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Based on Article 23 of the Articles of Association of Nova Ljubljanska banka d.d., Ljubljana, the Supervisory Board hereby adopts the following

## **Policy**

**Remuneration Policy for the Members of the Supervisory Board of NLB d.d. and the Members of the Management Board of NLB d.d.**  
Version 1, general internal document

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## **Chronology of amendments**

<b>Version</b>	<b>Date</b>	<b>Description</b>
1	15/10/2021	Version 1

## 1. Introductory provisions

### 1. Article

The basic principles of remuneration policies serve as a framework for all employees at NLB d.d. and part of it is also this Remuneration Policy.

The remuneration of other employees, who are not members of the supervisory board or members of the management board, is regulated in separate remuneration policies and other documents.

The provisions of this Remuneration Policy for the Members of the Supervisory Board of NLB d.d. and the Members of the Management Board of NLB d.d. (hereinafter: the Remuneration Policy or the Policy) regulate the remuneration system for the members of the Supervisory Board and the Management Board of NLB d.d.

The provisions of this Remuneration Policy are harmonised with the Companies Act (ZGD-1), the Banking Act (Zban-3), the Employment Relationships Act (ZDR-1) and other relevant Slovenian and EU regulations, as well as with the Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22 of 27 June 2016; hereinafter: the EBA Guidelines), with NLB d.d. (hereinafter also: the Bank or the Institution) pursuing the principle of proportionality, taking into account the total assets, the size of the Bank's assets, the available equity and debt instruments, the capital requirements and other criteria defined in the relevant provisions and the EBA Guidelines.

Through the NLB Group corporate governance system and the Competence Line (hereinafter: the CL), the other entities making up the NLB Group together with NLB d.d. (such other entities hereinafter referred to as: the NLB Group members) have to reasonably transpose this Policy into their internal governance, as requested by the relevant regulations and the EBA Guidelines, taking into account the local legislation and other regulations.

### 2. Article

The Policy provides clear guidelines for prudent remuneration in accordance with the above regulations and documents, with the aim of ensuring prudent and efficient risk management.

### 3. Article

This Policy is based on the principle of equal payment for equal work or work of the same value for the employed men and women, and is therefore gender-neutral.

### 4. Article

The terms used in this Remuneration Policy shall have the following meaning:

- "Management body" means the Bank's Supervisory Board or Management Board;
- "Supervisory Board" means the Bank's Supervisory Board;
- "Management Board" means the Bank's Management Board;
- "employees performing special work" are employees who can significantly impact the risk profile of NLB d.d. and/or the NLB Group in the scope of their tasks and activities;
- "remuneration" comprises all forms of direct or indirect financial and non-financial payments and benefits to which employees are entitled based on their contracts concluded with the Bank or another entity in the same group;
- "basic salary" is the basic monthly salary of an individual member of the Management Board as defined in their employment contract;

- "fixed part of salary" or "fixed remuneration" is the part of the salary comprising of the basic salary, allowances and bonuses;
- "bonus" is defined by the labour law regulations applicable at the time and is therefore considered fixed remuneration;
- "salary compensation" is the allowance received by a Management Board member because of their absence from work for the reasons defined by labour law regulations applicable at the time and is therefore considered fixed remuneration;
- "gross salary" consists of the basic salary of a Management Board member and the length of service bonus, and constitutes fixed remuneration;
- "variable part of salary" or "variable remuneration" is the part of the salary that depends on predetermined and measurable performance criteria and business results of NLB d.d. and the NLB Group, and refers to all remuneration that is not fixed;
- "bonus pool" means the maximum amount of variable remuneration which can be awarded in the award process set at the level of the institution or an institution's business unit;
- "accrual period" means the period of time for assessing or measuring the performance of a Management Board member in order to determine their variable remuneration, which is not shorter than one year;
- "award" means the granting of variable remuneration for a specific accrual period, independently of the actual point in time where the awarded amount is paid;
- "vesting" means the effect by which a Management Board member becomes the legal owner of the variable remuneration awarded, independent of the instrument which is used for the payment or if the payment is subject to additional retention periods or clawback arrangements;
- "deferral period" is the period for which NLB d.d. defers the payment of the variable part of the remuneration of a Management Board member. The deferral period starts upon the payment of the non-deferred part of the variable remuneration and lasts at least 5 years. In this period the Management Board member is not the legal owner of the variable part of the remuneration awarded;
- "instruments" mean shares, instruments or other contracts under Item 3 of the second paragraph of Article 190 of the ZBan-3 or that fall within one of the two categories referred to in Article 94(1)(l) of Directive 2013/36/EU;
- "retention period" means a period of time after the vesting of the variable remuneration that has been awarded in instruments for payment, during which they cannot be transferred;
- "malus" means an arrangement (in this Remuneration Policy, in the employment contract or in another document) that permits the Institution to reduce the value/amount of all or part of deferred variable remuneration based on ex post risk adjustments before it has vested;
- "return of variable remuneration" or "clawback" means an arrangement (in this Remuneration Policy, in the employment contract or in another document) under which a Management Board member has to return (a part of) the variable remuneration paid in the past or which has already vested to the institution, but not yet paid to the Management Board member, under certain conditions;
- "share-linked instruments" mean those instruments whose value is based on the value of the stock and that have the share value as a reference point, e.g. stock appreciation rights, types of synthetic shares;
- "shareholder" means a person who owns shares in an institution or, depending on the legal form of an institution, other owners or members of the institution;
- "business year" shall be equal to a calendar year.

## **2. General principles**

### **5. Article**

The Remuneration Policy shall be consistent with the goals of NLB d.d. and the NLB Group, the business strategy of NLB d.d. and the NLB Group, the organisational culture and values, long-term interests, the environmental, social and governance (ESG) factors, the measures to prevent conflicts of interest, the risk profile and the risk appetite.

