

Šiaulių Bankas Social Responsibility
Report 2022



Sustainable solutions - closer to you

About us

Šiaulių Bankas AB is the largest bank with Lithuanian capital, a stable and consistently growing financial partner with a special focus on business financing and consumer financing solutions.

We are closer to our clients and, as a Lithuanian bank with the most extensive network of branches in the country, we strive to create a positive impact wherever we operate. The ESG strategy sets out our structured vision, objectives and priorities to achieve this, and is integral part of the Bank's strategy.

Table of Contents

-  01 Overview
-  02 Methodology
-  03 Principles and Areas of the Strategy
-  04 Environmental
-  05 Social
-  06 Governance
-  07 Summary

01 Overview

We understand that well-being we want to create for all goes hand in hand with a commitment to our environment, employees and clients, and to our governance practices. This document gives an overview of what we are committed to, how we are achieving it and how we are measuring it.

The voice of Šiaulių Bankas' employees, partners and clients was our guiding star in the development of the ESG strategy, and we asked for their views in the development of the areas of significant impact (see more in '02 Methodology').

The guiding principles of the strategy – to work more sustainably, to be more inclusive and to grow more responsibly – define the areas of the strategy, each with its own objectives, actions and measurement indicators (see more in '03 Principles and Areas of the Strategy').

Sections 04, 05 and 06 answer the question of how are we going to make a difference in each of the strategic areas – from vision to concrete numbers.

We invite you to take a closer look at our commitments and join us in creating more sustainable well-being for all.

GRI 102-14

sb.lt



'At a time of profound change that is shaping our lives and the lives of future generations in Lithuania and around the world, every organisation needs to ask itself – are we merely observing, or are we taking responsibility to drive change? We are striving to be closer to change by integrating more sustainable, inclusive and responsible solutions in our operations and by working together with our partners and clients.'

Vytautas Sinius

Chief Executive Officer of Šiaulių Bankas

01 Overview Description of the company

Established in 1992, Šiaulių Bankas is a sustainable and steadily growing financial institution with a diversified shareholder base spread across Lithuanian and foreign shareholders, including the European Bank for Reconstruction and Development (EBRD), which owns 20 per cent of the Bank's shares.

By providing professional financial services to private and corporate clients, the Bank aims to be a reliable, flexible and attentive financial partner that is committed to the growth of the country's potential and the prosperity of its population and businesses.

Location of head office

The Bank's head office is located in Šiauliai.

Location of operations

The Bank's branches are located in the main cities and regional centres of Lithuania, which are financially active. The Bank's services are provided throughout Lithuania.

Ownership and legal form

Šiaulių bankas is a stock company.

Markets served

The Bank's services are provided in the Republic of Lithuania.

Scale of organisation

Šiaulių Bankas Group earned an unaudited net profit of EUR 63.6 million in 2022 (+15% compared to last year – EUR 55.2 million). Operating profit before impairment and corporate tax amounted to EUR 81.5 million (+14% compared to last year – EUR 71.3 million).

The shares issued by the Bank are included in the Nasdaq indices. As at 31 December 2022, the Bank had 18,524 shareholders.

External initiatives

Šiaulių Bankas has been a participant of the United Nations Global Compact initiative since 2010. We also participate in other external sustainability-related activities/initiatives: we report in accordance with the international CDP standard, joined the international PCAF initiative, and are members of the Sustainability Committee of the Lithuanian Banking Association.

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6,
GRI 102-12, GRI 102-13

The Bank's priority areas of activity are:

- Business financing;
- Consumer financing;
- Financing of multi-apartment building modernisation projects.

Services for private and corporate clients:

- Provision of a wide range of short-term and long-term loans to private clients and businesses;
- Banking service plans for a fixed monthly fee (for private clients);
- Opening and administration of bank accounts in euro and foreign currency for Lithuanian and foreign clients;
- Transfer of funds in euro and foreign currency to accounts in banks operating in Lithuania and abroad;
- Collection of utility and other payments;
- Electronic account service, periodic and conditional payments;
- Account management in online banking;
- Mobile banking services;
- Issuance and administration of payment cards;
- Foreign exchange trading;
- Conclusion of various types of deposit agreements;
- Investment services:
- Intermediation in transactions on stock exchanges;
- Off-exchange securities transactions;
- Advising on the issue, acquisition and transfer of securities;
- Keeping records of shares issued by companies;
- Issuance of debt securities;
- Drafting prospectuses for securities issues;
- Other investment services.

Membership in associations

- Organisations, associations and associated structures in which the Bank participates:
- Lithuanian Banks Association
- Society for Worldwide Interbank Financial Telecommunications (SWIFT)
- Nasdaq Baltic Stock Exchanges (Nasdaq Vilnius, Nasdaq Riga, Nasdaq Tallinn)
- MasterCard Worldwide International Payment Card Organisation
- Lithuanian Employers' Confederation
- Šiauliai Chamber of Commerce, Industry and Crafts
- Šiauliai Association of Industrialists
- Kelmė District Entrepreneurs Association
- Klaipėda Chamber of Commerce, Industry and Crafts
- Klaipėda Association of Industrialists
- Mažeikiai Entrepreneurs Association
- Akmenė District Entrepreneurs Association
- Kaunas Chamber of Commerce, Industry and Crafts
- Panevėžys Chamber of Commerce, Industry and Crafts, Utena Branch
- Tauragė County Entrepreneurs Association
- Panevėžys Chamber of Commerce, Industry and Crafts
- Vilnius Chamber of Commerce, Industry and Crafts
- Šilalė District Entrepreneurs Association
- Lithuanian Finance Brokers Association
- Association of Personnel Management Professionals
- BNI Recommendation Marketing Service (Rekomendacijos verslui UAB)
- Partnership for Carbon Accounting Financials (PCAF)

01 Overview Management of the company

Management structure

General Meeting of Shareholders

Supervisory Council – a collegiate supervisory body

Board – a collegiate management body

Chief Executive Officer – a single-person management body

Committees – the Bank has Risk, Audit, Nomination, Remuneration, Loan, Risk Management and Regional Loan Committees.

For more information, please see the sections “Governance of the Bank” and “Committees of the Bank and their activities” in the Annual Report.

Composition and selection of the Bank’s supervisory and management bodies

The Supervisory Council is the collegiate body supervising the Bank’s activities. The members of the Supervisory Council are elected and dismissed by the General Meeting of Shareholders. The Supervisory Council is currently composed of seven (7) members, four (4) of whom are independent. The Supervisory Council is chaired by the Chairperson. The term of office of the Supervisory Council is four years. There is no limit to the number of terms of office. If individual members of the Supervisory Council are elected, they hold office until the end of the term of office of the current Supervisory Council.

The Board is a collegiate management body of the Bank that ensures the proper conduct of the Bank’s business. The members of the Board are elected, dismissed and supervised by the Supervisory Council of the Bank. The Board is currently composed of five (5) members. The term of office of the Board is four years. There is no limit to the number of terms of office. If individual members of the Board are elected, they are elected until the end of the term of office of the existing Board.

The Chief Executive Officer of the Bank is the Bank’s single-person governing body. The Chief Executive Officer of the Bank organises the day-to-day activities of the Bank, takes decisions on the Bank’s activities, acts on behalf of the Bank and ensures the proper implementation of the Bank’s strategy, objectives, plans, and policies. The Bank’s Chief Executive Officer is appointed and dismissed from office by the Board.

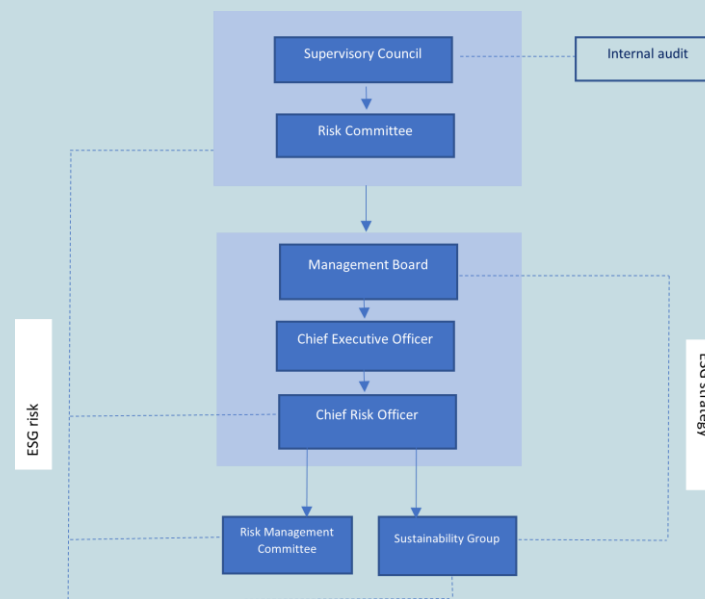
Identifying and managing economic, environmental and social impacts

Oversight of ESG risk management (including climate and environmental risks) in the Bank is carried out by a number of governing bodies:

- The Bank’s Supervisory Council and the Risk Committee are the top-level governing bodies responsible for overseeing the management of ESG risks in the Bank.
- At the Bank’s Board level, the Head of Risk Management Division (Chief Risk Officer, CRO) is responsible for the direct oversight of ESG risk management, reporting directly to the Bank’s Chief Executive Officer (CEO).
- The Head of Risk Management Division chairs the Bank’s Risk Management Committee, which takes decisions related to ESG risk management.
- The Head of Risk Management Division chairs the Sustainability Group, which is an advisory body on ESG risk and ESG strategy.

The ESG strategy is integral to the management of ESG risk in the Bank. The following governing bodies oversee the development and implementation of the ESG strategy in the Bank:

- The Board of the Bank is the top-level governing body responsible for the final approval of the ESG strategy and its integration into the Bank’s strategy.
- The Bank’s Supervisory Council is briefed on the ESG strategy.
- The Sustainability Group, chaired by the Head of Risk Management Division, is an advisory body on the development and implementation of the ESG strategy.



02 Methodology

ESG strategy development process

A methodology based on the principles of democracy and inclusiveness has been developed to create a relevant and achievable ESG strategy. It ensured the involvement of the target stakeholders in the strategy development process from the very first steps.

01 Significance analysis

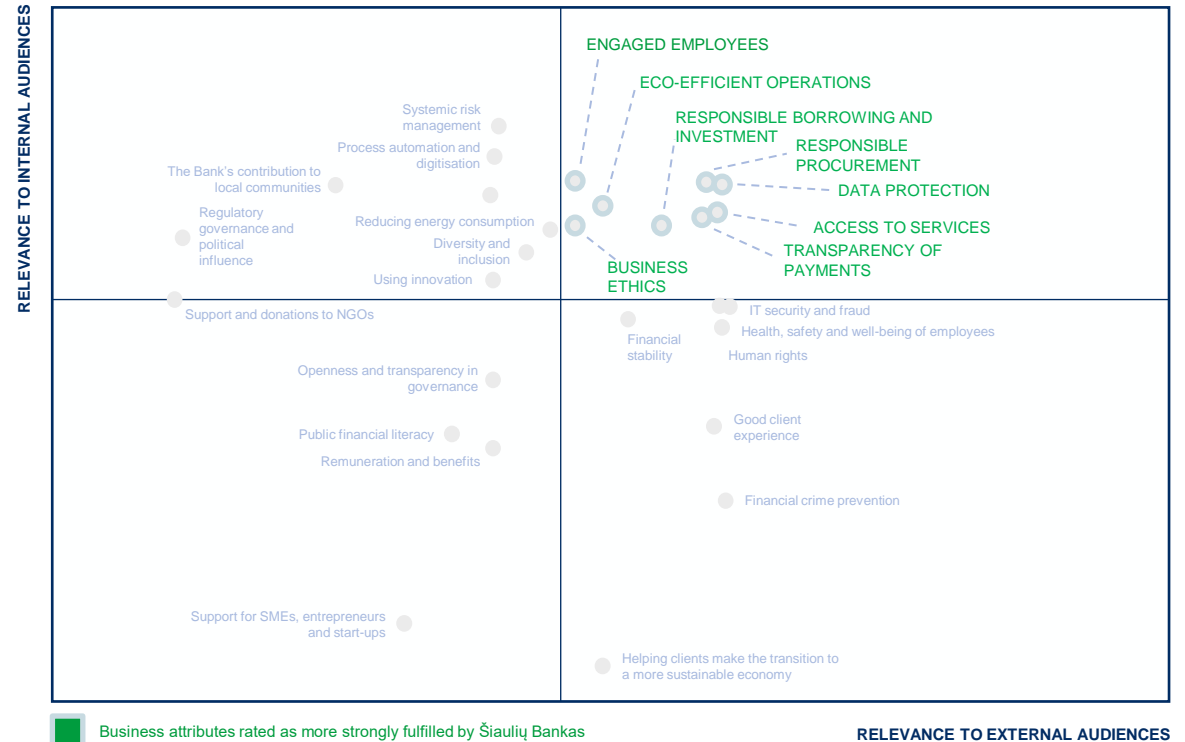
In the context of the internal perspective of the Board and management, topics relevant to the company's operations were identified. From the external perspective of clients, partners and employees, topics of importance to society and the environment were identified.

