

ESG report

Sustainable Development in SKB Group

Annual report Extract

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CONTENT

1. Sustainability	3
2. Statement about non-finance operations	4
2.1. Organizational Governance	4
2.2. Environmental and Social Policy (ESG)	4
2.3. Customer Relation	10
2.4. Human Resources Policy	10
2.5. Respect for Human Rights	13
2.6. Ensuring Ethical Business Conduct, Strengthening Integrity and Preventing Corruption	13
2.7. Inclusion and Development of society	13
3. ESG - environmental, social and management aspects of risks	17

1. Sustainability

We are a responsible provider of financial solutions, which is why we are committed to reducing environmental risks and creating a diverse workforce to create a fair society.

Sustainability is our main focus

Our focus is to contribute in mitigation climate change, accelerate circular business practices and create positive social impact.

We recognize our responsibility towards society to define new ways of doing business that align economic growth with positive environmental and social impact. We create an inspiring and likeable workplace and community based on our values and we bring in new talents, aiming at creating more inclusive working environment and ensuring gender diversity.

We act responsibly

As a responsible provider of financial services, we are introducing green solutions aiming to foster green transition of our clients and thus also the economy. We offer products and services that facilitate the transition to increase investments in a sustainable economy. We adopt active ESG risk management practices in our activities.

As a responsible employer, we adopt active ESG management practices in our governance model and activities and have taken the commitment to strengthen employee's well-being and development, inclusion, diversity and employee engagement.

As a responsible social actor, we set ambitious environmental goals in terms of our own operations, including the reduction of our own emissions. We take active steps to remain and improve our position as responsible actor in the society through product and services we responsibly offer to our clients, supports in any kind of finances we deliver to the society, being a sponsor or donator or any other kind of supporter.

Our ESG governance

We have introduced our ESG governance and when situations require, we will adapt to the needs of efficient business decisions, risk management and credit approval processes, and other management and monitoring activities. We are working towards fully integrating sustainability mindset both - in our daily operation and at business decision making, backed by strong executive commitment.

We are committed to reduce environmental risks wherever we are involved, help our clients in their transition of the business models into long term sustainable ones and contribute to the financial and social improvement of our local communities through socially and environmentally responsible operations, fostering social inclusion, and financial education.

Gender and cultural diversity

We are committed to creating a diverse workforce. We strongly believe that diversity enables as better decision-making processes and brings us closer to our clients. We work to improve diversity and inclusion within SKB Group ensuring that our people feel confident and are proud on their employer.

2. Statement about non-finance operations

2.1. Organizational Governance

For many years, the SKB Group has been committed to being socially responsible and supporting sustainable development, recognizing that inclusion and commitment to the environment are key to its success. We show our support and commitment to the environment in which we operate through various forms of support, sponsorships, donations and other forms. As SKB Group operates in Slovenia, which is an EU member state, it is distinguished by a high level of respect for human rights. The commitment to high standards of respect for human rights also stems from SKB's affiliation with the OTP International Banking Group. As a responsible employer, the HR policy of the SKB Group seeks to properly understand and anticipate the challenges and upcoming changes, both in the broader industry and in the banking sector. Appropriate training and skills development help employees to carry out their work on a day-to-day basis, as well as to implement changes resulting from amended legislation or business processes. Because SKB Group is aware of its responsibility to the environment, we are pursuing the goals of environmental policy in the Republic of Slovenia and beyond. SKB Bank's goal is to provide clients with affordable and efficient banking products tailored to their customers needs.

2.2. Environmental and Social Policy (ESG)



ESG view (E-environmental, S-social and G-governance) on banking business every year gains in importance and consequently affects the bank's strategy, policies, organization, procedures, investment approval criteria in fact, in all areas of banking business. Especially E, the environmental part of the ESG field is the most dynamic, it is affected by growing legislative requirements, expectations of the market and customers, of owners and, last but not least, employees. Under the influence of clearly expressed environmental and climate changes on our environment and living conditions, it is necessary to raise awareness and the scope of activities to achieve environmentally sustainable initiatives and goals of preserving life on our planet. The role of banks as the main financiers and thus promoting the sustainable transformation of economic activities and population investments is crucial.

2.2.1. ESG in SKB Group

At SKB Bank, we are strongly aware of our responsibilities, and we started organizing activities and disseminating information with the aim of raising awareness among every employee as early as April 2021. The "S" and "G" elements of ESG have already been decently developed over the past years, and we continue to build on them with ongoing activities on a well-laid foundation. Activities and results from these two areas are described in more detail in specific chapters of this annual report.

In terms of development, due to rapid and influential environmental and climate changes, we devote most of our time to "E" environmentally oriented part of ESG work. Already in 2021, we organized a presentation and workshop for senior and middle managers, and we prepared digital learning content with a knowledge test for all employees of the bank and leasing companies. Since the beginning of the campaign of e-learning in later 2021 till the end of 2022, 92.5 % of all employees successfully passed the test of introductory education on the impacts and consequences on the environment, the goals of climate conferences, the European Union and Slovenia, and numerous regulatory requirements. In addition to the initial e-learning program, individual employees of the bank also took part in other mostly external trainings related to ESG topics. In the year 2022, 1216 educational hours were held in the field of ESG (of which 302 hours were ESG e-learning).

