

AS RIETUMU BANKA

**Group Consolidated Sustainability
Report**

for the year ended 31 December 2021



Mission

Joint stock company "Rietumu Banka" offers qualitative and professional financial services for the dynamically growing enterprises and high net worth individuals from Latvia, the Baltic states, the EU countries and other countries worldwide. JSC "Rietumu Banka" aims at providing premium quality service, our personalized and client-oriented approach allows to devise and offer tailored financial solutions for every client meeting his/her business needs and personal requirements.

Vision

JSC "Rietumu Banka" endeavors to strengthen its leading positions in wealth management and corporate client service in Latvia and at regional level. JSC "Rietumu Banka" aspires to increase its efficiency ratios and strengthen its market position aiming at ensuring stable profitability. JSC "Rietumu Banka" seeks the stable development achieved by means of effective internal technology and administrative infrastructure.

JSC "Rietumu Banka" is also planning to foster the improvement of risks and control management systems, staff training and professional growth of all its employees.

JSC "Rietumu Banka" is a socially responsible Latvian bank rendering support for those in need through the charity fund.

Core Values

- Individual approach in decision-making;
- Most recent banking technologies;
- Services provided English, Russian and Latvian;
- Full support of clients.

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Reporting Guidelines

Official name of the joint stock company is *Rietumu Banka* (hereafter – the Bank). *Rietumu Banka* is a parent company of *Rietumu Banka Group* (hereafter – the Group).

Rietumu Banka Group Sustainability Report 2021 is the Group’s fifth sustainability report, covering a period from January 2021 to December 2021 and the organizational structure dated December 31, 2021. The report is intended to disclose the information annually about the Group’s intentions and efforts to facilitate sustainable development internally and externally, and reflecting its attitude and activities in such non-financial areas as environmental protection, social responsibility and issues related to employees.

Information, disclosed in this report, is prepared based on principles of Global Reporting Initiative (GRI) Standards, Core option. References to GRI indicators are reflected on page 30. The report is not externally assured. Apart from the above, this report addresses Directive 2014/95/EU of the European Parliament and of the Council and the relevant regulations in force in the Republic of Latvia.

Group at Glance

The Group is formed of the Bank and its affiliate companies. JSC "Rietumu Banka" is a commercial bank, providing wide range of financial services both for corporate clients and private individuals. The major non-banking companies include leasing and consumer finance companies, repossessed real estate and other repossessed collateral maintenance companies and asset management companies. It is the Group's strategy as much to ultimately integrate its subsidiaries into the Bank's management and control systems. Activities of the Group companies are financed by the Bank via capital investments and loans. In most cases, the Bank owns 100 percent of the shares of its subsidiaries.

The Group fully owns an asset management company JSC "Rietumu Asset Management" which specializes in the asset management services including management of individual portfolios for clients.

The Bank partly owns and finances a consumer leasing company named SIA "InCredit Group" which is registered and operates in Latvia. SIA "RB Investments" group owns most of the real estate that the Bank repossessed, as well as other assets that the Bank took over on defaulted loans. Most of the repossessed assets are located in Riga and Riga region. *RB Investments* group rents out a portion of these assets and plans to sell most of its portfolio of assets in the coming years.

Group Geography

The Group's headquarters are located in Riga, the Republic of Latvia, although its reach spreads beyond the borders of Latvia. The client servicing operations and processing of all transactions are based in Riga, remote banking infrastructure, and up-to-date technology solutions ensure upmarket services across the borders. The Group offers both on-site and remote services to affluent clients and high net worth individuals in many parts of the world, although its main markets remain Latvia and EU.

The Group focuses on providing wide range of banking services to corporate clients carrying business in international environment, and aims to develop the client network further on, at the same time permanently complying with regulations applicable for the banking sector and promoting best practice principles in its activities.

Client Risk Assessment

In a process of planning and enlarging the geography of potential client engagement, the Group relies on the business potential and possible risk assessment of clients. The Group evaluates a risk related to the client location prior to establishing the business relationships. Depending on the risk level, the Group takes into account the following factors: geopolitical situation in a respective region where the client comes from, jurisdiction, AML-compliance, enforceable ratings provided by the international organizations. The Group always relies on its elaborated list of countries whose residents may not or become its clients.

Types of Clients

The Group maintains and proves its reputation of the reliable and stable provider of financial services; this is why it always focuses on careful selection of its clients and therefore implements a number of targeted measures. One of the mentioned measures is the barrier tariff policy for the provided services to attract trustworthy and reliable clients to make a part of the Group's long-term sustainability strategy.

In order to achieve its goal to offer the qualitative and professional financial services for dynamically growing enterprises and wealthy individuals, the Group evaluates the following factors to distinguish its priority sectors:

- scale and specific features of activities of the clients;
- geographical location;
- industry / sphere of activities;
- nature of business activities.

The Group mostly focuses on the clients coming from trustworthy geographical regions specializing in manufacturing, trade, logistics and transport, construction, holding and management business, licensed finance services, insurance and investment enterprises.

Product Base

The major aim of the Group is to provide premium quality service to every client, to hear and understand each client's needs and respond as quickly as possible in a most effective way to offer the most suitable solutions. Considering the whole Group, the largest product and financial services portfolio is offered by the Bank, and they are as follows:

1. Business-Oriented Services comprise:

- settlements: current accounts, remote banking services, payments;
- bank cards: payment cards for business, payroll cards;
- cross-border transactions: transfers and conversion operations, trade finance operations, hedging of currency and price risks;
- liquidity management: demand and term deposits;
- financing: business lending, transport credit facility, overdrafts.

2. Financial Markets for Private Clients mean:

- access to the main stock exchanges and financial instruments;
- commodities investment gold;
- brokerage services for professional investors;
- listing services;
- trade platforms;
- asset management;
- investment funds;
- thematic investment portfolios.

3. Products and Services for Individuals:

- classical banking services (accounts, payments, digital banking);
- premium payment cards.

4. Investment Products:

- demand and term deposits;
- tailored investment solutions;
- individual lending solutions;
- mortgage.