02 Developing a vision

Topics of significant impact have been identified and grouped into strategic ESG areas in the governance, environmental and social dimensions. A vision has been defined for each area, taking into account the initiatives currently underway and the impact they could have.

03 Setting initiatives and indicators

Based on the priority areas, the ESG vision of Šiaulių Bankas, analysis of internal initiatives and resources, ESG actions, indicators and implementation plan were developed. Tracking and accountability mechanisms have been set up, roles and responsibilities have been clarified. Progress on the achievement of indicators is communicated in this annual report, which follows the recommendations of the Global Reporting Initiative (GRI).



RELEVANCE TO EXTERNAL AUDIENCES

03 Principles and Areas of the Strategy

Principles of development

The process of developing the ESG strategy directly reflects the following fundamental principles of Šiaulių Bankas:

Engagement

Involving employees, partners and communities in the Bank's culture, educational and social activities.

Proximity

Making the Bank's services and activities easily accessible, available and understandable.

Environmental

Working more sustainably



Reducing environmental impact

Reducing negative environmental impacts through the adoption of measurement practices, partnerships and the development of green products and impact reduction initiatives.

Social

Ensuring higher engagement



Improving service accessibility

Engaged employees

providing convenient, affordable and understandable services to our entire client base, regardless of where they live or their digital skills, and inviting all employees to actively shape the Bank's culture.

Governance

Growing in a more responsible way



Responsible business and transparency

Reliable services

Acting responsibly and ethically at all levels of the organisation and address data security and privacy issues by engaging, educating and empowering employees, partners and clients.

04 Environmental

How do we work more sustainably?

As one of the largest players in the financial sector in Lithuania, Šiaulių Bankas has an important role to play in contributing to the environmental and climate change challenges. We aim to become a climate-neutral bank by 2050.

Reducing environmental impact

We take a holistic approach to impact reduction – from improving the Bank’s internal processes, to reviewing partner requirements and developing new green products. The Bank’s priorities are to reduce the environmental impact of its own and its partners’ direct activities and to promote positive change with its clients and sustainable organisations.

SDG linkage



GRI linkage

GRI – 102; GRI – 203; GRI – 301; GRI – 302; GRI – 305; GRI – 306; GRI – 307.

Vision for the area

To be a climate-neutral bank that has minimal impact on the environment

Objectives

01 Reducing direct environmental impact of the Bank’s operations

02 Developing partnerships with positive environmental impact

03 Developing green financial products and products oriented to increasing energy efficiency

Actions and initiatives

Monitoring energy consumption within the organisation

Reducing energy consumption and resource use

Requirements for partners

Supporting external initiatives

Employee initiatives

Support for businesses moving towards sustainable solutions

Educational and sustainability initiatives

Employee and public education

Financing projects for the modernisation of multi-apartment buildings and municipal public buildings

Green product initiatives

Electric car leasing

Financing of projects that increase business sustainability

Reducing environmental impact

How do we achieve this?

Reducing energy consumption

We aim to reduce the Bank's atmospheric emissions. We have measured the levels of greenhouse gas emissions that we generate and are planning actions to reduce their impact. (for more, see p. 11-12 of the report)

Sustainable investment

The plan is to integrate climate and environmental risk factors into the decision-making process in securities trading. This will lead to a high-quality portfolio made up of sustainable and environmentally friendly organisations.

Reducing material consumption in operations

We are reducing resource consumption and creating a system that allows more waste to be sorted. This includes digitisation of processes, remote services, employee education and the elimination of single-use plastic products. (for more, see p. 13 of the report)

Financing projects for the modernisation of multi-apartment buildings and municipal public buildings

We are the main financing partner for multi-apartment building modernisation projects in the country. Our services help to improve the energy performance class of buildings, reduce thermal energy consumption and improve energy efficiency. (for more, see p. 18 of the report)

Operational commitments of Šiaulių Bankas' partners

Successful partnerships with suppliers and partners enable lasting change. We aim to have all suppliers and partners involved in an environmental impact reduction programme by 2025. (for more, see p. 14 of the report)

Initiatives of green products and products oriented to increasing energy efficiency

In 2022, we launched such initiatives to increase the supply of financial services that promote sustainability: green mortgages, special terms for electric car leasing and projects that increase business sustainability. (for more, see p. 14 of the report)

Supporting local sustainable initiatives

We aim to contribute to improving the environment not only through financial services, but also by supporting organisations, initiatives and projects that protect and preserve the environment. (for more, see p. 27 of the report)

Employee and public education

We educate employees and the public about the importance of sustainability and the environment. In 2022, we presented Šiaulių Bankas' ESG strategy and talked about its importance for the organisation, employees, clients and Lithuania. A survey of employees on what sustainability means to them and what needs to be addressed in the Bank has highlighted the key areas we will continue to work on.

Reducing environmental impact

Environmental protection

Energy consumption within the organisation

The Greenhouse Gas Protocol (GHG Protocol) is a comprehensive standardised framework, based on global practices, for measuring and managing greenhouse gas (GHG) emissions from private and public sector operations and value chains, and for taking action to mitigate climate change. Šiaulių Bankas also calculated its GHG emissions in 2022.

The CO₂ footprint, methane footprint, etc. are calculated by dividing the sources of GHG emissions into three groups according to scope:

- Direct emissions on the territory of the Bank or at its facilities resulting from energy production or other activities related to the combustion of fuels (Scope 1).
- Indirect emissions from the consumption of energy produced outside the Bank (Scope 2).
- GHG emissions arising outside the Bank but related to its activities with an indirect impact on the value chain (Scope 3). Scope 3 emissions include 15 categories of emissions that were not included in Scope 1 and 2.
- See the table on the following page for the structure of the GHG emissions by year and scope.

Conclusion

- In 2022, Scope 1 GHG emissions decreased slightly (by 1.6%) compared to 2021 and increased by 9% compared to 2020, excluding real estate owned by the Bank and leased to third parties (classified in Scope 3, category 13).
- In Scope 2, there was a significant reduction of 61.54% in GHG emissions compared to 2021 and 73.67% compared to 2020, respectively, as Šiaulių Bankas AB was using 100% green electricity in 2022 (including the Bank's leased and owned real estate used for the Bank's needs).
- The Bank has started calculating and disclosing for 2022 its GHG emissions from investing and financing activities – Scope 3, category 15 (see "Responsible practices and transparency"). Excluding category 15, Scope 3 shows a 37.59% CO₂ reduction compared to 2021 and a 32.50% reduction compared to 2020, respectively, as most of Šiaulių Bankas' leased premises were also supplied with green electricity.
- Taking all the results together (Scope 1, 2, 3), we conclude that Šiaulių Bankas AB emitted 85,638 t (38.72%) less GHG in 2022 than in 2021 and 96,358 t (41.55%) less GHG than in 2020.

Also the Bank is disclosing its generated GHG emissions in CDP report (Climate change).

Reducing environmental impact

Environmental protection

GHG emissions by year and scope

Activity (scope)	2020	2021	2022
Scope 1. Direct emissions	30.799	32.156	28.349
Natural gas (stationary source of pollution)	6.914	8.103	8.748
Road transport. Petrol (mobile source of pollution)	12.636	13.558	13.502
Road transport. Diesel (mobile source of pollution)	11.095	10.442	5.978
Generators. Diesel (mobile source of pollution)	0.15	0.028	0.071
Consumption of refrigerants	0.004	0.025	0.050
Scope 2. Indirect emissions	76.332	52.260	20.098
Consumption of green electricity	3.531	5.896	12.119
Electrical power consumption	66.799	38.041	0.000
Heat consumption	6.002	8.323	7.979
Scope 3.	130.422	141.065	171,215.818
Category 1. Purchased goods and services	14.049	8.693	12.206
Paper products for operations	9.440	5.747	6.836
Plastic card products	0.488	0.508	0.380
Cash collection services	1.361	0.532	0.532
Water consumption, preparation services	0.495	0.422	1.200
Plastic and cash packaging products	1.512	1.023	2.966
Paper and cardboard products	0.753	0.461	0.292
Category 2. Purchased goods for capital	Not estimated	Not estimated	Not estimated
Category 3. Fuel and energy costs related to operations	96.563	118.973	64.498
Natural gas (stationary sources, not owned)	3.137	3.880	2.440
Petrol (mobile sources of pollution, not owned)	0.187	0.078	0.806
Gas – LPG (mobile sources of pollution, not owned)	0.018	0.000	0.004
Diesel (mobile sources of pollution, not owned)	0.372	0.163	2.663
Electricity, green (indirect emissions, owned)	0.000	0.000	9.568
Electricity (indirect emissions, not owned)	92.041	114.111	46.714
Heat (indirect emissions, not owned)	0.808	0.741	2.303

Activity (scope)	2020	2021	2022
Category 4. Logistics and distribution from suppliers to the Bank	Not estimated	Not estimated	Not estimated
Category 5. Generation of waste in operations	7.423	9.076	10.861
Waste transport	6.397	8.097	8.135
Wastewater	1.026	0.979	2.726
Category 6. Business trips	6.741	0.009	0.470
Taxi services	0.021	0.009	0.017
Flights	6.72	0.000	0.453
By car, other	Not estimated	Not estimated	Not estimated
Category 7. Staff mobility	Not estimated	Not estimated	Not estimated
Category 8. Leased assets	Not estimated	Not estimated	Not estimated
Category 9. Transport and distribution from Bank to client	Not estimated	Not estimated	Not estimated
Category 10. Processing of sold products	Not applicable	Not applicable	Not estimated
Category 11. Product use	Not estimated	Not estimated	Not estimated
Category 12. After product expiry	Not estimated	Not estimated	Not estimated
Category 13. Assets leased to third parties	5.646	4.314	0.953
Electricity (indirect sources, buildings leased to third parties)	5.646	4.314	0.953
Category 14. Franchises	Not applicable	Not applicable	Not applicable
Category 15. Investment (see "Responsible business and transparency")	Not estimated	Not estimated	171,127.783
Scope 1	30,779 – cat.13 (5,646)= 25.133 t CO₂	32,156 – cat.13 (4,314)= 27.842 t CO₂	28,349 – cat.13 (0,953)= 27.396 t CO₂
Scope 2	76.332 t CO₂	52.260 t CO₂	20.098 t CO₂
Scope 3	130.422 t CO₂	141.065 t CO₂	171,215.818 t CO₂
Scopes 1 and 2, total, t CO₂	101.465 t CO₂	80.102 t CO₂	47.494 t CO₂
Scopes 1, 2, and 3, total, t CO₂	231.887 t CO₂	221.167 t CO₂	171,263.312 t CO₂
Number of employees	786	789	817
CO₂ emissions per employee (Scopes 1, 2)	0.129 t CO₂	0.102 t CO₂	0.058 t CO₂
CO₂ emissions per employee (Scopes 1, 2, 3)	0.295 t CO₂	0.280 t CO₂	209.625 t CO₂

[You can see the dynamics of GHG emissions \(excluding category 15\) by year by clicking on this link](#)

Reducing environmental impact

Environmental protection

Reducing energy consumption

In order to reduce fuel consumption and air emissions:

- The Bank uses an electronic booking system for operational cars, allowing business trips to be planned in groups and to be made in as few cars as possible;
- 10% of the fleet is made up of plug-in hybrid vehicles. We have ordered our first electric vehicles.
- We have installed 5 convenient charging stations for electric vehicles by the offices of Šiaulių Bankas.
- At Šiaulių Bankas, we have a Supplier Code of Conduct and follow it.
- In the Bank's largest headquarters, the lighting has been changed from fluorescent to LED with presence sensors.
- The Bank's employees are encouraged to use public transport (e.g. train, bus) for business trips within Lithuania.
- We encourage meetings involving staff and partners in different cities to be held in modern teleconference rooms in Vilnius, Kaunas, Klaipėda and Šiauliai, or remotely using the MS Teams application, as well as using landline telephones available in workplaces and other means of communication.
- To reduce paper consumption, the internal and external document management system continued to be actively developed in 2022, reducing the need for printed documents. Employees are constantly reminded and given advice on how to avoid printing or print more efficiently.
- The Bank develops and uses robots to automate the manual steps involved in payment card transactions.
- The Bank provides employees with the opportunity to sort waste, with periodic communication on correct sorting.

Non-compliance with environmental laws and regulations

No non-compliance with environmental laws and/or regulations has been identified during the reporting period.

Ensuring animal welfare

Šiaulių Bankas does not contribute to or support any initiatives that harm the environment or animals. The organisation's activities do not pose a threat to endangered species of plants and animals. In 2022, the Bank provided support to animal shelters, thus contributing to the welfare of vulnerable animals. In 2022, the Bank initiated and organised an Animal Day for the first time in all its branches. This initiative was very well supported, so from now on we have declared every last Friday of the month as Pet Day.