Table: The main achievements of SKB Group's ESG education in 2022

	92.5 %	of all employees have passed an introductory training on environmental impacts and consequences, in line with the objectives of the climate conferences, the European Union and Slovenia, and on a number of regulatory requirements.
	2,700	units of ESG material in the ESG library with all relevant documents

In order to speed up the flow of information on innovations, regulatory requirements and OTP guidelines in the field of ESG, we formed an ESG coordination group with representatives of almost all organizational units of the SKB Group. We also organized a digital ESG library with all relevant documents, its scope already exceeds 2700 documents.

At the end of 2021, we started the ESG project to carry out operational tasks, primarily focused on the E-environmental part of ESG. As part of the project, we created an ESG strategy at the beginning of 2022, specifically focused on building the bank's green investment portfolio and reducing its own greenhouse gas emissions.

By 2025, we are planning green investments in housing loans to Slovene households in the amount of 10 million euros, and we are planning to grant green loans to corporates in the area of renewable energy sources projects in the amount of 70 million euros, in the area of electric mobility in the amount of 30 million euros, and additionally to leasing electric vehicles at 18 million euros. In addition to the aforementioned development of priority green products, we plan to develop products for all customer segments, which already indicate a demand for such bank products. In order for all green products to truly meet the conditions of the European Taxonomy, together with the parent bank OTP we are developing a tool for technical compliance verification.

Table: Goals on green finances until 2025



With the adopted initiatives, we will speed up the activities for our own reduction of the CO2 footprint as an example of transformation into an environmentally sustainable attitude. We are introducing transparent emission measurement based on a preliminary selected methodology. By the end of 2025, we also plan to measure the scope 3 of our own emissions, whereby we have already started collecting data on employees' commuting to work.

Within the formed working group at the Slovene Banking Association, on the basis of the GHG protocol and PCAF standards, we are preparing guidelines for measuring emissions from bank investments (which, given the bank's financing activity, represents the majority of emissions). The measurement of these emissions will be the basis for the gradual redirection of bank investments into sustainable financing.

We have already started adapting the risk management policy to the new environmental requirements and strategy of the parent bank. We carried out the first analysis of the materiality of environmental and climate impacts on important banking risks, which will become a permanent annual practice within the framework of the stated criteria for risk-taking.

By introducing ESG aspects, we will gradually adapt to the requirements of regulators expressed by directives, adopted legislation, guidelines and the European Taxonomy, including transparent reporting and disclosures.

At the bank, we have joined to some memberships of environmentally oriented associations, which we expect to expand further. We have established a permanent communication channel with the parent bank OTP, we have meetings to check progress and exchange information. OTP helps us with guidelines and the dissemination of best practices through a special organizational unit of the ESG Directorate with employees who are assigned individual ESG tasks.

We report quarterly on the implementation and planned activities to the bank's Board of Directors. Chief Executive Officer, Mrs. Anita Stojčevska was appointed as the responsible member of the bank's Board of Directors for the field of ESG.

The table below shows the disclosures of the SKB Group as per 31. 12. 2021 and as per 31. 12. 2022 in accordance with Regulation (EU) 2020/852 (Taxonomy Regulation) - Disclosure under Article 8.

Article 8 of the Taxonomy Regulation requires undertakings that are subject to the Non-Financial Reporting Directive (NFRD) to disclose information on how and to what extent their activities are EU taxonomy eligible, therefore associated with economic activities that may qualify as environmentally sustainable under the Taxonomy Regulation. In order to ensure comparability in reporting between Taxonomy-eligibility in the year 2021 and 2022 and alignment reporting due for year 2023 SKB voluntarily discloses the below KPIs.

The main KPI is the green asset ratio (GAR), which is defined as the proportion of a bank's assets invested in environmentally sustainable economic activities of large companies under NFRD as a share of total relevant assets (GAR covered assets). The GAR is calculated based on the on-balance-sheet exposures (assets) based on SKB Group consolidated figures.

In million EUR	2022	2021
NFRD assets Total	395	317
Taxonomy eligible assets (only eligible)	148	120
Taxonomy non-eligible assets	2,871	2,571
Exposures to central governments, central banks and supranational issuers *	1,051	1,107
Exposures to Non-financial corporations (non-NFRD & non-EU)	12	8
Financial assets held for trading (debt securities and equity holdings)	11	6
On-demand inter-bank loans	20	15
Derivatives	11	6
GAR (covered) assets	3,375	2,725
Total assets	4,437	3,838
Eligible proportion /GAR (covered) assets	4.39 %	4.40 %
Non-eligible proportion /GAR (covered) assets	85.07 %	94.35 %
Proportion of on-demand inter-bank loans /GAR (covered) assets	0.59 %	0.55 %
Proportion of derivatives /GAR (covered) assets	0.33 %	0.22 %
Proportion of non-NFRD undertakings /GAR (covered) assets	0.36 %	0.29 %
Proportion of trading portfolio /Total asset	0.25 %	0.16 %
Proportion to central gov., etc. /Total asset	23.69 %	28.84 %
Proportion of cash + cash related + other assets / Total asset	9.96 %	3.54 %

* Corrected item - in year 2021 calculation we also included derivatives

Disclosure on green asset ratio (GAR) in corporate lending:

In relation to the mitigation and adaptation objectives of the taxonomy regulation, we have examined the corporate portfolio based on the NACE codes that can be attributed to activities in the Delegated act. Exposures to taxonomy-eligible activities were examined among non-financial corporations, companies covered by the NFRD (listed companies with more than 500 employees). Out of them only those with NACE codes listed on Taxonomy Compass as contribution or mitigation to sustainability objectives are taken as eligible.