One of the major objectives of the Group is to build a partner relation with its clients; therefore, its sustainability goals comprise elaboration of the client engagement approach and building upon Know Your Client policy. Effective business contacts, established with every client, provide the Group in general and the Bank, in particular, both with stable liabilities and high-quality assets that ultimately increases the resistance of the Group toward undesired impact of the international business environment.

Supply Chains of Rietumu Group

The Group is a major provider of the banking and financial services, and the Group’s providers are mainly engaged in bringing additional value to the on-site developed service base.

The Group always chooses its suppliers very carefully, paying major attention to their reputation and entering into contractual relationship only with those suppliers, which prove to be reliable and convincing also from the sustainability point of view.

The Group’s supply chain comprises asset delivery chain to be offered to our clients on-site. The Group subcontracts information technology solutions of the proven experts on the information technology market to upgrade the services and inner procedures. Development of the digital technologies leads the path to the environment-friendly economy and thus enforces the Group’s sustainability goals. The Bank invests in information technologies to generally be ahead of the current trends and be on the way to the prominent digital banking services in our core markets.

As to the regular supplies, the Bank receives:

- office equipment;
- hardware;
- office appliances;
- paper recycling services;
- plastic cards prior to the embossing – white plastic.

Anti-Corruption

Fundamental values, such as integrity and responsibility, form the basis of the Group's business practice. The Group is absolutely impatient against bribery (bribe-giving, bribe-taking) in any of its expressions and forms. The Bank expects strong, unmistakable and obvious impatience from both the top management of the Bank (the Council, the Executive Board and the key function holders) and its employees, subsidiaries, partners, counterparties, suppliers, agents and other institutions the Bank cooperates with, and also from its clients.

A cornerstone principle of the Group is to prohibit any type of the bribery – either direct or indirect, intentional or unintentional. To achieve this aim and constantly comply with it, the Group has established frameworks for good business practice and risk management strategies, including ones related to the bribery risk minimization (elimination).

Anti-Corruption Policy and Program

The Group's anti-corruption policy is developed in line with bribery prevention principles, stipulated by the international organizations, the laws and regulations of the Republic of Latvia, enforceable international laws and regulations and established business ethics and best practice.

The Bank has developed the Anti-Corruption Policy, which displays the high ethics standards, open and fair business management, its endeavors to improve the corporate culture and ensure the observance of the best corporative business practice and maintenance of high level reputation. The Policy is obligatory and is met by employees on all levels.

Building Anti-Corruption Mind-Set

The Bank has reporting system about corruption cases and any relevant suspicions. Reporting is confidential, it does not create any negative consequences to the one who reports. Employees report about the corruption cases (the same as on operational risk) according to the internal instructions.

The Group supports its employees' initiatives on settlement of corruption prevention issues, recommendations on necessary informative activities and improvements in internal regulatory framework.

Within the Bank, training and testing of knowledge on anti-corruption issues is provided to the employees to ensure respective anti-corruption culture level. The Bank pays special attention to the employees that take specific positions and who while performing their professional duties may incur increased risk of corruption cases or whose professional performance relates to the possibly corruptive environment.

Whistleblowing

The Group has listed several whistleblowing channels in order for the stakeholders to be able to express their thoughts or report any cases of unethical behavior of employees. There are three main channels, which can be used for that:

The Ombudsman provides support to bank customers for the establishment and settlement of possible disagreements with Latvian banks regarding their actions or provided services. It is placed within Finance Latvia association, a non-governmental organization representing the Latvian financial sector on a national and international level.

Telephone number: +371 67284562

E-mail: ombuds@financelatvia.eu

Link to webpage: <https://www.financelatvia.eu/ombuds/>

Address: Doma Square 8A-6, Riga, LV-1050, Latvia

or

<https://www.rietumu.com/en/about-bank/about-rietumu/bank-feedback/bank-feedback-ombuds>

Suggestions and Complaints section on the Bank's webpage.

Link to webpage:

<https://www.rietumu.com/lv/about-bank/about-rietumu/bank-feedback>

Telephone number: +371 6702 55 55

E-mail: complaint@rietumu.lv

Employees may raise concerns about possible violations that may harm the public interest within the meaning of the Whistleblowing Law, about possible or actual violations within the meaning of the Financial Instruments Market Law and / or the Credit Institutions Law.

E-mail: trauksme_RB@rietumu.lv.

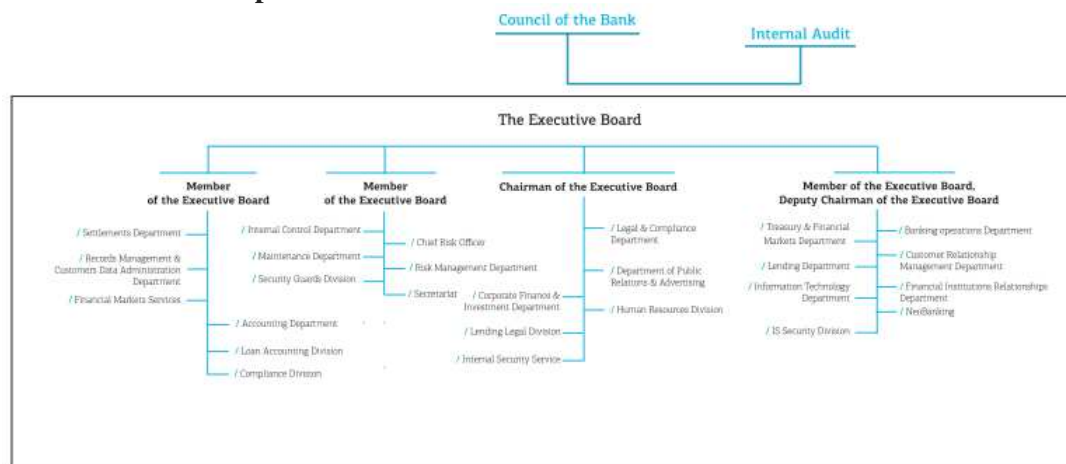
In addition to that, employees of the Bank have various channels to report cases of corruption, conflict of interests and other situations of unethical behavior, which are specified in internal instructions.

