



AS Citadele banka

# SUSTAINABILITY REPORT

FOR YEAR 2023

# ABOUT THIS REPORT

This report covers the parent company AS Citadele bank and its subsidiaries CBL Asset Management, CBL Life, Citadele Leasing, i.e. the Citadele Group, for the financial year 1 January 2023 to 31 December 2023. The report provides an overview of our sustainability journey in 2023 and related performance data within Environmental, Social and Governance (ESG) areas.

This sustainability report has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) GRI 1: Foundation 2021, and the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

The report represents our statement on corporate social responsibility in line with Financial Instrument Market Law of Latvia. It also represents our reporting on how our activities are associated with economic activities that qualify as environmentally sustainable, as described in Article 8 of the EU Taxonomy and underlying delegated acts.

This report summarizes our progress toward our goal of fully incorporating climate risk and opportunity identification and management into our overall business strategy and disclosure efforts and covers our material impact topics in the areas of Environment (E), Social responsibility (S), and Corporate Governance (G).

Our voluntary Sustainability disclosures involve a more extensive use of assumptions and estimates than our mandatory disclosures. These assumptions and estimates are subject to change as time progresses, which, in combination with the longer time frames used in these voluntary disclosures, introduces an inherent element of uncertainty to any assessment.

As we continue to refine our climate risk management initiatives and work towards our net zero strategy, it is important to acknowledge that these efforts remain under development. The data supporting our climate risk management efforts and strategy are expected to evolve over time, particularly given the ongoing challenges associated with the quality, accuracy, and availability of climate data. Consequently, we anticipate that certain disclosures made in this report and our other voluntary Sustainability disclosures are likely to be revised, updated, or restated in the future as the quality and completeness of our data and methodologies continue to improve.



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### More information

The report is available for downloading at:  
<https://www.cblgroup.com/en/about/social-responsibility/>

### Contact us

We welcome any comments, suggestions, or questions you may have regarding this Sustainability Report by email to: [esg@citadele.lv](mailto:esg@citadele.lv)

Website: <https://www.cblgroup.com/en/>

# SUSTAINABILITY AT CITADELE GROUP

## Letter from the CEO



Photo: LETA

Climate change is a challenge of our time, and it requires the adaptation and resilience of companies world-wide. For the economy to transition to a low-carbon future, it requires concerted effort of both public and private sectors.

We understand that our business model can have a significant impact on the climate and society, both directly and indirectly. As a regional bank close to our customers, we have the ability to play a positive role in addressing climate change by providing green financing, adopting sustainable practices ourselves, and encouraging our clients to adopt more sustainable practices. The risks and opportunities associated with climate change are a significant part of our sustainability efforts. We are working to further integrate climate risk into our risk policies and governance frameworks, measuring and analyzing the impacts of our portfolios, and engaging with our clients to raise awareness of climate risk.

### **Net zero by 2050**

We have committed to align our operations with the goals of the Paris Agreement and decrease emissions from lending and investment portfolios to net-zero by 2050. To achieve this, in 2023 we joined the Partnership for Carbon Accounting Financials (PCAF), and continued work on assessment of Scope 3 GHG emissions which will serve as a baseline for development of a clear roadmap and sufficiently detailed milestones toward reaching the goal.

### **Reducing our own footprint**

Our largest environmental impact comes from financing and investing activities. At the same time, we believe that it is no

less important to ensure that our own consumption is sustainable, and we work actively to reduce our own environmental footprint.

During 2023 we have taken a number of actions to reduce environmental impact of our operations, e.g. all three our headquarters - the largest contributors of total energy consumption, are now operating on 100% renewable energy. We follow green office principles and are climate-neutral in our office operations from 2023, having offset the unavoidable own emissions. In 2024 we will continue taking further steps to minimize the carbon footprint of our office operations.

### **Supporting the green transition**

Citadele believes that we have to take an active part in the green transition and support our clients moving to a low-carbon economy.

We have developed special financing offers that motivate our clients to make environmentally responsible choices. In 2023 we have issued EUR 115 million in green lending, constituting 13% of total new lending.

In line with our commitment to support our customers in the transition to a low-carbon economy and seeing that sustainability initiatives are becoming increasingly important for our clients, Citadele has launched the first green savings account in the Baltic market. The green savings account is giving our clients the opportunity to be a part of the low-carbon economy transition at competitive rates. Deposited funds are used to support financing for projects that aim to reduce the Baltics' carbon footprint, among which are the construction of Latvia's largest solar power plant in Brenguļi and the construction of a solar power plant in Inčukalns. As of 31 December 2023, green savings account deposits reached EUR 36 million. Additionally, in Q4 2023, we launched green mortgage loan, aimed to finance homes complying with the highest energy efficiency standards.

### **Strengthening our in-house climate and environmental risk management capacity**

Over the past year, we have continued to build and strengthen our in-house capacity of climate risk management and mitigation. We have received advisory support under the European Investment Bank's Green Gateway facility and invested in our ESG teams' knowledge base expansion. To ensure consistent, comparable and reliable climate disclosures, we are increasing our effort of collecting, storing and analyzing ESG-related data and setting up and adjusting internal processes.

To promote a positive workplace culture and make a meaningful impact on the community, Citadele has launched volunteer days. Our employees now have the opportunity to contribute three working days each year for social volunteering.

## Our climate and environmental strategy

Citadele believes that being a modern bank means embedding sustainability considerations at every level of the organisation, from strategy to insight generation and operations.

Sustainability for Citadele means developing our business with a long-term perspective and in line with our environmental, social, and economic goals. This includes respect for the natural environment, and responsible and ethical practices in the decisions we make, products we offer and services we provide.

We are developing tools to monitor and disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses.

Citadele has committed to aligning its operations and portfolio with the goals and the timeline of the Paris Agreement. To achieve this objective, Citadele has set the ambition to reach net-zero operations, including financed emissions, by the year 2050



### ACHIEVING NET-ZERO

by 2050

To reach our ambition of achieving net-zero by 2050, Citadele will be focusing on reducing our financed emissions, achieving carbon-neutrality in our own office operations, and continuing to finance the transition by providing green financing.

We are working on establishing the baseline, identifying decarbonisation pathways, developing practical plans for achieving the emissions reductions, reporting and monitoring progress on the targets to ensure reaching our climate-related goals by the target date.



### FINANCING THE TRANSITION

> EUR 150m  
in 2023-2025

As a regional bank close to our customers, we have the ability to play a positive role in addressing climate change by providing financing for renewable energy projects, adopting sustainable practices ourselves, and encouraging our clients to adopt more sustainable practices.

Citadele is a signatory of the UNEP FI Principles for Responsible Banking, working to accelerate a positive and just global transition. Through the Principles, our bank takes action to align its core strategy, decision-making, lending and investment with the UN Sustainable Development Goals, and international agreements such as the Paris Climate Agreement.



### GHG NEUTRAL OFFICE

by end of 2023

The Group has set a goal to be carbon neutral in our own operations by end of 2023. We understand the urgent need to take action on climate change and are committed to leading by example.

We have been working towards this goal, having reduced our energy consumption, and switching to renewable energy in our headquarters office and branches where feasible in 2022 and 2023.

In 2024 we are taking further steps to minimise the carbon footprint of our office operations by implementing sustainable travel and procurement policies.

**Building our climate strategy**

Our climate strategy is built around both risks and opportunities presented by the changing climate and transition to a low carbon economy.

All three elements of our strategy – reaching net zero emissions, financing the transition and GHG neutral office operations are important, but we recognise that the majority of our carbon impact results from the activities of the clients we finance – our financed emissions.

We understand that reaching net-zero portfolio emissions is an ambitious goal, and it will require a significant effort from us and our clients.

We are working on developing a comprehensive plan to achieve this ambitious goal. This plan will include focusing on renewable energy, energy efficiency and low-carbon projects, as well as supporting clients in transition to lower-emission practices.

Supporting the transition will mean not only increased focus on financing green and transition projects, but also working closely with our clients to understand what transition means for each of them. We expect that the transition may be different for our diverse customer base. There may be sectors or activities that find transition harder than others. We expect that any reduction in earnings from high climate-

related risk projects will be outweighed by the opportunities the transition to low-carbon economy presents to all.

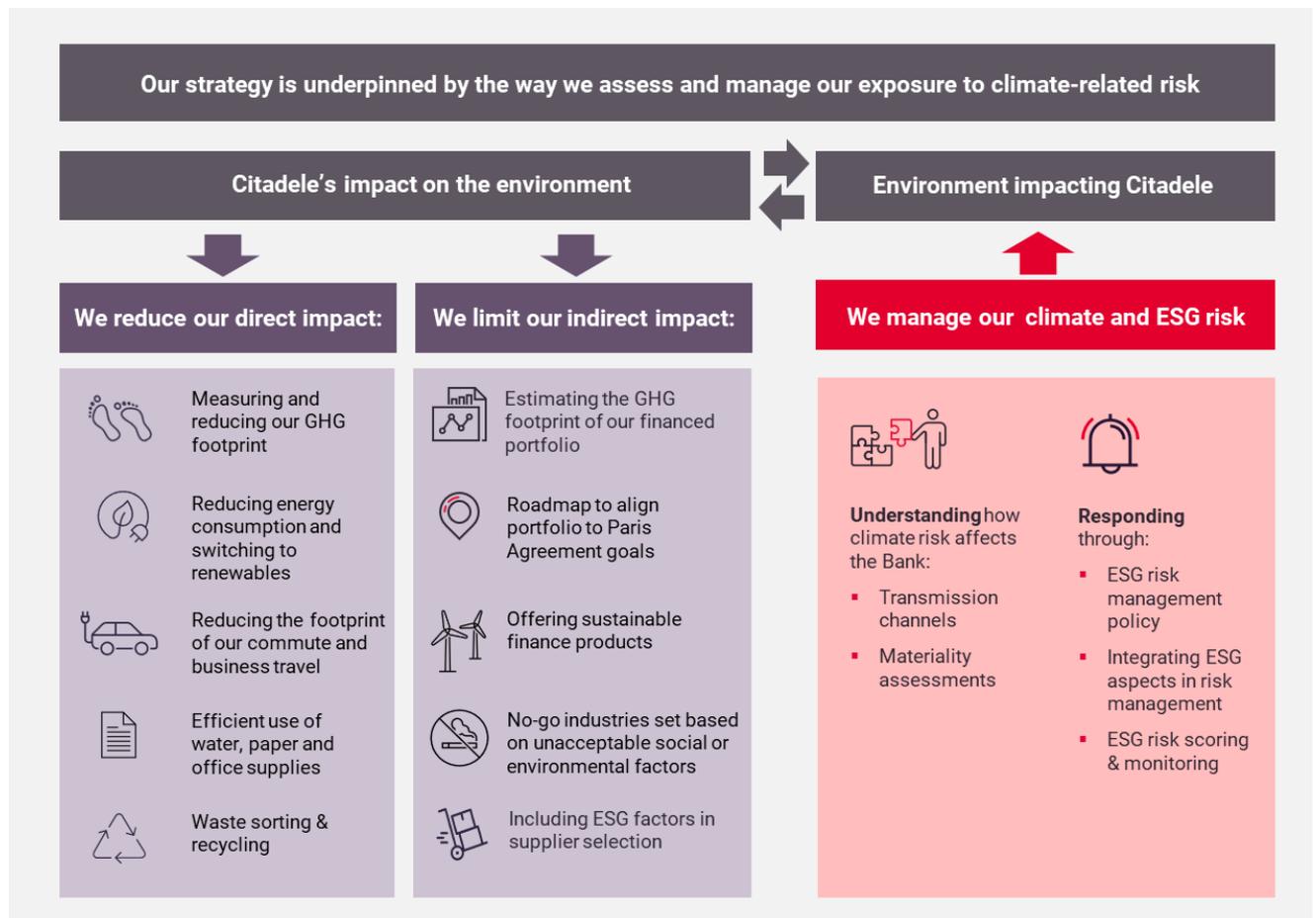
Our strategy is underpinned by the way we assess and manage our exposure to climate-related risk, as explored into more detail in the “Managing Climate-related and environmental risk” section of this report.

We are committed to transparently reporting on our progress towards achieving net-zero portfolio emissions by 2050, and to engaging with our employees, customers, and other stakeholders to ensure that we are on track to reach this goal.

Citadele continues evolving its approach to assessing climate-related risks and opportunities to ensure that our strategy remains resilient.

Over the coming years, our climate strategy will continue to evolve. It will need to adapt to reflect market, technological, regulatory and geopolitical developments affecting the transition to a low-carbon economy. We will keep our policies, targets and progress under review in light of the rapidly changing external environment.

Climate change is and will remain an important issue for Citadele. As an organization, we will keep building our capacity to tackle climate change and mitigate the worst impacts.



### Impact of climate-related risks and opportunities on Citadele's business and strategy

Citadele is mindful of how our business decisions can impact the environment and society, both directly through our operations and indirectly through the projects we finance. We aim to minimize the negative and maximize the positive non-financial impacts of our operations on the environment and society, at the same time, managing the environmental risks and opportunities on the Group.

Minimizing the negative impact of our operations entails working to reduce any adverse consequences our operations and financed projects might have on the environment. We are taking steps to mitigate potential harm, such as reducing emissions, reducing energy consumption, promoting efficient use of resources, minimizing waste, adhering to environmentally and socially responsible financing policies.

In addition to minimizing harm, we take a proactive approach to corporate social responsibility seeking opportunities to

make a meaningful and positive difference in environmental and societal issues, like sustainability, energy independence, and development of a strong SME sector.

We are embedding climate risk into our risk management culture by continuously building our collective understanding of the climate risk factors potentially affecting us as well as their potential transmission channels and interactions with other risk types. We are responding to the risks identified by integrating them into our policies and processes.

As part of transition risk management, Citadele is monitoring its exposure to carbon-related assets. Among Citadele's largest industry exposures within the lending portfolio is Real Estate acquisition and management, Transport and communication, Manufacturing, Trade, and Agriculture and forestry. Each of these segments constitutes less than 15% of the total loan portfolio.

## Climate-related opportunities



### Green deposits

First in the Baltics to launch green deposits for retail customers giving our clients the opportunity to be part of financing the transition.



### Growing portfolio of green financing products

Including:

- Renewable energy projects for corporate customers.
- Green vehicle leasing for private individuals and legal entities.
- Loan for multi-apartment building renovation and improvement of energy efficiency.



### Cooperation with leading supranational institutions

Dedicated financing to help propel the green transition of local economies and reduce overall greenhouse gas emissions.

## Our Climate Action Agenda

Citadele is committed to achieving net-zero carbon financed emissions by 2050. As a financial institution, we recognize the crucial role we play in financing the transition to a sustainable economy. We are committed to aligning our operations and portfolio with the Paris Agreement goals to limit global warming to well below 2° Celsius above pre-industrial levels. Reducing our own carbon emissions and moving toward net zero financed emissions by 2050 are imperative in reaching this aim. We believe that this goal is not only necessary for the well-being of the planet, but it is also critical to the long-term sustainability of our own business.

