Luminor
Sustainability Report
2023

AT A GLANCE

OUR PRIORITIES

1. Be committed to sustainable growth and implementation of ESG targets.
2. Be recognised as a positive contributor to the Baltic societies.
3. Become climate neutral by 2050 and gradually build up capabilities to decarbonise its business.

OUR PROGRESS AND TARGETS

1. Medium and short-term climate risk related targets established and integrated into our strategy, performance management systems and customer service processes.
2. Policies updated and climate related risk limits established.
3. Roadmaps developed to reduce our operational and financed emissions.

MORNINGSTAR | SUSTAINALYTICS
ESG 2024
INDUSTRY
TOP RATED

69th out of 1,049 banks

No	Target	Measure	2022	2023
1	Committed to Paris Agreement alignment, tCO_2e (own operating emissions)	Net "0" by 2050	2,948	2,765
2	tCO_2e operational emissions per FTE vs. 2021	-50% by 2025 vs 2021 (1.44)	1.25	1.11
3	Set and submit Science Based Targets for validation	End 2023	n/a	targets submitted
4	New lending volume in high climate risk sectors to clients that have transition plans in place, % (a)	90% by 2025	n/a	47
5	Mortgage portfolio with EPC rating A or better, % of total mortgage exposure	30% by 2027	23	24
6	Volume of lending to sustainable real estate and renewable energy related projects (accumulated), €m (b)	120 mEUR by 2027 700 mEUR by 2030	85	108
7	Volume of green or sustainability-linked Covered bonds and Corporate Senior bonds in our bond portfolio, % (c)	50% by 2030	4.7	4.4
8	Renewable energy consumption and/or production target, %	100% of electricity by end 2025	41	42
9	Improve customer satisfaction and increase retail transactional NPS score	+40 in 2024	+38	+47
10	Improve employee satisfaction and increase employee eNPS	50-55 in 2024	+49	+51
11	Female Council members, %	40% by 2026	30	22
12	Maintain low ESG Risk Rating by Sustainalytics	Low risk, bi-annual as of 2023	10.9/ Low risk	12.4/ Low risk

a. In scope only customer groups with exposures above 5 MEUR and excluding off balance items and loan prolongations. In 2023, we did not yet have clear standards for transition plan and therefore, we considered that customers fulfilled their requirement for transition plan submission if they had prepared sustainability reports disclosing the existence of plans, appropriate activities and KPIs. In case customers have not prepared sustainability reports, but have submitted information indicating activities helping to transition to more sustainable practices we treated them as compliant to the requirement to have transition plan. Going forward we plan to provide customers with transition plan template which would meet our general requirements for transition planning documentation.

b. For current reporting cycle, the reported loans cover renewable energy projects where environment impact was assessed when required by the law, and social and governance safeguards considered and real estate construction projects complying with technical screening criteria related to primary energy demand for new constructions under Climate Delegated Act.

c. 2022 number has been restated due to improvements in data availability.

ABOUT US

We are the leading independent bank in the Baltics and the third-largest provider of financial services in our region. We serve the financial needs of individuals, families, and companies. We are here to improve the financial health of our customers and our home countries, and to support their growth. Further information about us can be found at www.luminor.ee

CHIEF EXECUTIVE STATEMENT

As we reflect on the current challenges faced by the world, the Baltic countries and Luminor, it becomes abundantly clear that sustainability remains at the forefront of our agenda. In 2023, the world faced numerous sustainability challenges, including warming temperatures, rising sea levels, growing social inequality and economic hardships. These challenges have tested our collective will and highlight the urgent need for global action and innovative solutions. At Luminor, we recognise the importance of addressing these challenges and have taken multiple proactive steps to contribute to a sustainable future. We have taken significant strides in ensuring our own operations are more sustainable and responsible and have increased the capabilities to support our customers in their journeys toward more resilient business models.

We have identified the following United Nations' Sustainable Development Goals (UN SDG) that serve as the foundation and guide to fulfilling our sustainability goals: SDG 8: promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all; SDG 13: climate action, and; SDG 16: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Therefore, in 2023, we placed significant focus on growing our climate impact management and customer support for low carbon economy transition planning. We continued building our capabilities to steer financing into assets that help achieve the Paris Agreement targets and that do not violate human rights or harm the environment. We raised peoples' capabilities and solidified our ESG governance by setting further short and medium targets, building our competence through trainings and seminars, reducing our greenhouse gas emissions and expanding our performance management metrics and tools. We developed roadmaps for our own operations and loan portfolios to decarbonise, enhanced our industry specific transition planning capabilities and provided related trainings for our employees and customers. For the second year in a row, we earned a low-risk score in ESG governance - the best ESG risk rating score of the Baltic banks by Sustainalytics.

In 2023, we also made meaningful progress on our commitments in reducing the CO2 emissions of our own operations and improved our data quality and availability. We developed tools and data for customer-level climate risk management and continued our cooperation with partners that support early-stage companies in the Baltics who address locally-relevant social or environmental problems. In addition, we hosted the social category of the Baltic Sustainability Awards and improved our customer satisfaction, employee engagement and wellbeing. Lastly, we also initiated the piloting of EU Taxonomy tools for retail mortgage portfolio for evaluating alignment of EU taxonomy with economic activity, established tools and processes for customer-level emissions tracking and target setting and continued building our climate data.

Our commitment to the Baltic countries goes well beyond financial services - it encompasses a genuine desire to contribute to the long-term well-being of the region. Therefore, we will continue investing in IT scalability and performance, implementing actions to reduce our emissions and building our capabilities to support the transition to a low carbon economy. Furthermore, we are determined to keep building customer knowledge for climate resilience and supporting sustainable Baltic growth and green start-ups with the necessary resources and skills to scale.

However, we recognise that sustainability is a journey, and there is still a large amount of work to be done. As we look ahead, Luminor remains steadfast in our commitment to sustainability. We will continue exploring innovative solutions, engaging in meaningful partnerships and advocating for positive change. Together, we can create a more sustainable future for all.

We look forward to providing further details of our progress in future reports.

Wojciech Sass

CONTENTS

In this report 'Luminor', "Luminor Group", 'Luminor Bank', 'we', 'us' and 'our' refer to Luminor Bank AS together with its subsidiaries. The abbreviations '€m' and '€bn' represent millions and billions (thousands of millions) of euros, respectively. Further metrics are provided in our Sustainability Factbook 31 December 2003.

GENERAL INFORMATION

This report is compiled in accordance with the Global Reporting Initiative's ('GRI') Sustainability Reporting Guidelines. The Non-Financial Reporting Directive's (NFRD) 'Guidelines on non-financial reporting: Supplement on reporting climate-related information' has been used to prepare the climate-related disclosures for each of the following five reporting areas listed in the Estonian Accounting Act which transposes the NFRD: business model; policies and due diligence; outcome of policies; principal risks and risk management; and key performance indicators. Furthermore, the European Sustainability Reporting Standards (ESRS) have been used to prepare sustainability disclosures as we have aimed to provide majority of the required disclosures with the purpose to establish our organisational readiness for future reporting.

This report is based on the double materiality assessment of potentially material ESG matters and the resulting definition of material topics´ related impacts, risks and opportunities and provides disclosures about our due diligence related provisions and main sustainability related policies (Sustainability Policy and our ESG Due Diligence Standard), both of which extend to our customers, vendors and suppliers. Our Sustainability Report is based on four pillars that are aligned with the ESRS guidelines: general information, environmental information, social information and governance information. Our material impacts, risks and opportunities (IROs) and their interactions with our strategy and business model are disclosed in the respective sections of the report. While we have considered reporting in line with TCFD, the extensive implementation of all regulations lead us to choose an alternative approach. We have started with GRI and CSRD frameworks, and will assess the gaps between them once CSRD requirements are fully established. This sustainability statement has been prepared on a consolidated basis covering all subsidiaries of Luminor Holding AS. The scope of the consolidation is the same as for the Luminor Holding AS financial statements. We have not used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation, nor used the exemption from disclosure of impending developments or matters in the course of negotiation.

Identification of IRO and Sustainability Reporting Processes

Our annual Materiality Assessment is instrumental in guiding our annual disclosures and ensuring alignment with stakeholder interests for informed decision-making by the Council and Board. This process facilitates the identification of necessary actions to address stakeholder concerns, enhances our preparedness for potential future impacts arising from global trends or regulatory changes, helps in risk mitigation, and enables us to identify opportunities to create value. Moreover, the assessment extends beyond our own operations to encompass impacts throughout our value chains, including products, services, and business relationships.

In the fourth quarter of 2023, we conducted our third Double Materiality Assessment engaging both internal and external stakeholders to incorporate diverse perspectives on materiality. Internally, viewpoints from employees, the Board, and the Council were solicited through surveys or focused group discussions. Externally, stakeholder input was gathered via interviews, analysis of relevant publications, and data collation from various sources such as peer data, vendor reports, regulations, standards, voluntary frameworks, as well as major international media and social media platforms.

The results of the assessment revealed eight material topics with their sub-topics and sub-sub-topics that stakeholders consider material for us. Based on these sub-topics or sub-sub-topics IROs were defined which were subsequently discussed and approved by our Council. The table below outlines the eight material topics alongside their respective IRO disclosure locations. While certain aspects such as Biodiversity and circular economy were excluded from the material matters due to challenges in quantifying data and uncertain regulatory frameworks, ongoing efforts in data collection and regulatory clarification may prompt their inclusion in future assessments.

Table 1: List of Material topics and the reference to location of related IROs

Material topic	Subtopics	Where to read more
Climate change	Climate change adaptation Climate change mitigation Energy efficiency Transition to renewables & alternative energies	Environmental information, Climate change and air pollution, p.22.
Pollution	Pollution of air	Environmental information, Climate change and air pollution, p.22.
Own workforce	Health and Safety Work-life balance Adequate wages Training and skills development Gender equality and equal pay for work of equal value Diversity	Social information, Own Workforce, p.37.
Workers in the value chain	Child labour Forced labour	Social information, Workers in the value chain, p.41.
Consumers and end users	Privacy Freedom of expression Access to (quality) information Non-discrimination Access to products and services Responsible marketing practices	Social information, Customers and end users, p.44-45.
Business conduct	Corporate culture Protection of whistleblowers Political engagement and lobbying activities Management of relationships with suppliers including payment practices Prevention and detection including training Incidents	Governance information, Business conduct, p.61.
Business model resilience	-	Governance information, Business model resilience, p.68-69

Identifying material matters and IROs

The identification process involved several stages: stage A (preparation)- aim of this stage is to gain a comprehensive understanding of our operating environment, encompassing its business lines, products, customers, and regulatory landscape. By defining this context, the goal is to identify stakeholders and pinpoint areas within the environment that could potentially be impacted by our operations and consequently identification of potential material matters and determination of final material matters. In result – we identified in 2023- 107 material topics. Next stage B (Financial Impact assessment) - this stage aims to gather feedback from stakeholders. in accordance with the engagement approach established in stage A and assess external factors such as political, social, business environment, regulatory considerations etc. Based on input we perform analysis and create a rating of all Sustainability Matters´ financial impact severity, prioritised from most significant to least significant based on principle of severity. The outcome of the stage is the list of Sustainability Matters which we consider as severe and non-severe.

The Final stage (C) – Determination of Impacts, Risks and Opportunities (IRO) – includes Financial Impact and Impact materiality assessment. Determination of final list of Material Matters and definition of IROs. The Financial Impact is determined based on severity as defined in stage B and probability of impact for all material matters in the short, medium and long term and were based on our non-financial risk grid. This determines the likeliness of occurrence and potential magnitude of the financial effects, which are assessed on a scale from 0 to 5. The quantitative impact scores for each materiality matter are derived from the external data aggregation software solution provider Datamaran that enables the assessment of impact. The Impact materiality assessment is based on the severity for actual negative impacts and likelihood for potential negative impacts on people and planet. The Impact severity is based on the scale, scope and irremediable character of negative impacts and the scale and scope of positive impacts. Assessments are done to measure the probability of impact that may occur in any of the short, medium or long timeframes and severity. If the impact is assessed as high or critical in any timeframe, the overall topic is determined to be material. Overall number of potentially material matters, we use as a "cut off" benchmark for information to be disclosed as material.

After concluding with the first list of material topics, we then aggregated the results of the impact materiality and financial materiality assessments. If either the financial or impact materiality was determined to be material, the material matter was considered overall to be material. After this, we define impacts, risks and opportunities (IROs) for each material matters. The result of the stages A-C (including Impact and Financial Materiality Assessment, list of Material matters and respective IROs) are validated by key stakeholders through focus group discussions. These discussions yield a list of material matters and IROs, which are further discussed and validated by the Board and the Council, and ultimately approved. When assessing the materiality of business conduct matters, we considered all three Baltic countries and their respective financial industries.

Reporting process and risk management

Our internal regulations outline the general principles, guidelines, responsibilities, and measures followed by sustainability statements and disclosures in our annual reports. To ensure timely preparation of disclosures and data availability, the requirements for annual reporting are defined in Q3 of the reporting year. We aim to align our sustainability reporting with other statutory and regulatory reporting, in particular with our financial reporting. We aim to publish the sustainability related information at the same time as our financial reporting, where this is possible and not later than 3 months after the publication of our Annual Financial Report.

The main requirements are aggregated by the Sustainability Department who also aligns and coordinates the disclosure preparation timelines based on requirements. Sustainability Department involves relevant function-or process-based subject matter experts to provide requirements specific inputs and to review the requirements considering the data availability and strategic considerations for validity, verification and disclosure purposes. The Sustainability Department also performs a control to ensure that all requirements have been addressed based on a mapping list and establishes a final content index at the end of the process. With regards to sustainability-related qualitative disclosures, we face the risk of omissions, misstatements, over- or underestimates. To mitigate the identified risks associated with qualitative disclosures, we apply several controls, such as the 'at least four eyes principle'. For quantitative disclosures relating to climate and environmental data, we follow our data management procedure and principles. The primary source for data collection are internal data warehouses, and in the case that the in-house data is not available, we aim to collect primary data directly from customers or reliable external data sources that provide real data. The collected data is then reported in aggregated forms. For data that is not available, international standard based data proxy methodologies are utilised such as PCAF, or developed in-house.

Quantitative Climate and Environmental data that is collected and monitored throughout its life-cycle by regular Data Quality Management Guidelines. These guidelines define the main principles and responsibilities for data collection, storage, architecture, aggregation and monitoring of data quality for data completeness, validity, timeliness, accuracy, consistency and uniqueness of data. The guidelines also provide remediation steps in the case of data quality issues.

Once data has been aggregated for specific reporting purposes, content validation by the data owner(s) or service owner(s) is required. In general, this validation means checking the quality of the outputs produced according to the business requirements. The Four Eyes Principle is followed when validating the data, ensuring that the data validator must be someone else than its provider. Validation activities can include (but are not limited to): checking that the data coverage and count are as required; comparing the statistics with previous cycles (if applicable); checking that the associated metadata are present and in line with expectations; investigating inconsistencies in the statistics; performing in depth sample testing, and validating the statistics against expectations and domain intelligence. The validator must document the acceptance of the output results in the place designated by the Sustainability Department.

In 2024, we aim to perform a gap analysis of the process with external auditors to identify any gaps in the procedures and missing controls. The results will be discussed at the Board and Council meetings and will serve as an important input for process improvement and preparation of the annual disclosures for 2024 full-year reporting.


ARTENGO

ENVIRONMENTAL INFORMATION

Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation)

The EU Taxonomy Regulation (together with implementing delegated acts) establishes a classification system that defines criteria for economic activities to be considered as environmentally sustainable (i.e. taxonomy-aligned) in respect of six climate and environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

For the activities to be qualified as environmentally sustainable, four overarching conditions need to be met:

- if the activity contributes substantially to at least one of the six environmental objectives set out in the EU Taxonomy Regulation;
- does not do significant harm to any of the other environmental objectives;
- fulfils the technical screening criteria set out in the delegated acts; and
- complies with the minimum social safeguards of the human rights.

Further, the EU Taxonomy Regulation sets disclosure requirements for large public interest companies to report on how and to what extent their activities are associated with environmentally sustainable activities.

The EU Taxonomy Regulation is implemented gradually and starting with 2023 we are required to report our taxonomy-aligned assets in respect of two objectives: climate change mitigation and climate change adaptation. We do not report taxonomy-eligible assets (i.e. exposures financing economic activities that are described in the taxonomy delegated acts) in respect of the remaining four climate and environmental objectives due to absence of data.

Our EU Taxonomy related information is disclosed on the basis of the scope of the prudential consolidation determined in accordance with Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

DETERMINATION OF TAXONOMY ELIGIBLE AND TAXONOMY ALIGNED EXPOSURES

Following requirements stemming from Disclosure Delegated Act, we disclose information on taxonomy eligibility and taxonomy alignment of the exposures (loans, advances, debt securities) to financial and non-financial NFRD undertakings (i.e. such companies that are subject to EU Taxonomy Regulation reporting requirements themselves), local governments, households (mortgage lending, renovation loans and vehicle leasing) and collaterals obtained by taking possession. Methodology for determining taxonomy eligibility and taxonomy alignment of the above indicated categories, as well as data limitations, are described below.

Exposures to financial and non-financial undertakings subject to NFRD

For the calculation of the amount of taxonomy-eligible and aligned exposures to financial and non-financial undertakings subject to NFRD, we considered the gross carrying amount of loans and debt securities of relevant accounting portfolios weighted by the respective KPIs disclosed in the EU Taxonomy reports of the respective counterparties. We have not identified any taxonomy aligned exposures with known use of proceeds in our portfolio and have used company reports as basis for our disclosures.

Reporting of taxonomy-eligible and taxonomy aligned exposures to financial and non-financial undertakings subject to NFRD is subject to below data limitations:

- Financial undertakings are subject to disclosure of the taxonomy-alignment KPIs only starting from 2024 (for the reporting year 2023), thus, the respective data is not yet available.
- Due to unavailability (not published at the reporting date) of the EU Taxonomy reports for the year 2023, disclosure on taxonomy-eligibility and taxonomy-alignment of exposures is based on the 2022 EU Taxonomy reports.

Retail exposures

Disclosure Delegated Act separates reporting of retail exposures in respect of retail exposures to residential real estate (i.e., household loans collateralised by immovable property), loans granted for house renovation purpose and vehicle leasing.

The retail exposures to residential real estate are considered as financing taxonomy-eligible economic activities in case a household loan, with the purpose of real estate acquisition, is collateralised by residential immovable property.

Due to differences in regulatory requirements for energy efficiency in buildings, EPC labelling as well as data availability, approaches for assessment of taxonomy alignment of household mortgage loans differs across countries where we operate. For the year 2023, we have reported as taxonomy aligned those mortgage loans that comply, based on our assessment and internally available data, with the substantial contribution criteria to climate change mitigation objective applicable for acquisition and ownership of buildings and do no significant harm (DNSH) criteria to climate change adaptation objective established by the Climate Delegated Act. Minimum safeguards have not been evaluated for residential real estate exposures based on the interpretation provided in the Final Report on Minimum Safeguards by Platform on Sustainable Finance.

As provided in Climate Delegated Act, substantial contribution criteria to climate change mitigation objective for buildings built before 31 December 2020 is either having energy performance certificate (EPC) class A or higher or being within top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED). For Lithuania, we have identified as taxonomy aligned exposures collateralised by buildings having EPC class A or higher, as exposures collateralised by buildings falling under top 15% of the national building stock based on PED was subsequently assessed as non-compliant with DNSH criteria. For Latvia and Estonia, due to limited availability of EPC label data, assessment of retail mortgages being within the top 15% of the national building stock was not performed, while exposures secured by mortgage of the buildings having EPC class A or higher were subsequently evaluated as non-compliant with DNSH criteria. Thus, no exposures compliant with the substantial contribution criteria applicable for buildings built before 31 December 2020 for Latvia and Estonia are reported.

For buildings built after 31 December 2020, compliance with the substantial contribution criteria for climate change mitigation objective was assessed in relation to buildings' PED being at least 10% lower than national thresholds of nearly zero-energy buildings (NZEB). Taxonomy aligned exposures conforming with this criteria were identified for Lithuanian and Latvian mortgage portfolios. Due to unavailable data, the respective assessment for Estonian mortgages was not performed.

For the purposes to verify compliance with DNSH to climate change adaptation objective, we have utilised the results of climate and environment risk assessment (CERA) for retail mortgage portfolio (further information about the CERA process can be found in the sub-section of Analysis of impact of climate and environmental risks on our business environment under the section Climate change and air pollution). CERA process resulted in identification of physical acute climate and environmental risk drivers, such as flood, heat wave, drought, heavy precipitation, as well as chronic hazards, such as coastal erosion, that are material for residential real estate properties in the Baltics and determination of possible mitigation solutions.

We considered that the heat wave risk is mitigated in Lithuania for selected properties (EPC label A or higher) as the existing building regulations in Lithuania require recuperation systems to be installed. Whereas for Latvian properties, there was no exposure to heat wave risk for specific locations. After our CERA assessment, flood is considered as the most significant physical risk event in the Baltic region. Regarding flood and heavy precipitation risk, we considered presence of the respective risk coverage in the insurance policies of the specific real estate. We evaluated insurance policies and checked if such climate events are covered. In case the damages related to flooding and heavy precipitation are included in the insurance policy, we accept that such physical risks are mitigated. In addition, for flood risk, as well as for coastal erosion risk, we evaluated the respective risk level pertaining to the location of each collateral. The process of the identification of geographies vulnerable to coastal erosion and flood risks has been based on the information provided in the dedicated portals and databases in Lithuania and Latvia: LVGMC (Center of Environment, Geology and Meteorology of Latvia), Lithuanian environmental protection agency, ThinkHazard!, and other governmental data sources. As concerns DNSH criteria verification for collaterals located in Estonia, due to lack of data on geographies subject to coastal erosion risk, all retail mortgage exposures were considered as non-compliant with DNSH criteria and evaluation.

With reference to the household renovation loans, taxonomy eligible exposures were assessed based on purpose of the loan, indicated in our lending products supporting systems. The taxonomy alignment of renovation loans of retail customers has not been assessed due to unavailable data for screening substantial contribution criteria as well as DNSH criteria.

As for the vehicle leasing, for the taxonomy eligibility reporting purposes only those exposures that are generated after 1. January 2022 (the date of application of the disclosure requirements) are reported. The taxonomy alignment of motor vehicle loans of retail customers has not been assessed due to unavailable data for screening of the DNSH criteria.

Exposures to local governments

All loans granted to local governments for the financing of municipal building/housing purposes are considered as financing the taxonomy eligible economic activities. The eligibility of other specialised local government financing is considered to the extent and proportion that the project funded finances taxonomy eligible economic activity relevant for the respective environmental objectives. The assessment is based on information provided by the counterparty on the project or activities to which the loan proceeds are applied or evaluated by us. Alignment of exposures to local governments have not been assessed and reported for 2023 due to unavailable information on the extent and proportion in which those exposures financed taxonomy-aligned economic activities.

Assessment of financial guarantees and assets under management

We have not identified any financial guarantees of undertakings subject to the NFRD disclosure obligations. The evaluation of taxonomy eligibility and alignment of assets under management obligations has not been performed due to unavailable data.

INTEGRATION OF EU TAXONOMY INTO INTERNAL PROCESSES AND ACTIVITIES

The EU Taxonomy reporting is heavily affected by the data availability. Therefore, our reported exposures are subject to continuous change due to increased quality of data collected from customers and enhanced market practices for the NFRD related disclosures. Further information is provided under the section Reducing the climate impact of our loan portfolio.

Table 1. Template 0. Summary of KPIs to be disclosed by credit institutions under Article 8 of the EU Taxonomy Regulation.

Main KPI	**Total environment-ally sustainable assets, €m (a)**	**KPI (b)**	**KPI (c)**	**% coverage (over total assets) (d)**	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V) (e)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V) (e)**
Green asset ratio (GAR) stock	304.9	2.7	2.7	72.2	31.4	27.8
Additional KPIs	**Total environmentally sustainable activities €m (f)**	**KPI (b)**	**KPI (c)**	**% coverage (over total assets) (g)**	**% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V) (h)**	**% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V) (h)**
GAR (flow)	98.0	5.7	5.7	37.2	20.6	62.8
Trading book (9)	N/A	-	-			
Financial guarantees	0.0	-	-			
Assets under management (10)	N/A	-	-			
Fee and commission income (11)	N/A	-	-			

a. Based on Turnover KPI of the counterparties. The amount of total environmentally sustainable assets based on CapEx KPI of the counterparties is 307,0.

b. Based on the Turnover KPI of the counterparties.

c. Based on the CapEx KPI of the counterparties.

d. % of assets covered by the KPI over banks´ total assets based on Turnover KPI of the counterparties. The amount resulting from CapEx KPI of the counterparties is the same.

e. The percentage is calculated with respect to total assets.

f. The amount is the same if calculated based on Turnover KPI of the counterparties and CapEx KPI of the counterparties.

g. % of assets covered by the KPI over banks´ total flow of new assets based on Turnover KPI of the counterparties. The amount resulting from CapEx KPI of the counterparties is the same.

h. The percentage is calculated with respect to total flow of new assets.

i. For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR. To be reported from 2026 for the reporting period 2025.

j. Reporting on the assets under management is omitted for this reporting period due to data limitations.

k. Fees and commissions income from services other than lending and AuM. To be reported from 2026 for the reporting period 2025.

Table 2. Template 1. Assets for the calculation of GAR based on Turnover.

The table provides information on the assets covered for GAR calculation based on turnover KPI of the counterparties.

	31 December 2023, €m	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate change adaption (CCA)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
			o/w towards taxonomy relevant sectors (Taxonomy-eligible)					o/w towards taxonomy relevant sectors (Taxonomy-eligible)				o/w towards taxonomy relevant sectors (Taxonomy-eligible)				
				o/w environmentally sustainable (Taxonomy-aligned)					o/w environmentally sustainable (Taxonomy-aligned)				o/w environmentally sustainable (Taxonomy-aligned)			
					o/w Use of pro-ceeds	o/w transit-ional	o/w enabling			o/w Use of pro-ceeds	o/w enabling			o/w Use of proc-eeds	o/w transit-ional	o/w enabling
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**6,381.0**	**5,603.9**	**304.9**	**304.9**	**0.0**	**0.0**	**0.0**	-	-	-	**5,603.9**	**304.9**	**304.9**	**0.0**	**0.0**
2	**Financial undertakings (only NFRD)**	134.7	58.4	0.0	-	-	-	0.0	-	-	-	58.4	0.0	-	-	-
3	Credit institutions	132.3	57.6	0.0	-	-	-	0.0	-	-	-	57.6	0.0	-	-	-
4	Loans and advances		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	132.3	57.6	0.0	-	-	-	0.0	-	-	-	57.6	0.0	-	-	-
6	Equity instruments	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Other financial corporations	2.3	0.7	0.0	-	-	-	0.0	-	-	-	0.7	0.0	-	-	-
8	of which investment firms	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	of which insurance undertakings	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	**Non-financial undertakings (only NFRD)**	75.4	0.1	0.0	-	-	-	0.0	-	-	-	0.1	0.0	-	-	-
21	Loans and advances	16.2	0.0	-	-	-	-	0.0	-	-	-	0.0		-	-	-
22	Debt securities, including UoP	59.2	0.1	0.0	-	-	-	0.0	-	-	-	0.1	0.0	-	-	-
23	Equity instruments	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24	**Households**	5,993.5	5,483.6	304.9	304.9	-	-	0.0	-	-	-	5,483.6	304.9	304.9	-	-
25	of which loans collateralised by residential immovable property	5,302.0	5,302.0	304.9	304.9	-	-	0.0	-	-	-	5,302.0	304.9	304.9	-	-
26	of which building renovation loans	26.2	26.2	0.0	-	-	-	0.0	-	-	-	26.2	0.0	-	-	-
27	of which motor vehicle loans	272.3	155.4	0.0	-	-	-	0.0	-	-	-	155.4	0.0	-	-	-
28	**Local governments financing**	177.4	61.8	0.0	-	-	-	0.0	-	-	-	61.8	0.0	-	-	-
29	Housing financing	18.6	18.6	0.0	-	-	-	0.0	-	-	-	18.6	0.0	-	-	-
30	Other local government financing	158.8	43.2	0.0	-	-	-	0.0	-	-	-	43.2	0.0	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**4,899.3**														
33	**Financial and Non-financial undertakings**	4,498.3														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations (a)	4,493.6														
35	Loans and advances	4,434.4														
36	of which loans collateralised by commercial immovable property	2566.1														
37	of which building renovation loans	0.0														
38	Debt securities	50.3														
39	Equity instruments	9.0														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	4.6														
41	Loans and advances	0.2														
42	Debt securities	4.5														
43	Equity instruments	0.0														
44	**Derivatives**	92.2														
45	**On demand interbank loans**	47.4														
46	**Cash and cash-related assets**	105.5														
47	**Other categories of assets (e.g., Goodwill, commodities etc.)**	155.9														
48	**Total GAR assets**	**11,280.3**	**5,603.9**	**304.9**	**304.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5,603.9**	**304.9**	**304.9**	**0.0**	**0.0**
49	**Assets not covered for GAR calculation**	4,335.3														
50	**Central governments and Supranational issuers**	1,241.9														
51	**Central banks exposure**	3,079.5														
52	**Trading book**	14.0														
53	**Total assets**	**15,615.6**	**5,603.9**	**304.9**	**304.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5,603.9**	**304.9**	**304.9**	**0.0**	**0.0**
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54	Financial guarantees	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	Of which debt securities	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	Of which equity instruments	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-

a. Exposures to financial undertakings not subject to NFRD disclosures are also included.

