

**Corporate Governance Policy**

**of NLB Banka**

**d.d., Sarajevo**

- general internal act

3rd edition, July 2021

For all that is to come.

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**Chronology of changes**



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| **Edition** | **Number and date** | **Date** | **Description** | **Adopted by** | **Business area** | **Access** |
|  | **of Decision** | **of application** | **of change** |  | **code** | **to document** |
| 1. | I-500-5-5.5./17 | Date | Basic text | Supervisory | BAN | All org. parts |
|  | 14 Dec. 2017 | of adoption |  | Board |  |  |
| 2. | I-500-18-8.3/20 | Date | Regular | Supervisory | BAN | All org. parts |
|  | 23 Oct. 2020 | of adoption | updating the act | Board |  |  |
| 3. | I-500-2-8.2/21 | 01 Jan. 2022 | Harmonization of the Mission, | Supervisory | BAN | All org. parts |
|  | 29 July 2021 |  | Vision and Values with | Board |  |  |
|  |  |  | the Bank's Strategy |  |  |  |
|  |  |  | for the period 2021-2025; |  |  |  |
|  |  |  | Updating the competences |  |  |  |
|  |  |  | of the committees of the Supervisory  |  |  |  |
|  |  |  | Board and introducing |  |  |  |
|  |  |  | Remuneration Committee |  |  |  |
|  |  |  |  |  |  |  |

Corporate Governance Policy of NLB Banka d.d., Sarajevo, 29 July 2021

Secretariat

Pursuant to Article 55 of the Law on Banks of the Federation of Bosnia and Herzegovina (Official Gazette of FBiH No. 27/17) and Article 65 of the Articles of Association of NLB Banka d.d., Sarajevo, and NLB Group standards related to corporate governance, at its 2nd regular session, held on 29 July 2021, the Supervisory Board of NLB Banka d.d., Sarajevo passed the following

**Corporate Governance Policy of NLB Banka d.d., Sarajevo**

1. **General Governance Guidelines, taking into account the vision,**

**values and mission of the Bank**

NLB Banka d.d., Sarajevo (hereinafter: the Bank), is a member of the NLB Group, Slovenia's largest banking and

financing group, which along with NLB d.d. Ljubljana as a parent bank, consists of 6 more banks and several other

companies. The core activity of the NLB Group is the banking business, with additional financing activities, such as

insurance and asset management.

The core activity of the Bank is to provide all types of banking operations.

**The Vision** of the Bank:

o Be a digitally smart and technologically advanced bank

1. Product and service innovations for faster and easier access to younger and digitally oriented clients

o Have a strong risk awareness and an efficient credit process

o Be a desirable employer with highly motivated, engaged and loyal employees

o Be fully compliant with ESG standards

1. Promote fair, ethical and responsible business practices.

**The Values** of the Bank:

o Commitment to customers

1. Excellence - clear and high goals and standards of quality and performance. We encourage ourselves and

others to continuous education and development, as well as to taking responsibility and initiatives to achieve added value for us and our customers

o Commitment to developing a culture focused on transparency, trust, accountability and cooperation (synergy)

o Obligation of professional conduct with mutual respect in work

1. Willingness and aspiration to change

**The Mission** of the Bank:

1. Be a bank that applies high standards in terms of the environmental impact of its business

o Building sustainable business growth, with a clear focus on profitability

o Provide the highest value to digitally oriented clients

o Integrate digital culture and mindset

o Inspire innovative attitudes and behaviours

o Improving corporate culture, business processes and efficiency

o Improve brand awareness through increased trust and market presence

o Creating an engaging and challenging work environment that allows employees to achieve their personal

ambitions and goals.

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**2. Legal and regulatory framework of corporate governance**

When implementing the corporate governance system, the Bank moves within the regulatory basis established

by the Law on Banks of the Federation of Bosnia and Herzegovina (hereinafter: the Law on Banks), the Law on

Companies of the Federation of Bosnia and Herzegovina, decisions of the Banking Agency of the Federation of Bosnia and Herzegovina (hereinafter: the Agency), as well as the applicable regulations governing the securities

market. At the same time, good corporate governance practices are relied upon and upgraded through the implementation of experience in the corporate governance practice of the group to which the Bank belongs.

NLB d.d. Ljubljana, as the parent bank, applies corporate governance to NLB Group members in

accordance with the legislation of the Republic of Slovenia (Law on Banking, Law on Companies), and also follows

good corporate governance practices in accordance with the EBA Guidelines on Internal Governance,

the EU regulations related to internal and corporate governance, the Corporate Governance Code for Public Joint-Stock Companies, the Rules of the Ljubljana and London Stock Exchanges, etc., taking into account the local legislation of the countries in which the members of the NLB Group operate.

As a member of the NLB Group, the Bank also takes into account the guidelines from the NLB Group Management Policy.

**3. Corporate governance in the Bank**

The Bank's Corporate Governance Policy is a document, which defines the rules, criteria and mechanisms of

the Bank's corporate governance, as well as the competencies and responsibilities of individual bodies and organizational units of the Bank, ensuring their uniform operation in order to achieve the strategic and business objectives of the Bank.

The objective of the Policy is to further improve the high standards of corporate governance in the Bank, to ensure that persons entrusted by the shareholders with the management and success of the Bank, meet the conditions necessary to work in the interest of the Bank and its shareholders.

1. **System of sharing responsibilities and authorizations among**

**management and supervisory authorities of the Bank**

**4.1. The Bank's Management Board**

The Management of the Bank shall organize the work, manage the business and represent the Bank.

**Composition and mandate**

The Management Board of the Bank consists of three members, one of whom is appointed as the President of the Management Board of the Bank. The President and members of the Bank's Management Board shall be appointed by the Supervisory Board. The President and members of the Management Board of the Bank are appointed for a period of four years with the possibility of re-election. Members of the Management Board of the Bank represent the Bank in legal transactions in such a way that all legally binding documents shall be signed by at least two members of the Management Board of the Bank, so that no member of the Management Board may be authorized to represent the Bank individually in the entire scope of activities within its activity.

Only a person who has obtained the prior consent of the Agency to perform the function of a member of the Management Board of the Bank may be appointed as a member of the Management Board of the Bank.

In addition to the request for the issuance of prior consent for the performance of the function of a member of the Management Board, the Bank shall submit documents and data proving the fulfilment of the conditions prescribed for a member of the Management Board, as well as the work program of the Management Board with a projection of the financial statements for the term of office for which the Management Board is appointed.

Members of the Management Board of the Bank may be dismissed before the expiry of their term of office in accordance with the provisions of the Law on Banks, the Bank's Articles of Association and other applicable regulations.

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**Competencies and representation**

In addition to the general conditions laid down by the Law, a candidate for a member of the Management Board of the Bank must meet the conditions laid down by the provisions of the Law on Banks, the Decision on Conditions and Procedure for Issuance and Refusal of Issuance of Consent for the Election or Appointment of members of the Supervisory Board and the Management Board of the Bank and the Revocation of Issued Consents, and

business policies of the Bank.

