
Consolidated non-financial report 2018

Addiko Bank

Table of Figures	3
Consolidated non-financial report	5
1. Addiko - The straightforward bank	5
2. Addiko Bank - Internationally recognised	6
2.1. Corporate governance	6
3. Corporate strategy and business model	9
4. Addiko Bank's role in society	10
5. Employees	11
5.1. Diversity and equal opportunity	11
5.2. Recruitment	12
5.3. Education and training	12
5.4. Employee satisfaction	13
5.5. Performance and development interviews and target-oriented management	14
5.6. Remuneration	14
6. Group wide compliance	16
6.1. Code of business conduct and ethics	16
6.2. Human rights	16
6.3. Anti-corruption and bribery	16
6.4. Whistleblowing	17
6.5. Conflict of interest	17
7. Environmental matters	17
7.1. Space optimisation	17
7.2. Energy saving	18
7.3. Reduction of CO2 emissions	18
7.4. Travel management	19
7.5. Document management system	19
7.6. Effects from digital banking	19
7.7. Paper reduction and sustainable printing	19
7.8. General awareness raising	19

Table of Figures

Figure 1 - Addiko Bank	5
Figure 2 - Addiko Bank ownership structure	7
Figure 3 - Supervisory Board members as of 31 December 2018.....	7
Figure 4 - Management Board members of Addiko Bank AG as of 31 December 2018 and allocation of responsibilities..	7
Figure 5 - Members who left Management Board in 2018.....	8
Figure 6 - Strategic Goals	9
Figure 7 - Diversity and equal opportunity	11
Figure 8 - Common recruitment & selection principles	12
Figure 9 - Addiko Academy strategic development areas	13
Figure 10 - Overview of headcount, type of contract and working time 2018.....	14
Figure 11 - Age distribution	15
Figure 12 - Total work experience	15
Figure 13 - Space Optimisation	18
Figure 14 - Reduction of CO2 emissions	18

Glossary

Addiko Bank	Addiko Bank Group
ABH	Addiko Bank AG, Austria
ABC	Addiko Bank d.d., Croatia
ABS	Addiko Bank d.d., Slovenia
ABSA	Addiko Bank d.d., Bosnia & Herzegovina / Federation
ABBL	Addiko Bank a.d., Bosnia & Herzegovina / Republika Srpska
ABSE	Addiko Bank a.d., Serbia
ABM	Addiko Bank a.d., Montenegro
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
COO	Chief Operation Officer
CRBO	Chief Retail Banking Officer
CCBO	Chief Corporate & SME Banking Officer
CTO	Chief Transformation Officer
CO ₂	Carbon Dioxide
CSEE	Central and South-Eastern Europe
CSF	means "Central Steering Functions" and designates services that have the character of shareholder activities and are related to strategic direction, coordination, support, monitoring and steering, e.g. human resources, legal, marketing.
CSR	Corporate Social Responsibility
EBRD	European Bank for Reconstruction and Development
EBA	European Banking Authority
EU	European Union
FTE	Full Time Employee
GDPR	General Data Protection Regulation
GSS	Means "Group Shared Services" and designates services that are aimed at providing economic or commercial value to Group members
HQ	Headquarter
HR	Human Resources
Internal NPS	Internal Net Promoter Score is used to measure satisfaction of Addiko employees by indirect question 'how likely one would recommend Addiko as an employer'
ISO 9001	The international standard that specifies requirements for a quality management system
LED	Light-Emitting Diode
Large Corporates	The segment Large Corporates includes legal entities and entrepreneurs with annual gross revenues of more than EUR 40mn
OPEX	Operating Expense
PI	Private Individual
Public Finance	Public Finance includes all state-owned entities.
Retail (PI/Micro)	Retail includes the following categories: (i) PI, private individuals that are not representing a group, company, or organization and (ii) Micro, Includes private entrepreneurs and profit-oriented entities with annual gross revenues of less than EUR 0.5 million.
SME	Small and medium sized enterprises

Consolidated non-financial report

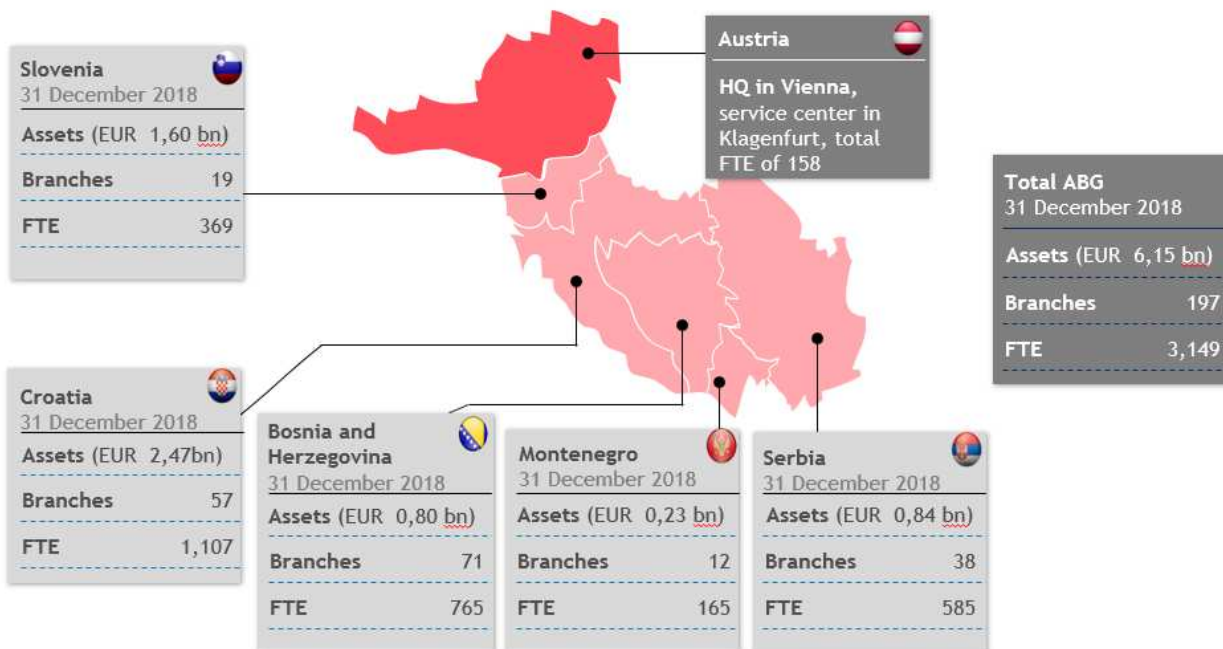
1. Addiko - The straightforward bank

Addiko Bank is an international financial group headquartered in Vienna, Austria, operating through seven banks with its core business in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro. In total, Addiko Bank provides services to about 860.000 clients.