Table 3. Template 1. Assets for the calculation of GAR based on Capex.
The table provides information on assets covered for GAR calculation based on Capex KPI of the counterparties.

	31 December 2023, €m	Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate change adaption (CCA)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)				
			o/w towards taxonomy relevant sectors (Taxonomy-eligible)					o/w towards taxonomy relevant sectors (Taxonomy-eligible)				o/w towards taxonomy relevant sectors (Taxonomy-eligible)				
				o/w environmentally sustainable (Taxonomy-aligned)					o/w environmentally sustainable (Taxonomy-aligned)				o/w environmentally sustainable (Taxonomy-aligned)			
					o/w Use of pro-ceeds	o/w transit-ional	o/w enabling			o/w Use of pro-ceeds	o/w enabling			o/w Use of proc-eeds	o/w transit-ional	o/w enabling
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	**6,381.0**	**5,609.1**	**307.0**	**304.9**	**0.0**	**2.1**	**0.0**	-	-	-	**5,609.1**	**307.0**	**304.9**	**0.0**	**2.1**
2	**Financial undertakings (only NFRD)**	134.7	57.2	0.0	-	-	-	0.0	-	-	-	57.2	0.0	-	-	-
3	Credit institutions	132.3	56.4	0.0	-	-	-	0.0	-	-	-	56.4	0.0	-	-	-
4	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Debt securities, including UoP	132.3	56.4	0.0	-	-	-	0.0	-	-	-	56.4	0.0	-	-	-
6	Equity instruments	0.0	-	-		-	-	-	-		-	-	-	-	-	-
7	Other financial corporations	2.3	0.7	0.0	-	-	-	0.0	-	-	-	0.7	0.0	-	-	-
8	of which investment firms	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Equity instruments	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	of which management companies	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity instruments	0.0	-	-		-	-	-	-		-	-	-	-	-	-
16	of which insurance undertakings	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Equity instruments	0.0	-	-		-	-	-	-		-	-	-	-	-	-
20	**Non-financial undertakings (only NFRD)**	75.4	6.5	2.1	0.0	0.0	2.1	0.0	-	-	-	6.5	2.1	0.0	0.0	2.1
21	Loans and advances	16.2	0.0	0.0	-	-	-	0.0	-	-	-	0.0	-	-	-	-
22	Debt securities, including UoP	59.2	6.5	2.1	0.0	0.0	2.1	0.0	-	-	-	6.5	2.1	0.0	0.0	2.1
23	Equity instruments	0.0	-	-		-	-	-	-		-	-	-	-	-	-
24	**Households**	5,993.5	5,483.6	304.9	304.9	-	-	0.0	-	-	-	5,483.6	304.9	304.9	-	-
25	of which loans collateralised by residential immovable property	5,302.0	5,302.0	304.9	304.9	-	-	0.0	-	-	-	5,302.0	304.9	304.9	-	-
26	of which building renovation loans	26.2	26.2	0.0	-	-	-	0.0	-	-	-	26.2	0.0	-	-	-
27	of which motor vehicle loans	272.3	155.4	0.0	-	-	-	0.0	-	-	-	155.4	0.0	-	-	-
28	**Local governments financing**	177.4	61.8	0.0	-	-	-	0.0	-	-	-	61.8	0.0	-	-	-
29	Housing financing	18.6	18.6	0.0	-	-	-	0.0	-	-	-	18.6	0.0	-	-	-
30	Other local government financing	158.8	43.2	0.0	-	-	-	0.0	-	-	-	43.2	0.0	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**4,899.3**														
33	**Financial and Non-financial undertakings**	4,498.3														
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations (a)	4,493.6														
35	Loans and advances	4,434.4														
36	of which loans collateralised by commercial immovable property	2,566.1														
37	of which building renovation loans	0.0														
38	Debt securities	50.3														
39	Equity instruments	9.0														
40	Non-EU country counterparties not subject to NFRD disclosure obligations	4.6														
41	Loans and advances	0.2														
42	Debt securities	4.5														
43	Equity instruments	0.0														
44	**Derivatives**	92.2														
45	**On demand interbank loans**	47.4														
46	**Cash and cash-related assets**	105.5														
47	**Other categories of assets (e.g., Goodwill, commodities etc.)**	155.9														
48	**Total GAR assets**	**11,280.3**	**5,609.1**	**307.0**	**304.9**	**0.0**	**2.1**	**0.0**	**0.0**	**0.0**	**0.0**	**5,609.1**	**307.0**	**304.9**	**0.0**	**0.0**
49	**Assets not covered for GAR calculation**	4,335.3														
50	**Central governments and Supranational issuers**	1,241.9														
51	**Central banks exposure**	3,079.5														
52	**Trading book**	14.0														
53	**Total assets**	**15,615.6**	**5,609.1**	**307.0**	**304.9**	**0.0**	**2.1**	**0.0**	**0.0**	**0.0**	**0.0**	**5,609.1**	**307.0**	**304.9**	**0.0**	**0.0**
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations															
54	Financial guarantees	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Assets under management	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
56	Of which debt securities	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	Of which equity instruments	**6,381.0**	**5,609.1**	**307.0**	**304.9**	**0.0**	**2.1**	**0.0**	-	-	-	**5,609.1**	**307.0**	**304.9**	**0.0**	**2.1**

a. Exposures to financial undertakings not subject to NFRD disclosures are also included.

Table 4. Template 2. GAR – Sector information based on Turnover.

The table provides information on the principal activity of non-financial undertakings subject to NFRD disclosure obligations, broken down at the 4 NACE level, with reported gross carrying and taxonomy aligned amounts based on Turnover KPI of the counterparties.

	Breakdown by sector – NACE 4 digits level (code and label)	**Climate Change Mitigation (CCM)**				**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)**			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	€m	Of which environ-mentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	H.49.31 – Urban and suburban passenger land transport	14.3	0.0			0.0	-			14.3	0.0		
2	C.11.01 – Distilling, rectifying and blending of spirits	1.9	0.0			0.0	-			1.9	0.0		
3	F.41.20 – Construction of residential and non-residential buildings	0.1	0.0			0.0	-			0.1	0.0		
4	G.47.11 – Retail sale in non-specialised stores with food, beverages or tobacco predominating	59.2	0.0			0.0	-			59.2	0.0		

Table 5. Template 2. GAR – Sector information based on Capex.

The table provides information on the principal activity of non-financial undertakings subject to NFRD disclosure obligations, broken down at the 4 NACE level, with reported gross carrying and taxonomy aligned amounts based on Capex KPI of the counterparties.

	Breakdown by sector – NACE 4 digits level (code and label)	**Climate Change Mitigation (CCM)**				**Climate Change Adaptation (CCA)**				**TOTAL (CCM + CCA + WTR + CE + PPC + BIO)**			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		[Gross] carrying amount		[Gross] carrying amount		Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
		€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM)	€m	Of which environ-mentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	€m	Of which environ-mentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
1	H.49.31 – Urban and suburban passenger land transport	14.3	0.0			0.0	-			14.3	0.0		
2	C.11.01 – Distilling, rectifying and blending of spirits	1.9	0.0			0.0	-			1.9	0.0		
3	F.41.20 – Construction of residential and non-residential buildings	0.1	0.0			0.0	-			0.1	0.0		
4	G.47.11 – Retail sale in non-specialised stores with food, beverages or tobacco predominating	59.2	2.1			0.0	-			59.2	2.1		

Table 6. Template 3. GAR KPIs Stock based on Turnover

The table provides information on the proportion of the taxonomy eligible, and taxonomy aligned assets over the respective covered assets based on Turnover KPI of the counterparties. GAR KPI stock is based on information disclosed in Table 2 above.

	31 December 2023, % (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate change adaption (CCA)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)				o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					Proportion of total assets covered (c)
			o/w environmentally sustainable (Taxonomy-aligned) (b)					o/w environmentally sustainable (Taxonomy-aligned) (b)				o/w environmentally sustainable (Taxonomy-aligned) (b)				
				o/w Use of pro-ceeds	o/w transit-ional	o/w enabling			o/w Use of pro-ceeds	o/w enabling			o/w Use of proc-eeds	o/w transit-ional	o/w enabling	
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	87.8	4.8	4.8	0.0	0.0	0.0	-	-	-	**87.8**	**4.8**	**4.8**	**0.0**	**0.0**	**35.9%**
2	**Financial undertakings (only NFRD)**	43.4	0.0	-	-	-	0.0	-	-	-	**43.4**	**0.0**	-	-	-	**0.4%**
3	Credit institutions	43.6	0.0	-	-	-	0.0	-	-	-	**43.6**	**0.0**	-	-	-	**0.4%**
4	Loans and advances	100.0	0.0	-	-	-	0.0	-	-	-	**100.0**	**0.0**	-	-	-	**0.0%**
5	Debt securities, including UoP	43.6	0.0	-	-	-	0.0	-	-	-	**43.6**	**0.0**	-	-	-	**0.4%**
6	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0%**
7	Other financial corporations	31.7	0.0	-	-	-	0.0	-	-	-	**31.7**	**0.0**	-	-	-	**0.0%**
8	of which investment firms	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
9	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
10	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
11	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0%**
12	of which management companies	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
13	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
14	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
15	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0%**
16	of which insurance undertakings	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
17	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
18	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
19	Equity instruments	0.0	-		.	-	-	-		-	-	-		-	-	**0.0%**
20	**Non-financial undertakings (only NFRD)**	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
21	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
22	Debt securities, including UoP	0.1	0.0	-	-	-	0.0	-	-	-	**0.1**	**0.0**	-	-	-	**0.0%**
23	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0%**
24	**Households**	91.5	5.1	5.1	0.0	0.0	0.0	-	-	-	**91.5**	**5.1**	**5.1**	-	-	**35.1%**
25	of which loans collateralised by residential immovable property	100.0	5.8	5.8	0.0	0.0	0.0	-	-	-	**100.0**	**5.8**	**5.8**	-	-	**34.0%**
26	of which building renovation loans	100.0	0.0	-	-	-	-	-	-	-	**100.0**	**0.0**	-	-	-	**0.2%**
27	of which motor vehicle loans	57.1	0.0	-	-	-										
28	**Local governments financing**	34.9	0.0	-	-	-	0.0	-	-	-	**34.9**	**0.0**	-	-	-	**0.4%**
29	Housing financing	100.0	0.0	-	-	-	0.0	-	-	-	**100.0**	**0.0**	-	-	-	**0.1%**
30	Other local government financing	27.2	0.0	-	-	-	0.0	-	-	-	**27.2**	**0.0**	-	-	-	**0.3%**
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0%**
32	**Total GAR assets**	**49.7**	**2.7**	**2.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**49.7**	**2.7**	**2.7**	**0.0**	**0.0**	**35.9%**

a. The percentage in this column represents the proportion of taxonomy-eligible assets over the gross carrying amount of the respective asset type.
b. The percentage in this column represents the proportion of taxonomy-aligned assets over the gross carrying amount of the respective asset type.
c. The percentage in this column represents the proportion of taxonomy-eligible assets over the total assets.

Table 7. Template 3. GAR KPIs Stock based on Capex

The table provides information on the proportion of the taxonomy eligible and taxonomy aligned assets over the respective covered assets based on Capex KPI of the counterparties. GAR KPI stock is based on information disclosed in Table 3 above.

	31 December 2023, % (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate change adaption (CCA)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)				o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					Proportion of total assets covered (c)
			o/w environmentally sustainable (Taxonomy-aligned) (b)					o/w environmentally sustainable (Taxonomy-aligned) (b)				o/w environmentally sustainable (Taxonomy-aligned) (b)				
				o/w Use of pro-ceeds	o/w transit-ional	o/w enabling			o/w Use of pro-ceeds	o/w enabling			o/w Use of proc-eeds	o/w transit-ional	o/w enabling	
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	87.9	4.8	4.8	0.0	0.0	0.0	-	-	-	**87.9**	**4.8**	**4.8**	**0.0**	**0.0**	**35.9**
2	**Financial undertakings (only NFRD)**	42.5	0.0	-	-	-	0.0	-	-	-	**42.5**	**0.0**	**-**	**-**	**-**	**0.4**
3	Credit institutions	42.6	0.0	-	-	-	0.0	-	-	-	**42.6**	**0.0**	**-**	**-**	**-**	**0.4**
4	Loans and advances	100.0	0.0	-	-	-	0.0	-	-	-	**100.0**	**0.0**	**-**	**-**	**-**	**0.0**
5	Debt securities, including UoP	42.6	0.0	-	-	-		-	-	-	**42.6**	**0.0**	**-**	**-**	**-**	**0.4**
6	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
7	Other financial corporations	31.7	0.0	-	-	-	0.0	-	-	-	**31.7**	**0.0**	**-**	**-**	**-**	**0.0**
8	of which investment firms	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
9	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
10	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
11	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
12	of which management companies	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
13	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
14	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
15	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
16	of which insurance undertakings	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
17	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
18	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
19	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
20	**Non-financial undertakings (only NFRD)**	8.6	2.8	0.0	-	-	0.0	-	-	-	**8.6**	**2.8**	**0.0**	**-**	**-**	**0.0**
21	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
22	Debt securities, including UoP	11.0	3.6	0.0	-	-	0.0	-	-	-	**11.0**	**3.6**	**0.0**	**-**	**-**	**0.0**
23	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
24	**Households**	91.5	5.1	5.1	0.0	0.0	0.0	-	-	-	**91.5**	**5.1**	**5.1**	**0.0**	**0.0**	**35.1**
25	of which loans collateralised by residential immovable property	100.0	5.8	5.8	0.0	0.0	0.0	-	-	-	**100.0**	**5.8**	**5.8**	**0.0**	**0.0**	**34.0**
26	of which building renovation loans	100.0	0.0	-	-	-	0.0	-	-	-	**100.0**	**0.0**	**-**	**-**	**-**	**0.2**
27	of which motor vehicle loans	57.1	0.0	-	-	-										
28	**Local governments financing**	34.9	0.0	-	-	-	0.0	-	-	-	**34.9**	**0.0**	**-**	**-**	**-**	**0.4**
29	Housing financing	100.0	0.0	-	-	-	0.0	-	-	-	**100.0**	**0.0**	**-**	**-**	**-**	**0.1**
30	Other local government financing	27.2	0.0	-	-	-	0.0	-	-	-	**27.2**	**0.0**	**-**	**-**	**-**	**0.3**
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
32	**Total GAR assets**	**49.7**	**2.7**	**2.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**49.7**	**2.7**	**2.7**	**0.0**	**0.0%**	**35.9**

a. The percentage in this column represents the proportion of taxonomy-eligible assets over the gross carrying amount of the respective asset type.

b. The percentage in this column represents the proportion of taxonomy-aligned assets over the gross carrying amount of the respective asset type.

c. The percentage in this column represents the proportion of taxonomy-eligible assets over the total assets.

Table 8. Template 4. GAR KPIs flow based on Turnover.

The table provides information on the proportion of the taxonomy eligible and taxonomy aligned flow of new loans and debt securities (year-end gross carrying amounts) during 2023 over the respective covered assets based on Turnover KPI of the counterparties. For reporting period of 2023, due to unavailability of data on the starting date of certain types of assets (such as goodwill, commodities, etc), they have been excluded from the GAR KPI flow reporting.

	31 December 2023, % (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate change adaption (CCA)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)				o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					Proportion of total assets covered (c)
			o/w environmentally sustainable (Taxonomy-aligned) (b)					o/w environmentally sustainable (Taxonomy-aligned) (b)				o/w environmentally sustainable (Taxonomy-aligned) (b)				
				o/w Use of proceeds	o/w transitional	o/w enabling			o/w Use of proceeds	o/w enabling			o/w Use of proceeds	o/w transitional	o/w enabling	
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	81.2	12.7	12.7	0.0	0.0	0.0	-	-	-	**81.2**	**12.7**	**12.7**	**0.0**	**0.0**	**13.5**
2	**Financial undertakings (only NFRD)**	41.0	0.0	-	-	-	0.0	-	-	-	**41.0**	**0.0**	-	-	-	**0.2**
3	Credit institutions	41.0	0.0	-	-	-	0.0	-	-	-	**41.0**	**0.0**	-	-	-	**0.2**
4	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
5	Debt securities, including UoP	41.0	0.0	-	-	-	0.0	-	-	-	**41.0**	**0.0**	-	-	-	**0.2**
6	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0**
7	Other financial corporations	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
8	of which investment firms	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
9	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
10	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
11	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0**
12	of which management companies	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
13	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
14	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
15	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0**
16	of which insurance undertakings	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
17	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
18	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
19	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0**
20	**Non-financial undertakings (only NFRD)**	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
21	Loans and advances	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
22	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
23	Equity instruments	0.0	-		-	-	-	-		-	-	-		-	-	**0.0**
24	**Households**	82.8	13.1	13.1	0.0	0.0	0.0	-	-	-	**82.8**	**13.1**	**13.1**	**0.0**	**0.0**	**13.3**
25	of which loans collateralised by residential immovable property	100.0	18.2	18.2	0.0	0.0	0.0	-	-	-	**100.0**	**18.2**	**18.2**	**0.0**	**0.0**	**11.5**
26	of which building renovation loans	100.0	0.0	-	-	-	0.0	-	-	-	**100.0**	**0.0**	-	-	-	**0.2**
27	of which motor vehicle loans	93.1	0.0	-	-	-					**93.1**	**0.0**	-	-	-	**1.5**
28	**Local governments financing**	9.3	0.0	-	-	-	0.0	-	-	-	**9.3**	**0.0**	-	-	-	**0.0**
29	Housing financing	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
30	Other local government financing	9.3	0.0	-	-	-	0.0	-	-	-	**9.3**	**0.0**	-	-	-	**0.0**
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	**0.0**
32	**Total GAR assets**	**36.3**	**5.7**	**5.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**36.3**	**5.7**	**5.7**	**0.0**	**0.0**	**13.5**

a. The percentage in this column represents the proportion of taxonomy-eligible assets over the gross carrying amount of the flow of new assets of the respective asset type.
b. The percentage in this column represents the proportion of taxonomy-aligned assets over the gross carrying amount of flow of new assets the respective asset type.
c. The percentage in this column represents the proportion of taxonomy-eligible assets over the total flow of new assets.

Table 9. Template 4. GAR KPIs flow-based Capex.

The table provides information on the proportion of the taxonomy eligible, and taxonomy aligned flow of new loans (year-end gross amounts) during 2023 over the respective covered assets based on Capex KPI of the counterparties. For reporting period of 2023, due to unavailability of data on the starting date of certain types of assets (such as goodwill, commodities, etc), such exposures have been excluded from the GAR KPI flow reporting.

	31 December 2023, % (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate change adaption (CCA)				TOTAL (CCM+CCA+WTR+CE+PPC+BIO)					
		o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)				o/w towards taxonomy relevant sectors (Taxonomy-eligible) (a)					Proportion of total assets covered (c)
			o/w environmentally sustainable (Taxonomy-aligned) (b)					o/w environmentally sustainable (Taxonomy-aligned) (b)				o/w environmentally sustainable (Taxonomy-aligned) (b)				
				o/w Use of proceeds	o/w transitional	o/w enabling			o/w Use of proceeds	o/w enabling			o/w Use of proceeds	o/w transitional	o/w enabling	
	GAR - Covered assets in both numerator and denominator															
1	**Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation**	81.2	12.7	12.7	0.0	0.0	0.0	-	-	-	**81.2**	**12.7**	**12.7**	**0.0**	**0.0**	**13.5**
2	**Financial undertakings (only NFRD)**	41.1	0.0	-	-	-	0.0	-	-	-	**41.1**	**0.0**	**-**	**-**	**-**	**0.2**
3	Credit institutions	41.1	0.0	-	-	-	0.0	-	-	-	**41.1**	**0.0**	**-**	**-**	**-**	**0.2**
4	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
5	Debt securities, including UoP	41.1	0.0	-	-	-	0.0	-	-	-	**41.1**	**0.0**	**-**	**-**	**-**	**0.2**
6	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
7	Other financial corporations	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
8	of which investment firms	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
9	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
10	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
11	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
12	of which management companies	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
13	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
14	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
15	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
16	of which insurance undertakings	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
17	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
18	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
19	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
20	**Non-financial undertakings (only NFRD)**	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
21	Loans and advances	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
22	Debt securities, including UoP	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
23	Equity instruments	0.0	-		-	-	-	-		-	**-**	**-**		**-**	**-**	**0.0**
24	**Households**	82.8	13.1	13.1	0.0	0.0	0.0	-	-	-	**82.8**	**13.1**	**13.1**	**0.0**	**0.0**	**13.3**
25	of which loans collateralised by residential immovable property	100.0	18.2	18.2	0.0	0.0	0.0	-	-	-	**100.0**	**18.2**	**18.2**	**0.0**	**0.0**	**11.5**
26	of which building renovation loans	100.0	0.0	-	-	-	0.0	-	-	-	**100.0**	**0.0**	**-**	**-**	**-**	**0.2**
27	of which motor vehicle loans	93.1	0.0	-	-	-					**93.1**	**0.0**	**-**	**-**	**-**	**1.5**
28	**Local governments financing**	9.3	0.0	-	-	-	0.0	-	-	-	**9.3**	**0.0**	**-**	**-**	**-**	**0.0**
29	Housing financing	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
30	Other local government financing	9.3	0.0	-	-	-	0.0	-	-	-	**9.3**	**0.0**	**-**	**-**	**-**	**0.0**
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0.0	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**0.0**
32	**Total GAR assets**	**36.3**	**5.7**	**5.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**36.3**	**5.7**	**5.7**	**0.0**	**0.0**	**13.5**

a. The percentage in this column represents the proportion of taxonomy-eligible assets over the gross carrying amount of the flow of new assets of the respective asset type.
b. The percentage in this column represents the proportion of taxonomy-aligned assets over the gross carrying amount of flow of new assets the respective asset type.
c. The percentage in this column represents the proportion of taxonomy-eligible assets over the total flow of new assets.

Table 10. Template 5. KPI off-balance sheet exposures.

The information within this template is not reported due to absence of the financial guarantees of undertakings subject to NFRD disclosure obligations and unavailability of data on assets under management.

31 December 2023, % (compared to total eligible off-balance sheet assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)				
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
			o/w Use of Proceeds	o/w transit-ional	o/w enabling			o/w Use of Proceeds	o/w enabling			o/w Use of Proceeds	o/w transit-ional	o/w enabling
1 Financial guarantees (FinGuar KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Assets under management (AuM KPI)	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 11. Annex XII: Template 1**.**

No nuclear energy and fossil gas activities have been reported by our counterparties subject to NFRD disclosure obligations. As a result, only Template 1 of the respective Annex is disclosed.

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades	No
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels	No

Climate change and air pollution

Climate change and air pollution are two significant environmental issues identified as material topics for us in the scope of the 2023 Double Materiality Assessment process. We discuss these issues below, including the impacts, risks and opportunities that we have defined as part of our materiality assessment and how we manage these through policies, commitments, targets, implementing actions and assessing the effectiveness of these actions. We recognise that greenhouse gas emission is key driver of climate change and air pollution. To address these issues, we are committed to being carbon neutral by 2050. Accordingly, we have prioritised SDG 13, Climate action, to align our activities to combat climate change and its impacts.

SDG 13: Our priorities	
13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
13.2	Integrate climate change measures into national policies, strategies and planning
13.3	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

AT A GLANCE

We integrate ESG considerations into our business model, risk management framework, and decision-making processes. Our corporate strategy emphasises three core elements: being committed to sustainable growth and implementation of ESG targets, being recognised as a positive contributor to the Baltic societies and becoming climate neutral by 2050 and gradually building up capabilities to decarbonise our business. To realise our commitments, we have established short-, medium- and long-term targets and integrated climate-related and environmental risks into our risk management framework, as well as updated or developed various tools and procedures, such as the ESG Due Diligence Standard, science based targets pathway calculation tools and ESG risk rating model that was launched for customers with largest loan exposures in the beginning of 2024. We engage actively with our customers and vendors to assess and address adverse impacts on society and the environment, promoting responsible business conduct throughout our value chain. We are dedicated to supporting no/low-carbon investments, climate change mitigation, and adaptation opportunities, while actively building capabilities and tools to assist customers in managing climate-related risks and in transitioning to low carbon economy.

IRO

We recognise that climate change and pollution to air impact the societies we serve. We have an influence on climate change through our own operations and due to financing entities that pollute, as well as climate change mitigation by granting loans to less polluting projects. Further, we may face increased losses should customers not adapt to climate change and damage to customers´ facilities, loss of assets value or increased operating cost as a result of physical damages brought on by climate change. We may also face the risk of corporate customers´ business models becoming obsolete due to transitional risks, such as higher fuel costs, carbon taxes, or requirements for carbon offsetting, or the cost of transitioning to a low carbon economy.

We have the ability to finance our customers´ climate change adaptation and mitigation projects and can provide support for their low carbon economy transitions, such as investments into low emissions technologies, renewable energy sources and energy efficiency systems. These initiatives will also decrease our climate risk and increase climate resilience for our customers. To fulfil our obligations, we will alleviate the potential adverse environmental impacts of our operations and customer activities, and are ready to fund companies in carbon intensive industries if there is a transition plan in place.

TARGETS

We have established climate change mitigation and adaptation targets related to GHG emission reductions. We have committed to being carbon neutral by 2050 and to reduce our Scope 1, Scope 2, and Scope 3 operating emissions by 50% in 2025 per employee in comparison to 2021 levels. Additionally, we aim to neutralise residual emissions from our own operations via carbon removal through voluntary contributions.

In 2023, we developed and approved the adoption of the Science Based Targets (SBT) to reduce our own emissions by 2030 and our corporate lending portfolio emissions intensity by 2035 compared to base year 2022. The methodologies used to develop our targets are based on an emission reduction pathway compatible with limiting global warming to 1.5°C based on the

SBT framework. The emission reduction to Net Zero covers all three scopes of GHG emissions without residual emissions. In the end of 2023, our targets were submitted to SBTi for validation and shall be disclosed once validated.