The Remuneration Policy has been designed so as not to stimulate the members of management bodies to assume non-proportionally high risks or risks that exceed the ability of NLB d.d. and/or the NLB Group to assume risks, taking into account all risks, including reputational risks and risks resulting from mis-selling or unethical selling of products or other unethical or non-compliant behaviour.

NLB d.d. shall ensure that the Remuneration Policy is compatible with adequate and efficient risk management and that it stimulates such management.

In terms of payment of the variable remuneration the Remuneration Policy takes into account the fulfilment of obligations or achievement of goals referring to capital or liquidity and helps achieve and maintain a sound capital base.

The proposal for the Remuneration Policy shall be approved by the Management Board and the Remuneration Committee of the Supervisory Board of NLB d.d. The Remuneration Policy shall be adopted by the Supervisory Board, and then submitted to the vote of the General Meeting of Shareholders of the Bank for approval. The Bank shall submit the Remuneration Policy to the General Meeting of Shareholders of the Bank to vote on it upon any major amendment, and in any case at least every four years. The voting on the Remuneration Policy by the General Meeting of Shareholders of the Bank is of a consultative nature.

### **6. Article**

Conflicts of interests arising from the Remuneration Policy and award of remuneration should be mitigated appropriately, including by establishing objective award criteria based on the internal reporting system, appropriate controls and the four eyes principle. Compliance with the rules of the Remuneration Policy, taking into account of all the regulations binding on the Bank, ensures that conflicts of interest arising from the payment of variable or fixed remuneration in instruments are identified in advance and managed. The Remuneration Policy further ensures that no material conflicts of interest arise for management body members in control functions.

## **3. Contribution of the Remuneration Policy to the promotion of the business strategy, long-term development and sustainability of NLB d.d.**

### **7. Article**

Efficient management of risks and capital at all levels is crucial for maintaining a profitable operation of the NLB Group over the long run.

The variable remuneration refers to the payment that depends on the results achieved that are directly connected with the achievement of the goals of the NLB Group and NLB d.d. and the goals of the individual, and is awarded and paid in the form of money and/or instruments. These goals are

intendant for the achievement of long-term generation of value and sustainable results, and combine the financial goals with the environmental, social and governance goals.

The NLB Group contributes to sustainable financing by including environmental, social and governance (ESG) risks in its business strategies, the risk management framework and internal governance. Thus, the ESG risk management follows the ECB and EBA guidelines and it included in all relevant processes.

Sustainable operation refers to the management of direct ESG impacts, while ensuring ethical and efficient operation. Our goal to improve sustainable operation is to be achieved by measuring, managing and reporting on the performance in accordance with the applicable EU regulations and UN principles.

#### **4. The role of the compliance function and internal audit**

##### **8. Article**

The Compliance and Integrity (hereinafter: SPKI) shall analyse how this Policy affects the Bank's compliance with the legislation, regulations, other policies of the Bank and its risk appetite, and shall report all identified compliance risks and non-compliance issues to the Management Board and the Supervisory Board. The Remuneration Committee of the Supervisory Board and the Supervisory Board shall take into account the findings of the compliance function in the process of adopting this Policy and amendments to it, and in the processes of its review and supervision.

A central review of compliance with the regulations, NLB Group policies, procedures and internal rules shall be performed by the internal audit function of the Bank, assessing whether the overall remuneration policies, practices and processes:

- a) operate as intended (in particular, that approved policies, procedures and internal rules are being complied with; that the remuneration pay outs are appropriate, in line with the business strategy; and that the risk profile, long-term objectives and other goals of the Bank are adequately reflected, taking into account the opinion of the Global Risk);
- b) are compliant with national and international regulations, principles and standards; and
- c) are consistently implemented across the NLB Group, are compliant with the principles and restrictions under Article 190 of the ZBan-3 and do not limit the Bank's ability to maintain or restore a sound capital base of the Bank or the NLB Group.

#### **5. Definition of the members of a management body as employees performing special work**

##### **9. Article**

In accordance with the Zban-3, the members of a management body are employees performing special work.

A management body member cannot be exempted from the application of this Remuneration Policy.

#### **6. Remuneration of the members of the Supervisory Board**

##### **10. Article**

In relation to their function of a member of the Supervisory Board, a members of the Supervisory Board may only receive remuneration that is compliant with the relevant resolutions of the Bank's General Meeting. The Bank's General Meeting may determine and change the remuneration of the

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members of the Supervisory Board independently from this Remuneration Policy, and may change, repeal or replace any of its resolutions in relation to the remuneration of the Supervisory Board members at any time, or adopt a new resolution in relation to the remuneration of the Supervisory Board members.

At the time when the Supervisory Board adopted this Remuneration Policy, the Bank's Articles of Association contained the following provision (last paragraph of Article 20 of the Articles of Association of the Bank):

"The Supervisory Board members are entitled to a remuneration for performing their function and/or attendance fees for their membership in the Supervisory Board of the Bank and the committees of the Supervisory Board of the Bank, which are determined in accordance with respective applicable resolution by the General Meeting of the Bank, and to reimbursement of travel expenses, daily allowances and accommodation costs up to the amount provided by the regulations governing reimbursement of costs related to work and other income not included in the tax base."

At the time when the Supervisory Board adopted this Remuneration Policy, the following resolution adopted by the Bank's General Meeting on 21/10/2019 was relevant for the remuneration of the Supervisory Board members other than workers' representatives:

"Point 2: Determination of the payments to the members of the Supervisory Board of NLB d.d. and its Committees

The members of the Supervisory Board shall receive for the performance of the office a payment of EUR 60,000.00 gross per member annually ("basic remuneration"). The Chair of the Supervisory Board shall be entitled to a bonus for the performance of this function amounting to 25% of the basic remuneration, while the Deputy Chair of the Supervisory Board shall be entitled to a bonus for the performance of the function amounting to 15% of the basic remuneration (hereinafter both bonuses referred to as "bonus").