Reducing environmental impact

Operational commitments of Šiaulių Bankas' partners

The successful development of partnerships enables Šiaulių Bankas' ESG strategy at several levels. Firstly, long-term partnerships with suppliers and partners are developed, which ensure the breadth and effectiveness of mitigation actions. Secondly, initiatives with a positive environmental impact are implemented. These not only support initiatives by external partners aimed at environmental sustainability and public education, but also direct partnerships with businesses moving towards more sustainable business models are developed. The aim is to provide them with comprehensive support and affordable funding.



Initiatives of green products and products oriented to increasing energy efficiency

In 2022, the Bank started developing such initiatives to increase the supply of financial services that promote sustainability, such as green mortgage, special terms for leasing electric cars and projects that increase business sustainability.

The development of first product (green mortgage) complying with the criteria for an environmentally sustainable economic activity set out in the Regulation (EU) 2020/852 of the European Parliament and of the Council (the Taxonomy Regulation) made it possible to offer customers more favourable conditions for financing of sustainable houses.

More favourable loans are available for electric cars with lower average emissions that contribute to a more sustainable environment. Electric car leasing is designed to make environmentally friendly vehicles more affordable and to encourage customers to seriously consider purchasing them. The main benefit offered to clients is more attractive interest rate.

In addition, the Bank is planning to focus on financing projects oriented to increasing business sustainability, that could include:

- Renewable energy
- Energy efficiency improvement projects
- Waste management projects
- Emission reduction projects
- Sustainable forestry projects
- Water and wastewater management projects

05 Social

How do we engage more with employees and clients?

We want to strengthen our relationship with both external and internal audiences. We aim to be a Bank that provides convenient, affordable and accessible services on a national scale, regardless of where our clients live or their digital skills. Meanwhile, within the organisation, we aim to strengthen the contribution and involvement of employees in shaping the Bank's culture and environment.



Improving service accessibility

Access to services is one of the key principles of banking service delivery and development, which ensures the achievement of poverty reduction and economic wealth creation. Accessibility means that a wide range of the country’s population and businesses have access to useful and well-priced services that meet their needs in a sustainable and responsible manner.

SDG links



SDG links

GRI – 101; GRI – 203; GRI – 204; GRI – 301; GRI – 302; GRI – 401; GRI – 405; GRI – 414.

Vision for the area

To be a bank that provides convenient, affordable and accessible services to our entire client base.

Objectives

Contributing to the creation of an ecosystem for small business development

Creating specialised banking products

Ensuring service channel accessibility on a national scale

Actions and initiatives

Plan A

Strategy for branch activation

Development of products with European Union instruments administered by Invega

Client advisory services

Financing of modernisation projects

Improving client experience

National research on financial needs and skills

Improving service accessibility

How do we achieve this?

Plan A

Planas A is a unique initiative of Šiaulių Bankas and a platform in Lithuania that aims to help businesses maintain their growth path. SMEs participating in this initiative can benefit from a special benefits package, while socially responsible partners of the initiative can contribute by offering their help.

Strategy for branch activation

Šiaulių Bankas is rapidly implementing the digitisation of services and the development of automated self-service solutions, which facilitates the use of the Bank's services by a significant proportion of banking clients. However, some banking clients still prefer traditional service channels, which is why Šiaulių Bankas aims to maintain a wide network of service outlets, but to enable its specialists at any of the Bank's outlets to cover a wider range of services. (for more, see p. 20 of the report) sb.lt

Development of products with EU instruments administered by Invega

Šiaulių Bankas contributes to the sustainable growth of the Lithuanian economy by offering a wide range of financing instruments for SMEs. Through active participation in business support measures, the granting of risk-sharing loans, cooperation with INVEGA and other guarantee funds, etc. the Bank promotes the activities, development and growth of SMEs. (for more, see p. 18 of the report)

Client advisory services

The Bank sees consulting as an essential part of the value of its financial services. As financial market players strengthen their digital self-service solutions, the ability to consult and discuss financial matters with a qualified staff member is becoming increasingly valued by clients. By providing different ways to receive advice, the Bank can reach and serve the widest range of clients. Šiaulių Bankas' clients can decide and choose how they want to be serviced – face to face or remotely. (for more, see p. 20 of the report)

Financing of modernisation projects

Šiaulių Bankas is a leader in multi-apartment building renovation/modernisation financing in Lithuania. This programme allows for timely and high-quality renovation of the most energy inefficient apartment buildings. Also, seeing the demand from its clients and its own responsible approach to sustainable development, the Bank aims to help businesses move towards sustainable practices in a way that benefits both the environment and the business itself. (for more, see p. 18 of the report)

National research on financial needs and skills

The Bank is planning a national study to better assess the unspoken needs of its clients and to see a broader map of financial skills and needs. This study would address topics related to financial skills and needs and would help identify and improve the understanding of different client portraits.

Improving client experience

Šiaulių Bankas has made a commitment to be closer to its clients, and therefore pays great attention to improving the client experience, the accessibility of service channels and the quality of client service. Šiaulių Bankas was ranked as the best in Lithuania in terms of client service quality according to the 2022 mystery shopper survey conducted by DIVE Lithuania. (for more, see p. 19 of the report)

Improving service accessibility

Development of products with EU instruments administered by Invega

Financing of small and medium-sized enterprises

One of the Bank's priority areas of activity is the financing of small and medium-sized enterprises (SMEs), which the Bank develops in order to promote the development of SMEs. The Bank actively uses various financial engineering instruments that enable it to finance businesses that would not be able to access conventional credit, thus contributing to their growth. We actively participate in all measures to support businesses and are one of the largest issuers of such loans in Lithuania.

Šiaulių Bankas is the first financial institution in Lithuania to cooperate with the Invega Guarantee Fund. Invega is a state-established financial institution whose main objectives are to provide financial services and to implement and administer financial and other business financing instruments. Invega's activities are focused on the implementation of publicly funded measures aimed at stimulating small and medium-sized enterprises and economic operators during the start-up, operation and expansion phases of their business activities, and aimed at creating and/or maintaining jobs or improving competitiveness.

Having assessed the impact of the services provided by Invega on the development and viability of business, Šiaulių Bankas is willing to cooperate with this guarantee fund. Of all the banks operating in Lithuania, Šiaulių Bankas has the largest number of products with European Union instruments, which are administered by Invega UAB: a shared risk facility for SME financing, various portfolio guarantees for SME loans, factoring and leasing.

Financing of modernisation projects

Multi-apartment building renovation and regional development

The Bank aims to promote the economic development of the country's regions and reduce disparities between them. One of its instruments is the financing of the renovation/modernisation of multi-apartment buildings. A large part of the renovation projects for multi-apartment buildings are located outside the major cities. These projects involve management companies and construction contractors and create jobs in the regions.

Šiaulių Bankas is a leader in the financing of multi-apartment building renovation: 2 out of 3 of all multi-apartment buildings renovated in Lithuania are financed by Šiaulių Bankas. At the end of 2018, Šiaulių Bankas signed a guarantee agreement with the European Investment Bank for the implementation of multi-apartment building renovation projects. Under this agreement, Šiaulių Bankas has allocated an additional EUR 150 million for the renovation of multi-apartment buildings. In 2020, Šiaulių Bankas was selected as the successful bidder to set up an Investment Platform in Lithuania to further finance renovation.

The new investment platform SB Modernizavimo Fondas established by Šiaulių Bankas was launched in 2022 and is an innovative and promising tool that allows attracting funds from several sources and thus ensuring sufficient financing. Loans to the fund of EUR 275 million have been granted by Lithuanian and foreign financial institutions.

It is planned to use the fund to renovate 600 old multi-apartment buildings, improving the living conditions of 16,000 households. Once implemented, the project is expected to save 200 gigawatt hours (GWh) of heat energy and prevent emission of around 50,000 tonnes of carbon dioxide annually.

Other modernisation projects

The Bank is also involved in the energy efficiency programme. In 2018, an agreement with the Public Investment Development Agency (VIPA) was signed and is still ongoing, under which the Bank finances the modernisation of municipal buildings as a financial intermediary, contributing with its own funds. This financial instrument is aimed at improving the energy efficiency of municipal public buildings, reducing greenhouse gas (CO₂) emissions and ensuring that the infrastructure of public buildings complies with the requirements of hygiene standards. The measure is financed by the European Regional Development Fund.

To promote the right outcome of the modernisation, in its investment plan, Šiaulių Bankas has set a requirement to achieve energy efficiency class C or higher and to reduce the previous calculated thermal energy consumption by at least 40%. These indicators contribute significantly to a change in energy efficiency that helps to reduce GHG emissions and environmental impact.

The Bank is also inviting applications for loans for the renovation of cultural heritage sites from 2019. The loans are invested in the attractiveness, commercial viability and public accessibility of the objects. The funds are allocated from the Cultural Heritage Fund established by the Public Investment Development Agency (VIPA), the Ministry of Finance and the Ministry of Culture. Šiaulių Bankas has been selected as the fund manager.

Improving service accessibility

Improving client experience

List of stakeholder groups

STAKEHOLDERS	METHODS OF INVOLVEMENT
Employees	<ul style="list-style-type: none"> Social initiatives Opportunities to make and implement proposals Possibility to notify the Compliance Officer Annual performance review interview Bank's internal website (Intranet) Events
Shareholders	<ul style="list-style-type: none"> Regular reports Presentation of performance results to investors Shareholder meetings
Clients	<ul style="list-style-type: none"> Client service quality surveys Communication on social networks Bank's website Client events
Suppliers and partners	<ul style="list-style-type: none"> Participation in meetings
Regulatory authorities	<ul style="list-style-type: none"> Regular reports Participation in meetings.
Communities, public	<ul style="list-style-type: none"> Sponsorship and support projects Educational activities
Associated structures	<ul style="list-style-type: none"> Social responsibility report
Media	<ul style="list-style-type: none"> Press releases Comments Events Meetings

Identification and selection of stakeholders

Stakeholders were selected by assessing the nature of the organisation's activities and who the organisation can directly or indirectly affect and who has an impact on the organisation.

Approach to stakeholder engagement

Client feedback is sought through surveys such as mystery shopper, the client referral index (CRI) and the client service quality and sales skills of employees in the Lithuanian commercial banking sector.

The mystery shopper survey assesses the quality of client service in the Bank's branches and by remote means. The survey assesses where employees need to improve their client service skills and where they are performing excellently. The survey is used as a basis for the annual training of client service managers.

CRI is the client referral index which helps us to find out the level of satisfaction and loyalty of private and corporate clients, i.e., to what extent clients would be willing to recommend Šiaulių Bankas, its services or products. In 2022, the CRI surveys assessed the Bank's various channels and individual products. The surveys are carried out using external companies and the Bank's internal resources.

The aim of the survey on client service quality and sales skills of employees in the Lithuanian commercial banking sector is to measure and compare the fulfilment of the main criteria of client service quality in the Lithuanian commercial banking sector, to identify the strongest and weakest areas of service and to assess the trends in client service quality. The mystery shopper survey was carried out once in 2022 by an external company.

Main themes and issues raised

Šiaulių Bankas was voted the best client-serving bank in 2018, 2019 and 2021 in an independent mystery shopper survey commissioned by Dive Lietuva. In 2022, Šiaulių Bankas once again became a bank offering the best face-to-face client service in Lithuania, taking the first place and achieving 3.4% better fulfilment of the client service quality criteria than the average rating of total visits in 2022.

It should be noted that in 2022, the survey methodology changed and the survey was carried out in two ways – remotely (a call) and face to face (a visit to the branch).

In 2022, the overall fulfilment of client service criteria in the Lithuanian commercial banking sector was 92.6% for calls and 96.6% for visits. Last year, the overall rating for calls to Šiaulių Bankas was 99% and 100% for visits.

The mystery shopper survey assessed 6 main criteria: start of contact, clarification of needs, solution, additional sale, end of contact and communication skills. In Šiaulių Bankas, almost all of them met the highest standards and received the maximum score, with the exception of ending the contact with a call (95.5%).

Improving service accessibility

Strategy for branch activation

The banking service providers in the market are combining digital channel development initiatives with limiting branch activities (cancellation of services, pre-registration, shorter opening hours). In the Bank's case, limiting the activities of branches and reducing the number of branches themselves would have a negative impact on regional clients, who would find it more difficult to access financial services provided through traditional service channels. Given the network's substantial leadership advantage, but without wanting to lose out in the market in terms of operational efficiency, additional attention is paid to exploiting the network's potential and to leveraging its efficiency through complementary technological solutions. Optimising service and sales costs helps to maintain competitiveness in digital channels against dominant banks. The objectives set out in the Bank's long-term strategy: 1) maintain leadership in network coverage; 2) optimise network operations by serving clients remotely and thus making the Bank's specialists available in any branch.

Client advisory services

The Bank sees consulting as an essential part of the value of its financial services. As financial market players strengthen their digital self-service solutions, the ability to consult and discuss financial matters with a qualified staff member is becoming increasingly valued by clients. At the same time, the Bank is able to reach and serve the widest client audience by ensuring the availability of consulting. Consulting also allows providing more context to clients, justifying the Bank's financing decisions and making broader financial recommendations. Consulting is essential to ensure the development of sustainable financial skills and to reduce the possibility of unsound or damaging financial decisions. The consultation process includes the steps of clarifying needs, defining the process, presenting and justifying the solution, assessing additional needs and defining next steps.

