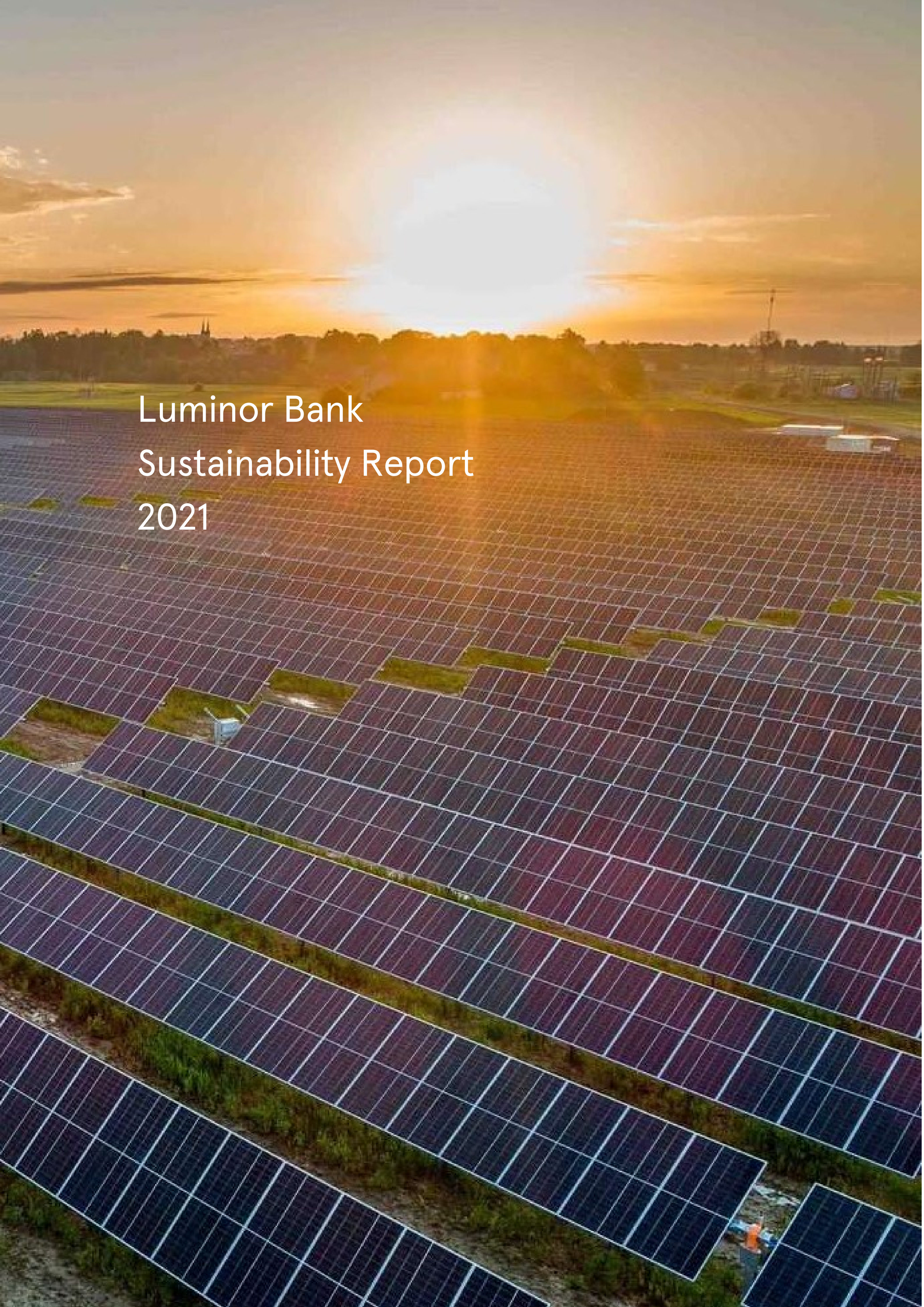


Luminor Bank
Sustainability Report
2021

SUSTAINABILITY AT A GLANCE

OUR PRIORITIES

- Be CO_2 neutral in our own operations – reducing our carbon footprint and environmental impact
- Support the transition to a low carbon economy – with advice, funding, and capital markets' access for our clients
- Care for local issues – addressing Baltic issues, working with NGOs, and supporting social entrepreneurs

OUR PROGRESS

- Sustainability policy established and strategy defined
- Policies, roles and accountabilities updated to integrate ESG into our governance structure
- Sustainability data delivery organization and governance, key data capabilities and reports established
- Several actions taken to reduce our operational emissions

OUR TARGETS

1. Committed to Paris Agreement aiming to reach a net zero greenhouse gas emissions by 2050.
2. 50% reduction of operational CO_2 emissions per FTE by 2025 and offset the remaining operational emissions.
3. We commit to set science-based targets (SBTs), which we will submit by the end of 2023 to the Science Based Targets initiative (SBTi) for validation for all industry sectors and asset classes where SBT methodologies are available.
4. Improve data quality and data collection for mortgages & real estate collateral and establish emissions baselines in 2023.
5. By 2025 at least 90% of new lending volume to large corporate customers in high climate risk sectors will be made to clients that have transition plans in place.
6. Increase our lending to sustainable real estate and renewable energy related projects to 700 million EUR by 2030
7. 50% of the volume of Covered bonds and Corporate Senior bonds in our bond portfolio to be green or sustainability-linked by 2030
8. Improve customer satisfaction and increase relational NPS survey score to +13 in 2022.
9. Increase employee eNPS to +20 in 2022.
10. Through natural turnover, 40% of Supervisory Council members to be women by 2024.

ABOUT US

Luminor is the leading independent bank in the Baltics and the third-largest provider of financial services in our region. We serve the financial needs of individuals, families, and companies. Just like our home markets of Estonia, Latvia, and Lithuania we are young, dynamic, and forward looking. Further information about us can be found at www.luminor.ee.

Cover photograph: Solar park installed in 2021 in Žiežmariai, Lithuania by Green Genius, a customer of ours.

CHIEF EXECUTIVE'S STATEMENT

The sustainability of our business is linked to the sustainability of the world around us. We will not be successful in a world that fails. To contribute to sustainable development, we will prioritize three of the United Nations' Sustainable Development Goals: promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all (SDG 8); climate action (SDG 13); and promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels (SDG 16).

During 2021, we updated our Sustainability Policy. The Policy outlines the main ESG ambitions, principles, and values we will adopt and how we will integrate climate risk into our governance. We revised our Remuneration Policy, Risk Policy and Strategy, and Risk Appetite Framework – Policy as well as ESG Risk Assessment Guidelines for corporate lending customers to integrate climate risk and due diligence on ESG matters. We initiated the development of corporate ESG Due Diligence Guidelines and the update of all onboarding and transactional due diligence processes to ensure integration of ESG factors. We also established a Sustainability department to help realise our ESG ambitions.

To foster implementation of the obligations stemming from regulations and to contribute to lowering the effect of own activities, in 2021 we set objectives for creating positive impacts on the environment and the societies we serve. We will support our customers as they adapt to climate risks and help ensure that those in our society who are exposed most to climate, social or governance risks have a plan in place to ensure their resilience. In our own operations in 2021 we made considerable progress, with a revised approach to waste management, we switched to green energy in three of our facilities in Latvia, and we established our emissions baseline for Scopes 1, 2 and 3 including financed emissions. And we launched a sustainability training programme.

In 2021, we also updated our Sustainability Strategy and our plans to realise our strategy. Specifically, we will become CO_2 neutral in our own operations, we will support the transition to a low-carbon economy for our clients, and we care for local Baltic issues, including employee wellbeing, diversity and inclusion, and measurable community engagement. To reach our goals and to make our Sustainability Strategy more tangible, we are working on the development of a set of key performance indicators and key risk indicators.

We shall align our lending and investment activities with the Paris Agreement aiming to reach net zero greenhouse gas emissions by 2050. Our updated Sustainability Strategy details the principles for reaching our targets and objectives. We see sustainable products and climate impact management as key to our future development. We are building a climate risk management framework including sectors strategies, climate risk rating models and stress testing capabilities. In 2021, we advanced our understanding of climate-related and environmental risks as drivers of established risk categories, and with increased data availability, we will develop a comprehensive view on how these risk drivers effect our risk profile.

As for the upcoming period, we have set a target to switch to renewable energy sources in all our facilities by the end of 2025. We shall set targets to reduce our operational greenhouse gas emissions Scope 1, 2 and 3 in 2022, complete the development of corporate ESG due diligence guidelines, and update all onboarding and transactional due diligence processes.

We have based this, our inaugural Sustainability Report, on three pillars aligned with UN SDGs: planet, people and prosperity, and principles of governance. We look forward to providing further details of our progress in future reports.

Peter Bosek

CONTENTS

This report is compiled in reference to the Global Reporting Initiative's ('GRI') Sustainability Reporting Guidelines. The Non-Financial Reporting Directive (NFRD) 'Guidelines on non-financial reporting: Supplement on reporting climate-related information' has been used to prepare the climate-related disclosures for each of the five reporting areas listed in the Estonian Accounting Act which transposes the NFRD: business model; policies and due diligence; outcome of policies; principal risks and risk management; and key performance indicators. We explain data limitations in 'Additional information'. In this report 'Luminor', 'Luminor Bank', 'we', 'us' and 'our' refer to Luminor Bank AS together with its subsidiaries. The abbreviations '€m' and '€bn' represent millions and billions (thousands of millions) of euro, respectively.

Image right: Hydropower station in Latvia, owned by Latvenergo for whom we lead managed a €50m green bond issue in 2021.

PLANET

Climate change is the most significant environmental issue we today. In 2021, the European Commission enacted a series of laws to achieve climate neutrality in the EU by 2050, and an intermediate target of a 55% net reduction in greenhouse gas emissions by 2030. The Baltic countries adopted climate action policies consistent with the EU target. In support of these policies, we have prioritised SDG 13, to align our activities to combat climate change and its impacts.

SDG 13: Our priorities

13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
13.2	Integrate climate change measures into national policies, strategies and planning
13.3	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

We recognise that climate change effects our customers, our staff and the societies we serve. We also recognise that as a bank we play a vital role in financing activities that address climate change. To fulfil our obligations, we must assess and address the climate impact of our financing activities. In addition, climate change alters the credit risks of our customers. For example, the requirement for greater sustainability may change our customers' business models, or new investments may be required. We stand ready to fund this transition.

In 2021, we updated our Sustainability Policy which sets our ambition level as well as frameworks for determining our sustainable activities, addresses our climate impact, climate risks and lists our exclusions. It outlines the main ESG principles and values we aim to integrate into how we do business with our customers, suppliers and vendors. The Policy also defines our ambition level and principles for responsible conduct to avoid any negative impacts on the society and environment that might be caused by our business activities.

We are committed to support our clients as they transition to a low-carbon economy and implement more sustainable practices; to reduce negative impacts of our business activities; and, to become climate neutral in our own operations. To realise these ambitions, we will operate transparently and as energy efficiently as possible, promote environmental improvements and greater environmental responsibility, and minimise our impact on the environment.