The members of a committees of the Supervisory Board shall receive an extra payment for performing the function of a member of the committee, which for an individual member of the committee amounts to 10% of the basic remuneration ("extra remuneration") and shall be paid for membership in no more than two committees, even if an individual member of the Supervisory Board is a member of more than two committees. In addition to the extra remuneration, the chair of a committee shall also be entitled to an additional extra payment amounting to 15% of the basic remuneration ("additional extra remuneration"), with the additional extra remuneration being paid for the performance of the function of the chair of the committee in no more than one committee, even if an individual member of the Supervisory Board performs this function in more than one committee.

The members of Supervisory Boards shall receive the basic remuneration, bonus, extra remuneration and additional extra remuneration in proportional monthly payments to which they shall be entitled for as long as they perform the function. The monthly payment shall amount to one-twelfth of the above stated annual amounts. If they perform the function for less than one month, they shall be entitled to the proportional payment calculated based on the number of days they perform the particular function.

The Supervisory Board members shall be entitled to the reimbursement of travel expenses, daily allowances and costs of overnight accommodation related to their work in the Supervisory Board up to the amount specified in the regulations on reimbursement of work-related expenses and other income not included in the tax base. Accommodation expenses shall be reimbursed if the permanent or temporary residence of a Supervisory Board member or a member of a Supervisory Board committee is at least 100 kilometres away from the place of work and when a Supervisory Board member is unable to return as there is no public transport connection scheduled or for other objective reasons.

The Supervisory Board members shall not be entitled to any benefits exceeding the provision of the conditions for smooth work of the Supervisory Board (payment of insurance premiums, except for

liability insurance, company car, company flat and fuel). The members of the Supervisory Board shall be entitled to benefits providing for or improving the conditions or methods of their work (ICT equipment, professional training, visits to institutions, organisations and bodies and liability insurance), accounting for the actual needs of the company and the individual needs of the members of the Supervisory Board, as decided by the Supervisory Board.

On the day this resolution is adopted, the resolution on the determination of the Supervisory Board of NLB d.d. and Supervisory Board Committee members' attendance fees which was adopted at the 22<sup>nd</sup> Annual General Meeting of NLB d.d. on 11/06/2013, shall cease to apply."

At the time when the Supervisory Board adopted this Remuneration Policy, the following resolution adopted by the Bank's General Meeting on 15/06/2020 was relevant for the remuneration of the Supervisory Board members who are workers' representatives:

"Point 8: Determination of the payments to the members of the Supervisory Board of NLB d.d. who are workers' representatives

The remuneration of an individual member of the Supervisory Board representing the interests of employees ("workers' representatives") for the performance of the function amounts to EUR 60,000 gross per year ("basic remuneration"), less the gross amount of salary payment, any work-related allowances, holiday allowance received by an individual workers' representative for employment in NLB d.d. or in another member of the NLB Group ("gross remuneration") in a particular year.

For membership in the committees of the Supervisory Board, workers' representatives shall receive an extra payment for performing the function of a member of the committee, which for an individual member of the committee shall amount to 10% of the basic remuneration ("extra remuneration") and shall be paid for membership in no more than two committees, even if a workers' representative is a member of more than two committees.

The monthly payment shall be calculated by reducing 1/12 of the basic remuneration in the amount of EUR 5,000 gross (potentially increased by 1/12 of the extra remuneration) by the gross remuneration from employment in NLB d.d. or in another member of the NLB Group in a particular month. If the gross remuneration in a particular month exceeds EUR 5,000 (increased by any extra remuneration), the monthly payment in the following month shall be reduced by the gross remuneration in excess of this amount.

If they perform the function for less than one month, they shall be entitled to the proportional payment calculated based on the number of days they perform the particular function.

Workers' representatives shall be entitled to a reimbursement of travel expenses and costs of overnight accommodation related to their work in the Supervisory Board up to the amount specified in the regulations on reimbursement of work-related expenses and other income not included in the tax base. Accommodation expenses shall be reimbursed if the permanent or temporary residence of a worker's representative or a worker's representative who is a member of a Supervisory Board committee is at least 100 kilometres away from the place of work and when they are unable to return as there is no public transport connection scheduled or for other objective reasons.

Worker's representatives shall not be entitled to any benefits exceeding the provision of the conditions for smooth work of the Supervisory Board (payment of insurance premiums (excluding liability insurance), company car, company flat, fuel). Worker's representatives shall be entitled to benefits providing for or improving the conditions or methods of their work (ICT equipment, professional training, visits to institutions, organisations and bodies and liability insurance), accounting for the actual needs of the Bank and the worker's representative's individual needs as decided by the Supervisory Board.



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The resolution Determination of the payments to the members of the Supervisory Board of NLB d.d. and its Committees adopted at the 34th General Meeting of Shareholders of NLB d.d. held on 21/10/2019 shall not apply to the workers' representatives."

All remuneration of the members of the Supervisory Board defined in the above-mentioned resolutions of the Bank's General Meeting shall constitute fixed remuneration.

## 7. Remuneration of the members of the Management Board

### 11. Article

The following principles are observed in the remuneration of the members of the Management Board:

1. appropriate remuneration (remuneration of members of the Management Board comparable to the wage trend on the market and thus competitive in comparison with the remuneration of members of the Management Board of eligible international institutions)
2. reward related to performance (achieving and exceeding the set goals is rewarded accordingly, which is also reflected in the amount of variable remuneration).