Engaged employees

Creating and fostering an organisational culture that is organically shaped by its employees is the long-term vision of Šiaulių Bankas. Creating a culture to which all employees actively contribute is an ambitious goal that perfectly reflects the Bank's philosophy, value base and ambition to have a unique, engaging and rich organisational life that helps attract and retain talent in the sector.

SDG links



SDG links

GRI - 102; GRI – 305; GRI – 401; GRI – 404; GRI – 405.

Vision for the area

To be a bank whose culture is actively shaped by all employees.

Objectives

Strengthen the active and diverse involvement of employees in shaping the Bank's culture

Ensuring opportunities for continuous development

Fostering a comprehensive environment for employee well-being

Actions and initiatives

New employees and their onboarding programme

Employee professional training programmes

Tracking staff motivation

Community action initiatives

Developing a culture of knowledge sharing

Whistleblowing mechanisms and ethical issues

Engagement in strategic initiatives

Mentoring programme

Ensuring equal pay

Mental and physical well-being

Engaged employees

How do we achieve this?

New employees and their onboarding programme

When presenting its brand, Šiaulių Bankas develops the image campaign together with its employees – showing their faces both inside and outside the organisation. This communication gesture perfectly reflects the Bank's attitudes and principles – engaging employees from the very first day of work. (for more, see p. 24 of the report).

Employee professional training programmes

Creating an environment of continuous improvement is an important part of the Bank. The majority of development actions and initiatives are aimed at promoting continuous learning and improving generic and professional knowledge. (for more, see p. 25-26 of the report).

Tracking staff motivation

Happy and engaged employees are very important to the Bank, which is why their well-being, motivation and needs are measured in the Employee Experience Survey and the monthly Pulse Survey, and the overall psychological climate of the organisation, known as the Happiness Index, is communicated to everyone.

Community action initiatives

Šiaulių Bankas contributes to the well-being of society by supporting cultural, financial literacy, sports and social initiatives. It also promotes entrepreneurship and regularly shares knowledge on business development opportunities, and increases financial education among the public by initiating media and social media messages (for more, see p. 27 of the report).

Developing a culture of knowledge sharing

A culture of knowledge sharing helps to improve the quality of qualification, the overall level of competences and the number of internal candidates. In 2022, we continued the existing and developed new knowledge-sharing initiatives in the Bank. (for more, see p. 25-26 of the report).

Whistleblowing mechanisms and ethical issues

Šiaulių Bankas is committed to fostering a positive, professional and safe working environment. Effective communication is essential for building professional and productive partnerships, preventing conflicts and overcoming obstacles to resolving problems. (for more, see p. 28 of the report).

Engagement in strategic initiatives

Šiaulių Bankas consistently strengthens the competences of its employees and increases the involvement of all levels of the organisation in the development of strategic activities in order to foster a proactive approach to the implementation of opportunities or the resolution of problems.

Mentoring programme

Šiaulių Bankas consistently strives to create a supportive environment where employees can easily discover additional opportunities for professional development and practical strengthening of leadership competences by learning from each other. Encouraging employees to share their professional and personal experiences with each other creates a culture of knowledge sharing within the organisation.

Engaged employees

How do we achieve this?

Ensuring equal pay

Recognising that any level or type of discrimination directly affects the engagement of teams and individual employees in the Bank's activities and career planning within the organisation, Šiaulių Bankas has put in place systems to ensure the prevention of any discrimination. The Bank pays particular attention to its remuneration policy in order to value its employees and build sustainable relationships with them.
(for more, see p. 29 of the report).

Mental and physical well-being

The Bank goes beyond the physical health of its employees and focuses additionally on improving the mental well-being and health of employees. The unifying principle of the Bank's initiatives is the representation, inclusion and provision of appropriate working conditions for all levels and groups of employees in the organisation. (for more, see p. 30-31 of the report)

Engaged employees

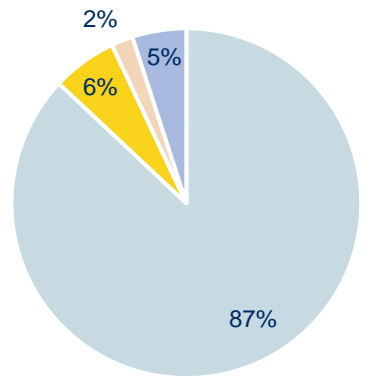
New employees and their onboarding programme

Information on newly hired employees

On 31 December 2022, the Bank had 817 employees and the Group had 908 employees. Compared to 31 December 2021, the number of employees in the Bank increased by 3.55% and in the Group – by 2.95%.

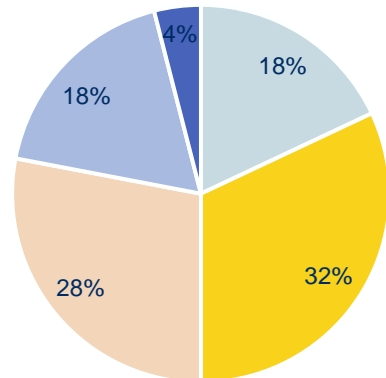
On 31 December 2022, the Bank’s workforce was 79.2% female and 20.8% male.

Distribution of Group employees by education, %



Higher
Vocational
Post-secondary
Secondary

Distribution of Group employees by age, %



<30 y
31-40 y
41-50 y
51-60 y
>61

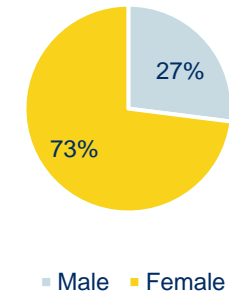
Recruitment and staff turnover

The Bank fosters long-term working relationships with its employees. On 31 December 2022, 22.6 per cent of the Bank’s employees had a seniority of 10 and more years. During the reporting period, the overall staff turnover rate was 12.5% (2021: 11.2%, 2020: 11.0%, 2019: 13.8%, 2018: 13.2%, 2017: 14.5%).

Number of new employees by region in 2022:

REGION	NUMBER OF NEW EMPLOYEES
Kaunas region	49
Klaipėda region	9
Šiauliai region	22
Vilnius region	53
IN TOTAL:	133

New employees in 2022 by gender



New staff onboarding programme

All new employees of the Bank participate in the two-day event New Employees’ Days, where representatives of the Bank from different fields share their professional experience, introduce new colleagues to the Bank’s structure, functions of departments, present the Bank’s services, products, processes and projects.

Engaged employees

Employee professional training programmes and developing a culture of knowledge sharing

Collective knowledge of the supervisory and management bodies

Members of the Board regularly participate in the most important economic conferences in the country. In view of the training needs expressed, it was decided in 2022 to allow the members of the Board and Supervisory Council to develop their knowledge independently in areas of interest to them.

Average number of trainings per employee per year

The average number of hours of training per year for employees in the Bank's network and regional offices was 31 hours. The average number of hours of external and internal training per year for the employees of the Centre's branches was 21.

Employee training

The employee professional training system includes an adaptation process for new staff members, professional (mandatory training regulated by Lithuanian legislation and other training required for day-to-day functions), general competency development and leadership training.

In 2022, we continued our focus on the training of managers at all levels. In view of the data from the engagement survey and the general trends, we have focused our management training on strengthening leadership, inter-managerial cooperation, effective communication and other competences by continuing the Leadership Academy programme launched in 2021 with lecturers from external partners. All managers included in the academy are responsible for the implementation of the Bank's strategy through the employees of their divisions. The programme consisted of 5 topics, such as Collaboration That Generates Maximum Value, Situational Leadership, Public Speaking and Facilitation, System Thinking and Leadership. The duration of the academy was 1.5 years, with over 100 executives of various levels participating.

sb.lt

Over the course of the Leadership Academy project, we had 38 training days (304 hours in total). Between 4 and 8 days (or between 36 and 64 hours) of training were allocated per manager. The Leadership Academy also gave rise to several initiatives that have been translated into concrete actions, the results of which will undoubtedly benefit the entire Bank. The first initiative is the Šiaulių Bankas Ambassadors' Group. The initiative was born immediately after the first management collaboration session, and has attracted as many as 20 volunteer Heads of Departments as members. During the working sessions, the members of the Ambassadors' Group identified priority areas for strengthening cooperation within the organisation, identified measures for their implementation and shared responsibilities. The outcome of the work of the Ambassadors' Group will be presented to the organisation in the first quarter of 2023. The second initiative born out of the Leadership Academy programme is the annual collaboration sessions. These are annual working sessions for managers to share feedback. The sessions were attended by the Department Directors, Regional Managers, CSC Managers, Regional Directors of Business and Private Clients, Heads of Business Client Group, Head of Audit Division, Head of Process Management and Head of Project Portfolio Management. Already after the first collaboration session in 2021, it became clear that the opportunity to give constructive feedback (both praise and expectations) to others in the organisation builds consensus and cooperation, and so the session was held again in 2022.

In 2022, taking into account the data from the engagement survey, the changes in the Board of the Bank, and the needs expressed, we strengthened the cooperation and communication competences of the Bank's top management accordingly. To this end, a collaborative session was held to explore team psychodynamics at the TOP management level, to review and update the team's collaborative working arrangements, and to agree on the cascading of information to the whole organisation and to target groups.

At the same time, to further strengthen leadership competences and respond to the needs expressed by managers, we invited all levels of the Bank's management to two Executive Breakfasts in 2022. The topic of the first breakfast was "Regular staff interviews – good practices". This breakfast provided managers with an overview of the benefits of regular meetings with staff; how often, for what purpose and in what form they should take place; and what should be discussed during individual interviews with staff members. The topic of the second breakfast was dedicated to managerial flexibility. The meeting focused on a common managerial challenge – how to balance the needs of the organisation, the needs of the manager and the needs of the team in order to achieve the organisation's goals, keep the team engaged and the manager motivated. The personal and team growth coach presented flexibility as a managerial competency and the importance of this competency to be able to function effectively in different situations and when dealing with different people.

Taking into account the expressed training needs of the target group, in 2022, it was decided to allow the members of the Board and Supervisory Council of the Bank to independently plan their own individual training plan according to their needs.

As part of the Bank's continued development of process management, in 2022, the training measures set out in the Process and Operational Efficiency Training Strategy were implemented, with mandatory introductory e-training on process and operational efficiency for all employees. Training materials on process architecture and modelling/plotting were also developed. The Head of Process Management delivered five 1.5-day training sessions on advanced process management and improvement to targeted groups of the Bank's staff; ~10% of the Bank's employees completed the training. To ensure the improvement of employees' competences in the field of efficiency, as well as to promote the search for efficiency in the Bank, an internal hackathon was organised, during which ideas for operational and process improvement in 9 areas were developed, with the participation of ~10% of the Bank's employees successfully gaining new experiences.

Engaged employees

Employee professional training programmes and developing a culture of knowledge sharing

Project management capacity building also continued in 2022, with practical project management training based on the project development and management procedures for the Bank's staff working on small and very small projects.

In 2022, we continued to prioritise regulatory requirements for employee qualifications and experience. Therefore, in 2022, a new learning management system (LMS) – Šiaulių Bankas Academy – was introduced in the Bank. Šiaulių Bankas Academy is a digital learning platform designed to plan and manage the employee training process, to present educational materials, to assess training results and other functions of the training management process. The system allows us to adapt more efficiently to constant change, to be faster and to better manage the training process – from the provision of mandatory training, to the development of general and professional competences, to the training of individual participants and their groups, and to the measurement of their progress afterwards. The digital training platform, Šiaulių Bankas Academy, has replaced the Bank's existing virtual learning environment and has a much broader functionality.

In line with the 2022 training plan, to strengthen knowledge in the area of anti-money laundering and countering the financing of terrorism (AML/CFT), more than one training session on the topics set out in the plan has been delivered to the target groups with the help of internal and external experts. In addition, a mandatory e-training course on anti-money laundering and countering the financing of terrorism has been developed to maximise the basic knowledge of all the Bank's employees in the area of AML/CFT. To build the expertise of compliance professionals, personnel in the areas of money laundering prevention, know-your-client and financial settlement, and to help them gain relevant knowledge and global best practices in risk management, anti-money laundering and financial crime prevention, we have secured access for some of them to ICA, CFA and CAMS certifications, which are considered a benchmark of excellence worldwide.

sb.lt

To ensure compliance with the GDPR and IT security requirements, we invited every employee of the Bank to attend the Šiaulių Bankas Academy for a mandatory refresher course on Personal Data Protection (2 modules) and Digital Security. The purpose of this training is to provide a thorough introduction to personal data protection and digital security requirements and practices. In 2022, the digital security training module was expanded to include information on fraudulent emails (phishing) – how to spot them and avoid being scammed.

