

Luminor Bank
Sustainability Policy
Principles
December 2022



CHIEF EXECUTIVE'S INTRODUCTION

We are committed to running our business in a responsible, sustainable, and caring manner. To do that we will set objectives to create positive impacts on the environment and the societies we serve, and will report on our progress. And we are determined to integrate ESG-related considerations and analyse ESG-related risks while organizing our business model, risk management framework, investment decisions, and financing activities. We have developed a strategy which contains a timeline and activities to implement the sustainability-related considerations detailed in this document.

Our Sustainability Policy outlines the main ESG principles and values we follow in our business activities, decision making and relationships with our stakeholders. More detailed rules and guidelines to support and ensure implementation of this Policy are described in subordinate internal regulations, which define the sustainability-related risks and criteria for assessment of situations which might arise.

All required changes to our existing subordinate internal regulations based on the provisions of this Policy, if not yet implemented will be taken up at the next review of these documents. Furthermore any new internal regulations required by this Policy that have not yet been established within Luminor shall be developed during the next year.

In our activities we support and consider the guidance provided by international standard setters. These include the United Nations' Global Compact, Principles of Responsible Investments (UN PRI), and Guiding Principles on Business and Human Rights. The OECD's Guidelines on Multinational Enterprises, and Anti-Bribery and Corruption Guidance. The International Labour Organization's Tripartite Declaration of Principles concerning Multinational Enterprises on Social Policy. We are also guided by the provisions of the United States' Foreign Corrupt Practices Act and the United Kingdom's Anti-Bribery Act, 2010, together with the Codes of Conduct of the Banking Associations of Estonia, Latvia, and Lithuania.



Peter Bosek
Chief Executive Officer and
Chairman of the Management Board

CONTENTS

CHIEF EXECUTIVE'S INTRODUCTION	2
GENERAL PRINCIPLES	3
ENVIRONMENTAL RESPONSIBILITY PRINCIPLES	4
SOCIAL RESPONSIBILITY PRINCIPLES	6
SUSTAINABILITY RELATED GOVERNANCE PRINCIPLES	7
EXCLUSION LIST	8
GLOSSARY	9

In these principles, 'Luminor', 'Luminor Bank', 'we', 'us' and 'our' refer to Luminor Bank AS together with its subsidiaries.

GENERAL PRINCIPLES

We do not tolerate the infringement of human or labor rights, corruption, degradation of ecosystems, destruction of world heritage or other actions that could be regarded as unethical. We foster environments that demonstrate and support respect and eliminate any type of discrimination, including discrimination based on gender, race, religion, or sexual orientation.

We aim to support the protection of cultural heritage, biodiversity, and natural resources. We are determined not to provide financial services to projects and activities prohibited by laws and regulations within Estonia, Latvia and Lithuania and international conventions, among which include UNESCO World Heritage Sites and Biosphere Reserves, and no-take zones such as marine protected areas, strict nature reserves, and other high conservation areas.

We expect our clients, partners, and vendors to establish full compliance with all local, national, and international laws and regulations. We are determined to assess Adverse or Potential Adverse Impacts on the society and the environment as a result of our operational activities, and we expect our suppliers, vendors and Clients to do the same. We expect them to conduct their business in a way that ensures fair social conditions and does not conflict the United Nations Guiding Principles on Business and Human Rights. We expect our suppliers, vendors, and Clients to establish the processes and frameworks to ensure that they do not do harm to natural systems and expect them to establish frameworks for the waste management and carbon footprint reduction. We strive to ensure the alignment of our Clients, vendors and suppliers to these principles and perform the respective due diligence following the principles. We require our vendors and suppliers to consent to the Third Party Confirmation to the Code of Responsible Business Conduct.

ENVIRONMENTAL RESPONSIBILITY PRINCIPLES

We are committed to:

- Reach net zero greenhouse gas emissions by 2050 in our operational emissions and to reduce our emissions in line with short, medium, and long-term objectives.
- Support our clients transformation to a low-carbon economy and implementation of more sustainable practices, including those in the carbon-intensive industries, as they align their operations with the EU and local climate targets.
- Reduce the Adverse or Potentially Adverse Impacts on the Society and the Environment in our business activities.
- Reorient capital flows to the climate solutions, climate resilient and transitional business models.
- Integrate consideration of material Sustainability (ESG) risks as well as assessment of the Adverse or Potentially Adverse Impact to our investment decision making process activities and strategies to the extent provided by the Sustainable Investment Guidelines.