A member of the Management of the Bank may be a person who, at any time, meets the following conditions:

1. has a good reputation;
2. VSS-VII degree of professional qualification, i.e. higher education of the first cycle (which is worth 240 ECTS

credits) or the second or third cycle of the Bologna Study System;

1. has the required educational level and profile of education and training and relevant practical experience

necessary to run the Bank's business;

1. who is not in a conflict of interest in respect to the Bank, shareholders, members of the Supervisory Board, key

function holders and the Management Board of the Bank;

1. for whom, on the basis of past behaviour, it may be reasonably concluded that they shall perform

the tasks of a member of the Bank's Management honestly and with due diligence;

1. other conditions for a member of the Management according to the provisions of the regulations on companies.

It is considered that the person who does not have a good reputation is the one who has been finally convicted and the person against whom proceedings for criminal offences in the field of finance, capital market, money laundering and financing of terrorist activities are conducted, or who has been imposed a security measure prohibiting the performance of banking or other financial activities or the performance of functions of a member of the management board.

Appropriate practical experience shall be deemed, but shall not be limited to:

1. experience in the management of the bank;
2. experience of managing organizational units of the bank relevant to the performance of its activity;
3. experience of managing a bank branch/subsidiary;
4. other relevant experience.

The reference areas proving the appropriate knowledge of the candidate for the President of the Management Board of the Bank are:

1. financial markets;
2. regulatory framework and prescribed standards of operations of banks and other financial institutions; c)

strategic planning and knowledge of the bank's business strategy or its business plan and its execution;

1. risk management (identification, measurement, i.e. assessment, monitoring, control and reporting of

key risks), including the responsibilities of an individual member of the bank's body in the process;

1. management, supervision and control in the procedures and measures of the bank and other financial institutions;
2. financial planning, analysis and control in banks and similar financial institutions;
3. continuous professional development/training, in the areas referred to in this paragraph.

At least two thirds of the candidates for members of the Management Board of the Bank must have adequate banking management experience.

The Management Board of the Bank shall manage the Bank independently and at its own risk and shall have the full powers necessary for its purpose in accordance with the Law on Banks, the Statute and other internal acts of the Bank. Decisions of the Management Board of the Bank must be independent of external factors and adopted in the interest of the Bank.

The members of the Management Board of the Bank shall generally adopt decisions by unanimous decision or, in case of disagreement, by majority of votes. More detailed rules on the work of the Bank's Management Board are regulated by the Rules of Procedure of the Bank's Management Board.

The Management Board of the Bank may, by a special decision, which shall be adopted unanimously, authorize each individual member of the Management Board of the Bank to independently adopt decisions on individual issues and affairs in the field of current activities of the Bank for which they are directly responsible under the Rules of Organization of the Bank.

The Management Board of the Bank may not delegate the management of the Bank's operations to the Supervisory Board, unless the Statute or the decision of the Supervisory Board stipulate that certain types of work may be performed only with the prior consent of the Supervisory Board.

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The Bank's Management Board may, in accordance with applicable regulations, transfer individual powers and responsibilities in the field of its activities to other Bank employees or Committees appointed in accordance with the Bank's internal acts.

The members of the Management Board of the Bank shall be jointly and severally liable to the Bank for damages incurred as a result of acts, omissions or failure to perform their duties, unless they prove that in performing their duties they have acted with the care of a good and conscientious businessman.

**Powers of the Bank's Management Board**

The members of the Management Board of the Bank shall ensure:

* the legality of the Bank's operations and compliance with regulations adopted on the basis of laws, other

regulations, generally accepted standards and rules of the profession;

* the implementation of the supervisory measures imposed by the Agency;
* execution of decisions of the General Assembly and the Supervisory Board of the Bank;
* the implementation of adopted strategies, policies, rules and procedures in the daily operations of the Bank, in

particular rules in risk management, assessment of the Bank's internal capital, establishment of control functions and systems of

internal controls in all business activities and lines of the Bank;

* deciding on the Bank's exposures in accordance with the powers established by the Bank's Supervisory Board,
* analysis of the effectiveness of the application of adopted policies and procedures and reporting to the

Supervisory Board on the results of the analysis, with appropriate proposals for improving their effectiveness;

* regular reporting to the Bank's Supervisory Board on the Bank's operations in accordance with legal and other

regulations, the Statute and internal acts of the Bank;

* informing employees about all internal acts of the Bank governing their rights and obligations in the work

process;

* informing the Supervisory Board of the Bank and the Agency, without delay, about the deterioration of the

financial condition of the Bank or risk of deterioration, as well as other relevant facts that may significantly affect

the financial condition of the Bank;

* the security and reliability of the Bank's information system on a daily basis;
* deciding on other issues related to the organization of work and operations of the Bank, which are not within the

competence of the General Assembly and the Supervisory Board of the Bank.

**4.2. Supervisory Board**

**Composition and mandate**

The Supervisory Board shall perform a supervisory function in the Bank.

The Supervisory Board of the Bank shall consist of five members, who are elected and dismissed by the General Assembly of the Bank. The Supervisory Board of the Bank must have at least two independent members, in accordance with the Law on Banks and the regulations of the Agency.

A member of the Supervisory Board may only be a person who has obtained the prior consent of the Agency.

Members of the Supervisory Board shall be appointed for a period of four years with the possibility of re-election.

The Supervisory Board shall elect a chairman from among its members, by a majority of the total number of votes.

The Supervisory Board may also appoint a deputy chairman of the Supervisory Board from among the members of the Supervisory Board, who shall chair the sessions in the event of the absence of the chairman or in the event of termination of the term of office of the chairman of the Supervisory Board.

Members of the Supervisory Board must meet the prescribed conditions and appropriate standards regarding

their education, professional experience and reputation, in accordance with the applicable regulations and acts of the Bank. The Chairman or a member of the Supervisory Board may not be a person who does not meet the requirements and for whom there are interferences and/or limitations established by the Law on Banks, the Agency's regulations or the Bank's acts.

The term of office of the Chairman and members of the Supervisory Board may be terminated before the expiration as follows:

* in the case of death;
* at personal request/resignation,
* by dismissal by the Bank's General Assembly for reasons determined by law and by-laws.

In the event of termination of the term of office of any member of the Supervisory Board before the expiration, a new member shall be elected as soon as possible. When dismissing a member of the Supervisory Board, the Bank shall simultaneously, and no later than 30 days from the date of dismissal of the member of the Supervisory Board, submit to the Agency a request for prior consent for a new candidate with complete documentation, in accordance with the Law on Banks and the Agency's regulations.

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In the event of resignation or dismissal of a member of the Supervisory Board by the General Assembly of the Bank for the reasons established by law, the person is obliged to perform his/her duties until the decision on dismissal is made, or until the appointment of a new member of the Supervisory Board who replaces him/her.

The term of office of the new member shall correspond to the term of office of the entire Supervisory Board, i.e. it shall expire together with the four-year term of office of the Supervisory Board, previously elected in full composition.