In 2022, in line with the amendments to the Labour Code of the Republic of Lithuania, the Bank adopted the Rules for the Prevention of Violence and Harassment, which set out the principles of ethical communication between the Bank's employees and managers; they also identify possible forms of violence and harassment, and the ways to identify them; describe the measures taken by the Bank to prevent violence and harassment; detail the procedures for reporting and handling reports of violence and harassment; and outline the safeguards taken by the Bank to protect persons who report and are victims of violence and harassment. To further explain and provide more information on the topic of violence and harassment, we have also developed an e-training course Mobbing at Work: How to Spot It. This training is compulsory for all Bank employees and introduces them to ways of identifying and dealing with mobbing, harassment, psychological violence and other psychosocial factors that cause tension at work.

In 2022, the unique program Financing Solutions Forum organised by the Bank was continued, aimed at strengthening the functional and general competencies of credit specialists. Two (spring and fall) sessions were held. The Annual Šiaulių Bankas Conference was dedicated to all the Bank employees in 2022. This year, the conference was held online again. Presentations of the speakers and debates were broadcast live from a specially designed studio, and the broadcast could be watched by all employees of the Bank.

GRI 404-1, GRI 404-2

The conference focused on the importance of digitalisation in global, business and personal contexts. During the conference, we talked to experts from the Bank, Lithuania and around the world about how to build the financial sector with innovative and digitised solutions, examples around us, and why it is important not to lose sight of the people in the context of digitisation.

Strengthening professional, general and emotional competences is important for every Bank employee to be able to perform his or her job effectively. In today's uncertain and stressful environment, heavily influenced by the COVID-19 pandemic, the war in Ukraine and other environmental factors, the vast majority of staff are facing physical or emotional challenges that undermine their psychological resilience and their ability to maintain balance while working effectively. To help the Bank employees maintain their mental stability in the face of war, in 2022, we invited them to receive e-training on how to prepare and behave in an emergency situation and in the event of a nuclear or radiological accident. We also prepared a series of lectures on emotional health, where knowledgeable experts in their field shared how to recognise your physical and emotional needs, how to balance them and how to create a healthy relationship with yourself and your environment.

In 2022, we continued our tradition of organising sales training by internal and external speakers and ensuring the dissemination and uptake of product expertise across the Network.

We also set up a product management training programme with external partners in order to create a common understanding of the role of the product manager in the Bank and to introduce product managers to the principles of effective product portfolio management and resource planning.

The staff of the Bank's centre and network units raised their competence by participating in external conferences and seminars.

Engaged employees

Community action initiatives

Cooperation with educational, cultural institutions or organisations:

In 2022, Šiaulių Bankas supported and collaborated with:

- cultural centres of Rokiškis, Varėna, Šiauliai cities and Alytus, Zarasai, Biržai districts.
- Kupiškis district, Visaginas municipality, Pakruojis district municipal administrations.
- The Bank's employees gave lectures to students of various schools remotely and face to face.

In 2022, the Bank continued to cooperate with Lithuanian higher education institutions, providing opportunities for students to carry out a wide range of internships at the Bank, even in the context of the pandemic, assessing each case individually. Also in 2022, the Bank's representatives took part in career days organised by two educational institutions – University of Applied Social Sciences (SMK) in Kaunas and Vilnius, and Vilnius University of Applied Sciences (VIKO).

Strengthening communities:

Šiaulių Bankas, being a Lithuanian capital bank, strives to be closer to the communities and pays great attention to fostering the traditions of the country's towns and cities, to supporting the cultural life in Lithuania's regions, as well as to contributing to the promotion of culture, financial literacy, sports and social initiatives.

In 2022, Šiaulių Bankas allocated a total of EUR 149,900.00 to support various initiatives.

- City festivals
- Music festivals
- Museums
- Galleries
- Theatres
- Lithuanian Red Cross Society
- Sport clubs (football, tennis, running, volleyball, etc.)
- Educational institutions
- Other projects and communities

Aid to victims of the war in Ukraine:

In response to the geopolitical situation in Ukraine, Šiaulių Bankas has taken additional actions to help Ukrainians fleeing the war:

- EUR 51,000 in donations (to the Lithuanian Red Cross Society and the Ukrainian Cultural and Educational Centre Rodyna)
- Information materials in Lithuanian, English, Russian and Ukrainian on the sanctions and what clients should know about them (sub-page on the website, electronic and printed leaflet on ordering and requirements for banking services, etc.).
- As of 1 September, we no longer execute payments to or from the Russian Federation and the Republic of Belarus in any currency.
- After signing an agreement with the Bank of Lithuania and installing the necessary equipment, from October to December five branches of Šiaulių Bankas were able to exchange Ukrainian hryvnias into euro. During the period of the agreement, UAH 719,300 (or EUR 18,025.82) were purchased at five branches of Šiaulių Bankas.

Engaged employees

Whistleblowing mechanisms and ethical issues

Ethics and integrity:

The Bank's employees are guided in their daily activities by three sets of fundamental principles:

- Bank values
- Code of Ethics
- Client Service Standard

We say that we write our Bank's success story using the 3P+A formula. In other words, professionalism (*profesionalumas*), trust (*pasitikėjimas*), respect (*pagarba*) and responsibility (*atsakomybė*) are the core values of our organisation that drive us forward. These four sustainable values were refined by the Bank's own staff at the Bank's global conference a few years ago.

The Bank follows a Code of Ethics – no inequality, violence, psychological or other forms of pressure and discrimination are tolerated at work. The Bank has a whistleblowing feature on its Intranet and website, through which any employee can report to the Chief Compliance Officer a violation of any regulatory requirement enforced by the Bank. When such a report is received, it is investigated and, if suspicions are confirmed, the necessary action is taken swiftly to remedy the breach.

The Client Service Standard defines the conduct of employees when providing services to clients.

Whistleblowing channels and ethical issues

The Bank has channels for reporting irregularities to the Compliance Officer and the Chairman of the Bank's Nomination Committee. Anonymous reports can be made at any time of the day on the Bank's Intranet and website. The channel for reporting to the Compliance Officer is designed to report any criminal offences, administrative offences or potentially illegal acts by employees of the Bank Group (including managers), such as theft of property of the Bank, its clients, partners, employees, fraud, abuse of office, conflicts of interest, suspected breach of the provisions of the Bank's Code of Ethics or non-compliance with the requirements of the legislation governing the Bank's activities, etc. The Bank's Chief Compliance Officer is responsible for administering this channel.

The reporting channel to the Chairman of the Bank's Nomination Committee allows for confidential (and, if desired, anonymous) reporting of any violation or suspected violation due to the views of an individual member of the Bank's body, or of a small group of members, that may be detrimental to the interests of the Bank.

All reports are confidential and, if the whistleblower so wishes, anonymous. All new Bank employees are introduced to whistleblowing channels at their onboarding training.

Information on ethical and unethical behaviour is contained in the Bank's Code of Conduct.

No whistleblowing reports were received in 2022.

Engaged employees

Ensuring equal pay

Remuneration policy

The remuneration of the Bank's employees is governed by the Remuneration Policy, the Annual Variable Remuneration Procedure, the Bonus Procedure, the Rules for Determining Remuneration, the Rules of Procedure and other internal regulations.

“Remuneration Policy” section of the Annual Report

The process of determining remuneration

The Bank's process of determining remuneration for employees is guided by the results of the remuneration study conducted by Hay group UAB (Korn ferry). The Hay group UAB (Korn ferry) methodology is used to determine the job levels. For each level, remuneration ranges are established, i.e., minimum and maximum remuneration values. The thresholds are set on the basis of the national market as a whole, taking into account regional differences. For certain levels, the thresholds are based on banking sector data. The application of the methodology used by the Hay group UAB (Korn ferry) allows for internal and external fairness of remuneration and competitive remuneration in the market.

Direct economic value created and distributed

Based on performance, the Annual General Meeting of Shareholders decides each year whether to pay dividends to shareholders when distributing the Bank's profits.

Data on dividends paid by the Bank:

Years for which dividends have been declared and paid	2018	2019	2020	2021
Percentage of the nominal value	10	-	1.90	11.7
Dividend amount per share, EUR	0.029	-	0.0055	0.034
Dividend amount, EUR	17,421,064	-	3,303,994	20,424,693
Dividend to Group net profit ratio, %	33.0	-	7.7	36.5

Engaged employees

Mental and physical well-being

Parental leave

All employees are entitled to parental leave, regardless of gender. **For more details, see the “Employees” section of the Annual Report**

Employees who have taken parental leave in 2022*

SEX	NUMBER OF EMPLOYEES
Male	0
Female	66
IN TOTAL:	66

* This figure includes both parental leave granted in 2021 and parental leave that continues.

Parental leave granted in 2022

SEX	NUMBER OF EMPLOYEES
Male	3

Number of employees returning to work after parental leave in 2022, by gender*

SEX	NUMBER OF EMPLOYEES
Male	0
Female	23
IN TOTAL:	23

* Employees returning to work/dismissed after parental leave.

Gender equality

The Bank, in accordance with the Code of Ethics and the Rules for the Implementation and Supervision of Equal Opportunities (Non-Discrimination) Policy, the Labour Code of the Republic of Lithuania, the Law on Equal Opportunities of the Republic of Lithuania, the Law on Equal Opportunities for Women and Men of the Republic of Lithuania, as well as other normative legal acts establishing equality of persons and the prohibition of restricting the rights of human beings on the basis of discriminatory grounds, does not tolerate inequalities, manifestations of violence, psychological or similar pressures, or any form of discrimination at work. The Bank complies with the principle of equal opportunities and the prohibition to restrict the rights of or favour employees on the grounds of gender, race, nationality, citizenship, language, origin, social status, religion, beliefs or opinions, age, sexual orientation, disability, ethnicity, or faith, health, intention to have child(ren), adopted child(ren), foster child(ren), ward(s), marital and family status, membership of political parties, trade unions and associations, circumstances unrelated to the employee's character, freedom of association, freedom of collective bargaining and the right to take collective action, or on any other grounds both at the time of recruitment and during the duration and termination of the employment relationship.

To actively and responsibly manage the fairness of remuneration, the Bank relies on the approved Remuneration Policy prepared in accordance with the Law on Companies of the Republic of Lithuania, the Resolution of the Board of the Bank of Lithuania On the Approval of the Description of the Minimum Requirements for Remuneration Policy, and other legal acts. The Remuneration Policy also declares that employees shall be subject to a uniform remuneration system, without discrimination on the grounds of gender, age, nationality, race, social status, religion, social orientation, etc.

GRI 401-3, GRI 404-1, GRI 404-2, GRI 412-2, GRI 412-3

The Bank's Remuneration Policy regulates the means of ensuring fair and non-discriminatory remuneration: The Bank shall analyse and assess the average difference in the level of remuneration received by different genders, analyse which gender is the dominant gender at a given job level in terms of the higher remuneration received, and, in the event of significant differences and in the absence of objective reasons to justify the differences, take action to reduce the disparity.

The Bank shall continuously monitor and analyse the ratio of men and women in management positions in the organisation. Currently, the Bank manages to maintain a very good gender balance, with 53% women and 47% men in management positions (90 employees in total). The Bank's governing bodies, the Board and the Supervisory Council, are 25% female and 75% male.

Human rights

Šiaulių Bankas is a member of the United Nations Global Compact. The Bank follows the principles of the Global Compact in its Social Responsibility Report.

The Bank complies with the laws of the Republic of Lithuania and the employment of children is prohibited.

The Bank conducts recruitment in accordance with the Recruitment and Selection Rules, and recruitment and selection of staff is carried out in accordance with the principles of the Equal Opportunities (Non-Discrimination) Rules. In 2022, an equal number of women and men were recruited to management positions, 50% each.

The average salary of the Bank's employees in 2022 was EUR 2,642, which is almost 46.8% higher than the national average monthly salary in Q3 2022.

Engaged employees

Mental and physical well-being

Human rights

The working time of the Bank's employees is regulated by the internal Working Time Accounting and Control Rules and complies with the principles of minimum and maximum working time as laid down in the laws of the Republic of Lithuania. Overtime may be used with the prior agreement of the employees and with appropriate remuneration, but only in exceptional and emergency cases.

In addition to what is regulated by the Labour Code of the Republic of Lithuania and other occupational safety and health legislation, the Bank pays great attention to health. Physical and emotional health topics are regularly addressed in the Bank, and the implementation of health promotion projects (health lectures, preventive health check-ups, vaccinations) ensures the practical aspect of health care.

Employees are kept informed and educated through various events, seminars, lectures, dissemination of information materials and internal training.

The Bank also has an Occupational Health and Safety Committee which regularly proposes and initiates initiatives related to occupational health and safety.

To create a safe working environment, we regularly revise and update our instructions and procedures, and pay attention to the proper familiarisation of our employees with them. We ensure the provision of safe and ergonomic workplaces, health checks and regular occupational risk assessments.

Additional attention is paid to civil safety, and employees are familiarised with the Emergency Plan and the steps to be taken in an emergency. Responsible staff have been trained to ensure a smooth evacuation during an emergency.