The main challenges we face in implementing our strategy is the lack of evidence and empirical data about loan type impact on emissions abatement and the uncertainty of the speed of market adaptation of new technologies and practices. We also face challenges about the speed with which new energy efficient or energy generation technologies can be implemented and the progress of regulatory-driven real estate energy efficiency renovations. To achieve our objectives, we will develop sector specific transition plan templates in 2024. We have used the SBT framework and sectoral decarbonisation pathways to determine our targets, which were based primarily on the local Baltic National Energy and Climate Action plans, including possible future developments. These will significantly impact our customers´ speed to adapt to climate mitigation and adaptation solutions, including buildings' energy efficiency renovation requirements, energy production decarbonisation national requirements, industrial regulations and sustainable, regenerative agriculture practices implementation, all of which have a significant impact on our Scope 3 financed emissions reduction.

In 2023 we established key elements of a transition plan for our own operations and loan portfolio that cover the medium term targets as well as main levers to achieve the targets.

We established short term decarbonisation targets as part of our corporate strategy and include an increase in the volume of corporate lending to corporate real estate projects where the energy efficiency certification (EPC) class is A or higher and renewable energy related projects up to 120 million EUR by 2027; the extension of the share of mortgage lending exposures of our portfolio to A or better EPC labelled housing from 23% in 2022 to 30% by 2027; and the increase of the share of lending exposures of our portfolio to A or better EPC labelled housing to 1,447 million EUR by 2027.

Climate change mitigation and adaptation metrics	**Base year**	**Target year**	**Target**	**2022**	**2023**
Own operations emissions (Scope 1, Scope 2, Scope 3), tCO_2e (a)	2022	2030	-	2,948	2,765
Own operations emissions (Scope 1, Scope 2, Scope 3), tCO_2e per employee	2021	2025	-50% vs 1.4 in 2021	1.3	1.1
Scope 3 financed emissions – Mortgage lending, tCO_2e (e)	2022	2035	N/A	144,000	232,000
Scope 3 financed emissions - Corporate lending, tCO_2e (b)	2022	2035	N/A	2,327,000	2,018,000
Scope 3 financed emission – Motor vehicle leasing (3), tCO_2e (c, e)	2022	2035	N/A	81,000	82,000
Mortgage portfolio with EPC rating A or better, % of total mortgage exposure	N/A	2027	30%	23%	24%
Mortgage portfolio with EPC rating A or better, €m	N/A	2027	1,447	1,085.9	1,251.9
Lending to corporate sustainable real estate and renewable energy related projects (accumulated), €m (d)	N/A	2027	120	85.0	108.0
High risk environmental assets in corporate lending portfolio, €m (f)	N/A	N/A	N/A	1,442.6	1,227.7
High risk environmental assets in corporate lending portfolio, % of total portfolio (f)	N/A	N/A	<23%	19.7%	18.5%
Carbon intensity of corporate lending portfolio, tC02e/€m (a)	2022	2035	-	604 (b)	571

a. Target shall be disclosed upon validation by the Science Based Targets Initiative.
b. Reinstated value for 2022 that includes previously excluded business loans, more details in Financed emissions methodology.
c. Motor vehicle leasing loans include both private individual and corporate lending.
d. For current reporting cycle, the reported loans cover renewable energy projects where environment impact was assessed when required by the law, and social and governance safeguards considered and real estate construction projects complying with technical screening criteria related to primary energy demand for new constructions under Climate Delegated Act.
e. Affected by numerous methodological and PCAF database updates, as well improved EPC data coverage for mortgages. Comparable numbers for 2022 would be 283,000 tCO2e for Mortgages, and 93,000 tCO2e for motor vehicle leasing loans.
f. Previously reported under the name 'Carbon-related assets', renamed to align with internal risk definitions.

POLICIES

In 2023, we updated our policies that address identification, assessment and remediation of impacts on climate change mitigation and adaptation: Sustainability Policy, ESG Due Diligence Standard, ESG Risk Assessment Procedure, and our onboarding and transactional due diligence processes. Further, we developed a new internal regulation, ESG Materiality Assessment and ESG Disclosure Standard.

The Sustainability Policy is our framework for determining our environmentally sustainable activities, addressing our climate impacts, and listing our exclusions. The Sustainability Policy outlines our ESG principles and values that we aim to integrate into our business model to reduce our environmental footprint and transition to a low carbon economy. It provides preventive aspirations to avoid and mitigate any negative impacts on society and the environment that might be caused by our own business activities and those of our customers and suppliers. It includes principal provisions relating to the due diligence of our customers and suppliers, and is aligned to international standards including the United Nations: Global Compact; Principles of Responsible Investments (UN PRI); Guiding Principles on Business and Human Rights; United Nations Sustainable Development Goals; The Organization for Economic Co-operation and Development (OECD) Guidelines on Multinational Enterprises.

Our ESG Due Diligence Standard establishes principles, roles, responsibilities, and guidelines when performing ESG due diligence of our customers, suppliers, and our own activities with the purpose to identify and address any Adverse or Potential Adverse Impact from ESG Risk Drivers of our activities. The standard encompasses international requirements, voluntary commitments, and recognised frameworks such as Sustainable Finance Disclosure Regulation, Proposal for Corporate Sustainability Due Diligence Directive, the UN Sustainability Goals, and the UN Guiding Principles on Business and Human Rights. The Standard was developed in accordance with the OECD Due Diligence Guidance for Responsible Business Conduct and is aligned with our Risk Policy and Sustainability Policy. The Standard outlines that for all significant supplier relationships, we perform an ESG due diligence process and ask the suppliers to complete the assessment. Based on the results, we may request missing policies or targets and perform other types of actions during the pre-agreed timeframe. The assessment of suppliers is performed triennially, while the assessment on customers is performed annually.

The ESG Risk Assessment Procedure describes the risk-based assessment process of ESG risks relevant for customers who are legal entities, as part of our credit assessment process, to help us identify and measure the environmental risks that our customers are exposed to and to determine areas for potential improvement. The procedure establishes requirements for our largest corporate customers to provide us with information on the existing and planned mitigation activities or transition plan to manage applicable environmental risks.

Our Industry ESG Risk Management Procedure provides guidance for sectors with medium or high climate risk exposure. It details sector-specific climate risks and risk drivers and outlines possible risk mitigation options, such as the development of climate-friendly policies and procedures, establishment of targets and transition plans. It also provides general lending principles and expectations for customers in these sectors, which include expectations for climate change mitigation and adaptation, energy efficiency and a shift towards increased renewable energy usage.

The Sustainable Investment Guidelines outline the sustainable investment principles and aspirations for investment decision making, including sustainability risk integration, in our investment decisions, liquidity bond portfolio and market making activities, management of pension funds, plans and schemes. The guidelines were developed in accordance with the Sustainable Finance Disclosure Regulation (SFDR), United Nation Principles for Responsible Investment (UN PRI) and the EU Action Plan for Financing Sustainable Growth. This Guideline sets criteria for the classification of financial instruments into sustainable, sustainability-linked or investments with no sustainability objectives.

Our Product Management Procedure governs the process of developing, changing or decommissioning products and services; and outlines the documentation and assessment processes. The procedure integrates ESG in the product and/or service lifecycle from initial phases of design and target market research to annual review and reporting to the senior management. The Procedure establishes definitions and criteria for environmentally sustainable product, socially sustainable product and sustainability linked product among others. In 2023, we initiated the update of this Procedure and introduced various definitions in order to create clarity for our business areas. This internal regulation provides guidelines for product owners with regards to integrating sustainability considerations into product manufacturing and distribution processes and for establishing product labelling according to sustainability objectives. This internal regulation was approved in Q1 2024.

Our Data specification for ESG Risk Data Model describes all current data requirements needed for the development of ESG Risk data model, including the data sources, where to get the needed data. This internal regulation also provides estimation methodologies for the data attributes, to whom data is not yet in our systems or it is not possible to get the needed data in the needed format from external data providers.

ACTIONS

Climate and environmental impact identification and materiality assessments

In 2023, we continued building our understanding and assessment capabilities of climate risks we and our customers face with the aim to enable us to take proactive measures, such as the development of effective mitigation and adaptation strategies, which can safeguard our and our customers´ assets, reputation, and overall business continuity. We took into consideration various climate and environmental risk drivers and their impact on business environments, technology and regulatory trends for our businesses and portfolios.

The climate and environmental related risks that we assessed include acute physical risks, long-term chronic changes (chronic physical risks) and transition risks. Acute physical risks, such as extreme weather events and their consequences, could damage or cause loss to our customers´ properties, operational outages and decrease of produce, and hence financial losses. Long-term changes in climate and environmental conditions, such as sea level rise, may lead to damages to property and both positive and negative fluctuations in operational output of our customers. Transition risks may arise due to the shift to a low-carbon economy and resilient ecosystems, which may affect existing business models and hence the financial standing of our customers. Ultimately, the abovementioned risks may cause us losses if they are not assessed and mitigated promptly, or we may miss transition financing opportunities. To stay resilient, businesses will need to adjust their operational strategies.

We see the Baltics as one homogenous region where the same principal physical risks apply, such as flood risk, draught risk, storms and heavy precipitation among others. Also transition risks are to a large extent the same apart from regulatory trends as there might be some local differences between the three Baltic countries in their environmental regulatory frameworks. Our climate and environment related risk management processes are further elaborated in our Pillar 3 report.

Analysis of impact of climate and environmental risks on our business environment

In Q1 2023, we developed ESG Materiality Assessment and ESG Disclosure Standard, that also covered principal process steps for climate and environment risk assessment (CERA) and performed the first iteration of the assessment itself.

CERA evaluates the scale of impact of climate-related and environmental risk drivers and/or change over the short, medium, and long term on the Baltic natural and economic environment and identifies impacts, approaches and recommendations for potential risk mitigation measures for different business areas and industry sectors. CERA also allows us to identify new lending opportunities to customers operating in high environmental-risk sectors. The results of CERA are used as recommended mitigation actions for further assessment and consideration for product development planning, C&E risk drivers impact materiality assessment on our risk types (C&E RMA), stress testing, transition planning and strategy development process.

We completed our first iteration of CERA in Q1 2023. In the scope of CERA, 34 individual physical (both acute and chronic) and transitional climate and environment risk drivers were assessed over the three horizons to identify the climate-related risk drivers that are relevant and potentially material for our business areas and sectors. The CERA outcome was discussed by our Board and integrated into our corporate strategy and our 2023 climate-related and environmental risk employee training.

The completed assessment was based on the review of regulations, peers´ annual reports, and climate-related literature, external scientific assessment of individual climate-related and environmental risk drivers, and internal expertise. The physical risk drivers impact severity and frequency change assessment over various time horizons was developed using a qualitative assessment following the Intergovernmental Panel on Climate Change's (IPCC) regional climate projections and the IPCC Sixth Assessment Report guidance. For the transitional risks related CERA assessment we used publicly available data that was deemed reliable. We assessed the individual climate and environmental risk drivers impact on our corporate lending including leasing for all economic sectors and for retail mortgage lending portfolio including private leasing in short, medium, and long term (up to 3 years, 4-10 years, and 11-30 years respectively).

The physical and transitional risk assessment for these business areas revealed distinct risk drivers and impacts across economic sectors. For customers in the agriculture sector, short-term risks include changing temperature, heat stress, heat wave, heavy precipitation, and flood, with potential impacts on financial flows and collateral. Transition risks include policy, litigation, market, and reputation risks; manufacturing faces short-term exposure to heavy precipitation and flood, impacting financial flows and collaterals, while transition risks encompass policy, litigation, technology, and reputation risks. The energy sector faces both physical risks (changing temperature, heat stress, etc.) and transition risks (policy, litigation, technology, market, and reputation risks); construction is faced with physical risks like heavy precipitation and flood, while transition risks include policy, litigation, technology, market, and reputation risks; wholesale and retail trade face short-term exposure to changing temperature, heat stress, heavy precipitation, and flood, with transition risks including policy, litigation, market, and reputation risks. The performed assessment highlights the need for sector-specific evaluations and transition plan development for all economic sectors aligned with evolving environmental regulations.

For private customers, including mortgage, physical risks encompass changing temperature, wind patterns, heat wave, drought, heavy precipitation, flood, coastal erosion, heat stress, changing precipitation, soil degradation, wildfires, storm, and drought over different time horizons. Risks impacting consumer lending and private vehicle leasing customers include storm, flood, heavy precipitation among others. Mitigation measures for private customers include insurance coverage and collateral assessments. Therefore, we and our customers must engage in proactive risk management, make strategic adjustments, and adhere to evolving regulatory expectations for climate and environmental risk mitigation.

CERA outcome revealed that our framework required enhancements, therefore respective actions were initiated and continued in the beginning of 2024 whereby we enhanced the CERA methodology to segregate the assessments of portfolios such as loans for large corporate customers, for SME, for leasing and for mortgage for private individuals, and to include comprehensive business environment scan (BES) step that encompasses the analysis of socio-demographic trends, additional macroeconomic variables, relevant trends in regulatory landscapes, technology trends in sectors, peer commitments and developments. Based on this our Board approved an enhanced our Procedure for Analysis of Impact of Climate and Environmental Risks on our Business Environment (C&E RBE) in Q1 2024.

Climate-related and Environmental Risk Drivers impact materiality assessment on our risk types

We recognise Climate & Environmental (C&E) risks as drivers that can influence various existing risk types in our Risk Taxonomy. Consequently, the management of C&E dimensions is integrated into our risk management framework, encompassing the processes for identifying, monitoring, measuring, and reporting risks. As part of our overall journey to progress on the integration of C&E risk drivers into our existing risk management processes we initiated a designated C&E risk materiality assessment in Q3 2023, which was concluded in Q1 2024. The outcome of this assessment is described in the following paragraphs.

We conducted a designated Climate-related and Environmental Risk materiality assessment across all material risk types and sub-types at the most detailed level feasible, given the currently available data and modelling capabilities. This includes Credit, Market, Liquidity, Model, Operational, Compliance, and Business Model Risks. This assessment scrutinises C&E Risk Drivers and their transmission channels, guided by the insights from the BCBS Report on the same subject across short-, medium-, and long-term time horizons (up to 3 years, 4-10 years, and 11-30 years, respectively).

Key parameters used to define materiality are a Financial Risk Materiality Threshold and Non-Financial Risk Grid, which are defined in our Risk Policy. The evaluation of Operational, Compliance, and Model Risk used mainly scenario analysis and expert judgment, focusing on potential fines, significant incidents, and associated financial losses informed by expert insights. The materiality of outcomes was assessed using the Non-Financial Risk Grid.

For Credit Risk, we used our risk quantification and stress testing models, while results were ultimately reviewed and assessed by risk experts. We mainly utilised the existing credit portfolio data as well as relied on the collected C&E risk data, including stressed Probability of Default (PDs) calibrated based on the qualitative outcomes of the CERA process, renovation rates (i.e., additional "haircut" to the existing Loss Given Default rate, indicative of investments needed for upgrading properties' EPCs from G, F, and absent EPC classes), carbon intensity across various economic sectors within our portfolio, as well as Energy Performance Certificates (EPC) data for collateral. The outcomes were assessed against the predefined Materiality Threshold, and C&E impact was determined as material if the impact exceeds the threshold.

The same applies to the Business Model Risk, where materiality outcomes were mainly driven by expert judgment based on the performed analysis as part of the Business Environment Scan. For Market & Liquidity Risks, ESG (including C&E) risk-driven adjustments on various deposit segments and the HQLA bond portfolio are integrated through the Survival Horizon analysis to gauge the materiality of ESG risk drivers' impacts. Furthermore, we also evaluated the potential Credit and Liquidity Risks spillovers by assessing the impact on liquidity as a result of NPLs increase in our Credit Risk C&E stress test.

The outcomes of the C&E RMA are tightly interlinked with our ICAAP and ILAAP processes due to the usage of the respective quantification tools and models. As the next step to advance the C&E risks integration in ICAAP and ILAAP, We have established the process of regular C&E RMA that will serve as an input for evaluation of our capital and liquidity adequacy in light of C&E risks. We concluded that C&E Risk Drivers are in particular relevant for Credit, Business Model, Compliance, and Model Risks.

Credit risk
The starting point for our assessment was the Climate Environmental Risk Assessment (CERA) process, which laid the groundwork for evaluating C&E risks within the credit risk framework. The analysis extended to various economic sectors including Agriculture, Forestry and Fishing, Manufacturing, Electricity, Gas, Steam, and Air Conditioning Supply, Construction, and Wholesale and Retail Trade. Additionally, we examined impacts across our diverse portfolios, which include large corporates, small and medium-sized enterprises (SME) lending, households with mortgages, and Commercial Real Estate (CRE). Our assessment highlights two main findings: the impact of C&E risk drivers on collateral concentration and impairment risks, alongside credit default and sector concentration risks.

Across all time horizons, we identified that physical risks are a material risk driver for both CRE and household mortgage portfolios, and transitional risks can be materially significant for CRE portfolios. This is largely due to forthcoming amendments in the Directive of the European Parliament and of the Council on the energy performance of buildings (2021/0426 (COD)), which propose that the least energy-efficient non-residential buildings shall undergo renovations to reach at least EPC class F by 2027 and class E by 2030. For the portfolio of households with mortgages, transitional risks are projected to become material in the medium term, in light of regulations requiring residential buildings to upgrade to at least EPC class F by 2030 and class E by 2033.

In regard to credit default and sector concentration risks, physical and transitional risks are materially significant in the short term, especially within the Agriculture (SME) and Manufacturing (Large corporates) sectors. The same risks are assumed to persist in the medium-, and long-terms, along with material impact on the SMEs in Manufacturing sector and the Energy sector (both, SMEs and Large corporates).

Market and Liquidity risks
Our Survival Horizon, incorporating both combined scenario stress factors and the impacts from additional ESG (including C&E) risk drivers, exceeds 12 months. Even in scenarios of heightened stress, our liquidity buffer remains robust and ample, indicating that the influence of these risk drivers on Liquidity Risk is non-material.

Regarding Market Risk, ESG (inclusive of C&E) risk drivers exert a direct influence on equity and fixed income products by intensifying liquidity constraints, which subsequently leads to diminished valuations for products not aligned with environmental and social governance standards. It is crucial that these risks are evaluated prior to products inception, specifically within the framework of the issuer limit approval process as part of our credit risk evaluation.

Such effects are limited as we have now equity instruments in our Trading Book, and our liquidity portfolio has significant sovereign exposures. Thus, we ascertain that the impact of C&E risk drivers on Market Risk remains non-material.

Operational risk
Our evaluation highlighted physical risk drivers, notably heat waves and storms, as significant factors influencing our Operational Risk profile. This conclusion draws on disruptions witnessed over the past decade, including extreme heat warnings and

increasing incidents of storms in the Baltics. The focus of our assessment was predominantly short-term, underpinned by the confidence that we are well-equipped to implement effective mitigation strategies, including effective Business Continuity Planning (BCP), for any notable Operational Risk events within this timeframe. This proactive approach is expected to address any material impacts over the medium to long term. The materiality assessment did not forecast any substantial impacts on Operational Risks. Potential effects are mainly envisaged as damage to critical IT infrastructure, which might, in turn, influence other operational risk sub-categories. We deem such impacts not to be material. However, we continue to raise the robustness of our risk management practices and business continuity plans.

Compliance risk
Considering the applicable transitional risks and transmission channels, in Q1 2024 we have evaluated C&E risk drivers' impact on Compliance Risk and its sub-risks. The assessment revealed that the policy and reputational risk drivers are primary factors, which might materially affect Regulatory Compliance and Market Conduct sub-risks during the short-, medium- and long-term.

As we are subject to an increasingly complex regulatory environment related to the C&E risks management, we continue revising our internal capabilities and fostering coherence of our internal governance arrangements with, including without limitation, the ECB Guide on climate-related and environmental risks, SFDR, and the EU Taxonomy Regulation.

Business Model risk
Political System, Competition, Product and Business Development, and Business Strategy Risks are areas likely to be impacted materially by C&E risk drivers in the medium- and long-term. These considerations highlight the evolving nature of risks and the necessity for strategic foresight.

Legal Framework risk
Transitional risks pose significant challenges to the banking sector, necessitating urgent adaptation to regulatory changes and increasing administrative requirements. This includes updates in tax legislations, the obligation to incorporate environmental crimes within AML frameworks as required by AMLD6, and critical updates related to the SFDR articles. These elements collectively contribute to the materiality of C&E risks in regard to the bank's Legal Framework Risk.

Contagion risk in the Financial Sector
Contagion Risk becomes material where extreme weather events or natural disasters threaten the operational continuity of key Financial Market Infrastructure (FMI) service providers. These dual pressures necessitate swift adaptation to mitigate the risk of financial penalties and safeguard against operational disruptions that could significantly affect the sector's stability.

Model risk
Our assessment emphasises a crucial aspect from the Model Risk viewpoint: limitations in our current risk modelling capabilities, particularly regarding the accurate modelling and assessment of transitional and physical risks. The risk is material in the short-term, while future impact depends on the progress of our data and modelling capabilities.

Counterparty risk assessment and engagement
We assess adverse or potentially adverse impacts on society and the environment as a result of our activities as described above in our ESG Due Diligence Standard and including within our investment decision making processes to the extent provided by the Sustainable Investment Guidelines, Discretionary Portfolio Management ESG Due Diligence Procedure and Sustainable Investments Due Diligence Procedure of our Asset Management and Pensions Companies.

As stated in our ESG Due Diligence Standard, we conduct risk-based due diligence, taking the severity, nature and likelihood of the impact from ESG risk drivers into account. We seek to identify adverse or potentially adverse impact of our activities related to human rights, environment, social and governance, and their likely effect on us. We expect our customers and suppliers to adopt our practices to the extent possible to better integrate ESG risk management in their value chain and by taking responsibility for the impact of their business conduct on human rights, environment, social, and governance.

Suppliers ESG risk assessment
Our Code of Responsible Business Conduct for Third Parties (the Code), is derived from EU/EEA law. The Code outlines our principles on responsible business conduct and fair social conditions, and requires third parties to: have a written environmental

policy and environmental management system, if required by applicable regulations, that is appropriate to the size, nature and risks of the third party's operations; implement an effective system to identify and minimise potential hazards to the environment; ensure fair employment practices and treatment of employees; and, commit to include the requirements specified in this Code in the contracts the third parties conclude with their cooperation partners. For all supplier contracts outside the EU /EEA we request our suppliers to confirm their adherence to a code similar to ours. Further, we perform ESG due diligence on our significant suppliers as outlined in the ESG Due Diligence Standard.

Customer ESG risk assessment
Climate-related issues are integrated into our transactional and customer level decision-making processes through ESG Risk Assessment Procedure and Industry ESG Risk Management Procedure. We have established a risk-based assessment process of ESG risks for legal entities as a part of the overall credit assessment. The ESG risk assessment for corporate credit customers contains an ESG risk evaluation and potential impact assessment to the existing and future operations of the customer. In addition, the customer must follow relevant social and governance aspects.

Our ESG Risk Assessment Procedure defines principles of the assessment process for environmental, social and governance risks at loan origination and monitoring processes. The ESG risk levels are assessed based on a transition risk heatmap, industry ESG risk classification and existence of historic negative ESG events.

We have classified industries into three categories based on the environmental impact of the sector in which the company operates. Industry risk classification is developed in accordance with risk categorisation list provided by the European Bank for Reconstruction and Development, Standard & Poor's Global ESG ratings and considering the location of our customers.

The transition risk heatmap provides a high level risk assessment of transition risks for main and sub industries, based on four risk factors: direct emissions costs, indirect emissions costs, low-carbon capital expenditures, and, revenues. If we conclude the impact of the company's activity on the environment is high, we perform a more detailed environmental risk assessment using the environmental risk assessment tool, and assess if the customer has adequate mitigation actions or a transition plan in place.

In addition, in our Sustainability Policy we have an Exclusion list. We do not provide services if we have identified that a customer is engaged in the certain environmentally harmful activities, and if there is an identified risk that the customer contributes to or is responsible for systematic violations of human rights or individual rights in wars or conflict situations, violations of basic human rights or corruption and other particularly critical violations of basic ethical norms. In 2023, we extended the list do business with customers involved in production of coal-fired power generation and/or thermal coal mining, and/or extraction of oil and oil shale if the customer has not committed to Net Zero by 2050 or earlier and does not have a transition plan in place. In 2023, we also completed the development of the ESG Risk Rating scoring model that enables the ESG risk scoring of our largest corporate credit customers.

Portfolio based ESG risk management
To identify ESG risks associated with specific industries and to avoid deterioration of the existing and future creditworthiness of the customer, we have developed an Industry ESG Risk Management Procedure that is a subordinated document to the ESG Risk Assessment Procedure, which includes sector specific guidance for the industries that have elevated ESG risks. As per the European Bank for Reconstruction and Development environmental and social risk mapping classification, and assessment of financed emissions based on the Partnership for Carbon Accounting Financials methodology we define seven sectors with possible elevated ESG risks: construction; wholesale and retail; agriculture, forestry and fishing; manufacturing; electricity, gas, steam and air conditioning supply; transportation; and commercial real estate.

For these sectors, a detailed ESG risk assessment has been performed that is divided into physical risks and transition risks which can affect customers in the respective industry across different time horizons. This enables us to identify industry specific risks and propose mitigation measures for customers in these sectors, including potential risk mitigation actions that customers can undertake.

In 2023, we developed net zero decarbonisation transition pathways for our main lending portfolios and our own operations and established short and medium-term targets related to lowering the overall exposure to high carbon assets for retail banking and corporate banking. We defined measures to lower the emissions of our credit portfolio through targets for financing a mixture of renewable energy installation projects, energy efficiency renovation projects, and energy efficient real estate. The objective of this roadmap is to support our long-term risk mitigation efforts and to achieve net zero greenhouse gas emissions by 2050. To support our customers in building their resilience towards climate and environmental change, we will continue to host seminars to address various aspects of climate impact relevant to their businesses. In 2023, we held 5 climate risk related seminars covering topics such as climate risk in transportation, commercial real estate and retail trade and wholesale sector, materiality assessment and emissions offsetting.

CLIMATE CHANGE MITIGATION AND ADAPTION – TRANSITION PLAN

This year we took big strides in developing our transition plan to become net-zero and contribute to the Paris Agreement targets. Although it is yet to be finalised, in 2023 we initiated several processes, defined key elements, and aligned our portfolios in preparation for a successful net-zero transition, and aim to complete a comprehensive transition plan in line with recommendations by Glasgow Financial Alliance for Net Zero by end of 2024.

In 2023, we signed a €115 million agreement with the European Investment Bank (EIB) to facilitate additional lending to Baltic Companies. This funding aims to improve access to finance in the Baltic region, with a specific focus to finance projects contributing to sustainability related objectives due to applicable lending criteria, and will be available to small and medium-sized enterprises as well as certain large companies. This financing will enable us to advance on our transition plan initiatives and issue loans that are competitive with our peers for sustainability linked purposes.

We established emission reduction targets based on developed business area specific transition roadmaps that were aligned with the business area managers and subsequently approved by the Board in scope of the SBTi. The transition roadmaps with specific actions and targets were developed for our own operations, corporate and mortgage lending. The corporate lending transition roadmap contains various methods to reduce loan portfolio emissions, such as the exclusion of fossil fuel-based energy production if the company has not committed to align its operations to Paris Agreement targets and not established a transition plan as well as providing loans for energy efficient real estate and renewable energy projects. Further, for the purposes of reduction our loan portfolio emissions, initiatives to provide loans that enable the transition to low carbon economy, such as transition financing for energy efficiency increase of buildings or company operations, shall be considered. For mortgage lending, the main levers include loans for financing high energy efficiency buildings as well as increased transition financing to improve and encourage energy efficiency improvement of buildings. The own operations transition roadmap contains a switch to renewable energy sources for all our facilities, gradual electrification of our fleet and developing a car-pooling solution for employee commuting. All transition roadmaps shall be reviewed again in 2026 to measure the progress of our initiatives and adjust accordingly.