The Group's strategy is focused on these six markets in the CSEE region delivering core products and services relevant to Retail as well as SME and Corporate customers, while also providing online deposit services in Austria and Germany.

Being clearly focused on its core markets Addiko Bank puts the customers at the core of its strategy and does so by promoting products and services relevant to the CSEE economic environment, by implementing faster processes and decision making, and by delivering communication that is easy to understand.

Figure 1 - Addiko Bank



2. Addiko Bank - Internationally recognised

In 2018 all Addiko Bank entities made considerable business progress on fulfilling the Addiko brand promise of straightforward banking.

Addiko Bank has received various awards in 2018 recognising its success. Amongst these, 3 recognitions stand-out:

Addiko Bank Croatia received the prestigious award for the ‘Bank of the Year in Croatia 2018’ issued by The Banker, part of The Financial Times Group, where the jury consisting of international experts graded on the criteria: Performance, Strategic initiative, Technology, Innovation finding Addiko to be the best bank in Croatia. Winning The Banker’s most important award is a huge recognition for Addiko Bank that found itself in the company of some of the best banks.

Addiko Bank Bosnia and Herzegovina won the highest honors for the best banking service from Qudal, an international certification program and was also named among 50 most desirable employers in Bosnia and Herzegovina.

Addiko Bank Austria was invited to present the Group’s transformation at MIT Sloan School of Management in Boston, one of the leading business schools in the world, with the Addiko Bank case study of turning a troubled organisation into a profitable bank with a sustainable business model.

2.1. Corporate governance

The holding company Al Lake (Luxembourg) S.à r.l. is the direct parent company of the Addiko Bank AG and is indirectly owned by funds advised by Advent International, a global private equity investor, and the European Bank for Reconstruction and Development (EBRD). Addiko Bank has been operating under this name since 11 July 2016, following a successful rebranding of the Group.

Founded in 1984, Advent International is one of the largest and most experienced global private equity firms. With offices on four continents it is focused on buyouts and growth equity investments in five core sectors and has invested USD 42 billion in over 340 private equity investments across 41 countries, and as of 30 September 2018, managed USD 39 billion in assets.

Founded in 1991, EBRD is committed to the development of market-oriented economies and the promotion of private and entrepreneurial initiatives in more than 30 countries. The bank is owned by 66 countries, the EU and the European Investment Bank. EBRD has invested more than EUR 130 billion in a total of over 5,200 projects, supporting prosperous economies based on a flourishing private sector, a sound banking sector, modern infrastructure and efficient use of energy. As an investor, EBRD promotes innovation, growth and transparency.

Both, Advent International and EBRD, have a strong track record of committing capital to the financial services sector as well as regionally in Central and South-Eastern Europe.

Figure 2 - Addiko Bank ownership structure

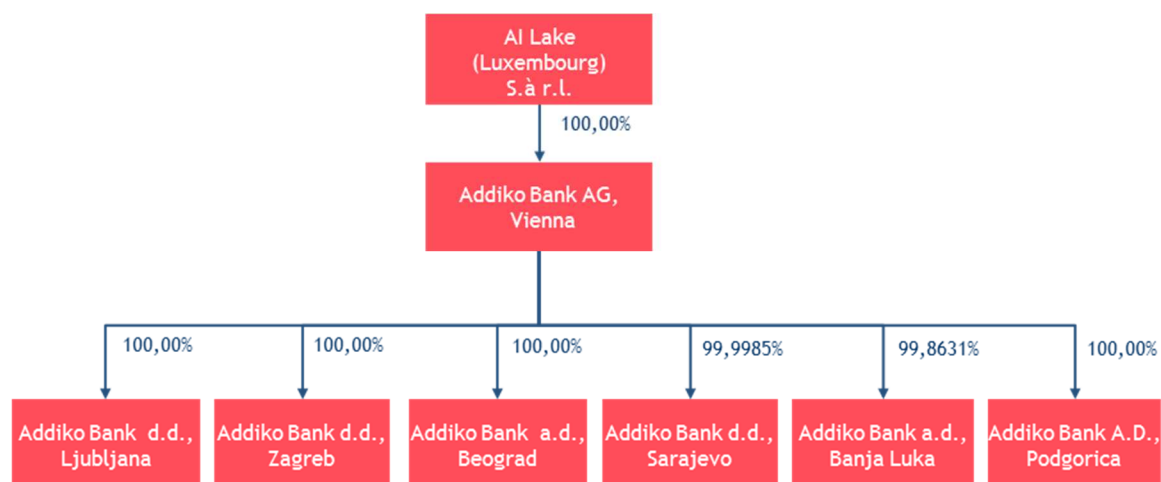


Figure 3 - Supervisory Board members as of 31 December 2018

Name	Position	Year of birth	Date of first appointment	End of the mandate
Hermann-Josef Lamberti	Chairman	1956	1 December 2015	2019
Hans-Hermann Lotter	Deputy	1964	17 July 2015	2019
Henning Giesecke	Deputy	1960	17 July 2015	2019
Dragica Pilipovic-Chaffey	Member	1946	17 July 2015	2019
Horst Floriantschitz	Member/Works Council	1964	22 September 2015	until dismissal
Christian Lobner	Member/Works Council	1978	22 September 2015	until dismissal

