



## **Policy**

**Policy on the selection of suitable candidates for members of the Supervisory Board of NLB d.d.**

**Version 2, General internal act**

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### Chronology of amendments

Version	Date	Description
1	August 2015	Adoption of the Policy
2	March 2019	Amendments and supplements to the Policy – adjustment to the EBA Guidelines on internal governance

## **1. Introduction**

With the Policy on the selection of suitable candidates for members of the Supervisory Board of NLB d.d. (hereinafter: the Policy), NLB d.d. lays down the framework enabling the Supervisory Board of NLB d.d. to be composed in such a way that, as a whole, it has the appropriate knowledge, skills and experience required for an in-depth understanding of the Bank's strategy and challenges, and the risks to which it is exposed. The policy sets out the process of selecting suitable candidates for Supervisory Board members, which is composed of several steps, and the professional criteria of selection and expertly managed procedures of candidate selection enabling the bodies of the Bank to lay the grounds for selection and perform due diligence in accordance with the highest ethical standards and care in the selection of suitable candidates for Supervisory Board members. This will also ensure that the Bank's Supervisory Board is composed of individuals having a balanced range of skills, knowledge and experience with regard to the strategic goals and challenges, and possessing appropriate qualifications as a team considering the size, complexity and risk profile of the Bank. Expertly and transparently managed processes are not only in the Bank's interest but also in the interest of the selected candidates because they dispel doubts about their expertise, qualification, independence, references and whether they are the right choice.

The terms relating to persons in this Policy written in masculine grammatical form are meant to be neutral and apply to both men and women.

## **2. The grounds of the Policy**

1. The Supervisory Board as a whole must cover an adequately wide range of knowledge, skills and experience of its members, and be composed with regard to the following criteria: knowledge, skills and experience, reputation, management of any conflicts of interest, independence, available time and collective suitability of the Supervisory Board as a whole.
2. The Policy promotes achieving variety in the composition of the Supervisory Board, including an appropriate target representation of both genders in its membership.
3. The selection procedure is divided into six steps, namely: identification of the need to appoint a member, definition of the profile, search, proposal for appointment and appointment of the Supervisory Board member.
4. The procedure is conducted and performed by the Nomination Committee of the Supervisory Board of NLB d.d.
5. The laying down of conditions for the performance of the office of a Supervisory Board member

## **3. The laying down of conditions for a Supervisory Board member**

Candidates for members of the Supervisory Board of NLB d.d. may only be persons who meet the legally prescribed conditions for a supervisory board member under the above regulations and the criteria set out below.

In addition to meeting all legal and statutory conditions, the candidates for members of the Supervisory Board must also have appropriate knowledge, skills, experience and competencies for supervising and monitoring the operations of the Bank, including personal integrity and sufficient time to perform the function of a member of the Bank's Supervisory Board considering any other activities of the candidate outside the Bank. This enables them to supervise and monitor the Bank's business in a diligent, responsible and efficient manner, whereby they act alongside the Management Board in defining and

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setting the values of the Bank and its business strategy in a way making it successful in the long term and in alignment with the Bank's interests and the general ethical standards of bank governance. More detailed criteria for assessing the suitability of the candidate's characteristics are laid down in the applicable Policy to assess the suitability of the Management and Supervisory Board members of NLB d.d.

The candidates for members of the Supervisory Board of NLB d.d. must prove they are capable of constructive-critical cooperation in discussing the most important matters of the Bank with the aim of constant pursuit of the best interest of the Bank and thus the ability to be actively involved in the supervision of the work of the Bank's Management Board and the operations of the Bank, as well as their independence. Subject to meeting the conditions prescribed by the law and other legal acts indicated under Item 8 above, and the statutory conditions, the candidate must also obtain a positive assessment of suitability in accordance with the Policy to assess the suitability of the Management and Supervisory Board members of NLB d.d.