The remuneration of a Management Board member shall consist of:

- A fixed part of the salary, which reflects the relevant professional experience, responsibilities and duties of a member of the Management Board, as defined in the job description of the member of the Management Board which is part of the recruitment conditions. The fixed part of the salary of the member of the Management Board was determined by the Supervisory Board based on the international benchmark of comparable banks with regard to the function/area covered by an individual member of the Management Board.
- A variable part of the salary, which reflects sustainable and risk-adjusted performance and performance that is better than expected and defined in the job description of the Management Board member which is part of the recruitment conditions. The amount of the variable part of the salary of a Management Board member depends on:
  - the achievement of the financial goals of the NLB Group;
  - the achievement of the financial goals in areas within the competence of the Management Board member;
  - the personal goals of the Management Board member.

The components of the fixed remuneration are the following:

- Salary:
  - o comprises all bonuses and other payments to which the employees of the NLB are entitled under any relevant document
- Allowances:
  - o annual holiday pay and other paid absence from work in circumstances stated in the relevant documents indicated in the contract
  - o compensation for the non-competition period
- Other remuneration:
  - o annual holiday allowance paid to a member of the Management Board in accordance with the resolutions of the Bank applicable at the time
  - o separation allowance if they perform work and reside outside the place where their family resides
- Cost reimbursements:
  - o for travel and accommodation expenses in relation to the business trips of the Management Board member
  - o for the purchase of airline tickets when the Management Board member permanently resides abroad
  - o as compensation for the use of own funds when working from home in accordance with the relevant documents
- Other benefits:

- use of a company car for business and private purposes of the Management Board member
- company car with a driver for business purposes
- company mobile phone and an annual budget in accordance with the relevant documents
- air transport within the EU in economy class and outside the EU in business class
- training of the Management Board member in relation to the employment
- membership fees for professional associations and publications in relation to the employment and/or fulfilment of the obligations of the Management Board member
- medical examinations, spa treatment and rehabilitation
- collective accident insurance
- health insurance at home and abroad
- collective voluntary supplementary pension insurance
- accommodation of the Management Board member in Ljubljana
- liability insurance (D&O)
- remuneration of the costs of tax consulting when the Management Board member is a tax resident of another country up to the ceiling for an individual calendar year specified in the contract
- housing loans for the staff under the same terms and conditions as those applying to the key staff employed under collective agreement
- entertainment allowance
- payment of education expenses for minor family members of the Management Board member if the latter moves from abroad in order to perform the function

The components of the variable remuneration are the following:

- variable part of the salary (performance bonus) based on the criteria set by the Supervisory Board within the annual business plan of the Bank
- severance pay – compensation for early termination of the term of office

The ration of gross salary to maximum variable part of the salary shall be 1:0.67.

The employment contract may only stipulate guaranteed variable remuneration of a Management Board member for the first year of their employment in accordance with the Bank's long-term interests. Where the guaranteed part of variable remuneration from this paragraph is awarded to a new Management Board member prior to the first performance assessment period, such variable part of remuneration shall not be included in the calculation of the ratio between fixed and variable components of the total remuneration for the first performance assessment period. The provisions of this Policy on malus, retention and return of variable remuneration do not apply to the guaranteed variable remuneration under this paragraph. Regardless of the other provisions of this Policy, the total amount of the variable remuneration hereunder shall be paid in cash and shall not be deferred.

## **12. Article**

The employment contract of a member of the Management Board shall be concluded for a specified period of time, for full-time employment, under the terms and conditions set out in the employment contract. The duration of employment shall be set out for a five-year term of office.

The term of office may end:

- on the day of expiry of the term of office;
- due to resignation with a written letter of resignation with a three-month notice, or a shorter notice agreed between the contractual parties;
- due to recall for reasons specified in the ZGD-1 with immediate effect or without a notice period;
- due to recall based on the decision of the competent authority (decision of the competent court, the Bank of Slovenia or other authority of jurisdiction).

### **13. Article**

If, pursuant to the binding regulations, part of the variable remuneration of a certain member of the Management Board must consist of ordinary or preference shares of the Bank, or instruments related to shares or equal non-cash instruments, the variable remuneration shall be set according to the criteria whereby the Bank ensures compatibility with a prudent and efficient risk management.

The Supervisory Board shall determine the instruments to be used for part of the variable remuneration of the Management Board member in accordance with the regulations applicable at the time.

Unless the Supervisory Board decides otherwise, the part of the variable remuneration of the Management Board member consisting of instruments shall be awarded and paid, under the terms and conditions of this Policy, in instruments whose value is based on the value of the share of NLB d.d. (with these instruments not giving any dividends or other yields).

## **8. Performance criteria**

### **14. Article**

The members of the Management Board are entitled to the annual variable part of the salary based on their achievement of financial and non-financial performance criteria under the terms and conditions of this Policy.

The following goals in the following ratios shall be used for assessing the performance of an individual member of the Management Board:

- financial goals of the NLB Group 50%;
- financial goals in the areas covered by the member of the Management Board 30%;
- personal goals of the member of the Management Board 20%.

Notwithstanding the preceding paragraph, the following goals in the following ratios shall be used for assessing the performance of the member of the Management Board responsible for the area of risks (CRO):

- financial goals of the NLB Group 20%;
- goals of the risk management function (CRO) 60%; the goals in this indent are independent from the performance of the business areas that the member of the Management Board supervises;
- personal goals of the member of the Management Board 20%.

The financial performance indicators arise from the strategic plan of the NLB Group and are, in line with the strategic orientations, oriented towards acquisitions and optimisations, and support the implementation of the strategy and strategic projects and goals arising from the ESG guidelines.

The non-financial performance indicators arise from the activities supporting long-term changes reflected in the method of operation and approach to clients, supporting changes in the corporate culture, and supporting the values of the Bank and the employees.

The goals, criteria and methodology for establishing the performance of the Management Board members shall be set by the Bank's Supervisory Board for each individual business year.

The maximum possible amount of the variable part of the salary of a member of the Management Board for an individual business year for the period until including 05/07/2021 shall be 8 salaries, while for the period as of 06/07/2021 it shall be 7 salaries.