For 2021, we committed to be carbon neutral in our own operations by offsetting any remaining Scope 1, 2 and 3 operational emissions. In the coming years we shall reduce our operational emissions for scope 1, 2 and 3 in line with the Paris Agreement aiming to reach a net zero greenhouse gas emissions by 2050. We shall switch to green energy sources for all our facilities by 2025, and move most of our datacentres to AWS Cloud, who have committed to Paris Agreement, change our vehicles to environmentally friendly alternatives and establish car charging stations in our headquarters by the end of 2025. We shall switch to FSC paper in all facilities in 2022 and aim to decrease the share of non-recyclable waste, and install water dispensers in all our facilities, to reduce the usage of plastic bottles, by the end of 2022.

We are committed to support companies as they adopt climate resilient business models including those in carbon-intensive industries, as they align their operations with EU and local climate targets. We commit to calibrate our corporate lending activities on science-based scenarios. We commit to set science-based targets (SBTs), which we will submit by the end of 2023 to the Science Based Targets initiative (SBTi) for validation for all industry sectors and asset classes where SBT methodologies are available. At the same time, we will discontinue progressively financing the extraction of coal and oil shale and shall support the replacement of coal and shale oil based energy and heat production with new and more energy efficient solutions.

THE CLIMATE IMPACT OF OUR OWN OPERATIONS

Greenhouse gas (GHG) emissions by source, tCO_2e	2021
Scope 1	51
Scope 2	2,155
Scope 3 – Own operations emissions	1,054
Own operations	**3,260**
Scope 3 – Financed emissions, Corporate lending	1,957,000
Total	**1,960,260**
Carbon emissions intensity of own operations in tCO_2e per employee	1.44
Energy consumption, MWh	9,955
CO_2 emissions linked to energy consumption (Scope2) per office area in $tCO_2e/m2$	0.06

In 2021 we established our GHG emissions baselines for Scope 1, 2, and 3 emissions and joined the Partnership for Carbon Accounting Financials (PCAF) – the first financial institution in the Baltics to do so. We also implemented the GHG accounting standard for the main asset classes that are covered by the PCAF methodology. GHG emissions are a driver of transitional risk for our customers and us as emission levels influence operating costs given carbon taxation, increasing fuel prices and the cost of adjusting operations given new regulations.

We also established an action plan to address the ECB's Guide on climate-related and environmental risks and initiated the development of climate risk rating models for various risk types, such as liquidity risk. We integrated climate-related and environmental risks as an underlying risk driver in our Risk Policy and Strategy and Risk Appetite Framework. Our main impact on planet comes from our financed emissions.

In 2021, we committed to be carbon neutral in our own operations and have offset any remaining emissions from our own activities for Scope 1, 2 and 3 emissions. We offset in full our 2021 greenhouse gas emissions from our own operations through purchasing Energy Attribute Certificates and Verified Emission Reductions. We have started several initiatives to measure and decrease the overall impact of our operations and those of our clients. We implemented a waste sorting system and switched to green energy sources in three of our Latvian facilities. We have set a target to switch to renewable energy sources in all our facilities by the end of 2025 and to transition our data centres to AWS Cloud – that has in turn committed to be net zero by 2040. We are working on becoming paperless in our operations. More than three-quarters of our employees completed the basic ESG training that covers topics such as climate risk types and management, GHG emissions and EU taxonomy regulation concepts.

In the period to 2025, we will develop our capabilities to manage and monitor climate related risks and the climate impact of our activities. Specifically, we will extend the disclosure of our GHG financed emissions from corporate lending to include mortgage and commercial real estate asset classes, and set targets for this metric. We plan to conduct an analysis of our climate-related risks, an assessment of these risks under different climate related scenarios, as well as a coverage of these risks under our internal capital adequacy assessment process, and participate in the ECB climate risk stress test.

Furthermore, it is our objective to ensure that ESG due diligence questions are integrated into relevant products, customer segments and customer onboarding processes as well as into supplier due diligence processes in addition to existing coverage of corporate banking customers.

THE CLIMATE IMPACT OF OUR LOANS TO CUSTOMERS

Climate and planet related core metrics	2021
Assets that are EU taxonomy eligible, % of total corporate lending	12%
Volume of mortgage portfolio with EPC rating of A or B, €m	519
Mortgage portfolio with EPC rating A or B, % of total mortgage exposure	11%
Carbon-related assets in corporate lending portfolio, €m	1,101
Carbon intensity of corporate lending portfolio tC02e/€m	455
Significant vendor and supplier contracts, % integrating code of conduct provisions	100%

As the environment changes we recognise that many of our customers will be exposed to climate related risks - both physical and transition risks - and will need to adjust their way of doing business. To support our customers, we will grow our relative share of sustainable products and services and reorient capital flows to climate solutions, resiliency and transition. As the leading underwriter of bonds issued by Baltic enterprises, we are committed to developing capital markets in the Baltic countries. In 2021 we lead managed almost 1.8 billion EUR of new debt securities from local issuers, of which over 800 million EUR were green or sustainability-linked bonds.

In 2021 we took a number of actions to understand better the extent of the climate-related risks our clients face. We reviewed regulations and climate related literature to identify climate related risk drivers. We analysed our lending portfolio to identify risk drivers and risk mitigation measures, initiated the development of a carbon risk management framework including specific industry ESG risk management guidelines for those sectors with medium or high climate risk exposure, and updated our ESG Risk Assessment Guidelines.

Our carbon risk management framework contains industry ESG risk management guidelines, assessment tools applied to carbon risks and carbon risk reduction strategies and clear risk requirements for customers regarding carbon risk reduction and market strategies. For the medium and high sectors, an additional climate risk and risk driver analysis is being done divided into the physical risks and the transitional risks that can affect our customers. We shall submit science based targets (SBT) for the sectors where the emissions are high and SBTi methodologies available and aim to establish process and tools in 2023 to be able to engage with our customers about their action plans to reduce their emissions.

Our updated ESG Risk Assessment Guidelines, which includes an ESG credit risk assessment tool and transition risk heat map, ensure ESG risks are considered as part of our credit assessment process for all significant corporate lending projects. If we assess the risks as material we require our customers to plan how they will mitigate these risks, and will then monitor our customers' progress versus their plan.

We will take further measures in 2022 to support the transition to a low carbon economy and to help our customers decarbonize their businesses. We aim to submit SBT for emission intensities and calculate transition pathways by the end of 2023 for sectors where SBT methodology is available. We will continue to finance lower carbon energy projects, steer more funding towards projects that are aligned with the EU objectives of climate neutrality by 2050, and increase mortgage lending to properties with energy efficiency label A or B.

By 2025 at least 90% of new lending volume to large corporate customers in high climate risk sectors will be made to clients that have a transition plan in place, and by 2025 at least 20% of the total volume of bonds we lead manage will be green, social or sustainability-linked. Furthermore, we will increase our lending to sustainable real estate and renewable energy related projects to 700 million EUR by 2030.

THE CLIMATE IMPACT OF OUR INVESTMENT AND PORTFOLIO MANAGEMENT BUSINESS

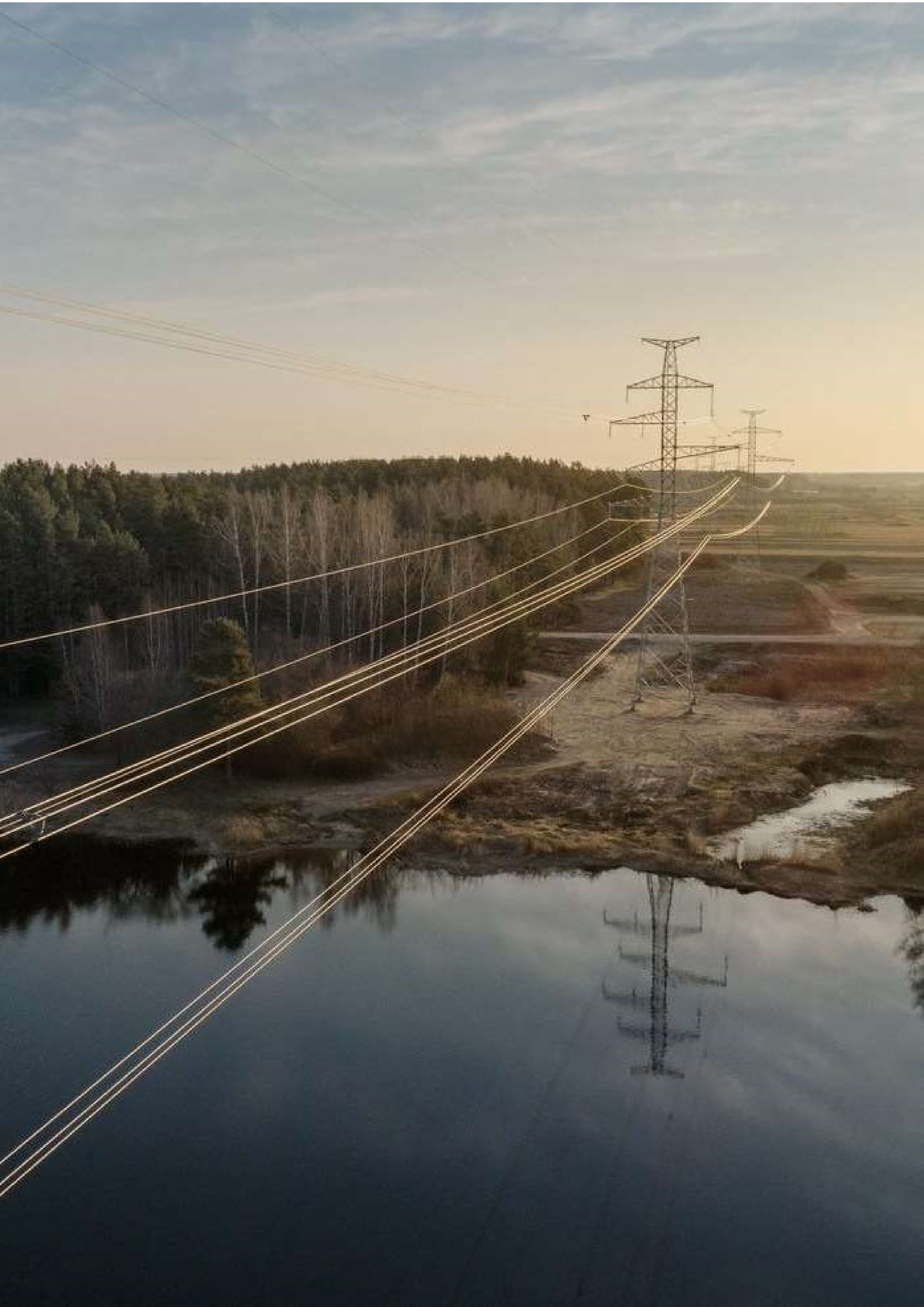
We follow the United Nations' Principles for Responsible Investment (UN PRI) directly or, for collective investment undertakings, we invest only in financial instruments issued by investment managers who have signed the UN PRI. Furthermore, we follow our exclusion list that has been defined as part of Sustainability Policy.