The candidate must already disclose proactively any potential conflict of interest in the selection procedure. The candidate must put the Bank and its structure before any individual or personal interest, particular interest of third parties and interest that could arise from the candidate's previous offices and other activities and economic, professional or private connections with third parties (including the members of the Management Board or Supervisory Board of the Bank) and possibly affect them when taking decisions for the benefit of the Bank. **Thus, the candidates must indicate information on their membership in other management or supervision bodies, and the assessment of potential conflict of interest.**

The composition of the Supervisory Board must be such to achieve collective suitability, which is shown in:

- different levels of experience, age, education and expert knowledge at the level of individual Supervisory Board members and consequently at the level of the entire Supervisory Board, in particular in the field of capital markets, financial analyses and reports, matters related to financial strength, strategic planning, corporate governance and familiarity with laws and regulations;
- knowledge of the local, regional and, if appropriate, global economic market as well as the characteristics of the legal and regulatory environment, taking into account the international experience of individual members of the Supervisory Board;
- suitable method of communication, cooperation and critical judgement or discussion in the process of decision-making, to which contribute the characteristics of every member; and
- appropriate gender representation.

External consultants/executive search agency may be invited to participate in the search for and selection of the most suitable candidates.

**It is crucial in the process of searching for and selecting the candidates to provide a considerable range of potential candidates in order to achieve collective suitability and efficiency of the Supervisory Board as a whole. The search for potential candidates may include the traditional methods of searching, specialised agencies with international experience chosen by NLB d.d. If the Management Board on the proposal of Supervisory Board decides to engage an external specialised agency for the selection, such procedure must be transparent and conducted in line with the rules on purchasing.**

**The selection of candidates for members of the Supervisory Board shall pursue the goal of having both genders appropriately represented in the Supervisory Board.** With that aim, a notification of the search for suitable candidates shall be sent to female sections of managers' associations and executive search agencies shall be instructed to have both genders appropriately

represented in the group of potential candidates. It is necessary to identify the best candidate, the runner-up and the best candidate of the opposite gender, if not represented among the top two candidates, with an explanation why they were not selected as the best candidate.

To assess the suitability of the candidates and the collective suitability, the criteria and the procedures as laid down in the applicable Policy to assess the suitability of the Management and Supervisory Board members of NLB d.d. shall be used as appropriate.

**The selection of candidates for Supervisory Board members shall follow the aim of the Supervisory Board as an integrated body possessing the appropriate knowledge, skills and experience to successfully supervise the operations and performance of the Bank, monitor the conduct of the Bank's business, among other based on the knowledge and understanding of its operations and financial data, goals, strategies and policies, as well as taking into account the provisions, standards and requirements of the regulator. Supervisory Board members shall have complementary knowledge and experience in order for them to work in accordance with the Bank's goals, strategies and policies and act in its best interest, and be independent and of high reputation.**

#### **4. Definition of the candidate selection procedure**

##### Self-assessment

The Supervisory Board shall once a year assess its composition, performance, potential conflicts of interest of individual members, performance of individual members and the Supervisory Board as a whole, and efficiency and performance of cooperation with the Management Board. The Supervisory Board shall also make a self-assessment of its collective suitability. If it establishes that the number of the members of the Supervisory Board is inappropriate or that the number of the members of the Supervisory Board must be increased, or that certain knowledge, skills and experience are lacking, or that the members in the Supervisory Board are no longer qualified to perform this function because they do not meet the required conditions, or because one or several members are unsuitable and thus the Supervisory Board as a whole no longer meets the required collective suitability, the Nomination Committee shall inform about this the persons holding the shares or other rights representing significant stakes in accordance with the provisions of applicable regulations who informed the Bank about this. In the notice referred to in the preceding paragraph, the Supervisory Board shall invite the addressees to examine the candidates for Supervisory Board members who meet the conditions prescribed by the applicable regulations, this Policy, other regulations and other Bank's internal documents.

##### **The procedure based on the above shall be as follows:**

The General Meeting shall decide on the appointment and recall of the members of the Supervisory Board at the proposal by the Supervisory Board of NLB d.d., after prior treatment of the candidates by the Nomination Committee of the Supervisory Board of NLB d.d. The Supervisory Board of NLB d.d. must treat all candidates proposed by the Nomination Committee of the Supervisory Board of NLB d.d. and prepare an explanation of its proposal, which must, in addition to the contents defined below, also comprise an explanation of the rejection of the non-selected candidates.

