



21

2021

**NON-FINANCIAL
DECLARATION**

INTEGRAL PART OF THE ANNUAL FINANCIAL
STATEMENTS 2021
EUROBANK BULGARIA AD
31 DECEMBER 2021

30 YEARS
 **Postbank**

BUSINESS MODEL

Detailed information regarding Postbank’s business model, objectives, structure and products is presented in the Corporate Governance Statement and the Annual Activity Report.

ENVIRONMENTAL POLICY STATEMENT

Postbank Bulgaria believes that environmental responsible action is an essential part of sustainable business growth. As a financial services institution, Postbank acknowledges the impact on the environment from its operations and seeks efficiency in the use of natural resources, as well as minimization of waste. It also recognizes indirect impacts stemming from lending and investment activities and from relationships with its stakeholders and society at large.

Postbank is committed to assess the environmental impact of its activities, set appropriate objectives and targets, continuously control and improve its environmental performance and comply with the local national and international environmental laws and regulations.

Postbank believes that environmental management is an integral part of an enterprise’s proper and socially responsible behavior. To this end it pursues responsible environmental attitude towards its shareholders, employees, clients, suppliers and society at large, by implementing sound environmental practices, whilst promoting economic growth.

1. Postbank environmental management overview

Today’s world is facing the phenomena of pollution and climate change. There is hardly any individual or organization who would doubt the importance of managing the consequences of the changes pollution and climate change create in the environment, and of coming up with the proper means to curb them.

There are two main types of environmental aspects of the activity of an organization – direct and indirect, and they lead to the manifestation of two corresponding types of impacts. The direct impacts on environment originate from the operation of a company (operational footprint), while the indirect stem from the products and services the company offers.

Banks do not directly impact the environment to a large extent since their consumption of energy and other resources is minor on the background of other industries. They, however, could contribute significantly to the effort to save the environment through selective lending practices as well as through the implementation of environmental risk management in their loan portfolios. Apart from that, banks could serve as a good example to society taking care of how internal resources are used.

Postbank is committed to actively manage both its direct and indirect environmental impacts on the environment. For that matter it has established Environmental and Sustainability Committee, Green Board and Environmental and Social Affairs Coordinator in its organizational structure, which are in charge of implementing the environmental policy of the Bank.

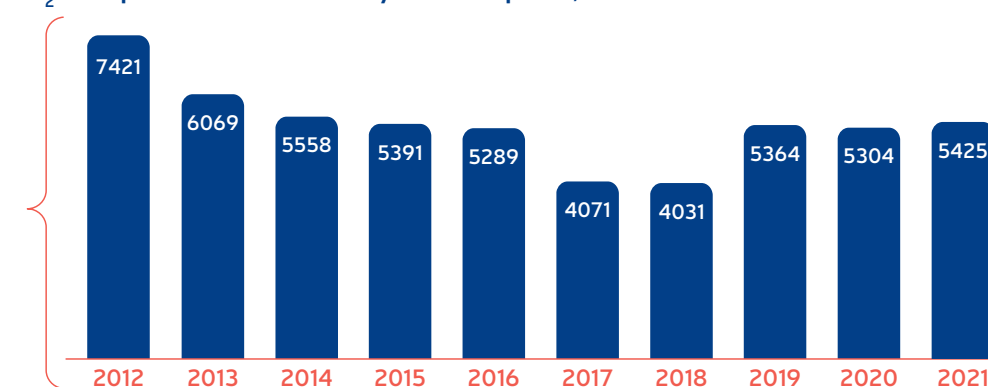
2. Resource consumption management at Postbank

Postbank have analyzed the materiality of its direct impacts on climate change and the environment and have identified three areas in which to concentrate systematic efforts to manage impacts – CO₂ emissions from electricity consumption, and the use of paper and water.

The outcome of the analysis on 2021 data is presented in Fig. 1, 2, and 3 below through three selected

environmental indicators. These indicators are presented in dynamics for a period of 10 years spanning 2012-2021, and they reveal the trends of internal resource use as a result of the various initiatives that the Bank has been undertaking in order to manage them.