Governance

The Group’s main governance body is the Executive Board. The Executive Board is elected by the Council and is subject to the Council, which performs following functions:

- supervises activity of the Executive Board, controls the way the Executive Board ensures development and effective performance of the internal control system;
- controls that the Bank complies with the regulatory requirements in its business operation;
- reviews and makes a decision regarding the bank's strategic development plan;
- examines the annual report and considers the Executive Board’s proposals on the profit distribution;
- sets up and approves the collegial bodies under its control - the Remuneration Committee, the Nomination Committee and the Risk Committee of the Council and appoint their members;
- appoints the head of the Internal Audit Service and controls the operation of the services; and
- oversees business of the Bank in general.

Structure of the Group’s Governance



Decision-Making

The Group exercises vertical decision-making procedure, where each significant decision has to be approved by the top-management. Within the Bank, main strategic decisions, new activities and development of new products is coordinated by the Executive Board members in their respective areas of responsibility. The final decision-making authority on the mentioned issues has been entrusted to the Executive Board and in some cases with accept of the Council.

Executive Board

The Executive Board elaborates and ensures the strategic development of the Group, works on the business continuity and integrity, decides on changes in organization’s personnel structure and ensures control over all functions under supervision of each member of the Executive Board; develops new products of the Bank and appoints target operation areas for all structural units of the Bank as well as implements strategic decisions in relation to the subsidiaries.

The Executive Board is headed by the Chairman of the Executive Board. The Executive Board elects members of the committees - the decision-making and development enhancing collegial bodies – under its control as well as approves changes in their composition..

The Executive Board consists of four members:

- **the Chairman of the Executive Board Jelena Buraja** provides overall control over operation of the Bank, Group and Executive Board, Bank’s activity in the field of public relationship and advertising, human resources issues, issues related to non-performing loans, corporate finance and investment issues, investment property maintenance, development and sales issues, internal security issues, legal and lending legal issues, personal data protection, AML risk, sustainability

risk management issues, as well supervision of some subsidiaries;

- **the Member of the Executive Board, Deputy Chairman Ruslan Stecyuk** – in charge of the Bank`s activity in area of e-commerce, servicing payment cards, servicing clients, banking operations, IT and business technology, IT security, lending, Treasury and financial markets and correspondent banking relationships;
- **the Member of the Executive Board Mihails Birzgars** is responsible for regulatory compliance, management information system, accounting, finance, budgeting, payment processing, and back office issues, record-keeping and data administration, customers and counterparties data administration, financial services bookkeeping and control issues.
- **the Member of the Executive Board Vladlen Topchiyan** is responsible for the Bank`s activity in the field of prevention and control of money laundering and terrorism and proliferation financing, risk management issues, internal control, as well as oversight of secretariat, maintenance and security guards.

Composition of the Executive Board demonstrates the diversity, gender equality, variety of qualifications, experience and background. In a process of the election, the Bank has always focused on the experience and potential brought by the particular candidate, where age, gender and nationality in practice do not have particular effect.

COMPOSITION OF GOVERNANCE BODIES AND EMPLOYEE STRUCTURE IN THE BANK

By gender	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2021	2021	2020	2020	2019	2019
	Male	Female	Male	Female	Male	Female
Executive Board Members	3	1	3	1	3	1
Executive Management	8	8	8	2	7	3
Senior Management	11	18	10	15	10	16
Middle Management (Heads of divisions inside departments, Heads of groups)	23	32	32	49	38	57
Other employees	97	158	79	146	85	182
Total	142	211	132	213	143	259

By age groups	2021				2020				2019			
	<30	30-49	50-59	60+	<30	30-49	50-59	60+	<30	30-49	50-59	60+
Executive Board Members	-	4	-	-	-	3	1	-	-	3	1	-
Executive Management	-	4	5	1	-	5	4	1	-	6	4	-
Senior Management	1	18	8	2	-	18	4	3	-	20	3	3
Middle Management (Heads of divisions inside departments, Heads of groups)	2	44	6	3	4	60	12	5	6	69	15	5
Other employees	38	152	54	11	31	153	32	9	31	167	44	25
Total	41	222	73	17	35	239	53	18	37	265	67	33

Committees of the Bank

Members of the banking committees are proposed and approved by shareholders meeting, Council or the Executive Board after serious evaluation of efficiency of performance by each particular candidate. Each committee is composed of at least three members, in several cases – of five, and each of them is headed by the Chairman and the management within each committee is also provided by the Deputy Chairman.

The Asset and Liability Committee develops the Bank's asset and liability management policy; reviews the Bank's financing activities; provides recommendations to the Executive Board on asset and liability planning and management; develops the Group's liquidity and financial activity plan; executes control over the capital adequacy and risk diversification, sets the optimal structure for balance sheet to maximize profitability, limiting the possible risk level.

The Expert Commission takes care of the documentary base of the Bank, precision of their storage terms, and compliance with both regulatory requirements and legitimate interests of the Bank, providing safe and accurate keeping of files, protecting of the data included within the documents. The Expert Commission's responsible members provide consultations to the personnel on the effective and correct keeping of documents, maintenance and use, as well as evaluation and environment-friendly destruction, thus building stable and efficient attitude towards confidentiality of the data and reprocessing of valuable renewable resources.

Regarding the sustainability issues, the Bank pays major attention to the prevention of the money-laundering, and the financing of terrorism and proliferation. To control any possible threats to the fair and transparent business practice, **the Compliance Committee** has been established by the Executive Board to enforce the sustainability practices of the Bank. The Committee plans, develops and implements significant and sustainable decisions on measures that have to be implemented in order to prevent the involvement of the organization in any fraudulent and unfair practices leading to laundering of the proceeds derived of criminal activities, breach of national and international sanction regimes. The Compliance Committee takes all the steps in order to evaluate and provide efficient control mechanisms over internal processes of the Bank and elaborates on the anti-money laundering practices of the Bank.

The social life of the Bank, its non-financial activities and effective communication promotion is maintained by **the Internal Communications Committee**. Its members are designated to make basic decisions on development of the internal communications program within the Group, elaborate the team-building activities and tasks to be fulfilled on the way to establishment and promotion of the exchange of information within the Group and the Bank, establishing the Group's internal image and provide the satisfaction and social comfort to its employees. The Committee always takes care of the promotion of the Bank's reputable image and enforcement of the loyalty programs.