During 2021 we revised our investment and ancillary services offering and analysed how to incorporate sustainability related risks, and the consideration of principal adverse impacts, in our processes and governance framework. We launched 5 new Sustainable 2nd and 3rd pillar pension funds and the Exchange Traded Funds we offer through our Investor Platform carried a Morningstar sustainability rating.

We have yet to consider EU taxonomy related environmental criteria in our investment decisions, nor do we consider principal adverse impact, including climate impact in our investment advice nor in our discretionary portfolio management services. Furthermore, the climate-related considerations were not embedded in suitability assessments of our customers in order to understand customers' preferences and awareness regarding climate-related risks and opportunities.

To steer more finance towards sustainable activities, by end of 2023 we will set a target for sustainable investments in the pension funds we manage. We aim that 50% of the covered and senior bonds we hold in our bond portfolio are green or sustainability-linked by 2030. In 2022 we will set further targets to promote ESG alignment and sustainable investments in our assets under management. Specifically, we plan to incorporate into our Pensions and Discretionary Portfolio Management services the requirements of Regulation (EU) 2019/2088 on sustainability-related disclosures, establish a sustainable investment policy covering Discretionary Portfolio Management, Pensions and Treasury product areas, and incorporate sustainability risk measurement and management in our investment risk management processes including establishment of a process for principal adverse impact management and reporting.

We act as an agent selling insurance and also hold insurance, but we do not underwrite insurance policies. In insurance activities, therefore, we perceive climate change as a threat principally for our partners - the insurance companies – rather than directly to us.



PEOPLE AND PROSPERITY

In our activities, we comply with international guidelines and principles and promote inclusive, equal and diversity driven workplaces. We require our suppliers, vendors and customers to abide also by such principles. We have therefore chosen to align our activities to SDG 8 – Decent work and economic growth.

SDG 8: Our priorities	
8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
8.5	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.
8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

In our activities we support and consider the guidance provided by international bodies including the United Nations, the Organisation to Economic Cooperation and Development (OECD), and the International Labour Organization (ILO). We apply the provisions of Baltic national legislation and follow our local Banking Associations´ Codes of Conduct.

We pay particular attention to our customers, employees, vendors and suppliers, with regard to child labour, modern slavery, sexual harassment, and persons who might be discriminated against based on their protected characteristics. We work with civil society groups to increase awareness, and share knowledge and best practices, in relation to modern slavery and other human rights, social and environmental issues. We do not tolerate the infringement of human or labour rights, corruption, degradation of ecosystems, destruction of world heritage or other actions that could be regarded as unethical. We foster a supportive work environment and eliminate discrimination based on protected characteristics.

We will not provide services to customers where it is suspected that financial crime and other illegal acts are being committed, or where the customer is acting without the required authorisation. Nor will we provide any services to customers if there is an identified risk that the customer contributes to or is responsible for systematic violations of human rights or of individual rights in wars or conflict situations; violations of basic labour rights or corruption; and other particularly critical violations of basic ethical norms.

We are determined to assess Principal Adverse Impacts on society and the environment as a result of our operations, and we expect our customers, suppliers, and vendors to do the same. We expect them to conduct their business in a way that ensures fair social conditions and does not conflict with the United Nations' Guiding Principles on Business and Human Rights. We expect our customers, suppliers, and vendors to establish processes and frameworks to ensure that they do not harm natural systems and expect them to establish frameworks for waste management and carbon footprint reduction. We strive to ensure the alignment of our customers, vendors and suppliers to these principles. We communicate our expectations to our third parties during the negotiation process and require our third parties to accept our third-party code of conduct as part of the agreement.

Image left: Transmission line near Salaspils, Latvia installed and operated by Augstsprieguma tīkls AS for whom in 2021 we acted as green structuring advisor and sole lead manager for a €100m green bond.

EMPLOYEES

Number of employees (full time equivalent) by gender, 31 December 2021	Female	Male	Total
By type of contact			
Permanent	1,510	622	2,132
Temporary	96	34	130
Total	**1,606**	**656**	**2,262**
By type of employment			
Full-time	1,588	650	2,238
Part-time	18	6	24
Total	**1,606**	**656**	**2,262**

As at 31 December 2021 we had 2,262 FTEs of which 71% were female and 29% male, a gender split common within the Baltic financial sector. Approximately 99% of all employees work full time, and permanent employees made up 95% of total FTEs. Employees hired on a temporary contract include those staff who are covering particular roles while the permanent member of staff is absent or who have been hired for a specific project. Temporary staff excludes interns and contractors.

Gender split of managers:

Number of managers (full time equivalent) by gender, 31 December 2021	Female	Male	Total
Management Board	2	5	7
Reports to the CEO	7	4	11
All managers	139	120	259

In Estonia we have entered into an 'Agreement of The Good Intentions' with the Luminor sub-union in the Finance Sector of Pro Ametiühing, which covers all employees in Estonia. Employees who are not covered by collective bargaining agreements are covered by local law and individual employment contracts. In Latvia and Lithuania, we don't have collective bargaining agreement though in the latter as required by law we have established an internal Employee Works Council.

EMPLOYEE HEALTH AND SAFETY

Employee engagement and capability building metrics	2021
Absenteeism (trend total)	1.83%
Employee Net Promoter Score	+16
Number of promotions	607
Number of training hours per employee	45

Employee health, safety and wellbeing are of paramount importance. We aim to meet the International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

Health and safety
Each employee is required to complete regularly a health check, our facilities have ergonomic workplaces, and we have established guidelines for employees working from home. We support these with e-learning courses about health and safety, including emergency situations. Occupational safety specialists in each country guide and recommend best practices and monitor health checks and training.

Wellbeing
We thrive and contribute to the prosperity of our home markets only if our employees thrive and are engaged. In 2021, we sought to raise wellbeing awareness and increase wellbeing among our employees. We created a new People Growth and Wellbeing Partner role and carried out a series of online seminars to inform employees about wellbeing and mental health in the workplace and the tools to cope with workplace stress. In addition, employees were given an opportunity to create a personalized wellbeing plan based on the PERMAH Workplace Wellbeing Survey.

Twice a year we conduct a Pulse Survey to measure employee satisfaction. In the survey we ask questions to generate an Employee Net Promotor Score (NPS) and Services and Products NPS. In the survey we conducted in November 2021 we added, for the first time, questions regarding employee wellbeing, mental health, psychological safety and burnout risk. We received a response rate of 93.6% and more than 5,000 comments. Several individual aspects of employee satisfaction scored highly, such as "proud to be here factor", collaboration within teams, and employees feeling psychologically safe within their teams and with managers. For 2022 our target is to generate an Employee Net Promoter Score of +20, as compared to +16 in November 2021.

All managers were encouraged to review the results and read the comments, to discuss those within their teams and develop plans to raise the scores. In addition, our leaders are supported by a development plan to keep our employees engaged and motivated.

DIVERSITY AND INCLUSION

Gender Diversity metrics	2021
Gender pay gap same function, same job level	2%
Supervisory Council, % female members	22%
Management Board, % female members	29%

By promoting inclusion and diversity we enhance our business performance. We recognize that consideration of a wide range of mindsets, abilities, experiences and background leads to better decision-making.

We have a diverse workforce and are committed to principles of diversity and inclusion. We foster an environment that tolerates differences and eliminates psychological harm, verbal and physical harassment, and discrimination. Our internal processes incorporate the requirements of legislation and best market practices. This is supported by our code of conduct, equality, non-discrimination and diversity policy, remuneration policy and base salary management standard, and our recruitment and development practices. We require our third parties to ensure fair employment practices and act in accordance with the principles of our third party code of conduct. The code contains provisions for the fair treatment of employees, and the right of the third party's employees to establish and join trade unions, and any other association of their choice.

In 2021 we launched an e-learning course about ESG, focusing on climate, which also touched upon the social aspects and equal rights of each employee. Furthermore, we inform our managers about diversity and equality in each performance management process cycle and while conducting salary reviews. On an annual basis, as part of our performance management cycle, we offer training about equal remuneration to all our managers.

A mentorship program between managers with different backgrounds and leadership experiences was carried out in 2021. Demographic diversity perspective were considered when matching the mentorship pairs. In Lithuania we contributed to the "Women Go Tech" initiative where female leaders from Technology division support specialists from all sectors in Lithuania's job market to choose technology-related career paths.

We conduct annually equal pay reviews to identify and close potential gaps in terms of gender-neutral pay. The outcome of the review is used to support transparency during the annual salary review process. We are working to close the gender pay gap and making the information on salaries more transparent. We have also established a target to ensure that the gender pay gap for the same job at the same function should be less than 5%.

In 2022 our leaders will be invited to participate in a training program of 4 modules "How to Enable People Performance" which will pay attention to and make specific examples about diversity and equality in team management and evaluations. Furthermore, briefing sessions are planned to address Diversity and Inclusion topics such as gender blindness and actions that individual leader can undertake to close the gender pay gap. By 2024 40% of Supervisory Council members will be female.

HUMAN RIGHTS

Employee training on human rights policies or procedures	2021
'The principles of Business conduct' course, % FTEs trained	98%

Providing financing or services to a client can be interpreted as endorsement of the activities of the client. Hence there is a risk we become associated with human rights violations perpetrated by a client.

We respect and promote fundamental human rights. Our activities respect the rights contained in the United Nations' Global Compact, and the Guiding Principles on Business and Human Rights, the OECD Guidelines for multinational enterprises, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy.

In our Sustainability Policy, we have an exclusion list companies and individuals with which we do not engage in business. We will not provide services to customers if we have identified that they contribute or are responsible for systematic violations of human rights or individual rights in wars or conflict situations; violations of basic labour rights or corruption; and other particularly critical violations of basic ethical norms.

Our ESG Risk Assessment Guideline integrates considerations of human rights into our due diligence questions for lending to large corporate customers. The outcome of this assessment informs our actions and requirement for additional information or avoid a business relationship. We are developing ESG Due Diligence Guidelines and reviewing our KYC process to ensure human rights due diligence of all our corporate customers as well as vendors and suppliers.

We require our third parties to ensure fair employment practices by requiring them to meet the principles established in our third party code of conduct. In 2021, we signed 90 significant purchase and service agreements where the counterparty accepted and confirmed their conformity with our third party code or provided their code of conduct establishing similar provisions. We are determined to engage with civil society organisations to increase awareness and share knowledge and best practices in relation to modern slavery and other human rights, social and environmental issues.

We only use licensed security companies or certified security guard services. All certified security guards are trained by their employer and have committed to ensure that their mandatory training program contains basic knowledges about human rights, acting in risk situations, fire safety and first aid. In 2021, we received no complaints nor registered incidents related to security guard behaviour or violations of customer, employee or visitor constitutional rights or freedom.

In 2022 we aim to track the number of performed ESG credit risk assessments including human rights due diligence assessments completed on our customers. It is our intention to provide employees with comprehensive training on human rights and conduct a full human rights assessment of our operations.