## **The general rules related to the award and payment of variable remuneration**

### **15. Article**

The award and payment of the variable remuneration (also the deferred part) to a Management Board member shall depend on adjustment criteria which result from risk management through the system for monitoring performance based on KPI & KRI targets at the level of the NLB Group.

The criteria applied shall include compliance with the adopted policies, methodologies, orientations, regulators' and auditors' requirements as well as authorisations linked to the work of the Management Board member.

The award of the variable remuneration is regulated in detail in Article 18, the payment in Article 19 and the subsequent risk-adjustment in Article 21 of this Policy.

When assessing the performance of the members of the Management Board, the Supervisory Board also takes into account the interim situation on the local, regional as well as global banking and economic markets and the achievement of the goals of the members of the Management Board, taking into account their activities in pursuing the Bank's best interest.

Variable remuneration shall not be awarded or paid out when the effect would be that the capital base of the Bank would no longer be sound. If the soundness of the capital base could be at risk due to allocating and paying the variable remuneration, the Bank must take the following measures within the required scope:

- reduce the bonus pool for the previous business year, even down to zero, and appropriately consider such reduction when awarding the variable remuneration for the previous business year;
- use the necessary measures to adjust the performance, particularly the maluses for the reduction of previously awarded but not paid deferred variable remuneration;
- reduce the previously paid remuneration based on the agreement on the return of variable remuneration;
- use the net profit of the Institution for the previous business year and potentially for the current and the subsequent business years to strengthen the Bank's capital base.

## **9. Setting goals and monitoring the performance of Management Board members**

### **16. Article**

The Supervisory Board shall follow the set goals and achieving of KPIs at regular meetings under items on quarterly and half-annual results, and also regularly monitor the achievement of important KPIs and the Business strategy, as well as the IT strategy.

The financial and business plan for NLB d.d. and the NLB Group shall be defined and approved by the Supervisory Board. The goals shall reflect part of the risk management, as well as the defined business strategy, which shall be divided into several projects with very clear goals and KPIs.

The goals for each business year shall be defined prior to the beginning of the year.

The goals shall be set by taking into account the adopted risk appetite and risk strategy defining the risk appetite in the framework of KPI & KRI targets.

## 10. Scale for assessing the achievement of the goals of Management Board members

### 17. Article

To assess the achievement of the goals and to determine the level of variable remuneration of Management Board members, a 4-grade scale is used for the overall assessment (and for each individual criterion before that):

Table 1: Scale for assessing the achievement of goals

OVERALL ASSESSMENT	Descriptive overall assessment	Amount of variable remuneration
4	All goals are exceeded (over 110%)	Above 80% to including 100% of the maximum variable remuneration
3	The goals are achieved (from 99% to 109.9%)	Above 60% to including 80% of the maximum variable remuneration
2	The goals are partly achieved (from 91% to 98.9%)	Above 40% to including 60% of the maximum variable remuneration
1	The goals are not achieved (below 91%)	The Management Board member is not entitled to variable remuneration

## 11. Award of variable remuneration

### 18. Article

The Management Board members shall be entitled to the annual variable part of the salary which shall be awarded and/or paid based on their meeting of the financial and non-financial performance criteria and other terms and conditions specified in this Policy.

For the members of the Management Board, the decision whether the performance criteria were met shall be made by the Supervisory Board.

In the event of exceptional economic uncertainty or other extraordinary circumstances that could jeopardise the solid capital base of the Bank and/or the NLB Group in the future, the Supervisory Board may postpone the decision on awarding and/or paying the variable remuneration (or part thereof) to the members of the Management Board until such exceptional circumstances cease.

Pursuant to the first and the second paragraphs of this Article, prior to awarding variable remuneration to a member of the Management Board, the Supervisory Board shall make an adjustment of such variable remuneration to performance and risks, taking into account the adjustment criteria based on the KPI and KRI goals, and the criteria listed in the table below. The table below presents the cases where the Supervisory Board reduces the amount of the variable remuneration of the Management Board member (possibly even down to zero) before the award due to prior risk adjustment. If reduction to zero is not mandatory according to the table below, the Supervisory Board shall determine the reduction of the variable remuneration with regard to the circumstances of each case.

No.	Circumstances	Mandatory reduction of variable remuneration to zero	Reduction of variable remuneration, potentially to zero
1.	The performance of the Bank and/or NLB Group shows material negative trends that result from the decisions adopted by the member of the Management Board in their function as a member of the Management Board in the accounting period to which the variable remuneration refers	X	
2.	Fraud or abuse by the member of the Management Board	X	
3.	Severe violations of the Bank's regulations or internal documents by the member of the Management Board	X	
4.	The conduct of the member of the Management Board shows signs of a criminal offence	X	
5.	The conduct of the member of the Management Board in the accounting period to which the variable remuneration refers show signs of a minor offence		X
6.	An action of the member of the Management Board in the accounting period to which the variable remuneration refers reduces or damages the Bank's reputation		X
7.	Violation of obligations arising from the employment relationship by the member of the Management Board in the accounting period to which the variable remuneration refers		X
8.	Uneconomical practices of the member of the Management Board in their function as a member of the Management Board which are intentional or arise from severe negligence in the accounting period to which the variable remuneration refers, causing material damage to the Bank and/or the NLB Group	X	
9.	An action of the member of the Management Board in the accounting period to which the variable remuneration refers results in a conflict of interest with the Bank's business interests	X	
10.	Corruptive actions of the member of the Management Board resulting in or increasing the non-transparency in the adoption of business decisions	X	
11.	Involvement of the member of the Management Board in their function as a member of the Management Board in or their responsibility as a member of the Management Board for actions leading to significant losses for the Bank and/or the NLB Group	X	

12.	The fit & proper assessment of the member of the Management Board is negative		X
13.	The conduct of the member of the Management Board is in contravention of the Code of Conduct of the NLB Group		X
14.	The Bank's and/or the NLB Group's solid capital base could be at risk due to awarding and/or paying the variable remuneration		X
15.	Considering the financial position of the Bank as a whole and/or of the NLB Group as a whole, the variable remuneration would not be sustainable		X
16.	The financial performance of the Bank and/or the NLB Group and/or the area within the competence of the Management Board member is poor or negative		X
17.	The Bank and/or the NLB Group and/or the area within the competence of the Management Board member experience(s) significant failure in risk management		X
18.	The actions of the member of the Management Board in the accounting period to which the variable remuneration refers contributed to the Bank being imposed a regulatory fine		X

Note: The cases in which an individual option can be used are marked with a cross.