The Credit Committee is responsible for the implementation of the Bank's lending policy and managing the lending area of the Bank. **The Credit Valuation Committee** is responsible for application of correct classification and impairment guidelines for issued loans. Critical situations affecting the liquidity of the Bank are a matter of competence of **the Liquidity Crisis Commission** which is convened by the Chairman of the Executive Board in case of the triggering situations.

The Risk Committee of the Council consults the Council on development of the Bank's risk strategy as well as ensures the monitoring of implementation and promptly alerts the Council on possible actions and measures to be taken in order to comply with defined risk strategy and risk management policy.

The Nomination Committee ensures creation of professional and competent Executive Board and Council and keeps the Council informed regarding the assessment of the knowledge, skills and experience of the members of the Council and the Executive Board.

The Remuneration Committee ensures and monitors the application of a remuneration system for positions that affect the risk profile ensuring that remuneration complies with prudent risk management. The Nomination Committee, the Remuneration Committee, the Risk Committee of the Council and internal structural unit – Internal Audit service are subject to the Council.

The Audit Committee supervises in general the internal control system of the Bank, overviews efficiency of the internal audit system, and monitors the regulations related to the Bank’s financial reporting and the Group’s consolidated financial reporting, monitors the process of the statutory audit of the annual financial statements and selection of sworn auditors. It is subject to the Shareholders Meeting.

Initiatives on Sustainable Development Goals 2030

The Group continues to implement sustainability issues in its internal policies, instructions and processes. The Group uses UN Sustainable Development Goals 2030 as its guideline in order to achieve its sustainable development goals.

Although the goal setting process is expanding, following is a list of UN Sustainable Development Goals 2030 to which the Group already is responding and implementing for longer period of time:



(source <http://www.un.org/sustainabledevelopment/sustainable-development-goals/#prettyPhoto>)

Employment Practices

Employees as an essential and valuable part of the organization that continuously develops together with the Group. Average number of full time equivalent (FTE) employees in the Republic of Latvia and abroad was 558 in 2021 (603 – in 2020). The Bank is a prominent employer on the Latvian labor market. Employment of staff outside the Republic of Latvia complies with our vision to provide upmarket services in our defined strategy regions. Employment statistics at the end of period is provided in the Table 1 and Table 2 below.

TABLE 1. EMPLOYMENT BY GENDER AND AGE GROUP

	2021	2021	2020	2020	2019	2019
	Male	Female	Male	Female	Male	Female
<30	35	34	29	37	36	37
30-49	164	204	167	226	182	268
50-59	55	63	50	46	53	56
60+ years	16	18	17	16	19	28
Total	270	319	263	325	290	389

TABLE 2. EMPLOYMENT BY GEOGRAPHY

	2021	2021	2020	2020	2019	2019
	Male	Female	Male	Female	Male	Female
Latvia	247	292	240	294	269	355
Belarus	19	21	19	25	17	26
Russia	4	6	4	6	4	8
Total	270	319	263	325	290	389

The Group composes its personnel of both permanent and temporary employees, as well as offers the part-time employment, as Table 3 demonstrates. Seasonal variations in employment level are not typical for the Group. The Group supports its strategy to ensure stable long-term employment by permanent employment practice.

	2021	2021	2020	2020	2019	2019
	Male	Female	Male	Female	Male	Female
Number of permanent employees	268	308	261	320	287	379
Number of temporary employees	2	11	2	5	3	10
or						
Number of part-time employees	26	6	35	18	37	25
Number of full-time employees	244	313	228	307	253	364
Total number of employees	270	319	263	325	290	389

The Group implements several principles and follows its personnel policy in order to achieve its goal - to create a professional and motivated team that succeeds and performs the best. The Group focuses on creating and maintaining the long-term relations with its team of the employees. This goal is achieved by means of four main personnel management strategies:

1. convenient and ergonomic working environment;
2. loyalty motivation program;
3. remuneration system;

4. development opportunities both in terms of horizontal or vertical career growth.

The Group plans its personnel structure based on the strategic goals and business development highlights of the Bank and its subsidiaries. New hires and workforce turnover has always been based on the current demand in Latvia.

The recruitment process is objective, systematic and fair, giving equal chances to all applicants without restrictions and discrimination. Gender-related recruitment criteria have never existed within the Group, which provides equal employment opportunities for both female and male employees. As a result, the Group makes the advantage of most efficient and talented employees, regardless of their gender. Ageism is not a matter of concern in the Group as well, because the Group companies provide employment both to fresh starters, university graduates, experienced professionals and senior experts as indicated by employee turnover statistics in the Table 4 below.

TABLE 4. DIVERSITY OF EMPLOYMENT AND WORKFORCE TURNOVER OF THE BANK

	Total Number of Employee Hired		Total Number of Employee Dismissed		Rate of Employee Turnover (%)*
	Male	Female	Male	Female	
2021					
<30	15	11	9	8	
30-49	12	18	9	25	
50-59	5	6	2	3	
60+	1	1	2	2	
Total	33	36	22	38	18.99
2020					
<30	9	8	13	4	
30-49	6	10	11	33	
50-59	3	1	3	10	
60+	-	-	2	18	
Total	18	19	29	65	9.67
2019					
<30	8	10	10	14	
30-49	7	22	20	35	
50-59	1	-	-	3	
60+	-	-	-	8	
Total	16	32	30	60	16.61

*Employee turnover (%) shows share of dismissed employees in average number of employees for the period, except dismissals due to business model change.

The employees' selection diversity approach defined within personnel policy results in a wide variety of age groups of persons employed within the Group, including the governance structure. We put efforts to implement inclusive recruitment practices and make optimal benefit of the situation on the markets in different regions. This results in proficient and stable employee team.

The Group offers practice and employment opportunities for young people. This is a good possibility to get valuable and precious knowledge in banking and general business organization, which might well become a stable ground for further success and lead to employment in the Group. To engage the attention of students, representatives of the Bank attend employment trade fairs and events.

At the same time, the Group pays respect to the experienced employees. The Group has established a program for those who has worked for more than 10 years in it, and thus offers additional motivation for the long-term employees.

To better attract and keep stable relationship with its current employees, provide more comfort and stability options, the Group actively implements its loyalty program offering work-related bonuses both to permanent and temporary employees.