In 2023, we also assessed our resource needs and allocations to better handle environmental risks and climate change mitigation and adaptation related regulatory and internal strategy implementation. Since the start of our journey in 2020, we have made significant progress in understanding the resource requirements and establishing adequate staffing. By the end of 2023, more than twenty employees were working on ESG and climate change mitigation and adaptation activities. The increased focus on sustainability, implementation of transition planning initiatives, and new requirements will increase our workload. This greater workload is linked to new reporting requirements and the obligation to integrate sustainability considerations and controls into product processes. In 2024 and beyond, we will focus on enhancing the capabilities of our people through internal and external trainings and improved access to reporting tools.

We have calculated our financed emissions for majority of on balance asset classes, given the data availability. All climate related quantitative disclosures in this report are compiled on a best endeavours basis and to an extent are based on proxy methodologies. In the coming years, we plan to obtain more actual data, therefore the numbers presented in this report may change based on the expected increased availability of reported data.

Reducing the climate impact of our operations

Emission reduction is the key focus for decreasing our climate impact. In 2023, we made progress on our commitment to be carbon neutral by 2050 and on our intermediate target of reducing Scope 1, 2 and 3 operating emissions per employee by 50% by 2025. In 2023, our total own emissions were 2,765 tCO_2e, 6% lower compared to the previous year and we reduced our carbon emissions intensity per employee by 16% from 1.3 to 1.1 tCO_2. In comparison with baseline year 2021, the reduction of our carbon emissions intensity per employee has been 24%. We increased our total energy consumption by 2% due to worse weather conditions and expansion of our branches in Lithuania, and increased marginally our use of renewable energy to 42% of our total energy consumption. We concluded the materiality assessment of our scope 3 own upstream operations emissions categories to be included in the reporting inventory and identified computer equipment to be material and aim to include this in our emissions baseline in 2024.

In 2023, we took a number of additional actions to lower our climate impact, with hybrid vehicles now comprising the majority of our car fleet and further installation of light sensors and LED lights in our facilities. To lower emissions arising from employee commuting, we evaluated various options for car-pooling applications and chose a solution to be piloted in 2024 and investigated options to reduce the emissions of our business travel through use of sustainable fuels by Baltic bus-operators.

We updated our Outsourcing Policy and Third Party Risk Management Procedure and included ESG related due diligence questions into our process for all outsourcing partners to ensure that we do not impact negatively climate and environment through our supplier relations and to determine actions if we identify high impact ESG areas that need attention such as requirements for policy establishment (e.g. sustainability policy), reporting specific metrics or initiating or stopping specific actions (e.g. value chain due diligence processes establishment). We developed an extensive due diligence questionnaire for our outsourcing partners that covers ESG questions and that shall be disseminated to all significant outsourcing partners in 2024.

Reducing the climate impact of our loan portfolio

To reduce the climate impact of our loan portfolio, we took additional actions in 2023. Targets using SBT methodology have been approved by the Board for the year 2035 for corporate lending products with a separate target for energy sector and were submitted for validation to the SBT Initiative. Additionally, decarbonisation pathways and actions for corporate lending and retail mortgage lending business areas have been established in order to support our commitments.

We assessed our credit portfolio based on environmental (both transitional and physical risk) and social risk exposure according to the EBRD industry classification. According to this assessment, the high-risk assets in our portfolio are linked to high energy and emission intensity, and 18.5% of our corporate loans are classified as exposed to high inherent environmental risk. In 2023, 47% of new lending clients in high climate risk sectors have transition plans in place (only in scope customer groups above 5 MEUR and excluding off balance items and loan prolongations).

31 December 2023, €m by risk	**Low**	**Medium**	**High**	**Excluded**	**Total**
Real estate activities	167.5	1,500.6	0.0	0.0	**1,668.0**
Wholesale and retail trade	687.2	175.3	187.7	0.0	**1,050.2**
Manufacturing	0.0	641.6	339.2	2.0	**982.9**
Transportation and Storage	3.6	328.3	0.0	0.0	**331.9**
Agriculture, forestry and fishing	0.9	484.4	192.9	0.0	**678.2**
Construction	38.2	87.8	625.3	0.0	**751.3**
Administrative and support service activities	167.1	160.3	1.4	0.0	**328.8**
Professional scientific and technical activities	212.0	0.0	0.0	0.0	**212.0**
Electricity, gas, steam and air conditioning	252.7	32.2	77.8	0.0	**362.7**
Mining and quarrying	0.0	0.0	22.6	0.0	**22.6**
Water supply	0.0	81.2	19.6	0.0	**100.8**
Other	143.6	114.6	0.0	0.0	**258.2**
Total	**1,672.7**	**3,606.1**	**1,466.6**	**2.0**	**6,747.5**

The exposure is defined as "total credit commitment" which is the sum of the amount drawn, accrued interest and off-balance sheet exposure.

In 2023, overall our financed emissions for corporate lending, mortgages and motor vehicle loans decreased by 9%. This is mainly attributed to the decrease of the corporate lending portfolio in scope of calculations, as well as improvement of data availability and quality, especially updated emission factors and real data from customers and registries. Issuance of new energy-efficient real estate loans slowed as competition increased and the risk considerations slowed the issuance of new renewable energy loans.

Financed emissions, thousands tCO_2e	2022	2023
Mortgages	144	232
Motor vehicles loans	81	82
Corporate lending	2,327	2,018
Total	**2,552**	**2,332**

Financed emissions and carbon intensity Corporate lending portfolio, on balance sheet assets 31 December 2023	Exposure €m	Financed emissions (thousands) tCO_2e	Carbon Intensity tCO_2e/€m	% of total financed emissions
Real estate activities	1,259.0	42	33	2%
Wholesale and retail trade	525.7	553	1,052	27%
Manufacturing	476.3	908	1,907	45%
Transportation and storage	112.6	33	290	2%
Agriculture, forestry and fishing	298.6	227	760	11%
Construction	183.5	62	340	3%
Electricity, gas, steam and air conditioning	184.6	91	495	5%
Water supply	58.3	12	212	1%
Mining and quarrying	9.7	3	278	0%
Other	427.9	87	203	4%
Total (included in scope)	**3,536.2**	**2,018**	**571**	**100%**
Excluded Financial activities (NACE code K)	260			

To limit our exposure to high-risk customers, we updated our Exclusion list to include entities from our future direct investments and financing universe if they are engaged in the production of coal-fired power generation, thermal coal mining, and extraction of oil and oil shale if the respective company has not committed to Net Zero targets by 2050 or earlier and does not have a transition plan in place. We also updated the Risk Appetite Statement Strategy with concentration limits to control our exposure to high physical and transition risk sectors in the corporate credit portfolio. We also approved new Board limits and KRIs for corporate lending. Further, within the ESG Risk Assessment Procedure we introduced additional requirements for larger corporate customers covering requirement to have a transition plan for those customers that operate in "high risk" sectors and to calculate emissions as well as to establish a target for reducing their carbon emissions intensity.

We also initiated the development of transition planning advisory capabilities to be able to help our customers to adjust to low carbon economy by providing them assistance with necessary tools, target setting, trainings and advice on initiatives and their prioritisation. We initiated the development of internal competence on emission abatement levers in different industry sectors, initiatives prioritisation tools and target setting in various industry sectors. Moreover, we are actively supporting a graduate level research project on transition planning tooling for the agriculture sector. Lastly, we designed our first transition plans development training for our employees and customers which will be made available in Q1 2024.

In 2023, we continued to finance lower-carbon energy projects and increased the volume of lending to energy efficient real estate and renewable energy related projects to 108 million EUR. The loans cover renewable energy projects where environment impact was assessed, and social and governance safeguards considered and real estate construction projects complying with technical screening criteria related to primary energy demand for new constructions under Climate Delegated Act.

To advance our existing data capabilities and collection capacity and contribution to overall risk management, we have developed an extensive client climate-related and environmental risk questionnaire. This is included in our ESG risk rating process, and the questionnaire includes the topics of climate change, resource use, waste and pollution, production and other data, as well as introductory information to mitigation actions and environmental impact reduction targets. The questionnaire is designed to contribute to data collection from customers in a granular and quantitative manner. Additionally, we developed and approved proxy methodologies to estimate environmental risk parameters in cases where customer data has not been reported.

In 2023, we initiated a reviews of new mortgage lending contracts from the perspective of flood risks in Latvia. In 2024, we expect to implement further mitigation factors in lending risk parameters for private individuals and decisions process related to environmental risks.

In 2023, we completed the development of the tools to determine EU Taxonomy alignment for six economic activities of loans that we issue. This ensures that we are building our capabilities to steer more funding into environmentally sustainable assets. We conducted testing of the EU Taxonomy alignment questionnaire with respect to mortgage loans in order to identify taxonomy aligned activities and to enhance data quality as well as enable more accurate EU Taxonomy reporting. In the future, we aim to expand our centralised portfolio assessment methodologies to helps to categorise and identify sustainable economic activities and guide focused investments and financing toward initiatives with lower climate impacts in a more efficient way. This action enhances risk assessment, transparency and informed decision-making.

In 2023 we increased marginally to 23.8% the share of mortgage lending exposures of our portfolio to A or better EPC labelled housing as compared to our 2027 target of 30%. In 2024, we will continue taking additional action to reach emission reduction targets for residential real estate funding by financing new A or higher class real estate projects, integrating environmental and sustainability goals into our lending strategy and decision making.

Luminor financed mortgage portfolio based on energy efficiency classification, on balance sheet exposure

31 December 2023	Estonia	Latvia	Lithuania	Total	Total €m
A, A+, A++	15.2%	4.9%	36.4%	**23.8%**	1,251.9
B	7.6%	2.0%	13.8%	**9.4%**	497.4
C	19.0%	3.4%	18.0%	**14.4%**	759.5
D	28.5%	14.7%	6.2%	**13.2%**	694.3
E	16.9%	5.8%	5.1%	**7.8%**	412.6
F or lower	4.9%	2.8%	17.8%	**11.2%**	588.5
No data	7.9%	66.4%	2.7%	**20.2%**	1,065.6
Total, %	**100%**	**100.0%**	**100.0%**	**100.0%**	-
Total, €m	1,124.7	2,784.1	1,361.0	-	5,269.8

We improved mortgage collaterals related data availability and collection such EPC and Primary energy demand. By the end of 2023, 35% of mortgage exposures had real EPC data collected from customers and local EPC registries versus only 18% in 2022. For retail lending, we have identified and assessed climate-related physical risks in our markets based on EU taxonomy classification, with flood, coastal erosion and heat wave risks being determined as the most material for real estate, using climate change risk maps for each country to identify properties located in areas that are susceptible to acute climate-change-related damage.

In the future, our ongoing access to finance at an affordable cost will be critical for the implementation of the actions as envisioned in scope of the transition plans. To ensure this is realised and to attract additional capital on favourable terms, we aim to establish readiness for a green bond issuance decision in 2024. An emphasis on renewable energy projects and sector-based transition financing will be instrumental for the achievement of our targets for loans for energy efficient buildings and renewable energy projects. More specifically sector-based transition financing includes regulations relating to building stock renovations, energy efficiency requirements, availability of public guarantee schemes, sustainable agriculture related and circularity principles implementation requirements in manufacturing and retail trade sectors.

Reducing the climate impact of our investment related activities

In 2023, we continued implementation of our Sustainable Investment Guidelines. We also integrated corporate social responsibility into the due diligence assessment process of our custodians.

Our Discretionary Portfolio Management business continued enhancing the Discretionary Portfolio Management ESG Due Diligence framework. This required enhancing the way we select instruments to be included in the investment portfolios, as well as a systemic consideration of ESG metrics in the process. We have also published annual information in accordance with Regulation (EU) 2022/1288 on sustainability indicators and principal adverse impacts disclosures for the Discretionary Portfolio Management services.

Our asset management companies continued to reduce climate impact by offering clients pension funds which promote environmental characteristics and are labelled as Article 8 in accordance with Regulation (EU) 2019/2088, and increased the weight of sustainability-related instruments in the pension funds' assets by 8.7% to 27.4% of AuM by year end.

In accordance with Regulation (EU) 2022/1288 on sustainability indicators and principal adverse impacts disclosures for the Discretionary Portfolio Management services and Asset Management Subsidiaries were developed and at the end of Q2 2023 and were published on our website. We aim to actively ensure the alignment of our asset management activities with the sustainability preferences, if any, of our clients through a comprehensive approach.

To foster conformity with the MiFID II and associated regulatory requirements, in 2023, we revised process for assessment of individual clients' sustainability preferences. As a result, a dedicated questionnaire to assess sustainability preferences as part of clients' suitability assessment process was developed.

In our Markets area in 2023, we originated almost 0.9 billion EUR of new debt securities from local issuers, of which over 70 million EUR, or 8%, were green bonds. In our Treasury area, at year end, 35.4 million EUR of our fixed income portfolios were invested in ICMA green bond certified holdings compared to 26.6 million EUR in 2022.

Climate and environmental related risk stewardship

In 2023, we raised awareness on topics related to climate change, environmental risk identification and management, for our customers and employees. To support our customers, we hosted multiple seminars to address aspects of climate change, including sector specific topics as well as circular business models and materiality assessments under the CSRD. We launched a climate and environmental risk impact on reputation training and climate and environmental risk trainings for our management and customer-facing employees to increase awareness about the importance of climate and environmental risk drivers.

We held climate and environmental risk and transition planning related keynote-speeches and facilitated panel discussions at events such as Impact Day, GreenEst Summit in Tallinn and Baltic Sustainability Forum in Riga.

In 2023, we led the pan-Baltic ESG Data working group of the three local Banking Associations and worked to establish a standardised ESG data collection questionnaire, the development of a user-friendly GHG emissions calculation tool, and procured the methodology from experts on the thresholds for the top 15% most energy-efficient buildings to be able to classify the portfolio assets according to the EU Taxonomy Regulation.

We aim to investigate additional possibilities for guiding and supporting our customers towards climate risk resilient business models and relevant disclosures through advancing the build-up of our transition planning and climate-related risk advisory tools, capabilities and services. We will also continue working together with the local governments and Bank Associations to create solutions for local climate data and their future projections. Further disclosures about our climate risk management practices are included in the Business model resilience section of this report and in our Pillar 3 report.

Biodiversity and ecosystems

We recognise our dependencies on natural capitals which are crucial for economic activities and acknowledge the potential risks associated with climate change. Our economic vitality is closely linked to our employee health, which is impacted by the availability of clean water, air, healthy nutrition and decent work.

Our main impact on biodiversity and nutrient pollution comes from our financing of the agriculture sector. We are committed to supporting our customers in their transition to climate resilient and carbon-neutral economic models. Particularly for our agriculture customers, this transition begins with embracing regenerative practices, to cleaner water, soil quality and biodiversity. A focus on these practices will create resilience to both transitional and physical climate risks and contribute to emission reductions. Embracing this interconnected journey, we are committed to fostering new ways of collaboration and cooperation to achieve our common goal.

Our Industry ESG Risk Management Procedure provides an overview of the main impacts of the sector to the environment and outlines additional guidance on how to work with customers in this sector. In 2024 we aim to complete the analysis of the Biodiversity Accounting Standard for the financial industry and to establish understanding of any data gaps for being able to calculate baseline of our impact in the coming years. Based on this, we will be able to define relevant strategies to minimise our ecological footprint.

ACTIONS

To raise awareness of environmental issues and encourage meaningful change, we promoted a wide array of environmentally friendly activities for our employees. We also promoted environmentally friendly methods of commuting, including a cargo bike campaign in Estonia. More than 100 employees helped restore two wetland areas in Lithuania - Silėnai peatland and Svirplinė Botanical-Zoological Reserve in Asveja Regional Park. This project was initiated to capture carbon worth about 3,000 tons over the next 30 years and to educate our employees about the importance of the wetlands and peatlands for the environment.

SOCIAL INFORMATION

Our commitment to sustainability extends to our own workforce and those within our value chain. This chapter explores the material topics of our "Own Workforce", "Workers in the Value Chain", and "Customers and End-Users" addressing the impacts, risks, and opportunities associated with the well-being of our employees and workers across our value chain. We also disclose within this chapter about our Baltic engagement.

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

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

Own Workforce

As of 31 December 2023, 69% of our employees were female and 31% male, a gender split consistent with the Baltic financial sector. Nearly all employees work full-time, and most are employed on a permanent contract. Total employee numbers increased by 6% in 2023 as we filled vacant positions. Employees hired on a temporary contract include staff who are covering particular roles while the permanent staff members are absent, typically on maternity or parental leave or who have been hired for a specific project.

Number of employees by gender	31 Dec 2022			31 Dec 2023		
Full time equivalent	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
By contact type						
Permanent	1,570	668	**2,238**	1,665	755	**2,420**
Temporary	86	29	**115**	54	18	**72**
Total	**1,656**	**697**	**2,353**	**1,719**	**773**	**2,492**
By type of employment						
Full-time	1,641	691	**2,332**	1,700	767	**2,467**
Part-time	15	6	**21**	19	6	**25**
Total	**1,656**	**697**	**2,353**	**1,719**	**773**	**2,492**
of which Managers	168	131	**299**	166	136	**302**

We prioritise the health, safety, and well-being of our employees and promote ethical and inclusive practices throughout our value chain. Through continuous improvement and transparent communication, we aim to build a sustainable and socially responsible organisation that contributes positively to the communities we serve.

In recognising the direct impact of workforce quality on business outcomes, we aim to create sustained value for stakeholders while upholding the principles of responsible and ethical corporate behaviour. By fostering a healthy, inclusive, and ethically managed workforce we will ensure the long-term success of our business. Moreover, the expertise of our employees is crucial for the effective execution of processes, ensuring market resilience, and compliance with regulatory requirements and voluntary commitments.

IRO

Through our materiality assessment, we have identified the following impacts, risks and opportunities connected to our employees and workers in our value chain. We face the risk of long-term illnesses, such as employee burnout due to continuously high workloads, which may lead to lost workdays and a potential need to engage and train additional employees. We also face the risk of employee dissatisfaction caused by non-adequate wages, leading to employees leaving and additional recruitment costs for us as well as additional workload for the remaining employees. There is also risk of mistakes and poor skills in exercising processes or advising customers, which can be caused by a lack of training and may lead to reputational damage or customers misinformation. We also may face the risk of unhappy or lost employees caused by their feeling of being unfairly treated leading to poor quality of work or employees leaving. On the other hand, there is an opportunity to include various points of view due to consideration of diversity in all decision forums and teams leading to problem solving and achieving of better outcomes in all decision-making. Lastly, we have the risk of child or forced labour use by our suppliers or customers which may cause reputational damage. However, there is an opportunity of offering value added services for customers such as transition advisory caused by additional climate-based capabilities development, which may lead to increased customer loyalty and potential new revenues.

Our success depends on recruiting and retaining people to serve our customers and realise our ambitions. Work-related illnesses may be physical injuries, ranging from sudden and obvious injury to longer-term strains and stresses on the body, such as backache, and eyestrain or mental illnesses, such as stress, depression or anxiety. Mental illnesses can arise due to overwork, unacceptable pressures, bullying, intimidation or harassment.

POLICIES

Our Sustainability Policy, Code of Conduct, ESG Due Diligence Standard, Equality, Non-Discrimination and Diversity Policy, Remuneration Policy and Base Salary Management Standard establish our commitments and actions with regard to our employees that are outlined below. The Sustainability Policy and the ESG Due Diligence Standard are addressed further under the Planet section. The Non-Discrimination and Diversity Policy is addressed further under the Diversity section, while the Remuneration Policy, Base salary management standard and Code of Conduct are addressed in the Governance section. Further relevant policies are elaborated in the below sections.

TARGETS

We have established targets to promote diversity and inclusion, and employee engagement. Accordingly, we aim for 40% of Council members and 33% of management bodies' members to be female by the end 2026, and target a gender pay gap of less than 5%. In addition, we aim to meet the International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

To assess our employees' health, safety and wellbeing, we conduct bi-annually our Pulse Survey in scope of which, we measure employee Net Promoter Score, aiming to achieve a similar result each time, and also track further metrics to detect early any changes and to be able to address risks early.

Employee engagement and capability building metrics	Target year	Target	2022	2023
Absenteeism (trend total), %			2.0	1.6
Employee Net Promoter Score (eNPS)	In 2024	50-55	+49	+51
Number of promotions, #			368	304
Average hours of training per employee, #			23	20

ACTIONS

Working conditions

In 2023 we updated our Work Organization Rules which outline the main principles and obligations of the parties in the employment relationship, pursuant to the applicable labour legislation, including: working time, working place (including remote and working options), general health and safety, and vacation and time-off conditions.

We enable employees to use family-related vacations as per guidance of local legislation and provide up to seven additional vacation days when annual vacation days are utilised. Health and volunteering related paid days available to our employees. In addition, as part of commitment to help employees develop, our 'Workation' programme allows employees to work abroad for up to three months provided that the workplace and work conditions are compliant with internal and external requirements.

Adequate compensation

In August 2023, we updated our Remuneration Policy. Together with our Base Salary Management Standard we aim to align strategic initiatives with our culture, and attract, retain and engage employees through transparency and gender-neutral remuneration management. To position ourselves as highly coveted place to work we seek fairness in three categories: external (compensation according to external benchmarks in the country), internal (compensation according to job level and job group) and individual (compensation according to the individual competence, experience in the job, and performance).

We ensure timely salary payment and withholding of taxes (including social taxes) and fees as per the law. The Public Social Insurance Programmes provides protection against loss of income due to sickness, unemployment, employment injury and acquired disability, maternity leave, and retirement.

We conduct annually equal pay reviews to identify and close potential gender gaps, both for management bodies and all employees. The outcome of the review is used to support transparency during the annual salary review process. We are working to close the gender pay gap and making the information on salaries more transparent. We have also established a target to ensure that the gender pay gap for the same job at the same function be less than 5%. Managers are informed about diversity and equality in each performance management process cycle and while conducting salary reviews, and offered training about equal remuneration.

We use the Hay/KornFerry Applied Job Grading Methodology for job levelling and salary benchmarking for the Estonian, Latvian and Lithuanian financial and information and technology sectors. This helps develop salary ranges for each level in the respective country. At the end of 2023, 2.1% of staff were below the established salary range minimum levels.

Freedom of association and collective bargaining

We ensure freedom of association, the existence of work councils and information, consultation and participation rights for any employee, and collaborates actively with Finance Sectors of Pro Ametiühing (Trade Union) in Estonia, Financial Sector Trade Union in Latvia and Employees Works Council in Lithuania.

In Estonia we signed an 'Agreement of Good Intentions' with the sub-union in the Finance Sector of Pro Ametiühing. The agreement regulates the employment relationships between us and our employees and ensures employee well-being and their commitment to our success. We provide a minimum of 15 working days' notice to employees and their representatives prior to the implementation of any significant operational changes that could substantially affect them. With all changes, we apply notice periods required by law. Working conditions and terms, such as overtime, rest time and employee benefits are influenced, and severance payments, in case of redundances, are determined, by collective bargaining agreements in Estonian entities.

Health and safety

To maintain employee wellbeing, we have health and safety policies in place in all three Baltic countries in local languages that comply with local regulations. We have implemented an occupational health and safety management system in accordance with local regulatory requirements in all three Baltic countries. Each year, employees are selected and trained by certified occupational health trainers to observe, report and solve issues related to workplace safety.

Each employee is required to complete a health check regularly, and our facilities have ergonomic workplaces. In addition, we have established guidelines for employees working from home, to ensure their home offices maintain healthy standards. We educate employees on such topics, focusing on health and safety, emergency situations and fire hazards. Occupational safety specialists in each country guide and recommend the best practices and monitor health checks and training. Our policies cover all employees and contractors working at any of our locations and or at their homes.

Our employees can report work-related hazardous situations and harassment claims to the People and Culture Division, or through our "Raise your concern" channel, and are protected against reprisals.

In 2023, we implemented health insurance in Estonia to all employees. We now provide accident insurance to all of our employees starting on their first day of work and health insurance to every employee after 3 months of work, including those who are on parental leave. Support is also provided to employees in case of close relative death. Furthermore, all employees are covered by social protection through public programs and through our Health and Accident Insurance Program.

Mental health and wellbeing

We acknowledge that we succeed and best contribute to the prosperity of our home markets if our employees thrive and are engaged. Our Mental Health and Wellbeing at Work Standard, which was approved in 2023, sets the process for protecting and promoting mental health and wellbeing at work, assessing and managing psychosocial hazards, including violence and harassment, reporting and handling complaints and providing support. The Standard also outlines measures to support employees in work-related crisis situations.

During the year, we continued to raise wellbeing awareness and increase wellbeing amongst our employees. Twice a year we conduct a Pulse Survey to measure employee engagement and satisfaction, and generate an Employee Net Promotor Score (eNPS) and Services and Products Net Promotor Score. Our November 2023 survey had an 93% response rate, and showed that our eNPS score rose to +51 as compared to +49 in 2022. For 2024, we aim reach eNPS score between +50 and +55.

Diversity and inclusion

We have a diverse workforce and are committed to the principles of diversity and inclusion. By promoting inclusion and diversity, we enhance our business performance. We recognise that a wide range of backgrounds, experiences and skills lead to better decision-making and outcomes. Improving diversity and eliminating discrimination contributes to increased employee satisfaction, reduced turnover and is viewed positively by customers and business partners.

Gender Diversity metrics	Base year	Target year	Target	2022	2023
Gender pay gap same function, same job level, %	n/a	n/a	<5%	2.0%	2.2%
Council, % female members	2021	2026	40%	30.0%	22.0%
Council and Board, % female members	2021	2026	33%	29.4%	26.7%
All employees, % female employees	n/a	n/a	n/a	70.4%	69.0%

Our diversity values are supported by our Code of Conduct, Equality, Non-Discrimination and Diversity Policy, Remuneration Policy and Base Salary Management Standard, together with our recruitment and development practices. We require our third parties to ensure fair employment practices and acts in accordance with the principles of our third-party code of conduct. The Code contains provisions for the fair treatment of employees, and the right of the third party's employees to establish and join trade unions or any other association of their choice.

Our Equality, Non-discrimination and Diversity Policy outlines how to build and foster a fair and inclusive working environment and culture. We value every employee and given equal opportunities irrespective of any protected characteristics. The policy also seeks to achieve a diverse and skilful composition of the management bodies, teams and talents, promote a variety of views in decision making and comply with universal principles of equality, fairness and social justice.

Gender split of Council, Board and CEO reportees

Number of managers by gender	31 Dec 2022			31 Dec 2023		
FTE	Female	Male	Total	Female	Male	Total
Council	3	7	**10**	2	7	**9**
Board	2	5	**7**	2	4	**6**
Reportees to the CEO	6	5	**11**	6	5	**11**

We track the gender pay gap and the diversity at the Council, Board, top management and all employee levels. In 2023, our leaders participated in a training program consisting of 2 modules, "Performance Management Cycle in Luminor", which includes diversity and equality topics in team management and evaluations to address this aspect. In 2023, we launched an e-learning course about human rights which introduced the importance of basic human rights, equal employee rights, their relevance to financial institutions. We also carried out a mentorship program between managers with different backgrounds and leadership experiences, with an emphasis on demographic diversity between the mentorship pairs.

Human rights

We respect and promote fundamental human rights and the rights contained in the United Nations' Global Compact, and the Guiding Principles on Business and Human Rights, the OECD's Guidelines for Multinational Enterprises, the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises on Social Policy, including the Declaration on Fundamental Principles and Rights at Work and the Core Conventions.

We do not tolerate the infringement of human or labour rights, corruption, degradation of ecosystems, destruction of the world heritage or other actions that could be regarded as unethical. Our Sustainability Policy addresses human trafficking, forced and child labour in both our own workforce and in our value chain. We do not condone modern slavery or other human rights abuses within our own operations, nor within our financings and investments. Our Code of Conduct underpins everything we do and compliance with the Code is mandatory. The Code requires us to act ethically, comply with the letter and the spirit of applicable laws and regulations and to uphold our own internal regulations. We aim to review regularly and enhance how we manage our approach towards human rights due diligence, modern slavery and other human rights and sustainability related issues, and expect our stakeholders to do the same. We are determined to engage and work with clients, NGOs and NPOs, authorities and other stakeholders to increase awareness and share knowledge and best practices in relation to combatting modern slavery and other human rights, social and environmental issues.