**Supervisory Board Members Competency Profile**

A person may be appointed as a member of the Supervisory Board if he/she is at all times of good repute, has

appropriate professional knowledge, ability and experience required to fulfil the obligations within their competence, who is not in a conflict of interest in respect to the Bank, shareholders, members of the Supervisory Board, Management Board, key function holders, who is ready and able to devote sufficient time to the performance of obligations and responsibilities from responsibilities of the Supervisory Board, and who may be a member of the Supervisory Board under the provisions of the regulations on companies.

The members of the Supervisory Board as a whole must have the professional knowledge, skills and experience necessary to independently and autonomously supervise the Bank's operations and the work of the Bank's Management Board, and at least one half of the candidates for members of the Supervisory Board must have special knowledge and experience in the areas necessary for the successful business (work in banking, financial organizations, etc.).

A member of the Supervisory Board must have a minimum university degree, and at least one half of the candidates for members of the Supervisory Board must have a degree in economics and business management.

Reference areas proving the appropriate knowledge of candidates for members of the Supervisory Board of the Bank are:

1. financial markets;
2. regulatory framework and prescribed standards of operations of banks and other financial institutions;
3. strategic planning and knowledge of the bank's business strategy or its business plan and its

execution;

1. risk management (identification, measurement, i.e. assessment, monitoring, control and reporting of

key risks), including the responsibilities of an individual member of the bank's body in the process;

1. management, supervision and control in the procedures and measures of the bank and other financial institutions;
2. financial planning, analysis and control in banks and similar financial institutions, etc.

The relevant experience of a candidate for a member of the Supervisory Board is considered to be the experience gained:

1. in the management of the Bank;
2. in a managerial position in a financial sector company which is under the Law on Accounting and

Auditing in the Federation of Bosnia and Herzegovina classified into large legal entities, which is comparable to positions in the Management Board of the Bank.

1. in managerial or most complex positions in the institution responsible for the supervision of banking system

entities or other financial sector companies;

1. on key functions in the bank or jobs that take over or manage risks

in the bank;

1. in the management of organizational units in a bank or company from the financial sector which is under law

classified into large legal entities;

1. in the management of the bank branch;
2. as an advisor to the Management Board or members of the Management Board of the Bank on tasks relevant to the performance of its activities;
3. in managerial positions in companies that are not in the financial sector, which are under the Law on

accounting and auditing in the Federation of Bosnia and Herzegovina classified into large legal entities and state

bodies of administration and organizations with a high degree of autonomy, which can be assessed as having acquired knowledge that will meet the requirements of the Bank's risk management system.

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**Competences of the Supervisory Board**

In accordance with the provisions of the Law on Banks, regulations of the Agency, the Statute of the Bank, as well as other internal acts of the Bank, the Supervisory Board shall have the following competences:

1. convene the sessions of the General Assembly of the Bank and determine the draft agenda;
2. determine the proposals for decisions for the General Assembly of the Bank and control their implementation;
3. elect the Chairman of the Supervisory Board.
4. establish the business policy proposal and strategy of the Bank and the business plan and submit it to the

Bank's General Assembly for final adoption, and determine the strategy and policies of risk taking and risk management in business, program to maintain regulatory capital adequacy and conduct procedures of internal process of assessment of the adequacy of the Bank's capital according to its risk profile and ensure the conditions for their implementation;

1. adopt the Bank's recovery plan;
2. decide on the organizational structure of the Bank, which ensures a clear and precise division of competences,

duties and responsibilities of organizational units in the Bank in a way that prevents conflicts of interest and ensures a transparent and documented process of making and implementing business decisions in accordance with the defined responsibilities and authorizations;

1. adopt the general terms and conditions of the Bank's operations and other general acts of the Bank, and decide

on their amendments;

1. adopt the remuneration policy of the Bank, and make decisions on remuneration within their competences, in

accordance with a specific Agency's by-law that prescribes regulatory requirements regarding the policy and practice of fees;

1. adopt policies and procedures for electing and assessing the fulfilment of conditions for members of the

Management Board of the Bank, in accordance with by-laws of the Agency;

1. ensure the conditions for the establishment of effective control functions in the Bank and supervise their

functioning, which involves making a decision on the fees of the control function holders in the Bank (internal audit, risk management and compliance monitoring), as well as strategic annual work plans of control functions and the adoption of annual and semi-annual reports thereof;

1. adopt the reports of the Audit Committee;
2. establish the annual business plan of the Bank, including the financial plan;
3. adopts the Management Board's Business Report according to the semi-annual and annual accounts, with the

balance sheet and income statement and internal audit report and external audit report and submit to the General Assembly an annual business report of the Bank, which must include the financial statement and reports of the external auditors, the Supervisory Board and the Audit Committee;

1. submit to the General Assembly a report on the work of the Supervisory Board with the annual business report

of the Bank, financial statements, the report of the audit company, the internal audit report and the report of the Audit Committee;

1. propose the allocation of and the method of using the profit and the method of covering the loss;
2. appoint and dismiss the Management Board of the Bank and supervise its operation;
3. appoint and dismiss the Secretary of the Bank, and appoint and dismiss the holders of key functions in the Bank,

propose the external auditor of the Bank and appoint the internal auditor;

1. appoint and dismiss the Audit Committee, the Renumeration Committee, the Risk Committee, the Appointments

Committee, Voting Committee and other specialized committees that provide it with professional assistance in supervising the Bank's operations;

1. periodically revise adopted policies and procedures and internal acts of the Bank, adopted by the Supervisory

Board;

1. approve the purchase, sale, exchange, giving or taking on lease, and other transactions in assets,

directly or through subsidiaries during the financial year to the extent of 15% to 33% of the book

value of the Bank's total assets on the balance sheet at the end of the previous year;

1. propose to the General Assembly the purchase, sale, exchange, giving or taking on lease, and other

transactions in assets, directly or through subsidiaries during the financial year to the extent over 33%

of the book value of the Bank's total assets on the balance sheet at the end of the previous year;

1. give its prior consent to the conclusion of a legal transaction leading to the Bank's total exposure of

10% of the recognized capital to one person or group of related parties or until each subsequent increase of this

exposure;

1. adopt the rules of procedure and the rules of procedure of its committees;
2. inform the Agency and other competent authorities and institutions of irregularities identified in the supervision

of the Bank's operations;

1. approve the issue of new shares of the existing class in the amount of up to a third of the sum of the nominal

value of the existing shares and determine the amount, time of sale and price of these shares which cannot be less than the average market value of the existing shares of the same class for 30 consecutive days prior to the date of the decision;

1. perform other tasks in accordance with legal and other regulations, the Statute and other internal acts

adopted on the basis of the Statute.

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The Supervisory Board shall adopt the Rules of Procedure specifying the more detailed principles, procedures and manner of operation of the Supervisory Board.

**4.3. Committees of the Supervisory Board**

The Supervisory Board is obliged to form an Audit Committee.

Professional support for the work of the Supervisory Board can also be provided by other specialized committees, which are appointed as needed (Appointment Committee, Remuneration Committee, Risk Committee and other committees), in accordance with the regulations of the Agency.