Relatively low GAR ratio (Eligible proportion/GAR (covered) assets) is explained by the fact that SKB Group as a retail bank is focused to SMEs (small and medium size enterprises) and individuals' loans which according to NFRD represent Taxonomy non-eligible assets.

According to the EU taxonomy, companies bound by the NFRD are required to include data related to net revenues and fixed asset investments, namely:

- (1) the proportion of income from activities European Taxonomy eligible, and
- (2) share of investments in fixed assets in activities European Taxonomy eligible, all based on Annex II to Commission Delegated Regulation (EU) 2021/2178.

In accordance with the aforementioned regulations, banks as lenders are obliged to publish the share of income from credit assets and other financial assets acceptable for the European Taxonomy and the share of their borrowers' investments in their fixed assets eligible according to European Taxonomy.

In the framework of those liable for NFRD, we obtained data on 4 companies from the invited 32 companies, which represents 24 % exposures to all invited companies and only 7 % of those that are according to NACE code listed on Taxonomy Compass.

2.2.2. Prevention of Pollution



SKB Group actively manage waste produced by our business operations. All activities are performed in line with the valid legislation and with intention to preserve our environment for the future generations.

After completed process of shredding, our paper documentation is delivered for recycling to our contracted partners. Electronic waste equipment from our branches is centrally collected at headquarter and delivered to licensed collecting company, which arranges further recycling of still usable materials and proper destroying of non-usable materials.

SKB Group implemented sorted communal waste collection in 2011. We regularly remind our employees to achieve the proper awareness on importance of sorting waste and on decreasing production of waste in general. Consequently, percentage of properly sorted waste in bank is increasing year after year.

2.2.3. Sustainable Use of Resource, Climate Change Mitigation and Adaption



SKB Group carefully manages its energy consumption and other resources used by our operations (IT & other equipment, paper, ...). Due to careful energy and other goods usage we constantly decrease our greenhouse gases footprint and other environmentally harmful substances.

Energy consumption (specially electricity) was significantly reduced in the last 10 years. Despite some peaks in the recent years long term trend of energy consumption is decreasing.

We bought for the first time, in 2022, electricity from renewable sources. Thus, the share of electricity produced from renewable sources ("green" electricity) in our energy mix represented approx. 35 % of all SKB electricity consumption for own operations. In 2023 and following years we intend to increase this share to approx. 70 % and to decrease our CO2 emissions even further.

Table: Achievements and goals in electricity consumption

2022 achievement	35 % share of electricity from renewable sources
2023 goal	70 % share of electricity from renewable sources

We are increasing alternative ways of business communication (tele conferences, videoconferences, e-learning, ...) with the goal to reduce number of business trips and consequently also CO2 emissions from transport.

More and more client communication is digitalized including document management aiming to decrease paper usage and postal costs.

Important contribution to sustainable resource use represents also awareness of our employees for implementation of environmentally friendly behavior on company and individual level. Employees are regularly informed on different activities contributing to sustainability awareness.

2.2.4. Environmental Protection



We plan to reduce our own emissions by 45 % versus base year 2021 at 5-7 % annual decrease. Our goal is to reach carbon neutrality of Scope 1 and 2 emissions in 2023 by decreasing emissions and by using various available emissions instruments and activities.

Table: Key environmental objectives of SKB Group till 2030*

Reduction in emissions 1+2	By 45 % versus 2021
2023 goal and further	Carbon neutrality of own operations (Scope 1 and 2) using compensation mechanisms

Additionally, we wish to achieve the following:

- reduction of paper, waste, water, commuting to work and business travel related emissions (Scope 3),
- ongoing communication of the environmental goals and transparent disclosures,
- training of all employees regarding environmental issues.

Greenhouse gas emissions

In term of methodology, the SKB Group follows the guidelines of the GHG protocol (Greenhouse Gas Protocol), which categorize emissions into three scopes, Scope 1, 2 and 3 (Scope 1, 2, 3). In the calculation of the carbon footprint of the SKB Group, we have included the following categories.

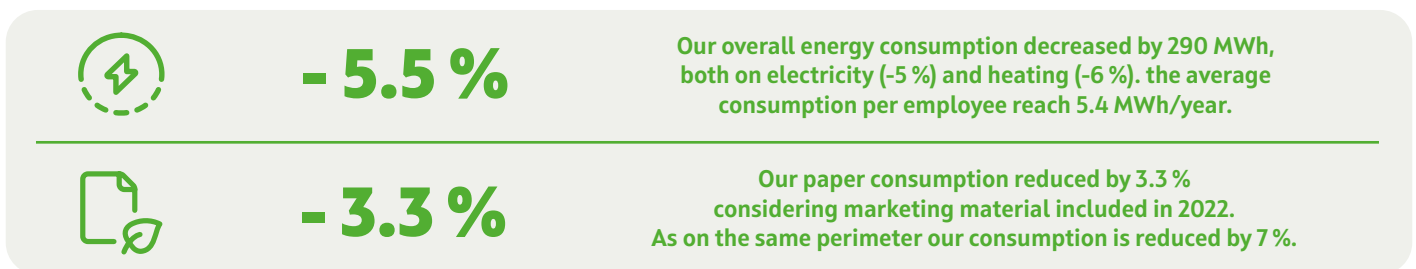
- Scope 1: direct emissions of greenhouse gases (GHG) arising from sources owned or controlled by the organization, these are emissions related to the combustion of fuel in boilers and vehicles, as well as fugitive emissions).
- Scope 2: indirect emissions of greenhouse gases (GHG) resulting from purchased energy (district heating or electricity).
- Scope 3: other indirect greenhouse gas (GHG) emissions resulting from business trips made by plane, train, bus and cars not owned or leased by the company, emissions from purchases of IT equipment, certain services such as cloud computing and data services, delivery of packages, produced waste, employees commuting to work, consumption of paper and water, indirect emissions of financed activities.