CLIENT ENGAGEMENT

We are determined to engage in innovative financing solutions to support no/low-carbon investments and climate change mitigation and adaptation opportunities, as well as to minimize or reduce the greenhouse gas emissions in projects. We also support our Clients in developing climate adaptation measures and climate resilient investments as well as in managing the risks caused by the climate change. We are aligning our sustainable financing procedures and criteria to the EU taxonomy standards and/or other sustainable financing frameworks where applicable. The detailed process for issuing environmentally sustainable credit facilities will be described in the respective internal regulations such as the underwriting procedures.

We acknowledge our role to educate our Clients on the best financial solutions to support the transition to a green economy. We aim to engage our Clients through proactive dialogue for finding solutions for sustainable future together, especially with the Clients who have high exposure to the environmental or climate related risk, high level of the greenhouse gas emissions or may cause Adverse or Potentially Adverse Impacts on the environment. We foster cooperation with Clients who meet or aim to meet the sustainability principles described in the Policy. We aim to weigh the financial and Sustainability (ESG) risks associated with our Client or a transaction and how these risks are identified, assessed, monitored and/or managed, so that we can make well informed decisions.

We are committed to developing products and services to help clients reduce the ESG risk where it aligns with our capabilities and integrate the existing and emerging environmental, social and governance principles and values into the product development framework and advisory services. We are committed to developing sustainable financial products based on international standards and pertinent laws and regulations. We aim to improve our knowledge and advisory competence regarding ESG risk drivers, sustainability preference of Clients, and industry specific ESG challenges and risk reduction possibilities, as well as establish process to ensure sound pre-contractual and periodic disclosures of our offering in a way that enables our clients to make informed decisions. And we are committed to engaging with our clients about their climate profile and transition roadmap towards low carbon economy and to understand the challenges and opportunities clients have in their respective businesses and industries and engage in ethical investments and asset management and sustainable financing activities that follow centrally approved and openly communicated framework for decision making.

VALUE CHAIN

We are committed to set science-based targets (SBTs) for all industry sectors and asset classes where science-based target methodologies are available.

OUR OWN ACTIONS AND ENVIRONMENTAL FOOTPRINT

We aim to reduce carbon emissions from our operations (Scope 1 and Scope 2 based on GHG Protocol Corporate Accounting and Reporting Standard), and use natural resources and energy with care and efficiency. We aspire to eliminate and minimize waste and re-use or recycle as much as possible. Our objective is to use less paper and be mindful about our digital carbon footprint in our work. We strive to use products made of recycled or biobased materials and products with a lower environmental impact.

We consider the environmental impact when planning our necessary business travel and means of commuting, by using low impact transport for travel to and from work and travel for business. We promote greater environmental responsibility among our employees and Clients and encourage the use, development and distribution of environmentally friendly and sustainable technologies and solutions in our operations as well as in the operations of our Clients and Stakeholders.

SOCIAL RESPONSIBILITY PRINCIPLES

We are committed to providing our employees with a safe and supportive working environment, care for our employee wellbeing and strive to ensure that principles of diversity and non-discrimination, as well as equal opportunities in the workplace, are always followed. We value a diverse team and facilitate independent opinions and critical challenge. We make sure that grievances are handled efficiently and with integrity. We have zero tolerance towards all forms of discrimination, including psychological harm and verbal, physical and sexual harassment or other forms of unfair, unethical and/or illegal treatment of employees.

We do not tolerate modern slavery or other human rights abuses within our own operations, nor within our financings and investments. Our Code of Conduct underpins everything we do. Compliance with the Code of Conduct is mandatory and extends to every employee. Our Code of Conduct requires us to act ethically, comply both with the letter and with the spirit of the applicable laws and regulations, and to comply with our own policies and procedures.

We aim to review regularly and enhance how we manage our approach towards human rights due diligence, modern slavery and other human rights and sustainability issues. We expect our Stakeholders and Clients to do the same. We are determined to engage and work with Clients, Non-Governmental Organizations (NGOs) and Not for Profit Organizations (NPOs), authorities and other stakeholders to increase awareness and share knowledge and best practices in relation to modern slavery and other human rights, social and environmental issues.