To reach our sustainability goals effectively, we must be able to measure them and track our progress. It is an area that will continue to take time and effort to establish and develop. To advance measuring and tracking our progress, we have joined Partnership for Carbon Accounting Financials (PCAF) in 2023. This is the first year of publishing the estimated GHG emissions for entire loan portfolio based on The Global GHG Accounting and Reporting Standard Part A: Financed Emissions methodology.

The Group has set a goal to be carbon neutral in our own operations by end of 2023. We understand the urgent need to take action on climate change and are committed to leading by example. We have been working towards this goal over the past few years, having switched to renewable energy in our headquarters offices and branches where feasible in 2022 and 2023. Our unavoidable own emissions are offset for 2023. Even as we rely on carbon credits to offset our office emissions in 2023, we strongly believe in reducing emissions should be the first priority. We will continue exploring ways to reduce our office emissions going forward.

We are committed to transparently reporting on our progress towards achieving net-zero portfolio emissions by 2050, and to engaging with our employees, customers, and other stakeholders to ensure that we are on track to reach this goal. Our ambition is to strengthen our resiliency to climate-related risks, meet market demands for ESG data and insights and continue to deliver on the Company's goal to empower business organisations to make better decisions.

Concerning the Bank's impact, one of the key goals for Citadele in the ESG area in the coming periods will be setting a more specific roadmap for achieving our targets and setting business-specific ESG targets aligned with our ambition.

Citadele acknowledges the importance of accurate measurement and monitoring of the progress toward our sustainability goals. To achieve our impact ambitions, we need to be able to measure them. We recognize that more time and effort need to be invested in building internal structures and capacity to measure our progress in a meaningful way. We have set starting indicators for our key impact areas, measuring, and gathering additional data where needed.

## Policy commitments

As part of our commitment to help fight climate change, we have committed to three key UN-driven initiatives requiring concrete and timebound actions to align our lending and investment portfolios with the objectives of the Paris Agreement.

The Group's sustainability strategy is structured around UN Sustainable Development Goals framework. Citadele has prioritised five of the SDGs that are linked to our business strategy and sustainability work, and which are in the areas where we have the largest opportunity to make an impact. We are also contributing to other SDGs in our daily operations.

Citadele bank is a signatory of UN Principles for Responsible Banking (PRB) - a framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. CBL Asset Management (CBL AM), the Bank's subsidiary, and pension fund manager has joined the UN-supported declaration on Principles for Responsible Investment (PRI).

Citadele follows European Bank for Reconstruction and Development (EBRD) Environmental and Social risk management procedures, EBRD being a shareholder in Citadele, with approximately 25% stake. This includes compliance with the Performance Requirements (PR2 Labour and Working Conditions, PR4 Occupational Health and Safety, and PR 9 Financial Intermediaries) set out in the EBRD's Environmental and Social Policy. Citadele has defined industries that it does not finance due to significant negative environmental and/ or social impacts and applies environmental and social risk management procedures in financing.

## Our contribution to Sustainable Development Goals

Our sustainability strategy is based on five prioritised UN Sustainable Development Goals. Citadele contributes to all prioritized SDGs on Group level, with group companies contributing to particular targets through offered products and services.



### SDG 3: Good health and well-being.

Ensuring healthy lives and emphasizing well-being at all ages is essential to sustainable development. Citadele supports an active lifestyle and work-life balance by offering a number of benefits to its employees, including health insurance, various well-being activities and programmes, and mental health resources. Citadele works towards promoting supported values within healthy and balanced lifestyle which has an impact on overall society's well-being level and helps to overcome health issues.

CBL Life and CBL Open pension fund offers products contributing to health and well-being in society by providing financial security and independence, while also promoting long-term financial planning and inter-generational equity and contributing to economic stability.

*Our contribution to SDG 3 is further explored in **Social responsibility** section of this report.*

*Impact areas:  
S1 Own workforce  
S2 Workers in the value chain*



### SDG 7: Affordable and clean energy.

Access to an affordable, reliable and sustainable energy is crucial for social well-being and transitioning to green economy. Citadele contributes to increasing the share of renewable energy in the global energy mix by providing financing to our corporate customers for green sector technology project development, incl. solar panel acquisition, development of wind farms and modernisation of production facilities.

CBL Asset Management offers sustainable investments for clean energy infrastructure.

*Our contribution to SDG 7 is further explored in **Environmental impact** section of this report.*



### SDG 8: Decent work and economic growth.

Citadele contributes to sustainable growth of the Baltic economy through promoting development of our private, SME and corporate customers by providing access to financing, investment products, innovative banking solutions and job creation. We work towards ensuring equal opportunities for everyone, and youth development to transition to a decent job opportunities by investing in education events and training that match labour market demands and increase financial literacy.

CBL Asset Management allows access to financing driving economic growth. Support to investee company's efforts towards decent work conditions and job creation.

*Our contribution to SDG 8 is further explored in **Managing Citadele's impact on the Environment and Social responsibility** sections of this report.*

*Impact areas:  
G1 Business conduct  
S4 Consumers and end-users*



### SDG 9: Industries, innovation and infrastructure.

Citadele's mission is to modernise the banking sector and offer more opportunities to clients and businesses throughout the Baltics. We work towards promoting the resilient infrastructure and innovations. Through maintaining long-term relationships with our corporate clients, we contribute to strengthened infrastructure and technological development. Digitalization of our services, functional and reliable online and e-commerce solutions, continuous new remote product offering allow us to support the development of innovative environment, meet our private and SME customers' expectations across multiple channels and help them in reaching their goals.

*Our contribution to SDG 9 is further explored in **Managing Citadele's impact on the Environment and Social responsibility** sections of this report.*



### SDG 13: Climate action.

Citadele shares the view that clear actions have to be taken now to combat climate change and its impacts. Financial sector can redirect capital flows to achieve a more sustainable economy. Citadele encourages the use of environmentally friendly and sustainable business practices and plans to continue developing new offers supporting the green economy transition. To limit direct impact on climate from Citadele's own operations, Citadele adheres to green office initiatives, monitors and reduces our CO2 footprint from its own operations and operates GHG neutral office as of year-end 2023. Bank works on identifying and disclosing our financed customers' GHG emissions and works towards reaching GHG neutral portfolio by 2050. CBL Asset Management promotes investments with beneficial impact on environment.

*Our contribution to SDG 13 is further explored in **Environmental impact** section of this report.*

*Impact areas:  
E1 Climate change*

## Stakeholder engagement

It is important for Citadele to primarily be a sustainable bank in actions and behaviours, rather than in outward appearances. For us transition to sustainability includes a transformation of attitudes and behaviours, and we know it is a gradual journey. Therefore, it is important that our stakeholders are involved in the process both at setting the direction and in day-to-day opportunities to make a change.

### Material sustainability topics

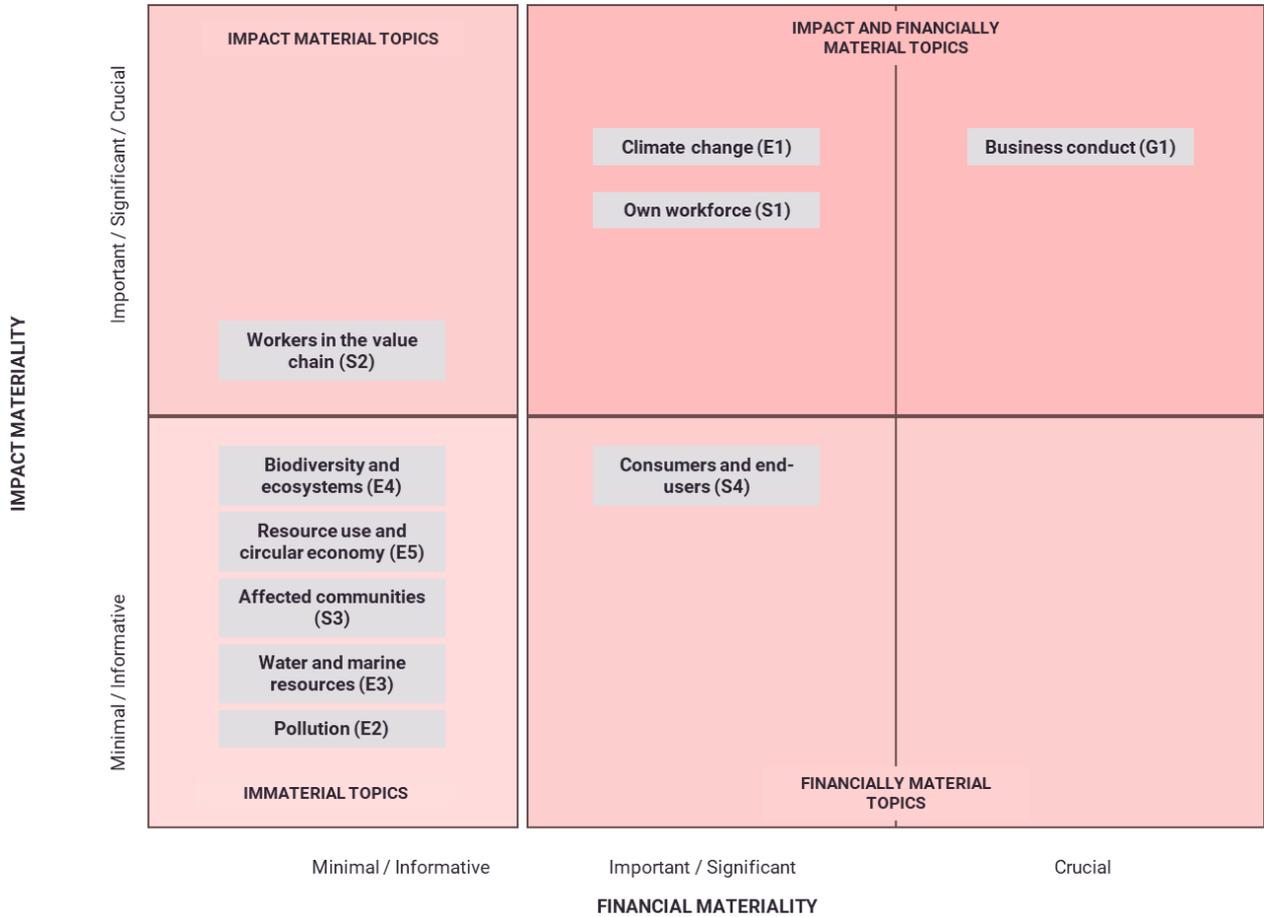
We started the journey of identifying our material sustainability topics with discussions within the Management and Supervisory Boards, together with our dedicated ESG team in 2021. This set the direction, ambitions, and our key priorities. Citadele prioritised five UN Sustainable Development Goals that are closely linked with our business strategy and overlap with areas where we had already been making a contribution with our social and environmental practices. In 2022 we extended the consultation with our stakeholders by performing a company-wide materiality assessment of sustainability areas, and integrate employee opinion, as employees are one of Citadele's key stakeholders. In 2023 we have reviewed our

material sustainability topic assessment approach with the upcoming ESRS-introduced double materiality principles.

We have conducted our initial double materiality assessment this year to capture learnings that will help us to improve our methodology for upcoming first CSRD-aligned sustainability reporting period. We have applied the limited guidance available from EFRAG, and developed a step-by-step process, scoring approach, and a model for aggregation and prioritisation.

Our starting point was the impact assessment of Citadele's impacts on the environment and society, which builds on how we have previously identified and assessed the sustainability-related impacts of our own operations. We have also conducted a financial materiality assessment of the sustainability-related risks we are exposed to as a business, as part of climate and environmental risk management process.

We have identified our impacts on the environment and society (impact materiality assessment) as well as the sustainability-related risks that we are exposed to (financial materiality assessment). The outcome is aggregated per ESRS topic, showing that G1, E1, S1, S4, and S2 are our most material sustainability matters.



### Stakeholder interaction

Citadele aims to maintain an open, constructive, and close dialogue with our stakeholders. Our main stakeholders include our customers, employees, investors, regulators, analysts, rating agencies and the general public.

We distinguish two main groups of stakeholders, noting that some, but not all, stakeholders may belong to both groups:

- affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the Group’s activities; and
- users of sustainability statements: primary users of general-purpose financial reporting.

Engagement with affected stakeholders is central to our sustainability materiality assessment.

We engage stakeholders and external experts to better understand the sustainability challenges and trends, societal expectations, and the wider impacts of our decisions.

This process includes regular dialogue with our closest stakeholders, including proactively gathering employee and client feedback, and regular interactions with the management and supervisory bodies. We also keep in touch with the stakeholder groups that are part of shaping the trends and setting the requirements for the financial market. We operate in a highly regulated industry, and we engage in a collaborative dialogue with regulators and authorities and offer our expertise and views in response to public consultations and in membership of industry associations.

### Our key stakeholder groups and their main expectations:

Stakeholder group	Stakeholder type	Communication channel(s)	Main needs / expectations
<b>Employees</b> (~1'300 employees in Latvia, Lithuania, Estonia)	▪ Affected stakeholders	<ul style="list-style-type: none"> <li>▪ Survey on ESG goal materiality,</li> <li>▪ Trainings on sustainability,</li> <li>▪ Quarterly Pulse and eNPS surveys,</li> <li>▪ Quarterly live sessions with Management Board</li> <li>▪ ESG section and interaction on intranet</li> </ul>	<ul style="list-style-type: none"> <li>▪ Feedback and development</li> <li>▪ Trainings and building internal capacity, well-being initiatives</li> </ul>
<b>Customers</b> (Households, SMEs, Corporates, High net worth individuals)	▪ Affected stakeholders	<ul style="list-style-type: none"> <li>▪ Individual customer meetings, Customer contact centre</li> <li>▪ Customer satisfaction surveys</li> <li>▪ Complaints monitoring</li> </ul>	<ul style="list-style-type: none"> <li>▪ General information and awareness-building on climate risk management and broader sustainability requirements</li> <li>▪ Green and transition-linked financing</li> </ul>
<b>Investors - Shareholders and Bondholders</b>	▪ Users of sustainability statements	<ul style="list-style-type: none"> <li>▪ Public disclosures</li> <li>▪ Individual investor meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustainable profitability,</li> <li>▪ Climate risk management,</li> <li>▪ Business resilience</li> </ul>
<b>Supervisory Board</b>	▪ Affected stakeholders	<ul style="list-style-type: none"> <li>▪ Regular SB meetings</li> <li>▪ Monthly/ quarterly/ annual reporting</li> <li>▪ SB committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Climate risk management,</li> <li>▪ EBRD and EIB/EIF green-requirement aligned financing</li> </ul>
<b>Management Board</b>	▪ Affected stakeholders	<ul style="list-style-type: none"> <li>▪ Board meetings</li> <li>▪ Management meetings</li> <li>▪ ESG Working Group</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sustainability updates</li> <li>▪ Green-aligned lending</li> <li>▪ Sustainability disclosures</li> <li>▪ Integrating ECB expectations on climate risk management</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>▪ Affected stakeholders</li> <li>▪ Users of sustainability statements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Procurement policies</li> <li>▪ In-depth reviews</li> </ul>	<ul style="list-style-type: none"> <li>▪ Responsible practices</li> <li>▪ Supplier code of conduct</li> </ul>
<b>Authorities and regulators</b>	<ul style="list-style-type: none"> <li>▪ Affected stakeholders</li> <li>▪ Users of sustainability statements</li> </ul>	<ul style="list-style-type: none"> <li>▪ European Central Bank</li> <li>▪ FCMC / Bank of Latvia (Financial Supervisory authority)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Climate risk management</li> <li>▪ ESG and climate-risk disclosures</li> </ul>
<b>Society</b> (incl. media, NGOs, educational institutions, students, etc.)	▪ Users of sustainability statements	<ul style="list-style-type: none"> <li>▪ Surveys,</li> <li>▪ Input and interviews for academic research,</li> <li>▪ Student internships,</li> <li>▪ Interviews, press releases</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transparency</li> <li>▪ Fair and ethical business conduct</li> <li>▪ Sustainable finance</li> </ul>

# ENVIRONMENTAL IMPACT

Citadele recognizes that climate change is affecting our operations through the risks it poses to our staff, our customers, our facilities, and the societies we operate in. We also recognize that we are affecting the climate and environment through our operations, both directly and indirectly.