CUSTOMER PRACTICES

Customer Net Promoter Scores	2021
Relational	+8
Transactional	+28

Fundamental to our sustainability is our customer´s continued trust and engagement. We aim to satisfy our customers; this means fair and honest treatment, no discrimination, ensuring privacy and customer data protection and satisfactory service levels. We also have a duty of care to our customers. When lending to individuals we consider carefully loan affordability, and risk tolerance when it comes to investments. Furthermore, we will not offer any high-risk funds to a customer if we feel this might lead the customer to incur financial losses

We manage systematically client expectations regarding satisfaction, loyalty and brand reputation, and have processes in place to ensure clients are treated fairly and honestly. Our code of conduct outlines our core values and guides our behaviour, and our customer service standard sets the professional standard we expect of our employees when dealing with customers including those with special needs. We reinforce our standard with regular training.

To offer best in class customer experience we measure consistently customer satisfaction. We invite our customers to participate in our NPS survey and give their feedback either on their overall experience with us through the year, from which we calculate a relational NPS score, or latest interaction they have had with us, to give a transactional NPS score. Thereafter our Customer Experience unit contacts all customers who have indicated their willingness to provide further comments.

We also have a complaints handling procedure and raise your concern channel to collect and handle customer feedback. Customer comments and complaints are collated and analysed, and twice a year reported to our Management Board and Supervisory Council. In analysing customer complaints and feedback, we focus on action plans - summaries of proposed improvements in products, reduced operational risks and improve the quality of our products.

Customer satisfaction is improving. More customers who would recommend us based either on their overall experience with us during the previous 12-months or based on the last interaction they had with us. The NPS score of newly onboarded customers was particularly encouraging. In 2021, we paid 0.2 million to customers to remediate suboptimal service, a reduction of 8% as compared 2020. We are constantly looking for ways to improve our service. In 2021 there were 17 improvement meetings, organized by Customer Experience Unit with product owners regarding customers complaints and feedback.

In 2022 we shall continue to work on improving our customer relationships, including the use of mystery shoppers, and shall adjust our customer service standard to ensure we focus on personal customer experience. Furthermore, we shall focus on providing relevant training and educational content to our customers in order to build their climate resilience, including seminars on climate relevant topics such as GHG emissions accounting, climate target setting, EU Taxonomy, sustainability-related disclosures, climate risks management and renewable energy.

INCLUSIVE AND SUSTAINABLE GROWTH

We support inclusive and sustainable Baltic growth. We are a member of and contribute to the Estonian, Latvian and Lithuanian Banking Associations, and lead some of their working groups. The Associations' primary objective is to promote the development of banking activities, to improve the operations of their member banks and to institute good business practices and ethics. We also exchange financial information within the frameworks of US Foreign Account Tax Compliance Act and OECD Common Reporting Standard.

We are a member on the Baltic chapter of the American Chamber of Commerce and German-Baltic Chamber of Commerce. In Estonia we are a member of Green Tiger, a cross-sectoral cooperation platform which aims to create a green economic model for Estonia, the Estonian Leasing Association, Chamber of Commerce and Industry, and Employers Association. We are a member of the Foreign Investors' Council in Latvia and the Latvian Leasing Association while in Lithuania we are a member of Investors' Forum, the Centre of Excellence in Anti-Money Laundering, Baltic Financial Advisors Association and International Compliance Association.

We support local social entrepreneurs addressing Baltic challenges and have established 3 partnership agreements with NULA Incubator of Heateo SA & KÜSK in Estonia, the Impact Academy of Social Entrepreneurship Association of Latvia, where we supported the pitching contest of social entrepreneurs, and the Impact laboratory of Geri norai in Lithuania.

We help young people be financially resilient and competent through financial literacy initiatives mostly in cooperation with local Banking Associations. In addition, we developed a course for financing a green start up, and launched a programme to engage young graduates and students to equip them with skills needed in the financial industry.

In Estonia, we started cooperation with Negavatt, a competition for green business ideas amongst 18 to 30 year olds. We shared our knowledge, advised participants, and sponsored a prize. We joined Foto Tallinn 2021 to share knowledge about investing to art and purchased a selection of photos connected with the topic of sustainability. We participated in an anti-fraud campaign initiated by the Estonian Banking Association and produced a TV show "What to do with your money?", sharing advice especially on investing concurrent with reforms to pensions.

In Latvia, we promoted financial literacy including cooperating on the implementation of the nationwide financial literacy strategy. We continued our cooperation with e-fair – promoting local artists (https://egadatirgus.lv/). Currently there are 238 artists and craftsmen active on the webpage who offer more than 3,000 products. We started cooperation with the Latvian Association of Social Entrepreneurs, supporting their pitching contest, served on the jury, and sponsored a prize. We also supported the TV24 show on ESG topics, such as climate change, where our experts shared their knowledge.

In Lithuania, we started cooperation with Lithuanian Free Market Institute to help them organize a public exam in economics. To improve financial literacy amongst children, we cooperated with Digiklase, and highlighted the risk of fraud. We also analysed the topics of sustainability and ESG from the financial sector's perspective during the radio show "Bankiniai reikalai." Every other week, from August to December, our experts and those from other organizations discussed what it takes to meet the EU's climate change goals, why Europe needs sustainable financing, and what changes await business and individuals in the Baltics.

Lastly, we helped people cope with COVID-19. We supported customers in line with government moratoria and launched programs for our employees. We were the first bank in the Baltic region to sign a synthetic securitisation agreement with EIB, which supported €660m of additional loans and leases to small and mid-cap entities.

In 2022, we will define our impact metrics as we focus on building financial knowledge and supporting local social enterprises who are addressing youth unemployment, financial literacy and climate. We do this through community investment, mentorship, volunteering and via partnerships with Not-For-Profit and Non-Governmental-Organisations.

GOVERNANCE

We believe that transparency, responsibility and accountability are the key towards sustainable societies and sustainable economic development. Therefore, we have decided to prioritize SDG 16 to build effective, accountable and inclusive societies and institutions at all levels and have prioritized targets under this goal.

SDG 16: Our priorities	
16.3	Promote the rule of law at the national and international levels and ensure equal access to justice for all
16.4	By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime
16.5	Substantially reduce corruption and bribery in all their forms
16.6	Develop effective, accountable and transparent institutions at all levels
16.7	Ensure responsive, inclusive, participatory and representative decision-making at all levels
16.10	Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements
16A	Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime
16B	Promote and enforce non-discriminatory laws and policies for sustainable development

Our Sustainability Policy commitments are or shall be cascaded into our other relevant internal regulations and policies. The divisions and business functions ensure that for their own activities, the commitments are translated into relevant processes and procedures and communicated to stakeholders. ESG risk has also been integrated into our remuneration policy to promote the adherence of employees to our commitments and standards including ESG-risk related behaviour. An initial internal audit of ESG frameworks implementation program governance was conducted 2021.

Implementing commitments with and through business relationships
We conduct due diligence at the inception of the client relationship, during a transaction, and on an ongoing basis that is proportionate to the risk. Our transactional due diligence process for corporate credit products considers ESG factors. We are in the process of developing ESG Due Diligence Guidelines and updating due diligence processes to ensure the integration of ESG factors where this has not yet been done so.

Implementing commitments through trainings
We are committed to deliver high quality training to all staff members. As new requirements, changes in law, and regulatory expectations are implemented we adjust our internal policies, procedures, strategies, and update our training modules. Most of the training sessions we deliver are concluded with tests, to ensure all employees understand the requirements. We have a dedicated training team in People & Culture, supported by subject matters experts.

We have mandatory trainings for all employees about ESG, preventing financial crime, security, gifts and events, and operational risk. In addition, we have trainings in place for customer due diligence (KYC) and procurement processes that are provided to those with day-to-day responsibility for implementing the policy commitments.

Image left: Our marketing team at a workshop held in Estonia

SUPERVISORY COUNCIL

Our governance structure, including committees of the highest governance body, the Supervisory Council (the Council), are described in our Annual Report. The Council represents our shareholders' interests, supervises the Management Board (the Board), takes decisions on strategic issues, and oversees the risk culture. As at 31 December the members of the Council were:

Name	Gender	Status
Nils Melngailis (Chair)	Male	Independent
Jörgen Christian Andersen	Male	Nordea
Maria Elena Cappello	Female	Independent
Nadim Diaa El Din El Gabbani	Male	Blackstone managed funds
Mathias Patrick Laurent Favetto	Male	Blackstone managed funds
Michael Richard Jackson	Male	Independent
Bjørn Erik Næss	Male	DNB
Elizabeth Jane Nelson	Female	Independent
Trygve Young, recalled as of 31 December 2021	Male	DNB

The Council is elected and removed by the General Meeting and all members of the Council must be assessed according to applicable legislation and internal procedures before they can be elected. The Chair of the Council cannot be a senior executive in the organization. Executive functions are carried out by the Board, led by its Chair, who is the Chief Executive Officer. Members of the Board cannot simultaneously be members of the Council.

The Council can have five to fifteen members. On 31 December 2021, the Supervisory Council consisted of nine members who were elected by the General Meeting (GM) for five years. Two of the Supervisory Council members were age 30 to 50 years and seven members over 50 years of age. None of the members hold other significant positions or commitment, which would demand such time and attention, as to compromise the member's ability to perform his or her duties on the Council.

Nils Melngailis, Maria Cappello, Michael Jackson, and Elizabeth Nelson are independent members within the meaning of joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders. The rest of the members represent our shareholders – Blackstone managed funds, DNB or, Nordea. Given the combination of independent and non-independent members, we are compliant with good practice applicable to CRD-institutions. We have no employee representatives in the Council, nor do we collect information on Council members involvement in underrepresented social groups.

Our managing bodies are subject to collective suitability assessment and re-assessment. The assessment takes into consideration various aspects of knowledge, skills and experience. From the end of 2021, we embedded climate-related and environmental risks as one of the areas to be assessed in the course of annual suitability re-assessment.

In 2022, we will integrate into the assessment material impacts related competencies. The results of the annual suitability re-assessment in respect of the training needs are provided to People & Culture and serve as a basis when setting development and training plans.

Leadership development is one of our focus areas. Accordingly, the members of the Council received training in several areas to ensure members stay abreast of changes in applicable legislation, market developments as well as governance or strategic changes. Council members receive each week a digest of most significant regulatory developments related to banking and finance. Newly appointed Council members undergo an induction programme to understand our corporate governance, risk management as well as capital and liquidity management.

Nomination and selection of the Supervisory Council

Only people who have the necessary expertise, skills, experience, education, professional qualifications, and an impeccable business reputation may be elected or appointed as a member of the Council. The Bank's Regulatory Compliance Department ensures that individual suitability assessment for each member and collective suitability assessment of the Council is completed in accordance with internal regulations and regulatory expectations.

When selecting, electing, or re-electing, the individual will not be discriminated based any protected characteristic. Moreover, we aim to achieve an adequately diverse composition of the appointees' complying with the principles of diversity as provided in our Equality, Non-discrimination and Diversity Policy, as well as avoiding conflicts of interest.