The procedure consists of the following steps:

- identification of the need to search for and nominate a candidate for Supervisory Board member;
- definition of the profile;
- search for candidates;
- selection of the candidates;
- fit & proper assessment of the candidates;
- proposal for appointment of a candidate;

- appointment of a candidate as a Supervisory Board member.
1. The starting point is the **identification of the need to search for and nominate** a candidate for a Supervisory Board member. The Nomination Committee defines the need based on the Supervisory Board's self-assessment of its functioning and collective suitability if any gaps appear and with regard to other changed circumstances. The Nomination Committee also takes into account the goals of the strategy, the Bank's challenges, risk etc. In this step, the Nomination Committee assesses the composition of the Supervisory Board, the level of experience, skills, knowledge and competences, any conflicts of interest, and the element of independence and diversity.
  2. In the second step, the **profile is defined**, i.e. a detailed list of criteria to be met by the sought candidate. The required knowledge and skills (Attachment 2), and experience are determined in accordance with the collective suitability of the Supervisory Board. The Nomination Committee may include different stakeholders and persons holding the shares or other rights representing significant stakes in accordance with the provisions of applicable regulations who informed the Bank about this. A precisely defined profile or matrix of knowledge and skills enables to make a correct list of the candidates, their selection and appointment.
  3. During the **search** for candidates, it is indispensable that the range of candidates is as large and diversified as possible, so as to enable correct selection. Attachment 1 covers the areas of experience needed. Traditional methods, such as agencies, etc. are used. It should be avoided to appoint members invited by the existing members, so as to avoid the so-called group thinking, i.e. to avoid that the composition is not sufficiently diversified with regard to the criteria. The candidates shall submit their CV, motivation letter, indication or other positions and any potential conflict of interest, and a completed form from the Policy to assess the suitability of the Management and Supervisory Board members, including any requested additional evidence, candidate's statement on ethical and business integrity, statement on independence, and statement on the familiarity with the rights and obligations of supervisory board members.
  4. During the **selection**, the Nomination Committee makes a short list of the candidates in accordance with the defined profile and on other bases. The Nomination Committee gives its opinion on each candidate, especially with regard to any conflict of interest, question of independence and lack of time that the candidate can dedicate to working in the Supervisory Board. The candidate is examined with regard to their past activities etc. The Nomination Committee prepares a list of suitable candidates, with no interference by any third party. The Nomination Committee interviews the suitable candidates and presents the possible work and the procedure itself. For the candidates to be proposed to the Supervisory Board for appointment, the Nomination Committee of the Supervisory Board of NLB d.d. makes a fit & proper assessment in accordance with the applicable Policy to assess the suitability of the Management and Supervisory Board members of NLB d.d.
  5. **Proposal for appointment of candidates**  
The Nomination Committee proposes the best candidate for appointment. If the Supervisory Board does not agree with the proposal for appointment, the Committee shall propose the second best candidate.
  6. **Appointment**  
Supervisory Board members are elected by the General Meeting.

## 5. Discretion of the process

The process of selecting candidates shall be strictly confidential, discrete and feature the highest possible level of personal data protection. The interest by top-notch candidates to apply for the job may only be invoked by a respect for discretion of the candidates who apply.

## 6. Transitional and final provisions

The Policy on the selection of suitable candidates for members of the Supervisory Board of NLB d.d. shall enter into force when it is adopted by the Supervisory Board of NLB d.d. and after its publication in the register of internal documents. On the day of entry into force hereof, the Policy for selecting suitable candidates for the member of the Bank's Supervisory Board, Version 1, of August 2015 shall cease to apply.

## 7. Reference documents

The following applicable regulations shall apply:

- Articles of Association of Nova Ljubljanska banka d.d. Ljubljana;
- Banking Act (Official Gazette of the RS, nos. 25/2015, 44/16 – ZRPPB and 77/16 – ZCKR, 44/2017);
- Companies Act (Official Gazette of the Republic of Slovenia no. 65/09 - UPB3, with amendments and supplements);
- Corporate Governance Code for Listed Companies (Slovenian Directors' Association and the Ljubljana stock exchange, 27/10/2016, applicable since 01/01/2017);
- Regulation of the Bank of Slovenia on internal management arrangements, management body and the internal capital adequacy assessment process for banks and savings banks (Official Gazette of the RS, nos. 73,15, 49/16, 68/17, 33/18 in 81/18);
- Directive 2014/65/EU of the European Parliament and Council of 15 May 2014;
- EBA Guidelines on internal governance (EBA/GL/2017/11, 21/3/2018) in conjunction with the Decision of the Bank of Slovenia on the application of EBA Guidelines on internal governance (Official Gazette of the RS, 33/18);
- ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders;
- Policy on the provision of diversity of the management body and senior management
- Policy to assess the suitability of the Management and Supervisory Board members of Nova Ljubljanska banka d.d., Ljubljana;
- Guidelines Corporate governance principles for banks – Basel Committee on banking Supervision, Bank for international settlements, July 2015. Corporate Governance Policy of Nova Ljubljanska banka d.d. Ljubljana.