Figure 4 - Management Board members of Addiko Bank AG as of 31 December 2018 and allocation of responsibilities

Name	Position	Year of birth	Date of first appointment	End of the mandate
Razvan Munteanu ¹	CEO, CRBO	1966	1 January 2016	2021
Markus Krause	CRO	1968	17 August 2015	2021
Johannes Proksch	CFO, CTO	1969	1 July 2015	2021
Csongor Nemeth	CCBO	1974	1 November 2015	2021

¹Razvan Munteanu has been appointed to the CEO position as of 1 April 2018



Razvan Munteanu - CEO, CRBO
Chief Executive Officer
Chief Retail Banking Officer
 Group Corp. Gov. & Regulatory Affairs
 Group Balance Sheet Mgmt. & Treasury
 Group Human Resources
 Group Economic Research
 Group Sales, Distr. & Customer Experience
 Group Retail Product Mgmt.
 Group Corp. Communication & Marketing
 Group Customer Value Mgmt.
 Group Micro Business Segment
 Group Digital Banking
 Group IT (01.01.2019)



Markus Krause - CRO
Chief Risk Officer
 Group Corporate Credit Risk
 Group Retail Risk Management
 Group Risk Quantification & Reporting
 Integrated Risk Mgmt.
 Group Model & Credit Portfolio Mgmt.
 Group Market & Liquidity Risk
 Group Operational Risk Mgmt.
 Group Fraud Mgmt.
 Risk Auxiliary Support



Johannes Proksch - CFO, CTO
Chief Financial Officer
Chief Transformation Officer
 Group Finance Controlling
 Group Accounting & Reporting
 Group Business & Sales Controlling
 Group Cost & Investment Controlling
 Group Data Integrity & Control
 Group Legal
 Group Corporate Development
 CISO/Data Protection (01.01.2019)
 Group Procurement (01.01.2019)



Csongor Nemeth - CCBO
Chief Corporate & SME Banking Officer
 Group Sales Development
 Group Corp. Process and Prices Mgmt.
 Group Customer Experience & Digitalisation
 Group Large Corporate & Public
 Group Corporate Product Mgmt.
 Group Operational Excellence (01.01.2019)
 Group Operations (01.01.2019)
 Group Organisation & TOM (01.01.2019)
 Group Project & Portfolio Mgmt. (01.01.2019)

Figure 5 - Members who left Management Board in 2018

Name	Position	Year of birth	Date of first appointment	Mandate ended
Ulrich Kissing ²	CEO	1957	17 July 2015	2018
Christian Kubitschek ³	CFO	1969	16 April 2016	2018
Martin Thomas ⁴	COO	1962	1 November 2015	2018

² Ulrich Kissing resigned from the CEO position as of 31 March 2018 and as member of Management Board as of 30 June 2018

³ Christian Kubitschek resigned from the CFO position as of 29 November 2018

⁴ Martin Thomas' function as COO expired as of 31 Dec 2018; the responsibilities were allocated to the other Board areas as of 01 Jan 2019

3. Corporate strategy and business model

Addiko Bank's vision is to provide 'Straightforward Banking' to customers. The strategy has been built on three strategic pillars, which represent Addiko Bank's brand values.

Focus on essentials means

Addiko Bank does a few things very well, rather than a lot OK. That means fewer, essential products that deliver greater value.

Deliver on efficiency means

Addiko Bank concentrates its energy on removing complexity and delivering of what is relevant.

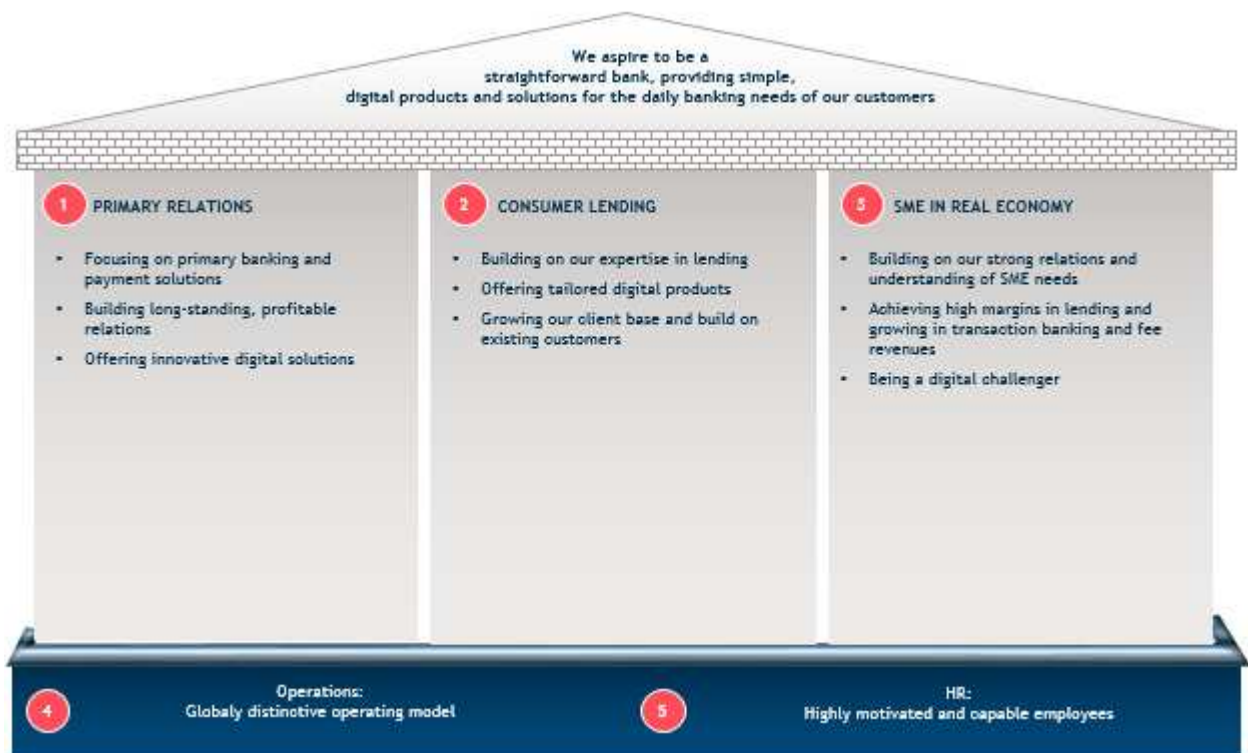
Communicate simplicity means

Addiko Bank's people, products and procedures communicate in the simplest terms to ensure they are clearly understood.