Collective knowledge of the management bodies

The Induction and Training Policy for the management bodies provides a framework for individual and collective training and development for our Council and the Management Board and our subsidiaries. The collective training plan is based on regulatory requirements, business strategy and developments, risk assessment and identified knowledge gaps, if any. The training plan for the Management Board is approved by and reported to the Nomination Committee on an annual basis. The training plan for the Council is approved by its Chair annually.

In 2021 we performed training for the management bodies on governance and changes in banking regulations, several risk framework and management topics (including operational risk, credit risk, liquidity and funding risk, model risk management framework) and compliance topics (such as business integrity, conflict of interest management, personal transactions with financial instruments, fraud prevention, AML/CFT and Sanctions). For the Council, total collective planned training for 2021 amounted to 8.5 hours and for the Board to 11 hours of training per person.

The processes for evaluating the performance of Supervisory council

Members of the highest governance body are subject to suitability re-assessment in cases when any circumstances related to any changes to potential fitness and appropriateness occur. The re-assessment is carried out by Compliance division. Should the evaluation of the performance trigger the re-assessment of the fitness and appropriateness, Compliance division would perform the re-assessment and issue a suitability re-assessment report.

MANAGEMENT OF IMPACTS, RISK AND OPPORTUNITY OVERSIGHT

We have defined our governance model, roles and accountabilities relating to ESG risks and are integrating them into the existing policies. Our governance structure ensures we take appropriate strategic decisions to manage the risks we face, including climate-related and environmental risks, to set goals, and monitor progress against these goals.

SUPERVISORY COUNCIL
Approves and monitors the sustainability strategy and policy including ESG

Risk committee
Oversees, challenges and recommends to the Council the overall risk appetite on ESG risk.
Monitors the ongoing ESG risk in quarterly risk reports.

Remuneration committee
Oversees the ESG risk integration into remuneration policies

Audit Committee
Serves as an independent body to oversee that ESG considerations and ESG-related risk is embedded in the organization based on regular audit and external reporting.

MANAGEMENT BOARD
Submits the sustainability strategy to the Council and oversees its implementation. Manages the strategic decisions on Environmental &Social factors materiality; Proposes the risk appetite on portfolios sensitive to climate risk.

Business Integrity and Sustainability Forum
Ensures ESG considerations integration into Code of Business Conduct and Ethics.
Advise the Board and/or Council in promotion of risk awareness (including climate risk) through a strong risk culture.

Credit committee
Customer credit decisions integrating ESG risk

Customer Risk Forum
Ensures that ESG strategy is adhered to and discussed with customers according to set risk tolerance criteria

DIVISIONS AND GROUP FUNCTIONS
Sustainability strategy (including climate risk) is defined in the roadmaps of each Division and Group Functions who are responsible for its deployment.

Group Sustainability Office (GSO)
Proposes and deploys the sustainability strategy and policy and assists and monitors the implementation thereof. The GSO is also in charge of defining and proposing regular updates of the framework and of promoting ESG.

Retail Banking Division
Corporate Banking Division
Other group divisions and functions: Finance, Technology Communication, Procurement
Develops dedicated offering of sustainable finance solutions and products to clients in all business segments.
Divisions and Group functions (for their own activities) implement the risk framework and bear primary responsibility for assessing, managing and monitoring their risk levels in all risk categories, including ESG-related risks i.e. First Line of Defence - which propose risk appetite limits.

Risk Division
Serves as a Second Line of Defence. Defines the risk appetite in collaboration with the Finance Division and the Business Divisions/Group Functions and establishes a risk management and monitoring system.

Compliance Division
Serves as a Second Line of Defence. Defines and ensures the consistency of the compliance risk prevention and control framework.

Internal audit
As a Third Line of Defence considers in its reviews, using risk-based approach, the extent to which the institution is equipped to manage ESG -related risks. Reviews the institution's internal control and risk management framework, policies and procedures for ESG-related risks.

The Supervisory Council provides input for and oversees the ESG materiality assessment and approves the material topics as well as oversees and approves the sustainability reporting. ESG risk has been integrated into our remuneration policy to promote the adherence of employees to our commitments and standards including ESG-risk related behaviour. Embedding ESG provisions in the total rewards policy is the responsibility of our Head of People and Culture Division.

REMUNERATION PRINCIPLES

The Council's Remuneration committee oversees the process of determining fixed and variable remuneration.

Fixed remuneration
Fixed Remuneration includes Base Salary and other payments that do not depend on individual performance. The Base Salary reflects organizational responsibility and professional experience, relevant business activity and remuneration level of the geographical location.

Variable remuneration
Variable remuneration is designed to promote our long-term interests, and is determined by three factors: financial and non-financial targets; an assessment of an individual's compatibility to our values, leadership principles and Code of Conduct, and; an individual's contribution to our sustainability performance.

The amount of variable remuneration cannot exceed 100% of the annual fixed remuneration in a given performance year. Variable remuneration for staff in our internal control functions does not depend on performance of the business units they control. Payment of at least 40% of the variable remuneration to Material Risk Takers (if above threshold defined by regulations) is deferred over a period which is not less than 4 to 5 years and 50% is paid out in suitable instruments which are subject to an appropriate retention period. In case of the variable remuneration in excess of EUR 100,000, at least 60% of the amount of the variable remuneration is deferred.

If there is reason to suspect fraud or serious irregularities in breach of internal or external rules, if the material risk taker is charged or indicted, or if other circumstance occur whereby the allocation of the variable remuneration may be regarded as unreasonable or objectionable, the remuneration may be withheld and/or be partially or fully revoked, or required to be repaid.

In addition, we maintain a series of qualitative and quantitative risk-based performance criteria, which are used to assess the extent to which staff have practised sound and effective risk management through the financial year. Poor performance under these criteria lowers the amount of variable remuneration awarded to the Division or individual under consideration.

Severance pay
Severance Payments are made where such payments are mandatory but not in the case of voluntary resignation. Payments greater than minimum requirements, or where they exceed an employee's annual Fixed Remuneration must be approved by the Supervisory Council.

Retirement benefits
We do not provide retirement-related benefits. However, in the Baltic countries, employers contribute to employees pillar I pension funds as a legal requirement. In addition, we match employees own contributions of up to 1% of base salary to their pension III pillar funds.

CONFLICTS OF INTEREST MANAGEMENT

We are committed to ensure that we and our employees act fairly and professionally. We make every effort to identify, prevent and manage Conflicts of Interest (CoI) concerning our customers, employees, business partners, and other stakeholders to ensure that all stakeholders are treated fairly.

The Supervisory Council approves our CoI Policy and oversees its implementation. The head of each Division, Function and Subsidiary ensure that their unit's employees have adequate knowledge of the Policy and other relevant internal rules and principles related to the Policy and that all activities within their unit are carried out in accordance with them.

Several internal regulations in addition to CoI management policy are in place to ensure the principles and provisions of the CoI are adopted through all relevant business areas and are updated, such as the Code of Conduct, Remuneration Policy, Procurement Policy, Inducement Policy for the Provision of Investment and Ancillary services and the Guideline on Handling Inside Information and the Procedure for Personal Transactions in Financial Instruments.

We apply the "need-to-know" principle, i.e., information is accessible only to the Employees who have a justifiable need for such information to carry out their duties. To manage the information flow, we have also set up chinese walls around and within certain business activities where confidential customer information is handled.

Each year, employees must complete a declaration of external engagement, detailing whether they or related persons undertake activities that impair or could be an impairment of their independence, judgment, objectivity, or capability in carrying out their obligations as employee. In addition, Senior Management must complete a Declaration of Economic Interest for the previous calendar year for themselves and related parties. We use this information to fulfil our regulatory requirements and to demonstrate that we have reasonable controls in place that ensure compliance with legal requirements.

Mechanisms for seeking advice and raising concerns
We operate in an open, transparent, and ethical way. We are committed to prevent fraud, corruption and other financial crime and we do not tolerate any form of unlawful discrimination or harassment. Employees who expose information that is deemed illegal, illicit, unsafe, or a waste, a fraud, or abuse of taxpayer funds has the right and responsibility to report any incidents that violate internal regulations or applicable laws.

For this purpose, we encourage to prevent and proactively detect any breaches of laws, regulations, internal requirements. We have a Raise Your Concern channel in place, through which both employees and customers can report their concerns confidentially and with the knowledge, that the reports will be taken seriously. When implementing our policies and practices for responsible business conduct, employees are encouraged to ask advice from their direct manager, other members of Management Board, Compliance Division relevant unit, legal counsel, or Human Resources.

In addition to our external Raise Your Concern form our customers may also use third party reporting tools and whistleblowing procedures, such as those provided by local Banking Associations or supervisory authorities. After an individual has raised a concern, the individual's identity will not be disclosed by us without the individual's written permission. This also applies to any other information from which the identity of the reporting person may be deduced. We ensure that the individual, and third persons or legal entities who are connected to the individual, is appropriately protected from any negative impact. When a concern is received the Compliance division manages our response, including reporting the concerns to the Management Board Business Integrity and Sustainability Forum

Concerns related with Management Board members are reported directly to the Chair of Supervisory Council's Audit committee who evaluates the concerns and forwards information for further action to the Head of Internal Audit or Chief Compliance Officer.

Processes to remediate negative impacts

Negative impacts may happen due to customer practices and complaints, due to deficiencies in our customer processes, or due to employee related matters such as work relationships, work health or work-related disputes, and conflict of interests.

Any deficiencies in service or processes that are discovered during investigations that led to negative financial impact to customers are escalated to internal process and service related stakeholders, improvement plans established, and follow-up ensured. In addition, individual agreements with customers are made to remediate the negative impact in a form of monetary compensation or returned or cancelled fees. We also take a proactive approach to remediate any negative impacts resulting from process deficiencies. A remediation process can also be initiated before we receive any customer complaints should an employee discover mistakes or deficiencies that create negative impact to customers.

To improve remediation of negative impacts, regular reports are made to key internal stakeholders which indicates areas that cause the majority of complaints and includes an update on action plans for decreasing or preventing the respective negative impacts. During 2021 approximately 62% of all submitted complaints resulted in compensations for customers.

RESPONSIBLE PRACTICES AND ETHICAL CORPORATE BEHAVIOUR

Anti-money laundering and financial crime core metrics	2021
Suspicious activity reports (SAR)	832

We are committed to the integrity of our practices. To ensure that each member of staff follows responsible practices and behaves with integrity, we have in place a Sustainability Policy, Code of Conduct, Conflict of Interest Management Policy and Anti-Financial Crime and Sanctions Policy. These Policies contain provisions to ensure fair practices to prevent us from being used for financial crime purposes.,

The Code of Conduct (the Code) outlines the general principles for how we do business. We aspire to the highest standards of ethical and professional conduct, as well as conduct our activities in compliance with the applicable laws and internal policies. We require all employees to follow the spirit of this Code.

We are determined to prevent financial crime and apply international sanctions. In addition to following the legal requirements of the three countries where we operate, we apply international best practices. We target our services only to residents of the Baltic countries, or individuals and enterprises with verifiable links to the region, we know our customers and their beneficial owners, and understand the purpose and intended nature of our business relationships.