The inventory includes SKB Bank and SKB Leasing entities. SKB Group CO₂e Scope 1+2 emissions for 2022 amounted to 2,175 tCO₂e (market-based), corresponding to a reduction of 574 tCO₂e compared with 2021 (base year). Of this figure, 194 tCO₂e was allocated to Scope 1, 1,981 tCO₂e to Scope 2 (market-based).

For the first time, SKB group also decided to includes significant Upstream Scope 3 emissions. In this first year, SKB Group did includes paper, waste (partially), commuting to work, IT Electronic equipment acquired in 2022 and business travel related emissions, as well as certain purchased services such as cloud computing and parcel delivery (partially). SKB Group will continue its efforts to capture a larger specter of Scope 3 emissions included the most problematic for financial institutions, the downstream Scope 3 associated to Investment (also referred as Financed emissions).

Year 2021 is the base year for calculations in SKB. Despite SKB group measure its scope 1 & 2 emissions from 2014, the data collection method was improved at the time SKB joined the OTP group in late 2019, additionally the 2020 year, due to pandemic, may not be considered as representative. SKB used GHG protocol, activity data are collected from bills, vendor reports, vendors or employees survey. When a data is not exact or calculated, SKB used estimated data. SKB endeavors efforts in improving the quality of data. For conversion factors, SKB group used supplier specific data or those issued by the United Kingdom department of environment, foods and rural affairs (DEFRA).

Table: Main accomplishment in 2022



Energy used in business premises of SKB Group

In 2022, SKB launched an internal campaign with the aim of raising employee awareness. The campaign has already shown results, as the total energy consumption for the needs of SKB facilities in 2022 was 5.5 % lower than in 2021 (4,973 MWh or 5.4 MWh/user). Electricity consumption was 3,113 MWh or 3.4 MWh/user and energy consumption for heating amounted to 1,860 MWh or 2.0 MWh/user.

In the second half of 2022, we purchased electricity from renewable sources for the objects under our direct supervision. This means approx. 50 % of directly purchased electricity by SKB or approx. 36 % of the consumed electricity (including electricity indirectly purchased) was sourced in the form of electricity from renewable sources with guarantee of origin (without CO₂ emissions). With this, we significantly reduced the average emission factor for consumed electricity in 2022 and the total accounted CO₂ emissions from purchased electricity, which amounted to 1,441 tCO₂e in 2022 (-26 %).

The total CO₂ emissions for the energy used (electricity and heating) in 2022 amounted to 2,084 t CO₂ (or 2.25 tCO₂/user)

In 2023, we plan to further reduce energy consumption in buildings (mainly electricity). In the premises of the SKB Group headquarters, we plan to replace the existing outdated lighting with LED lighting, which we estimate will reduce electricity consumption on an annual basis by 8 % (by 270 MWh). Given that the completion of the investment is expected by June 2023, the savings in 2023 will amount to approximately half of the above estimate.

At the same time, in 2023 we plan to purchase the entire amount of directly purchased electricity in the form of electricity from renewable sources. As a result, we will also significantly reduce accounted CO₂ emissions.

Mobility

In the SKB Group, the usage of company vehicles and business travels in 2022 amounted to approximately 254 thousand km, corresponding to an average per employee of 275 km/per year. This was 43 % more than in the previous year. We interpret this growth as the consequences of 2 years with limited movement due to the coronavirus pandemic.

In 2022, the SKB Group included the employees' commuting to work for the first time. We have estimated that our mobility needs levelled at 4.5 million km, representing 2 times around the earth per week.

Mobility generates 724 tCO₂e, which represents approximately 25 % of measured GHG emissions. Mobility is thus the second largest source of GHG emissions of the SKB Group. It appears both in scope 1 (company vehicle) and in scope 3 (business travel, commuting to work.)

In 2023, SKB Group will strive to reduce the need for mobility or at least improve the carbon intensity of its business travel. In addition, we analyze the possibilities of supporting employees in their transition to a more sustainable commuting to work, by reducing the need for transport, car-pooling, switching to other form of mobility (public transport, bicycles, etc.).