All of the above relate to how Addiko Bank presents itself both externally and internally. Hence, these brand values are applied both internally and when dealing with customers.

Addiko Bank will achieve its strategic goals by focusing on the following key areas:

Figure 6 - Strategic Goals



Moving forward Addiko Bank will, wherever possible, adhere to a 'one way of working' which provides standards, assures quality, reduces risk and drives consistency at everything Addiko Bank does.

Addiko Bank's Operating Model has been designed to support strategy through the following:

- Addiko Bank's scale ensures that shared/group wide services are more efficient and will provide better services than if each country had its own fully-fledged set of individual functions.
- Its strategy focuses on creating a simplified set of products and services relevant to Retail, Small and Medium Enterprises (SME) as well as to Corporate customers, and the operating model clearly reflects this.

- Addiko Bank's Operating Model focuses on the Front Office, making it simpler for its customers, even if this means more effort internally within Addiko Bank. Enabling functions, processes and systems support the customer touch points i.e. the Front Office functions.
- Enabling functions are shared across countries, directly supporting Addiko Bank's 'One Winning Team Approach' and 'Efficient end-to-end processes delivering a superior customer experience'.
- The operating model ultimately ensures a higher level of service quality across the six countries, increase operational stability and enable full leveraging of investments at the Group level. Furthermore, it offers interesting perspectives for highly skilled staff and experts.

Addiko Bank's Operating Model consists of group and local functions. Group functions are either Central Steering Functions (CSF) or Group Shared Services (GSS).

- Local execution refers to colleagues working in regional Addiko Bank businesses.
- Central Steering Functions (CSF) provide some or all the following: strategic direction, guidelines, monitoring, control, and expert services, e.g. Human Resources, Legal, Marketing, etc. They are available in any region and the teams can be spread across countries. In many instances, the execution of such services will be performed locally, by local personnel that are part of the function.
- Group Shared Services (GSS) provide more operational services and have a higher concentration of people in one location, serving the greater Addiko Bank across countries, e.g. Transaction Banking Back Office, Digital Banking, etc.

The rationale for organising Addiko Bank as described above is that it allows to provide better services for the whole of Addiko, with consistency, reduced cost, at significantly lower operational risk. It also directly supports the 'One Winning Team' vision. The CSF and GSS Functions allow Addiko Bank to follow industry best practices and international standards, improve internal knowledge management, mentoring and transfer the skills to employees.

However, the organisational structure is implemented in such way that individual entities are not dependent on the Group level for main banking functions, ensuring separability and resilience in adverse conditions.

4. Addiko Bank's role in society

Addiko Bank takes its responsibility towards society and its stakeholders seriously and is actively engaged on the corporate social responsibility (CSR) front constantly making valuable contributions to the stabilisation and economic development of all the markets where Addiko Bank operates. It is of utmost importance to the Bank to recognise the needs of customers and society as a whole and to provide help, so it is guided by purely philanthropic principles. All the activities and the group wide corporate social responsibility strategy 'Addiko Cares' are represented in Addiko Bank's corporate value system.

Addiko Bank tries to be in touch with the community and its needs, and to support projects and initiatives that have a good cause by means of corporate volunteering and/or donations.

Across the organisation Addiko Bank continued and further developed the corporate volunteering program thus providing the framework for employee engagement with the Bank volunteers providing important services that support local communities. Addiko Bank donations are focused on a relevant area - children and youth related activities and by such focus, the CSR activities have a stronger and long-term impact in the societies where Addiko Bank operates.

Over 370 employees, meaning 12% of all employees have participated in at least one corporate responsibility project and dedicated their time and effort for the greater good. Over 5,000 individuals were affected by and benefited from 'Addiko Cares' corporate social responsibility strategy.

The financial literacy program is a segment in which Addiko Bank has been very active in order to raise the awareness and level of understanding in the public and has successfully positioned itself as a responsible organisation. Accordingly, Addiko Bank's entities organised and supported these activities during the European Money Week and International Savings Day and have also held presentations and lectures at a variety of educational institutions, ranging from elementary schools to universities.

Addiko Banks also participated in the similar programs and conferences organised by NGOs, Chambers of Commerce and national banking associations, with some like Addiko Bank Croatia even launching their own online financial literacy programs and quizzes with over 55,000 individual participants.

5. Employees

Addiko Bank will continue to put employees at the heart of the business recognising that employees are the foundation of Bank's growth and success.

