

AS Citadele banka

SUSTAINABILITY REPORT



2022

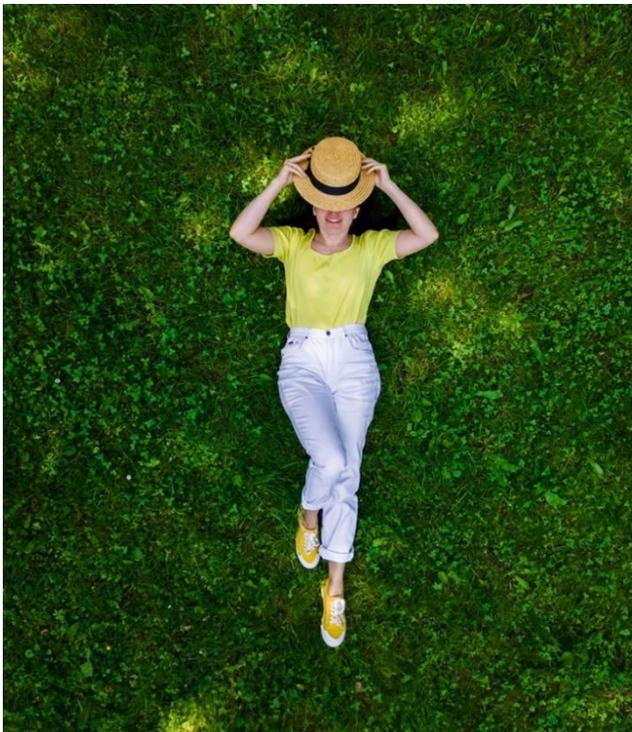


ABOUT THIS REPORT

This report covers the parent company AS Citadele bank and its subsidiaries, i.e. the Citadele Group, for the financial year 1 January 2022 to 31 December 2022. The report provides an overview of our sustainability journey in 2022 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. This is the first year we are aligning our ESG reporting with the GRI and we are committed to improve the maturity of our reporting and strive for greater transparency and a comprehensive sustainability reporting approach.

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.



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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

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

SUSTAINABILITY AT CITADELE GROUP

CEO Letter on Sustainability

Citadele believes that sustainable development is fundamental for improvement of life quality without compromising the ability of future generations to meet their own needs.

We understand that our business model can have a significant impact on the climate and society, both directly and indirectly. However, as a regional bank close to our customers, we also 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.

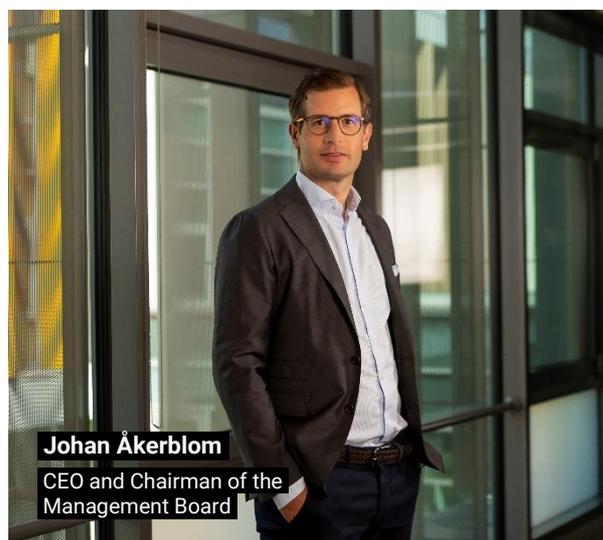
We are committed to support our clients in the transition to a low-carbon economy. We have developed special financing offers that motivate our clients to make environmentally responsible choices. In 2022 7% of new financing was disbursed to green lending and it is planned to be doubled in 2023 by continued focus and product offering.

We realize that adequate ESG risk management framework is the backbone of identifying, assessing and taking action on risks. In developing C&E risk management and disclosure framework in the Group, Citadele is using different sources for direction, where ECB expectations relating to C&E risk management and disclosure is included. We have an action plan which also takes into account regulator's feedback. Continuous progress in this area will remain key focus in 2023.

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 have taken a number of actions to reduce our environmental impact of our operations, e.g. energy efficiency activities have allowed us to decrease heating and energy consumption by 22%. Riga and Vilnius HQ - the largest contributors of total energy consumption, are now operating on 100% renewable energy and we have an ambition to switch to renewable energy in all premises where we operate. We follow green office principles and have committed to be climate neutral in own office operations by year-end 2023.

We are committed to improving our sustainability reporting and non-financial disclosures up to the high standard we abide by in financial transparency. We are aligning our practices with UN Principles for Responsible Banking and standardizing our non-financial reporting. We recognize that aligning our reporting practices with international standards will require disclosing more non-financial information than we are currently disclosing. We plan to achieve this 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.

Being a financial institution and a large employer, Citadele has a social responsibility towards its employees, customers, and the wider society to enable people and communities to prosper and grow. Citadele abides by high ethical standards and inclusive approach toward all employees, customers, business partners, and investors. We encourage and promote socially responsible practices throughout our value chain and in the broader society.



Johan Åkerblom
CEO and Chairman of the
Management Board

Ambition, strategy and goals

Financial institutions have an important role in society. As financial intermediaries, we have the responsibility 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 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 committed to support our clients in the transition to a low-carbon economy and reduce the negative impacts on society and the environment in our own business activities and operations. We expect our clients, partners, and suppliers to work in a responsible and ethical way, including full compliance with all applicable laws and regulations, and we always uphold these principles in our own operations.

To align our operations and portfolio with the Paris Agreement goals that Citadele has committed to, the Bank sets the ambition to achieve net-zero carbon financed emissions by 2050.

We are committed to contribute to adaptation of the global and Baltic economy to achieve the established climate goals. Bank acknowledges its responsibility in contribution to sustainable economic development and is committed to address the environmental aspects in financing and investments as well as in managing our direct impact.



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, minimizing the negative and maximizing the positive impacts of ESG risks on the Group.

As a signatory of the UN Principles for Responsible Banking, we have committed to align our business strategy and contribute to the UN Sustainable Development Goals and Paris Agreement.

We believe that transparency and accountability are essential to responsible banking, and we regularly report on our performance and progress to stakeholders. We are committed to continuous improvement in these areas, and we welcome feedback from our stakeholders.

The work on identification, assessment, and management of ESG risks in Citadele is continuous and is regularly reviewed and updated to align with scientific consensus and regulatory expectations.

Sustainability is a rapidly evolving area, our collective knowledge base expanding along with scientific progress and a growing understanding of how to measure the impact and understand long-term consequences of our actions. We are constantly increasing our in-house competencies, working on increasing internal awareness, developing sustainable financial products and services to support our clients, and working toward more responsible practices.

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.

We understand that this is an ambitious goal, and it will require a significant effort from us and our clients. We will work closely with our clients, partners and stakeholders to develop a comprehensive plan to achieve this goal. This plan will include focusing on renewable energy, energy efficiency and low-carbon projects, as well as moving away from carbon-intensive activities or supporting clients in transition to lower-emission practices.

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. In 2023 we will take further steps to minimize the carbon footprint of our office operations by implementing sustainable travel and procurement policies and by setting targets to reduce our waste and water usage.

We are committed to transparently reporting on our progress towards achieving net-zero portfolio emissions by 2050 and be climate neutral in our office operations by 2024, and to engaging with our employees, customers, and other stakeholders to ensure that we are on track to reach this goal.

Policy commitments

As part of our commitment to help fight climate change, we have committed to two 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.

Our contribution to Sustainable Development Goals

Citadele has identified and prioritised five of the UN Sustainable Development Goals that form the basis for our sustainability strategy:



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.

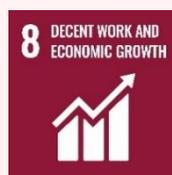
Our contribution to SDG 3 is further explored in Social responsibility section of this report.