## 8. Statement of the administrator of the internal document about the alignment and approval of the internal document

*"The administrator of the internal document hereby ensures that the internal document was submitted for review, alignment and approval to all organisational units in the Bank which are affected by the proposed internal document or its amendments and approved it. The internal document is aligned with them in a way that its contents are clear, compliant with other internal documents of the Bank and not in conflict with other internal documents of the Bank.*

**Attachments:** Knowledge and skills (Attachment 1)  
Experience required (Attachment 2)

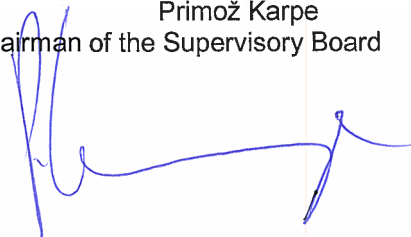
### Preparation and Revision

Name and Surname	Preparation/Review
Vesna Vodopivec, Director Human Resources and Organisation Development	Preparation
Rok Praprotnik, Director Compliance and Integrity	Review
Marko Jerič, Director Legal and Secretariat	Review

Competent body adopting the act: Supervisory Board of NLB d.d.

Ljubljana, 8.3.2019

Primož Karpe  
Chairman of the Supervisory Board





## Attachment 1: Knowledge and skills

### Area of knowledge:

- Financial markets
- Legal knowledge
- Strategic planning, understanding of strategy
- Risk areas (identification, assessment, supervision, risk management)
- Accounting and auditing
- Corporate governance, human resources, and compliance and integrity
- Supervision
- Entrepreneurship
- Retail and corporate banking

### Competencies:

**Authenticity:** is consistent in word and deed and behaves in accordance with own state values and beliefs. Openly communicates his or her intentions, ideas and feelings, encourages an environment of openness and honesty and correctly informs the supervisor about the actual situation, at the same time acknowledging risks and problems.

**Language:** is able to communicate orally in a structured and conventional way and write in the national language or the working language of the institutions location.

**Decisiveness:** takes timely and well-informed decision by acting promptly or by committing to a particular course of action, for example by expressing his or her views and not procrastinating.

**Communication:** is capable of conveying a message in an understandable and acceptable manner and in appropriate form. Focuses on providing and obtaining clarity and transparency and encourages active feedback.

**Judgement:** is capable of weighing up data and different courses of action and coming to logical conclusion. Examines, recognizes and understands the essential elements and issues. Has the breadth of vision to look beyond his or her own area responsibility, especially when dealing with problems that may jeopardize the continuity of the undertaking.

**Customer and quality oriented** focuses on providing quality and, wherever possible, finding ways of improving this. Specifically, this means withholding consent from the development and marketing of products and services and to capital expenditure, e.g. on products, office buildings or holdings, in circumstances where he or she is unable to gauge the risks properly owing to a lack of understanding of the architecture, principles or basic assumptions. Identifies and studies the wishes and needs of customers, ensures that customers run no unnecessary risks and arranges for the provision of correct, complete and balanced information to customers.

**Leadership:** provides direction and guidance to a group, develops and maintains teamwork, motivates and encourages the available human resources and ensures the members of staff have the professional competence to achieve a particular goal. Is receptive to criticism and provides scope for critical debate

**Loyalty:** identifies with the undertaking and has a sense of involvement. Shows that he or she can devote sufficient time to the job and can discharge his or her duties properly, defends the interests of the undertaking and operates objectively and critically. Recognises and anticipates potential conflicts of personal and business interest.