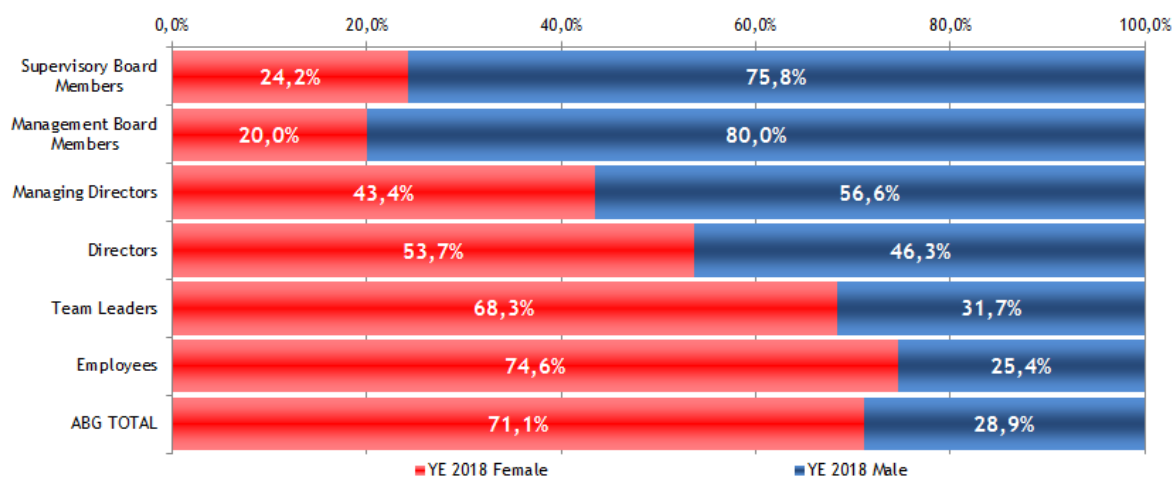
In 2018, the intense efforts in building a positive and motivating working environment were continued across Addiko Bank. After receiving a full certification for a family friendly work place at Addiko Bank Slovenia, all other banks across the Addiko Bank continue to elevate benefits, perks and internal practices to be a competitive and attractive employer in each market. Numerous non-financial employee recognition initiatives were introduced throughout 2018 as well as work-from-home options for employees in Addiko Bank in Austria.

The responsibility for Addiko Bank's employees is also reflected in regular meetings with the Management Board where employees are able to speak freely about strategically important topics. These meetings are held several times a year. In 2018, Addiko Bank continued to promote Addiko Values and Behaviours (Communicate Simplicity, Focus on Essentials, Deliver on Efficiency, One Winning Team) as pillar of the professional and ethical standards in the Bank. The Values and Behaviours have been incorporated into many internal processes including performance management and leadership development.

5.1. Diversity and equal opportunity

The Addiko Bank has implemented the Diversity and Inclusion Policy ensuring that, as an employer, it is committed to build a diverse and inclusive workforce. The female to male ratio is listed in the chart below.

Figure 7 - Diversity and equal opportunity



By implementing a Gender Balance strategy and related long-term succession targets for Addiko Bank senior managers and Boards from 2019 onward, the Bank will proactively implement best market practices to enable diverse talent pools and ensure an open and inclusive organisational environment, also following the principles of equal treatment for all employees and prevention of any discrimination, respecting all diversity factors.

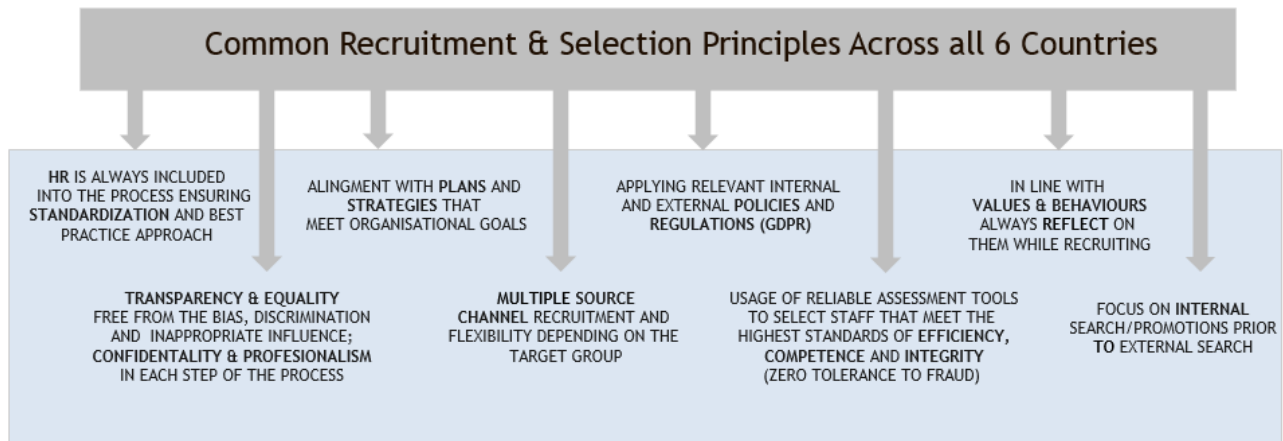
A diverse workforce leads to a broader range of experience, knowledge, skills and values, and is one of the factors that enhance the functioning of Addiko Bank with a variety of views, independent opinions, balanced decision making and innovations.

5.2. Recruitment

Selection and recruitment of employees is based on clearly defined needs of individual organisational units and strategic work force planning that is defined during the business planning process each year. The FTE targets are in line with Addiko Bank’s Operating Model.

Priority is given to internal recruitment, in which Addiko Bank takes the ambitions of employees into account and thus enable career development of employees with transitions from one job to another.

Figure 8 - Common recruitment & selection principles



Candidates are selected on the basis of their expertise, attitude, cultural fit to the Bank’s Values and Behaviours as well as personal characteristics that are identified during the selection process. For key functions in the Bank an assessment of the applicant’s ability and suitability (Fit & Proper) is also carried out under an internal procedure complying with all local and European legal and regulatory standards and guidelines.