However, as a financial institution, we also have the ability to play a positive role in addressing climate change by adopting sustainable practices, providing financing for green and transition projects, and encouraging clients to adopt more sustainable practices.

## Managing Citadele's impact on the Environment

Our activities and business model can impact the climate and environment in several ways:

Our **direct impact** includes:

- Energy consumption for powering Citadele offices, branches, and data centres,
- Products and services purchased from our suppliers,
- Emissions from transportation for business travel and commuting of our employees.

Our **indirect impact** includes:

- Impact of the economic activities we support by providing our financial products and services,
- Loans and financing of projects and companies that contribute to climate change or other environmentally damaging practices.

Citadele's environmental impact is recognized as one of our material topics (E1: Climate change). It is also an area through which we contribute to the attainment of several of our focus SDGs.



Citadele's contribution to SDGs 7 – Affordable and clean energy, 8 – Decent work and economic growth, and 9 – Innovation and infrastructure are part of our indirect environmental impact through our financing and work with clients and suppliers.



Citadele's contribution to SDG 13 – Climate action is part of our environmental impact both directly through our own operations and indirectly through our financed portfolio and work with clients and suppliers.

## Reducing our direct impact

2023 is the first year when Citadele celebrates being carbon neutral in our own operations. We understand the urgent need to take action on climate change and are committed to leading by example. We had been working towards this goal over previous years, having reduced our energy consumption, and switching to renewable energy in our headquarters office and branches where feasible in 2022 and 2023. All our headquarters offices – Vilnius, Riga and Tallinn - the largest contributors of total energy consumption, are now operating on 100% renewable energy. We have a further ambition to switch to renewable energy in all premises where we operate.

Strongly believing in reducing emissions should prevail over offsetting, we have been taking further steps to minimize the carbon footprint of our office operations during 2023. Although environmental impact of our own operations is proportionally smaller than our indirect impact, it is something that we can control by reducing the negative (and mostly) local impact as much as possible.

Having reached the target of carbon neutral own operations in 2023, via reductions and offset, we are continuing work on reducing our emissions to the extent feasible.

We are committed to improving the coverage and accuracy of Scope 3 emission estimation with every reporting period. In 2023 and 2022 we have been focusing on extending the calculation of Scope 3 upstream activities by adding the following categories – GHG emissions from employee commuting, purchased goods and services, electricity and heat grid loss related, and waste generated in operations. In 2023 we have added additional purchased goods and services categories to the Scope 3 (upstream) calculations, thus increasing the overall GHG emissions.

For Scope 3 downstream categories we have calculated full baseline of GHG emissions from lending activities for 2023, adding business loan and commercial real estate lending categories to the motor vehicle loans and calculated previously.

A clear understanding of the starting point in terms of baseline Scope 3 emissions from our portfolio is a crucial step in embarking on the journey toward net-zero.

## Green office initiative

Reducing the environmental impact of our office operations.

### Green energy

To reduce our environmental impact and contribute to promoting the development of renewable energy in the region, Citadele purchases certified green electricity for HQ buildings in Tallinn, Vilnius and Riga, and Citadele branches under our own management. In 2023 green energy constituted 73% of total energy purchased (vs. 54% in 2022).

### Business travel and employee commute

To reduce environmental impact of our business travel we have significantly reduced our vehicle fleet, substituting car-travel either by online meetings or travel by e-scooters.

In the summer 2023 we introduced bicycle rental stand by the Riga HQ office. All employees had the possibility to use the bicycles for free for a set number of hours to encourage the use the bicycles to get to business meetings in the city during the day and cycling to/from work.

### Waste management

Our approach to waste management is based on reduce-reuse-recycle principle. We have significantly reduced our consumption of paper by moving towards an entirely paperless approach in our daily work through digitalizing both customer service and internal processes. Our internal practices ensure that we carefully review the necessity for update or purchase of new electronic devices. When disposing of unnecessary devices we try to reuse and donate as much as possible.

Waste sorting is practiced in the offices and removing individual waste bins in the HQ has resulted in a reduction in overall volume of waste produced.

## GHG emissions



## CO<sub>2</sub> footprint from own operations

Greenhouse gas emissions are calculated based on Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard methodology. The results are expressed in CO<sub>2</sub> equivalents, the universal greenhouse gas unit of measurement which indicates the potential for causing global warming.

GHG emission calculations of own operations were based on collected data on Citadele's energy consumption, business travel, purchased goods and services, generated waste and employee commuting. The analysis covered Citadele Baltic operations, excluding Kaleido Privatbank AG (Swiss subsidiary bank of the Group currently in sales process).

In 2023 Citadele office activity had a greenhouse gas emission footprint of 3,721 tonnes of CO<sub>2</sub>-equivalent, which was 2.9 tonnes per employee.

In parallel to efforts of decreasing our direct emissions, such as reductions in energy consumption and switching to green electricity, we have been continuing to increase the coverage of our estimated own GHG emissions. In 2023 we have added more categories of purchased goods and services to the estimation, electricity and heat grid loss emissions (category 3 of scope 3), resulting in an increase in total own emissions by 1,795 tCO<sub>2</sub>e. In terms of emission sources, the largest part came from purchased goods and services with 65%, followed by employee commuting with 11%. Purchased heat and steam constituted 9% from total emissions (21% in 2021). Business travel (3% of total) has increased compared to the previous year, as in-person meetings are picking up again. Other sources have relatively small impact of the total GHG emissions.

Emissions from employee commuting were calculated using distance-based method, which involved collecting data from employees on their commuting habits. 36% of employees participated in the survey. Results were extrapolated to the total number of employees working in Baltic operations.

## Citadele GHG emissions from own operations

Type	2023		2022		2021	
	tCO <sub>2</sub> e	Share %	tCO <sub>2</sub> e	Share %	tCO <sub>2</sub> e	Share%
<b>Scope 1</b>						
Stationary combustion (direct burning of fossil fuels)	8.2	0%	7.5	0%	7.5	0%
Mobile combustion (use of company owned vehicles)	47.2	1%	37.7	2%	55.8	4%
GHG fugitive emissions from air-conditioning	26.9	1%	19.6	1%	26.9	2%
<b>Total Scope 1</b>	<b>82.4</b>	<b>2%</b>	<b>64.7</b>	<b>3%</b>	<b>90.2</b>	<b>6%</b>
<b>Scope 2</b>						
Purchased electricity	178.6	5%	800.4	42%	1 189.5	78%
Purchased heat and steam	164.8	4%	229.1	12%	211.6	14%
<b>Total Scope 2</b>	<b>343.4</b>	<b>9%</b>	<b>1 029.6</b>	<b>54%</b>	<b>1 401.1</b>	<b>92%</b>
<b>Scope 3: Upstream activities</b>						
Purchased goods and services*	2 418.4	64%	292.0	15%	-	-
Electricity & heat grid loss, indirect effects of heat production*	305.9	8%	-	-	-	-
Business travel (road, rail, air)	125.8	5%	80.1	4%	30.4	2%
Employee commuting	422.2	11%	431.3	22%	-	-
Waste generated in operations	23.5	1%	24.2	1%	-	-
<b>Total calculated Scope 3 - upstream activities</b>	<b>3 295.6</b>	<b>89%</b>	<b>827.6</b>	<b>43%</b>	<b>30.4</b>	<b>2%</b>
Carbon offset	3 721.4	100%	-	-	-	-
<b>Calculated total emissions from own operations</b>	<b>0</b>		<b>1 921.9</b>	<b>100%</b>	<b>1 521.7</b>	<b>100%</b>

\* New categories added in 2023

In 2023, Citadele's office activity\*\* had a greenhouse gas emission footprint of **3,721.4 tonnes of CO<sub>2</sub>-equivalent**, which is **2.86 tonnes per employee**.

- 64% came from purchased goods and services
- 11% came from employee commuting
- 3% came from business trips
- 5% came from the use of electricity
- 4% came from the use of heat
- 11% came from other owned or controlled sources\*\*

\*\* Scope 1, Scope 2, Scope 3 upstream activities

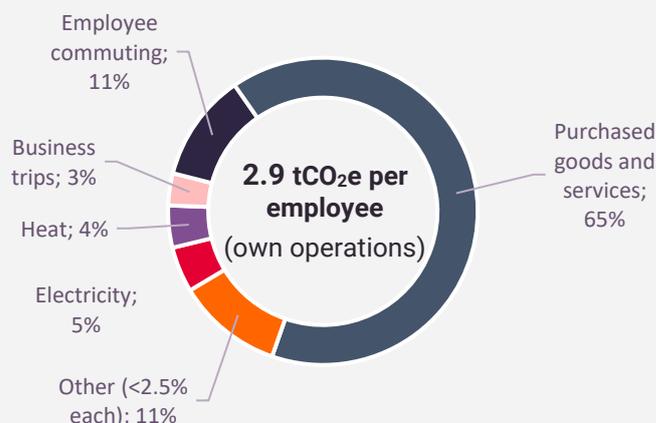


Table 1: GRI 305-2,3,4,5 GHG Emissions

## GHG intensity

GHG intensity indicator presents GHG footprint not in absolute, but in relative terms, and is an indication of GHG emission volume per selected activity unit. In order to have a better understanding of our impact we estimate our GHG intensity as

- t CO<sub>2</sub>-eq per 1 thousand EUR of operating profit for total emissions
- t CO<sub>2</sub>-eq per 1 employee for emission resulting from our own business operations

KPI	2023	2022	2021
	t	t	t
t CO <sub>2</sub> -eq per 1 thousand EUR of (Baltic operations) profit for total emissions	0.030	0.038	0.024
t CO <sub>2</sub> -eq per 1 employee for emission resulting from our own business operations	2.9	1.4	1.2

## Energy consumption

Energy consumption is vital to Citadele's operations to ensure the continuous availability of our services and through our services – contribute to overall economic activity and growth. However, inefficient and excessive energy consumption contributes to negative impacts on the environment and climate change if the energy consumed is generated with the use of fossil fuels. Excessive energy consumption may contribute to energy insecurity if energy sources rely on variable factors, as is often the case for renewable energy, or imported fossil fuels.

Citadele is mindful of its energy consumption and is motivated for continuous improvements in the energy efficiency of its facilities through operational budgeting. Reducing our energy use and switching to green energy

sources are important steps in achieving the goal of carbon neutral office operations. During 2022 and 2023 Citadele has switched to green energy in all Baltic HQ offices, hence increasing the share of renewable energy in total energy consumption to 73% (54% in 2022).

In 2023 Citadele has taken further activities to optimise and save energy in the bank's offices and branches, e.g. cooling down indoor temperature during nights and weekends, switching of ventilation and air conditioning systems outside the working hours, reducing some internal and external outdoor lighting of buildings, etc. Reviewing our needs of branch premises as more customers are moving to digital service channels has led to reducing the number and area of branches and impacted total energy consumption.

Parameter	Units	2023	2022	2021	2023 v 2022
Energy consumption (in buildings)	MWh	3 402.4	4 720.1	6 075.5	-28%
Electricity (total)	MWh	2 134.1	2 935.8	3 731.3	-27%
Renewable electricity, % of total electricity consumption	MWh	73%	54%	11%	+19pp
Heating	MWh	1 268.3	1 784.3	2 316.2	-29%
<b>Total energy consumption/ employee</b>	<b>MWh / 1 employee</b>	<b>2.6</b>	<b>3.5</b>	<b>4.6</b>	<b>-25%</b>

## Understanding our indirect impact

To align our operations and portfolio with the Paris Agreement goals that Citadele has committed to, the Bank has set the ambition to achieve net-zero carbon financed emissions by 2050. Net-zero by 2050 sets a measurable target to Citadele's ambition on increasing sustainability and strengthening support to clients in transition to green operations.

A crucial step in our journey toward net-zero is a clear understanding of the starting point in terms of baseline Scope 3 emissions from our loan portfolio. We have reached this milestone in 2023, having calculated our financed Scope 3 GHG emissions for loan portfolio in line with the Global GHG Accounting and Reporting Standard by the PCAF.

For this estimate we are using geography specific emission factors accessed from PCAF data base. All three emission scopes are estimated where possible.

Average PCAF data quality score is 4.1 (on a scale from 1 to 5). The work is ongoing on improving data quality and availability, and to enable regular monitoring of portfolio emissions.

## Scope 3: Financed emissions, 2023

Type	tCO2 e	tCO2e /EURm	Average PCAF data quality score
Motor vehicle loans	109 198	146	4.4
Business loans	3 670 568	8 251	4.0
Commercial RE	19 063	130	4.0
Mortgages	84 981	115	4.0
<b>Total estimated Scope 3</b>	<b>3 883 810</b>	<b>1 868</b>	<b>4.1</b>

### **Sustainable products**

The transition to a low-carbon economy is today's defining opportunity for innovation and growth. There is a significant opportunity for Citadele to play a significant role in the Baltic region in helping to meet the demand for climate change-related financing to support the transition.

The transition will require a significant increase in green finance from financial institutions like Citadele. Our position as a local bank close to our customers presents us with the opportunity to support our clients where they need it most.

Citadele has continued to pursue the opportunities in financing a green transition by disbursing more green lending through the existing green products, developing new specialized products, and by attracting more financing earmarked for green lending. Citadele aims to contribute to sustainable economic growth while decreasing negative environmental impacts and motivating environmentally responsible operations of our clients.

In 2023, we disbursed EUR 115 million in green lending. The percentage of green lending out of the total new lending for the year 2023 reached 13%, slightly below our goal of 14%.

In third quarter of 2023, Citadele introduced the first green savings account in the Baltic market. Deposited funds are used to finance projects aimed at reducing carbon emissions. As of 31 December 2023, funds in the green savings account reached EUR 36.3 million. At the end of 2023, we launched a green mortgage loan, aimed to finance homes complying with the highest energy efficiency standards.

