



# **Banca Transilvania Financial Group: Environmental Policy**



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## **Introduction**

We are aware that the administrative activity of our day-to-day operations generates a negative environmental impact, especially through the consumption of materials, energy, waste, and emissions.

In addition, a significant proportion of the environmental impact is generated indirectly through the projects that Banca Transilvania Financial Group chooses to finance.

This policy supports our endeavours in improving the environmental performance, both in terms of our own activity and as regards the impact we have through our lending policies. It defines the approach to correctly manage the impact of our employees, suppliers, collaborators and our customers on the environment for a better environmental performance of Banca Transilvania Financial Group.

## Environmental commitments

Care for the environment and communities is a key pillar of our journey so far, as well as going forward: we have embedded this belief in our sustainability strategy and business strategy.

We commit to:

- ✓ Ensure compliance with national and international applicable legislative requirements related to environmental matters;
- ✓ Consider relevant needs and expectations from our stakeholders;
- ✓ Identify our negative impact on the environment from our day-to-day operations and strive to implement mitigating measures;
- ✓ Identify and improve our negative and positive impact we can have related to fighting climate change through our lending policies;
- ✓ Set objectives in both areas and monitor progress against them through a framework of relevant KPIs;
- ✓ Continue to communicate our environmental performance, internally and externally, in a transparent manner;
- ✓ Ensure innovation through employee awareness, training, involvement and knowledge-sharing mechanisms;
- ✓ Identify and implement opportunities to use resources efficiently, prevent pollution and minimize emissions;
- ✓ Minimize and properly manage waste;
- ✓ Implement an environmental management system.

## Environmental management system

### Administrative activity

The purpose of having in place an environment management system for our day-to-day activity is to improve the internal environmental performance within Banca Transilvania Financial Group.

This is achieved through the following measures:

- ✓ Implementing measures to reduce and efficiently use energy resources, both in practical and behavioural terms. The energy efficiency measures include:
  - exclusive use of energy-efficient electronic devices with high environmental standards;
  - perform regular energy audits;
  - use sustainable practices in the design and management of our premises, including certification of feasible real-estate properties as green buildings;
  - adopt a framework of procedures for the renovation and redesign of territorial units that includes efficient use of energy resources;
  - measure, optimize and monitor actions to reduce total energy consumption;
  - continue afforestation initiatives with the involvement of our employees and collaborators;
  - optimize fuel consumption of our car fleet.

- ✓ Minimizing greenhouse gas emissions.

Scope 1 emissions include emissions from fuel combustion in own equipment: gasoline and diesel for employee transport and natural gas for thermal plant combustion. Scope 2 emissions include greenhouse gas emissions resulting from the consumption of electricity purchased from the supplier. Minimizing greenhouse gas emissions is targeted when we:

- upgrade the heating-cooling systems in buildings;
  - replace old systems with new, more efficient ones, and
  - gradually replace the cars in our fleet with more efficient vehicles that meet the most effective pollution standards and with electric or plug-in hybrid cars.
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- ✓ Adopting a sound waste management process. Paper, plastic, electronic and electrical equipment, batteries and accumulators, lighting fixtures, printer cartridges, and household waste are the main materials included in the waste management process. Banca Transilvania Financial Group focuses on waste management methods, aiming to continuously update all processes in order to reduce the amount of waste generated, in particular by reducing resource consumption and by selective and efficient waste collection.
  - ✓ Reducing water consumption. In our daily activities, water is only used for sanitary purposes, in washrooms and kitchens. Banca Transilvania Financial Group focuses on reducing the consumption of this important resource.
  - ✓ Increasing awareness and knowledge of environmental matters within our team, by developing and promoting internal information materials on ecological footprint (best practice manuals, energy efficiency promotion guides). These will provide clear and simple measures to our employees for effective implementation of environmental measures.
  - ✓ Complying with the environmental legislation and regulations.

These measures are taken in all territorial and administrative units of Banca Transilvania Financial Group, as well as in all relevant processes. They are monitored and constantly reviewed and updated.

The Purchasing, Investment and Logistics Department is responsible for inventorying sources, metering, monitoring emissions, and reporting to the Board of Directors as well as

other departments so as to increase their efficient use and, implicitly, to reduce costs and diminish the negative impact on the environment.

Also, the responsibilities with regard to managing the environmental impact of the administrative activity include the approach to select the suppliers. By incorporating ESG aspects into the procurement methodology and regulations, external resources needed for our business are secured from appropriate sources that meet the conditions for collaboration, including ESG criteria.

The investments made by Banca Transilvania Financial Group in the premises where it operates take account of current regulations and environmental standards, thus contributing to a reduced negative environmental impact.

The logistics activity also coordinates the way documents are archived, aiming to reduce physical archiving as much as possible and promoting electronic archiving.

## **Environmental and social risk in lending policies**

The purpose of embedding environmental and social factors in the lending policies is to properly manage risks, especially those associated with climate change.

The environmental and social risk analysis is based on standards recommended by the EBRD and IFC (e.g. IFC's Environmental and Social Performance Standards), adapted to national specificities.

At the level of the entire Banca Transilvania Financial Group, an environmental and social risk management system is implemented, which applies to the entire portfolio, each

transaction being evaluated from the perspective of environmental and social risk-taking into account the following aspects:

#### List of exclusions

- EBRD reference list
- Environmental Risk List
- High environmental/social risk project checklist
- IFC performance standards
- National environmental, health and safety laws and regulations in force

The list of exclusions includes sectors that are not eligible for credit, regardless of the company's financial performance. Also, tobacco and alcohol production and trade are eligible sectors for financing provided that the maximum exposure per sector does not exceed 1% of the value of the entire portfolio. The list of exclusions is updated regularly.