Fig 1. Postbank CO₂ Footprint from Electricity Consumption, 2012-2021

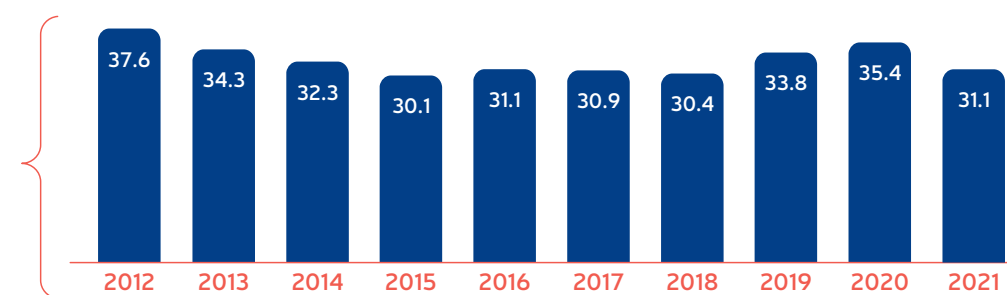


Source: Environmental Office calculations based on Premises Department data

As evident from the chart presented in Fig. 1, CO₂ emissions from electricity use in Postbank have slightly decreased –37% when compared to the base 2012 year.

The data on paper consumption are presented on Fig 2. They show that the Bank has consumed 14% less paper in 2021 YoY. This is mainly a result of the various very successful digitalization projects and the dedicated efforts to decrease internal use of this resource. Compared to the base 2012 year, the decrease is even larger: 21%.

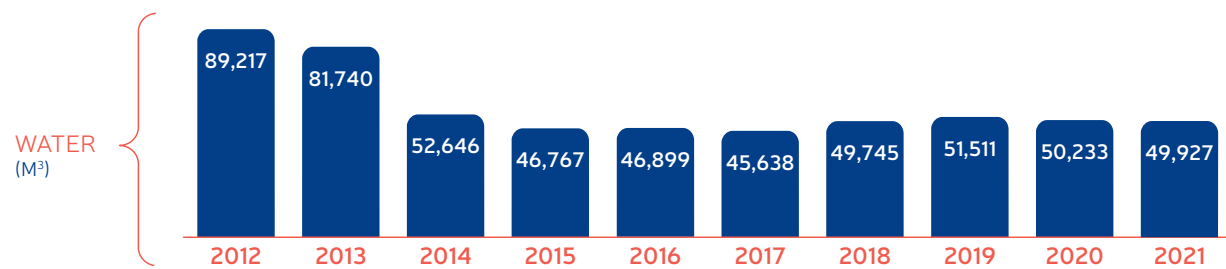
Fig. 2 Paper Consumption in Postbank, millions sheets of paper, 2012-2021



Source: Environmental Office calculations based on Administrative Department data

Water consumption for office needs has shown a slight decrease of 1% in 2021 YoY. Data are presented on Fig. 3 below. The analysis of the data on water consumption for the past 10 years shows that it has been decreased almost 100 % and for the past several years it has stabilized, revealing that the current level is most probably the optimum one.

Fig. 3 Water Consumption in Postbank, m3, 2012-2021



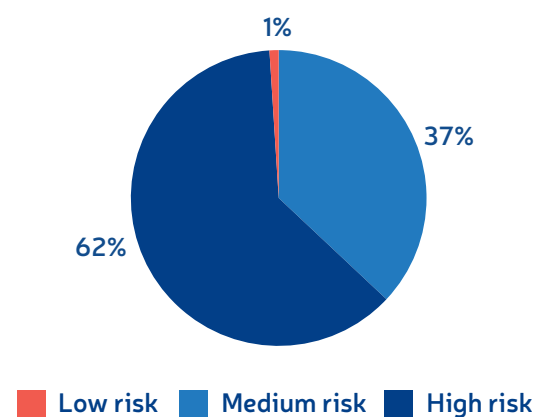
Source: Environmental Office calculations based on Premises Department data

3. Climate-change related, environmental and social risk management in lending

Apart from the direct aspects and its impact on society, Postbank is continuously investigating the indirect environmental aspects from its operations. These are related primarily to its corporate and small and medium enterprises loan portfolio. In this area, Climate Change-Related, Environmental and Social Risk Management Procedure is implemented to ensure that lending is provided accounting for the risks for the climate, the environment and society. The Bank encourages green businesses indirectly through the implementation of this procedure. It prescribes the particular methodology which is followed to ensure that environmental and social risks are evaluated and monitored in the loan approval and subsequently monitoring process.