We are determined to assess adverse or potential impacts on society and the environment as a result of our operational activities. This includes within our investment decision making processes to the extent provided by our Sustainable Investment Guidelines, and we expect our suppliers, vendors and corporate clients to do the same. We expect them to conduct their business in a way that ensures fair social conditions that do not contradict the United Nations Guiding Principles on Business and Human Rights. We also expect our suppliers, vendors and corporate clients to establish the processes and frameworks to ensure that they do not harm natural systems and create frameworks for waste management and carbon footprint reductions. We strive to ensure the alignment of our clients, vendors and suppliers to these principles and perform the respective due diligence following the principles set in our ESG Due Diligence Standard. When entering into contractual arrangements with vendors or suppliers outside the EU /EEA countries, we require them to adhere to our Code of Responsible Business Conduct for Third Parties or confirm their adherence to any similar internal code of such vendors or suppliers, where such code would be providing similar rules to that of our code in all material aspects.

In 2023, no reports of severe human rights issues and incidents connected to our employees, consumers and/or end-users or workers in the value chain.

Employee training on human rights policies or procedures	Base year	Target year	Target	2022	2023
Total number of training hours in the reporting period	N/A	N/A	N/A	230	2,061
The principles of Business conduct' course, % FTEs trained	2022	2023	100%	12.7	96.4
Human rights course, % FTEs trained	2022	2023	100%	42	79.4

Workers in the value chain

We recognise the significance of our impact on workers in our value chain. On-site workers include contractors or those engaged through third-party undertakings, and their welfare is crucial to our overall impact. Upstream Value Chain Workers include our vendors and suppliers of services and products that we use in our work such as electronics devices. These suppliers are entities involved in manufacturing, or processing of raw materials, extending the potential impact on workers; Downstream Value Chain Workers encompass the workers of our customers and end users, as well as the workers of retailers who sell our services (e.g. retail stores providing consumer finance or leasing for home appliances), reflecting the broad spectrum of our value chain influence.

IRO

There is a risk of forced labour and child labour in a bank's value chain that needs to be considered in the institution's business model. Regulatory compliance, a critical aspect of the banking sector, is jeopardised by any association with forced or child labour, exposing the institution to legal consequences, financial penalties, and damage to industry standing. Banking relies on trust, and unethical labour practices within the value chain directly threaten this trust, impacting stakeholders. The erosion of customer confidence may lead to a decline in business operations, affecting the bank's financial stability and long-term sustainability, with legal and financial repercussions potentially jeopardising its bottom line. The bank's image as an ethical employer is vital in attracting and retaining top talent, and associations with forced labour or child labour can lead to talent attrition, impacting competitiveness.

We recognise that some of the workers in our value chain may be vulnerable to forced labour, such as migrant workers, women, and young workers, therefore warranting special consideration and protection. Additionally, the materials from the mining operations for technology products might be susceptible to human rights violations, mainly in Asia and Africa. However, we see positive change resulting from activities such as updated purchasing practices, improving capacity-building for value chain workers and emphasising job creation, upskilling, and a 'just workforce transition'.

TARGETS

To ensure that our employees, vendors, suppliers and customers are not susceptible to risks arising from forced or child labour usage, we have set annual targets to educate 100% of our workforce and to perform an ESG Due Diligence report on all significant vendors and suppliers. These targets were established for the first time in 2023 based on our internal capabilities to create scalable processes for due diligence, resources availability and automated background checks. For these targets, the workers in the value chain have not been engaged.

Supplier or customers due diligence (DD) performed	Base year	Target year	Target	2022	2023
Significant supplier contracts where DD was performed, #	N/A	N/A	N/A	11	84
Significant corporate suppliers where DD was performed, %	2022	2024	100%	12%	74%
Human rights course, % FTEs trained	2022	2023	100%	42	79.4
Onboarded high risk retail customers where background check was completed considering human rights controversies, #	2023	2024	100%	N/A	431/ 2,204
Onboarded high risk legal entities where background check was completed considering human rights controversies, #	2023	2024	100%	N/A	60/ 312

POLICIES

Our Sustainability Policy, ESG Due Diligence Standard and Code of Conduct establish our commitments and actions regarding workers in the value chain. The Sustainability policy and Code of Conduct are approved by the Council, while the ESG Due Diligence Standard is approved by the Board.

We are committed to building long-term relationships with our customers, offering personal services and improving our customer satisfaction. We support and consider guidance provided by international bodies including the United Nations, the Organization to Economic Cooperation and Development (OECD), and the International Labour Organization (ILO). We also apply domestic law and follow our local Banking Associations´ Code of Conduct.

We pay particular attention to our customers, employees, and suppliers regarding child labour, modern slavery', sexual harassment, and people who might be discriminated against based on their characteristics and backgrounds. We work with civil society groups to increase awareness, share knowledge and best practices in relation to combating modern slavery and promoting human rights and social and environmental issues.

We will not provide services to customers where there is reason to believe that financial crime and other illegal acts are being committed, or where the customer is acting without the required authorisation. We will also deny services to customers if there is an identified risk that the customer contributes to or is responsible for systematic violations of human rights or of individual rights in wars or armed conflict situations, violations of basic labour rights or corruption or other critical violations of basic ethical norms. Further details can be found in the 'Exclusion List' in our Sustainability Policy.

We are determined to assess principal adverse impacts on society and the environment as a result of our operations and we expect our customers and suppliers to do the same. We expect them to conduct their business in a way that ensures fair social conditions and does not conflict with the United Nations' Guiding Principles on Business and Human Rights. We also expect our customers and suppliers to establish processes to ensure that they do not harm natural systems and establish frameworks for waste management and carbon footprint reduction. We communicate our expectations to our third parties during the negotiation process and require acceptance of our Third Party Code of Conduct as part of the agreement from suppliers from outside of EU/EEA countries. Additionally, we strive to ensure the alignment of our clients, vendors and suppliers to these principles and perform the respective due diligence following the principles set in our ESG Due Diligence Standard.

ACTIONS AND ENGAGEMENT WITH WORKERS IN THE VALUE CHAIN

Our value chain related due diligence and risk assessment processes are described for vendors and suppliers in the section "Counterparty risk assessment and engagement" and for legal entities that we serve as our customers are described in the sections "Customer ESG risk assessment" and "Industry specific ESG risk management".

In addition to these described processes, for the onboarding of any business partnership agreements with vendors, suppliers and customers, a background check is done to ensure that there are no public controversies related to human rights issues. The process is regulated by the Adverse Media Screening Instruction. This internal policy outlines our process for performing adverse media screening with the purpose of preventing us from being used for Financial Crime and for engaging with legal entities or private individuals who are involved in or, related, to financial crimes or ESG related offences. Exposure checks against adverse media allow us to identify existing or perspective customers that might be victims, perpetrators or accomplices of financial crimes. Such ongoing background checks are performed daily by screening articles published in public media about our high risk customers and their relations. If needed, a manual ad hoc screening process can also be performed.

In 2023, we updated the ESG Due Diligence Standard, KYC process and the Adverse Media Screening Instruction to ensure that we do not use forced labour or child labour in our value chain and to ensure that human rights due diligence of all our corporate customers and our suppliers are upheld. Our ESG Risk Assessment Procedure integrates considerations of human rights into lending procedures for large corporate customers. The outcome of this assessment informs our actions and requirements for additional information or to avoid a potential business relationship.

During the year, we performed ESG credit risk assessments for new corporate loan agreements following a risk-based approach. The complexity of the questions is dependent on the customer risk level and loan exposure size. The credit customers' due diligence is performed on the customer level by the relationship manager as part of the credit origination or monitoring processes. In the case that impacts related to ESG risk drivers (e.g., human rights or climate and environment related risk drivers) are identified through the due diligence process or KYC background check process, an assessment is conducted.

In 2023, we also performed 84 supplier assessments, compared to 11 in 2022. This means that we have performed an ESG due diligence for 74% of our significant vendor and supplier contracts. We have addressed mitigation actions with 36 partners mainly relating to social risk. The due diligence process for vendors and suppliers is developed and maintained by the Procurement Department and supported by the Group Sustainability Department. The vendor and supplier due diligence is performed by the business project managers during the execution of each project and facilitated by the procurement project manager. One FTE from the Procurement Department is dedicated to reviewing and assessing ESG due diligence results. In the case of a high-risk score, the respective risks are raised and assessed during the Change Risk Assessments, where representatives from the

Operational Risk Department, Compliance Department, Legal Department, CISO and Agreement Owners are involved. Many of our suppliers are leading global companies who share our commitment to responsible business conduct.

For supplier and vendor partnerships, the identified impacts are assessed based on our non-financial risk grid and our impact severity levels table. Material impacts are determined based on supplier and vendor answers provided in the Supplier ESG Due Diligence Questionnaire, according to the identified ESG Risk levels (low, medium, high, critical). If the identified risk is low or medium, no additional actions should be performed and the Procurement Manager should contact the supplier to perform ESG Due diligence process in 5 years or upon contract renewal, but not earlier than 12 months after the decision date. If the identified risk is high, potential actions for improvements based on the provided answers shall be proposed by the Procurement Manager and the Due Diligence process shall be performed within the next year. Improvements are monitored within the next process of supplier ESG Due Diligence. In case the supplier is identified for a critical ESG risk, the procurement team shall evaluate the possibilities of rejecting the supplier.

We require our third parties to ensure fair employment practices by expecting them to meet the principles established in our Third-Party Code of Conduct. In 2023, all of the signed 143 significant purchase and service agreements contained confirmation of their conformity with our third-party code or provided their code of conduct that stated similar provisions. We will continue to engage with civil society organizations to increase awareness, share knowledge and best practices in relation to modern slavery and other human rights, social and environmental issues.

In 2023, 79.4% of our employees participated in the training about human rights and their relevance to financial institutions and our bank. The principles of Business conduct course are included in our onboarding programme.

We only use licensed security companies or certified security guard services. All certified security guards are trained by their employer and have committed to ensure that their mandatory training program contains basic knowledges about human rights, acting in risk situations, fire safety and first aid. In 2023, we received no complaints nor registered incidents related to security guard behaviour or violations of customer, employee or visitor constitutional rights or freedom.

For 2024, we plan to implement the ESG Due Diligence process for all our outsourcing partners. Moreover, will investigate possibilities for digitalisation of the ESG Due Diligence Questionnaire to enable automation and improve user friendliness for our corporate and SME customers.

Customers and end users

Our customers and end users are private individuals who use our basic banking services for activities such as bank accounts, payments, cash withdrawals and deposits, investments into public and private instruments, lending money for housing, private transport, school tuition or for financing purchases of private appliances and electronic devices. Our corporate customers are legal entities who use our banking for services such as accounts, payments, facilitation of foreign business relationships through factoring and escrow solutions, lending solutions for working capital, project financing and equipment or vehicle leasing, additional investment engagement through bond issuance. All customers are instrumental to our success and their continued satisfaction and trust ensures our long-term success. By providing services to individuals, we ensure the fulfilment of their objectives, while for corporate customers, we enable them to flourish and in turn serve their customers and end users.

In our operations, we take extra measures with younger customers to ensure that they are not driven to financial difficulties by inexperience. We also need to ensure that our elderly customers are connected and included in our communication and services due to potential challenges with connectivity and access to the internet, as well as susceptibility to fraud and phishing. Furthermore, customers with disabilities may have additional needs for access to basic banking services. Therefore, we are working to improve our physical services, information display, content and technology in our public communication and services.

AT A GLANCE

We place a paramount focus on customer satisfaction, aiming to build and maintain trust through fair treatment, privacy protection, and high-quality service. In 2023, we introduced customer service roles to enhance relationships, personalised communication content, and channels, resulting in improved customer engagement. Quality assessments and proactive engagement with dormant customers contributed to increased satisfaction and reduced customer complaints by 26% compared to 2022. Our commitment extends to investing in IT scalability, customer communication during complaint investigations, and implementing service level agreements, aligning closely with local FSA recommendations.

Additionally, we demonstrate a commitment to inclusive and sustainable growth, establishing impact metrics, forming partnerships, and engaging employees in community initiatives.

IRO

Various impacts, risks, and opportunities are associated with our customer interactions. As a responsible financial institution, we recognise the importance of fostering a positive relationship with our clients and addressing potential challenges proactively.

We recognise the importance of protecting customers' personal information. The problem of data breaches is a concern across all industries; however, the financial services industry is a primary target of fraudsters due to the inherent value of the underlying data. We recognise that we may have serious impacts on customer data and our data processor is therefore regulated under the General Data Protection Regulation (GDPR), which safeguards customer data. Our systems, processes, and employees play a crucial role in protecting sensitive customer information and we acknowledge that the mishandling of customer data extends beyond monetary loss and could potentially lead to regulatory fines and reputational damage.

We face the risk of customer data theft or leakage that may lead to financial loss for customers and potential disclosure of personal data. We also face information integrity and online conduct risks that are associated with the spread of misinformation, hate speech, cyberbullying and harmful content. These may arise through engagements within our bank or employees, leading to litigation risks and reputational damage. Moreover, the risk of misinformed decisions by customers due to insufficient or inaccurate product and service information may lead to potential debt problems for customers, underscoring the importance of accurate information dissemination. This is especially relevant for younger customers. Younger customers face elevated risks related to credit and debt due to limited financial experience, lower income levels, life transitions, evolving financial goals, and increased accessibility to credit, emphasising the importance of financial education and guidance for this demographic. We also face the risk of discrimination against our customers based on minority characteristics, leading to reputational damage and a potentially negative impact on our brand image and customer trust. This emphasises the need for a fair and inclusive approach.

However, our business model provides many opportunities that may lead to a better reputation, more satisfied customers and increased revenue. These opportunities include the ability to provide services to remote, young, old, and digitally disadvantaged population groups, which showcases our commitment to inclusivity. Navigating the complex landscape of consumer interactions requires a strategic approach, and by addressing these material risks and capitalising on opportunities, we aim to reinforce our commitment to responsible banking, protecting customer interests and contributing to the well-being of the communities we serve. Through continuous improvements and transparent communication, we remain dedicated to fostering a sustainable and mutually beneficial relationship with our valued customers and end users.

POLICIES

We have policies in place to manage material impacts of our products and/or services on customers and end-users. For example, we follow the Customer Complaints Handling Policy to mitigate any negative impacts that may arise from process and system deficiencies, human errors, fraudulent attempts towards our customers and technical incidents in a form of financial compensations or alternative solutions. This Policy sets the framework and overall principles for handling, investigating and reporting customer complaints and feedback. It is applicable in all countries we operate in, to our subsidiaries and all customer segments we serve, including Third Party Service Providers who use our open banking solutions. When mitigating negative impacts, we follow European regulations included in the EFSA, EBA/ESMA, EIOPA, European Parliament as well as local financial supervisory authorities. Ultimate responsibility for assessing effectiveness of the complaints and customer feedback handling process is done by our Board.

Fundamental to our success is our customers' continued trust and engagement. We aim to satisfy our customers through fair and honest treatment, no discrimination, ensuring privacy and customer data protection, and high-quality service levels. When lending to individuals, we carefully consider loan affordability and investment risk tolerance. Furthermore, we will not offer high-risk funds to customers if there is reason to believe it might lead to financial losses. These principles are outlined in the Lending Risk Parameters for Private Individuals Procedure, which describes the main lending risk parameters for private individuals to be adhered to by the Retail Banking Division and the Credit Advisory & Restructuring Division employees involved in lending to Private Individuals. Possible dimensions considered in the scope of this procedure are for example the type of coborrower, income type and size, property location, type and value.

Data protection policies

To meet our obligations as a data controller, we continue to pursue compliance with General Data Protection Regulation (GDPR) and national laws. Accordingly, we have developed guidelines, policies, and procedures, improved our information management system, and trained our employees. Our customers have full control over their personal data including the right to erase, rectify, complete or amend personal information stored by us and to raise their data privacy concerns to the Data Protection Officer (DPO).

We improve continuously our Data Protection Policy, under which we are committed to implementing leading data protection standards that require third parties with whom customer data is shared to comply with our policy. The processes related to customer data privacy and protection are developed and their implementation is monitored by the Compliance Division. We have also created governance structures and internal regulations for the management of privacy and cybersecurity issues, such as procedures for data anonymisation, handling data subjects' rights and processing personal data for direct marketing and direct marketing communication purposes.

Our Data Protection Policy outlines the key information about relevant data protection requirements in the General Data Protection Regulation. The policy is approved by the Board and is applicable to all employees and legal entities. The policy is not publicly available.

Should a data breach occur, we will first mitigate its impact. The incident owner then investigates the breach and assesses its causes and consequences. The Data Protection Officer decides if there is a risk to customers or other individuals and whether the breach is reportable to the Data Protection Authority and/or data subject. Risks identified by the incident owner are documented in the Operational Risk Incident database. All employees are required to notify DPOs about any non-compliance with GDPR identified during risk-based assurance reviews, as well as any other issues related to the personal data processing.

For projects that present a high-risk to customer's rights and freedoms, a data protection impact assessment is carried out by the unit initiating personal data processing before the project takes place. We are committed and open to cooperating with community organizations on individual projects and in the development of policies and initiatives. The nature of our services requires us to share customer personal data to conduct our day-to-day business, such as processing transactions, maintaining customer accounts, reporting to or responding to government authorities, all of which are defined in our external and internal regulations and customer agreements.

Anti-Financial Crime, Fraud And Sanctions Related Policies

We place paramount importance on customer protection in fraud case handling. AML/CFT/CFP and our Sanctions Policy outline the key Luminor Group AML/CFT/CFP and sanctions area principles. Our Anti-Financial Crime and Sanctions Standard outlines the internal control systems and the approach used to prevent us from being targeted for ML/TF/PF money laundering, terrorism financing and sanctions evasion or proliferation, while ensuring compliance with relevant legal requirements, AML/CFT/CFP and the Sanctions Policy. Approval for this procedure, its commitments and implementation is conducted by Senior Management, who are also responsible for Anti-Financial Crime Operations. This reflects our commitment to robust oversight in upholding integrity standards. The main policies and the underlying procedures aim to underscore the significance of implementing measures that safeguard the bank's customers from misuse in fraudulent activities. They delineate the mechanisms for prevention, detection and investigation, along with overarching principles guiding the bank's compliance. The primary objective of these actions is to minimise and detect criminal attacks against the bank's customers, ensuring that incidents are handled in a manner that reinforces customer trust in the bank's reliability. By fostering a proactive and vigilant approach, we aim to fortify the perception of our bank as a trustworthy institution, committed to sustaining the integrity of our financial services.

TARGETS

We have established relevant policy commitments, targets and actions and defined metrics to ensure the implementation of our policy commitments to measure our performance. All targets are reviewed in the scope of our annual strategy review process, and when setting targets, we engage internal stakeholders from all relevant business units, including the customer facing employees.

Targets and metrics	Base year	Target year	Target	2022	2023
Customer Net Promoter Score – Transactional (Retail)	2023	2024	+40	+38	+47
Customer complaints caused by human error (Retail), %-age reduction vs. previous year	2023	2024	-10%	n/a	-30%

Customer complaints caused by human error.

In 2023, we established targets to reduce negative impacts for end-users that occurs from human errors in the customer service and operations´ processes, and achieved our goal to reduce the number of customer complaints related to human error by 30%. For 2024 we aim to continue to improve on this metric further and have set the target at -10%. The target is set for our private and corporate customers across Baltics. Internal stakeholders from retail banking have been involved in setting this target. The target corresponds to financial supervisory authorities' observation that any negative impact on end users in the banking should be reduced. The performance against this target is monitored on a quarterly basis and reported to the Board by the Customer Experience Unit to ensure that progress is in line with the initial plan and if any adjustments need to be made. Feedback from performance tracking is shared with the respective process and product development units.

Customer data protection and privacy related targets.

Our commitment to customer data privacy and protection is unwavering. While we have not set specific targets, our overarching goal is continuous improvement in processes and systems to ensure the utmost security and confidentiality of customer information. We are dedicated to maintaining a robust framework that minimises the risk of data breaches. Our focus is on implementing best practices, staying ahead and knowledgeable of evolving threats and proactively enhancing our cybersecurity measures to safeguard the trust of our customers. We will continue to operate with an independent Data Protection Officer in each Baltic country to implement and improve our privacy framework. In 2023, several assurance activities were conducted on the key processes by DPO-s and these activities will continue in 2024.

ACTIONS AND ENGAGEMENT WITH CUSTOMERS AND OTHER STAKEHOLDERS

Our general processes for engaging with customers about potential impacts include our regular Customer Satisfaction Survey. Further examples of our customer and stakeholder engagement activities include the Raise Your Concern Channel, mystery shopping, focus group discussions for product development, customer seminars, annual ESG Business Materiality Assessment and a survey that is conducted every three years.

Customer satisfaction

To offer a superior customer experience, we consistently measure customer satisfaction. We invite our customers, both retail and corporate banking, to participate in our NPS Survey and provide their feedback either on their overall experience with us through the year, from which we calculate a relational NPS score, or latest interaction they have had with us, to give a transactional NPS score. Following their feedback, our Customer Experience Unit contacts all customers who have indicated their willingness to provide further comments or give feedback about any remaining questions or concerns.

In 2023, we updated our customer satisfaction surveys and added statements for assessments to get more detailed insights about our service mentality from private customers. Approximately 91% of our retail customers confirmed that they felt heard and understood during contact with our service people, and 90% of our customers admitted to receiving a great service experience through our advisors. We also started additional customer satisfaction measurements through the Customer Satisfaction Score (CSAT), which showed that 84% of our customers are satisfied with the service they received. In addition, customer sentiment for digital self-service channels started to be measured to ensure that customers are able to use our remote services. We will keep a close eye on digital experience and will initiate improvements based on feedback.

To improve customer satisfaction, in 2023 we created new customer service roles that focus on maintaining relationships with existing individual customers to ensure that their needs for services are understood. In addition, we started a program of personalising communication content and channels based on customer needs and behaviour. The program began in Lithuania and as a result, our customer engagement improved, and more interest was generated to use products that increase personal value. We track and assess the effectiveness of these actions using our Customer Complaint and Feedback Handling Procedure, Quality Assessment Procedure and the Customer Satisfaction Survey results and complaints reports. In 2024, we will extend the program to Estonia and Latvia. We hope to continue improving consultation quality through regular quality assessments, proactive engagement with dormant customers, ensuring a balanced relationship from the risk perspective and understanding how to create higher value from banking solutions.

In 2023, we continued working towards improving our customer relationships, including the use of mystery shoppers, and adjusted our service guidelines to ensure we focus on personal customer experience in all channels. The service quality of our sales channels improved from 84% in autumn 2022 to 85% in spring 2023, while the proportion of value-added customer contacts increased from 49% to 50% respectively among all mystery shoppers' visits. This resulted in an improvement of our customer satisfaction for our service, offering from +38 to +47 as measured through the transactional NPS metric.. In addition, in 2023, we received 26% less customer complaints than in 2022.

In 2023, we also introduced the Interaction Quality Assessment and improved follow-up actions for our advisory sessions. In 2024, we hope to scale this project to other customer channels. Customer satisfaction through all channels is measured on a weekly basis and reported monthly to our main stakeholders, quarterly to the Board and annually to the Council. We also perform an annual ESG business materiality assessment that is described in the section General disclosures.

Raise Your Concern Channel

We manage systematic client expectations regarding satisfaction, loyalty and brand reputation and have processes in place to ensure clients are treated fairly and honestly. Our Code of Conduct outlines core values and guides our behaviour, while our Customer Service Standard sets the professional requirements we expect from our employees when dealing with customers, including those with special needs. The standard is reinforced with regular training.

To foster the trust of our customers, we have established several channels where customers can submit their concerns. In case a customer suspects that the behaviour of an employee or business partner has not been ethical or in accordance with our standards, the "Raise Your Concern" channel has been made public and contains a review process to ensure that concerns are being addressed confidentially. Customer comments and complaints are analysed and reported twice a year to our Board and Council. In analysing customer complaints and feedback, we focus on action plans, summaries of proposed improvements in products, reduced operational risks and improved product quality.

In addition to our external “Raise your concern” channel, our customers and employees may also use third party reporting tools and whistleblowing procedures, such as those provided by local Banking Associations or supervisory authorities. After an individual has raised a concern, the individual’s identity will not be disclosed without the individual’s written consent. This also applies to any other information from which the identity of the reporting person may be deduced. We ensure that the individual and any third parties or legal entities who are connected to the individual, are appropriately protected from any negative impacts. When a concern is received, the Compliance Division handles the response.

Concerns related to Board members are directed to the Chair of Council’s Audit committee, who evaluates the concerns and forwards information for further action to the Head of Internal Audit or the Chief Compliance Officer.

Processes to remediate negative impacts

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

Any deficiencies in services or processes that are discovered during investigations that led to negative financial impact of customers are directed to internal process and service-related stakeholders. Then, improvement plans are established, and follow-up is ensured. In addition, individual agreements with customers are made to remediate the negative impact in a form of monetary compensation or returned or cancelled fees. We also take a proactive approach to mitigate any negative impacts resulting from process deficiencies. A remediation process may be initiated without any customer complaints, should an employee discover errors that create negative impacts for customers.

To improve remediation of negative impacts, regular reports are made to key internal stakeholders which indicate areas that cause most complaints and includes an update on action plans for decreasing or preventing the respective negative impacts.

Actions addressing products, customer complaints and fast payment processing

We have advanced our customer offerings by investing in developing and rolling out additional functionalities and products. We are working closely with IT and the outsourced services provider Kyndryl to strengthen our security and regulatory compliance processes. Our goal is to create more robust cybersecurity and fraud management systems to protect our customers. This will remain a constant area of focus as we try to keep pace with the evolving risks we face.

In 2023, we also updated our Customer Complaint Handling Policy and Customer Complaint Handling Procedure, and upgraded our operational risk management reports with data from customer complaints where financial compensation is requested. This helps us understand which products and processes cause most of the customer dissatisfaction and financial losses - both for us and our customers – and ensures that we have mitigation plans in place.

Furthermore, we continued to improve our processes and routines to keep our activities aligned with our risk appetite and business models. We invested in our anti-money laundering (AML) capabilities, sanctions compliance, and anti-fraud framework and technology, while promoting ethical behaviour and building our risk culture. We are committed to the protection of human rights, and to countering the financing of terrorism and the proliferation of weapons of mass destruction. Accordingly, we apply sanctions imposed by the United Nations, the European Union and the authorities of Estonia, Latvia and Lithuania, together with sanctions imposed by the United States’ Treasury Department’s Office of Foreign Asset Control (OFAC), HM Treasury in the United Kingdom, and the governments of Norway and Sweden. We report possible sanctions breaches and violations to the regulatory authorities. We continued to enhance our risk culture and carried out various awareness-raising activities. Our commitment to protecting our customers and preserving the integrity of the financial system remains at the heart of our actions. To booster our fraud prevention capabilities we continued implementation of a new, pan-Baltic, anti-fraud solution for non-card payments. We also stick to continuous improvement approach to existing solutions and analytical capabilities, and put continued efforts into raising public awareness about fraud prevention. We established and approved our Anti-Bribery and Anti-Corruption (ABAC) Policy as part of our ongoing efforts to protect our customers and ensure our integrity within the financial system.

In 2024, we will continue to invest to increase IT scalability and performance. We shall improve communication with customers during the complaint investigation process and implement service level agreements for investigations, interim notifications and preventive educational interactions with our customers. We will continue our close cooperation with local FSA's and follow their recommendations for maintaining relationships and communication with our customers.