At the level of Banca Transilvania, the environmental and social risk analysis and compliance with IFC/EBRD standards also exclude from financing investments in protected areas or areas that could potentially have a negative impact on the environment or communities, as well as on protected plant or bird species inhabiting the areas.

The analysis of environmental and social risks is carried out using specific assessment forms based on best practices in the field. In accordance with the provisions of the **Corporate lending policy**, Chapter Environmental, Social, and Corporate Governance Risk Analysis, any client/transaction will be analyzed with regard to the impact of non-financial factors on the business and the proposed transaction. Thus, the principles of responsible lending (financing that incorporates environmental, social, and governance factors in the credit and risk analysis) are applied to our entire loan portfolio, differentiated on proportionality criteria.



Starting June 2021, Banca Transilvania applies the EBA guidelines on loan origination and monitoring, which introduces the mandatory inclusion of environmental, social, and corporate governance (ESG) factors in credit and risk analysis.

The internal regulatory framework is regularly updated to introduce the provisions of the new guidelines and recommendations followed by the team of specialists in the headquarter. Equally important is the building of our team's competences by developing the skills regarding social and environmental risk analysis, transition risk, climate change adaptation and mitigation concepts etc. This is meant for both the staff who have direct contact with customers as well as for the back-office staff who participate in the analysis of credit applications.

The Department for ESG Risk Analysis has significant tasks related to environmental and social issues: drafting the environmental policy, conducting E&S risk analysis for corporate clients, providing support and advice to colleagues in branches, departments or subsidiaries, assessing E&S risk for financing, categorizing client activity by risk level and establishing mitigation measures, monitoring environmental and social incidents reported by clients. Thus, dedicated support is available to all credit risk analysis departments with financing approval tasks.

## **Green and impact financing**

Banca Transilvania is an early joiner of energy efficiency programs rolled-out by reputed international financial institutions. Banca Transilvania Financial Group consolidates the knowledge and expertise gathered during these programs to enhance the environmental performance of its loan portfolio, through the following measures:

- ✓ Identifying key area of interest:

- projects for renewable energy production and distribution
  - supporting companies of all sizes for higher energy efficiency, especially in the current national and global context;
  - allocating capital to the area of sustainable mobility and transport and related projects (charging stations, etc.);
  - crediting climate change adaptation projects;
  - supporting projects that generate efficiency in terms of water consumption and quality;
  - financing real-estate green building projects;
  - financing special environmental transactions.
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- ✓ Using dedicated platforms to identify green loans. The process of analyzing eligible projects involves the classification in a potentially eligible category: adaptation to climate change, energy efficiency, green buildings, renewable energy, transport, water efficiency, etc.. The analysis is then carried out either on the basis of a pre-established algorithm or by a group of specialists (internal / external), depending on the characteristics of each project, able to determine whether a loan granted can be considered a green loan;
  
  - ✓ Developing green financing products and use of responsible marketing campaigns to promote them;
  
  - ✓ Building internal competences and ensuring proper support for green loans and, more broadly, for impact financing. This is the responsibility of Green and Sustainable Lending Department that provides support in coordinating the process of consulting, loan origination, and management of projects funded by various European or governmental programs and green projects. This structure supports and implements the strategy in the green lending sector, aiming to consolidate green loan portfolio,

while maintaining the sector dispersion principles and conservative credit risk approach pursued in Banca Transilvania Financial Group. Responsibilities include:

- Identification of potentially green loans;
- Promotion of financing alternatives for various green and sustainable investment projects;
- Development of green and sustainable products;
- Management of specific training programs.

## **Sustainability governance. Responsibilities**

The General Meeting of Shareholders (GMS) is the authority that ensures Banca Transilvania's strategic management, being responsible for the definition of the strategic organizational objectives and the allocation of the resources required for the achievement thereof, through the income and expenditure budget for the next financial year and the activity program, including sustainability initiatives.

The duties of the members of the Board of Directors (BoD) expressly include, through the Rules of Organisation and Administration (ROA), the supervision of the implementation of and compliance with high sustainability standards (ESG), both in terms of lending activity and in day-to-day business. At the Board of Directors level, BT Group's sustainability strategy is set for a horizon of at least three years, in close correlation with the business strategy. Specifically, the Chairman of the Risk Management Committee has ESG responsibilities, overseeing the implementation of the ESG strategy at the bank level, as well as at the BTFG level and the alignment of risk management policies with ESG standards.

At the same time, the organizational regulations state that the Audit Committee is responsible for verifying compliance with internal regulations on ESG standards, while the Remuneration and Nomination Committee approves remuneration and nomination policies

in line with ESG principles and standards. Similarly, the Risk Management Committee is also empowered to align sound risk management policies with ESG standards.

At the executive management level, the Deputy General Manager of Financial Institutions and Markets is responsible for coordinating the implementation of the ESG strategy at the level of Banca Transilvania, as well as at the level of GFBT through the Subsidiaries Direction, in collaboration with the departments involved in this process:

- ✓ SME and Mid-Corporate business lines
- ✓ Retail Banking business line
- ✓ Large Corporate business line
- ✓ Support structures: risk administration and compliance, finance, corporate governance, human resources, procurement and logistics etc.

At the Bank level and covering the whole spectrum of activities, representatives of these structures form an internal working group coordinated by the Deputy General Manager of Financial Institutions and Markets.

The working group meets regularly to implement the Bank's ESG strategy and promotes good interdepartmental collaboration, shares knowledge, reviews initiatives etc.

## **Reporting and monitoring**

Reporting against progress is monitored regularly, at least bi-annually, by the internal working group, either through the Sustainability Report, through reports prepared to comply with the legislative and regulatory requirements or thorough internal management reporting.