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**External awareness:** monitors developments, power bases and attitudes within the undertaking. Is well informed on relevant financial, economic, social and other developments at national and international level that may affect the undertaking, on the interests of stakeholders and is able to put this information to effective use.

**Negotiating:** identifies and reveals common interests in a manner designed to build consensus, while pursuing the negotiation objectives.

**Persuasive:** is capable of influencing the views of others by exercising persuasive powers and using natural authority and tact. Is a strong personality and capable of standing firm.

**Teamwork:** is aware of the group interest and contributes to the common results; able to function as part of a team.

**Strategic acumen:** Is capable of developing a realistic vision of future developments and translating this into long-term objectives, for example by applying scenario analysis. In doing so, takes proper account of risks that the undertaking is exposed to and takes appropriate measures to control them.

**Stress resistance:** is resilient and able to perform consistently even when under great pressure and in times of uncertainty.

**Sense of responsibility:** understands internal and external interests, evaluates them carefully and renders account for them. Has the capacity to learn and realise that his or her actions affect the interests of stakeholders.

**Chairing meetings:** is capable of chairing meetings efficiently and effectively and creating an open atmosphere that encourages everyone to participate on an equal footing; is aware of other people's duties and responsibilities.

## Introduction and instructions

The responsibility of the management body in its supervisory function as well as in its management function is collective. A management body fulfils its role effectively when it is able to make informed decisions and provide effective oversight. Thus, an effective management body needs to include individuals with a mix of knowledge, skills and experience that are up to date and cover the major business areas of the institution and their risks. It is the responsibility of the institution to ensure that the members of the management body are on an on-going basis collectively competent.

## Possible self-assessment tool for institution

The suitability matrix is a possible tool for an institution to self-assess periodically or annually the collective suitability of the members of the management body. If the matrix is not used, institutions can document and self-assess their collective suitability in their own way, proportionate to their size, nature and complexity.

By assessing the knowledge, skills and experience of the individual members of the management body against the major business areas of the institution and their risks, strengths and weaknesses in the management body can be identified and hence the collective knowledge, skills and experience can be assessed. The outcomes provide input for needs for training. They should be used to determine the required profile of new members and to situate during the supervisory fit and proper assessment process how their proposed appointment fits into the collective suitability.

This matrix is designed to provide a collective assessment of the knowledge, skills and experience of the management body as a whole. It is expected that in a collegiate body there are members with different characteristics, including different types and levels of skills and knowledge, and different professional experiences. To also take into account differences due to the number of years of experience enjoyed by the different members, a separate experience overview can be filled in.

## Internal process for filling in the matrix

The management body as a whole is responsible for performing the self-assessment of the collective suitability, and in case this matrix is used, for setting up an internal process to fill in the matrix in an efficient, transparent, fair and critical way. There are different ways to approach this process but the main point is that it should lead in the end to a collegial discussion, not only about the scores and names crossed behind the different requirements, but most of all about the underlying motivation and the conclusions about the collective suitability. In principle, the practicalities of the internal process can be freely chosen. For CRD IV significant institutions it is however mandatory that the nomination committee is involved (Article 88 (2) (c) CRD IV). The parties involved in the process (such as a specific role for the chairperson, the nomination committee, other internal committees, the human resources department, the actual business lines, possibly external advice) should be determined upfront in the process.

It might be deemed desirable that this matrix is filled in following completion of a questionnaire by each individual member that gives a weighting to the experience through the use of some kind of rating system. Such individual questionnaire is not provided here as the focus of the matrix is clearly collective).

When filling in the matrix, the group context should and can be taken into account where relevant (oversight role of the parent undertaking, intragroup outsourcing arrangements, need for independent checks at subsidiary level ...). The group context will also be particularly important in the description of the business model.

### Possible input for the prudential supervision

As explained, using the suitability matrix is not mandatory based on the EBA/ESMA Fit and Proper Guidelines (EBA/GL/2016/xx or ESMA/GL/2016/xx) only and consequently does not amount to a standard supervisory reporting. Nevertheless the outcomes of the matrix – just like the outcomes of any other tool that would be used by the institution for its self-assessment – could be requested by the competent authority as input for the supervision of the collective suitability of the management body. This supervisory assessment should be based on the mentioned Guidelines.