We will contribute to our local communities through community investment, active engagement with NGOs for Baltic issues and promotion and support of social entrepreneurship in the Baltics. We recognize that social entrepreneurship is a way to solve local social or environmental problems by employing entrepreneurial principles, processes, and operations. We aim to do that by dedicated product and service solutions aligned to our existing capabilities, and educational and awareness-raising cooperation projects such as financial and digital literacy and other education or social entrepreneurship promotion programs. For carrying out community investment activities, we shall enter partnerships with companies and organizations and engage in activities that support our brand, values, and reputation.

STAKEHOLDER ENGAGEMENT

We are transparent in our interactions with our Stakeholders. We aim to be straightforward, easy to understand and respectful in all our communication. Regular dialogue is held with all stakeholders in ESG related matters.

We value complaints and feedback as they assist us to improve our products, services, and client service. We are committed to being responsive to the needs and concerns of our clients or potential clients and to resolving their complaint in a timely manner without undue delay as established in our Client Complaints Handling Procedure.

SUSTAINABILITY RELATED GOVERNANCE PRINCIPLES

We are committed to upholding high standards of ethical and professional conduct and promote strong corporate and risk culture. We expect all our employees to follow our Code of Conduct, which describes our values and expected behaviours. We ensure that our governance structure considers both environmental and social factors to facilitate due identification, assessment and management of the Sustainability (ESG) risks and take appropriate strategic decisions on how to manage those risks and opportunities, and set and report on relevant goals and targets. We integrate ESG risks into our Risk Policy and Risk Appetite Framework to address the arrangements established in our Policy.

We are committed to avoid any Negative Impacts on the society and environment that might be caused by our business activities (inside out perspective) and those Sustainability (ESG) Risk Drivers that are likely to materially affect our business (outside in perspective). For our ESG related disclosures in our annual reports, we follow the applicable local and European regulatory requirements, including but not limited to the “Guidelines on non-financial reporting: Supplement on reporting climate-related information” issued by the EU Commission, as well as voluntary frameworks such as the Global Reporting Initiative’s Sustainability Reporting Guidelines to the extent applicable and relevant. Our disclosures relating to Adverse or Potential Adverse Impacts shall be done concisely in qualitative or quantitative terms in accordance with the applicable regulatory requirements such as the Sustainable Finance Disclosure Regulation.

To enhance transparency and to provide an objective point of comparison by financial market participants to investors on the proportion of the investments that fund environmentally or socially sustainable economic activities, we aim to establish periodic reporting on key performance indicators on the proportion of the credit activities that fund environmentally sustainable economic activities.

We aim to develop appropriate key risk indicators and set appropriate limits for effective management of the Sustainability (ESG) risks in line with their regular monitoring and escalation arrangements.

EXCLUSION LIST

We will not do business nor invest in companies if they are:

1. Involved in the production or trade of any product or activity deemed illegal under international conventions and agreements or national laws or regulations or are subject to international bans.
2. Sanctioned by authorities of the countries where we operate, the United Nations and the European Union. As we are resolutely committed to the protection of human rights, in addition to all statutory obligations, we voluntarily abide by the other countries' imposed sanctions (e.g. the USA);
3. Where it is suspected that financial crime and other illicit activities are happening or acting without the required license in the jurisdiction in which they or Luminor operate. Examples of such crimes or activities include human trafficking, smuggling, extortion, wildlife trafficking, illegal distribution of arms and munitions, proliferation of weapons of mass destruction, narcotics, corruption, and tax evasion.
4. Related to the financing of terrorism, such as foreign fighters, activities in war zones, and fundraising through crowd-financing platforms for purposes which could be suspected as related to the financing of terrorism activities
5. Related to production of weapons which through normal use violate basic humanitarian principles. We do not invest in or extend loans to customers involved in anti-personnel mines and cluster weapons, as described in the Anti-Personnel Mine Ban Convention and in the Convention on Cluster Munitions, or in companies which develop and produce central components for use in weapons of mass destruction (i.e., nuclear, biological, or chemical weapons).
6. Related to vaping and/or tobacco or related to the production of pornography.