**4.3.1. Audit Committee**

The Bank shall have the Audit Committee, appointed by the Supervisory Board, which shall provide expert assistance to the Supervisory Board of the Bank in supervising the operations of the Bank and the work of the Management Board of the Bank.

The Audit Committee shall have five members who are appointed for a period of four years, with the possibility of appointment to two consecutive terms.

A member of the Audit Committee may not be a member of the Supervisory Board, a member of the Management Board of the Bank or a person employed in the Bank, nor may they have a direct or indirect financial interest in the Bank, except for any fee based on this function.

Members of the Audit Committee must have appropriate professional knowledge and experience in the field of finance, auditing and accounting, at least one of which must be a person with the professional title of a certified auditor in accordance with the law governing accounting and auditing, and knowledge of one of the languages that are in the official use in Bosnia and Herzegovina.

Members of the Audit Committee may be persons who are members of the governing bodies within the banking group – NLB Group, to which the Bank belongs, if they meet the conditions prescribed by this Article.

The remuneration and other rights of the members of the Audit Committee shall be governed by a contract based on a decision of the General Assembly.

Responsibilities of the Audit Committee:

1. propose to the Supervisory Board the internal audit work plan,
2. consider the reports of internal audit and other control functions, and give an opinion on these reports,
3. consider the annual financial statements and reports on the bank's operations, with the report of the audit

company, submitted to the Supervisory Board and the General Assembly of the Bank, and other financial statements, and give an opinion thereon,

1. examine the application of accounting standards in the preparation of financial statements,
2. analyse and monitor the application and adequate implementation of adopted strategies and policies for risk

management and implementation of the internal control system,

1. report to the Supervisory Board on the activities undertaken, as well as on the identified irregularities

immediately upon learning thereof, and propose a way of their elimination,

1. report to the Supervisory Board on the implementation of recommendations based on the reports on the performed internal and external audit,
2. submit to the Supervisory Board and the General Assembly a special report on the contracts concluded between

the Bank and persons in a special relationship with the Bank,

1. report to the Supervisory Board on the compliance of the Bank's operations with the law, other regulations and

business standards,

1. conduct the procedure and propose to the Supervisory Board the proposal for the selection of the company for

external audit of the Bank, as well as submit a reasoned proposal for the dismissal of the audit company, if necessary,

1. monitor and consider, with the Bank's audit company, the annual audits of the Bank's financial statements,
2. propose to the Bank's Supervisory Board that certain issues related to internal and external audit be included

in the agenda of the Bank's General Assembly,

1. submit to the Supervisory Board a quarterly, semi-annual and annual report on its work and

convene a session of the Supervisory Board if it considers that the interests of the shareholders are endangered or determines the illegalities and irregularities of the Supervisory Board and the Management of the Bank.

The Audit Committee is obliged, when it assesses that the Bank operates contrary to the law and other regulation, the Statute and other acts of the Bank, to make recommendations to the Supervisory Board of the Bank to eliminate the identified illegalities and irregularities, as well as to require the convening of an extraordinary session of the Bank's General Assembly in the event that the established illegalities and irregularities may have more serious consequences for the Bank's operations.

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**4.3.2. Risk Committee**

The Risk Committee is tasked with providing expert assistance and advice to the Supervisory Board and considering proposals and materials of the Management Board of the Bank for the meetings of the Supervisory Board in the field of risk management.

The Risk Committee shall have 3 members.

The Supervisory Board shall appoint, by a decision, the chairman and members of the Risk Committee, from among the members of the Supervisory Board of the Bank. The Chairperson of the Risk Committee shall, if possible, be elected from among the independent members of the Supervisory Board, and may not be the chairman of the Supervisory Board or the chairman of any other committee of the Supervisory Board. The term of office of the Chairman and members of the Risk Committee may not exceed the term of office of the Supervisory

Board itself. The Supervisory Board may dismiss the Chairman and members of the Committee earlier, without stating a specific reason for the same.

Members of the Risk Committee must individually and/or jointly have appropriate knowledge, skills, expertise and

experience in the field of risk management and internal controls of the Bank that enable them to fully understand

and monitor the implementation of strategies and policies, as well as the risk profile of the Bank and its risk appetite.

The Risk Committee is obliged to report to the Supervisory Board on the implementation of the strategy for taking over and managing the risks, adequacy and manner of implementation of adopted risk management policies and procedures, as well as on adequacy and reliability of the overall risk management system, to assist and supervise the implementation of strategies adopted, and to advise the Supervisory Board on the overall current and future risk appetite, without prejudice to the responsibility of the Supervisory Board and the Management Board in the overall risk management and supervision of the Bank.

The Risk Committee shall provide expert and advisory assistance to the Supervisory Board in specific areas from

responsibilities of the Supervisory Board and shall have the following tasks:

1. advise and assist the Supervisory Board in overseeing the overall current and future risk appetite,

taking into account all significant risks of the Bank in order to ensure their harmonization with the risks that

proceed from the business objectives, i.e. the business strategy of the Bank,

1. provide expert assistance to the Supervisory Board in the internal supervision of the implementation of the

Strategy in accordance with the established risk limits and other restrictions, whereby the Supervisory Board and the Management Board of the Bank, in accordance with their statutory responsibilities, retain overall responsibility for the risks,

1. provide expert assistance in supervising the implementation of the strategy for managing capital, liquidity, and

the Bank's significant risks, with the aim of assessing the appropriateness of these strategies in relation to the Bank's Risk Appetite and the Strategy

1. make recommendations to the Supervisory Board on changes to the Strategy in case of changes in the

business model of the Bank, market trends, recommendations made by the risk management function, etc.,

1. make proposals to the Supervisory Board regarding the possible use of consulting services in the field of

risk management,

1. analyse various scenarios, including scenarios for stress testing, with the aim of assessing the impact of

external and internal events on the Bank's risk profile;

1. review the compliance of the prices of the Bank's products or services offered to clients with business model

of the Bank and the Strategy, and in cases where they determine that the given prices do not reflect the risks in the

appropriate manner in accordance with the business model and Strategy, propose to the Supervisory Board and the Management Board of the Bank a plan for improvement,

1. without prejudice to the tasks of the Remuneration Committee, examine whether the incentives provided for in

the remuneration policy take into account risk, capital, liquidity and probability, and the timing of earnings, and in order to help setting a good remuneration policy,

1. review the adequacy of the recovery plans in place, from the aspect of their inclusion in the management system

in the Bank, compliance with the established risk management system and the enforceability of the measures defined by these plans, and, if necessary, propose measures to improve them,

* 1. assesses the supervisory recommendations, the recommendations of the internal audit function and the

recommendations of the appointed external auditor who performs an external audit of the Bank in the field of risk, and review the adequacy of the implementation of the measures taken.

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**4.3.3. Appointments Committee**

The Appointments Committee is tasked with providing expert assistance and advice to the Supervisory Board and considering proposals and materials of the Management Board of the Bank for the sessions of the Supervisory Board within the scope of competence of the Committee that are prescribed in Article 4 of these Rules of Procedure.