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.

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.

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



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 the Bank adheres to green office initiatives, and plans to start monitoring monitors and reduces our CO2 footprint from its own operations and works on identifying and disclosing our financed customers' GHG emissions.

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

Working towards global goals with the UNEP FI Principles for Responsible Banking alignment

Citadele joined the UN PRB initiative in the beginning of 2022 and during the year Citadele has performed a comprehensive impact analysis process based on UNEP FI Portfolio Impact Analysis Tool, covering its main portfolios and geographies. Following our initial analysis, we focused on two impact areas for deep-dive into regional needs and our pathways for creating impact within these areas. We kept the momentum going by setting our ambition targets for the impact areas.



The analysis covered Bank's core business areas – Retail and Corporate, with the combined operating income from the segments at 89% of Group total. Asset Management was not included in the initial impact assessment to allow more focus on our bigger areas of potential impact. The analysis covered all relevant geographies where the Bank has a presence – Latvia, Lithuania, and Estonia, and was focused on our lending products as our key instruments for impact.

Based on the impact analysis performed, Citadele identified two key positive impact areas – *Availability accessibility, affordability, quality of resources & services*, and *Healthy economies* – and two key negative impact areas – *Circularity* and *Climate stability*.

Citadele decided to focus on two key impact areas – one where we have a positive impact to increase: *Availability, accessibility, affordability, quality of resources & services*; and one with negative impact to decrease: *Climate stability*. We also decided to include *Healthy economies* as a complementary impact area because of the Bank's long history and strong position in the SME market allowing us to make impact in our two key focus areas, while at the same time contributing to development and value creation through successful MSMEs.

For primary area of significant impact – *Climate stability* – our target is net-zero GHG emissions from our lending portfolio by 2050.

For our second area of significant impact – *Availability, accessibility, affordability, quality of resources and services* – our target is at least 14% of total new lending in 2023 to be Green.

Responsible Investment Management in CBL AM

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 believes that environmental, social and governance factors may affect the value of the investments made over time. CBL AM shares the view that by integrating ESG factors in asset management, the return on investment grows or the impact is neutral at a lower overall risk level, as demonstrated by academic research. Moreover, integrating ESG factors into the asset management process contributes to the sustainable development of the world.

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.

In 2022 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)

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

Other commitments - EBRD

Citadele follows European Bank for Reconstruction and Development (EBRD) Environmental and Social risk management procedures, since the EBRD is 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.

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 with discussions within the Management and Supervisory Boards, together with our dedicated ESG team in 2021 to set the direction, ambitions and identify 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.

20% of employees took part in the survey, assessing the importance of sustainability topics, both on a personal level and perceived importance for the Bank. We analysed the aggregated responses and updated the outcomes of initial stakeholder dialogues accordingly. Each of the questions is related to one (or more) of SDGs. The results of the employee survey were combined and weighted with other stakeholder views - and our initially selected SDGs. Analysing the

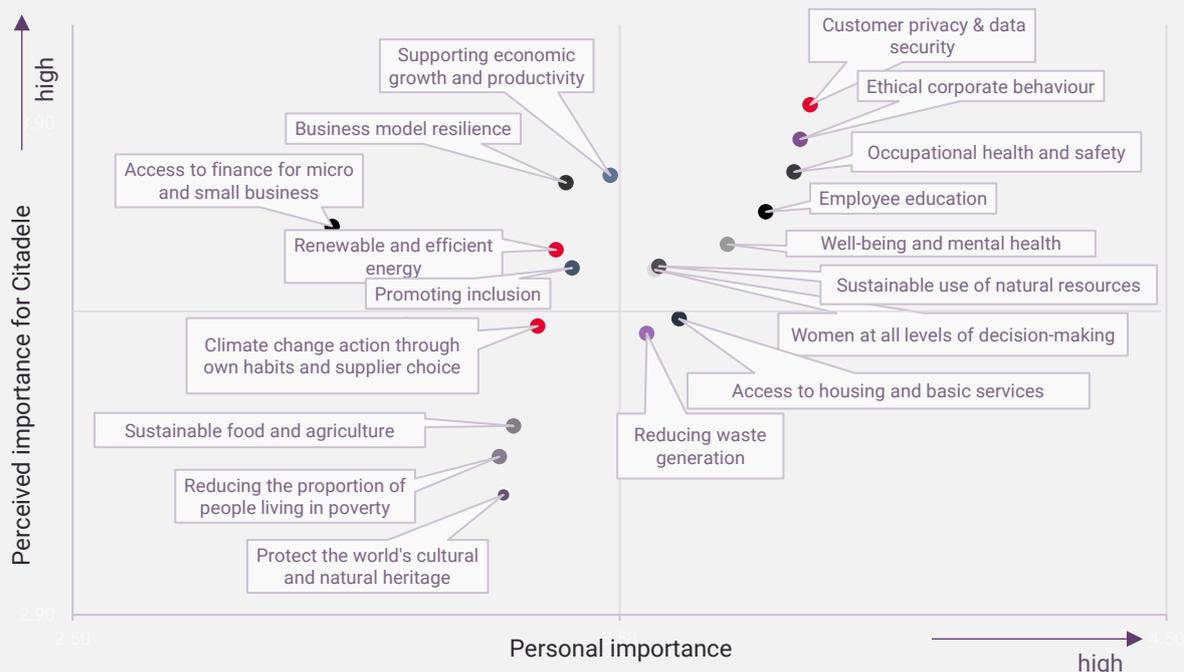
combined and separate outcomes, we learned that employees broadly share the views on priority importance areas selected. In addition to the five SDGs already set as Citadele's priorities, employees place Customer privacy and data security, and Ethical corporate behaviour as highest importance areas on both dimensions – the personal and corporate. These areas are related to SDG number 16: Governance - a topic we take extremely seriously as a financial institution. Disclosures on this material topic are included in the Corporate governance section of this report.

Another topic rated as highly important was Providing opportunity for employee competence development and life-long learning. The related SDG number 4: Life-long learning is an area that Citadele has been continuously putting it into practice through continuous training and career development opportunities for employees. The Bank plans to continue contributing to the opportunity of employee education and life-long learning. The material topic of Training and education is explored in the Social responsibility section of this report, along with Employment, Diversity and equal opportunity, and Non-discrimination topics.

List of topics material to Citadele, explored in detail in this report:

- Ethical corporate behaviour
- Data security & customer privacy
- Business model resilience
- Employment
- Training & education
- Diversity & non-discrimination
- GHG emissions

This is how our collective opinion on the importance of sustainability topics on a personal dimension (horizontal axis) versus importance to Citadele (vertical axis) looks, with the issues of highest perceived importance to both the Bank and on a personal level clustered in top right corner:



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

We regularly hold dialogue with our closest stakeholders, and 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 ways of their engagement in 2022:

Stakeholder group	Communication channel(s)	Main needs / expectations	Highlights in 2022
Employees (~1'300 employees in Latvia, Lithuania, Estonia)	<ul style="list-style-type: none"> Survey on ESG goal materiality, Trainings on sustainability, Quarterly Pulse and eNPS surveys, Quarterly live sessions with Management Board ESG section and interaction on intranet 	<ul style="list-style-type: none"> Feedback, trainings and building internal capacity, well-being initiatives 	<ul style="list-style-type: none"> ESG training for employees conducted (Participation rate: 78%, pass rate: 97%). eNPS score was 43 as of year-end 2022 9 Live@Citadele sessions with the Management Board ESG section launched on Intranet. 271 employees scored materiality of ESG issues
Customers (Households, SMEs, Corporates, High net worth individuals)	<ul style="list-style-type: none"> Individual customer meetings, Customer contact centre, Customer satisfaction surveys, Complaints monitoring 	<ul style="list-style-type: none"> General information and awareness-building on climate risk management and broader sustainability requirements, incentivising green and transition-linked financing, energy efficiency 	<ul style="list-style-type: none"> NPS retail LV/LT was 46/42 in Q4 2022 Client complaints addressed and resolved timely EUR 81.0 million issued in new green lending
Investors - Shareholders and Bondholders	<ul style="list-style-type: none"> Public disclosures Individual investor meetings 	<ul style="list-style-type: none"> Profitability, Climate risk management, Business resilience 	<ul style="list-style-type: none"> Recognized as 2nd best Investor Relations on Baltic Bond Market in Nasdaq Baltics Awards
Supervisory Board	<ul style="list-style-type: none"> Regular SB meetings Monthly/ quarterly/ annual reporting SB committee meetings 	<ul style="list-style-type: none"> Climate risk management, EBRD and EIB/EIF green-requirement aligned financing 	<ul style="list-style-type: none"> ESG strategy alignment ESG Policy approval
Management Board	<ul style="list-style-type: none"> Board meetings Management meetings ESG Working Group 	<ul style="list-style-type: none"> Sustainability updates Green-aligned lending Sustainability report Integrating ECB expectations on climate risk management 	<ul style="list-style-type: none"> EIB / EIF financing with green commitment Formalized ambition to align with Paris Agreement goals by joining PRB
Suppliers	<ul style="list-style-type: none"> Procurement policies In-depth reviews 	<ul style="list-style-type: none"> Responsible practices Supplier code of conduct 	<ul style="list-style-type: none"> Supply chain management and support Almost 1500 active suppliers
Authorities and regulators	<ul style="list-style-type: none"> European Central Bank FCMC / Bank of Latvia (Financial Supervisory authority) 	<ul style="list-style-type: none"> Climate risk management ESG disclosures Sustainability reporting EU Taxonomy 	<ul style="list-style-type: none"> ECB Thematic review on climate & environmental risk management completed and feedback received. Further alignment with regulatory expectations ongoing
Society (incl. media, NGOs, educational institutions, students, etc.)	<ul style="list-style-type: none"> Surveys, Input and interviews for academic research, Student internships, Interviews, press releases 	<ul style="list-style-type: none"> Transparency, Fair and ethical business conduct Sustainable finance EU Taxonomy impact on lending 	<ul style="list-style-type: none"> Support to Ukraine. Direct donations in 2022 were EUR 125 thousand Responsive to academic research inquiries Two student internships in ESG team

ENVIRONMENTAL IMPACT

Multiple lines of evidence throughout the world make it clear that climate change is occurring, and rigorous scientific research demonstrates that the greenhouse gases emitted by human activities are the primary driver.

Human activities, primarily the human burning of fossil fuels, have warmed Earth's surface and its ocean basins, which are continuing to impact Earth's climate. Climate change and environmental degradation are recognized as an existential threat to Europe and the world. The European Union is determined to use its position to lead global action on climate and has set a goal to reach a net-zero emissions balance by 2050. The Baltic countries adopted climate action policies consistent with the EU target.

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

Citadele acknowledges that 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 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

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.

Understanding the urgency to take action on climate change Citadele is committed to leading by example. The Bank has set a goal to be carbon neutral in our own operations by the end of 2023.

Citadele's environmental impact is recognized as one of our material topics, and it is an area through which we contribute to the attainment of several of our focus SDGs.

To identify the most significant environmental impact aspects from the business operation perspective, we have used two main criteria:

- the potential significance of our impact on a certain environmental aspect,
- legal or other binding requirements related to an environment aspect, including requirements of ECB and EU regulation for non-financial reporting.

Based on this analysis, the main direct environmental aspect we identified is GHG emissions. Other aspects such as waste management, water and air quality, biodiversity, soil degradation was deemed less affected by our direct operations at this time. However, we will continue to monitor our operations and industry best practices to try and identify possibilities of reducing impact of our operations on other environmental aspects as well.

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 Lithuania and Latvia, and Citadele branches under our own management. In 2022 green energy constituted 54% of total energy purchased (vs. 11% in 2021). In 2023 we plan to explore further options of switching to green electricity and promote the option for branch locations managed by third parties.

Business travel

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. As of end of 2022, Citadele had 10 vehicles in Latvia, of which 1 electric car and 1 scooter, and 5 vehicles in Lithuania, of which 1 electric car. Travel by plane is significant way for business trips, accounting to 45% of total business trips in 2022. To decrease negative impact of business travel by plane, Citadele plans to start compensating the flights in 2023.

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. 30 laptops and personal computers were donated to charity organization Labdarības lapa in 2022 to be used by Ukrainian refugees.

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

In an effort to further reduce waste and our impact on the environment, paper cups is no longer available in Riga un Lithuania HQ.

GHG emissions



Our first calculation of own GHG emissions was for year 2021, when we calculated GHG emissions based on the GHG Protocol for Scope 1 and 2 as well as for business travel (road, rail, air) in Scope 3 (upstream activities). We are committed to improving the coverage and accuracy of Scope 3 emission estimation every reporting period. For 2022, we have extended the calculation of Scope 3 upstream activities by adding the following categories – GHG emissions from employee commuting and waste generated in operations. For Scope 3 downstream categories we have calculated GHG emissions from investments – motor vehicle loans.

CO₂ footprint from own operations

Greenhouse gas emission calculations were performed based on Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard methodology. The results are expressed in CO₂ 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 regarding 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).

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

In 2022 Citadele office activity had a greenhouse gas emission footprint of 1,922 tonnes of CO₂-equivalent, which was 1.4 tonnes per employee.

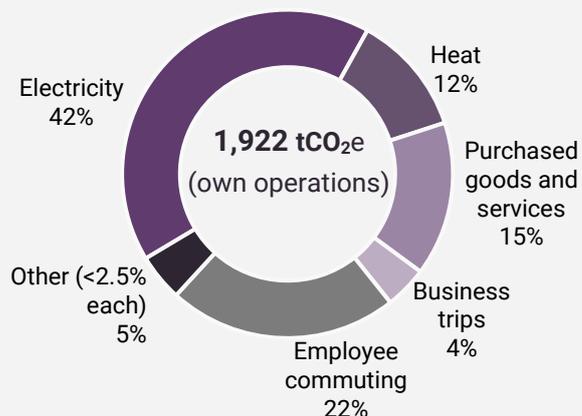
GHG emissions has increased by 400 tCO₂e in 2022, 26% y-o-y, due to adding additional categories to the scope of calculations, which was partly offset by decrease of tCO₂e from purchased electricity as result of switching to renewable energy in Riga HQ. In terms of emission sources, the largest part came from purchased electricity with 42% (78% in 2021) followed by employee commuting with 22% and purchased goods and services with 15% (both calculated for the first time). Heat constituted 14% from total emissions (14% in 2021). Business trips (4% of total) has increased almost three times compared to the previous year where it was largely restricted due to the Covid-19 pandemic. Other sources have relatively small impact of the total GHG emissions.

Citadele GHG emissions from own operations

Type	2022		2021		2022 vs 2021	
	tCO ₂ e	Share %	tCO ₂ e	Share %	tCO ₂ e	%
Scope 1						
Stationary combustion (direct burning of fossil fuels)	7.5	0%	7.5	0%	0.0	0%
Mobile combustion (use of company owned vehicles)	37.7	2%	55.8	4%	-18.1	-32%
GHG fugitive emissions from air-conditioning	19.6	1%	26.9	2%	-7.3	-27%
Total Scope 1	64.7	3%	90.2	6%	-25.5	-28%
Scope 2						
Purchased electricity	800.4	42%	1 189.5	78%	-389.1	-33%
Purchased heat and steam	229.1	12%	211.6	14%	17.5	8%
Total Scope 2	1 029.6	54%	1 401.1	92%	-371.5	-27%
Scope 3: Upstream activities						
Purchased goods and services	292.0	15%	-	-	-	-
Business travel (road, rail, air)	80.1	4%	30.4	2%	49.7	170%
Employee commuting	431.3	22%	-	-	-	-
Waste generated in operations	24.2	1%	-	-	-	-
Total calculated Scope 3 - upstream activities	827.6	43%	30.4	2%	792.2	-
Calculated total emissions from own operations	1 921.9	100%	1 521.7	100%	400.2	26%

In 2022, Citadele's office activity* had a greenhouse gas emission footprint of **1,922 tonnes of CO₂-equivalent**, which is **1.4 tonnes per employee**.