	2022	2021	Change (%)
Material			
Paper in t	56	58	(3.0)
Paper consumption in sheets/employee	6,036	6,349	(5.0)
Energy			
Total energy** consumption in MWh	4,973	5,263	(5.5)
Share of renewal electricity	36%	0%	N/A
Total energy consumption in kWh/employee	5.38	5.79	(7.1)
Waste			
Total hazardous waste in t	0.39	0.11	248
Total non-hazardous waste in t	50	70	(29)
Old electronic devices for recycling in t	3,180	2,076	53
Business Travel			
Passenger km total	254,297	178,214	43
Business Travel in pkm/employee	275	196	40
CO₂ emissions			
Scope 1 emissions in t	194	214	(10.0)
Scope 2 emissions location-based in t	1,706	1,267***	35
Scope 2 emissions market-based in t	1,981	2,534****	(22)
Significant Scope 3 emissions***** in t	876	N/A	N/A
Scope 1+2 emissions market-based in t	2,175	2,749	(21)
Scope 1-3 emissions market-based in t	3,051	N/A	N/A
Scope 1+2 emissions in t/employee	2.35	3.02	(22)

* 2021 is SKB Group base year

** Electricity, Natural Gas, Heating (exclude Gasoline)

*** Restatement (from 1.182 to 1.266 tCO₂e on location based due to error in collection of activity data)

**** Restatement (from 2.370 to 2.534 tCO₂e on market based due to error in collection of activity data)

***** SKB Group endeavor to calculate Scope 3 emissions. In 2022, we included part of Category 1 - Purchase of Goods and Services (Paper, Cloud Services), Category 2 - Capital Goods (electronic equipment IT), Category 5 - Waste from Operation (WEEE and paper only), Category 6 - Business Travel, Category 7 Commuting to work. Scope 3 emissions are partially computed mostly due to data availability. The focus in coming years will be to compute and disclose Category 15 - Investment, the crucial category for Financial institutions.

Lower volumes of non-hazardous waste in 2022 are result of lower volumes of expired documentation placed for destruction.

Higher volumes of old electronic devices for recycling in 2022 are result of more IT equipment replacements.

2.3. Customer Relation



Fair marketing, factual and unbiased information, and fair contracts

When working with clients, we follow the corporate values of stability, connection, professionalism, sustainability, and development. Due to tradition and capital adequacy, we achieve excellent business results, we conduct a balanced business policy and prudently manage risks. We promote team spirit, respect, understanding and trust, and we take care of the honest connection of all of us, customers, partners, and the environment. We develop our potential and educate ourselves. We have appropriate expertise, which is reflected in a caring and honest attitude towards customers and the environment. We are socially and environmentally responsible and support a sustainable approach and a fair and ethical society. We are development oriented and follow our ambitions. With innovation, we effectively adapt our operations and strive for constant progress.

Customer Services, Support and Resolution of Complaints and Disputes

Knowing that customers are always at the center of our attention, we also facilitate and manage the complaints management system. Taking these into account helps us to build good customer relations and ensure a good user experience for our clients. We perform quarterly reviews of the Client Complaints Report, in which the Client Experience Committee participates in the presence of the Bank's Management. By preparing short weekly reports, we also regularly monitor clients satisfaction. The client's experience is regularly monitored and measured by a survey after the contact with the SKB Bank in the outlet or through Contact Center.

Customer Data Protection and Privacy

The SKB Group is aware that strict protection of customer's confidential information is one of the most important requirements for a confidential relationship between the customer and the service provider, therefore we treat customer data carefully and in accordance with the regulations governing the protection of personal data. The SKB Group regularly monitors novelties and changes in the protection of personal data and is responsible for ensuring compliance in this area. Internal rules for personal data proceeding are established and employees are obliged to handle with data by employment contract and additional declaration on the protection of personal data. In accordance with the General Data Protection Regulation, a Data Protection Officer has been appointed in 2018 and customers can turn to DPO in the event of any questions concerning the processing of their personal data and in the event of the exercise of their rights under the regulations.

2.4. Human Resources Policy



The SKB Group's human resource policy purpose was to adequately understand and anticipate challenges and upcoming changes both in the wider business aspect as well as in the banking environment.

With appropriate training and skills development, SKB Group helped employees in their day-to-day work, as well as in the implementation of changes that resulted from changes in legislation or business processes.

The banking environment is changing. The expectations of our customers, the technology that goes in the direction of digitalization of business, and the legal framework are also changing. All this affects the operations of the SKB Group and the skills of the employees, which are necessary for successful operations.

Constant changes in the (financial) market, new banking system regulations, adapting the offer to customers and developing new applications and products require continuous learning and training of bank employees. Through learning and training, the SKB Bank wants to enable employees to acquire the knowledge and competencies needed for effective work.



Developing a banking culture based on common values

The corporate culture of SKB Group is based on common values, behaviors and skills that place our clients and their needs in the center.

We have integrated our values of stability, connection, professionalism and sustainability into our management model, and we encourage employees to develop the desired behaviors, skills and knowledge that enable them to focus on the customer in order to identify their needs.

The Leadership model plays a key role in all human resources processes:

- In the recruitment process, it enables identification of characteristics of the candidates and select the most suitable ones among them.
- In the process of annual appraisal interviews, the leadership model serves as a guide to determine operational objectives and personal development objectives of employees, and consequently enables the evaluation of not only the achieved objectives, but also the way how these objectives were achieved.
- Leadership model is a framework for preparation of succession plan and detection of prospective employees.



Stability



Connectedness



Expertise



Sustainability



**Constant
development**

Care for of employees' commitment

Special attention is paid to the commitment of our employees, which is crucial for the success of the SKB Group. Recognizing the contribution of every individual, ensuring a safe working environment and the diversity of our teams are the key to maintaining the commitment of our employees and, consequently, our effectiveness.

SKB Group continued to follow guidelines established in the past for the remuneration of employees. The guidelines are based on employees' achievement and the promotion of individual progress. Since we wish to reward our best employees for their successfully performed work and motivate them for the future we continued to allocate a significant amount of funds for these kinds of incentives.