The Committee shall have 3 members.

The Supervisory Board shall appoint by a decision the chairman and members of the Appointments Committee, from among the members of the Supervisory Board of the Bank. The term of office of the Chairman and members of the Appointments Committee may not exceed the term of office of the Supervisory Board itself. The Supervisory Board may dismiss the Chairman and members of the Appointments Committee earlier, without stating a specific reason for the same.

Members of the Appointments Committee must individually and/or jointly have appropriate knowledge, skills,

expertise and experience regarding the procedure for the selection of members of the Bank's bodies and the requirements for fulfilling the conditions for members of the Bank's bodies.

The Appointments Committee shall provide expert and advisory assistance to the Supervisory Board in specific areas from responsibilities of the Supervisory Board and shall have the following tasks:

1. prepare a description of the duties and qualifications required for a specific function in the Bank's body;
2. propose members of the Supervisory Board and members of the Management of the Bank and actively

 cooperate, with the participation of the human resources function, in the selection of candidates for membership in the Bank's body,

1. propose to the Supervisory Board the dismissal of the members of the Supervisory Board and the Management Board of the Bank,
2. prepare a proposal for an engagement agreement with the President and members of the Management Board of the Bank;
3. regularly, and at least once a year, assess the structure, size, composition and operation of the Supervisory

Board and the Management Board of the Bank and, if necessary, propose changes,

1. regularly, and at least once a year, assess the knowledge, abilities and experiences of individual members of the

Management Board and the Supervisory Board, and the Management Board and the Supervisory Board as a whole, and report the assessment to those bodies of the Bank,

g) regularly review the effectiveness of the policy for the election of members of the Supervisory Board and the

Management Board of the Bank and appointment of the holders of key functions, i.e. senior management; make recommendations to the Supervisory Board and the Management Board of the Bank and, if necessary, propose amendments to them, taking into account the objectives and policy of diversity and the time required to perform an individual function,

1. continuously, to the extent possible, ensure the absence of dominant influence by individuals or

a small group of individuals in the decision-making of the Supervisory Board and the Management Board of the Bank for the purpose of protecting the interests of the Bank as a whole.

**4.3.4. Remuneration Committee**

The Renumeration Committee is tasked with providing expert assistance and advice to the Supervisory Board and considering proposals and materials of the Management Board of the Bank for the sessions of the Supervisory Board within the scope of competence of the Renumeration Committee that are prescribed in Article 4 of these Rules of Procedure.

The Renumeration Committee shall have 3 members.

The Supervisory Board shall appoint by a decision the chairman and members of the Renumeration Committee, from among the members of the Supervisory Board of the Bank, whereby the Chairman of the Remuneration Committee is elected from the ranks of independent members of the Supervisory Board.

The term of office of the Chairman and members of the Committee may not exceed the term of office of the Supervisory Board itself. The Supervisory Board may dismiss the Chairman and members of the Renumeration Committee earlier, without stating a specific reason for the same.

When appointing the Chairman and members of the Remuneration Committee, the Bank's Supervisory Board shall ensure that the same makes expert and independent judgments on the remuneration policy, its implementation, and its impact on managing the risks, capital and liquidity of the Bank. In this regard, the members of the Renumeration Committee should, individually and/or together, have knowledge, skills and experience in remuneration policies and practices, systems for risk management and internal control systems, including knowledge of methods to align variable renumerations with risk profile and capital structure of the Bank.

The Renumeration Committee shall provide expert and advisory assistance to the Supervisory Board in specific areas from responsibilities of the Supervisory Board and shall have the following tasks:

a) support the Supervisory Board in adopting and regularly reviewing the general principles of the remuneration

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policy of the Bank and active cooperation in the process of determining the identified employees in accordance with the Decision on the Policy and Practices of Compensating Bank Employees (Official Gazette of FBiH, No. 81/17)

1. providing support and advising the Bank's Management Board when preparing proposals for the Bank's Remuneration Policy;
2. supervising the variable remuneration of heads of control functions and providing recommendations

to the Supervisory Board on the structure and amount of remuneration to these persons;

1. drafting the decisions of the Supervisory Board on:
2. the total amount of variable remuneration to be paid by the Bank to employees for a given financial year;
3. compensations to the Bank's Management members and heads of control functions, on an individual basis;
4. reduction or abolition of variable employee benefits, including activation of malus provisions or

return of compensations, if the Bank's performance is impaired or a loss is incurred,

1. drafting proposals for decisions of the Supervisory Board that have an impact on the risks and risk management of the Bank;
2. ensuring the adequacy of the information on the Compensation Policy provided to the Bank's General Assembly;
3. assessing the procedures and methods with the aim that the compensation system takes into account all risks

of the Bank, and capital and liquidity of the Bank, and that the compensation policy is aligned with the scope of the risk assumed, efficient and reliable risk management, business strategy, objectives, corporate culture, values and long-term interests of the Bank,

1. evaluating the achievement of performance targets and the need to align variable compensations with

the risks assumed from the previous period, including the application of the provisions on malus and return of compensation,

1. reviewing different scenarios to assess the impact of external and internal events on compensation policy

and practice, including assumptions for reverse stress testing;

1. submitting proposals to the Supervisory Board related to the possible use of consulting services regarding

the compensation policy and the implementation of that policy and the implementation of control over the process of appointing a consultant,

1. reviewing and evaluating the compliance of the implementation of the Remuneration Policy, at least once a year, with:
2. relevant regulations, guidelines, generally accepted standards, principles and codes;
3. policies and procedures of the Bank related to Bank employee compensations.

**4.4. Key Functions**

Key functions are control functions and other functions in the Bank that have a significant impact on the management and the business of the Bank.

The Bank organizes the performance of key functions at the Bank's headquarters and in other organizational units

commensurate with its size, internal organization, type, scope and complexity of works performed by certain key

function.

The control functions that are established in the Bank are:

* Risk Management function,
* Compliance Monitoring function,
* Internal Audit function,
* other functions in accordance with the Employee Compensation Policy of NLB Banka d.d., Sarajevo (the function

of anti-money laundering and information security functions).

In accordance with the relevant decision of the FBiH Banking Agency, the heads of control functions shall be appointed and dismissed by the Supervisory Board of the Bank, which shall also determine the compensation for its work.

In the event that the dismissal of the head of the control function is proposed by the Management Board of the Bank, i.e. a member

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of the Management Board of the Bank, the Supervisory Board, when considering the reasons for the dismissal of that person, is obliged to review:

1. written explanations of the Management Board of the Bank or the relevant member of the Management Board

of the Bank and written explanations (i.e.,the opinion) of the head of the control function on the reasons for dismissal,

1. submitted material evidence, which is the reason for the dismissal of the head of the control function,
2. regulations and personnel policy of the bank regulating the termination of employment contracts or dismissal of employees,
3. other relevant evidence and explanations.

Head of the organizational unit of control functions and employees in these units shall be independent

in their work and perform exclusively the tasks for which they are responsible.