The data on the distribution of environmental and social risk across the corporate and small and medium enterprises loan portfolio are presented in Fig. 4 below. They show that a significant number of the deals in this portfolio, 37%, have low environmental and social risk, 62% have medium risk, and only 1% are characterized by having high such risks.

Fig. 4. Distribution of Levels of Environmental and Social Risk in the Commercial Loan Portfolio of the Bank



Source: Environmental Office calculations based on Corporate banking and Small Business banking divisions data

Postbank views responsible relationships with its clients and customers as instrumental for working LChange-Related, Environmental and Social Risk Management Procedure of the Bank. It is applicable to all small business and corporate clients.

According to it, all commercial deals are evaluated based on how the applicants are dealing with climate change-related, environmental and social matters in their operations. The Bank appraises each such deal based on a number of both quantitative and qualitative environmental, climate-related and social criteria, part of which are then input in an automated scorecard. The aim is to ensure that the customer demonstrates high awareness of the related matters and is making his best efforts to act accordingly.

An important part of the evaluation process includes requesting the customer to fill in a short questionnaire with qualitative questions on how his business activities relate to the environmental, climate and social considerations. This questionnaire is completed by the customer with the assistance of the bank employee in charge of him so that exchange of information could take place as to what the needs of the customers are and how the Bank could meet them.

As a result of the application of the procedure and the automation of the process, deals are being monitored for their environmental, climate-related and social aspects on an annual basis and, if necessary, remedial actions could be requested from the client so that proper management of associated risks is ensured.

Apart from risk management, during the reporting period Postbank formalized the steps that need to be taken inside the bank in order for green banking products to be launched. The Bank intends to encourage the creation and spread of green products that could meet the demands of its customers, which will lead to more sustainable relationships them.

The bank is proactive towards its clients by proposing them green products so that they could benefit from such opportunities. In the reporting period, a structured deposit product INDEX Climate Change has been introduced that allows for receiving income from the dynamics of the index. The bank is planning to expand its green products portfolio in the coming years.

During the reporting period all corporate banking staff as well as small business banking and finance management staff have undergone training in climate-related, environmental and social risk management principles and in the application of the respective Procedure at the bank. Within this period one presentation dedicated on the EU Green Deal impact on banking was presented at an Executive Committee meeting, and a training dedicated to the same topic was done for the Management Board and Supervisory Board members.

The EU Taxonomy (Regulation (EU) 2020/852 of the European Parliament and of the Council) is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes. The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy.

For an economic activity to be defined as environmentally sustainable under the Taxonomy, and thereby classified as aligned with the Taxonomy, it must meet the following criteria:

1. making a substantial contribution to at least one environmental objective
2. doing no significant harm to any other environmental objective
3. complying with minimum social safeguards
4. complying with the technical screening criteria

The Taxonomy is currently limited to the classification of environmentally sustainable economic activities. However, work is ongoing at the EU level to review whether the Taxonomy will be expanded to classify e.g. social sustainability and activities that could cause significant harm to the environment.

Non-financial declaration

The year 2022 is the first year that NFRD undertakings, including the Bank, are reporting according to the Taxonomy. For financial undertakings, according to the Art. 10 of the same Delegated Act, the transitional rules for the period from 1 January 2022 until 31 December 2023 are limited to the reporting of the extent to which their customers and counterparties' activities are Taxonomy-eligible as well as information on assets that cannot be assessed under the Taxonomy Regulation, e.g. derivatives.

The Bank has calculated the data needed for the requisite disclosures based on the EBA's recommendations and the European Commission's FAQs and used the FINREP reporting format. "FINREP" is the required format of reporting based on the Regulation (EU) No 575/2013 of the European Parliament and of the Council Regulation (EU) No 575/2013 (CRR) and Regulation (EU) No 680/2014. A conservative approach was utilized in the analysis: if insufficient data is available to assess counterparty's eligibility, the Bank considers it as non-eligible.