The amount of the variable remuneration to be awarded, its composition, the share of variable part of the remuneration to be deferred and the period of payment deferment pursuant to this Remuneration Policy shall be determined by the Supervisory Board for the member of the Management Board.

When planning, the labour costs for the members of the Bank's Management Board shall be included in the labour cost plan which is approved by the Supervisory Board every year.

The calculation of the funds needed for the payment of the variable remuneration in accordance with the Remuneration Policy shall be made according to the bottom-up approach and shall be based on the following:

- the envisaged number of the members of the Management Board in an individual business year,
- the average salary of an individual member of the Management Board in an individual business year,
- the estimated amount of the variable remuneration of an individual member of the Management Board,
- with regard to the estimated amount of the variable remuneration, for amounts exceeding EUR 50,000 or one-third of the total remuneration, the variable remuneration in instruments shall be recalculated additionally,
- the calculation of the bonus for the paid part of the variable remuneration in instruments and consideration of the increase in costs due to the calculation of duties in accordance with the Personal Income Tax Act (ZDoh).

The amount of variable remuneration with included additional costs due to bonus calculation in the case of part of the variable remuneration is paid in instruments represents the quota for the payment of the variable remuneration.

The basis for the calculation of the amount of the variable part of the salary of a member of the Management Board for a business year is the average (monthly) gross salary of the Management Board member for the period of their term of office in this business year.

For the purposes of the preceding paragraph, the average gross monthly salary of the Management Board member for the period of their term of office in a certain business year shall be calculated by dividing the sum of the gross monthly salaries paid to the Management Board member for the business year in accordance with their employment contract by the number of months of the term of office in this business year.

In this Policy, the term "salary" is also used for the basis for the calculation of the variable part of the salary for a member of the Management Board for an individual business referred to in the two preceding paragraphs.

## **12. Payment of variable remuneration**

### **19. Article**

The decision whether all the conditions for the payment of the variable part of the salary to the members of the Management Board have been met shall be adopted by the Supervisory Board.

The variable remuneration of a member of the Management Board for an individual business year shall be awarded and paid in cash, provided that it does not exceed EUR 50,000.00 gross and is not higher than one-third of their total remuneration for the respective business year, and if that is in accordance with the relevant regulations.

If the variable remuneration of a member of the Management Board for an individual business year exceeds EUR 50,000.00 gross or/and is higher than one-third of their total remuneration for the respective business year, at least 50% of it must – if that is obligatory in accordance with the relevant regulations – consist of instruments, and the member of the Management Board may only transfer these instruments upon the Bank's permission, which may only be issued after at least three years have passed since the acquisition. The provision of the previous sentence refers both to the non-deferred and the deferred part of the variable remuneration from the previous sentence. If the total variable remuneration of the member of the Management Board for an individual business year, which does not exceed EUR 50,000.00 gross and is no higher than one-third of their total remuneration for the respective business year, may not be awarded and paid in cash in accordance with the second paragraph of this Article, this third paragraph of this Article shall apply to it *mutatis mutandis*.

If that is obligatory in accordance with the relevant regulations, at least 50% of the variable remuneration of the Management Board member awarded for an individual business year (or at least 60% if it is higher than 15 times the average annual gross remuneration at NLB d.d. for the business year before the award) shall be deferred for a period of at least 5 years starting on the day of payment of the non-deferred part of this variable remuneration.

The non-deferred part of variable remuneration shall be paid no later than 3 months after the adoption of the Annual Report of the NLB Group for the business year to which the variable remuneration refers, provided also that the Supervisory Board has awarded variable remuneration to the members of the Management Board for the said business year.

The deferred part of the variable remuneration shall be paid in proportion. It shall be paid under the terms and conditions of this Policy, in fifths, as follows:

- the first fifth of the deferred part of the variable remuneration shall be paid no later than three months after one year has passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the first fifth of the deferred part of the variable remuneration is paid: (i) one year



- has passed since the payment of the non-deferred part of the variable remuneration; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which one year has elapsed since the payment of the non-deferred part of the variable remuneration; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of the variable remuneration referred to in this indent;
- the second fifth of the deferred part of the variable remuneration shall be paid no later than three months after two years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the second fifth of the deferred part of the variable remuneration is paid: (i) two years have passed since the payment of the non-deferred part of the variable remuneration; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which two years have elapsed since the payment of the non-deferred part of the variable remuneration; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of the variable remuneration referred to in this indent;
  - the third fifth of the deferred part of the variable remuneration shall be paid no later than three months after three years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the third fifth of the deferred part of the variable remuneration is paid: (i) three years have passed since the payment of the non-deferred part of the variable remuneration; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which three years have elapsed since the payment of the non-deferred part of the variable remuneration; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of the variable remuneration referred to in this indent;
  - the fourth fifth of the deferred part of the variable remuneration shall be paid no later than three months after four years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the fourth fifth of the deferred part of the variable remuneration is paid: (i) four years have passed since the payment of the non-deferred part of the variable remuneration; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which four years have elapsed since the payment of the non-deferred part of the variable remuneration; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of the variable remuneration referred to in this indent;
  - the fifth fifth of the deferred part of the variable remuneration shall be paid no later than three months after five years have passed from the payment of the non-deferred part of the variable remuneration, provided the following conditions have been cumulatively met before the last fifth of the deferred part of the variable remuneration is paid: (i) five years have passed since the payment of the non-deferred part of the variable remuneration; and (ii) the annual report of the NLB Group has been adopted for the business year preceding the business year in which five years have elapsed since the payment of the non-deferred part of the variable remuneration; and (iii) the Supervisory Board decides on the payment of the part of the deferred part of the variable remuneration referred to in this indent.