Employee Training

The Group attracts high level professionals to its team, still taking care of the professional development of the current personnel. The Group provides tuition to personnel, starting from the first day of employment. During the introductory training, HR specialist provides new employees with basic information on the Bank's history, mission, vision, strategy, products and internal labor regulations, Group's regulatory documents which stipulate general requirements related to the Group. IT specialists provide a short course on hardware/software use for daily activities. Afterward, employees are trained by the appointed mentor, and receive tuition as soon as it is necessary. Heads of the structures within the Bank actively promote professional growth of the subordinates, support their intentions to learn and contribute to their loyalty towards the Bank.

Enhancement of employees' knowledge, skills and competence is a key factor for the long-term success of the Group. Therefore, to maintain and develop its competitiveness, the Group invests in the development and growth of the personnel. The Group has well-developed program of in-house and external training, as well as an option to attend courses and seminars on a regular basis.

In general, the Group offers professional tuition in three categories:

1. **internal studies** – in-house training sessions and on-the-job training for employees who come to learn both in groups and individually, where the training is provided both by our experts and invited lecturers;
2. **external studies** – employees attend both short-term and long-term courses, lectures and conferences on Latvia and abroad;
3. **e-training** – a focused program developed and approved for each year, comprised of a study course on the working place and followed by online test.

The choice of the training subjects always depends on the current market needs, regulatory requirements, the topicality of the subject and benefits which the particular subject brings to the professional qualities of attendees.

Beside to the stated learning and professional development programs, our employees have broad opportunities to learn from experienced colleagues, who always come to advice and support the co-employees. We build a strong team; each person is dedicated to the common goals and skillful to bring the Group's development to the upper level.

Remuneration System

In the framework of its remuneration policy, the Group payment system provides for both basic pay and the additional pay-out forming the particular remuneration for the job. The main goal of the remuneration policy is to retain, attract, and motivate employees to be productive, efficient and creative. Although the Bank focuses on the remuneration, benefits are considered to be an additional motivation for the productive work practices.

Remuneration structure for the Groups personnel is formed of the following categories:

- basic pay;
- bonuses paid to those who put extra efforts to their daily job which leads to the high-quality performance;
- extra pay-outs for those who achieve results in client servicing;
- supplementary payments for overtime work, including the work on public holidays;
- payment of allowances, presents and compensations.

Stakeholder Engagement

The Group considers that one of the most important part of its business activities are its partners, society around it and its employees. The Group identifies its stakeholders as every person who is materially impacted by and impact our operations, separately or in groups. The Group has implemented various internal policies in order to manage the channels of communication between the Group and its stakeholders, to identify and select relevant stakeholders within each group. Expectations and concerns of each stakeholder type relevant to the Group as well as usual communication channels with them are disclosed below:

Stakeholders	Expectations or Concerns	Communication channels
Employees	<ul style="list-style-type: none"> - competitive salary - satisfactory welfare and benefits - sound workplace environment - career development and advancement - fair treatment 	<ul style="list-style-type: none"> - employee surveys - internal chats with executive management - internal communications channels (Intranet and internal e-mails) - public announcements and other activities during a year
Clients	<ul style="list-style-type: none"> - excellent professional service - provision of complete and accurate information - products that respond to the clients' needs - strict client privacy - individual approach to each client 	<ul style="list-style-type: none"> - relationship managers - remote communication channels - social media - Client Contact Center - feedback and complaints (program for improving the client service)
Shareholders	<ul style="list-style-type: none"> - financial strength and resilience - risk management - apmierinošs ienesīgums - pilnīga, caurskatāma un pierādāma informācija 	<ul style="list-style-type: none"> - briefings - financial reports - general meetings throughout the year
Investors	<ul style="list-style-type: none"> - financial strength and resilience - risk management - satisfactory financial performance - compliance with all applicable regulations and laws 	<ul style="list-style-type: none"> - investor meetings - briefings - financial reports
Commercial Banks and other Financial Institutions	<ul style="list-style-type: none"> - fair competition - overall economic development 	<ul style="list-style-type: none"> - meetings between banks on different occasions throughout the year
Regulators	<ul style="list-style-type: none"> - strict control of compliance with policies and regulations - transparency - high level of cooperation 	<ul style="list-style-type: none"> - submission of reports - bilateral and multilateral meetings
Business Partners and Suppliers	<ul style="list-style-type: none"> - fair and equal treatment towards business partners and creditors 	<ul style="list-style-type: none"> - communication between financial, procurement and planning functions, as stated in the internal instructions and policies
Society	<ul style="list-style-type: none"> - employment development - community support - provision of financial product information in a complete and correct manner 	<ul style="list-style-type: none"> - field visits to universities of Latvia to engage the community throughout the year - media - participation in exhibitions and other social activities throughout the year

Defining Report Content and Boundary

The Group defined the content and boundary of the report based on the GRI Standards Core option and taking into the consideration the relevance of the disclosed information to the required disclosures on sustainability matters.

The process for defining report content and boundary is performed sequentially. The Group performs evaluation in order to identify material aspects which are most important for sustainable growth of the Group and possible changes since previous report.

As a result of identifying the sustainability aspects relevant to the Group, prioritization of them, reaching consensus on aspects material to the Group and all its stakeholder groups.

Revision of the Identified Material aspects leads to confirmation that they are relevant and fully cover the impacts and issues that remains significant to its stakeholders. The identified material aspects are mentioned in the Identified Material Aspects chart.

In the effort to control, develop and achieve the sustainability goals that are identified as the most relevant and impacting for our stakeholders, all Identified Material Aspects and Boundaries will be revised each year. This will allow the Group to keep the track of the progress and key areas on which the Group should prioritize, this will enable the Group to identify new Aspects each year, which can arise in the changing environment based on evaluation performed within the Group following Material Aspects and Boundaries of the Report were identified:

- 1. Business Fairness:**
 - compliance culture;
 - fair behavior for all stakeholders;
 - transparency;
- 2. Efficiency and Solidity:**
 - financial stability and performance;
 - transparent organization;
 - reliability;
- 3. Client Experience:**
 - partnership relations;
 - quality of services;
 - individual approach;
- 4. Positive Impact on Society:**
 - national infrastructure;
 - responsible finance;
 - employment;
 - community engagement;
- 5. Development of Human Resources:**
 - employee development;
 - employee inclusion;
- 6. Emerging Risks:**
 - security;
 - environmental impact.