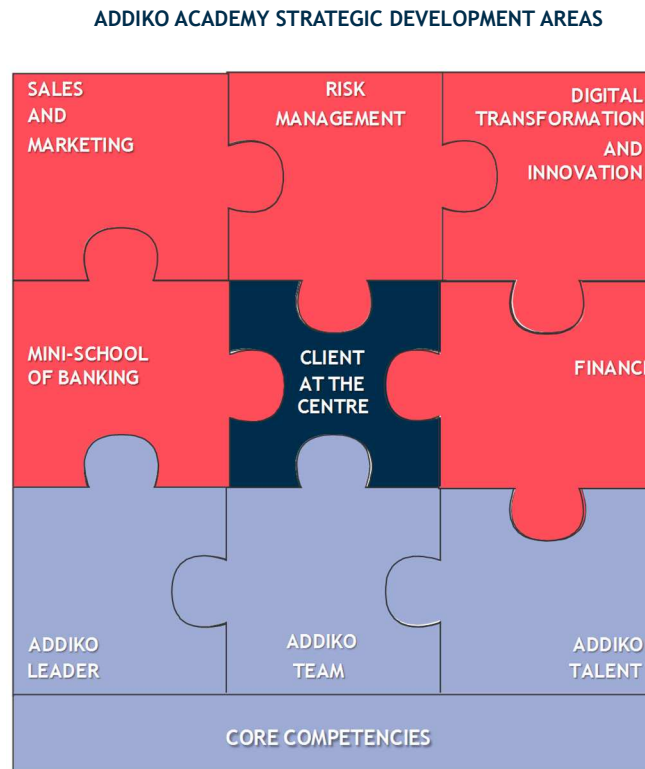
5.3. Education and training

Addiko Bank believes that only highly qualified staff can follow the needs, trends and the challenges of the financial market. Since the financial industry is facing a dynamic transformation because the customer behaviour is changing, with increased importance of digital channels, employees of the Bank will need new / additional skills and competencies. For this reason, the Bank provides constant and comprehensive expert training to all employees. To achieve business objectives, the Addiko Academy is organised, offering three sets of curriculums:

- Addiko Leader
- Addiko Customer
- Addiko Risk Awareness

These key educational areas for development reflect the Bank’s strategic needs as Addiko Bank is transformed from a universal bank to a specialised, risk-averse and digital bank focused on Retail, SME and Corporate. Individual development is also promoted with specific focus upon key employees.

Figure 9 - Addiko Academy strategic development areas



Each year the Bank also organises various internal trainings in accordance with Bank’s needs. In 2018, the Bank focused extensively on elevating leadership skills of senior leaders. The Bank will continue this focus in the upcoming period. Members of the management boards, as well as all senior managers, were taken through some form of leadership assessment, whether in the form of a leadership assessment centre or by leveraging the 360° feedback tool. In addition, many professional, compliance and legally required trainings are continually offered to employees ensuring that their knowledge meets the requirements e.g. to fulfil our customer value proposition.

The Bank also enables employees to obtain various finance and insurance licenses, which are necessary for professional work; in 2018, the Bank enabled a large number of employees to cooperate in e-Learning training dealing with security awareness, GDPR and fraud awareness topics.

5.4. Employee satisfaction

As part of the roadmap to culturally transform Addiko Bank, employee engagement and views are very important. The Bank conducts internal employee engagement ‘pulse check’ surveys every quarter. The internal Net Promoter Score (NPS) helps the management to verify employee loyalty and points to employee concerns that need attention. The result shows that there were more employees that would recommend the Bank as an employer to their friends and acquaintances than those who would not do so. The survey results throughout 2018 confirm the strategy of the last years in transforming Addiko Bank and creating a friendly working environment.

In the next period Addiko Bank focuses on the following four areas:

- to cascade Addiko Bank’s vision and strategy to all employees helping to define the Bank’s purpose
- to celebrate success as Addiko Bank has overcome immense challenges with a successful transformation over a short 3-year period.
- to provide structure and clarity to HR and people related processes through implementing a unified job grading system that standardises salaries across Addiko Bank

- engaging employees through career development opportunities, such as learning and development programs as well as promoting and encouraging internal promotion.

Various “Get together” meetings were organised by Addiko Bank throughout the year. These contribute to the well-being and team spirit of the employees. Addiko Bank continuously supports the activities promoting health within the framework of the Addiko Sports and Culture Association in Slovenia, Addiko Walk and Run in Croatia, Business Run in Austria to mention just a few.

5.5. Performance and development interviews and target-oriented management

In 2018, Addiko Bank continued the Addiko Performance Management Cycle through which the employees are evaluated and rewarded. The aim of continual performance feedback and the year-end performance review is to ensure successful individual performance, elevating the operations of Addiko Bank on a long-term basis. The Performance Management Cycle expects that individual targets and objectives are set annually, reviewed at least twice during the year and reviewed again at the beginning of the next year. The objective is to provide systematic, professional and personal feedback and development of the managerial staff and employees.

5.6. Remuneration

The Addiko remuneration strategy aims to reward performance and contribution in an appropriate mix of fixed and variable remuneration, which is market based and which prevents the Bank from an excessive risk taking, while rewarding sustainability and long-term results.

The remuneration policy is governed by the provisions of the applicable legislation, EBA guidelines, the decisions defined by each local national bank and EU directives on capital requirements. These regulations set criteria and conditions for the payment of variable compensation to managerial staff and employees. The key functions that can significantly affect the bank’s risk profile within their duties, tasks and activities include members of the Management Board and directors of individual departments, including risk management and internal audit.

The Addiko Bank’s variable compensation is awarded according to a variable pay framework and is closely linked to target-oriented management. By paying variable compensation, Addiko Bank would like to reward individual outstanding performance. However, taking into consideration not only individual, but also the organisational performance, variable compensation also aims to motivate for team work.

Figure 10 - Overview of headcount, type of contract and working time 2018

YE 2018	HEADCOUNT			TYPE OF CONTRACT		WORKING TIME	
	TOTAL	FEMALE	MALE	PERMANENT	TEMPORARY	FULL TIME	PART TIME
ADDIKO GROUP TOTAL	3.149	2.238	911	2.897	252	3.101	48
Addiko Bank AG Vienna	158	60	98	145	13	139	19
Addiko Bank d.d. Zagreb	1.107	816	291	1.046	61	1.105	2
Addiko Bank d.d. Ljubljana	369	235	134	354	15	357	12
Addiko Bank d.d., Sarajevo	393	304	89	319	74	385	8
Addiko Bank a.d., Banja Luka	372	294	78	344	28	365	7
Addiko Bank a.d. Beograd	585	416	169	543	42	585	0
Addiko Bank a.d. Podgorica	165	113	52	146	19	165	0

The employee indicators are based on headcount data as of the YE 2018.