SKB Group also helps those in need. In cases where individual employees come into difficulties for various reasons, SKB Group offered and provided them with professional and financial assistance; namely assistance in cases of natural disasters, workplace challenges or family situations.

Work from home

In the SKB Group, we enable employees work from home whose tasks and nature of work allow it. Employees can work from home up to three days a week. With this approach, we want to make it easier for employees to coordinate their work and private lives.

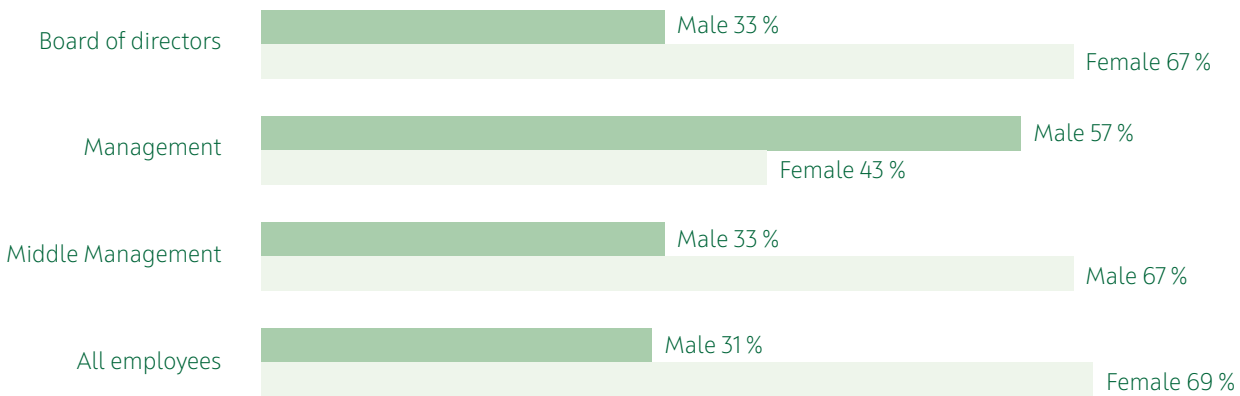
Gender representation

Concern for gender diversity reflects in the ability of our SKB Group to choose a candidate or existing employees who have the capabilities best suited to the type of job or function without any bias. This approach is considered at all hierarchical levels in the SKB Group.

SKB Group strives to balance the representation of both genders at all levels as well as the diversity in knowledge, competencies and experiences.

At the end of 2022, there were four women out of seven members in the SKB Board of Directors, two women in the Bank's Management Board, 67 % in middle management, and approximately 69 % among all employees.

Gender structure on 31. 12. 2022



Employee engagement

Each year, we conduct an employee engagement survey, with which we want to check the well-being of employees in our banking group. The areas we focus on through the survey are: areas related to customers, organizational culture, the potential employees possess and the ability to use this potential. In addition, as part of the survey, we also measure employee engagement and the ESG index.

ESG index is composed of questions related to:

- the opportunities we offer employees for learning and development;
- employees' feelings, to what extent they feel appreciated;
- degree of willingness of employees to recommend the bank as an employer to job seekers;
- to what extent the employer encourages employees to take a responsible attitude towards the environment;
- employees' opinion, to what extent SKB Group, as a financial institution, responsibly influences the social environment through its charity work and financial literacy.

Based on the results of the survey, we prepare an action plan, the activities are focused on the areas that we recognize as the ones where improvements are possible and have the greatest impact on engagement.



2.5. Respect for Human Rights



The SKB Group ensures and promotes respect for human rights arising from the Universal Declaration of Human Rights. During its activities, it also operates in accordance with the UN Guiding Principles on Business and Human Rights, which are also binding on all SKB employees and its partners. The SKB Group aims to create a working and business environment in which individual differences are accepted and appreciated. All forms of negative discrimination based on a person's true or presumed characteristics, including but not limited to race, gender, nationality, religious or ideological beliefs, gender identity, ethnicity, disability, sexual orientation, political or other views, marital status, etc. are prohibited.

2.6. Ensuring Ethical Business Conduct, Strengthening Integrity and Preventing Corruption



The SKB Group has adopted the Code of Ethics, which sets out clear and unambiguous guidelines and requirements relating to the ethical business and strengthening of integrity, both for the SKB Group and for everyone associated with it. In accordance with the Code of Ethics, the SKB Group is committed to ensure compliance, zero tolerance to corruption, the prevention of conflicts of interest and respect for human rights. Internal rules, established by the SKB Group on the prevention of corruption, prevention of conflicts of interest and the provision of business ethics are based on the strict anti-corruption principles of the OTP Banking Group.

Compliance with the rules of ethical conduct within the Bank is supervised by the Ethics Committee in accordance with the principles and expected forms of conduct set out in the Code of Ethics, while the topic is also included in the work of the Committee on Operational Risks and Compliance, which meets quarterly.

The SKB Bank has introduced special internal training on the content of anti-corruption, the prevention of conflicts of interest, the Code of Ethics and the protection of whistleblowers. These trainings are mandatory for all employees, and additional targeted and in-depth trainings are provided for management and more risk prone positions in the SKB Group.

The SKB Group has, accordance with applicable legislation and good practices, an established whistleblowing system, which protects the identity of the whistleblowers and prevents from possible retaliation against them. SKB Group regularly educates and raises awareness of its employees, strengthening the culture of zero tolerance for corruption and retaliation against whistleblowers, thus nurturing the speak up culture.