We are opposed to and are committed to inhibiting corruption in all our activities. We expect our suppliers to apply the same principles of responsible business conduct as we do, which we define in our Code of Responsible Business Conduct for Third Parties.

We have mandatory trainings for all employees on business integrity, conflicts of interest, anti-financial crime, gifts, and events. We have set up a gifts and events registry and we have practical principles in place to receive notifications from law enforcement agencies if a suspicion arises that any employee is guilty of corruption. We have integrated tax related fraud as part of our exclusion list in our Sustainability Policy.

In 2021, no fines, nor sanctions were applied to us due to infringement of environmental and social laws. Following an inspection in Lithuania, in June 2021 the Bank of Lithuania fined us 350,000 EUR for payments service-related incidents in July and August 2020. In August 2021, the Baltic supervisory authorities published the results of the routine anti-money laundering inspections which were conducted at our offices in 2020. Our supervisors highlighted areas for improvement within our internal processes and rules. We have implemented most of the required improvements already and we will complete the remaining actions in accordance with the plans we have submitted to our supervisors. The audits will help us to enhance further our AML effectiveness. No fine was received.

CUSTOMER PRIVACY AND DATA SECURITY

Data privacy and security core metrics	2021
Data breaches reported to supervisory authorities	18

We recognise the importance of protecting customers' information. The problem of data breaches is a concern across all industries; however, the financial services industry is a primary target of fraudsters due to the inherent value of the underlying data. As a data controller, we are required by the General Data Protection Regulation (GDPR) and national laws to ensure that customers' personal data is kept secure and used only for the purpose for which it is collected and in accordance with the principle of transparency. To meet our obligations, we have developed a number of guidelines, policies, and procedures, improved our information management system, and trained our employees.

Our internal rules directly related to the security of customer data include our Data Protection Policy, procedures for Data Anonymization, handling Data subjects' rights, and processing personal data for direct marketing and direct marketing communication purposes, together with guidelines for Data Quality Management, and Data Loss Prevention.

In 2021, we adapted our data protection framework to comply with the GDPR and developed our GDPR compliance monitoring strategy in line with the Data Protection Management Framework. We placed data processing activities into a single register, which provides an overview of all our processes related to the management of personal data.

Should a data breach occur we first mitigate its impact. The incident owner then investigates the data breach, and assesses its causes and consequences. The Data Protection Officer (DPO) makes the final decision if there is a risk to customers or other individuals and whether the data breach is considered as reportable to the Data Protection Authority and/or data subject. Risks identified by the incident owner are documented in the Operational Risk Incident database by the incident owner.

In 2021, we instated a formal requirement for all staff to report deficiencies identified by compliance, internal audit or third-party audit. All employees are expected to notify DPOs about any non-compliance with the GDPR identified during the risk-based assurance reviews, as well as any other issues related to the Personal Data Processing.

For projects with high potential impact on customer privacy and data security, we publish project summary documents describing the project, the results of the customer privacy and data security assessment and the measures agreed with the customer to ensure compliance with our operational requirements. For projects that will have a high risk to the customer's rights and freedoms, a data protection impact assessment is carried out by the unit initiating personal data processing before the project takes place. We cooperate with community organisations on individual projects and in the development of policies and initiatives.

In 2021 we reported 18 data breaches to the supervisory authorities. These breaches were mostly unauthorised or accidental breaches of confidentiality caused by human error. We received no substantiated complaints from outside parties or from regulatory bodies.

In 2022 we will continue to implement and roll out further aspects of GDPR.

STAKEHOLDER ENGAGEMENT

Key dialogue channels and engagement with stakeholders, number	2021
Requests from supervisory authorities to Luminor Bank (excluding subsidiaries)	705
Customer evaluations received in Relational and Transactional NPS surveys	87,953
Employees engaged in our ESG survey	740
Stakeholders engaged in the ESG materiality assessment	61
Association memberships	28

In addition to regular Investor Relations activities and the Annual General Meeting, our communications with stakeholders follow a threefold strategy: running our own events and activities on sustainability themes; taking part in forums, events and working groups; and collecting stakeholder opinions. We collect stakeholders' opinions in a number of ways. We run surveys and speak-up discussions for our employees and collect feedback through our Raise Your Concern channel. We engage our customers through regular feedback surveys. We also respond to requests from analysts and investors on financial and ESG matters.

In 2021, we conducted a survey to establish our employees ESG competence and knowledge. More than 700 employees participated in this survey, the conclusions from which were used develop our ESG training modules. Over 90% of employees who responded were concerned about the environmental impact we generate and thought that we should do more, especially in the area of social and environmental projects and engagement with local communities.

We keep pace with new regulations and best practices. We take part in consultations with authorities, sector associations and other organizations that influence sustainable development policymaking in the Baltic region and across Europe. The results of our dialogue feed into our sustainability management as well as our environmental and social risk management and annual reporting.

In the fourth quarter of 2021, we conducted our first ESG materiality assessment among our key stakeholders. The assessment revealed eight key areas that stakeholders consider material for us that were discussed and approved by our Council. We will focus on these areas and report on them, including within this report in sections as indicated in the below table.

Material topic	Location of details in this or our annual report
Customer privacy & data security	Page 26
Ethical corporate behaviour	Pages 11, 17, 25, 28
Climate change & GHG emissions	Pages 6-9, 29-31, 36-38
Customer practices	Page 16
Business model resilience	Annual Report 2021, pages 1-5, 7-16, 18, 22-26, 48-65
Employee diversity & inclusion	Pages 11, 14
Human rights	Pages 11, 15, 28
Employee health & safety	Pages 11, 13

We performed an analysis of over 400 factors, forming 86 Topics, grouped in 28 Issues representing current & emerging risks and opportunities organized in 6 ESG+ categories. This analysis identified signals from various sources including peer reports, mandatory and voluntary regulations, and public opinion, and focused on those issues that have become more relevant over time. We then conducted a survey among our key stakeholders to understand their opinions about the impacts of us and our impact on the ESG factors. We weighted the scores to reflect the importance of different sources. This assessment guides our annual disclosures and allows us to understand stakeholders' concerns and take necessary actions, to prepare for potential future impacts on our business model caused by global trends or regulation, to minimize risks, to detect business opportunities which support our objectives and to make informed decisions, and when dealing with customers as well as to enhance our in-house capabilities to monitor the evolution of the impacts.

ADDITIONAL INFORMATION

Luminor credit portfolio based on climate risk exposure (both transitional and physical risk) according to the EBRD climate risk industry classification (see definition in glossary). The exposure is defined as “total credit commitment” which is the sum of amount drawn, interest accrued and off-balance sheet exposure, including debt securities issues by Governments and banks.

31 December 2021 **€m**	**Risk Category**			
	Low	**Medium**	**High**	**Total**
Agriculture, forestry and fishing	0.4	400.6	161.5	562.4
Mining and quarrying	0.0	0.0	21.0	21.0
Manufacturing	0.0	569.4	228.2	797.6
Electricity, gas, steam and air conditioning	53.0	50.7	46.2	149.9
Water supply	0.0	66.2	47.6	113.8
Construction	52.8	76.7	528.7	658.1
Wholesale and retail trade	794.4	100.8	298.3	1,193.5
Transportation and Storage	5.3	386.2	0.1	391.6
Real estate activities	228.1	1,375.8	0.0	1,603.9
Other	880.4	277.5	0.7	1,158.8
Total	**2,014.4**	**3,303.9**	**1,332.3**	**6,650.6**

Financed emissions and carbon intensity **Corporate lending portfolio, on balance sheet assets** **31 December 2021**	**Exposure €m**	**Financed emissions (thousands) tCO_2e**	**Carbon Intensity tCO_2e/€m**	**% of total financed emissions**
Agriculture, forestry and fishing	518.6	587	1,132	30%
Mining and quarrying	15.4	18	1,142	1%
Manufacturing	511.6	446	872	23%
Electricity, gas, steam and air conditioning	54.2	36	670	2%
Water supply	82.3	228	2,776	12%
Construction	222.2	167	750	9%
Wholesale and retail trade;	769.9	165	214	8%
Transportation and storage	348.2	113	325	6%
Real estate activities	1,189.5	57	48	3%
Other	590.5	139	236	7%
Total (included in scope)	**4,302.5**	**1957**	**455**	**100%**
Excluded Financial activities (NACE code K)	738.3			
Excluded due to limitation in data	24.5			

Our Data limitations and assumptions: main NACE code of the counterparty is used for emission factor, which may not correctly represent the actual financed activity within the company; active customer list and respective credit commitments represents 2021, where customer financial data is used mostly from 2020, and 2019 in limited cases; financial activities (NACE code K) are excluded from initial scope; credit commitments related to Guarantees are excluded; companies & exposures without collected or estimated GHG emissions data or financial data (turnover or assets) are excluded. Data used for GHG emissions calculation is comprised of <1% real client data, ~80% estimate based on PCAF methodology, ~20% modelled estimate using existing data. PCAF methodology is based on GHG protocol, which includes all relevant Greenhouse gases.

NOTES

MANDATORY EU TAXONOMY REPORTING

Assets, €m	31 Dec 21	% of total
Taxonomy-eligible assets	4,833	40%
Taxonomy non-eligible assets	1,337	7%
Central governments and central banks	2,853	21%
Derivatives (including hedge accounting)	76	1%
Assets to companies not subject to NFRD disclosure obligation	3,989	30%
Trading portfolio	9	0%
On demand inter-bank loans	62	0%
Total	**13,159**	**100%**

VOLUNTARY EU TAXONOMY REPORTING

Assets, €m	31 Dec 21	% of total
Households	4,752	35%
NFCs subject to NFRD disclosure obligations	10	0%
NFCs not subject to NFRD disclosure obligations	473	4%
Financial corporations	30	0%
Local government financing	41	0%
Exposures towards Taxonomy-eligible economic activities:	**5,306**	**40%**
Households	928	7%
NFCs subject to NFRD disclosure obligations	4	0%
Financial corporations	271	2%
Local government financing	135	1%
Exposures towards Taxonomy non-eligible economic activities:	**1,337**	**10%**
NFCs not subject to NFRD disclosure obligations, eligibility not yet assessed	3,516	26%
Collateral obtained by taking possession: residential and commercial immovable properties	0	0%
Covered assets included in both numerator and denominator	**10,159**	76%
Derivatives	76	1%
On demand interbank loans	62	0%
Cash and cash-related assets	136	1%
Other assets	125	1%
Covered assets excluded from numerator	**398**	**3%**
Total GAR covered assets	**10,557**	**79%**
Central governments and central banks	2,853	21%
Trading portfolio	9	0%
Assets not covered by calculation	**2,862**	**21%**
Total	**13,419**	**100%**

According to the EU Taxonomy, credit institutions are obliged to report EU taxonomy-aligned assets (referred to as Green Asset Ratio (GAR)) starting from 2024 for the financial year 2023. The EU Taxonomy Regulation provides a classification of economic activities and criteria to determine if an economic activity can be considered environmentally sustainable. The EU Taxonomy Regulation establishes that an activity can be classified as sustainable if: (I) substantially contributes to at least one of the six environmental objectives set out in the Taxonomy, (ii) does not do significant harm to any of the other environmental objectives, (iii) fulfils the technical screening criteria set out in the Taxonomy, and (iv) complies with the minimum social safeguards of the human rights. For the financial year 2021, credit institutions are required to report their EU taxonomy-eligible assets only – activities that potentially contribute to at least one of the EU taxonomy environmental objectives: climate change mitigation or climate change adaptation.

