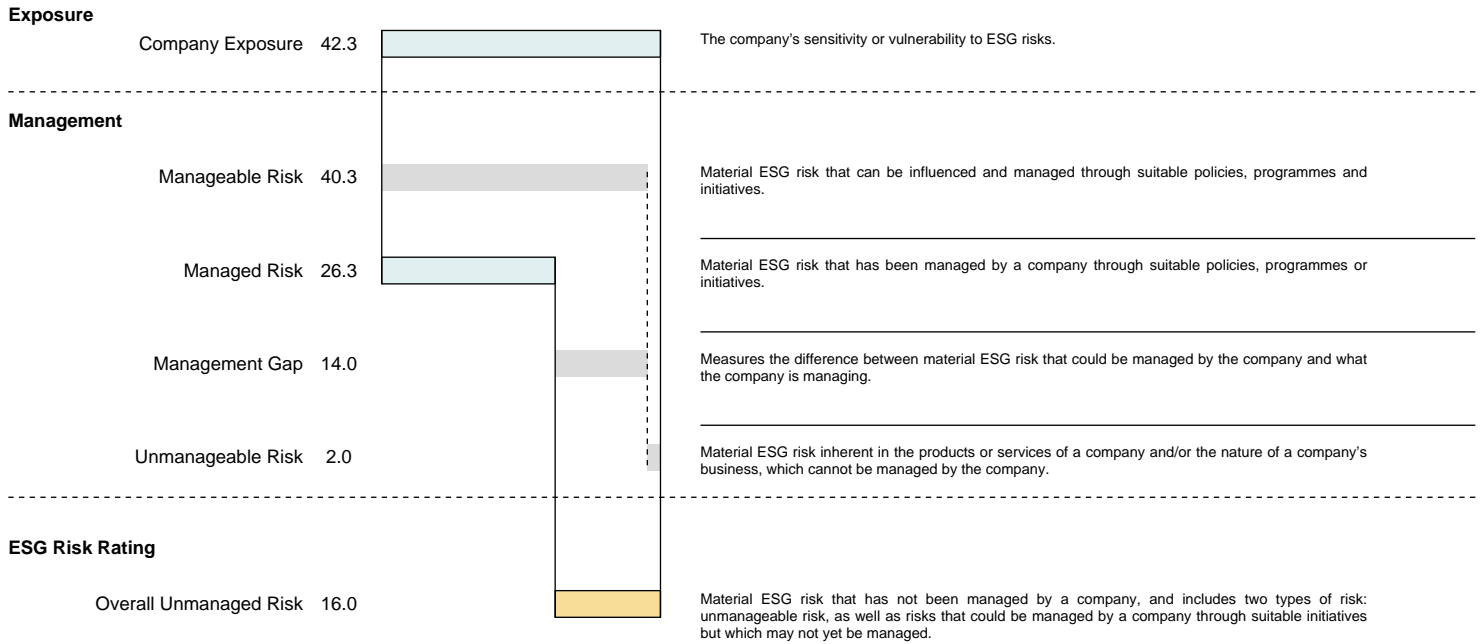
Social Impact of Products

Society - Human Rights

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Risk Decomposition



Momentum Details

Not available due to a lack of comparable historical information.

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GLOSSARY OF TERMS

Beta (Beta, β)

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.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

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

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** 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.

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.

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**.

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**).

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