In 2023, we updated our Purchase Invoice Management Procedure which aims to ensure that purchase invoice management activities are conducted competently and in a way that meets our needs. This procedure provides the general rules for the approval of invoices and transfer to the Group Accounting Unit on time and preventing the risk of fraud and errors, including overpaying to the service providers. Our employees are required to follow this procedure and each functional head is responsible for ensuring that this procedure is implemented and complied within their unit and by all its employees.

The purchase invoice handling process consists of invoice approval flows in the approval system, invoice registration in accounting systems and invoice payment and archiving. The payment process follows the four-eye-principle (two accountants' confirmation required) and the data regarding performed payments is uploaded to the payment system at least once per business day. Additionally, there is a monthly monitoring process that controls overdue payments, which involves checking if the invoice was approved, if the payment was processed on time and the reason for a late payment.

Customer Privacy and Data Protection

In 2023, we identified 16 data breaches. These 16 data breaches we reported to the supervisory authorities in 2023 were mostly unauthorised or accidental breaches of confidentiality caused by human error.

Data privacy and security core metrics Targets and metrics	2022	2023
Personal Data Breaches reported to Supervisory Authorities	8	16

In our commitment to sustainability, we have elevated, and will consistently enhance, our Data Protection Policy and procedures, including dedicated processes for handling data subjects' rights and careful management of personal data. We've undertaken comprehensive training initiatives to raise awareness, fortify data breach management, enhance data quality in our processing register, and conduct thorough data protection impact assessments, ensuring a steadfast commitment to safeguarding sensitive information and maintaining the highest standards of data integrity.

In 2024, we will continue the refinement of our practices and, when necessary, will proactively engage in assurance activities. This forward-looking commitment underscores our steadfast pledge to uphold the highest standards in safeguarding data integrity and privacy for our stakeholders.

In 2024, we shall continue to provide training and raise awareness on privacy and data ethics issues and will focus on implementing our processes at the local level. We will continue to monitor the legal interpretation of GPDR and local requirements in relation to data protection and take appropriate steps to adapt to any changes. We have appointed staff across all business areas who will work together to take any additional steps necessary to maintaining full compliance with GDPR. We will also continue developing the GDPR Compliance Monitoring Strategy along with the Data Protection Management Framework and provide necessary support to ensure our compliance with the data protection laws and industry practice.

Inclusive and sustainable growth

We support inclusive and sustainable growth of the Baltic countries and are committed to spreading awareness on these issues. In 2023, we established impact metrics, several new partnerships and were continued educating our community on fraud topics. We raised the number of our employees engaged volunteering and in our partnership initiatives as lectures and mentors. In 2023, 430 days were registered for volunteering, mostly to support the wetland restoration initiative or to assist refugees from Ukraine. This is an increase by 95% compared to 2022, where we had registered 209 volunteering days.

Supporting sustainable growth	2022	2023
Organizations supported, #	86	29
Not-For-Profit and Non-Governmental-Organizations´ partnerships that support social enterprises, #	7	5
Financial literacy initiatives, #	4	6
Total registered hours of our employees spent on volunteering, # of hrs	1,763	3,440
Volunteering days by employees, # of days	209	430
Community investment, €	160,000	137,000

We are committed to supporting Baltic growth and continue to support social entrepreneurship across the Baltic countries with sponsorship of several programmes and in-person lectures from our experts, promote financial literacy and raise awareness of financial fraud, notably to those most at risk, fund scholarships and support charities.

In 2023, we continued supporting local social entrepreneurs to address challenges faced in the Baltic countries, sponsored several awards and supported partner events, such as the NULA Incubator, GreenEST Summit in Estonia, a social entrepreneurship pitching contest "Tam labam būs augt 2023", eGadatirgus project in Latvia (an online fare for local craftsmen and sellers) and the Impact Academy and Creative Shock in Lithuania. Together, we supported 2023 Impact Day, the 2023 Baltic Sustainability Awards and Visa's She's Next initiative.

We are also committed to helping young people become financially resilient through financial literacy initiatives, mostly in cooperation with local banking associations. To do this, we continued our regular anti-fraud communication in all countries in the form of press releases and social media posts. In Estonia, we held a fraud prevention expert talk in the Delfi podcast "Ärilainel". In addition, we continued cooperation with the school program "Life ready" (Dzīvei gatavs), in which our experts gave lectures on pensions and investments and fraud prevention in Latvia and cooperated with the Lithuanian Free Market Institute to finalise the public quiz in economics. We also collaborate with Digiklase in organising financial literacy classes for very young children. In the upcoming years, we will continue building financial knowledge and supporting local social enterprises who are addressing youth unemployment, financial literacy, and climate and environmental issues.

In Estonia, we supported financial literacy month and contributed to a scholarship for the Estonian National Culture Foundation. In Lithuania, we supported a Women Go Tech program that encourages females to start and accelerate their careers in IT and engineering. Furthermore, we participated in the Peatland Restoration Project together with our employees, taking direct action to offset emissions in the peats. In Latvia, we donated computers to various Ukrainian organizations in support of refugees and their families in the Baltics and Ukraine. We also donated several computers and printers to a local social entrepreneur.

We are a member of and contribute to the Estonian, Latvian and Lithuanian Banking Associations, and lead some of their working groups. The Associations' primary objective is to promote the development of banking activities, to improve the operations of their member banks and to institute good business practices, including ethics, into their operations. We also exchange financial information within the frameworks of US Foreign Account Tax Compliance Act and OECD Common Reporting Standard. We are a member on the Baltic chapter of the American Chamber of Commerce and German-Baltic Chamber of Commerce. In Estonia, we are a member of Green Tiger, a cross-sectoral cooperation platform which aims to create a green economic model for Estonia, the Estonian Leasing Association, Chamber of Commerce and Industry, and Employers Association. We are also a member of the Foreign Investors' Council in Latvia and the Latvian Leasing Association, and in Lithuania, we are a member of the Investors' Forum, the Centre of Excellence in Anti-Money Laundering, Baltic Financial Advisors Association and International Compliance Association and Sustainable Business Association of Lithuania.

We continued in partnership with the European Investment Bank to make funding more affordable for SMEs. In all Baltic countries, we cooperate with State agencies Invega, Altum and Kredex that issue guarantees for SMEs making financing for companies that lack own collateral available.

GOVERNANCE INFORMATION

This section of the report offers comprehensive insights into the roles, responsibilities, compositions and skills and expertise of our administrative, management and supervisory bodies within the environmental, social, and governance (ESG) and business conduct domain. This section should be read in conjunction with the Corporate Governance Report (the "Governance Report") being a part of the Luminor Bank AS (the "Bank") Annual Report for year 2023, where details about the Bank's Council, and Board, members of those management bodies and their selection criteria are outlined. Also, information on Council and Board committees, their responsibilities and Council committees' composition are elaborated on in the Governance Report.

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

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

At a glance

For the second year in a row, we received the best Sustainalytics ESG Rating in the Baltic region. The rating measures our risk exposure to relevant ESG risks and our abilities and commitments to manage these risks. This rating is a testament to the hard work of our employees in ensuring that we have proper and realistic targets, policies and processes in place to integrate ESG into our financial performance, strong business ethics and corporate governance.

Our Sustainability Policy commitments are cascaded into our internal regulations and policies. The divisions and business functions ensure that for their own activities, the commitments are translated into processes and communicated to stakeholders. ESG risk has been integrated into our Remuneration Policy to promote the adherence of employees to our commitments and standards including ESG-risk related behaviour. We conduct due diligence at the start of customer or supplier relationship, during a transaction, and on an ongoing basis that is proportionate to the risk. Our transactional due diligence process for corporate credit products considers ESG factors. We require our suppliers to establish missing social and environmental policies in case the ESG due diligence assessment results in a respective risk identification.

We realise our commitments through ESG training to our employees, which we update as laws, regulations, and expectations change. We have a dedicated training team in People & Culture, supported by subject matters experts. We have mandatory training for all employees about ESG, human rights, preventing financial crime, security, gifts and events, and operational risk. In addition, we have training in place for customer due diligence (KYC), procurement processes and climate risk consequences that are provided to those with day-to-day responsibility for implementing the Sustainability Policy commitments. We also developed courses to promote physical and mental wellbeing.

The following sections outline our approach to corporate culture, protection of whistleblowers, political engagement and lobbying activities, and management of relationships with suppliers, emphasising the associated risks and opportunities identified through our comprehensive materiality assessment: Business conduct and Business model resilience.

Governance Structures

COUNCIL

The description of general responsibilities of the Council is provided in the Governance Report.

Role

The Council sets strategy, including sustainability, and oversees our performance.

Composition and diversity

At 31 December 2023, the Council had nine members, two of whom were female, comprising of six different nationalities, ranging in age from 35 to 69 years. Five of the nine members were classified as independent, with the remainder being appointees from a consortium of private equity funds lead by Blackstone and DNB Bank, our two ultimate shareholders. This blend of independent and non-independent members mirrors best practices outlined in the Capital Requirements Directive (CRD), ensuring a balanced and inclusive approach to governance. There are no employees' representatives on the Council, nor do we track information regarding Council members' involvement in underrepresented social groups.

Skills and expertise

All Council members hold higher education qualifications, with at least a bachelor's degree from a recognised university, and possess the necessary knowledge and skills and experience relevant to their supervisory role. All members bring extensive senior-level experience from the financial sector, having held prominent positions in banks or investment firms. Their accumulated experience equips them with a deep understanding of the industry, ensures robust risk management practices and enhances their ability to oversee our activities.

Based on the knowledge, skills and experience of the individual members, Council has appointed them to be members of the Council committees which are established to address specific issues and where members can contribute their expertise.

The Nomination Committee of the Council ensures the suitability and effectiveness of the Council and its members. This includes: (re-) assessment of the individual and collective suitability of the Council members. This assessment ensures that all members possess the necessary skills, expertise, and qualifications to fulfil their roles effectively; monitoring the effectiveness of the Suitability Policy; and assessment of the structure, size, composition, and performance of the Council annually.

The suitability of the Council members is assessed prior to their election to the position. This evaluation spans multiple domains, including governance and regulatory frameworks, sector-specific expertise, strategic planning, resolution and recovery, risk management, managerial proficiency, technological acumen, and understanding of ESG considerations.

Six Council members have strong understanding of the sustainability standards and how best to contribute to our sustainable development. While we acknowledge that Council members' current level of knowledge in the ESG domain is deemed sufficient, we also recognise the imperative of continuously enhancing Council members' understanding in this area and have planned further ESG training for 2024.

Access to experts

The Council has the unrestricted capability to access experts for advice or training, particularly in areas such as sustainability, and may request internal information from various units within the organisation.

In line with guidelines from the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) on suitability assessments, Council members undergo continuous training to maintain regulatory compliance and stay abreast of the business and its risks. Training initiatives are coordinated through collective training plans, individual development plans, and induction programs. The training plan for the Council is approved by Council annually.

All newly appointed members of the Council receive individual induction plans designed to support their effective integration into their appointed role and the organisation. All Council members are required to participate in development activities, as outlined in their individual induction plan, and collective Council training plans. They are also expected to proactively seek opportunities for additional development outside of the agreed induction and training plans.

Responsibilities

The Council plays a crucial role in setting the strategy, overseeing ESG integration, approving the Sustainability Policy, and overseeing ESG reporting and risk management:

Approval of Sustainability Policy and Strategy: the Council approves the Sustainability Policy and strategy proposed by the Board. It also reviews updates to these documents and monitors their implementation. As part of the sustainability strategy Council establishes sustainability targets. These targets are then translated into yearly objectives allocated to the Board and subsequently cascaded throughout the entire organisation.

Identification of Material Matters, related Impacts, Risks and Opportunities and Reporting: the Council approves the final list of material matters, e.g., result of double materiality assessment and material information for reporting in sustainability disclosures.

Monitoring of ESG Impacts, Risks and Opportunities: the Council monitors risks, potential impacts, and opportunities concerning environmental, social, governance, and economic facets of our operations. It ensures the vigilant surveillance of adverse impacts and emerging developments that may affect the Bank. This monitoring encompasses both regular reporting cycles (quarterly) and ad-hoc assessments of risk and sustainability matters, ensuring comprehensive oversight of our activities.

Integration of ESG into Governance Structures: the Council ensures that responsibilities related to ESG risk drivers are integrated into the organisational structure and governance frameworks by approving mandates of the members of the Board and key function holders, organisational structure, Risk Policy and Risk Appetite Framework. It oversees the implementation of ESG risk management strategies and due diligence processes.

Approval of ESG Reporting Standards: the Council oversees the ESG business materiality assessment and approves the outcomes. This determines the reporting standards and sustainability statements included in our sustainability reporting.

Committee Oversight: the Council exercises oversight over its committees to ensure the thoroughness, accuracy, and uniformity of ESG reporting and the careful consideration of material risks. Additionally, the Board communicates with the Council through its committees, facilitating effective collaboration and reporting mechanisms within the governance structure.

Council committees

Role

The Council has four mandatory committees: Audit, Nomination, Renumeration, and Risk. These committees advise the Council and facilitate the development and implementation of a robust internal governance framework.

The Committee’s advisory role is realised through a gradual decision-making process, which envisages that prior to decision-making, proposals brought before the Council are thoroughly examined by the relevant committee (or committees) which then provide recommendations to the Council. As a general rule, Council committees report to the Council and give an overview of their work to the Council.

The responsibilities of each committee are outlined in the Regulations for the Committees of the Council of the Bank, delineating their respective mandates, and guiding their contributions to the Council's governance processes.

Composition

Committees are composed of at least three Council members with relevant expertise.

Required competencies

The required competences for members of the Risk Committee, Audit Committee, Nomination Committee, and Remuneration Committee, as outlined in the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body (EBA/GL/2021/06) and EBA guidelines on internal governance EBA/GL/2021/05, include:

Audit Committee (see also below 'Specific committee roles related to ESG'):
- Understanding of accounting principles and their application, financial reporting standards, and auditing practices;
- Knowledge of internal control frameworks and risk management processes;
- Familiarity with regulatory requirements governing financial reporting and auditing;
- Expertise in evaluating financial statements and assessing audit findings;
- Ability to oversee the work of internal and external auditors;
- Understanding of corporate governance principles and ethical standards;
- Analytical skills to identify financial risks and control deficiencies;
- Strong communication and questioning skills.

Nomination Committee:
- Knowledge of corporate governance principles and best practices;
- Understanding of the Board composition, diversity, and succession planning;
- Familiarity with regulatory requirements related to the Board appointments;
- Ability to assess the skills, experience, and independence of the Board candidates;
- Knowledge of our strategic objectives and business needs;
- Awareness of industry trends and emerging issues;
- Strong interpersonal and consensus-building skills;
- Integrity and independence in decision-making.

Remuneration Committee:
- Understanding of compensation principles, practices, and regulatory requirements;
- Knowledge of incentive structures, performance metrics, and risk alignment;
- Familiarity with executive compensation trends and benchmarks;
- Ability to design and evaluate compensation policies and programs;
- Awareness of governance issues related to executive pay and disclosure requirements;
- Understanding of our business strategy and performance goals;
- Strong analytical skills to assess the effectiveness and fairness of compensation arrangements;
- Communication skills to engage with stakeholders and explain remuneration decisions.

Risk Committee:
- Understanding of risk management principles, methodologies, and practices;
- Familiarity with relevant regulatory requirements and guidelines related to risk management;
- Expertise in financial analysis and risk assessment;
- Knowledge of our business model, products, and services;
- Understanding of market, credit, liquidity, operational, and other types of risks;
- Ability to interpret and evaluate risk metrics and indicators;
- Awareness of emerging risks and industry trends;
- Strong communication and interpersonal skills.

These competences ensure that committee members have the necessary expertise and qualifications to fulfil their roles effectively and contribute to the overall governance and oversight of the Bank, including effective management of IROs and sustainability matters.

Specific committee roles related to ESG
The responsibilities of Council committees are described in the Regulations for the Committees of the Council of the Bank and the ESG related specific responsibilities are set out below.

The Audit Committee oversees the integrity of ESG reporting and the consideration of material risks. It reviews and monitors the financial reporting process and oversee the establishment of accounting policies and the budgeting process. The committee also monitors the effectiveness of the statutory audit, ensuring the independence and objectivity of our auditors.

The Nomination Committee identifies for the Council suitable candidates for positions on the Board. It assesses the qualifications, and attributes of candidates, and also evaluates the overall structure of the Board. The committee reviews the performance, knowledge, skills, and experience of individual members and the Board as a whole. Additionally, the Committee evaluates governance arrangements, promotes diversity within the governing bodies, and recommends policies related to equality, non-discrimination, and diversity.

The Remuneration Committee is responsible for ensuring our remuneration system is aligned with effective risk management practices. Additionally, the committee oversees the integration of ESG risk considerations into the remuneration policies, ensuring that sustainability principles are embedded into the Bank's reward framework.

The Risk Committee oversees our approach to ESG matters. It reviews and recommends to the Council our ESG strategy, ensures that ESG risks are effectively integrated into enterprise risk management practice, recommends risk appetite, and ensures that ESG factors are duly considered in risk processes such as stress testing. The committee monitors the status of ongoing ESG risk through regular risk reports and oversees the progress made towards ESG risk objectives.

BOARD

Role

The description of general role of the Board is described in the Governance Report.

Composition and diversity

At 31 December 2023, the Board had six members, two of whom were female, comprising of five different nationalities, ranging in age from 44 to 56 years. Such a diverse Board brings a broader range of insights and expertise, leading to more effective decision-making and providing a more comprehensive understanding of potential risks.

All Board members hold higher education qualifications, and possess a comprehensive set of skills, including essential soft skills, and boast relevant professional experience in their respective fields.

Skills and expertise

Board members possess qualifications and experience relevant to their roles, and are equipped with the knowledge and skills needed to make informed decisions. The following skills and knowledge are fundamental for all members of the Board:

- ability to develop and articulate a clear strategic vision for the organisation, aligning it with its objectives and values;
- proficiency in identifying, assessing, and managing risks across different areas of the business, ensuring compliance with regulatory requirements and internal policies;
- comprehensive understanding of financial concepts, including budgeting, financial reporting, and capital management, to drive sustainable growth and profitability;
- knowledge of relevant laws, regulations, and industry standards, with a focus on ensuring compliance and mitigating regulatory risks;
- familiarity with corporate governance principles and best practices, including oversight mechanisms and decision-making processes;
- strong leadership skills to inspire and motivate teams, foster a culture of accountability and collaboration, and drive organisational change;
- effective communication skills to convey complex ideas clearly and concisely, both internally and externally, fostering transparency and trust;
- commitment to ethical conduct and integrity, demonstrating honesty, fairness, and respect in all interactions and decision-making processes;
- ability to build and maintain relationships with various stakeholders, including shareholders, regulators, employees, and customers, to achieve mutual objectives;
- capacity to innovate and adapt to changing market conditions and technological advancements, driving continuous improvement and competitive advantage.

It is also necessary that members of the Board possess a combination of skills and knowledge in risk management, ESG, and technology. It includes understanding of ESG issues relevant to the banking industry, familiarity with ESG reporting standards and regulations, ability to assess and manage risks related to ESG factors. Board members with such a diverse skill set contribute to effective governance and decision-making. Board shall ensure sufficient training for Board members and key function holders to understand the potential impact of ESG risk drivers on the business model, in particular their transmission channels and their prudential and strategic impacts on the Bank.

A Board member's individual and collective suitability is overseen on an on-going basis to ensure continuous fitness and propriety. Each Board member possesses a distinct area of expertise, and they are assigned accountability for such specific domains. Board members, except CEO and deputy CEO, act as heads of divisions, assuming ownership for the risks delineated in the Risk Policy relevant to their respective portfolios. This approach ensures a comprehensive oversight structure where each Board member contributes specialised knowledge and takes responsibility for managing risks within their purview.

Access to experts

The Board has access to experts for advice, including ESG area. In line with guidelines from the ESMA and the EBA on suitability assessments, Board members are trained to maintain regulatory compliance and stay abreast of the business and its risks. These training sessions encompass a wide range of topics, from ESG considerations to governance, and risk management. Training initiatives are coordinated through collective training plans, individual development plans, and induction programs. The training plan for the Board is approved by the Council annually.

All newly appointed members of the Board receive individual induction plan designed to support effective integration into the appointed role and the organisation. The Board members are expected to familiarise themselves with our strategy, culture, and risk management. In the fourth quarter of 2023 climate-related and environmental risk training was held for senior management.

Responsibilities

In accordance with our Sustainability Policy, the Board ensures that responsibilities regarding ESG risk drivers are integrated into our organisational structure, including governance structures, regulations, and processes.

The Board identifies, assesses and monitors the risks and opportunities of ESG factors on our activities. Additionally, the Board ensures that double materiality assessments are performed to identify relevant ESG issues that are likely to materially affect our business and those areas that may be materially affected by our business. It also oversees ESG due diligence assessment processes and their implementation, considering both short- and long-term effects. The Board proposes the Sustainability Policy and strategy to the Council for approval, and monitors their implementation of this policy and strategy. The Board oversees the reporting of ESG-related matters and monitors the implementation of ESG-related requirements and regularly reviews the results, reporting them to the Council on quarterly basis through relevant Council committees.

Specific Board committee roles related to ESG

The Board committees are established to support the Board in specific areas, enhance governance and improve decision-making processes. Board committees report to the Board. Each committee's chair ensures that the Board is well-informed about the committee's operations, including periodic reports on committee performance. Delegating responsibilities to the committees do not absolve the Board from collectively fulfilling its duties and responsibilities.

A list of all Board committees and their main roles is disclosed in the Governance Report. Focusing on ESG related roles, the following Board committees are noteworthy:

Asset and Liability Committee (ALCO) assesses and proposes actions related to asset and liability management, sustainability risk, treasury operations, dividend distribution, and capital planning and allocation. It defines principles and approaches for activities in these areas, ensuring alignment with relevant regulations. ALCO ensures that established principles and approaches are effectively implemented in activities related to asset and liability management, capital planning, and allocation. It translates overarching arrangements into specific rules and internal regulations.

Credit Committee ensures that ESG risk drivers are considered in customer credit decision-making processes, adhering to established risk-based approaches. Credit committee contributes to the development of a sound and uniform credit culture; thus it plays a vital role in promoting responsible lending practices and sustainable business conduct.

Investment Products Governance Committee reviews and approves key principles, including the integration of ESG considerations, asset allocations for model portfolios and model portfolios for provision of the discretionary portfolio management services. It includes review and approval of ESG due diligence for financial instruments and/or its manufacturer or distributor, risk monitoring, investment decisions, and criteria for financial instrument selection.

The Non-Financial Risk Committee, supports the Board in managing non-financial risks to safeguard our stability and reputation. It provides oversight, advice, and challenge on risk treatment decisions, offers guidance on emerging risks, and analyses conduct-related matters.

CFO AND CRO

Individual responsibilities for IRO

The Chief Financial Officer (CFO) heads the Finance Division and is a Board member. CFO plays a pivotal role in setting, maintaining, and updating regularly our ESG framework. This includes integrating ESG risk drivers into governance structures and ensuring compliance with EU and national legislation regarding the disclosure of ESG-related information. Additionally, the CFO is responsible for preparing sustainability statements and reports.

Within the Finance Division, the Group Sustainability Department (GSD) works to develop and propose ESG-related targets aligned with various divisions. They assist in the implementation of the sustainability framework by incorporating strategic ESG goals into policies, conducting training sessions to communicate the strategy, and providing guidance on sustainability-related matters to regulation owners.

Annually, the GSD reviews and suggests updates to the sustainability strategy and approach, to promote ESG principles. They present their recommendations to the Board and play a consultative role in credit-related decision-making processes for significant financing deals. Their objective is to align financing activities with overall sustainability goals and ESG risk principles, working in collaboration with corporate banking and credit functions.

The GSD has overall responsibility for sustainability-related monitoring and reporting processes, including the production of the annual sustainability report. They also propose revisions or enhancements to the overarching sustainability policy for approval by the Board, ensuring continual improvement of the organisation's ESG approach and performance.

The Chief Risk Officer (CRO) plays a crucial role in facilitating the implementation of our risk management framework, including overseeing the Risk Policy, Risk Appetite Statement Strategy, and other internal regulations related to risk. The framework takes into account ESG risk factors through their identification, assessment, and management processes.

The integration of ESG Risk Drivers into our Risk Appetite Statement Strategy enables us to address these factors effectively. The CRO continuously monitors all risks and reports on them to the Board and the Council through the Council Risk Committee. This ensures that decision-makers are well-informed about our risk profile in comparison to our risk appetite, strategy, business plans, and remuneration schemes.

Additionally, the CRO has the authority to raise concerns and escalate issues directly to the Council, if necessary, particularly regarding developments that significantly affect or may affect our risk profile. The CFO collaborates with the CRO to develop an appropriate risk appetite aligned with our strategy and risk-taking capacity. Moreover, the CFO ensures that our strategy and financial plans undergo thorough testing against the risk appetite and incorporates input from the Risk Division into the financial planning process.

The CFO and CRO report to the Board on risk-related matters including key risk indicators (KRIs) and provides updates to the Council through respective committees. The Council actively monitors ESG risks through quarterly risks and ESG reports and updates on specific matters. Furthermore, to facilitate more frequent monitoring and follow-up, the Board limits are reported monthly in accordance with the guidelines outlined in the Instruction for Preparation of Credit Risk Reports.

SUMMARY OF IRO OVERSIGHT

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

How we integrate ESG-considerations into our governance:

Council Approves and monitors the sustainability strategy and policy including ESG	Audit Committee	Serves as an independent body to oversee and ensure complete, accurate and consistent reporting and consideration of material risks
	Nomination Committee	Assesses the Board's structure, performance, knowledge, skills and experience collectively and individually
	Remuneration Committee	Oversees ESG risk integration into remuneration policies
	Risk Committee	Oversees, challenges, monitors and recommends to the Council ESG risk appetite; monitors the ongoing ESG risk in quarterly risk reports
Board Proposes and implements the sustainability strategy. Takes strategic decisions on Environmental & Social factors. Proposes risk appetite on portfolios sensitive to climate risk	Investment Products Governance Committee	Approves integration of customers' preferences in investment product governance and integration of ESG risk into investment process
	Asset and Liability Committee	Supports the Board in efficient capital planning (including consideration of sustainability (ESG) risk)
	Credit Committee	Contributes to customer assessments and credit decisions integrating ESG risk
	Customer Risk Committee	
	Non-Financial Risk Committee	Reviews and monitors the adequacy and effectiveness of controls in place to manage C&E risk, related risk limits and RAS
Divisions and Functions Sustainability strategy (including climate risk) is defined in the roadmaps of each division and functions, who are responsible for its deployment	Retail Banking	Develops dedicated offering of sustainable finance solutions and products to customers of our business segments. Divisions and functions (for their own activities) implement the risk framework and bear primary responsibility for assessing, managing and monitoring their risk levels in all risk categories, including ESG-related risks i.e. First level internal control - which propose risk appetite limits.
	Corporate Banking	
	Finance, Technology, Legal and other divisions	
	Sustainability Department	Drafts and ensures the implementation of the sustainability strategy by all units. Proposes updates of the framework, and promotes ESG
Compliance Division	Second line (internal control). Performs the controlling and monitoring activities by assessing, overseeing and challenging ESG governance, processes and controls designed and implemented by Business Divisions/Group Functions to manage compliance risk in the area.	
Risk Division	Second line (internal control). Defines risk appetite in collaboration with the Finance Division and the Business Divisions/Group Functions, establishes risk management and monitoring systems. Facilitates the establishment of appropriate internal control frameworks.	
Internal Audit Division	Third line (internal control). In its reviews, audits that processes are followed and considers the extent to which we are equipped to manage ESG-risks. Reviews internal control and risk management framework, policies and procedures and identifies shortcomings for ESG-related risks.	