The Bank is obliged to immediately, and no later than eight days after the appointment of the head of the organizational units of each control function, inform the FBiH Banking Agency of the appointment, as well as of the reasons for replacement of such persons.

Heads of organizational units of control functions shall compile quarterly, semi-annual and annual

reports on risk management, business compliance monitoring and internal audit, which are submitted to the Management Board, the Supervisory Board and the Audit Committee, and upon their adoption, they are also submitted to the FBiH Banking Agency within the prescribed deadlines.

Other key functions that have a significant impact on the management and operations of the Bank shall be determined and established by its act by the Supervisory Board in accordance with the Law and decisions of the Agency.

The rights and obligations of persons performing key functions in the Bank shall be determined by the Statute, acts of the Bank, contracts concluded by the Bank with persons performing key functions, the Law and regulations of the Agency.

1. **Commitment to Recognizing Conflicts of Interest and**

**Independence of members of the Supervisory Board and the Management Board of the Bank**

**Supervisory Board:**

During the operation and adoption of decisions, the members of the Supervisory Board must take into account above all the interests of the Bank, to which they must subordinate their own or specific interests of shareholders, the Bank's Management Board, the public or other persons. The members of the Supervisory Board shall keep the Supervisory Board informed of any conflict of interest that is arising or could arise from or in connection with the implementation of its functions. A member of the Supervisory Board shall explain conflict of interest and abstain from voting.

The Supervisory Board is obliged to take appropriate measures to eliminate conflicts of interest or establish

control over circumstances that could give rise to a conflict of interest.

A member of the Supervisory Board may not depend on the Bank or its affiliates in such a way that their economic,

personal, or other relationships with the Bank or its affiliates affect impartially, objectively, fairly and

prudent judgment when performing the function of a member of the Supervisory Board. A member of the Supervisory Board is obliged to notify the Supervisory Board of any connection with the Bank or its related party.

**The Bank's Management Board:**

During the operation and adoption of decisions, the members of the Bank's Management Board must take into account above all the interests of the Bank, to which they must subordinate their own or specific interests and must not exploit the Bank's business opportunities for their own interest or interest of persons who share a common interest with them. The members of the Management Board of the Bank shall inform the Supervisory

Board on any circumstances that would be considered a conflict of interest.

A member of the Management Board of the Bank may not carry out any profit-oriented activity in the area of the Bank's activities without consent of the Supervisory Board, nor to arrange activities for their own interest or interest of another person.

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1. **Commitment of the Supervisory Board to assessing its own**

**efficiency**

In order to verify the quality of performance of tasks within its competence and composition, the Supervisory Board shall annually will perform a self-assessment of adequate occupancy and activities of the Supervisory Board, the work of the Supervisory Board as a whole and the work of individual members, possible conflicts of interest of individual members of the Supervisory Board, the functioning of its committees and cooperation with the Management Board of the Bank.

In accordance with the results of the self-assessment, if necessary, the Supervisory Board shall define possible measures to improve efficiency, in terms of composition, education, dynamics of holding sessions and attendance at the same, the necessary information, preparation for sessions, etc.

In the annual report on its work submitted to the Bank's General Assembly, the Supervisory Board shall also report on the self-assessment of the efficiency of the Supervisory Board's work and any proposed measures to improve it.

**7. The General Assembly of the Bank**

The General Assembly of the Bank shall consist of the Bank's shareholders.

The General Assembly of the Bank shall meet at least once a year, in the manner provided for by law, the Statute and the Rules of Procedure of the General Assembly of the Bank.

The Members of the Supervisory Board and the Management Board shall attend the sessions of the General Assembly of the Bank, and the same may also be attended by a representative of the Agency.

The competence of the Bank's Assembly is to decide on:

1. adopting, amending and supplementing the Statute;
2. the Bank's business strategy, the Bank's business plan, programs and plans for maintaining adequate

capital in accordance with legal regulations and regulatory requirements prescribed by by-laws;

1. the formation of the Bank's share capital through the issue of shares or the increase of ordinary shares and

issues or increasing of priority shares and to decide on the issue, withdrawal and cancellation of shares and other transactions with securities, in accordance with the law and the Statute of the Bank;

1. increase and decrease of capital, i.e., on capital investments in another bank or in other legal entities;
2. adopting the annual report on the Bank's operations, which includes the financial statements and reports of the

auditors, the Supervisory Board and the Audit Committee;

1. the distribution of profits and the payment of dividends;
2. the method of covering the loss;
3. status changes of the Bank and on termination of the Bank's operations,
4. purchase, sale, exchange, taking or giving lease and other transactions in assets, directly or

through subsidiaries of the bank during the financial year to the extent of more than 33% of the book value

of assets of the joint stock company on the balance sheet at the end of the previous year, at the proposal of the Management Board and the Supervisory Board;

1. sale and purchase of assets whose value is between 15% and 33% of the book value of the Bank's assets,

if such transaction has not been previously approved by unanimous decision of the Supervisory Board;

1. individual election and dismissal of members of the Supervisory Board;
2. the selection of the auditing company;
3. adopting an appropriate policy for selecting and assessing the fulfilment of conditions for members of the

Supervisory Board and self-assessment of the work of the Supervisory Board, in accordance with the Agency's acts;

1. the establishment, reorganisation and liquidation of subsidiaries and the approval of their statutes;
2. remuneration of the members of the Supervisory Board and the Audit Committee;
3. the Rules of Procedure of the General Assembly of the Bank;
4. the restriction or exclusion of the right of first refusal to purchase new shares in the context of a decision to issue

new shares of an existing or new class;

1. other matters relevant to the Bank's operations, which are within the competence of the General Assembly in

accordance with law, by-laws - decisions of the Agency, the Statute of the Bank and the Rules of Procedure

of the General Assembly of the Bank.

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The General Assembly of the Bank shall, at least annually, consider written information with data on all earnings,

compensations and other remuneration of the members of the Supervisory Board, the Management Board of the Bank and senior management, as well as all contracts between the bank and the members of those committees and other persons associated with those members resulting in the material benefit to these persons, as well as the proposal of the Supervisory Board on salaries, allowances and other benefits of these persons for the coming year. The above data shall be published in aggregate.

The General Assembly of the Bank may not transfer its competences to another body of the Bank.

**8. Compliance and Internal Audit**

During its work, the Bank shall be committed to reconciling operations, which means that it unconditionally strives for business objectives, follows applicable laws, by-laws, guidelines and recommendations of external institutions, good business practices, internal policies and procedures of the Bank, ethical and moral principles, in order to build and maintain trust in the Bank. In this way, it respects external and internal rules and integrity in case of doubt, giving them priority over the otherwise important and legitimate financial objectives of the Bank.

The Bank has adopted the Code of Conduct in the NLB Group, which binds the Bank as an institution and all its employees to carry out lawful and transparent actions.