Before paying the portion of the deferred part of the variable remuneration from each indent of the previous paragraph, the Supervisory Board shall re-assess the performance and the risks assumed and, if necessary, adjust this portion of the deferred part of the variable remuneration, taking into account the adjustment criteria based on KPI & KRI targets as well as the criteria specified in the table in Article 21 hereof. When assessing the conduct of the members of the Management Board, the Supervisory Board shall apply the principle of zero tolerance (i.e. every circumstance from the table in Article 21 hereof shall be treated in accordance with this table).

**20. Article**

A member of the Management Board is entitled to the variable remuneration only in proportion to the actual duration of their employment as a member of the Management Board to which the variable remuneration refers.

**13. Malus, retention and return of variable remuneration (clawback)**

**21. Article**

The table below sets out the cases in which the Supervisory Board reduces the amount of the portion of the deferred part of the variable remuneration to be paid out in cash to the member of the Management Board, or the number or value of the instruments constituting an individual portion of the deferred part of the variable remuneration (potentially to zero). If reduction to zero is not mandatory according to the table below, the Supervisory Board shall determine the reduction of an individual portion of the deferred part of the variable remuneration on the basis of the circumstances of each case.

No.	Circumstances	Mandatory reduction of an individual portion of the deferred part of the variable remuneration to zero	Reduction of an individual portion of the deferred part of the variable remuneration, potentially to zero
1.	The performance of the Bank and/or NLB Group in the deferral period shows material negative trends that result from the decisions adopted by the member of the Management Board in their function as a member of the Management Board in the accounting period to which the variable remuneration refers	X	
2.	Fraud or abuse by the member of the Management Board	X	
3.	Severe violations of the Bank's regulations or internal documents by the member of the Management Board	X	
4.	The conduct of the member of the Management Board shows signs of a criminal offence	X	
5.	The conduct of the member of the Management Board in the accounting period to which the variable remuneration refers show signs of a minor offence		X
6.	An action of the member of the Management Board in the accounting period to which the variable remuneration refers reduces or damages the Bank's reputation		X
7.	The nullity of the annual report is established with a binding effect and the grounds for nullity refer to the items or facts on which the variable part of the salary is based		X

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8.	Violation of obligations arising from the employment relationship by the member of the Management Board in the accounting period to which the variable remuneration refers		X
9.	Uneconomical practices of the member of the Management Board in their function as a member of the Management Board which are intentional or arise from severe negligence in the accounting period to which the variable remuneration refers, causing material damage to the Bank and/or the NLB Group	X	
10.	An action of the member of the Management Board in the accounting period to which the variable remuneration refers results in a conflict of interest with the Bank's business interests	X	
11.	Corruptive actions of the member of the Management Board resulting in or increasing the non-transparency in the adoption of business decisions	X	
12.	It is established in a special auditor's report that the criteria for defining the variable part of the salary were applied incorrectly or that the critical accounting, financial and other data and indicators were incorrectly established or applied		X
13.	The variable remuneration was not awarded in accordance with this Policy		X
14.	If a new fact is revealed that could change the decision on the award or the amount of the variable remuneration		X
15.	Involvement of the member of the Management Board in or their responsibility as a member of the Management Board for actions leading to significant losses for the Bank and/or the NLB Group	X	
16.	The fit & proper assessment of the member of the Management Board is negative		X
17.	The conduct of the member of the Management Board is in contravention of the Code of Conduct of the NLB Group		X
18.	The solid capital base of the Bank and/or the NLB Group could be at risk due to paying the variable remuneration		X
19.	Considering the financial position of the Bank as a whole and/or of the NLB Group as a whole, the variable remuneration is not sustainable		X
20.	The financial performance of the Bank and/or the NLB Group and/or the area		X

	within the competence of the Management Board member is poor or negative		
21.	The Bank and/or the NLB Group and/or the area within the competence of the Management Board member experience(s) significant failure in risk management		X
22.	The actions of the member of the Management Board in the accounting period to which the variable remuneration refers contributed to the Bank being imposed a regulatory fine		X

Note: The cases in which an individual option can be used are marked with a cross.

If the circumstances of the case are not sufficiently clear to allow for deciding on whether a portion of the deferred part of the variable remuneration of the Management Board member is to be paid out or not, or the amount that is to be paid, the Supervisory Board can decide that such portion of the deferred part of the variable remuneration shall not fall due upon initially set maturity and it may defer the decision on whether, in what amount and when it is to be paid until the circumstances are clarified. In the case referred to in the previous sentence, the Supervisory Board shall decide whether the portion of the deferred part of the variable remuneration is to be paid or not, the amount that is to be paid and when once the relevant circumstances have been sufficiently clarified.

If a circumstance from item 7, 12, 15 or 16 of the table in this Article 21 hereof occurs or is revealed and a part of the (non-deferred or deferred part of the) variable remuneration has already been paid, the Bank has the right to demand, within a period of 3 years from the payment of this part of the variable remuneration, that the member of the Management Board return such part of the variable remuneration, partially or in full, with mutatis mutandis application of this Article 21 hereof. Furthermore, the Bank has the right to demand, within a period of 3 years from the payment of the part of the variable remuneration, that the member of the Management Board return such part of variable remuneration, partially or in full, if it is established after the payment that the member of the Management Board significantly contributed to poor or negative financial performance of the Bank or used fraud or took any other intentional action or caused, through gross negligence, great losses to the Bank. In relation to the variable remuneration of the member of the Management Board (or an individual part of the variable remuneration of the member of the Management Board), the decision in accordance with this paragraph shall be taken by the Supervisory Board.