For our annual sustainability disclosures, the Board and Council evaluate, validate, and ensure the comprehensiveness of material IRO, including a double materiality assessment conducted by GSD, where thresholds for financial and impact materiality are reviewed.

We conduct an extensive ESG Business Materiality Assessment every triennially, bolstered by a broad-based stakeholder survey. During interim years, we rely on prior assessment outcomes if supported by substantial evidence indicating their ongoing validity. The final list of material matters is endorsed by the Board and Council, with confirmation at the reporting date.

This continuation may be justified when, upon the proposal of GSD, the Board and Council ascertain that no material changes have occurred in our organisational and operational structure, or in external factors potentially affecting new or existing IROs. Significant alterations, such as major mergers or acquisitions, entry into new sectors, operational overhauls, shifts in key suppliers or supply chain practices, global events like pandemics, or the establishment of impactful business relationships, are scrutinised for potential implications on human rights or public scrutiny. The periodic review ensures that our sustainability disclosures remain responsive to evolving circumstances, and useful.

We implemented an ESG Risk Materiality Assessment and Disclosure standard, aimed at enhancing transparency and strategic alignment in addressing ESG considerations. This framework includes four key processes crucial for annual disclosures and strategy development:

Business ESG Materiality Assessment, which evaluates various aspects of ESG within our operations. For us, climate change is a significant concern. Consequently, further evaluations focusing on Climate and Environmental Risk Assessment are imperative to grasp the full extent of associated risks.

Climate and Environmental Risk Assessment (CERA), which, identifies critical areas, delineates specific impacts, and formulates strategic responses tailored to our operations. Furthermore, CERA serves as a pivotal input for prioritising Climate Risk Stress Testing within the credit portfolio, focusing on pertinent economic activities or risk drivers.

ESG Risk Drivers Impact Assessment: During the Risk Policy review, as part of the broader Risk Materiality Assessment (RMA) process, this assessment is conducted to gauge the impact of ESG risk drivers on various risk types and sub-types within our Risk Taxonomy. This step ensures a comprehensive understanding of how ESG considerations intersect with existing risk categories.

Climate Risk Stress Testing, which assesses risk exposures associated with climate-related factors. By subjecting our operations to stress tests, we can assess vulnerabilities, prioritise material risk drivers, and inform strategic decision-making and risk limit setting processes effectively.

By integrating these processes into our operations, we endeavour to address ESG risks, enhance disclosure practices, and fortify our resilience in the face of evolving environmental and social challenges. This is supported by regular reporting. Quarterly risk reports are presented to the Board and Council, offering insights into sustainability risks and opportunities. Additionally, a quarterly ESG update is provided to the Board, covering general ESG-related matters and progress on internal and strategic initiatives. Additional reporting to the Council and Board is tailored to specific subjects, including the approval of policies, strategies, and targets, as well as addressing material matters and approaches to annual reporting. Through these transparent and structured reporting mechanisms, we demonstrate our commitment to integrating sustainability into governance processes.

IRO CONSIDERATION IN THE STRATEGY PROCESS

Our management bodies are accountable for our strategy. The strategy is set based on a strong understanding of the banks operating environment. This includes a sound understanding of our external environment, competitive dynamics, our positioning in the market and implications of macroeconomic expectations. The strategy was most recently updated in November 2023 where it was approved by the Council.

Our progress against this strategy is regularly reviewed by our Board considering both progress vs. the financial plan as well as execution of the strategy. An update to the Council is provided on an annual basis. The Financial plan is set reflecting the strategy of the bank, and KPIs are set in reflection of both financial and strategic ambitions.

Our strategy process is interlinked to other key processes in the bank, e.g. including the ICAAP and ILAAP, which incorporate ESG business materiality assessment and Climate and Environment risk materiality assessment processes as part of the risk identification processes. Identified risk factors, including Climate and Environmental risk drivers, are as such considered along the entire process, ranging from initial strategy discussions, financial planning of business areas, in RAS and limit reviews as well as part of risk assessments and stress testing activities.

Business conduct

Business conduct is crucial for us a as it impacts our reputation, customer trust, and overall stability. Ethical and responsible business practices are essential to maintain regulatory compliance, prevent legal issues, and ensure fair treatment of customers. We are dedicated to minimising or mitigating any negative impacts on society and the environment resulting from our business activities (inside-out perspective), while also addressing sustainability (ESG) risk drivers that could significantly affect our operations (outside-in perspective).

IRO

Identified through our annual ESG Business Materiality Assessment as a material topic, Business Conduct holds significant importance. The impacts, risks, and opportunities associated with this theme have been defined carefully. Under the sub-topics of Business conduct, the risk of poor corporate culture, stemming from poor leadership, values, and practices leading to unproductivity and high employee turnover, is a focal point. Conversely, the opportunity lies in fostering a good culture through visionary and inspiring leaders, striking a balance between ambition and achievement, and promoting effective communication—ultimately enhancing employee morale and driving better business outcomes.

Protection of whistleblowers is integral, with the risk of not having a secure reporting process in place leading to regulatory fines. Political engagement and lobbying activities carry the risk of employee polarisation and customer antagonisation, but they also present an opportunity for collaboration to influence policy-making and improve business outcomes. Effective management of relationships with suppliers, including payment practices, addresses the risks of money laundering and tax evasion, ensuring ethical standards and preventing reputational damage. Additionally, prevention and detection, including training, mitigate the risk of corruption and bribery, safeguarding our reputation and averting regulatory fines. This section delves into our commitment to ethical conduct, emphasising its impact on organisational resilience and sustainability.

POLICIES

We do recognise that ethical business conduct is crucial for our long-term success and reputation, therefore we aspire to the highest standards of ethical and professional conduct. To reach this objective, our Council approves and oversees the implementation and compliance of the Code of Conduct which reflects our ethical principles, behavioural standards and values, while the Board is responsible for its implementation and adherence to this policy. The Board also oversees the adequacy and effectiveness of the internal control system established by the Compliance Division for managing anti-bribery and anti-corruption risks, as well as the implementation of conduct principles and protection of human rights.

The Non-Financial Risk Committee reviews the adequacy and effectiveness of controls in place to manage conduct risks, including anti-bribery anti-corruption domain. This committee makes recommendations to the Board. We ensure diversity in the expertise represented on the committee to cover various aspects of business conduct.

Board members are expected to lead by example and demonstrate their openness, integrity and ethical behaviour in every act or expression. All employees receive regular training sessions aimed to educate employees about our ethical principles, behavioural standards, and values and are expected to adhere to the rules outlined in the Code of Conduct in their daily practices.

Everyday expertise in business conduct matters is delegated to Compliance division, which is tasked with establishing the framework for ethical and professional business conduct, managing anti-bribery and anti-corruption risks, providing support and training to employees, advising structural units on matters related to the Code of Conduct, conducting investigations, and reporting issues directly to the CCO or the Board. This is accomplished by the establishment and implementation of Compliance Policy which mandates responsible action, requiring the identification, assessment, and monitoring of potential or actual adverse impacts on society, the environment, employees, customers, and vendors.

REMUNERATION PRINCIPLES

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

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

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

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

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

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

Severance Payments are made where such payments are mandatory but not in the case of voluntary resignation. Payments greater than minimum requirements, or where they exceed an employee's annual Fixed Remuneration must be approved by the Council. We do not provide retirement-related benefits. However, in the Baltic countries, employers contribute to employees pillar I pension funds as a legal requirement. In addition, we match employees own contributions of up to 1% of base salary to their pension III pillar funds.

TARGETS AND COMMITMENTS

As per our Code of Conduct we are committed to avoid as much as possible or mitigate any negative impacts on the society and environment that might be caused by our business activities (inside out perspective) and those sustainability (ESG) Risk Drivers that are likely to materially affect our business (outside in perspective), and apply the ESG due diligence principles to the relevant business relationships as described in our ESG Due Diligence Standard.

Anti-money laundering and financial crime core metrics	2022	2023
Suspicious activity reports	965	728
Number of confirmed incidents of corruption	0	0

ACTIONS

In 2023, we initiated the update our Code of Conduct that outlines the general principles for how we do business. Code of Conduct sets principles, standards for behaviour and values to ensure ethical behaviour of all employees. Business Partners are expected to follow same principles. We aspire to the highest standards of ethical and professional conduct, as well as conduct our activities in compliance with the applicable laws and internal policies. We require all employees to follow the spirit of this Code. The Code of Conduct is approved by the Council. The statements of Code of Conduct are published on our website.

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

The Council has endorsed a zero tolerance policy to any business activities that include or could be considered as including any kind of bribery and corruption. Our employees are not allowed to offer bribes or other inducements nor allowed to accept inducements. We expect our suppliers to apply the same principles of responsible business conduct as we do, which we define in our Code of Responsible Business Conduct for Third Parties.

We prioritise constructive engagement without direct affiliation with any political party or force. Instead, we participate actively as members of local banking associations, fostering partnerships with public authorities in legislative processes and initiatives that could affect our operations and industry. Through this approach, we aim to contribute positively to policy discussions while maintaining transparency and integrity in our interactions with stakeholders. We do not make political contributions.

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

Integration of sustainability related performance in the incentive scheme

In 2023, we updated our Remuneration Policy, which contains the statement that ESG targets will be implemented in variable remuneration of Employees. The ESG risks, that include C&E risks were integrated into the variable remuneration components and base these variable remuneration components on KPIs that track whether predefined targets have been met. The implementation of the Policy is ensured by Variable Remuneration for Employee Procedure and the Risk-based Performance Evaluation Procedure. Variable remuneration is not a guaranteed payment and is subject (among other things) to achievement of predefined performance criteria (KPI). In the beginning of measurement period the Council approves performance criteria for the Members of the Board, Branch Managers, Key Function Holders, Heads of Internal Control Functions and overall performance criteria (e.g., objectives, KPIs). The approved performance criteria is then cascaded to Level 2 (L2) managers, and onwards. It is mandatory to include sustainability-related risk considerations and our voluntary sustainability commitment in performance criteria. The sustainability commitment covers all ESG areas including climate and environment (C&E) related areas. Performance measurement is based on a 1 (below target) to 5 (exceptional) rating scale. Actual performance results are assessed by Employees Manager, approved by manager's manager. Risk and Compliance Divisions are engaged in performance criteria and pools development processes; and by applying risk-based approach may plan and/or execute ad-hoc advisory and/or assurance activities.

The annual targets are integrated into our performance management tool which enables the systematic cascading of these targets to our divisions, structural departments and units, and, subsequently, individual KPIs will be communicated to the relevant employees. This process is regulated by Individual Performance Management Procedure.

Conflicts of interest management

The Council approves our Conflict of Interest (CoI) Management Policy and oversees its implementation, via internal regulations. These include the Code of Conduct, Remuneration Policy, Procurement Policy, Inducement Policy for the Provision of Investment and Ancillary services), the Procedure of Handling Inside Information (approved by the Head of the Conduct Department), and the Procedure for Personal Transactions in Financial Instruments). The head of each Division, Function and Subsidiary ensure that their unit's employees have adequate knowledge of the CoI Management Policy and other relevant internal regulations and that all activities within their unit are carried out in accordance with them. In addition, Compliance Division conduct annual training on CoI management for all employees.

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

Mechanisms for seeking advice and raising concerns

To uphold our commitments, we encourage the prevention and early detection of any breaches of laws, external regulatory requirements, and internal policies. Any identified breaches are brought promptly to the attention of the relevant departments for investigation and resolution. All reported breaches are taken seriously, and any associated risks are managed effectively. To facilitate this process, we have implemented whistleblowing channels that provide a confidential way for both internal and external stakeholders to raise concerns. A concern can be raised either confidentially or anonymously. These channels are designed to encourage individuals to come forward without fear of retaliation, enabling us to address issues promptly and uphold our ethical standards. We follow the principle that persons reporting the breach are protected from any negative impact (e.g., retaliation, discrimination, or dismissal).

In Lithuania, our Work Council have dedicated persons review all major aspects which may impact employees in the future after decisions are made. Employees can take part in trade unions by their own and use their services.

The Raise Your Concern Channel is managed by the Conduct team and is described further in the Customers and End Users section of this report. We also collect employee feedback through our regular Pulse Survey, while matters related to business conduct are managed by the Compliance Division.

Suppliers, vendors, customers, and payment policies

In addition, our due diligence process ensures adherence to the highest ethical business standards, including anti-corruption and anti-bribery principles. We have integrated due diligence processes into our sourcing procedures and ensure ethical sourcing practices. We also conduct due diligence on our suppliers, their subcontractors, and the employees of both. Our due diligence process includes comprehensive checks such as AML and Sanctions checks, and so help us maintain high standards of integrity and mitigate any potential risks associated with our supply chain. We do not do business with suppliers who fail to comply with our Code of Conduct or applicable legal requirements. Any existing relationships found to be non-compliant are terminated.

In selection of our suppliers and vendors, we perform direct negotiations or a tender for all contracts of which the annual value is larger than 30,000 EUR. For tenders, we seek at least 3 proposals that we can compare against our requirements. For all potential suppliers we perform background research to ensure that the supplier has not been involved in any controversies. The strictest rules apply to our outsourcing partners to minimise operational risks. In our supplier selection, we consider sustainability principles as outlined in our Sustainability Policy.

We do not have a specific policy in place to prevent late payments, specifically to SMEs. Our general practice is to pay the invoices on the requested payment date as indicated on the invoice.

Please see sections “Employees in value chain”, “Planet” and “Due diligence” for further information about the management of our relationships with our suppliers and our impacts on our supply chain.

Due Diligence processes

- Customers and end-users related due diligence processes are described under sections “Customers and end-users” and “Environmental information” with regards to ESG credit risk assessment, and KYC background check and in section “Employees in value chain”
- Supplier and vendor due diligence is described in sections “Environmental information” and “Employees in value chain”
- Outsourcing partners due diligence is described in section “Environmental information”.

Training, systems

We have mandatory training for all employees on business integrity, conflicts of interest, anti-financial crime, gifts, and events. We have set up a gifts and events registry and we have practical principles in place to receive notifications from law enforcement agencies if a suspicion arises that any employee is guilty of corruption. In 2023 we performed an anti-bribery and anti-corruption risk assessment.

In 2023, we continued working closely with IT outsourced services' provider Kyndryl to strengthen our security and regulatory compliance processes. Our priority has been to put even more robust cybersecurity measures and fraud management systems in place to protect our customers. This will remain a constant area of focus for us as we act to keep pace with the evolving risks we face.

Incidents, fines and penalties in 2023

During the year, we did not identify any incident of corruptions or bribery or breaches in procedures or standards of anti-corruption and anti-bribery. For this reason no specific actions relating to such breaches were implemented.

We did not have any public legal cases regarding corruption or bribery brought against us nor our employees. No fines, nor sanctions were applied to us due to infringement of environmental or social laws.

Stakeholder engagement

Key dialogue channels and engagement with stakeholders, #	2022	2023
Customer evaluations received in Customer Net Promoter Score surveys	78,271	76,358
Employees engaged in our ESG survey	n/a	320
Stakeholders engaged in the ESG Business materiality assessment	18	43
Association memberships	33	33

Stakeholder input is important for our business operations and our ESG Business Materiality Assessment process helps determine areas of disclosures and establish gaps where additional policies, targets and actions need to be implemented. To do this, we have a procedure for the analysis of C&E risk impacts on our Business Environment and C&E Risk Impact Materiality on our main risk types as described in the respective Environmental Information section of this report. We also have a Complaints Handling Procedure and Customer Satisfaction Survey on customer service, processes and product design.

To engage with stakeholders on ESG topics, we conducted a sustainability survey in June 2023, in which 320 stakeholders took part. The purpose of the survey was to see if attitudes and behaviours have changed amongst stakeholders, understand the level of knowledge of our employees regarding sustainability matters and define gaps that we can address through ESG training updates. The responses were analysed and used to provide insights for our Sustainability Positioning Development session in December 2023.

Our nine principal stakeholders and how we engage them

Stakeholder	Owners and investors	Employees and managers	Customers	Suppliers and Partners
Expectation	• Economic contribution • Sustainable growth • Risk management, corporate governance, transparency • Reducing environmental impacts • Responsible supply chain • Responsibility towards employees	• Responsibility towards employees • Service quality and safety • Advocating responsible Finance • Reducing environmental Impact	• Cooperation and responsibility towards customers • Product quality and safety • Supporting local development • Responsible marketing and sourcing	• Advocating responsible practices • Responsible marketing • Consumer and market understanding • Cooperation and partnership
Engagement	• Direct contacts and meetings • Investor fairs, events, seminars • Annual general meeting • Financial reporting and conference calls, webcasts • External communication, website • 3-yearly ESG Business Materiality Assessment questionnaire	• Internal communications • Training • Development discussions • Team practices and procedures • ESG employee survey • 3 yearly ESG Business Materiality Assessment Questionnaire • Focus Group discussions within Group Sustainability Department, Sustainable Finance Roundtable, SC and MB	• Direct contacts and meetings • Digital channels • Customer training • Requests for quotation and contracts • Customer seminars • Events • Reporting • 3-yearly ESG Business Materiality Assessment questionnaire	• Meetings and direct contacts • Reporting requests for quotations and contracts • Fairs and other events • 3-yearly ESG Business Materiality Assessment questionnaire

In addition to regular Investor Relations activities and the Annual General Meeting (GM), our communications with stakeholders are three: running our own events and activities on sustainability themes; taking part in forums, events and working groups; and collecting stakeholder opinions – through surveys and speak-up discussions for our employees and collect feedback through our “Raise your concern” channel. We engage our customers through regular feedback surveys. We also respond to requests from analysts and investors on financial and ESG matters.

In June 2023, we conducted our second internal Sustainability Survey to assess changes in attitudes and behaviours, gauging the level of employee knowledge regarding sustainability matters, and identifying gaps that can be addressed through updated ESG training. The survey serves as a tool to understand the evolution of collective attitudes and knowledge over the past two years, and builds in the results of our inaugural which we conducted in February 2021.

Creditors	Media	Society & NGO's	Regulators	Peers
• Compliance with laws and regulations • Good governance • Transparency • Reducing environmental impacts • Establishing resilience towards climate change	• Service quality and safety • Advocating responsible consumption • Reducing environmental impacts • Transparency • Good Corporate Governance	• Advocating responsible practices and – finance • Service quality and safety • Reducing environmental Impact • Responsible value chain	• Compliance with laws and regulations • Reducing environmental impacts • Establishing resilience towards climate change • Responsible supply chain • No human rights violations • Responsibility towards employees	• Market standards establishment • Co-development of industry specific and industry wide initiatives such as ESG data
• Reporting • Direct contacts • Events and conferences • External communications • 3-yearly ESG Business Materiality Assessment questionnaire	• External communications • Direct contacts • Events • Press releases • Social Media • Company website • Datamaran supported assessment	• External communications • Reporting • Events • Direct contacts • Datamaran supported assessment	• Reporting • Direct contacts • Audits • External communications • Datamaran supported assessment	• Reporting • Direct contacts via local Banking Associations • External communications • Public reports • Datamaran supported assessment

We keep pace with new regulations and best practices. We take part in consultations with authorities, associations and other organisations that influence sustainable development policymaking in the Baltic region and across Europe. These consultations inform our sustainability management as well as our environmental and social risk management and annual reporting.

Business model resilience

Economic value added, €m	Measure	2022	2023
Revenues	Total operating income	391.8	646.1
Direct economic value generated		**391.8**	**646.1**
Operating costs	Other administration expenses	-112.8	-188.6
Employee wages and benefits	Personnel expenses, excluding indirect expenses	-103.1	-127.3
Payments to providers of capital	Dividends	-90.0	0.0
Payments to government	Tax expense	-17.7	-78.5
Community investments		-0.2	-0.1
Economic value distributed		**-323.8**	**-394.5**
Economic value retained		**68.0**	**251.6**

BUSINESS MODEL DESCRIPTION

Luminor is the leading independent Baltic bank and serves the financial needs of individuals and families, companies and governments across Estonia, Latvia, and Lithuania. The Baltic banking market is competitive but profitable. We are the third largest bank in the region with a market share of 15% in lending. We manage our business by customer segment – Retail Banking and Corporate Banking – on a pan-Baltic basis from our headquarters in Estonia and branches in Latvia and Lithuania. Our subsidiaries provide leasing, manage pension funds and offer e-commerce payments. We operate only in the Baltic countries and target our services at residents of the Baltic countries, or individuals and companies with a strong connection to the Baltic countries.

We organise our control framework across three lines. The first line, our business and support divisions, are responsible for managing their risks according to our policies, procedures and controls. The second line is a control function comprised of our Compliance and Risk divisions which are independent of, and monitor the activities of, the first line. Internal Audit serves as the third line which assesses the effectiveness of the first two lines.

We have a simple and straightforward business model; we are a retail and corporate bank, and our business is balanced, by customer type, by sources and uses of funds, and by country. We are easy to understand: Loans to customers' account for two-thirds of our assets, we are funded primarily with Deposits from customers, and well capitalised. We have developed a leading position in Baltic capital markets. And we are committed to carbon neutrality by 2050.

We operate as a classical universal bank, maintaining an integrated business model that encompasses a full suite of in-house financial services. The inputs to this model include a blend of financial expertise, technology infrastructure, and a robust internal regulatory framework, ensuring the secure development and acquisition of various financial products.

IRO

We are committed to understanding potential impacts, risks, and opportunities in our Customer segments, aligning these considerations with its business model and value chain. The disclosures in this sustainability report also include contextual information to provide a high-level overview of the key features of upstream and/or downstream value chain entities, explaining their contribution to the bank's performance and position. This comprehensive approach aims to support users in understanding our application of sustainability requirements and the double materiality assessment performed in line with regulatory guidelines.

Business model resilience is a critical material topic identified during our ESG Business materiality assessment. The Risks integral to this assessment are delineated as follows: firstly, the risk of operational incidents resulting in losses, adverse business outcomes, or regulatory fines; secondly, the risk associated with the business model and offerings not remaining pertinent in the market due to technological advancements or shifts in customer demands, leading to losses and negative business outcomes. The resilience of our business model is dependent on our capacity to e respond, recover, and restore operations to an acceptable level of service for our customers, and counterparties given substantial operational failures or extensive disruptions in financial markets. These disruptions encompass a spectrum of events, ranging from pandemics and cyber incidents to technology failures and natural disasters.

POLICIES

We have established an internal control framework that underpins our focus on risk management and controls. This includes a comprehensive risk management framework specifying policies, procedures, risk limits and controls that ensure appropriate management of material risks.

The risk management framework is designed in accordance with our objective to balance the rewards of taking risk to generate income with the risk of loss. The key principles, roles and responsibilities for risk management are contained in our Risk Policy and Compliance Policy. The Risk Policy defines the overarching Risk framework and the key roles and responsibilities across Risk Management. The policy is approved by the Council and is applicable to all of our employees and legal entities. The policy is internal, not available publicly. See also our Annual Report 2023, Note 2. General Risk Management Policies.

Our risk management governance, processes as well as the integration of C&E risks into business model, strategy and processes are described in our Pillar 3 report.

TARGETS

Please see annual report for any targets and metrics to retain adequate capital levels to support planned growth of business volumes. Climate & Environmental targets have been provided under the section of Environmental information.

ACTIONS

We manage business model risk through strategic and financial planning, which involves evaluating economic conditions, market positioning, geopolitical factors, current trends, and cost estimates. Business model risk is underpinned by a robust performance management framework and continuous monitoring of key performance indicators (KPIs). Targets are cascaded from the Board to division levels, with quarterly reviews evaluating progress. Furthermore, the Board reviews performance and agrees corrective measures as needed.

In response to the increasingly significance of ESG and C&E risk drivers, we have implemented several interconnected processes that influence strategic planning and risk management. These include the Climate and Environmental Risk Assessment (CERA) and the Climate-related and Environmental Risk Drivers impact materiality assessment on our risk types (C&E RMA), as detailed in the Environmental information section. The findings from CERA serve as the foundation for the C&E RMA, which identifies the effects of C&E Risk Drivers on our risk profile across various risk types and sub-types. From these assessments, we devised strategic and operational measures to address and mitigate C&E risks.

To effectively manage the influence of C&E risk drivers on our credit risk profile, we have identified four strategic actions which were approved by the Board in Q1 2024: i) revising Credit Risk limits framework based on the outcomes of materiality assessment; ii) revising Internal Regulations on ESG, placing a stronger emphasis on mitigation actions for key sectors materially impacted by C&E risk drivers; iii) increasing internal and external awareness of C&E risk drivers through workshops and training sessions for our corporate customers and employees; iv) developing a toolkit for corporate customers, including transition plan templates and emission calculators, to facilitate their transition planning. Additionally, recognising the substantial impact of C&E risk drivers on regulatory compliance and the legal framework, we are dedicated to enhancing our expertise to meet evolving regulatory and legal requirements. Recognising potential influences on critical market infrastructure providers, we prioritise robust Business Continuity Planning to ensure operational resilience at all times.