The reported KPIs are included in the table below:

Taxonomy KPIs	
Taxonomy-eligible assets/ Covered assets	27.1%
Taxonomy non-eligible assets/ Covered assets	72.9%
Non-NFRD counterparties/ Total Assets	26.7%
Derivatives, hedge accounting / Total Assets	0.0%
Trading and On-demand interbank loans/ Total Assets	1.2%
Central governments, central banks, supranational issuers/ Total Assets	24.9%

Taxonomy-eligible assets include residential and commercial real estate mortgages towards households and non-financial corporations (categories according to FINREP).

Covered assets include financial assets at amortized cost, financial assets at FVOCI, financial assets at FVPL, repossessed collaterals by the Bank. Total covered assets do not include exposures to central governments, central banks and supranational issuers.

The exposure to undertakings that are not subject to NFRD has been identified excluding the counterparties that are subject to NFRD from the total asset of the Bank.

Central governments, central banks, derivatives, trading positions and on-demand interbank loans have been identified according to FINREP.

The Bank will continue developing its environmental management strategy by closely monitoring ESG and climate change regulatory and market developments, identifying and exploiting areas of most significant positive and negative environmental and climate-change impact of its operations and building strategic business opportunities in relation to the increase of positive impacts and reduction of negative impacts.

4. Fines, sanctions or cases brought through dispute resolution mechanisms

In 2021 Postbank had no fines, sanctions or cases in the area of environmental management.

SOCIAL MATTERS AND MATTERS RELATED TO THE EMPLOYEES

1. Number of employees, gender distribution by areas of occupancy

Sustainable Postbank policy is to treat all the employees equally, irrespective of gender, nationality, age or other traits. The Bank aims to build and develop relationships of mutual trust and respect.

The distribution of employees by gender and age group is presented in the table below.

Fig. 5 Employee distribution based on gender and age group in 2021

Under 25 years		25-34 years		35-44 years		45-54 years		over 55 years	
Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
82.00%	18.00%	75.22%	24.78%	77.03%	22.97%	79.11%	20.89%	79.85%	20.15%

Postbank gives equal opportunities to its employees and values their talent and innovative ideas. Everyone receives remuneration depending on the contribution and the level of responsibility that are determined by the occupied position and the labor market.

Staff distribution by positions and gender is presented in the table below.

Fig. 6 Distributions by areas of occupancy and gender for 2021

	Specialist positions	Expert positions	Managerial positions
Female	91.78%	72.33%	57.52%
Male	8.22%	27.67%	42.48%

2. Development of the Human Capital

Human capital is a key factor in any organization's success. Postbank's management shares the belief that taking care of its employees, their development and motivation is essential for the achievement of both short-term and strategic goals of the organization.

Dynamic environment and intense competition on the banking market impose ambitious and multidimensional requirements to the management of human resources. They are related from one side to the capability to select the right people for appropriate positions, to be ensured effective trainings in order quickly to develop all the necessary professional skills, and from the other - to develop and motivate talents within the organization.

The successful recruitment process is highly important for having qualified and motivated human capital. Therefore, as it has been so far, this process complies with high professional standards of accuracy, transparency and objectivity. The selection process took place entirely online, and providing a good digital experience to applicants became the main task for all the participants in the process.

The opportunity for professional development and providing professional training to employees is

focus of the Bank and one of the most powerful means to achieve its strategic goals. Considering the change related to the epidemiological situation, the approach and the way of training of the employees has changed, but what has remained unchanged is the emphasis on connecting the theoretical training with the real practice.

During the pandemic, in an effort to support people's professional and personal development, we have provided an opportunity for all our employees to enroll in e-learning trainings and to develop their skills. Given the changed situation, we revised and adapted the training program for newly appointed employees, paid special attention to the practical part of the training and to the opportunity to work in a real environment under the supervision of the coach, we added the support of a Mentor.

Human Resources Department contributes to the success of the Bank by creating and maintaining the environment, strengthening the achievements of the employees and directing them to continuous improvement of their qualification

Staff Development Processes and the Talent Management Program were launched in stages and the processes include four main stages:

- People Mapping - employee segmentation and talent identification
- Succession Planning - supporting business continuity and sustainability, building the next generation of leaders
- Evaluation for development - tools for identifying strengths and areas for development
- Employee development activities - development programs, trainings

The processes cover the entire branch network and strategic units in the head office. We have launched: BRANCH MANAGEMENT ACADEMY, Mentoring Program – POSTBANK BOLD Mentoring, MBA Essentials Program and Leadership Development Program. The feedback on the different levels is of particular importance and we seek the views of staff on all stages of the programs.