We are working with leading multilateral development banks to achieve our targets in helping finance the transition.

As our portfolio and ambition of green financing is growing, we remain keenly aware of limited availability of data on GHG emissions, transition plans, other environmental risks beyond climate change, as well as low overall awareness of what the green transition entails. Without these important pieces of information it may be difficult to confidently evaluate the potential impact of our financed investments on the environment. We believe that greater education and transparency around these issues will continue to be paramount.

During 2023 our portfolio of green lending included the following loan categories:

- Green leasing – all fully electric vehicles;
- Multi apartment building energy efficiency improvement in Latvia;
- Loans classified as green under EBRD Green framework;
- Loans classified as green under EIB Green framework;
- Real estate loans financing buildings with highest BREEM and LEED certification classes;
- Energy efficiency loans for corporate customers (evaluated on case-by-case basis).

			
<b>Green business loans</b>	<b>Green vehicle leasing</b>	<b>Loan for apartment building renovation and improvement of energy efficiency</b>	<b>Green mortgage</b>
<p>Citadele offers financing to green criteria eligible projects on a deal-by-deal basis, including under EIB Green program and EBRD green financing program.</p> <p>New green financing for business customers reached EUR 48.9 million in 2023.</p>	<p>In 2023 Citadele provided green leasing to private individuals and legal entities in the amount of EUR 64.4 million. This category includes low-emission and fully electric vehicles, high-efficiency trucks and other vehicles.</p>	<p>Loans for energy efficiency improvement in multi-apartment buildings. We are partnering with development finance institution ALTUM who contribute with grants and an additional guarantee. New loans for improving energy efficiency in multi-apartment residential buildings reached EUR 1.4 million in 2023.</p>	<p>New Green Mortgage for private customers for financing sustainable homes (flats or houses) which comply with the highest energy efficiency standards.</p>
<a href="#">&gt; Link to product</a>	<a href="#">&gt; Link to product</a>	<a href="#">&gt; Link to product</a>	<a href="#">&gt; Link to product</a>

### ***Responsible Investment Management in CBL AM and CBL Life***

CBL Asset Management is a signatory of Principles for Responsible Investment declaration since 2019. CBL AM has committed to the principles of responsible investment - when evaluating and selecting which companies to invest in, the company gives additional weight to environmental, social and governance considerations, as well as promoting this practice within the industry.

CBL AM supports the Paris Agreement - UN Framework Convention on Climate Change, as it recognizes the critical need to speed up the transition towards global net zero emissions.

CBL Asset Management has identified and prioritised three of the UN Sustainable Development Goals in managing the CBL Global Emerging Markets Bond Fund that are linked to CBL AM's business strategy and sustainability work, and where CBL AM sees the largest opportunity to make an impact through its managed portfolio investment goals. The prioritised goals are:

- Affordable and clean energy (SDG 7)
- Decent work and economic growth (SDG8)
- Climate action (SDG13)

Noting the importance of sustainability considerations in financial system, CBL Asset Management created Sustainable Opportunity Investment Plan in 2019, a pension plan where savings are invested in businesses that are sustainability leaders in their respective industries. The plan's aim is to ensure long-term capital growth, with a special focus on ESG factors in the portfolio composition and securities selection process. The funds of the investment plan are invested in securities with a higher-than-average ESG rating. Investment strategy is aimed to create a positive contribution to the sustainable development of the world economy, at the same time maintaining return on investment for the plan's participants.

CBL AM has aligned its CBL Global Emerging Markets Bond Fund with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR), which means that selection of the investments of the fund is based on indicators directly related to selected SDGs and it gives fund's investors the opportunity to gain capital growth by investing in the debt securities of companies that contribute to the achievement of environmental and social sustainability goals.

For more information on sustainability in CBL, please refer to: <https://www.cblam.lv/en/sustainability/>

## Managing Climate-related and environmental risk

Citadele recognizes that our operations and business model can be affected by climate-related and environmental (C&E) risks, both physical and transition risks, in several ways:

- as direct risks to Citadele;
- as risks to Citadele through our clients, partners and suppliers affected by C&E risks.

Citadele remains focused on integrating C&E risks into the broader risk management framework of the Bank. The Group views C&E risks as risk drivers affecting existing prudential risk categories such as Credit risk, Operational risk, Market risk, Liquidity risk and Strategic risk.

Our C&E risk management follows a general four step approach of risk identification, assessment, management and monitoring, that is embedded in the Bank's key processes.



Work on integrating C&E risks in Citadele risk management framework is continuous and it is regularly reviewed and updated to align with scientific consensus and regulatory expectations.

Within C&E risk management, integrating ECB expectations for safe and prudent management of C&E risks into the Bank's processes has continued to be the key focus in 2023.

### C&E risk identification

Climate and environmental risks are identified both at portfolio level for transition and physical risks, and on exposure level for large new exposures.

Climate risk drivers, representing climate-related changes that could materialize as financial risks through existing risk categories, are classified into one of two categories – physical and transition risks. Physical risks are further classified as acute or chronic, following general practice in the area.

Because we view C&E risk as driver manifesting through other risk categories, it is important to identify and understand the transmission channels through which these drivers are influencing overall risk. Potential effects of climate risk drivers have been identified for all key risk types of the Bank.

### Materiality assessment

To understand Citadele Group's exposure and potential vulnerability to physical and transition risks, an annual Climate and Environmental Risk Materiality Assessment is performed.

Focus of the 2023 materiality assessment was the Group's real estate collateralized lending portfolio, corporate lending, and investment books. The materiality assessment concluded that C&E risks are material to Citadele's credit risk and operational risk profile. During Q4 of 2023 and Q1 2024 Citadele has been working on reinforcing the Materiality assessment and integrating it with stress-testing and ICAAP. The extended C&E risk assessment includes operational, strategic, liquidity risk assessment in addition to credit and market risk assessments, and a detailed sectoral and geographic climate risk assessment.

The identified material C&E risk drivers are included into Risk Appetite and Risk Strategy within the individual risk areas in accordance with the Group's ESG Risk Policy. This process also includes appropriate risk limit setting, the development of Key Risk indicators, and regular monitoring and reporting. Further monitoring is performed for sectors with increased climate-related and environmental risk.

We are strengthening our C&E risk materiality assessment approach and integrating it with stress testing within ICAAP, a process that we are finalizing during the first quarter of 2024. To facilitate

identification of material climate-related risks within sectors and portfolios, we are working on increasing the granularity of assessment.

Quantification of exposure to Climate & Environmental risks is part of stress testing procedures, with scenarios developed for Credit Risk (both Physical and Transition risk scenarios), Market risk (combined Physical and Transition risk scenario), and Operational risk (Physical and Transition risk scenarios).

We assess linkage between financial and nonfinancial risks using transmission channel approach. Transmission channels are the causal chains that explain how climate risk drivers may impact Citadele either directly or indirectly through our counterparties, assets, and the economy.

As most impacts of climate-related and environmental risk drivers affect multiple areas and materialize in complex ways, we are considering C&E risks in existing

categories of risk individually as well as jointly, and in the short-, medium- and long-term.

When considering climate-related risks and opportunities, we assess them in three timescales:

Short term	Medium term	Long term
0-3 years	3-5 years	>5 years

C&E risks may manifest as both financial and nonfinancial risks. Financial risks are the probability to experience financial losses due to Climate-related & environmental events. Nonfinancial risks are viewed as probability that certain climate related and environmental events will leave negative impact on the Bank's reputation. Nonfinancial risks lead to financial consequences.

*The potential transmission channels and effects of C&E risk drivers on each prudential risk type:*

Risk type	Potential effects
<b>Credit risk</b>	<ul style="list-style-type: none"> <li>Physical and transition risk drivers increase Bank's credit risk through both the income effect and wealth effect. The Bank identifies income effect as a transmission channel of physical risk when physical hazard events have a negative effect on a borrower's ability to repay and service debt via loss or reduction of income from affected real estate or manufacturing equipment. The Bank recognizes the wealth effect as transmission channel via reduced ability to fully recover the value of a defaulted loan because of the reduction in the value of the pledged collateral. Bank's requirement of continuous insurance of collateral is a means of mitigating the risk.</li> <li>Bank assesses that climate risk drivers can impact households, corporates, and SMEs, with a lesser degree of impact to sovereigns in the Bank's portfolio.</li> <li>Climate-related increases in human mortality and declines in labour productivity are projected to be key drivers of long-term transmission channel of climate-risk through reductions in output and resulting economic implications.</li> <li>In medium- to long- term increased borrowing costs due to factoring in C&amp;E risks could lead to higher taxes, lower government spending and reduced economic activity, which may indirectly impact Bank's credit risk.</li> </ul>
<b>Market risk</b>	<ul style="list-style-type: none"> <li>Physical and transition risks can alter or reveal new information about future economic conditions or the value of real or financial assets, resulting in downward price shocks and an increase in market volatility in traded assets.</li> <li>Climate risk could also lead to a breakdown in correlations between assets or a change in market liquidity for particular assets, undermining risk management assumptions.</li> <li>Changes in asset values may be driven by a policy change that affects an individual borrower, or by the effect that policy change may have on the economy more broadly.</li> </ul>
<b>Liquidity risk</b>	<ul style="list-style-type: none"> <li>Climate risk drivers may impact liquidity risk directly by affecting Bank's ability to raise funds or liquidate assets, access to stable sources of funding could be reduced as market conditions change.</li> <li>Climate risk drivers may cause indirect impact through affected counterparties drawing down deposits and credit lines.</li> </ul>
<b>Operational risk</b>	<ul style="list-style-type: none"> <li>If physical hazards disrupt critical services and telecommunications infrastructure, Bank's operational ability may be impacted.</li> <li>Increasing legal and regulatory compliance risk associated with climate-sensitive investments and businesses.</li> <li>Increasing reputational risk to banks based on changing market or consumer sentiment.</li> </ul>
<b>Strategic risk</b>	<ul style="list-style-type: none"> <li>Failure to reach sustainability-related targets may result in negative customer reaction and loss of market share.</li> </ul>

### Physical risk

The Group's economic activity is focused on the Baltic countries with similar geographical conditions and similar in exposure to physical risks, both acute and chronic. Even though the climate risk drivers are similar for the three main markets of the Bank, each of the countries may experience different microeconomic and macroeconomic consequences due to differences in economic policies, and economic and financial systems.

With the average global and regional temperatures rising, the frequency and severity of physical hazards are likely to increase. Citadele performs a regular physical risk assessment for our real estate collateral portfolio. The largest relevant physical risk categories identified are flood (river and coastal), draught and related water stress. No exposures were identified in the highest risk categories of Extremely High or High-Extremely High risk. 83% of identified portfolio is exposed to minor flood risk and the remaining 17% of identified portfolio is exposed to medium-high and high flood risk. Additionally, drought and water stress risk is assessed for Agricultural and Forestry segment clients. Citadele Group takes into account climate-related outlooks and latest research outcomes to establish approach in monitoring of material physical risks in lending portfolio.

Physical risk assessment considers 8 climate hazards, evaluating the potential impacts of: riverine flood, coastal flood, water stress, drought, extreme heat, wildfire, earthquake, landslide and biodiversity impact. Our assessment is performed at address level and considers levels of individual climate hazards as

evaluated by multiple external sources. Physical Risk assessment is performed semi-annually to monitor physical risk level of real estate collateralized portfolio.

Additionally, physical risk stress test is integrated into ICAAP, based on NGFS scenarios covering entire lending portfolio.

Citadele's focus on the Baltic countries is reflected in our balance sheet. There are no assets committed in regions with physical risk profile that is materially different or likely to become more exposed to acute or chronic physical climate risks from that of our main markets – the Baltics.

The European Commission Disaster Risk Management Knowledge Centre (EC DRMKC)<sup>1</sup> summary analysis of physical risk hazard profiles as of 2023 for main geographic exposures of the Group – Latvia, Lithuania and Estonia observe overall country physical risk score in the range of 0.9 (Estonia) to 2.1 (Latvia) on a scale of 0 to 10. Floods and droughts are identified as the main acute physical risks for Latvia and Lithuania, while floods are the single highest natural hazard observed for Estonia.

The sectors identified as prone to potentially higher than average physical risk are Agriculture and Real Estate activities. Overall physical risk to companies in the Baltic countries stemming from climate change mainly arises from floods, with other acute risks having low or medium risk level. The assessment approach covers chronic and acute risks in short, medium, and long-term.

Table 2: Material physical risk on RE collateralized exposures, EURm as of 31.10.2023

Risk level	River flood		Water Stress		Drought		Coastal Flood	
	EURm	% of total portfolio						
High	16.7	1%	169.3	12%	0.03	0%	0	0%
Medium - High	231.0	16%	222.7	15%	502.2	35%	0	0%
Medium	0	0%	0	0%	666.7	46%	0	0%
Low - Medium	741.8	51%	81.8	6%	0	0%	3.1	0%
Low	179.5	12%	694.9	48%	0	0%	1 165.8	81%
No address	274.0	19%	274.0	19%	274.0	19%	274.0	19%
<b>Total</b>	<b>1 442.9</b>		<b>1 442.9</b>		<b>1 442.9</b>		<b>1 442.9</b>	

Data coverage ratio: 81%

### Exposure to Transition risk

<sup>1</sup> <https://drmkc.jrc.ec.europa.eu/inform-index/INFORM-Risk/Country-Risk-Profile>

Among Citadele's largest industry exposures in lending portfolio<sup>2</sup> are Real Estate purchase and management, Transporting and storage, Manufacturing, Trade, and Agriculture and forestry – industries that are perceived as contributing to climate change to some extent. We are committed to support our clients in transition to greener and less carbon-intensive operations, while moving toward our own and regional goal of carbon neutrality.

Citadele considers the potential strategic impact of transition risk to its clients as well as our own business model as part of our regular strategy review process. We analyse developments in EU and regional green transition goals and associated changes in regulations. EU-wide and regional ambition of net-zero economies by 2050 inform and guide our own ESG policy and goal for climate-neutrality by 2050.

To assess **transition risk**, greenhouse gas (GHG) emission intensity by industry is used as a proxy for the level of transition risk in loan portfolio to legal entities. Thus, we are assuming that companies in industries with higher GHG emissions are more likely to be subject to transition risk. Transition risk is ranked from *Low* to

*Very High*, reflecting potential vulnerability to transition risk in short-, medium- and long-term. Loan portfolio transition risk estimated as low for 72% of gross portfolio.

We have set our initial focus on the higher-risk, higher-exposure sectors. However, additional due diligence will be required to differentiate the vulnerabilities of individual counterparties within each sector, taking into consideration differences in business models and climate adaptation and/or mitigation plans.

It is important to note that these risks are not expected to manifest immediately. For this reason, the table should not be interpreted as imminent risks to existing exposures, but rather, exposures we are proactively identifying to focus on, where we will work methodically in the coming years to better understand, analyze and manage our climate risk exposures in these sectors.

Citadele is monitoring exposures towards industries in all risk levels on portfolio, sector and geography level against thresholds set in Risk Strategy. Clients in emissions intensive industries will continue to be closely monitored to assess C&E risks.

Table 3: Transition risks, EURm as of 31.10.2023

Industry (NACE)		Exposure EURm	% in total portfolio	Transition risk (GHG proxy)	Elevated transition risk industry
Real estate activities	Comprises residential commercial development projects.	364	22%	Low	Yes
Agriculture, forestry and fishing	High risk for agriculture sub-segment, material in the portfolio.	232	14%	High	
Transporting and storage	Comprises logistics and freight companies.	205	12%	Very high	
Wholesale and retail trade; repair of motor vehicles and motorcycles	Comprises leasing portfolio	190	11%	Low	Yes
Manufacturing	Comprises mostly light manufacturing.	166	10%	Medium	Yes
Other industries <10% each		529	31%	Low	
<b>Total</b>		<b>1 685</b>			

<sup>2</sup> Please refer to Citadele Group Annual Report 2023 for more information and a detailed industry breakdown of our portfolio: <https://www.cblgroup.com/en/investors/financial-reports/>

## Managing climate-related risks

Managing ESG-related risk is key to our long-term sustainability. Citadele defines ESG risk as the risk of negative financial impact that stems from the current or prospective impacts of ESG factors on our counterparties or assets.

In the process of integrating climate-related risk aspects into the existing risk management framework, Citadele has defined acceptable C&E risk levels and portfolio concentration for high-risk industries in its Risk Appetite Framework. All C&E risks identified as material are considered in Risk Appetite and Risk Strategy within the individual risk areas in accordance with the Group's ESG Risk Policy. This process also includes appropriate risk limit setting, the development of Key Risk indicators, and regular monitoring and reporting. Follow-up actions in case of limit breaches are included in Risk Strategy

We have reinforced the risk management framework for categories where the impact of climate-related risk factors is identified as material, to include the climate-related risk factor identification and management.

A process for Environmental, Social and Climate-related risk assessment on individual large exposure level has been introduced into the credit assessment process. Its outcomes serve as basis to including the estimation of C&E and social risk aspects into credit decisions.

As part of C&E risk mitigation while structuring transactions with higher C&E risk levels and financing thresholds, we are considering the existence and maturity our counterpart's C&E risk management action plan. It may affect the length, pricing, or other structuring conditions. We realize that C&E risk management and ESG area in general may be new to many of our customers and are determined to support them in navigating the requirements.

To embed C&E risk into Market risk management, an internal approach, linked to Industry Environmental risk level and based on GHG emissions is used for risk assessment and monitoring purposes. We use Environmental Risk score and external ESG rating scores for ESG risk management in corporate debt securities portfolio.

Citadele manages C&E risk drivers through Operational risk management by considering the potential adverse

impact of events related to climate, environmental and social risk events on its Business Continuity Plan and potential reputational and litigation risk. Social media, as an essential communication channel for ESG topics, is monitored by the Marketing and Communication Department, and information obtained from this monitoring is considered during the Reputational risk management process.

Stress testing framework has been updated in 2023 to include C&E risk factors in the Bank's standardised stress tests and ad-hoc stress test scenarios.

## *Other environmental risks*

During 2023 we have extended our C&E risk assessment to include further environmental risks beyond Climate risks. Biodiversity has been identified as area of concern for Agricultural and Forestry industries, which are both important industries for the Bank. We have started assessing risk of potential negative impact on biodiversity for these two segments, identifying exposures in or near protected areas or nature reserves. Improvement in granularity of analysis is planned within future iterations of our annual C&E risk materiality assessment.

In addition to portfolio-level assessment, the Bank is working to introduce client-level assessment of biodiversity risks, that is planned to be started during 2024 to assess actual risk of negative impact on Biodiversity of Agricultural and Forestry segment customers.

We are aiming to include more nature-related risk factors in our C&E risk materiality assessment, as we learn more about how these risks could manifest in our portfolio. In addition to biodiversity risk, we are currently exploring the potential impacts of water scarcity on affected industries in the Bank's portfolio, and monitoring water stress score for affected industries.

## *Managing social and governance risks*

Managing social and governance risks in addition to C&E risks is important for Citadele, to protect the Group's reputation, avoid legal and regulatory risks, achieve long-term strategic objectives, and contribute positively to society and the environment. Our social risk screening follows EBRD guidelines.

## Our process of managing material climate-related risks:

	Credit risk	Operational risk
<b>Risk policies &amp; frameworks</b>	Environmental and Social Risk Management: <ul style="list-style-type: none"> <li>▪ Environmental, Social and Climate-related risk assessment in Lending process</li> <li>▪ Environmental and Social risks Exclusion List</li> <li>▪ Environmental &amp; Social Risk Guidelines</li> <li>▪ Environmental, Social and Climate-related risk assessment form</li> <li>▪ Collateral valuation procedure</li> </ul> Risk Appetite Framework	Part of Operational risk framework: <ul style="list-style-type: none"> <li>▪ Operational risk assessment procedure</li> <li>▪ Operational and reputational risk management policy</li> <li>▪ Business continuity rules</li> </ul>
<b>Identification and assessment:</b> <ul style="list-style-type: none"> <li>▪ <b>Physical risk</b></li> <li>▪ <b>Transition risk</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ C&amp;E risk materiality assessment</li> <li>▪ Physical risk assessment</li> <li>▪ C&amp;E risk assessment (large exposures)</li> <li>▪ Climate-risk stress testing as part of the ICAAP process</li> <li>▪ ESG rating monitoring (securities portfolio)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operational risk and control self-assessment</li> <li>▪ Reputation monitoring</li> </ul>
<b>Risk management response</b>	<ul style="list-style-type: none"> <li>▪ Tolerable risk levels set in Risk Appetite</li> <li>▪ Mitigation actions</li> <li>▪ Client engagement on C&amp;E risk management strategy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operational continuity plan</li> <li>▪ Mitigation actions</li> </ul>
<b>Portfolios covered</b>	<ul style="list-style-type: none"> <li>▪ Corporate loan book</li> <li>▪ Securities portfolio – corporate bonds (Bank only)</li> <li>▪ Real estate collateralized loan portfolio (incl. Mortgages)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Own operations</li> <li>▪ Corporate loan portfolio – reputational risks only</li> </ul>

### Monitoring climate-related risks

Risk appetite and climate-related exclusion policies enable us to monitor and achieve climate-related targets and commitments. Citadele's Risk Appetite expressly considers transition and physical risk thresholds.

In addition, Citadele has defined industries that it does not finance due to significant negative environmental and/ or social impact. The exclusion list prohibits or restricts financing in the production of or trade in hazardous substances and highly toxic chemicals, ozone depleting substances, persistent organic pollutants, thermal coal mining or coal-fired electricity generation among others to avoid negative environmental or social impact.

We regularly review our risk thresholds and policies to make sure our standards remain consistent with our strategy and sound banking practices.

Our internal reporting aids in monitoring and managing climate-related and environmental risks, with timely, regular disclosure of transparent and accurate information to senior management and stakeholders.

### *Risk metrics and targets*

Key Risk Indicators (KRIs) related to C&E risks are defined in the Bank's Risk Appetite Framework and acceptable thresholds set in the Bank's Risk Strategy.

Citadele monitors exposure concentration by levels of industry environmental risk score, real-estate collateralized portfolio physical risk levels and exposure to material physical risk types as C&E Key Risk Indicators in Lending portfolio. For corporate debt securities portfolio KRIs include industry environmental risk level and weighted external ESG rankings. Additionally, use of proceeds of green deposit account and green lending proportion in new lending is tracked. As at 31.12.2023, all monitored C&E risk concentration levels were below thresholds set in the Risk Appetite.

## Scenario analysis

Citadele has been using climate change scenario analysis to assess the future implications of potential climate change pathways on Citadele's business model and strategy. Building on our 2022 Materiality Assessment of Climate-related and Environmental Risk, which explored Citadele Group's exposure and potential vulnerability to physical and transition risks, this year Citadele has worked on assessing the potential implications of climate scenarios over a long-term horizon to 2050.

Citadele is using the NGFS scenario framework to explore a set of scenarios and their potential impact on our business model. TCFD scenarios provide a common and up-to-date reference point for understanding how climate change (physical risk) and climate policy and technology trends (transition risk) could evolve in different futures.

Reaching global net zero CO<sub>2</sub> emissions by 2050 will require an ambitious transition across all sectors of the economy. The NGFS Scenarios show that immediate coordinated transition will nevertheless be less costly than inaction or disorderly transition in the long run.

The NGFS climate scenarios are helping Citadele to carry out a detailed analysis of the financial risks posed by climate change. They produce comparable results against a consistent set of variables and are applicable at the global level. For the present report, Citadele utilised NGFS scenarios to undertake climate stress tests to help us further understand climate risks. These scenarios built on the NGFS scenario publication and complement it with additional climate and

macroeconomic variables required as input for our internal climate risk methodologies and stress testing models going forward.

Our approach is articulated around three principal working lines: (i) Work on climate scenarios, key assumptions, main drivers & outputs of the scenarios, (ii) Translating climate scenarios to risk factors to include into our strategic planning, and (iii) Adapting climate risk factors to be used as inputs for our climate-risk stress testing.

The choice of our scenarios is informed by the level of physical and transition risk our organisation has assessed in 2022.

### Key features of our scenarios

Our selected scenarios are based on the following assumptions:

- Orderly / Net Zero 2050 (#1) - assumes that climate policies are introduced early and become gradually more stringent. It is based on the NGFS Net Zero 2050 scenario, in which global warming is limited to below 1.5 °C through stringent climate policies and innovation, reaching net zero CO<sub>2</sub> emissions around 2050.
- Disorderly / Delayed Transition (#2) - assumes new climate policies are not introduced until 2030, as in the years prior policymakers do not set the right incentives for a green transition to take place.
- Hot house world / NDCs (#3) and Current Policies (#4) - capture the long-term physical risks to the economy and financial system if the world continues on the current path to a hot house world.

Category	Scenario	Physical risk		Transition risk			
		Policy ambition	Policy reaction	Technology change	Carbon dioxide removal	Regional policy variation	
1	Orderly	Net Zero 2050	1.4°C	Immediate and smooth	Fast change	Medium-high use	Medium variation
		Below 2°C	1.6°C	Immediate and smooth	Moderate change	Medium-high use	Low variation
	Disorderly	Divergent Net Zero	1.4°C	Immediate but divergent across sectors	Fast change	Low-medium use	Medium variation
2		Delayed Transition	1.6°C	Delayed	Slow / Fast change	Low-medium use	High variation
3	Hot house world	Nationally Determined Contributions (NDCs)	2.6°C	NDCs	Slow change	Low-medium use	Medium variation
4		Current Policies	3°C+	None: current policies	Slow change	Low use	Low variation

\* Colour coding indicates whether the characteristic makes the scenario more or less severe from a macro-financial risk perspective, where grey indicates lower risk and red indicates higher risk.

**Our assumptions**

High physical risk scenarios entail more frequent and more severe extreme weather events, impacting the collateral values and business operations of our clients in vulnerable industries.

Higher transition risk scenarios entail increased credit risk across lending portfolio, with particular impact on more vulnerable industries.

**Key uncertainties**

Extreme weather events, technology developments, green finance, policy reaction and variation, and broad transition to low-carbon economies were identified as key uncertainties. These driving forces have particularly high degree of uncertainty of how they might develop as well as considerable potential impact on the regional economy and the Group.

**The outcomes**

The output of our scenario analysis was a qualitative assessment of the scale of changes in the immediate, middle- and long- term, assuming portfolio mix, size, and macroeconomic variables remained unchanged throughout the periods. The analysis shows that Citadele's portfolio is well-positioned for the transition, with material opportunities for business development and limited financial risks.

We see continued growth in the clean energy subsector, with the potential to increase the market size for green and climate finance, as costs fall, and new technologies develop.

Key risk under most scenarios include climate-change mitigation related public policy measures halting or significantly limiting client operations or leading to stranded assets in certain industries, such as agriculture, transportation, utilities, RE & construction, leading to increased credit risk for the Group in all time horizons: short-, medium-, and long-term.

**Next steps**

As we look to build on our efforts on climate risk management, we have identified challenges that we will need to explore further:

Our overall business structure, strategy and comprehensive risk management provide a strong foundation for managing and mitigating the identified potential physical and transitional risks. However, climate change is highly complex and non-linear, with many uncertainties. In addition, new data, tools, and expectations are continuously evolving. As such, our climate risk management framework will need to evolve over time so that stress testing can be done on a set of regularly updated scenarios. As part of ongoing implementation, we are undertaking further refinement of the scenarios with the goal of improving their risk management benefit.

While climate change presents material risks to the environment and will almost undoubtedly present material risks to the global economy, it is more challenging to estimate whether and how climate change could impact any individual company at a given time. Citadele is committed to strengthening its climate risk management systems over time and also helping its clients build the capacity to manage their own climate-related risks.

The above considerations underscore the importance of developing a nuanced understanding of the unique issues facing Citadele and how to respond to climate-related factors and impacts. We are in the early stages of this journey, and we will continuously seek to understand trends, hear new and different perspectives, and adapt our approach over time. We look forward to collaborating with our peers, clients, other experts, and stakeholders to expand our analytical capabilities and strengthen external reporting on our efforts and progress.

# SOCIAL RESPONSIBILITY



Being a financial institution and a large employer, Citadele has a social

responsibility towards its employees, customers, and the wider society. Citadele abides by high ethical standards and inclusive approach toward all employees, customers, business partners, and investors. We take responsibility for our ways of working, actions, and communication. We encourage and promote socially responsible practices throughout our value chain and in the broader society.

## Employees

Citadele's success is based on its employees and their well-being. We treat all employees in a respectful, courteous, and professional manner. Citadele is committed to ensure supportive work environment which is aligned with today's requirements and standards.

We are always open to feedback and encourage employees to share their opinions through regular surveys of employee mood and engagement, offer transparent and also anonymous channels of interacting with the management and encourage asking questions.

Employee relations, training & education, diversity & equal opportunity, and non-discrimination are recognized as material topics to Citadele. Employee relations is an area through which we contribute to the attainment of several SDGs in our focus - 3: Good health and well-being and 8: Decent work and economic growth.

## Employment policies

Citadele's Human Resources Policy encompasses all aspects of employee journey with the Group. It sets the framework for an efficient human resources management system at Citadele banka and its subsidiaries to:

- attract and retain high-performing and professional employees;
- ensure employee efficiency and facilitate the implementation of the long-term strategy and objectives of the Group;
- facilitate employee initiatives and interests in the improvement of the Group's operations and in their career development;
- ensure the Group's working environment is aligned with current requirements and standards.

Citadele employment policy framework includes Code of Ethics, and Diversity and Inclusion policies stating the

Groups practices and expectations from employees in these vital areas.

In addition, Citadele has a Remuneration Policy, Succession Planning Policy and related procedures and internal rules supporting staff planning and recruitment, training and development, employee performance management, perk and benefit provision processes.

The majority of Citadele's employees are full-time employees with the organization. Temporary and part-time employees receive the same standard benefits as full-time employees, after completing the probation period. Citadele HR policies, procedures, instructions, and guidelines follow all legal requirements and good market practice in providing working conditions that are in line with operational health and safety, human rights, and social protection standards. Citadele's employees are covered by social protection against loss of income due to major life events in line with local law. We do not have specific affirmative action-related policy commitments. One new hire with disabilities was employed in the Group during 2023. Voluntary employee turnover rate in the Bank was 3.6% in 2023 (4.5% in 2022).

## Ethics and integrity

It is important that we uphold the highest ethical standards to maintain trust both in Citadele and the banking sector as a whole.

All Citadele Group employees receive regular mandatory trainings covering AML, sanctions, corruption and fraud risk management. Completion rate for mandatory assigned trainings in Compliance and AML areas was 98.53% in 2023 (99.84% in 2022).

In recruitment and leadership development processes we are guided by the highest of ethical standards, human rights principles, and equal opportunities. Our "Employee Performance Management principles", that regulate all performance management decisions, are based on gender-neutral, non-discriminatory approach and merit-based decisions.

Citadele Code of Ethics includes provisions on management of conflict of interest and Whistleblowing arrangements. We encourage employees to voice any concerns regarding potential risks or behaviours that may violate our principles or standards. This can be done by confiding in their manager or reporting their suspicions through the bank's whistle-blower procedure, which is accessible to external parties as well.

No violations of human rights, work-related incidents and no labour disputes registered in 2023.

### Inclusive workplace

Citadele provides safe and secure working conditions, in compliance with labour-related standards and requirements, national employment laws, social insurance, occupational health and safety standards, and human rights principles. This is governed by our dedicated Diversity and Inclusion Policy. Citadele fosters working environment that is free from any discrimination, prejudice, harassment, abuse of powers, and undignified attitude. We work to ensure equal opportunities for all our employees, and we offer an inclusive workplace, where everyone is respected and can thrive and contribute to our common goals. Citadele treats every employee mindful of their abilities, qualifications, beliefs, and life experiences, regardless of gender, racial and ethnic background, religion, age, gender, sexual orientation, political opinion or social origin as an equal part of the team with equal opportunities.

We believe that promoting diversity helps us perform better as an organization through considering a variety of views and experiences, facilitating independent opinions and sound decision-making as well as creating safe and inclusive work environment for all employees.

Citadele policies and practices for parental leave are in line with legal requirements in each country of operation. Parental leave is available for both the parents. Citadele supports the new parents with a one-time monetary grant upon birth of a baby. We aim to facilitate the reintegration of staff after parental leave by offering flexible working time, refresher courses and other personalized solutions. Citadele currently does not track and analyse return to work rates and retention rates of employees that took parental leave.

### New hires during 2023:



As of 31 December 2023, Citadele Group had 1,301 (2022: 1'329) full time equivalent employees in continued operations.

Gender / age group	Latvia	Lithuania	Estonia	Total #	Total %
<b>Female</b>	649	166	65	879	67%
< 30	84	50	12	146	12%
30-50	461	92	42	595	46%
> 50	104	24	11	138	9%
<b>Male</b>	319	76	27	422	33%
< 30	47	29	1	77	7%
30-50	227	41	17	285	23%
> 50	45	6	9	60	4%
<b>Total</b>	967	242	92	1 301	100%

Table 3: GRI General disclosures 2-7

### Gender diversity by position as of 31.12.2023:

Position	Female	Male
Supervisory Board	44%	56%
Management Board	25%	75%
Identified staff	47%	53%
Staff	71%	29%
<b>Total</b>	<b>68%</b>	<b>32%</b>

Table 4: GRI 405-1 Diversity of governance bodies and employees

### New hires during 2023, by age group, gender and region:

Gender /age group	Latvia	Lithuani	Estonia	Total #	Total %
<b>Female</b>	77	44	10	131	66%
< 30	33	19	2	54	27%
30-50	40	24	8	72	36%
> 50	3	1		4	2%
<b>Male</b>	49	17	3	68	34%
< 30	25	8		33	16%
30-50	22	9	3	34	17%
> 50	2			2	1%
<b>Total</b>	<b>125</b>	<b>61</b>	<b>13</b>	<b>199</b>	<b>100%</b>

Table 5: GRI 401-1 New employee hires

### Employees on parental leave as of 31.12.2023:

Gender	Latvia	Lithuania	Estonia	Total #	Total %
Female	58	12	4	74	99%
Male	1	-	-	1	1%
<b>Total</b>	<b>59</b>	<b>12</b>	<b>4</b>	<b>75</b>	<b>100%</b>

Table 6: GRI 401-3 Parental leave

### Remuneration policy

Citadele's Remuneration Policy is designed to attract, motivate, retain and develop professional and talented employees enabling the Group to achieve its short-term and long-term goals.

All aspects of the Remuneration Policy and the related performance management criteria are applied in gender neutral way with no differentiation between staff of the male, female, or diverse genders. The Group monitors the development of potential gender pay gaps on a country-by-country basis separately for different staff categories at least annually and taking appropriate actions to address it if identified.

Citadele Group's Remuneration Policy includes basic compensation - fixed base salary, variable compensation - incentive schemes, performance based annual bonus, long-term incentive plan; and perks - health insurance, Citadele Group's products at a special employee rate. Variable remuneration always reflects sustainable, and risk adjusted performance.

Citadele remuneration policy is designed to counteract excessive risk-taking and incentivize sustainable performance in line with strategic goals, objectives, corporate culture, and effective risk management. Sustainability risks are embedded in Citadele remuneration practices, reflecting adherence to long-term interest of the Group, deferral periods, claw-back provisions and delivery of variable remuneration in instruments.

### Training and development

Citadele supports professional skill and competence development and life-long learning for all employees. Employees have indicated training and development as one of Citadele's positive impacts on them as affected stakeholders during impact materiality assessment survey. Employees have access to personalized development plans, extensive training opportunities including external and internal courses, and advanced leadership skill development programs.

The Group also provides trainings, seminars and external certification to its employees enabling development and growth opportunities within the company.

In addition to mandatory training agenda in 2023, covering AML, sanctions, corruption and fraud risk management, Citadele offered a variety of soft skills and specific professional skills trainings – including Business skill development, Time management and personal efficiency, Communication skills, Personal development, English classes, MS Office proficiency.

As of the beginning of 2023 all trainings for retail client facing employees have been moved to Citadele's employee training portal, including the logging of in-person trainings. This change means that more of the training hours are logged in the same information system, allowing us to retrieve a more comprehensive overview of training statistics.

All employees receive regular performance reviews and career development reviews as part of annual goal setting and review cycle.

### Ratio of basic remuneration of women to men by position:

Position	2023	2022
Supervisory Board	100%	100%
Management Board	82%	75%
Identified staff	88%	86%
Staff	72%	71%

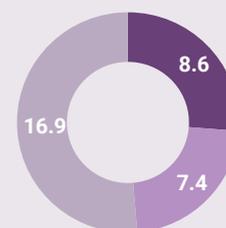
Table 7: GRI 405-2 Ratio of basic salary and remuneration of women to men

### Read more about

 Citadele remuneration policy principles and application in [AS Citadele banka Remuneration Report](#), accessible online.

 Information on how remuneration policy is consistent with the integration of sustainability risks, [accessible online](#).

### Average training hours per employee in 2023\*



- Regulatory and Compliance
- Other mandatory trainings
- Business skills and personal development

\*external platforms (e.g. LinkedIn Learning), conferences and certifications are not included into this number

### Training hours logged in Citadele's training portal, average per employee:

	2023	2022
Female	37.9	17.0
Male	21.8	12.7
All	32.8	15.5

Table 8: GRI 404-1 Average hours of training per year per employee

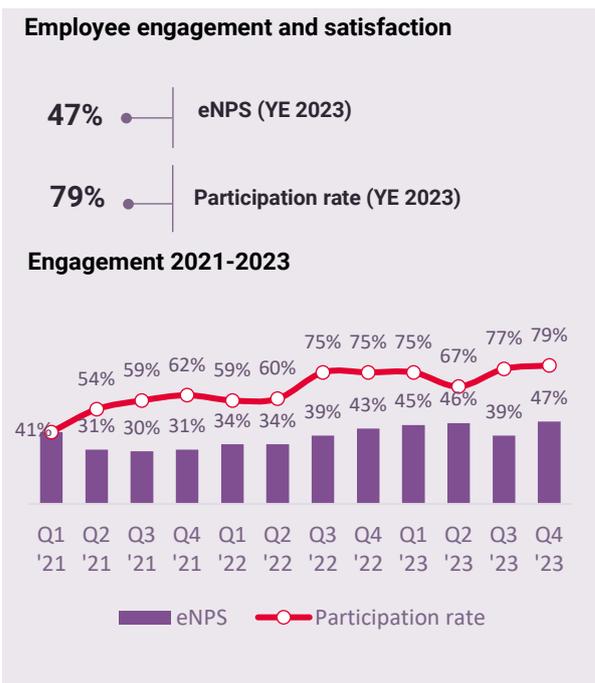
## Employee engagement

It is important for Citadele to build a culture of feedback to ensure that every employee in our organisation feels valued, listened to, and understood. Employees take part in regular engagement surveys to provide anonymous and honest feedback on life at Citadele. Managers of units and functions receive detailed reports, and they are invited to share and discuss the overview with their teams. Citadele encourages comments on factors impacting employee wellbeing at workplace – both positive and negative. The direct feedback we receive serves as a valuable tool for organizational improvement.

Employee Net Promoter Score (eNPS) reached a record high of 47% (vs target >30% and 43% in 2022) in Q4 2023. Special attention is devoted to increase the employee participation rate. Participation rate has reached 79% - an increase from the already high 75% rate at end of 2022.

To strengthen employee engagement, Citadele keeps the Group's internal communication channels technologically up-to-date and relevant to employees. Regular updates regarding Citadele daily operations are posted on the Bank's intranet. The Bank conducts quarterly Live@Citadele sessions held by management board representatives where employees are given update on the Bank's strategy, results, development and plans. Sessions include interactive Q&A sessions where everyone is welcome to ask questions and receive answers from management.

Feedback culture is being strengthened across organization. 72,844 items of feedback were shared on the application that we use to give and receive feedback - Peero App during 2023 (83,896 items in 2022).



## Well-being and Mental health

Mental wellbeing and stress management are vital for both the employees and the organization. At Citadele we are committed to fostering an environment that supports mental health of every employee. We achieve this by offering a range of resources and taking a personalized approach to addressing individual needs.

Citadele offers its employees health insurance, special offers on bank's products, flexible working hours, hybrid way of working, and team events. We take into account employees' personal needs. Additional holidays can be granted for a wedding, child's first day of school, studies, extraordinary events, additional holiday for kids and others. Monetary support is given at such life occasions as childbirth and death of a relative.

The well-being and resilience of Citadele employees remains a top priority for the management. The Bank launched wellbeing@Citadele program in 2021 to inspire everyone to a more healthy lifestyle, by providing various tools and activities. We are continuing to build the program and are happy our efforts have been recognized by earning the Family Friendly Workplace designation by the Society Integration Fund in Latvia. This initiative promotes the development of a work environment that is empathetic, understanding, and inclusive, thereby improving employees' ability to find a balance between their personal and professional lives.

During 2023 Little Champions Co-Working Space was introduced in the Riga headquarters office - workspace designed to allow parents to work on their tasks while their children can be present and entertain themselves through various activities like drawing supplies, blackboard, puzzles and various play areas. The concept was designed with employee comfort and well-being in mind, and it helps adjusting to the hybrid work principles. We believe that a happy and productive team is one that can balance the demands of work and family life. Little Champions Co-Working Space shows our commitment to making that balance more achievable for our team members.

## Working towards Employer of Choice

Citadele Group continuously invests in the well-being of its employees. We have programs for attraction of new talent as well as for retention of existing employees and keeping their motivation high. In 2023, significant enhancements were made to the employee onboarding process, prioritizing effective communication, soliciting feedback throughout, and instituting quarterly meet-ups to foster a sense of belonging for new team members.

Moreover, a key focus in 2024 involves forging strong collaborations with universities and schools. The Citadele Group plans to extend its presence to all major university career fairs, actively participate in guest lectures, with a special emphasis on promoting financial literacy. Additionally, a new summer internship

program is set to be implemented, targeting highly talented individuals, and providing valuable experiential learning opportunities.

Citadele monitors the market trends to offer a competitive employment environment. We aim to be the most attractive employer in Baltics based on a set of values reflecting the performance-based nature of the organisation and our focus on sustainable profitability. To further strengthen our employer brand, plans for 2024 include the launch of a comprehensive campaign and an update to our existing career page. This update will reflect our core values, articulate our employer value proposition, and showcase a competitive employment package, reinforcing our position as an employer of choice.

## **Customers**

Citadele puts customers and their needs at the centre of our business activities. Citadele aims to offer its clients products and services that help them achieve and maintain their business goals and prosperity. Citadele tries to offer solutions that meet customer needs at an appropriate level of risk. This is a key factor in building and maintaining long-term customer relations. Citadele ensures high quality advisory services by continuously training its employees, focusing on the relationship with the customer.

Stakeholder interest regarding the indirect impact of banking operations on the climate, environment and society have been steadily increasing. Social and environmental criteria are increasingly considered in business decisions, in addition to the traditional financial risk aspects.

Customers are directly affected stakeholders of the Bank, and their actions in turn may affect us. Customer satisfaction, positive experience and loyalty are crucial to the Bank's sustainable growth and long-term success. Citadele continuously works on adapting its products and services to meet and exceed customer expectations and needs.

### ***Responsible provision of banking services***

Citadele has processes in place to ensure that clients are treated fairly and professionally. Our customer servicing standard sets the professional requirements we expect from our employees when dealing with customers. Our client and product-related procedures and instructions follow the entire cycle of client interaction with the Bank. Our values and Code of Conduct guides our behaviour in all client-related situations. We reinforce our standard with regular training.

To provide banking services responsibly, we purposefully communicate with our clients to increase

their awareness of banking services and the opportunities, obligations, and underlying risks. To provide responsible lending we carefully evaluate the ability of each potential customer to repay the loan. In business financing the Bank, in addition to industries prohibited by law, does not support financing of industries with high negative Environmental and Social impacts. Our exclusion list is available publicly as part of our ESG Policy.

We regularly interact with our customers to collect their feedback on our services. Citadele conducts regular customer satisfaction surveys for its banking and MobileApp customers, as well as Brand Personality and Brand Awareness surveys. We monitor our customer NPS score against internally set target, to ensure continued customer satisfaction and engagement.

Customers can share their feedback, report a violation, or share suspicion of prohibited conduct through various channels: both electronically and in person, including through a dedicated section on our website. Customer complaints are handled in accordance with a dedicated procedure, aligned with the requirements of external and internal regulations, and recommendations of industry associations.

We are signatories of UN Principles for Responsible Banking. In the process of aligning our operations with the framework, we have carried out an impact assessment to identify areas with highest regional level of need, including Socio-economic and Social needs. *Availability, accessibility, affordability, quality of resources & services* is one of our key impact areas identified.

### ***Accessibility and availability***

Citadele continuously works on expanding and enhancing its digital channel offering to ensure that digital solutions cover customer needs and expectations, and banking services are accessible for people at any time and place convenient for them.

Citadele offers digital on-boarding for SMEs in Latvia and Lithuania, Citadele Business Portal, convenient e-commerce solutions, extensive mobile app functionality and more. Remote solutions have been welcomed by our customers and remain widely used across customer groups.

Citadele consistently improves and updates its mobile application and internet banking solutions to enhance functionality, security and user experience. This ensures that Citadele is in line with market standard and meets the evolving needs of our customers. Internet and mobile banking applications are highly stable with Internet-bank and Mobile App Prime time system availability at 99.86% in 2023 (99.86% in 2022).

Customers expect easy service interactions when they need assistance with digital banking. Customers can contact Citadele Bank through several channels for their convenience: chat in MobileApp, message in I-bank, phone or e-mail. Customer support also includes an interactive assistant to help clients find answers to common questions.

Customers who prefer traditional sales and communication channels or have more complex customer needs are provided direct contact through branches. Citadele aims to ensure that clients are served by qualified advisors in professional and quick way. As of 31 December 2023, Citadele had 11 branches in Latvia, 1 branch in Estonia and 1 branch with 6 customer service units in Lithuania.

Ukrainian citizens who have fled from the war to the Baltic countries are able to open an account for free, either in a branch or remotely through the Citadele App.

Citadele's customer service in all Baltic countries repeatedly receives top ratings in Dive banking sector service surveys. During 2023, Citadele was recognized as the best in Latvia for the 9th year in a row. In addition, we are in TOP3 in all the Baltic countries for the 3rd year in a row.



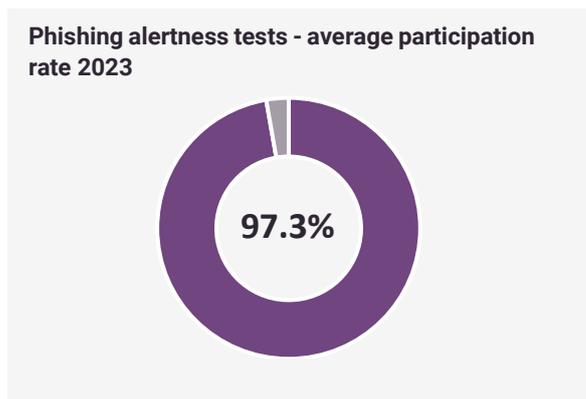
The study was conducted at the end of 2023 and the beginning of 2024 by Dive, one of the leading customer service evaluation and improvement companies in Central and Eastern Europe. Within the framework of the study, 160 "secret customer" calls to customer support services and 160 "secret customer" visits to customer service centres were made. During the research, professional knowledge, communication skills, ability to offer the most suitable solution to the customer and other parameters of the bank customer support service and service departments were evaluated according to a unified methodology and identical criteria.

### **Customer privacy and data security**

The security of customer data is a prerequisite for long-term success in the banking industry and one of top priorities for Citadele. Citadele applies the highest standards to its IT infrastructure and security, and it has a dedicated, group-wide cyber security team. Incident management process is defined and followed, including process of identification, mitigation, documentation, and analysis of incident root causes.

In 2023 there were two reported incidents of customer data breaches. In both the cases immediate actions were taken to mitigate consequences and prevent repeat occurrences of similar incidents. No substantiated complaints concerning breaches of customer privacy and losses of customer data were received in 2023.

The Bank provides annual mandatory trainings on information security and regular phishing alertness tests for employees aimed at checking and raising employee cyber awareness. Citadele continues to invest resources to maintain and improve data security.



In response to increasing frequency and sophistication of phishing risks, regular phishing alertness tests have been introduced in 2022 and extended to include all employees in 2023. Average participation rate in phishing alertness tests in 2023 was 97.3% of all employees. Average pass rate was 98.6%.

## Suppliers and supply chain

Citadele's responsibility in contribution to sustainable economic development includes expectation for responsible, fair and ethical business practices from its suppliers.

Procurement process in Citadele is designed to ensure an efficient and effective supplier selection process and select reliable suppliers with appropriate competences and quality. Suppliers are evaluated and selected, based on a number of criteria, including reputation, financial situation, qualification, relevant technical capabilities, and previous experience.

Environmental, social and governance risk assessment is one of supplier assessment criteria. The Bank has formalized its supplier assessment practices in ESG area with a publicly available Supplier Code of Conduct.

The purpose of Citadele's Supplier Code of Conduct is to ensure sustainable cooperation with Citadele's suppliers by promoting professional, fair, and legitimate business practices, including environmental and social responsibility, high business ethics and sound governance. Citadele expects its suppliers to manage sustainability topics within the field of human rights, labour practices, business ethics and the environment. The Supplier Code of Conduct sets minimum requirements in the areas of Environmental, Social and Governance to which the supplier must adhere.

Citadele itself follows timely payment practices to its suppliers, especially with respect to small and medium enterprises.

## Society

Citadele believes that a financial institution's social impact is based on the ability to leverage its expertise, financial products and services to enable people and communities to prosper and grow. Being a socially responsible bank, Citadele stands for:

- responsible provision of banking services to promote the Baltic economy;
- promoting financial education and literacy in society;
- promoting tolerance in society and supporting charity projects aligned with our values;
- increasing customer trust in banking and Citadele Group;
- making banking services accessible for people at any time and place convenient for them through our digital channel offering;
- constantly increasing internal ESG competence and supporting our clients and broader society in green transition;
- engaging in partnerships with relevant stakeholders to achieve society's goals.

Citadele has been supporting charity organizations with donations and by giving its loyalty programme X-rewards clients the opportunity to donate their loyalty rewards to charities. To encourage giving back to society and living the Citadele values, Citadele introduced employee Volunteer days at the end of 2023. Volunteer days program gives each employee the opportunity to contribute three (fully paid) workdays per year for voluntary work.

Citadele has decided to contribute to preserving bee population and raising awareness on bee importance and educating society on ways to help bees by placing two beehives in Citadele Latvia headquarters at Republikas laukums 2A, where we have a Sun garden. Bees, though small and often unnoticeable, are a part of the biodiversity on which we all depend for our survival. Same can be said of each our individual efforts – though they may be small on their own, they can add up to big impacts. The garden, is open for colleagues and office visitors for relaxing moments. Citadele office in Riga suits well to become an urban bee garden – it is one of the greenest buildings in Riga, and in the word "green" we have included several meanings – energy effectivity of the building, use of eco materials, inner air gardens of the buildings and a beautiful Daugava riverside location with lots of trees on one side and Kronvalda park with lots of linden trees on the other side.



# CORPORATE GOVERNANCE

Citadele Group has a comprehensive corporate governance and risk management structure to operate in a transparent and prudent manner, to balance and protect the interests of its various stakeholders.

The Group’s operations are based on transparent and sustainable actions in the financial markets. Citadele has a zero tolerance for corruption, financial crime, and non-compliance with laws and regulations and expects the same from its employees, customers, and business partners, including suppliers.

The Group has developed a robust internal legal framework which sets a clear and transparent corporate governance. For timely identification and understanding of corruption risk in operations of its counterparties, the Bank ensures explicit and unequivocal internal rules for risk screening, identification and continuous monitoring, described in a number of policies and procedures, including Corporate Governance Policy, Code of Ethics, Anti-corruption Policy, Anti-money laundering and counter terrorism and proliferation financing policy, Policy for the Prevention of Laundering of Proceeds Derived from Criminal Activity and Financing of Terrorism, Policy for Conflict of Interest in the Rendering of Investment and

Ancillary Investment Services, Procedures for Assessment of Reports on Breaches, Monitoring of Transactions, Procurement, and more.

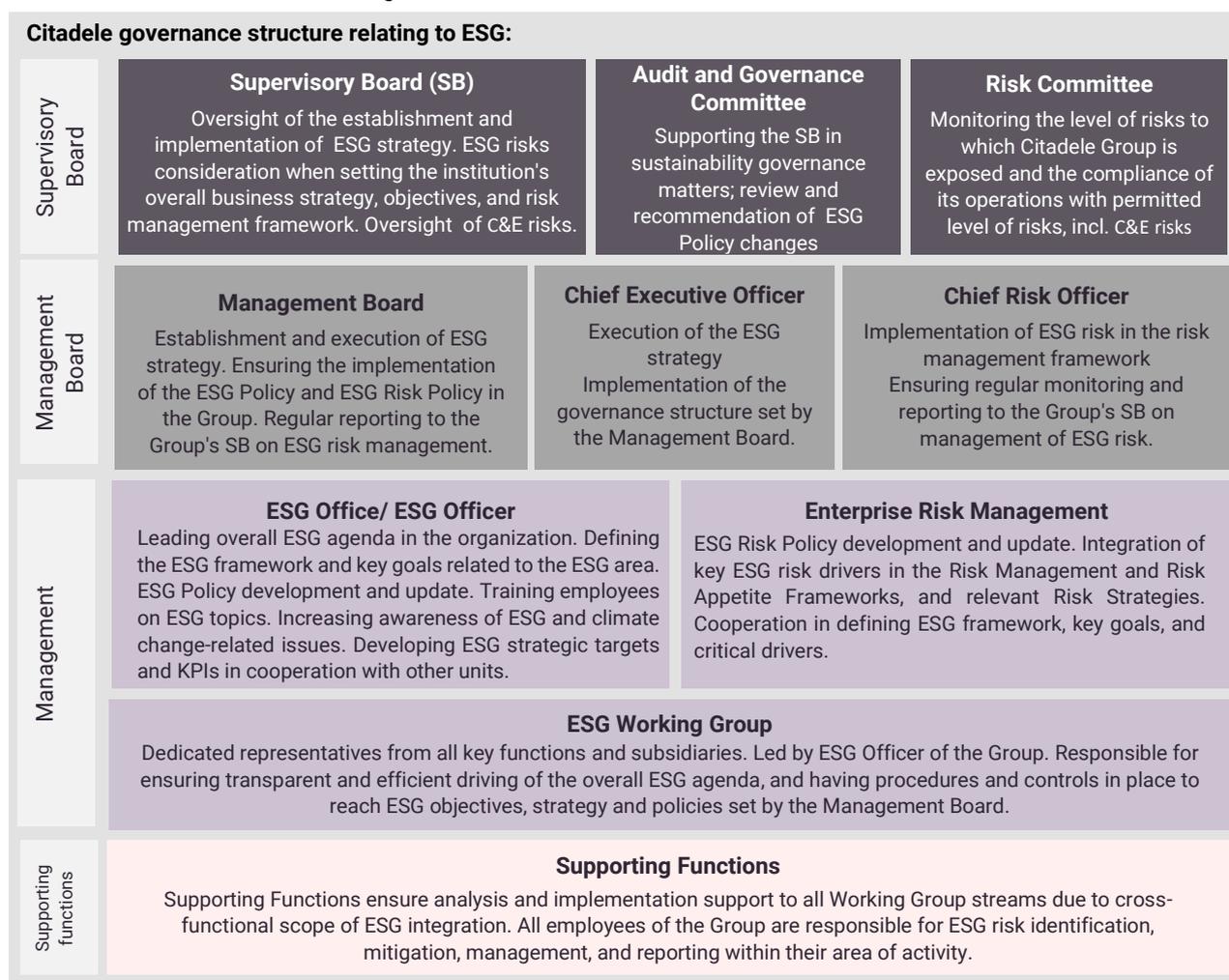
The Bank itself adheres to Code of Ethics, based on regulatory requirements and industry good practices. The Code of Ethics includes selection of and cooperation with counterparties, management of conflict of interest and whistleblowing arrangements. All employees are regularly trained in the fields of identifying and preventing bribery, corruption risk and fraud risk. Employees are tested on their knowledge of the relevant risk management policies and procedures annually.

There have been no confirmed incidents of corruption and bribery during 2023.

## ESG Governance structure

Citadele ESG Policy sets the framework and the main principles for managing ESG-related topics within Citadele Group and sets the ESG governance structure.

Oversight and management of climate-related issues are embedded within our governance structure. The Supervisory Board, Management Board and senior management is aware and understands the climate-related issues and are able to set climate-related strategy and oversee its implementation.



**The Supervisory Board** is responsible for overseeing the establishment and implementation of ESG strategy. It considers ESG risks when setting the institution's overall business strategy, business objectives, and risk management framework and exercises effective oversight of climate-related and environmental risks.

The Supervisory Board and Risk Committee receive quarterly updates on ESG implementation process. During 2023, Supervisory Board and Risk Committee have received four updates regarding key developments and accomplishments in ESG area, covering matters including climate-related and environmental risk disclosures and reporting, climate and environmental risk materiality assessment and potential impacts of climate risks on the Group's assets, Citadele GHG emissions and its comparison with other market participants.

Information exchange on climate-related issues has been integrated into regular management reporting processes. Climate-related risk reporting and risk appetite threshold monitoring is part of monthly and quarterly internal reporting cycles to the Management Board, along with tracking of green lending target fulfilment.

**The Management Board** is responsible for establishing ESG strategy and execution of the strategy and ensures the implementation of the ESG risk policy in the Group. It provides regular reporting to the Group's Supervisory Board on the ESG risk management process in the Group.

**ESG Working Group**, led by the ESG Officer, meets on a regular basis to ensure efficient implementation of the ESG objectives and strategy set by the Management Board, including climate-related and environmental risk issues.

**ESG Officer** reports directly to the CEO and leads ESG agenda in the organization. Responsibilities of the ESG Officer of the Group include defining the ESG framework and key goals related to the ESG area in cooperation with heads of the departments affected by ESG; developing and regularly updating the ESG Policy; training employees in the ESG area; increasing awareness of ESG matters by ensuring respective external and internal communication; cooperating with the Risk Management Division and heads of units/departments in developing ESG strategic targets and KPIs.

**Enterprise Risk Management Division** is part of Risk function, reporting directly to CRO and it participates in developing, reviewing, and updating ESG Risk Policy; integrates key ESG risk drivers in the Risk Management Framework, Risk Appetite Framework, and relevant Risk Strategies; implements the principles set in the ESG Risk Policy and other regulatory requirements into existing policies, procedures, and processes; cooperates in defining ESG framework, key goals, and critical drivers; and ensures all risk management employees are familiar with these new processes and adhere to them.

**Supporting Functions** ensure analysis and implementation support to all Working Group streams due to cross-functional scope of ESG integration.

**All employees** of the Group are responsible for ESG risk identification, mitigation, management, and reporting within their area of activity.

Citadele is focused on integrating climate-related and environmental risks into the broader risk management framework of the Bank.

ESG risk management governance in the Citadele Group follows the overarching principle of **three lines of defence**:



**The first line of defence** comprises the business and support functions. It is ultimately accountable for the ESG risk management related to its activities and within its area of responsibility.



**The second line of defence** is the risk management function, performing independent risk oversight and control. The risk management function facilitates the implementation of a sound ESG risk management framework throughout the Group. It has responsibility for further identifying, monitoring, analysing, measuring, managing, and reporting on ESG risk exposure and forming a holistic view of all risks on an individual and consolidated basis. In addition, it challenges and assists in implementing ESG risk management requirements by the business lines to ensure that the process and controls in place at the first line of defence are appropriately designed and practical.



**The third line of defence** is the Group's Internal Audit Department - an independent and objective assurance function overseeing the implementation of ESG risk framework and controls in the first and second lines of defence.

## Embedding ESG into Group's culture

We are continuously integrating ESG into Group's culture and encouraging staff behaviour that is consistent with Citadele's ESG Policy. We have set up a dedicated ESG section on Group's intranet, where employees are encouraged to learn more about climate change, explore Citadele's ESG strategy, and revisit ESG-related trainings and info sessions. We hold regular live sessions on ESG topics and promote responsible and climate friendly individual actions.

### *Skills and expertise*

We understand that achieving our climate goals and implementing our Net Zero Plan requires the members of our governance and management to develop climate-related expertise and capabilities further. At Citadele, the senior staff and governance bodies should be composed of individuals who are skilled in more than one area, with the ability to advise on a wide array of potential risks, and thereby contribute more broadly to the oversight of the company. Therefore, we continue to educate our entire Board and senior management to build out climate-related expertise and capabilities.

Regular internal and external training on climate and environmental risk and broader ESG topics is provided at all levels of the organization. All employees take part in awareness building trainings on ESG, and live sessions on Citadele's ESG strategy and implementation progress.

Our ESG and climate-related risk management team are continuously strengthening their competences through formal trainings and certifications. Team includes specialists with Global Association of Risk Professionals (GARP) Sustainability and Climate Risk certification, Environmental Social & Governance specialist certification from Corporate Finance Institute (CFI), Sustainable Finance program certification from House of Training Luxembourg. The Management and Supervisory Boards, and Internal Audit keep their ESG competences up to date with annual external training sessions.

During 2023 Citadele has received advisory support under the European Investment Bank's Green Gateway facility, including trainings, development of manuals, on-the-job support to enhance bank's capacity to identify, assess and report on green projects.



Annual external training sessions on ESG topics for Supervisory Board, Management Board and Internal Audit



Annual in-house trainings on ESG topics for all Citadele employees

Trainings include:

- Climate change
- Regulatory environment and requirements
- Citadele's ESG strategy, targets and activities

c. **80%** participation rate



Regular trainings, certification and participation in climate-related conferences for ESG Office and climate-related risk management team

**75%** of ESG core team certified in ESG area



Dedicated section on climate-related and ESG topics on Citadele intranet

Focus areas

- Climate change
- GHG emissions
- Green office
- Green products and services
- Employee engagement



Climate-related advisory support under the EIB's Green Gateway facility

## Embedding ESG governance into policies and procedures

Citadele's **ESG Policy** sets the framework and the main principles for managing Environmental, Social, and Governance related topics within Citadele Group. ESG Policy defines the Group's sustainability ambition, establishes principles for ESG factor integration into Group's operations, and sets the ESG governance structure. In addition, the ESG Policy includes list of industries that Citadele does not finance due to significant negative environmental and / or social impact.

**ESG Risk Policy** determines the core elements of the ESG risk management framework, setting how material ESG risks are determined, embedded into existing risk categories, integrated into risk appetite framework, and included into stress-testing. It also sets the responsibilities for ESG risk management across the three lines of defence and establishes thresholds for appropriate level of ESG risk assessments.

CBL Asset Management has adopted and follows a separate **Sustainability and Engagement Policy** for management of investment funds.

Bank's **Risk Strategy** and **Risk Appetite Framework** sets ESG risk tolerance, defines key ESG risk drivers, and sets risk limits for Material climate-related risks.

Our **Credit Policy** integrates **Climate-related and environmental risk assessment**.

Our expectations toward supplier practices in ESG area are formalized in a publicly available **Supplier Code of Conduct**.

Citadele does not tolerate any kind of prohibited conduct and has the same expectations towards its clients and business partners, which has been formalised in publicly available **Prohibited Conduct** document.

Employee **Code of Ethics** defines the principles of professional ethics across the Group, determines the core values and approaches to specific ethical situations and determines the principles for management of conflict of interest.

## Transparency

Citadele is committed to being open, transparent, and welcoming of feedback for improvement. The Group has dedicated investor relations and social responsibility sections on its webpage, with easy access to key financial data, reports, presentations and documents available to stakeholders.

Information is disclosed in accordance with the rules set forth for companies with securities traded on regulated EU markets. Citadele follows Corporate Governance recommendations, statutory requirements and good industry practice. Our transparency efforts have been recognized by Nasdaq Baltic Awards 2023 naming Citadele the second best in Best Investor Relations on Bond List category.

We are dedicated to improving our sustainability reporting and non-financial disclosures up to the high standard we have set for ourselves in financial transparency.

To reach our sustainability goals effectively, we must be able to measure them and track our progress. It is an area that will continue to take time and effort to establish and develop. To advance measuring and tracking our progress, we have joined Partnership for Carbon Accounting Financials (PCAF), and are publishing our first GHG emissions calculations for entire financed portfolio based on The Global GHG Accounting and Reporting Standard Part A: Financed Emissions methodology.

Citadele Group has been publishing Sustainability reports since 2017. Until 2020 our sustainability reporting effort was focused on our social responsibility. In 2021 Citadele defined its sustainability course and significantly extended its non-financial disclosures to reflect its ambition to support transition to sustainable growth and commitment to contribute to reaching UN Sustainable Development Goals. We introduced TCFD-aligned reporting on climate risks in Q3 2023 and merged it with our other sustainability-related reporting in this Sustainability report.

We recognize that aligning our reporting practices with the upcoming ESRS standards will require disclosing more non-financial information than we are currently disclosing. We plan to achieve that by increasing the effort of collecting, storing and analysing ESG-related data, setting up and adjusting internal processes and continuing to build in-house capacity.

## EU Taxonomy reporting

Article 8 of the Taxonomy Regulation (EU Taxonomy) requires undertakings subject to an obligation to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU to include in its non-financial statement or consolidated non-financial statement information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of the EU Taxonomy. The EU Taxonomy Regulation establishes that an activity can be classified as sustainable if it:

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

As a financial institution the Bank must disclose Green Asset Ratio (GAR) starting from 2024 for the financial year

2023, containing the following information on alignment of its financed assets to the EU Taxonomy criteria of climate change mitigation and climate change adaptation. Citadele discloses a Mandatory report as defined in the Art. 10 of the Disclosure Delegated Act.

Citadele's Taxonomy disclosures for the financial year 2023 relate to exposures to taxonomy-eligible and -aligned assets for climate change mitigation and climate change adaptation objectives. The assets in scope for disclosures for 2023 are retail exposures as set out in the Taxonomy, exposures to undertakings falling under the NFRD, including financial and non-financial undertakings, local government financing, collateral obtained by taking possession. The reporting is based on data originating from internal core banking systems as well as external data for the purposes of NFRD undertaking's disclosed Taxonomy eligibility and alignment for the financial year 2022. For residential real estate lending for buildings built before 31 December 2020, substantial contribution has been assessed as a valid EPC class A or above. For buildings built after 31 December 2020, no exposure has been assessed due to caution over how to identify the national threshold for nearly zero-energy building.

	Total exposure	Total exposure	Green Asset Ratio (GAR)	
	EURm	%	Taxonomy eligible	Taxonomy aligned
Non-financial corporations subject to NFRD disclosure	126	3%	0.35%	0.21%
Household exposures falling under:	1 354	28%	0.90%	0.00%
residential mortgages	777	16%	0.34%	0.00%
building renovation loans	9	0%	0.22%	0.00%
motor vehicle loans	366	7%	0.54%	0.00%
Local government financing	102	2%	0.00%	0.00%
(Other financing to) financial corporations	239	5%	0.00%	0.00%
<b>Total GAR assets</b>	<b>1 820</b>	<b>37%</b>	<b>1.25%</b>	<b>0.21%</b>
Not under the scope of the NFRD		0%		
EU companies not yet phased in by CSRD	1 484	30%		
Non-EU exposures	482	10%		
On demand interbank loans	-	0%		N/A
Derivatives	1	0%		
Other assets*	249	5%		
<b>Total</b>	<b>2 216</b>	<b>45%</b>		
<b>Total Assets in the Denominator (GAR)</b>	<b>4 037</b>	<b>82%</b>		
Exposures to central governments	865	18%		
Exposures to central banks	-	0%		N/A
Trading portfolio	-	0%		
<b>Total Assets excluded from numerator and denominator</b>	<b>865</b>	<b>18%</b>		
<b>TOTAL ASSETS</b>	<b>4 902</b>			

More information on GAR and climate-risk disclosure is available in Risk Management Report available online at <https://www.cblgroup.com/en/about/governance/risk-management>

# Alignment with TCFD recommendations

Topic	Recommended disclosures	Report	Section	Page
<b>Governance</b>	A) The board’s oversight of climate-related risks and opportunities	Sustainability report	ESG governance structure	32
	B) Management’s role in assessing and managing climate-related risks and opportunities	Sustainability report	Scenario analysis	23
<b>Strategy</b>	A) The climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Sustainability report	Scenario analysis	23
	B) The impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning	Sustainability report	Scenario analysis	23
	C) The resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario	Sustainability report	Scenario analysis	23
<b>Risk management</b>	A) The organisation’s processes for identifying and assessing climate-related risks	Sustainability report	Managing climate-related and environmental risk	17
	B) The organisation’s processes for managing climate-related risks	Sustainability report	Managing climate-related risk	21
	C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management	Sustainability report	Managing climate-related risk	21
<b>Metrics and targets</b>	A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Sustainability report	Risk metrics and targets	22
	B) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks	Sustainability report	GHG emissions	12
	C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Sustainability report	Our climate strategy	4

# GRI CONTENT INDEX

<b>Statement of use</b>	<b>Citadele Bank</b> has reported in accordance with the GRI Standards for the period 01.01.2023. - 31.12.2023.
<b>GRI 1 used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	N/A

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Omission disclosed
<b>General disclosures</b>			
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	Annual report 2023, p. 10	<i>A grey cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.</i>
	2-2 Entities included in the organization's sustainability reporting	About this report, p. 2	
	2-3 Reporting period, frequency and contact point	About this report, p. 2	
	2-4 Restatements of information	N/A	
	2-5 External assurance	Annual report 2023	
	2-6 Activities, value chain and other business relationships	Annual report 2023, Other regulatory information, p. 10	
	2-7 Employees	Employees, p 25	
	2-8 Workers who are not employees	Employees, p 25	
	2-9 Governance structure and composition	Annual report 2023, Corporate Governance, p. 11	
	2-10 Nomination and selection of the highest governance body	Annual report 2023, Corporate Governance, p. 11	
	2-11 Chair of the highest governance body	Annual report 2023, Corporate Governance, p. 11	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate governance, p. 32	
	2-13 Delegation of responsibility for managing impacts	Corporate governance, p. 32	
	2-14 Role of the highest governance body in sustainability reporting	Corporate governance, p. 32	
	2-15 Conflicts of interest	Corporate governance, p. 32	
	2-16 Communication of critical concerns	Corporate governance, p. 32	
	2-17 Collective knowledge of the highest governance body	Annual report 2023, Corporate Governance, p. 11 Corporate governance, p. 32	
	2-18 Evaluation of the performance of the highest governance body	Annual report 2023, Corporate Governance, p. 11 Corporate governance, p. 32	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Omission disclosed
<b>General disclosures</b>			
<b>GRI 2: General Disclosures 2021</b>	2-19 Remuneration policies	Remuneration policy, p. 27	
	2-20 Process to determine remuneration	Remuneration policy, p. 27	
	2-21 Annual total compensation ratio		* excluding bonuses, stock awards and other compensation
	2-22 Statement on sustainable development strategy	Climate & environmental strategy, p.4	
	2-23 Policy commitments	Policy commitments, p.7	
	2-24 Embedding policy commitments	Policy commitments, p.7	
	2-25 Processes to remediate negative impacts	Managing Citadele's impact on the Environment, p. 11	
	2-26 Mechanisms for seeking advice and raising concerns	Corporate governance, p. 32	
	2-27 Compliance with laws and regulations	No significant instances of non-compliance with laws and regulations	
	2-28 Membership associations	Finance Latvia Association	
	2-29 Approach to stakeholder engagement	Stakeholder engagement, p. 9	
	2-30 Collective bargaining agreements	None	

# MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION DISCLOSED
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	Material sustainability topics, p. 9	<i>A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.</i>
	3-2 List of material topics	Material sustainability topics, p. 9	
<b>Economic performance</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Annual report 2023, Key figures and events of the Group, p. 2 Annual report 2023, Management letter, p. 4	
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	Annual report 2023	
	201-2 Financial implications and other risks and opportunities due to climate change	Managing Climate-related and environmental risk, p. 17	
	201-3 Defined benefit plan obligations and other retirement plans	N/A	
	201-4 Financial assistance received from government	No financial assistance received from the government in 2023	
<b>Anti-corruption</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Corporate governance, p. 32	
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	Corporate governance, p. 32	
	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance, p. 32 Training and development, p. 27	
	205-3 Confirmed incidents of corruption and actions taken	Corporate governance, p. 32	
<b>Emissions</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Managing Citadele's impact on the Environment, p. 11	
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 13	
	305-2 Energy indirect (Scope 2) GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 13	
	305-3 Other indirect (Scope 3) GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 13	
	305-4 GHG emissions intensity	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 13	
	305-5 Reduction of GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 13	
	305-6 Emissions of ozone-depleting substances (ODS)	N/A	The Bank does not produce or use ODS in its processes, products and services
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	N/A	The Bank does not produce NOx, SOx and other significant air emissions in its processes, products and services

<b>Employment</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Employment policies, p. 25,
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	Employment policies, p. 25, Table 5: GRI 401-1 New employee hires, p. 26
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment policies, p. 25,
	401-3 Parental leave	Employment policies, p. 25, Table 6: GRI 401-3 Parental leave, p. 26
<b>Training &amp; Education</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Training and development, p. 27
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	Table 8: GRI 404-1 Average hours of training per year per employee, p. 27
	404-2 Programs for upgrading employee skills and transition assistance programs	Training and development, p. 27
	404-3 Percentage of employees receiving regular performance and career development reviews	Training and development, p. 27
<b>Diversity &amp; Equal opportunity</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Employment policies, p. 25 Inclusive workplace 26
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	Table 4: GRI 405-1 Diversity of governance bodies and employees, p. 26
	405-2 Ratio of basic salary and remuneration of women to men	Table 7: GRI 405-2 Ratio of basic salary and remuneration of women to men, p. 27
<b>Non-discrimination</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Employment policies, p. 25 Inclusive workplace 26
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	Inclusive workplace 26
<b>Customer privacy</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	Customer privacy and data security, p.30
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer privacy and data security, p.30