As part of the national implementation of the mentioned Guidelines, and with the aim to reach the objective behind article 91 (7) CRD IV, competent authorities may require that credit institutions are able to present the types of information included in this matrix, in a different format specified by them.

### Specific and common requirements

The template for a matrix provided below is based on a double perspective: on the one hand requirements that follow from the specific characteristics of the business model of the institution, on the other hand common requirements that are usually relevant for all types of institutions (even though the degree of relevance can still vary). Module A covers the alignment with the business model; model B covers the common requirements and has three subsets of questions: (1) governance, (2) risk management, compliance and internal audit and (3) management and decision-making. For module A, the actual business lines can provide input for the appropriate adaptation of the matrix. Even in module B, open lines appear e.g. to cover specific needs of the institution apart from business model considerations or to cover for national regulations that require additional knowledge, skills or expertise.

### Tables and narratives in the matrix

The matrix will result in tables with collective scores that serve as a quantitative indication for the collective suitability of the management body. Scores (high, medium-high, medium-low, low, absent) are defined using the term "experience" in a broad sense: it should be understood to cover both practical and theoretical aspects and include skills and knowledge. Both theoretical experiences attained through education and training and practical experience gained in previous occupations must be considered.

Behind the scores, the names of the members who bring in most value-added for a particular requirement are crossed in the table. Taking into account that the institution must be able to adapt with minimal disruption if a position is vacated unexpectedly, it is expected that more than one name is crossed. The total number of names crossed will of course also vary depending on the size of the management body. "Name" can refer to current members, but can also refer to possible future members (although the collective score should only relate to the current composition).

Besides the quantitative scores and the crossing of names, the underlying motivations are equally important. There may e.g. be a specific reason to have certain persons on the management body, because of knowledge needed for specific activities. The explanation of the scores and names crossed in the matrix can be added separately in the tables. At the end of the matrix, narrative questions appear that are meant to facilitate clear outcomes.

### Different structures

Institutions usually have, depending on the national regulation, one-tier or two-tier structures. In both structures the members who fulfil the management function and the members who fulfil the supervisory function need to be collectively suitable. Each area of knowledge or expertise needs to be covered collectively by the member(s) of the management body in its management function and – although the type and level of experience may be different – collectively by the member(s) of the management body in its supervisory function. The institution should determine how the overview of the collective suitability is best achieved. It is advisable to fill in a separate matrix for the members of the management body in its management function (as far as it is a collegial body) and the members of the management body in its supervisory function respectively. As part of the supervisory function, attention should also be paid to the collective knowledge and expertise of the specialised committees (risk/remuneration/audit/nomination) within the management body.

## Alignment of the collective suitability with the business model

*This section is meant to provide narrative descriptions of:*

*the current business model of the institution:*

*the main risks associated with the current business model, as included in the risk appetite framework:*

*the strategy (forward-looking perspective):*

*the main risks associated with this strategy:*

*This section is meant to map the required collective experience of the management body in line with the main characteristics of the current business model of the institution, its strategy and the main associated risks that need to be managed. This mapping is done on the basis of the institution's own break down by major geographies, business lines, subsidiaries/branches and product lines, and (sub)types of risks.*

<i>Mirror the generic names in column A by adding the institution's own mapping in column B - add or delete rows as deemed necessary</i>	<i>Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all the members in either the management function or the supervisory function</i>	<i>Fill in a collective score for the management body in its management function/ supervisory function as a whole in its current composition:</i>
		A = Absent L = Low ML = Medium-Low MHi = Medium-High H = High
Group business model / strategy		
Major business line 1		
Major business line 2		
Major business line 3		
Major business line 4		
Major geography 1		
Major geography 2		
Major geography 3		
Major geography 4		
Major branch/subsidiary 1		
Major branch/subsidiary 2		
Major branch/subsidiary 3		
Major branch/subsidiary 4		
Major product line 1		
Major product line 2		
Major product line 3		
Major product line 4		
Group-wide risks		
Credit risk corporate		
Credit risk retail		
Market risk FX		
Market risk Liquidity		
Market risk in trading book		
Interest rate risk in Banking book		
Interest rate risk in Trading book		
Operational risk		
Concentration risk (credit)		
IT risk subtype 1		
IT risk subtype 2		
Legal / reputational risk subtype 1		
Legal / reputational risk subtype 2		
Other risk subtype 1		
Other risk subtype 2		