Compliance oversight is within the competence of the Department of Compliance and Anti-Money Laundering and Countering the Financing of Terrorism (hereinafter: Compliance Function). The Compliance Function is an independent and autonomous organizational unit within the Bank. The head of the Compliance Function shall not perform other functions in the Bank that could lead to a conflict of interest. The Compliance Function has a regular

and direct line of communication to the Bank's Management Board, the Audit Committee, the Supervisory Board and the FBiH Banking Agency.

Within the Compliance Function, an authorized person is appointed to the independent position of Chief AML/CFT Officer/Deputy Chief AML/CFT Officer \*(AML/CFT = Anti-Money Laundering / Countering The Financing Of Terrorism). Chief Officer/Deputy Chief Officer, independent of the Head of the Compliance Functions, has a direct line of communication and reporting to the Bank's Management Board, the Audit Committee, the Supervisory Board and the FBiH Banking Agency on matters within its competence.

In accordance with the provisions of the Law, the Bank has organized the Internal Audit Department (hereinafter: Internal Audit) as an independent organizational unit directly answerable to the Audit Committee and the Supervisory Board and it is organisationally separated from other parts of the Bank.

The Internal Audit work is organized in accordance with the Internal Auditing Handbook (latest valid version

of 18 December 2020) which is aligned with the NLB Group. The content and scope of the Handbook is adapted to the environment in which the Internal Audit operates. In addition to the above, the act named Policy - Charter of the Control Function of Internal Audit in NLB Banka d.d., Sarajevo (hereinafter: Policy) represents the basic document on understanding and role of the function of Internal Audit, defines the objectives, scope, purpose, authorizations and responsibilities, as well as the manner of work of the Internal Audit in accordance with International Standards for the Professional Practice of Internal Auditing and regulatory regulations.

The Policy defines the position of internal audit in the organization and the scope of internal audit, including

the nature of relationship between the functional responsibility of the Chief Internal Auditor towards the Supervisory Board and the manner of cooperation of Internal Audit with external auditors, supervisors and other competent supervisory authorities, and with other organizational units and control functions of the Bank. Internal auditors have access to the documents, employees, premises and equipment necessary to perform tasks.

The Chief Internal Auditor reports directly to the Audit Committee and the Supervisory Board, to which he/she has direct access. Through consulting and a deep understanding of the Bank's operations, the mission of Internal Audit is to improve the Bank's operations with its independent and objective belief based on a risk assessment. The main task of internal audit is to submit to the Bank's Management Board, the Audit Committee and the Supervisory Board an objective and impartial assessment of the quality and effectiveness of internal control, including an assessment of the risk management system and the processes, as well as an assessment of the internal control system. In addition, Internal Audit ensures the continuous development of the internal audit and performs other tasks in accordance with regulations.

In accordance with Article 83 of the Law on Banks of FBiH and Chapter 10 of the Policy, Internal Audit Department on the quarterly, semi-annual and annual basis, reports on its work to the Bank's Audit Committee, informing the Management Board of the Bank, while the reports are reviewed and adopted by the Supervisory Board. The reports on the work of the internal audit function are also submitted to the FBIH Banking Agency in accordance with the prescribed deadlines.

On an annual basis, the Department also prepares an annual work plan, and an annual opinion on the adequacy of the key risks management in the Bank. The reports are also submitted internally to the Audit Committee for an opinion with informing the Management Board of the Bank, with the adoption by the Supervisory Board.

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**9. Caring for the Bank's Employees**

Functioning and implementation of employee care is carried out in accordance with local regulations, standards

of the Bank and NLB Group. The Bank relies on a modern approach to employee capacity management, which

represent the basic source of competitive advantage, successful and sustainable development and reputation, both of the Bank and of NLB Group.

Since the management of employees' capabilities stems from the current and future needs of the Bank and originates from the business strategy in accordance with the vision, mission, goals, culture, values and planned development, the human resources management function has a strategic function and as such represents a significant segment in the operations of the Bank, which supports the implementation of the strategy and respects all participants in human resources and other processes.

The basis for the development of employees and the protection of interests of employees in the Bank is the Labour Law, Collective Agreement, Rules on Performance Management, human resources strategy and other internal acts of the Bank.

**Human Resources Strategy**

The basis for the preparation and updating of the HR strategy is quantitative and qualitative planning and development of the personnel structure according to current and future business needs. This allows planning and

developing the abilities and competencies of employees, in order to be able to cope with the current and future challenges of the Bank and NLB Group, in accordance with the Human Resources Strategy, and the Talent Management Strategy, taking into account the needs arising from the process and organization.

**Determination, planning and provision of necessary abilities (competencies and knowledge) of employees**

The system of competencies and knowledge is the basis for the implementation of personnel strategy, employment policy, development, as well as all systems and activities of managing the capabilities of the Bank's employees. This also supports the strategy of the Bank and NLB Group.

**Recruitment, selection and onboarding of employees**

Recruitment is based on standards and planning of the number of employees, as well as the personnel strategy, which is approved by the Management Board of the Bank, based on the approved personnel plan and established employment needs.

**Performance Management**

The system of evaluation and rewarding performance of workers is regulated by internal acts and is in accordance with the Group's standards. This system implies a combination of job content, required abilities (competencies)

of employees, regular interviews on work performance, staff development, education, promotion (horizontal

and vertically) and monetary compensation, in order to comprehensively manage performance.

**Rewarding**

The employee rewarding system may, in addition to salary, include other forms of monetary compensation, or

non-monetary and non-financial compensation. Much of it relates to financial compensation, i.e. the salary system. The salary system includes a fixed and a variable part of the salary for performance.

**Employee education, training and specialization**

Education, vocational training and specialization are key elements to support the planned employee development. For the Bank, education represents the acquisition, development and use of knowledge with the aim of increasing intellectual capital and improving the competitive advantage of both the Bank and the NLB Group.

**Employee Development and Talent Management**

Employee development is a targeted process arising from the Talent Management Strategy, aligned with the Strategy of the Bank. Therefore, it contributes to the formation of the Bank's value and culture. The Strategy is an important factor in the strategic employee management, and based on the identified current and future needs, it provides the necessary knowledge, experience and abilities to achieve high efficiency of both employees and the Bank as a whole.

**Mobility within NLB Group**

Corporate governance of the NLB Group requires, among other things, strategic supervision, management within the members of the NLB Group, process alignment and transfer of experience and good practice. To this end, the Bank may deploy its personnel to work in other members, and it is also possible to deploy from the Bank to NLB d.d. Ljubljana.

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**Organizational climate and culture**

The organizational climate can be measured once a year or every other year, when comparing with previous year/years. Measurement is performed in all organizational units, and the results are analysed at the level of each organizational unit in the same way and are presented to all employees. After the presented results, an action plan on the necessary improvements is adopted. The Bank also determines the ideal culture, measures the existing one, and prepares a long-term improvement and modification plan.

**Corporate Social Responsibility**

In accordance with the provisions of the applicable legal regulations, by-laws and internal acts, the Bank shall

provide employees with social protection. Within this framework, the following activities are carried out:

* For the purpose of fuller and better health care, the Bank, at the expense of its funds, enables periodic

medical examination, for the prevention and timely detection of the disease;

* Social insurance of employees;
* Granting solidary assistance;
* Provision of collective insurance for employees;
* Supporting sporting and humanitarian events.