Working conditions

Šiaulių Bankas adheres to the principles of the International Labour Organisation Declaration and the Labour Code of the Republic of Lithuania; discrimination during recruitment, employment and after the employment relationship is terminated is not tolerated. The Bank also has a Labour Council, which represents the interests of employees and assesses whether all employees are provided with equal working conditions.

The Bank continuously invests in improving the working conditions of its employees and extending the benefits package. Recently, the Bank has been focusing on the emotional health of its employees, with regular lectures on emotional health and mental health topics. In addition to fringe benefits, employees are also rewarded with public recognition of their contribution to creating value for the Bank. The Bank has annual employee awards and a network employee incentive programme.

In order to be a socially responsible organisation, the Bank conducts and initiates volunteering programmes to support various social groups, where employees are also involved. This enables people to come together and raise their awareness. The Bank continuously invests in team-building initiatives, allocates additional budgets for team events, initiates Bank-wide winter and summer events, and supports and financially contributes to employee hobby clubs (kart racing, volleyball, etc.).

The Bank also values flexibility in work organisation, allowing employees to choose the start and end time of work in consultation with their team leader, and employees work using a hybrid working pattern (partly from home and partly from the office).

· GRI 401-3, GRI 404-1, GRI 404-2, GRI 412-2, GRI 412-3

All of these and many more measures enable the Bank to maintain a very low staff turnover rate of 12.5%. Compared to the market and to the financial sector, this percentage is very good. The Bank also measures annually the level of employee engagement and the employee satisfaction with the organisation score.

The Bank carries out continuous training of managers by involving managers in a Leadership Academy where management and leadership competencies are strengthened to ensure the development of all managers, as well as the rotation of top management and the provision of equal career opportunities for all.

Psychological and physical well-being initiatives

Šiaulių Bankas aims to ensure that every employee has access to individual psychological counselling. Efforts are being made to ensure that every employee has access to smart solutions – applications to help them cope with stress and tension, and training is being initiated on the subject.

To strengthen the physical health of its employees, the Bank aims to implement as many physical activity initiatives as possible, such as a car-free day or a walking challenge. The Bank aims to renovate its offices and branches to make workplaces as ergonomic as possible and to allow employees to choose them according to their needs and preferences.

06 Governance

How do we grow more responsibly?

The Bank aims to become an organisation that is led by responsible and ethical governance principles on all levels of operation. Strengthen compliance and risk management culture and practice, promote fully responsible behaviour of employees, develop responsible and sustainable lending practices.



Responsible business and transparency

Responsible operations and transparency consist of many elements: responsible and ethical behaviour of employees, risk assessment and management, and sustainable practices. Šiaulių Bankas assumes commitments and strives to become an organisation that is led by responsible and ethical governance principles on all levels of operation.

SDG links



SDG links

GRI – 102; GRI – 205; GRI – 206; GRI – 417;
GRI – 418; GRI – 419;

Vision for the area

To be a bank that is led by responsible and ethical governance principles on all levels of operation.

Objectives

Improving compliance and risk management culture and practices

Encouraging fully responsible behaviour by employees

Developing responsible and sustainable lending practices

Actions and initiatives

Operational risk management

Code of Ethics

Developing lending practices

Climate and environmental risk management

Responsible practices training

Project risk assessment

Prevention of money laundering

Whistleblowing mechanisms

Loan restructuring

Prevention of corruption and conflicts of interest

Further ESG risk assessment initiatives

Responsible business and transparency

How do we achieve this?

Operational risk management

Šiaulių Bankas Group conducts an annual self-assessment. During this process, it analyses the types of risks that may arise from banking activities and have a significant impact. The most important risks faced by the Group are: credit, market, liquidity, concentration, operational, IT, model, banking book interest rate, insurance and compliance risks. (for more, see p. 36 of the report).

Responsible practices training

Individual principles and guidelines alone are not enough to make an organisation truly responsible. It requires the involvement of the whole organisation, employee education, centralised practices and the introduction of tools to report potential non-compliance. Ensuring the regulatory requirements for staff qualifications and experience remained a priority for the Bank's employee training in 2022, in line with the established training plan. (for more, see p. 25-26 of the report).

ESG risk management

Since 2006, the Bank's business lending has been guided by one of the best practices in the international financial sector – EBRD Environmental and Social Risk Management Manual, that has been complemented by other methodologies widely used in the financial sector (for more, see p. 37-41 of the report).

Whistleblowing mechanisms

Šiaulių Bankas is committed to fostering a positive, professional and safe working environment. We believe that effective communication is essential for building professional and productive partnerships, preventing conflicts and overcoming obstacles to resolving problems. (for more, see p. 28 and 42 of the report).

Prevention of money laundering

The Bank is committed to the prevention of money laundering and terrorist financing by consistently and purposefully implementing existing and developing new anti-money laundering and counter-terrorist financing measures and by applying them in its operations. (for more, see p. 42 of the report).

Prevention of corruption and conflicts of interest

Conduct that can be treated as unacceptable instances of corruption is defined in the Code of Ethics of Šiaulių Bankas AB. The Bank has also approved the Corruption Prevention and Unacceptable Conduct Policy. (for more, see p. 44 of the report).

Code of Ethics

To create an organisation where the principles of responsible and ethical behaviour are implemented effectively, it is important to establish a culture of responsible behaviour at all levels. (for more, see p. 43 of the report).

Developing lending practices

Sustainable lending and borrowing practices combine two aspects of the Bank's activities: assessing the risks of appropriate lending and ensuring the financial health of borrowing clients (for more, see p. 45 of the report).

Responsible business and transparency

How do we achieve this?

Project risk assessment

The Bank has compiled a list of indicative project types that have the potential to cause significant future adverse environmental and/or social impacts and therefore require additional environmental and social impact assessment (for more, see p. 45 of the report).

Loan restructuring

The purpose of loan restructuring is to restore sustainable and capable client status. This process enables the defaulting client to avoid the status of non-performing client (for more, see p. 45 of the report).

Responsible business and transparency

Operational risk management

Effectiveness of risk management processes

Šiaulių Bankas Group conducts an annual self-assessment. During this process, it analyses the types of risks that may arise from banking activities and have a significant impact on the Bank Group. The most important risks faced by the Group are: credit, market, liquidity, concentration, operational, IT, model, ESG, banking book interest rate, insurance and compliance risks.

More: “Financial Risk Management” in the notes to the 2020 financial statements.

The role of the top governing body in sustainability reporting

The report is reviewed by the Bank’s Chief Executive Officer.

The Bank analyses, assesses, assumes and manages the risks or groups of risks it faces in its operations.

The Risk Management Policy approved by the Bank’s Supervisory Council and the procedures for managing the different types of risks based on it help to ensure the integrity of the risk management process within the Group.

The objective of the Risk Management Policy is to define the risks and the principles of their management in the Group’s activities. As the various risks faced by the Group are interconnected, their management is centralised and the Bank has a Risk Management Committee for this purpose. One of the main objectives of the Bank’s Risk Management Committee is to organise and coordinate the risk management system. The Group reviews its risk management procedures and systems on a regular basis, at least once a year, taking into account market developments, new products and emerging best practices.

The role of the supervisory and management bodies in determining the aim, values and strategy

The Supervisory Council approves the Bank’s strategy. The Board analyses and evaluates the materials provided by the Bank’s CEO on the implementation of the Bank’s strategy and the organisation of the Bank’s activities.

Key impacts, risks and opportunities

In 2022, the Bank focused on integrating ESG risk into the Bank’s Risk Management Strategy, the Risk Appetite Statement, the Bank’s risk assessment process, and the management of ESG risk has been integrated into the Bank’s other financial and non-financial risk management processes. In addition, the Bank implemented the Taxonomy Project, which improves the quality of disclosures and paved the way for the development of the first product (green mortgage) that meets the criteria for an environmentally sustainable economic activity set out in the Regulation (EU) 2020/852 of the European Parliament and of the Council (the Taxonomy Regulation).

The Bank’s ESG risk management framework includes:

Components of the ESG risk management framework:	Processes within the Bank:
Risk identification	ESG risk assessment (materiality assessment) ESG risks are included in the Bank’s overall risk assessment process (Risk Map) Green Asset Ratio (GAR)
Risk measurement, monitoring and management	Integration of ESG risks into the Bank’s management of other financial and non-financial risks Emissions from financing and investment activities
Stress testing	Bank’s stress testing and evaluation of results during the ICAAP process
Risk appetite	Inclusion of ESG risks in the Risk Management Strategy Inclusion of ESG risks in the Risk Appetite Statement

Responsible business and transparency

ESG risk management

ESG risk identification

In 2022, the Bank incorporated ESG risks (together with climate and environmental risks) into the Bank's Risk Management Strategy, with the current focus on climate and environmental risks (see Risk Appetite). The Bank assesses climate and environmental risks through their impact on the Bank's standard risks – credit, market, liquidity, strategic (business model), compliance, operational and reputational risks. In 2022, it was decided to identify ESG risks (together with climate and environmental risks) as a separate category in the Bank's risk appetite documents and Risk Map and to manage them through the management of credit, market, liquidity, operational and reputational risks.

The impact of climate and environmental risks on these risks may vary over time. The Bank's assessment of the significance of climate and environmental risks is made by focusing on these time periods:

PERIOD	YEARS
Short-term	<1
Medium-term	1-5
Long-term	5-30

The Bank's climate and environmental risk assessment looked at a range of transition risk factors, such as policy and regulatory changes, technology and market changes, reputational and compliance factors. Currently, the Bank has identified the following key transition and physical risk factors on which the Bank will focus in the short (<1 year) and medium term (1–5 years):

Risks	Key risk factors	
	Transition risks	Physical risks
Credit	Regulatory changes related to GHG – manifested through the impact on the Bank's clients and collaterals	Floods, heavy rains, droughts – manifested through the impact on the Bank's clients and collaterals
Market	Regulatory changes related to GHG – manifested through interest rate risk and issuer credit risk	Floods, heavy rains, droughts – potential impact on securities issued by Lithuanian companies, securities issued by companies or governments in other EU countries (physical risk specific to that country). Risk factors manifest themselves through interest rate risk and issuer credit risk
Liquidity	Regulatory changes related to GHG – manifested through the impact on cash flows and the exhaustion of the liquidity buffer due to asset revaluation	Floods, heavy rains, droughts – manifested through the impact on the Bank's clients (loan portfolio, bank balances)
Operational and reputational	Changes in client and investor preferences, inappropriate Bank services/products, cooperation with suppliers with high switching risk – manifested mainly through reputational risk	Floods, heavy rainfall, heavy snow, droughts – manifested through operational risk events

Responsible business and transparency

ESG risk management

ESG risk identification

The significance of transition risk factors was assessed qualitatively by analysing the legal environment, best practices and international methodologies in the financial sector (Paris Agreement Capital Transition Assessment (PACTA), the most GHG-intensive sectors according to the European Banking Authority (EBA), the most energy-intensive sectors according to International Energy Outlook 2016 and those identified by the ECB as high-climate-risk sectors); a quantitative assessment of the portfolios of corporate loans (credit risk) and investments (market risk) was carried out on a sector-by-sector basis, taking into account different time periods.

The significance of physical risk factors was also assessed qualitatively, based on historical events and physical phenomena specific to Lithuania's climate, as well as a quantitative assessment of the loan and investment portfolio by sector, taking into account different time periods.

For both transition and physical risks, the corporate loan portfolio and the investment portfolio were found to have the highest materiality in the short-term (<1 year) and medium-term (1–5 years) periods. There were identified these economic sectors where part of sub-sectors in each are exposed to high transition risk: mining and quarrying; manufacturing; electricity, gas, steam and air conditioning supply; water supply, sewerage, waste management and remediation activities; construction and transportation. It should also be noted that in the case of physical risks, the assessment of materiality is not sufficiently detailed due to the currently limited possibilities for practical assessment of physical risks in Lithuania, i.e., there are no detailed physical risk maps that would allow assessing the different physical risks and their impacts. Nevertheless, the Bank will make every effort in the future to refine and broaden the assessment to include the private client loan portfolio in the assessment.

The Bank's climate and environmental risk assessment has not currently identified any other environmental risks that could affect the Bank's business model and other financial and non-financial risks, but other environmental risks will be continuously monitored and assessed in conjunction with the ESG risk assessment process.

Going forward, the assessment of ESG risks (together with climate and environmental risks) is planned to be a periodic process, the results of which may be further used for other internal processes within the Bank, such as updating the Risk Appetite Statement, stress testing, reviewing the ESG strategy etc. There are also plans to extend the consideration of social and governance factors in the ESG risk assessment process in the future.

ESG risk culture is an integral part of the Bank's risk culture, which implementation encourages the involvement of all Bank's employees, therefore, in the coming period, it is planned to introduce regular ESG risk trainings to the all Bank's employees.



Responsible business and transparency

ESG risk management

ESG risk measurement, monitoring and management

In 2022, the Bank continued its efforts to develop tools and methodologies to properly integrate ESG risks (together with climate and environmental risks) into the Bank's other financial and non-financial risks (credit, market, liquidity, operational and reputational risks) and the processes for managing these risks, as well as to refine the methodologies that have been used to date.