**Common requirements**

**A. Governance**

*This section is meant to map how the organisational structure of the institution is set up and how responsibilities are allocated and monitored.*

	Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all the members in either the management function or the supervisory function										Fill in a collective score for the management body in its management function/ supervisory function as a whole in its current composition:	
												A = Absent L = Low ML = Medium-Low MH = Medium-High H = High
Assessing the setup and functioning of the administrative organisation												MH = Medium-High
Assessing the setup and functioning of the Internal control system												MH = Medium-High
Assessing the setup and functioning of group-wide governance arrangements (e.g. relationships between parent and subsidiaries and/or branches)												MH = Medium-High
Assessing the setup and functioning of Human Resources												L = Low
Suitability assessment of members of the management body or staff functioning below the level of the management body												MH = Medium-High
Policies and procedures for the induction, training and professional development of the members of the management body or institution-wide												ML = Medium-Low
Remuneration policy and practices (either to members of the management body in its management function or institution-wide) and using incentives to influence behaviours												ML = Medium-Low
Succession planning												ML = Medium-Low
Policy on outsourcing and supervision of outsourced activities												ML = Medium-Low
Other relevant governance topics can be included below (e.g. if the institution is going through a major restructuring exercise which requires specific organisational experience, ...):  To be completed, if and insofar as present												
*												
*												

**Common requirements**

**B. Risk management, compliance and audit**

*This section is meant to map the experience of the members of the management body for a variety of topics from the risk management framework (including first-line-defences and the independent risk management function as a second-line-defence) Furthermore, this section maps the experience of the members of the management body with regard to compliance (a second-line-defence) and internal audit (the third-line-defence)*

	Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all the members in either the management function or the supervisory function										Fill in a collective score for the management body in its management function/ supervisory function as a whole in its current composition:  A = Absent L = Low ML = Medium-Low MH = Medium-High H = High
Setting and implementing the institution's risk strategy, risk culture and risk appetite											
Capital, funding and liquidity, treasury management											
Recovery and resolution											
Stress-testing											
Internal models											
Setting up an independent risk management function and/or assessing its setup, functioning and effectiveness											
Policy on risk management and corresponding procedures and measures											
Laws and regulations concerning risk management											
Accounting aspects of products and services											
Financial information and regulatory reporting											
Setting up the compliance function and/or assessing its setup, functioning and effectiveness											
Policy on compliance and corresponding procedures and measures											
Whistleblowing mechanisms											
Setting up the internal audit function and/or assessing its setup, functioning and effectiveness											
Setting up or overseeing the (annual) audit plan											
<p><i>Other topics of risk management, compliance or internal audit can be included below (e.g. when the institution is going through major court cases or specific risk management issues not covered in the business model mapping) can be included below:</i></p> <p><i>To be completed, if and insofar as present</i></p>											
*											
*											

**Common requirements**

**C. Management, strategy and decision-making**

*This section is meant to map the managerial knowledge, expertise and skills of the members of the management body. Furthermore, this section assesses the collective decision making skills of the members of the management body.*

	Cross the names with an "X" for the individuals who are of most value-added for the particular required experience - add columns for all the members in either the management function or the supervisory function										Fill in a collective score for the management body in its management function/ supervisory function as a whole in its current composition:	
												A = Absent L = Low ML = Medium-Low MH = Medium-High H = High
Managing processes and tasks and providing direction and guidance to others												
Setting tone at the top: consistency in word and deed and acting in accordance with the own stated values and beliefs												
Development of the institution's culture												
Oversight, either over the members of the management body in its management function or the day-to-day management												
Social, ethical and professional standards												
Engaging external experts for the proper execution of own tasks												
Developing and implementing strategy and business models												
Discovering and exploiting opportunities with regard to business sustainability												
Matching of products with specific target groups of clients												
Identifying the long-term interests of the company in assessing products, services and markets in which the company operates and to act accordingly												
Communication about strategy, policies and objectives within the institution or group in a clear and transparent way												
External communication and knowing when stakeholders (such as supervisory authorities, shareholders, clients and external auditors) have to be informed												
Organisation of internal decision-making process in general												
Chairing of an internal decision-making body, committees or (management) group												
Oversight of executives (either supervisory function over management function, or management function over executives below the management body)												
Ensuring meeting takes place with sufficient frequency												
Communication in multi-lingual context if needed												
Information-gathering (internally or externally) in order to take timely and well-informed decisions												
Reporting from specialised committees or (management) groups to the whole management and/or supervisory function												
Ensuring that sufficient alternatives are being weighed in a decision-making process												
Fostering open and inclusive decision-making with room for constructive and robust challenge of proposals												
Weighing the interests of all stakeholders in a decision-making process												
Recognizing and raising the issue of conflicts of interests in the decision-making process												
Assessing sufficiently whether decisions have been taken in line with the company strategy												
Laying down and formalising decisions that have been agreed upon												
Other relevant topics of management or decision-making (such as specificities due to the one tier or two tier structure of the institution) can be included below:												
To be completed, if and insofar as present												
*												
*												