For a number of years, the Bank has been acting in a socially responsible manner towards its employees (when overcoming financial problems of employees through solidary assistance in cooperation with the Bank's trade union). The Bank shows its social responsibility through a large number of donations to cultural, humanitarian and sports activities.

1. **Defining a communication strategy and other forms of social**

**and environmental policies**

**Stakeholder groups and communication and cooperation strategies**

The stakeholders and segments of the public with whom we communicate in the Bank are divided into several levels given their specific individual importance, which is measured as an impact on the perception of NLB as a Group.

The Management Board of the Bank is the central communication body of the Bank. Key stakeholders in relation to which the Bank actively strengthens and nurtures self-confidence and manages its reputation are: **decision makers and supervisory bodies, professional public, employees, media and media representatives, clients and general public.** We communicate separately with each group of key stakeholders: the impact on individual stakeholders is the result of the entire communication.

The Bank methodically and actively establishes links with target audiences, aware that a well-organized mutual

relationship with key stakeholders is key to building the image of the Bank and the NLB Group in the narrow and wider general public. Accordingly, the Bank follows:

* the NLB Group values;
* the NLB Group's corporate communication strategy and its own communication objectives;
* key guidelines.

The main goal of a valid communication strategy is a realistic perception and knowledge of the Bank and the NLB Group. Other objectives of communication are primarily: maintaining and strengthening the reputation of the NLB Group and the Bank, constant information for the clients, owners and financial audience about the development activities in the Bank and NLB Group and the process of comprehensive transformation of the Bank, prevention and elimination of crisis media situations and communication support to the marketing activities.

**Managing the NLB mark**

The NLB Group actively manages its trademark, fulfilling its core promise in the context of the Bank's perception towards the target audience. In doing so, it strictly follows and upgrades the principles and guidelines concerning the management of the NLB trademark.

**Sponsorships**

The objectives and principles of sponsorship in the Bank are defined in a separate document, the implementation of which is carried out in accordance with the NLB Group guidelines. Sponsorship is part of the implementation of corporate communication strategy of the Bank and NLB Group, which builds reputation and position in the market. They are established as an inseparable and useful link in society and their individual environments, and at the same time build a general positive image of NLB Bank Group in the general public.

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**Environmental and Social Policy**

The Bank actively and transparently implements and strengthens its social and environmental policy, in the way that it is defined by the values of the NLB Group and its internal acts.

The Bank responsibly includes social and environmental objectives in its work processes. Thereby it joins the circle

of domestic and international public and private financial institutions and enterprises that are aware of their role in

society. We play our social and environmental role in the relationship between bank-employees, bank-clients, bank-members and bank-other public.

The Bank's goal in all these relations according to the principles of social and economic policy is to contribute to better quality of people's lives and sustainable development. The formal framework for principles and obligations are based on the applicable legislation of Bosnia and Herzegovina and the European Union. They have been accepted as the basis for the guidelines,

The Bank understands the social policy as a contribution to a group of principles and practices for equality of people, equal ways of arranging things as well as the possibility of progress of the individual and social groups. It is carried out as follows:

* The development and safety of the Bank's employees is ensured,
* Care for employee education,
* Financial support of those who are not employed by the Bank, in the form of scholarships,
* Strengthening the sense of solidarity and encouraging solidarity of employees
* Building a business relationship with partners,
* The availability of services to as many people as possible who need additional help in their daily work,
* Implementation of an appropriate solution for clients (citizens or business entities) who find themselves in trouble,
* Organization of sponsorships and donations for awareness-raising actions, primarily related to social groups

that are vulnerable and endangered,

* Participation in actions and organization of actions for better health.

The Bank understands environmental policy as a group of principles and practices of environmental protection and professional interventions in the area, the preservation of the environment, the protection of natural and cultural heritage, and the promotion of sustainable development.

Since the banking activity itself does not pose a major threat to the natural environment, the institution and its

employees can be an example sending positive messages to their clients and the public. For years, the Bank has adjusted its daily activities to the requirements of ISO 14 001 with the intention of having this standard

achieved. The Bank offers clients services that enable the financing of projects for sustainable permanent development, and will in the future, in cooperation with international financial institutions, provide credit lines for lending for projects in the field of sustainable development.

When procuring any materials, the Bank selects those that are environmentally friendly and from suppliers that

adhere to and comply with environmental standards. The Bank ensures that in its work it reduces the consumption of paper, energy and emissions. The Bank informs and further educates its employees through various forms of education about the content in the field of environmental protection and sustainable development.

**The Bank's Art Collection**

The Bank may establish an art collection to systematically support the development and promotion of fine arts,

raise cultural awareness through coordinated activities with professional cultural and artistic institutions and

fine arts as an item of quality in life and common relations in the immediate vicinity and is part of the wider

social role and responsibility of the Bank.

**11. Final provisions**

The Corporate Governance Policy shall enter into force on the date of adoption, and shall apply as of 1 January 2022. Stakeholders and the public will be informed about the adoption and content through the publication on the website of the Bank.

The Corporate Governance Policy is a public document and is published on the Bank's website.

With the commencement of the application of this Policy, the Corporate Governance Policy number: I-500-18-8.3/20 of 23 October 2020 shall cease to apply.

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1. Law on Banks of FBiH (Official Gazette of FBiH, No. 27/17);
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4. Decision on the Conditions and Procedure for Granting and Withdrawal of Approvals for Selection or Appointment

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1. Decision on the Internal Management System in the Bank (Official Gazette of FBiH, number: 39/21);
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7. Rules on Salaries and Other Material Benefits of Employees of NLB Banka d.d., Sarajevo;
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9. Internal Audit Manual, Fourth Edition, February 2019;
10. Policy - Charter of the Control Function of Internal Audit in NLB Banka d.d., Sarajevo;
11. Code of conduct, 1st Edition, July 2017
12. Standards - Area of Business Compliance and Integrity Strengthening in the NLB Group (3rd Edition)
13. Policy of Integrity and Compliance of Operations in NLB Banka d.d. Sarajevo, 1st edition, June 2017
14. Policy of Integrity and Compliance of Operations in NLB Banka d.d. Sarajevo, 1st edition, July 2017
15. Policy for Selection and Assessment of Fulfilment of Conditions of Key Function Holders in NLB Banka d.d.

Sarajevo, third edition, March 2019

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Compiled and reviewed by



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| --- | --- | --- | --- |
| **Signatory and position** | **Reason** | **Date** | **Signature** |
| **in OU** | **of signing** | **of signing** |  |
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| Risk Management |  |  |  |
|  |  |  |  |

**SUPERVISORY BOARD**

**Number: I-500-2-8.2/21** **CHAIRMAN**

**Sarajevo, 29 July 2021** **OF THE SUPERVISORY BOARD**

**Peter Andreas Burkhardt**

Corporate Governance Policy of NLB Banka d.d., Sarajevo, 29 July 2021

Secretariat