

RIETUMU BANKA AS

**Group Consolidated Sustainability
Report**

for the year ended 31 December 2019



Mission

The Bank 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. The Bank aims at providing premium quality service, our personalised and client-oriented approach allows to devise and offer tailored financial solutions for every client meeting his/her business needs and personal requirements.

Vision

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

The Bank is also planning to foster the improvement of risks and control management systems, staff training and professional growth of all its employees.

The Bank; 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 2019 is the Group's third sustainability report, covering a period from January 2019 to December 2019 and the organizational structure dated December 31, 2019. 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 and social responsibility.

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 29. 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. *Rietumu Banka AS* 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 *Rietumu Asset Management* which specializes in the asset management services including management of individual portfolios for clients.

The Group also comprises Belorussian leasing business focused on industrial equipment leasing. The Bank partly owns and finances a consumer leasing company named *InCredit Group SIA*, which is registered and operates in Latvia. *RB Investments SIA* 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 the 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, e-commerce companies.

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: international trade financing, 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;
- investment in premium brands of wine.

3. Products and Services for Individuals:

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

4. Investment Products:

- demand and term deposits, subordinated deposits;
- tailored investment solutions;
- lending;
- 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 corporate 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 two main channels, which can be used for that:

1. The Ombudsman provides support to bank customers for the establishment and settlement of possible disagreements with Latvian banks regarding 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>

2. 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

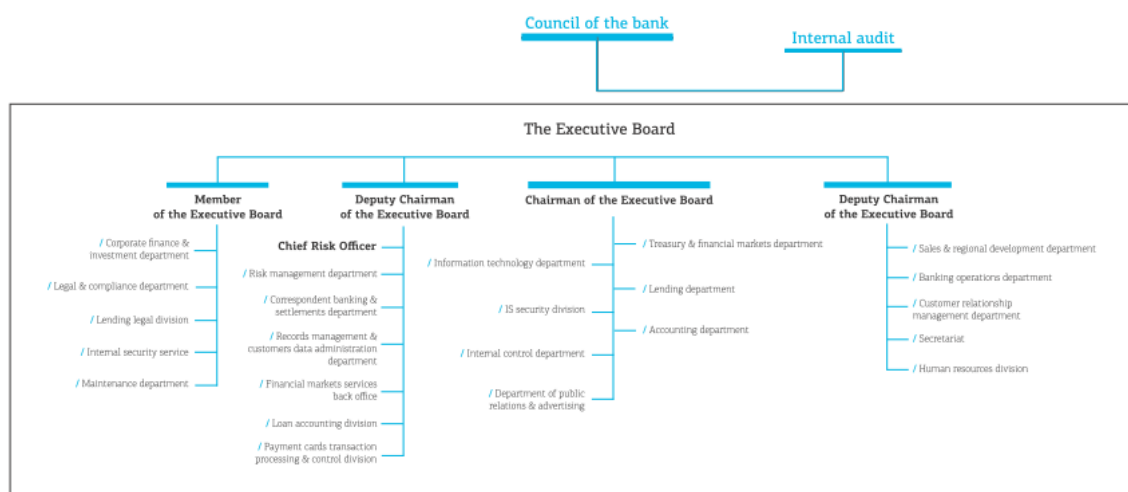
E-mail: complaint@rietumu.lv

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 supervises activity of the Executive Board, controls the way the Executive Board ensures development and effective performance of the internal control system; considers appropriate candidates to the Executive Board, elects and approves the Executive Board Members, Audit Committee and Chief Risk Officer; controls that the Bank complies with the regulatory requirements in its business operation; monitors activities of the Executive Board; approves any changes in organizational structure of the Bank; examines the annual report and considers the Executive Board's proposals on the profit distribution; makes decisions on distribution of the annual budget, and monitors business of the Bank in general.

Structure of Group's Governance



Decision-Making

The Group exercises vertical decision-making structure, 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 of the Bank, the decision-making and development enhancing collegiate bodies of the Bank, and approves amendments to composition of the committees.