- 42% came from the use of electricity
- 22% came from employee commuting
- 15% came from purchased goods and services
- 12% came from the use of heat
- 5% came from business trips
- 2% 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 CO₂-eq per 1 thousand EUR of profit for total emissions
- t CO₂-eq per 1 employee for emission resulting from our own business operations

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

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

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. In June 2022 Citadele has switched to green energy in Riga HQ building, hence increasing share of renewable energy in total energy consumption to 54% vs. 11% in 2021.

In 2022 Citadele has taken several 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. Energy optimisation activities have allowed the bank to decrease heating and energy consumption by 22% in 2022 vs. 2021.

Parameter	Units	2022	2021	YoY
Energy consumption (in buildings)	MWh	4 720.1	6 075.5	-22%
Electricity (total)	MWh	2 935.8	3 731.3	-21%
Renewable electricity, % of total electricity consumption	MWh	54%	11%	43pp
Heating	MWh	1 784.3	2 316.2	-23%
Total energy consumption/ employee	MWh / 1 employee	3.5	4.6	-24%

Understanding our indirect impact

As a financial institution our largest impact on the environment is through our indirect impact. We at Citadele recognize this and are actively working on identifying, assessing and as much as possible managing the impact of our products and services. Assessment of this indirect impact is a challenging task due to the extensive number of involved parties and limited data availability. During 2022 we have started collecting data and assessing client-level ESG factors that will gradually provide us with valuable information and support future decision making, setting specific, measurable goals in line with our ESG policy priorities and objectives.

In 2022 Citadele has conducted a comprehensive impact analysis based on UNEP FI Portfolio Impact Analysis Tool. Citadele analysed the most significant impacts of banks' products and services on society, the environment and the economy and identified where Citadele can realize the greatest positive impacts and reduce our negative impacts.

Following EU and regional ambition to reach net-zero emissions by 2050, the Group sets this target for its own financed portfolio. Net-zero by 2050 sets a measurable target to Group's ambition on increasing sustainability and strengthening support to clients in transition to green operations.

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

ahead of us for 2023, when Citadele will continue work on assessment of full scope of GHG emissions in Scope 3 according to GHG Protocol. Once we establish the baseline, work on developing a clear roadmap and sufficiently detailed milestones toward reaching the goal will commence.

Estimates of financed emissions

Since the largest part of banking industry's emissions is related to financing activities, we have started the work on assessing our emissions under scope 3 category 15 investments (in line with Global GHG Accounting and Reporting Standard). Taking into account limited data availability, for 2022 Citadele has managed to estimate emissions in one (out of six) asset classes - motor vehicle loans, which covers 26% of loan portfolio. Motor vehicle's GHG emissions were calculated based on direct emissions from fuel combustion in vehicles and indirect emissions from electricity generation consumed in electric vehicles.

The work is ongoing on data collection for remaining asset classes, to be able to (i) account and disclose GHG emissions from all bank's investment activities in the following reporting periods and (ii) set emission reduction targets.

Scope 3: Upstream activities - 2022

Type	tCO2 e	tCO2e /EURm
Motor vehicle loans	167 000	470
Total calculated Scope 3	167 000	

Green lending

Citadele has continued to pursue the opportunities in financing a green transition by disbursing more green lending through the existing green 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.

The proportion of green lending in total new lending of 2022 reached 7%, exceeding than our set target for the year more than twice. We have doubled the ambition for 2023, aiming for at least 14% of new lending to be green in 2023.

In December 2022 Citadele Bank and EIB group announced a deal to support at least EUR 460 million in new lending for Baltic businesses over the next three years. With 20% of the lending geared towards green projects, we will be helping propel the green transition of local economies and reduce overall greenhouse gas emissions.

As our portfolio and ambition of green financing is growing, we are considering the market readiness to absorb green financing at this time, particularly for entities that are not subject to regulations requiring measurement and disclosure of their impact on the environment. From our interactions with clients, industry associations and think-tanks it seems that there is limited availability of data on GHG emissions and plans for reduction, as well as low overall

awareness of the requirements. 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 be paramount, and we are determined to play our part in building the awareness of our clients on the green transition.



During 2022 our portfolio of sustainable products included the following loan categories:

- Green leasing – all fully electric cars;
- Loan for renovation of apartment buildings with ALTUM guarantee - multi apartment building energy efficiency improvement in Latvia;
- Loans classified as green under EBRD framework;
- Green loans for corporate customers (evaluated on case-by-case basis).

 Green energy loans for corporate customers	 Green vehicle leasing	 Loan for home renovation and improvement of energy efficiency	 Mortgages for energy efficient homes with ALTUM guarantee
<p>Citadele offers financing to green projects on a deal-by-deal basis including under EBRD green financing program.</p> <p>New financing for corporate customers under these programs reached EUR 44.6 million in 2022.</p> <p>> Link to product</p>	<p>In 2022 Citadele provided green leasing to private individuals and legal entities in the amount of EUR 33.8 million, financing 659 fully electric cars.</p> <p>> Link to product</p>	<p>The loan is intended for promoting energy efficiency improvement, smart energy management and the use of renewable energy resources at apartment buildings. Target audience are apartment owners of multi-apartment buildings. ALTUM covers up to 50% of the project costs through grants and an additional guarantee. Citadele launched the program in September 2016. New loans for improving energy efficiency in multi-apartment residential buildings reached c. EUR 1.8 million in 2022.</p> <p>> Link to product</p>	<p>An ALTUM guarantee for families with children and expectant families, for the purchase or construction of a home, with special conditions for class A energy efficient homes or nearly zero-energy buildings. Financing under this program was EUR 0.7 million in 2022.</p> <p>> Link to product</p>

Sustainable investments

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. Size of Sustainable Opportunity Investment Plan reached EUR 10.7 million as of 31 December 2022.

In January 2023 CBL AM has finished aligning 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.



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.

In developing C&E risk management and disclosure framework in the Group, Citadele is guided by ECB expectations relating to C&E risk management and disclosure. We are working according to a regulator-aligned action plan and receiving regular feedback on our progress.

We realize that adequate ESG risk management framework is the backbone of identifying, assessing and taking action on risks. Work on identification, assessment, and management of C&E risks in Citadele is continuous and it is regularly reviewed and updated to align with scientific consensus and regulatory expectations.

Within ESG risk management, integrating ECB expectations for safe and prudent management of C&E risks into the Bank's processes has been the key focus in 2022 and will continue to be key focus in 2023.

The Bank is continuing work on assessing and quantifying the effects of C&E risk drivers on prudential risk categories. Citadele continues incorporation of C&E risk factors into existing risk management framework for credit, market, liquidity, and operational risk, as well as including C&E factors in stress testing and reporting. During 2022, the primary focus has been on initial assessment of physical risk on the Group's real estate collateral portfolio and transition risk within our legal entity lending and securities portfolios.

One of focus areas for 2023 will be the implementation of EU Taxonomy requirements. Taxonomy implementation will require us to collect more data from our customers and will impact our ESG scoring methodologies and processes. We also view it as an opportunity for raising the C&E risk and green transition awareness for our corporate clients. Taxonomy will require both us and our corporate customers to become more transparent in our sustainability efforts and

disclosures, and more knowledgeable in managing ESG risks.