We exclude entities from our future direct investments and financing universe if they are engaged in:

1. Establishing new capacity for coal-fired power generation and/or thermal coal mining, and/or extraction of oil and oil shale.
2. Production of or trade in ozone depleting substances, as listed in Montreal Protocol on Substances that Deplete the Ozone Layer and includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents
3. Production or use of or trade in persistent organic pollutants, as per the Stockholm Convention on Persistent Organic Pollutants
4. Trade in wildlife or production of or trade in wildlife products regulated under The Convention on International Trade in Endangered Species of Wild Fauna and Flora.
5. Transboundary movements of waste prohibited under public international law, as per the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; and Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations.

Luminor will not provide any services and/or products to Stakeholders, individuals, and entities, if there is an identified risk that the Stakeholder contributes to or is responsible for:

1. Systematic violations of human rights.
2. Violations of individual rights in wars or conflict situations.
3. Violations of basic labor rights.
4. Corruption.
5. Other particularly critical violations of basic ethical norms.

GLOSSARY

Adverse or Potentially Adverse Impacts (Negative impacts)	Those impacts of investment decisions and advice or any other business decisions that result in negative effects on sustainability factors for us or our Clients.
Client	A person or a subject that may be private individual or a legal entity that is using Luminor's products and services.
Conduct Risk Committee	Luminor's internal committee chaired by the Chief Compliance Officer to facilitate the exchange of knowledge and information and generating intelligence alerts to analyse and prevent risks of fraud, money laundering, terrorism financing and other irregularities to the detriment of the interests and reputation of Luminor.
ESG	Environmental, Social and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies (return and risk).
ESG Risk Drivers	Real or potential risks from poor performance in the environmental, social, and corporate governance areas, that enterprises may cause, contribute to, or are linked to through their value chain. Environmental Risk Drivers (including climate-related) refer to any temporary or permanent changes to landscape, atmosphere, soil, water, plants, or animals or is caused by human. Social Risk Drivers refer to violations on surrounding community and workers' conditions. The Governance Risk Drivers refer to the lack of governance systems structure (strategies, policies and practices) to manage the ESG Risk Drivers and their impact.
Divisions	Our divisional functions: Retail Banking, Corporate Banking, Technology, Finance, Legal, Credit Advisory and Restructuring, Risk Management and Compliance, Communication, People and Culture, Internal Audit, Procurement.
Group Luminor	Luminor Bank AS including its branches and subsidiaries in and outside Estonia. In this report 'Luminor', 'Luminor Bank', 'we', 'us' and 'our' refer to Luminor Bank AS together with its subsidiaries.
Management Board	Management Board of Luminor.
Internal Regulations	Governing documents which regulate our activities and processes.
Policy	Our Sustainability Policy from which these principles are derived.
Social	Issues which pertain to affected people and their communities and workers and related to socioeconomic status, vulnerability, gender, gender identity, human rights, sexual orientation, cultural heritage, labour and working conditions, health and safety and participation in decision making.
Stakeholders	Persons or organizations that have a vested interest in us and can either affect or be affected by our operations and performance, for example investors, employees, clients, suppliers, vendors, communities, governments, or trade associations.
Sustainability (ESG) risks	A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative impact on the value of the investment, as specified in sectoral legislation. In addition, it includes biodiversity, human rights, and other social and governance risks.
Sustainability strategy	Our strategy that defines our sustainability-related objectives and how we will achieve these objectives
Supervisory Council	Supervisory Council of Luminor.
Sustainable products and services	A product or service that contributes to a measurable environmental objective. A Sustainable product or service is also an investment in an economic activity that contributes to a social objective. We aim to develop products based on international standards and pertinent laws and regulations governing the area in scope of this Policy.
Group Sustainability Department	Department mandated by the Management Board to manage business integrity and sustainability matters.

ABOUT US

Luminor is the leading independent bank in the Baltics and the third-largest provider of financial services in our region. We serve the financial needs of individuals, families, and companies. Just like our home markets of Estonia, Latvia, and Lithuania we are young, dynamic, and forward looking. Further information about us can be found at www.luminor.ee.

© Luminor Bank AS

Liivalaia 45
10145 Tallinn
Estonia
www.luminor.ee

Media and Investor Relations contacts

For Media:
Ivi Heldna
Ivi.heldna@luminorgroup.com
+372 5231 192

For Investors:
Nick Turnor
nick.turnor@luminorgroup.com
+372 5306 7820