Through RPA technologies and digital solutions we facilitate the work of employees, but we rely on their unique human skills, which no machine can replace. We involve them in teambuilding, internal and volunteer initiatives.

The Bank's focus is on a wide range of activities to optimize the work environment, continuing professional development and training, engaging employees in corporate social responsibility projects with high added value for society.

In 2021, Postbank retained its place among the best banks in the world, and for the fourth consecutive year was awarded the „Best Bank in Retail Banking in Bulgaria“ by the World Finance Banking Awards. Mr. Dimitar Shumarov, Chief Financial Officer and Executive Director of Postbank, was awarded „Banker of the Year“. Among the numerous awards of Postbank in 2021 are also: the award „Bank of the Year“ in the annual awards „Company of the Year“, the award for „Efficiency“ from the Bank of the Year Association, award in the category „Innovation“ of the competition „Mr. and Mrs. Economy“ of KRIB and magazine. „Economy“, „Green CSR campaign“ 1st place in the competition „The greenest companies in Bulgaria“

As a leading employer that evaluates its success through the satisfaction of its employees, Postbank has always strived to develop the skills of the people in the team and to provide an environment for the development of their potential. Thanks to its active policy in this direction, the financial institution received for the third year the award „Best Employer of the Year“ at the Employer Branding Awards

2021 organized by b2b Media, winning first place in the category „Employer Branding Innovation (in Pandemic Times)“ - 2021. The bank's talent management strategy won recognition from the leading awards for the best employer Career Show Awards 2021.

The financial institution is the first company on the Bulgarian market to add to its portfolio of digital solutions the mobile application Digital Office for fast and easy internal communication with its employees. We also created the Postbank Dream Team - a new internal site dedicated to the Bank's team, which is a tool for recognition, commitment and additional motivation for employee development. Via the internal e-bulletin, distributed weekly by e-mail, the important new information, relevant to staff members is instantly communicated to all employees.

Postbank actively works in support of building and maintaining a strong employer brand of the company and to enhance organizational performance in the key areas of employees' engagement, recruitment, retention and talent acquisition, as well as to maintain a supportive and trustful working environment, resulting in motivated and committed employees and loyal and satisfied customers.

3. Trade Unions, Compensations and Social Benefits

Postbank is aware of the social impact of its position as a major employer and is determined to provide its staff with various compensations and social benefits. In this context, the Bank has implemented and strives to extend a consistent policy of providing support human additional benefits to its workforce and of applying strict health and safety standards at the workplace. The Bank provides various forms of support for ad hoc cases. All employees of the Bank are provided with an additional health insurance in a private fund fully covered by the employer. The additional insurance provides for medical treatment costs and can be extended to employees' family members at preferential terms upon choice. The Bank provides its staff with an additional life insurance, covering the expenses upon occurrence of an insurance event as well as an additional pension insurance scheme for employees with longer service with the Bank. Moreover, the opportunity to use the Banks' products and services at preferential terms is a significant benefit for Postbank's employees. These include housing and consumer loans, credit cards, overdrafts, online banking.

Postbank continues with its internal donation platform for supporting colleagues in need, called TOGETHER. This is a fund raising charity program of the Bank planned as one of its main long-term projects which aims to upgrade the ongoing efforts to develop loyalty and employee care. The idea of the platform is to create solidarity among colleagues and to be a working mechanism for financially helping employees with serious health problems.

There are no trade unions in the Bank.

4. Performance Management Policy and Procedure

The Bank's commitment to employees' personal and professional development is one of its major values. In this respect, every year each employee' personal performance is evaluated during the annual performance appraisal process, which supports their further purposeful skill development.

Performance management procedures guarantee transparency and equity. Every employee is assessed regardless of their position, having in mind employees' responsibilities and tasks. Moreover, the system assesses not only task performance, but also the way they have been fulfilled, which improves the communication between the evaluators and the evaluated, and encourages employees' personal and professional development.

The system guides employees to the business spheres where their skills and potential will be of the highest value and, at the same time, encourages them to achieve their professional goals.

In addition to the performance management system, for first time, for a group of key employees in the bank, 360 Feedback was applied, which is an opportunity for employees to see each other from the side, through the assessment of their performance made by colleagues who are familiar with their work at several levels. This process usually involves direct subordinates, colleagues, line managers. The results of the information gathered provide a better idea of their strengths as managers, as well as the areas that need development.