C&E risk materiality

To understand Citadele's exposure and potential vulnerability to physical and transition risks, an initial C&E risk materiality assessment has been performed in 2022, focused on our real-estate collateralized lending portfolio, corporate lending and investment books. The assessment concluded that C&E risks are material to our credit risk profile. We will therefore manage the identified C&E risks in line with internal processes for material risk management. Further monitoring is performed for sectors with increased climate-related and environmental risk.

Materiality assessment provides essential input for assessing the risks and developments within the rapidly evolving areas of C&E risk assessment and management that may affect the Group and serves as input when defining primary focus areas within Risk Appetite framework. As the nature of C&E risks changes over time, the Group strives to assess the risks both in the medium-term (3-5 years) and long-term (5+ years).

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.

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 Group views C&E risks as risk drivers affecting existing prudential risk categories such as Credit risk, Operational risk, Market risk, and Liquidity risk. 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. 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. Most impacts of climate-related and environmental risk drivers affect multiple areas and materialize in complex ways.

We are developing theory-based descriptions of how C&E risk drivers might materialize in each risk category and potential effects. This aids us in identifying the risk drivers and transmission channels material to Citadele and integrating the findings in our risk management framework.

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

Risk type	Potential effects
Credit risk	<ul style="list-style-type: none"> 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. 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. 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. In medium- to long-term increased borrowing costs due to factoring in C&E risks could lead to higher taxes, lower government spending and reduced economic activity, which may indirectly impact Bank's credit risk.
Market risk	<ul style="list-style-type: none"> 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. 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. 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.
Liquidity risk	<ul style="list-style-type: none"> 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. Climate risk drivers may cause indirect impact through affected counterparties drawing down deposits and credit lines.
Operational risk	<ul style="list-style-type: none"> If physical hazards disrupt critical services and telecommunications infrastructure, Bank's operational ability may be impacted. Increasing legal and regulatory compliance risk associated with climate-sensitive investments and businesses. Increasing reputational risk to banks based on changing market or consumer sentiment.

Physical risk

With the average global and regional temperatures rising, the frequency and severity of physical hazards are likely to increase. 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.

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)¹ 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.

Citadele has performed an initial physical risk assessment for its real estate collateral portfolio in 2022. The largest physical risk categories identified at portfolio level analysis were flood, draught and related water stress. No exposures were identified as Extremely high or High-Extremely high risk. Further analysis at a granular level is required to assess the severity and potential impacts on the RE collaterals subject to identified physical risks.

The outcome of the initial physical risk assessment did not raise unexpected red flags in terms of our overall risk exposure, that would trigger reviewing our business model in the short term. Citadele is continuing work on further assessment of physical risks on a more granular level to understand the severity and potential impact of the identified physical risks in the medium- and long-term, as well as potential risk mitigation beyond

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

collateral value adjustments and insurance requirements. This and subsequent physical risk assessments will inform our regular strategy review in due process.

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.

The outcome of the initial physical risk assessment is considered as input for overall risk management and informs decision making at all levels. A granular physical risk assessment and monitoring framework is being developed in the Bank, and quantitative risk metrics are constantly improved and integrated into risk management for existing collaterals and is gradually incorporated in credit decision making process and other risk management frameworks.

Exposure to Transition risk

Among Citadele's largest industry exposures in lending portfolio² are Real Estate purchase and management, Transport and communications, 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.

The Group acknowledges that potential impact on its ESG strategy in the short and long term may arise from new regulations and policies, and changes in consumer behaviour and market practices in regard to ESG.

Citadele is monitoring its exposure to transition risk (i.e. changes in policy, market and technology) on portfolio level. To assess C&E transition risk, GHG emission intensity by industry is used as a proxy for the level of transition risk. Thus, we are assuming that companies in industries with higher GHG emissions are more likely to become subject to transition risk. Transition risk is ranked from Low to Very High-risk level reflecting vulnerability to transition risk in short-, medium- and

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

Transition risk estimates are monitored by risk level, geography, time horizon, and reference framework.

The table below provides Transition risk using ECB stress test eligible portfolio breakdown by country. ECB stress test eligibility criteria define 22 industries with high climate impact. The list covers most business activities financed by the Bank (such as manufacturing, agriculture, forestry, transport, real estate etc), encompassing c. 83% of total lending portfolio to legal entities as of 31.12.2022.

	ECB Stress Test eligible			
	LV	LT	EE	Total
Very High	10%	17%	8%	12%
High	19%	15%	16%	17%
Medium	3%	4%	1%	3%
Low	69%	65%	75%	68%
Total exposure country	100%	100%	100%	100%
Share from total portfolio	41%	43%	16%	100%

Table 2: Transition risk breakdown by risk level and geography (legal entity lending portfolio, as of 31.12.2022.)

High climate impact industries have been divided into 4 risk groups (from low to very high) depending on intensity of GHG emissions. As data above shows, main part of lending portfolio both on Baltic and country level represent low E&C risk. High and very high C&E risk level, which is applicable to GHG intensive industries such as agriculture, transport and energy supply, constitute 29% from total portfolio with highest concentration in Lithuania.

C&E Risk management principles and tools

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.

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.

In 2022, Citadele has introduced an ESG Risk Policy defining the principles and tools used for management of ESG risks in the Bank. In the process of integrating ESG 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. Customer

² Please refer to Citadele Group Annual Report 2022 for more information and a detailed industry breakdown of our portfolio: <https://www.cblgroup.com/en/investors/financial-reports/>

monitoring for potential ESG-related negative events is done on a regular basis.

Citadele has embedded C&E risks in Credit risk via physical risk assessment and monitoring that is performed on portfolio level, and by putting in place a process for Environmental, Social and Climate-related risk assessment on individual customer and exposure level (in the final stages of implementation), that will 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 of 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 is due to be updated in 2023 to include C&E risk factors in the Bank's standardised stress tests and ad-hoc stress test scenarios.

Risk metrics and targets

Key Risk Indicators (KRIs) related to C&E risks are defined 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, and green lending proportion in new lending as C&E Key Risk Indicators in Lending portfolio (excluding private individuals and governmental/municipalities). For corporate debt securities portfolio KRIs include industry environmental risk level and weighted external ESG rankings. All monitored C&E risk concentration levels were below set Risk Appetite thresholds at 31.12.2022.

Other environmental risks

Our current sustainability risk management is focused largely on C&E risks, until we identify the transmission channels and estimate the extent of exposure to other nature-related risks. While climate-related risks are primarily measured and tracked by GHG emissions, nature-related risks are often much more complex to estimate and even identify. The complex value chains related to, e.g., biodiversity loss, pollution, or overfishing, are often not as well defined as GHG emission link to climate change is. We are aiming to include more nature-related risk factors in our C&E risk materiality assessment, as we learn more about identifying and managing these risks.

Managing social and governance risks

Managing social and governance 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 is in line with EBRD good practice, and we have been extending screening coverage across new portfolios.

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.

Citadele's societal impact as an employer

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.

In autumn energy prices and inflation increased the cost of living, therefore Citadele started a support program for its employees, paying out monthly energy support benefit during the winter period.

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 Group recognizes that our employees are the key to our success, and nothing can be achieved without their engagement. Citadele's Human Resources Policy encompasses a solid basis for effective Human Resources management throughout the Group and illustrates every aspect of the Group's employee lifecycle. In addition, Citadele has a Diversity and Inclusion Policy and a Code of Ethics, which includes Whistleblowing provisions, clearly stating the Groups practices and expectations from employees in these vital areas.

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

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 (typically



As of 31 December 2022, Citadele Group had 1,355 (2021: 1,335) full time equivalent employees.