## Experience overview

*This section is meant to collect an overview of past banking or financial professional experience present in the management body, in the own institution or elsewhere. It also provides a quick overview of other types of experience. The overview is meant to help the assessment of the collective suitability also in light of the need to have a diversity of experiences and the need to set up appropriate succession planning.*

<p>Please fill in the appropriate (number of) year(s) of professional experience.</p>								
<p>Year in which mandate needs to be renewed</p>								
<p>Numbers of years serving in a non-executive position in the own institution/group</p>								
<p>Number of years serving in an executive position in the own institution/group</p>								
<p>Number of years of banking or financial experience in large institutions other than the own institution</p>								
<p>Number of years of banking or financial experience in medium-sized institutions other than the own institution</p>								
<p>Number of years of banking or financial experience in small institutions other than the own institution</p>								
<p>Number of years in management positions</p>								
<p>Number of years of experience other than management or financial sector (e.g. academic, legal practice ...)</p>								

## Overall picture of the collective suitability

*This section is meant to assess the collective suitability of the members of the management body, taking into account the mapping of the experience of all members in the context of the overall management body composition.*

### What are the strengths of the management function or of the supervisory function?

The most important strength of the SB is that it consists of people with high level of personal integrity and strong professional background. In addition, its composition is a good balance between international and domestic professionals as well as a good mix of area-specific expertise so that overall they are able to cover all and every aspect of the functioning of the bank that is required.

### What are the weaknesses of the management function or the supervisory function? How and under which timeline will these be managed or mitigated? How effective have been the measures already adopted to manage or mitigate weaknesses?

The main aspect of potential weaknesses to be managed are resulting from changes in the personal composition of the SB, due to expiration of mandates or voluntary resignations. These challenges can be managed by selecting new members who can meet the highest ethical standards and at the same time have the needed expertise.

### Considerations regarding the overall composition of the management body

Explain here why the institution deems this composition of the management function and of the supervisory functions adequate and effective; e.g.:

- How is the collaboration between members?
- What roles do the various people have for the dynamics of group discussions and decisions?
- What particular characteristics do members have that add to the collective suitability?
- Is the board size appropriate?

Collaboration among members is excellent, everyone is approaching the issues with professionalism and respect. Group dynamics works very well. Members realize each-others contributions, at the same time each member tends to raise new relevant aspects of issues for consideration. It is also important that everyone exercises sufficient self-restraint so that discussions remain focused and conclusions reached within reasonable time limits. The board can work with 6 members, but the total membership of 9 seems optimal.

### Having in mind a long term perspective on the institution (major challenges ahead such as business model sustainability, mergers or take-overs, restructuring, new markets ...) but also succession planning, what will be the future needs for the collective suitability of the management body?

NLB is a large and diverse banking group, so further regular training sessions on relevant aspects of the organization or deeper look at key functions will need to be an ongoing activity for the SB.

## Annexes

*This section is meant - for internal records purposes - to briefly explain the internal process behind filling in the matrix, give extra explanations for the scores where desired and insert an overview of documentation that is attached to this matrix.*

### Internal process for filling in the matrix

*Aspects that can be covered:*

- Parties involved
- Timing (annual assessment, regular assessment, ad hoc assessment)
- Information gathered

### Extra explanations regarding scores for the different modules

Business model alignment

Governance

Risk management, compliance and audit

Management, strategy and decision-making

### Overview of attachments

*List with document names*