During reporting period previously determined material aspects remained the same.

Group Materiality

Influence on Stakeholder Assessment and Decision	High	5; 9	2	1; 4; 10; 11; 12; 14
	Moderate	16	3; 6; 7; 8; 15	13; 17
	Low			
		Low	Moderate	High
Significant impact on Economy, Environment and Society				

1. Compliance culture;
1. Fair behavior for all stakeholders;
2. Transparency;
3. Financial stability and performance;
4. Transparent organization;
5. Reliability;
6. Partnership relations;
7. Quality of services;
8. Individual approach;
9. National infrastructure;
10. Responsible finance;
11. Employment;
12. Community engagement;
13. Employee development;
14. Employee inclusion;
15. Security;
16. Environmental impact.

Reporting Scope and Boundary

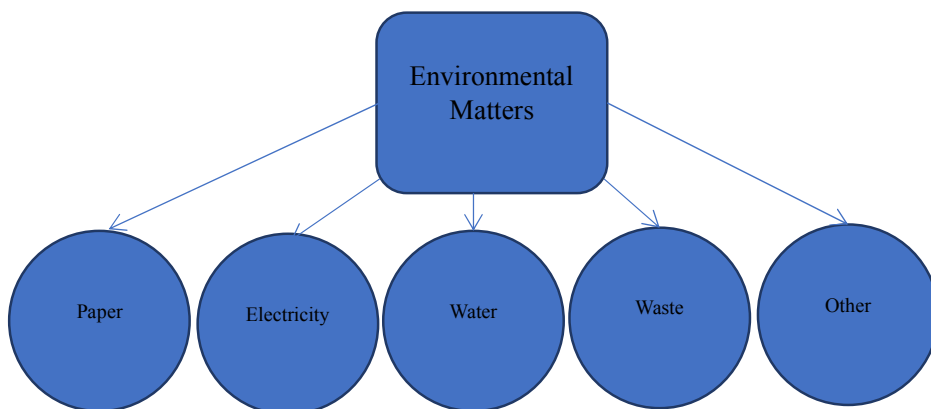
This report covers all entities of the Group. Significant subsidiaries of the Group are listed in the Annual Report. Following table illustrates which internal and external stakeholder groups are influenced by the identified Material Aspects.

Identified Material Aspects Chart

		Stakeholders Groups							
Aspect number		Employees	Clients	Shareholders	Investors	Commercial banks or other financial institutions	Regulators	Business partners and creditors	Society
Compliance culture	1	o	o	o	o	o	o	o	o
Fair behaviour for all stakeholders	2	o	o	o	o	o	o	o	o
Transparency	3	o	o	o	o	o	o	o	o
Financial stability and performance	4	o	o	o	o	o	o	o	o
Transparent organization	5	o	o	o	o	o	o	o	
Reliability	6	o	o	o	o	o	o	o	
Partnership relations	7	o	o		o			o	
Quality of services	8	o	o	o	o				
Individual approach	9		o		o				
National infrastructure	10	o	o						o
Responsible finance	11	o	o	o	o	o	o	o	o
Employment	12	o							o
Community engagement	13								o
Employee development	14	o					o		
Employee inclusion	15	o							
Security	16		o		o			o	
Environmental impact	17	o	o	o	o	o	o	o	o

Environmental Matters

The Group is aware of and has defined and implements its environment saving efforts in directions reflected in a chart below.



Since the most essential part of business operations take place at the Bank's Headquarters in Rietumu Capital Centre (RCC) facilities, for the purpose of this report, only environment issues of this location are being described.

RCC is one of the most modern office buildings in Latvia. As the Bank, most of the subsidiary companies' offices are also located in the RCC building. It is equipped with numerous facilities, which are envisaged for safe and responsible use of resources.

The climate control in the building is fully automated and adjusts temperature and humidity levels to be on most comfortable levels during winter and summer. This system is being controlled by BMS (Building Management System), being backed by double facade which helps to separate the building from outside environment. Climate control system controls also influence of solar energy on temperatures in premises and works in standby mode during weekends and nights.

Technical possibilities for RCC building air supply treatment with modern ionization technologies are being evaluated.

Electricity

Electricity is the main resource, which is being used by the Bank during day-to-day operation. In 2017 the Bank passed the energy efficiency audit for the first time.

The Bank's goal to decrease electricity consumption is being reached by transition to economical LED lamps as well as by efficient lighting outside working hours and during holidays.

Water

In order to decrease the damage to environment and to control the consumption of drinking water, the bank has installed water leakage control system that is linked to BMS system.

Natural Gas

Natural gas is being used and condensing type heating boilers in order to heat the water for employees and provide heating of premises with smaller influence over environment.

Waste

On top management level the Bank has defined its goals and implementation terms for waste management and sorting.

Paper

The Bank continues to reduce usage of paper by increased turnover of electronic documents and intends to switch to eco-labelled or recycled paper and stationery. Knowledge on saving and greener thinking among its employees is being spread out.

Fuel

The Group owns vehicles which are being used by employees.

CONSUMPTION OF NATURAL RESOURCES BY THE BANK

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Natural gas (Cubic meters)	166 070	160 252	190 689
Water (Cubic meters)	6 385	6 511	8 179
Electricity (Thousand kWh)	3 617	3 766	3 247
Water heating (Cubic meters)	1 242	1 411	2 046
Fuel (Thousand Liters)	45	44	52
Office Paper (Thousand kg)	<u>3</u>	<u>4</u>	<u>6</u>

Consumption of materials is minimal in the RB corporate operations, but nonetheless important. Key materials include office supplies, electronics and office equipment for internal operations.

Group’s Significant Changes in 2021

Changes in Corporate Culture

The Group is a part of the global economy ecosystem; therefore, its activities are subject to the effect of pan-European changes in rules of international business management and regulations enforceable within the banking sector.