Gender / age group	Latvia	Lithuania	Estonia	Total #	Total %
Female	664	173	65	902	67%
< 30	92	57	15	164	12%
30-50	478	96	45	619	46%
> 50	93	20	5	119	9%
Male	332	93	28	453	33%
< 30	53	43	3	98	7%
30-50	243	45	20	308	23%
> 50	37	5	5	47	4%
Total	996	267	93	1 355	100%

Table 3: GRI General disclosures 2-7

Gender diversity by position as of 31.12.2022:

Position	Female	Male
Supervisory Board	33%	67%
Management Board	25%	75%
Identified risk takers	41%	59%
Staff	70%	30%
Total	67%	33%

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

three months). Voluntary employee turnover rate in the Bank was 4.5% in 2022 (4.9% in 2021).

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.

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. 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, ethnic background, religion, age, sexual orientation, 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.

In 2022 there have been no notifications of violations of the Human Resources policies reported discrimination cases, violations of human rights, and no labour disputes.

Working towards Employer of Choice

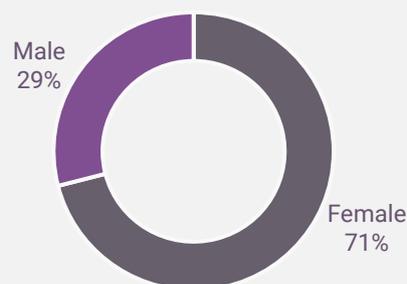
Citadele Group continuously invests in the well-being of its employees. We have programs for attraction of new talent as well as for retention of existing employees and keeping their motivation high. Citadele monitors the market trends to offer a competitive employment environment. We aim to be the most attractive employer in Baltics based on a set of values reflecting the performance-based nature of the organisation and our focus on sustainable profitability.

New hires during 2022, by age group, gender and region:

Gender /age group	Latvia	Lithuani	Estonia	Total #	Total %
Female	128	56	16	200	71%
< 30	47	30	5	82	29%
30-50	78	25	11	114	40%
>50	3	1	-	4	1%
Male	53	24	6	83	29%
<30	25	16	2	43	15%
30-50	28	7	3	38	13%
>50	-	1	1	2	1%
Total	181	80	22	283	100%

Table 5: GRI 401-1 New employee hires

New hires during 2022



Employees on parental leave as of 31.12.2022:

Gender	Latvia	Lithuania	Estonia	Total #	Total %
Female	78	19	5	102	97%
Male	1	2	-	3	3%
Total	79	21	5	105	100%

Table 6: GRI 401-3 Parental leave

Well-being and Mental health

Citadele supports an active lifestyle and balance between work and private life by offering a number of benefits, including health insurance, special offers on bank's products, flexible working hours, 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.

Citadele follows all legal requirements and good market practice in providing working conditions that are in line with operational health and safety standards. 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 healthy lifestyle, by providing various tools and activities.

Mental wellbeing and stress management are vital to both the worker and the organization. In Citadele we want to create an environment that supports mental health of every employee, by providing set of resources and having an individual approach to every request.

Feedback culture

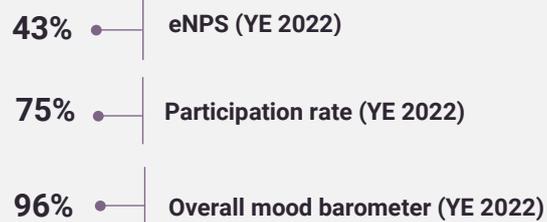
It is important for Citadele to build a culture of feedback to ensure that every employee in our organisation feels valued, listened to, and understood. Employees take part in regular mood barometer surveys to provide anonymous and honest feedback on life at Citadele. Managers of units and functions 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, as this is the way how we can improve as an organization.

Employee Net Promoter Score (eNPS) reached 43% (vs target >30% and 41% in 2021) in Q4 2022 and mood rate (mood %) has been very positive at 96% for 3 consecutive quarters in 2022. Special attention is devoted to increase the employee participation rate. Participation rate has reached 75% in the last two quarters of 2022, an increase by 16 pp since the start of 2022.

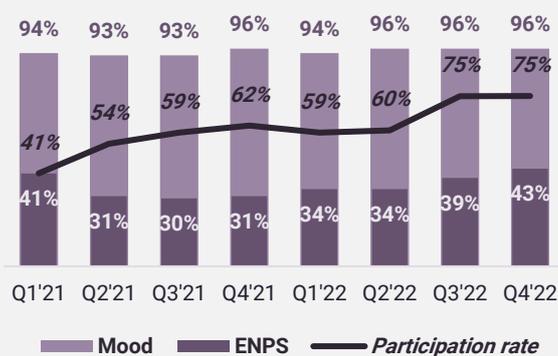
To strengthen employee engagement, Citadele keeps the Group's internal communication channels technologically up-to-date and relevant to employees. Regular updates regarding Citadele daily operations are posted on the Bank's intranet. The Bank conducts regular live@Citadele sessions held by management 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 by developing positive recognition behaviour across organization. The application that we use to give and receive feedback - Peero App has kicked off the development with 83'896 items of feedback shared during 2022.

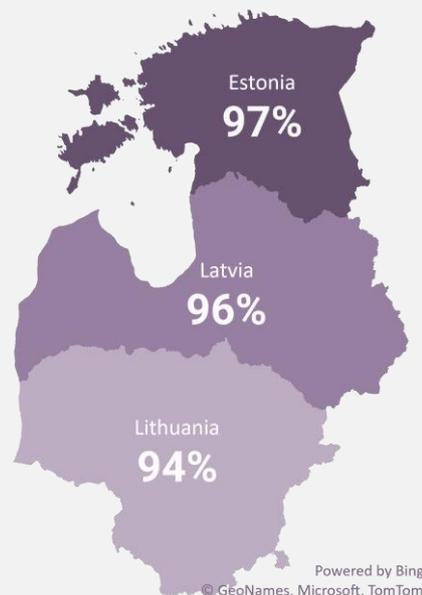
Employee engagement and satisfaction



Engagement 2021-2022



Mood by country



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.

We are working on integrating more detailed ESG risk management provisions in the policy to reflect the Group’s efforts and ambitions with regard to managing both our own impact and managing potential ESG-related risks affecting our operations.

Ratio of basic remuneration of women to men by position as of 31.12.2022:

Position	2022
Supervisory Board	100%
Management Board	75%
Identified risk takers	86%
Staff	71%

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

Training and development

Citadele supports professional skill and competence development and life-long learning for all employees. 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.

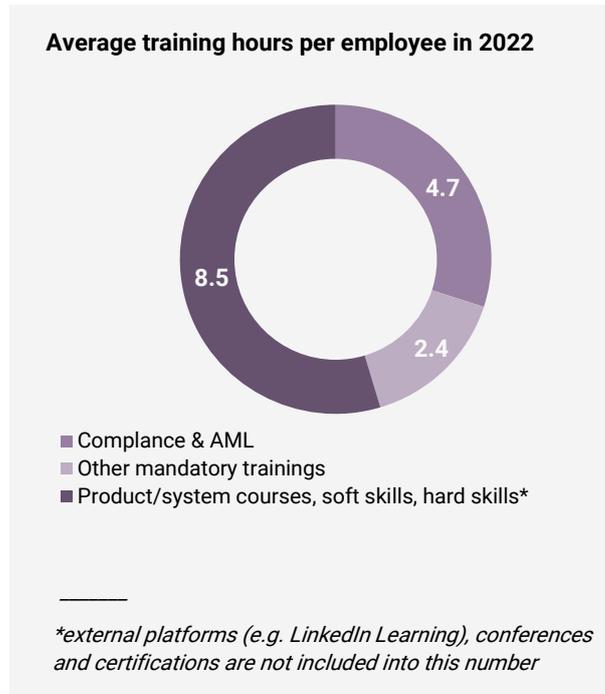
In addition to mandatory training agenda in 2022, covering AML, sanctions, corruption and fraud risk management, Citadele offered a variety of soft skills and specific professional skills trainings – including Leadership skills development, Personal efficiency, Online presentation, English classes, MS Excel skills. Completion rate for mandatory assigned trainings in Compliance and AML areas was 99.84% in 2022.

