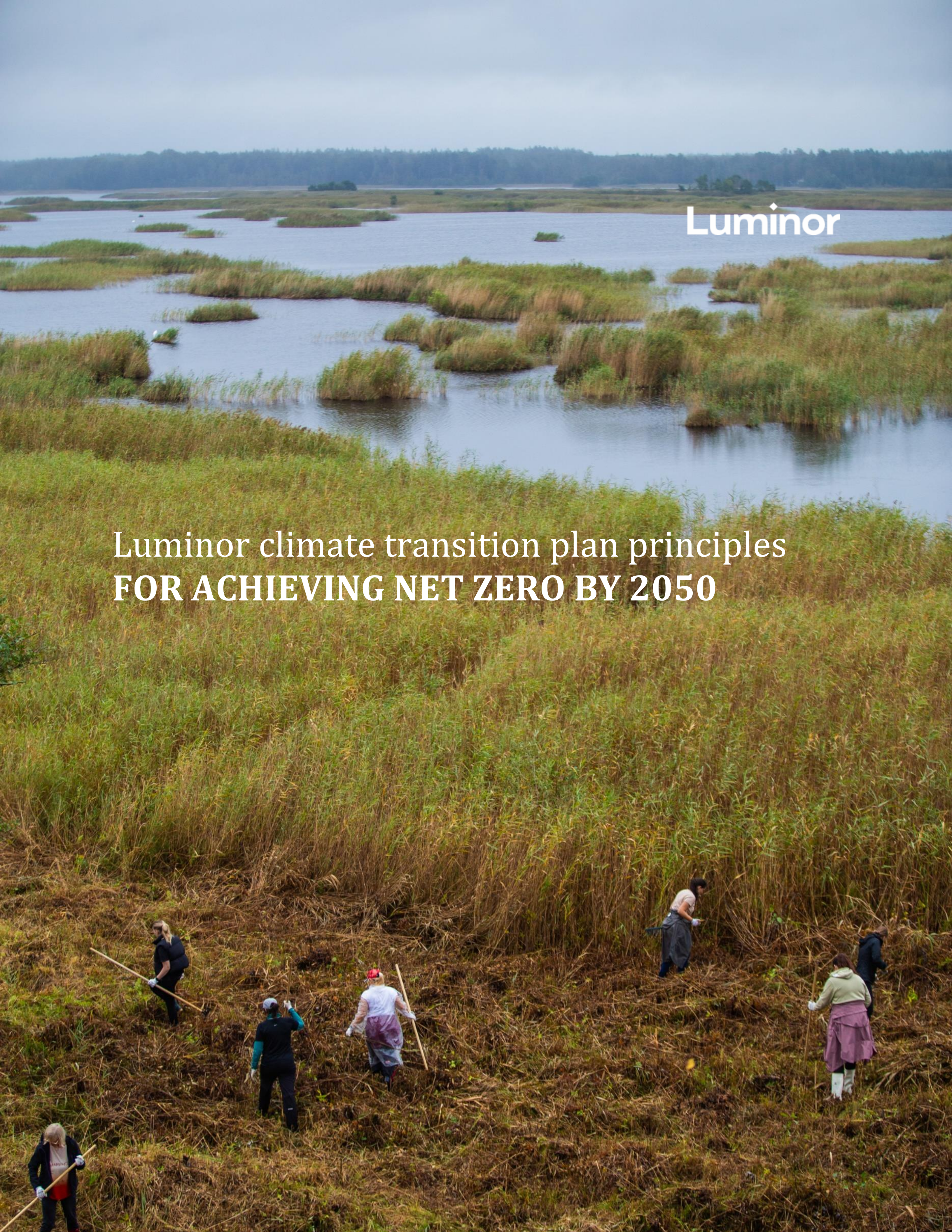

Luminor climate transition plan principles
FOR ACHIEVING NET ZERO BY 2050

CONTENTS

INTRODUCTION

As the CEO of Luminor Bank AS, I am proud to share with you our transition plan for achieving a net zero future.

The Transition Plan details the Luminor strategy for decarbonisation. The journey to net zero is both a formidable challenge and a significant opportunity but our plan is built on a foundation of science, strategic investment, and a commitment to transparency and accountability.

Our transition plan contains the following key initiatives:

a. **Decarbonising our Operations.** We are dedicated to reducing our own carbon footprint by investing in becoming more energy-efficient, transitioning to renewable energy sources, and promoting sustainable practices across all our offices.

b. **Moving to Decarbonise our Lending and Investment Portfolios**. **Helping our customers and relationship managers** make informed decisions about decarbonisation options. We are committed to supporting our clients in their journey to sustainability.

In addition, the key initiatives are supported by:

- **Policy Advocacy and Partnerships**. We will engage with policymakers, industry groups, and other stakeholders to advocate for policies to make the financial system and the wider economy sustainable and resilient.

- **Transparency and Reporting.** We pledge to maintain high standards of transparency in reporting our progress towards our net zero goals.

Our vision for a net zero future is ambitious, but it can be achieved with dedication and collaborative effort.

Transition planning is at an early stage in its development. Government climate policy, transition planning frameworks, and standards of best practice are in the early stages of development will continue to evolve for some time. We will therefore need to repeatedly develop and refine the transition plan to reflect these changes. As we embark on this transformative journey, I invite all our stakeholders to join us. Together we can build a more sustainable, equitable, and prosperous future.

Wojciech Sass
Chief Executive Officer and
Chairman of the Management Board

TARGETS AND PROGRESS

Luminor is committed to sustainability and combating climate change, and to the net zero future. Our targets are to reduce the carbon footprint of our operations and investments, increase financing for sustainable or sustainability linked projects, and make our environmental reporting more transparent.

KEY TARGETS

Reducing the climate impact of our operations: The best way to reduce our climate impact is to reduce our emissions. Our target is to halve our operational emission intensity per employee by 2025 from the 2021 baseline of 1.44 t CO_2 eq./FTE. This target is in line with the goal of net zero emissions by 2050. How we will achieve the target is explained in the section "Our Climate Roadmap".

Reducing the climate impact of our loan portfolio: The GHG emission targets for corporate lending and retail mortgage lending through to 2027 have been set under the financial plan approved in 2024. The target was calculated using the forecast for new loan volumes and those lending volumes were then converted into GHG emissions financed in absolute terms and with intensity levels. The current action plan for decarbonising the business area is provided in the section "Our Climate Roadmap" of this Transition Plan.

Luminor has approved several targets to support transition to low carbon economy linked to our ESG activities. The targets aim to support not only emission reduction, but also our growth. All Luminor ESG targets are provided in Luminor Sustainability Statement.

TRANSITION APPROACH

Luminor will take a systematic and data-driven approach to transitioning to a net zero future, starting with a comprehensive assessment of the bank's current carbon footprint. Detailed data will be collected and analysed for this, using climate modelling and scenario analysis to estimate the future impacts and risks under different climate scenarios.

Luminor expects global efforts to mitigate climate change will continue and will drive regulation and market conditions, and we expect that investments in green technologies and sustainable practices will benefit businesses, mitigating business risks and giving additional financial gains.

Luminor's transition plan is regularly reviewed and adjusted to reflect climate science, policy changes, shifts in markets and technology, and new data on the GHG emissions financed.

FREQUENCY OF REVIEW OF TARGETS

Targets are reviewed at least once every three years to align with Luminor's strategic planning cycle and decarbonisation action plan cycle. This schedule with additional annual reports on GHG emissions means any deviations from the planned objectives can be identified and fixed quickly.

OUR CLIMATE ROADMAP

OUR PRIORITIES

1. Be committed to sustainable growth and achieving ESG targets
2. Be recognised as a positive contributor to the Baltic societies
3. Become climate neutral by 2050 and increasingly able to decarbonise our business

Luminor's climate strategy sets ambitious emissions reduction targets that are aligned with global climate goals. Luminor rigorously assesses its own carbon footprint and discloses the findings. Within the climate transition plan we are planning to introduce sustainable finance solutions, and we will leverage our financial expertise and industry influence to accelerate the transition towards a low-carbon economy. Luminor fosters an internal culture of sustainability by integrating climate risk and ESG issues internally and we will focus jointly on decarbonising our own activities and helping to decarbonise the whole economy by promoting decarbonisation awareness among and reporting transparently on our progress.

We must empower our clients in their sustainable growth journeys through the products we offer. Our objectives will only be achieved if our customers are also transitioning to low-carbon business models. The available products that can drive the transition towards a low-carbon economy at the end of 2024 were:

Corporate lending	**Retail lending**
• Loans given jointly with the European Investment Bank to small and medium-sized enterprises to help them make the green transition by offering pricing incentives for investments that help reduce their CO_2 emissions, including financing for low emission transport • EBRD eligible financing for renewable energy projects and construction, and for purchases of highly efficient buildings and properties	• Financing at reduced interest rates for EVs, hybrid vehicles and low emission vehicles • Financing to improve the energy efficiency of residential buildings

REDUCING OUR OWN EMISSIONS

To reduce the GHG emissions from our own operations, we have defined a roadmap for emissions reduction. Clear measures have been defined for Scope 1 and Scope 2 emissions. For Scope 3 emission reduction, the identified potential measures will need further assessment and piloting. During 2025, we aim to develop new targets and a prioritized plan that is integrated with our Financial Plan for the reduction of our operating emissions beyond 2026 for main emission sources.

Scope	**Measures**
1	We will use **renewable electricity in all our facilities by 2025** where possible, reducing our emission generation from electricity use to zero
2	We will **replace our Luminor vehicles with EVs**. We will place charging stations that use renewable energy in our main buildings, so the emissions from EVs fuelled by renewable energy will be zero
3	We will assess and prioritize Scope 3 emissions reduction initiatives that will be detailed and defined further in a separate roadmap.

REDUCING THE FINANCED EMISSIONS

Reducing the emissions we finance is a central element of Luminor's commitment to sustainability. We will actively decarbonise our lending and investment portfolio and we will not finance companies in high-carbon industries like coal and oil unless the company has a transition plan in place or is committed to establish such within a year. We aim to develop and offer our clients the financial products and advisory services they need to reduce their carbon footprints and will continue considering the climate and environmental as well as social risk in our decision making and client engagement to make financing decisions that promote long-term sustainability and resilience. This will drive systemic change across the local economy.

To achieve the targets, we have defined roadmaps for a gradual and systematic transition to a low-carbon economy through our credit portfolios. The roadmaps are split into phases to enable us to adjust the targets and actions according to our own maturity as well as according to the gradual implementation on the market of the regulatory driven expectations:

- Phase 1 until end of 2026
- Phase 2 for 2027-2030
- Phase 3 for 2031-2035

The roadmaps should be revisited and refined before each new phase using the latest scientific, technological, regulatory and market developments together with the empirical insights Luminor has gained in the previous phase.

Credit portfolio	Measures
Product measures	
Corporate	Support renewable energy projects and low carbon emission infrastructure.
Corporate	Support industrial energy efficiency improvements, through machinery upgrades, improvements in process efficiency, and renovation of real estate
Corporate, Retail	Inform and train Luminor employees and clients about climate change, decarbonisation, and transition planning
Corporate	Support customers in transitioning their commercial and light vehicle fleets to low-emission alternatives.
Advisory measures	
Corporate	Increase advisory skills to support customers in developing their transition plans and in effectively reducing their GHG emissions
Corporate	Develop transition products to support our corporate customers in reducing their Scope 1 and Scope 2 emissions
Retail	Improve data, especially relating to reported buildings energy efficiency certificates and primary energy demand.
Corporate, Retail	Develop a decarbonisation roadmap for decarbonisation actions beyond 2035

REDUCING THE SUSTAINABILITY IMPACT OF OUR INVESTMENT ACTIVITIES

To reduce the ESG risks of our clients' investment portfolios, we integrate sustainability risks in the investment decision-making process, helping make the financial system more sustainable. We act transparently by reporting regularly on the principal adverse impacts of investment decisions on the sustainability factors of the clients' investment portfolios. We may also divest from investments that do not meet our baseline sustainability requirements.

EXCLUSIONS AND LIMITS

Exclusions and limits apply to sectors and activities that are deemed high-risk, and common exclusions are for industries in fossil fuel extraction such as coal mining. There may be exceptions for companies that have committed to a target of net zero by 2050 and have a transition plan in place to get there as well as companies committed to create a Transition Plan within twelve months of loan issuance. The Exclusion List also bans companies or individuals that violate human rights, support terrorism, or manufacture controversial weapons, vaping or tobacco products, regulated wildlife products, or any illegal product or activity.

ADVISORY AND TOOLS

To make the move to a low-carbon economy, we need to support our customers in their transition to low carbon economy. We will spread information about the transition and the increase in resources for it through the Transition Advisory Resource and Competence Centre (TARCC). Luminor will develop the TARCC to support the development of transition products, improving the knowledge and skills of our employees and of our customers, and developing the resources needed. The entire focus of the TARCC will be building the capabilities of our organization and customers for supporting the transition to a low-carbon economy and reaching our decarbonisation goals.

TRAINING

The training modules that Luminor runs for ESG, and Climate and Environmental risk play a crucial role in equipping our staff with the knowledge and skills they need. They typically cover topics like understanding the principles of climate change, sustainability and ESG, integrating sustainability into financial decision-making, and assessing climate-related risks and opportunities.

Dedicated training modules for transition planning are being developed and practical training may include scenario analysis for climate risk, evaluating the impact of sustainable investments, and engaging with clients on sustainable finance solutions. Training also emphasises regulatory compliance and evolving standards in sustainable finance.

ENGAGEMENTS

Working with stakeholders across sectors is also a key part of Luminor's climate strategy, and we are forging partnerships with governments, NGOs, and academia. The table below summarises the main organisations that Luminor is part of or is partnering with to drive changes either in our own operations or more widely.

Cooperation partner	**Country**	
PCAF	Pan-Baltic	The Partnership for Carbon Accounting Financials is a global initiative that helps financial institutions measure and disclose the GHG emissions associated with their loans and investments.
LAVA	Lithuania	LAVA is an organisation that fosters a sustainable business ecosystem by connecting companies, organisations and sustainability experts to promote and develop sustainable business practices.
Rohetiiger	Estonia	The Green Tiger is a cross-sector collaborative advisory and teaching platform for building a sustainable economy without harming society or the environment.
CSR Latvia	Latvia	CSR Latvia is a non-governmental organisation that connects different types of businesses, other NGOs, educational institutions, and individual members who want to make an impact through Corporate Social Responsibility initiatives in businesses to achieve sustainable development goals.
Negavatt	Estonia	Negavatt is a green accelerator programme aimed at young people to help them bring their ideas to life.
Digiklase	Lithuania	Digiklase is a platform for online training plans and classes. The platform provides individual tutors, classes and blog posts.
NULA	Estonia	The NULA incubator is a development programme created by the National Foundation of Civil Society (NFCS) to offer support for smart, effective, and innovative ideas that resolve acute problems in Estonian society.

GOVERNANCE

ROLES AND RESPONSIBILTIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY COUNCIL

The Council plays a crucial role in setting the strategy, overseeing ESG integration, approving the Sustainability Policy, and overseeing ESG reporting and risk management.

Approving the Sustainability Policy and Strategy. The Council approves the Sustainability Policy, outcome of double materiality assessment and strategy that the Board proposes and reviews updates to them and monitors them, and it sets sustainability targets as part of the sustainability strategy.

Monitoring ESG Impacts, Risks and Opportunities. The Council approves and monitors the risks, impacts, and opportunities of the environmental, social, governance facets of our operations.

Integrating ESG into Governance Structures. The Council ensures that responsibility for ESG risk drivers is integrated into the organisational structure and governance frameworks.

Approving ESG Reporting Standards. The Council oversees the ESG double materiality assessment and approves the outcomes. This determines the reporting standards and sustainability statements that are part of our sustainability reporting.

The Board integrates responsibilities for ESG risk drivers into our governance structures, regulations, processes and risk management framework. It identifies, assesses and recommend to the Council for approval the impacts, risks and opportunities of ESG factors and it oversees the double materiality assessments to identify ESG issues. It proposes the Sustainability Policy and Strategy to the Council for approval and oversees the reporting of ESG matters to the Council. The Board ensures the organization has the right resources and capabilities to achieve strategic priorities and execute the strategy effectively.

Luminor aspires to the highest standards of ethical and professional conduct, and the Council approves and oversees the Code of Conduct, which reflects our ethical principles, behavioural standards and values. The Council also oversees the internal control system and exercises control over management of anti-bribery and anti-corruption risks.

Luminor places strong emphasis on our senior management knowing about and understanding ESG, and it is imperative that our Council and Board members are thoroughly informed about sustainability matters.

STAKEHOLDER ENGAGEMENT

Stakeholder input is important for our business operations and our ESG Double Materiality Assessment (DMA) process helps us identify areas of disclosures and gaps where additional policies, targets and actions are needed.

FUTURE OUTLOOK

The success of Luminor's transition plan hinges on how well we and our customers can embrace sustainable practices, innovate, and adapt. Integrating robust ESG criteria into our operations and financing decisions means we can not only mitigate risks but also identify new growth opportunities. By leveraging innovation and stakeholder collaboration, Luminor's transition plan not only mitigates the risks associated with unsustainable practices but also lays a foundation for sustainable growth and for gaining a competitive advantage in the global marketplace. We are still in the early stages of our journey, but we are confident in our abilities, and we are fully committed to achieving our targets. Our ambition is to help our customers transition while also achieving a sound transition ourselves at Luminor.