After two years of the COVID-19 coronavirus pandemic impacts, the world is a different place. As soon as some sense of stability sets in, a new and unforeseen risks emerges. Social and environmental movements have transformed the expectations of corporate responsibility. And digital technologies are rapidly evolving—many of which will be transformative to existing financial systems. In this reality, regulators and the financial services institutions they supervise are racing to keep pace.

Financial sector was pushed to adopt long-term remote working practices and at the same time was required to mitigate risks related to accelerated online and digital technology; to innovate products, analytics, and systems, but also enlarge its corporate responsibility in areas of climate and environmental, social and governance (ESG)-related financial and non-financial challenges.

Until now, the current non-financial disclosure requirements have been binding on large public interest entities under the Non-Financial Reporting Directive (NFRD). In order to link the goals of the European Green Course and also to reorient capital flows towards a more sustainable economy, 2021 marked a major turning point in disclosure requirements in the European Union. The aim of the renewed legal framework is to create a consistent and coherent flow of sustainability information throughout the financial value chain. The phasing-in of the new EU Regulation on Sustainability Disclosure in the Financial Services Sector (SFDR), which sets out requirements for financial market participants to disclose sustainability information to final investors, and the Taxonomy Regulation establishing a common classification system for environmentally sustainable economic activities will intensify many changes in the corporate governance processes of large companies and in the economy as a whole. The Bank's management has initiated staff training and internal product evaluation processes to be able to meet the requirements that will apply to the Bank in the future, as well as preparing to customize its disclosure format. As a result, individual investors will be better informed about the sustainability implications of the offered financial products.

Environmental impact assessment will become an important driver of value, risk and opportunity.

Changes in top management of the Bank

During reporting period, Ilja Suharenko, who prior had been the Deputy Chairman of the Executive Board and was responsible for customer service, sales and regional development, joined the Bank's Council as its sixth member.

Jelena Buraja was appointed for position of Chairman of the Executive Board by the Council. She started her career at Rietumu Bank in 2007 as a loan officer. In 2012 she became Head of the Problem Loan Division, in 2016 she became Vice President and later that year – Member of the Bank's Management Board. As a member of the Board, Jelena Buraja was in charge of the bank's activities in the field of corporate finance and investments, legal issues, as well supervised operations of some subsidiaries of the Group.

Mihails Birzgars who has been working at Rietumu Bank since 2003, has also joined the Bank's Executive Board. During the last three years in a position of Vice President he has been responsible for such areas of the bank's activities as payment operations, data and recordkeeping administration.

During reporting period, Emmanuil Grinshpun was appointed for a position of Vice President being

responsible for attracting foreign clients and international investment projects, sales of banking products and services.

Communication with clients and product offer

During reporting period Rietumu continued its lending activities. The bank finances ambitious projects in both commercial and residential real estate developments, manufacturing, transport, pays special attention to fintech start-ups and other promising areas. The bank develops complex financing, including both lending and investment in customers' business projects.

Rietumu Asset Management company updated its line of investment products – thematic investment portfolios. Each portfolio is a carefully selected set of shares of public companies from those sectors of the world economy that are developing and growing the fastest due to newest and emerging technologies, actual macroeconomic and social trends. In many ways, those portfolios is a great alternative to thematic ETFs (Exchange Traded Funds), as they provide a much more flexible and personalized solutions for investing in cutting edge areas and long-term trends. Among other advantages of RAM thematic portfolios - well balanced each portfolio structure, regular rebalancing and quality control of issuers, wide geographic diversification, detailed reporting and transparent cost structure.

Social Impact Made by the Group

The Group is a part of the society, and the basis of its sustainable business practices is formed by building upon financial technologies, step-by-step development of the corporate culture and maintaining fair business operation. Apart from forming a significant financial industry player on the Latvian, the Group is one of the leading organizers and supporters of charity events aimed at the development of society and raising its welfare. At the same time The Group supports important projects in area of culture and education.

The Group's philosophy is that everyone has to share the wealth – even in small portions – with other people who are in need, help humans to overcome difficulties, to increase overall level of cultural awareness, and support talents to overcome any social obstacles in order to grow and give satisfaction to the whole society, it relates to culture as well as any other measure of the healthy sustainability.

As the Group assumes, both large and small charitable deeds may be important and equally valuable since timely aid, support and a hand, stretched out to help those next to us, makes the society sustainable and viable, and builds a strong connection between various social groups. One can never measure good intentions and support to those who are in need, since timely aid, support and an effort to rich out to help those beside us is just priceless.

The Group focuses in particular on providing assistance in areas and projects that do not yet receive full support from the state, thus expanding the scope of this joint community work. Charity campaigns are implemented throughout the country - both in large cities and small villages - depending on where the help is most needed at the moment.

The Bank endorses social life and culture development in Latvia by participating in shows of world-scale performers and musicians in Latvia. We believe that any field of art must be diverse and provide an opportunity for talented artists to express themselves.

In 2021 after a year-long break caused by the Covid-19 pandemic, concerts and other events of the largest music festival in the Baltics "Riga Jūrmala" took place again. The festival under this title started three years ago and is continuing the best traditions of the "Baltic Music Seasons", which took place in 2010s with the continued support of the charity fund "Future Support Fund" ("Nākotnes Atbalsta fonds") set up by the bank. und. Festival "Baltic Musical Seasons" became a respectable successor to the traditions of Jūrmala Music festivals. Music lovers from Latvia and other countries enjoyed performances by the world's best orchestras and classical music performers during five weekends.

In 2021, Rietumu Bank became the official partner of the 2021 IIHF World Hockey Championship in Latvia. 16 national teams participated in the World Championship, including the Latvian team. Such a significant event for world sports as the ice hockey championship was held in Latvia for the second time. Rietumu Bank also provided funds to ensure the work of volunteers during the World Cup. Volunteers traditionally help spectators, athletes, judges and all participants of the championship, participate in the preparation of arenas, information centers, act as assistants, interpreters, guides and meet and accompany guests..

Support of Art and Culture

The Bank regularly organizes art exhibitions of both local and foreign artists, sculptors and photographers in its permanent art gallery located in the center of the city, in the Bank's headquarters. Each exhibition is launched as a sparkling event with authors' participation and everyone is welcome to enjoy the art at the exhibitions open and free (whenever permitted by national procedures).