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

Training hours logged in Citadele’s training module, average per employee in 2022:

	Female	Male	All
Average training hours	17.0	12.7	15.5

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



Citadele's social responsibility

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.



The Bank acknowledges its responsibility in contribution to sustainable economic development, which includes responsible, fair and ethical business practices from its suppliers.

Responsible provision of banking services

To provide banking services responsibly, we have developed purposeful communication with our clients to increase their awareness of banking services and the opportunities, obligations, and underlying risks. To lend responsibly 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, also does not support financing of industries included in EBRD Environmental and Social exclusion list, tobacco and strong alcohol production or export, as well as gambling industries for the care of physical and mental health of the population.

Impact assessment carried out in 2022 as part of our commitment of aligning our practices to the Principles

for Responsible Banking, identified 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. Our potential positive impact to this impact area reaches beyond financing of industries and projects contributing to these goals, but also in the less tangible but equally important social aspects. Citadele intends to continue exploring how to meaningfully contribute to the social aspects of this impact area.

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

Charity activities in 2022

Support to Ukraine

Citadele condemns Russian invasion of Ukraine and from the beginning of the war has supported Ukraine by donating to the Samaritan Association of Latvia for refugee accommodation and meals, as well as for the delivery of humanitarian aid packages to Ukraine.

Donation to Ukrainians via charity organisation Latvian Samaritan association constituted EUR 75 thousand donated by bank via direct donation and EUR 50 thousand donated together with clients via X REWARD program. Clients had the possibility to send their gathered X REWARDS points throughout the year.

Donations to pet shelter

Donation gathering for pet shelter that helped animals transported from Ukraine. Another donation activity was organized with donation gathering to cover pet shelter costs.

Employee engagement in charity activities

Citadele organized two human aid and warm clothing collecting drives for its employees in December 2022, sending the collected items – around 35 boxes directly to Ukraine with the help of Latvian Samaritan association.

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 to achieve and maintain their business goals and prosperity. The Bank devotes special attention to approach customers proactively and manage their requests quickly and professionally. 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.

Accessibility and availability

Citadele continuously work 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.



The Bank is continuously working to make its services accessible, and some of the Bank's practices are highlighted as good practice examples in the Ombudsman's report on Banking service accessibility in Latvia³.

Citadele's digital solutions, many of them launched in response to Covid-19 restricted environment of 2020 and 2021, continue to secure our client access to financial services remotely at a time and place of their convenience. Citadele offers digital on-boarding for SMEs in Latvia and Lithuania, Citadele Business Portal, convenient e-commerc solutions, extensive mobile app functionality and more. Remote solutions have been welcomed by our customers and remain widely used even in the absence of social distancing requirements.

Citadele continuously improves and updates its mobile application and internet bank solutions to enhance functionality, security and usability to ensure that

³ Link to report (in Latvian): <https://www.tiesibsargs.lv/wp-content/uploads/2023/01/banku-pakalpojumu-pieklustamiba.pdf>

Citadele is in line with market standard and customer needs. Internet and mobile banking applications are highly stable with Internet-bank and Mobile App Prime time system availability at 99.86% in 2022 (99.96% in 2021).

Customers expect easy service interactions when they need assistance with digital banking. Customers may contact Citadele Bank by chat in MobileApp, message in I-bank, phone or e-mail. Customer support also includes an interactive assistant to help clients find answers to all possible 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 2022, Citadele had 15 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch with 6 customer service units in Lithuania.

Citadele's customer service in all Baltic countries has received top ratings in Dive banking sector service survey 2022.

A graphic with a pink background. At the top, it says "THANK YOU FOR THE HIGH RATING OF OUR CUSTOMER SERVICE!" in bold black letters. Below this, there is a white rounded rectangle containing the Dive banking sector service survey logo and the text "CITADELE 1st in Latvia 1st in Lithuania 3rd in Estonia".

Dive banking sector service survey	CITADELE
	1st in Latvia
	1st in Lithuania
	3rd in Estonia

As part of the study, 160 "silent customer" calls were made to customer support services and 160 "silent customer" visits to customer service centres. During calls and visits, professional knowledge, communication skills, ability to offer the most suitable solution to the client and other parameters were evaluated according to a common methodology and identical criteria. In Latvia Citadele has maintained its leading position with the highest score (98.8% (calls)

and 98.9% (visits)) and also achieved 1st place in Lithuania, and Top 3 in Estonia.

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. To ensure high quality of the offered services and products, Citadele conducts regular customer satisfaction surveys for its banking and MobileApp customers, as well as Brand Personality and Brand Awareness surveys.

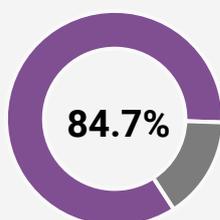
Customer privacy and data security

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 2022 there were two reported incidents of customer data breaches, including leaks, thefts, or losses of customer data. 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 2022.

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

Phishing alertness tests Average participation rate 2022 (onboarded employees)



In response to increasing frequency and sophistication of phishing risks, phishing alertness tests have been included in onboarding package for new hires in 2022. Participation rate in phishing alertness tests has grown from 77% in Q1 2022 to 97.5% in Q4, overall reaching at least 84.7% of new hires in 2022. Average pass rate was 98.4%.

Suppliers and supply chain

Citadele considers the environmental and social impacts both of our own operations and operations of our entire supply chain, including our suppliers of services and goods.

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 select, 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.

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.

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 AML risk, 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 during 2022.

ESG Governance structure

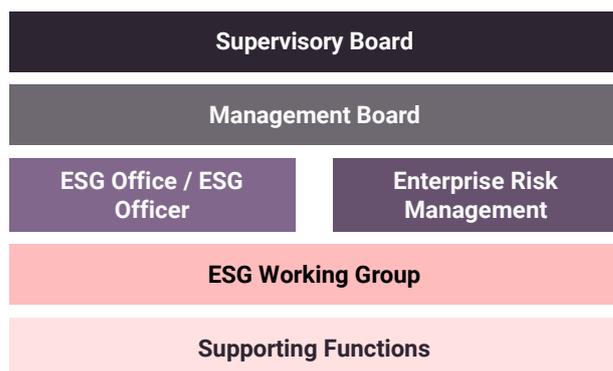
Citadele approved its first ESG Policy in 2021. The policy sets the framework and the main principles for managing ESG-related topics within Citadele Group and sets the ESG governance structure.

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.



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 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.

To ensure the transparent and efficient driving of the overall ESG agenda, **ESG Working Group** has been established in 2022. The Working Group is composed of dedicated representatives from all key functions. 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. The ESG Working Group is led by ESG Officer of the Group.

ESG Officer reports directly to the CEO and leads ESG agenda in the organization. Responsibilities of the ESG

Officers 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.

During 2022 the Group has strengthened the ESG team and in-house competencies, resulting in growth of the ESG team and ESG-focused professionals within risk management departments.

Integrating ESG governance into policies and procedures, and KPIs

During 2022, ESG aspects have been further integrated into the internal governance of Citadele Group:

- In addition to the ESG Policy introduced in 2021 and updated annually, we have introduced an ESG Risk Policy in 2022.
- Our approach to ESG risk has been defined in the Bank's Risk Strategy and key ESG risk drivers integrated in the Risk Appetite Framework.
- ESG risk, including transition risk and reputational risk, limits are set in Risk Appetite and are monitored with quarterly frequency and included in CRO report to Management Board, Group's Risk Committee and Supervisory Board.
- We have made considerable additions to our Credit Policy by integrating climate-related and environmental risk assessment, extending the existing environmental and social risk assessments, and reviewing exclusion list of activities we do not finance.
- We have formalized our supplier assessment practices in ESG area with 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.