CSRD CONTENT INDEX

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
ESRS 2 – General disclosures			
BP-1	General basis for preparation of the sustainability statement	pp.6	
GOV-1	The role of the administrative, management and supervisory bodies	pp.36, 53-61, FB, pp.26; AR, pp.20-27	
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	pp.59-61	
GOV-3	Integration of sustainability-related performance in incentive schemes	pp.62-63; Pillar 3, pp,41-42	
GOV-4	Statement on due diligence	pp.64	
GOV-5	Risk management and internal controls over sustainability reporting	pp.6-8	
SBM-1	Strategy, business model and value chain	pp.2, 23,41, 44, 68-69; FB, pp. 2, 24; Pillar 3, ESG Template 1.	
SBM-2	Interests and views of stakeholders	pp.65-67	
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	pp.6-8, and additional information can be found under topical ESRS	
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	pp.6-8	
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statement	pp.6-8, FB, pp.34-36, 70-73	
ESRS E1 – Climate change			
ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	pp.63	
E1-1	Transition plan for climate change mitigation	pp.30-34	16f Not applicable; No significant amounts of CapEx invested to coal, oil and gas-related economic activities. 16g Luminor is not excluded from the EU Paris-aligned Benchmarks.
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	pp.25-30; FB, pp.13-16; Pillar 3	
ESRS 2 IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	pp.6-8, 22, 25-30, Pillar 3	
E1-2	Policies related to climate change mitigation and adaptation	pp.24-25, 78-81	
E1-3	Actions and resources in relation to climate change policies	pp.25-34	29c Compliance preparations for 2024 reporting; Establishing readiness to report CapEx and OpEx amounts required to implement actions in relation to climate change and air pollution.
E1-4	Targets related to climate change mitigation and adaptation	pp.2, 22-23	

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
E1-5	Energy consumption and mix	FB, pp.17	37b,c(i) Compliance preparations for 2024 reporting; Establishing readiness to report energy consumption from nuclear sources and fuel consumption for renewable sources. 37 c(iii), 39 Not applicable; Luminor does not produce energy. 38, 40, 42, 43 Not applicable; Luminor does not belong to high climate impact sectors.
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	pp.23; FB, pp.18-20, 37-39	46 Compliance preparations for 2024 reporting; Establishing readiness to report GHG emissions of associates/joint ventures. 47 Not applicable; No significant changes of Luminor and its value chain. 48b Not applicable; We are not exposed to regulated emissions trading systems. 49,52 Compliance preparations for 2024 reporting; Establishing readiness to report by gross market- and location-based approach. 50 Compliance preparations for 2024 reporting; Establishing readiness to report GHG emissions by consolidated accounting group and investees.
E1-7	GHG removals and GHG mitigation projects financed through carbon credit	pp.22-23	56-58 Not applicable; No GHG removal activities implemented. 59, 61 Not applicable; We are not involved in voluntary carbon credit schemes.
E1-8	Internal carbon pricing	-	63 Not applicable; We are currently not using any internal carbon pricing schemes.
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Pillar 3; ESG Template 5, 5 (LT/LV/EE), ESG Template 2	66a, 67a only disclosing over medium-term, and 67 (c).
ESRS E2 – Pollution (b)			
ESRS 2 IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	pp.6-8, 22	11b No consultations have been conducted to affected communities.
E2-1	Policies related to pollution	pp.24-25, 78-81	
E2-2	Actions and resources related to pollution	pp.25-34	
E2-3	Targets related to pollution	pp.2, 22-23	25 The emissions targets presented in the report are set on a voluntary basis.
E2-4	Pollution of air, water and soil	pp.23; FB, pp.18-19, 37-39	
ESRS S1 - Own workforce			
ESRS 2 SBM-2	Interests and views of stakeholders	pp.38-40, 65-67	
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	pp.6-8, 30-31, 36-40	
S1-1	Policies related to own workforce	pp.24-25, 37-40, 47-48, 62, 79	
S1-2	Processes for engaging with own workforce and workers' representatives about impacts	pp.38-39, 47-48, 64	28 Not applicable; No specific process to gain insight from specific groups.
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	pp.47-48, 64	

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
S1-4	Taking action on material impacts and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions and approaches	pp.38-40	
S1-5	Targets related to managing material impacts, advancing positive impacts, as well as to risks and opportunities	pp.37	
S1-6	Characteristics of the undertaking's Employees	pp.36; FB, pp.24-25, 37-39	
S1-7	Characteristics of non-employees in the undertaking's own workforce	-	S1-7 Not applicable; In accordance with CSRD definition, we do not have non-employees.
S1-8	Collective bargaining coverage and social dialogue	pp.38; FB, pp.25	62 Not applicable; In accordance with CSRD definition, we do not have non-employees.
S1-9	Diversity metrics	pp.39-40; FB, pp.26-27	
S1-10	Adequate Wages	pp.38	67 Compliance preparations for 2024 reporting; Establishing readiness to report on adequate wages.
S1-11	Social protection	pp.38-39	
S1-13	Training and Skills Development metrics	FB, pp.28-30	
S1-14	Health and safety metrics	pp.38-39	
S1-15	Work-life balance	FB, pp.28	
S1-16	Remuneration metrics (pay gap and total remuneration)	-	S1-16 Compliance preparations for 2024 reporting; Establishing readiness to report on gender pay gap according to CSRD's guidelines.
S1-17	Incidents, complaints and severe human rights impacts	pp.40; FB, pp.28	
ESRS S2 – Workers in the value chain			
ESRS 2 SBM-2	Interests and views of stakeholders	pp.42-43, 64-67	
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	pp.6-8, 41	
S2-1	Policies related to value chain workers	pp.40-43, 64, 79	
S2-2	Processes for engaging with value chain workers about impacts	pp.28-30,42-43	
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	pp.42-43,47-49	
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	pp.40, 42-43	
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	pp.41	
ESRS S4 – Consumers and end-users			
ESRS 2 SBM-2	Interests and views of stakeholders	pp.47-50, 65-67	

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	pp.6-8, 44-45	
S4-1	Policies related to consumers and end-users	pp.40-42, 45-49, 79-81	
S4-2	Processes for engaging with consumers and end users about impacts	pp.47-49	
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	pp.47-49, 64	
S4-4	Taking action on material impacts on consumers and end- users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	pp.40, 46-50	
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	pp.46	
ESRS G1 – Business conduct			
ESRS 2 GOV-1	The role of the administrative, management and supervisory bodies	pp.53-62	
ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	pp.6-8, 61	
G1-1	Business conduct policies and corporate culture	pp.47-48,61-64, 78; FB, pp. 29-30	10b The Code of Conduct Policy integrates best industry practices and Wolfsberg ABC guidelines, while embedding the principles of the United Nations Convention against Corruption.
G1-2	Management of relationships with suppliers	pp.23-24, 28-29, 40-43, 64	
G1-3	Prevention and detection of corruption and bribery	pp.48-49, 61-65; FB, pp.29-30	
G1-4	Incidents of corruption or bribery	pp.65; FB, pp.32	
G1-5	Political influence and lobbying activities	pp.63	29 Not applicable; We prioritise constructive engagement without direct affiliation with any political party or force, and we do not make political contributions. 30 Not applicable; No members of the administrative, management and supervisory bodies who held a comparable position in public administration in the 2 years preceding such appointment.
G1-6	Payment practices	pp.49; FB, pp.32	33a,b,d Compliance preparations for 2024 reporting; Establishing readiness to report invoice payment average time and standard payment terms by supplier categories.
Other regulatory requirements			
n/a	Datapoints that derive from other EU legislation	FB, pp.34-36	

a. Other documents referenced: **AR** - Annual Report 2022, **FB** – Sustainability Factbook 2022, **Pillar 3** – Pillar 3 report 2023.
b. The material topic Pollution is handled together with the Climate Change material topic as the relevant air emissions for Luminor are GHG emissions. Pollution and Climate Change are presented under the same section and for this reason, the page references are the same as indicated under material topic for Climate Change.

GRI CONTENT INDEX

For this report we have used GRI 1: Foundation 2021, GRI 2: General Disclosures 2021, GRI 3: Material Topics 2021 and individual topic specific standards as a basis for reporting. The GRI indicators of key topics defined are based on our materiality analysis, and how these key topics align with GRI's general and topic-specific disclosures are shown in the table below. We reported the information cited in this GRI content index for the period from 1 January 2023 to 31 December 2023 in accordance with the GRI Standards.

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

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
1	The organization and its reporting practices	pp.2-4, 6; AR, pp.6, 16	
2-1	Organizational details	pp.2-3, 6; AR, pp.16	
2-2	Entities included in the organization's sustainability reporting	pp.6; AR, pp. 16	
2-3	Reporting period, frequency and contact point	pp.1, 86; AR, pp.70	
2-4	Restatements of information		None
2-5	External assurance		This report: None. AR audited by PWC.
2	Activities and workers	pp.36-50; AR, pp.2, 4-5,7-10,12-15,19-21	
2-6	Activities, value chain and other business relationships	pp.36-50; AR, pp.4-4, 7-10,12-15	
2-7	Employees	pp.36; FB, pp.24; AR, pp. 19-21	2-27 iii: Not applicable; We currently do not have this type of contract (non-guaranteed hours employee).
2-8	Workers who are not employees	-	2-8: Not applicable; In accordance with CSRD definition, we do not have non-employees.
3	Governance	pp.52-60; AR, pp.20-29	
2-9	Governance structure and composition	pp.52-60; AR, pp.20	
2-10	Nomination and selection of the highest governance body	pp. 21; Pillar 3, pp.9	
2-11	Chair of the highest governance body	AR, pp. 22-23	
2-12	Role of the highest governance body in overseeing management of impacts	pp. 53-60; AR, pp. 22-27	
2-13	Delegation of responsibility for managing impact	pp.55-60; AR, pp.22-27	
2-14	Role of the highest governance body in sustainability reporting	pp.59-60	
2-15	Conflicts of interest	pp.63-64; AR, pp.20	
2-16	Communication of critical concerns	pp.47-48, 56-60; FB, pp.32	
2-17	Collective knowledge of the highest governance body	pp.53-58	
2-18	Evaluation of the performance of the highest governance body	pp.53-60; Pillar 3, pp.33, 39-40	

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
2-19	Remuneration policies	pp.38, 62; Pillar 3, pp.39-40	
2-20	Process to determine remuneration	pp.38, 62; Pillar 3, pp.39-40	
2-21	Annual total compensation ratio	-	2-21: Confidentiality constraints; Non-public information.
4	Strategy, policies and practices		
2-22	Statement on sustainable development strategy	pp.2-3, 22-23, 25-35, 59-60	
2-23	Policy commitments	pp.3, 24-25, 37, 40-42,45, 61, 69	
2-24	Embedding policy commitments	pp.59-60, 78-81	
2-25	Processes to remediate negative impacts	pp.48-49	
2-26	Mechanisms for seeking advice and raising concerns	pp.47-48, 64.	
2-27	Compliance with laws and regulations	FB, pp.32	
2-28	Membership associations	pp.49-50, 65; FB, pp.31-32	
5	Stakeholder engagement	pp.47-50, 65-67	
2-29	Approach to stakeholder engagement	pp.47-50, 65-67	
2-30	Collective bargaining agreements	pp.38; FB, pp.25	
Material Topics			
3-1	Process to determine material topics	pp.6-8, 65-67	
3-2	List of material topics	pp.7	
Climate change and air pollution (Climate change & GHG emissions)			
3-3	Material Topics 2021	pp.2-3,22-24	
201-2	Economic Performance 2016	pp.2, 22-23, 25-34; FB, pp.13-16	
302-1	Energy 2016	FB, pp.17	302-1 a,b,c.iii,iv: Information unavailable/incomplete. 302-1 d: Not applicable; No energy production nor selling in Luminor's own operations.
302-2	Energy 2016	-	302-2: Information unavailable/incomplete.
302-3	Energy 2016	FB, pp.17	
302-4	Energy 2016	-	302-4: Information unavailable/incomplete; Energy reductions cannot be precisely linked to initiatives.
302-5	Energy 2016	-	302-5: Information unavailable/incomplete.
305-1	Emissions 2016	pp.23,30-31; FB, pp.19, 38-40	305-1 c: Not applicable; No biogenic emissions involved in Luminor's own operations.
305-2	Emissions 2016	pp.23,30-31; FB, pp.19, 38-40	305-2 b: Information unavailable/incomplete.
305-3	Emissions 2016	pp.23,30-33; FB, pp.19-21, 38-40	305-1 c: Not applicable; No biogenic emissions involved in Luminor's own operations.
305-4	Emissions 2016	pp.23,32; FB, pp.19-21, 38-40	
305-5	Emissions 2016	FB, pp.20	
305-6	Emissions 2016	-	305-6: Not applicable; No production, imports, and exports of ozone-depleting substances.
305-7	Emissions 2016	-	305-7: Information unavailable/incomplete.

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
308-1	Supplier Environmental Assessment 2016	pp.41-43; FB, pp.22	
308-2	Supplier Environmental Assessment 2016	pp.41-43; FB, pp.22	
Climate change and air pollution (Responsible investing & financing)			
3-3	Material Topics 2021	pp.22-23, 30-34	
201-4	Economic Performance 2016	-	201-4: Not applicable; No state support was received.
Own workforce (Employee diversity & inclusion)			
3-3	Material Topics 2021	pp.36-37, 39-40	
102-36	General Disclosures 2016	pp.38, 62, Pillar 3 pp. 39-40	102-36 b,c: Not applicable; No remuneration consultants are involved in determining remuneration.
102-37	General Disclosures 2016	-	102-37: Not applicable; Stakeholders' views are not considered regarding remuneration.
102-38	General Disclosures 2016	-	102-38: Confidentially constraints.
202-1	Market Presence 2016	-	202-1: Not applicable; No employees compensated with local minimum wages.
202-2	Market Presence 2016	FB, pp.28	
401-1	Employment 2016	FB, pp.25	
401-2	Employment 2016	pp.36,38-39; FB, pp.28	
401-3	Employment 2016	FB, pp.28	401-3 c,d,e: Information unavailable/incomplete.
402-1	Labour/Management Relations 2016	pp.38; FB, pp.28	
404-1	Training and Education 2016	FB, pp.28-30	
405-1	Diversity and Equal Opportunity 2016	FB, pp.26-27	405-1 a.ii: Information unavailable/incomplete.
405-2	Diversity and Equal Opportunity 2016	-	405-2: Information unavailable/incomplete.
406-1	Non-discrimination 2016	FB, pp.28	
408-1	Child Labour 2016	pp.40-43	408-1 a,b: Not applicable; No incidents identified related to child labour or exposure to hazardous work.
Own workforce (Employee health & safety)			
3-3	Material Topics 2021	pp.36-40	
403-1	Occupational Health and Safety 2018	pp.38-39	403-1 a.ii: Not applicable; Occupational health and safety management system is a regulatory requirement in all three Baltic countries.
403-2	Occupational Health and Safety 2018	pp.37-40, 64	403-2 a.ii: The workers representatives who conduct observations provide input for the annual procedure update. 403-2 d: We have elected worker representatives for each location who conduct regular observations through floor walk throughs and interviews with employees to understand any grievances and to determine if employees are exposed to any hazards. Facility management unit is informed of identified improvements and has taken action.
403-3	Occupational Health and Safety 2018	pp.38-39	
403-4	Occupational Health and Safety 2018	-	403-4: Workers are involved through workers representatives as described under GRI 403-2.
403-5	Occupational Health and Safety 2018	pp.38-39	
403-6	Occupational Health and Safety 2018	pp.38-39	
403-7	Occupational Health and Safety 2018	pp.38-39	

Standard	Disclosure title	Location in this report, AR, FB, or Pillar 3 (a)	Requirement(s) omitted, Reason and explanation
403-8	Occupational Health and Safety 2018	pp.38-39	403-8 a.ii,a.iii: Not applicable; The occupational health and safety management system has not been audited or externally certified, and it is applicable to all employees.
403-9	Occupational Health and Safety 2018	-	403-9 Information unavailable/incomplete.
403-10	Occupational Health and Safety 2018	-	403-10: Information unavailable/incomplete.
407-1	Freedom of Association and Collective Bargaining 2016	pp.38, 40-43	407-1 a: Not applicable; No incidents identified related to violation of workers' rights to exercise freedom of association or collective bargaining.
409-1	Forced or Compulsory Labour 2016	pp.37, 40-43	409-1 a: Not applicable; No incidents identified related to forced or compulsory labour.
Customers and end users (Customer practices)			
3-3	Material Topics 2021	pp.44-49	
Customers and end users (Customer privacy & data security)			
3-3	Material Topics 2021	pp.44-46,49	
418-1	Customer Privacy 2016	FB, pp.30	
Business model resilience			
3-3	Material Topics 2021	pp.68-69; AR 2-5, 7-10	
102-10	General Disclosures 2016	AR, pp.2-3,7-10	
102-12	General Disclosures 2016	pp.49-50; FB, pp.31	
102-15	General Disclosures 2016	pp.54, 57-58	
201-1	Economic Performance 2016	pp.68-69; FB, pp.33	
203-1	Indirect Economic Impacts 2016	pp.49-50, 68-69; FB, pp.31	203-1 (a); Confidentially constraints.
203-2	Indirect Economic Impacts 2016	pp.68-69	
Business conduct (Ethical corporate behaviour)			
3-3	Material Topics 2021	pp.40-43, 61-67	
102-16	GRI 102: General Disclosures 2016	pp.61-64	
102-17	General Disclosures 2016	pp.47-48, 64	
102-26	General Disclosures 2016	pp.54-61	
102-34	General Disclosures 2016	pp.63-64; FB, pp.32	
205-1	Anti-corruption 2016	-	205-1: Information unavailable/incomplete.
205-2	Anti-corruption 2016	pp.61-65; FB, pp.29-30	205-2c: Information unavailable/incomplete.
205-3	Anti-corruption 2016	pp.62,65; FB, pp.32	
307-1	Environmental Compliance 2016	pp.64; FB, pp.32	
412-2	Human Rights Assessment 2016	pp.40; FB, pp.29	
419-1	Socioeconomic Compliance 2016	FB, pp.32	

a. Other documents referenced: **AR** - Annual Report 2022, **FB** – Sustainability Factbook 2022, **Pillar 3** – Pillar 3 report 2023.

OUR POLICIES, PROCEDURES, AND STANDARDS

General policies relating to ESG and Governance

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

Double Materiality Assessment Procedure – internal regulation, establishes general principles, roles, responsibilities and measures that must be followed with regards to the performance of the double materiality assessments that inform our annual sustainability statements. The procedure is approved by Board.

ESG Due Diligence Standard – internal regulation, establishes our principles, roles and responsibilities and process guidelines when performing due diligence of our customers, vendors, suppliers or our own organization. This helps us avoid or minimize any negative impacts on society and the environment that might be caused by our business activities or those of our customers, vendors, and suppliers. This internal regulation is applicable to all our divisions and group companies and is approved by our Board. This standard encompasses international requirements, voluntary commitments, and recognized frameworks by EU regulations such as EU Taxonomy, OECD Guidelines, the UN Sustainability Goals, and the UN Guiding Principles on Business and Human Rights. The ESG Due Diligence standard is published on our website.

ESG Risk Materiality Assessment and ESG Disclosure Standard – internal regulation, establishes general principles, roles, responsibilities and measures that must be followed with regards to the ESG risk materiality assessments, integration of risk drivers´ into the business strategy and underlying sustainability-related disclosures.

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

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

Sustainability Policy – internal regulation, establishes our objectives, principles, roles and responsibilities in regards to sustainable practices and defines our exclusion list. The policy is approved by the Council and guides our actions ambitions by providing the framework for determining our environmentally sustainable activities, addressing our climate impacts and listing our exclusions. It outlines the main ESG principles and values that we aim to integrate into our business model to avoid or minimize any negative impacts on society and the environment that might be caused by our business activities, customers and suppliers. We aim to foster Green Growth and support our customers as they transition to a low-carbon economy and implement the following sustainable practices: reducing negative impacts of our business activities and, becoming climate neutral in our own operations. To fulfil these commitments, have committed to operate transparently and as energy efficiently as possible, promote environmental improvements, and greater environmental responsibility, and minimise our impact on the climate and environment. Furthermore, the policy includes provisions relating to the due diligence of our clients, suppliers and vendors. Further, our activities follow the guidance provided by international standards including: United Nations: Global Compact; Principles of Responsible Investments (UN PRI); Guiding Principles on Business and Human Rights; United Nations Sustainable Development Goals; The Organisation for Economic Co-operation and Development (OECD) Guidelines on Multinational Enterprises; Anti-Bribery and Corruption Guidance: Due Diligence Guidance for Responsible Business Conduct; International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy; United States Foreign Corrupt Practices Act and United Kingdom Anti-Bribery Act 2010; The local Baltic Banking Associations´ Codes of Conduct. The policy has been aligned with all bank divisions and subsidiaries and is applicable to all our employees and subsidiaries. Our Sustainability Policy statement is publicly available on our website.

Sustainability Strategy – ESG related strategy that is prepared and updated annually in the scope of our strategy that establishes strategic aspirations and targets and outlines the plans to achieve the strategic aspirations.

Policies related to employees and workers in the value chain

Adverse Media Screening Instruction – internal regulation, describes the objective, roles, responsibilities, principles and measures of investigation of adverse media matches.

Base Salary Management Standard – internal regulation, defines the framework and principles for the establishment and administration of the Base Salary.

Code of Conduct - internal regulation, outlines the general principles for how we conduct business. We aspire to maintain the highest standards of ethical and professional conduct, as well as to operate in compliance with the applicable laws and internal policies when dealing with shareholders, customers, business partners, communities and each other.

Equality, Non-Discrimination and Diversity Policy – internal regulation, outlines our general principles and objectives for equality, non-discrimination and diversity.

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

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

Mental Health and Wellbeing at Work Standard – internal regulation, outlines the process for protecting and promoting mental health and wellbeing at work, assessing and managing psychosocial hazards, including violence and harassment, reporting and handling complaint and how to provide support.

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

Raise Your Concern Channel – a webform to collect and handle stakeholder feedback.

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

Policies related to customers

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

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

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

Corporate Due Diligence Policy – a collection of documents which establishes our due diligence principles. We have in place an ESG Risk Assessment Guideline, and ESG Due Diligence Standard, which is defined above.

Credit Policy –internal regulation, provides a framework to ensure a consistent approach and common objectives for all activities related to lending in Luminor Bank AS and its subsidiaries within the boundaries of our overall Risk Policy and Strategy and Risk Appetite limits. In addition, the Credit Policy sets the foundations for our business strategies and serves as the framework for credit strategies for individual segments and industries.

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

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

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

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

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

ESG Risk Assessment Procedure - internal regulation. Describes the assessment process of ESG risks associated with legal entities as a part of the overall creditworthiness assessment process. This supports our aim to finance companies and projects that contribute to sustainable economic growth and follow relevant social and governance standards. The procedure describes the risk-based assessment process of ESG risks of the legal entities as part of the overall creditworthiness assessment process to help us identify and measure the sustainability related risks that our customers are exposed to and to determine areas for potential improvement. The procedure establishes requirements for our largest corporate customers to create transition plans that are aligned with the Paris Agreement targets of keeping the global climate warming below 1.5 degrees Celsius. In addition, the procedure sets KPIs that should be monitored if companies are exposed to significant climate risk where the main risk driver is emissions. The internal regulation is applicable to our structural units and to leasing companies involved in lending transactions to legal entities. This procedure is an internal document and is therefore not available publicly.

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

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

Lending Risk Parameters for Private Individuals Procedure – internal regulation, describes the main lending risk parameters for private individuals to be adhered to by the Retail Banking Division and Credit Advisory & Restructuring Division employees involved in lending to Private Individuals (incl. leasing). Dimensions considered include but are not limited to coborrower type, income type and size, property location, type and value.

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

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

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

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

Climate and environment related policies

Data Specification for ESG Risk Data Model – internal regulation that describes all of the data requirements needed for the development of ESG Risk data model, including the data sources, where to get the needed data. This internal regulation also provides estimation methodologies for the data attributes, to whom data is not yet in our systems or it is not possible to get the needed data in the needed format from external data providers.

Industry ESG Risk Management Procedure - is a subordinated document to the ESG risk assessment procedure and provides additional guidance for sectors with medium or high climate risk exposure. The procedure provides guidance for sectors with medium or high climate risk exposure and details sector-specific climate risks and risk drivers and outline risk mitigation options as well as our lending principles and expectations towards customers in these sectors. It details sector-specific climate risks and risk drivers and outline possible risk mitigation options, such as the development of climate-friendly policies and procedures, establishment of targets, metrics, and transition plans. It also provides general lending principles and expectations for customers in these sectors, which include expectations for climate change mitigation and adaptation, energy efficiency and a shift towards increased renewable energy usage. The internal regulation is applicable to our structural units and leasing companies involved in lending transactions to legal entities. This procedure is an internal document is therefore not available publicly.

Product Management Procedure governs the process of developing new Products, changes to existing Products, decommission of Products as well as documentation and assessment processes and establishes definitions of products. The internal regulation is applicable to all our structural units, asset management and leasing companies. The regulation is approved by the Board and is an internal document, therefore it is not available publicly.

Sustainable Investment Guidelines – internal regulation, covering Discretionary Portfolio Management, Pensions and Treasury product areas. It incorporates sustainability risk measurement and our investment risk management processes, the including establishment of a process for principal adverse impact management and reporting. The guidelines are applicable to the implementation of direct and indirect investments in relation to the provision of the discretionary portfolio management services, management of pension funds / pension plans / pension schemes and investing on own account activities (Luminor liquidity bond portfolio management, bond trading). The sustainable investment guidelines were developed in accordance with the Sustainable Finance Disclosure Regulation (SFDR), United Nation Principles for Responsible Investment (UN PRI), EU Action Plan for Financing Sustainable Growth and other applicable legal acts. The statement on the Sustainable Investment Guidelines is published on our website. This regulation is approved by the Head of the Sustainability Department and aligned with all relevant internal stakeholders.

GLOSSARY

Adverse or Potential Adverse Impact – refers to a significant negative outcome, often challenging to reverse or remedy, affecting individuals, communities, and companies within relevant ecological, social, or economic systems. This impact can manifest as decreased well-being, ecosystem degradation, reduced customer demand, technological obsolescence, supply chain disruptions, creditworthiness deterioration, financing constraints, regulatory fines, or reputational damage. These impacts, stemming from ESG Risk Drivers, are categorized based on severity, nature, and likelihood into Low, Medium, High, and Critical levels.

Board – Management Board of Luminor Bank AS.

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

Climate Delegated Act – Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation. Helps determine whether an economic activity causes no significant harm to any of the other environmental objectives.

CoI – Conflict of Interest.

Council – Supervisory Council of Luminor Bank AS.

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

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

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

DPO – Data Protection Officer

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

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

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

EU Taxonomy Regulation - The EU Taxonomy Regulation (Sustainable finance taxonomy - Regulation (EU) 2020/852) is a classification system or framework that defines which economic activities are environmentally sustainable. The regulation lists six environmental objectives and sets criteria for activities to meet them, such as producing low-CO 2 emissions. It establishes the basis for the EU taxonomy by setting out the 4 overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. Under the Taxonomy Regulation, the Commission developed a list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through delegated and implementing acts e.g. Climate Delegated Act. The Taxonomy Regulation was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. Further info: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en.

EU Taxonomy report – report published by an entity as required under EU Taxonomy Regulation following templates established in the Disclosure Delegated Act. The EU Taxonomy reporting is mandatory for large, public-interest companies.

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

FSC – Forest Stewardship Council - an organization that works to promote the practice of sustainable forestry worldwide and sets standards for forest products, independently certifies that these standards have been met and bestows labels upon the products that qualify.

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

GDPR - General Data Protection Regulation

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

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

Green Growth – activities that foster economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. OECD (2022) Green growth and sustainable development**.**

GRI - Global Reporting Initiative - a standard for reporting sustainability-related information. Further information can be found at: https://www.globalreporting.org/.

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

IRO – Impacts, Risks and Opportunities.

KYC – Know Your Customer.

Materiality Assessment External Score Weighting used, by source and weight – 35% for Benchmark (Corporate reports), 30% for mandatory laws, 10% for voluntary regulation, 10% for news, 5% for social media and 10% for Stakeholder Survey participants, including customers, Council members and employees.

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

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

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

PCAF – Partnership for Carbon Accounting Financials – used for our financed emissions calculation, which starts with classification of assets into listed equity and corporate bonds, project finance, business loans and unlisted equity, commercial real estate and mortgage and motor vehicle loans. For business loans, the methodology includes all products except guarantees and is based on customer level data. However, for the other asset classes, the calculation considers the agreement level. The methodology offers five different formulas for calculating financed emissions for each asset class, based on data granularity and quality. Given the data limitations, we mostly use #4 and #5, which represents the lowest confidence level. PCAF emission factors database covers Scope 1, Scope 2 and Scope 3 upstream emissions.

Pillar 3 - The Risk Management and Capital Adequacy Disclosure report that is published on our website under https://luminor.ee/investors.

SBT – Science Based Targets - a way for companies to define emission reduction targets. SBTs follow a "top-down" approach and focus on the quantity of emissions that need to be reduced to meet the Paris Climate Agreement targets, limiting global warming to 1.5°C.

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

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

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

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

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

tCO_2e - the sum of Scope 1 emissions, Scope 2 emissions and Scope 3 emissions, during a given period, measured in metric tonnes of carbon dioxide equivalent, according to GHG Protocol standards.

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

SUBSEQUENT EVENTS

In January, we approved Product Management Procedure.

In February, we completed customer climate seminar on Transition planning to low carbon economy.

In March, we approved Procedure for Analysis of Impact of Climate and Environmental Risks on our Business Environment (C&E RBE) and updated our Procedure for Risk Taxonomy Review and Risk Materiality Assessment to integrate C&E Risk Materiality Assessment (C&E RMA). We also completed our second iteration of analysis of C&E RBE and the third iteration of C&E RMA, the outcomes of which inform, among others, our risk appetite and risk management practices, strategy review process, and product development backlog.

In March 2024, the Board's Conduct Committee was established to support Board in management of conduct issues (including cases related to possible breaches of Code of Conduct). Consequently, these conduct related matters are now excluded from the responsibilities of the Non-Financial Risk Committee.

In April 2024, we began reviewing our 50% own operations emission reduction per employee target because of the rise in employee commuting due to the return to the offices, alongside revising our AWS cloud migration strategy.

LUMINOR BANK AS INFORMATION

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Telephone +372 628 3300	**E-mail** info@luminor.ee	**Reporting currency** euro
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Cover photograph: In September, 120 of our employees helped restore two wetland areas, Silėnai peatland and Svirplinė Botanical-Zoological Reserve in Asveja Regional Park, in Lithuania. Re-wetting peatlands helps to avoid greenhouse gas emissions and binds the carbon, and so help mitigate climate change.

Luminor

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