Credit risk

Since 2006, the Bank's business lending has been guided by one of the best practices in the international financial sector – [EBRD Environmental and Social Risk Management Manual](#). The identification, assessment and management of environmental and social risks are considered as part of credit risk. According to this framework, environmental and social risk management is carried out in several key steps:

- Due to environmental and social risks, the Bank does not finance projects related to activities included in this EBRD list: [Corporate, SME and Micro Lending, Annex 1: Environmental and Social Exclusion List](#).
- The Bank identifies whether the project is likely to cause significant future environmental and/or social impacts that cannot be readily identified or assessed at the time of examination. In such a case, an environmental and social impact assessment is carried out. The types of projects falling into this category are identified in accordance with this EBRD List: [Corporate, SME and Micro Lending, Annex 2: Category A Projects](#).

- In 2022, the Bank revised the previously used [EBRD Environmental and Social Risk Categorisation List - Revised 2014](#), which is used to determine the level of environmental and social risk, and which includes the following prohibited economic activities: tobacco farming, distillation, rectification and blending of spirits, manufacture of tobacco products, and the manufacture of pesticides and other agrochemical products (according to [Corporate, SME and Micro Lending, Annex 1: Environmental and Social Exclusion List](#)), the manufacture of arms and ammunition, the manufacture of military combat vehicles and the activities of gambling and betting. The methodology has been complemented by a classification of economic activities according to other widely used methodologies – PACTA, the most GHG-intensive sectors, the most energy-intensive sectors and the sectors identified by the ECB as high climate risk.
- Other environmental risks and their assessment. The Bank's business lending is guided by the EBRD Environmental and Social Risk Management Programme, and therefore the environmental impact assessment process assesses the potential direct and indirect impacts on the environment – on public health, wildlife, soil, land surface and subsoil, air, water, climate, landscape, biodiversity, tangible assets and immovable cultural property, and the interactions between these environmental components.

To better assess potential changes in clients' risk due to ESG risks (together with increased climate and environmental risks), and to comply with the Bank's supervisory requirements, in 2022 the Bank updated its procedures for lending to corporate clients, and included ESG risk factors in the process of assessing the credit risk of corporate clients:

- The Bank has introduced an ESG risk questionnaire for its corporate clients to identify the level of ESG risk inherent in clients' activities and to encourage clients to apply ESG risk mitigation measures in their operations. The ESG questionnaire covers all three elements: environmental, social and governance risks.
- The Bank has also started collecting GHG data from its clients together with their annual financial statements – for new corporate clients the procedure came into force in 2022, and for existing clients, the data collection started together with their annual financial statements for 2022.
- The ESG risk assessment of clients continues to be used in the credit risk assessment (rating) process for corporate clients as well as in the risk monitoring process for clients.
- Internal documents ensure adequate risk management and internal controls ensure the implementation of the principles.

Also the Bank has updated collateral valuation process, including into the process such factors as energy efficiency of the building and physical risk assessment. The evaluation of these factors allows to improve credit risk management process and contributes to the society's transition to more sustainable financial solutions.

Responsible business and transparency

ESG risk management

Market risk

The Bank has identified market risk as being of low conceptual significance due to the narrow scope of the Bank's investment products, but the assessment of ESG risk is included in the Bank's product governance procedures. In 2022, the Bank supplemented its investment decision-making process by including an assessment of the suitability of debt securities against ESG criteria.

Operational and reputational risks

Climate and environmental risks are included in operational and reputational risk management. The recording of operational or reputational risk events allows them to be classified as climate and environmental risks. Operational risk events and reputational risk events related to climate and environmental risks are included in the reporting to the Bank's relevant governing bodies. The Bank's Emergency Management Plan also identifies risk factors resulting from physical (climate and environmental) risks.

Liquidity risk

ESG risks are included in liquidity risk management to a limited extent due to the currently identified relatively low impact of ESG risk factors on the Bank's liquidity risk. The Bank periodically assesses the impact of ESG risk factors on the Bank's liquidity.

The Bank's GHG from financing and investment activities

In early 2023, the Bank joined the Partnership for Carbon Accounting Financials (PCAF) initiative to calculate and disclose greenhouse gas emissions from financing and investment activities (Scope 3, Category 15). The PCAF initiative was chosen because of its well-established and widely used methodology in the financial sector, and because of methodology applicability and suitability given the available data. In addition, the PCAF methodology is based on the Green House Emissions Protocol (GHG Protocol), which is used by the Bank to calculate its emissions from its other scopes (Scopes 1 and 2) and from other categories of Scope 3 (see "Energy consumption within the organisation"). By using PCAF methodology the Bank calculated its GHG from financing and investment activities for year 2022. It is planned for the year 2023 to enhance calculations and data quality.

When calculating GHG emissions from financing and investment activities, the Bank has assessed its corporate and private client loan portfolios, as well as the debt securities of private companies. GHG emissions were calculated by evaluating Bank's financed emissions from all generated emissions of customers.

The GHG calculations for commercial RE and mortgages were performed using emission factors provided by PCAF, taking into account the type of financed and collateralized buildings, energy efficiency class and total area. Actual data on energy consumption of buildings was not available to the Bank. Calculations for business loans were made using emission factors assigned to specific economic activities provided by PCAF.

The GHG calculations for the debt securities were based on clients' actual GHG data – assessing their disclosures, as well as available data from the third-parties (like Bloomberg, CDP).

Data quality score was determined using the PCAF methodology, which assesses the quality of available data on financed buildings or business activity data.



Asset class (PCAF)	Asset, mEUR (% of total Bank's assets)		GHG (Scope 1 and 2), tonnes/year	Data quality score (PCAF)
Loans for the purchase of commercial RE	350.3	8%	23 688	3.7
Business loans	819.8	20%	92 789	4
Mortgages	663.9	16%	39 950	3.7
Other loans	779.0	19%	Not estimated	Not estimated
Debt securities (part of private undertakings)	78.2	2%	14 701	2
Debt securities (other private undertakings, government), equity securities	995.7	24%	Not estimated	Not estimated
Other assets	454.7	11%	Not estimated	Not estimated
Total assets	4 141.5	100%	171 128	

Responsible business and transparency

ESG risk management

Stress testing

In 2022, the Bank participated in the European Central Bank's (ECB) Climate Risk Stress Test exercise with other European banks of similar complexity. The purpose of this exercise is aimed at gaining an understanding of banks' climate risk stress-testing frameworks and their level of preparedness.

Based on the results of the ECB's testing, the Bank has complemented its internal stress testing by adding climate and environmental risk elements. The Bank assessed the impact of climate and environmental risks through credit risk – for the sectors identified in the ECB's stress tests, incorporating scenarios based on expert assumptions into the testing. The results of the stress test continue to inform the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

The Bank plans to continue improving and detailing climate and environmental risk scenarios for stress testing and continues to collect the necessary data, also assessing the constantly collected information on the main climate and environmental risk drivers and its impact on the materiality.

Risk appetite

In 2022, the Bank incorporated ESG risks (together with climate and environmental risks) into the Bank's Risk Management Strategy, with a current focus on (without limitation) climate and environmental risks in the short (<1 year) and medium (1–5 years) term; in the future, the Bank will integrate social and governance risks as appropriate. The Bank has also established ESG risk tolerance limits (the Bank's Risk Appetite Statement) and has started to monitor the risk indicator of non-financed sectors and the high ESG risk indicator in the loan portfolio. In the future, these risk indicators are planned to be reviewed periodically and updated as necessary.

Changes to the main ESG risk indicators are considered by the Bank's Risk Committee and approved by the Supervisory Council, upon the proposal of the Bank's Management Board. Regular monitoring of ESG risk indicators and overall ESG risk management is carried out by the Risk Management Committee on a monthly basis, and regular reports are submitted to the Risk Committee on a quarterly basis.

Opportunities

In 2022, the Bank, together with external consultants, implemented a project to implement the requirements of Regulation (EU) 2020/852 of the European Parliament and of the Council (the Taxonomy Regulation) in the Bank's operations. The project improved the quality of the Bank's disclosures (Green Asset Ratio (GARs)) and paved the way for the development of the first product (green mortgage) complying with the criteria for an environmentally sustainable economic activity set out in the Taxonomy Regulation.

Bank discloses Green Asset Ratios (GAR) according to the Regulation (EU) 2020/852 of the European Parliament and of the Council with its further amendments. Taxonomy-eligible economic activities are identified based on this regulation and information currently available in the Bank. Key performance indicator is the Green Asset Ratio, GAR, which shows the share of Taxonomy-aligned assets. Such assets are defined as assets which fulfill the Taxonomy criteria, including substantially contributing to at least one of the six environmental objectives stated in the Taxonomy regulation.

For financial year 2022, bank is required to report the share of Taxonomy-eligible and non-eligible assets to total assets. Taxonomy-eligible assets relate to economic activities covered by the Taxonomy environmental objectives, which have the potential of being defined as Taxonomy-aligned based on future undertaking Taxonomy reporting.

Credit institutions' mandatory Taxonomy disclosures should be based only on information reported by undertakings/ issuers. Since non-financial undertakings have only started reporting in accordance with the Taxonomy regulation in 2022, financial institutions have limited access to such information.

Definition	Assets, thous. EUR	Share of total assets, %
Exposures to Taxonomy-eligible and Taxonomy non-eligible economic activities	830,580	20%
Exposures to undertakings that are not obliged to publish non-financial information (Directive 2013/34/ES Article 19a and 29a)	1,909,779	46%
Exposures to central governments, central banks and supranationals	874,351	21%
Trading portfolio and inter-bank loans	28,184	1%
Other assets	498,576	12%
Total assets	4,141,470	100%

Responsible business and transparency

Prevention of money laundering

Corruption risk assessment, prevention of money laundering

The Bank is committed to the prevention of money laundering and terrorist financing by consistently and purposefully implementing the existing and developing new anti-money laundering and counter-terrorist financing measures and by applying them in its operations:

- Identification of clients, their representatives and beneficiaries
- Collecting and verifying information on the purpose and nature of the business relationship (application of the Know Your Client rule)
- Monitoring business relationships and monetary transactions
- Identification of suspicious monetary transactions and transmission of information to the Financial Crimes Investigation Division, etc.

Existing and new anti-money laundering measures are being developed taking into account: the legislation governing the prevention of money laundering and terrorist financing in the Republic of Lithuania, the requirements of the FATF (Financial Action Task Force), the EU, the UN, and the US legislation.

Implementation of international sanctions

The Bank shall comply with and enforce the Sanctions Legislation imposed by these Sanctions Authorities or by any other authority or organisation acting on behalf of these Sanctions Authorities:

- United Nations (UN);
- the European Union (EU);
- the United States of America (USA);
- the Republic of Lithuania (LR)

Whistleblowing mechanisms

Non-conformities related to information and labelling of products and services

No such cases were identified in the Bank during the reporting period.

The Bank's Contact Centre registers client complaints or claims regarding the provision of information on services or products.

In 2022, there were no cases of non-compliance where the Bank or Group companies were fined or warned for inadequate information about their services.

Substantiated complaints about breaches of client privacy and loss of client data

The Bank has not received any substantiated complaints regarding breach of client privacy.

Non-compliance with social and economic laws and regulations:

The Bank has not identified any cases of non-compliance with social or economic laws or regulations.

Responsible business and transparency

Code of Ethics

Communication and training on anti-corruption policies and procedures

The Bank's employees are committed to the Code of Ethics of Šiaulių Bankas AB, which highlights the following principles as the most important:

- Integrity,
- Responsibility and accountability,
- Respect for the law, human beings and their rights,
- Impartiality, objectivity and fairness,
- Exemplary conduct.

The Code of Ethics and the Prevention of Corruption and Unacceptable Conduct Policy regulate what acts may be considered as unacceptable cases of corruption. All new employees of the Bank are made aware of these documents.



Responsible business and transparency

Prevention of corruption and conflicts of interest

Conflicts of interest

Members of the Bank's Supervisory Council and Board act in the best interests of the Bank and its shareholders by avoiding conflicts of interest. All transactions with the Bank's management are at arm's length. The Bank's Board's Rules of Procedure stipulate that a member of the Board must avoid activities that may give rise to a conflict of interest. A member of the Board must disclose to the Bank, before taking up his/her duties, any information that may give rise to a conflict of interest and keep this information up to date. A member of the Board is not entitled to vote or participate in a meeting of the Board when a matter relating to his/her activities on the Board or his/her responsibilities is being considered, or when matters in which the member may have an interest are being discussed, or when the lack of objectivity of the member of the Board may put the Bank at risk.

More: Note 30 to the 2022 financial statements.

Prevention of corruption and conflicts of interest

Conduct that can be treated as unacceptable instances of corruption is defined in the Corruption Prevention and Unacceptable Conduct Policy adopted by Šiaulių Bankas AB. To avoid potential conflicts of interest, all employees of the Bank comply with the provisions of the Code of Ethics of Šiaulių Bankas AB and follow the Bank's Conflict of Interest Management Policy in their activities.