- Trainings to increase awareness and build expertise necessary to identify, assess and manage ESG risks at all three lines of defence.
- Establishing clear working procedures to ensure a sound and comprehensive approach to the incorporation of ESG risks into the business strategy, business processes and risk management.
- Integrating ESG into Group's culture and encouraging staff behaviour that is consistent with Citadele's ESG policy.

We are currently in the process of reviewing and renewing our Remuneration Policy and making ESG-related updates to Procedure for Strategy Development and Group Code of Ethics.

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

We have developed and received regulatory feedback on 2022-2024 action plan for integration of ECB expectations on climate-related and environmental risk management across all levels of our operations. Progress during 2022 has been in line with the set timeframe.

In regard to Bank's impact, one of the key goals for Citadele in ESG area moving forwards will be setting a more specific roadmap for achieving our targets and start 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 and will develop a plan on what data we need to be gathering and measuring in the coming years to meet our targets and understand the road toward reaching them.



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 2022 naming Citadele the runner-up 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.

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 established ESG office and started building and improving our knowledge and understanding of climate-related and environmental risks, as well as our impact and role in promoting social development and good governance. Our team has since received Environmental, Social and Governance certificate by Corporate Finance Institute, EBRD Environmental & Social Risk Management for Financial Intermediaries certificate, CDSB Climate-related financial disclosures certificate, Sustainable Finance Certification Programme by ATTF Luxembourg and a GARP SCR certificate. We plan to continue strengthening our know-how in the rapidly evolving area of ESG and non-financial disclosures.

Alignment with international sustainability reporting standards

This is our first year of reporting to UNEP FI about Citadele's progress with aligning to the Principles for Responsible Banking. 2022 is also the first sustainability report to be aligned with GRI Standards. We will continue regular reporting on the alignment with PRB as required by the initiative and improve the alignment of our reporting practices with GRI reporting requirements, ECB expectations toward climate-related and environmental disclosures and ESG ITS Implementing Regulation by EBA of our reporting practices. In addition to our current transparency commitments, we plan to further improve and increase transparency of climate-related financial information by starting to report in accordance with TCFD recommendations in 2023.

We recognize that aligning our reporting practices with the 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 building 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 the following information on eligibility for 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.

Assets, EUR m	Taxonomy eligible	Taxonomy non-eligible	% coverage
EU Taxonomy-eligible assets	774	1 695	31.3%
Governments and Central Banks		551	12.1%
Total exposure to derivatives (including hedge accounting)		1	0.0%
Total exposure to non-NFRD companies		2 311	50.7%

Financial institutions are required to report EU Taxonomy-aligned assets as Green Asset Ratio (GAR) starting from 2024 for the financial year 2023.

To estimate the eligibility of an asset for non-financial companies the Bank used NACE code. Assets were defined using FinRep definitions.

Although the assessment of climate-related and environmental risk, social risk and governance aspects are part of the process of analysing credit and investment decisions, the Bank does not rely on the EU Taxonomy criteria for environmentally sustainable economic activities during the reporting period.

GRI CONTENT INDEX

Statement of use	Citadele Bank has reported in accordance with the GRI Standards for the period 01.01.2022. - 31.12.2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	N/A

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Omission disclosed
General disclosures			
GRI 2: General Disclosures 2021	2-1 Organizational details	Annual report 2022, 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 2022	
	2-6 Activities, value chain and other business relationships	Annual report 2022, Other regulatory information, p. 10	
	2-7 Employees	Citadele's societal impact as an employer, p. 19	
	2-8 Workers who are not employees	Citadele's societal impact as an employer, p. 19	
	2-9 Governance structure and composition	Annual report 2022, Corporate Governance, p. 11	
	2-10 Nomination and selection of the highest governance body	Annual report 2022, Corporate Governance, p. 11	
	2-11 Chair of the highest governance body	Annual report 2022, Corporate Governance, p. 11	
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate governance, p. 26	
	2-13 Delegation of responsibility for managing impacts	Corporate governance, p. 26	
	2-14 Role of the highest governance body in sustainability reporting	Corporate governance, p. 26	
	2-15 Conflicts of interest	Corporate governance, p. 26	
	2-16 Communication of critical concerns	Corporate governance, p. 26	
	2-17 Collective knowledge of the highest governance body	Annual report 2022, Corporate Governance, p. 11 Corporate governance, p. 26	
	2-18 Evaluation of the performance of the highest governance body	Annual report 2022, Corporate Governance, p. 11 Corporate governance, p. 26	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	Omission disclosed
General disclosures			
GRI 2: General Disclosures 2021	2-19 Remuneration policies	Remuneration policy, p. 22	
	2-20 Process to determine remuneration	Remuneration policy, p. 22	
	2-21 Annual total compensation ratio	Compensation ratio* in 2022: 18	* excluding bonuses, stock awards and other compensation
	2-22 Statement on sustainable development strategy	Ambition, strategy and goals, p. 3	
	2-23 Policy commitments	Policy commitments, p. 5	
	2-24 Embedding policy commitments	Policy commitments, p. 5 Alignment with international sustainability reporting standards, p. 28	
	2-25 Processes to remediate negative impacts	Managing Citadele's impact on the Environment, p. 9	
	2-26 Mechanisms for seeking advice and raising concerns	Corporate governance, p. 26	
	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. 7	
2-30 Collective bargaining agreements	None		

MATERIAL TOPICS

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION DISCLOSED
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Material sustainability topics, p. 7	<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. 7	
Economic performance			
GRI 3: Material Topics 2021	3-3 Management of material topics	Annual report 2022, Key figures and events of the Group, p. 2 Annual report 2022, Management letter, p. 4	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Annual report 2022	
	201-2 Financial implications and other risks and opportunities due to climate change	Ambition, strategy and goals ⁴ , Managing Climate-related and environmental risk, p. 15	
	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 2022	
Anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	Corporate governance, p. 26	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Corporate governance, p. 26	
	205-2 Communication and training about anti-corruption policies and procedures	Corporate governance, p. 26 Training and development, p. 22	
	205-3 Confirmed incidents of corruption and actions taken	Corporate governance, p. 26	
Emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	Our Climate Action Agenda, p. 4 Managing Citadele's impact on the Environment, p. 9	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 11	
	305-2 Energy indirect (Scope 2) GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 11	
	305-3 Other indirect (Scope 3) GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 11	
	305-4 GHG emissions intensity	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 11	
	305-5 Reduction of GHG emissions	Table 1: GRI 305-2,3,4,5 GHG Emissions, p. 11	
	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 (NO _x), sulfur oxides (SO _x), and other significant air emissions	N/A	The Bank does not produce NO _x , SO _x and other significant air emissions in its processes, products and services

Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	Citadele's societal impact as an employer, p. 19 Employment policies, p. 19,
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Employment policies, p. 19, Table 5: GRI 401-1 New employee hires, p. 20
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment policies, p. 19,
	401-3 Parental leave	Employment policies, p. 19, Table 6: GRI 401-3 Parental leave, p. 20
Training & Education		
GRI 3: Material Topics 2021	3-3 Management of material topics	Training and development, p. 22
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Table 8: GRI 404-1 Average hours of training per year per employee, p. 22
	404-2 Programs for upgrading employee skills and transition assistance programs	Training and development, p. 22
	404-3 Percentage of employees receiving regular performance and career development reviews	Training and development, p. 22
Diversity & Equal opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	Employment policies, p. 19 Inclusive workplace 20
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Table 4: GRI 405-1 Diversity of governance bodies and employees, p. 19
	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. 22
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