Figure 11 - Age distribution

YE 2018	Age distribution					
	TOTAL	< 30	31 - 40	41 - 50	51 - 60	> 60
ADDIKO GROUP TOTAL	3.149	376	1.347	1.028	373	25
Addiko Bank AG Vienna	158	11	82	54	10	1
Addiko Bank d.d. Zagreb	1.107	122	434	392	151	8
Addiko Bank d.d. Ljubljana	369	42	181	108	37	1
Addiko Bank d.d., Sarajevo	393	75	161	112	40	5
Addiko Bank a.d., Banja Luka	372	29	142	130	67	4
Addiko Bank a.d. Beograd	585	70	259	194	57	5
Addiko Bank a.d. Podgorica	165	27	88	38	11	1

The average age at Addiko Bank overall is around 39 years.

Figure 12 - Total work experience

YE 2018	Total work experience						
	TOTAL	< 3	3 - 5	6 - 10	11 - 15	16 - 25	> 25
ADDIKO GROUP TOTAL	3.149	715	266	543	863	586	176
Addiko Bank AG Vienna	158	74	40	27	13	3	1
Addiko Bank d.d. Zagreb	1.107	69	75	102	270	416	175
Addiko Bank d.d. Ljubljana	369	96	25	127	97	24	0
Addiko Bank d.d., Sarajevo	393	162	27	57	92	55	0
Addiko Bank a.d., Banja Luka	372	57	31	67	132	85	0
Addiko Bank a.d. Beograd	585	197	55	103	227	3	0
Addiko Bank a.d. Podgorica	165	60	13	60	32	0	0

Total work experience calculated based on the full years of service in the Group (including legal predecessor)

6. Group wide compliance

6.1. Code of business conduct and ethics

Addiko Bank is committed to conduct business in compliance with the highest ethical standards. The Code of Business Conduct and Ethics is a binding regulatory framework, which is applicable group-wide for all employees, third-party service providers and business partners.

It is designed to promote honest, ethical and lawful conduct while its standards govern employee interactions with customers, competitors, business partners, governmental authorities, shareholders as well as with each other. Addiko Bank demands from its employees a particular responsibility to comply with legal, regulatory and internal requirements as well as with all internal acts and ethical principles defined by the Code of Business Conduct and Ethics. As compliance is part of organisational culture, the compliance function is decentralised at Addiko Bank. Functional managers have organisational and supervisory duties to ensure that no violation of the applicable rules and laws governing the financial industry take place that could have been prevented by adequate measures and supervision.

The main Addiko standards are:

- Treat others with dignity and respect
- Act ethically and lawfully
- Conduct fair, open and responsible business

6.2. Human rights

Addiko Bank respects the protection of internationally proclaimed human rights. Addiko Bank is committed to upholding the fundamental human rights of fellow employees, and expects vendors, partners and others who provide services on behalf of Addiko Bank to adhere to the same high standards.

Addiko Bank is committed to a workplace that is free from sexual, racial and other unlawful harassment, and from threats or acts of violence or physical intimidation. Abusive, harassing or other offensive conduct is unacceptable, whether verbal, physical or visual.

Addiko Bank's values and behaviours are built on trust, respect and integrity. Addiko is an equal opportunity employer and bases its recruitment, employment, development and promotion decisions solely on a person's ability and potential in relation to the needs of the job.

6.3. Anti-corruption and bribery

Addiko Bank demonstrates zero tolerance towards any form of corruption or bribery. To ensure compliance with respective laws and regulations, group standards and policies are implemented. Clear rules are applicable for acceptance of gifts and gratuities, contracting third parties (anti-corruption clause), approval of donations or sponsorship, as well as mandating lobbyists.

In line with international standards and laws as well as with Addiko Bank's strategy, it is illegal for Addiko Bank entities and persons working for or on behalf of Addiko Bank to offer, pay, give, promise or authorise the payment of any money or of anything of value, directly or indirectly, to any government official or employee, political party or candidate for political office for the purpose of obtaining or retaining business or to secure an improper advantage (direct and indirect).

It is prohibited to request, accept or offer any form of under-the-table payment, kickback, bribe, barter or other improper payment or gratuity in connection with any corporate expenditure or sale of goods or services.

Addiko Bank requires that all third-party contracts include a provision to comply with applicable anti-corruption laws.

In 2018, Addiko Bank did not discover or record any incident of corruption.

6.4. Whistleblowing

Addiko Bank is committed to avoid violations or any negative developments within the group therefore established a whistleblowing procedure - as an early warning system - that enables employees to raise concerns about unacceptable behaviour through various channels such as ordinary mail, e-mail or telephone. "Whistleblowers" will not suffer any negative professional consequences as a result of their whistleblowing actions. Addiko Bank strictly prohibits retaliation against anyone who reports in good faith a possible violation, no matter whom the report may involve.

Cases are always treated confidential, are investigated thoroughly and are managed with due care.

6.5. Conflict of interest

Addiko Bank is committed to the highest levels of integrity. Employees of Addiko Bank are expected to conduct their relationships with each other, the Bank and outside organisations with objectivity and honesty. As general rule, all employees are obligated to avoid and disclose ethical, legal, financial, or other conflicts of interest involving Addiko Bank and/or its clients and/or third parties and exclude themselves from a position of decision-making authority with respect to any conflict situation involving the Bank.

7. Environmental matters

In the contemporary world that is affected by the effects of years of irresponsible behaviour towards nature, protection of the environment is every person's and organisation's responsibility. Although a direct impact of banks on the environment may be regarded as rather limited and not as significant as it may be with some other industries, Addiko Bank recognises its responsibility in preserving the environment and is consciously treating environmental matters, being committed to reducing its own consumption of natural resources - mainly in terms of electricity and heating as well as fuel and paper consumption.