The Bank duly pays all taxes to the State of Lithuania, complies with the applicable legal acts, prepares and participates in tenders in a transparent manner.

The Bank implements the requirements of the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS).

Legal action on anti-competitive behaviour and antitrust practices

No such actions were identified during the reporting period.

Confirmed cases of corruption and actions taken

There were no corruption-related incidents identified in 2022.



Responsible business and transparency

Developing lending practices

In the context of lending, the Environmental and Social Risk Management procedure is designed to ensure the necessary attention to environmental, and hence social, risk identification, assessment and management, in line with the best practices of the international financial sector. The assessment and monitoring of environmental and social risks in the lending process are considered as part of credit risk. The procedure has been prepared in accordance with the agreements between the European Bank for Reconstruction and Development and the Bank.

Credit risk identification consists of several key components which together serve the functions of risk assessment and risk management. Environmental and social risk management has a specific position in the context of the overall risk assessment processes:

- Determination of the financial condition of corporate clients: clients are assigned to one of eleven (1 to 11) Client Risk Groups in the Bank, where Client Risk Group 1 is considered the best, Client Risk Group 10 is considered the worst, and Client Risk Group 11 includes clients whose agreements have been terminated or sold at the Bank's initiative, and clients who are subject to restructuring or bankruptcy proceedings.
- Identification of the group of related clients: the shareholders of the client are identified who either directly or indirectly control the client, participate in the management of the client's capital or in the management of its legal entities, or whom the client controls or participates in the management of the capital.
- Identification of persons related to the Bank: verification that the person is not related to the Bank and verification that the person is not subject to Internal Lending Restrictions.
- Environmental and social risk management: assessment of the environmental and social risks of the clients.
- Creditworthiness assessment: assessment of the client's capacity to repay loans and/or receive a new loan that, together with the existing loans (if any), could be repaid to the Bank along with paying interest and fulfilling all financial obligations to the Bank.

Project risk assessment

The Bank has compiled a list of indicative project types that have the potential to cause significant future adverse environmental and/or social impacts and therefore require additional environmental and social impact assessment. The assignment of each project to a risk category depends on the actual or potential adverse environmental or social impacts determined by the project's characteristics, location, sensitivity and scale.

In the light of the details of a particular project, a Bank staff member must assess whether the project meets the definition of a project at risk. If the project meets the definition, the client must submit an Environmental Impact Assessment to the Bank, which is forwarded to the Environmental and Sustainability Department – only upon written approval will the financing issue proceed.

The Bank has defined non-financed activities in a separate category.

Non-financed projects include activities that:

- Are carried out without proper certification or licensing.
- Are hazardous and harmful to the environment.
- Violate laws, regulations or restrictions.

Loan restructuring

Identifying a client's non-performing position and taking the prescribed actions are only part of the preventive measures. Other groups of solutions are designed to ensure the long-term financial health of clients in the event of temporary setbacks or problems.

The purpose of loan restructuring is to restore sustainable and capable client status. This process enables the defaulting client to avoid the status of non-performing client. If the client is unable to fulfil its obligations and is experiencing temporary financial difficulties, the loan can be restructured by applying various measures, such as adjusting the schedule, extending the loan maturity date, reducing the interest rate, etc. Loan restructuring must be viable, and non-viable solutions are those solutions that the client will not be able to implement, which are late and do not offer a way out of a difficult situation and do not rely on clear sources of cash flow recovery.

The credit officer shall consider both short-term and long-term restructuring measures, taking into account the circumstances of the client's financial difficulties, the terms and conditions of the loan and the nature of the restructuring measures.

Reliable services

In today's digital society, threats to data security and privacy are constantly increasing. With the rise of remote and hybrid working models, new data security challenges are emerging, and any cyber-attack, breach or technology disruption poses significant risks, from financial consequences, lost clients or business opportunities, to infrastructure and reputational damage.

SDG links



SDG links

GRI – 201; GRI - 404

Vision for the area

To be a bank that solves data security and client privacy questions by including, educating and empowering employees, partners and clients

Objectives

Strengthening IT system and data infrastructure stability and reliability

Empowering teams and developing security-related competences

Educating clients on digital security issues

Actions and initiatives

IT infrastructure and systems development

Implementation of cyber security measures

Business continuity plan

Changes in organisational structure

Staff competence development

Process improvement

IT Incident Management Procedure

Content projects and the provision of information to clients

Educational campaigns

Reliable services

How do we achieve this?

IT infrastructure and systems development

Business continuity and security are based on a properly functioning IT infrastructure. (for more, see p. 48 of the report)

Staff competence development

One of the critical aspects of making technological solutions operational is the introduction of processes that are continuously reviewed and updated and ensuring the qualification of staff at different levels of the organisation. (for more, see p. 49 of the report)

Implementation of cyber security measures

The changes implemented and planned by the Bank to its IT and data infrastructure are focused on improving cyber security and service availability. Cyber security is of strategic importance and the implementation of the Bank's cyber security measures is comprehensive. (for more, see p. 48 of the report)

Process improvement

In IT, business continuity is ensured by process definitions at two levels: for managers – those that allow making decisions about how to develop the IT organisation, and for IT staff – those that allow ensuring efficient and focused day-to-day work. Combining these two perspectives and levels of process definitions can help ensure the sustainable operation of the Bank's systems and resilience to emerging problems and operational disruptions. (for more, see p. 49 of the report)

Business continuity plan

Šiaulių Bankas has defined and approved a business continuity plan for disruptions to electricity, internet and mobile communications in Lithuania. (for more, see p. 48 of the report)

IT Incident Management Procedure

The IT Incident Management Procedure is an integral part of the Bank's operational risk management and IT risk management tools. The aim of this procedure is to restore systems as quickly as possible and to minimise the negative impact of incidents on the Bank's operations. All Bank employees are made familiar with and comply with this procedure. The procedure is regularly reviewed and updated.

Changes in organisational structure

Appropriate organisational structure is essential to increasing and ensuring the productivity of IT teams and their ability to complete tasks and projects related to critical business areas and requirements in a timely manner. (for more, see p. 49 of the report)

Content projects and the provision of information to clients, educational campaigns

The Bank runs content projects to inform the community about the most common fraud techniques, the importance of data and ways to avoid becoming a victim of crime. The aim of such communication is to strengthen clients' cyber security literacy and empower them to take care of their data security. (for more, see p. 50 of the report)

Reliable services

IT infrastructure and systems development

A few years ago, a major overhaul of the Bank's infrastructure was carried out, with a project to migrate all systems to the data centres of an external partner. The restructured technological architecture of the system has allowed the separation of functional modules and the harmonisation of the testing system environments and their management. The data warehouse and anti-money laundering systems were also intensively developed.

The systemic changes implemented allow for a high level of physical and cyber security of the infrastructure and availability of services. In 2022–2023, projects to strengthen the reliability of the infrastructure were and will be continued:

- The establishment of an additional data centre for monitoring and management of the main data centres.
- Development of a secure data archiving solution.
- Testing of automated data backups.
- Redesigning the local computer network according to a new security-based protocol.

In addition, the following key projects related to the technological infrastructure are planned: migration to a single branch structure, upgrade of the banking system version, implementation of the new user interface, implementation of the changes in the TARGET settlement system requirements, and continuous improvement of the Internet Bank and the mobile application.

Another area of infrastructure development in 2022 was the search for cooperation and joint synergies with subsidiaries in the areas of IT security process management, cost optimisation infrastructure and IT service management.

Implementation of cyber security measures

In 2022–2024, the focus is on improving IT security management processes and strengthening cyber security measures:

- Introduction of an additional authentication tool for remote login
- Introduction of a secure data exchange system with external partners
- Development of an anti-hacking system.

The introduction and updating of measures and systems are only part of the initiatives being developed in this area. Testing of security measures, updating of processes and continuous staff development are integral and equally important parts of the implementation of the cyber security strategy.

An additional, and increasingly important, dimension of cyber security is that of external partners and third parties. Due to the increasing reliance on third-party service providers, projects to strengthen the cyber security resilience and business continuity management process are given priority. Improvements are being made to the source code inventory and management automation process to reduce the risk of maintaining individual systems.

Business continuity plan

Šiaulių Bankas has defined and approved a business continuity plan for disruptions to electricity, internet and mobile communications in Lithuania. The business continuity plan defines the activities of the Crisis Management Committee and staff, the Bank's critical services and supported functions. The plan details different scenarios and describes the behaviour of staff in critical circumstances, taking into account not only the nature of the disruption but also its duration. The business continuity plan must be followed by the members of the Crisis Management Committee and all responsible departments and staff of the Bank to ensure the continuity of the Bank's operations.

Reliable services

Changes in organisational structure

Concurrent trajectories and overlapping plans for the maintenance and development of IT systems can complicate the work of teams. It is difficult to maintain focus and concentrate sufficiently on the implementation of new initiatives and the proper maintenance of existing and operating systems. Therefore, as of 2022, Šiaulių Bankas is focusing on strengthening the structure of dedicated teams:

- Increasing the capacity of the IT Project Management Unit to ensure the implementation of new business needs for system improvements
- Developing the IT Systems Administration Unit to ensure support and administration of existing and new systems
- Developing teams to help ensure consistent and timely implementation of plans and internal needs.

Staff competence development

Continuing professional development for IT staff was launched between 2022 and 2024. Specialised training is planned for IT staff on the management of cyber security requirements and IT systems development requirements.

Cyber security competency development is approached in a holistic way, going beyond the involvement of IT professionals to include common training sessions for all employees, improving the accessibility of learning content and the implementation of simulation situations. Activities carried out:

- Development of an interactive staff training system;
- Knowledge testing through phishing simulations;
- Red teaming exercises.

The development of cybersecurity and data privacy competences is not limited to IT professionals, as all new employees of the Bank receive training on IT security and data management, which covers these topics:

- Security-related responsibilities of employees;
- IT systems and information management procedures;
- The Bank's roles and issues related to cyber security;
- Simulations of attack and deception scenarios and expected employee behaviour.

Process improvement

In IT, business continuity is ensured by two levels of process definitions:

- Managers need process definitions and tools to make decisions on IT organisational development issues;
- IT staff need processes and practices to ensure efficient and focused daily work.

Combining these two perspectives and levels of process definitions can help ensure the sustainable operation of the Bank's systems and resilience to emerging problems and operational disruptions. For these reasons, further development of the process groups according to ITIL (Information Technology Infrastructure Library, a standard for IT process and resource management practices) and COBIT (Control Objectives for Information and Related Technologies, a framework of practices combining technology issues, business risks and governance requirements) practices is carried out in 2022–2024.

All process improvements and changes implemented and planned in IT are part of a wider, organisation-wide cultural change. The continuation of the process management and improvement programme is aimed at bringing about changes in the planning and organisation of activities of the organisation's employees and managers. This is done through the Bank's core and strategic operating principles: focus on the client, digital thinking and simplicity.

Reliable services

Content projects and the provision of information to clients

Šiaulių Bankas' clients can easily find a cyber security sub-page on the website, which explains what the Bank is doing to strengthen cyber security and provides a clear description of situations when client data or funds are at risk. Educational campaigns aim to build people's resilience to manipulation, thereby not only strengthening knowledge about data protection but also increasing resistance to social engineering attacks.

Both on its website and its social network profiles, the Bank provides specific examples of fraudulent messages, informs about ways to avoid data loss and/or loss of money, and informs about the steps to take as soon as possible if you suspect that you have become a victim of fraud.



Definition of the content of the report and the scope of the topics

The topics and criteria selected for the report are those for which the Bank has data and can be accurately assessed. New, additional criteria are measured each year.

List of important topics

The Bank's socially responsible activities aimed at improving the quality of life in Lithuania, promoting sustainable economic development, the environment and sustainability are focused on ESG areas where the Bank can and aims to have a positive impact.

Reporting period

The report is for the year 2022.

Date of latest report

Since 2017, the Bank has been reporting according to the Global Reporting Initiative (GRI) standard. This is the sixth report.

Reporting cycle

The report is drawn up annually.

Contact address for questions related to the report

For questions and comments on this report, please contact us by email to tvarumas@sb.lt.

Notices on reporting according to GRI standards

This report was prepared in accordance with the basic version of the GRI standards.

External audit

This report has not been audited.

GRI 102-45, GRI 102-46, GRI 102-47, GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-53, GRI 102-54, GRI 102-56

Entities included in the consolidated financial statements

Subsidiaries of the Bank

Directly controlled subsidiaries:

- SB Lizingas UAB (finance leases, consumer loans)
- Šiaulių banko lizingas UAB (finance leases and operating leases)
- SB turto fondas UAB (real estate management)
- SB draudimas UAB (life insurance)
- SB Modernizavimo Fondas UAB (financing of renovation of multi-apartment buildings)

Indirectly controlled subsidiaries:

- Šiaulių banko investicijų valdymas UAB (investment management activities)

For more details, see the section "Bank's Group" in the Annual Report

Šiaulių Bankas Social
Responsibility Report 2022