We disclose a Mandatory report as defined in the Art. 10 of the Disclosure Delegated Act, as well as Voluntary report that covers all assets.

NACE code of a facility was used to estimate the eligibility of an asset for non-financial companies that are subject to disclosure requirements under Non-Financial Reporting Directive (large entities or groups with over 500 employees that are public interest entities as defined in respective jurisdiction), as well as local government financing. For Households, mortgage loans identified were evaluated using real estate as an underlying collateral. Other assets (financial institutions, companies not subject to NFRD disclosure) were assessed only partially, where NACE code on facility level was available. Assets were defined using FinRep definitions.

QUALITATIVE DISCLOSURES FOR TAXONOMY REPORT as per ANNEX XI of the Disclosure Delegated Act

We recognize the systemic nature of global environmental challenges, as defined in the EU Taxonomy Regulation, and acknowledge that there is a need for a systemic and forward-looking approach to environmental sustainability that addresses growing negative trends. With regards to the engagement with our clients and counterparties, we comply with the regulation by providing the relevant product related disclosures. For compliance related to business strategy and product design we have updated our Sustainability Policy and governance, set objectives and are in the process of adjusting our underlying processes to support the transition to low carbon and sustainable economy. We have launched the development of processes to assess the sustainability impact of our products and services where this is not yet done. The respective activities are described in the section Planet of this report: "Climate related risks and Luminor climate impact management".

We are aiming to direct more funding towards environmentally sustainable activities. We have initiated the implementation of EU taxonomy criteria to our processes to determine the EU taxonomy alignment of lending activities to companies that are not subject to EU taxonomy reporting requirements. We have committed to integrate the sustainability considerations in our business, lending and investment strategies and shall set relevant targets by the end of 2023 to support the green transition of our clients.

GRI CONTENT INDEX

For this report we have used GRI 1: Foundation 2021, GRI 2: General Disclosures 2021, and GRI 3: Material Topics 2021 as basis for the reporting. The GRI indicators of the key topics that were defined based on our materiality analysis, and how these key topics align with GRI's general and topic-specific disclosures are shown in the below table. We reported the information cited in this GRI content index for the period from 1 January 2021 to 31 December 2021 with reference to the GRI Standards.

We have used one or more of GRI's disclosures where available and report them in the table below. For material topics that lack GRI disclosure requirements, our own disclosures have been used. For each material topic, at least one general or topic-specific disclosure is provided for each of the topics in accordance with the GRI Standards. In our reporting, we have followed the GRI's basic principles: Accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability.

GRI CONTENT INDEX

Standard	Disclosure	Comments and/ or location in this or Annual Report 2021
1	The organization and its reporting practices	Page 4
2-1	Organizational details	Pages 2-4, 39-40, Annual report 2021, pages 18, 112
2-2	Entities included in the organization's sustainability reporting	Luminor Bank AS and its subsidiaries
2-3	Reporting period, frequency and contact point	Page 39
2-4	Restatements of information	None
2-5	External assurance	This report: None Annual Report 2021: audited by PWC, pages 26, 103-109
2	Activities and workers	Pages 11-12, Annual Report 2021, pages 2, 4-17
2-6	Activities, value chain and other business relationships	Pages 6-7, 11, 18, Annual Report 2021, pages 4-17
2-7	Employees	Pages 11-12
2-8	Workers who are not employees	Omitted- information incomplete, data ill-suited
3	Governance	Pages 18-27, Annual Report 2021, pages 22-26
2-9	Governance structure and composition	Pages 19-20, Annual Report 2021, page 22
2-10	Nomination and selection of the highest governance body	Page 20, Annual Report 2021, page 23
2-11	Chair of the highest governance body	Page 19, Annual Report 2021, page 23
2-12	Role of the highest governance body in overseeing the management of impacts	Page 21, 27, Annual Report 2021, page 23
2-13	Delegation of responsibility for managing impact	Page 18, 21-22, Annual Report 2021, pages 22-26
2-14	Role of the highest governance body in sustainability reporting	Pages 21, 27.
2-15	Conflicts of interest	Pages 23-24, Annual Report, pages 22-26
2-16	Communication of critical concerns	Pages 16, 23
2-17	Collective knowledge of the highest governance body	Pages 5, 19-20
2-18	Evaluation of the performance of the highest governance body	Page 20
2-19	Remuneration policies	Pages 22
2-20	Process to determine remuneration	Page 22
2-21	Annual total compensation ratio	Omitted- confidentiality constraints, non-public information
4	Strategy, policies and practices	
2-22	Statement on sustainable development strategy	Pages 2, 3
2-23	Policy commitments	Pages 3, 6-7, 11, 18, 33-35, 39
2-24	Embedding policy commitments	Pages 18, 21-22, 33-35, 39
2-25	Processes to remediate negative impacts	Page 23
2-26	Mechanisms for seeking advice and raising concerns	Pages 16, 23
2-27	Compliance with laws and regulations	Page 25
2-28	Membership associations	Pages 16, 27
5	Stakeholder engagement	Page 27
2-29	Approach to stakeholder engagement	Page 27
2-30	Collective bargaining agreements	Page 12
	Material Topics	
3-1	Process to determine material topics	Pages 27, 37
3-2	List of material topics	Page 27
3-2. 1	Business model resilience	Annual Report 2021, pages 1-5, 7-16, 18, 22-26, 48-65
3-2. 2	Climate change & GHG emissions	Pages 2, 3, 6-9, 29-31, 37-38
3-2. 3	Customer privacy & data security	Page 26
3-2. 4	Employee diversity & inclusion	Page 11, 14
3-2. 5	Employee health & safety	Pages 11, 13
3-2. 6	Ethical corporate behaviour	Pages 11, 17, 25, 28
3-2. 7	Human rights	Pages 11, 15, 28
3-2. 8	Customer Practices	Page 16

OUR POLICIES, PROCEDURES, AND STANDARDS

Anti-Financial Crime and Sanctions Policy – internal regulation, the key principles that we follow in the Anti Money Laundering/ Combating the Financing of Terrorism and Sanctions area in addition to any applicable statutory requirements.

Base salary management standard – internal regulation, defines the framework and principles for the establishment and administration of the Base Salary.

Code of conduct - internal regulation, that outlines the general principles for how we do business. We aspire to the highest standards of ethical and professional conduct, as well as conduct our activities in compliance with the applicable laws and internal policies when dealing with shareholders, Customers, Business Partners, communities and each other.

Complaints handling procedure – internal regulation, outlines the process for complaints handling.

Compliance policy – internal regulation, outlines our strategy and objectives for Compliance risk management and defines the basic principles and roles by which we achieve those objectives. The Policy is aligned with the principles set by our Risk Policy and Strategy.

Know Your Customer process aka **Customer Due Diligence (CDD) Procedure** – internal regulation to prevent us being used for ML/TF/PF, Sanctions evasion or other types of Financial Crime. The Procedure describes applicable CDD measures, cases when CDD is performed prior to establishment of Business Relationship or prior to Occasional Transaction, as well as during Business Relationship, scope of it, deadlines and responsible persons.

Conflict of Interest Management Policy – internal regulation, determines the requirements for identifying, preventing and managing the Conflicts of Interest, related to all its business activities, including the provision of investment and ancillary services.

Corporate due diligence policy – a collection of documents which establishes our due diligence principles. We have ESG Risk Assessment Guideline in place and adopted ESG Due Diligence Guidelines in May 2022, defined below.

Customer service standard - internal regulation, sets the professional standard we expect of our employee when dealing with customers.

Data Anonymization Procedure – internal regulation, defines the main statements and minimal requirements for the Data Anonymization in non-production environments. We have an obligation to protect personal and any other company confidential information from leaking out to the non-production environment when it is being shared with non-production users. The objective of the Procedure is to establish and maintain internal limits on protection of personal and any other company confidential data.

Data Loss Prevention Guidelines (DLP) - internal regulation, defines the main statements and minimal requirements for Data Loss Prevention. The guideline also provides describes the procedure for processing personal data for direct marketing and direct marketing communication purposes.

Data Protection Policy – internal regulation, defines the requirements for Personal Data protection and handling, including data protection and handling requirements, the roles and responsibilities in addressing specific General Data Protection Regulation (GDPR) requirements, the process of controlling compliance with this Policy and the GDPR requirements.

Data Quality Management Guidelines – internal regulation, defines the main principles and responsibilities for improving the quality of data. The goal of the data quality management is to help achieve the desired business outcomes that rely upon high-quality data. Applicable to all Luminor structural units and functional areas, including all subsidiaries.

Equality, non-discrimination and diversity policy – internal regulation, outlines our general principles and objectives for equality, non-discrimination and diversity.

ESG Due Diligence Guidelines – internal regulation, establishes our principles, roles and responsibilities and process guidelines when performing due diligence of our customers, vendors, suppliers or our own organization.

ESG Risk Assessment Guidelines - internal regulation. Describes the assessment process of ESG risks of the legal entities as a part of the overall creditworthiness assessment process to support our aim to finance companies and projects that contribute to sustainable economic growth, and follow relevant social and governance standards.

Guideline on Handling Inside Information – internal regulation, sets out the principles and measures that we take to ensure due handling and disclosure of the Inside information in order to prevent market abuse activities in conformity with the requirements of the Market Abuse Regulation and its underlying regulations.

Income assessment process for private individuals – a process in our Credit manual to assess loan affordability based on the forecast of customer's amount of funds left after loan payments.

Inducement Policy for the Provision of Investment and Ancillary services – internal regulation, sets out the principles to ensure that while providing investment and/or ancillary services to the clients and performing investment activities, we act honestly, fairly and professionally, in accordance with the best interests of our clients, avoid conflicts of interest and implement all necessary measures to identify conflicts of interest arising due to the monetary or Non-monetary benefits received from third party or in the course of the provision of the Investment Services to our client.

Induction and Training Policy for the Management Bodies – internal regulation that provides a framework for individual and collective training and development for our managing bodies.

Privacy Policy and Data Retention Policy, also referred to as privacy policy – public policy, describes how we collect, share, protect and retain personal data. Further information about our processing of personal data is set out in our product and service agreements and other forms and documents relating to our products and services.

Procedure for handling Data subjects' rights – internal regulation, the Procedure describes and establishes the measures needed for handling Data subjects' rights. The objective of this Procedure is to define the roles, responsibilities, principles and activities for registering, accepting and responding to requests related to Personal Data Processing. Such requests may come from customers, prospective customers, former customers, employees, former employees, prospective employees and other natural persons whose Personal Data Luminor may process.

Procedure for Personal Transactions in Financial Instruments – internal regulation, implements the personal transaction requirements applicable to the employees of the investment firms as set forth in the MiFID II Regulation on organisational requirements as well as the related requirements stemming from the Market Abuse Regulation, and requirements applicable to the personal transactions of employees of the Asset Management Companies.