#### **14. Compensation for early termination of the term of office/employment, compensation for the non-competition period and pension benefits**

##### **22. Article**

##### **1. Compensation for early discontinuation of the term of office of a member of the Management Board**

Pursuant to point 8 of the second paragraph of Article 190 of the ZBan-3, payment to an individual in connection with early termination of their employment contract shall reflect the performance of that individual during a specific period and shall not reward them for failures or possible breaches at the bank. According to the above it may not be stipulated in the contract on the employment of a member of the Management Board with the Bank that a member of the Management Board is entitled to a compensation for early termination of the term of office if they are dismissed by the Supervisory Board

due to (i) a severe violation of the obligations; or (ii) the inability to manage business; or (iii) due to a vote of non-confidence issued by the General Meeting of the Bank, except in the case such vote of no confidence is obviously ungrounded. Furthermore, it may not be stipulated in the contract on the employment of a member of the Management Board with the Bank that a member of the Management Board is entitled to a compensation for early termination of the term of office (i) if they are re-employed by the Bank or the NLB Group after the termination of the term of office; or (ii) in the event of a regular termination of the term of office. It may be stipulated in the contract on the employment of a member of the Management Board with the Bank that a member of the Management Board is entitled to a compensation for early termination of the term of office only if dismissed for other business or economic reasons, in which case the proposal of the President of the Management Board for the dismissal of a member of the Management Board can be considered 'other business or economic reason' (the second paragraph of Article 27 of the Bank's Articles of Association) and in case the member of the Management Board resigns (in such case, they can only be entitled to a compensation for early termination of the term of office if so decided by the Bank's Supervisory Board). The compensation for early termination of the term of office from the previous sentence, stipulated in the contract on the employment of a member of the Management Board with the Bank, may not exceed the amount which is calculated using the following general formula: gross monthly salary of such member of the Management Board, payable on the basis of the month prior to the termination of the term of office, multiplied by 12. In the sense of point 154 a and point 149 of the EBA Guidelines, the compensation for early termination of the term of office hereunder is not considered in the calculation of the ratio between the variable and fixed components of the remuneration and it is not subject to deferment and payment in instruments. The details of the compensation for early termination of the term of office hereunder are defined in the contract on the employment of a member of the Management Board with the Bank.

## **2. Compensation for the non-competition period for the members of the Management Board**

If a competition clause is included in the contract on the employment of a member of the management body and applies after the termination of employment under that employment contract, a compensation for such competition ban may be agreed in the employment contract for the period after the termination of employment thereunder in which such ban applies. Such compensation for the non-competition period may not exceed the limitation stipulated in point 154 b of the EBA Guidelines. In the sense of point 154 b of the EBA Guidelines, the compensation for the non-competition period hereunder is not considered in the calculation of the ratio between the variable and fixed components of the remuneration and it is not subject to deferment and payment in instruments. The details of the compensation for the non-competition period hereunder are defined in the employment contract.

## **3. Pension benefits**

The Bank shall pay for the members of the Management Board the maximum premium of collective voluntary supplementary pension insurance within the tax relief bracket as set forth in the Pension and Disability Insurance Act.

The Bank shall examine the most appropriate options in relation to potential provision of additional pension benefits for the members of the Management Board.

## **15. Restriction of personal insurance against risks**

### **23. Article**

A member of the Management Board may not use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their variable remuneration. A member of the Management Board must also sign a written commitment in the sense of this paragraph separately from this Remuneration Policy and their employment contract, and hand it over to the Bank.

## **16. Transitional and final provisions**

### **24. Article**

This Remuneration Policy shall enter into force when it is adopted by the Supervisory Board and shall apply:

- as of 01/01/2021 to the remuneration of the members of the Supervisory Board and the members of the Management Board referring to the period starting on 01/01/2021, and for this remuneration this Policy shall replace the Remuneration Policy for the Employees Performing Special Work (Version 8, general internal document) as of this date;
- as of 01/01/2019 to the part of the variable remuneration of the members of the Management Board referring to the business year 2019 and awarded in instruments; for the remuneration referred to in this indent, the Policy shall replace the Remuneration Policy for the Employees Performing Special Work (Version 8, general internal document) as of 01/01/2019;
- as of 01/01/2020 to the part of the variable remuneration of the members of the Management Board referring to the business year 2020 and awarded in instruments; for the remuneration referred to in this indent, the Policy shall replace the Remuneration Policy for the Employees Performing Special Work (Version 8, general internal document) as of 01/01/2020.

Notwithstanding the preceding paragraph, the third paragraph of Article 14 hereof shall start to apply on 01/01/2022 for the remuneration referring to the period starting on 01/01/2022, and it shall not apply to the remuneration referring to the period before 01/01/2022.

## **17. Reference documents**

### **25. Article**

Companies Act

Banking Act (ZBan-3)

Regulation on internal governance arrangements, the management body and the internal capital adequacy assessment process for banks and savings banks.

Regulation on the reporting of certain facts and circumstances relating to banks and savings banks

Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22 of 27/06/2016)

**18. Statement of the administrator of the internal act on the harmonization and approval of the internal act**

The custodian of the internal act assures that the internal act has been submitted for review, harmonization and approval to all organizational units in the bank to which the proposed internal act or its changes impact and is also confirmed by them. The internal act is harmonized with them in such a way that its content is clear, consistent with other internal acts of the bank and is not in conflict with other internal acts in the bank.

**19. Preparation and review**

Name and surname	Preparation/Review
Mojca Cigler, Nevenka Peteh	Preparation
Vesna Vodopivec	Review

Ljubljana, 15. 10. 2021

Primož Karpe  
Chairman of the Supervisory Board