5. Health and Safety at Work

The success and productivity of a business relies on the efficiency of its employees. This is why ensuring healthy and safe working environment for each employee is the basis for health management at the Bank. Postbank not only strictly adheres to all safety standards prescribed by the labour legislation, but also undertakes additional actions to protect its employees' health. These initiatives are the result of the Bank management's belief that the creation of a safe and healthy work environment is a prerequisite for better employee motivation and conditionality and greater competitiveness.

Postbank works in close cooperation with a labour medicine service to ensure the safety and health of its staff during work. A joint assessment is made of the risks for the staff's health and safety, including assessment upon changes of labour conditions at the workplace and upon introduction of new technologies. All Postbank's employees are represented on the Health and Safety Committee – a centralized committee based in Sofia which is responsible for the Bank's head office and branches. Related to the Covid pandemic situation we conduct a regular disinfection of office spaces, according to the requirements of the Ministry of Health.

6. Human Rights matters

Postbank opposes to any form of discrimination, inequality or human rights violation as it recognizes and promotes individuality. All the Bank's policies, procedures and human resource management practices are governed by respect for human rights. This ensures that there is no place for discrimination, while diversity is recognized and promoted. Postbank fosters business ethics and excellence, transparency, human rights and accountability. Mutual respect and dignity are core priorities and essential elements in Bank's Code of Conduct. In its selection of suppliers, the Bank aims at ensuring complete respect of human rights in those companies.

In 2021, the Bank implemented a number of socially significant projects in the field of education, environmental protection, sports and corporate charity. Postbank is an active member and works in support of initiatives of CEIBG, AmCham, NVSV, Association of Banks in Bulgaria, Borika AD, Association "Endeavor Bulgaria", the Bulgarian Forum of Business Leaders, the Association "Bulgarian Donors' Forum", Atanas Burov", the Bulgarian Network of the UN Global Compact, the Bulgarian Association of Advertisers and the Bulgarian Fintech Association.

In addition to its core business, Postbank continued to focus on the needs of the local community, supporting programs and initiatives in conjunction with established institutions and organizations. The Bank strives to educate both its employees and consumers and the public in a responsible attitude to everything that surrounds us. It aims not only to create competitive advantages by incorporating increasing added value into the products it offers, but also to reduce its negative impact on the environment by using every opportunity to contribute to nature conservation.

The education of children and young people in Bulgaria has always been part of the developed and supported projects for corporate social responsibility of Postbank. Therefore, the Bank continued to develop its joint project with SoftUni in support of Bulgarian education, which started in 2018. It includes various activities to prepare young people for the professions of the future and realization in Bulgaria. Through the strategic

partnership, the two organizations aim to encourage students to develop their potential as IT and digital leaders, prepared for the dynamically changing environment and new trends in banking.

In 2021 we proposed an innovative approach to cooperation between education and business - we launched a project with Sofia University to train future financial experts in the master's program at the Faculty of Economics „Finance and Banking“. Two separate modules - „Banking Management“ and „Investment Banking“ were developed by experts of the bank and over 20 key employees of the management staff became lecturers.

MATTERS RELATED TO ANTI-CORRUPTION AND BRIBERY

Eurobank Bulgaria AD has adopted a policy of zero tolerance against bribery. The internal policies and procedures in place aim to establish a robust internal system and controlling environment that minimize corruption risk and to set out a clear approach of action in certain risky situations.

The Bank's anti-bribery instruction expressly prohibits the direct or indirect participation in any corruption-related activities. The prohibition applies to all employees and persons acting in the name and on behalf of the Bank. It is the duty of all employees to be vigilant and to report any cases or attempts of such deeds, as well as suspicions of such.

UN GLOBAL COMPACT NETWORK BULGARIA

Postbank is an active member of the Bulgarian UN Global Compact Network as part of its purposeful support for initiatives for the benefit of society and the protection of the environment. It's participation in the organization's activity is another proof of the Bank's readiness to pursue a sustainable corporate policy that respects the ten universal principles for social responsibility and environmental protection of the Global Compact, namely:

Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: eliminate discrimination in respect of employment and occupation.

Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery

