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AS Citadele banka

ESG POLICY

The framework and the main principles for managing ESG related topics in Citadele Group

Effective as of 31 January 2022

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SUSTAINABILITY FOR CITADELE

The purpose of ESG Policy is to determine the framework and the main principles for managing ESG related topics in Citadele Group, incl.:

- Increase awareness of ESG matters in Citadele Group,
- Define ambition and principles that Citadele Group will follow in its daily operations towards reaching ESG objectives and make ESG component an integral part of the business strategy,
- Integrate ESG factors into daily operations, contributing to the sustainable development of the world.

Financial institutions have an important role in society. As financial intermediaries, we have to contribute to a sustainable development of the economies and support the transition to a sustainable society as a key stakeholder in the financial eco-system. Banking is based on society's trust; hence Citadele Group aims to act responsibly and in the long-term interest of society.

Sustainability for Citadele Group means developing our business with a long-term perspective and in line with our social, environmental, and economic goals in the decisions we make, products we offer and services we provide.

The UN Sustainable Development Goals (SDGs), formulated in 2015, form the framework for nations, businesses and societies on how to achieve long-term economic growth, social inclusion and environmental protection. The 17 SDGs define the main objectives which are broken down into 169 targets with the aim to identify concrete actions.

By signing the Principles for Responsible Banking, we commit to aligning our business strategy and contribute to the UN Sustainable Development Goals and Paris Agreement.

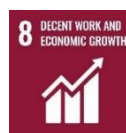
Citadele has identified and prioritised five of the UN Sustainable Development Goals that are linked to our business strategy and sustainability work, and where we have the largest opportunity to make an impact. We are also adhering to other SDGs in our daily operations. The goals were identified based on discussions among stakeholders – supervisory board, management board and employees involved in ESG topics. Citadele plans to conduct further ESG materiality and impact assessment to ensure that its ESG strategy is aligned with all stakeholders.



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 and 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.



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.



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.



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.



Financial sector can redirect capital flows to achieve 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 and plans to start reducing our CO₂ footprint and disclosing our financed customers' GHG emissions.

ESG INITIATIVES – ENVIRONMENTAL MATTERS

Citadele aims to contribute to adaptation of the global and Baltic economy to the achievement of the established climate goals. Bank acknowledges its responsibility in contribution to sustainable economy development and is committed to address the environmental aspects in financing and investments as well as in managing our direct impact. Hence, the Bank:

- joins the UN Principles for Responsible Banking and contributes to the fulfilment of the aims of the Paris Agreement,
- supports the aim of the Baltic countries to make economy climate-neutral by year 2050,
- works towards aligning the business strategy, governance, risk management and disclosures to correspond to the expectations regarding climate-related and environmental risks set by the European Central Bank,
- encourages the use of environmentally friendly and sustainable business practices and plans to continue developing new offers supporting the green transition, implementing ESG topics in customer offers and product development,

- observes green office principles and is committed to measure and report its own GHG emissions and environmental footprint in order to transition to climate-neutral office activities.

To identify the areas in which the Bank's business activities have the greatest positive or negative effect, Citadele works on conducting portfolio impact analysis, defining, measuring and disclosing key indicators to increase the efficiency of our environmental projects to ensure climate-related and environmental risk incorporation in Bank's operations and processes.

Citadele commits to work with our clients to educate them, incentivise them and support them in reducing their environmental impact.

CBL Asset Management is signatory to UN Principles for Responsible Investment, undertaking to incorporate ESG issues into investment analysis and decision-making processes, ownership policies and practices, as well to increase awareness of PRI within the investment society and report on activities and progress towards PRI implementation. Company's sustainability framework is stipulated by CBL AM "Sustainability and Engagement Policy".

ESG INITIATIVES – SOCIAL RESPONSIBILITY

Financial institutions social impact is based on the ability to leverage its' expertise, financial products and services to enable people and communities to prosper and grow. Citadele acts based on high ethical and professional standards towards its clients, partners and employees. Being socially responsible bank, Citadele stands up for

- responsible provision of banking services to promote the Baltics economy,
- promoting financial education and literacy in society,
- promoting tolerance in society and supporting charity projects for people, animals and nature support,
- increasing customer's trust in Citadele Group,
- making banking services accessible for people at any time and place convenient for them through our digital channel offering,
- constantly increase internal ESG competence to promote it in society,
- engaging in partnerships with relevant stakeholders to achieve society's goals.

Citadele's success is based on its employees and their well-being. From the employer's perspective, 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:

- *No discrimination.* Citadele supports working environment that is free from any discrimination, prejudice, harassment, abuse of powers and undignified attitude.
- *Equality.* Citadele treats every employee, within their own abilities, qualifications, beliefs, and life experiences, regardless of gender, ethnic background, religion, age, sexual orientation, as an equal part of the team with equal opportunities.
- *Good working conditions.* Citadele ensures convenient and secure working conditions, in line with labour-related standards and requirements, national employment, social insurance, occupational health and safety standards.
- *Talent development.* Citadele supports professional skill and competence development for all employees. Employees have access to personalized development plans, solid training curriculum (external & internal courses) and advanced leadership skills' development programs.
- *Well-being.* Citadele supports an active lifestyle and balance between work and private life by offering a number of benefits, e.g. health insurance, sport-related program, special offers on bank's products, flexible working hours, team events and other.

ESG INITIATIVES – CORPORATE GOVERNANCE

Citadele’s operations are based on high ethical and professional standards. The Bank has developed internal legal framework, including policies, procedures, rules and instructions to set a clear and transparent corporate governance framework. Mechanisms are in place to manage conflicts of interest and avoid transactions and other actions which may pose risk of adversely affecting confidence and trust in Citadele. Citadele is committed to avoid corruption and has no tolerance towards financial crime and non-compliance.

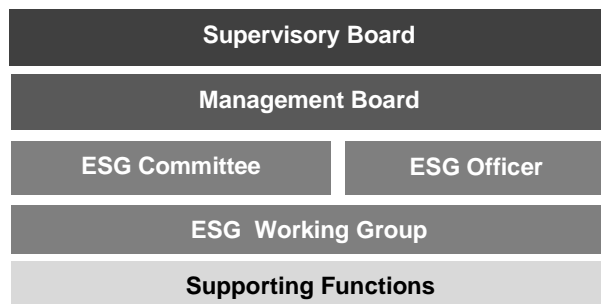
To ensure successful integration of ESG factors into the internal governance of Citadele Group, Bank works towards

- setting “tone from the top” - the Management Board and the Supervisory Board are involved in setting up and communicating ESG related considerations and expectations;
- introducing and strengthening of ESG factors in everyday work, management, internal control framework and remuneration;
- integrating ESG risks into governance structure, establishing clear working procedures for business lines, internal control functions, the relevant

committee(s) and management body, with a view to ensuring a sound and comprehensive approach to the incorporation of ESG risks into the business strategy, business processes and risk management;

- ensuring that responsibilities with regard to ESG risks are clearly integrated into the organisational structure, both in business lines and internal control functions;
- setting and overseeing the progress against the Bank’s ESG risk-related objectives and limits, incl. measuring and disclosing key metrics to general public and key stakeholders;
- enhancing awareness, training and expertise, to identify, assess and manage ESG risks at all levels of the institution - business units, internal control functions, management body;
- integrating the ESG factors into company’s culture and encouraging staff behaviour that is consistent with Citadele’s ESG risk approach;
- establishing a framework to mitigate and manage conflicts of interest which incentivise short-term-oriented undue ESG-related risk-taking, including green-washing or mis-selling of products.

SUSTAINABILITY GOVERNANCE



Supervisory Board is responsible for overseeing the establishment and implementation of ESG strategy.

Management Board is responsible for the establishment of ESG strategy and execution of the strategy by organisation. The Management Board is regularly updated on corporate sustainability matters.

ESG Committee is decision-making body that is composed from the Management Board Members and ESG Officer. ESG Committee is chaired by the Bank’s Chief Executive Officer who is governing body member responsible for the execution of the ESG strategy and implementation of the governance structure set by the Management Board. ESG Committee is established to manage the execution of the ESG strategy in Citadele Group and acts as a steering committee for ESG projects.

ESG Officer develops a roadmap for achieving the ESG strategy and objectives and ensures its implementation within the Bank, incl. day-to-day management of ESG topics, tracking progress and control over deliverables and resources. ESG officer is a central point of contact for overall sustainability projects coordination and is responsible for increasing awareness of ESG matters by ensuring respective external and internal communication.

ESG Working Group is created to ensure the transparent and efficient driving of the overall ESG agenda and is composed from the key stakeholders – dedicated representatives per function. ESG Working Group has the responsibility to ensure that procedures and controls are in place in order to implement and adhere to the ESG objectives, strategy and policies set by the Management Board/ ESG Committee and CEO. ESG Working Group is led by ESG officer.

Supporting Functions ensure analysis and implementation support to all streams due to cross-stream coverage.

GLOSSARY

Bank, Citadele, Group	AS "Citadele banka" and its subsidiaries
Company, CBL AM	IPAS "CBL Asset Management"
Stakeholders	a party that has an interest in the Group, such as investors, analysts, fund managers, investment bankers, clients, media, general public, and regulators.
UN Principles for Responsible Banking (PRB)	United Nations Environment Programme Finance Initiative Principles for Responsible Banking; 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.
UN Principles for Responsible Investment (PRI)	United Nations Principles for Responsible Investment; investor's developed and United Nations-supported principles with an aim to contribute to developing a more sustainable global financial system.
The Paris agreement	Legally binding international treaty on climate change with a goal to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels and reaching net-zero greenhouse gas emissions by 2050.
UN Sustainable Development Goals (SDG)	formulated in 2015, form the framework for nations, businesses and societies on how to achieve long-term economic growth, social inclusion and environmental protection. The 17 SDGs define the main objectives which are broken down into 169 targets with the aim to identify concrete actions.

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