2.7. Inclusion and Development of society

Integration into society

At SKB Bank, we believe that even with a small incentive, we can make dreams come true and we can help achieve the set goals of those individuals and groups who strive and persevere. SKB Bank is therefore actively involved in society in a variety of ways. We regularly show our support in the form of long-term sponsorships, donations, and other forms of involvement in cultural, sports, educational, humanitarian and philanthropic organizations and their projects. At the end of 2022, more than 200 employees responded to the internal charity challenge campaign, in which many good deeds were completed: we distributed gifts to children and the elderly, donated to various associations, took care of puppies and kittens without families, donated and helped to the homeless, we carried out a cleaning campaign in nature, participated in blood donation drives and helped the elderly.



**Povezani z
dobrimi dejanji**

Education and culture

At SKB Bank, we place great emphasis on the continuous personal and career development of our employees and education. We know that an investment in the knowledge of employees is an investment in our business and in the future success of the Bank. We also support Slovenian culture and will continue our sponsorship of the SNG Opera and Ballet Ljubljana in the 2022/2023 season. We also encourage the employees of the SKB Group to attend performances and participate in culture, for which we have provided them with a discount on regular ticket prices for performances in the 2022/2023 season. With the success of the cultural environment in Slovenia in mind, we also supported the 29th Manager's Concert for talented musicians in 2022, which once again impressed with young musical talents, a repertoire of selected works of art and inspiring performances.



Job creation and skills development

At SKB Bank, we follow developments in the technical and professional fields. This manifests itself primarily as the need to transform existing positions and establish new ones. We made a big move in this direction as part of the Renovation of Digital Channels project, where we created a new position related to the professional competencies of user experience design, and we also employed software developers. We have also announced a scholarship for the developer profile, whereby, in addition to a monthly monetary award, we also offer practical training and summer job with the commitment to employ the scholarship recipient after successful completion of education.

In 2022, we organized several group trainings/workshops on change management for mid-level management, while for existing managers as well as for employees with leadership potential, we continued the implementation of the two-year Leader Development program, which started last year. We also developed interorganizational, so-called peer coaching for colleagues.

The year 2022 was also marked by an employee engagement survey for SKB Bank, which was held for the second time within the OTP Group. The project was successfully implemented, and the survey results serve us as in 2021 as an excellent guide for improving the internal atmosphere and employee satisfaction.

Development and accessibility of technology

At SKB Bank, we strive to constantly follow technological trends and enable customers to work with the Bank quickly, easily, and smoothly – in person or remotely. For us, this means a great emphasis on development, digitization, and automation projects. We are aware of how important it is to have professionally trained colleagues in the Bank, as we strive to develop many technological solutions in-house. A good example of such a solution, which was introduced recently, is SKB Trader, a free online application for legal entities, customers of SKB Bank, which enables the purchase and sale of foreign currencies and the monitoring of their exchange rate in real time.

We are also continuing one of our biggest technology projects ever, Digital Channels (DC3). With the DC3 project, we want to offer customers new, modern, flexible digital channels for all segments. In three years of the project's duration, we want to become the most desirable digital bank on the Slovenian market. Our development strategy is focused on accepting new challenges and ensuring that we offer our customers the best and most efficient solutions, while at the same time ensuring a high level of business security. We develop digital channels in accordance with customer needs, laws, regulations, and directives, and we also place great emphasis on the security aspect of digital operations and environmentally friendly processes. Our development projects follow an agile methodology, since we believe that this is the most effective response to the rapidly changing banking and digital environment. The ultimate goal of our development projects is to completely replace the existing digital solutions for all segments, while at the same time becoming the bank with the best digital solution on the Slovenian market. With the DC3 project, we will thus pilot innovative digital solutions with the possibility of implementing renewed solutions at the level of the entire OTP Group.

In 2022, we also implemented several environmental, security and improved business methods, such as digital print-outs/statements, 3DS push notifications and card security settings. We also offered mobile payment at POS-terminals with the Flik instant payments mobile application. The internal development of robots has simplified, automated, and reduced our operational risk of some internal processes in the back-office operations, campaign management and data management. In 2022, we established one of the major optimizations, which brought more up-to-date data to the network for corporate operations and improvements in the work process. We prepared Corporate clients database and updated Client 360 view by using MicroStrategy tools. The customer list is thus updated daily. We also continue to use data in digital advertising and lead generation with online loan sales funnels based on predictive targeting and targeted messaging. An important aspect is the smart use of data and customer grouping, with the goal to identify customer needs and opportunities for the Bank. We also develop our own artificial intelligence solutions to optimize internal processes in the analytics and direct campaigns management.

Wealth and income generation

Through partnerships, we expand our footprint, especially in the youth segment, and we work with local partners who focus on acquiring quality customers and who increase our acquisition capabilities. The SKB Group strives to cooperate and include local suppliers in the projects and challenges we face. With this, we want to participate in supporting the development and growth of Slovenian experts and companies. With a desire to cooperate and integrate into the environment, we monitor and support local projects and initiatives of local communities. We constantly ask ourselves what more banks can and should do, as we are aware of our important role in the economy. As institutions whose main activity is the financing of the economy, we have an extremely important influence on the structure of economic activities and, consequently, on their impact on the environment.