Procurement Policy – internal regulation, ensures that the Procurement processes in Luminor are handled in a transparent, timely, efficient, and effective manner, compliant with the laws and other regulatory enactments, best practices and correspond to the needs of Business Units using or receiving products/services. The Policy sets out the general principles and overall responsibilities regarding the Procurement process management.

Raise your concern channel – a webform to collect and handle stakeholder feedback

Risk Appetite Framework (RAF) policy – internal regulation, established in line with the Risk Policy and Strategy and describes how our Risk Capacity is translated into risk type-based Risk Appetite Limits based on the Risk Taxonomy. In line with our Risk Tolerance, each risk type is assigned a risk-type specific Risk Appetite, which is described in respective risk appetite statements.

Risk policy and strategy – internal regulation, defines the key principles and the roles and responsibilities for risk management applicable to all structural divisions and units, functional areas and business processes.

Remuneration policy – internal regulation, outlines our strategy and objectives for remuneration.

Sector strategies - specific strategies for those sectors with medium or high climate risk exposure that detail sector specific climate risk and risk drivers and outlines risk mitigation options as well as our strategy and expectations towards customers in these sectors. The strategies were approved in June 2022.

Sustainability policy – internal regulation, establishes our objectives, principles, roles and responsibilities with regards to sustainable practices and defines our exclusion list.

Sustainability strategy – a strategy document that is prepared and updated annually and that outlines the plans to achieve the strategic aspirations defined in the sustainability policy: Responsible and CO_2 neutral in our own operations, supporting the transition to a low-carbon economy, and caring for local Baltic issues.

Sustainable investment policy – internal regulation in development, covering Investment Advice, Discretionary Portfolio Management, Pensions and Treasury product areas, and incorporating sustainability risk measurement and management in our investment risk management processes including establishment of a process for principal adverse impact management and reporting.

Third party code of conduct – annex to our customer, vendor and supplier agreements outlining our values and principles with regards to responsible business conduct including the impact inflicted on society and the environment as a result of business activities that we expect our Third Parties to follow.

GLOSSARY

Carbon related assets – those assets tied to the energy and utilities sectors under the Global Industry Classification Standard, excluding water utilities and independent power and renewable electricity producer industries. For current reporting, the carbon related assets exposure is derived from EBRD Environmental risk mapping using the NACE code of counterparties

CoI – Conflict of Interest

CRD Institutions - institutions that are legally defined as 'an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account' by the Capital Requirements Directive

Credit Institution Law available from Estonian FSA: https://www.fi.ee/en/consumer/when-should-i-contact-finantsinspektsioon/notify-us-about-illegal-activities; Latvian FSA: https://www.fktk.lv/en/about-us/whistleblowing/, Lithuanian FSA: https://www.lb.lt/en/notification-of-corrupt-conduct

Disclosure Delegated Act - Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation. EUR-Lex - 32021R2178 - EN - EUR-Lex (europa.eu)

DPO - Data Protection Officer

EBRD climate risk industry classification - The risk classification is based on EBRD Environmental and Social Risk Categorisation List. This list provides a guide to the typical level of inherent environmental and social risk related to particular business activities with a purpose to provide help for judging the appropriate level of environmental and social risk assessment that should be carried out. Low risk - the customer's business activities have minor / few environmental and social risks and impacts associated with them; Medium risk - the customer's business activities have limited environmental and social risks and impacts, and these are capable of being readily prevented or mitigated through technically and financially feasible measures; High risk - the customer's business activities may give rise to significant or long-term environmental and social risks and impacts. These may require more specialised risk assessment, and the customer may not have the technical or financial means to manage them.

Energy Attribute Certificates (EACs) - are the preferred way to document and report renewable energy consumption. Each EAC represents unique ownership of 1 MWh of renewable energy that has been produced and injected into the grid. We buy these to offset our electricity consumption related emissions.

EPCs - Energy performance certificates - a rating scheme to summarise the energy efficiency of buildings.

EU Taxonomy Regulation - The Taxonomy Regulation (Sustainable finance taxonomy - Regulation (EU) 2020/852) was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It establishes the basis for the EU taxonomy by setting out 4 overarching conditions that an economic activity must meet to qualify as environmentally sustainable. Further info: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

FINREP - a framework given by EBA for reporting financial (accounting) information to the regulator which is applicable to all Credit Institutions in the European Union.

GAR – Green Asset Ratio, a key performance indicator under the Taxonomy Regulation shows the proportion of exposures related to Taxonomy-aligned activities compared to the total assets of the credit institutions.

GDPR - General Data Protection Regulation

GHG – Greenhouse gas emissions. Reported Scope 1 emissions contain the emissions from our own leased cars; Scope 2 emissions cover our procured electricity and heating emissions, and Scope 3 own operations emissions cover our emissions from employee commuting (estimated based on average commuting distance, type of travel and frequency), business air-travel, and waste (bio-waste, mixed packaging, municipal waste, paper/cardboard) and excludes the emissions from inter-state bus and local taxi drives. Financed emissions for corporate lending have been calculated based on PCAF methodology, where GHG emissions data for some of the largest customers have been collected, while for the rest was estimated using PCAF database of emission factors. In most cases, data quality score is 4 or 5.

While Luminor started measuring GHG emissions for its corporate lending, mortgage and commercial real estate portfolios (Scope 3), the data quality is not yet validated, and hence the bank is not able to disclose comfortably Scope 3 financed emissions for its mortgage and commercial real estate asset classes. We have however committed to disclose the data within 18 months after joining PCAF and expect to keep to the expected timeframe and disclose such data for FY 2022.

GHG Protocol - an accounting standard that establishes comprehensive global standardized frameworks to measure and manage greenhouse gas emissions from private and public sector operations, value chains and mitigation actions. PCAF builds on GHG protocol and establishes a standardized method of measuring and reporting emissions for the financial sector. GHG Protocol categorizes the emissions based on the source into Scope 1, 2 and 3.

Scope 1 - Direct GHG emissions. Scope 1 covers all direct GHG emissions by a company. It includes fuel combustion, company vehicles and fugitive emissions. These emissions are direct GHG emissions that happen from sources owned or controlled by an organization including fuel combustion in boilers, furnaces, vehicles.

Scope 2 - Electricity indirect GHG emissions. Scope 2 covers indirect GHG emissions from consumption of purchased electricity, heat, cooling or steam. These emissions are a result of a company's activities but often occur outside a company's physical facility (e.g., at an electricity utility plant), hence scope 2 emissions are considered an indirect emission source.

Scope 3 - Other indirect GHG emissions. Scope 3 covers other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution (T&D) losses) not covered in Scope 2, outsourced activities, waste disposal, etc.

GRI - Global Reporting Initiative, a standard for reporting sustainability related information. Further info: https://www.globalreporting.org/

Guide on climate-related and environmental risks – An ECB Guide on supervisory expectations relating to risk management and disclosure, source: https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf

KYC – Know Your Customer

Materiality Assessment External Score Weighting used, by source and weight – Benchmark (Corporate reports) **35%,** Mandatory law 30%, Voluntary regulation 10%, News 10%, Social media 5%, Stakeholder survey participants including but not limited to customers, Supervisory Council members, employees 10%

NACE codes - the standard European nomenclature of productive economic activities.

NFCs - Non-financial counterparty, an undertaking established in the European Union other than a financial counterparty (FC) or a Central Counterparties (CCP). CCPs are a market infrastructure, which reduces systemic risk and enhances financial stability by standing between the two counterparties to a derivatives contract (i.e., acting as buyer to the seller and seller to the buyer of risk) and thereby reducing the risk for both.

NFRD - Non-Financial Reporting Directive, Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups EUR-Lex - 32014L0095 - EN - EUR-Lex (europa.eu)

PCAF – Partnership for Carbon Accounting Financials. For our financed emissions calculation we are using PCAF methodology, which starts with classification of Assets into Listed Equity and Corporate Bonds, Project Finance, Business Loans and Unlisted Equity, Commercial Real Estate, Mortgages and Motor Vehicle Loans. For Business Loans, the methodology includes all products except Guarantees, and is based on the customer level data. Whereas, for the other asset classes the calculation considers agreement level. The methodology offers five different formulae for calculations financed emissions for each asset class, based on data granularity and quality. Given the data limitations, we mostly use #4 and #5, which represents the lowest confidence level. PCAF emission factors database covers Scope 1, Scope 2 and Scope 3 upstream emissions.

SBT – science based targets - a way for companies to define emissions reduction targets. SBTs follow a "top-down" approach: they focus on the quantity of emissions that needs to be reduced to meet the targets set out in the Paris Climate Agreement, limiting global warming to 1.5°C.

Sustainable investments – investment products that comply with the SFDR requirements for sustainable investments (Article 9 products) and investments promoting ESG characteristics (Article 8 products) as well as green bond investments, investments into EU taxonomy aligned instruments and social investments.

Sustainable lending – lending for use of proceeds where the financing procedures and criteria are aligned to EU Taxonomy standards and/or other sustainable financing frameworks such as the European Bank for Reconstruction and Development.

UN SDG - 17 Sustainable Development Goals developed by the United Nations and adopted by all United Nations Member States in 2015, which by 2030 aim: to eradicate extreme poverty, to reduce injustice and inequalities in the world, to promote peace and justice, and to tackle the climate change and environmental protection.

Verified emission reductions (VERs) - are also commonly known as carbon offsets, carbon credits, or carbon offset credits. VERs are essentially a reduction in greenhouse gas emissions from a project that is independently audited (i.e., verified) against a third-party certification standard.

SUBSEQUENT EVENTS

In 2022, two new Supervisory Council Members have been appointed: Ottar Ertzeid, born on 7 September 1965, male, elected as of 1 January, delegated by DNB, and Elanor Rose Hardwick, born 2 February 1973, female, elected as of 1 April, independent.

In April 2022 we completed our ESG Due Diligence Guidelines.

In June 2022, we approved industry ESG risk management guidelines for sectors where we deem the climate impact to be high – agriculture, construction, retail trade, manufacturing, energy.

In Q2 2022, our employee NPS increased to +28.

In first half of 2022, we launched climate seminars for our customers and completed seminars on GHG impact accounting, geopolitics and climate targets, and EU taxonomy.

We have decided to discontinue offering Independent Advice service as of end of June 2022.

To help to address the humanitarian impact of the invasion of Ukraine, we made it easier for citizens of the Ukraine to open an account with us and we waived fees on all payments to accounts with Ukrainian banks. In addition, we donated 100,000 EUR to MTÜ Pagulasabi, Gribu Palīdzēt Bēgļiem and Stiprus Kartu, three Baltic-based organisations who are assisting refugees.

LUMINOR BANK AS INFORMATION

Country of registration
Republic of Estonia

Commercial register code
11315936

Main activity
Credit institution

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E-mail
info@luminor.ee

Reporting currency
euro

Reporting date
31 December 2021

Reporting period
1 January to 31 December 2021

Reporting frequency
Annually, by the end of the 2nd quarter

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