

# A CASE FOR COMPLIANCE AND INTEGRITY



**Concerned SDG(s):** 17

**Company name:** Nova Ljubljanska banka (NLB)

**Industry:** Banking Emerging Markets

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## CHALLENGE



The banking industry is strictly regulated. NLB works in the Banking Emerging Markets industry where it is highly challenging when a company is willing to change something. Looking at how changes could be implemented in the banking industry, NLB provides a good example. The purpose of this best practice example is to show how this particular Slovenian bank integrates compliance and integrity in their business.

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## PRACTICE

According to new banking legislation, banks have to establish the Compliance function. 'Compliance' in their context means legislation and Integrity together. The compliance department presents a bank's internal police force. It is the unit that ensures that a financial institution complies with applicable laws, regulations and rules, and it plays an essential role in helping to preserve the integrity and reputation of the bank.

For NLB, it is not only the legislation that is important, but integrity which is included in compliance as well. Compliance and Integrity are both important for NLB and could be compared to the so called Ethics Departments in other companies or banks when mixed together. The banking industry is strictly regulated. Heads of Compliance have to be independent, and they have to follow the rules. NLB has 19 people in their team working on compliance service, and their Integrity and Compliance departments are very much intertwined with their Corporate Social Responsibility strategy.

They are regularly developing and organizing training programs for their employees, to steer them towards more ethically guided behaviours. In their training programmes, issues such as anti-corruption, ethics and personal data protection issues are presented. Their Human resource department also takes great care to be a family and environmentally friendly company. Before implementing those changes in NLB, Corporate Social responsibilities and environmental responsibility were included in Human resource management department.

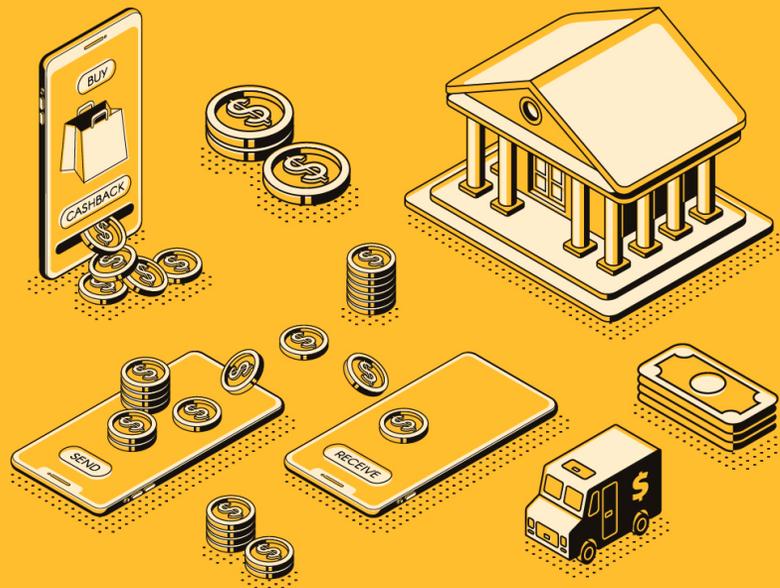
Nowadays those are responsibilities of the Compliance function. NLB was awarded the Slovenian certificate for "Family-Friendly Company" and for the EGO European green office certificate. NLB also provide education for the company leaders based on the values and goals of these certificates. This is done through an obligatory e-training program taking place every year.



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## PRACTICE



Their employees who work in compliance need to have communication, writing, analytical skills, and a high level of emotional intelligence. As an example, if an incident were to happen, they do not want to immediately fire that particular employee, but rather first organise a one on one meeting to evaluate their needs and determine how to upgrade their awareness or knowledge of a particular subject. The possibility for employees not having to use their vacation time when taking their children to see a doctor is another good practice example. This right derives from the corporate in-house regulation. The communication department also organizes a yearly Social Responsibility education and ad-hoc communication about the topic of social responsibility.

NLB has divided the compliance and legal departments, but they are closely linked and working together. Above presented are good examples on how to make positive changes in an otherwise very strict and regulated bank industry. Compliance officer is a rather new function, while on the other hand, legal departments have a very long and strong tradition. Since they have divided these two functions, they regularly organize joint meetings and educational events to work on the challenge of changing the outdated traditions together. It is important to note that this approach does present a challenge by itself as it requires a diligent and very involved change process. NLB is nowadays organisationally stabilised. Old and long tradition is now replaced with new function i.e. compliance.

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### BENEFITS<sup>25</sup>

The main benefits of the implementation of compliance and integrity in NLB is that now they operate more successfully and are more stable. As a consequence of changed behaviour, the company takes greater care to conduct in an ethical manner, and the employees' rights are better protected. The benefits of dividing Compliance and Legal functions is that each department know their exact obligations, tasks, rules, jurisdiction and each department is more focused on what they are doing.

NLB has divide these two department according to the legal fields. Through a significant process of change and from Human Resource perspective NLB compliance department recognise a clear benefit shown in improved internal ethics of NLB – the companies and in improved ethical conduct of the employees. There are benefits to the local environment, the employees and the company, when the company becomes more family as well as environmentally friendly.

NLB is very much aware of importance for continual investment in professional knowledge. They have their own internal educational centre, which has been taking care of the development and education of its employees for 43 years. They strive to develop best leaders and experts with

diverse learning experiences, with a combined learning model (learning from co-workers, training, participation in seminars, e-learning, literature, video, etc.). NLB also sending their employees to attend courses at educational institutions such as IEDC-Bled School of Management to obtain and to improve their knowledge. They also have their own library with the literature focusing on banking. Education is highly connected with the 17 SDGs. Leaders needs to maintaining and improving their knowledge which help them to advise and suggest efficiently to their clients.

NLB is responsible for supporting young people in employment, encouraging young athletes, and maintaining an important art collection - NLB Gallery. They participate in humanitarian campaigns, donations, and sponsorships. In order to reduce paper consumption, NLB has introduced electronic extracts and e-invoices as well as on-line deposit and electronic customer service. NLB also saves energy with the so-called "Green offices" approach. They also work on reducing waste and drinking water. They also use electric vehicles for business for a cleaner environment.

<sup>25</sup>The data was collected based on the secondary research.