To introduce the public to an important segment of the history of Latvian contemporary art. and to raise awareness for the need for a Museum of Contemporary Art, in summer of 2021 an open-air park entitled "Mobile Museum. Next season " was created in territory of former textile factory "Bolvevicka". Art works created for various art projects in the 1990s were exhibited there. The Latvian Center for Contemporary Art (LLMC) was the organizer of this large-scale free of charge outdoor exhibition.. The project was supported by the Culture Capital Foundation, Riga City Council and the "Future Support

Fund".

The charity programs support both art exhibitions and the placement of significant works of art in national galleries, as well as the purchase of works of art for the benefit of Latvian museums.

At some art auction the foundation bought Aleksandra Beļcova's painting "Landscape with a Cross. France", made in the early 1930s in the south of France. Continuing the cooperation this work was donated to the Roman Suta and Aleksandra Beļcova Museum in Riga.

Recently cooperation with the Museum of Decorative Arts and Design started. The museum received funding from the State Culture Capital Fund to create a new, innovative, sustainable and internationally convertible design exhibition that will occupy the museum's third floor. Our funding will be used to purchase - lighting and audiovisual equipment for renovated premises.

Since its initiation eight years ago, the charity fund has been supporting contest "Talents of Inese Galante" with bonuses and scholarships to winners. During those eight years the contest has become remarkable event of music life in Latvia. It provides true and unique possibility for those who see their future in classic music to try their talents in the front of professional jury and audience. In addition to prizes and scholarships, the winners traditionally receive an invaluable experience by performing on the same stage with outstanding musicians, namely, the opportunity to participate in prestigious musical events and concerts organized by the Inese Galante Foundation.

For the sixth year already the largest Russian language newspaper "Segodņa"(Today) in collaboration with magazine "Ljubljū", Baltic International Academy and the charity fund organized essay competition for schoolchildren. Professional educators – Russian language and literature teacher association members actively participated in it. Essay topics offered to each of three age groups is developing not only language skills, but also personality development. The number of participants in the competition continues to grow every year.

From 2012 the Latvian Television is organizing contest "One kilogram of culture" (Kilograms kultūras). The charity fund provided it with awards to remarkable cultural events within several nominations. Winners received golf plated weights and financial bonus from the charity fund.

The Latvian classic car club organized the traditional international trip of ancient vehicles "Retro Jūrmala" for the 22nd time. It was traditionally supported by Jūrmala City Council and the "Future Support Fund".

Social Consciousness of the Group

The ability to understand emotions, needs and concerns of other people, awareness of people within the society created the Group's attitude towards charity. Making the society better and building the grounds towards its sustainable development are those two cornerstones, to which the Group's main values belong, and which build the stable basis for the charity program.

The charity foundation - "Nākotnes Atbalsta fonds" ("Future Support Fund") - formerly, Rietumu Bankas Labdarības Fonds - has been in charge of development, elaboration and implementation of charity programs since its establishment in 2007. During these 14 years, more than EUR 6 million was spent for charity. It continued implementation of its goals supporting socially responsible activities and serving public benefit.

In order to facilitate philanthropy and be socially active the charity fund has defined following priorities – contribution to social problem solving, improving of health care and promoting healthy lifestyle, widening of access to education, promoting the development of science, expanding society access to cultural and art events, facilitating of environment protection, expanding healthy and active leisure opportunities for children and young people, as well as involving talented children and young people in various culture, physical and sports activities.

Each year the fund supports various thematic camps for children and teenagers allowing them to develop,

learn new skills and have quality recreation.

In order to develop the creative abilities and talents of teenagers and young people, in 2021 the Foundation provided funding for the summer film school in Riga "Let's Make Cinema Together" managed by director, screenwriter and producer Stanislav Tokalov.

Also, cooperation was continued with the robotics group "Sensors" of the Madona Children and Youth Center, founded in 2015 with assistance of the fund, for which modern equipment -3D-printer and other appliances were purchased in order to improve the content of the activities.

Funding was provided for a christian summer camp "Talents of Light 2021" in Ērgļi municipality, for children and young people with special needs, as well as children from poor families.

Cooperation started with the association LiveIntegro by allocating funds for organization costs of the project "Next Step", aiming to provide young people with special needs with the first work experience.

Cooperation was continued with the association "Autism Support Point in Rēzekne" allocating funding for the organization of individual developmental activities for children with autism spectrum disorders.

Support was provided for a sports camp in the Kurbads ice hall in Riga. Children in age 12 to 16 had the opportunity to improve their skills in hockey, learn more about the theory of this sport and receive expert advice regarding career choice. As part of the camp, the children had two trainings a day with participation of international coaches.

In December, the foundation decided to provide support to one of the oldest NGOs in Daugavpils and Latgale - the Daugavpils City Association of the Disabled persons. The allocated funds were used for the purchase of Christmas gifts and holiday treats for the members of the association.

Also, financing was allocated to the Talsi Women's and Children's Crisis Center for purchasing of heating pellets to provide heating and hot water.

Employees are also involved in charitable activities such as cleaning up at the Ulubele Animal Shelter or donating property to a bird shelter, collecting donations for sick children.

In 2021 cooperation started with the largest animal shelter "Ulubele", which has been taking care of lost animals for more than 15 years. The fund will support the maintenance and repair of animal aviaries, purchase medicine and veterinary services.

In order to thank the doctors and medical staff who are fighting the Covid-19 infection, the foundation donated invitations to a performance during the international theater festival "Golden Mask" for staff of leading Latvian hospitals. Another initiative dedicated to medical staff was invitations to Andrejs Žagars memorial concert "Friends to Andrejs Žagars" in Cēsis Concert Hall.

Complementing long-term charitable activities with the selection of new charitable projects also indicates a gradual change in the development of society and its priorities, moving from problem solving and improving the quality of material life to the emotional well-being and further spiritual growth of society.

Contact Person for Sustainability Report Preparation and Sustainability Practices:

Ms. Eleonora Gailisha

Public Relations Division

Press Secretary

JSC "Rietumu Banka" Head office

Vesetas 7, Riga, LV-1013, LATVIA

Tel. +371 67025555

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Abbreviations:

AR - Group Consolidated and Bank Separate Financial Statements

SR – Sustainability Report