Addiko Bank, respectively all its entities, are fully compliant with local laws and regulations on environmental issues, e.g. waste management, recycling, dangerous materials disposal etc. Besides compliance with the obligatory environmental regulation, Addiko Bank is fully committed to the implementation of additional measures that are, amongst others, tackling environmental protection. Addiko Bank is collecting best practice models from all affiliated companies and sharing ideas, initiatives and success stories within Addiko Group.

7.1. Space optimisation

The main driver of a successful energy and resources management are the real estate and facility management departments in Addiko Bank entities. One of Addiko Bank long-term measures initiated in the previous years and continued also in the course of 2018, is a group wide space optimisation project aiming for the reduction of space used for the banks' core business, which, besides a significant OPEX cost reduction, is consequently also intended to result in a decrease of electricity and heating consumption. As such Addiko Bank has implemented an open-floor concept in all its head offices in the CSEE region as well as in back offices throughout the network, which is effective also in terms of use of heating and cooling systems and furthermore decreases the required number of needed illuminates.

The following table shows the development of used space:

Figure 13 - Space Optimisation

ADDIKO GROUP TOTAL	January 2017	December 2017	December 2018
	Total m2	Total m2	Total m2
Addiko Bank AG Vienna	2,165.95	2,165.95	2,165.95
Addiko Bank d.d. Zagreb	44,478.20	39,531.77	38,405.00
Addiko Bank d.d. Ljubljana	10,504.73	8,648.97	7,760.00
Addiko Bank d.d., Sarajevo	19,233.54	19,241.60	15,423.00
Addiko Bank a.d., Banja Luka	15,153.31	15,152.31	13,080.00
Addiko Bank a.d. Beograd	13,452.00	12,826.66	12,310.00
Addiko Bank a.d. Podgorica	3,424.34	3,463.55	2,915.00
Total	108,412.07	101,030.81	92,058.95

**overview based on data recorded in the centralised group real estate data base*

7.2. Energy saving

As in the previous year, Addiko Bank continues to promote LED lighting as an energy saving solution also in 2018, introducing this lighting type as standard for the entire Addiko Bank network. Purchasing high quality products does not only result the advantage of a reduction in energy consumption, but it also guarantees that the manufacturing is according to ISO 9001 standard, with a stable product quality. This is important as less technical services are needed resulting in additional saving of fuel used for the journey and resources for production.

7.3. Reduction of CO2 emissions

With the renewal of the Addiko Bank's car pool and the acquisition of a new generation of vehicles, CO2 emissions (g/km) have dropped significantly by a 25% to a weighted average CO2 emission of 119.78 g/km, as shown in the following table:

Figure 14 - Reduction of CO2 emissions

ADDIKO GROUP TOTAL	Old Addiko car pool 2017		New Addiko car pool 2017	
	Number of cars 2017	Old Addiko car fleet Avg. CO2 Emission (g/km)	Number of cars 2018	New Addiko car fleet Avg. CO2 Emission (g/km)
Addiko Bank AG Vienna	20	167.69	16	134.69
Addiko Bank d.d. Zagreb	68	153.85	69	120.34
Addiko Bank d.d. Ljubljana	11	171.86	10	122.00
Addiko Bank d.d., Sarajevo	30	n.a.	20	101.00
Addiko Bank a.d., Banja Luka	27	149.00	18	149.00
Addiko Bank a.d. Beograd	32	155.92	29	108.03
Addiko Bank a.d. Podgorica	5	n.a.	5	99.00
Total	193	159.66	167	119.78

**overview based on available data from centralised group car data base*

Consequently, also the group wide optimisation of the car fleet has resulted in a reduction of fuel consumption (in some countries e.g. Slovenia by 34% and Bosnia and Herzegovina for 20%) in 2018 on average by ca. 10% compared to the previous year. In addition to that, more conscious fuel consumption is promoted throughout Addiko Bank, encouraging the Bank's employees to choose alternative options - e.g. using video conference facilities instead of driving to a meeting.

7.4. Travel management

The best way to reduce CO2 emissions on business trips is to generally avoid respectively to keep such trips limited. Addiko Bank has therefore implemented a sophisticated video conferencing system in all its subsidiaries and is encouraging its employees to use video calls as alternative to meetings in person whenever possible. For inevitable business trips, however, Addiko Bank has a travel guideline which is set up to keep the number of trips as low as possible. In order to avoid commuting at the business trip destination, Addiko Bank provides its employees with a list of recommended hotels, which, besides a special contracted fee, are in close proximity to regular meeting locations.

7.5. Document management system

Addiko Bank is engaged in continuous improvement of its internal procedures in order to be more efficient and to save resources (especially paper) wherever possible. While some organisational units are legally required to use paper, other documents are fully digitalised as result of previous years' initiatives for optimisation of the Bank's document management.

7.6. Effects from digital banking

Addiko Bank's promotion of digital banking services respectively e-banking, m-Banking, besides evident benefits for the clients, has also some environmental benefit in form of the reduction of printing and paper (e.g. less payment and deposit slips and other documents, less toner consumption etc.). The era of digital banking certainly makes its own contribution to the environment.

7.7. Paper reduction and sustainable printing

Optimised printing management does not only save paper, but it has a substantial influence on waste through the use of toners and the energy consumption as well. Therefore, Addiko Bank introduced common multifunctional large-scale printers, classified as category "A" energy efficiency, which are intended to replace small, inefficient office printers. The default printer settings are set to print in duplex mode and in black and white.

A group wide initiative for postal service optimisation has been launched, with the intention to explore the possibilities for further reduction of printed materials sent via postal services to the banks clients and potential replacement of printed mail with other informational channels e.g. e-mail, wherever that may be possible also in terms of legal requirements etc. Clients are hereby encouraged to provide alternative contact options (like e-mail, phone number for SMS service) beside their addresses, which the bank could use for sending the regular informational materials that are usually sent via postal service.

7.8. General awareness raising

Future targets for improvement of the Addiko Bank environmental footprint in 2019 are a group wide raising of employees' awareness for environmental protection in general, encouraging a more efficient usage of company resources wherever that may be possible (e.g. use of company cars, conscious use of electricity, electronic documents instead of paper print etc.).