The Executive Board consists of four-members:

- **the Chairman of the Executive Board Rolf Paul Fuls** provides overall control over operation of the Bank, Group and Executive Board, as well as is in charge of accounting and finance, financial planning and control, management information systems, information technology, security, personal data protection, the area of prevention of money laundering and prevention of terrorism and proliferation financing issues as well as overseeing some lending and financing projects, supervises treasury, and overseeing operations of some subsidiaries;

- **the Member of the Executive Board, Deputy Chairman Ruslan Stecyuk** – in charge of risk management, payment cards, payment processing and back office, e-commerce issues and record-keeping and data administration issues;
- **the Member of the Executive Board, Deputy Chairman Ilya Suharenko** is responsible for general client servicing, sales and regional development and banking operations issues as well as human resource management;
- **the Member of the Executive Board Jelena Buraja** is responsible for the corporate finance and investments, the Bank's legal compliance and lending legal issues, internal security and maintenance matters.

Composition of the Executive Board demonstrates the diversity, gender equality, variety of qualifications, experience and background. In a process of the election, the Council 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
	2019	2019	2018	2018	2017	2017
	Male	Female	Male	Female	Male	Female
Executive Board Members	3	1	3	1	6	3
Executive Management	7	3	6	3	9	3
Senior Management (Top- Managers, Heads of departments and general divisions)	10	16	12	19	16	21
Middle Management (Heads of divisions inside depart- ments, Heads of groups)	38	57	40	70	55	101
Other employees	85	182	96	194	167	338
Total	143	259	157	287	253	466

By age groups	2019				2018				2017			
	<30	30-49	50-59	60+	<30	30-49	50-59	60+	<30	30-49	50-59	60+
Executive Board Members	-	3	1	-	-	4	-	-	-	9	-	-
Executive Manage- ment	-	6	4	-	1	4	4	-	2	5	5	-
Senior Management (Top- Managers, Heads of depart- ments and general divisions)	-	20	3	3	-	25	3	3	2	29	4	2
Middle Manage- ment (Heads of di- visions inside de- partments, Heads of groups)	6	69	15	5	10	81	14	5	15	111	21	9
Other employees	31	167	44	25	57	161	46	26	153	245	65	42
Total	37	265	67	33	68	275	67	34	172	399	95	53

Committees of the Bank

Members of the banking committees are proposed and approved by 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, taking records on them, maintenance and use, as well as evaluation and environment-friendly destroyal, 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. 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 functions of combating the risks to be involved in the potential money laundering transactions, is also entrusted **the Client Policy Compliance Committee**, which, along with client registration compliance procedures, maintains the proper Know Your Client policy.

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 overall risk control and prevention measures are planned and developed by **the Risk Committee**. The committee ensures the monitoring of the Bank's risk strategy, promptly alerts the Council on possible activities and steps that must be taken in order to keep to the risk strategy and risk management policy. **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. Risk Committee and Audit Committee are subject to the Council.

Initiatives on Sustainable Development Goals 2030

The Group plans to implement sustainability issues in its internal policies and instructions. The Group intends to use UN Sustainable Development Goals 2030 as its guideline in order to achieve its sustainable development goals.

This is the list of UN Sustainable Development Goals 2030 to which the Group can and already is responding:



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

Employment Practices

Employees as an essential and valuable part of the organization continuously develops together with the Group. Average number of persons employed by the Group in the Republic of Latvia and abroad was 701 persons in 2019 (856 – in 2018). The Bank has become 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 key 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

	2019	2019	2018	2018	2017	2017
	Male	Female	Male	Female	Male	Female
<30	36	37	50	58	95	104
30-49	182	268	189	261	223	346
50-59	53	56	58	60	46	71
60+ years	19	28	21	32	25	42
Total	290	389	318	411	389	563

TABLE 2. EMPLOYMENT BY GEOGRAPHY

	2019	2019	2018	2018	2017	2017
	Male	Female	Male	Female	Male	Female
Latvia	269	355	297	379	377	534
Belarus	17	26	17	25	1	4
Russia	4	8	4	7	7	11
Other countries	-	-	-	-	4	14
Total	290	389	318	411	389	563

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.

TABLE 3. TYPES OF EMPLOYMENT CONTRACT

	2019	2019	2018	2018	2017	2017
	Male	Female	Male	Female	Male	Female
Number of permanent employees	287	379	317	399	382	549
Number of temporary employees or part-time employees	3	10	1	12	7	14
Number of full-time employees	37	25	44	41	39	36
Total number of employees	290	389	318	411	389	563

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	
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
2018					
<30	8	5	40	42	
30-49	3	7	50	112	
50-59	-	1	8	21	
60+	-	-	9	17	
Total	11	13	107	192	15.00
2017					
<30	19	19	31	33	
30-49	17	23	21	44	
50-59	-	3	5	4	
60+	1	1	7	4	
Total	37	46	64	85	12.47

*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;
- additional payments for creative innovations offered to the Bank.

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.

Appointed senior executives from various business divisions of the Group revise the Identified Material aspects to confirm that they are relevant and fully cover the impacts and issues that are 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

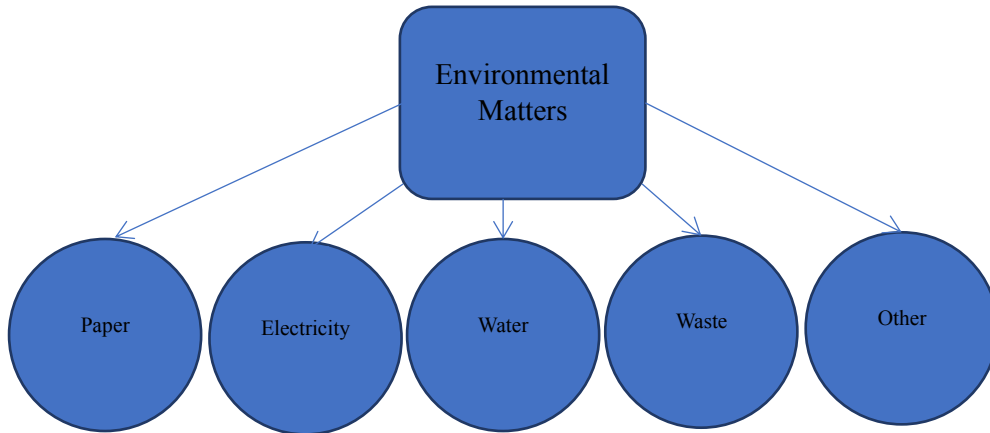
This report covers all entities of the Group. Significant subsidiaries of the Group are listed in the Annual Report. Following table illustrates which internal and external stakeholder groups are influenced by the identified Material Aspects.

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. In 2020 modernization of BMS system is planned aiming to deeper control and analysis of energy use and quality.

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

The Group currently doesn't use any special facilities of waste management, but it is one of the goals which the Group would like to achieve in future. This question has been already escalated on top management level.

Paper

The Group intends to reduce usage of paper by larger usage of electronic documents and facilitates saving and “green” thinking among its employees.

Fuel

The Group owns vehicles which are being used by employees.

CONSUMPTION OF NATURAL RESOURCES BY THE BANK

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Natural gas (Cubic meters)	190,689	204,308	187,558	179,052	155,130
Water (Cubic meters)	8,179	11,146	13,091	13,490	14,702
Electricity (thousand KwH)	3,247	3,427	3,539	3,599	3,527
Water heating (Cubic meters)	2,046	2,067	2,593	2,711	2,790
Fuel (Thousand Liters)	52	47	75	84	76
Paper (Thousand kg)	<u>6</u>	<u>7</u>	<u>11</u>	<u>14</u>	<u>14</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 2019

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. During reporting year, the Bank has implemented the set of measures that are required by Personal data protection regulation and thus set higher sustainability level within the Group in terms of the human rights protection, client data safeguarding, enforcement IS security, changing data administration processes and ensuring stable cooperation. At the same time the Bank has introduced even stricter requirements for fighting bribery and corruption as well as continued to encourage other market participant to adhere to those.

Changes in Global Reach of Group

The changes made to the business model of the Bank during the reporting year were successful and bore its fruits. The switch from riskier offshore activities to safer domestic ones was welcomed by local market participants and the Bank started to play more important role in the regional development.

In 2019 the Bank was seen as an even more stable and reliable institution than 2018. It was proven by FCMC decision to allow the Bank to pay out significant portions of its retained earnings as dividends. Important regulatory indicators remained well above defined minimum levels. Positions in the most stable markets were strengthened according to internal customer attraction and retention policy, forming healthy and reliable customer base with noticeable growth potential.

The Bank treats all EU countries as one important home market with high degree of sustainability while the Baltic states are seen as local market. Bank has one representative office in Moscow, Russian Federation. Currently the Bank is active in such traditional industries as logistics, transportation, transit, export-oriented production – from production to metal processing and non-banking sector.

Changes in Organizational Structure of the Bank

The new compact and streamlined internal structure of the Bank that was introduced in 2019 proved itself successful. By decreasing the number of employees the management made it possible to award the commitment of those who have stayed in a more objective way. The shortening of the chain of command that was reflected in decreasing the number of the board members affected the efficiency of the banking operations in a similar fashion.

Communication with clients and product offer

In 2019, Rietumu launched a new website, with new design, structure and updated content. The contemporary website corresponds to the latest trends and complies with the interests and requirements of the bank's customers. New site is adapted to phones. New site provides not only access to actual product information, financial statements, but also educates its clients and provides its clients and partners with an electronic version of *Rietumu Guide* – a guide of Riga, Jurmala and Latvia.

In 2019 Rietumu has been especially focused on crediting as it becomes one of the bank's strategic priorities. 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.

Rietumu concluded an agreement with Latvian development finance institution ALTUM. The institution provides support to small and medium-size enterprises, start-ups, agricultural businesses and other target groups via state financial instruments.

An updated line of credit cards, with new opportunities and bonuses for customers, has been launched. All Rietumu cards are contactless and fit the latest technologies. A special advantage for entrepreneurs and keen travelers is a quality worldwide insurance which comes with the card.

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 has been a long-term patron of art, culture, society development, and active charity enthusiast.

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, no matter if it's all about culture, business, or any other measure of the healthy sustainability.

As the Group assumes, both large and small charitable deeds are 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. Every effort for the sake of goodness and help makes the society sustainable in general and builds strong connection between the parts of the society.

The Bank endorses social life development and improving the cultural aspects of life here in Latvia by participating in shows of world-scale performers and musicians in Latvia; the same the Bank takes part in the music, ballet and theatre festivals. Pop, jazz, classical music calls Latvian music lovers and all those who are open to come and see prominent cultural events.

In 2019, the Group has participated in such well-known festivals as

World Jazz Festival – the 6th in a row this year, hosting world stars of jazz music in the capital of Latvia;

Theatre festival 'Golden Mask' that visits Latvia since 2006 uniting cultures and building a bridge between Russia and Latvia and experiences great public interest. Organizers of 'Golden Mask' always invite society to come to a special event in scope of 'Golden Mask' – a charity dinner with guest stars, where everyone is welcome to share monetary values with those in need in exchange to open communication with actors. 'Golden Mask' is a kind of sustainable culture event which bears a proper load of endorsing the cultural level in Latvia. Starting from 2012, festival has introduced a nice tradition – actors planting trees in the capital under guidance of experienced gardeners.

The Bank regularly participates in the concerts of folk, classical and popular music, who come from Israel, Russia, Italy, the Baltic States and from all over the world, proving that there are no boundaries for the art.

Support of Art Exhibitions

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.

Within charity programs art exhibitions are supported, as well as placing prominent art works for display in national galleries and artwork acquisitions financed and donated to Latvian museums.

In 2019 RB charity fund supported such remarkable art event as exhibition-of outstanding Latvian artist Aleksandra Belcova in Latvian National Museum of Art that presented her paintings, graphics and porcelain represented diversity of this artist.

The Fund supported also exhibition of Ivan Aivazovsky paintings in the Art Museum Riga Bourse.

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.

Since its establishment in 2007, the charity fund - Rietumu Bankas Labdaribas Fonds - has developed, elaborated and implemented huge number of charity programs and has become one of the largest charity organizations in Latvia. The Fund supports socially responsible activities and serves public benefit.

In order to facilitate philanthropy and be socially active the charity fund has defined following priorities – to support some solutions for social problems, including health care, to support to children and youth, education, science, culture and art. During these 12 years, EUR 5.7 million was spent for charity. In 2018 95 projects were implemented and in 2019 the fund continued to support events which trigger social development to its best.

Highlighting importance and hard work of medical nurse profession, the contest “Looking for the Best Nurse” has become traditional and recognition and monetary prizes found their new owners – 20 nurses from Children's Hospital in Riga. Selection was a result of applications of former patients and their family members as well as medical personnel co-workers. Event was supported by informative partner - the daily newspaper “Diena”. As usual, gratitude ceremony was held at the President's Residence. Patroness of the event is the President's spouse.

Overall, the contest took place for 6 times. In 2008 and 2012 Children's Hospital nurses were selected, in 2009 and 2014 Latvian regional hospital sisters were selected, in 2015 attention was devoted to Paul Stradins Clinical University Hospital and in 2018 – sisters of university hospitals.

Besides health care, the charity fund endorses children in education, sports and overall personality development. To facilitate schoolchildren open-air activities as well as to spread out popularity of basketball as a sport, the fund in cooperation with the Basketball Club “VEF Riga” continued tradition to donate outdoor basketball hoops to schools in Riga, Riga area and other regions of Latvia for the third year already. In contest of 2019, additional four schools received hoops and balls. We are sure that such equipment is improves sport infrastructure of schools as well as children welfare and health. Cumulative, sixteen schools have been supported already.

At the same time, the Group also engages its employees to support the charitable deeds, and, indeed, actively calls everybody to share presents, sweets, gifts and toys to people of various age groups and in their specific complicated situations, and the employees actively respond to this initiative.

The charity fund patronizes a regular project series entitled “Sacral Heritage of Latvia” for the eighth year already. This is a result of the fruitful cooperation of the charity fund and Latvian State Cultural Monument Preservation Inspectorate, with a purpose to either preserve or renovate in high quality sacral and religious monuments. During eight years more than 50 churches received donations for renovation of smaller or larger historical heritage units- such as stained glass, chandeliers, organs, altar paintings, dome of the church as well as for urgent repairs.

In reporting period, the fund selected to support 8 projects of different confessions in Latvia with total budget of EUR 25,000. Among them – churches in Riga, Griva, Asare, Aluksne, Krivosejeva, Kuldiga and Sprogu.

To live in beautiful, safe and pleasant environment, the fund provides its support to social projects which have been supported by near and far located Latvia's municipalities.

Since its initiation six years ago, the charity fund has been supporting contest “Talents of Inese Galante” with bonuses and scholarships to winners. During those six 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.

For the fourth year already the largest Russian language newspaper “Segodņa”(Today) in collaboration with magazine “Ljubljū” 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.

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 gold plated weights and financial bonus from the charity fund.

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Abbreviations:

AR - Group Consolidated and Bank Separate Financial Statements

SR – Sustainability Report