Health

At SKB Bank, we are aware that only healthy and satisfied employees can also be successful individuals who together form a goal-oriented and stimulating work environment. Therefore, we encourage employees to engage in physical activity, which has positive effects on both health and general well-being, as well as on strengthening our connection and commitment.

To strengthen and raise awareness of the importance of health and an active workplace, the ambassadors of our multi-year motivational movement #Ipersist are also of great help to us. Among them is the top Slovenian athlete Maruša Mišmaš Zrimšek, with whom we have been successfully working for several years. Maruša is always happy to join us in internal initiatives, where together with us she urges employees to exercise and lead a healthy lifestyle. Last year, on the European sports day, she joined us at an internal event with more than a hundred participants and made sure that we had a good exercise before the event.



#VZTRAJAM

In 2022, we went one step further in encouraging movement and decorated the walls of the office building at Ajdovščina 4 in Ljubljana with cute signs that in a witty and pleasant way draw attention to sports activity, encourage the use of stairs instead of elevators and to general health care at every step.

**Porabi kalorije,
ne elektrike**

**Naša četica koraka
strumno in veselo,
drug za drugim v ravni
vrsti zdaj gremo na delo**

**Brezplačna vadba je
le nekaj korakov
naprej**

**Premakni sebe,
ne dvigala**

Last year, as a pioneering company, we obtained the first European certificate in the field of employee sports activities, i.e. the Workplace Active Certification (WAC). We also have an active SKB Bank's Sports Club, which regularly informs employees about the importance of exercise, it enables co-financing of sports activities and organizes various sports and competitive events. An example of this is the Summer Sports Banking Games, where we won an excellent second place overall in 2022, and the SKB basketball team took second place at the Employees Sports Games 2022.



Social investments

SKB Bank operates prudently and with long-term perspective in the context of social investments. We have thus been the main sponsor of the Olympic Committee of Slovenia since its establishment, which will conclude 30 years of successful cooperation in 2023. The commitment to Slovenian sports with the main sponsorship of Slovenian Olympians always leads us to encourage employees to exercise, especially with the support of the Sports for All project. At the same time, we are aware that by sponsoring Slovenian athletes and Slovenian sports we are encouraging them to achieve their goals.



GLAVNI SPONZOR

At the end of 2022, the employees of SKB Bank came together and connected with good deeds. We prepared a charity challenge in which employees with good deeds donated their time. More than 200 employees responded to the call of gratitude and responsibility towards society and the environment, joining more than 30 groups or working as individuals and performing many good deeds. Representatives of SKB Bank's management also joined in doing good and baked more than 50 bags of holiday cookies, which they donated to the Maternity Home in Ljubljana. SKB Bank donated 10 EUR for every good deed to the organization Luna Vila. SKB Bank chose Luna Vila as a donation recipient, which is a private and non-profit organization in Slovenia whose mission is to treat and prevent trauma in children due to abuse, neglect, sexual abuse, death of a loved one, long-term illness and migration.



3. ESG - environmental, social and management aspects of risks

Banking sector is called and required to lead the European economy to sustainable transition following the Paris Agreement on Climate Change and the European Green Agreement, which set the goal of making Europe the first climate-neutral continent by 2050. Banks with its financing role substantially impact to support the change of its clients' business models and thus contribute to the transition to low-carbon and more circular economy.

For the economy and financial institutions, this transition brings both risks and opportunities. According to banking regulators, climate and environmental risks are so important that banks need to address them strategically, holistically and forward-looking.

Since 2021 and especially in 2022, SKB Bank actively approached the treatment of ESG risks with special emphasis on the E-environmental aspect, as we believe that the sustainability aspect in the S-social aspect and the G-governance aspect is already well established:

- In the list of all types of risks, we consider the attribute of climate and environmental impacts (on credit risk, liquidity risk, operational risk, reputation risk, etc.). Namely, ESG risk is not considered as an independent risk, but one that changes existing risk exposures.
- Together with the management of the bank and representatives of OTP we have formulated strategic goals for targeted green loan portfolio by 2025, development of green products, measurement and activities to decrease our own greenhouse emissions as well as the emissions caused by our investments. To be able to set up key strategic indicators we started to form a unified database for monitoring and analyzing ESG. In order to raise awareness of the importance of the accelerated transition to a low-carbon economy, we organized initial training for all employees, many of them attend webinars and other available trainings and workshops while all employees are additionally informed in the internal newsletters about innovations and progress in the bank. Our management is regularly informed about the activities in progress and their statuses and in addition seminars are organized for them to update them with novelties and challenges from the environment.
- The professional exchange of information is conducted within the coordination group, which includes representatives of relevant organizational units of the SKB Group.
- Within Slovene banking association and its working groups, we actively participate raising initiatives and proposed activities, unified approaches and exchange of views.
- Special attention is given to supervisory expectations and regulatory requirements.
- For the operational implementation of important tasks (formulation of strategic documents and policies, preparation of green products and green portfolio in accordance with the Taxonomy, risk policy formulation and investment portfolio control related to environmental and climate risk exposure, provision of necessary data for monitoring, reporting and preparation of disclosures and own assessment and reduction of the carbon footprint) we have organized a project work with which we will gradually contribute to the sustainable growth of our economy together with the parent OTP Bank.

Our goal is to redirect financial flows into sustainable investments, consolidate the role of sustainable approaches in risk management, improve transparency and strengthen long-term thinking about importance of needed changes.